



Adults with Long Term Impairments

Care Home Placements

BCC Guide Prices for placements and associated assumptions and financial modelling

Based on cost of care work with key providers through Spring and Summer 2019

Proposed guide prices for Care Home placements for Adults with Long Term Impairments for the years 2019/2020 and 2020/2021

August 21st 2019

Foreword

Bristol City Council is committed to promoting the independence of all adults in Bristol by helping to prevent, reduce or delay the need for state funded care and support, and to ensure that any support required, supports independence in the least restrictive provision available. With this in mind, BCC has set out a vision to increase provision of supported living and other support to keep people living in their own homes. There will always be some people for whom a residential care setting is the right environment. For some, this should be short term, with an emphasis on progression / recovery, moving towards more independence. For those with complex needs and impairments where this is the most appropriate setting, BCC want to develop approaches that ensure that people get the best outcomes possible. Providers of good, effective residential provision that delivers good outcomes for people on a fair return to the public purse will always be important partners for us. In these circumstances, the Council commissions from a market of independent care home operators to provide this care.

The Council promotes the effective and efficient operation of this market through commissioning provision and funding the care costs of people who are unable to fund their own care according to the Care Act. It is important that the prices paid for this publicly funded care taken together with privately funded care is sufficient to ensure that care that is safe, of the right quality and is commercially sustainable for providers.

The Council has undertaken a review of residential and nursing care placements for people with long term impairments. This review has included examining social work practice in relation to these placements, meeting with providers to better understand business models and costs, and analysis of the cost and quality of commissioned care. New guidance has been drafted for social workers in relation to placements in residential and nursing care for with long term impairments and BCC led a six week consultation with providers on proposed guide prices for these placements as well as consultation on a refreshed specification for residential and nursing care for adults with long term impairments. BCC is also working with colleagues in Bristol, North Somerset and South Gloucestershire Clinical Commissioning Group to develop more joint approaches.

Thank you to providers, partners and staff members that have engaged with this work and we believe these proposals are the right approach to this important element of adult social care.

Terry Dafter
Service Director, Care & Support – Adults, Bristol City Council

1.1. Context

- 1.2. Bristol City Council (BCC) proposes through the Cabinet Report an interim Price Framework for the remainder of 2019/20 and 2020/21 that gives BCC more control over what it pays for new residential and nursing placements for adults with long term impairments and for existing placements that are reviewed. BCC also proposes a refreshed specification for these services for the next 2 years. The scope of this review covers Learning Disability, Mental Ill-Health, Physical Disability, Sensory Impairment, Autistic Spectrum Conditions and other types of needs.
- 1.3. Following careful analysis of BCC's budgetary position, BCC has identified that it is placing too many people with long term conditions in residential and nursing care and our average price for those placements is higher than other like authorities.
- 1.4. Our vision, being delivered through our Better Lives at Home work, is to collaborate with the market to develop a range of supported living options so more people can live / move towards their own tenancies. We want supported living options to give people real opportunities to be part of the wider community and have good social networks, to be in employment and to live as healthy and happy lives. There will always be some people for whom a residential care setting is the right environment. For some, this should be short term, with an emphasis on progression / recovery, moving towards more independence. For a small group of people with complex needs, this may be the best setting, and we want to develop approaches that ensure that people get the best outcomes possible. Providers of good effective residential provision that deliver good outcomes for people on a fair return to the public purse will always be important partners for us.
- 1.5. In the longer term we are committed to collaborating with people who need services and providers to transform the way residential care is delivered for this group of people.
- 1.6. In order to deliver this vision and invest in alternatives we must bring our current spend and outcomes in line with other authorities. This interim Price Framework will therefore be in place whilst we develop the longer-term transformation of care for adults with long term impairments.

2. Underpinning Principles

- Setting a range of guide prices reflecting differing needs and complexity of service users
- Differentiating between core / shared costs and individualised support e.g. 1-1s
- There is a presumption that 1-1s will only ever be temporary and used to meet agreed short term outcomes
- Alignment with a refreshed interim specification for residential and nursing placements for people with long term impairments, together with refreshed care practice guidance.

