Anticipated acquisition by FC Oval Bidco Limited of Bupa Care Homes Limited

Decision on relevant merger situation and substantial lessening of competition

ME/6710/17

The CMA's decision on reference under section 33(1) of the Enterprise Act 2002 given on 13 December 2017. Full text of the decision published on 4 January 2018.

Please note that [✂] indicates figures or text which have been deleted or replaced in ranges at the request of the parties for reasons of commercial confidentiality.

SUMMARY

1. FC Oval Bidco Limited (**FC Oval**) has agreed to acquire Bupa Care Homes Limited (**BCH**) (the **Merger**). FC Oval and BCH are together referred to as the **Parties**.

2. The Competition and Markets Authority (**CMA**) believes that it is or may be the case that the Parties will cease to be distinct as a result of the Merger and that the turnover test is met. Accordingly, arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

3. FC Oval is a wholly owned subsidiary of FC Skyfall Topco Limited (**FC Skyfall**). FC Skyfall, via its subsidiary HC-One Limited (**HC-One**), operates 242 residential and nursing care homes in the United Kingdom (**UK**). The target, BCH, comprises a portfolio of 122 residential and nursing care

homes.[1i] Therefore, the Parties overlap in the supply of residential and nursing care homes in the UK.

4. The CMA assessed the impact of the Merger within two separate frames of reference: the provision of residential care and the provision of nursing care. For the nursing care segment, the CMA considered any differentiation between nursing care and nursing care for the elderly and mentally infirm (**EMI**) as part of its competitive assessment.

5. Consistent with the findings of the CMA's recent investigation into the care homes sector,[2] the CMA found that competition between care homes in the provision of residential and nursing care takes place on a local basis, with care homes in rural areas competing over larger distances than care homes in semi-urban and urban areas. The CMA carried out its competitive assessment on a local basis using average catchment areas, centred on each of the Parties' residential and nursing care homes, from which the Parties draw 80% of their business. Different average catchment areas were used in rural, semi-urban and urban areas.

6. Consistent with the CMA's previous decisions in the healthcare sector,[3] the CMA applied a filter to identify local areas[4] in which the Parties would have a combined share of at least 35% of the bed capacity in the provision of either residential or nursing. The CMA excluded other areas from further assessment.

7. This filtering identified two local areas in which the Parties will have a combined share of capacity above 35% in relation to the provision of nursing care: these were the catchment area centred on BHC's Colton Lodges in Leeds and that centred on HC-One's Snapethorpe Hall in Wakefield. For these two areas, the CMA carried out a more detailed competitive assessment. Overall, the CMA found that for each local area the Parties'

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[1] BCH is a subisidiary of British United Provident Association Limited (Bupa) and owns only a part of the care home portfolio of Bupa. Bupa will remain active in the care homes sector, operating around 150 care homes post-Merger.
[2] Care Homes Market Study Final Report of the CMA of 30 November 2017
[3] See, for example OFT decision of 10 January 2006, British United/ANS, at paragraphs 14 and 15; CMA decision 17 October 2014, Spire/St Anthony's, at paragraphs 10, 93 and 122; CMA decision of 29 December 2016, Cygnet/Cambian, at paragraphs 9 and 87; CMA decision of 19 February 2016, Acadia/Priory, at paragraph 81 and Case ME/6653/16, Central Manchester University Hospitals and University Hospital of South Manchester: A report on the anticipated merger between Central Manchester University Hospitals NHS Foundation Trust and University Hospital of South Manchester NHS Foundation Trust, Phase II clearance decision dated 1 August 2017, at paragraph 10.48(b) and footnote 168.
[4] For the purposes of this Decision, when the CMA refers to local areas, it defines this as the catchment area around the 'centroid' care home, ie the individual HC-One and BCH care home on which a particular catchment area was centred. As such, local areas may overlap where care homes are close to each other.

combined share was only marginally above the 35% threshold level of concern and that there would remain several other fascia present in each area post-Merger (and, in fact, there will be no reduction in the number of competitors by fascia count because Bupa will remain active in both areas post-Merger). Morover, local authority customers and competitors have not raised competition concerns about the Merger within these areas.

8. The CMA therefore believes that the Merger does not give rise to a realistic prospect of a substantial lessening of competition (**SLC**) as a result of horizontal unilateral effects.

