

Annex B: Fair Cost of Care Report, Care Homes supporting adults aged 65 and over

1. Executive Summary

- 1.1 The purpose of this report is to present the methodology and outcome of Staffordshire County Council's Cost of Care exercise for the care home market for adults aged 65 and over.
- 1.2 The report outlines the approach the Council took in undertaking the Cost of Care exercise, the outcome of the exercise and further market intelligence to ensure accurate and reasonable Cost of Care figures.
- 1.3 The exercise generated a response from 29% of eligible providers, which accounts for 24% of the beds contracted by the Council.
- 1.4 An independent validation was undertaken by People Too, which identified any outliers, and providers were given the opportunity to review their responses and update their responses if required.
- 1.5 The output of the exercise is detailed in section 7, which also includes further analysis, in particular in relation to the lack of correlation between the median from cost of care and the average cost of new placements since April 2022. A summary of this is included in paragraph 7.2.
- 1.6 In conclusion the Council will consider the output of the cost of care exercise together with other factors which affect the care home market, as part of its annual fee review process. The Council must balance its duty under the Care Act 2014 with its legal duty to set a balanced budget when considering fees for care providers This approach is outlined in section 8.

2. Cost of Care exercise context

- 2.1 In December 2021, the Government published the adult social care reform White Paper, People at the Heart of Care. It sets out a 10-year vision for adult social care and provides information on funded proposals that would be implemented in the three years following publication.
- 2.2 Funding proposals includes the Market Sustainability and Fair Cost of Care fund with the requirement for Local Authorities to conduct a Cost of Care exercise by engaging with the local care market. The output figure of the exercise being referred to as the Fair Cost of Care.

3. Cost of Care exercise approach

- 3.1 The Council commenced engagement with contracted care home providers on 31 May 2022 with a deadline of 22 July 2022 for completed toolkits to be returned.

- 3.2 The Council used the national online portal toolkit developed by i-ESE for data collection. The following methods of engagement were utilised to support the response of toolkits from contracted providers
- Direct communications through email and telephone
 - Regular update in provider mailouts
 - A dedicated mailbox to support with FCoC queries
 - Promotion of nationally available support to providers
 - Engagement with the Staffordshire Association of Registered Care Providers
 - Calls to providers with the offer of support to complete the toolkit.
- 3.3 Due to the low response rate the Council extended the deadline for submissions and undertook further calls to providers with the offer of support to complete the toolkit.

4. **Cost of Care exercise response**

- 4.1 There are 254 care homes located in Staffordshire. Of these 186 support adults aged 65 and over, and of these 165 contract with the Council. At the time of undertaking the cost of care exercise the number was 163 and these homes were invited to take part in the Cost of Care exercise.
- 4.2 The Council commissions care home placements through a Dynamic Purchasing System Agreement. Care Homes can join this at any stage and must be on this Agreement to be considered for a Council funded placement.
- 4.3 Council funded placements to support adults aged 65 and over are made either into block booked beds or individually sourced at the point of need through the Dynamic Purchasing Agreement.
- 4.4 Council care home contracts have lots according to care category, as listed in Table 2. The four lots listed in Table 1 were in scope of the cost of care exercise.

Table 1: Council contract lots

Care Lot	Response for fair cost of care
Lot 1- Older People Residential	65+ care home places without nursing
Lot 2- Dementia Residential	65+ care home places without nursing, enhanced needs
Lot 6 – Older People Nursing	65+ care home placements with nursing
Lot 7 – Dementia Nursing	65+ care home placements with nursing, enhanced needs

- 4.5 Table 2 shows the number of people currently funded by the Council

by service type, along with the average price of placements.

Table 1: Number of Council supported individuals (in-county) and average placement price by care category

Care category	Mean price of all placements (£ per week)	Mean price of new placements since April 22 (£ per week)	Total Number of Placements
65+ General residential (Lot 1)	702	740	404
65+ Dementia residential (Lot 2)	657	745	810
65+ General nursing (Lot 6)	1000	824	360
65+ Dementia nursing (Lot 7)	753	1139	509
			2083

4.6 Of the 163 care homes invited to take part in the exercise 47 submitted a completed toolkit, a 29% response rate. The response rate varied by care category as shown in Table. (Note that some care homes provide care in more than one category)

Table 3: Response rate by care type

Care category	Number of responses	Number of Staffordshire homes commissioned for service type	Response rate
65+ care home places without nursing	26	148	18%
65+ care home places without nursing, enhanced needs	25	149	17%
65+ care home placements with nursing	20	65	31%
65+ care home placements with nursing, enhanced needs	14	66	21%

- 4.7 The 163 care homes invited to take part have a total of 7,121 CQC registered beds. The 47 care homes which submitted a completed toolkit have a total of 2,691 beds, of which 2,379 were occupied at the time they made their return – a bed occupancy rate of 88%.
- 4.8 From the 47 responses 16 (34%) either left the number of self-funders query blank or stated the number to be zero. Of the other 31 the total number of self-funders was declared to be 649 people (24% of total capacity). The self-funder percentage occupancy ranged from 2% to 93% with an average of 37% in those who made a return.

