

WIRRAL COUNCIL

CABINET: 9 APRIL 2009

REPORT OF THE DIRECTOR OF ADULT SOCIAL SERVICES

PROGRESS TOWARDS THE TRANSFORMATION OF ADULT SOCIAL SERVICES – FEES FOR RESIDENTIAL AND NURSING HOMES

Executive Summary

The purpose of this report is to bring forward additional information for consideration regarding revised fees payable to Residential & Nursing homes.

1. BACKGROUND

- 1.1 In order to implement the budget strategy for 2009/10 Cabinet and Council approved that £1.9m should be saved from the fees paid to Residential and Nursing homes in line with the Department of Adult Social Services transformational programme. The rationale for this approach was that at its usual “base rate” fee, Wirral pays between 3.6% and 11.5% more than the regional average. The service and financial objectives are to obtain a fair fee rate that enables quality care, where providers can properly run homes which can operate with good levels of occupancy, to be provided from a sustainable budget. An amount of £400,000 has previously been identified at the Cabinet meeting on the 27th November 2008, by introducing a new contract for nursing care.
- 1.2 At its meeting on 19 March 2009 Cabinet considered the report Progress towards the Transformation of Adult Social Services – Financial Issues, which put forward, amongst other things, the following proposal regarding fees payable for residential and nursing homes’ fees
 - Current baseline fee levels as at 29 November 2008 being reduced by 5% and introduced as the Council’s “usual fee” levels from 1 April 2009.
 - The existing quality premium criteria and differential amounts paid being retained as an interim measure.
 - The intention to consult further on the adoption of Commission for Social Care Inspection star ratings and the premium payments to be paid at each level subject to the availability of a declared rating for all homes.
- 1.3 In considering these proposals Cabinet was mindful of responses received during the consultation from home owners, in particular:
 - the impact such changes would have on individual homes, who account for income and set business plans accordingly and could foresee difficulties with a reduced income.

- that homes could not envisage measures to take account of the reduction without it having an impact on standards of care.

Cabinet therefore recommended:

“With Regards to Residential and Nursing Homes

Having considered the representations made on behalf of the Residential and Nursing Home providers, this aspect of the report is deferred. The Director of Adult Social Services is instructed to report to the next meeting of cabinet on 9 April 2009 with further details addressing in more detail the matters raised during the consultation process.”

- 1.4 This report brings forward further information and additional options for Cabinet to consider in agreeing the appropriate fair fee levels that enable quality care to be provided from a sustainable budget with effect from 1 April 2009.

2. MATTERS FOR CONSIDERATION

- 2.1 In the report to Cabinet on 19 March 2009 it was stated that a 5% reduction was proposed based on market fees being sustained by providers across the North West. The following table compared Northwest baseline rates and was informed by an annual survey of UK Local Authorities baseline fee rates for 2008/09 prepared by Laing and Buisson, which the Council used to set its current rates, and published by Community Care Market News in July 2008.

	Residential	Residential EMI	Nursing*	Nursing EMI*
NW Average excluding Wirral	£338.66.	£376.03	£365.43	£390.25
Current Wirral Rate	£360.64	£389.69	£406.10	£435.15
Variation on NW Average	£21.98 (+6.5%)	£13.66 (+3.6%)	£40.67 (+11.1%)	£44.90 (+11.5%)

*It should also be noted that an additional amount of £103.80 is paid to these providers for Free Nursing Care per placement per week.

- 2.2 Whilst the decision to implement the reduction in fees was deferred the Department of Adult Social Services is still required to make savings of £1.5m in the area of residential and nursing care in 2009/10. No evidence was provided by the home owners to refute the Council’s view that
- the fees paid by the Council are high by comparison with other local authorities,
 - there is over provision of homes in the area and
 - as initiatives to keep people who use services at home increase there will be a need for fewer residential and nursing homes in Wirral.
- 2.3 In the absence of a significant reduction in fee levels options might have to be considered that restrict admissions to residential and nursing homes,

where this is permitted by law, or “block contracts” are established, thus restricting choice.

2.4 A number of the challenges by providers as a result of the consultation exercise have, however, been revisited and the following have been considered in bringing forward further proposals.

