

Assessing the Fair Cost of Care

Summary of the process underway to
develop a Market Sustainability Plan

People & Health Scrutiny Committee
19 May 2022

Why now, and why this matters

A failing market

- Local Government Association, March 2022:
*“Social care has been facing problems regarding **instability and unsustainability within the market for a number of years**... The role of the **workforce must be seen as fundamental** to delivering integrated, personalised and preventative care”*
- National Care Forum, August 2021:
*“Nearly 74% [of providers] have seen the **rate of [staff] exit increase** since April 2021. 46% of staff who are leaving are **leaving the sector altogether** – to go to health or hospitality for better wages and terms and conditions.”*

The cost/quality spiral, and local impacts

- Currently, **providers rated well** by Care Quality Commission – but the pandemic has delayed many inspections
- Some **evidence that quality is compromised**, so this may not sustain a new inspection round
- Workforce turnover**, both frontline and managerial leads to instability – leads in turn to reductions in quality
- CQC inspections coming to local authorities, with heavy emphasis on **how our purchasing practice drives market quality** – a substantial risk
- Within the last 2 years **6 Care Homes have closed**; financial viability has been an underlying factor for all
- Since April 2021, **182 home care packages have been returned** – 68% of cases were due to a lack of staff.

Headline national policy

- Market Sustainability & Fair Cost of Care Fund announced December 2021, funded from the Health & Social Care Levy

2022/23	2023/24	2024/25
£162m	£600m	£600m

- Money must be used to increase fee rates and local authorities to conduct a fair cost of care exercise to understand local market conditions and cost
- End the cross-subsidy between private payers in the care home market and local authority ‘bulk’ purchasing
- Stabilise the workforce
- Dorset received £1.2m in 2022/23, allocations for future years yet to be determined

Outline of the process

What Government requires of Councils

- Undertake 'fair cost of care' exercises, including
 - local costs such as staff pay and travel time
 - return on capital for care homes
 - return on operations for homecare and care homes
- Submit a provisional Market Sustainability Plan in October 2022
 - Set out issues in current market caused by fee rates and future risks
 - Outline the pace at which the Council intends to move from current rates to 'fair' rates between now and 2025
- Submit final costed version, aligned to LA budget setting in February 2023

What we have done so far

- Commissioned fair cost of care analyses, ahead of Government issuing the requirement to do the work
 - Consultancies appointed who were Local Gov Association or Association of Directors of Adult Social Services recommended
 - Market engagement process
 - Benchmarking with other authorities
- Undertook market engagement/launch processes
- Provided a number of extensions to deadlines to give maximum opportunity to engage
- Received draft reports and working through review/clarifications with authors

Next steps

- Engagement with Department of Health & Social Care to confirm that the fair cost reports meet government requirement (confident this is the case)
- Implications for budget and shaping plan for coming years
- Clarity about external (government) funding needed
- Review with the market and continue to develop the dialogue

Engagement

Process setup

Launch event for each market segment (homecare, care homes, supported living)

Further specialised workshops to continue the conversation with some market segments

During the process

Slow responses from all markets. Extensions given, to ensure that all possible opportunities to engage were offered.

Earlier discussions with home care providers fed into the process, asking consultancy to model £10.50/hr staff pay, to match competing employment sectors

Process results

24 Older People's Care Homes completed survey (16 residential, 8 nursing; 24% of all) Consultant satisfied this provides a good level of confidence in the results

9 Older People's Home Care businesses responded, only 3 completed cost information. Widespread ask for us to use benchmarking data with other authorities instead. Strong effort to engage market means report can't be challenged as not representative. Benchmarking with 11 neighbours and 'most similar' comparators has also been completed.

9 Supported Living (learning disability/mental health) provided information; 4 deep-dives and 3 pre-engagement 1:1s. Reasonable spread across size of providers/geography.

Residential care for learning disability and mental health still underway as response rate low.

Findings and key messages

Supported Living – LD/MH

- Scenario that best responds to market feedback includes (amongst other factors):
 - New employer’s NI rates and inflation modelling
 - £10.50/hr wage, with short-notice pay enhancements, all hours paid at same rate
 - Moving to a single level of need calculation, rather than flex as evidence doesn’t support changes to hourly rates
 - Rate enhanced to allow for more handover time
- Raises Dorset from near-lowest in neighbouring and CIPFA group, to upper-middle
- Apply to those on-framework initially; renewal of framework is a key step in determining how to include those currently off-framework

Home care for older people

- Workforce resilience vital to longer term market sustainability; higher wages for staff is key
- Paying £10.50/hour to staff brings working in care to a competitive level with retail and hospitality – a key ‘threat’ to local workforce recruitment/retention.
- Implementation of a rural rate will support achieving more consistent coverage across the county, regardless of time it takes to travel
- The modelling offers a robust negotiation tool. New rates assume key conditions are already in place; e.g. 45p mileage, all staff paid at contact time rates, and sickness and pension contributions.
- Initial feedback from Strategic providers is positive, offering opportunity to develop strategic relationships.
- Benchmarking indicates that paying at Model 3 (£10.50) brings us to the top of the mid-range of benchmark rankings.

Care Homes for Older People

- DC currently pays on average at FPoC for residential and nursing, but pays higher for Dementia support.
- Dorset Homes provide higher levels of care hours per resident per week than Consultant’s benchmark.
- To pay all providers at FPoC rate is unaffordable, but offers a key opportunity to work with local market to seek higher/more sustainable funding streams from Government
- As with all averages, any implementation would see ‘winners and losers’ in relation to uplifted rates – again an opportunity to change our relationship with providers who are willing to work with us to develop services to meet the needs, and help us better understand some of the anomalies such as weekly care hours per resident



Next steps

- Further work on the reports, responding to feedback from markets, and exploring the implications for contracting and placements
- Assessing financial implications, including likely Government financial support
- Establish a proposed approach to moving to 'fair' cost by 2025
 - To include how we establish new contracts and quality requirements alongside raised fee rates
 - Consider how to deal with those above 'fair' cost, and consistency of approach
- Complete draft Market Sustainability Plan, seek comments ahead of submission
 - Proposed to further involve both Scrutiny and Overview Committees ahead of Cabinet sign-off of the Market Sustainability Plan in early October