

## **CABINET**

**8 MARCH 2016**

### **FAIR COST OF CARE EXERCISE: COST OF DELIVERING RESIDENTIAL AND NURSING CARE HOME SERVICES TO OLDER PEOPLE**

Portfolio Holder: Councillor David Brake, Adult Services

Report from: Barbara Peacock, Director of Children and Adults Services

Author: Kerry Tappenden, Interim Programme Lead for Accommodation and Registered Services

**Summary:**

This report provides information about a Fair Cost of Care exercise that was carried out by the Partnership Commissioning Team in 2015/16 to establish the Council's price for residential and nursing care home placements for older people in 2016/17 and recommend prices to be paid to providers for existing older people care home placements and new older people care home placements in 2016/17.

The Cabinet is asked to consider and approve the proposed recommendations contained in this report and to confirm the new prices for these categories of care.

#### **1. Budget and Policy Framework**

- 1.1 Medway Council spends over £15.8million on residential and nursing care for older people each year.
- 1.2 The Council is committed to working in partnership with social care providers to support older adults to remain in their homes and to develop alternatives to registered care. However, registered care homes remain an important element in providing 24 hour care to residents with the highest level of needs.
- 1.3 The Council's priorities and commitment is to promote well-being, independence, choice and control of support needed. For those with high needs who receive 24 hour care, the requirement for choice is vital. Medway Council has a statutory duty to ensure that older people living in registered care homes are safe and are treated with respect and dignity, and are offered high quality support and care. Therefore it is imperative that the price that the Council pays for older adults' registered care is sufficient to ensure these core aspects of registered care are provided.

- 1.4 The Council has a range of statutory duties and powers to provide services to vulnerable adults such as older people, people with learning disabilities, physically disabled people, people with mental health problems, people with drug and alcohol misuse problems and carers. Duties and powers are contained within the Care Act 2014 and the Mental Health Act 1983 together with other statutes and regulations.
- 1.5 In setting and reviewing their usual costs, Councils should have due regard to the actual costs of providing care and other local factors. Councils should also have due regard to best value requirements under the Local Government Act 1999. In accordance with the Care Act 2014 and with Local Authority Circular (2004) 20, this cost should be set by Councils at the start of a financial or other planning period, and be sufficient to meet the assessed care needs of supported residents in residential accommodation. A Council should set more than one usual cost where the cost of providing residential accommodation to specific groups is different.
- 1.6 Given the overall value of the proposed rates and percentage increases, this is a decision for Cabinet.

## **2. Background**

- 2.1 In August 2015, Officers wrote to all residential and nursing care home providers outlining how the Care Act 2014 places new responsibilities on Local Authorities in relation to shaping their local care markets and providing information and advice to people with care and support needs. This letter explained that there are a number of commissioning activities that will be undertaken to fulfil these new duties, more specifically a 'Fair Cost of Care' exercise.
- 2.2 This exercise was not limited to older people services. Providers of care homes for residents with disabilities also participated in the exercise. The evidence gathered demonstrates that the rates paid for disability services are already broadly comparable to the fair cost of care quoted by providers. Fees for these placements are currently agreed on a case by case basis, and are already considered to be above average. No recommendations have been made within this report to increase these prices. Officers have been negotiating with these providers for cost reductions and will continue to do so.
- 2.3 A similar exercise was also undertaken in relation to establishing a fair cost of care for home care in the community and flexi (extra) care services. These services were put out to tender and information regarding the outcome of this is captured within another report to this Cabinet elsewhere on this agenda.
- 2.4 In addition to this, a Memorandum of Information document was published to the social care sector via the online Kent Business Portal asking providers to submit a cost breakdown for residential and nursing care placements.
- 2.5 Officers gave clear guidance that this was a consultation exercise and not an opportunity for providers to inflate costs to an unacceptable level, but to share with the authority evidence of what should be considered the reasonable weekly cost for care services within their home/s. This consultation exercise was used to understand what prices should be going forward taking into

consideration external factors that will be impacting on providers costs such as the increase in the National Living Wage.

