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The cost of payment inefficiencies in care

Why it matters, and what to do about it

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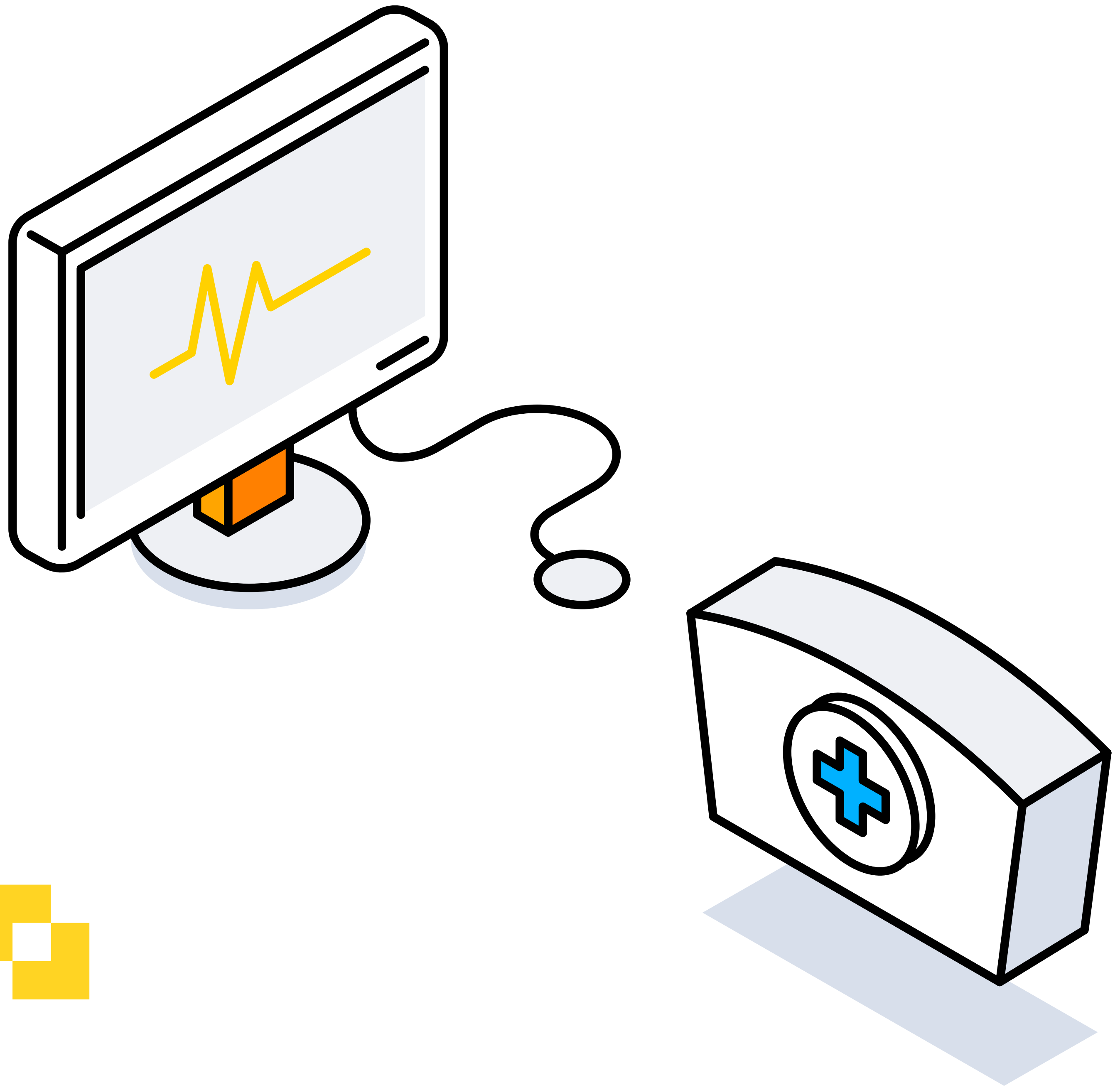

