

## Controlled

# Market Sustainability Plan 2023-24 Derbyshire County Council

### Section 1: Revised assessment of the current sustainability of local care markets

#### a) Assessment of current sustainability of the 65+ care home market

##### Sufficiency of Supply and Workforce

- Derbyshire is a large county with some urban centres and rural market towns. There is geographic variation of; homeownership and house prices, proportion of older people at a local level, mobility of workforce, areas of scenic beauty where people retire, and which receive large numbers of visitors impacting on workforce availability. These factors have influenced the location of services, the affordability and sufficiency.
- Per head of population aged 75+, Derbyshire has a similar number of beds than the average of the East Midlands. However, Derbyshire has 5% more registered beds per capita than the average for all Shire Counties, and 4.0% more beds per capita than the whole of England.
- New care home capacity has been focused on areas where there is a strong self-funder market with fees charged above those paid by the Council. These geographic imbalances in the availability of care, will be factored into future planning about residential and nursing care.
- Development and sustaining care homes in market towns and rural areas at affordable fee rates is a challenge, providers struggle to recruit and retain staff.
- The past few years has seen closure or deregistration of nursing care homes with owners citing difficulties with recruiting and retaining nurses. This in turn results in an overreliance on nursing agency staff which is unaffordable for providers and can contribute towards poor quality and continuity of care. The high turnover of staff within nursing care homes, cost of agency staff, high staff ratio requirement, have resulted in many Providers informing us the sector is too high a commercial risk to operate in.
- Currently 362 admittable nursing vacancies out of 506 recorded vacancies and 390 residential vacancies out of 544 recorded vacancies. Vacancies are available across the County.

##### Diversity in the market

- The market is made up of purpose-built care homes and older buildings that have been repurposed as care settings. Ownership is varied with well established 'family' groups that are significant in the local market, large nationals, and sole traders. This variety has provided affordable choice and quality. The Council is the largest single provider with 10 residential homes and 6 community care centres.
- The bed size and suitability of some homes operated by sole traders will impact on their ability to maintain affordable quality services. Some of the smaller homes were particularly negatively impacted by the pandemic.
- Homes below circa 30 beds (and especially 20 beds) are more likely to suffer from higher staffing and other costs due to a lack of economies of scale.

However, these homes often offer a different environment to the larger purpose built homes which people find more suitable.

- The number of local independent care homes (up to half of Market Capacity) has implications for market forces in terms of both client choice and price competition. A key factor is that independent care homes tend to be smaller on average and have different cost profiles to larger groups. Although small homes sometimes lack economies of scale, they are often able to charge a lower price to Councils owing to sunk costs, owner input, and lower profit expectations than many of the larger groups in the sector. These independents are most likely to leave the market.

#### **Quality of provision**

- The quality of provision in residential care homes in Derbyshire rated as good or outstanding by CQC is 74%, compared with 78% nationally. Whereas nursing is at 66% compared to national average of 76% reflecting the local concerns about lack of nursing staff potentially impacting on quality. Robust quality monitoring is undertaken, including a focus on financial viability and sustainability.

#### **Current fee rates 2022-23** – all activity is via spot contracts

- The weekly standard **residential** rate is £697.69 with additional payment for those qualifying homes of £24.92.
- The weekly standard **nursing** rate before payment of FNC is £747.95 with additional 24.92 for qualifying homes.
- Placements are achieved at these rates; third party placements are utilised by families for homes that charge greater than these rates
- In exceptional cases the Council will pay a market supplement
- Homes that meet Dementia standards receive a further £55.58 per person per week.
- Providers have reflected the impact of current inflationary pressures (including National Living Wage increases) as part of the fee setting process looking to 2023/24

#### **b) Assessment of current sustainability of the 18+ domiciliary care market**

##### **Sufficiency of Supply, Diversity and Workforce**

- The Council contracts with 48 homecare providers with capacity supplemented by a further 20 providers to enable the Council to meet need.
- There is variation in the business models varying from large local groups covering more than one district/borough with capacity to expand, medium sized businesses which are based in a district/borough whose infrastructure limits growth and small providers that operate in small localities e.g., rural areas.
- There is currently an undersupply of homecare provision with 136 people across the county currently awaiting a care package due to inability for the market to respond. There has been a year-on-year increase in commissioned hours, demand remains greater than supply.
- Comparison with other LAs suggests that the Council commissions considerably more hours than similar sized authority which may contribute to the limited care worker capacity.
- All providers, including the Council's in-house home care service report extreme difficulties with recruitment and retention of staff.

