



HEALTH, SOCIAL CARE AND WELLBEING SCRUTINY COMMITTEE - 14TH MAY 2013

SUBJECT: REVIEW OF CARE HOME FEES

REPORT BY: ACTING CORPORATE DIRECTOR SOCIAL SERVICES

1. PURPOSE OF REPORT

- 1.1 To provide Members with details of a recently completed review of fees paid by the Authority for elderly residential and nursing placements in care homes within the County Borough and to seek support of a recommended three-year fee strategy.

2. SUMMARY

- 2.1 The report provides details of the reasons for undertaking the review of care home fees, the methodology adopted and the recommendations arising from the process.

3. LINKS TO STRATEGY

- 3.1 The Directorate of Social Services must take steps to ensure that there is sufficient capacity within the independent sector to meet the needs of service users and must also work with providers to better understand the costs associated with the provision of their service, to establish a fair cost of care and set appropriate fee levels.

4. THE REPORT

4.1 Background

- 4.1.1 In August 2010 the Welsh Government under Section 7 of the Local Authority Social Services Act of 1970 issued a Directive namely "Fulfilled Lives, Supportive Communities Commissioning Framework Guidance and Good Practice". This Directive seeks to encourage/mandate Local Authorities when setting care home fee levels to take account of Providers' costs and the factors that affect them, based on sound local evidence.
- 4.1.2 In response to the Welsh Government Directive and to mitigate any potential legal challenge, Caerphilly County Borough Council has been working closely with Providers to: -
- review the costs of elderly residential and nursing home provision;
 - develop a methodology for fee setting; and
 - establish revised fee levels.
- 4.1.3 The Directorate of Social Services agreed an interim uplift for providers from April 2012 on the understanding that the review of fees would be completed by the end of October 2012. Initial information in the form of certified accounts, management accounts and details of staffing

rotas were requested from the 22 homes operating in the County Borough but unfortunately the response was very poor with only 6 Providers submitting the requested information.

4.1.4 As a consequence of the initial poor response from Providers and to ensure that the development of a methodology for fee setting was done in a meaningful way, the Directorate of Social Services decided to engage external support in order to develop and utilise a process for the purpose of setting fee levels. Rockhaven Healthcare has undertaken similar reviews in other Local Authority areas and in September 2012 this company was engaged to support the care home fees review in Caerphilly CBC.

4.2 Scope of the Review Process

4.2.1 The objective of the review process was to collect generic data (including financial information) from all Providers in the County Borough area, with more detailed data subsequently provided by a smaller number of operators (selected by the Local Authority). The process involved a robust challenge of the information provided with the objective being recommended generic fee levels for the Providers in the following service offerings (fee categories):-

- General Residential.
- EMI Residential.
- General Nursing.
- EMI Nursing.

4.2.2 Throughout the review process Social Services staff retained responsibility for the direct contact with the Providers, their management, and their advisors. Rockhaven Healthcare's role in the review process was as follows: -

- Ensuring that the recording of the process was rational and resilient to any judicial review challenge.
- Attending an initial meeting with all Providers to advise on the process and gain engagement.
- Collection of generic data from all Providers with more detailed data subsequently provided by a smaller sample of Providers for the 12-month period ending 31 March 2012.
- Acting as a critical friend and conducting initial data verification with CCBC staff to establish the level of detailed analysis required to draw meaningful conclusions.
- Supporting CCBC staff to conduct further data verification/sense checking by attending 1:1 meetings with selected providers.
- Based on the data provided by the participating Providers on capital investment and cost of operating, providing guidance and support on its interpretation and consideration of the production of a margin figure.
- Assisting with setting out a rationale on how the margin figure was produced and how it related to sector best practice benchmarks.
- Acting as a critical friend in relation to helping to set the quality agenda, incorporating both the physical environment and care delivery.
- Attending further meetings with all Providers to outline conclusions and proposals.

4.2.3 At the commencement of the process a questionnaire was issued to all 22 Providers and 16 responses were received. Following a thorough review of the responses 9 Providers were selected as typical within their service offering / size banding and were invited to and attended initial 1:1 interviews to gather more in-depth information on working practices employed and the challenges faced by the operators. At these meetings attendees discussed their operating models in detail including the following: -

- Current staffing levels.
- Challenges posed by movements on staffing levels.
- Overheads.

- Capital employed.
- Positions taken in relation to quality.

4.2.4 Follow-up 1:1 meetings were also held with the selected Providers to provide feedback and confirm findings from the initial meetings. Once all the data had been fully captured and verified with the selected Providers, costs were analysed in detail to identify the typical costs in each service offering.

