

SAFE WELL PROSPEROUS CONNECTED

DHSC Market Sustainability and Cost of Care Exercise 2022-23

Annex B – 65+ Care Homes

Scope of the Project

The scope of the project was determined by DHSC's Fair Cost of Care guidance, in which residential care was defined as: Local authority contracted care homes for older people (age 65+) excluding local authority in-house care. Some residents in these homes may be aged under 65.

Data Collection Tool

The recommended Carecubed tool developed by iESE was used to complete the Fair Cost of Care Exercise

Provider Engagement

Several email communications were sent to providers to inform them of the process and provide them with the required link to the toolkit to complete, as well as invites to national provider sessions, a provider event was held jointly with North East Lincolnshire Council on 9th June 2022 to provide additional information, advice and support for completion.

The deadline for returns was extended on several occasions to allow for and encourage additional returns.

Communication with respondents was mainly undertaken via the iESE system, where providers had difficulty submitting responses, however one to one sessions with providers and commissioners were offered and held. A list of queries raised per provider is available via the portal.

Response Rate

Of the 37 Residential Care Homes for over 65's within North Lincolnshire, 12 submitted a fair cost of care return (**32%** return rate)

Of the 12 returns received, 2 were 65+ care home places with nursing and enhanced needs.

Uplifting of results to 2022-23

The iESE toolkit required providers to uplift their 2021-2022 financial year costs for 2022-23, the information provided by providers within their returns has been used.

Fair Cost of Care Median Results

The below table provides the detailed provider cost information, represented in Annex A. The information provided is the raw cost of care information, as submitted by providers. No localised adjustments have been made to this data.

Zeros were included when calculating the Median Cost of Care results below.

In determining our Median position, a line-by-line approach was taken, to ensure greater depth, detail, consistency and transparency.

Cost of care exercise results - £ per resident per week	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
• Care home staffing:	£497.66	£552.25	£677.05	£677.05
o Nursing Staff	£0.00	£0.00	£268.14	£268.14
o Care Staff	£365.08	£410.09	£272.90	£272.90
o Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
o Activity Coordinators	£6.72	£8.26	£4.78	£4.78
o Service Management (Registered Manager/Deputy)	£41.31	£41.39	£35.33	£35.33
o Reception & Admin staff at the home	£10.09	£11.55	£9.70	£9.70
o Chefs / Cooks	£26.06	£29.90	£23.70	£23.70
o Domestic staff (cleaning, laundry & kitchen)	£35.48	£40.42	£30.91	£30.91
o Maintenance & Gardening	£10.43	£10.64	£10.03	£10.03
o <i>Other care home staffing</i>	£2.51	£0.00	£21.58	£21.58
• Care home premises:	£22.60	£22.77	£24.49	£24.49
o Fixtures & fittings	£0.00	£0.00	£0.45	£0.45
o Repairs and maintenance	£16.82	£16.86	£22.96	£22.96
o Furniture, furnishings and equipment	£5.56	£5.68	£1.08	£1.08
o <i>Other care home premises costs</i>	£0.22	£0.23	£0.00	£0.00
• Care home supplies and services:	£98.17	£117.18	£97.27	£97.27
o Food supplies	£28.06	£29.03	£27.10	£27.10
o Domestic and cleaning supplies	£7.58	£7.50	£10.98	£10.98
o Medical supplies (excluding PPE)	£1.51	£0.21	£9.19	£9.19
o PPE	£0.41	£0.41	£1.58	£1.58
o Office supplies (home specific)	£1.92	£3.08	£3.10	£3.10
o Insurance (all risks)	£6.19	£6.22	£4.99	£4.99
o Registration fees	£4.49	£4.39	£4.71	£4.71
o Telephone & internet	£1.66	£1.83	£1.10	£1.10
o Council tax / rates	£1.23	£1.34	£1.44	£1.44
o Electricity, Gas & Water	£35.60	£57.46	£27.23	£27.23
o Trade and clinical waste	£4.04	£3.46	£3.76	£3.76
o Transport & Activities	£1.62	£1.09	£0.72	£0.72
o <i>Other care home supplies and services costs</i>	£3.88	£1.16	£1.39	£1.39
• Head office:	£30.34	£45.83	£40.84	£40.84
o Central / Regional Management	£10.00	£10.38	£4.80	£4.80
o Support Services (finance / HR / legal / marketing etc.)	£15.55	£24.77	£32.19	£32.19
o Recruitment, Training & Vetting (incl. DBS checks)	£1.81	£1.97	£2.25	£2.25
o <i>Other head office costs</i>	£3.00	£8.71	£1.60	£1.60
• Return on Operations	£50.97	£49.34	£87.59	£87.59
• Return on Capital	£58.08	£73.52	£109.98	£109.98
TOTAL	£757.80	£860.89	£1,037.20	£1,037.20

Return on Capital and Return on Operations

The median return on capital amount was 9% (or £58.08 per bed per week) based on the median of provider returns. For comparison the to the Local Housing Allowance (Category B) less the cost of fixtures & fittings, etc. calculates at 6.95%. The return on capital is lower than the Yorkshire & Humber regional median of £84.30 per bed per week although it is within the regional range of £44.66 to £129.54 and is much more in line when compared to the Humber authorities alone. The median return on operations equates to 7.9%, or £50.97 per bed week, based on provider returns. This is within the regional upper and lower range of £38.31 to £129.54.