- The Council's in-house service is subject to transformation to focus solely on short term care.
- There have been no provider failures however we are experiencing many more hand backs of packages as providers struggle to recruit and retain staff. Too often it is reported that people have left the care industry.

#### **Quality in Provision**

- The quality of provision in Derbyshire rated as good or outstanding by CQC is 91%, compared with 87% nationally. Robust quality monitoring is undertaken, including a focus on financial viability and sustainability.

#### **Current Fees**

- The Council pays a standard hourly rate (2023-24) of £18.60 for face-to-face commissioned activity, each visit also receives an additional payment of between £3.19 and £6.61 to assist with paying travel time and mileage. The combined commissioned value compares well with UKHCA minimum figure Further work is planned in collaboration with Providers, represented by the local Home Care Association, to review the fee model to increase the weighting to meet office costs.
- Providers have reflected the impact of current inflationary pressures (including National Living Wage increases) as part of the fee setting process looking to 2023-24

### **Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets**

- **Care Homes – Nursing and Residential**

#### **Viability and Quality**

- The combined impact of; high inflation on energy and food, legacy impact of Covid on businesses including inability to cover costs associated with voids, unable to receive new referrals when in a Covid outbreak, agency staff costs to cover staffing shortfall and the uncertainty for homes with the commencement of section 18(3) of the Care Act 2014 will all contribute to business decisions about long term viability. Smaller inefficient care homes with low occupancy are likely to be at most risk alongside nursing care homes that are unable to recruit and retain quality nursing staff
- Constraints on business cash flow is intrinsically linked with quality-of-service provision. If businesses attempt to maintain returns whilst experiencing greater costs, then investment into the business is likely to suffer resulting in increased poor CQC ratings and increased safeguarding concerns and complaints.

#### **Commissioning Intentions**

- Following feedback from people who use services there is greater focus now on supporting people to live longer at home. This will mean a continued reduction in residential placements being made and/or placements only being made into residential/nursing care when people's needs and complexity are greater and will likely stay for less time in the care setting offering providers less certainty over continuity of provision.
- Modelling of population needs suggests that more nursing beds will be needed in the future – currently we are experiencing more providers leaving this market than setting up new services. Since January 2014 there has been a reduction of 200 regulated nursing beds, however, there continues to be over 300 nursing vacancies. Providers report the difficulties with recruitment and retention of nurses, short length of stays of residents without confidence of

covering voids and limited fees paid by the Council impacting on their willingness to provide nursing. The short length of stay within nursing care also impacts Providers in terms of return on investment of the administration and care planning resource input.

### **Workforce**

- All providers including the Council's own in-house care homes, are challenged with recruitment and retention of care staff. This results in current staff being asked to work extra shifts resulting in burnout, use of agency staff which is costly and impacts on continuity and quality care.
- Providers with an empty wing or floor are often cautious about trying to recruit to meet additional perceived demand without assurances that the beds will be filled to cover the costs of the new staff especially if they are already struggling to recruit elsewhere in their service.
- Unfortunately, a number of services struggle with recruiting and retaining registered managers that are able to offer the leadership to promote continuous improvement and quality services.
- As mentioned, providers experience difficulties with recruiting nursing staff.

### **Section 18(3) (High Risk) – delayed Reform of Adult Social Care**

- The changes due to be adopted for self-funders from 1<sup>st</sup> October 2023 for whom the Council would commence supporting is now delayed. Providers have been surveyed for the numbers of current self-funders and this information will be used when we model impact alongside national modelling.
- Providers are anxious that the self-funder market that their business model is based on might be negatively impacted by this change and are wanting to work with the Council to help manage this potential change.

### **Cost of Care**

- The cost of care exercise highlighted two key areas for further consideration when the Council undertakes future fee setting. These are: the staffing levels including ratios of staff to clients and the return on capital and operations which for those providers that completed the survey the costs were substantially higher than in the Council's Fee model. It is recognised that these values may well have been influenced by the service types that completed the return and will be used to inform fee discussions in the future to help in ensuing a sustainable market.

