

Stage 2 Consultation: Further Clarification from Providers

Providers who responded to the Stage 2 consultation exercise were asked to provide further clarification and supporting evidence in relation to two specific issues identified in the fee proposals:

- assumption of 92% occupancy
- adjustment to staffing levels

The questions and responses received to each are detailed below.

1 On the basis of its commissioning intentions as described in the Stage 2 consultation document, the Council is proposing to base its fees on average occupancy levels at 92%.

What is your view on this proposal? If you think this is not reasonable, please can you explain why and on what evidence you base your views?

- I run a 30 bed home & if I average my typical occupancy level of 27 that equates to 90%. Clearly, however, larger homes may stand higher shortfalls yet could (possibly) be able to achieve an average closer to the proposed 92%.
- Whilst we welcome the Authority's awareness of current occupancy levels, which per the consultation response are 88.1% in the East Midlands region we would again wish to note that in our 10 care homes within Nottinghamshire itself the average occupancy is currently at 82% well below the proposed bar. As you will be aware, care homes with an occupancy level of 80% struggle to retain quality with profitability only really returned where occupancy can sustain above 85%. Whilst we understand the Council's strategy not to pay for inefficiency of operation – hence the assumption of 92% - we believe this is set too high and should be set nearer to the realistic occupancy levels achieved by well managed homes in the county.
- I do not feel 92% occupancy is realistic in the current market. Over the last 3 years the residential market has changed completely, we now have more respite service users coming into the home than at any time in our history. These service users over periods of several months come in and leave every few weeks creating a significant amount of administrative work as well as a continual rehabilitation for the carers to enable the service user to settle and relax in their surroundings. This coupled with a huge reduction in referrals, increased dependency of every service user coming into the home and in effect a drastically reduced life expectancy once a service user becomes permanent the effective occupancy rate for my home is more in the region of 75-80%.
- The management have indicated that they believe your proposals are fair and reasonable.

- Whilst our opinion is that occupancy levels of 92% are achievable given cooperation by all parties to ensure that any vacancies are filled in a timely manner, we raise the point that the national occupancy average occupancy is around 88% (as recently reported in the Knight Frank research document). Coupled with the fact that four of the six homes we operate in Nottinghamshire have significant number of interim beds which naturally have a high turnover of residents leading to more vacant periods we would recommend a reduction in the 92% assumption.
- Your consultation document (page 5 of 42) stated “to assume that Care Homes have 100% occupancy at all times is unrealistic.” You further acknowledged “the average occupancy levels reported within the provider survey was 83%.” You will therefore not be surprised that to come up with an assumption that Occupancy Levels are 92% is unrealistic and does NCC no credit at all. It makes a mockery of the term “Fair Price for Care Programme.” In our view if you stick to this fabrication your credibility falls at the first hurdle.

We have attached the Yearly average occupancy for our three Nottinghamshire Homes from 2002 to 2012. You will see that overall we were very close to the survey average of 83% being slightly better probably because the care home 1 average has been helped by the block booking of 10-12 beds, while care home 2 has benefitted from a slightly higher number of private clients. Without those two advantages we have no reason to think we would not be very close to 83%.

Currently, due to NCC making very few placements, our occupancy over all three Homes is only 80%. You must surely realise that when NCC restrict placements, occupancy levels decline; this affects our efficiency and has a knock on effect on our profitability. That means that in an area like Sutton-in-Ashfield where very few private clients exist, and the few that do quickly use up their savings, we need higher fees to sustain our fixed overheads especially with ever increasing power costs and wage bills. To achieve an average occupancy of 92% you would really need to take the brakes off of placements. If you know that is not likely to happen, as seems certain in the current climate of austerity then we will be hard pressed to average 80% occupancy going forwards. The National Audit Social Care Intelligence Service has recently confirmed that the number of people receiving care services in 2011-12 was down 7% from 2010-11 and down 17% from 2006-07. We have never known a time when fewer placements are being made and would certainly support our Association in challenging your assumption of a 92% occupancy which is clearly a device to reduce the fee. You cannot possibly be said to be “meeting the legal requirement to take into account the actual costs of care” if you persist with this figure.

Having worked out an average of 83% occupancy we would like to know how this varied across the banding levels.