5. **Data analysis and validation**

- 5.1 The Council completed an initial analysis of toolkits and contacted providers to resolve any queries about data accuracy.
- 5.2 People Too, an external moderator to the Council, were commissioned to analyse the returns to identify outlier figures against an upper and lower quartile range for each individual data cell.
- 5.3 The Council used this analysis for validation. The approach for validation was to only investigate and clarify outliers for those responses where the 'Final Total' value either exceeded the upper quartile range or was below the lower quartile range. Providers were then contacted and requested to review their toolkit and update if required.
- 5.4 The Council followed government guidance and calculated a median value for submissions, using the median of each line across all accepted submissions. Any zero values in the toolkit return were omitted.

6. **Approach to Return on Operations (ROO) and Return on Capital (ROC)**

- 6.1 How providers shared this information in the toolkit varied. Provider responses for ROO ranged from 0.1 to 32% with 17 responses with no value added. Provider response for ROC ranged from 1-30% with 30 responses with no value added. The range when the two figures were added together was 6% to 50%.

7. **Cost of Care exercise Outcome**

- 7.1 The median of the provider data submitted for each data line in Annex A was calculated. Each of these median figures was then added together to provide a total for the care category and these totals are shown in table 4.

Table 4: Staffordshire cost of care output median values

Care Type	2022/23 Output from cost of care exercise (£ per week)	Mean price of all placements (£ per week)	Mean price of new placements since April 22 (£ per week)
65+ care home places without nursing	859	702	740
65+ care home places without nursing, enhanced needs	913	657	745
65+ care home placements with nursing	1130	1000	824
65+ care home placements with nursing, enhanced needs	1184	753	1139

7.2 The cost of care output for care homes has resulted in median costs for all categories of care which far exceed the average cost of new placements made since April. The Council does not consider the outcome of the cost of care exercise for care homes to be representative for the following reasons:

- Low rate of return from providers – overall 29% of contracted care homes split as follows; 41 residential and 29 nursing.
- Providers who submitted returns account for 24% of the beds the Council commissions.
- The Council does not have set fees for care home placement and has not had these for some years. Therefore, a greater correlation would be expected between the median fees and the average cost of new placements since April 2022, as these are prices submitted by the market. The variance for the four categories of care from the average cost of new placements is 30% for residential care both standard and enhanced, and 49% for standard nursing and 10% for enhanced nursing.
- The self-funding population in care homes is estimated at 35%
- A number of providers have recently submitted tenders to the Council for which bed prices do not correlate with their own cost of care return, being significantly lower.
- The values returned for each line varied very widely as show in Table 5-8.

7.3 If the Cost of Care median for care homes was to be implemented, it would require approximately £33m of funding for existing placements. The conclusion is that either providers have been unable to disaggregate other costs (e.g. NHS costs for NHS funded residents) or have completed returns with a desired bed price rather than an actual cost of care.

Table 5: 65+ care home places without nursing response with upper and lower quartiles

Cost of care exercise results (Note - we have little confidence in the data outputs from the care home exercise due to low response rate and wide range of responses)	65+ care home places without nursing (Lot 1)	
	Lower quartile	Upper quartile
Total Care Home Staffing	£368.10	£705.35
Nursing Staff	£0.00	£0.00
Care Staff	£262.21	£433.91
Therapy Staff (Occupational & Physio)	£0.00	£0.00
Activity Coordinators	£4.71	£17.01
Service Management (Registered Manager/Deputy)	£32.72	£51.90
Reception & Admin staff at the home	£9.07	£21.02
Chefs / Cooks	£18.18	£39.07
Domestic staff (cleaning, laundry & kitchen)	£33.73	£62.14
Maintenance & Gardening	£7.48	£16.48
Other care home staffing (please specify)	£0.00	£63.82
Total Care Home Premises	£18.56	£75.27
Fixtures & fittings	£0.00	£14.46
Repairs and maintenance	£17.74	£40.16
Furniture, furnishings and equipment	£0.82	£9.69
Other care home premises costs (please specify)	£0.00	£10.96
Total Care Home Supplies and Services	£79.07	£145.78
Food supplies	£31.82	£41.78
Domestic and cleaning supplies	£5.92	£8.44
Medical supplies (excluding PPE)	£1.90	£9.75

