

Residential and Nursing Beds - Commissioning Arrangements

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1. Summary

- 1.1 This report makes recommendations for a public consultation to review and update the rates the Council currently publishes and pays for nursing and residential beds. Cabinet's approval is sought to consult on revising the currently published rates for such beds.
- 1.2 This consultation is requested as part of the review of arrangements for the commissioning of residential and nursing beds. This is the first stage of the review.
- 1.3 The overall expenditure for Adult Social Care in Shropshire is continuing to increase. There is an ongoing need to balance additional pressures due to growing demand, delivery of statutory services and demographic changes with sustainability and development of the care provider market.
- 1.4 This growth in expenditure is recognised within the Council Financial Strategy for 2018/19 - 22/23. Savings have been identified to be delivered by this review as part of the Council's 2019 budget proposals which are subject to a separate consultation. The budget consultation period runs from 07 January 2019 - 18 February 2019.
- 1.5 Expenditure for residential and nursing provision in Shropshire is the single biggest area for Shropshire Council Adult Social Care and spends just over £50 million per year. Expenditure for individual beds is categorised by 'Primary Support Reason' and this expenditure includes all categories including Adult Learning Disabilities (ALD) and Mental Health (MH).
- 1.6 This consultation proposal does not include the rates for people categorised with Learning Disabilities and Mental Health needs. These rates will be explored separately at a later stage in the review.
- 1.7 The expenditure for beds for 17-18 was £33.3m (Nursing care £17.7m, Residential Care £15.6m). This excludes ALD and MH categories.
- 1.8 Shropshire Council currently reviews and publishes rates on an annual basis and these are set out as an Appendix to the Personal Budget Contributions Policy 2018-19. Please see Appendix A/Schedule 6.
- 1.9 Although the Council have increased rates annually, with a 2% increase in 17-18 and a 2.5% increase for 18-19, analysis of rates for 17-18 indicates

that there is a wide variance in rates being paid. It is recognised however that the level of the rates the council currently offers have not been fundamentally reviewed for some years and consequently do not reflect current market pressures.

- 1.10 We want to ensure future rates published and paid accurately reflect the costs of delivery of care, are transparent in the market place and deemed to be equitable by providers. Therefore, consultation is required to fully understand the factors associated with the delivery of care by providers.
- 1.11 Initial engagement was undertaken with the market place in June 2018 and it was noted that providers would broadly agree to the principle of reviewing the rates and stated that rates should be considered 'fair'. Please see Appendix B.
- 1.12 It is considered that further public consultation and provider engagement is essential to fully understand provider's definition of 'fair' and assess the implications associated with implementation.
- 1.13 It is proposed to build on the initial provider engagement and provide an opportunity for all interested parties to participate. This is intended to include service users and their families, voluntary organisations and practitioners so they can contribute to the development of revised arrangements. A period of engagement and consultation of 6 weeks is proposed with effect from the 1st March 2019 and will include a range of activities including a questionnaires, events and meetings.
- 1.14 It is intended that a model and pricing rates are identified for the purposes of consultation. The model identified is based on the industry recognised 'LangBuisson' model. This model reflects the costs associated with delivery of care. The pricing rates calculated for consultation purposes are based on the average of the current prices being paid and are not intended to be the final rates that the council uses. More detail will be outlined in the consultation documentation.

2. Recommendations

It is recommended that Members:

- A. Agree to consult formally on the review of the published rates pricing structure for commissioning of residential and nursing beds for older people.
- B. Receive a further paper following the consultation exercise.

REPORT

3. Risk Assessment and Opportunities Appraisal

- 3.1 Effective commissioning arrangements minimise escalation of cost and create sustainable market conditions. Reducing financial impact on the public sector by creating transparency and consistency in the market place it is intended that we will ensure that residents and their families receive the care needed to meet their needs consistently across the county.
- 3.2 The use of published rates is intended to ensure transparency for providers and ensure cost effectiveness in expenditure. The aim is to continue to develop a vibrant and sustainable market place whilst ensuring that the future residential and nursing care needs of citizens of Shropshire will be met.
- 3.3 It is intended that the engagement and consultation will ensure that the Council fully identifies the risks associated with revising the current published rates. It will enable us to ensure we can consider the implications and identify mitigating actions to inform decisions about introducing revised arrangements.
- 3.4 An Equality and Social Inclusion Impact Assessment (ESIIA) is attached. Please see Appendix C. It is anticipated that the planned changes will have a low positive or negative impact on protected characteristic groups and all other groups of people.
- 3.5 The consultation is intended to further explore the risks and ensure that enough people's views are gathered to fully assess the impact.
- 3.6 The ESIIA will be updated following analysis of the consultation findings.

