

Fair Cost of Care and Market Sustainability

Mike Alsop

Context

- **September 2021** - the government published its Building Back Better plan for reforming the funding of Health and Social Care.
- **November 2021** - publication of the White Paper for reforming the delivery of Adult Social Care (People at the Heart of Care). White paper sets out a 10 year vision for adult social care.
- Architecture needs to be in place to underpin and support that vision. Part of that architecture is a sustainable care market.
- Implementation of Market Sustainability and the Fair Cost of Care is one of the first steps towards achieving social care reforms.
- A major focus of these reforms is ensuring that care markets are able to meet the requirements of Section 18 of the Care Act (2014) which allows for self funders to have their care arranged by local authorities and at LA fee rates.
- LAs must also meet their duty under Section 5 of the Care Act to promote the efficient and effective operation of a market in services for meeting care and support needs.

These reforms are expected to be implemented from April 2023 onwards and will inform future funding levels for Social Care.

Market Sustainability and Fair Cost of Care Funding

- Local Authorities will receive a 'Market Sustainability and Fair Funding Grant' – Each LA has been awarded an allocation which comes with strict conditions which need to be met and reported to DHSC.
- This one-off grant intended to be used by Councils to:
 - conduct a cost of care exercise to determine sustainable rates within the care market and identify how close they are to that rate currently
 - engage with local providers to improve data on operational costs and number of self-funders to better understand the impact of reform on the local market
 - strengthen capacity to plan for, and execute, greater market oversight and improved market management to ensure markets are well positioned to deliver on the Governments reform ambitions
 - use this additional funding to genuinely increase fee rates, as appropriate to local circumstances

Conditions of Funding

By 14th October 2022:

- Complete and Publish 2 x Cost of Care Exercises
 - Residential/Nursing (Over 65's)
 - Domiciliary Care (18+)
- Complete and Publish a provisional Market Sustainability Plan (This will be updated in a final version in February 2023)

Cost of Care Exercise

- 'CommercialGov' undertook a survey with a range of providers, representative of the local market, to determine and report a standardised cost of care - the median cost, actual operating costs, plus evidence and values for return on capital and return on operations for:
 - Standard Residential Care
 - Residential Care for enhanced needs
 - Standard Nursing Care
 - Nursing Care for enhanced needs
 - Domiciliary Care
- Dom Care based on weighted average cost per contact hour (to take account of urban and rural differentials)
- Care Home calculated as per resident per week for the 4 categories, taking into account average occupancy in 2021/22.
- Returns on capital and operations based on judgement of what is needed in a sustainable market
- Market analysis to understand what constitutes a reasonable profit

Market Sustainability Plan

- Assessment of the current sustainability of the care market
- Assessment will be informed by a range of data including CQC Returns, Capacity tracker, ASC-FR return and SALT collection

Plans will also:

- Detail the expected impact of market changes over the next 3 years including changes due to charging reform
- Include an understanding of numbers of self funders within the authority
- Assess the impact of current fee rates on the market and potential future risks
- Inform the development of mitigating actions, e.g, estimated increases to fee rates over the 3 year spending review period
- Demonstrate how market sustainability plans complement other strategic documents such as Market Position Statement

LCC Fair Cost of Care exercise results

- Difficulty in engaging providers to take part in the exercise. Broadly 23% return rate.
- Data quality of cost information was variable.
- Significant variation/range of provider costs.
- Results are being reviewed by Dept of Health and Social Care and awaiting feedback.
- Fair Cost of Care exercise is being used to inform fee setting for 2023/2024.

LCC Fair Cost of Care exercise results

Variation between local authorities

- Some variation between LA's. Some are much nearer to their FCoC rate already and others further away.
- Some LA's require their providers to pay Foundation Living Wage or 'Real Living Wage' and others don't. Fee levels however are currently highest in Lancashire where this is not a contractual requirement at present.
- Different approaches to commissioning of home care and residential care between authorities. Framework, spot purchase, Direct Purchasing Systems.

Current position

- Fair Cost of Care exercise details have been submitted to the Department of Health and Social Care (DHSC) on 14th October 2022.
- Provisional Market Sustainability Plan has also been submitted.
- All submissions are currently being reviewed by DHSC and we are awaiting their feedback.
- Cost of Care reports will be published once the review is completed and feedback received.
- The final Market Sustainability Plan will be published after February 2023.
- Information received from the 'Fair Cost of Care' exercise will be used to inform our fee setting for 2023/24.
- All of the FCoC funding received in 2023/24 will be passed on through our fee setting to providers in scope.