- Our own experience of occupancy levels is somewhat different to your proposed expectations. At no point in this calendar year have we achieved an occupancy of 92% or higher. BUPA confirmed in March of this year their average occupancy

across its 302 homes was 87.3%. Knight Frank released details of its study into care homes in August this year. Its study revealed average occupancy rates of 87.8% for the UK as a whole. This was however skewed somewhat because occupancies in London, Northern Ireland, South East & Scotland were higher than the average. Four Seasons Healthcare average occupancy was less than 90% in 2011. We are at a loss to identify how you perceive 92% occupancy to be a good yard stick when setting fees. It is not a figure we recognise or any of the sources noted above. I would recommend occupancy of 88% is more realistic.

- I am a member of the South Notts Care Forum and of course all these subjects get raised at our meetings. My response to your questions reflects the actualities of the general market rather than my specific care home – mainly because we are a family run organisation, which is a different beast entirely. The 92% occupancy rate is definitely not being hit by most providers – it is more like low/mid 80's. There are some providers who maintain a very high level of occupancy but because the fair price for care model is aimed “at the market” it is very dangerous to cherry pick a number that is unobtainable (and will remain so) for most. Given that providers have such high fixed costs – which by definition are there regardless of the occupancy rate – in the model these costs should be spread across the actual occupancy rates not an inflated figure. If these costs are not reflected fairly in the model the only way for providers to go is to try and cut other costs – training, food, heating, repairs etc.
- Your proposal under estimates the occupancy level that is being and can be achieved for the average Nottinghamshire home. We have seen a clear move by social services towards respite and shorter term care that inevitably leads to more “voids” and lower overall occupancy. The evidence from your report is that the average occupancy across the County is 83%. As your proposed unrealistic occupancy level of 92% reduces the fee across all categories; staffing, non-staffing and capital costs this will lead to serious risk that residents will not have their needs met. Care homes operate with very high fixed costs. These costs have to be spread across all their residents. If those overheads are not covered then the only way independent care homes have to cover them is by reducing other costs, such as care hours, food and maintenance etc. So using artificially high occupancy rates will result in insufficient funding. Thereby resulting in the danger that the needs of the residents cannot be fully met.
- It is my belief that under this present climate (i.e. heightened eligibility criteria and home care preference) it would be difficult for Care Homes to achieve an annual occupancy level of 92%. The eligibility criteria being set high means the average residential duration has fallen and will continue to do so, therefore a greater number of time laps days between the previous resident and a new resident adding to the number of unoccupied beds thus reducing occupancy levels and adding cost to the Care Home in the form of room refurbishment, Home viewings, assessments of potential resident which may include hospital or home visits and associated paperwork). The result of the (KPMG) survey showing occupancy of 83% is historically low, but taking into account the changed circumstances of the care sector as stated above which gives a truer reflection of the situation. Clearly the possibility of achieving an annual occupancy level of 92% is in my opinion unobtainable. The above views are based on the last twenty four months of trade.

- We, using an independent consultant, Casendic, carried out detailed research on local competition. The findings of this research were that Nottinghamshire care homes have an average occupancy of 82%. This was based on a survey of the closest competitors to each of our homes. We therefore propose that this would be a fair occupancy calculation.
- I feel that basing fees on an average (assumed) occupancy level of 92% is unfair, and it does not reflect the actual average occupancy levels in Care Homes in this consultation. The evidence given by Care homes who submitted their responses to the Stage 1 Consultation reported an average occupancy level of 83% and this figure was included in the subsequent report of the data gathered.

It was confirmed at the consultation event that Nottinghamshire County Council would continue to support people who wished to be cared for at home, provided it was safe to do so and their needs could be met in full. Therefore, by definition, new residents being admitted to Care homes have significant care needs and higher dependency levels, which cannot be met in the home environment. In addition, residents with health care needs who are admitted to Care homes with Nursing, have increased dependency levels and complex health care needs that cannot be met in the home environment and it would be unsafe to do so.

The eligibility criteria for Nottinghamshire County Council funded residents for admission to Care Homes has been increasing over the last few years and it appears that this has led to fewer residents being admitted to Care Homes, which has led to a significant decrease in bed occupancy levels. We have experienced fewer enquiries and placements over the last eighteen months as, we understand, there has been greater emphasis on people being cared for at home with the support of external services i.e. carers/district nurses. Our own occupancy levels have averaged in the region of between 78% to 85%.

