Annex C: market sustainability plan template

Section 1: Assessment of the current sustainability of local care markets

a) Revised Assessment of current sustainability of the 65+ care home market

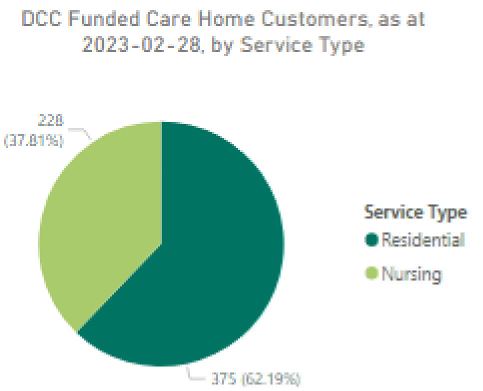
Context about Derby - At the last Census in 2021, Derby City had a population of 261,400. As of 28th February 2023, 3466 people were being supported by the Council; 800 in Care or Nursing Homes and 2666 in the Community. 2021-22 saw 9,360 new requests for support – 3533 new requests from people aged 18-64 (2,443 unique customers), 5,827 for 65+ (3608 unique customers). We expect this demand to have increase throughout 2022-23, almost all of which increase is driven by increased demand from older adults.

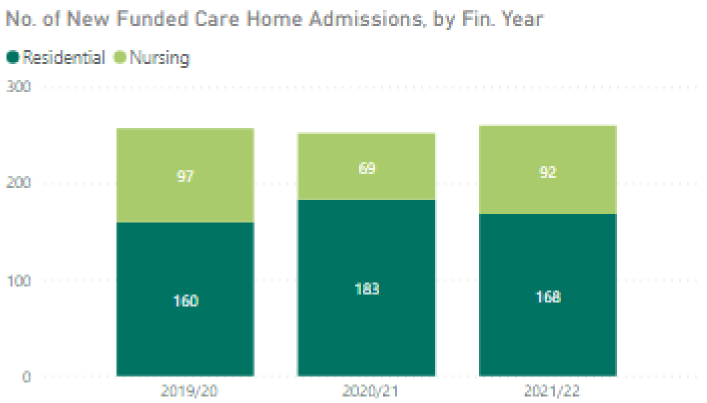
Demand for care from older people will continue to increase due to demographic changes which project that between 2020 to 2025 the population of older people will increase by 7% overall and by 6% where people have dementia (Projecting Older People Population Information System poppi.org.uk).

Demand for Care Homes Places for People over the aged of 65 – As a result of our strategic aim to keep people independent in their own home for as long as possible, the overall number of people accessing Council funded residential and nursing care has declined in recent years. It was also particularly impacted by a downturn in demand during the first two waves of the Covid pandemic. Many care homes saw increased voids requiring them to make corresponding reductions in operational capacity and flexing staff numbers to cater for a reduced number of residents. Of those who are being referred for a move into a care home, approximately 27% of people are experiencing some level of dementia; 22% approximately are considered specialist placements; 25% approximately require nursing care.

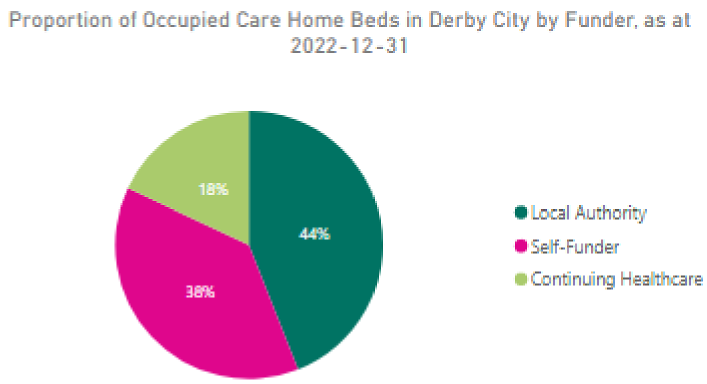
Despite this, the numbers of referrals for care homes are expected to have increased by 15% for 2022-23 compared to 2021-2022; we believe this is largely down to increased demand for short term care home stays following a hospital admission, as a result of acute NHS pressures.

As at the end of February 2023, there were 603 people being supported by the Council in homes in Derby City - 375 in residential homes and 228 in nursing care. The chart below shows the trend since 2019 for the people for whom the Council is organising their care. The Council does not operate block contracting arrangements for care home beds, but all providers must sign up and be able to operate under overarching terms and conditions before contracts are issued.





