

Agenda Item No.6 (g)

DERBYSHIRE COUNTY COUNCIL

CABINET

15 March 2018

Report of the Strategic Director for Adult Care

INDEPENDENT SECTOR CARE HOME FEES 2018-19

ADULT SOCIAL CARE

1. Purpose of the Report

To seek Cabinet approval to:

- increase the rate paid to independent sector care homes for the financial year 2018-19 by 4.68% per week;
- make an inflationary payment of up to 4.5% for specialist care home placements where evidence is provided of inflationary pressures;
- set a rate of £38.28 per session (from £36.56 per session) for a day care placement in a care home;
- increase the dementia fee rate to £42.84 per week (from £40.95)
- make an inflationary payment of up to 3% for well-performing block contracts in specific circumstances.

2. Information and Analysis

2.1 Background

The Council has contract arrangements in place with over 350 independent sector care homes that provide residential services to approximately 2,856 people as detailed below:

- 977 people in nursing placements where the person needs constant involvement of, or supervision of, a qualified nurse;
- 1,879 residential placements.

A further 521 people are supported in Council run Care Homes

2.2 Fee Levels

A comprehensive review of fee levels for independent sector care services is undertaken annually. To assist with this review representatives of the Derbyshire Care Providers Association (“the Association”) were invited to meet with Councillor Jean Wharmby, Cabinet Member for Adult Care and Joy Hollister, Strategic Director for Adult Care on the 16 January 2018 to set out particular business pressures affecting the care market and their costs. The Association continue to express its view that the detailed fee analysis and consultation previously undertaken by the Council was flawed and the fee rates do not cover their actual costs. The views shared at this meeting have assisted the Council in detailing 2018-19 fee proposals described in this paper.

These fee proposals were also shared with the Provider Representatives with a request to feedback any further comments to the Council. For a detailed explanation of the providers’ concerns, Cabinet Members should read recent correspondence between the Association and the Council. This can be found at Appendices 4-5. The Council will further respond to the Association following the decision by Cabinet in respect of 2018-19 fee rates.

3. Financial Considerations

The providers have highlighted a number of additional cost pressures including;

Wage and pension pressures

Providers have identified that the National Living Wage is due to increase by 4.4% for staff aged 25 and over from 1 April 2018 (from £7.50 per hour to £7.83 per hour). The auto pension enrolment was another area that providers felt the Council should build in to the fee rate increase. Under the Pensions Act 2008, every employer in the UK must put certain staff into a pension scheme and contribute towards it. This is called 'automatic enrolment'. As part of these changes providers will now need to make an additional pension payment of 1% on top of the 1% they already have to make on behalf of all eligible staff.

Council response:

For the increase of the National Living Wage the Council has decided to use the 4.4% minimum wage increase for all staff costs including staff aged under 25 and management and administrative staff to assist with maintaining wage differentials.

The auto-enrolment pension scheme has been subject to a national introduction over the past few years. It has been nationally accepted that the costs to a provider from 1 April 2018 should be in the region of an additional 1% on their staffing bill. It is proposed as part of developing a fee settlement for 2018-19 that overall staff costs should be increased by 2% to enable providers to meet this requirement.

Nursing provision

The Association has requested that the Council respond in the fee setting exercise to concerns in respect of sustainability of Care Homes with Nursing. The Association has highlighted that they experience extreme difficulties with recruitment and retention of nursing staff. One Association representative noted at the meeting on the 16 January 2018 that his family group will be focusing their business model on residential care because of the uncertainties associated with recruiting nursing staff.

Council response:

The sustainability of the Nursing Care Home market is of great importance to the Council as it assists with ensuring that there are suitable places for people to live following a period of admission in hospital.

To assist with market sustainability the Council decided in October 2017 to make an additional payment of £15.54 per week per nursing placement using the improved Better Care Fund. This additional funding was allocated to the Council by The Government for the purposes of meeting adult social care needs; reducing pressures on the NHS, including supporting more people to be discharged from hospital when they are ready; and ensuring that the local social care provider market is supported.

The fee contribution made by the Council towards placements in a Care Home with Nursing is £33.25 per week (including the £15.54 detailed above) this is paid on top of the standard fee paid by the Council to reflect the complexity of the service. It is paid alongside the NHS Funded Nursing Care Payment of £155.05 per person per week.

