



meeting	CABINET COMMITTEE
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Models for Setting Care Home Fees

Introduction

Over the last five years the issue of paying “fair” rates to the Independent Sector for residential and nursing care has emerged as a key concern to be addressed by Social Services Department’s across the Country. This reflects the extent of falling levels of Independent sector provision, particularly in the South of England at a time when public provision from the NHS and Local Authorities is also being reduced.

In response to these pressures, some Local Authorities have sought to work with the Independent Sector to establish an agreed means to set fee levels which can stabilise the market and ensure that the needs of older people can be met.

Principal Models

The principal models used to set Fair fee levels have been developed by Laing and Buisson and PricewaterhouseCoopers. Although the application of the models varies between authorities they have the following common themes:

1. The models are used in a collaborative process between the Authority and Independent Sector that provides a forum to develop a shared understanding of the issues faced by each party and enable transparency in the fee setting process.
2. The models seek to calculate fees based on local information and usually gather data from the accounts of local providers and/or via surveys. Emphasis is placed on using local data to calculate local costs. This is particularly important given the wide variation in wage rates and land/property values in England – clearly national averages weighted by land and wage rates in the South East would be inappropriate to use in the East Midlands.
3. The models will generally seek to model four main components of care home costs including staffing costs, repairs and maintenance, land values, capital costs and other non-staffing costs. Local and national benchmarks may also be used to ensure that fees are calculated on the basis of an efficient provider.
4. The models recognise that care homes need to make profits to thrive and that profit is required to attract new capacity into the market. Known as the “cost of

capital”, agreeing the percentage level of profit that the Authority is prepared to fund has often proved to be the hardest aspect of reaching agreement on what is a fair price for care.

5. The models were developed prior to the Gershon initiative and do not recognise the fact that Authorities are now expected to make year on year cash releasing efficiency savings. With residential and nursing care comprising such a large proportion of the Adult Social Care budget, it would be difficult to insulate providers from the Government’s efficiency agenda without impacting disproportionately on other services.

CSCI New Initiative

This year, CSCI have announced a new initiative to rank care homes using a star system similar to that used in the rest of the public and some local authorities are now considering how these new CSCI ratings can be used to improve performance by linking fee increases to them. Although it may take some time before the ratings are considered sufficiently robust to be used for fee setting, in the future this is likely to represent a key component in setting fee rates.

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