

Report of Deputy Director of Integrated Commissioning, Adults and Health

Report to Director of Adults and Health

Date: 10th July 2019

Subject: Annual Fee Review for Older People's Residential and Nursing Care Home Contract 2019/20

Are specific electoral wards affected? If yes, name(s) of ward(s):	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
Is the decision eligible for call-in?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, access to information procedure rule number: Appendix number:	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No

Summary

1. Main issues

- Adults and Health went through a commissioning exercise in 2017 for a new framework (overarching agreement) for the provision of local authority funded placements in independent sector older people's care homes for a five year period until the 31st March 2023.
- As part of the terms of the overarching agreement, the fees set as part of the initial commissioning exercise will be subject to an annual review.
- Finance colleagues in Adults and Health have calculated the recommended increase stated in the report, based on the terms of the contract, and the Director of Adults and Health is recommended to agree and implement this increase.

2. Best Council Plan Implications

- The proposals outlined in this report will help to deliver a number of crucial elements of the Adult Social Care 'Better Lives' strategy by helping local people with care and support needs to have fulfilling lives, with a focus on: promoting choice, helping people to stay living at home, joining up health and social care services. These in turn support the ambition of the Best Council Plan 2018/19 to 2020/21 for Leeds to be the Best City in the country, promoting inclusive growth, challenging low pay and inequality.

3. Resource Implications

- The increases proposed in the report applied to payments based on the current number of residents placed in care homes shows a budget pressure of £29,000 over the 2019/2020 budget for older people's care homes. This pressure equates to approximately 1 residential placement during the year therefore, the pressure can be managed through the reducing number of placements being made in care homes during the year.

Recommendations

1. The Director of Adults and Health is recommended to:

- Apply the fee increase and agree the new cost structure stated in paragraph 3.4.1 and 3.5.2 of this report for the independent sector older people's care homes overarching agreement for the financial year 2019/2020.
- To note that the Head of Commissioning for older People's services will implement this decision immediately following the expiry of the call in period by issuing letters to the care providers to inform them of this decision and updating the Client Information System to allow payments to be made at the new rate.

1. Purpose of this report

1.1 To seek the agreement of the Director of Adults and Health to agree to apply the fee increase to the contracted fee rates for independent sector older people's care homes and agree the new fee structure for the financial year 2019.

2. Background information

2.1 Adults and Health went through a commissioning exercise in 2017 for a new framework (overarching agreement) for the provision of local authority funded placements in independent sector older people's care homes for a five year period until the 31st March 2023. As part of the commissioning exercise, Adults and Health commissioned a firm of accountants, Mazars, to conduct a cost of care exercise which resulted in the Director agreeing the fee levels for the first year of the new contract by delegated decision on the 18th April 2018. These fees will be subject to an annual review to be implemented from the 1st April 2019 and each subsequent year thereafter.

2.2 The agreed fees apply to four different care categories, residential, residential dementia, nursing and nursing dementia and cover two fee levels one being a core level fee, the second being the core level with a quality premium payment when providers met enhanced standards under the contract. The fees are made up of three parts:

- Direct Costs - which mainly include staffing costs for the care home.
- Indirect costs – which include items such as utilities, travel, repairs and maintenance, cleaning, laundry, food etc.
- Capital – which includes items such as rent, replacement value of buildings, acquisition costs and capital maintenance.

2.3 The costing model developed by Mazars also allowed for a calculation of an annual uplift of the fees however, this contained various assumptions in relation to any increase which would need to be varied to reflect actual cost increases for each elements of the model. These assumptions included increases in the National Living Wage and National Minimum Wage, existing pay differentials are maintained for all staff with respect to NLW increases, increases in NI & Pension contributions, no change in demography and agency staff. It also suggested increase in line with the Consumer Price Index (CPI) for Indirect costs. The cost model suggested that there would be no increase applied to the capital element of the fee and this was made clear in the contract documents.

2.4 Whilst the Mazars model indicated a potential fee level for the sector, this was subject to negotiation with providers to arrive at an agreed fee which was agreed by the decision stated above. The final agreed fee sought to level out the amount paid for the quality premium payment given that all providers would need to meet the same standard regardless of the category of care provided and to incentivise the provision of nursing and nursing dementia care given this is the area of greater demand and poorer supply within the city. The agreed fees for 2018/19 are shown in Table 1 below.

Table 1

		1 st July 2018 to 31 st March 2019
<u>Residential</u>	Core Fee	£523
	With Quality premium Payment	£545
<u>Residential Dementia</u>	Core Fee	£560
	With Quality premium Payment	£582
<u>Nursing</u>	Core Fee	£550
	With Quality premium Payment	£572
<u>Nursing Dementia</u>	Core Fee	£573
	With Quality premium Payment	£595

3. Main issues

3.1 Finance colleagues in Adults and Health have calculated the recommended fee increase based on the Mazars model as shown below.

3.2 The costing model developed by Mazars which allows for a calculation of an annual uplift of the fees which contained various assumptions in relation to any increase which would need to be varied to reflect actual cost increases for each elements of the model. These assumptions included increases in the National Living Wage for low paid staff, the Consumer Price Index (CPI) for Indirect costs and that no increase would be applied to the capital element of the fee.

