Appendix C: Future Commissioning Models Options Appraisal

Summary of Options Considered

Option 1	**DAPL – with Strengthened and Improved Business Processes** This will require the commissioning of all placements via the DAPL, via improved and more relevant processes that address the issues with the current arrangements.
Option 2	**Block Contracts** This will enable contracts to be put in place with providers for a specified type and amount of care over an agreed timescale for an agreed rate. Providers are paid for a set number of placements beds at the agreed rate, whether or not these are used.
Option 3	**Framework –with specialist lots** This will enable contracts to be put in place with a range of framework providers that permit commissioners to secure placements for the specific types of care (arranged via “lots”) reflecting the cohorts of placements that are required that present greatest need (e.g. respite, general nursing etc) and present the most challenges in respect of current commissioning arrangements.
Option 4	**Hybrid model – Framework/DAPL** This would provide a combination of DAPL and a framework with specialist lots for those types of placements where there is greatest (e.g. Nursing) need or specialist requirements (e.g. respite) and present the most challenges in respect of current commissioning arrangements.

<u>Option 1: New DAPL – With Strengthened & Improved Business Processes</u>

New DAPL arrangements with revised business rules and operating procedures to strengthen compliance and maximise the benefits it provides.

Pros

- Internal staff & Providers familiar with process so there would be no additional training requirement.
- Significant staffing resources have already been invested in establishing DAPL.
- Provide a choice for citizens if used appropriately (i.e. bidding levels are good)
- Bidding using an electronic IT system is more streamline and requires less officer capacity to administer methodology.
- A refresh provides an opportunity to set out expectations that providers bid at cost of care
- Transparent and consistent process for both internal and external stakeholders
- Allows new entrants to the market at any time resulting in an increase in capacity
- Provides a good level of Quality Assurance when onboarding – all providers have to pass a quality threshold before they are enrolled and accredited.
- Whilst there is a quality threshold for joining the DAPL, there is currently no quality rating in the process for awarding contracts which are currently awarded based on cost. A refresh provides an opportunity to address current lack of quality in the process for awarding placements.

Cons: ***(N.B.** Issues in red are felt to present the greatest risk or are felt to have the greatest impact).*

- Work is required to review business processes, strengthen arrangements and ensure compliance. The ethos of the DAPL is based on inviting bids at varying prices when we want to aim for consistency in respect of securing placements at the Cost of care rate. Also high cost providers can enter at any time.
- We do not always make placements at cost of care rates and often bids come in that are above this, which presents a challenge when trying to predict budget spend due to fluctuations in costs and effectively manage spend.
- Currently we receive low number of bids. The high number of direct awards has impact on a reluctance of some providers to bid so the system is not operating as effectively as it could be if there was greater competition in the market.
- Commissioning on an individual spot purchase is not providing longer term financial stability to Providers and is impacting on provider’s ability to secure investment in their homes and their willingness to invest.
- The high numbers of providers on the DAPL would continue to make contract monitoring a challenge in respect of the frequency of monitoring visits .
- Difficult to maintain a consistent collaborative working relationship due to the high numbers of providers resulting in a lack of visibility of market intelligence.
- There is a reliance on providers to correctly service receipt which sometimes results in overpayment when errors are made – but there is an automatic recover function to mitigate this.

Option 2:Block Contracts

- Enter into block contracts for all or some categories

Pros:

- Would provide stability to awarded providers which would provide better opportunities for them to secure investment as they would be guaranteed a number of placements at an agreed fee level whether placements were made.
- Would secure set rates to enable more accurate budget predictions. Potential to agree a fair and fixed placement price
- Provides the opportunity to create smaller market in order to strengthen relationships between providers and commissioners
- Ability to commission blocks in respect of the placement categories to reflect demand.
- Provides ability to plan for the longer term.
- Ability to focus on quality as less Providers to monitor – resulting in more frequent monitoring visits
- Reduction in capacity required to manage open market e.g. enrolment process

Cons: ***(N.B.*** *Issues in red are felt to present the greatest risk or are felt to have the greatest impact).*

- Will limit choice for citizens with fewer providers
- May result in overpayment if blocks not fully utilised
- Block contract rates may result in higher costs than agreed cost of care rate
- Limits provider growth – Lack of incentives for providers who are not commissioned via block contracts. Would create instability in market for those providers not awarded which could result in disorganised exits that would destabilise the market. It could also create provider uncertainty when contracts come to an end.
- Risk to the authority if a block Provider is in escalating concerns and there is an embargo due to smaller market of providers. This may present a challenge to meeting need.
- It could prove challenging for the LA to end the contract prematurely due to lack of demand or performance issues and this is likely to take some time to achieve, resulting in possible loss of qualified care staff if providers
- Homes would need to demonstrate compliance with regulations regarding decision-making regarding admissions (re compatibility and meeting of needs) so could turn down placements even if they had vacancies and were being paid a contract price for delivery.
- Reduces longer term market share
- Damage to Provider relationships not awarded block contracts

Option 3: Framework

- Enter into a new framework for all/some categories of placement

Pros

- Provides the opportunity to create smaller market and therefore strengthen relationships between providers and commissioners.
- Potential to agree a fair and fixed placement price
- Ability to commission the relevant placement categories to reflect greatest need at a fair price with the ability to set rates to enable more accurate budget predictions
- Ability to plan for the longer term – capacity and internal staffing
- Ability to focus on quality as less providers to monitor so monitoring visits could be more frequent. Also, quality of providers would be assured via tendering arrangements for joining the framework.
- Ability to shape a market that best fits the ongoing requirements with specific lots on the framework for types of placements that have greatest demand or provide specialisms (e.g. respite) whilst managing cost.
- Reduction in officer capacity to manage open market e.g. enrolment process
- Provides providers with slightly more assurance of placements than a DAPL whilst ensuring that the Council is not locked into paying for voids which is a feature of block contracts.

