

## **Health and Care Overview and Scrutiny Committee - Monday 29 July 2024**

### **Plan for commissioning care homes and development of additional nursing capacity**

#### **Recommendations**

I recommend that the Committee:

- a. Consider the emerging commissioning intentions care homes, which will be presented to Cabinet in September 2024.
- b. Review the progress of development of two new build, Council owned, nursing homes in Tamworth and Lichfield, which will also be presented to Cabinet in September 2024.
- c. Note that the comments of the Overview and Scrutiny Committee will be reported to the Cabinet at their meeting on 18 September 2024 and taken into account during considerations.

#### **Local Member Interest:**

N/A

#### **Report of Councillor Jeremy Pert, Cabinet Member for Health and Care**

#### **Summary**

##### **What is the Overview and Scrutiny Committee being asked to do and why?**

1. Consider the emerging commissioning intentions for care homes, which will be presented to Cabinet in September 2024.
2. Review the progress of development of two new build, Council owned, nursing homes in Tamworth and Lichfield, which will also be presented to Cabinet in September 2024.
3. Note that the comments of the Overview and Scrutiny Committee will be reported to the Cabinet at their meeting on 18 September 2024 and taken into account during considerations.

## Report

### Background

4. There are **250** care homes in Staffordshire with **7950** beds registered with the Care Quality Commission (CQC). The Council currently funds **2259** long term care home placements in Staffordshire as well as a further **611** placements out of county. The Council also commissions short term placements to meet temporary needs and to offer respite to carers.

5. The Council's overall strategic objectives for commissioning care homes are to:

**a. Improve the quality of care homes in Staffordshire.**

- i. At May 2024, 76% of residential homes and 69% of residential beds as well as 76% of nursing homes and 78% of nursing beds in Staffordshire were rated "outstanding" or "good" by the CQC. Details are included in Appendix 1, Figure 1.

**b. Ensure timely access to care home placements when required.**

- i. The targets for time to source a care home placement are 1 day for priority cases, 7 days for urgent cases and 28 days for routine cases. Overall at June 2024 88% of placements were sourced within timescales. Details are included in Appendix 1, Figure 2.

**c. Ensure affordability of care home placements.**

- i. The price of care home placements has been rising steadily in recent years: between March 2020 and March 2024 the average price of residential home placements increased by 26% and nursing home placements by 35%.
- ii. Price rises are partly due to planned fee uplifts: the Council awarded fee uplifts of 2.79% in 2020/21, 1.79 in 21/22, 7.73% on average in 2022/23, and 6.24% on average in 2023/24 to recognise increasing costs due to increases in the national living wage as well as general inflation. Compounded this was an overall fee uplift of nearly 20% over four years, accounting for just over half of the total average price increase during this period. The Council awarded a further fee uplift of 6.25% in 2024/25.
- iii. In addition the price of new care home placements typically exceeds the price of those placements ending so there is an upwards 'price drift' in excess of planned fee uplifts. This accounts for the remainder of the average price increase.
- iv. The price of care home placements varies considerably. This can be only partially explained by variation in the needs of residents, the

remainder is a consequence of market dynamics at the time the placement was made.

6. Overall the Council purchases under one third of care home capacity in Staffordshire. A further third of beds are purchased by the NHS or other local authorities. The remainder are purchased by people self-funding their own placements.
7. In care homes for people 65 and over the Council is typically a minority purchaser: care homes are typically large with around 50 beds and Council funded placements account for around one third of capacity. In care homes for people under 65 the Council is often a majority purchaser: care homes are typically small with 5-10 beds and all of them occupied by Council funded placements.
8. The majority of care home placements are made through the Dynamic Purchasing System (DPS). The DPS allows the Council to procure services from a list of pre-approved providers on pre-set contract terms. The DPS allows new providers to join at any time following the approval of a successful bid. This is important as it means that new and out of county care homes can join the DPS and bid as and when new placements are advertised. Cabinet approved the extension of the DPS to September 2025 in March 2024. The DPS is used for:
  - a. **Individual Placements.** These are made for each new person at the point they require care with bids from care homes evaluated competitively on the basis of quality and price. Most placements are made through this route, with the price set by the bid.
  - b. **Blocked Booked Beds.** These are contracts with a care home for a fixed number of beds at set rates with guaranteed business once these beds are activated. In September 2021 Cabinet approved a phased increase in the number of block booked beds. There are now 379 block booked beds contracted in care homes for people 65 and over with 257 activated and in payment, and 248 (96%) of these filled.

## Key challenges and issues

9. The following are key challenges and issues with commissioning care homes:
  - a. **Quality.** Quality of care homes in Staffordshire as measured by Care Quality Commission (CQC). Staffordshire average ratings are just below the national average. This may be a consequence of the Council's active quality improvement function which identifies more issues than other local authorities. Some of the issues identified have

already been addressed and therefore the proportion of care homes “outstanding” and “good” is likely better than CQC ratings imply and is expected to improve although the rate of improvement will be limited by the CQC’s ability to complete inspections.

