Adult social care: is privatisation irreversible?

*The privatisation of adult social care is a 30-year process that has grown unchecked, made worse by austerity politics. Should the private sector lose interest and leave the market, the consequences will be grave. **Bob Hudson** writes that, whilst it is not feasible to eliminate a model that has become so deeply embedded, improvement is possible. He explains how this would include a combination of better funding and smarter commissioning.*

The outsourcing of public services to private companies is a model in disarray. The impetus for challenge has been the collapse of the outsourcing giant Carillion but concerns have also been raised across a number of other public services including probation, the prison service, forensic science service, and the NHS. Much less interest has been paid to the longer-standing privatisation of adult social care, where the debate tends to be focused on levels of funding and the respective obligations of the state and citizen to contribute to individual care costs. This relative absence of policy interest in examining the ownership structure of adult social care may be due to three related factors – market penetration, market fragmentation and market fragility.

Market Penetration: The longer the period over which outsourcing has taken place and the greater the penetration of the market, the more difficult it is likely to be to reverse the situation. This is the situation with adult social care, where the process has been in train for over 30 years and the current structure is deeply embedded. In 1979, 64% of residential and nursing home beds were still provided by local authorities or the NHS; by 2012 it was 6%. In the case of domiciliary care, 95% was directly provided by local authorities as late as 1993; by 2012 it was just 11%.

Market Fragmentation: There is no compact adult social care service that can be easily repatriated into public sector ownership. Rather the sector is characterised by a multiplicity of fragmented, competing providers. The care home sector supports around 410,000 residents across 11,300 homes from 5500 different providers. The situation in home care is even more diverse with almost 900,000 people receiving help from over 10,000 regulated providers. Nor is it any longer the case that the state is even the dominant commissioner of these services – the privatisation of care alongside tighter access to local-authority-funded care has resulted in a large growth of self-funding 'customers'.

Market Fragility: The third complicating feature of the adult social care market is its fragility and the politically toxic consequences of market failure. The first major casualty was Southern Cross in 2011 – a large national care home provider which had 9% of the market nationally but a much greater share in certain regional areas. Much of the Southern Cross provision was eventually taken over by another major provider, Four Seasons, which is itself now at high risk of going under. Either through financial collapse or strategic withdrawal the market model is at tipping point.

There is a growing view that the problems associated with the outsourcing of adult social care need to be addressed, but if no 'big bang' change is feasible, what are the alternative options? Better and fairer funding is a prerequisite but the local state (as the biggest commissioner of services) and national government (as policy-maker) can also act in other ways that could create better care quality and reshape the provider mix. Four dimensions can be identified: commission local and small; commission holistically; commission individually; and commission ethically.

Commission Local and Small

The trend, especially in the residential sector, is for small operators to be replaced by large provider chains with more than fifty care homes which in turn house up to a hundred residents each. A focus on smaller and more local commissioning is needed to counteract this trend. Small organisations hold vast expertise about the issues affecting people locally and can serve very specific communities of interest. Moreover, much of what they do focuses on bringing people together which ties in closely with the policy focus on loneliness, ideas around Asset-Based Community Development, and on supporting communities to rebuild their own social infrastructure by harnessing community businesses.

Complementary to this is the concept of Local Wealth Building, a growing movement in Europe and the USA based on the principle that 'places' hold significant financial, physical, and social assets of local institutions and people. The key here is local 'anchor' institutions (public, social, academic, commercial) and their procurement role in supporting the local supply chain. This will include opening markets to local small and medium enterprises rather than looking to national and international chains. Central government also has a role to play here, for example by minimising corporation tax rates for small local businesses.

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Commission Holistically

It no longer makes sense to think of social care commissioning in isolation. Rather the focus is upon 'holistic' or 'place-based' commissioning. Most social care is commissioned separately from other place-based interventions. However, market-shaping is a much broader strategic task spanning several council departments and other partners – social care, transport, housing, economic development, health, community safety, training providers and more. Coordination on this scale would require significant investment in capacity, skills, and structures – in effect, the reinvention of robust local governance.

Commission Individually

Policies on access to social care support have created two groups of 'individual commissioners': those who fund their own care and those whose care is funded via an individual budget. Both are in need of greater support. A market requires 'customers' who seek and digest information to inform their choice of product. From this perspective the care home market in particular has some characteristics of an inefficient market – entry is often unplanned, made in response to a personal crisis and with very low rates of switching to a different provider in the event of dissatisfaction. The Competition and Markets Authority raises the prospect of enforcing consumer law, but others will take the view that it is simply not possible to replicate a market with informed 'consumers' in the social care sector. However one option that can work for some people is that of personal budgets and more recently personal health budgets, though here too there are issues to be resolved around matters like making choices and decisions; receiving information and advice; budget management, monitoring and review; and risk management and contingency planning.

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Commission ethically

Ethical commissioning could include the following dimensions.

Commission from ethical employers: Commissioners need to be able to distinguish between the workforce practices of different providers and prioritise those acting as 'good employers'. This might have several components such as prioritising providers that comply with minimum standards around workforce terms and conditions, have effective training, staff development and supervision, and encourage staff to participate in collective bargaining.

Commission from transparent providers: A 'transparency test' could stipulate that, where a public body has a legal contract with a private provider, that contract must ensure full openness and transparency with no 'commercial confidentiality' outside of the procurement process. All providers of public services should – at a minimum – publish details of the funding they receive, performance against contractual obligations, the suppliers to whom they subcontract services, the value of these contracts and their performance, and user satisfaction levels.

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Commission from tax compliant providers: The ownership of all companies providing public services under contract to the public sector, including those with offshore or trust ownership, should be available on the public record. At the same time, a taxation test could require private companies in receipt of public services contracts to demonstrate that they are domiciled in the UK and subject to UK taxation law.

Commission from not-for-profit providers: A fresh approach to adult social care offers the opportunity to rethink the role of other sectors. Whilst wholesale renationalisation seems unlikely there is every reason to encourage local authorities to begin to build up their own in-house provision and to support all organisations with a social purpose, whether in the public, private or voluntary sector. This could include encouragement for user-led organisations, social enterprises, mutuals and others to recruit and train service users in innovative ways.

The privatisation of adult social care in the UK has an unusual policy trajectory compared with other sectors. Devoid of any real debate or stated purpose, a 30-year process of outsourcing has grown unabated and unchecked. The scale of penetration and the dismantling of alternative providers have resulted in a situation that fails to meet ordinary market standards around choice and control. And now, as a result of austerity politics, there is every chance that the private sector will lose interest and leave the market with serious consequences for those in need of services and support. Whilst it is not feasible to simply eliminate a model that has become so deeply embedded, a combination of better funding and smarter commissioning can, over time, reshape ownership structures, increase provider stability, focus on ethics rather than cost, and enhance the quality of care.

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