Ensuring homes have a settled group of nursing staff is likely to contribute towards improved levels of care and will help to maintain availability of Nursing Care home beds at a time that the Health and Social Care system needs to be able to support Early Discharge from Hospital. It is proposed to inflate the Nursing Care fee differential by 4.68% to reflect concerns about to help with sustaining the Nursing Care Home Market. This would give a new Nursing Fee Differential of £34.79 per person per week, an overall increase of £1.54 per week.

3.1 Fee Rate Methodology

The method for identifying the proposed fee rates builds on the work previously undertaken to identify a basic care home fee rate as detailed in the paper presented to Cabinet on the 9 September 2014. As part of this work the Council asked care home providers to complete a questionnaire to evidence their costs. The Council then used standard cost headings to analyse the returns before identifying values against each cost head - see Appendix 1.

To develop fee rate proposals for 2018-19, these previously identified cost headings have been increased based on a set of assumptions about inflationary pressures – see Appendix 2. These proposals have taken account of the feedback received from Care Home providers. Based on this analysis it is proposed to increase fee rates by £22.96 per week equivalent to a 4.68% increase on the basic care home fee rate for 2017-18.

This methodology has been consistently challenged by the Association and a request has been made in correspondence for the Council to commission an independent review of the actual costs of care. The Council is satisfied that its' analysis and methodology is correct and so such a review is not necessary.

As part of their challenge the Association has also argued that the Fee Model used by the Council which assumes that there is a 90% bed utilisation rate across the market is inaccurate. They have stated that a study of 11 care homes with mainly local authority funded service users are now operating at an occupancy level of 80%. The Council has reviewed the information available on bed vacancies that are shared by the Care Homes with the Adult Care Brokerage Team. Currently it is reported that there are 603 vacant beds out of a total of 7600 regulated care beds as reported by the Care Quality Commission. This equates to bed utilisation of 92%. The Council will continue to monitor the referral rates into Care Homes as part of our duty to manage the market and will take this in to account alongside other factors when considering future fees.

The Association has also expressed concern about the Council's own Care Home provision and the fees paid for the beds in the Community Care Centres. The majority of Care Home beds operated by the Council are operated at the same fee level as the usual cost of care in the independent sector. However in each of the Community Care Centres and in some of the other residential Care Homes the Council operates provision where there is substantially higher levels of staffing available to match the assessed need of the client. In some cases staff are responsible for working with clients as part of a specialist reablement programme. The Council is satisfied that these fee levels match the needs of people using the services. The proposed fees for

placements in the independent sector and the Council's in-house provision are shown in Appendix 3.

3.2 Impact of the Proposals on Care Home Fees for other Client Groups and In-House provision.

The proposals made in this report, and summarised in Appendix 1, focus on the basic fee rates for older people. It is proposed to also increase the base fee rates by 4.68 % for other client group placements and for in-house placements. This includes care home provision for people with a physical disability, people with learning disabilities, people with mental ill health and clients in Adult Care Homes for Older People, Community Care Centres and LD Residential – see Appendix 3.

The changes proposed to the basic fee rates for other client groups will not change the level of funding already paid against specialist care home placements where fee rates have been individually negotiated to ensure that the needs of people who require complex support/care arrangements are met. The fees for specialist placements are often substantially more than the standard care home fees - see Appendix 3.

The additional funding (top-up) paid for a specialist placement reflects the greater investment in staff and training to meet an individual's needs. It is proposed that top up payments of up to 4.5% can be agreed with providers in receipt of specialist placements where they can evidence their increase in costs.

3.3 Day Care Placements in Care Homes for Older People

Some people who are supported to live in their own homes are able to use day care places in care homes for older people. The care home is often situated close to where an individual lives and they frequently help with transport to and from the home and provide meals. In some cases homes will also provide a bathing service and are very flexible with places being made available at weekends and evenings, which can help Carers to get a break. The standard fee rate paid by the Council for day care placements in independent sector care homes is currently £36.56 per day. It is proposed for 2018-19 that this fee level to be paid to providers is increased by 4.68% to provide a new daily fee of £38.28 per day.