### 3. Options

- 3.1 There is an option to continue to pay for residential and nursing care home services at the current rates. This exercise has evidenced that these rates do not reflect a fair cost of care for these types of services within the local market and have remained fixed for a period of 3 years. This year (up to February) there have been 4 care home closures which demonstrates the insecurity of the market.
- 3.2 Option 2 is to revise the current rates in line with the findings of this consultation exercise and support the local market to be sustainable.

### 4. Advice and analysis

- 4.1 It is important to note that the Council's rates for older people care home services have not been increased since April 2013. For older people services the council has four categories:

Category	Price per week
standard residential care	£374.47
residential dementia care	£479.75
standard nursing care	£457.99
nursing dementia care	£561.69

- 4.2 The table below shows the rates payable each year since 2007/08 in respect of the various categories of care:

Year	% increase	Categories			
		Standard Residential Care	Dementia Residential Care	Standard Nursing Care	Dementia Nursing Care
2015/2016	0%	£374.47	£479.75	£457.99	£561.69
2014/2015	0%	£374.47	£479.75	£457.99	£561.69
2013/2014	2% Residential 1% Nursing	£374.47	£479.75	£457.99	£561.69
2012/2013	3%	£367.13	£470.34	£453.46	£556.13
2011/2012	1% Standard 2% Dementia	£356.44	£456.64	£440.25	£539.93
2010/2011	2% Residential 2.5% Nursing 3% Dementia	£352.91	£447.69	£435.89	£529.34
2009/2010	2%	£345.99	£434.65	£425.26	£513.92
2008/2009	2.25% Residential 1.255% Nursing £85 premium for dementia	£339.21	£426.13	£416.92	£503.84
2007/2008	Previous years negotiated per provider	£331.75	£341.13	£411.75	£418.84

- 4.3 At the time of conducting the exercise there were 33 residential and nursing care homes for older people in Medway registered with the Care Quality Commission (this is now 31). The consultation received an adequate response (46%) from these providers, with some providers unwilling to share information about their costs. In total, responses were received from 38 organisations, representing 53 care homes locally and regionally.
- 4.4 In 2014/15 the rate of new placements in older people residential and nursing care homes that the authority was responsible for funding was 311 placements. In 2015/16 (to end December), the authority became responsible for a further 228 placements. In 2015 there were four unplanned home closures with one new home development at the planning stage. There is still capacity for placements in local residential care homes albeit limited capacity in nursing care homes. At the time of writing this report, there were 31 older people care homes in Medway, providing 1323 beds.
- 4.5 Factors taken into account when analysing and comparing data included size of care home; 'hotel', management and staffing costs; occupancy levels; type of care home/organisation, block contracts and profit margins etc. Officers also analysed the Council's current spend against 540 placements; including third party top ups and any supplementary payments where service users' funds have depleted to below the threshold for social care services. Recommendations from the LaingBuisson's *Fair Price for Care* toolkit reports were also taking into account.
- 4.6 This exercise revealed that providers believe rates should be in the region of £505.75 for residential care and £628 for nursing care. However, no distinction was made in relation to residents with dementia care needs. The recommendations in respect of the Council's future rates outlined in 4.7 below allow for distinctions made in the cost of care for people with dementia.
- 4.7 Officers recommend the following increases to the Council's rates for older people residential and nursing care homes placements. As part of the draft budget for 2016/17 there is £1.3m allocated to cover the impact of the National Living Wage (NLW) on adult social care budgets. The recommendation to implement new prices for older people care home services will be met from a combination of existing adult social care budgets and the increased budget in respect of NLW. The cost of implementing the minimum recommendation is £284k.

<b>Category</b>	<b>Proposed 16/17 price</b>	<b>% increase</b>
standard residential care	£395	5.4%
residential dementia care	£485	1.1%
standard nursing care	£472	3.06%
nursing dementia care	£573	2.01%

- 4.8 These rates do not apply to contracts where the Council has a block funding arrangement.
- 4.9 Officers have considered the protected characteristics of this group of individuals as set out in the Diversity Impact Assessment (Appendix 1). The current picture in Medway reflects national averages and we do not foresee any negative impact.