3 Key Factors That Determine Placement Price:

- 3.1 Proposed guide prices – greater consistency of price for comparable care while acknowledging that individual packages have to be tailored to individual needs.
- 3.2 Practice guidance – this sets out practice for social work colleagues in relation to support planning, reviews and placements for adults with long term impairments in care home placements.
- 3.3 Recognising the short term investment that BCC needs to make to increase a service user's independence longer-term – investment to taper over time.
- 3.4 Individual factors that determine a person's care package.

4 REVIEW TO DATE/ PROCESS

- 4.1 Bristol City Council (the Council) has met with 15+ key providers over the past four months. In doing so, the Council gathered significant cost data and financial information from providers to enable it to establish its proposed guide prices for the 2019/20 financial year and the Council's next planning period.
- 4.2 BCC sought to understand the actual cost of residential and nursing care placements for people with long term impairments made by the Council. This report explains how the Council has had due regard to these matters, as well as to its requirements to both achieve Best Value under the Local Government Act 1999 and its market development duties under the Care Act 2014.

5 Stage 1 – Information Gathering

- 5.1 BCC met providers in order discuss our short and longer term strategy and to discuss current costs and care models
- 5.2 BCC met providers that covered 2/3rds of the supply of current placements – comprising a mix of local and national providers
- 5.3 Meetings attended by representatives from provider agencies and BCC Commissioning, Finance and Care managers.
- 5.4 BCC used a consistent format for information collection and analysis of information
- 5.5 This Information has informed this Pricing Framework

6 Stage 2 - Initial Analysis and the setting of guide prices

6.1 The Council has analysed all the information received so far from the market, together with its own investigations. These have been considered alongside any local or other relevant factors, as well as the Council's duty of Best Value and its obligations under the Care Act 2014. This has enabled the Council to set out in this report what it provisionally considers its ceiling prices for publicly funded care should be.

7 Stage 3 – Market engagement

7.1 The market engagement process with providers of care home placements for those adult with long term impairments included:

- Briefings at Residential and Nursing Forums over the past 6 months on BCC's intention to review placements for adults with long term impairments
- Letter sent to all providers setting our rationale for the review and times frames for engagement
- Clear timeframes for engagement - six week engagement process that ran from Tuesday July 9th to Monday 19th August 2019
- Methodology/ market engagement report setting out the process followed, explanations as to how the Council arrived at its proposed guide prices
- The actual guide prices themselves and the proposed pathway and mechanisms for updating provisional rates
- How providers can set out what they think may be appropriate, including but not limited to, further evidence, critique of methodology, additional reports, comments and concerns, in addition any data that they might want to share to support their arguments.

8 Stage 4 – Analysis

8.1 Once the consultation period ended the Council analysed all the consultation feedback to support final proposals as to its guide prices having due regard to relevant local or other factors, any legislative changes that are likely to affect costs, its statutory duties and affordability and feedback from the provider consultation.

9 Continued analysis and checks on price through the next few years

- 9.1 It is expected that this is the first of a cycle of information gathering from providers and that a similar exercise will be undertaken at regular intervals to rebase the cost information.
- 9.2 The cycle will consist of establishing a new baseline initially after two years then every third year involving a data collection process followed by a three year period in which proposed updated prices derived from the baseline year were set out. The first new two year planning period would cover the 2019/2020 to 2020/21 financial years inclusive. The next baseline year would be 2021/22 followed by a three year planning period and so forth.
- 9.3 At the same time the Council wishes to collaborate with providers to transform the way in which it commissions residential and nursing care for people with life-long conditions assessed as requiring this. We will discuss the best approach to this with our provider forums and using other means. This collaboration will seek to identify shared learning about evidence based interventions that lead to improved outcomes.