- (i) In July 2008 Cabinet received a report Residential and Nursing Home Care Fees which set out details of the Laing and Buisson Model (using “Fair Price for Care” – Joseph Rowntree Foundation) . The report concluded that three years after the initial calculations market conditions had changed to the extent that a review of the Baseline Fee was warranted to ensure value for money is being achieved. Since that time the economic climate has changed radically; a revised calculation based on 5% return on investment rather than the 9% in the July report shows that on current rates residential homes are “breaking even” ie have sustainable income levels, at approximately 80% occupancy and nursing homes at approximately 70% occupancy.
- (ii) A number of home owners suggested a “price freeze”. It is recognised that this is an option that members might want to consider. It should be noted, however, that based on the results from the modelling exercise, homes may currently break even (with a reduced return on investment), on less than 80% occupancy. This would therefore suggest that a “price freeze” would continue to support homes with a significant number of empty beds. It must be considered whether, in a “market economy”, this is a realistic position and may result in:
 - over provision of “beds” across the residential and nursing homes sector
 - significant vacancies and
 - fewer residents to interact with each other in those homes with significant vacancy levels

2.5 The report to Cabinet 19 March 2009 included the following options for members to consider, each of which had various advantages, disadvantages and business risks:

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| Option 1 | Implement new reduced rates for new business from April 2009 and existing contracts terminated, replacement contracts being offered with a revised inflation clause. |
| Option 2 | Re-tender for all categories of residential and nursing care |
| Option 3 | Where home owners had agreed to accept the new rates (ie reduced by 5%) these were to be implemented from 1 April 2009; where home owners had refused the new rates, contracts were to be terminated (with 3 months’ notice) with new placements being made at homes that had accepted the new rates with effect from 1 April 2009. All placements in homes that did not have a valid contract will be reviewed and |

alternative accommodation options explored on an individual basis. All contracts would need to be terminated during 2009/10 to build in the results of the Quality Premium review and health standards, an appropriate inflation clause and measures required to ensure the principles of “personalisation” are embedded.

2.6 In the light of further analysis and comments made by home owners the following two options are brought forward for consideration:

Option 4 Freeze current rates

This option recognises the representations made by some home owners, whereby they would agree to forego the inflation clause for 2009/10, effectively freezing prices at the March 2009 level and during the year 2009/10 work with the Council to agree a new contract reflecting a different quality premium and a new way of dealing with future inflationary pressure.

The implications in 2009/10 would be as follows:

- There would be budget savings of the equivalent amount that is included in the base budget for inflation of £943,000
- This would leave a shortfall of £557,000 on the budget saving of £1.5m.
- There would, however, be the avoidance of unbudgeted contract inflation cost pressure of £637,000
- Assuming agreement from 1st April from all providers there would be no Efficiency savings as fee levels would remain unreduced.

The advantages are:

- this proposal may be more acceptable to home owners ;
- it provides significant savings in 2009/10, although less than required in the budget strategy and avoids potential overspending for contract inflation in this area;
- the Council would still be able to address the quality issues through the 2009/10 review

Option 5 Pay no inflation increase and reduce current rates by 1.3%.

This option takes into account the representations made by the home owners, but in order to achieve the Council's stated aim of managing within a sustainable budget, prices at the March 2009 level are reduced by 1.3% and no inflation increase added. During the year 2009/10 work will proceed to agree a new contract reflecting a different quality premium and a new way of dealing with future inflationary pressure.

The implications in 2009/10 would be as follows:

- Assuming agreement from 1st April for all providers there would be Efficiency savings from reduced fee levels of £440,000.
- There would be budget savings of the equivalent amount that is included in the base budget for inflation (2%) of £943,000
- This would leave a shortfall of £117,000 against the budgeted saving and will form part of the departmental budget strategy considerations in 2009/10
- There would be the avoidance of unbudgeted contract inflation cost pressure of £637,000

The advantages are:

- it is less likely that there will be an adverse impact on the quality of care provided by home owners whilst they adjust to the new fee levels
- it provides a more secure likelihood of achieving significant savings in 2009/10
- the Council would still be able to address the quality issues through the 2009/10 review