9. The Merger will therefore **not be referred** under section 33(1) of the Enterprise Act 2002 (the **Act**).

ASSESSMENT

Parties

10. FC Skyfall indirectly holds all of the shares of FC Oval (the acquirer of the target) and all of the shares of HC-One. HC-One operates residential and nursing care homes in the UK. The turnover of FC Skyfall in the financial year ended 30 September 2016 was approximately £[✂] million in the UK.

11. BCH is an indirect subsidiary of British United Provident Association Limited (**Bupa**), which currently operates around 273 care homes. The UK turnover of the 122 care homes owned by BCH for the 12 months to July 2017 was approximately £[✂] million.

Transaction

12. Prior to the transaction, Bupa transferred 122 of its care homes to BCH.[ii]

13. FC Oval and Bupa entered into a share purchase agreement on 29 June 2017. As a result, FC Oval will acquire all the shares in BCH.

Jurisdiction

14. As a result of the Merger, the enterprises of FC Skyfall and BCH will cease to be distinct.

15. The UK turnover of the 122 care homes of BCH exceeds £70 million, so the turnover test in section 23(1)(b) of the Act is satisfied.

16. The CMA therefore believes that it is or may be the case that arrangements are in progress or in contemplation which, if carried into effect, will result in the creation of a relevant merger situation.

17. The initial period for consideration of the Merger under section 34ZA(3) of the Act started on 10 November 2017 and the statutory 40 working day deadline for a decision is therefore 9 January 2018.

Counterfactual

18. The CMA assesses a merger's impact relative to the situation that would prevail absent the merger (ie the counterfactual). For anticipated mergers, the CMA generally adopts the prevailing conditions of competition as the counterfactual against which to assess the impact of the merger. However, the CMA will assess the merger against an alternative counterfactual where, based on the evidence available to it, it believes that, in the absence of the merger, the prospect of these conditions continuing is not realistic, or there is a realistic prospect of a counterfactual that is more competitive than these conditions.[5]

19. In this case, there is no evidence supporting a different counterfactual. Therefore, the CMA believes the prevailing conditions of competition to be the relevant counterfactual.

Background

20. Care needs arise when, because of frailty or medical issues, older people require help to carry out everyday tasks, such as cooking and taking medication. Significant care is provided in specialist residential accommodation (ie care homes).

21. Care homes fall into two broad categories: nursing homes and residential homes. Nursing homes provide care for people with medical needs outside of a hospital environment; residential homes provide care for people with less acute needs that are not primarily medical. An increasing number of older people have varying degrees of dementia and some care homes specialise in caring for these people.

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[5] *Merger Assessment Guidelines* (OFT1254/CC2), September 2010, from paragraph 4.3.5. The *Merger Assessment Guidelines* have been adopted by the CMA (see *Mergers: Guidance on the CMA's jurisdiction and procedure* (CMA2), January 2014, Annex D).

22. Adult social care, including residential and nursing care, is a devolved policy matter and therefore different policy and regulatory frameworks exist in England, Northern Ireland, Scotland and Wales.

23. Care homes are regulated by national sector regulators in the four nations.[6] Care home providers must register for the regulated services they provide and must be approved before operation. The care homes are then inspected by the regulator on a regular basis with reports made publicly available. Inspections can require improvements, which the regulator can monitor.

24. Local Authorities[7] (**LAs**) are directly responsible for care provision in their areas and usually have a framework agreement in place with most of the local care homes. LAs have a legal duty to meet an adult's 'eligible needs' subject to the adult's financial circumstances. 49% of residents in care homes receive LA-funding (around a quarter of these pay top-ups) and 41% fund themselves (self-funders). The remainder are funded by the NHS as continuing healthcare patients.[8]

Frame of reference

25. Market definition provides a framework for assessing the competitive effects of a merger and involves an element of judgement. The boundaries of the market do not determine the outcome of the analysis of the competitive effects of the merger, as it is recognised that there can be constraints on merging parties from outside the relevant market, segmentation within the relevant market, or other ways in which some constraints are more important than others. The CMA will take these factors into account in its competitive assessment.[9]

Product scope

26. The Parties overlap in the supply of:

    (a) residential care services for the elderly;

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[6] The sector regulators are the Care Quality Commission in England; the Regulation and Quality Improvement Authority in Northern Ireland; the Care Inspectorate in Scotland; and the Care and Social Services Inspectorate Wales.
[7] In this decision, references to local authorities should be taken to include their equivalents in the devolved nations as relevant in the context, including Health and Social Care Trusts in Northern Ireland and Integrated Joint Boards in Scotland.
[8] Care Homes Market Study Final Report of the CMA of 30 November 2017, paragraph 2.25.
[9] *Merger Assessment Guidelines*, paragraph 5.2.2.

