

Appendix C - Pilot outcomes review:

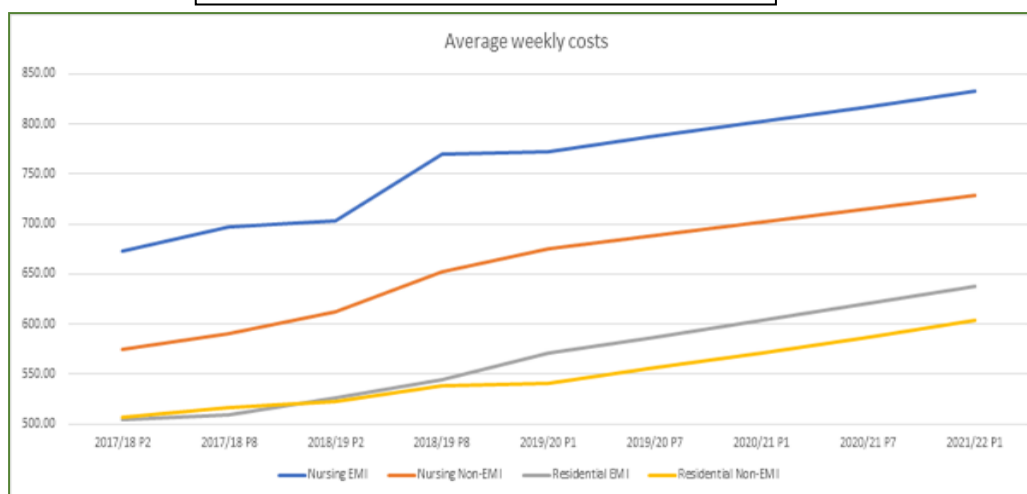
**Using new standard rates for spot
purchasing Residential and Nursing
placements in Shropshire care homes.**

1. Background:

On December 1st, 2019, following agreement with Directors, Shropshire Council began a pilot project to commission placements at new standard rates for residential and nursing care across Shropshire care homes. The pilot was agreed to test the proposal that new standard rates would allow the Council better control over purchasing costs and evidence fairness and equity in our approach. It will also provide clarity for the market and support them with effective business planning and forecasting. Whilst historically Shropshire Council have used standard rates for beds, the rates had not been reviewed for some years and consequently the project was required to refresh and renew the practice.

Analysis of the overall expenditure from 2017/18 to 2019/20 shows an upwards trend in costs per bed. Overall in 17/18 costs were £33.3m (£17.7m on nursing placements and £15.6m on residential placements) and even though less beds were being purchased it was evidenced that the trajectory of spend would cost Shropshire Council an additional £7 million over the next 3 years if we did not intervene to manage market led pricing.

Figure 1: Average weekly cost by bed type



Analysis of expenditure also illustrated a wide variance of rates that did not create transparency, equity and fairness in the prices paid for provision, which ultimately does not support the development of a vibrant and resilient marketplace as required in section 5 of the Care Act 2014.

In order to consult meaningfully with the market on the issue of new standard rates for beds, initial rates were established based on average fees at that point. Following the consultation in March 2019 and feedback from the market and discussion with legal and finance, the rates were then increased by an average of **8%** due to 56% of providers deeming the proposed rates too low. The new rates were set in response to feedback with an overall increase in rates and clear delineation between rates for different bed types due to the requirement for increasing levels of care between each.

Care type	Proposed 2019	March	Dec-19
Residential	£500		£520
Residential EMI	£510		£570
Nursing (exc FNC)	£590		£670
Nursing EMI (exc FNC)	£690		£720

The proposal to implement new standard rates following the consultation and analysis was put to Directors in October 2019 however Directors were concerned that standard prices would increase costs overall and had other associated risks, so a 6-month pilot was agreed to fully assess risks and evidence a proof of concept.

2. Project Implementation:

In order to ensure successful implementation of the project key operational milestones were identified.

2.1 Collate intelligence about issues relating to implementation.

- Engagement at the earliest opportunity with the operational teams and providers was paramount in supporting the project with the support of Shropshire Partners in Care (SPiC); the key dates and rates were communicated in advance of the go live date allowing providers to challenge and question.
- Project groups and regular meetings were set up with operational teams and separate ones for providers to ensure communication and operational processes were clear throughout and concerns identified at the earliest opportunity, solutions agreed and put in place.

2.2 Exceptions process for agreement of rates above the standardised rates.

- Due to the requirements in the Care Act to allow choice with regards to placement a process to agree rates above the new standard rates was required for certain circumstances. Placements above the rates are discussed with senior managers and A.D. Tanya Miles at a weekly planning forum and either agreed and signed off or declined and sent back to the worker with the actions required.

