

Report



meeting

CABINET COMMITTEE –

PAYMENT TO INDEPENDENT
SECTOR CARE PROVIDERS

agenda item number

date

10th OCTOBER 2006

REPORT OF THE DEPUTY LEADER

PROPOSED RECOMMENDATIONS OF THE CABINET COMMITTEE

1. Purpose of the Report

- 1.1 The purpose is to report on the findings of the Cabinet Committee to date and to make recommendations to members of the Committee.

2. Information and Advice

- 2.1 Members of the Committee have been provided with information by reports from the Strategic Director Adult Social Care and Health and from the Chair of the Nottinghamshire Care Association. These reports have been welcomed, even as they have provoked debate. Committee members have had the opportunity to discuss the information in these reports and hear further comments from officers of the Adult Social Care and Health Department and a number of different care home providers.
- 2.2 This information has given members of the Committee a broad view of the issues relating to payments to independent sector care homes and the context in which this authority makes payments for those residents of the County who need financial support while living in a care home. In its work so far, the Committee has only considered payment levels for older people in care homes.
- 2.3 This report aims to summarise briefly the findings of the Committee, considers options for payment levels in the current context and makes recommendations to Committee members.

Key findings

- 2.4 Members of the Cabinet Committee have heard and accepted that:

nationally: -

- 2.5 There are no nationally prescribed levels of payment for places in a care home.
- 2.6 It is at the discretion of each local authority to set the levels of payment for care home services, but this has to be within statutory requirements and with regard to the purpose for which they are paid.
- 2.7 In paying for care home services for older people, authorities have 'normal' rates of payment, which are paid for most people.
- 2.8 There may be different levels of local authority payment for people assessed as needing residential care and those needing nursing care. People needing nursing care will also receive funding from the NHS, which will be at one of a number of levels. In some circumstances older people living in a care home will receive fully NHS funded continuing health care, and in this case, the local authority does not contribute.
- 2.9 Most authorities have differential rates within the categories they fund, for example, for people with 'very dependent needs' or for older people assessed as needing a place registered for someone with mental health needs.
- 2.10 Many people living in care homes are 'self funders', i.e. they have the means within national regulations to fund their own care, without the local authority paying for any of their care.
- 2.11 Homes may receive additional funding for a person placed by a local authority when the home asks for, and there is someone who will pay, a 'third party top up' which will supplement the level paid by the local authority. The third party will be neither the resident nor the local authority. Some homes will only accept people with local authority funding when there is this additional payment.
- 2.12 Some authorities have adopted a 'fair price for care' model to guide their normal payment levels, often with such a modelled level of payment being worked towards over a number of years. In some cases, the move to such a model is said to have been a response to very low available capacity in the area.
- 2.13 The proportion of older people in the population continues to increase and the demand on services, particularly from the increasing numbers of people over 85, will also continue to grow substantially.
- 2.14 Government drivers for local authorities, informed by consultation with older people, are strongly in favour of reducing the proportion of older people living in care homes and increasing the proportion able to live at home. This is expected through providing preventative services and care and support to enable people to continue to live as independently as possible in their own homes.

- 2.15 Nevertheless, the care home sector will continue to be a very important part in the range of services, particularly for the most dependent older people.
- 2.16 The Commission for Social Care Inspection (CSCI) has been changing its regime of inspection of care homes and will be introducing a four tier system of published quality ratings for each care home from April 2007. Some local authorities already have their own system of enhanced payments for quality and this development by CSCI will increase the potential to give financial incentives for quality and thus improve the market for care.
- 2.17 Another government agenda, for greater efficiency in the use of public money, is also very significant in that local authorities are subject to sustained requirements to continue to achieve efficiencies and improve value for money. This applies to Social Services functions as much as any others, and expenditure on care home services is a huge proportion of any authority's expenditure.

With regard to Nottinghamshire: -

- 2.18 As at the end of March 2006, the council was contributing to the funding of 3,172 people in long term residential or nursing care who were over 65. Most of these are within the County, although some will be in care homes outside the county.
- 2.19 The authority currently has normal payment levels of £277 for residential care, rising to £319 at 'very dependent needs' rates. For nursing care, the level is £343, which is supplemented by the PCT nursing payment.
- 2.20 The county council made substantial increases in payment levels to care homes after Cabinet considered the review undertaken by the Social Services Select Committee in 2002, but increases since then have not been at the same level as some other authorities, such as Northumberland, which was given to the Committee as an example by the Care Association.
- 2.21 The normal levels of payment by the council are usually lower than neighbouring authorities in the East Midlands. Nottingham City is the one authority in the region which consistently pays lower than the county council. The East Midlands area has among the lowest levels of payment in the country: this will be influenced by relatively low pay rates and property values in the area.
- 2.22 Nottingham City Council are also reviewing their payment levels during this year and are considering the concept of a 'local price for care'. They have not yet made any recommendations for payment levels next financial year.
- 2.23 An agreed increase in payment by the county council this financial year has not taken place as it usually has done in April, but has been deferred to October. This has been at 2.25%. This limited increase has been part of a budget settlement by the county council which has seen savings of some £20 million needing to be made in this financial year, which have themselves

reflected 'Gershon' efficiencies across the services funded and provided by the council.

