



EXECUTIVE INSIGHTS

Meeting the Dementia Care Crisis: Are Care Home Providers Rising to the Challenge?

Key Takeaways

1. Dementia in the UK affects close to 1 million people currently, with projections indicating a significant rise to an estimated 1.4 to 1.6 million by 2040
2. The care home sector already plays a vital role in supporting individuals with dementia, supporting 25-30% of those affected, equivalent to 260,000 people, i.e., c.70% of all service users in care homes today
3. Care homes will inevitably play a key role in future provision for dementia care and the question is what services will be needed
4. The existing supply of dementia-friendly considered rooms is materially lower than the number of dementia residents in care homes today, and significant development is required to address today's shortfall and increase in dementia
5. The funding quandary needs to be resolved, as inadequate fee premiums for dementia care, at least in public pay, are disincentivising care home providers from offering more services.

Introduction

While the first dementia case was recorded as early as c.2000 BCE,¹ the condition has really gained prominence in the past 30 years as an unfortunate byproduct of increasing life expectancy. In the UK today, close to 1 million people (or 1 in 14 among the 65+ population) are estimated to live with the condition.

Despite considerable strides made in understanding the mechanism and prognosis of

dementia, disease-modifying therapies remain elusive. With an ageing population (estimated to be 4 million incremental 65-year-olds and older by 2040), this lack underscores the effort required from the government and healthcare organisations to plan for the expected increase in utilisation of health and social care resources by those affected by the condition.

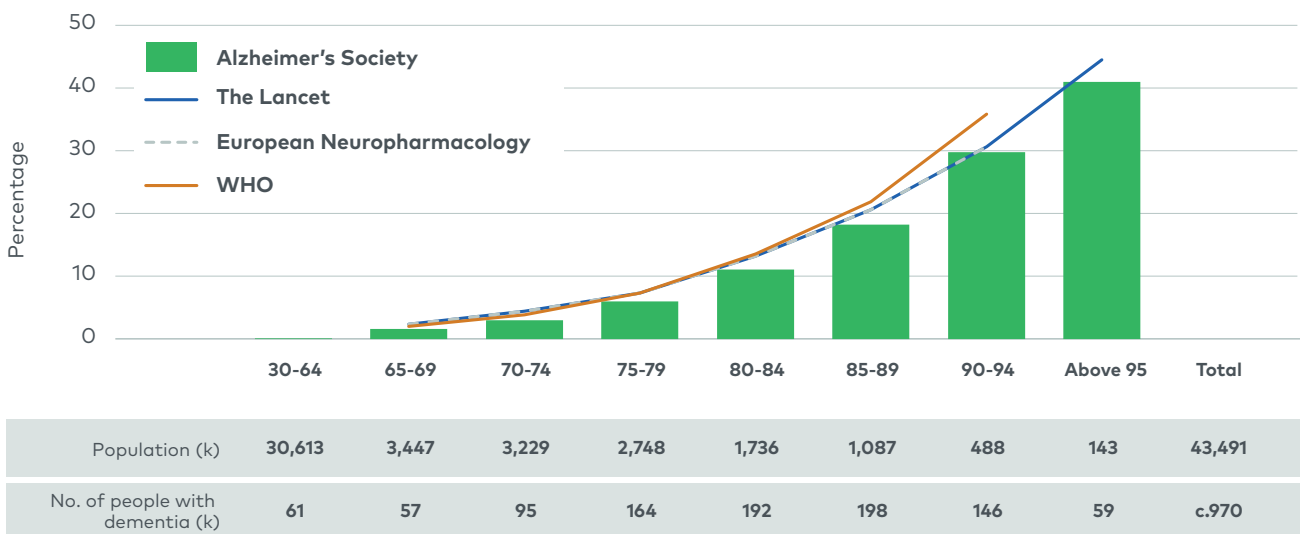
Dementia involves a spectrum of various cognitive, behavioural and psychological aspects, collectively defining the severity of the condition. Those with mild conditions typically find support in their homes through informal care or domiciliary support. As dementia progresses, however, those experiencing advanced stages often demonstrate heightened behavioural changes and escalating care requirements, necessitating care and support that extend beyond the safety parameters of home environments and informal care.

