

OLDER PEOPLES CARE HOME FEE SETTING STRATEGY 2019- 2023

Reason for the Report

1. To provide the Committee with background information to enable Members to carry out pre-decision scrutiny of the draft proposals for the Older Peoples Care Home Fee Setting Strategy, prior to its consideration by the Cabinet at its meeting on the 21 November 2019.
2. A copy of the draft cabinet report is attached at **Appendix A**, which in turn contains the following:
 - **Appendix 1** – Equality Impact Assessment
3. A summary of the cost of care exercise is detailed in **Appendix B**, whilst the presentation which will be delivered at Committee is attached at **Appendix D**.
4. **Appendix C**, which is marked to follow and contains legal advice is exempt from publication as it contains exempt information of the description contained in paragraph 12.1 of Part 4 of Schedule 12A to the Local Government Act 1972

Background

5. Adult social services, in consultation with Cardiff's care home providers, have recently undertaken a cost of care exercise in order to understand the usual cost of care of the older people's residential and nursing care services operating within Cardiff. The purpose of this exercise was to inform an evidence based, fee setting strategy for older person's care home provision.

6. Key milestones for the cost of care exercise is set out with the Directorate's Delivery Plan (2019/20) as follows:

Ref	Headline Actions	Start Date	End Date	Responsible Officer*	Key Milestones during 2019/20	Link to Equality Objective
DP 28 AS	Undertake cost of care exercise with care home providers to support evidence based fee setting methodologies for commissioned services	April 2019	March 2020	Operational Manager	<p>Q1</p> <ul style="list-style-type: none"> Final round of 1 to 1 provider meetings to confirm accuracy of date and exercise undertaken Meetings held with senior council officers to consider the information obtained during the exercise Information on cost of care confirmed Meetings held with providers to share cost of care information Internal and external discussions on how to use the cost of care information commenced <p>Q2</p> <ul style="list-style-type: none"> Changes that reflect the outcome of the cost of care exercise agreed and implemented <p>Q3</p> <ul style="list-style-type: none"> Work undertaken with providers in relation to the cost of care continued <p>Q4</p> <ul style="list-style-type: none"> Work undertaken with providers in relation to the cost of care continued 	Meet our Specific Equality Duties and build equality into everything we do

7. The draft cabinet report (attached at **Appendix A**) sets out recommendations for the Council's fee setting approach for Cardiff's Care Homes which Members are advised will have financial implications for the 2019/20 financial year and the 3 year period from 2020/21 to 2022/23. The six recommendations within the draft cabinet report are based on the outcomes of the cost of care exercise (**Appendix A**, pg21-22).

Issues

8. The draft cabinet report sets out an overview of:
- Background and Context (including strategic context) (pg1-2)
 - National Drivers (pg2-3)
 - Strategic Priorities of the Council (pg3)
 - The Older People's Care Homes Market in Cardiff (pg4)
 - Analysis of Demand – Past and Current and Future (pg5-7)
 - Cardiff Council Current Approach to Care Home Commissioning 2014-2019 (pg7-8)
 - Resource Availability – Cardiff Council's Financial Situation (pg8)

- Regional Commissioning, including the Cost of Care in Cardiff Compared to Other Welsh Local Authorities (pg10-11)
- Quality and Market Stability (pg11)
- Summary of the Cost of Care Exercise (pg 12-18)
- Cardiff Council Approach to Care Home Fees 2020/21 – 2022/23 (pg18)
- Reason for Recommendations (pg19)
- Financial implications (pg20)
- Legal Implications (pg21)
- Recommendations (pg21-22)

9. The council requires residential and nursing care services for older people to provide:

- A safe, secure and stable environment, with onsite 24/7 hour access to care and support;
- the opportunity to promote choice, engagement and meaningful activities for its residents, carers and family members;
- dignity and respect for all residents;
- a good quality of life for residents; and,
- an appropriately skilled and qualified workforce that is competent to meet the individual needs of residents.

10. The care home market in Cardiff is made up of a diverse mix of providers, ranging from small family run care homes operating within older building to more larger, purpose built care homes operated by national, or international companies. At present, the Council does not have any internal care home provision and relies solely on the external market, commissioning care and support services to meet the needs of those who require care home service.

Projected Future Demand

11. A wealth of information including statistics and key documents were drawn upon for both analysing and understanding the future demand for care home services within Cardiff.

