ADULT SOCIAL CARE REFORMS:
FAIR COST OF CARE + MARKET SUSTAINABILITY

Presentation for Scrutiny
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Adult Social Care: The Hackney Picture

- In 2018, the population of Hackney was 279,994 of which 210,624 were over 20 years old.
- In 2020/21, approx 3600 adults accessed ASC services, just ~1.7% of the adult population. However, this accounts for ~30% of the overall Council spend.
- It is estimated 1,900 people accessing ASC services were aged over 65, and 1,600 aged between 18 – 64.
- On 1 Oct 2020*, 482 people were in care home placements (68% of which were out of borough), and 1248 received home care support.
- According to the last Census, 19,300 residents identified as a carer. There are currently 2,828 carers registered, and ASC supported 1,535 carers during 2019/20.
- The growth in all age population between 2016 and 2020 was on average 1.13% but the growth in the number of people receiving care was on average 6.14% in the same period.

https://hackney.gov.uk/statistics-evidence-plans-and-strategies

*complete and accurate data prior to the cyber attack

Summary of reforms

Charging Reforms

Changes in how people are expected to contribute to their care costs:

- The introduction of new upper and lower capital limits
- The unfreezing of the Minimum Income Guarantee and the Personal Expenses Allowance
- The introduction of a standardised notional Daily Living Cost

The Cap - delayed now until at least 2025

No person has to pay more than £86k towards care costs.

From Oct. 2023 the LA will help you ‘meter’ towards the cap, accounting for any money you spend on care

The LA will assess your needs and let you know how much they would be prepared to pay for your care, and this is the max. you can meter.

You can pay for increased provision of any kind, but this will not count towards your £86k.

Fair Cost of Care - covered in this presentation

Anyone will have the right to ask for their LA to commission their care, whoever will then be funding it. (also delayed)

The local authority is also expected to do development work to ensure that their local care market is stable + well funded to reduce fragility.

This slide deck will look at the work we did to prepare for this.

Why is the Fair Cost of Care needed?

Section 18(3) of the Care Act will be enacted from October 2023

- This gives everyone the right to ask the local authority to commission their care on their behalf

This gives them the right to local authority commissioned services, and local authority rates of care

- Though still paying for themselves if deemed a self funder

> **18 Duty to meet needs for care and support**
>
> (1) A local authority, having made a determination under section 13(1), must meet the adult's needs for care and support which meet the eligibility criteria if—
>
> (a) the adult is ordinarily resident in the authority's area or is present in its area but of no settled residence,
>
> (b) the adult's accrued costs do not exceed the cap on care costs, and
>
> (c) there is no charge under section 14 for meeting the needs or, in so far as there is, condition 1, 2 or 3 is met.
>
> (2) Condition 1 is met if the local authority is satisfied on the basis of the financial assessment it carried out that the adult's financial resources are at or below the financial limit.
>
> (3) Condition 2 is met if—
>
> (a) the local authority is satisfied on the basis of the financial assessment it carried out that the adult's financial resources are above the financial limit, but
>
> (b) the adult nonetheless asks the authority to meet the adult's needs.

Currently, on average, self funders pay 40% more for the same care than the local authority

- This provides significant cross-subsidy to the provider

At current fee rates, provider viability is threatened by loss of the cross subsidy, due to:

1. More people being local authority funded (partially or fully) due to the extended means test
2. More people being local authority commissioned through utilising 18(3)

Reforms will “enable all local authorities to move towards paying providers a fair rate for care”

- Through Market sustainability and fair cost of care fund 2022 to 2023

National Breakdown of ASC reform funding prior to budget statement

Charging Reforms: Any funding has been postponed - until at least 25/26

Market Sustainability:
LBH received £948k in 22/23
Original plans to continue funding in 23/24 and 24/25 is now uncertain