2.7 In the light of the advantages and budget savings from Option 5, it is recommended that this option be taken forward and the following would, therefore, become Wirral's "usual" fee rates

Star Rating	Residential		Residential EMI		Nursing*		Nursing EMI*	
	Current	Propose	Current	Propose	Current	Propose	Current	Propose
Base	(360.64)	355.95	(389.69)	384.58	(406.10)	400.82	(435.15)	429.45
1	(366.17)	361.41	(395.22)	390.04	(411.32)	405.93	(440.68)	434.91
2	(393.89)	388.71	(422.94)	417.41	(439.35)	433.58	(468.40)	462.28
3	(421.82)	416.29	(450.87)	444.99	(467.28)	461.23	(496.33)	489.86

*It should also be noted that an additional amount of £103.80 (expected to be increased to approximately £106) is paid to these providers for Free Nursing Care per placement per week.

2.8 In implementing this option it should be noted that the existing contracts will automatically trigger an increase of 4.7% for inflation from 1 April 2009. It will be necessary to invite home owners to accept a variation to these contracts that eliminates this increase and further reduces the fees by 1.3%. It should be noted this significantly less than the 5% reduction as proposed in the report to Cabinet on 19 March 2009.

3 Financial and Staffing Implications

3.1 Fees paid to independent care providers

- (a) The Council has agreed an efficiency target for 2009/10 of which £1,900,000 has been specifically identified for Residential/Nursing Care.
- (b) An amount of £400,000 has previously been identified in this area and a residual amount of £1.5m remains.
- (c) Furthermore, if no action is taken the existing contracts contain inflation clauses which will increase costs by £1.58m. Since inflation provision of 2% is contained within the budget, £637,000 additional unbudgeted expenditure would be incurred
- (d) The financial implications for the recommended Option 5 in 2009/10 in this report are set out below;

Savings Element	Residential and Nursing Homes
Efficiency Savings	£440,000
Budgeted inflation savings	£943,000
Total Budget savings	£1,383,000

- (e) This would leave a shortfall of £117,000 against the budgeted saving and will form part of the departmental budget strategy considerations in 2009/10
- (f) It should be noted that this proposal will also ensure that the Council avoids paying the additional inflationary increase of £637,000 as noted in (b) above

4 Business Risk

A list of the risks relating to each area has been established under each of the options being considered.

5 Equal Opportunities Implications

An Equality Impact Assessment with regard to fee level was included in the report to Cabinet on 19 March 2009 at Appendix 5.

6 Community Safety Implications

None arising from this report

7 Local Agenda 21 Implications

None arising from this report

8 Planning Implications

New applications to develop residential or nursing home services by new entrants to the market may reduce as Wirral Fees appear to be less attractive.

9 Anti Poverty Implications

None arising from this report

10 Social Inclusion Implications

All contracted services in this report offer support to people living in Wirral.

11 Local Member Support Implications

Providers and people who use services affected by these proposals are located in all wards.

12 Background Papers

Community Care Annual survey of UK Local Authority baseline Fee Rate
Published July 2008 – Laing and Buisson.

Residential and Nursing Home Fees - Cabinet 9 July 2008 (Exempt).

Progress toward the transformation of Adult Social Services - Cabinet 10
December 2008

Progress toward the transformation of Adult Social Services – Fee levels
for residential, nursing homes and supported living - Cabinet 5 February
2009

Progress towards the Transformation of Adult Social Services – Financial
Issues – Cabinet 19 March 2009

13 Recommendations

13.1 It is recommended that Cabinet agrees

- i) to implement Option 5 as set out in paragraph 2.6.
- ii) where home owners refuse the new rates, contracts will be terminated (with 3 months' notice) with new placements being made at homes that accept the new rates with effect from 1 April 2009.
- iii) all placements in homes that do not accept the new rates will be reviewed and alternative accommodation options explored on an individual basis.
- iv) all contracts will need to be terminated or varied by agreement during 2009/10 to build in the results of the Quality Premium review, incorporate a range of health standards, an appropriate inflation clause and measures required to ensure the principals of "personalisation" are embedded.

JOHN WEBB

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