

**Report to the Cabinet Member for Adult and Community Services**  
**Report submitted by: Director of Adult Services**  
**Date: 15 June 2015**

**Part I**

Electoral Divisions affected:  
All

**Residential and Nursing Homes for Older People: Fees for 2015/16**  
(Appendices 'A' and 'B' refer)

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**Executive Summary**

The County Council commissions residential and nursing home places for older people from over 300 Care Quality Commission (CQC) registered care services based within Lancashire. The 2015/16 Budget approved at Full Council made provision for an increase in the budget for meeting the fees for these placements equivalent to a 2% uplift, but on the basis that further work was underway and required completion on the structure of the uplifts.

This work has now been completed and this report details the proposed new arrangements for fee uplifts for 2015/16 including the phasing of the new approach.

This is deemed to be a Key decision and the provisions of Standing Order No 25 Have been complied with.

**Recommendation**

The Cabinet Member for Adult and Community Services is recommended to:

- (i) Approve the replacement of the existing fee banding arrangement for residential and nursing homes with effect from 6th April 2015 for all new placements of older people funded by the County Council, and
- (ii) Approve the establishment of the new fee structure based on the following principles:

- a. An individual Core Needs based payment at one of 5 levels:
    - standard
    - higher rate
    - dementia
    - nursing care
    - nursing care (dementia)
  - b. An additional payment for residents placed in rooms over 12 metres square plus ensuite bathroom and toilet facilities and meeting the minimum communal space per resident threshold of 4.1 metres square.
  - c. The new fee structure to be phased in so that in 2015/16
    - All existing placements as at 6 April 2015 will receive an uplift of 1%.
    - From 6 April 2015 new placements will be made at the appropriate Core Needs fee level as described in (a) above. These will be set at the existing Band 1 rates uplifted by 1%.
    - An additional room based payment of £10 per week for each new County Council funded placement in rooms over 12 metres square plus ensuite facilities and which meets the minimum communal space per resident threshold of 4.1 metres square.
- (iii) Endorse proposals to work with NHS Commissioning partner organisations and provider representatives during this year to develop further proposals for linking fee levels to outcome and quality indicators from 2016/17 onwards.

## **Background and Advice**

- **Overview**

More than 10,000 older people live in residential and nursing homes in Lancashire in over 300 CQC registered services. Of these the County Council itself operates 17 residential care homes, a handful are owned and run by voluntary organisations, but the overwhelming majority, 93% of the homes, are run as independent companies. In Lancashire these are commonly smaller, often family owned businesses, and there are comparatively few homes owned and operated by large national or regional organisations.

The County Council's gross expenditure on services in this sector was in the order of £109m in 2014/15. The sector itself employs many thousands of staff, mostly part time. The overwhelming majority of employees are female and most care staff are on pay levels which are at or just above National Minimum Wage.

Residential and nursing homes are regulated and inspected by the CQC, and this is on the basis of new standards and criteria put in place in the last year. The County Council has its own arrangements to oversee quality in the sector, but perhaps inevitably focuses its staff's greatest attention and energies on those homes where there are quality and safeguarding concerns.

About 43% of placements in homes are funded by the County Council, that is approximately 3,500 older people aged 65+ in residential care and 1,000 people aged 65+ in nursing home care. About 12% are funded by the NHS Clinical Commissioning Groups under Continuing Health Care arrangements and about 40% are funded by the individuals themselves (ie 'Self Funders'). The remaining places are either funded by other Councils placing into Lancashire or are vacancies. The County Council 'spot' contracts for its funded placements, on the basis that Care Homes are signed up to a standard County Council contract including fee arrangements. Individuals or families still have the choice of home they move into, but if it is a placement to be funded in Lancashire by the County Council then it is on the terms and conditions set out in the contract.

For a number of years the County Council has worked closely with representatives from the Lancashire Care Association (LCA) to consider and negotiate fee levels and any annual uplifts. The LCA's membership is made up of many of the residential and nursing homes in Lancashire, is a significant and valued strategic partner of the County Council, and it is involved closely in the Social Care Partnership. The relationship has been of great importance in understanding the pressures on the sector and considering options for uplifting fees.

- **Funding Context for 2015/16**

In response to a variety of financial and market considerations the County Council has not routinely increased its fees for residential and nursing home placements in recent years.

At Full Council in February 2015, budget provision for an amount equivalent to a 2% uplift to residential and nursing home fees was agreed for the period 2015/16. This funding envelope was agreed in the knowledge that negotiations were already underway between the County Council and the LCA, but details were still to be fully worked out as to how the 2% was to be allocated.

- **Negotiations and Consultation**

The County Council and the LCA have both recognised that the existing fees banding scheme designed in 2005 is ripe for change. That scheme took account of external quality marks such as Investors in People, levels of training and compliance with 2001 national standards around minimum space. It placed homes in 4 bandings, with fees set within each band for dependency and needs relating to dementia. This has meant that there are currently 40 different individual fee levels.

The latest data available indicated that 96% of all placements are made in band 1 or 2 homes of which 80% are in Band 1. The total number of rooms available for these homes within Band 1 or 2 was 9,387 of which 40% met the stated compliance standards for single rooms and associated communal areas. Available data indicates that only 35% of County Council funded residents occupied a fully compliant room.

Overall during the timescale of its operation, the existing banding scheme has not appeared to have a significant impact on improving physical standards of care homes.

