Extract Figure 1.10 from Page 54

Figure 1.12
Occupants of housing with care units and occupied beds in residential settings for older people and dementia, UK, 1990–2019

Note: Raw index of population ageing is calculated by applying constant age-specific care home usage rates from a base year to population bands: 65-74, 75-84 and 85+ in any given future year

Source: Figure 1.5 from this report for care home demand and, for housing with care, Retirement Housing - first edition, LaingBuisson; Figure 1.10

Extract Figure 1.10 from Page 49 and extract text from Pages 49-53

Figure 1.10
Volume of demand for care in residential settings for older people and dementia (65+), UK, 1990–2020 (actuals) and to 2031 (projections)

Notes: Projected demand based on the 'adjusted index of population ageing' is calculated by applying the index for each year in the future to the volume of demand (occupied beds) in the base year of 2020. The 'adjusted index of population ageing' is in turn derived from a 'raw index of population ageing', adjusted downwards by a 'counter-driver' factor. The 'raw index of population ageing' is calculated by applying constant age-specific care home usage rates from the base year to population bands: 65-74, 75-84 and 85+ in any given future year. The 'counter-driver', currently set at 1.95% per year, is the adjustment necessary to bring the raw index of population ageing into alignment with the index of observed occupied beds in the period 2005 - 2020, when the volume of demand was static despite an ageing population. The 'counter-driver' can be viewed as representing a combination of factors which have suppressed, and will continue to suppress, demand for care homes for older people, including substitutes such as housing with care and live-in care as well as financial pressures on councils to limit residential placements. Projected demand based on the 'index of projected deaths among people aged 80+' is calculated by applying the index, derived from Office for National Statistics projections, to the UK volume of demand (occupied beds) in the base year of 2020.
Source: LaingBuisson database for actuals to 2020

The demand growth projected in Figure 1.10 will create opportunities for investment in new capacity. There are also investment opportunities in the replacement of sub-standard care home stock. Recent years have witnessed a strong appetite for investment in care homes targeted at private-paying clientele, supported by the

market fundamentals noted above. While Covid-19 has interrupted normal business activity, the appetite for private pay investment is expected to continue in a post-Covid-19 world. In contrast, the financial environment for investing in new capacity specifically for state-funded residents is unsupportive, and typically it is only possible to build an investment case for development of new care home capacity in areas dominated by public pay by factoring in expected income from whatever private pay demand exists, at a premium of over 40% above local authority fee rates, see Tables 3.4 and 3.6.

This raises a question mark over whether investment in capacity will follow expansion of demand, in areas where council fees are particularly low, or where there are few private payers, or both.

1.7 Demand drivers

The principal demand drivers highlighted in this section are:

-   Demography and population ageing, Section 1.7.2

-   Public sector resources available for care services, Section 1.7.4

-   Private resources for self-payers, 1.7.5

There are also counter-drivers, in the form of substitutes for care in residential settings, notably housing with care and also live-in homecare, Section 1.7.6.

1.7.1 Age-specific demand

Demand for care in residential settings escalates rapidly with age, see Table 1.6. Approximately 0.5% of the 65-74-year-old UK population live in a care home or long stay hospital setting (at March 2020, pre-Covid-19). This rises to 13.4% for those aged 85 and over.

Some sub-groups of the older population have a much higher risk of living in a care home than others. According to the 2011 census for England and Wales, non-married people aged 85+ (with no spouse to offer informal support) are almost three times as likely to live in a communal establishment (mainly care homes) as married people of the same age[11].

Table 1.6

Age-specific usage rate for care in residential settings: percentage of people aged 65 and over living in residential settings across all provider sectors including long-stay NHS, UK, March 2020 (pre-Covid-19)

	65-74	75-84	85+
% Living in care homes or hospitals	0.54%	3.3%	13.4%

Note: Includes people over 65 in nursing and residential homes and NHS long-stay hospitals and units for older and older mentally ill people.

Source: Estimated by applying the estimated percentage age distribution (65-74, 75-84 and 85+) of people living in care homes to the March 2020 UK care home population for older people and expressing each of the products as a percentage of the total UK population in each of those age bands.

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11   2011 Census: Marital and civil partnership status by sex by age – Communal establishment residents. http://www.nomisweb.co.uk/census/2011/dc1116ewla

1.7.2   Population ageing and demand projections

Population ageing has driven, and will continue to drive, demand for care homes for older people, especially the growth in numbers of very old people. According to the latest 2018-based Office for National Statistics principal projections, the UK population aged 85 or over is projected to double by the year 2041, see Table 1.7.