As stated in points 1 and 2, using artificially high occupancy rates will result in insufficient funding to Care Homes. The very high fixed operating costs that Providers have to meet to ensure that resident's needs are fully and the environment is maintained to at the very least a good standard has to be supported by sufficient funding. If operating costs are not covered, there is a risk of Providers reducing costs such as staffing, consumables and the maintenance of the building/equipment. There would be a serious risk of resident's needs not being met and the environment not being safe. Therefore, as 92% occupancy does not accurately reflect the actual average occupancy levels given by Care Homes in the Consultation Stage 1, it not fair and unreasonable to use that figure. A figure nearer to 83% is therefore fairer to use.

2 Based on the responses received from providers to the Stage 1 Survey Questionnaire in relation to staffing levels, the Council is proposing to set fees

which assume staffing levels above the industry norm by 7.5% for care homes and 4% for care homes with nursing.

What is your view on this proposal? If you think this not reasonable, please can you explain why and on what evidence you base your views?

- Although 7.5 % is to be welcomed, Incremental increases in food, Utility, Wage, maintenance & mandatory training costs make the proposal rather 'tight'.
- There is little we can add to the responses we made to the Consultation Questions regarding occupancy and staffing levels other than to point out that Laing & Buisson's latest revision to the Fair Price for Care toolkit has shown that dependency levels of care home and nursing home residents have risen faster than expected. These findings match our own experiences. This may go some way to explain the discrepancies in expected staffing levels and actual staffing levels.
- We referred in the introductory paragraph that we now have a considerable number of dementia clients who require higher staffing levels and we appreciate the fact that NCC have understood that and pay a higher rate for dementia clients. However, as NCC have restricted placements by increasing eligibility needs to gain a supported place in a Care Home we are finding even our basic elderly clients are requiring more care not less. It therefore does not come as a great surprise to us that many Homes in Nottinghamshire are above Laing & Buisson National averages. As in 1 above this is an effect caused by the Council's placement strategy. We feel it is essential that the assumptions made in calculating fees should be consistent with the assumptions in the Council's placement strategy.

Looking at the hours presented in Table 2 on p7 of your report we seem to be slightly under the average for Care Hours but very close to the average for none-care hours. We are trying to recruit more Care staff at present but find this quite difficult at current wage rates. One of the main reasons we need higher fees is to enable us to compete in the labour market.

From the above one might expect our wage costs would be considerably under the amount calculated in Table 1 which is not the case. Is this because you have not put a high enough value on the hours worked by our staff or is it to do, as I suspect it is, with the 92% occupancy?

Our conclusion is therefore that we could probably cope with your proposals on hours worked at present were it not for the unrealistic occupancy assumption.

- There is little we can add to the responses we made to the Consultation Questions regarding occupancy and staffing levels other than to point out that Laing & Buisson's latest revision to the Fair Price for Care toolkit has shown that dependency levels of care home and nursing home residents have risen faster than expected. These findings match our own experiences. This may go some way to explain the discrepancies in expected staffing levels and actual staffing levels.
- We are not aware of the criteria used of Lang and Buisson and therefore cannot comment on the suitability of the proposal. We would however be interested in

what average pay rates you are assuming when using the varied Lang and Buisson staffing ratios as this is just as important.