Table 2: Breakdown of the £5.4 billion package for reform

£3.6 billion	**£2.2 billion**	2022–23: **£0**	Reform charging system through cap and means test
		2023–24: **£800 million**	
		2024–25: £1.4 billion	
	£1.36 billion	2022–23: **£162 million**	Enable local authorities to move towards paying providers a fair cost of care
		2023–24: **£600 million**	
		2024–25: **£600 million**	
£1.7 b	At least	Workforce training, qualifications, and wellbeing	

Source: Letter from the Minister for Care and Mental Health to the Chair

Funding following Budget statement - Nov - 22

The funding to deliver ASC reforms will be repurposed,

Fair Cost of Care

- Maintain current levels of Fair Cost of Care funding for local authorities for the next two years (£162 million per year), given fee uplifts will already have been agreed for year one of the Fund on this basis
- underpayment within the sector is only one issue being faced.
- Repurpose with a ringfenced fund of £400 million in 2023-24, rising to £680 million in 2024-25 - will support local authorities to continue to move towards paying a more sustainable rate for care – while balancing this with wider objectives to support capacity and discharge.

WHAT WERE THE REQUIREMENTS?

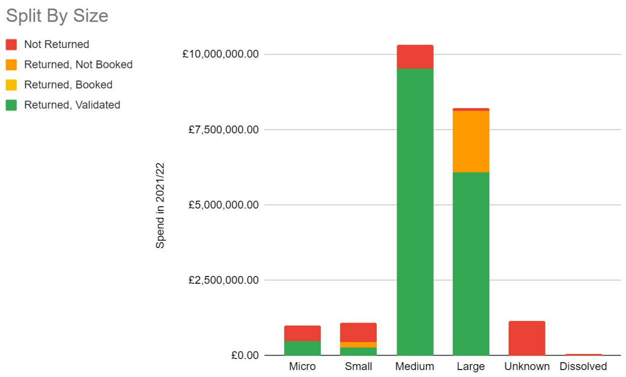
		What do we have to do?		*Who is leading from the Council?*	*How is the Annex submitted?*
Fair Cost of Care & Market Sustain-ability exercise	Annex A	FCoC rates	Hourly rate for 18+ homecare providers	John Holden	Submitted via DHSC portal 14 October, not published
			Weekly rate for residential and nursing homes, enhanced and not enhanced, with a Hackney postcode		
		Spend report	How we are allocating the 2022/3 grant on implementation and provider uplifts		
	Annex B	FCoC Approach report	For homecare and care home providers: • How did we engage them? • What were their responses and feelings towards the exercise? • What challenges did we face? • How did we approach return on investment/operations? • What were the rates (from Annex A)?	Mark Watson	Submitted via DHSC portal 14 October, published in October or November - Waiting for notification
	Annex C	Market Sustainability Plan	What problems affect the sustainability of the care market?	Mark Watson	Submitted via DHSE portal 14 October, published after 2023/4 budgets finalised in February
			What is the impact of future market changes, including self funding reform?		
			How will Hackney address these issues, including using FCoC grants?		

SUMMARY OF RETURNS

18+ Homecare

We invited all of our homecare providers to calculate their costs using the LGA-provided toolkit. Twenty one out of the sixty nine providers engaged with the exercise, representing 85% of the value of contracts with homecare providers.

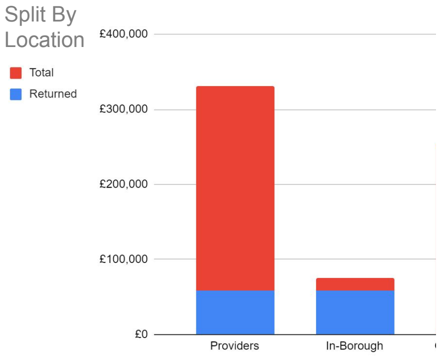
We wanted to ensure that we are supporting our Framework providers, as well as hearing from smaller providers that we want to help to grow. Below shows that we hit our target of engaging >50% of the providers in each size category.



65+ Care Homes

There are seven care home providers with a Hackney postcode and all seven were invited to complete the exercise via the iEse Care Cubed tool. Four out of the seven have completed the return and engaged with the exercise, which accounts for more than 80% of care home spend within the borough.