4. Financial Implications

- 4.1. The focus of this proposal is to achieve a balance between managing expenditure and meeting demand whilst creating sustainability for the providers, choice for the individuals in the market place and maintaining standard of care.
- 4.2. Shropshire council spend just over £50 million per year all Nursing and Residential Care in total. The expenditure excluding Adult Learning Disabilities (ALD) and Mental Health (MH) was £33.3m (Nursing care £17.7m, Residential Care £15.6m).
- 4.3. Analysis of current expenditure (2018-19 Period 4) illustrates that there is a wide variance in the rates being paid.

4.4. These variance in prices creates difficulties for the Council in relation to planning for future demand and creates inequities for providers. Please see tables 1,2,3 and 4.

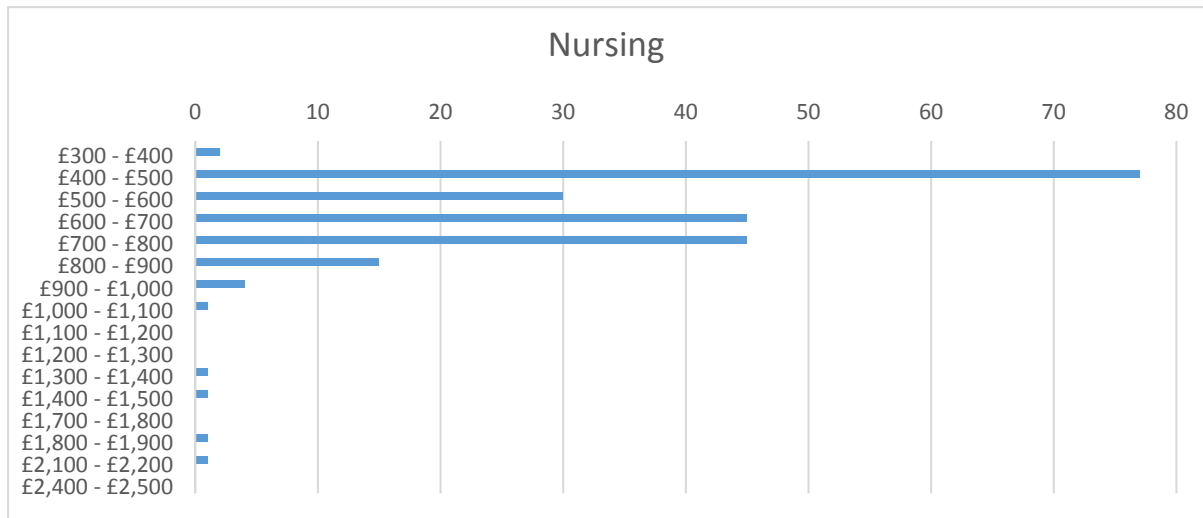


Table 1

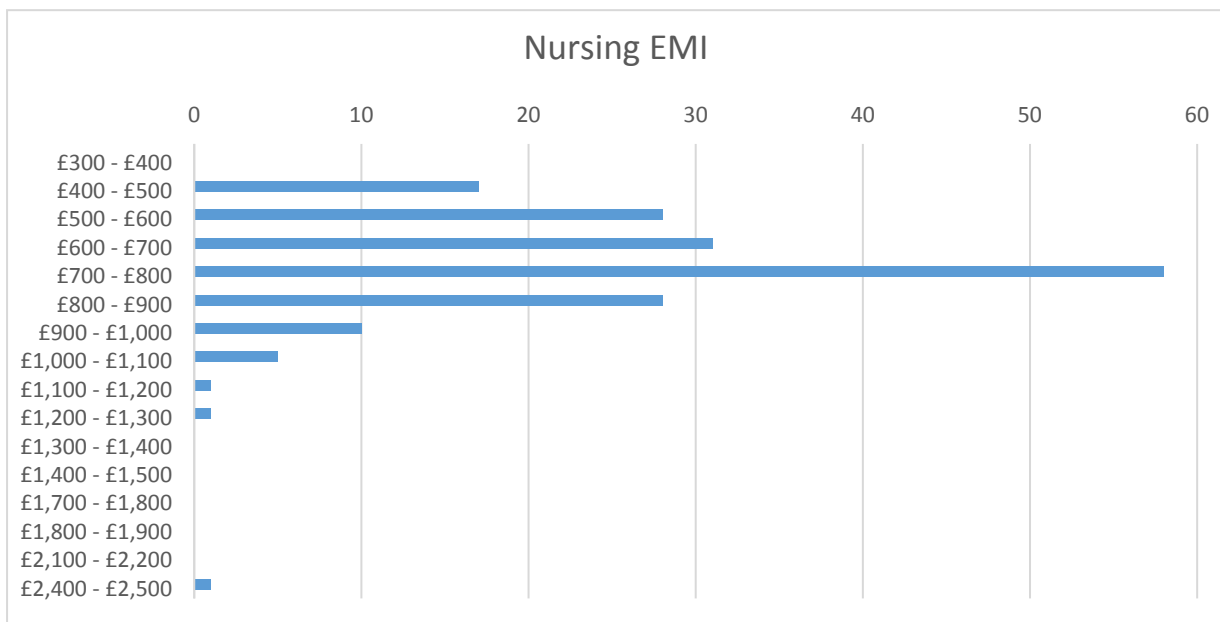


Table 2

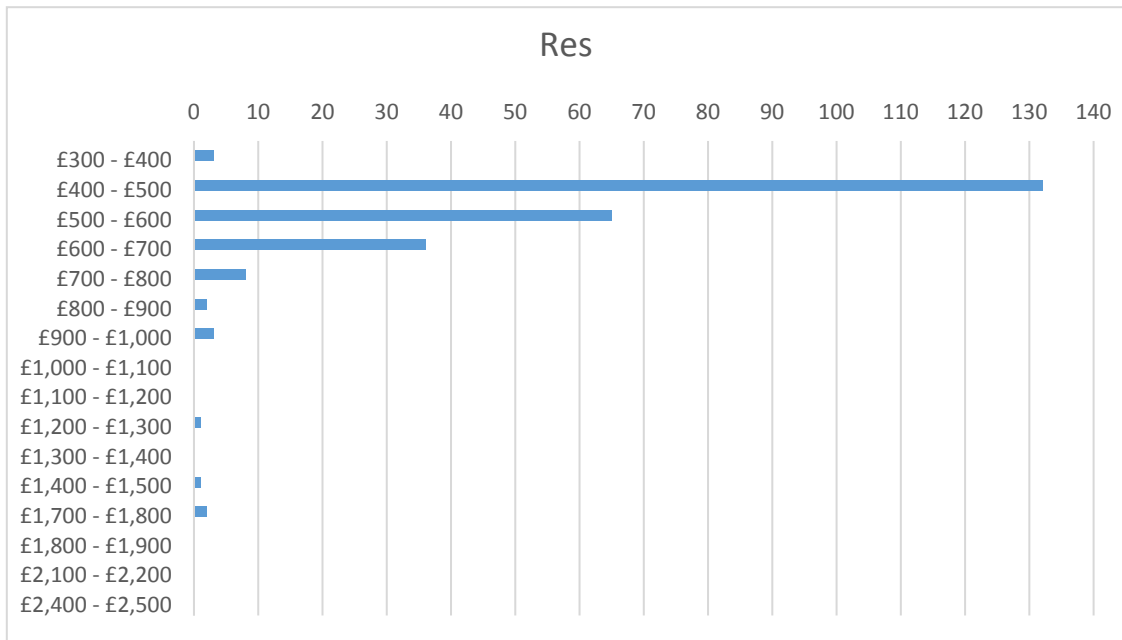


Table 3

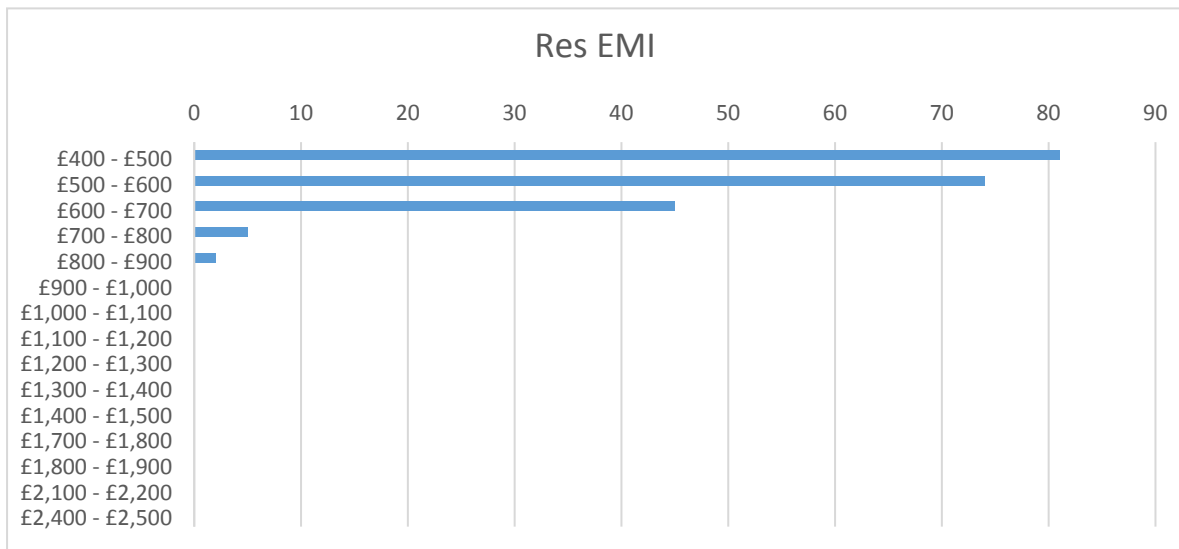


Table 4

5. Background

5.1. The Local Authority is required by the Care Act 2014 to ensure it has a sustainable and vibrant market place. It is also required to commission services which will meet the current and future residential and nursing care needs for the citizens of Shropshire.

- 5.2. The Care Act 2014 (“the Act”) places a new duty on the Council to promote an efficient and effective market “with a view to ensuring that any person in our area wishing to access social care has access to a variety of high-quality services to choose from.” The Act goes on