### **Climate Change**

- Although not readily discussed the previous summer's higher temperatures linked to the rise in energy prices means that there is a need to work with providers to consider adaptation. To make homes easier and cheaper to keep cool in the summer and keep warm in the winter.

- **B - Home Care**

### **Viability and Quality**

- The Council is the primary funder for majority of the home care providers that contract with the Council with their activity being supplemented by Continuing Health Care Clients and Self-Funders (Providers advocate this in effect subsidises the Clients paid at Council fee rates). The Council offers long term confidence in availability of work and paying on time. The viability of the market is understood to be stable with few failures experienced over the past 10 years.

However, within the last few years this situation has gradually declined, and some providers have moved out of certain localities, or out of the market altogether, reflective of the workforce pressures being experienced in the sector.

- There has been little concern about the quality of provision and willingness of Providers to support the Council to meet people's needs. However, there is a real concern that as demand for home care increases Provider's may be encouraged to take on more work than they can accommodate. This will result in poor performance, shortened calls and staff being asked to work additional hours. Rarely do we see agency staff being used to cover gaps in rotas. However, there is evidence that it is difficult to recruit care staff as there is keen competition for staff from all sectors. The pool of potential employees is a challenge as the unemployment rate in the County is low, currently at 2.6% with Derbyshire Dales as low as 1.8% unemployment rate and the national England average rate of 3.7%.<sup>1</sup>

### **Commissioning Intentions**

- People want to stay at home for longer and there is increasing demand at a time that there is a shortage in workforce with the right values.
- Investment in home care is known to reap real benefits for people's ability to remain living independently, also the return on investment for the system is significant compared with the cost of a care homes placement or a hospital bed
- There are regional and local initiatives being developed to support Providers to utilise the governments' international recruitment scheme
- To work with providers to identify commissioning approaches including pre-paid rounds and block purchased hours to help provider greater assurance.
- Intention to ask providers to develop more strength-based approaches to support people to live longer at home

### **Workforce**

- All providers including the Council's own in-house home care struggle with recruitment and retention of care staff, this results in current staff being asked to work extra shifts potentially resulting in people working too many hours impacting on their wellbeing which impacts on continuity and quality care.
- Care workers' pay and available terms and conditions of employment contribute to difficulties of recruiting and retaining homecare workers. Other key factors included competition with other business sectors and staff re-evaluating lifestyle or work/life balance.<sup>2</sup>
- Failure to recruit enough staff also means that people are not receiving the support they want to help them stay at home for longer. This contributes to delayed hospital discharges, also complaints and inappropriate placements into residential care settings against people's wishes.
- Unfortunately, a number of services struggle with recruiting and retaining registered managers that are able to offer the leadership to promote continuous improvement and quality services.

### **Section 18(3)**

- this is already in place and any impacts from the Adult Social Care reforms are currently considered to be low.

<sup>1</sup> [Derbyshire Observatory – Employment](#)

<sup>2</sup> [Continuing lack of homecare workers \(homecareassociation.org.uk\)](http://homecareassociation.org.uk)

### **Cost of Care**

- The Cost of Care exercise identified a number of commissioning challenges, specifically that all providers operate different terms of pay and conditions which precludes the Council from being able to consider targeted fee increases (if affordable) to raise the pay rates of staff.
- The Council's current fee rates compare well with national fee models, but this may need to be reviewed alongside the learning from the Cost of Care exercise to identify at Provider's request of how the model may be adjusted to better support the market to improve recruitment and retention.

### **Section 3: Plans for each market to address sustainability issues, including fee rate issues, where identified.**

#### **(a) 65+ care homes market**

#### **Nursing**

- Consider as part of fee setting exercises how funds (subject to availability and affordability) can assist with sustaining and promoting development of nursing provision to meet predicted longer term demand. To continue to work with providers and partner agencies on how we can support and strengthen recruitment and retention of nurses and promotion of nurse associates.