Care homes – equipped with 24/7 and increasingly dementia-trained staffing, social engagement activities, on-site catering, and specialised facilities – ought to serve as suitable alternatives for elders with advanced dementia. Yet a critical question looms: is the sector adequately prepared and funded to meet the increasing demand for specialised dementia care?

Dementia in the UK: close to 1 million affected, with numbers on the rise

Close to 1 million people are estimated to be living with dementia in the UK today – equivalent to 1.4% of the whole population, or 7% of those above age 65. In spite of different estimates of prevalence in various studies, scientists largely agree that the prevalence rises exponentially with age (see Figure 1), creating a significant disease burden for the UK where the 65+ cohort accounts for an increasing part of the population.

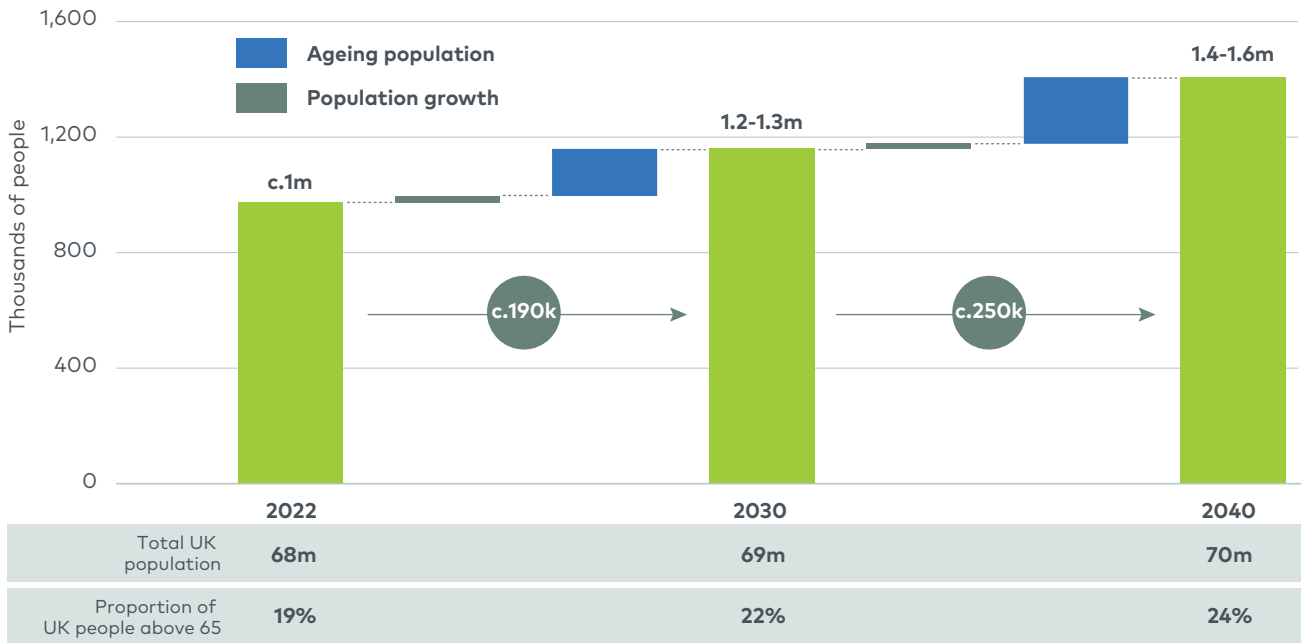
Figure 1
Prevalence of dementia by age cohort in the UK (2022)



Source: Alzheimer's Society; The Lancet; European Neuropharmacology; WHO (World Health Organization); ONS (Office for National Statistics); L.E.K. research and analysis

Assuming the currently observed age-specific prevalence remains stable, the number of people affected by dementia is forecast to increase by c.2% p.a. to reach 1.2 to 1.3 million in 2030 and 1.4 to 1.6 million in 2040, driven purely by population growth and ageing demographics. This is equivalent to a staggering increment of c.440,000 individuals in the next 18 years –or a net additional 24,000 individuals per year (see Figure 2).

