



Notice of Non-key Executive Decision

<p>Subject Heading:</p>	<p>Approval to Increase Residential and Nursing Care Home Fees for placements made of people 65 years and older.</p>
<p>Cabinet Member:</p>	<p>Councillor Wendy Brice-Thompson, Cabinet member for Adult Services and Health</p>
<p>CMT Lead:</p>	<p>Barbara Nicholls, Director for Adults Social Care and Health</p>
<p>Report Author and contact details:</p>	<p>John Green, Head of Commissioning</p>
<p>Policy context:</p>	<p>The Havering Adult Social Care Market Position Statement 2015, states the following with regard to residential care:</p> <p>'For those residential and nursing care homes currently providing services in the borough we value and appreciate the services provided. We are committed to working together to balance the needs for efficiency in the current financial climate and the quality services we want to see provided for vulnerable older people.'</p>
<p>Financial summary:</p>	<p>Financial implications arising as a result of increasing the fees paid by the Council to residential care homes.</p> <p>Based on the projected forecast for 2017/18, the changes to rates outlined in this paper will cost up to an estimated £389,435 based on projections.</p>

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Relevant OSC:	Individuals
Is this decision exempt from being called-in?	Yes, It is a non-key decision by a member of staff

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The subject matter of this report deals with the following Council Objectives

Havering will be clean and its environment will be cared for
People will be safe, in their homes and in the community
Residents will be proud to live in Havering

Part A – Report seeking decision

DETAIL OF THE DECISION REQUESTED AND RECOMMENDED ACTION

The Corporate Leadership Team Director with responsibility for Adult Social Care is asked to approve the following:

- An uplift to older people's residential and nursing care rates for the 17/18 financial year (1 April 2017 to 31 March 2018) to recognise the additional pressure faced by providers such as the national living wage and support the Council to remain competitive as a purchaser in the market.

AUTHORITY UNDER WHICH DECISION IS MADE

Cabinet, at its meeting on 18 January 2017, resolved to delegate to the Directors of Children and Adults authority to agree inflation rates with social care providers for 2017/18.

STATEMENT OF THE REASONS FOR THE DECISION

Background

1. This report concerns the declared usual rate the Council pays for care homes and care homes with nursing placements for older people.
2. For some people the Council will pay a different rate to the usual rate, for example someone with complex needs where additional support is required. Any decision on changes to these rates will take place on an individual basis negotiated as part of the review of delivery and achievement of outcomes.
3. This report concerns a proposed uplift for the usual rate paid for care home placements in Havering only. For those placed outside Havering the rate is negotiated and agreed on an individual basis, usually at the local rate for that area. These rates would be subject to different market conditions.

Previous Uplift

4. For the financial year 2016/17 the Council carried out a review and consultation exercise with care home providers over the fees paid. This included reviewing the capacity in the market, the quality of care, sub-regional benchmarking information and consultation with the providers. On the basis of the evidence collected a decision was made to grant a 2% uplift to the usual care home rate for older peoples care.
5. The current contract states that the Council will undertake a Fee Review and/or

uplift every 12 months. The Council will consult care home providers before making this decision and take into account a wide range of factors. The comments in the rest of this Report reflect the Council's assessment of market data, local market conditions and other relevant considerations.