2.3 Capacity of beds available analysis.

- An interactive map plotting the locations of all the commissioned placements in Shropshire was developed and shared with social work teams, to work alongside the SPiC app (live app to identify available beds county wide) to make capacity and placements easy to identify.

2.4 Develop guidance, training and briefing sessions for Social Workers.

- Training sessions were put in to share the project intentions and to support negotiation with providers.
- A tool kit to support the social work teams was pulled together and shared at the negotiation training sessions.

2.5 Negotiation training:

- Social work teams are required to secure care home placements and negotiate on the fee with the provider if it is above the standard rate. The teams would require and benefit from negotiation training to support them with this challenge and help them establish and build relationships with the providers.
- Training delivered to **103** social workers, brokers and team managers across all social work teams with successful outcomes.

3. Pilot Outcomes

Outcome - placements have been made at or below new standard rates.

Since 1st December 2019 half of all placements have been made at or below the new standard prices; the levels differ between placement type and all show a significant improvement on rates previously commissioned, summarised as follows

58% of Residential placements have been made at or below new standard rates **compared to 44% in the 6 months prior to the pilot**

65% of Residential EMI placements have been made at or below new standard rates **compared to 39% in the 6 months prior to the pilot months**

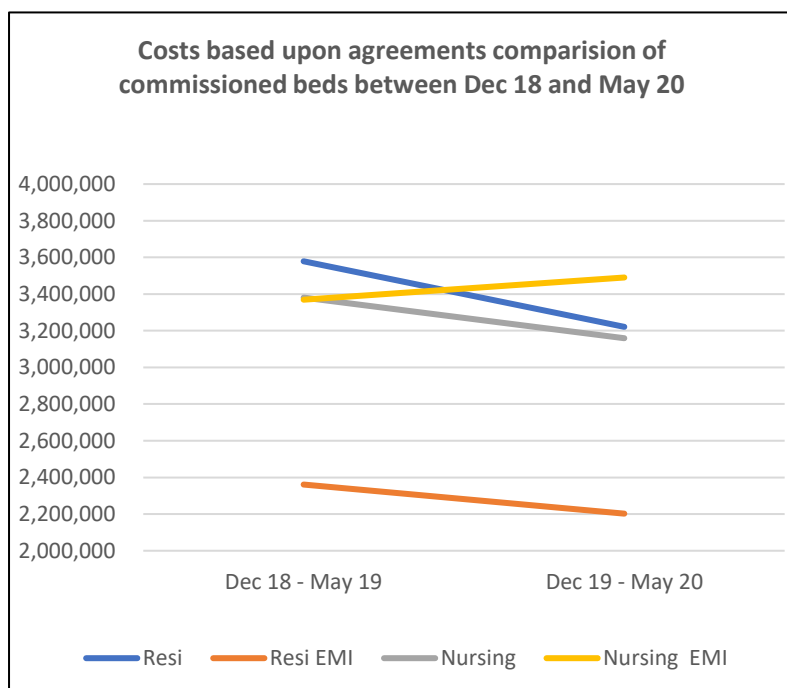
50% Nursing placements have been made at or below new standard rates **compared to 31% in the 6 months prior to the pilot months**

21% Nursing EMI placements have been made at or below new standard rates compared to 15% in the 6 months prior to the pilot. (availability of this type of placement is limited in Shropshire and have proved more difficult to source)

Outcome – Overall Prices are stabilising

During the pilot we have seen 43% of providers agree to accept the new standard rates, and an additional 39% of providers have negotiated down from their original fee, meaning **82% of providers have agreed alternative prices than they originally offered for placements.** Comparison of average prices during and before the pilot (excluding third party top ups on new standard rates) evidences reductions in three categories and a slow increase in Nursing EMI costs. It needs to be noted that we were already negotiating with the market following consultation in March 2019 so the following table evidences the start of cost reduction prior to formal pilot starting as well as pilot outcomes.

	Dec 18 - May 19	Jun 19 - Nov 19	Dec 19 - May 20
Residential	647.52	594.04	582.81
Residential EMI	646.88	636.54	603.40
Nursing	790.72	783.93	738.87
Nursing EMI	873.21	891.15	904.60



• Summary

- Residential reduced by 10% for the same period year on year
- Residential EMI reduced 7% for the same period year on year.
- Nursing has reduced by 7% for the same period year on year.
- Nursing EMI has increased by 4% for the same period year on year.