## 5. Risk Management

<b>Risk</b>	<b>Description</b>	<b>Action to avoid or mitigate risk</b>	<b>Risk rating</b>
Challenge from provider market	Potential challenges from provider's that do not consider the revised rates to be a true reflection of their 'actual' costs and therefore not a fair cost of care	The local authority is able to evidence that it has consulted with the social care market in order to reach this decision	B2
Providers serve notice on contracts	Potential for providers to give notice on their contracts and terminate existing placements. This would result in the need to move people to alternative care homes	In the event that a provider gives notice on a placement/s, the risk to the council would need to be considered on a case by case basis. A Best Interest Assessment will be undertaken and social work review	B2
Lack of affordable bed spaces	Lack of affordable bed capacity across the social care market	The prices reached as a result of this consultation are deemed to be affordable for the social care market  Implement reablement strategy and use less bed based provision	C2
Impact on Council's budgets	Cost of adult social care may not be within the council's cash envelope	The financial impact of these rate revisions are built into the service budgets for 2016/17	B2
Risk of unplanned exits from the market.	Potential for there to be an unsustainable market in Medway with unplanned home closures, resulting in a reduction in bed capacity	The local authority is able to evidence that it has consulted with the social care market in order to reach this decision	C2
Risk to quality within care homes	Prices paid to providers may compromise their ability to deliver good quality services with adequate staffing ratios and training. This would impact on provider's ratings with the Care Quality Commission	Continue to monitor quality of care provision through the Partnership Commissioning Team's Quality Assurance function	C2

Reputational risk to the Council	Potential press interest and lobbying from care homes and care home associations	The local authority is able to evidence that it has consulted with the social care market in order to reach this decision and implement it with effect from 1 April 2016	B2
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## 6. Consultation

6.1 Consultation has been outlined in paragraphs 2.1, 2.4 and 4.3 above. The Partnership Commissioning Team is satisfied that it has taken all reasonable attempts to consult with service providers and as such that the proposals are fair and reasonable.

## 7. Financial implications

7.1 Implementation of these proposals will result in an increased cost to the Council in the region of £284,000. This increase will be funded from a combination of existing adult social care budgets and the increased budget allocation in respect of NLW for 2016/17.

## 8. Legal implications

8.1 The legal implications are set out in the body of the report. In the light of the proposed amendment to the Council's rates for older people's residential and nursing care homes placements, adoption of the recommendation to amend the rates is a decision for Cabinet.

## 9. Recommendations

9.1 The Cabinet is asked to agree the schedule of increases for care services as set out in paragraph 4.7 of the report for implementation from 1 April 2016.

## 10. Suggested reasons for decision(s)

10.1 Medway Council is able to fulfil its obligations of consulting with the social care market and establishing usual costs for older people residential and nursing care home services. The prices recommended within this report should support local providers to be sustainable.

### Lead officer contact

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### Appendices

Appendix 1 - Diversity Impact Assessment

### Background papers

None

# Diversity impact assessment

## Appendix 1

<b>TITLE</b> <i>Name/description of the issue being assessed</i>	Fair Cost of Care Exercise: Cost of Delivering Residential and Nursing Care Home Services to Older People
<b>DATE</b> <i>Date the DIA is completed</i>	9 February 2016
<b>LEAD OFFICER</b> <i>Name and title of person responsible for carrying out the DIA.</i>	Kerry Tappenden, Interim Programme Lead for Accommodation and Registered Services

### 1 Summary description of the proposed change

- *What is the change to policy/service/new project that is being proposed?*
- *How does it compare with the current situation?*

Medway Council has put forward recommendations to revise its usual price for older people's residential and nursing care home services (where the council does not have a block funding arrangement already in place) and this document aims to assess the impact of changes to the council's prices for these services in 2016/17. These prices will increase. These prices enable Medway Council to manage its budget and meet the eligible social care needs of older people. These are statutory services.

The prices are set out within the Cabinet Report titled: Fair Cost of Care Exercise: Cost of Delivering Residential and Nursing Care Home Services to Older People and dated 8 March 2016. This report explains the consultation and analysis completed by the Partnership Commissioning Team to inform this decision.

