

<b>SUBJECT</b>	<b>PROPOSED NEW FRAMEWORK FOR PAYMENT OF OUTCOME-BASED SUPPORTED LIVING SERVICES</b>
<b>AUTHOR</b>	<b>PRINCIPAL ACCOUNTANT</b>

## 1 EXECUTIVE SUMMARY

- 1.1 This report describes the work completed to date in establishing a new framework for the payment of Supported Living services, in line with the drive towards outcome-based commissioning.

## 2 CURRENT POSITION

- 2.1 Wirral Council (WMBC) currently pays its Supported Living providers on a framework rate of £13.02 per hour. This has been effective since 1<sup>st</sup> April 2016, and represented a substantial (6%) increase on the previous standard rate of £12.28.
- 2.2 A breakdown of how the £13.02 is comprised is attached at the end of this report, as Appendix 1
- 2.3 WMBC also currently pays a standard rate £72.51 per night for sleeping night services, which has been effective since 1<sup>st</sup> April 2016. Prior to this date, sleeping night rates were negotiated with providers on a case-by-case basis, at an average of £39.41 per night.
- 2.4 As at 31<sup>st</sup> October 2016, there are currently 698 service users in receipt of daytime hours of support. In total, approximately 28,700 hours of daytime support are being commissioned per week, with 85% of these being commissioned at standard rate (i.e. £13.02). The weighted average of hourly rates paid above the standard rate is currently £13.65, with the range extending from £13.15/hr to £27.32/hr.
- 2.5 Of the 28,700 hours commissioned per week currently, 71% are spot commissioned, with 29% being commissioned as part of 'core' arrangements (i.e. non-service-user-specific hours that are allocated across the whole unit).

## 3 SCOPE

- 3.1 This framework is proposed to apply only to daytime hours of care; sleeping night arrangements and their associated fee rates are proposed to remain unchanged and are therefore outside the scope of this report.
- 3.2 This proposal assumes that only those service users currently paid at the standard rate of £13.02 would transfer onto the framework. Packages commissioned at ad-hoc rates over and above the £13.02 rate would not be accepted onto the new outcome-based framework unless the care providers accepted the associated framework fee rate.
- 3.3 The proposed outcome-based framework would apply to both spot and core daytime hours, in order to incentivise providers to seek reductions in both types of care. The rationale for this is that applying the framework to only spot hours could potentially discourage suppliers from providing more cost-effective core hour arrangements, in favour of more profitable spot hours. It is also reasonable to expect that providers will be able to reduce service users' dependency on core hours as well as spot hours.
- 3.4 The proposed framework would apply to all care types, encompassing Learning Disabilities, Mental Health and also those service users currently in-scope for the proposed Integrated Service with Wirral Community Trust (WCT).

## 4. PROPOSAL

- 4.1 The proposal draws on Open Book Accounting principles by incentivising particular aspects of the framework fee rate in order to encourage particular desirable behaviours from care providers.
- 4.2 The outcomes that Supported Living aims to achieve are increased independence, the development of life skills and reduced dependency on the care of others. This is in harmony with the principles of asset-based support, which the Council is also implementing, with focuses on the development of social and work networks and other forms of support which are available for service users, outside traditional 1:1 support. *(Lead Commissioners to supply more detailed narrative here)*
- 4.3 It is proposed to transform the Supported Living fee rate into a system whereby providers would receive an incrementally increased return on activity (currently 3%) in exchange for demonstrating that they are improving service users' independence, developing their life skills and making them less reliant on the care of others.
- 4.4 In practice, this would be implemented through a five-tier fee rate, as outlined in Table 1, below, where a provider would 'step' onto a higher band for every 20% reduction achieved in the number of care hours needed by a service user, relative to the number of hours they were first assessed as needing at commencement.

**Table 1**

Size of Package (day hours)	Rate (£/hr)	Return on Activity (%)	Return on Activity (£/hr)
100%	13.02	3%	0.38
80%	13.40	6%	0.76
60%	13.78	9%	1.14
40%	14.16	12%	1.52
20%	14.54	15%	1.90

### **Worked Example 1 – Part 1**

*Service User A enters the service requiring 50 day hours of supported living care per week. These hours are all paid at £13.02/hr. After six months of working with the service user to achieve some of the outcomes of supported living, Service User A's social worker reviews the level of care being commissioned and decides that the service user is now able to conduct a lot of the day-to-day tasks themselves that previously they required 1:1 support for. Consequently, they decide, 40 hours of care will now be sufficient to meet their needs.*

*As a result of the number of hours' support needed by Service User A reducing to 80% of the value that it was when they entered the service (40 hrs / 50 hrs = 80%), the new package of 40 hours per week is paid at £13.40/hr instead.*

