

Modelling the Cost of Care

RECOMMENDATIONS

- 1.1 To note the report on progress in relation to modelling the cost of care.
- 1.2 To approve increases in fee levels for Residential and Nursing Care as outlined in the report from 4 October 2004.
- 1.3 To approve increases in fee levels to Home Care Providers as outlined in the report from 2 October 2004.
- 1.4 To approve an increase in the Direct Payments Rate as outlined in the report from 2 October 2004.
- 1.5 To approve further work on the approach within the budget planning process for 2005 / 6.

REASONS FOR RECOMMENDATIONS

- 2.1 Purchasing of residential care and home care for older people is a very important issue for the Social Services Department. If the issues identified in the report are not addressed satisfactorily, the Department may find itself in difficulty contractually or subject to legal challenge. The inability to place older people in residential care or to provide home care would have a damaging effect on those people affected and their carers. It would also lead to a negative impact on the health and social care system as a whole, eg delayed discharges from hospital, with the potential for fines to be incurred under the Reimbursement system.

SUPPORTING INFORMATION

- 3.1 On 9 September 2003, Cabinet agreed to adopt a process to model the cost of care and to invite the local associations representing residential and nursing care providers to nominate representatives to work with the Council on this matter.

3.2 On 6 April 2004, Cabinet considered a report which set out progress in relation to modelling the cost of care. The increasing pressure from the independent sector care home owners about fee levels was noted. Emerging issues were also identified in the independent home care sector. Progress on the modelling work was noted and approval given for the approach to be taken into further negotiations with the independent sector.

3.3 Officers of the Council, with the support of the Cabinet Member for Social Care, took the information presented to Cabinet on 6 April to a meeting of the Care Home Providers Consultative Group. It was agreed to hold a separate meeting to review the model in detail. This meeting took place on 21 May. The three parts of the model: staffing costs; non-staffing costs and capital costs were addressed. The views of the independent sector providers were noted and Council officers agreed to do further work on the implications of any changes and report back to a Consultative Group meeting on 16 July. The further work focused on:

3.4 **Staffing Costs**

Broad agreement was reached on issues such as the number of hours of care required, the applicable pay rates and on costs for an independent provider and also the higher salary paid to a Nursing Home manager.

3.5 **Non-staffing Costs**

The Derby City cost model has now adopted the Laing and Buisson non-staffing cost calculation

3.6 **Capital Costs**

This area remains the most difficult area on which to reach agreement, with a large variance between the Council's view of the capital value of a bed and that of the Independent Sector providers. Big differences also still remain on what constitutes a fair return on capital employed. More discussion will be needed around this.

3.7 After the analysis above, the fee levels arising from the model presented to Cabinet on 6 April were revised. A summary of this is shown as Appendix 2.

3.8 The Department has always been clear with Care Home Providers that any increase must be affordable. It was also emphasised that any in-year increase in 2004 / 5 must be within the current budget approved by Cabinet. After discussion between officers of the Department and colleagues in Corporate Finance, it was agreed that a phased approach would be recommended with a significant increase in fee levels from October 2004 that is affordable but does not meet the modelled fee in full. The October increase does not fully meet the non-capital costs elements of the model and a second phase is needed in 2005 / 6 to realise this. Further progress on meeting the modelled fee would depend on clarification of outstanding issues with the independent Care Home providers, which are mostly expected to be concerned with capital costs, and overall affordability, which would have to be considered alongside other priorities as part of the budget planning process for 2005 / 6.

- 3.9 The modelling work has concentrated on setting a new baseline for fees, given the increasing recognition that the current baseline is inadequate to ensure stability in the sector and the maintenance of capacity. It is anticipated that as we progress and gain the confidence of Care Home providers we will be able to work with them in partnership on our commissioning approach. It has become clear, however, that the existing fee structure does not adequately reflect the need to provide care for older people with severe mental health problems, particularly dementia. It has been proposed therefore, that we introduce a specific rate for this form of care.
- 3.10 The modelling work has focused primarily on the care of older people, given that this is the area of greatest pressure and containing the largest volumes of people and costs. The same issues in relation to costs apply in other areas of community care and it is proposed to increase our standard rates proportionately for care home placements for people with learning disability, physical and sensory disability and people with mental health problems.
- 3.11 Given the importance of maintaining an adequate supply of home care resources in the independent sector, referred to in the Cabinet report of 6 April 2004, it is also proposed that home care rates are also increased proportionately. It is anticipated that a separate exercise will be undertaken in modelling home care costs. However, an increase is justified at the present time, given the difficulties of recruiting and retaining home care staff and the pressure on the sector to meet National Minimum Standards. Neighbouring Council's have increased home care rates and should Derby fall significantly behind, it is possible that the ability to purchase home care would be jeopardised as local providers become demoralised and national providers choose to invest elsewhere.