Figure 2
Drivers for forecast growth in number of people living with dementia in the UK (2022-2040)



Note: Includes all estimated prevalent cases, both diagnosed and undiagnosed
Source: Alzheimer’s Society; ONS (Office for National Statistics); L.E.K. research and analysis

Understanding the evolving care needs: cognitive and behavioural issues need to be considered

Dementia is a progressive condition that typically evolves through several stages of cognitive changes. According to the Alzheimer’s Society, c.55% of those with dementia have the mild form, while moderate and severe forms account for 30%-35% and 10%-15%, respectively. It is worth noting that there are no clear-cut boundaries between the stages and other studies may have different estimates. For example, projections published by the Care Policy and Evaluation Centre at the London School of Economics and Science suggest that c.50%-60% of those with dementia have severe cognitive impairments,² implying the disease load, and hence the challenge to provide appropriate care, is even greater.

In addition to cognitive impairments, and more importantly from a care perspective, behavioural and psychological symptoms of dementia (BPSDs) affect up to 90% of all

people with dementia over the course of the condition. Main BPSDs include neuropsychiatric disturbances such as agitation, aggression, apathy and depression. Whilst the general public is increasingly cognisant of the cognitive effects of dementia, less recognised is the fact that BPSDs frequently serve as the primary reasons forcing individuals to move into care homes. According to a study of c.800 caregivers for those with dementia, neuropsychiatric symptoms were mentioned as the most common reason for individuals with dementia to move into residential care settings (25% of participants), followed by care dependency (24%) and cognition (19%).³

The care home sector is indispensable: supporting 25%-30% of those with dementia, equivalent to 260,000 people

Care homes already play an indispensable role in supporting those with dementia. In fact, c.70% of the c.380,000 residents living in UK care homes are estimated to have some form of cognitive impairments. This suggests 260,000 residents in care homes have dementia, accounting for c.25%-30% of all people with dementia in the UK.⁴

Elders' care requirements are often affected by a combination of their physical functioning, cognitive condition and behavioural patterns. Whilst there is no one-size-fits-all solution when it comes to choosing a care solution, care homes are typically more suitable for people who not only have dementia but also experience frailty and BPSDs.

As the number of people with dementia in the UK sets to surpass 1 million, an increasing number of them are expected to seek care home places in the years to come. Assuming c.25%-30% of people with dementia will require residential care support, in line with the current propensity, a staggering increment of 120,000 care home places will be needed by 2040 to deal with the increase in demand from dementia alone — equivalent to 2,000 incremental dementia-focused care homes (assuming a home size of 60). This corresponds to an additional c.7,000 places per year, or c.120 new care homes to open or be repositioned solely to serve residents with dementia. This does not include the need to replace the ageing and increasingly considered not-fit-for-purpose stock of care homes, which will require significant additional investments in the coming decades.