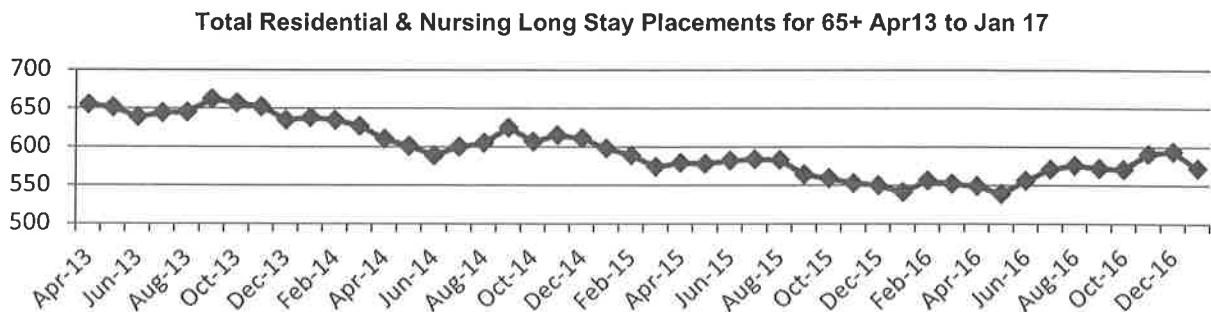
The Current Position

6. The current pricing structure is based on the dependency of residents which is set out below:

Residential Frail rate	£471.51
Residential dementia rate	£545.46
Nursing frail rate	£502.58
Nursing dementia rate	£518.66
Nursing Higher rate	£528.31

7. In the geographical area covered by Havering there are currently 38 care homes and care homes with nursing supporting older people. The total capacity of individual beds is 1600. As of January 2017 the Council directly funded 572 residents in these homes at the usual rates. This equates to 36% share of the placements. The remaining beds are filled by people who fund their own care and placements from other Councils and Health. The current vacancy rate is approximately 10%. Therefore, in Havering, the Council is not the main purchaser of care home beds. This is in contrast to other London boroughs where Councils are often the dominant purchaser in the market. The number of care homes which will accept a placement at one of the above usual rates can vary daily. The rate that is currently least accepted is the lower frail rate with only 5 care homes prepared to take new placements at this rate.

8. The following table shows the placements made by the Council indicating that there has been a decrease in residential care over the last two years. This is linked to the Council's aim to support people in their own home wherever possible.



Benchmarking

9. As part of the consultation the Council contacted a number of authorities to obtain the usual rates they pay for care home placements. As with all benchmarking there needs to be caution with accepting figures on face value, that we are comparing like with like and that there are not particular circumstances which make difference inevitable.

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However some of the messages that come from the benchmarking include:

- There have been increases with some boroughs lifting their rates significantly higher than ours
- We are paying generally lower rates than other boroughs
- Our contribution to nursing care is significantly lower than other authorities

Finance

10. The forecasted spend for care home placements for older people for this financial year is £15,277,605 (forecast as at period 10). As described above, in recent years the uplift has been a % figure across the board but with increasing insight into the market, where the pressures are and where we need to make adjustments we are proposing a different approach for 17/18.

Communicating with providers

11. One of the criticisms from providers last year was a lack of communication with the Council, so provider forums have been instituted and been designed to try and open up a dialogue between commissioner and provider. Feedback from these forums has been positive.

12. In previous years a postal consultation resulted in very low responses. This year we advertised in advance that we wanted to discuss the usual rates with care homes and invited them all to share their views. This was discussed in January 2017 and followed up by circulating the responses to all care homes and asking for any additional input to the issues raised.

13. Proposals were then formulated off the back of the original consultation and a follow up meeting conducted on 20th February 2017.

14. The responses have been attached as an exempted appendix. The following is a summary of the key concerns raised and the Council's response.

Provider concern	Council response
<p>Increased costs in many areas, including:</p> <ul style="list-style-type: none">- Increase to business costs i.e. food, utilities, insurance etc.- Increase to living wage- Increase to CQC rates- Costs for maintenance to the buildings- Pension contributions changes- Higher skilled carers expecting a raised wage higher than national minimum wage- Increase in Registered	<p>Evidence confirms that many of the concerns that providers have raised are increasing cost pressures. The Council recognises the need to respond and this document outlines our proposals and picks up on some suggestions for working together in future.</p>