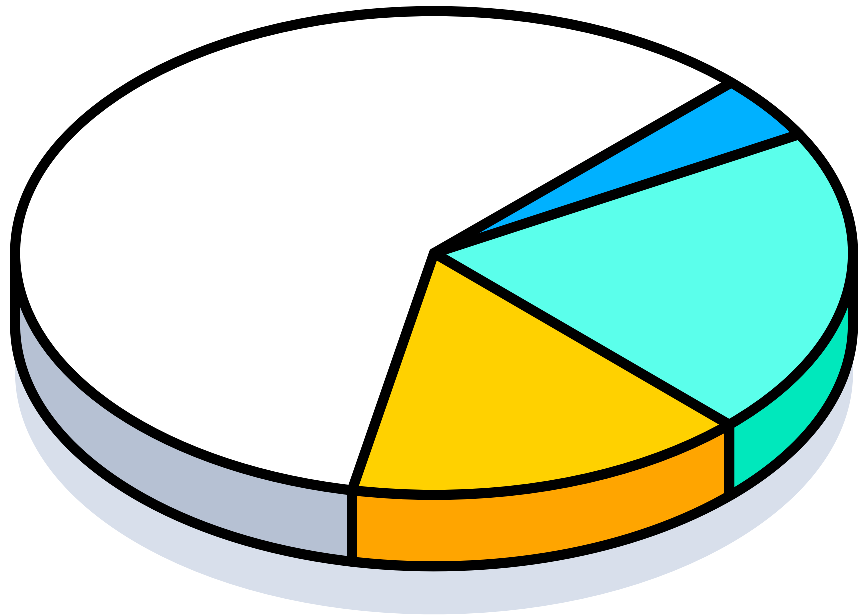

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Introduction

The UK care sector is under immense pressure, facing tight margins, workforce shortages, and complex funding streams.

Care providers – from homecare agencies to residential homes – are being asked to do more with less, and to do it fast.

Amid calls from central government for digitisation and transformation in adult social care, one foundational process is often overlooked: **payments.** Manual, inefficient payment processes are quietly draining time, money, and morale from care organisations, impacting everything from cash flow to staff retention.

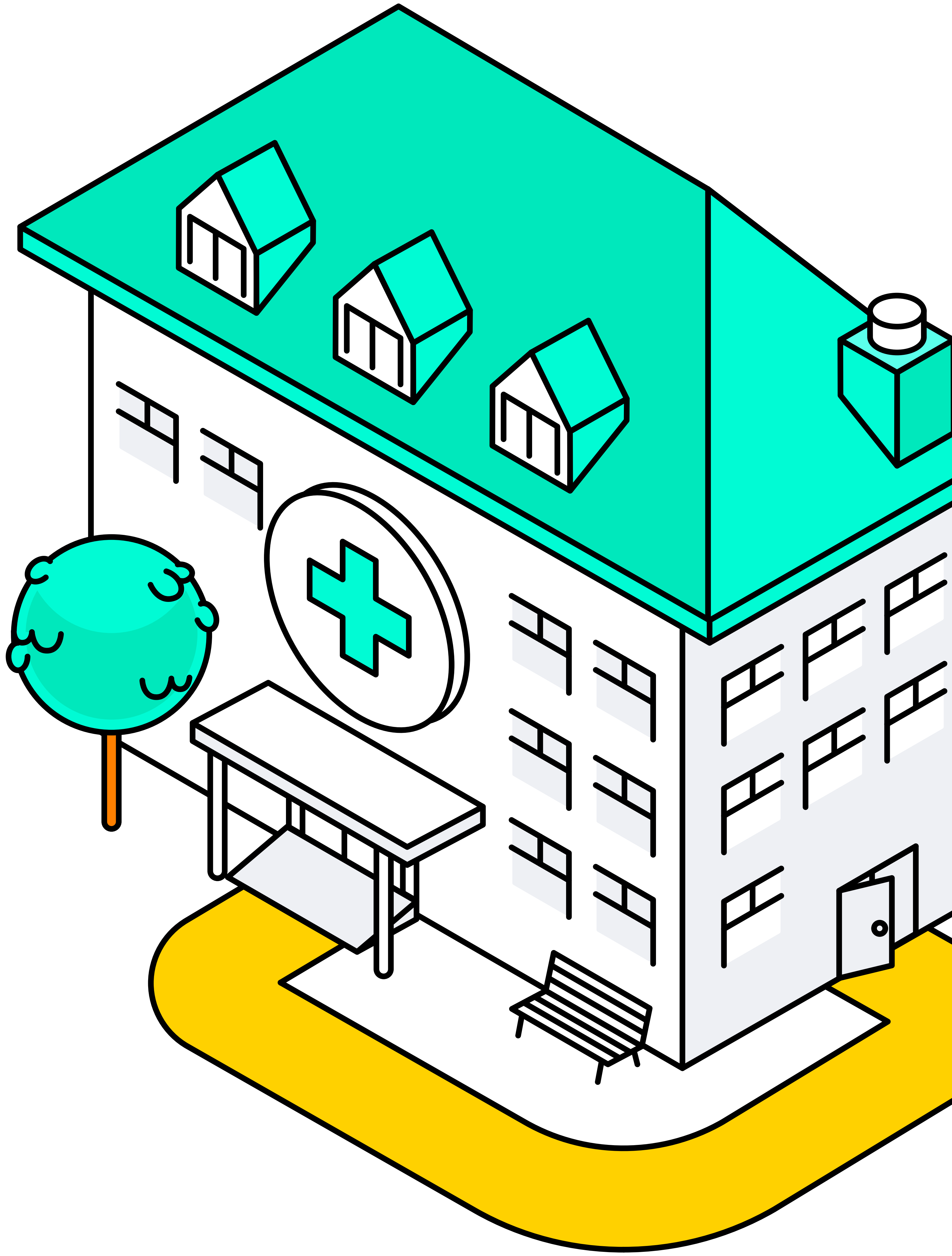
This ebook explores the hidden costs of payment inefficiencies in care and how to address them. We'll examine:

- **How fragmented systems and late payments create operational roadblocks**
- **Why government expectations for digital transformation haven't come with adequate funding**
- **How automation can unlock immediate benefits like better visibility, time savings, financial control, and scalability.**

Along the way, we'll share up-to-date statistics – from late payment averages to payroll error impacts – and insights from care providers and finance partners who are navigating these challenges.