10 Proposed pathway for updating rates in the future

- 10.1 The Council considers that giving providers an insight into its future provisional pricing intentions will be a significant aid to provider business planning as well as supporting market shaping as required by the Care Act 2014.
- 10.2 Therefore, as part of the 2019/20 process to set its guide prices in the baseline year of 2019/20 the Council is also setting out the indexation process for the following year 2020/2021.
- 10.3 The Council recognises that the indexation will have to account for a range of factors. These factors include but are not limited to:
- Provider costs inflation/deflation
 - Changes in market conditions
 - Government policy and changes in legislation
 - Performance of the economy
 - The Council's financial position

11 Other changes affecting the market

- 11.1 The Council proposes to fully consider any other changes including market conditions, government policy, economic performance and the Council's financial position that could affect provider costs in dialogue with providers via the Under 65 Residential and Nursing Provider Forum.
- 11.2 For the avoidance of doubt, the guide prices for 2019/20 and 2020/2021 include the Council's current assessment of changes in costs impacting in the 2019/20 financial year. These proposed guide prices are, however, subject to further change in the light of the consultation process.
- 11.3 The planned prices set out later in this report for the years 2019/20 and 2020/2021 are what the Council is currently planning and reflect the Council's aspirations and intentions at this time. They are intended to support business planning and aid market shaping.

12 Efficient and effective operation of the care market

- 12.1 The Council recognises that occupancy rates vary from provider to provider and over time. With smaller care homes, a characteristic of this market, occupancy levels will have a significant bearing on cost.
- 12.2 As occupancy rate increases the unit price per bed required to generate the same income reduces. The Council believes that it is reasonable and consistent with its duties under Best Value and the Care Act to assume that the market improves the efficiency of its asset use and is proposing, therefore, the guide prices it pays will reflect an occupancy level of 95%.
- 12.3 The Council understands that this may not be possible for some providers to achieve, however, its market shaping duties under the Care Act 2014 require it to seek a better balance of supply and demand in the care home market in Bristol. The Council will keep its proposals regarding occupancy rates under review as part of the dialogue process described earlier in this report. The Council's future vision includes provision of shorter term residential care for some people, to address specific issues or skills development on a pathway towards independent living. We will keep occupancy rates under review as we develop those approaches.

13 Equality Impact Assessment (EqIA)

13.1 Under the Equality Act 2010, public bodies must pay due regard to the 'equality duty' when planning, changing or commissioning services. It is up to public bodies how they implement the duty. However they must be able to provide evidence that the duty was considered before a decision is made. Equality impact assessments (EqIA) are an effective way of demonstrating that. The Council will undertake an equality impact assessment on these proposed interim price changes.

14 The market engagement process

- 14.1 Providers have participated in the engagement process around setting guide prices. A survey was set up to enable providers to respond to the proposed guide prices and assumptions for the duration of the consultation period. The survey was available online.
- 14.2 Providers were notified about the process via email. Correspondence notifying providers that the process has commenced consisted of a covering letter incorporating a summary of the proposals letter with links to the survey and details of the cost of care exercise.
- 14.3 The process included the detailed cost of care report, any other supporting documentation and details of how to participate in the exercise. The online survey posed a number of questions about the exercise and the proposed guide prices which providers were encouraged to respond to. The process provided an opportunity for providers to submit further information, challenge proposals, pose questions and seek clarification of any points they wished to raise.
- 14.4 When the consultation period ended, the Council considered all responses and completed its final analysis to enable it to determine the final proposed guide prices for the 2019/20 financial year and the indexation methodology for 2020/21. In doing so the Council will have had due regard to the proposals, the reasoning for it and the responses from the consultation.

15 Payment of proposed guide prices. The Council proposes to use the guide system shown in the table below.

15.1 These proposed guide prices as follows:

Small Home (4-6 beds) low needs

Small Home (4-6 beds) high needs

Large Home (7-12 Beds) low needs

Large Home (7-12 Beds) high needs

15.2 The methodology applied to calculate these guide prices is set out below:

	12 bed home High	12 bed home Low	6 bed home High	6 bed home Low
Guide price per Bed	1,350.76	1,136.75	1,477.51	1,263.50

16 Actual Cost of Care – internal analysis and benchmark information

16.1 Residential and nursing care for adults with long term impairments is provided in the main by hundreds of separate independent businesses. Each business is unique and operates with a whole range of diverse business models and financial structures. Some businesses are highly geared whilst others have little or no debt financing. This has a marked effect of the return on capital required by individual providers which can be a significant sum or a modest sum and will vary over time.