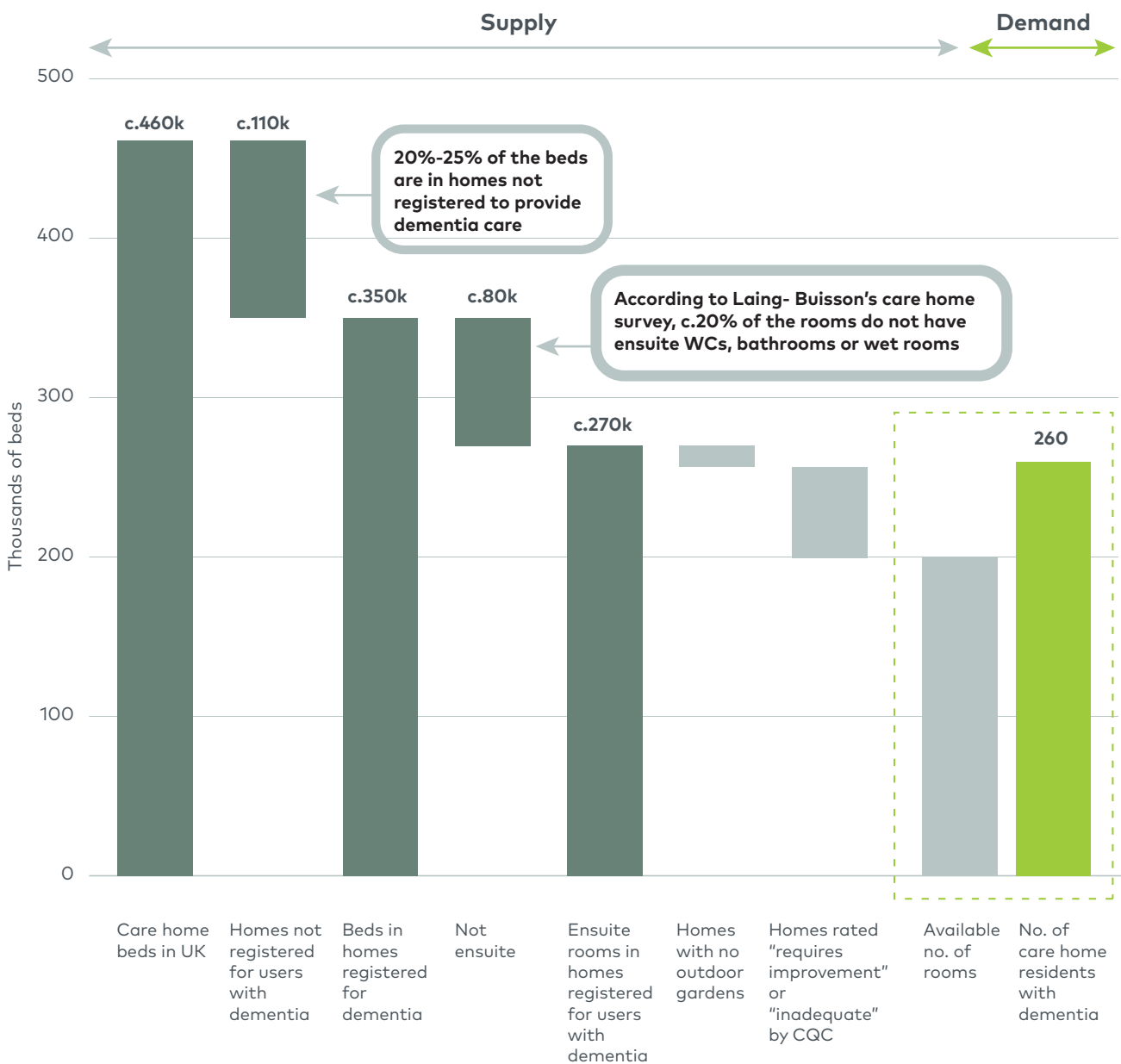
Challenges ahead: overcoming hurdles in supply and funding

Supply shortages

While there is no hard-and-fast rule for deeming a home "dementia friendly", L.E.K. Consulting's analysis suggests the supply of dementia fit-for-purpose rooms is likely to be materially lower than demand. Of the c.460,000 elderly care home beds in the UK, c.20%-

25% are in homes not registered on the Care Quality Commission (CQC) to provide dementia care. Residents with dementia typically require ensuite bathrooms due to their frailty and cognitive impairments, eliminating c.80,000 not-ensuite rooms from the available stock. After considering some basic nice-to-have features such as outdoor gardens and "good" or "outstanding" CQC ratings, the supply of potentially dementia-friendly rooms is already significantly lower than the 260,000 dementia residents in care homes (see Figure 3). This is even before considering important criteria such as property age, home location and vacancy rates.

Figure 3
Care home capacity by key features (2022)



Source: LaingBuisson report; CQC (Care Quality Commission); L.E.K. research and analysis

Public funding constraints

Residents with dementia typically have higher care requirements than those without, but evidence suggests the councils have been unable to fund these additional care needs appropriately.