3.3 Using these parameters, Finance colleagues have calculated the increases to the various elements of the fee as follows:

- 4.85% increase to the element of the fee for low paid staff to cover the increase in the national living wage.
- When negotiating the original fee, the Leeds Care association put forward a proposal to increase the level of the nursing and nursing dementia fee given the current issues with recruitment and retention of nurses in to care homes. The issue of recruitment of nurses in to care homes still remains, therefore an increase of 4.85% to the element of the core fee which relates to the cost of providing higher paid staff will provide some assistance in recruitment and retention of nurses.
- 15% has been added to the utilities line of the cost model to take account of projected increases in utility bills.
- The Consumer Prices Index 1.8% added to indirect cost element of the model.
- 0% added to the capital element of the fee.

3.4 Core Fee

3.4.1 Given the increases stated above on the individual elements of the fee, the overall increase in the Core Fee level of the contract is:

	Residential	Residential Dementia	Nursing	Nursing Dementia
% uplift	3.1%	3.2%	3.1%	3.3%
New core fee	£539	£578	£567	£592
£ uplift	£16	£18	£17	£19

3.5 Quality Premium Payment

3.5.1 The Quality Premium Payment was agreed at a rate of £22 across all care categories given that this was to cover the same enhanced criteria in the contract regardless of the care category involved. In order to maintain the value of the Quality Premium Payment, it is proposed that this is increased by £1 which equates to a 4.5% increase for the Quality Premium Payment element of the fee. .

3.5.2 The new fee which includes the Quality Premium Payment for 2019/2020 would be:

	Residential	Residential Dementia	Nursing	Nursing Dementia
New core fee including the Quality Premium payment	£562	£601	£590	£615

3.5.3 The above Nursing and Nursing Dementia care fees are shown exclusive of the Funded Nursing Care (FNC) rate which is £165.56 per week from April 2019, for residents assessed with nursing needs. The FNC is paid directly to the care home providers by the Leeds Clinical Commissioning Group.

4.0 Corporate considerations

4.1 Consultation and engagement

4.1.1 The Lead Executive Member has been consulted about the proposals contained within this report.

4.1.2 Officers have also met with members of the Leeds Care Association to discuss the proposed fee levels for the coming financial year, and there has been further consultation with the major providers of care beds in the city. Whilst some providers have indicated they have accepted the new fee rates, others have stated the increase will not cover their cost pressures for this year.

4.2 Equality and diversity / cohesion and integration

4.2.1 An Equality and Diversity Impact Assessment Screening Tool has been undertaken and is attached at Appendix 1.

4.3 Council policies and best council plan

4.3.1 The proposals outlined in this report will help to deliver a number of crucial elements of the Adult Social Care 'Better Lives' strategy by helping local people with care and support needs to have fulfilling lives, with a focus on: promoting choice, helping people to stay living at home, joining up health and social care services. These in turn support the ambition of the Best Council Plan 2018/19 to 2020/21 for Leeds to be the Best City in the country, promoting inclusive growth, challenging low pay and inequality. It also supports Leeds in being an age friendly city.

4.3.2 The proposals will contribute to the achievement of the objectives set out in the city's Health and Care Plan: people will live full active and independent lives, people's quality of life will be improved by access to quality services, people will be involved in decisions made about them. Additionally the proposals will be in accordance with the city's Priority Plan by contributing to the indicators for: best city for health and wellbeing, best city for business, best city for communities.

4.4 Climate Emergency

4.4.1 There are no specific climate considerations connected to the decision required in this report.

4.5 Resources and value for money

4.5.1 Under the terms of the current contract, Adults and Health are required to review the fees paid to care home providers on an annual basis. Colleagues in Finance have calculated the percentage increase in accordance with the provisions of the contract.

4.5.2 Given the increases applied to payments based on the current number of residents placed in care homes, this shows a budget pressure of £29,000 over the 2019/2020

budget for older people's care homes. This pressure equates to approximately 1 residential placement during the year therefore, the pressure can be managed through the reducing number of placements being made in care homes during the year.

4.6 Legal implications, access to information, and call-in

- 4.6.1 The decision highlighted in this report will be taken by the Director of Adults and Health in line with the officer delegation scheme as detailed in Part 3 of the Council's Constitution.
- 4.6.2 The Council is required under the terms of the contract to review care home fees on an annual basis. There are no other specific legal implications regarding the increase of fees.
- 4.6.3 This decision has been placed on the list of forthcoming key decisions and is subject to call-in. The report does not contain any exempt or confidential information.

4.7 Risk management

- 4.7.1 Risk management for the contract for commissioned independent sector care home providers is undertaken as part of the contract management process and is governed under the oversight of Leeds Care Home System Oversight Board.

5 Conclusions

- 5.1 The fee review has been undertaken in accordance with the terms of the Council's current overarching contract with independent sector care home providers and therefore will ensure the Council is complying with the terms of the contract.

6 Recommendations

- 6.1 The Director of Adults and Health is recommended to:

6.1.1 Apply the fee increase and agree the new cost structure stated in paragraphs 3.4.1 and 3.5.2 of this report for the independent sector older people's care homes overarching agreement for the financial year 2019/2020.

6.1.2 Note that the Head of Commissioning for older People's services will implement this decision immediately following the expiry of the call in period by issuing letters to the care providers to inform them of this decision and updating the Client Information System to allow payments to be made at the new rate.

7 Background documents¹

- None.

¹ The background documents listed in this section are available to download from the Council's website, unless they contain confidential or exempt information. The list of background documents does not include published works.