4. Block Contracts

Adult Care has a small number of block contracts with independent sector profit and not for profit organisations. A number of these agreements were established before the introduction of the National Living Wage. A small number of providers have requested an inflationary increase to assist them

with meeting this additional unforeseen cost. It is proposed that payments of up to 3% can be agreed with providers who operate block contracts on behalf of the Council where they can provide detailed evidence of their increase in costs relating especially to the increase in minimum wage rates as well as showing that they are meeting their agreed targets for activity and performance.

5. Financial Considerations

The estimated cost of this proposal to increase fee rates from 1 April 2018 is £5.517m. The costs will be met from the following sources:

• Inflation for Residential Care Home Fees	£1.800m
• Corporate Contingency For Living Wage impact	£1.465m
• Improved Better Care Fund	£2.252m
• Total	£5.517m

6. Social Value Considerations

The regulated Care Home services provided by the organisations detailed in this paper all contribute towards promoting social value for people in Derbyshire. All of these services play a key role in their local communities providing connections between families and friends and offering local employment.

7. Legal Considerations

According to case law and guidance from the Department of Health, “Building Capacity and Partnership in Care” (2001) the Council should take steps to ensure that fee setting reflects the actual costs of care. The rates should also take into account the legitimate current and future costs, and the potential for improved performance and most cost effective ways of working.

In accordance with the Care Act 2014, the Council is under a new duty to promote diversity and quality in the market of care and support provision. The Association has put forward an argument that the Council, in failing to increase the fee rates more, is in breach of this statutory duty. The Council is satisfied that the methodology used in calculating the proposed fee increase is equitable and properly reflects the increased cost pressures highlighted by the providers.

7. Equality and diversity Considerations

Providers are required to adhere to Derbyshire County Council’s Equal Opportunities policies. The Council also encourages Providers to gain the Derbyshire Respect and Dignity award.

8. Other Considerations

In preparing this report the relevance of the following factors has been considered: human resources, health, environmental, transport, and crime and disorder considerations.

9. Key Decision

Yes

10. Is it necessary to waive the call-in period?

No

11. Officer's Recommendation

That Cabinet agrees to:

- increase the rate paid to independent sector care homes for the financial year 2018-19 by 4.68% per week as summarised in Appendix 3;
- make an inflationary payment of up to 4.5% for specialist care home placements where evidence is provided of inflationary pressures;
- an updated fee rate of £38.28 per session for a day care placement in a care home;
- an updated dementia fee rate of £42.84 per week
- make an inflationary payment of up to 3% for well-performing block contracts in specific circumstances.

Joy Hollister
Strategic Director – Adult Care
County Hall
Matlock

Appendix 1 Summary of Costs
CARE HOME PROPOSALS – from 1 April 2018

PERSONAL CARE ONLY FOR FRAIL OLDER PEOPLE	2017/18 Rate	Inflation	2018/19
A) STAFF, INCLUDING EMPLOYERS' ON-COSTS			
TOTAL NURSING STAFF			
TOTAL CARE ASSISTANTS (inc senior) STAFF	203.43	4.40%	212.38
Catering, cleaning and laundry staff cost per resident	45.85	4.40%	47.87
Other Staff Costs (excluding management and admin)	4.41	4.40%	4.60
Management, administration, reception staff cost per resident	63.36	4.40%	66.15
Pension Cost	3.27	102.44%	6.62
TOTAL STAFF	320.32		337.62
B) REPAIRS AND MAINTENANCE			
Maintenance capital expenditure	16.47	3.00%	16.96
Repairs and maintenance (revenue costs)	9.78	0.80%	9.86
Contract maintenance of equipment	1.89	3.00%	1.95
TOTAL REPAIRS AND MAINTENANCE	28.14		28.77
C) OTHER NON-STAFF CURRENT COSTS AT HOME LEVEL			
Food	22.01	4.40%	22.98
Utilities (gas, oil, electricity, water, telephone)	19.89	6.40%	21.16
Handyman and gardening (on contract)	8.93	2.00%	9.11
Insurance	2.32	5.40%	2.45
Total medical supplies and continence products	2.52	1.90%	2.57
Trade and clinical waste	1.68	2.00%	1.71
Registration fees (including DBS checks)	3.29	3.70%	3.41
Recruitment	0.72	2.00%	0.73
Direct training expenses (fees, facilities, travel and materials) net of grants and subsidies	9.88	2.00%	10.08
Other non-staff current expenses	20.26	3.00%	20.87
Equipment Costs	3.55	3.00%	3.66
TOTAL NON-STAFF CURRENT EXPENSES	95.05		98.73