Due to the low number of care homes in Hackney, over 70% of our care home beds are based outside of the borough. We worked closely with the North East London network to align our approaches and compare our rates.



SUMMARY OF THE ANNEXES

Please note: these draft figures have now been submitted to DHSC

Annexes A + B – FCoC rates

Homecare:

- Response rate: 31% by volume, 85% by spend
- FCoC median cost per hour -the draft rate is significantly higher than current rates being paid and would require significant additional funding to achieve it; the draft rates have been submitted to DHSC for review
- Comparison to what we currently pay:approx 21% more than current rates

Moving to FCoC across all homecare providers immediately, assuming the same volume, would cost an additional **£5.5m** per year.

Care Homes:

- Response rate: 57% by in-borough volume, 75% of in-borough spend
- Similarly to homecare, the draft rates generated by the exercise are significantly higher than current rates; the draft rates have been submitted to DHSC for review
- Comparison to what we currently pay: 33% more than current rates

We currently spend £16.8m per year on both in-borough and out-of-borough care homes. To determine the full cost impact requires knowledge of the agreed FCOC for all host authorities. The aim is to collect this data from North East London and derive a NEL rate.

Annex C – Market Sustainability Plan

Current sustainability:

- The main area for worry is within our care home market. The biggest sustainability risk here is the fee rate gap to costs of care. Providers reported not being able to make a profit and cost uncertainty
- Within the homecare market, the workforce supply is the biggest sustainability risk but this is seen as a dynamic market, where new entrants with varied offerings are entering the market

The impact of reform and other market changes:

- Proportion of care home self-funders in Hackney is low within London and nationally at 13%. For homecare this ranges between 7-50%.
- There is wider Council work in how we design our commissioning framework, affordable housing, renewable energy and employment services to support a stable market

Our commitments:

- To continue to insist that the providers we use are paying their staff London Living Wage and to uplift our rates in line with this (inflationary policy)
- We are focussing on keeping small businesses growing through some centralised workforce development including passporting of qualifications
- Supporting green sustainability
- n.b. this is all dependent on grant availability, of which there is a lack of clarity on future amount and apportionment

NEW Providers feedback

Risks to sustainability	Detail of risk	Analysis to investigate this
Recruitment and retention – capacity	• Where turnover and vacancy rates are high, providers may have to close due to lack of capacity and therefore lack of business	• How many providers take up what proportion of care hours? • How long are wait lists for dom care/how many are on a brokerage list waiting for package starts?
Recruitment and retention – wages	• LLW doesn't make the role attractive given the reputation of the sector, when people could work e.g. in a cinema for the same	• Do providers who pay above LLW have less of a problem with turnover?
Recruitment and retention – travel time	• Some staff are paid for travel, others aren't. If a visit is only 30mins the cost of return travel can be half the wage earned	• Do providers who pay for travel have lower turnover/vacancies?
Recruitment and retention – head office staff	• When care staff already being just paid LLW, when income is squeezed have to cut HO • HO staff have to be on call 24/7 so sometimes their pay > carers	
Recruitment and retention – niche providers	• Niche markets are difficult to staff, there is also a lack of awareness among social workers of their existence	
Recruitment and retention – sparse hours	• 0 hour contracts and spread out hours rather than block shifts mean carers aren't guaranteed work and income	
Recruitment and retention – progression	• Lack of progression in smaller providers and in providers without clear L&D plans or progression plans	• Do providers who invest more in training have better CQC ratings?
Growth of small providers limited by volumes and fees	• As smaller providers aim to grow, unless they can secure regular contracts, current volume and fees don't support them	• At what volume would smaller providers be able to break even?
Capacity is strained because of unnecessary DH packages	• Providers are incentivised to recommend DH packages, reducing the independence of the user and absorbing care hours that could be used for someone else	
Not making a surplus	• High costs and squeezed income means providers are struggling to make a surplus • This makes the business endeavour not worth it and discourages new providers	
Fuel prices	• Increases (300%) cut into surplus	
Increased need of users	• More frail or higher sickness • Requires either more staff or more skilled staff which is costly	• How has demand increased by size of care package? • What is the increase in co-morbidity?
LA picking up payments for users who have met their cap	• Providers subsidise LA users with private fees. Once the cap is introduced and private user fees move to the LA rate, income will drop	