Who is this for? If you manage or advise a care organisation, this is for you. Whether you run a care home, domiciliary care service, or are a finance professional in the care space, understanding and improving your payment processes can yield significant gains.

Let's start by looking at why care payments are uniquely complex and how manual workarounds are holding providers back.



A fragmented system built on manual effort

One major culprit behind payment inefficiencies in care is the fragmented system of funding and billing. Instead of a unified flow of funds, providers juggle a patchwork of payers and platforms – each with its own rules, timelines, and quirks.

In England, there are:

153	Local authorities
42	NHS Integrated Care Boards
250,000 +	Self-funding clients

...all using different invoicing systems and payment methods.

This complexity creates a ripple effect across the sector. Providers often spend hours every week logging into multiple portals, manually cross-checking records, and re-keying data to reconcile payments from various sources.

The result isn't just a lack of efficiency… it drains morale.

Every hour lost to manual admin is an hour taken away from focusing on other tasks.

"Providers often waste time logging into different disparate systems, manually cross-checking data and uploading payments, I'm sure they would prefer a singular integrated platform so they can focus on other tasks to support the delivery of high-quality care." Richard Ayres, Social Care Advisor at Care England.

Fragmented, manual processes also open the door to human error. With disparate spreadsheets and systems, it's easy for invoices to slip through cracks or for data entry mistakes to occur. A single typo in a bank detail can mean a nurse or support worker doesn't get paid on time, or a key supplier doesn't receive their fee – setting off a chain reaction of issues.

Administrative errors are a known driver of late payments in many sectors; government research finds that about 24% of UK businesses attribute late payments they receive to admin mistakes like lost or incorrectly logged invoices. Care is no exception: when each funding source has its own paperwork, the administrative burden soars and so does the risk of something going wrong.

For small care businesses, which often lack big finance departments, this patchwork system is especially burdensome. It's not uncommon for managers in care SMEs to wear multiple hats – they might be responsible not only for operations but also for processing payroll and supplier payments.

In short, the current state of payment systems in care is akin to a tangle of threads that providers must painstakingly weave together by hand. It's fragile, time-consuming, and drains resources that could be better spent on care delivery. Next, we'll see how these inefficiencies translate into real financial pain – namely, cash flow problems and delays that threaten the viability of care businesses.