- 2.24 Care providers have argued that the level paid does not meet their costs of providing care, and that the increase this year is very far short of the increases in costs which they have faced in the past and current year. They have particularly drawn attention to the impact of the national minimum wage and costs in utilities, insurance and inspections among others.
- 2.25 Care providers have also drawn attention to the much greater amount which the council budgets for each bed in a residential home run by Direct Services. The costs of these includes overheads of the county council, but also reflect the usually more favourable wage levels and terms of conditions of local authority staff together with differences in accounting practices between limited companies and local government.
- 2.26 In comparing data for Nottinghamshire with a set of recognised comparator authorities, the Committee found that:
- Nottinghamshire has relatively high levels of residential admission
 - overall Nottinghamshire spends a relatively high proportion of gross expenditure on care home placements
 - Nottinghamshire's gross weekly expenditure per person is relatively low in the independent sector and mid range for Direct Services
 - Nottinghamshire's proportion of expenditure which is allocated to older people is below average
 - Nottinghamshire has above average rates of admission to care homes for all age tranches of older people, and is highest up the table for older people over 85
 - Nottinghamshire is not at the extreme on any of the comparisons.
- 2.27 A survey conducted by the Department in August 2006 showed that there are 5990 beds available in the county for older people in independent sector care homes. There were 566 vacancies, a little under 10%. There were 1226 beds which had been registered with the CSCI for older people with mental ill health, and the vacancy rate was slightly higher, at almost 11%, although there were no vacancies in beds registered for nursing care for dementia. Many homes were operating at 100% capacity and there were variations in occupancy levels and numbers of third party top ups across different districts.
- 2.28 The county council remains a significant provider of care home services, with 391 long stay residents in Direct Services homes at the time of the survey. Direct Services homes tend also to have specialist services such as short stay, intermediate care as well as long stay residents and day services. They are running at similar levels of occupancy.
- 2.29 There were therefore a significant number of beds vacant but this was not consistent across the districts, nor by registration categories, which inevitably impacts on choice and waiting times for some vulnerable people. A small number of home closures or a steady increase of admissions could reduce

this capacity to a level where it could prove impossible to place some people anywhere near where they would choose to go.

- 2.30 There have been 11 homes which have closed or ceased to provide services to older people since 2003, with a total loss of 246 beds; but with other beds becoming available, the net reduction has been only 31.
- 2.31 The population data and estimates for people over 65 show a continuous increase year on year. Compared to the 126,000 people over 65 in 2003, by 2010 there could be an additional 15,000 people in the county over 65; in 2003, there were 14,000 over 85; by 2010 it is estimated there will be an additional 4,000. It is at that age that demand on services is most likely, so demand for care services can be expected to increase.
- 2.32 The county council has, through its recent medium term financial strategies, been moving the shape of services to increase services such as home care, direct payments and extra care. The balance between care homes and alternatives is taking a long time to shift, given the relatively large numbers in care homes overall and the costs associated with this, notwithstanding that individual payment levels are relatively low.
- 2.33 The council has not linked its payments to date with any model for 'fair price for care'. The council makes no extra payments for quality or for older people with mental health needs. Providers explained how each costs more.
- 2.34 Although per person per week the differences between authorities is not huge, the Committee members were told that it would cost over £8 million more to bring Nottinghamshire payment levels to Lincolnshire levels and over £2 million less to reduce to Nottingham City Council current levels.

Not found

- 2.35 The Committee heard no evidence to support allegations made in the report of the Nottinghamshire Care Association that social workers try to influence residents to go into the council's homes. Members of the Committee expressed their concern that such allegations should be made in a public report without evidence. Members asked that any such information, if it were to exist, should be reported through the complaints procedure or directly to a county councillor.
- 2.36 Likewise there was no evidence to support allegations made that staff of the Department 'try to place residents in the cheapest homes'. It was, however, recognised that, if a third party top up were not available, choice of homes would be limited, particularly in certain districts.

Conclusions and Options

- 2.37 Members of the Cabinet Committee have recognised the relatively low level of payment which Nottinghamshire County Council is paying, although there are market factors which have influenced this.