Lower Quartile, Median and Upper Quartile Costs

The below table provides the lower, median and upper quartile costs of the returns received by service type;

Residential – No Nursing	LOW	25%	MEDIAN	75%	HIGH
Care home staffing (Care Home occupied beds without nursing): Section Total	£287.45	£392.52	£497.66	£602.12	£772.65
Care home premises: Section Total	£2.28	£14.48	£22.60	£53.34	£219.80
Care home supplies and services: Section Total	£42.53	£64.84	£98.17	£140.93	£251.44
Head office: Section Total	£0.30	£8.66	£30.34	£80.48	£157.84
Return on Capital and Return on Operations: Section Total	£9.67	£70.91	£109.05	£202.89	£293.81
Total Cost Per Week	£299.70	£486.56	£757.80	938.82	£1,444.10

Residential Enhanced - No Nursing	LOW	25%	MEDIAN	75%	HIGH
Care home staffing (Care Home occupied beds without nursing with dementia): Section Total	£366.04	£451.68	£552.25	£631.31	£743.64
Care home premises: Section Total	£11.40	£18.68	£22.77	£58.95	£161.56
Care home supplies and services: Section Total	£56.61	£86.14	£117.18	£177.90	£224.64
Head office: Section Total	£6.95	£24.39	£45.83	£108.18	£155.73
Return on Capital and Return on Operations: Section Total	£38.17	£70.96	£122.86	£210.25	£289.68
Total Cost Per Week	£479.17	£651.84	£860.89	£1,186.58	£1,575.25

Residential with Nursing	LOW	25%	MEDIAN	75%	HIGH
Care home staffing (Care Home occupied beds with nursing with dementia): Section Total	£587.99	£632.52	£677.05	£721.58	£766.11
Care home premises: Section Total	£9.64	£17.06	£24.49	£31.91	£39.33
Care home supplies and services: Section Total	£52.89	£75.08	£97.27	£119.45	£141.64
Head office: Section Total	£3.61	£22.22	£40.84	£59.45	£78.06
Return on Capital and Return on Operations: Section Total	£130.37	£163.97	£197.57	£231.16	£264.76
Total Cost Per Week	£784.50	£910.85	£1,037.20	£1,163.55	£1,289.90

Residential – With Nursing and Enhanced Needs	LOW	25%	MEDIAN	75%	HIGH
Care home staffing (Care Home occupied beds with nursing with dementia): Section Total	£587.99	£632.52	£677.05	£721.58	£766.11
Care home premises: Section Total	£9.64	£17.06	£24.49	£31.91	£39.33
Care home supplies and services: Section Total	£52.89	£75.08	£97.27	£119.45	£141.64
Head office: Section Total	£3.61	£22.22	£40.84	£59.45	£78.06
Return on Capital and Return on Operations: Section Total	£130.37	£163.97	£197.57	£231.16	£264.76
Total Cost Per Week	£784.50	£910.85	£1,037.20	£1,163.55	£1,289.90

Local Position

North Lincolnshire has an oversupply of older people's residential care, with average occupancy levels of between 70-80%. The mean occupancy level of the returns submitted was 73% (median occupancy was 68%). This is further validated by the Housing LIN review recently commissioned, which suggests an oversupply of 224 residential placements locally.

Over the next 3 years, steps will be taken to reshape and reduce the residential care sector towards the LGA recommended occupancy level of 90%. Therefore, a vacancy level adjustment will be applied to the raw FCOC figures locally in the setting of any local fees.

Our current fee setting processes, using a KPMG formula from our previous COC exercise provide a base fee rate, on which a complex enhancement can be applied, as well as the Funded Nursing Care element. They do not directly align with the 4 categories requested within this cost of care exercise.

North Lincolnshire Council has a partnership arrangement with North Lincolnshire Integrated Care Board, any future fee setting would need to be considered in collaboration.

Local fee setting would need to take into account affordability, dependent upon the Fair Cost of Care and Market Sustainability grant provided.

Factors that affect the median cost of care

It should be noted that the median cost of care the exercise may not match any particular fee rate – nor might it be expected to. The exercise is aimed at understanding the unit cost and **not aimed at** disaggregating different levels of income or price points paid for care. The FCOC results will inform conversations with our local providers, considering the points below, as one of the tools to inform our future fee setting processes.

- **Inflated costs within returns:** Costs submitted by providers may include FNC, and additional 1-1 funded placements, that are currently paid separately to the residential care base fee, therefore over inflating the weekly cost of care. This would to be considered and adjusted for accordingly during any future fee setting.
- **Impact of costs during the pandemic:** The last two years have been exceptional and therefore may not represent the most ideal situation in which to assess future costs. This is made more complex by the amount of grant funding applied to the sector to cover extraordinary costs. Whilst some providers may have made effort to

disaggregate any expenditure via these routes, it cannot be guaranteed that all costs are considered “normal” costs and so may be affected by additional non-typical costs during the pandemic years. This would to be considered accordingly during any future fee setting.

- **Utility Costs:** Energy price increases of up to 400% were cited by some providers, it is currently unknown how future energy prices will fluctuate, and how the energy cap will impact provider costs. This would to be considered and adjusted for accordingly during any future fee setting.
- **Short Stay Placements:** Short stay placements currently represent 14% of care home occupancy, a large proportion of these placements are awaiting alternative service provision. In order to improve market sustainability, greater investment is required in alternative services that enable people to be supported at home.
- **Provision of PPE:** PPE is currently provided via the portal to providers without charge. The PPE amounts provided and costs were relative to that known by the provider at time of the request, guidance and PPE prices have altered, as well as PPE currently being provided free of charge via the portal. This would need to be considered prior to determining a local fee.
- **Return on Operations/Return on Capital:** The approach used was to use the median results from provider returns, however conversations will be held with providers to discuss further with regards to fee setting and future strategy.