



FEE UPLIFT FOR OLDER PEOPLE RESIDENTIAL & NURSING HOMES – COST OF CARE EXERCISE & IMPLICATIONS



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AREAS TO COVER

- **Background**
 - How we commission residential & nursing home placements for older people.
 - Annual uplift process
- **Cost of Care Exercise**
 - Methodology
 - Outcome
- **Implications for Fee Uplift for 2019/20**
- **Future Years**
 - Fee Setting Strategy



BACKGROUND (1)

How we commission residential & nursing home placements for older people.

- Cardiff does not publish or apply a standard price for a commissioned residential or nursing home placement for older people.
- It operates a Dynamic Purchasing System (DPS) – new packages are put out to tender on a web-based system and care providers submit a price for the delivery of the package.
- The DPS was intended to give providers flexibility and control over the prices they submit whilst the element of competition was expected to assist in controlling costs.
- An outcome of the approach has been a large variance between the rates paid for similar types of care. For example, we have experienced increasingly higher weekly rates, particularly for nursing care, some in excess of £1500/wk leading to significant budget pressures for the Directorate.



BACKGROUND (2)

Annual Uplift

- Historically an annual uplift has been applied to all care home placements funded by the Council.
- Prior to the introduction of the NLW this would generally take the form of a % increase applied across all packages.
- Following the introduction of the NLW, uplifts were weighted towards those packages submitted prior to its introduction, the assumption being that packages commissioned after the introduction would take account of the NLW in the prices submitted via the DPS.
- In 2018/19, a modified approach was initially taken which further targeted uplifts to certain packages.
- However, a pre-judicial review challenge was received on behalf of providers, alleging the basis that the Council had not adequately consulted on its fee setting process and therefore had acted outside of the Welsh Government Statutory Guidance.
- The decision was withdrawn and a revised offer was made with a commitment that the Council review its fee setting approach as part of a further consultation with providers.
- It made a commitment to undertaking a Cost of Care exercise to inform future decision –making.



Cost of Care Exercise (1)

Methodology

- The Council commissioned a consultant who had undertaken similar work with a number of other Welsh LAs to determine a “usual (or “standard”) cost of care for older people residential and nursing packages in Cardiff.
- 19 care homes participated in the exercise - they fell into the following categories:
 - General Residential
 - Dementia Residential
 - General Nursing
 - Nursing Dementia
- The exercise involved the following stages:
 - Questionnaire sent out to all providers of care homes for older people seeking detailed information about their annual costs
 - individual interviews with participants to validate the information they provided on the questionnaires
 - Workshops with Senior Officers (including a “Judgement Day” exercise)
 - The information from providers considered as part of the exercise included:
 - Operating model
 - Movement if any, in working practise from 2018 to 2019
 - Current staffing levels,
 - Challenges posed by movements on staffing levels if any,
 - Establishment and financial overheads,
 - Capital employed e.g. loan or rental arrangements
 - Positions taken in relation to quality



Cost of Care Exercise (2) Outcome

- The outcome was the production of a “usual cost of care” for each category:

	Standard Rate Per Week (as per cost of care exercise)	Current Average	Current Median
	£	£	£
• Older People residential	708.60	689.08	650.00
• Dementia residential	761.19	676.64	629.00
• Older People nursing	702.04	861.11	800.33
• Dementia nursing	755.79	924.04	925.00

NB: all nursing figures are net of FNC.



Implications for Fee Uplift for 2019/20

- An exercise was subsequently undertaken to estimate the potential cost of lifting contract prices below the implied “usual” rate, up to the relevant level (assuming those above will not be reduced).
- The additional cost is estimated as **£1.5m**
- A notional sum of **c£600k** (equivalent to a CPI increase on the **£29m** overall spend in this area) has been allowed for in the projections.
- It is recommended that a phased approach be adopted to reflect the cost of care exercise in Cardiff’s fee levels. Statutory guidance allows LAs to take into account resources available in agreeing a care home fee. For 2019/20 it is recommended that the £600k set aside for fee uplifts be utilised to increase those packages below the suggested standard rates with similar weighted increased in future years.
- The recommended fee uplift for **2019/20** for care homes for older people is therefore: An increase of **£40/wk** to all packages below the usual cost of care rate and a **£10/wk** increase to those within **£100** (over) the implied rate. No uplift would be given on those placements more than £100 above the usual cost of care.
- It is assumed that packages just below the cost of care rate would only receive an increase to take them up to the agreed rate (i.e. not the full £40/wk increase).



Future Years

- A Fee Setting Strategy for care homes for older people details the approach that seeks to move to a published / standard price of care in line with the “usual cost” implied by the Cost of Care Exercise.
- It sets out how the Council will seek to adopt a phased approach to uplift fees that fall below the usual cost over a period of 3 years.
- It also seeks to address the future staffing costs impacted by the NLW. The standard rate is therefore likely to increase annually by a level in excess of CPI (e.g. 3.4% as opposed to 2%).
- This means that there will be a potential additional commitment of **c£350-£400k** per year over and above the typical budget allocation for fee uplifts.
- The impact is expected to be affected by a policy adopted in relation to new care packages (e.g. if future fees are restricted to standard / usual levels).