(b) nursing care for the elderly; and

(c) EMI (eg nursing care for elderly patients with dementia or Alzheimer).

27. The operation of care homes was last considered by the predecessor body of the CMA, the Office of Fair Trading (**OFT**), in its 2011 *Advent/Priory* merger investigation. In its decision, the OFT considered that each of the overlap services supplied by the Parties, as set out above, formed separate frames of reference.[10] However, the OFT did not conclude on the appropriate product frame of reference since no competition concerns arose on any plausible basis.

28. The CMA has also recently conducted a market study into the care homes sector (**Market Study**).[11] While the CMA did not consider appropriate frames of reference for the purposes of competition analysis within this Market Study, it observed that the care homes sector can broadly be divided between the provision of: (i) residential care and (ii) nursing care.

29. While the boundaries of the relevant product market are generally determined by reference to demand substitution alone,[12] the CMA may widen the scope of the market where there is evidence of supply-side substitution (ie where firms can quickly and easily shift capacity between different products depending on demand, the same firms compete to supply different products and the conditions of competition are the same for each product). In such cases aggregating the supply of these products and analysing them as one frame of reference does not affect the competitive evaluation of the merger.

30. In this case, the CMA followed the approach taken in *Advent/Priory* as its starting point for determining the appropriate frame of reference, and then considered whether the product scope could be widened by reference to demand and supply-side substitutability factors.

Are residential care and nursing care in the same frame of reference?

31. The Parties submitted that residential and nursing care should be assessed within the same frame of reference because it is straightforward for a residential care home to offer nursing services. The care home only needs to

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[10] Advent/Priory, OFT decision of 19 April 2011. See further the OFT decision of 5 April 2005 in Blackstone/NHP; OFT decision of 16 December 2005 in Southern Cross/Cannon; and OFT decision of 10 January 2006 in Bupa/ANS.
[11] Care Homes Market Study Final Report of the CMA of 30 November 2017.
[12] *Merger Assessment Guidelines,* paragraph 5.2.17.

be registered with the Care Quality Commission (**CQC**)[13] and must employ a sufficient number of nurses.

32. Consistent with its findings in previous decisions, the CMA found that there is little to no demand-side substitution between residential care home services and nursing home services. Patients requiring nursing home care would not receive the level of care they require if housed at a residential care home. While patients requiring residential care could go into a nursing home, they would be paying for nursing care services which they do not require and such patitents typically prefer not to live in homes where there are a lot of patients requiring greater levels of care than they do.

33. From a supply-side perspective, the CMA found that residential homes and nursing care homes have separate registrations, meaning that a residential home cannot offer nursing care unless it has first satisfied the CQC that it is able to meet the relevant quality standards for the supply of such services. However, third parties told the CMA that registration is not specific to the number of beds that the care home provider proposes to devote to a given type of service, but rather applies to the care home as a whole. Therefore, once registered, the care home can adapt the number of nursing beds relatively easily by flexing the number of nurses and making the relevant changes to the equipment in use. Nonetheless, third parties also told the CMA that there is a general shortage of qualified nurses and that this has led care home operators to switch nursing beds to residential care beds in the past. This is consistent with the findings of the Market Study, in which local authorities identified capacity shortages in relation to care homes capable of accomodating people with nursing and dementia care needs.[14]

34. The CMA has therefore treated residential care and nursing care as separate frames of reference.

Are nursing care and nursing care for the EMI in the same frame of reference?

35. The Parties submitted that nursing care and nursing care for the EMI should also be assessed within the same frame of reference on the basis of supply-side substitutability. Care homes are registered with the CQC as either: (i) providing accommodation without nursing; or (ii) providing accommodation with nursing; there is therefore no separate registration for providers of EMI services. The Parties submitted that switching a regular nursing bed to EMI is

[13] Or the relevant authority in Wales, Northern Ireland or Scotland.
[14] See for example paragraph 6.44, Care Homes Market Study Final Report.

straightforward and only entails that the right nursing staff and equipment are in place. The Parties submitted that switching beds occurs regularly.