Since 2012, there has also been a growing concern and focus on the quality of care provided to residents in care homes both within Lancashire and nationally. Any revised fee model must therefore have quality at its heart.

Discussions have been ongoing with the LCA over a number of months to design an alternative fee structure which recognises those homes providing consistent quality of care. There is some consensus on some of the principles to underpin this structure including:

- Incentivising and rewarding the quality of care
- Incentivising and rewarding investment in care homes
- Creating a simple, clear and affordable fee structure based on levels of assessed individual need and dependency
- Creating a clear and equitable offer to people entering care homes
- Compliance with the statutory requirements in terms of people being able to exercise choice of placements

However it did not prove possible to agree a new fee model for 2015/16 with the LCA which was acceptable to them. For many care home providers and provider associations, a key yardstick for determining fee levels is provided by a nationally known Care Market Consultancy. This was not a stance to which the County Council could agree given the funding envelope available for uplifts.

The County Council has therefore consulted all residential and nursing home providers directly on its preferred approach. This consultation began during March 2015 and ended in May 2015.

- **The Proposed Approach**

The proposals that were put out to consultation with care home providers were as follows and reflect the recommendations made for approval.

In future, fees for new placements will be constructed from various elements:

There will be an Individual Core Needs based payment at one of 5 levels:

- 1) Standard rate
- 2) higher rate
- 3) dementia
- 4) nursing care
- 5) nursing care (dementia)

There will be an additional payment for residents placed in rooms over 12 metres square plus ensuite and meeting the minimum communal space per resident threshold of 4.1 metres square.

The intention is for the new arrangements to be phased in so that in:

### **Phase 1 (2015/16)**

- All existing placements as at 6 April 2015 will receive an uplift of 1%.
- From 6 April 2015 new placements will be made at the appropriate core needs fee level (as above). These will be set at the current Band 1 rates uplifted by 1%.
- An additional room based payment of £10 per week for each new County Council funded placement in rooms over 12 metres square plus ensuite and meeting the minimum communal space per resident threshold of 4.1 metres square.

This would mean that from 6 April 2015 new placements in a compliant room would receive the equivalent of a minimum 3.68% increase.

Capital investment in the homes would therefore be reflected in the revised fee levels, but only where a County Council funded resident receives the benefit of a fully compliant room. This is intended to ensure the reward for capital investment is proportionate so that:

- a fully compliant home would be able to access the additional payment from the County Council for all funded residents;
- a partially compliant home only when it supplies fully compliant rooms to County Council funded residents;
- a completely non-compliant home would not be able to access the additional payment.

### **Phase 2 (2016/17)**

This would require further work. It envisages that during 2015/16 negotiations will progress in developing a set of standards relating to the care people receive and assisting homes to meet a set of quality indicators.

The County Council will identify the funding available for the additional payment in 2016/17 which recognises this. This will apply to all County Council funded placements in homes which meet the agreed quality standards. The County Council will fully engage with providers in developing this element of the scheme and also work with NHS commissioning colleagues to see if a joint approach can be agreed.

It is also the intention to develop a quality assurance framework as part of the payment structure for care homes to include:

- an initial self-assessment against agreed standards
- support and training to be available during 2015/16
- A simple contract monitoring and quality assurance system including sample checks and more targeted activity
- in future years, the opportunity to target different areas of quality depending on for example, trends and activity, national initiatives and resources available

Appendix 'B' contains the detailed fee rates that the County Council would be paying under these proposals, backdated from 6<sup>th</sup> April 2015.

## **Feedback from Providers**

Details of the feedback from providers to this consultation are provided at Appendix 'A'. Overall the response rate was disappointingly low and it is therefore difficult to draw any firm conclusions about the views of the sector to the County Council's proposals.

There was strong support for the principles proposed to underpin the new fee structure but providers views were more mixed when it came to the detailed proposals.

The feedback was shared with the LCA who agreed that the consultation findings were inconclusive. Their suggestion was that it would be better to continue with the existing Banding Scheme, awarding a 2% increase across the board with a view to designing a new approach ready for 2016/17.

However adopting such a stance would do nothing in the short term to resolve the weaknesses of the existing scheme. It also assumes that finding a consensus will be easier over the next year than it has proven over the last six months.

It is therefore with regret, on both sides, that the County Council has to part company with the LCA on the merits of the proposals set out in this report. If approved by the County Council, the recommendations will mean significant change to the fee structure for residential and nursing care homes for older people in Lancashire and pave the way for further changes from 2016/17 onwards.

## **Consultations**

These are set out above. Appendix 'A' contains a summary of the feedback.

## **Implications:**

This item has the following implications, as indicated:

### **Financial**

Work has been undertaken to collect the data the County Council holds for each care home mapping the size of individual rooms and communal space per resident. The new rates have been financially modelled to be deliverable within the overall 2% budgeted cost increase that is available assuming rates will be backdated to 6 April 2015.

### **Risk management**

Care home fee levels and the arrangements proposed and set out in this report are about balancing a number of complex factors including the costs of meeting individual need, the costs of being in business, quality requirements and standards, affordability and market sustainability. Further work will be undertaken during 2015/16 in the light of ongoing research on the impact of the Care Act and the

negotiations planned to arrive at a longer term fee structure to ensure this equation is further balanced.

**List of Background Papers**

Paper	Date	Contact/Directorate/Tel
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None

Reason for inclusion in Part II, if appropriate

N/A