Key operational pain points

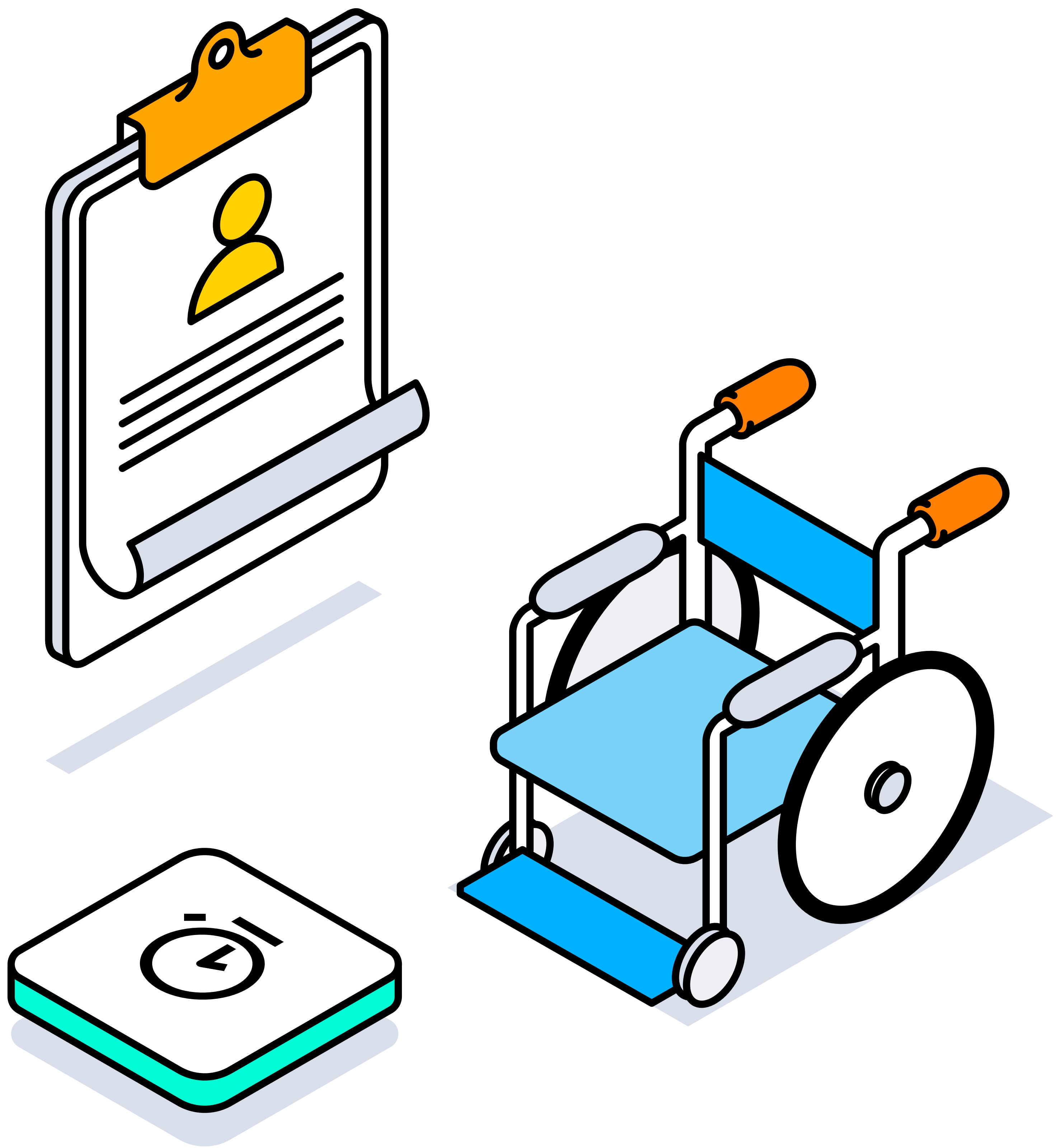
24%

attribute late payments to admin mistakes

Richard Ayres
Social Care Advisor at Care England

"Providers often waste time logging into different disparate systems, manually cross-checking data and uploading payments. I'm sure they would prefer a singular platform so they can focus on other tasks to support the delivery of high-quality care."

Poor cashflow blocks progress



Late incoming payments are a chronic problem in the UK, and the care sector is one of the hardest hit.

80% of homecare providers with public sector contracts experienced late payments

47% in the same survey said almost all their invoices were paid late

60% of employees surveyed had spotted mistakes on their payslips

40% had been paid late, and 1 in 5 British workers had actually resigned from a job after experiencing repeated payroll inaccuracies.

In 2022, the average UK small or mid-sized business was owed an estimated £22,000 in late payments – a significant cash flow gap for any SME.

For care providers, late payments are reaching peak levels. A late-2023 survey by the Homecare Association found that over 80% of homecare providers with public sector contracts experienced late payments, and nearly half (47%) said almost all their invoices were paid late. Shockingly, almost a quarter of respondents reported waiting **over 90 days** on average for payments from NHS or local authority commissioners. Some small care firms were owed up to £350,000 for care already delivered, with debts outstanding for over a year.

These delays aren't just numbers on a balance sheet – they have material consequences for care businesses and the people they support.

Cash flow is king in care, as in any sector. When payments from councils or the NHS are delayed by months, providers struggle to cover their own obligations. Bills pile up, growth plans stall, and worst of all, staff and suppliers may not get paid on time.

> This isn't just a financial problem. It's an operational one. **When care staff are paid late or inaccurately, morale suffers; when supplier payments are delayed, vital vendor relationships break down.**

Frontline caregivers often live on tight budgets themselves. Missing a payday or receiving an incorrect amount can cause real hardship. Employees don't view payroll mistakes as mere clerical issues – they interpret them as the organisation not valuing its staff.

A UK survey found that 60% of employees had spotted mistakes on their payslips and 40% had been paid late, and 1 in 5 British workers had actually resigned from a job after experiencing repeated payroll inaccuracies. It should be no surprise, then, that late or uncertain paycheques erode trust and motivation.

In the care sector – already plagued by high vacancy and turnover rates – this can be devastating. Care workers who feel undervalued are more likely to leave for other jobs, further worsening staffing pressures.

Poor cashflow blocks progress

Suppliers to care organisations feel the strain as well.

Many care providers rely on third-party agencies, equipment vendors, or training providers.

When these suppliers aren't paid promptly, they might tighten terms or even cease doing business with the care provider, limiting the provider's ability to operate smoothly. In a care home, for example, a delayed payment to a food supplier could literally mean the kitchen runs short – an unacceptable situation for residents' welfare.

50%

According to care sector research, nearly half of homecare providers said cash flow difficulties from late client payments made it hard to pay their own suppliers and bills on time. It's a domino effect: one organisation's late payment becomes another's cash flow crisis.

Ultimately, poor cash flow can threaten the very survival of care businesses. When income is unpredictable, providers cannot invest in growth or service improvements, and they may incur overdrafts or debt just to cover payroll.

