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UK operators flee public sector care

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Large operators are planning to exit swathes of the UK public-paid for care sector because tariffs are too low.

There is now a long list of operators who are said to be planning to sell care arms. Care UK plans to sell its homecare arm, its mental health and its disabilities divisions. The Priory wants to sell its Amore elderly care home chain of 43 units and Saga wants to sell Allied Healthcare, the part of its homecare arm that is publicly funded. Bupa has long stated that tariffs are so low that it is all but impossible to provide decent levels of care and make money.

Saga stated in its strategic review that the sale of Allied, which Saga took over in 2011, is an attempt to focus on privately paid homecare. Director of communications Paul Green stated, "Saga works best when dealing directly with the consumer, not with local authorities and the NHS. Whilst we believe Allied is the best in its class, we think it is best that they have new ownership." Saga is yet to appoint any banks but Green said to expect the sale by the end of the year.

Both Priory and Care UK have dismissed the claims as speculation.

One of the problems in residential care is that low occupancy rates rapidly destroy profitability.

Just who would want to buy these businesses is unclear. The real problem with nursing homes is outside the southeast. In southeast England, demand for municipally funded homes is high and property values mean homes can either be bulldozed and redeveloped. If they were not purpose built, they can also be redeveloped as apartments for a big profit. This attractive market doesn't really exist in the rest of the UK.

Leonid Shapiro at consultants Candestic said: "The fact that several large providers are exiting the publicly paid for home care market shows that funding is insufficient. Given that the bulk of homecare is privately provided, funding levels will have to improve dramatically. Which ever party wins the general election."