Outcome – the pilot was implemented only for new purchasing

In recognition that rates needed to be controlled in a managed way the decision was taken to only use the pilot rates for new purchasing. This intention was made clear in the consultation with the market. The concerns that all providers would want to uplift to the new rates have not been realised.

Outcome - a small number of providers challenged

Two providers did request a rate review during the pilot, due to historically very low rates; on review the requests were agreed for some residents due to changing needs. Going forward there may be additional challenges, however given that it is now 8 months since the implementation of these rates, the positive

outcomes in regards the savings to date, the control of rates evidenced and the positive impact on the ASC budget overall, these low numbers of challenges are considered to be low risk in the face of the overall positive impact the pilot has evidenced.

Consideration needs to be given as part of the annual inflationary uplift offer to the market that historically low rates will need to be gradually uplifted as budgets allow. This would be done through a 'cap and uplift' process which annually reviews and caps standard rates and gives a larger uplift percentage to rates which are below it. For example: instead of giving a 2% uplift across all contracts, rates at standard would receive 1% uplift and historical rates below standard would receive 3%. This would be carefully reviewed on an annual basis.

[Outcome – Competition and Markets Authority \(CMA\) guidance controlling provider price changes has been implemented](#)

On 1st November 2019 the CMA published a report on care homes, the report is summarised in Appendix 1. Its release coincided with the pilot launch and highlighted the need to help people to make good decisions about their care options, protect residents and their consumer rights and make the complaints system work well for care home residents, their representatives and families. Specific attention was also placed on the lack of indicative pricing information on provider websites and aimed to prevent care homes having wide discretion to increase fees after a person has moved in and the charging of large upfront fees and deposits. In partnership with SPiC training was implemented and we shared information across the sector about the responsibilities of provider organisations to publish and not arbitrarily increase their prices.

[Outcome – current additional costs have been met through other funding](#)

Covid19 has given providers additional challenges and seen their costs increase, to support with this and to mitigate the cost providers received a one off 10 % payment of their contract value as at 31/03/2020 to support with increased costs associated with Covid 19 from government grant funding. In addition, they are currently receiving additional support for infection control costs for staffing from the governments ICF Grant.

[Outcome – Social work teams have been successfully negotiating prices through the pilot](#)

Negotiation training and operational support has improved the skills of the social work teams through successful negotiations. The Integrated Care Services (ICS) team who discharge residents from hospital into a care placement have successfully discussed and negotiated with providers to agree fair and suitable rates where they were not confident to do so before the pilot. The impact of this is significant, in that if that person requires long term care and cannot return home the case is handed over to the community team, having already secured the placement at new standard rates it ensures the placement can continue without the risk and upheaval caused by a move to a more cost-effective placement.

[Outcome- operational teams feel more confident](#)

The outcomes from the training were analysed and **79%** of the delegates felt their confidence to negotiate after the training had increased following the training. For the **21%** who did not see an increase **88%** already had high confidence levels in negotiating and this remained the same after the training.

Operational feedback:

"It has given workers more confidence to go back and push further with negotiation, especially when they can see the home has recently accepted someone at a lower rate. I think if we can continue to have lists of the fee's homes have recently charged this will be a good tool to use for negotiation discussions" **Team manager.**

"This has provided some development to the workers with their negotiation skills and educated them to not 'just accept' Also provided an opportunity for them to have more communication and get to know the care home managers." **Team manager.**

“At first I was very sceptical about the pilot scheme and had many issues and comments from care homes saying 'how can we afford to drop our prices' etc, but that didn't last long, and I think it's been a brilliant pilot scheme. I'm finding homes are much happier with the local authority rates now which is also seeing a different side to how families are when it comes to looking for 24-hour care. Families understand that this is now how we work, and we stay within LA rates, families are much more accepting of this now” **Social Worker feedback.**

Outcome – we have seen no evidence of any provider refusing to contract beds with the Council

82% of providers have either accepted the new standard rates or have negotiated down from their original price. **18%** have refused to negotiate, however we have not seen any area of the market close to Local Authority placements

Outcome – no significant financial failures or closures have happened attributable to the project

Whilst there have been providers concerned about long term viability in recent months increased costs for providers including national living and minimum wage increases announced in December and the Coronavirus pandemic has thrown up new challenges and increased financial pressures for providers. However, providers are still accepting the new standard rates and Shropshire Council are closely monitoring and supporting providers throughout this time so any concerns and risks can be identified at the earliest opportunity.