For care providers, healthy cash flow is not just about financial health – it underpins quality of care. If managers are preoccupied with chasing payments and juggling short-term loans, they have less bandwidth to focus on service delivery. If staff are demotivated or leaving due to late pay, continuity and quality of care suffer. And if a provider goes insolvent, vulnerable people can abruptly lose services. That is why solving the late payment puzzle is so critical for this sector's stability.

1 in 5

In mid-2023, more than one in five home care companies surveyed said they feared they might collapse within six months due to unpaid invoices by public bodies.

£679m

More than £679 million was owed to English care providers beyond 30 days as of summer 2023.

£567m

Of that £679 million, £567m was owed in late payments from local authorities and £112m from NHS Integrated Care Boards.

However, many of these problems are systemic – small care businesses often cannot control how quickly a council processes an invoice.

What, then, can be done? Part of the solution lies in **modernising the payment processes and systems** within a provider's own control, to mitigate the damage of external delays and prevent internal errors. Before exploring those solutions, we must acknowledge another challenge providers face: the push for digital transformation and why so many care organisations feel caught between mandates and budgets.

Transformation is expected - but unfunded.

Improving operational efficiency in care isn't just a grassroots idea – it's a government mandate. The UK government has made digital transformation in adult social care a policy priority, urging providers to modernise how they work.

In 2023, the Department of Health and Social Care published a "What Good Looks Like" framework to guide digital best practices in social care, alongside a digital skills agenda for the workforce. The message from policymakers is clear: moving from paper-based, manual processes to digital, data-driven systems is essential for providing quality care and meeting future demands. The Care Quality Commission (CQC) has even signalled that in coming years it will be hard for a care service to achieve a good or outstanding rating without effective digital records and processes in place.

Yet while expectations have risen, funding hasn't kept pace. This contrast is a sore point for providers. Modernising systems – whether it's adopting electronic care records, online payment platforms, or automated payroll tools – requires up-front investment, staff training, and ongoing support.

But **"commissioners look at the cost of care, not the cost of transformation,"** as Richard Ayres of Care England observes. In practice, that means care contracts from local authorities or NHS commissioners rarely include extra funds for infrastructure upgrades or software. Providers are expected to dig into their own pockets to invest in technology, even while many struggle with operating margins in the low single digits.

£21 billion

of investment is required over five years to fully digitise NHS and adult social care services across the UK, according to 2025 analysis by the Health Foundation.

Victoria Ramsay
Aequalis Accountancy

"There's a vicious circle: lack of invoices being paid on time causes cash flow issues, meaning companies can't always afford to upgrade systems and streamline the business."

This investment covers not just purchasing software and hardware, but also crucial elements like staff training, system integration, cybersecurity, and ongoing maintenance.

When your profit margin is perhaps 1–3% (common in social care), even a relatively small IT project can be a big ask. Providers may also be understandably cautious about investing in new systems that might disrupt operations or take time to pay back their cost.

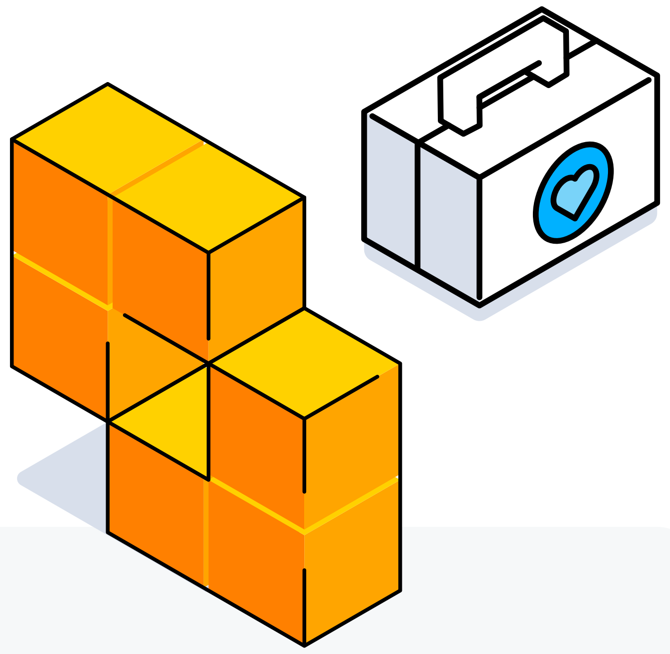
The irony is that by not investing, they continue to bleed time and money through inefficiencies.

So, what can be done to break this cycle? For one, government bodies could offer more direct support and incentives for care SMEs to upgrade their finance and admin processes (and some supports do exist, though awareness may be low).

But care providers cannot wait passively for policy changes. As we'll discuss next, there are targeted steps and relatively low-barrier technologies that can deliver quick wins. In fact, transforming your payments workflow might be one of the least disruptive and most cost-effective ways to start digitising – yielding immediate improvements without the need for massive spending or overhauling your care delivery model.

In the following sections, we turn to solutions: how automating payments and related processes can ease cash flow pains, boost staff morale, save precious time, and set your organisation on a path to sustainable growth.