However, the relationship between demand for care home places and the number of old people in the population is not a simple one. Earlier editions of this report followed conventional practice by projecting demand forward using a 'raw population ageing index' on the assumption that national age-specific usage rates would remain constant[12]. But that assumption proved to be false. The age specific usage rates shown in Table 1.6 have in fact been on a declining trend since the mid-1990s, for different reasons in different periods, and demand projections based on the raw population ageing index have diverged massively from observed demand, as illustrated in Figure 1.11.

Starting with the twenty-ninth edition published in 2018, this report tested out a different methodology, originally proposed by the Brookings Institution in the USA. This is based on the proposition that admission into a care home is a function of proximity to end of life, with a lag of about two years, rather than the number of older people in the population. Obviously, the two are related (deaths and numbers of old people) but demand projections based on each give very different results, as illustrated in Figure 1.11, where the number of deaths among people aged 80+ has been a better fit with older care home resident numbers in recent years – even though there is uncertainty over the length of the time lag that should be applied in modelling.

For this year's report, an alternative demand projection method has been adopted, alongside the deaths based projection. This is based on an 'adjusted population ageing index'. It gives an even better fit with historic damand and has, arguably, a higher degree of plausibility – though it results in very conservative projections of future demand. The 'adjusted population ageing index' projection is described in the footnotes to Figure 1.10 and Figure 1.11. Essentially, it uses the 'raw population ageing index', but adjusted by a 'counter-driver' factor sufficient to bring historic projections in line with observed demand to date.

The narrative that fits best with the trends in demand volume (occupied beds), illustrated in Figure 1.11, is as follows:

- The massive bulge in demand during the 1980s was attributable to the introduction of open-ended income support funding with no needs test whatsoever, which allowed access to care homes to expand out of control

- Publicly funded demand was brought back under control following the 1993 community care reforms, as local authorities applied ever more stringent needs tests during the 1990s and 2000s and excess demand was squeezed out of the system

- A resurgence in demand might have been expected from around 2005, driven by population ageing, but it petered out

- Relatively static demand for older people's care homes over the last decade and a half, despite population ageing, begs the question of why? A number of factors may be adduced, including increasingly restrictive eligibility criteria applied by public sector funding agencies, and the availability of substitutes for care homes including housing with care and live-in care

- It is tempting to single out the expansion of housing with care as the principal factor responsible for recently subdued care home demand. Trends in UK demand for housing with care and care in residential settings for older people are set out side by side in Figure 1.12. The striking feature is that combined demand closely tracks the UK's raw index of population ageing, as defined in the notes to Figure 1.10

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12   Age-specific care home usage rates for March 2020 can be found in Table 1.6. Assuming these rates remain constant, population-based demand estimates can be calculated for other years by applying these rates to population numbers in the given year

and Figure 1.11. No publicly available research is available to support the proposition that some older people living in housing with care developments would otherwise have entered a care home if the housing with care alternative had not existed. Nevertheless, some degree of substitutability is plausible, and will presumably apply in the future as publicly and privately funded housing with care continues to expand from its relatively small base

Table 1.7
Trends in older population numbers by ten-year age bands, UK, 1901–2111

|	65-74 (000s)	75-84 (000s)	85+ (000s)	65-74% of total population	75-84%	85+%
1901	1,252	459	58	2.2%	0.8%	0.1%
1931	2,446	829	110	4.3%	1.4%	0.2%
1951	3,677	1,545	223	6.4%	2.7%	0.4%
1961	3,981	1,877	336	6.9%	3.3%	0.6%
1971	4,701	2,118	472	8.1%	3.7%	0.8%
1981	5,195	2,675	602	9.0%	4.6%	1.0%
1991	5,067	3,137	896	8.7%	5.4%	1.5%
2001	4,940	3,290	1,128	8.5%	5.6%	1.9%
2002	4,965	3,341	1,124	8.5%	5.7%	1.9%
2003	5,003	3,396	1,101	8.5%	5.8%	1.9%
2004	5,033	3,435	1,112	8.5%	5.8%	1.9%
2005	5,056	3,426	1,174	8.5%	5.8%	2.0%
2006	5,029	3,416	1,243	8.3%	5.6%	2.1%
2007	5,062	3,424	1,291	8.3%	5.6%	2.1%
2008	5,156	3,440	1,335	8.4%	5.6%	2.2%
2009	5,272	3,457	1,368	8.5%	5.6%	2.2%
2010	5,399	3,494	1,411	8.7%	5.6%	2.3%
2011	5,610	3,537	1,425	8.9%	5.6%	2.3%
2012	5,821	3,581	1,439	9.1%	5.6%	2.3%
2013	6,025	3,641	1,465	9.4%	5.7%	2.3%
2014	6,195	3,708	1,503	9.6%	5.7%	2.3%
2015	6,336	3,746	1,528	9.7%	5.8%	2.3%
2016	6,489	3,761	1,564	9.9%	5.7%	2.4%
2017	6,586	3,814	1,588	10.0%	5.8%	2.4%
2018	6,653	3,921	1,613	10.1%	5.9%	2.4%
2019	6,695	4,054	1,640	10.1%	6.1%	2.4%
2020	6,737	4,167	1,676	10.2%	6.3%	2.4%
2021	6,783	4,260	1,704	10.0%	6.3%	2.5%
2026	7,000	5,073	1,870	10.2%	7.4%	2.7%
2031	7,901	5,318	2,204	11.3%	7.6%	3.1%
2036	8,363	5,605	2,682	11.8%	7.9%	3.8%
2041	7,983	6,407	2,881	11.1%	8.9%	4.0%
2046	7,661	6,837	3,270	10.5%	9.4%	4.5%
2051	7,940	6,584	3,844	10.8%	8.9%	5.2%
2056	8,340	6,411	4,248	11.2%	8.6%	5.7%
2061	8,440	6,729	4,311	11.3%	9.0%	5.8%
2066	8,184	7,127	4,446	10.9%	9.5%	5.9%
2071	7,929	7,267	4,788	10.4%	9.6%	6.3%