#### **Workforce**

- Develop with providers and partner agencies coordinated approach to promote and support recruitment of care staff including nursing.
- Focus on support for registered managers to promote quality leadership across the sector

#### **Accommodation Strategy**

- The Council has a clear strategy for working with providers and developers to address the need for appropriate and affordable housing, and housing with care/ extra care, of which there is an undersupply in the current market
- This initiative will assist in supporting the availability of workforce in parts of the county traditionally where there is owner occupancy and to assist with provision of homecare. [Older people's housing, accommodation and support strategy 2019 to 2035 \(derbyshire.gov.uk\)](https://www.derbyshire.gov.uk/older-peoples-housing-accommodation-and-support-strategy-2019-to-2035)
- [Market Position Statement - Older Peoples Care and Accommodation \(derbyshire.gov.uk\)](https://www.derbyshire.gov.uk/market-position-statement-older-peoples-care-and-accommodation)

#### **Adaptation**

- The Council will offer guidance and support on how the market can be more resilient to weather and fuel increases

#### **Dementia**

- To further work with providers to promote the Dementia Framework with providers to improve working practice and quality of provision

#### **How DHSC fair cost of care funding will be used to promote sustainability**

- In considering the scale and pace of changes to future fee rates, the council will have due regard to the figures generated through the recent FCoC exercise. At this stage, although the exercise has provided valuable intelligence and insight into the local care market, there remain significant weaknesses in the methodology and further consideration is needed regarding the use of the median position as a basis for considering the cost of care. These figures therefore do not represent a robust basis on which to make assumptions about the actual cost of care delivery in Derbyshire.

- Further analysis of the market will now be undertaken with Care Home representatives, drawing on data gathered through the FCoC exercise, as well as other sources of data, will be undertaken in order to develop a more robust understanding of actual care delivery costs, and this will then inform decisions about the anticipated future level of affordable fee rates and the pace at which progress towards these should be made.

**Three Year Plan** – fee setting (in the context of the comments made above) to be informed by FCoC and application of inflation. All proposals are subject of funding being made available and affordability for the Council. Provider engagement has taken place in this regard and is on-going.

- 2022-23 grant funding utilised to offer an interim fee increase of £26.04 (residential) and £28 (nursing) - subject to fee setting arrangements for 2023-24.
- 2023-24 following further detailed fee setting informed by known inflation with 2022-23 fee being increased by 9.53% The interim value of £26.04 and £28 paid from October 2022-23 is brought forward into this year's fee rate and further consideration will be made following consideration of whether affordable utilising the Market Sustainability Grant for 2023-24.
- 2024-25 adjust the previous year's fees for inflation and continue to consider sustainability of the market, subject to affordability and funding being made available

#### **(b) 18+ domiciliary care market**

##### **Workforce**

- Develop with partner agencies coordinated approach to promote and support recruitment of care staff

##### **Commissioning arrangements**

- To further explore commissioning arrangements with providers to identify most effective ways to maximise staff time – this may mean trying to limit journey times between calls, offering core hours contracts
- To promote provider staff operating in strength-based way to promote individual's independence even if a long-term package
- Consideration of block contracts and pre-purchased rounds

##### **Short-term reablement**

- Council is transforming in-house service so that it is wholly short-term reablement to improve outcomes

##### **Promotion of Direct Payments, Personal Assistants and Shared Lives**

- Aim to increase numbers of PA's and take up of Direct Payments
- Review of Shared Lives Scheme in Derbyshire to ensure attractive pay rates and support in place

##### **How DHSC fair cost of care funding will be used to promote sustainability**

- In considering the scale and pace of changes to future fee rates, the Council will have due regard to the figures generated through the recent FCoC exercise.
- Further analysis of the market will now be undertaken with Home Care representatives, drawing on data gathered through the FCoC exercise, as well as other sources of data.

- The results of this further work will inform the fee setting and commissioning arrangements going forwards.

**Three Year Plan** – fee setting (in the context of the comments made above about FCoC) to be informed by FCoC and application of inflation. All proposals are subject of funding being made available and affordability for the Council. Proposals will also be informed by refreshed commissioning arrangements which will need to take account of sufficiency of supply and the rurality of the county. Provider engagement has taken place in this regard and is on-going.

- 2022-23 grant funding utilised to offer an interim fee increase to assist with travel costs subject to fee setting arrangements for 2023-24.
- 2023-24 following further detailed fee setting informed by known inflation and any new commissioning arrangements that may be adopted. Meeting any gap between usual cost and established fair cost will be subject to funding being made available
- 2024-25 adjust the previous year's fees for inflation and continue to make up the difference of gap of fee levels, if needed subject to funding being made available