Automation unlocks immediate wins



When people hear "digital transformation," they often imagine large, complex IT projects. But not all improvements require a multi-year plan – some changes can produce immediate wins.

Among these, automating payments is a clear standout for care organisations. Automating how you pay staff and suppliers (and how you receive and reconcile funds) can be surprisingly straightforward to implement, yet it delivers fast returns by removing hours of repetitive admin from weekly workflows.

Consider the weekly or monthly grind of payroll and accounts payable in a typical care home or agency. It might involve exporting timesheets, manually entering data into a banking portal, double-checking entries, getting approval from a manager, and so on for dozens or hundreds of transactions.

With automation tools, much of this can be done in a few clicks or even scheduled to run on its own.

For example, if your payroll system is integrated with a payments platform, you can eliminate manual bank transfers – once you finalise the pay run, the payments can be sent out automatically to each employee's bank account. No more keying in sort codes and amounts one by one.

The benefits of this kind of streamlining are tangible.

An accounting firm serving care clients reported that with the right platform, payments that used to take hours can be prepared and released in just 90 seconds.

In that case, automating payments saved several hours every week, and also improved cash flow – **"if you receive funds from the council, you can make same-day payments to staff or suppliers. That kind of speed and efficiency is amazing,"** noted Victoria Ramsay from Aequalis Accounting Ltd. In other words, automation can shorten the gap between money-in and money-out, making the organisation more agile in meeting its obligations.

But automation isn't only about speed; it's also about control and visibility. As Modulr's Pav Selvaraj puts it, care providers don't just need payments to be faster – **"they need them to be controlled, visible, and repeatable".**

Benefits of a modern payments system:

- Real-time oversight of your financial flows
- See at a glance what's been paid, what's pending, and what's scheduled.
- A full audit trail, reducing fraud risk and error.

Once teams can see payments happening in real time and automate the routine stuff, they can start planning ahead instead of constantly reacting.

Automation gives control back to care managers and finance leads.

This is especially important in a sector where every penny and every minute count.

Automation also improves **accuracy.** The solution can enforce checks (for example, preventing you from paying a supplier twice for the same bill). These safeguards mean fewer payment disputes and less time spent troubleshooting issues after the fact.

From a **compliance** perspective, Care providers often have to report expenditures for local authority contracts or maintain clear records for regulators. Automated systems usually come with reporting tools that make it easy to compile such information, saving yet more admin effort.

In sum, **payment automation offers a high return on relatively low effort.** It eases cash flow by enabling instant payments when funds arrive; it lifts morale by ensuring staff are paid correctly and on time; it protects supplier relationships by never missing a due date; and it frees staff, giving them time back.

The hidden opportunity: Reclaiming time for care

When discussing the cost of inefficient payments, many focus on the financial aspects. But perhaps the most overlooked cost of outdated systems isn't financial at all – it's human.

Every hour that a care manager or administrator spends wrestling with spreadsheets, chasing payments, or correcting payroll errors is an hour not spent on other activities. In the care sector, that could mean an hour not spent training staff, engaging with residents, or planning service improvements. In other words, inefficient payments quietly steal time from care itself.

Reclaiming that time is a hidden opportunity to improve care delivery and staff well-being. Consider this: even saving five hours of administrative work a week could enable a provider **to support one more resident or client, or to allocate time to hire and onboard one more carer.**

Monday	Tuesday	Wednesday	Thursday	Friday
1 hr saved Additional time to support one more resident or client	**2 hrs saved** Allocate time to hiring & onboarding carers	**3 hrs saved** Added time to implement a new service line	**4 hrs saved** An hour back to train on new regulation	**5 hrs saved** A buffer created to deal with the unexpected

Over a year, those saved hours might translate into dozens of additional people served or a significantly expanded workforce. This is the real value of operational efficiency – **it gives time back to the people who need it most.** Instead of your highly trained care manager spending Monday mornings manually reconciling invoices, they could be mentoring junior staff or reviewing care plans. Instead of your scheduler staying late to sort out payroll discrepancies, they could be ensuring next week's rosters align better with client needs. Time is a finite resource, and automation effectively "creates" more of it by eliminating waste.