TOTAL EXCLUDING CAPITAL	436.68		465.12
Return on capital	46.92	3.00%	48.33
Summary Weekly Fee	<u>490.43</u>		<u>513.45</u>
			£513.45
Divisible by 7	£490.49		new
			usual
			cost of
			care
Percentage Increase 4.68%			

Appendix 2

Inflation Assumptions used by Derbyshire County Council to Identify Fee Rates for 2018-19

In considering the budget lines in the fee cost model in Appendix 1 the Council took account of the Office of National Statistics' Consumer Price Inflation report for November 2017 as a proxy for understanding the costs in care industry.

Some of the budget lines used in appendix 1 do not have a direct corresponding goods or services division in the CPI report in such cases individual judgements have been made about how inflation may contribute to the costs of running a care home.

Staffing

From April 2018 Providers will be required to pay all staff over 25 at least the national living wage of £7.83 which is equivalent to a 4.4% increase on the national living wage rate of £7.50 set in April 2017.

The Council has decided to use the 4.4% minimum wage increase for all staff costs including staff aged under 25 and management and administrative staff.

Auto-enrolment pension scheme has been subject to a national introduction over the past few years, where providers have to offer to sign all staff into a pension scheme. From 1 April 2018 it has been nationally accepted that the costs to a provider should be in the region of an additional 2% on their staffing bill.

Repairs and Maintenance

There are no direct comparisons with CPI available for these areas of cost the nearest alternatives show inflationary costs between 0.8% for services and maintenance and 3% maintenance and repairs. These two inflationary levels have been used in the Council's calculation.

Other Non-Staff Costs

Food is shown across most food types as negative inflation however for purposes of this analysis we have treated this as 4.4% inflation.

For utilities the Council notes that there is great variance between the individual categories including power, which is likely to make up the most of this category. Since the greatest cost is on gas and electricity it is decided that this should be treated as an overall 6.4% increase.

There is no direct comparison for Insurance Costs in the CPI tables; the closest comparable cost is an increase of 6.6%.

Medical supplies and continence products are currently showing at 1.5%.

Registration Fees:

The CQC are continuing with a fee policy that moves them to a full chargeable cost recovery position, so that providers ultimately bear all the chargeable costs, reducing CQC reliance on Grant Aid from Central Government. CQC have not shared yet their increase Care Home registration fees for 2018-19 yet so it is proposed to use last year's rate of 3.7%.

The Council has decided to use a general increase of between 2% and 3% for other cost items to reflect the potential impact of wage increases impacting on other service areas.

Fee Rate

The proposed fee rate as highlighted in Appendix 1 is £513.45 this is a 4.68% increase on the previous rate of £490.49. This value will be used to increase all of the current fee rates as per the schedule in Appendix 3.

Appendix 3

Usual Cost of Care Fee Rates – From 1st April 2018

NURSING PLACEMENT	Weekly Standard Rate	Quality Premium per week - £22.75
	£	£
Older People Mental Health/Drug & Alcohol	548.24	570.99
Physical Disability (>65)	578.83	601.58
Learning Disability	521.99	544.74
These Nursing fees do not include funded nursing care contribution which at the time of writing is £155.05p/w		
RESIDENTIAL PLACEMENT	Weekly Standard Rate	Quality Premium per week £22.75
Older People/Mental Health/Drug & Alcohol	513.45	536.20
Physical Disability (>65)	586.18	608.93
Learning Disability	529.41	552.16
DEMENTIA CARE PAYMENT		
Residential & Nursing	42.84 per week	
DAY CARE		
Residential & Nursing	38.28 per day	
IN HOUSE PROVISION		
Homes for Older People	536.20	
Step Up / Step Down Beds	837.48	
Beds with Therapy	986.44	
Community Care Centres	986.44	
LD Residential	1,158.99	

Dementia Fee Rate

It is proposed that an additional payment of £42.84 per week towards supporting people with a diagnosis of dementia would be payable to homes that meet set criteria of dementia-friendly provision. This process was introduced to encourage homes to demonstrate that they have the skills, experience, environment and organisational culture in place to provide high quality dementia care. The Council introduced this criterion as many providers describe their service as being able to meet the needs of people with dementia but are unable to evidence that staff have adequate training, that the culture of the service is dementia friendly or that the environment has been adapted to be suitable for someone with a diagnosis of dementia.

