



Commissioning Review Project (Res/Nursing)

Provider Engagement Report

Aims

- Discuss and understand issues around current provision, commissioning practice, any identified gaps and proposed new pricing approach with:
 - Providers
 - Shropshire Partners in Care (SPIC)
- Discuss and understand the current cost structures for placements

Approach

A mixed approach to meeting these aims was taken:

- An initial meeting was held with Nicky Jacques, Chief Officer of Shropshire Partners in Care (SPIC) to inform her about the project and how we planned to engage with care home providers.
- A general invitation to a meeting to discuss the project and to discuss the issues set out above was sent to all 124 care home providers.
- Individual meetings were held with a self-selected number of care home providers. All 124 providers were invited to take part. We aimed to ensure we met with different provider types – national, local large providers and small, single care home providers.
- An online survey was issued to all 124 care home providers with a follow-up email to all asking them to take part. The survey was also advertised via the SPIC newsletter.

Responses / Activity

Of the 124 care home providers invited, 12 said they would attend a general provider meeting in June where the project would be introduced and discussed. Of these 12 providers the meeting was actually attended by 7 people representing 5 care home providers.

Individual meetings were held with 7 providers as follows:

- Derwen College
- Coverage Care
- Morris Care
- Barchester (The Mount NH)
- Landona House
- Sabrina House
- Vicarage NH

The online survey was responded to by 16 providers although not all fully completed the survey.

Findings

1. Being Commissioned by Shropshire Council

Feedback was generally positive from providers in terms of their working relationship with the council. Reasons for positive and negative feedback tended to be both ends of the same reason – a number of providers who felt the relationship was good cited good communication, helpful council staff, responsiveness and clarity whereas those who felt the relationship was not so good cited poor communication, not knowing who to contact, slowness in setting up contracts and payments. The strength of the professional relationship and regular communication / contact seem to be the key factors for providers.

2. Factors Placing a Strain on Individual Providers and the Care Home Sector

We asked providers what factors are placing a strain on their individual business and what factors they felt are placing a strain on the care home sector as a whole. Answers to both were fairly consistent with each other.

Issues around staff recruitment and retention are common to many providers with the knock-on effect on recruitment costs and agency staff costs. From the small sample of care home providers we met, the recruitment issues tend to be more acute in the larger provider organisations than in the smaller organisations which identify with a particular locality – these smaller organisations seem to have a sense of their position in the local community as an important employer and local people seem to want to work for them. Other staffing factors identified by providers include the cost of training staff and low pay levels in the sector.

We also explored factors in relation to service users which are placing a strain on care homes. Many providers observed that residents are coming to them much later which means that their care needs are high and resident turnover is high.

A few providers identified low demand for beds as being an issue for them and around one-third of survey respondents identified that the aim to help keep people at home for longer was placing a strain on the sector.

Most providers identified Shropshire Council fee rates, other council fee rates and inflationary pressures as being an issue.

3. Block v Spot Purchasing

We asked providers whether they had a preference for block or spot purchasing and reasons for their answer. Fewer than half of the online survey respondents expressed any preference and were split fairly evenly between a preference for block or spot contracting with some preferring a mix of both.

Provider meetings found that nearly all providers would welcome some block contracting as it would give a degree of cash-flow certainty and would facilitate quicker placements, although some who currently hold block contracts made the point that social worker / OT capacity can be stretched at

times which impacts on the ability to fill the block beds quickly. In addition, the point was made that, in the case of time-limited block placements, it should be made very clear to service users and their families at the outset around expectations of length of stay and what happens at the end of that period.

Most providers identified that small block contracts would be most effective in giving a balance between certainty and flexibility.

With regard to spot contracting providers recognised that this gives service users more choice. Also, if referral processes are strong and efficient, then spot contracting should enable swift and appropriate placements.

4. Fixing Rates

Most providers were in favour of the principle of fixing placement rates with the caveat that they should be set at a sustainable level, based on strong evidence. Some providers told us that they apply fixed rates for different care types; a small number have parity between council-funded and private rates. There was some discussion around fixing a core part of the fee and then having an adjustable element dependent on needs – this would be more appropriate at the higher end of needs.

5. Current Approach to Setting Fees

There is a wide range of fees being charged by providers. Fee setting is dependent on a number of factors including staffing ratios and property-related costs such as rent or borrowing costs.

The amount of detail shared by providers varied. Most adopted a model of determining total costs across the home and then averaging these across beds to arrive at a target weekly fee. A small number of providers do similar for some core costs but add on increments for additional needs or treatments for individual service users.

Some providers will set a weekly fee and apply that across all placements; others will quote rates based on 'supply v demand' and achieving a satisfactory balance between contributions from self-funded and commissioned places.

One provider builds weekly bespoke fees per service based on a fixed accommodation costs (including utilities, laundry, catering) and fixed Head Office costs plus variable care and nursing costs based on number of staff and time required.

Another provider shared the Laing Buisson benchmark figures for Shropshire care homes for 2017/18 – it is important to note that this has been built from provider returns and averaged based on those returns and reflects costs to the provider and not a breakdown of the weekly fees paid by the Council for example.

One provider discussed the role of lenders in determining the target levels of return related to loan covenants, eg Earnings Before Interest, Tax, Depreciation and Amortization (EBITDA) should be 3 x annual debt interest charges. This has an impact on the setting of fees.

Conclusions

Providers were broadly open to the principle of fixed fees but were clear that this could only work for them if the fees were 'fair'. Care will need to be taken to ensure that current lower fees aren't inflated too quickly without any real need from the providers, whilst at the same time not excluding providers who currently charge higher fees, therefore reducing supply.

Providers can see the benefits of some block contracting, although spreading this out across the market as a larger number of small blocks.

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