- At a time when resident dependencies are increasingly high and where client groups, Care Quality Commission and our own internal observations require us to increase staffing levels we would view any reduction in staffing levels as having a negative impact on direct delivery of care. Any such proposal would seem to be in direct contrast to resident needs and the fundamental principles of delivering high quality individualised packages of care. The impact of reduced staffing levels is a direct causative factor in the majority of safe guarding referrals and areas of non-compliance and poor practice. As a responsible provider we will continue to staff our homes as necessary to support and protect our users and to ratios expected by those commissioning services from us.
- With regard to staffing, the annual increase in minimum wage and the demands placed on carers and support staff by the higher dependency of service users and respite placements leads me to suggest a staffing level above the industry norm of 10% for care homes.
- The management have indicated that they believe your proposals are fair and reasonable.
- In view of the fact that the six homes operated by us in Nottinghamshire include related TUPE costs, and little time has passed for these costs to be brought into line with industry norms we argue that, for us, staff costs are far higher than industry norms plus 7.5%, and would therefore seek for this to be recognised.
- I am a member of the South Notts Care Forum and of course all these subjects get raised at our meetings. My response to your questions reflects the actualities of the general market rather than my specific care home – mainly because we are a family run organisation, which is a different beast entirely. The hours of care that the model assumes are not the figure being reported to me at our forum and elsewhere – it seems homes are providing more hours than this. I was at the consultation event and although I cannot remember the exact figures quoted (I think it was 15% higher for care homes) all attendees said the figure in the model was too low for Nottinghamshire and the care provided at the level shown in the model would be dangerous and lead to the needs of residents not being fully met.
- Your proposal dangerously underestimates the level of care staffing hours required. The evidence is mostly in your own report, tables 2 and 4, page 7 gives a good baseline starting point. The fee should be based on no less than these and, in light of the following comments, actually be at a higher level. The residential care we provide for funded clients is significantly higher. Your calculations for nursing care (FNC) are equally very concerning. We provide significantly more hours of care than you are proposing and is evidenced in Tables 2 and 4 of your report. If we were to follow your proposal this will lead to serious risk that residents will not have their needs met. We have also noted that the eligibility criteria for council funded admission to care homes have been steadily increasing over the last few years. On admission, council funded residents generally require higher levels of support than privately funded residents. Therefore just using the “average care

hours” for Nottingham will result in too few hours being funded for the council funded clients.

I am also concerned that many of your other costs are not in line with the market costs, in particular finance costs, food and management costs. Other detrimental effects have been the reductions in grant funding, increase in regulation and statutory guidance. In the future the effects of increases in the National Minimum Wage, compulsory pension contributions etc. will have a major impact which will be even greater if the correct cost structure is not identified now.

- I find it inconceivable that either of our homes could reduce staff levels without the consequence of a reduced level of service and therefore a heightened possibility of risk to residents. The annual Quality assessment survey was introduced by Nottinghamshire County Council to improve the standards in the County Homes and year on year since its introduction standards have indeed improved, however to achieve these improving results it has been necessary to increase staffing levels and I fear that unless realistic fees are forthcoming the quality of service will fall leading to additional costs to the services provided by you the Local Authority and the NHS services. The above views are based on the last twenty four months of trade.
- As the occupancy percentage used in the ‘Fair Price for Care Programme’ differs greatly to our survey findings it is reasonable to assume that the same will apply to the calculation of the ‘industry norm staffing levels’. As greater efficiencies are possible at higher occupancy levels, the use of an inflated occupancy % will result in a distorted payroll calculation per resident. Thus on this basis we believe that there may be a risk that this could result in the Council being in breach of its legal obligation to pay a basic fee at a rate that covers the fair cost of care.
- Providers have given their data for care hours/staffing costs for the services that they are providing (Tables 1 and 2). The report states that for Care Homes with Nursing, Industry norms are stated to be 14% lower for care hours compared to the Provider data. The Council’s proposal above indicates using the Industry Norms data plus 4% for Care with Nursing. This proposal is unfair as it is still lower than the data given by Providers in this Consultation. Our own staffing costs are 12% above the average staffing costs identified from the Provider survey. Therefore, I feel that the data contained in Tables 1 and 2 should be used. It seems fairer to me to use the data given by Providers in this Consultation with regard to their actual operating costs, rather than Industry norms which are not representative of the real costs.

With regard to increasing dependency levels and complex health care needs. As there is continued support to enable people to be cared for in their own homes, residents being admitted to Care Homes with Nursing require significant input from both Senior Management/Registered Nurses and carers with regard to all aspects of their care and daily life. In order to fully meet the needs of residents, it is of paramount importance that there is sufficient funding to support the operating costs of the employment of staff at all levels to deliver the services to residents.

As stated above our staffing costs are 12% above the average staffing costs identified from the Provider survey with 2% CHC provision. We greatly value our staffing team and consider it to be of paramount importance to provide a stable, reliable, hardworking workforce, which in turn provides reassurance and stability to our residents. Our Matron/Deputy Matron and Registered Nurses have worked with us for many years and have a genuine commitment to providing the best of services to residents. Management staff ensure that staff are supported in their roles and as a consequence we have a very low turnover of staff and the majority have worked with us for many years. In order to maintain this level of professionalism and commitment to providing a good standard of service to residents, our staffing costs are higher as we regard the remuneration of staff to be of paramount importance and staffing levels must be commensurate with the dependency levels of residents.