The process used to determine which homes can provide dementia specific provision had been developed with care home representatives. Following feedback from these same providers the paperwork application has been rationalised and remains subject to review to ensure effectiveness. A number of providers have successfully applied for this status and others are currently being assessed for their suitability. The importance of this award will continue to be promoted with care home providers to increase the take up.

APPENDIX 4



Derbyshire County Council
County Hall
MATLOCK
DE4 3AG

Pierre Falleth
c/o Derbyshire Care Association
Milford House
Springwood Gardens
Belper
Derbyshire
DE56 1RT

Telephone 01629 532131
Ask for Colin Selbie
Email colin.selbie@derbyshire.gov.uk
Our ref SSD
Your ref
Date 23 January 2018

Dear Pierre

Derbyshire County Council's Care Home fee proposal for 2018-19.

Firstly may I thank you and your colleagues for meeting with Councillor Jean Wharmby and myself on the 16th January 2018 and sharing with us the sector's views about current market conditions. The views shared at this meeting have assisted the Council in detailing fee proposals for 2018-19.

Following Cabinet approval of the Council's budget I am now able to share with you the proposed care home fee rates for 2018-2019. The method for identifying the proposed fee rates builds on the cost model previously used for 2017-2018 fee levels detailed in the paper presented to Cabinet on the 4th April 2017.

The cost headings used to identify the 2017 -2018 fee levels have been inflated based on a set of assumptions about inflationary pressures paying particular attention to the National Living Wage increases of up to 4.4% due to be implemented on the 1st April 2018. The assumptions used in determining the proposed fee increase are detailed in Appendix 1.

As discussed at the meeting we continue to share your concerns about recruitment and retention of care staff with the availability of nursing staff giving greatest concern. For these reasons the council made an unprecedented additional fee increase in October 2017 in acknowledgement of difficulties with staff recruitment and retention and the potential impact on sustainability in the market.

I note that fee model and methodology was again challenged by you and your colleague and that you requested that the Council commission an independent review of the actual costs of care. I have to advise that the Council is satisfied that its' analysis and methodology is appropriate and so such a review is not necessary.

The outcome of this work is that the Council is proposing to increase the usual cost of care fee rate by £22.96 per week from 1st April 2018 which is equivalent to a 4.68% increase. This proposed increase is made in light of the continued pressure on the Council's budget. It is proposed to use this standard 4.68% increase for each of the other care home fee rates. Appendix 2 shows the likely rates for each of the other service types.

A Cabinet Paper detailing the Council's proposals will now be prepared and I would be happy to include any further comments from you on behalf of the Derbyshire Care Association in respect of the proposals summarised in this correspondence.

I would appreciate if you could advise me of your comments by 7th February 2018 as it is planned that these proposals will be presented to Cabinet on the 15th March 2018 with fee increases being implemented on 1st April 2018. This will then give the Council time to reflect on the Association's feedback.

Please do not hesitate to contact me if you have any questions relating to the proposals made in this letter and supporting documents

Yours sincerely

Joy Hollister
Strategic director

APPENDIX 5



Derbyshire Care Providers Association (formerly known as Derbyshire Care Homes Association)

Joy Hollister
Strategic Director – Adult Care
Derbyshire County Council
County Hall
Matlock
DE4 3AG