Self-Funders - Analysis of the Capacity Tracker and local data to 31/12/2022 suggests that self-funders occupy approximately 38% of all occupied care home beds in the City, representing approximately 615 individuals. A further 44% were estimated to be funded by Derby City or Derbyshire County Councils, with the remaining 18% funded by Continuing Healthcare (CHC). 20% of the 2146 beds were deemed dormant or vacant.



Profile of Derby's Care Home Market -There are currently 65 care homes in Derby (27 nursing, 38 residential) - of which 51 are for older people. CQC inspection results for older adult nursing homes in Derby City have rated 80% (March 2023) as either 'good' or 'outstanding'. Of older adult residential homes 73% (March 2023) are rated "good'.

Types of providers vary in Derby and include a mix of smaller, individually owned and operated homes as well as larger homes that are part of group structures. More than half the homes that submitted surveys in the Fair Cost of Care exercise indicated they had occupancy levels below 85%, relatively low staffing levels, and a disproportionate number of these homes have rooms that have no ensuite facilities. Whilst this is not the whole of the market, there is a legacy provision of small, independently run family care homes in Derby, and a relatively small number of newer, purpose built and larger facilities.

The Council does not itself operate any long-term homes having withdrawn from the sector some time ago by transferring homes or closing them. It does however operate a reablement focussed short-stay Discharge to Assess facility and a small respite home for people with complex learning disabilities.

Key Market Challenges impacting the cost and sustainability of the care home market

Overall, the care home market in Derby is performing well, the Council can access affordable care and demand is being met for most older people. However, the areas we need to focus on are:

- Despite there being relatively low numbers of outstanding care home requests that the Council is involved with at any point (on average, less than 10) we struggle at time finding places for people with more complex needs. We want to work with providers to ensure that they have the skills needed to support the needs of **all** older people needing their care
- Occupancy rates are highest in the higher need categories and our main area of challenge relates to care home beds for older people with dementia, learning disabilities and more complex needs. We want to reduce using care homes that are out of the local area and encourage more development locally to cater for this cohort of people.
- There is a gap of short-term residential respite provision in Derby and engagement with providers suggests that this is an affordability and workforce issue, whereby the unplanned nature of short-term respite provision is less favourable to permanent admissions.

- Over the last 2 years, 5 homes have exited Derby citing financial pressures. Whilst two new large, purpose-built homes have opened during this time, these are targeting self-funding customers and are significantly more expensive than other homes in the area. We want to work with providers to better understand how each individual homes' operating model interacts with cost pressures and the factors that are influencing some operators to close their homes.
- Workforce remains a key constraint and so we want to continue working with providers on ideas they may need support with that improve recruitment processes, improve staff retention and enable safe staffing ratios

We will be having discussions with providers via the regular Care Home Forums and individually on the issues raised above.

Cost of Care exercise, Fee rates and workforce pressures

Annex B describes the Council's approach to the Fair Cost of Care exercise and particularly the issues involved in interpreting the outcomes as a means to establish fee rates for commissioned care:

Annex B: Cost of Care Report - Age 65+ care homes (derby.gov.uk)

The Council already has an established annual fee review process where providers are asked to share their cost pressures in advance of the Council's Cabinet considering annual inflationary uplifts. This process has concluded for 23/24, and using the feedback from providers, the information gathered during the Fair Cost of Care exercise, and more detailed market analysis completed by Care Analytics, the Council has agreed a fee rate being set that is a 7.1% increase compared to last year. The published fees from April 2023 will now be £608.07 for standard residential care and £624.42 for nursing care, net of the weekly contribution for funded nursing care by the NHS which is £209.19 a week.

The key employee related cost pressures that have been identified by homes are:

- increases in pay because of the increase to national living wage and the subsequent impact on more senior role salaries
- increased recruitment, training and the apprenticeship levy costs
- increased costs in relation to CQC regulation requirements
- employee pension contributions and insurance.

In relation to non-staffing costs, the pressures identified by homes were:

- increasing costs of food and utilities with heating and lighting costs cited by some homes as being a significant proportion of their increased costs over the past 6 months.

Workforce Pressures - Like other areas, Derby's workforce vacancy trend rates have grown hugely over the last 10 years to the point that in 2021/22, 11% of roles were vacant in our care homes and 9.2% for nursing homes. Turnover in Derby's care home workforce stands at 17.5% for care only homes in 21/22, but this is higher for nursing homes at 37.5% (Skills for Care). The turnover rate is highest for regulated professionals, which likely affects the difference in turnover of direct non-senior care workers; within this category, turnover for nursing homes is 44.3% compared to 27.9% in care only homes.