16.2 Whilst the majority of care homes are between 6 and 12 beds, some are smaller and some larger. Some will provide generous amounts of space for each resident and provide private bathroom and toilet facilities whilst others and may not offer private facilities. In addition, the amount of direct care provision will vary from individual resident to individual resident because needs vary and change over time.

16.3 It is therefore evident that there is no one single actual cost of care but rather a range of actual costs reflecting the diversity of providers in the market including the quality and value of their care homes, the level of need of their residents and provider expectations in relation to profits and return on capital employed.

16.4 It is also the case that there is no one method of calculating guide prices based on actual costs of care. It is rather a matter of judgement in the context of local factors and the legal duties placed on the Council as described above.

17 Costs Model

17.1 The costs model structures costs in the following categories:

Small Home low needs service users
Small Home high needs service users
Large Home low needs service users
Large Home high needs service users

17.2 The costs model structures costs in the following categories:

17.3

- Direct Care Costs covering staff costs that relate to the direct provision of care
- Indirect Care Costs covering staff costs that do not relate to the direct provision of care and includes registered manager, deputy manager, and administration and reception staff
- Accommodation costs covering non staffing operating costs that Bristol City Council would expect a care home to incur in the delivery of an effective and efficient service
- Overheads covering costs such as Central / Regional Management, Support Services (finance / HR / Payroll / legal etc.)
- Returns covering a reasonable allowance for return on capital employed and operating profit of 7%
- Voids, where occupancy is assumed to be 95%

18 Actual cost data

18.1 Over the past four months, Bristol City Council has met with 15+ providers that deliver approximately 2/3rds of all placements made by BCC for Adults with long term impairments in an open and transparent process, providers have shared actual cost data on the operation of their homes in a broadly standard way across key cost categories.

18.2 In the case of direct labour costs, the value could only be determined through calculation. In this case the independent provider indicative direct labour costs were used without any alterations.

18.3 In the case of profit margin, the Council has determined a value that it considers to be reasonable by applying a 7% surplus to operating costs including overheads.

18.4 In the case of return on capital the Council developed a methodology to determine an assumed value of capital employed based on a mix of land values, building costs and sale values. The Council then applied a rate of return of 7% to arrive at the value used in its indicative actual costs model.

19 The National Minimum Data Set for Social Care (NMDS-SC)

- 19.1 This dataset was created by Skills for Care in 2005 and currently holds information on around 24,000 care providing organisations and 700,000 workers in the adult social care sector. The information includes rates of pay and is supplied by providers themselves on at least an annual basis. This data set provides Bristol specific data including rates of pay and has been used to help determine labour costs used to help populate the Council's indicative actual costs model.

20 Assumptions

- 20.1 Occupancy and size of care home
- 20.2 The Council recognises that care homes cannot operate at 100% occupancy throughout the year and the Council has therefore assumed a current average occupancy rate of 95%.
- 20.3 The Council has developed models that reflect small homes of 6 beds and larger home of 12 beds as being typical of this market.

21 Direct care costs

- 21.1 To calculate direct care costs the Council has identified the cost of staff that directly deliver care on a shared basis as the core costs of operating the home. This is separate from those circumstances where 1:1 support may be used on a temporary basis.
- 21.2 The Council has analysed its data sets and had regard to its cost models and as a result judges that the number of care hours required for each resident with high needs is as follows:

	Service User to care staff ratio	
	High	Low
Days	2	3
Nights	6	6

- 21.3 To calculate the cost of direct care provision the Council has used the Foundation Living Wage effective from 1st April 2019 of £9.00.
- 21.4 The Council has taken account of the uplift required to reflect labour related on costs in all models and has judged an uplift of 25.5% to be reasonable.

22 Indirect care costs

- 22.1 These costs arise from non-direct care staffing and the Council has analysed the indirect care costs in its data sets and had regard to its cost models and as a result has reached a judgement on the indicative indirect care costs and has populated its cost model accordingly.

23 Accommodation costs

- 23.1 These costs include utilities, buildings upkeep, gardening, food and so forth. To calculate accommodation costs the Council has had regard to all the data sets and models and derived an indicative cost that the Council judges to be reasonable. The Council has populated its costs model accordingly.