PPE	£0.00	£3.40
Office supplies (home specific)	£3.38	£6.19
Insurance (all risks)	£4.17	£8.92
Registration fees	£3.59	£5.16
Telephone & internet	£1.00	£3.05
Council tax / rates	£0.68	£1.38
Electricity, Gas & Water	£19.86	£32.22
Trade and clinical waste	£4.34	£7.20
Transport & Activities	£1.13	£3.22
Other care home supplies and services costs (please specify)	£1.29	£15.06
Total Head Office	£5.26	£121.01
Central / Regional Management	£4.24	£66.59
Support Services (finance / HR / legal / marketing etc.)	£0.41	£40.36
Recruitment, Training & Vetting (incl. DBS checks)	£0.61	£9.11
Other head office costs (please specify)	£0.00	£4.95
Total Return on Operations	£4.44	£127.88
Total Return on Capital	£0.00	£144.54
TOTAL	£475.44	£1,319.82

Table 6: 65+ care home places without nursing, enhanced needs with upper and lower quartiles

Cost of care exercise results (Note - we have little confidence in the data outputs from the care home exercise due to low response rate and wide range of responses)	65+ care home places without nursing, enhanced needs (Lot 2)	
	Lower quartile	Upper quartile
Total Care Home Staffing	£407.89	£685.42
Nursing Staff	£0.00	£0.00
Care Staff	£292.00	£449.70
Therapy Staff (Occupational & Physio)	£0.00	£0.00

Activity Coordinators	£4.95	£16.85
Service Management (Registered Manager/Deputy)	£36.68	£53.81
Reception & Admin staff at the home	£9.53	£21.13
Chefs / Cooks	£21.93	£45.53
Domestic staff (cleaning, laundry & kitchen)	£33.67	£50.14
Maintenance & Gardening	£9.13	£24.14
Other care home staffing (please specify)	£0.00	£24.12
Total Care Home Premises	£20.97	£100.32
Fixtures & fittings	£0.00	£17.40
Repairs and maintenance	£20.53	£39.81
Furniture, furnishings and equipment	£0.43	£8.01
Other care home premises costs (please specify)	£0.00	£35.10
Total Care Home Supplies and Services	£75.39	£153.73
Food supplies	£29.79	£48.15
Domestic and cleaning supplies	£5.49	£8.42
Medical supplies (excluding PPE)	£1.90	£9.10
PPE	£0.00	£2.92
Office supplies (home specific)	£2.99	£6.05
Insurance (all risks)	£5.66	£8.99
Registration fees	£3.49	£5.04
Telephone & internet	£0.75	£2.94
Council tax / rates	£0.83	£1.37
Electricity, Gas & Water	£18.45	£33.98
Trade and clinical waste	£4.21	£6.60
Transport & Activities	£0.99	£3.17
Other care home supplies and services costs (please specify)	£0.85	£17.01
Total Head Office	£13.25	£113.17
Central / Regional Management	£0.00	£36.40
Support Services (finance / HR / legal / marketing etc.)	£11.30	£51.44
Recruitment, Training & Vetting (incl. DBS	£1.95	£13.71

checks)		
Other head office costs (please specify)	£0.00	£11.63
Total Return on Operations	£64.49	£155.29
Total Return on Capital	£38.97	£153.83
TOTAL	£620.96	£1,361.76

Table 7: 65+ care home placements with nursing with upper and lower quartiles

Cost of care exercise results (Note - we have little confidence in the data outputs from the care home exercise due to low response rate and wide range of responses)	65+ care home places with nursing (Lot 6)	
	Lower quartile	Upper quartile
Total Care Home Staffing	£560.48	£988.64
Nursing Staff	£161.85	£232.70
Care Staff	£280.82	£462.43
Therapy Staff (Occupational & Physio)	£0.00	£0.00
Activity Coordinators	£8.43	£17.35
Service Management (Registered Manager/Deputy)	£34.06	£50.72
Reception & Admin staff at the home	£10.97	£20.86
Chefs / Cooks	£18.45	£40.63
Domestic staff (cleaning, laundry & kitchen)	£36.76	£63.96
Maintenance & Gardening	£9.13	£16.50
Other care home staffing (please specify)	£0.00	£83.49
Total Care Home Premises	£16.78	£78.08
Fixtures & fittings	£0.00	£17.28
Repairs and maintenance	£16.46	£39.49
Furniture, furnishings and equipment	£0.00	£8.67
Other care home premises costs (please specify)	£0.33	£12.63
Total Care Home Supplies and Services	£87.41	£162.71
Food supplies	£32.65	£46.51

