

Scotland Excel

To: Joint Committee

On: 9 December 2016

**Report
by
Director Scotland Excel**

Care Home Services for Older People

1. Introduction

This report provides an update on work undertaken by Scotland Excel in respect to care home services for older people and sets out the rationale for seeking further funding from councils/ Health and Social Care Partnerships to continue with this critical activity.

2. Summary

In Scotland, care home provision is delivered by more than 300 providers across almost 900 care homes. Local authorities across Scotland spend approximately £450 million annually in contracted out care.

Local authorities/ Health and Social Care Partnerships (HSCPs), already undertake robust contract monitoring activity linked to statutory adult protection and care management duties for some of the most vulnerable people in our communities. However despite more than 50% of local authority expenditure being with 20 providers, many of which operate across Scotland and the rest of the United Kingdom, only limited market shaping at either a local or national level has been undertaken.

Given the cross local authority presence of these 20 providers and the prevalence of ever more complex business and financial structures, 25 local authorities provided project funding to Scotland Excel until March 2017 to facilitate a range of services to support local strategic commissioning of care home services for older people. Since then Scotland Excel has taken forward the work under four work streams:

- market intelligence;
- financial risk;
- cost of care; and
- procurement strategy.

As detailed in Appendix 1, there has been good progress across all work streams over the past 12 months. In summary:

- All participating local authorities have received a local market intelligence report tailored to their partnership area;
- Scotland Excel has worked with two sector wide groups to take forward work across financial risk and cost of care;
- Scotland Excel has undertaken market research and engaged with commissioners on their views on a range of procurement and contracting matters associated with the National Care Home Contract (NCHC); and
- Scotland Excel has maintained regular dialogue with local authority lead officers, COSLA, SLGP, health and social care Chief Officers, providers, statutory bodies and other key stakeholders.

3. Relationship to Reform of the NCHC

In parallel to Scotland Excel's programme of activity, COSLA is currently working with Scottish Government and other partners on the reform of adult social care. This activity reports to the Ministerial Strategic Group chaired by the Cabinet Secretary for Health and Sport. Scotland Excel is an integral part of this work through its participation on a range of governance groups including the Delivering Change in Adult Social Care Partners Group. The reform activity recognises that the current NCHC fee setting and procurement process requires review to acknowledge changing policy, including the establishment of health and social care partnerships and the requirement for joint strategic commissioning plans.

As part of this activity, Scotland Excel has led on the development of a cost of care calculator. The calculator will underpin fee negotiations by providing a tool which examines care home costs more forensically than before. It also allows for more effective scenario planning in response to policy decisions, for example the implementation of the Scottish Living Wage. The importance and relevance of this work has been recognised by all stakeholders including Chief Officers, COSLA, SLGP and care home providers.

HSCPs have been surveyed on the desired balance between national benchmarking of costs and the applicability of local variation, to take account of specific local market circumstances including occupancy, capital costs in terms of land and buildings and workforce issues such as staff recruitment difficulties. There is a clear desire for a continued national approach, with support also expressed for a limited and phased approach to potential local variation in areas such as occupancy and staffing levels. The calculator will be able to accommodate such local variation.

Whilst the calculator and associated work has significantly increased understanding of costs in the sector, there is a need for further benchmarking of costs over the medium term, as well as further exploration of options for local variation by HSCPs.

4. Procurement Strategy

The Scottish Government/ COSLA Task Force for the Future of Residential Care made several recommendations on future commissioning of services, including

“partnerships should explore new procurement methodologies to offer control over quality and capacity”. Since 2014 however there has been little exploration of new procurement methodologies with only a few local authorities tendering for additional services outwith the national rate.

In recognition of this recommendation, and to support current NCHC reform, Scotland Excel has been developing a procurement strategy. This strategy (currently in draft) explores potential procurement and non-procurement options for the future sourcing of care home services. The strategy has been informed by the market intelligence reporting produced by Scotland Excel, which includes research and information from agencies such as Audit Scotland. Subject to consultation and agreement, the strategy recommends a qualified providers list is developed for this sector. This approach would ensure that people using services will be able to choose from a list of qualified providers who meet the quality requirements of commissioners.

It is anticipated that following consultation with key stakeholders, the procurement strategy will deliver the following objectives:

- Meet the Task Force recommendation for a new procurement approach;
- Meet provider and commissioner aspirations to operate to a national contract, while offering the flexibility of local variation;
- Meet the Delivering Change in Adult Social Care Partners Group requirement for a new national negotiation and contracting arrangement;
- Ensure that national negotiations on price are supported by national contract intelligence on both performance and commercial considerations;
- Ensure that the price paid for services sustains the market to afford people choice of care homes but remains affordable for local government;
- Deliver community benefits; and
- Share the burden of monitoring such a significant market sector.