24 Overheads

- 24.1 The Council has regard to all the data sets and has used the average of the data received to populate the model.

25 Operating profit

- 25.1 Strictly speaking, profit is not a cost but reflects provider expectations as to return on operations. These expectations will vary between providers. The Council considers that a profit of up to 7% of operational costs including overhead costs is reasonable having regard to the care economy and affordability. The Council has populated the costs model accordingly treating profit as if it were a cost.

26 Return on Capital

- 26.1 There is no one accepted method of determining what providers might expect or require as a return on the capital that they may have employed in developing and running their businesses. Requirements will vary for a variety of reasons including the financial structure of the business, the maturity of the business and various business models.
- 26.2 The Council estimates that the main capital investment, however, relates to the value of the land and buildings required for the enterprise in question whether owned or rented and the Council has therefore based its judgement on these values.
- 26.3 The Council has reflected the fact that the majority of the care estate was built many years ago with a minority of the estate comprising new or more recently built care homes.
- 26.4 In the case of the older care estate the Council judges that a reasonable proxy for capital employed is likely to be the current sale value of the business. The Council has gathered information about sale values of care homes to help it understand the value of capital employed in the older care estate.
- 26.5 In the case of newer build the Council judges that the current land value and turnkey build costs provide a reasonable proxy for capital employed. The Council has adopted the method used in the Laing & Buisson model. This has enabled to Council to understand the value of capital employed in the new or recently built care estate.
- 26.6 This mix of buildings in the care estate is reflected in the Council judgements of an indicative value of capital employed. The Council judges that a return of 7% on the capital employed is reasonable in the current financial climate. The Council has populated the costs model accordingly.

27 Indicative new guide prices

27.1 Based on the methodology set out in section 4 above the Council judges that the indicative actual costs of care for each of the four categories of need per week in the financial year 2019/20 are as set out in the table below:

	12 bed home High	12 bed home Low	6 bed home High	6 bed home Low
Guide price per Bed	1,350.76	1,136.75	1,477.51	1,263.50

BCC notes that the group of people for whom it sources this group of placements present with a range of needs and potential outcomes. The guide prices will form the basis of negotiation on an individualised basis. Templates will be developed to support transparent discussions where providers can evidence the need for additional payment due to specific individual needs or to support improved outcomes through specific interventions.

28 Economic Issues

- 28.1 Care Quality Commission data as at February 2018 indicates that in Bristol there are 2901 registered beds in care homes. There are 74 residential care homes which account for 917 of the beds and 74 care homes with nursing which account for 917 beds.
- 28.2 The Council only provides public funding for people who are eligible for services following assessment against national criteria and either provides all the funding required by a provider or a contribution towards it depending upon the financial circumstances of the individual concerned.
- 28.3 Data published by the Care Quality Commission show that over the past three years 22 care homes have closed, however, 19 new providers have entered the market over the same period as shown in the diagram below. The general picture is of a stable market. This suggests that current incomes have on the whole been sufficient to sustain continued provision.

29 Combined Residential and Nursing Home Closures and Openings - Bristol 2015-2017

	2015	2016	2017	Total
Homes Opening	1	14	4	19
Homes Closing	3	13	6	22

30 Quality of Care

- 30.1 At the end of November 2017 the Council analysed the quality ratings for residential care homes awarded by the Care Quality Commission (CQC) which is the statutory regulatory body with responsibility for rating the quality of care. The showed that:
- 6.2% Care Homes were rated Outstanding
 - 84.6% Care Homes were rated Good
 - 9.2% Care Homes were rated Requires Improvement
 - 0% Care Homes were rated Inadequate

These figures (March 2019) cover all CQC regulated areas.

- 30.2 This reflects a better position than the quality ratings for all registered services (not just residential care) nationwide where 6% are inadequate and 28% require improvement.
- 30.3 In the light of this assessment of the residential care market in Bristol the Council judges that the

market could continue to operate effectively and sustainably on a range of prices paid by the Council. The Council has had regard to the market characteristics described above in arriving at its proposed guide prices.