The key documents which informed the strategy were:

- Cardiff and Vale of Glamorgan Market Position Statement and Commissioning Strategy for Older People's Services 2017-2022 – Me, My Home, My Community'.
- Cardiff and Vale of Glamorgan Population Needs Assessment'.

12. Both documents confirmed that the population of Cardiff is growing older, with the number of people aged 65-84 in the city increasing by 45% and those aged 85+ increasing by 88% within the next twenty years. However, the council expects the number of residential care services it commissions in the future to continue to reduce as housing with support is better able to help more people with physical frailty and dementia to remain living in their own homes.
13. The council recognises the value of residential care for people that can no longer continue to live in their own homes and understands that they will continue to be a vital service for those that need it. The draft cabinet report states that the council is committed to providing the appropriate level of funding for these services and to support providers to deliver services of the highest possible quality.
14. The council will also be seeking to expand the provision of residential reablement provision and is investing Integrated Care Fund monies into this approach. This will enable people who are unable to live in their own homes with domiciliary support to receive reablement services within a residential setting in order for them to return to living independently when they have recovered sufficiently to do so.

Cardiff Council's Current Approach to Care Home Commissioning 2014-2019

15. In 2014, the Council introduced a Dynamic Purchasing System (DPS) for the commissioning of care home services which entails the Council putting care packages out to tender on a web-based system to which care providers respond submitting their price for delivering the package.
16. As a result of the DPS approach, the Council is paying very different rates for very similar types of service. The figures below illustrate the variance in weekly costs:
- **Residential Care:** Minimum = £469.73, Maximum = £1,600.00, Mean = £689.08, Median = £650.00
 - **Nursing Care:** Minimum = £485.93, Maximum = £1,556.00, Mean = £861.11, Median = £800.33

17. These inequitable arrangements is the key driver behind the Older Persons Care Home Fee Setting Strategy 2019-2023 which will bring out key changes to the current fee setting policy.

Finance

18. The Chart below details the actual net budget spend on residential and nursing placements over the last three years:

Actual Net budget	2016/17 Years	2017/18 years	2018/19 years
OP Residential	£6,720,311	£6,653,896	£8,025,474
OP Residential Dementia	£2,094,808	£1,986,608	£2,096,740
OP Nursing	£12,264,596	£14,729,290	£15,966,926
OP Nursing Dementia	£2,519,207	£2,962,912	£3,216,800
Total	£23,598,922	£26,332,706	£29,305,940
Percentage Increase		11.6%	11.3%

The table above indicates that expenditure on care homes has increased by over 10% each year – which greatly exceeds the continuing budgetary pressures faced within the service area.

19. With regard to Nursing Home costs, Members are reminded that responsibility for funding Nursing Care is the NHS, Cardiff Council is responsible for the residential care element of nursing home fees.

20. In terms of the discrepancy in care rates, the draft cabinet report states that, further analysis has shown that between the years 2014 and 2018 for residential care: 1/3 providers saw the average rate they receive increase by less than 10%; 1/3 providers saw the average rate they receive increase by between 10%-20% and 1/3 providers saw the average rate they receive increase by in excess. However, there is no correlation between the level of increase and the levels of service provision. This variance is also present within nursing care, further detailed in the attached draft cabinet report.

Annual Uplift

21. Historically, an annual uplift has been applied to all care home placements funded by the Council. However, following the introduction of the national living wage (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.

22. 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 on the assertion that the council had not consulted effectively with providers on its fee setting process and therefore has acted outside of the Welsh Government Statutory Guidance.

23. Following this, the council made a commitment to undertake a cost of care exercise to inform future decision making in setting fee levels for the older people care home sector.

Cost of Care Exercise

24. The exercise was conducted by an independent consultant who had undertaken similar work with a number of other welsh local authorities. The exercise considered costs for older peoples' residential and nursing care under the following four categories of provision:
 - General Residential Care
 - Residential Dementia care
 - Nursing Care
 - Nursing Dementia Care

25. The costs of providing care were analysed under the following headings:-
 - Staff hours per person per week.
 - Blended wage rates plus on costs.
 - Variable expenses
 - Administration costs
 - Finance costs

26. The cost of care exercise identified the usual cost of care home provision in Cardiff, the intent of the Council is to use this understanding to set a standard set of care home fees in the City as it reflects a fair price of care. The fee judgment which arised from the Cost of Care exercise is set out below:

£ per person per week @ 92% Occupancy	General Residential	Dementia Residential	General Nursing	Dementia Nursing
Wages	£447	£498	£441	£493
Variable	£45	£45	£45	£45
Est2blishment	£61	£61	£61	£61
Admin	£49	£49	£49	£49
Rent/Notional return/plus margin	£85	£85	£85	£85
Margin 3.5%	£21	£23	£21	£23
Total	£709	£761	£702**	£756**

27. The outcome, was the production of a 'usual cost of care' for each category, as show in the below table:

Cohort	Standard (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

28. The intention is to implement the above standard fees in a phased way over a 3 year period between 2020/21 and 2022/23 (subject to the availability of resources to the Council).