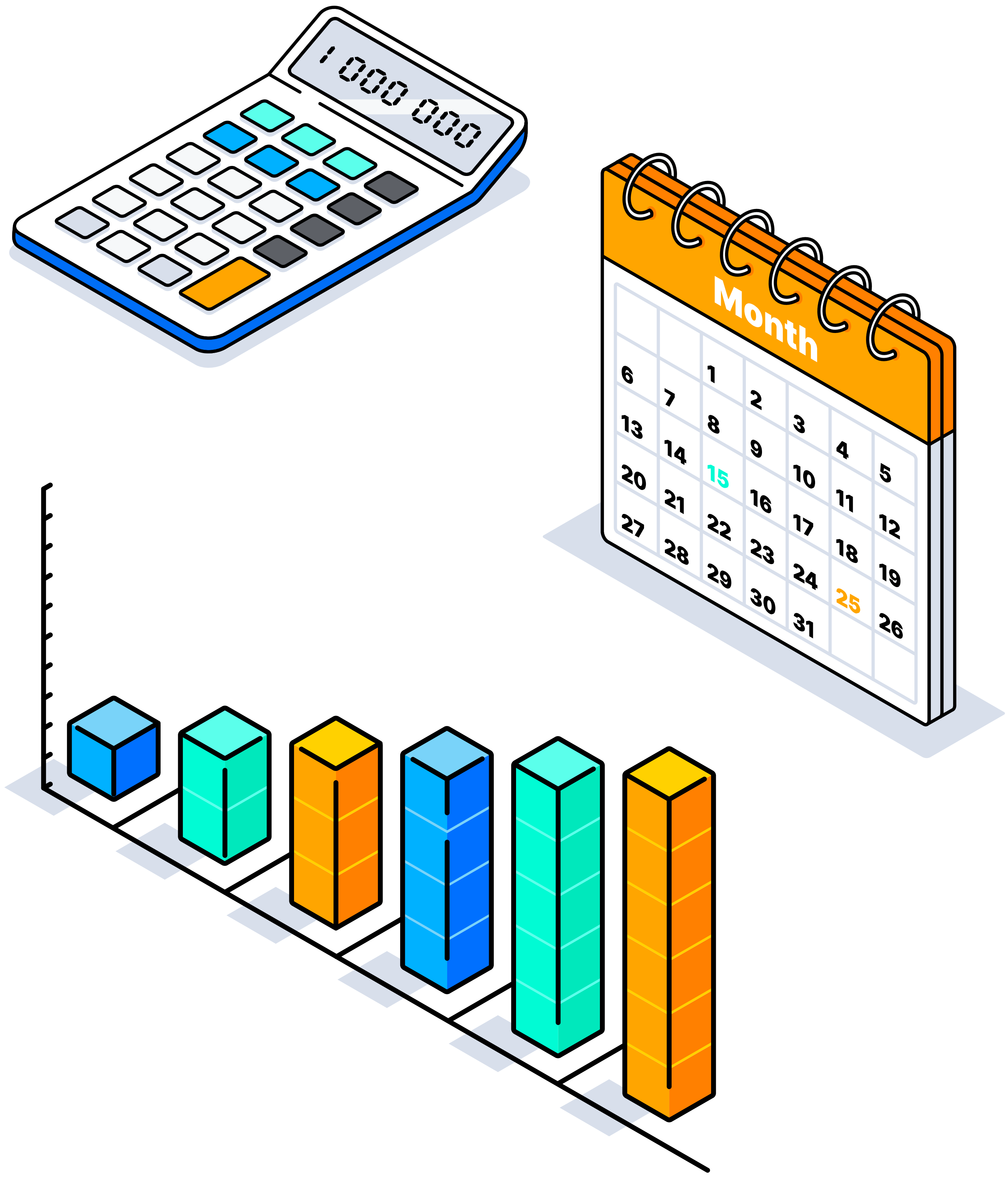
Staff, too, feel the difference when administrative chaos is reduced. Nothing is more demoralising for care professionals than seeing bureaucratic tasks eat into the day they wanted to spend caring for people. **By automating and simplifying back-office processes, you reduce stress and burnout on your team.** Carers can trust that their timesheets and pay will be handled smoothly, and managers aren't constantly pulled away from leadership duties to put out financial fires.

This contributes to a more positive workplace where people can focus on the mission – delivering quality care.

On a larger scale, time savings contribute to the **resilience and scalability** of a care organisation. In the next section, we will discuss building a future-ready finance function – but the link is clear: organisations that have slack in their administrative capacity can adapt more quickly, take on new clients, or handle crises better. Those that are maxed out with manual work have little room to manoeuvre when change comes. By freeing up 10–20% of your admin time, you create a buffer that can be used for training on new regulations, implementing a new service line, or simply dealing with the unexpected (as the COVID-19 pandemic taught us all to expect).

In summary, every pound saved and every error avoided by streamlining payments is important – **added time to implement a new service line**, because it can be reinvested into care. That is the hidden ROI of payment efficiency: better care experiences, happier staff, and capacity to grow.

Building a future-ready finance function



As the care sector evolves, providers will need scalable, adaptable systems that grow with them. The financial operations of a care business – billing, payroll, accounting, reporting – form its backbone. If that backbone is rigid or manual, it will struggle to support growth or change.

Building a future-ready finance function means putting in place processes and tools that can handle increasing volume, integrate with new technologies, and adapt to regulatory changes, all without a proportional increase in workload or complexity.

A key principle here is **configure once, benefit continuously.** If you set up automated workflows now, adding more clients or more staff doesn't create more work linearly – the system simply replicates the processes for the new volume.

For example, whether you have 5 employees or 500, a well-designed payroll system with automation will scale up with far less effort than a manual process would require.