36. Consistent with its findings in previous cases, the CMA found that there is little demand-side substitution between patients who require general nursing care and more specialised care.

37. The CMA received mixed evidence as regards supply-side substitutability. On the one hand, there are few regulatory hurdles to a nursing home offering nursing services for the EMI and no significant investment required to turn a nursing bed into a nursing EMI bed. On the other hand, the general shortage of qualified nurses described above can limit the ability of providers to find the additional nurses that would be required for an EMI facility.

38. For the purposes of this case, the CMA has analysed the effects of the Merger within a single frame of reference, for nursing care for the elderly, without separately analysing the provision of nursing care for EMI. The CMA notes that the conditions of competition appear to be broadly comparable within both segments. Moreover, the most reliable data set available to the CMA – the data set used in the Market Study – does not distinguish between care homes offering nursing care and EMI care (because there is no difference between the registration of a care home that offers nursing care and a care home that also offers EMI care within CQC data on which the Market Study data is based).

39. The appropriate frame of reference can, in any case, be left open, because competition concerns do not arise within any plausible frame of reference. In particular, the CMA has not received any evidence to suggest that the Merger would raise competition concerns within a separate segement for the provision of nursing care for EMI. The CMA has, to the extent relevant, considered any differentiation between nursing care and nursing care for EMI as part of its competitive assessment.

Conclusion on product scope

40. For the reasons set out above, the CMA has considered the impact of the Merger within the following product frames of reference:

- The provision of residential care for the elderly; and
- The provision of nursing care for the elderly.

Geographic scope

Local assessment

41. The Parties suggested analysing the Merger by reference to a local catchment area analysis based on drive-time isochrones of 15-20 mins, following the approach in previous cases.[15] The Parties submitted that the drive-times isochrones should be the same for residential and nursing care.

42. Consistent with the approach adopted in previous cases, as described in the Retail Mergers Commentary,[16] the CMA will (where relevant data is available) typically base its analysis on average catchment areas that capture the majority of a nursing home's patients. Due to potential differences in population density and travel times, the CMA usually distinguishes between urban and rural areas.

43. In this case, the CMA received data from the Parties that allowed it to compute average catchment areas.[17] This led to the following average drive-time isochrones:

(a) HC-One:

(i) Rural: [25-30] minutes;

(ii) Semi-Urban: [15-20] minutes; and

(iii) Urban: [15-20] minutes.

(b) Bupa Care Homes:

(i) Rural: [25-30] minutes;

(ii) Semi-Urban: [20-25] minutes; and

(iii) Urban: [15-20] minutes.

44. The CMA carried out sensitivity checks by flexing the relevant local catchment areas and by considering the impact of the Merger on a local authority area basis. These sensitivity checks supported the filtering approach taken by the CMA.

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[15] See cases mentioned in footnote 10 above.
[16] *Retail Mergers Commentary* (CMA62), April 2017, section 2.
[17] Typically, catchment areas are constructed by analysing data on customer location to determine the area from which a firm draws 80% of its business. In the case of care homes, this means using the former address of a patient before he/she moved into the care home.

Conclusion on frame of reference

45. For the reasons set out above, the CMA has considered the impact of the Merger in the following frames of reference:

- The provision of residential care for the elderly on a local level; and
- The provision of nursing care for the elderly on a local level.

Competitive assessment

Horizontal unilateral effects

46. Horizontal unilateral effects may arise when one firm merges with a competitor that previously provided a competitive constraint, allowing the merged firm profitably to raise prices or to degrade quality on its own and without needing to coordinate with its rivals.[18] Horizontal unilateral effects are more likely when the merging parties are close competitors. The CMA assessed whether it is or may be the case that the Merger has resulted, or may be expected to result, in an SLC in relation to horizontal unilateral effects in residential care or nursing care.