*From Service User A's perspective, they have been taught to live more independently, with more choice and control over the way they look after themselves. They are less reliant on the care of others for their support.*

*From the care provider's perspective, they now make double the notional return on activity (profit) on each hour of care delivered, from 38p per hour to 76p per hour.*

- 4.5 Reductions in packages of care would be applied only following a review by a social worker, either as a result of an ad-hoc request for review by a provider, or during the annual cycle of regular reviews.
- 4.6 Upon commencement of a package of supported living, the social worker (CAT?) will record the total number of day hours commissioned, along with the 'threshold levels' that trigger a new hourly rate. This will be visible on the care management system, so that, in the event of a change of social worker, it will still be clear what the threshold levels are. It is important that the numbers of hours commissioned at the start of a package are appropriate and are not artificially inflated in order that providers can achieve a 'quick win'.
- 4.7 New rates will only be applicable in the event of demonstrable, anticipated long-term improvements to a person's independence and level of self-care. It will not be considered in cases, where, for example, a person has a temporary reduction in the number of care hours they require, which is then expected to revert back to its original level.

- 4.8 Should a service user require an increase in the number of care hours required, having already managed to reduce them as a result of increased independence, etc, then a reduction in the hourly rate would only apply from the point at which they crossed the 'threshold' into a different band.

### **Worked Example 1 – Part 2**

*Service User A currently receives 40 day hours of care per week, at an hourly rate of £13.40.*

*Twelve months later, at the point of annual review, the social worker notices that there has been a deterioration in the service user's circumstance, and commissions a further 5 day hours of care (45 in total).*

*Because the new volume of hours is now only 90% of the original 50 hours commissioned (see Worked Example – Part 1), the hourly rate is decreased to £13.02.*

*Twelve months later, the service user has shown marked improvement and, upon review, the Social Worker determines that they only now require 30 hours of care per week. This represents 60% of the original volume of hours they entered the service with, therefore these 30 hours are paid at £13.78/hr*

## **5. EXPECTATIONS OF PROVIDER BEHAVIOUR**

- 5.1 *(Lead commissioners to insert narrative here, concerning the behaviours we would expect from our providers in delivering the outcomes of supported living.)*

## **6. RISK ANALYSIS**

- 6.1 Work needs to be undertaken to review the brokerage process, to ensure that there is equity in the marketplace.
- 6.2 As stated in 4.6, it is important that control mechanisms are in place to ensure that the volume of hours commissioned for new packages of care does not increase, in the event that providers attempt to 'game' the system by claiming 'quick wins' on over-inflated packages of care.
- 6.3 There is a risk that, by establishing a fee model which incentivises providers to deliver fewer hours, care packages could be reduced below a level which is deemed safe. To mitigate this risk, this proposal ensures that no changes to hours will be agreed without having been approved by a social worker.

## **7. EXPECTATIONS OF EFFICIENCIES**

- 7.1 It is anticipated that it will be possible to achieve an efficiency from the implementation of the new framework, in addition to delivering better outcomes for service users.
- 7.2 If providers are able to deliver sufficient improvements in service users' independence and levels of self-care, such that there is an equivalent reduction in the total number of day hours required of 1%, then this could generate a cost reduction to WMBC of approximately £150,000 per year (gross). This is based on the assumption that a 20% reduction in the number of care hours required could be achieved for 5% of the total number of service users currently receiving services.

## **8. LIMITATIONS**

- 8.1 This framework is not applicable to the provision of night support, which currently costs WMBC approximately £4.4m per year. Alternative methods of securing more cost-effective night support services are currently being undertaken within the department.
- 8.2 A significant number of supported living packages are currently joint-funded with Wirral CCG. Any efficiencies deliverable on these packages of care would only be realised on a 50% basis.

## APPENDIX 1

### BREAKDOWN OF CURRENT SUPPORTED LIVING RATE

	£	£	Comments
<b>Staffing Costs</b>			
Cost of direct support	8.19		95% support workers, 5% managers costs
Managerial costs (1:10 ratio)	0.54		Assumes 50% of time spent managing
General admin (1:15 ratio)	0.54		
Holiday cover	1.00		28 days per year
Sickness cover	0.19		2.0%, as per provider feedback
Training cover	0.25		7 days per year
Supervision cover	<u>0.12</u>		30 mins per week
<b>Total Staffing Costs</b>		<b>10.82</b>	Rounded
<b>Non-Staffing Costs</b>			
Management overheads	1.52		14.1%
VAT (20%)	0.30		
Return on activity (3%)	<u>0.38</u>		As per provider feedback
<b>Total Non-Staffing Costs</b>		<b>2.21</b>	Rounded
<b>Hourly Rate</b>		<u><u><b>13.02</b></u></u>	Rounded