In setting and reviewing their usual costs, councils should have due regard to the actual costs of providing care and other local factors. Councils should also have due regard to best value requirements under the Local Government Act 1999. In accordance with the Care Act 2014 and with Local Authority Circular (2004) 20, the directions say that this cost should be set by councils at the start of a financial or other planning period, to be sufficient to meet the assessed care needs of supported residents in residential accommodation. A council should set more than one usual cost where the cost of providing residential accommodation to specific groups is different.

### 2 Summary of evidence used to support this assessment

- *Eg: Feedback from consultation, performance information, service user records etc.*
- *Eg: Comparison of service user profile with Medway Community Profile*

Age – Residential and nursing care home services are available to people who meet the council's eligibility criteria. From evidence available and analysis of the 540 placements referred to below, the age range of individuals

# Diversity impact assessment

accessing these services are 65 to 74 years (7%), 75 to 84 years (31%) and 85+ years (62%). From the information available of placements funded by Medway Council, 350 people live in residential care homes and 190 people live in nursing care homes. These figures are in line with national averages.

Race/Ethnicity – Residential and nursing care home services neither positively nor negatively impacts this group.

Gender – From evidence available and analysis of the 540 placements referred to above the gender profile of individuals accessing residential and nursing care home services is female (76%) and male (24%).

Marital status/civil partnership – Residential and nursing care home services neither positively nor negatively impacts this group.

Carers – Residential and nursing care home services neither positively nor negatively impacts this group.

### 3 What is the likely impact of the proposed change?

Is it likely to :

- Adversely impact on one or more of the protected characteristic groups?
- Advance equality of opportunity for one or more of the protected characteristic groups?
- Foster good relations between people who share a protected characteristic and those who don't?

(insert ✓ in one or more boxes)

Protected characteristic groups	Adverse impact	Advance equality	Foster good relations
Age	✓		
Disability			
Gender reassignment			
Marriage/civil partnership			
Pregnancy/maternity			
Race			
Religion/belief			
Sex			
Sexual orientation			



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Other (eg low income groups)

## 4 Summary of the likely impacts

- *Who will be affected?*
- *How will they be affected?*

At the time of writing, Medway Council was responsible for funding approximately 540 placements within residential and nursing care homes for older people across Medway and other areas regionally and nationally.

This change affects residents in care homes and social care providers. This funding supports older people in receipt of 24 hour care within a care home setting registered by the Care Quality Commission.

Older People accessing these services are subject to an assessment by the Council and are known to the Council's social care directorate. This is not influenced by their protected characteristics.

Any individual that has been assessed as paying the full cost of their care will be impacted by this decision, together with any individual that has a deferred payment agreement. Their fees will increase.

## 5 What actions can be taken to mitigate likely adverse impacts, improve equality of opportunity or foster good relations?

- *Are there alternative providers?*
- *What alternative ways can the Council provide the service?*
- *Can demand for services be managed differently?*

Care Homes commissioned by Medway Council are expected to meet the individual needs of a person and this includes all of the protected characteristics.

Individuals that are eligible for residential and nursing care home services will continue to have a choice of care home.

Medway Council will continue to provide statutory services to the most vulnerable and will commission services in line with its core values and priorities.

# Diversity impact assessment

## 6 Action plan

- *Actions to mitigate adverse impact, improve equality of opportunity or foster good relations and/or obtain new evidence*

Action	Lead	Deadline or review date
Inform providers of changes	Kerry Tappenden	31 March 2016

## 7 Recommendation

*The recommendation by the lead officer should be stated below. This may be:*

- *to proceed with the change, implementing action plan if appropriate*
- *consider alternatives*
- *gather further evidence*

*If the recommendation is to proceed with the change and there are no actions that can be taken to mitigate likely adverse impact, it is important to state why.*

To proceed with the change outlined above.

## 8 Authorisation

*The authorising officer is consenting that:*

- *the recommendation can be implemented*
- *sufficient evidence has been obtained and appropriate mitigation is planned*
- *the Action Plan will be incorporated into service plan and monitored*

**Assistant Director**

**Helen Jones**

**Date**

**9 February 2016**

Contact your Performance and Intelligence hub for advice on completing this assessment

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Send completed assessment to the Corporate Performance & Intelligence Hub (CPI) for web publication

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