NEW NEL comparison - comparing draft figures from North East London

Home Care

- Each local authority had the choice of what modelling to use. Hackney used the standard modelling tool issued by central government to support benchmarking.
- That modelling shows that for home care we are able to have rates that are not at the higher end across NEL.

Care Homes

- Hackney's rates for care homes are currently showing as higher in the NEL comparisons.
- This may in part be due to having fewer returns/providers for care home submissions. The care homes are also organised differently - e.g. (charity, private, etc)
- More work on this is needed to understand differences and comparisons. We will also compare rates with other inner london authorities.
- The funding from government is unlikely to match the cost of care rates generated by the toolkits.
- Our comms hase been clear, we can only implement this if we get the grant from the government.

Market Sustainability - cost of care - is it affordable?

Key statements from guidance on cost of care (FCoC) exercise:

"LAs will now also need to ***have regard to*** *data obtained through the FCoC process, and its own CoC report. In doing so, LAs will need to decide on the weight to put on that information."*

*"**start making** genuine progress towards more sustainable fee rates, where they are not already doing so".*

"Local authorities should scrutinise cost outliers, in collaboration with the provider, and consider where they should be removed."

"In practice we will expect actual fees to be ***informed by*** *the FCoC …"*

"some LAs will reach the FCoC in this Spending Review period, whereas others are on a longer journey and will not. Our policy expectation is therefore that you make ***as much progress as possible,*** *be based on sound judgement, evidence, and through a negotiation process"*

Direction of travel was to **move towards** the rate and the rate must **have regard** to the cost of care exercise.

Conclusion: we do not need to immediately pay providers the results of their cost of care returns but instead: (a) explain how we have derived our rate considering the returns, (b) how we are moving towards it and also (c) what our standard inflation strategy is

How we are planning to spend this year's grant?

Fair Cost of Care and Market Sustainability Grant 2022-23. Enter your grant amount below in pounds.	(1) Spending associated with fee increases for 18+ domiciliary care (including domiciliary care providers who operate in extra care settings), £	Biggest sustainability challenge for 18+ homecare	(2) Spending associated with fee increases for 65+ care home places without nursing, £	Biggest sustainability challenge for 65+ care home places without nursing	(3) Spending associated with fee increases for 65+ care home places with nursing, £	Biggest sustainability challenge for 65+ care home places with nursing	(4) Spending associated with internal resourcing for implementation activities, £	Number of annual FTEs	Short description of spend	(5) Spending associated with external resourcing for implementation activities, £	Short description of spend2	Percentage of spending that is not on fee rates, % auto populated
£948,377	£529,911 (Cost of LLW for providers, In year increases and balance estimated at 0.42p per hour for framework providers)	Workforce supply	£53,372	Fee rate gap to costs of care	£128,000 (LLW in borough and who provided data)	Fee rate gap to costs of care	£142,094	1.872	Project officers to support internal capacity	£95,000	External consultancy to provide additional assurance over process and provide additional capacity. Communications with providers.	25.00%

NEXT STEPS

SUBMISSION & FEEDBACK

Complete

14 Oct

BUDGET Nov 22 ANNOUNCED REFORM DELAYS

Awaiting written guidance and clarity on what this means for next steps on the work and the grant issued to support developing a sustainable rate for home care and care homes.

Nov 22

4+ months

PUBLISHING OF ANNEXES

IMPLEMENTATION

2+ years

To understand and progress:

- Completion of homecare re-tender process
- What a NEL-shared rate may look like
- Further certainty on the future grant funding from DHSC