Of those homes who submitted surveys to the Fair Cost of Care exercise, there was a fairly low staff to resident ratio. Whilst there has been no exploration of the link with this and individual homes, the overall quality of residential care as per CQC ratings, is lower than nursing care.

Impact of the delay to the charging reforms on the care home market:

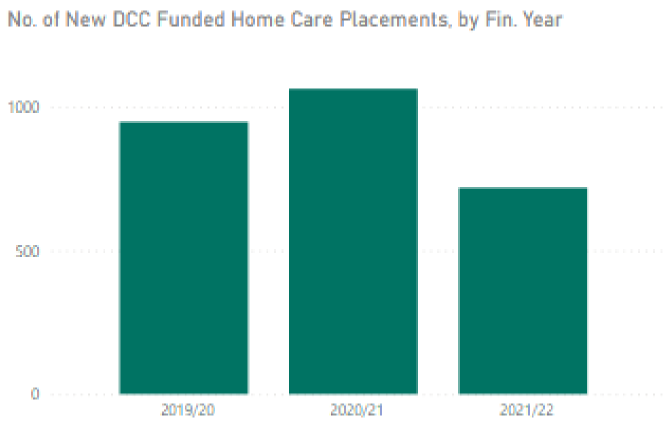
From our analysis and the available data, Derby has a self/ part funder market of circa 38%. We also have visibility of some of the "top ups" being paid by individuals where we are involved in funding all or part of their care. We believe top ups are paid on approx. 30-35% of all Council commissioned care home beds. The delay to charging reform with respect to extending the means test and the introduction of the lifetime cap has delayed the expected additional demand for Care Act and financial assessments from current self-funders. The delay also means that the practise of differential pricing is likely to continue as those people able to pay for their care will continue to be required to negotiate the price of their care home place directly with the home.

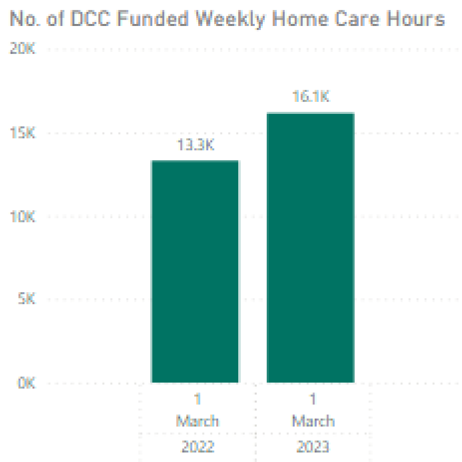
The Council has the ability to arrange care for self-funders directly and our charges for this service have only been increased by 3% in 23/24. It may be that we see an increase in demand for this service as a result of the raised awareness with the general public about fees for care.

The charging reform delays have given us time to implement some of the other reforms that will impact on the quality and efficiency of care provided by care homes, such as the Digitisation agenda for social care.

b) Assessment of current sustainability of the 18+ domiciliary care market

Demand for home care – We are seeing on ongoing trend for people who want to remain at home for longer, rather than move into institutionalised care settings. This is line with our own strategy on enabling people to live at home for as long as possible and is reflected in the increased number of care packages we are now commissioning. The comparison as at March 2022 with March 2023 shows a 21% increase in weekly hours being provided, and a 16% increase in people in receipt of those hours. This is compared to 949 new customers for 2019/20, 1063 for 2020/21 and 719 for 2021/22. We believe that this decrease in 2021/22 was an anomaly, possibly due to post Covid workforce reductions over winter 2021/22.





Although we are able to secure the home care we need, given the demand is likely to continue growing, we want to ensure we make the best use of alternative arrangements such as low cost or no cost support options where this will meet Care Act needs. We are in a fortunate position where we are able to meet current demand from providers, although we struggle particularly in the south of the City or where individuals require the assistance of two staff.

Self-Funders - The Council is the main funder of home care for older people, as our self-funder market is low compared to other East Midlands areas. The ONS model of self-funders in Derby estimates they represent 23.8% of home care users, and whilst this may include people in supported living settings, it is still lower that the comparative self-funders across the East Midlands estimate which is at 27.5%. This equates to approximately 483 people paying for their own care at home, although the confidence levels on the model suggest that this could be as low as 247 and as high as 743.

