

Residential Care – COVID-19 Recovery

Key recovery considerations for residential care providers during the COVID-19 crisis

The COVID-19 pandemic has had a major impact on the UK social and residential care sector, arriving at a time when the sector already faced significant challenges. There are a series of critical actions that providers should consider now to respond effectively both to COVID-19 impacts and endemic challenges, and to position themselves optimally during a recovery phase.

The Challenge:

 The COVID-19 crisis will drive material shifts in social and residential care demand and delivery structures; providers need to ensure they have plans in place throughout the crisis and recovery

Crisis response

 Already implemented

- Operational crisis response to ensure resident and employee safety

Short-term: 1-3 months

 There is an imperative to act quickly beyond the immediate COVID response – the current crisis combined with previous pressures in the social care sector have created a burning platform and opportunity for change

- Time-critical operational activities required for ongoing COVID response
 - Incl. clear and flexible policies around safety and ops; contingency staffing plans
- Cash flow pressures given incremental expenditure against dampened demand

Medium to long-term: 3-18 months & beyond

- Reduced customer confidence driving structural demand change (reduced demand and delayed demand driving higher-needs residents)
- Rapid market evolution precipitated by the crisis and the opportunities presented by the sector's increased perceived social value (e.g. on digital, staffing, funding, regulation)

Possible solutions

 There are several sector-specific, and often interdependent, areas that residential care providers should address to respond to challenges presented by COVID-19 and plan effectively for recovery

1 Cash preservation

- Providers face significant **unexpected Capex/ Opex** spend, only partially alleviated via retrospective government support. Delayed entry into residential care will shift the patient mix towards higher need, driving further **margin pressures**. A prolonged economic downturn may also lead to further **liquidity and cash challenges**
- A **short-term cost optimisation plan** may be required, although this would need to consider carefully the impact on care and feasibility in a recovery environment



2 Digital solutions and quality

- COVID has accelerated uptake of digital innovation within residential care, and more broadly across society. This drives a **structural shift in customer expectations and provider opportunities** on the role of digital in provision
- Care homes need to quickly determine what their **digital transformation roadmap** will be – ranging from remote family engagement to better health monitoring
- These efforts need to **focus on resident care quality** given enhanced expectations around care for the elderly

3 Pricing and bed utilisation

- A prolonged economic downturn is likely to severely impact achievable self-pay fee rates. Without major policy change, **LA rates will remain suppressed** in the mid-term
- Understanding the likely scenarios, how utilisation and pricing may evolve, and how this will impact portfolio profitability will be key to ensure operational models are adjusted to **match potential changes in profitability**



4 Brand differentiation in a challenging market

- Embedding and communicating best practice COVID working practices** is important in restoring customer confidence (e.g. codify practices as specific protocols)
- Operator responses to the crisis will be crucial in **developing long-term brand equity**
- Successfully communicating your position can develop **brand recognition and loyalty** that has been difficult to achieve in the sector. Conversely, poor reputation management in this time of crisis will destroy value

5 Workforce of the future

- Brexit-related impacts and low attractiveness already posed **significant workforce challenges** in the sector
- COVID-19 poses both further challenges although some opportunities are emerging
- The pandemic has highlighted the social value of care work (with potential knock-on impacts on pay) – examining skills mix and designing a **clear plan for attracting, retaining and funding training for the future workforce** will be key



6 Advocacy and government engagement

- The pandemic has brought **deeper appreciation of the sector** and its **importance within the healthcare ecosystem**
- There is immediate opportunity to begin a dialogue **with the gov't and policy-makers** on a more **adequate funding package** and on better **collaboration between the health and social care sectors** going forwards

How Teneo can help

- Teneo uniquely brings together the disciplines of management consulting, strategic communications and public affairs to address the most pressing concerns of CEOs
- Teneo's healthcare practice has deep expertise of the social care sector, having worked for a number of leading providers across strategic and operational issues
- Teneo offers a diverse set of capabilities, and has advised care home operators on issues including transaction support, performance improvement, and market strategy
- Teneo is well-placed to support work across the areas mentioned (including supporting policy efforts) – do get in touch if you would like to know more or to explore any of these issues/opportunities



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