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<p>Nurse rate of pay</p> <ul style="list-style-type: none">- Increased residents needs resulting in new equipment additional insurance and maintenance contracts	
<ul style="list-style-type: none">- Elderly frail rate is low and needs are often far greater than those with dementia- Increased needs of residents – needing more care on admission	<p>The low elderly frail rate has been an issue for our brokerage teams where difficulties in finding placements for this rate have been found, with the discussion often reiterating the point made at the forum – that people are reaching care with far greater needs than was previously the case, meaning the differential in care needed between residential frail and residential dementia is negligible. Our response to this is contained in our proposals within this document.</p> <p>Complicated cases that require higher level of support can be negotiated on an individual basis.</p>
<p>Current rates are particularly low in Havering in comparison to other local authorities</p>	<p>This has, to some extent, been confirmed by our knowledge of the market and by dedicated benchmarking. It is not entirely the case that all other authorities pay at higher rates than Havering but it is true we are at the lower end of the market. We need to make a response based on the Havering context but with an understanding that there is a need for a sustainable market rate.</p>
<p>Issues for nursing homes: There is a big differential in rates between residential frail and dementia but only a small percentage difference between nursing frail and nursing dementia – with implication that nursing dementia is difficult to sustain within current arrangements The Council contribution to the dementia rate for nursing homes is actually lower than the rate paid for residential dementia, but there will be more hours of care needed in a nursing home to meet the levels of care required Despite FNC increases the</p>	<p>The increase in FNC rates this year means that nursing homes have received an increase that will not apply to residential homes. None the less there is a responsibility to ensure the Council response to nursing homes remains equitable and takes into account the extra pressures – particularly around the nursing market and increased agency costs. This is seriously considered and addressed within the proposals within this document.</p>

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increase in costs to nursing homes has been disproportionate, particularly because of difficulties in the nursing market and the need to use agency staff at very high cost. Recruiting nursing staff is becoming increasingly challenging.	

15. After the feedback from the first consultation event the second event proposed:

Residential Frail rate

Increase by 6% from £471 to £500. For new placements we would consider negotiation.

Residential dementia rate

Increase 2% from £545.46 to £556

Nursing Frail rate

Increase by 1% from £502.58 to £508

Nursing Dementia rate

Increase by 1% from £518.66 to £524

Nursing Higher rate

Increase by 2% from £528.31 to £539.

A proposed saving to reduce payment after death of a resident from 5 days to 3 days was shared with providers, and this will be now negotiated with providers, with agreed implementation to be subject to a separate executive decision.

16. Providers felt the residential frail rate, even with this increase would not meet needs of residents and the Council would struggle to place at this rate.

Providers also feedback that the residential dementia rate needed to be increased further to address the issues listed in the table above.

17. There are recognisable financial pressures on providers and we want to have a long term commitment to high quality services for Havering residents, which is supported by a reasonable cost regime. In the past we have relied on indicators that suggested Havering's market was still sustainable. The arguments we relied upon last year are detailed below:

- That the local market continues to have capacity (and attract new providers);
- Havering continue to find placements at the current rates;
- Havering pays at rates broadly comparable with other similar authorities; and
- There is flexibility in payment rates when needed.

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18. Whilst these arguments are still generally true, there are some additional observations that we need to recognise and pay due regard to as the market shifts and changes:

- Although the local market has capacity, and attracts providers, this is largely aimed at the self-funder market
- Although we find placements it is becoming increasingly difficult to place at our rates, particularly in some categories
- Other authorities have made, in some cases, significant increases to their previous rates, so we need to ensure we remain within reasonable limits
- There continues to be flexibility in payment and requests for these arrangements are becoming more frequent both because of the complexity of need and because our rates are comparatively low

19. Havering Council placements are only about a third of the total number of people placed in care homes in the borough. The rest are the more lucrative health placements, other boroughs or self-funder markets. The Council therefore has a role to play in the sustainability of the market but does not control it.

20. The problem will come if those homes that we predominantly use become unsustainable and those that will only accept higher rates begin to make it an ever increasingly sellers' market where Havering has few options. Short term cost savings, in either the Residential or Nursing markets, could lead to long term problems with the market and far greater costs. It is therefore a careful balancing act that we need to recognise and that this paper proposes to address in the best way possible, with limited resources.

21. In regard to Quality, on the face of it the market provides good quality care that can be evidenced by predominantly good CQC ratings. There are 10 homes, however, that are currently designated as 'Requiring Improvement', but this means work is in progress to improve. In this area our Quality Outcomes team does good work on bringing standards up and supporting providers to meet our requirements.

Recommendations

Residential Frail Rate:

22. The feedback from providers is that this rate is unsustainable. When older people arrive, whether they have dementia or not they are so frail that there is less difference in the amount of support they need compared to those with dementia.

23. The number of new in-borough placements made at this rate was 28 out of 133 in 2016/17, 21%. When we do try to place there are significant problems in convincing the homes to take our rate.