Cons: ***(N.B.*** *Issues in red are felt to present the greatest risk or are felt to have the greatest impact).*

- Ranking could impede the providers business plans / development / future planning as it will limit the amount of placements they can secure.
- Risk of not having enough providers on the framework to meet demand and offer appropriate choice for service users due to a smaller numbers of provider on the framework than currently on the DAPL
- Could create instability in market for those providers not on the framework. This is also likely to cause damage to Provider relationships for those not on the Framework.
- Framework rates may result in higher costs than established Cost of care rates (although they are expected not to be any higher than what we are currently paying and in many instances may be lower).
- Provider uncertainty when contract expires resulting in possible loss of qualified care staff if providers
- No guarantee of business albeit this would provide more assurance than the current DAPL

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Option 4: Hybrid model – Framework with a DAPL

- Enter into a new framework for some categories of placement (via different lots).

Pros:

- Access to the DAPL, providers successfully applied, then undertake mini tenders for specific requirements
- Wider option of providers than a block arrangement – wider contingency options to plan for home closures etc.
- Would secure set rates for those on the framework to enable more accurate budget predictions
- Would allow new entrants to the market if demand requires, flexibility and ability to undertake new mini tenders as required
- Would provide greater understanding of provider speciality e.g. a framework with a smaller no. of homes for certain categories where there is greatest need/demand
- Opportunity to plan ahead but also react to demand
- Possibly allow a more agile approach when responding to the need to implement urgent new frameworks, combined with stronger Provider relations.
- The maintenance of the DAPL would enable placements to be made outside of the framework but on the DAPL if for any reason, the framework providers were unable to offer choice / meet need on occasions.
- Provides an opportunity for framework providers delivering within their specialist lots to work more collaboratively to share their experiences and learn from god practice in order to drive up quality.
- Negotiation of a new contract with the IT supplier provides and opportunity to create an end to end system for the administration of the Framework s well as the DAPL.
- This will also negate the need for Finance and Brokerage staff to operate a separate system for the Framework and DAPL. This also means that management information reports generated by the IT system can be inclusive of all placements made whether via the DAPL or the Framework.
- It is expected that this arrangement will improve the opportunities to manage the market because those entering the Framework will have an expectation they are able to make new placements and therefore are expected to be more actively engaged.

Cons: ***(N.B.** Issues in red are felt to present the greatest risk or are felt to have the greatest impact).*

- Ranking could impede the Providers business plans / development / future planning
- May limit choice for citizens with framework providers if small numbers join
- Two tier system – uncertainty for providers not successful on framework tenders which could impact on provider / commissioner relationships and provider sustainability for non-framework providers.
- Framework rates may result in higher costs than established cost of care rates but are expected to be lower than some rates that are currently paid.
- Some providers could challenge the introduction of a framework as this was not noted in the original contract regarding the DAPL. It will be important to work collaboratively with providers to mitigate this risk.

Recommended Option: Option 4 Framework with a DAPL

Rationale and Mitigation of Risks:

- Would better support market management and market-shaping than current arrangements - with the frameworks reflecting the types of placements we have most challenges with securing currently / are more costly.
- Less financial risk than block contracts.
- Opportunity to provide more security for providers on the framework than the DAPL in respect of price – as a framework price would be agreed for all placements made via that route – which is expected to improve investment opportunities as investors often require a guaranteed rate for all placements in a care home.
- Would better support our financial planning if we made placements at agreed framework price. Whilst framework rates may be above cost of care rates for some placement categories we would expect rates overall to be lower than some rates we are currently paying via the DAPL or direct awards.
- Would provide greater opportunity to develop a more collaborative working arrangement with a smaller number of framework providers
- would continue to provide choice if sufficient numbers enter the frameworks – it is expected that providers who deliver the category of placements that form the lots of the framework will wish to join in order to have the best opportunity of securing future placements made by the LA.
- Negotiation of a new contract with the IT supplier provides an opportunity to include the IT arrangements for hosting an end to end process for the framework and associated lots.
- Careful consideration of how the ranking of Framework providers will be implemented around cost and quality will mitigate some of the risk identified regarding impact on business planning / future developments.
- Legal advice will need to be sought regarding the risk of introducing a Framework alongside current (albeit improved) DAPL arrangements in order to mitigate the risk of provider challenge or non-engagement. It is felt that robust consultation with provides and collaborative working around the development of the Framework will further mitigate the risk of challenge.