Table 1.7 [cont.]

Trends in older population numbers by ten-year age bands, UK, 1901–2111

	65-74 (000s)	75-84 (000s)	85+ (000s)	65-74% of total population	75-84%	85+%
2076	8,330	7,100	5,220	10.8%	9.2%	6.8%
2081	8,875	6,944	5,520	11.5%	9.0%	7.1%
2086	8,716	7,373	5,634	11.2%	9.4%	7.2%
2091	8,384	7,896	5,739	10.6%	10.0%	7.3%
2096	8,317	7,797	6,229	10.5%	9.8%	7.8%
2101	8,419	7,557	6,752	10.5%	9.4%	8.4%
2106	8,666	7,548	6,983	10.7%	9.3%	8.6%
2111	8,937	7,687	7,092	11.0%	9.4%	8.7%

Sources: 1901–2001, Census data; Following 2001, successive principal national projections (the latest being 2018-based) from the Office for National Statistics and (formerly) the Government Actuary's Department

Figure 1.11

Alternative approaches to projecting demand for care homes for older people and dementia (65+) in residential settings:- a) Raw index of population ageing; b) Adjusted index of population ageing and c) Index of deaths among people aged 80 and over, UK indices 1981 = 1.00 (Covid-19 dip ignored)
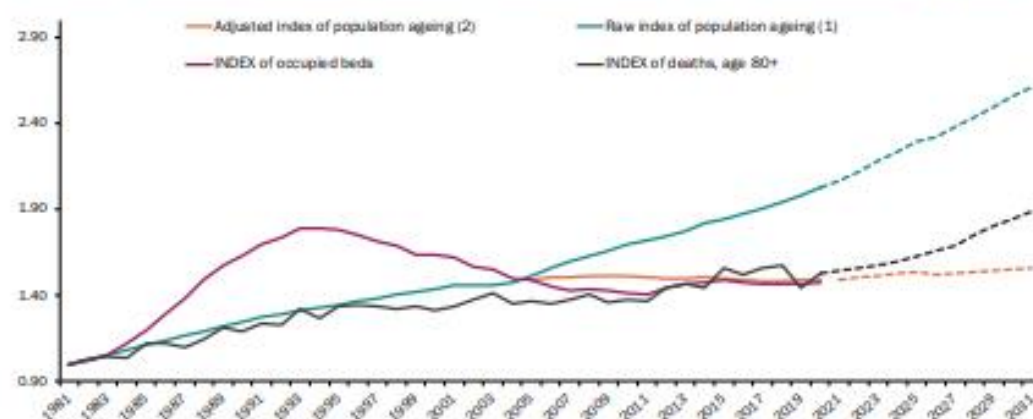
Notes: **1** Raw index of population ageing is calculated by applying constant age-specific care home usage rates to population bands: 65-74, 75-84 and 85+ in any given year **2** Adjusted index of population ageing is calculated by deducting a 'counter-driver' of 1.95 percentage points from the percentage change in the raw index of UK population ageing in any given year. The 'counter-driver' of 1.95% per year is the adjustment necessary to bring the index of population ageing into alignment with the index of observed occupied beds in the period 2005 - 2020, when demand was static despite an ageing population. The 'counter-driver' can be viewed as representing a combination of factors which have suppressed, and will continue to suppress, demand for care homes for older people, including substitutes such as housing with care and live-in care as well as financial pressures on councils to limit residential placements.

Sources: LaingBuisson database, for occupied beds. Office for National Statistics licensed under the Open Government Licence, for population and mortality data https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/datasets/deathregistrationssummarytablesenglandandwalesdeathsbysingleyearofagetables https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/z1zippedpopulationprojectionsdatafilesuk