Profile of Derby's home care market - As at 01/03/2023, there are 85 home care providers operating in Derby, however the Council only contracts with 31% of these providers. This is because many of the care providers are small and newly established, with 28 not yet having been inspected by CQC. We are reliant on medium sized homecare companies, rather than large national organisations, or very small micro enterprises. Of the 85 providers, the CQC ratings are: 1 rated outstanding; 45 rated good; 9 rated requires improvement; 2 are classed as inadequate; and 28 have not yet been inspected.

We have a procurement Framework that has been in place from September 2021. Any packages of care in place prior to September 2021 delivered by a provider not on our new Framework is paid at the previous rates which are between 5 and 5.2% lower. Our strategy is to reduce the number of providers not on our main Framework but this is taking longer than planned due to providers' workforce capacity restricting their ability to take new care packages.

Key Market Challenges impacting the cost and sustainability of the home care market–

In 2023 and beyond, the Council wants to engage with the home care market about some key issues:

- We want to continue to ensure we have very low or no waiting lists for home care. This means engaging with providers about how our commissioning practice can be improved to support them to remain sustainable.
- We want to consolidate where possible the large number of providers we work with to operate within a single procurement framework. This may include developing a more diverse range of providers so we can increase the opportunities to access the labour market.
- We want to support providers with recruitment and retention innovations, including expanding overseas recruitment as this has been successful for some providers.
- We want to explore why the amount of care packages that need 2 carers appears to be increasing and see if there are opportunities to review these or make better use of equipment and technology enabled care.
- We want to review the use of 15 minute care calls, which add pressure onto the workforce supply and overall costs given our fee structure.
- For a small City, many providers appear to rely on staff who drive and so there may be opportunities to review the geographical spread of care packages to reduce costs all round.
- In 2021/22, safeguarding referrals increased by 11% for home care and we want to understand whether this is linked to quality issues. CQC have a backlog of inspections and 33% of the market is not yet inspected plus a further 25% that have not been inspected since 2019.

Cost of Care exercise & Fee rates

Annex B describes the Council's approach to the Fair Cost of Care exercise and particularly the issues involved in interpreting the outcomes as a means to establish fee rates for commissioned care:

Annex B: Cost of Care Report - Domiciliary Care

Inflationary pressures coupled with recruitment and retention issues are having a significant impact on our home care market. We have engaged with home care providers over recent months and used the information that has been gathered from the surveys submitted as part of the Fair Cost of Care review. As part of our annual fee process, we have received questionnaires from providers in relation to cost pressures and held discussions via the regular Home Care Provider Forums.

The key feedback from home care providers about employee related cost pressures are:

- increases in pay because of the increase to national living wage and the subsequent impact on more senior role salaries
- ongoing recruitment costs and agency fees for funding staff
- oversees recruitment costs to boost the workforce
- increased employee costs to cover training and the apprenticeship levy
- employee pension contributions and insurance.

Using this feedback, alongside the range of information gathered this year, we have set a fee rate for 23/24 that offers a 6.5% increase compared to last year.

Description	2022/23 rate	2023/24 6.5% increase
Weekday hourly rate (07:00-20:00hrs)	£16.92	£18.04
Weekday 15-minute call rate (07:00-20:00hrs)	£5.48	£5.84
Evening/Weekend hourly rate	£18.76	£20.00
Evening/Weekend 15-minute call rate	£8.16	£8.72

Workforce pressures:

Skills for Care reports 5,500 staff in Derby work in homecare, and the turnover for home care workers in 2020/21 was 45.4% which equates to 1,300 leavers. This is higher than the average generally for social care staff in Derby which was 36.6%, which in turn is higher than the regional average of 30.4% and that seen on average in England at 29.5%. With funding from the NHS, we were able to offer winter retention payments in 21/22 and using the Discharge Fund, this was offered in 22/23. Those providers who took this up have told us this helped stabilise their workforce during the period of seasonal demand and competition for staff from other sectors.

Skills for C also report that the 80% of the workforce in Derby is female and the average age is 41.9 years old. Workers aged 24 and under make up only 10% of the workforce and workers aged over 55 represent 20%. Given this age profile approximately 1,700 care staff in Derby will be reaching retirement age in the next 10 years.

Impact of the delay to the charging reforms on the home care market:

From our analysis and the available data, Derby has a very small self/ part funder market and our main providers rely predominantly on publicly funded contracts for care. Of that small cohort who do self-fund, it is not known how many have capital in excess of the proposed revised threshold of £100,000 after disregard of their residential property.