Local analysis

Analytical framework and filter

47. When analysing whether a merger may result in a realistic prospect of an SLC in cases involving a large number of local overlaps, the CMA may use a filtering methodology to screen out overlap areas where competition concerns are unlikely to arise.[19]

48. Accordingly, in order to assess the competitive impact of the Merger at a local level, the CMA has:

(a) assessed the appropriate catchment areas for the Parties' care homes;

(b) identified the local areas in which the Parties overlap either in the provision of (i) residential care and/or (ii) nursing care services;

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[18] *Merger Assessment Guidelines*, from paragraph 5.4.1.
[19] See the *Retail Mergers Commentary*, paragraph 3.2.

(c) identified the care homes in the local overlap areas to be included as effective competitors in (i) residential and/or (ii) nursing care;[20]

(d) applied a filter identifying any areas in which the Parties have a combined share of more than 35%,[21] on the basis of bed capacity; and

(e) considered whether there are competition concerns in any of the areas that failed to pass the filter.

Filter results

49. Based on the two candidate frames of reference identified above, there are eight local overlaps in residential care and 91 overlaps in nursing care.

50. For the provision of residential care, there was no catchment area in which the Parties' combined share will exceed 20% post-Merger. Therefore, the CMA believes that the Merger raises no realistic prospect of an SLC in relation to the provision of residential care in any local area.

51. For the provision of nursing care, the Parties' post-Merger combind share of supply will exceed 35% in the catchment areas centred around:

(a) BCH's Colton Lodges in Leeds; and

(b) HC-One's Snapethorpe Hall in Wakefield.

Competitive conditions within these two areas are therefore analysed in more detail below.

- *Colton Lodges, Leeds*

52. In this urban area of Leeds, the BCH Colton Lodges care home has a catchment area of 17 minutes, which includes the eastern and southern parts of Leeds, as well as the northern part of Wakefield.The catchment area therefore extends across parts of two local authority districts.

53. The Parties have a post-Merger supply share of [35-40]%: HC-One already operates three care homes in this area and through the Merger will purchase

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[20] Both the Market Study and this analysis are based on data that was provided to the CMA by LaingBuisson (see for example paragraph 2.20 Care Homes Market Study Final Report). For this investigation, the CMA received an updated version of the LaingBuisson dataset.
[21] This threshold is in line with the approach taken in other recent healthcare CMA merger investigations. See for example the Report on the anticipated merger between Central Manchester University Hospitals and University Hospital of South Manchester of 1 August 2017 and Celesio/Sainsbury's, CMA decision of 11 December 2015. Note that a 35% threshold is broadly equivalent to a 5:4 fascia count threshold, assuming five equal competitors pre-merger.

three more homes (one of which is Colton Lodges, the centroid home for this catchment area).

54. Post-Merger, Bupa will retain four additional homes in the area, [✂]. There are also eleven other care homes offering nursing services, operated by nine different providers.

55. The Parties submitted that no competition concerns would arise within this catchment area because:

- The Parties' combined share of supply only just exceeds the threshold level of concern;
- the Parties are not each other's closest competitor by geography;
- there are sufficient competitors in the area; and
- there is sufficient excess capacity both in the Parties' homes and in their competitors' homes such that capacity constraints are not relevant to assessing the impact of the Merger in this area.

56. The CMA notes that Bupa will remain active in this local area and [✂]. There is therefore no reduction in the number of competitors by fascia count (and, in fact, the Merger results in a reduction of the HHI level within this catchment area).[22]

57. In addition, the CMA notes that at least ten competitors, with available spare beds, will remain within this catchment area post-Merger. Therefore, the Parties will face sufficient constraints from other remaining competitors post-Merger. No third party raised competition concerns about the potential effects of the Merger within this catchment area.

58. The CMA has also not received any evidence to suggest that the Merger would raise competition concerns within a separate segement for the provision of nursing care for EMI within this catchment area.

59. As a result, the CMA believes that no competition concerns arise with respect to the local area of Colton Lodges.

[22] The use of the HHI in Merger review is discussed in par. 5.3.4 and 5.3.5 of the *Merger Assessment Guidelines*.

- *Snapethorpe Hall, Wakefield*

60. In the urban area of Wakefield, West Yorkshire, the HC-One Snapethorpe Hall care home has a catchment area of 16 minutes, including Wakefield and the southern parts of Leeds. The catchment area therefore extends across parts of two local authority districts.

61. The Parties have a post-Merger supply share of [35-40]%: HC-One currently operates two care homes in this area (Carr Gate and Snapethorpe Hall, the centroid home for this catchment area), and through the Merger will purchase BCH's Copper Hill home in Leeds.