24. The proposal is therefore that we increase this rate from £471.51 per week to £506 where we have existing placements. For placements from 1st April 2017

we will establish with providers that we are open to negotiation

25. This will mean that we will raise our lowest rate by 7.3% and that those homes that have taken our lowest rate will benefit most from the uplift. We have listened to Provider feedback, considered other factors, and increased the rate further to meet the needs of residents.

Residential Dementia Rate:

26. The dementia rate will rise from 1st April 2017 by 4% from £545.46 to £568. This will maintain Havering as reasonable within its comparator groups. We have listened to Provider feedback, considered other factors, and increased the rate further to meet the needs of residents.

Nursing Frail Rate and Nursing Dementia rate:

27. The NHS funded nursing care contribution to any placement to a nursing home was £112 per week, in addition to the rates we, as a Council, pay. There has been a 40% FNC increase to £156.25, backdated to April 2016, which has helped nursing care homes. This increase is, however, being reviewed with the possibility, stated by the government, that it could be reduced or be subject to regional variations. It is important therefore that we monitor these developments and the impact on the local market.
28. We also recognise that generally speaking, the nursing market is taking placements at our rates. However we recognise there remains pressure on the market from the significant costs attributable to the need for nursing support and the demand from the particular needs of the client group.
29. Our proposal is therefore to raise both the nursing lower frail rate and the nursing dementia rate by 1% to continue supporting a sustainable market, recognising nursing recruitment issues.
30. The higher nursing rate is used infrequently and should trigger an enquiry, at that level of need, whether Continuing Health Care funding is warranted. We propose increasing the higher rate by 2% from £528.31 to £539 to support those with the highest need who do not meet CHC requirements.
31. The net impact will be that the nursing market receives a lower proportionate increase than the residential market in Havering, taking into account all factors. We will closely monitor the impact of this change, and our ability to make placements.

Cost of proposals

32. These proposals will cost less than the cost of a 3% uplift across the board but are designed to have a beneficial impact on where there is greatest pressure on the market in Havering.

33. The estimated cost of these proposals when applied to in-borough placements at January 2017 projected annually would be a minimum of £389,435.
34. As a proportion of the increase, if only using the lower end increase of £389,435, there would be a projected annual increase of £337,683 to residential care and £51,752 to nursing care, putting 87% of the uplift into residential care and 13% into nursing.
35. Over the coming year the Council will be working with care homes to monitor and see if the market is showing any signs of strain at these rates. With any changes to rates there will be the possibility of unforeseen impact and there will therefore be careful monitoring of the market behaviours. Communication will be maintained through regular forums and quality monitoring arrangements.
36. The total estimated cost of these proposals is a projection based on current placements as of January 2017. A significant change in demand or in the need of those requiring support would affect the projection.
37. This year there have been 28 new placements made at the lower frail rate over the course of the year. If each of these placements were negotiated at the upper level of £568 rather than £506 then the cost for the year would be £52,638. This is for noting, as it is anticipated that fewer new placements will be negotiated at the lower rate. Pressures relating to this expected change in market behaviour will be addressed separately in terms of growth available to Adult Social Care in 2017/18
38. Our recommendations for 17/18:

Residential Frail rate

Increase by 7.3% from £471 to £506. For new placements we would consider negotiation.

Residential dementia rate

Increase 4% from £545.46 to £568

Nursing Frail rate

Increase by 1% from £502.58 to £508

Nursing Dementia rate

Increase by 1% from £518.66 to £524

Nursing Higher rate

Increase by 2% from £528.31 to £539.

39. They are designed to respond to where the pressures are in the market:

Investigation into Havering market and impact of Council funding

40. During 17/18 commissioning will undertake to look at the care home market in

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Havering in detail. A report for Councillors is proposed that will give far greater insight into how the market is structured, how it interacts with Havering council placements, self-funders and with health providers and other boroughs placements. This will enable a much more informed response to the market and give greater insight into the risks and opportunities faced.

41. It will also give more insight into the cost of care in Havering and whether and how we need to look in more detail at the costs and profits of providers in the local market.