The delay to charging reform with respect of extending the means test, and also the introduction of the lifetime cap has delayed the additional demand there may have been for extending the Council's current financial and Care Act assessments – though the impact of that was not expected to be significant compared to the care home sector. The Council continues to offer to arrange care for self-funders directly and our fee rates for managing that arrangement have been uplifted in 23/24 by a smaller amount than the current level of overall inflation. The delays also give us time to implement some of the other reforms that will impact on the quality and efficiency of care provided, such as the Digitisation agenda for social care. There appear to be opportunities within our home care sector to explore whether assistive technology can reduce the amount of care that is needed to be delivered by carers.

Section 2: Assessment of the impact of future market changes (including funding reform) between now and October 2025, for each of the service markets

The overall risks to the market and sustainability over the next two years will predominantly result from the ongoing pressures on operating costs, diversity of provision, and workforce constraints in terms of pay, recruitment and retention.

More immediate sustainability issues relate to inflationary cost pressures and recruitment and retention challenges. Home care providers are telling us that they are particularly grappling with inflation affecting fuel prices and wage costs. Care and nursing homes are also telling us they are facing these pressures, with the added burden of very high heating & electricity costs for accommodation.

Safe staffing levels and staff to customer ratios are potentially a particular issue for care and nursing homes in Derby, based on the analysis of costs and resident numbers from the surveys submitted in the Fair Cost of Care exercise. For home care providers, the Fair Cost of Care analysis suggest that low wage rates may be a pressing factor as half of those who submitted a useable return were only paying staff £9.50 for all working time, excluding travel time.

Whilst we cannot predict the exact numbers, we expect to see a retraction of the social care sector as a result of the pressure outlined above and have already experienced 9 contracted care providers exit Derby in the past 2 years; 5 care homes and 4 home care or supported living providers. A further 13 home care providers with whom we did not contract are estimated to have left the market in the same period.

Our preferred position would be a consolidation in the home care market so there are less providers, but those remaining have a more sustainable business model. For care homes, we would wish to steady the exit of small family businesses given we have limited new developments replacing those that have closed. Despite 2 new developments in Derby, the overall net position has largely remained the same in terms of beds. Care home providers fee levels do differ for self-funders compared to our published rates and this will be impacting on investment decisions and providers' future business models.

Having considered ONS' estimates of self-funders in both markets, along with LGA's Summary of ASC data (both of which use the CQC Provider Information Return as their source) and our own local data discussed above, we estimate:

- Between 576 and 741 self-funders in the local Care Homes market
- Between 587 and 734 self-funders in the local Home Care market

Should the charging reforms go ahead, a proportion of these may become eligible for ASC support once reassessed under reformed criteria. We know that Derby ranks within the most deprived third of Councils when considering income deprivation affecting older people; that the East Midlands is ranked 8th of 9 regions when considering private pension wealth (ONS – Wealth in Great Britain – Pension Wealth) and that Derbyshire and Nottinghamshire has a lower median total wealth by individual than the national average (ONS – Distribution of individual total wealth by characteristic in Great Britain). Conversely, Derby has historically had a number of large manufacturing employers; employment through manufacturing is associated with higher individual wealth than the median.

We conclude then that given the socio-economic position of the population the majority of current self-funders would be eligible for ASC support under the reforms; we believe that the difference in proportion between the two markets demonstrates that wealth is held locally and primarily in residential property.

For the care home market, we therefore anticipate a large majority of self-funders would be eligible for at least twelve-week disregard and deferred payment arrangements, if not outright and ongoing funding. For the homecare market where the property is disregarded, we expect a large majority of self-funders to qualify for support.

It is difficult to predict how this will affect the care provider market and it may be that more people receive Council funding, which in turn will impact on providers who operate variable fees rates between Council and self funding customers.

Section 3: Plans for each market to address sustainability issues identified, including fee rate issues, where identified.

(a) 65+ care homes market

For 2022/23 – The Council welcomes the continuation of the implementation funding for the charging reforms, despite the reforms being delayed. In line with the anticipated Grant Conditions, we have used 84% of the implementation grant in 2022/23 to inflate the standard fee rate above the Council's approved budget of 2.5%.

Funding for 23/24 will be used in a similar way to ensure that fees that are paid to care providers can continue to enable them to operate in Derby. We expect this to account for 95% of the grant with the balance supporting the Council's implementation activities that are continuing despite the delays to the plans for charging reforms.