4. Conclusion:

Overall the pilot has successfully met the requirement to prove the concept that having new standard rates:

- allows a better control of prices
- evidences that Shropshire Council commission fairly and equitably
- evidences that the operational teams have significant skills and confidence to achieve the outcomes and build relationships with providers.
- Has achieved annual savings target and positive impact an ASC budget

Information on prices has provided anchor points for pricing and has allowed for social work teams to challenge providers successfully and confidently to negotiate prices. A consistent approach across all operational teams from hospital discharge to community placements, has ensured expectations are clearly standard for service users and their family's users.

The data of acceptance of rates enables teams to identify areas where there are gaps in the market but also where areas are saturated, this data supports with future commissioning allowing for effective planning of future care home locations.

The risk and consequences of not having a standard rate for care will likely see costs spiral and control will be lost; in three areas average costs have reduced compared to the previous year. However, it is acknowledged that Nursing EMI placements will need to be reviewed as they have the lowest acceptance of the new standard rates. The pilot has highlighted that these residents have complex and challenging needs making placements hard to secure at new standard rates as residents often require a very bespoke package.

During the pilot and the Covid 19 pandemic it has been highlighted some providers have been changing pricing regularly which is not in line with the CMA guidance. We are looking to tackle providers who have arbitrarily increased their fees in this time.

Appendix 1

Briefing - Competition and Markets Authority Care Home Review and guidance



Summary

The Competition and Markets Authority (CMA) have looked at how well the care homes market is working, for self-funders who purchase care services themselves, as well as for those individuals whose care is funded by the state. The CMA considers that the market needs to work differently for current and prospective care home residents because people must be able to make well-informed choices and must be protected if things do not work out as expected.

Support and protections for those requiring care -

In the main, the CMA's consumer research found that residents had received good care. Ideally, for the care home market to meet people's needs as well as it should, those entering care must be able to make an informed choice, and those within care must be sufficiently empowered to identify and address shortcomings in the service they receive. The CMA consider that there are barriers to achieving this including:

- Choosing a care home is often an extremely difficult decision for people to make at a point in their lives when they are particularly vulnerable.
- It is only at that point that many people begin to try to understand a very complex system. The information and guidance they receive can be confusing and providers often do not clearly provide all the important information people need to make an informed choice.
- Once in care, it is very difficult for residents to correct a poor choice, as once settled in a care home they find moving to a different home extremely stressful.
- Many residents and their representatives find it difficult to make complaints and seek redress, partly due to complaints systems being perceived as confusing and people are also worried that if they complain, there could be reprisals against the resident receiving care, or their friends and relatives could be stopped from visiting them.

The protections of consumer law against potential exploitation and adverse outcomes are especially important in this market given the vulnerability of people, the harm that may arise from residents being treated unfairly, and the importance of social care as a service. The CMA study has found some significant shortcomings in this regard, with some care homes not treating residents fairly. The CMA recommendations to improve consumer choice and protection can be grouped into 3 broad areas:

- helping people to make good decisions about their care options,
- protecting residents and their consumer rights,
- and making the complaints system work well for care home residents, their representatives and families.

Protecting residents and their consumer rights - CMA have identified specific problems in the way that care homes interact with individuals which include:

- the lack of indicative pricing information on websites;
- the non-provision of contracts in a timely way or at all;
- the charging of large upfront fees and deposits;
- care homes having wide discretion to increase fees after a person has moved in;
- requirements to pay fees for an extended period after a resident's death;
- and care homes having a wide discretion to ask residents to leave at short notice.

Care home residents must receive the full protections of consumer law, and the sector must ensure it complies with it. The CMA are already taking forward enforcement action using consumer powers against several providers they consider have been unfairly charging large upfront fees and charging fees for extended periods after a resident has died.

They will continue to monitor practices in the sector and will take enforcement action where appropriate on other issues of concern where they identify providers engaging in serious and harmful practices. They will be working with enforcement partners in Trading Standards, as well as the sector regulators, to help hold care homes to account.

Next steps - For care homes in Shropshire SPIC have already shared information across the sector and engaged Anthony Collins solicitors to provide training which took place just prior to the guidance going live on 1st November 2019. The information and training provided clarity to care homes in regards the expectations of them in the guidance on all the charging issues listed as above

Appendix 1 Has been shared with the market and gives clear guidance of how these issues should be addressed in contracts. Providers must now be completely transparent about how they charge, what they charge and when they charge, and they cannot increase costs arbitrarily. In addition, we have:

- **Contacted Trading Standards to discuss implications for the market in Shropshire**
- **Shared information with SPIC on where local care homes can get additional guidance**
- **Contacted the Complaints team to make them aware of the guidance and the expectations of the complaints process**
- **Worked with contracts team to ensure our own contracts are compliant and standard out expectations regarding CMA guidance in PPCs**
- **Utilised information to inform and direct the Nursing and residential fees pilot**