Charging Implications

42. We will need to consider the views of residents, particularly those who are liable for the full cost of their care and support (full cost payers). An increase to the usual rates would mean an increased charge which would result in increased income to the Council. The projected increase in income would be £18,561 for the year based on those currently paying the full cost of residential care. This figure could increase over the year if new full cost payers require residential care over the coming year.

OTHER OPTIONS CONSIDERED AND REJECTED

a) Offer no uplift to the usual rate the Council pays for residential and nursing care home placements for older people.

This option was considered and rejected because:

- the Council wants to sustain its ability to be a key purchaser in the market.
- the Council recognises additional pressures placed on care homes, including the National Living Wage.

PRE-DECISION CONSULTATION

As described previously the Council consulted with all contracted residential and nursing care homes that support older people in Havering.

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NAME AND JOB TITLE OF STAFF MEMBER ADVISING THE DECISION-MAKER

Name: John Green

Designation: Head of Commissioning

Signature:

A handwritten signature in black ink, appearing to read 'John Green', is written over a faint dotted line.

Date: 30.3.17

Part B - Assessment of implications and risks

LEGAL IMPLICATIONS AND RISKS

As set out in the main body of the Report the Council's standard residential care contract gives the Authority discretion in fee reviews and can take into account the budget for Adult Social Care generally.

The Care And Support Guidance issued under the Care Act 2014 links the Council's market shaping functions with commissioning of care from the independent sector. The Guidance provides that "local authorities should not undertake any actions which may threaten the sustainability of the market as a whole – for example, setting standard fee levels below an amount which is sustainable for providers in the long-term."

The Authority has consulted and has undertaken the investigations set out in the Report and there is nothing to suggest that the proposed fee increase would be unlawful or would damage the market in the way prohibited by the Guidance.

In terms of the consultation the decision maker must ensure that all responses are conscientiously considered before the final decision is made.

FINANCIAL IMPLICATIONS AND RISKS

The proposal to uplift Residential and Nursing fees for Older Adults (aged 65 and above) is the first step towards safeguarding the placements market within the Borough. The uplifts proposed are primarily based on consultation with Providers and benchmarking rates with similar authorities however, as mentioned in the report, further work will be undertaken during 2017/8 to better inform and contribute towards the development of a Commissioning Strategy around the placement market in the borough. This will encompass all care groups, including the opportunity to use innovative services where appropriate.

There is a risk that the uplift, once agreed, will encourage Providers to seek similar arrangements for their other beds however, these will be reviewed on a case by case basis, with sufficient evidence to support any decision in each instance.

The £389k uplift request will be funded from an agreed proposal presented during the budget development cycle for up to £1.031m for inflation across Adult Services and Mental Health, with an expectation that other uplift requests will either be funded from the £642k balance or existing budgets. Finance will work with Adults Services and the Commissioning function to ensure all uplifts are adequately accounted for as part of the regular financial management function.

Falil Onikoyi, Strategic Finance Business Partner – Adult Services and Public Health

HUMAN RESOURCES IMPLICATIONS AND RISKS (AND ACCOMMODATION IMPLICATIONS WHERE RELEVANT)

There are no HR implications or risks arising directly as a result of this decision.

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EQUALITIES AND SOCIAL INCLUSION IMPLICATIONS AND RISKS

If the recommendation to increase the usual rates for care home placements for older people is agreed it should have a positive impact on equality groups. It will mean the Council remains competitive in the market giving residents more choice in the care home they choose. It should also mean care homes have more resources and therefore are able to offer residents better support.

If the proposal is agreed we will use existing quality monitoring arrangements to monitor the impact on existing and new residents of care homes to ensure there is no negative impact arising from the proposal or if there is, to mitigate it accordingly.

BACKGROUND PAPERS

None

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Part C – Record of decision

I have made this executive decision in accordance with authority delegated to me by the Leader of the Council and in compliance with the requirements of the Constitution.

Decision

Proposal agreed

Details of decision maker

Signed



Name: Barbara Nicholls,

CMT Member title: Director Adult Services

Date: 30th March 2017

Lodging this notice

The signed decision notice must be delivered to the proper officer, Andrew Beesley, Committee Administration & Interim Member Support Manager in the Town Hall.

For use by Committee Administration

This notice was lodged with me on 6/4/2017

Signed 