Our plans to address the sustainability of the **care home market includes**:

Fee rates for 2023 and beyond - to ensure continued viability and market sufficiency, providers need to at least maintain their current levels of revenue, which in some instances is heavily subsidised through current self-funder fees. In addition, the Council pays fees inclusive of 3rd party top ups which also benefits care providers as they have reduced administration costs in billing individuals and collecting income due. Our minimum fee rates for 2023/24 will be £608.07 for standard residential care and £624.42 for nursing care, net of the weekly contribution for funded nursing care by the NHS which is £209.19 a week.

Whilst the Council can still secure accommodation and care for people in City homes – there are clearly some people for whom the only suitable home that can meet their needs attracts a higher fee rate. There are also a proportion of self-funders whose income position changes but for whom moving them to a lower cost home would not be in their best interest, which in turn drives up the *average* weekly rate the Council pays. Using the Better Care Fund methodology, at October 2022, our average weekly payment is £609.07 for residential and £625.45 (net) for nursing care.

We will review our overall approach to fee setting and the assumptions behind our cost model to ensure it remains fit for purpose and we will engage providers in this exercise for their views. As part of this, we will review our approach to paying 3rd party top ups to confirm and challenge the benefits and constraints of continuing this practice, given many Councils in the region only pay net of 3rd party contributions.

Diversifying the care home market - We need to further explore the balance of the care home market in Derby between smaller/ family run care homes compared to those run by larger national group structures to understand how that is driving cost differentials between operating models. This also needs to be understood in relation to the wider housing market conditions and the factors that may influence future investment decisions for operators.

Homes supporting complex needs - We need to explore how much of our market is described as "specialist" residential and nursing care and establish what those differences are in care provision and the needs of residents, and how these impact on operating and cost models. We want to be able to see more homes being able to support older people with more complex needs.

Quality of Care - Initial analysis suggested our ratio of care worker to residents for some homes is lower than would be expected. We need to further analyse what is driving this and whether there is a correlating impact on the quality of care, or the level of individual needs homes are able to cater for.

Developing Extra Care as an alternative care model - Derby has relatively low levels of Extra Care housing for older people and this may be driving admissions to care homes earlier than other areas where there are alternative models of care and support. Our Housing Strategy has previously identified that we need at least 2 more Extra Care housing facilities to diversify the housing offer for older people in the City.

(b) 18+ domiciliary care market

Our plans to address the sustainability of the **home care market includes**:

Fee rates for 2023 and beyond - the home care market in Derby has evolved in line with the Council's commissioning practice. Our fee structure has been inflated for 2023/24 but is broadly based on the cost model that has been in place for a number of years: Using the methodology provided for the Better Care Fund, our average hourly payment was £19.25 for home care as at October 2022.

One of our priorities in 2022/23 will be to review the cost model that we use for calculating our fees for home care and also to review our commissioning practice. We believe this will also assist providers with their workforce pressures.

Maintaining workforce capacity - We are in a fortunate position that we generally have no, or a very small number of people waiting for home care. Providers have been creative with their recruitment and retention approaches and we want to work with them to try out more innovation in this area. This includes supporting them with international recruitment.

Quality of Care – we want to continue to support home care providers and learn from safe-guarding and quality concerns. If we can support providers to sustain their workforce, we believe they will be able to invest in more training and development of their staff.

Managing NHS pressures – the Council's in house hospital discharge reablement service is generally meeting 80-85% of all discharge demand. This means that home care providers are broadly insulated from demand as a result of acute NHS pressures. We want to continue with this approach, but ensure that home care providers are able to work closely with the Council and the NHS for care in the community and to manage effective transfers of care where needed.

Commissioning practice- we will review whether we can reduce the amount of care packages needing two carers and also make better use of equipment and technology enabled care. We also want to reduce the number of 15 minute calls as they are adding pressure onto the work-force supply and overall costs given our fee structure. We want to review the geographical spread of care package delivery to reduce travel costs.

Diversifying the home care market - We want to reduce the overall amount of care providers we work with and phase out the different pricing structures operating as we are still reliant on providers not on our agreed Framework. We also want to ensure that the providers we do work with are of mixed size and have a diverse workforce to support local people.

Ongoing engagement and provider forums will continue to be a priority for the Council in 2023 and beyond so that we can remain fully aware of the operating and cost pressures affecting all care providers. We shared our draft Market Sustainability plan with providers, and we will be issuing this latest version to providers to continue the ongoing dialogue.