31 Proposals

31.1 Actual Costs of Care

31.2 The process described in this report has enabled the Council to quantify indicative actual costs of providing a care home placement for an adult with long term impairment as set out in the table of this report. Given that there is no single actual cost of care that is accurate for all providers, the Council has had regard to the actual cost of care by using the indicative actual costs of care and used these to populate its costs model to help in the formulation of its proposed guide prices.

31.3 In doing so, the Council recognises the need to ensure that the prices it would usually expect to pay for residential and nursing care in Bristol are sufficient to enable the average provider operating their business reasonably efficiently, to cover their operational costs as set out in the tables in this report and provide a reasonable element of profit and return on capital.

31.4 The Council recognises that providers operate in a competitive market and will set their prices accordingly. The Council takes the view that to be reasonable its proposed guide prices should sit between the operational costs figure and the operational costs with returns figure set out in the indicative actual costs table in this report.

31.5 The Council judges that guide prices set at a level above that of operational costs plus returns in the table of this report (that is to say operational costs together with full allowance for the indicative cost of capital and a 7% profit margin) would exceed the price that it would usually expect to pay having regard to the statutory guidance and the matters set out below.

31.6 It is important to note, however, that the proposed guide prices for 2019/20 and 2020/2021 are themselves subject to further review and should therefore be considered as provisional and providing the basis for further consideration following the consultation process at this stage.

32 Best Value and Market Development duty in the Care Act

32.1 The Council believes that increasing efficiency in the residential and nursing care market as a whole is an essential element in discharging its legal duties of Best Value in the Local Government Act 1999 and the market development duties under the Care Act 2014. Accordingly the Council considers that its ceiling prices should incentivise improved efficiency and value for money. To do so the Council proposes to assume an occupancy rate of 95% in 2019/20. The Council has factored this thinking into its proposals on guide prices; however, the Council proposes to keep assumed occupancy rates under review as part of the proposed dialogue with provider representatives described earlier in this report.

33 Affordability

33.1 The Council is faced with the reality of the funding position set out earlier in this report but nevertheless aspires to ensuring that its proposed guide prices will enable sufficient provision of the right quality to continue to be provided for the needs of Bristol City Council not only in the current year but throughout the Council's proposed pathway for updating rates in the years to come.

34 Guide prices

- 34.1 In the light of all the considerations set out above in this report the proposed guide prices for 2019/20 are subject to further adjustment in the light of the consultation.

35 Conclusion

- 35.1 In this methodology report, BCC has set out in some detail the process that it has developed to enable it to make recommendations to its Cabinet about guide prices for the 2019/20 and 2020/2021 financial years.
- 35.2 It sets out proposed guide prices for adults with long term impairments for the current year as well as the next financial year, together with a full explanation of how further adjustments to prices will be carried out in the future.
- 36** The table below shows the proposed Guide Prices for 2019/20

	12 bed home High	12 bed home Low	6 bed home High	6 bed home Low
Staffing Costs - Shared Care				
Shared Care - Day	459.38	307.13	462.00	309.75
Shared Care - Nights	105.00	105.00	105.00	105.00
Total Shared Care costs	564.38	412.13	567.00	414.75
Staffing Oncosts	143.92	105.09	144.59	105.76
Total Shared Care	708.29	517.22	711.59	520.51
Indirect costs				
Management cost	125.00	125.00	175.00	175.00
Other staff Costs	50.00	50.00	75.00	75.00
	175.00	175.00	250.00	250.00
Staffing Oncosts	44.63	44.63	63.75	63.75
Total Indirect Staffing Costs	219.63	219.63	313.75	313.75
Accommodation & Administrative Costs				
Property & Other running costs	105.00	105.00	120.75	120.75
Overheads	100.00	100.00	100.00	100.00
Total Non Staffing costs	205.00	205.00	220.75	220.75
Total Operating Costs	1,132.92	941.84	1,246.09	1,055.01
Returns				
Return on Land & Buildings	81.89	81.89	81.89	81.89
Profit	79.30	65.93	87.23	73.85
Occupancy Factor	56.65	47.09	62.30	52.75
Total Returns	217.84	194.91	231.42	208.49
Guide price per Bed	1,350.76	1,136.75	1,477.51	1,263.50

Report Author

Neil Sinclair, Finance Business Partner, Bristol City Council

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