



Healthcare Update

Issue 3 Winter 2011

Preparing for the winter

With the winter months fast approaching, it is possible that it will be a real winter of discontent this time round. As the economic outlook continues to look uncertain, there is certainly no let up for the Care Home sector.

With the spending reviews under way to reduce the deficit and the ongoing desire of the authorities to increase domiciliary care, many operators continue to see occupancy under pressure. In the last 6 months the average occupancy for many has fallen below 90% and this coupled with little or no fee increase for most has meant income is significantly down across the sector.

With pressure on fee rates continuing, there have been yet further pressures inflicted on operators with costs going up. Minimum wage rates increased again last month, food prices continue to rise and general inflationary pressure has meant many costs have risen. In addition, the level of care imposed through the new standards and the general nursing needs continue to increase in the majority of cases and cost reductions have become harder and harder.

Unfortunately, the bad news does not end there with more cost increases set to impact the sector in the future. We are already aware of the VAT increase to 20% from January 2011 and further cost increase further down the line with planned national insurance rises and, in the longer term pension contributions for staff look set to become compulsory for all employers.

To help combat the pressures on profitability we can advise on a number of key areas. It is important for you to consider the following:

Occupancy

- A number of successful operators are re-focusing their efforts on advertising to ensure they are making their homes as attractive to private fee paying residents as possible. Block beds for PCT's at lower fee rates have presented opportunities over the winter months, as well as ensuring that all sources of funding are explored to maximise rates where possible and receive top-ups.

Salary costs

- With pressure on costs as detailed above more and more operators are implementing computerised clocking in systems to ensure staffing levels are as efficient as possible along with the processing. Most systems can offer a 1-2% annual saving on the salary costs which represents a significant level for most operators. We have knowledge of a number of these systems and have assisted clients in selection and implementation.



Cost control

- With VAT increasing overhead costs further, our knowledge of our care home client base has enabled us to offer advice on best value purchasing across a range of overheads. This has helped many reduce their costs ahead of the increased costs coming in the New Year.

With so many continuing pressures, accurate and timely management information is vital to ensure that financial decisions can be made quickly to maintain profitability. Through our experience and our extensive care home client base we are able to provide up-to-date benchmarking reports to identify potential areas for savings. Our sector updates also mean we are well placed to advise care home owners through what seems set to be a difficult period over the coming months.

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Our Healthcare team

The Menzies Healthcare team is dedicated to advising the healthcare sector, with a particular focus on care homes. Healthcare specialists can be found in each of our offices across Surrey and Hampshire. As well as our healthcare services, we also have experts in tax, corporate finance, financial services and strategy, all of whom are able to answer any relevant questions you may have.

Our team of specialists is available to work with you to assist your business and help achieve its objectives in the best possible way. If you would like to discuss any of the topics, or indeed any other issue of concern, we would welcome the opportunity to help.

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