4.3 Review Findings

4.3.1 A meeting was held with all Providers on the 25th March 2013 to present the findings of the review process. Appendix 1 provides a breakdown of the proposed fees from April 2013 based on a 95% occupancy level and these are summarised in the table below: -

	General Residential	EMI Residential	General Nursing	EMI Nursing
2013/14 Proposed Fee	£496	£543	£489	£540
2012/13 Fee (Including Quality Payment)	£445	£531	£479	£531
Percentage Increase	11.46%	2.26%	2.09%	1.69%
2012/13 Fee (Excluding Quality Payment)	£415	£501	£449	£501
Percentage Increase	19.52%	8.38%	8.91%	7.78%

4.3.2 The proposed fees for 2013/14 no longer include a separate quality payment of £30 per resident per week which was previously payable to Providers who satisfied a set of pre-determined criteria to qualify for the payment.

4.3.3 For 2014/15 and 2015/16 it was proposed to Providers that the fee uplifts will be calculated as follows: -

- **Pay** – Linked to percentage increase in the statutory minimum wage as at October 2013 (for 2014/15) and October 2014 (for 2015/16).
- **Non-Pay** – Linked to the change in the Retail Prices Index (RPI) in the 12 months proceeding each financial year.

4.3.4 At the meeting on the 25th March 2013 the Providers agreed a three-week consultation period on the fee proposals. Three letters were received during this consultation period and at the time of writing this report responses were being drafted.

5. EQUALITIES IMPLICATIONS

5.1 The report covers elderly residential and nursing placements in care homes within the County Borough and therefore specifically covers one particular age group in the community. No full Equalities Impact Assessment has been undertaken on the report, as the review was undertaken to help the Council fulfil its duties in meeting the Welsh Government Directive on ensuring fair costs of care, which itself should have been impact assessed by the Welsh Government under their own Strategic Equality Plan.

6. FINANCIAL IMPLICATIONS

- 6.1 The proposed fees for 2013/14 will result in an unavoidable additional cost pressure of £541k for the Directorate of Social Services. There is no capacity within the Directorate to vire monies from other budget headings hence there is a review currently being undertaken corporately to identify uncommitted budgets that can be vired into Social Services for 2013/14.
- 6.2 Following endorsement of the new fees by Cabinet, new contracts will be issued to Providers and once signed copies are returned, the new fee levels will be paid including a back payment to the 1st April 2013.
- 6.3 For future years the additional cost pressure will need to be met from additional savings and efficiencies as part of the Directorate's Medium-Term Financial Plan.

7. PERSONNEL IMPLICATIONS

- 7.1 There are no direct personnel implications arising from this report.

8. CONSULTATIONS

- 8.1 There are no consultation responses that have not been reflected in this report.

9. RECOMMENDATION

- 9.1 Members of the Scrutiny Committee are asked to support the proposed 2013/14 fees and fee uplift methodology for 2014/15 and 2015/16 prior to consideration by Cabinet.

10. REASONS FOR THE RECOMMENDATIONS

- 10.1 To ensure that elderly residential and nursing home fees reflect the fair cost of care in line with the Welsh Government Directive "Fulfilled Lives, Supportive Communities Commissioning Framework Guidance and Good Practice".

11. STATUTORY POWER

- 11.1 Local Government Acts 1972 and 2000.

Author: Stephen Harris, Acting Head of Corporate Finance
Email: harrisr@caerphilly.gov.uk, Tel: 01443 863022

Consultees: Corporate Management Team
Social Services Senior Management Team
Cllr. R. Woodyatt, Cabinet Member for Social Services
Cllr. L. Ackerman, Chair of HSC&WB Scrutiny Committee
Cllr. B. Jones, Vice-Chair of HSC&WB Scrutiny Committee
Viv Daye, Service Manager, Commissioning
David Thomas, Senior Policy Officer (Equalities & Welsh Language)
Residential & Nursing Home Providers

Appendices:
Appendix 1 Weekly Cost per Person Based on 95% Occupancy

Caerphilly CBC Review of Care Home Fees

Weekly Cost Per Person Based on 95% Occupancy

	General Residential	EMI Residential	General Nursing	EMI Nursing
Wages	£277.17	£320.98	£270.30	£317.39
Variable	£36.79	£36.79	£37.68	£37.68
Establishment	£39.89	£39.89	£39.89	£39.89
Administration	£30.90	£30.90	£30.90	£30.90
Depreciation	£5.38	£5.38	£5.38	£5.38
Finance Charges	£1.44	£1.44	£1.44	£1.44
Rent	£66.00	£66.00	£66.00	£66.00
Sub-Total: -	£457.57	£501.38	£451.59	£498.68
Margin (5%)	£22.88	£25.07	£22.58	£24.93
Sub-Total: -	£480.45	£526.45	£474.17	£523.61
Inflation Adjustment	£13.21	£14.03	£13.12	£14.01
Benefits Increase	£2.20	£2.20	£2.20	£2.20
Weekly Total: -	£495.86	£542.68	£489.49	£539.82
Rounded: -	£496.00	£543.00	£489.00	£540.00

2012/13 Fee (Inc Quality Payment)	£445.00	£531.00	£479.00	£531.00
Increase	11.46%	2.26%	2.09%	1.69%

2012/13 Fee (Exc Quality Payment)	£415.00	£501.00	£449.00	£501.00
Increase	19.52%	8.38%	8.91%	7.78%