29. Phased implementation will have the following features:

- All new care home services for older people from January 2020 will be funded at the published rates;
- services currently commissioned at rates significantly below the standard published will receive annual fee uplifts at a rate above the standard uplift from 2020/21 onwards;
- services currently commissioned at rates significantly above the standard published fees will receive no uplift or an uplift below the standard fee uplifts; and,
- the exact uplifts will be determined on an annual basis, taking into account provider cost pressures and the resources available to the council.

30. An options appraisal will be undertaken to consider the most appropriate way of securing care home placements for older people going forward with an expectation that new arrangements that will be in place for a commencement date of 1 April 2020, which will remove the need for a DPS.

31. The fee setting strategy also seeks to address future staffing costs impacted by the national living wage which will see the standard rate increasing annually by a level in excess of 3.4%, as opposed to 2%. This means that there will be a potential additional commitment of c£350-£400k per year for the directorate which is over and above the typical budget allocation for fee uplifts.

32. The draft report presents Cabinet with six recommendations (**Appendix A**, pg21-22) and takes into account the following factors:

- The available resources that the council has;
- demand and priorities for care home services;
- providers legitimate and future costs;
- more cost effective operating models expected and commissioned services;
- the investment needed here for providers to meet requirements of both commissioners and regulators (Care Inspectorate Wales); and,
- the acknowledgement that services must operate safely and effectively to promote the welfare of individuals in their care.

Scope of Scrutiny

33. At this meeting, Councillor Susan Elsmore, (Cabinet Member Social Care, Health & Well-Being) along with relevant officers from the Social Services Directorate will be in attendance to give a presentation and answer Members' questions. The presentation, attached at **Appendix D**, will provide Members with an overview of:
- How the Council currently commissions residential & nursing home placements for older people;
 - The current annual uplift process;
 - The methodology and outcome of the cost of care exercise;
 - Implications for fee uplifts 2019/20; and,
 - Future years.
34. Pre-decision scrutiny aims to inform Cabinet's decisions by making evidence based recommendations. Scrutiny Members are advised to:
- a. Look at the information provided in the report to Cabinet to see if this is sufficient to enable the Cabinet to make an informed decision;
 - b. Check the financial implications section of the Cabinet report to be aware of the advice given;
 - c. Check the legal implications section of the Cabinet report to be aware of the advice given;
 - d. Check the recommendations to Cabinet to see if these are appropriate.
35. Members will then be able to decide what comments, observations or recommendations they wish to pass on to the Cabinet for their consideration prior to making their decisions on the 21 November 2019.

Legal Implications

36. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct legal implications. However, legal implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to the Cabinet/Council will set out any legal implications arising from those recommendations. All decision taken by or on behalf of the Council must (a) be within the legal powers of the Council; (b) comply with any procedural requirements imposed by law; (c) be within the powers of the body or person exercising powers on behalf of the Council; (d) be undertaken in accordance with the procedural requirements imposed by the Council e.g. Scrutiny Procedure Rules; (e) be taken having regard to the Council's fiduciary duty to its taxpayers; and (he) be reasonable and proper in all the circumstances.

Financial Implications

37. The Scrutiny Committee is empowered to enquire, consider, review and recommend but not to make policy decisions. As the recommendations in this report are to consider and review matters there are no direct financial implications at this stage in relation to any of the work programme. However, financial implications may arise if and when the matters under review are implemented with or without any modifications. Any report with recommendations for decision that goes to Cabinet/Council will set out any financial implications arising from those recommendations.

RECOMMENDATIONS

38. The Committee is recommended to:
- a. Consider the information provided in the draft cabinet report attached at **Appendix A**;
 - b. consider the information provided in the presentation to this meeting; and
 - c. determine whether it wishes to relay any comments or observations to the Cabinet for consideration at its meeting on the 21 November 2019.

Davina Fiore

Director of Governance & Legal Services

31 October 2019