to provide a range of provisions such as the “market oversight” arrangements involving CQC and a temporary duty on the Council to intervene if a particular provider “fails”. The Council must ensure that it properly takes into account the actual cost of care when setting the rates, we are prepared to pay providers.
- 5.3. The guidance goes on to say that when we commission services we must assure ourselves that our fee levels do not (among other things) compromise the service provider’s ability to pay at least minimum wages and provide effective training and development of staff.
- 5.4. Although the Council reviews and publishes rates on an annual basis, the financial analysis illustrates that rates being paid are often higher and varied. It is considered that this is because the current published rates do not accurately reflect the costs associated with providing care. Although, there have been increases during the last few years, the environment within which care providers operate is complex, variable and subject to regulation. It is recognised that agreement of prices with providers needs to reflect the providers’ operating environment. This review provides the opportunity to ensure the rates are reflective of the delivery of care.
- 5.5. Where a Shropshire resident is placed in a bed outside of Shropshire, we intend to continue to agree to pay the rates published by that Local Authority.
- 5.6. The statutory guidance that supports the Act stipulates that the Council’s commissioning procedures “must encourage a variety of different providers and types of services. Whilst the guidance envisages that the Council may have approved lists and frameworks it directs that we “must consider how to ensure that there is still a reasonable choice for people who need care and support”.
- 5.7. The current purchasing of residential and nursing beds for older people is undertaken on an individual basis following a care assessment by a Social Worker which determines whether a person needs care and support to help them live their day to day life. Additionally, a financial assessment will be undertaken to determine how the care needed will be paid for. Following these assessments which determine needs and the type of provision required, placements will be sourced which can meet the care needs identified. The current commissioning arrangements are resulting in individual rates are being proposed by providers. The result of these individual negotiations is a wide variance in the rates the Council is paying to the care providers. It is assumed that the currently published rates are not reflective of the actual costs of delivery of care.
- 5.8. The Council currently does not currently have an approved list or framework for residential and nursing provision. The identification of a placement is based on the assessment of the individual’s needs which identifies the type of

provision required to meet those identified needs. In addition, there is consideration given to the individual and families choice of placement. In some circumstances, this can lead to placements being commissioned out of county where identified as appropriate.