- b. **Price.** The rising price of care home placements is unsustainable: on current trends expenditure is projected to progressively exceed budget over the next few years. Also, the considerable variation in price is not equitable where this is not related to the needs of residents, and means that the lowest priced placements may not be financially sustainable whilst the highest priced placements may not offer value for money.
- c. **Supply and demand.** Supply of care homes and demand for care home placements are likely to grow over the next 20 years. For some sectors current projections are that supply is likely to grow in line with or exceed demand; for others there is a risk that supply grows more slowly than demand.
- d. **Recruitment and retention.** Many care homes find it difficult to attract and retain care staff, nursing staff and registered managers. This is a national issue.
- e. **Financial viability.** Some smaller local care homes find it difficult to generate sufficient revenue to offset increasing costs. On the other hand, some larger national care homes generate substantial profits, but these go to off-shore investors.
- f. **Intensive supervision.** There is growing use of intensive supervision to manage health needs, for example distressed behaviours. This can be highly restrictive for residents and adds additional costs.
- g. **Dynamic Purchasing System.** The electronic system and accompanying business processes used to make placements are not optimally efficient or user friendly.
- h. **Contract.** A number of issues have become apparent with the current contract including additional charges made by care homes for services which the Council would expect to be included in the core delivery and bed price, and that notice periods required to be given by care homes are relatively short.

## Engagement

10. During 2023 the Council commissioned Healthwatch Staffordshire to undertake engagement with residents of Staffordshire care homes and

their representatives. The purpose was to establish what was important to them.

11. Over several months Healthwatch were able to get the views of over approximately 400 people. Responses were received from all districts and boroughs and from people of a range of ages, particularly from or on behalf of older residents. Healthwatch identified 14 priorities:

- a. Caring and friendly staff;
- b. Welcoming atmosphere, comfortable and clean environment;
- c. High standards of personal care;
- d. Access to health care;
- e. Good communication with residents and family;
- f. Variety of activities and outings;
- g. Keeping-in-touch with family or friends;
- h. Socialising, making friends in the home and pets;
- i. Nice room with personal possessions ;
- j. Spiritual needs accommodated;
- k. Good variety of food – including hot meals ; and
- l. Good moving-in experience and support when settling.

12. The Council completed engagement workshops with contracted care home providers in February 2024, building on previous events in May 2023. Care home providers were able to share a range of good practice that has improved residents' quality of life such as inviting local community groups and schools into the care home. They also reported largely positive experiences with piloting new technologies.

13. Their suggestions for improvements included:

- a. Reviewing the electronic system and accompanying business processes to provide clearer information about new residents needing placements, speed up feedback to care homes about whether their bids have been accepted, and generally make them less onerous.
- b. Considering measurement of residents' outcomes to ensure that these have been met.
- c. Reviewing funding of low-priced historic placements to ensure that these are financially sustainable.

### **Emerging commissioning intentions for care homes**

14. The emerging commissioning intentions for care homes aim to meet the Council's strategic objectives, address the challenges and issues identified, and respond to the priorities raised through engagement. They

also pay regard to the Council's duties under the Care Act 2014 and our Market Sustainability Plan.

15. The commissioning intentions include:

- a. Ongoing quality improvement.
- b. Support with recruitment and retention.
- c. New arrangements for procurement.
- d. A new contract.
- e. A sustainable pricing strategy.

16. The plan is to seek endorsement from Cabinet for the commissioning intentions and then for consultation to seek views from care home providers as well as the public and social care professionals.

### **Quality improvement**

17. The Council intends to maintain an active quality improvement function which offers a range of support to active all care providers including links to guidance, managers network events, an annual event celebrating dignity in care, and individual support for care providers with quality issues, including working in partnership with the NHS to provide support to nursing homes.

### **Support with recruitment and retention**

18. The Council intends to continue working with all care providers to develop a more resilient care sector that enables more effective recruitment and retention through implementation of the [Staffordshire Social Care Workforce Strategy](#).

### **New arrangements for procurement**

19. The Council intends to grow the number of block booked beds and work over time towards making them the first choice option for the majority of new placements, including for individuals who were previously funding their own care. People would still have the option to choose an alternative placement and make a third party top-up payment to cover the difference between the price and their personal budget.

20. New arrangements for procuring care home placements will be established in line with the Procurement Act 2023, which will come into force 28 October 2024.