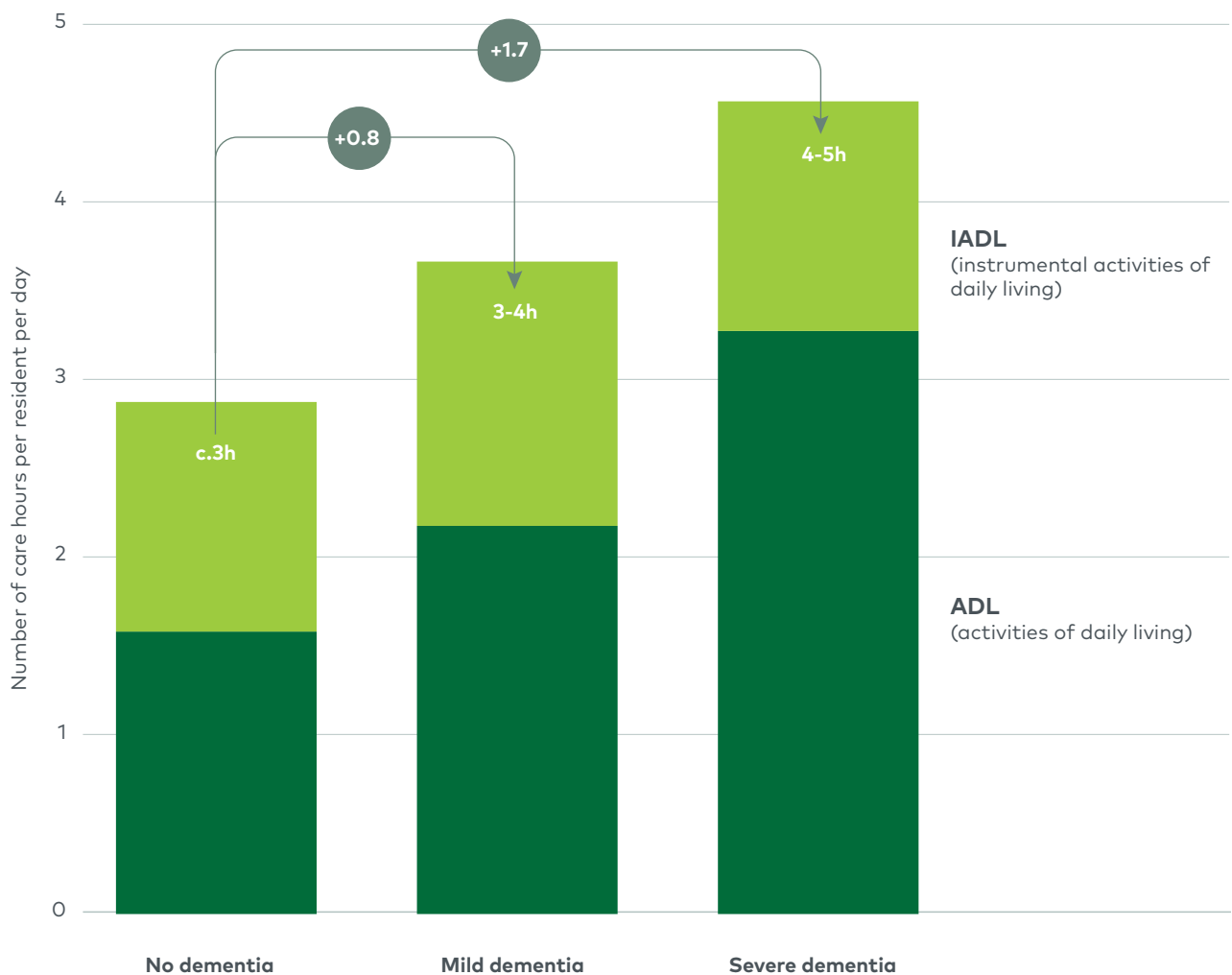
The gap between private and public fees in care homes is well documented. Based on Knight Frank's care home survey in 2023, the average weekly fee for a private resident is 1.3-1.4x times that of a public-funded resident.⁵ Self-funders have long been viewed by care home providers as the lifeline which keeps them from going out of business, as the fees paid by local authorities significantly fall short of the true cost of care delivery. Analysis by Care England suggested in 2023 that the average shortfall in weekly fees paid by local authorities was £196 for residential care and £178 for nursing care.⁶

Given the wider local authority funding challenge, it is not unexpected that councils struggle to price in fee premiums appropriately for residents with dementia. Although there is no comprehensive dataset on the fee premium of dementia care, anecdotal feedback from providers suggests many councils are open to paying a premium of £50-£100 per week, but not much more, if a resident has additional care needs relating to dementia. LaingBuisson's telephone surveys in 2022/23 imply a bleaker picture: when they asked for the minimum fee rates for a new admission for private-pay residents, there was on average a £50-£60 premium per week for residents with dementia.⁷ This suggests the actual fee premium for public-pay residents is likely to be below the £50-£60 mark, due to the councils' monopsony purchasing power. Assuming a dementia fee premium for a public resident to be £50 per week, is this deemed sufficient?

Using a national living wage of c.£11 per hour, the additional £50 would translate into 4.5 hours of care per week, or c.40 minutes of care per day. The actual amount of care hours this incremental fee can purchase is likely to be lower, as one needs to account for provider margins and staff time spent on administrative tasks. While the fee premium might be sufficient to bridge the gap for caring for residents with mild dementia, it is certainly falling way short of that required for residents with more advanced dementia or significant BPSDs.