5. Future Funding

The review and reform of the NCHC and wider agenda on care home services for older people has been described as a once in a decade opportunity to improve the commissioning and procurement of care home provision. Although significant progress has been made in a relatively short period of time, much remains to be done. Accordingly, Scotland Excel is seeking a three year program of funding from local authorities/ HSCPs to build on work already completed and embark on an extensive work programme, including:

- further examining the cost of care and providing opportunities for future variation of rates at a local level;
- adapting the calculator, making it more relevant to rural and urban settings;
- implementing the preferred procurement approach and developing a qualified providers list;

- developing contract terms and conditions to support flexibility and innovation;
- continuing to provide market intelligence to local authorities on major providers in relation to financial health and market concentration;
- supporting local authorities/ HSCPs with contract monitoring of commercial elements and community benefits at a provider level to complement local monitoring of care homes and personal outcomes; and
- building on existing strong working relationships to coordinate a practice network on topics such as provider moratoria, price variations and workforce matters.

The annual funding sought per local authority/ HSCP over the next three years is detailed in Appendix 2. As demonstrated in Appendix 2, funding being sought is approximately 20% less than the start up funding provided over the past 12 months. In parallel to this paper, Scotland Excel is in contact with council Chief Executives and HSCP Chief Officers regarding this proposal and associated funding.

6. Recommendation

Members are requested to endorse the proposal outlined.

Care Home Services for Older People – Activity Report

Market Intelligence

Scotland Excel has completed the first issue of market intelligence reports to all participating local authorities. The reports include a standard performance dashboard, which sets out key data such as occupancy, provider concentration, service quality and expenditure.

Local authorities have recently been surveyed on the style, structure and content of the first set of reports. A significant majority of local authority leads confirmed that the reports will support local strategic commissioning and the development of market facilitation plans. Some local authorities however requested that future reports place a greater emphasis on financial risks. Scotland Excel is currently preparing some pilot sample reporting to respond to this specific feedback, with a proposal for improvements to be presented to the next local authority lead officers meeting.

In addition to local reporting, a national market intelligence report on older peoples' care homes has been produced, bringing together information gathered for individual local authority reports and contrasting this with Scottish level information from national data sources such as the Care Inspectorate, ISD Census of Care Homes and Spikes Cavell expenditure figures. This national report will support the wider adult social reform agenda, as well as better enable local authorities and health and social care partnerships to contrast their local position with Scotland as a whole.

As a first tranche of local and national reporting, a solid foundation of intelligence is now available for local authorities/ health and social care partnerships. The market intelligence reports however will need regular updating to remain relevant.

Financial Risk

In 2014, the Task Force for the Future of Residential Care¹ recommended that *“a compulsory risk register should be devised...to provide an early warning system for care providers experiencing challenges to the continuity of care – and an associated ladder of intervention for public authorities to co-produce solutions for exit or redesign of struggling services.”*

In response to the continued gap in this area, Scotland Excel has been exploring the potential for a voluntary information sharing scheme with providers. Two sessions have been held with Scottish Care and eight of the top 20 providers in Scotland (in terms of local authority expenditure) to take forward the recommendation from the Task Force for improved financial risk monitoring. The objective of this work stream is to develop a system to reduce the potential for and impact from provider failure. Establishing such a system however is a sensitive matter, with the market concerned about potential for any information to unintentionally undermine the sustainability of the overall sector or a specific provider.

¹ <http://www.gov.scot/resource/0044/00444594.pdf> 2014

The Task Force suggested the following risk indicators should be considered:

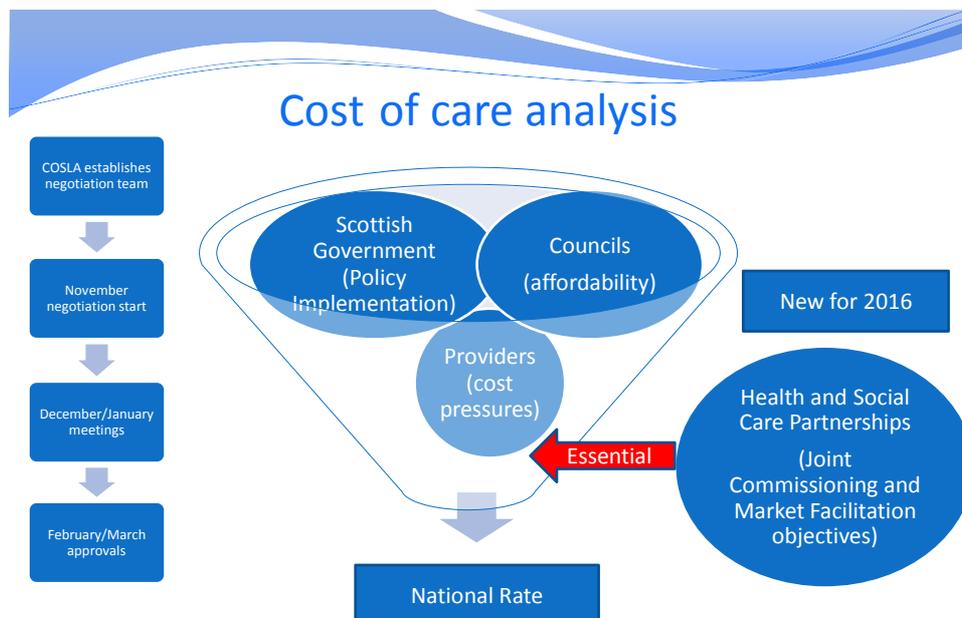
- Financial health (credit rating)
- Organisational structure
- Market concentration
- Quality (Care Inspectorate grades)
- Stability of care home management
- Use of agency staff
- Occupancy
- Profitability

Feedback from Scottish Care however is that they are keen to ensure that any system considers the impact that commissioner activity can have on financial risk.