- 5.9. A recent trial of brokerage arrangements like the arrangements currently operating for domiciliary care reaffirmed the need to have a clear, equitable and transparent pricing structure for payment of beds. Revised rates are also important for the Council to ensure that it's commissioning arrangements are as efficient as possible in the longer term, support market development and create positive outcomes for service users in need of care. Additionally, this would provide a clear and transparent pricing structure for providers and facilitate equity and parity amongst providers for the payment of care.
- 5.10. Following this consultation exercise, the next stage of this review is to explore how a framework will be developed using a brokerage system. This proposed consultation will enable the Council to explore this further. It is intended that the brokerage system will enable a range of providers to be involved and mean that the Council can fulfil its responsibilities in offering choice to the individual.
- 5.11. The council currently commission a mixture of block purchased beds and spot contract beds for both residential and nursing care. Block purchased beds are contracts with providers for an agreed number of beds over a contract period. These contracts are awarded following a tendering process.
- 5.12. Spot commissioning of residential and nursing care are individual beds commissioned on a single basis and this practice has historically been built up according to need and addressed on a gradual basis. Whilst this has been an effective response to individual need it has led to a significant number of short-term commissioning solutions and increases in price. The prices that the Council commission beds at is currently not reflective of the prices published by the Council. The marketplace currently sets prices offered to the Council. The Council has not updated or enforced the price structure for some years and want to work with the market place to understand how a revised price structure could be agreed and implemented to ensure that commissioning spot purchased beds are realistic and sustainable for the Council, the provider and those in receipt of the care provided.

6. Initial Engagement Feedback

- 6.1 Initial engagement with the market place, supported by SPIC (Shropshire Partners in Care) was undertaken in the Summer of 2018. 124 providers were invited to take part in the engagement meeting, 7 people representing 5 care providers attended a meeting. 16 providers responded and completed the online questionnaire.
- 6.3 As a result of the discussions, the providers expressed broad agreement to the principle of fixed fees but were clear that could only work for them if the

fees were 'fair'. The minutes of the engagement event are available at Appendix B.

- 6.4 However, it is recognised that this is too small a representation from the market place and the Council believes it needs to ensure a wider and broader representation of views are sought. A consultation plan will be published outlining the planned consultation activities.

7. Additional Information

- 7.1. The Council's focus is to be innovative and resourceful; being as efficient as we can be. We will operate in a way that promotes the best use of local resource. Shropshire Council market position statement 2018-2019 informs providers about existing and future demand for care services.

8. Key Issues Identified

- 8.1 Initial engagement with the market place and analysis of the intelligence and feedback indicates the following:

- There are a range of care providers (many assessed as providing good quality care) who offer residential and nursing provision across the county. However, the majority charge different prices for beds.
- Modelling has been undertaken to explore possible pricing structures and this has led to identification of the industry recognised 'LangBuisson' model which illustrates the breakdown of costs in residential and nursing care. The model and pricing structure need further exploration with the market place via engagement and consultation.
- Agreement and consensus with the marketplace would need to be reached about what is considered a 'fair' price for beds.
- Transition to a revised pricing structure requires further exploration to understand the impact of any proposals.
- Neighbouring Local Authorities have a range of different approaches
- Approaches to commissioning of beds e.g., brokerage and block commissioning arrangements have potential to be reviewed and further explored to support stabilisation of the market place during transition to any new arrangements.

9 Consultation

- 9.1 It is proposed that the Council now consult on revising the pricing structure to obtain views from the market place. This will include:

- The principles and concept of updating the current pricing structure
- The possible model and rates (rates will be identified for the purposes of consultation)
- The risks and issues associated with implementation of a revised pricing structure

- Identification of strategies to implement and transition to a new pricing structure

9.2 Consultation will include on-line questionnaires, focus groups and individual meetings with providers. Analysis of the feedback will be undertaken and published. The activities are set out in Appendix D.

9.3 The results of this consultation along with financial analysis and feedback about a revised pricing structure will be presented to Cabinet on 22 May 2019.

List of Background Papers (This MUST be completed for all reports, but does not include items containing exempt or confidential information)

Project Initiation Document: March 2017

Working with care providers to understand costs: A guide for adult social care commissioners

https://www.careprovideralliance.org.uk/uploads/1/0/8/0/108055907/1701-working-with-providers-to-understand-and-agree-costs_8.pdf

Cabinet Member (Portfolio Holder)

Cllr Lee Chapman

Local Member

All members

Appendices

Appendix A – Personal Budget Contributions Policy 2018-2019

Appendix B – Minutes of Provider Engagement Event in June 2018

Appendix C – Equality and Social Inclusion Impact Assessment (ESIIA)

Appendix D – Consultation activity timetable