Domestic and cleaning supplies	£6.72	£8.67
Medical supplies (excluding PPE)	£5.96	£15.91
PPE	£0.00	£3.83
Office supplies (home specific)	£3.59	£6.68
Insurance (all risks)	£5.45	£8.83
Registration fees	£3.87	£5.59
Telephone & internet	£1.00	£2.06
Council tax / rates	£0.64	£1.37
Electricity, Gas & Water	£18.45	£33.94
Trade and clinical waste	£5.93	£7.46
Transport & Activities	£1.33	£4.17
Other care home supplies and services costs (please specify)	£1.82	£17.70
Total Head Office	£3.25	£96.51
Central / Regional Management	£0.00	£33.03
Support Services (finance / HR / legal / marketing etc.)	£1.88	£51.69
Recruitment, Training & Vetting (incl. DBS checks)	£1.37	£9.17
Other head office costs (please specify)	£0.00	£2.62
Total Return on Operations	£50.32	£155.29
Total Return on Capital	£17.35	£144.54
TOTAL	£735.60	£1,625.76

Table 8: 65+ care home placements with nursing, enhanced needs with upper and lower quartiles

Cost of care exercise results (Note - we have little confidence in the data outputs from the care home exercise due to low response rate and wide range of responses)	65+ care home places with nursing, enhanced needs (lot 7)	
	Lower quartile	Upper quartile
Total Care Home Staffing	£560.77	£891.17
Nursing Staff	£110.56	£216.19

Care Staff	£335.90	£451.91
Therapy Staff (Occupational & Physio)	£0.00	£0.00
Activity Coordinators	£5.70	£14.16
Service Management (Registered Manager/Deputy)	£33.87	£50.29
Reception & Admin staff at the home	£10.74	£20.86
Chefs / Cooks	£19.49	£37.56
Domestic staff (cleaning, laundry & kitchen)	£34.21	£52.15
Maintenance & Gardening	£10.30	£23.91
Other care home staffing (please specify)	£0.00	£24.13
Total Care Home Premises	£19.11	£108.66
Fixtures & fittings	£0.00	£13.70
Repairs and maintenance	£18.67	£39.44
Furniture, furnishings and equipment	£0.43	£9.92
Other care home premises costs (please specify)	£0.00	£45.60
Total Care Home Supplies and Services	£88.75	£161.80
Food supplies	£35.04	£47.22
Domestic and cleaning supplies	£6.25	£8.67
Medical supplies (excluding PPE)	£4.55	£17.80
PPE	£0.00	£4.36
Office supplies (home specific)	£3.26	£5.64
Insurance (all risks)	£6.01	£9.32
Registration fees	£3.69	£5.16
Telephone & internet	£0.64	£1.92
Council tax / rates	£0.77	£1.37
Electricity, Gas & Water	£19.80	£32.12
Trade and clinical waste	£5.89	£7.44
Transport & Activities	£1.87	£4.05
Other care home supplies and services costs (please specify)	£0.99	£16.74
Total Head Office	£15.47	£93.27
Central / Regional Management	£0.00	£24.58
Support Services (finance / HR / legal /	£9.87	£49.23

marketing etc.)		
Recruitment, Training & Vetting (incl. DBS checks)	£5.60	£12.89
Other head office costs (please specify)	£0.00	£6.57
Total Return on Operations	£84.24	£244.72
Total Return on Capital	£60.13	£232.22
TOTAL	£828.46	£1,731.84

8. Annual Fee Review Process

- 8.1 The Council has a duty under the Care Act 2014 to promote the efficient and effective operation of a market of services to meet care and support needs. To support this, the Council undertakes an annual discretionary fee review of contracted care prices.
- 8.2 The Council must balance its duty under the Care Act 2014 with its legal duty to set a balanced budget when considering fees for care providers.
- 8.3 When undertaking the fee review the Council considers the challenges faced by providers from rising costs and difficulties with recruitment and retention. Employment rates are high, so recruitment and retention are challenges, affecting all sectors of the market. Conditions vary across the county with recruitment and retention a greater challenge in rural areas and in some urban areas where there is a high level of competition for staff between local employers.
- 8.4 The Council awarded an inflationary uplift to care home placements with a commencement date prior to September 1st, 2021, to support rising costs from April 3, 2022, as follows:
- Contract prices within 20% of the median of the relevant contract lot reference rate 6.24%
 - Contract prices less than 20% below the median price of the relevant contract lot reference rate 9.24%
 - Contract prices more than 20% above the median price of the relevant contract lot reference rate 3.24%
- 8.5 The Council will consider and have regard for the Cost of Care output as part of its annual fee review process for 2023/24, and will also take into consideration other factors such, the actual cost of care of the Council's LATC and other market intelligence and the amount of funding available.