



**4<sup>th</sup> February 2013**

**Agenda Item:**

**REPORT OF SERVICE DIRECTOR FOR JOINT COMMISSIONING, QUALITY  
AND BUSINESS CHANGE**

**FAIR PRICE FOR CARE – EXECUTIVE SUMMARY**

**Purpose of the Report**

1. To inform Members of the work undertaken to review the current local 'Fair Price for Care' framework and the associated fee levels for older persons' care homes in Nottinghamshire.
2. To propose new fee levels based on the work undertaken to ascertain the actual costs of providing older persons' residential and nursing care across Nottinghamshire.

**Executive Summary**

- 1 In 2008/09, the Council commenced implementation a local 'Fair Price for Care' framework. The framework was introduced in recognition of the following:
  - the need to increase fee levels to reflect increasing costs faced by care home providers
  - to provide incentives for care home providers to continuously improve the quality of the care services, with a particular focus on providing and developing good quality dementia care
- 2 The fee levels were set in consultation with older persons care home providers and their representative organisation the Nottinghamshire Care Association (NCA). However, due to financial constraints faced by the Council, the fee increases were phased in over a period of five years, with the final increases being applied during 2012/13. The application of annual inflationary increases to fees has been considered separately through the Council's normal annual budget setting processes. For the last two financial years, 2011/12 and 2012/13, inflation for externally provided services has been 0%.
- 3 At the start of the 2012/13 financial year, the total number of long term placements funded by the Council in older persons' care homes in Nottinghamshire was 2,284. The Council will also fund approximately 180 short term and respite care placements at any one time. Within the local fair price for care framework, and based on the total number of placements in independent sector older persons care

homes in mid-April 2012, the total estimated cost for 2012/13 for this provision is £57.8 million of which £53.2m is for long term placements and a further £4.6m for short term placements.

- 4 Over the past two and a half years, a number care home providers or their representative organisations have brought legal challenges against local authorities in relation to their fee levels and also for ways in which their fee levels have been determined and set. The successive court rulings have placed a requirement on councils to consider the 'actual costs' faced by their local care home providers. Councils have also been required to ensure that the fee levels will enable sufficient and sustainable capacity and choice of care home provision within the local market.
- 5 In order to set care home fees for 2013/14 and beyond, and in considering the legal context, the Council has completed a comprehensive review of its current fee levels. This has included undertaking a two-stage consultation process to determine actual costs of providing older persons' residential and nursing care in Nottinghamshire.
- 6 Stage 1 of the consultation process has entailed conducting a survey through the use of a questionnaire of local older persons' care home providers. The information and data provided by the care homes has been aggregated and analysed to establish the actual costs of care, including costs related to the provision of dementia services. This analysis has also included consideration of factors such as the size of the home and geographical locations in order to determine their impact on provider costs and capacity.
- 7 The information derived from the survey has been considered within the context of current and historic information about the local market position in relation to care homes and also the Council's wider strategic objectives and commissioning intentions in relation to health and social care services for older persons. This wide ranging information had been used to inform proposals for fee levels for 2013/14. The proposals have included consideration of allocating annual inflation related increases beyond 2013/14 as determined by an inflation formula which is relevant to social care services.
- 8 Stage 2 of the consultation process has entailed seeking the views of the care home providers in relation to future fee proposals including ascertaining the impact of the proposed fees in relation to capacity and sustainability within the local market.
- 9 Overall, the providers that responded to the consultation were supportive of the proposal to retain the local 'Fair Price for Care' framework and the five bandings, including the annual audit process, on the basis that the framework provides an incentive to continuously improve the quality of care. Provider also welcomed the proposal to apply an annual inflation related formula to fees as a means of ensuring the fees continue to reflect actual costs.
- 10 Providers who responded to the consultation challenged the Council's assumptions on two key factors on which the fee proposals had been based. These relate to:

- average occupancy levels
- assumptions about staffing levels.

- 11 The Council has given due consideration to all of the issues raised by providers, including the two key issues above, in order to ensure that future fee proposals continue to support a viable local market of provision to meet current and future needs. Consideration has also been given to ensuring that the fee levels and the fee model continues to enable providers to improve the quality of care.
- 12 The Council has also considered comparative data from other sources such as Laing and Buisson who are considered to be the industry leader on costs of care home provision following their development and implementation of the 'Fair Price for Care' costing toolkit.
- 13 As identified above, one of the key factors identified by local providers in their response to the consultation, and as identified by the recent Laing and Buisson research (2012), is the increased cost pressures arising from higher dependency and higher levels of needs of older people, which requires providers to have higher levels of staff.
- 14 The Council has revised its initial fee proposals, which formed the basis of its Stage 2 consultation, in recognition of the need for increased staffing levels as a result of higher dependency and higher levels of need of older people in care homes. As such, the revised fee proposals reflect the need for higher staffing levels.
- 15 The Council is proposing that fee levels are increased by an average of 11.8% across the five bands and the total estimated additional cost of the proposals is £6.8 million.
- 16 It is recommended that the proposed fees are implemented with effect from April 2013, with annual inflationary increases, as determined by the relevant index formula, being applied from April 2014. It is recommended that the framework is implemented over a five year period.