### **New contract**

21. The Council intends to develop a new contract which will specify the requirements of care home placements, both long term and short term. The new contract would:
- a. Promote strengths-based care.
  - b. Include quality standards to reflect residents' priorities.
  - c. Define expectations of core care provision and what the Council expects for the price.
  - d. Promote personalised support provided in the least restrictive way.
  - e. Specify how care homes should seek assistance in the event that residents' clinical condition deteriorates and they develop escalating health needs.
  - f. Tightly define the circumstances and processes for serving notice.
  - g. Allow greater transparency of care home finances to support setting of prices.

### **Sustainable pricing strategy**

22. The Council is considering setting a price range for care home placements in order to reduce 'price drift' and make prices more consistent and equitable.
23. The Council has completed some initial modelling, which shows that a price range offers an opportunity to bring expenditure back within budget, depending on the price range set and how this is applied.
24. However, a price range would likely reduce the care home capacity available for Council funded placements and thereby affect speed of access and people's choice.
25. The Council would ensure, as part of its Care Act duties, that any price range allows the assessed eligible needs of individual to be met and ensures the sustainability of the care home sector overall.

### **Development of Additional Nursing Home Capacity for Older People**

26. In those parts of the county where there is insufficient good quality and affordable capacity in the market, the Council will consider building and operating new care homes.
27. Cabinet in November 2023 accepted the business case for new nursing homes in Tamworth and Lichfield, to replace the Council's care homes at Meadowyrthe and Bracken House, and authorised acquisition of the Solway Close site.

28. The Deputy Chief Executive and Director for Corporate Services was given the authority to tender for building works for the nursing homes, and the Director for Health and Care was given the authority to complete an options appraisal for care provision, with a final decision to proceed with implementation to be brought to Cabinet.

### **Rationale**

29. The rationale and priority areas for Council built and owned nursing homes and the priority areas remains as set out in previous Cabinet papers and detailed in the business case. In summary:

- a. There is a need to replace ageing capacity at Meadowyrthe care home in Tamworth (41 beds) and Bracken House care home in Lichfield (34 beds). It is anticipated that an excess of demand over supply for nursing homes will grow over time leading to a risk of delays in sourcing placements and more people placed outside of their former area of residence and away from family and friends.
- b. The Council is facing rising prices for nursing home placements.
- c. Tamworth has strongest case for intervention based on demand, supply and affordability. In Lichfield there are quality issues in the market with four nursing homes repeatedly falling outside of regulatory requirements and concerns that this capacity may be lost.
- d. In Lichfield there is a unique opportunity to create a health and care campus on the Burntwood North site.
- e. The financial case for two 80 bed Council built and owned nursing homes was based on a net present value (NPV) analysis using a range of variables modelled over a 30-year period. The analysis in November 2023 showed a strongly positive NPV for Tamworth at £13.5M and a positive NPV for Lichfield at £2.3M, with the difference due to a higher market comparator cost for Tamworth.

### **Site acquisition and planning**

30. Potential sites for the two nursing homes have been identified: Solway Close in Tamworth and Burntwood North in Lichfield.

31. The acquisition of the Solway Close site from Tamworth Borough Council has been agreed by both Cabinets and the purchase is proceeding through the legal processes.



32. The Burntwood North site in Lichfield is owned by the Council and is intended for development of a health and care campus, including the nursing home as well as an NHS primary care facility and potentially Extra Care housing.

### Options appraisal for care provision

33. Nursing homes provide residential care as well as nursing care. Nursing care is funded by the NHS. A range of options for care provision are being appraised, with the residential care and nursing care provided by the same or separate organisations, as shown in Table 1.

**Table 1: options for care provision**

Option	Residential care	Nursing care
<b>1</b>	Independent sector provider	Independent sector provider
<b>2a</b>	Nexxus Care	MPFT
<b>2b</b>	A new local authority trading company	MPFT
<b>3</b>	Council	MPFT
<b>4a</b>	Nexxus Care	Nexxus Care
<b>4b</b>	A new local authority trading company	A new local authority trading company
<b>5</b>	Council	Council

34. Important considerations in the appraisal include that the care provider can offer good quality, that the Council has control over admissions and that operating costs are competitive.

### Next steps

35. The business case is being updated with a revised net present value (NPV) analysis based on the latest information about the likely operating costs of the two homes and the market comparator costs. Based on this a recommendation will be made to Cabinet in September 2024 about whether to continue to pursue development of the new nursing homes as well as a care provider.

### Legal implications

36. Legal advice has been taken through development of the plans for commissioning care homes and development of additional nursing capacity.

### **Resource and Value for Money implications**

37. Both the plans for commissioning care homes and development of additional nursing capacity will mitigate risks to the Council's Medium Term Financial Strategy from the rising price of care home placements.

### **Link to Strategic Plan**

38. The report is relevant to the Council's priority to encourage good health and wellbeing, resilience and independence.

### **Link to Other Overview and Scrutiny Activity**

39. The Health Overview and Scrutiny Committee last considered a care home update on 31 January 2022.

### **Contact Details**

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