- Victoria Ramsey of Aequalis Accountancy noted, **"Whether a provider has 5 employees or 500, they need a system that grows with them. It's about preparing for what's next – especially in a sector under pressure to adapt quickly."** In practice, that might mean using cloud-based software that can be upgraded and expanded, rather than relying on a tangle of Excel sheets that break once you exceed a certain size.

Future-ready finance also involves **better data and analytics.** Modern payment platforms and care management systems can provide real-time data dashboards, forecasting, and trend analysis.

Imagine being able to predict your cash flow months in advance based on invoice patterns, or instantly see how a change in local authority funding rates would impact your bottom line. These insights enable care providers to make smarter, faster decisions – shifting finance from a reactive, historical function to a strategic planning asset.

For instance, with integrated systems, you could quickly calculate the cost implications of hiring additional carers versus the revenue from taking on new client packages, helping you plan sustainable growth. **Real-time data and reporting turn financial management from guesswork into an informed science.**

Compliance and governance

As digital record-keeping becomes the norm, regulators and commissioners will likely demand more electronic submissions and audit trails.

A future-ready finance function in care should be ready for things like electronic invoicing mandates, direct data sharing with public systems, or more stringent audit scrutiny. By adopting secure, compliant systems early, providers can stay ahead of these requirements and avoid last-minute scrambles. For example, using a payments provider that is regulated and provides secure audit logs can simplify demonstrating compliance with things like fund tracking, or VAT reporting.

Interoperability is important too. The ideal scenario is that your care planning, billing, payroll, and accounting systems all "talk" to each other (or are parts of a unified platform). Many care providers today find themselves duplicating entries across systems because one piece of software doesn't connect with another – that's something to gradually eliminate. The UK is moving toward more integrated care, and by extension, the tech systems will need to integrate. The NHS's push for integrated health and social care records is a sign of this trend. In finance, being able to integrate with local authority payment portals or health budgeting systems might become a competitive advantage for providers seeking contracts.

Security and resilience

Scalability and resilience go hand in hand. With a future-ready finance setup, unexpected events (like a sudden influx of clients, or an emergency requiring extra staffing) can be absorbed more easily.

The early months of the COVID-19 pandemic, for instance, saw care providers having to pay many staff weekly or ad-hoc to cover sickness and overtime, while also handling grants and PPE purchases – those with flexible digital systems could cope far better than those with rigid manual processes. Planning for the future means expecting the unexpected and having systems that don't crumble under pressure.

Crucially, building this future-ready function doesn't require doing everything at once. It can start with the small step of automating payments or digitising one piece of the puzzle at a time. Each incremental improvement not only yields current benefits (as we've discussed) but also lays the groundwork for the next. **Think of it as future-proofing your operations one process at a time.** By investing in simplicity and efficiency now, you're ensuring that complexity down the road won't overwhelm you. As our earlier discussion highlighted, many providers have had to transform reactively and piecemeal – but those who proactively modernise are positioning themselves to thrive in the coming years.

A finance function that is automated, data-driven, and integrated is no longer a luxury for large corporations – it's becoming a necessity for care businesses of all sizes. It underpins not just financial stability but the ability to scale services and innovate care delivery. With the building blocks of technology and skills in place, care providers can focus on their real mission, confident that the "engine room" of their organisation can support their ambitions.

Final thoughts: Start with what you can change

Transforming a sector as complex as care isn't easy. Providers face external challenges that no single business can solve alone, from government funding shortfalls to workforce crises. However, as we've seen, one of the most impactful changes doesn't require waiting on policy reforms or massive overhauls – it can start with streamlining your payments and financial processes, an area within your control. By addressing the hidden inefficiencies in how money moves through your organisation, you unlock time and resources that can be redirected to your core purpose: delivering care.

Want to find out more?

The choice is clear. Stick with the inefficiencies of outdated systems or step up with a solution that empowers you to work smarter, not harder. Modulr is here to help you transform your payments and take the next step.

See Modulr in action

Start small, act fast

You might not fix late local authority payments overnight, **but you can ensure that when funds arrive, your systems distribute them to staff and suppliers the very same day.** You may not have the budget for a full IT transformation, **but you can adopt a targeted solution, like automating payroll or integrating your invoicing and accounting systems**. These changes often pay for themselves quickly through saved admin hours, reduced errors, and improved cash control.

Operational efficiency builds resilience

Every step towards efficiency is a step towards resilience. In a sector likely to face continued pressure, building robust internal operations is a form of care for your organisation, your team, and those you support. By tightening up your payment workflows, you bolster cash flow, improve staff morale, and build stronger relationships with suppliers and stakeholders. These foundations help you weather uncertainty and create the conditions to thrive.

Change starts with what you can control

Payment inefficiencies carry significant costs, but they're costs within your power to reduce. With modern payment tools and a mindset of continuous improvement, care providers can save time and money, boost morale, and ultimately deliver better care. **The road to a financially healthy, digitally-enabled care sector isn't about doing everything at once, it's about starting with the processes you can improve today.**