- 2.38 Members of the Cabinet Committee have also appreciated that providers have said that third party top ups and self-funder payments are used by them to bring the homes up to the standards which they as providers aspire to or are required by CSCI.
- 2.39 The particular challenges which are currently presented to local authority budgets and the continued expectations of the government's Gershon efficiency savings are also influential.
- 2.40 Any increases in payment next year will also have to be balanced by the savings or lost opportunities required by the council elsewhere.
- 2.41 The Adult Social Care and Health Department needs to continue to refine its commissioning intentions i.e. what it requires from the independent sector in the longer term. Providers need to know what the Department will require from them in the foreseeable future.
- 2.42 In this context and from what members of the Committee have heard, the areas in which the department's payment levels seem particularly in need of continued attention and to be given priority are as follows: the normal payment level, the lack of higher payments for older people with mental health needs and the lack of any incentive payments for quality improvements.
- 2.43 In planning for the budget next year, the council is currently consulting on budget priorities. This consultation has as one of its options - 'an extra £0.75 million fees to care home owners to cover their rising costs and to improve quality'.
- 2.44 The consultation is not complete and Cabinet have yet to decide on the budget in the light of that consultation. Nevertheless, the consultation with providers in this Cabinet Committee and the evidence presented suggest that this is a serious issue for the authority.
- 2.45 Therefore, in considering options, the potential for this additional £750K to be made available has been considered, as has an expectation that the full year costs of this October's increase and inflation next year will be made available.
- 2.46 Working with the priorities defined in paragraph 2.39, one option would be to give all this potential additional funding to an increase in the basic rates. However, the arguments that services for older people with mental health needs are going to need to increase, and require higher staffing levels with good expertise, are compelling. Likewise the importance of funding for sustaining and improving quality has been reinforced by both providers and the CSCI.
- 2.47 In addition to specific budgetary for priorities next year, the Committee also considers that the department should continue to plan for the future departmental requirements of the independent sector and the most effective ways of developing strong partnerships. The work which the authority is currently undertaking with Deloitte to assist in procurement strategies will help with this.

3. Statutory and Policy Implications

- 3.1 This report has been compiled after consideration of implications in respect of finance, equal opportunities, personnel, crime and disorder and those using the service. Where such implications are material, they have been described in the text of the report. Members' attention is however, drawn to the following:-

3.1.1 Financial Implications

The inflation increase due on the 1st October 2006 has already been funded in the Adult Social Care budget and the increase for 2007/08 will be funded by the Council as part of the normal budgetary process. Any other additional funds for quality or EMI payments will need to be approved as a development in the budget for 2007/08.

3.1.2 Equal Opportunities Implications

It is important to ensure that there are care homes which the authority will fund which can meet the needs of older people from ethnic minorities.

3.1.3 Implications for Service Users

The authority has to be in a position where it can fund care home places for those assessed as needing a place in a care home, in settings which will adequately meet their needs. The payment levels set by the authority will affect the numbers of people who have a third party payment contributing to their care costs and the levels of those payments.

3.1.4 Human Rights Act Implications

Where a self funder ceases to have the assets to pay for their care, the rates set by the authority will affect whether decisions have to be reached about whether the person continues to stay in the place where they have been living if it costs more than the normal level of payment made by the authority.

4. Recommendations

- 4.1 It is recommended that this Cabinet Committee recommend to Cabinet:
- (a) That it confirms that the increase of 2.25% made from October 2006 will be carried over in to payment levels in 2007-8
 - (b) that an inflation increase at a level to be agreed as part of the 2007/08 budget process should also be added to the normal payment levels from the 1st April 2007
 - (c) That subject to the outcome of the consultation process on the 2007/08 budget, should Cabinet decide to make £750,000 or any other additional funds available for this area of budget, then it should be focussed on

enhancing payments for older people with mental health needs (EMI) and quality.

- (d) That the Strategic Director of Adult Social Care and Health should further develop commissioning intentions for care homes in the independent sector and Direct Services, and for alternative services in the community. This should be done with advice from Deloitte as part of their work with the county council on procurement, and with representative care providers. In the light of this work, the Strategic Director should make recommendations to the Cabinet Member.

5. Director of Resources' Financial Comment (DW 2/10/06)

- 5.1 The financial implications of this proposal are contained within the report. It should be noted that increased funding over and above the provision for inflation is currently subject to public consultation and has yet to be approved in the 2007/08 budget process.

6. Background Papers Available for Inspection

- 6.1 Reports to this Cabinet Committee, 25th September 2006

7. Electoral Division(s) Affected

- 7.1 Nottinghamshire

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