OTHER OPTIONS CONSIDERED

- 4.1 The options to adopt a ready-made model were laid out in the report to Cabinet on 9 September 2003 but none of these were recommended.
- 4.2 The Council could decide not to make any increase to its fees. However, this would not be consistent with the modelling work agreed by Cabinet. Independent sector representatives could withdraw their co-operation with the modelling work if a significant increase in fees is not granted either directly or as an outcome of adopting the agreed model.

For more information

contact:

Background papers:

List of appendices:

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None

Appendix 1 – Implications

Appendix 2 – Modelling the Cost of Care

IMPLICATIONS

Financial

- 1.1 The costs of these proposals in 2004/05 is £360k for Residential and Nursing Care (£733k in 2005/06) and £70k for Home Care/Direct Payments (£140k in 2005/06). The 2004/05 costs are being met from the department's budget with the funding of the 2005/06 cost to be determined during the budget process. A separate report will come to a future Cabinet meeting reporting on the Social Services budget for 2004/05.
- 1.2 The existence of this unfunded risk was recognised when the 2004/5 budget was set, and the principle was agreed that the Director of Social Services would bring a report back to Cabinet on how this and other budget pressures were to be contained in 2004/5. That report is now scheduled to be brought to 19 October Cabinet and it will set out how these costs are being managed together with other variations in the agreed 2004/5 Social Services budget. The further full year 2005/6 costs of the new 4 October 2004 rates cannot reasonably be expected to be contained within the indicative 2005/6 budget provision, but this appears now to be an unavoidable commitment.
- 1.3 The timing of implementation of further increases in fees, to implement the full model beyond the 4 October 2004 rates, will depend upon affordability and prioritisation within the 2005/6 budget process. In approving the report, Cabinet is not therefore approving a commitment to further real terms increases to implement the full modelled cost.

Legal

- 2.1 The Council needs to comply with statutory requirements when negotiating contracts with Care Homes so as not to abuse its dominant position in the market place or unfairly distort competition.
- 2.2 The High Court is becoming increasingly involved in establishing the level of fees Care Homes should be paid for services that have already been provided. It is expected that future decisions will clarify further what factors need to be taken into account.

Personnel

3. None.

Equalities impact

4. Maintaining a viable care home sector is essential to ensure that frail and vulnerable people receive appropriate care. It is important that home care providers are adequately resourced to enable people to be supported effectively at home.

Corporate objectives and priorities for change

5. The proposal comes under the Council's Objective of protecting and supporting people and it also supports the Council's priorities for change to develop plans to modernise residential and community care.

Residential	12 April 2004	4 October 2004	Modelled Cost
	£	£	£
Elderly	260.00	271.00	274.00
Elderly Mentally Ill	260.00	292.00	301.00
Very Dependent Elderly	302.00	306.00	308.00
Physical or Sensory Impairment	354.00	369.00	373.00
Learning Disabilities	312.00	325.00	329.00
Mental Ill Health	274.00	286.00	289.00
Drugs / Alcohol	274.00	286.00	289.00

Nursing	12 April 2004	4 October 2004	Modelled Cost
	£	£	£
Elderly / Terminally Ill	387.00	402.00	410.00
Physical or Sensory Impairment	436.00	453.00	462.00
Learning Disabilities	395.00	410.00	418.00
Mental Ill Health	388.00	403.00	411.00
Drugs / Alcohol	388.00	403.00	411.00

Home Care / Direct Payments	12 April 2004	4 October 2004
	£	£
Day time care	8.92	9.32
Night time care		
- hour	9.96	10.36
- half hour	6.64	7.04
Weekend care		
- hour	9.96	10.36
- half hour	6.64	7.04
Sleep-in care	4.32	4.72
Sitting Service	5.48	5.88
Personal Support Service	9.24	9.64
Live in Carer	754.00	791.00