A study on those living in residential settings finds that individuals with dementia require on average one to two hours of more direct care per day compared to those without dementia.⁸ This only counts the additional time required for activities of daily living and instrumental activities of daily living, and the time requirements for those with more advanced dementia would be even higher if supervision time (approximately two hours for individuals without dementia versus about nine hours for those with the condition) is included (see Figure 4).

Figure 4
Amount of formal care residents receive per day



Source: Nordberg G et al., Time use and costs of institutionalised elderly persons with or without dementia

Concerned about the higher care requirements and worried about inability to recoup sufficient fees, many providers make the natural but unfortunate response to prioritise segments of the market which are more economically viable (e.g. self-funders and public-funders with mild dementia) and increasingly turn away referrals for individuals with more advanced dementia.

Conclusion: concerted efforts are needed to address the dementia challenge

Dementia is a global health challenge that requires concerted efforts from individuals, governments, and health and social care providers. The care home industry plays a crucial role in the dementia care pathway, catering to those who have more advanced cognitive impairments and/or behavioural and psychological symptoms.

However, our analysis reveals a concerning gap between the supply of fit-for-purpose care home places and the increasing number of people with dementia requiring residential stay. This supply shortage is in part the consequence of prolonged public funding shortages and inability of councils to fund dementia care adequately. Providers naturally choose to focus on customer segments with lower needs and better economics, steering away from individuals with more profound behavioural and cognitive symptoms of dementia. Regrettably, those individuals who are turned away most often happen to be those with the fewest options – their behavioural symptoms make it impossible for family and carers to safely look after them at home, yet the conditions are not severe enough to warrant stays in mental health facilities or hospitals.

In light of these challenges, it is evident that a coordinated national strategy is needed to address the rising demand for dementia care. However, as the political parties gear up towards the general election, the topic of dementia seems to have taken a backseat. Nevertheless, efforts by individual care home providers can still make meaningful impacts in responding to the needs of residents with dementia and shaping the sector. As a minimum, providers need to scrutinise their own network and customer base to record, track and analyse care requirements and the changes over time in a bid to demonstrate outcome and value for money for cash-strapped local authorities. Care home providers, large and small, need to develop their own dementia strategy. There is no one-size-fits-all solution, and providers must consider their unique circumstances and ambitions.

How L.E.K. can help

To support providers as they navigate the challenges of dementia care, we can offer tailored advice backed by rigorous analysis and deep understanding of international best practices. For example, we performed a comprehensive catchment analysis for a specialised dementia care provider to quantify the addressable and serviceable market within its network. The client gained a better understanding of the quality of their portfolio and attractiveness of catchment areas to tailor future growth strategy. To discuss your needs, contact us.

Endnotes

- ¹ Yang HD, Kim DH, Lee SB, Young LD. History of Alzheimer's Disease. *Dement Neurocogn Disord*. 2016 Dec;15(4):115-121. doi: 10.12779/dnd.2016.15.4.115. Epub 2016 Dec 31. PMID: 30906352; PMCID: PMC6428020.
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- ³ Afram B, Stephan A, Verbeek H, Bleijlevens MH, Suhonen R, Sutcliffe C, Raamat K, Cabrera E, Soto ME, Hallberg IR, Meyer G, Hamers JP; RightTimePlaceCare Consortium. Reasons for institutionalization of people with dementia: informal caregiver reports from 8 European countries. *J Am Med Dir Assoc*. 2014 Feb;15(2):108-16. doi: 10.1016/j.jamda.2013.09.012. Epub 2013 Nov 12. PMID: 24238605.
- ⁴ William L. Care homes for older people. 33rd edition.
- ⁵ Knight Frank. UK Care Homes Trading Performance Review 2023.
- ⁶ Care England. Sector Pulse Check 2023. January 2024.
- ⁷ William L. Care homes for older people. 33rd edition.
- ⁸ Nordberg G, Wimo A, Jönsson L, Kåreholt I, Sjölund BM, Lagergren M, von Strauss E. Time use and costs of institutionalised elderly persons with or without dementia: results from the Nordanstig cohort in the Kungsholmen Project: a population based study in Sweden. *Int J Geriatr Psychiatry*. 2007 Jul;22(7):639-48. doi: 10.1002/gps.1724. PMID: 17225239.

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