62. Bupa is [✂]. In addition, there are seven other care homes offering nursing services, operated by seven different providers.

63. The Parties submitted that no competition concerns would arise because:

- The Parties' combined share of supply only just exceeds the threshold level of concern;
- the Parties are not each other's closest competitor by geography;
- there are sufficient competitors in the area; and
- there is sufficient excess capacity both in their homes and in their competitors' homes such that capacity constraints are not relevant to assessing the impact of the Merger in this area.

64. Third parties submitted that the Parties do not compete in practice as patients generally stay close to where they used to live. Therefore, few people from Wakefield would consider a care home in Leeds.

65. The CMA notes that there is no reduction in the number of competitors by fascia count and that the Merger results in a reduction of the HHI levels within this catchment area.[23]

66. In addition, the CMA notes that at least eight competitors, with available spare beds (there is currently more nursing bed capacity than the national average of 10%),[24] will remain within this catchment area post-Merger.Therefore, the Parties will face sufficient constraints from other remaining competitors post-

[23] The use of the HHI in Merger review is discussed in par. 5.3.4 and 5.3.5 of the *Merger Assessment Guidelines*.
[24] Third Party source.

Merger. No third party raised competition concerns about the potential effects of the Merger within this catchment area

67. The CMA has also not received any evidence to suggest that the Merger would raise competition concerns within a separate segement for the provision of nursing care for EMI within this catchment area

68. As a result, the CMA believes that no competition concerns arise with respect to the local area of Snapethorpe Hall.

Conclusion on horizontal unilateral effects

69. For the reasons set out above, the CMA believes that sufficient competitors to constrain the Merged entity will remain active within both catchment areas post-Merger (in particular because the Merger will not bring about any reduction in the number of competitors within these areas). Accordingly, the CMA found that the Merger does not give rise to a realistic prospect of an SLC as a result of horizontal unilateral effects in relation to residential care and nursing care in any local area.

Barriers to entry and expansion

70. Entry, or expansion of existing firms, can mitigate the initial effect of a merger on competition, and in some cases may mean that there is no SLC. In assessing whether entry or expansion might prevent an SLC, the CMA considers whether this would be timely, likely and sufficient.[25]

71. The Parties submitted that entry and expansion in the care homes sector is straightforward.

72. However, the CMA has not had to conclude on barriers to entry or expansion as the Merger does not give rise to competition concerns on any basis.

Countervailing buyer power

73. The Parties submitted that LAs have buyer power. This is because LAs are paying for a substantial share of all fees and set standard allowable rates for residential and nursing care.

74. However, the CMA has not had to conclude on buyer power as the Merger does not give rise to competition concerns on any basis.

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[25] *Merger Assessment Guidelines*, from paragraph 5.8.1.

Third party views

75. The CMA contacted customers and competitors of the Parties. Third party comments have been taken into account where appropriate in the competitive assessment above.

76. Two third parties voiced concerns about the capacity of nursing and dementia care in Leeds. The concerns articulated did not, however, relate to the potential impact on competition of the merger, but rather related to the functioning of the local market pre-Merger.

77. Another third party submitted that the Parties would have a significant position (amount to 25% of supply) in the provision of care homes to LA-funded patients on a national basis. As described above, the CMA notes that competition in the supply of residential and nursing care homes primarily takes place on a local basis. In any case, the CMA considers that the Parties' combined share of supply of the provision of (all) care homes to LA-funded patients on a national basis, which amounts to [0-5]% (on the basis of number of homes) or [5-10]% (on the basis of number of beds), is not at a level which would typically raise competiton concerns.

78. No other third parties raised concerns about the Merger.

Decision

79. Consequently, the CMA does not believe that it is or may be the case that the Merger may be expected to result in an SLC within a market or markets in the United Kingdom.

80. The Merger will therefore **not be referred** under section 33(1) of the Act.

Colin Raftery
Director
Competition and Markets Authority
13 December 2017

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[i] The Parties submitted that 12 of the 122 care homes will be transferred at a later stage to BCH, as regulatory approval of the transferral of those 12 care homes is currently pending.

[ii] The Parties submitted that 12 of the 122 care homes will be transferred at a later stage to BCH, as regulatory approval of the transferral of those 12 care homes is currently pending.