Date: 14/02/2018

Dear Joy,

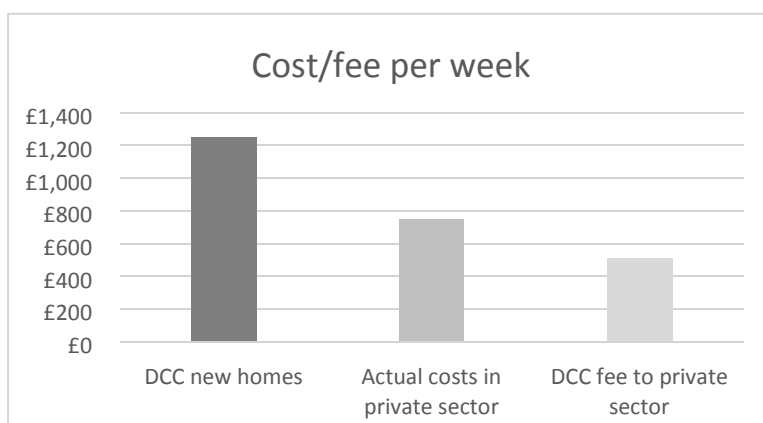
Re: Care Home Fees 2018/19

Thank you for your letter setting out the proposed care home fees for 2018/19.

We were glad to hear in our meeting in January that you and Councillor Wharmby shared many of our concerns about the future of the care home sector in Derbyshire and we look forward to working with you to try to address these concerns.

In response to your fee proposal for 2018/19 we have the following comments to make:

1. **Independent review of costs:** We are obviously very disappointed that you do not wish to pursue this to establish what the true cost of care is. As evidenced on numerous occasions the current costing model produced by the DCC does not reflect actual costs for the sector, it is outdated and flawed.
2. **Two tier inefficient market:** Although the proposed fee increase in %-age terms is not far off what we would expect, in actual pounds it is far off what the sector needs in order to meet care needs and for the DCC to promote an efficient and effective market. As you are aware the market in Derbyshire has become a two tier market. Providers are investing into the market for self funding/private client market, whilst for the local authority market providers are divesting or refocussing on the private client market where possible.
3. **Inequity between in house and independent sector fees:** The DCC continue to invest enormous amounts of tax payers' money into new care homes that operate at costs (over £1250 per service user per week) far above equivalent homes in the independent sector. Several DCPA members have had service users transferred from these newer homes and have not seen any higher needs than already being catered for in independent sector homes on the much lower fee from the DCC.



4. **Current occupancy.** Over the last 15 months occupancy has been dropping in care homes that rely on local authority funded clients. These homes do not only struggle with an inadequate DCC fee, but now with a lower occupancy they are also trading at a loss and with major risk of becoming insolvent. Keeping these homes operating is critical in order for there to be any supply at all in certain areas. Our study of 11 care homes, with mainly local authority funded service users, found the occupancy to be at 80%.

Occupancy in 40 bed nursing home	35	34	33	32	31
Total Weekly Fee	£24,615	£23,912	£23,209	£22,505	£21,802
Assume all costs the same excl capital costs	£23,579	£23,579	£23,579	£23,579	£23,579
Net (margin)	£1,037	£333	-£370	-£1,073	-£1,777
%	4%	1%	-2%	-5%	-8%

Even at an occupancy of 35 the margin would not even pay for a modest bank loan, let alone any return to the investor.

Current average occupancy in homes with local authority funded clients. Making a loss.

5. **The margin in DCC's flawed costing model** has reduced year on year for care homes, making the market more inefficient and ineffective. Note that this margin is also based on an assumed 90% occupancy which as described above is not a true reflection of the market.

	DCC Fees						
	2014/15	2015/16	2016/17	2016Oct	2017/18	201Oct	2018/19
Residential Care (non QP)	£424.90	£436.66	£463.61	£468.09	£483.63	£490.49	£513.45
Nursing Care (non QP)	£548.11	£560.98	£588.49	£637.36	£656.39	£678.09	£703.29
ROC in DCC Model	£46.00	£46.00	£46.00	£46.00	£46.92	£46.92	£48.33
Residential Care margin in DCC flawed model at 90% occupancy	10.83%	10.53%	9.92%	9.83%	9.70%	9.57%	9.41%
Nursing Care margin in DCC flawed model	8.39%	8.20%	7.82%	7.22%	7.15%	6.92%	6.87%

We hope these points will support you in reviewing the fee proposal for 2018/19.

Yours sincerely,

On behalf of the Derbyshire Care Providers Association Committee