In response to the meetings held to date, it has been agreed that two pilots be used to test the potential for an enhanced financial risk monitoring system. Meetings have been held with the Chief Officers of Aberdeen City and Angus health and social care partnerships to scope these pilots prior to wider consultation on an information sharing model with all participating partnerships. Building on Scotland Excel's leadership in this area, the Care Inspectorate is now exploring how they can contribute to more enhanced monitoring of providers. This work is likely to take some time to become embedded. In the meantime, Scotland Excel will continue to work with providers and deliver more information to local authorities.

Cost of Care

Scotland has benefitted from the setting of a national rate in terms of consistency of the cost of care to people accessing care homes wherever they live in Scotland. The undernoted negotiation mechanism however for delivering the national rate has not changed since 2008:



With the establishment of health and social care partnerships and the requirement for joint strategic commissioning plans, it is timely to review and strengthen how we approach the fee setting process.

Scotland Excel has made substantive progress in exploring the potential use of a cost of care calculator. A calculator underpins fee negotiations by providing a tool to more forensically examine care home costs, while at the same time allowing for more effective scenario planning in response to potential policy decisions, for example to implementation of the Scottish Living Wage.

A Cost of Care Sub Group chaired by Scotland Excel has guided the work to date and brings together stakeholders including the Scottish Government, Scottish Care, Care Inspectorate, Health Improvement Scotland and COSLA.

Scotland Excel has researched existing calculators and identified the following key elements, as well as sub elements and benchmark options:

- Staffing
- Buildings
- Other costs (e.g. supplies and services)
- Providers return, corporate overheads, management costs
- Occupancy
- Inflation

This work is being undertaken in partnership with providers.

During November 2016 – January 2017, Scotland Excel will provide COSLA and the fee negotiation team with detailed background papers and negotiation advice, as well as strong leadership in the assessment and selection of options for each cost element.

Health and Social Care Partnerships have already been surveyed on the desired balance between national benchmarking of costs and the applicability of local variation to take account of specific local market circumstances including occupancy, capital costs in terms of land and buildings and workforce issues such as staff recruitment difficulties. There is a clear desire for a continued national approach, with support also expressed for a limited and phased approach to potential local variation in areas such as occupancy and staffing levels.

While the calculator has gone some way to provide a tool to understand costs in the sector, there is a need for further benchmarking of costs over the medium term.

Procurement Strategy

In the procurement of care home services, local authorities have always taken their lead from legislation and guidance, principally to support peoples' choice of care home². While some local authorities have commissioned care home services for very specific purposes e.g. early supported discharge from hospital or respite services, in general the number and location of care homes in Scotland has been led by market decisions.

In line with initial scoping documents, Scotland Excel is finalising a draft procurement strategy that explores potential procurement and non- procurement options for the future sourcing of care home services. The strategy has been informed by the market intelligence reporting already produced by Scotland Excel as part of the overall service offering, as well as Scottish wide research and publications from agencies such as Audit Scotland, Information Services Division and Care Inspectorate.

Participating local authorities have been surveyed and a local authority leads forum confirmed the most significant commercial and quality considerations that local authorities would like incorporated into a future contracting model. Any agreed sourcing solution will need to take into account learnings from past procurement approaches for care home services across the United Kingdom.

There are a number of procurement and non-procurement options that could be employed. These are:

- open procedure;
- restricted procedure;
- competitive procedure with negotiation;
- competitive dialogue;
- innovation partnership;
- negotiated procedure prior to publication;
- framework agreements; and
- dynamic purchasing systems.

A consultation process for the draft procurement strategy will be agreed shortly with key stakeholders.

² Social Work (Scotland) Act 1968 (Choices of Accommodation) Direction 1993

NCHC Fee Negotiations 2017/ 2018

Scotland Excel is part of the COSLA negotiation team for the 2017/ 2018 fee negotiations and has provided the negotiation strategy, national market intelligence report and cost of care discussion paper. These papers together with the cost of care calculator tool provides a level of support not previously available.

It is anticipated that Scotland Excel will be required to provide a central role in fee negotiations. There will continue to be a requirement to undertake further benchmarking of actual costs and to provide further intelligence to any future negotiation team.

Appendix 2 – Care Home Services for Older People - Funding

Councils/ Health and Social Care Partnerships	Current Fee - 2016/2017	Annual Fee - 2017/2020
Aberdeen City	£9,910	£7,928
Aberdeenshire	£11,038	£8,830
Angus	£5,814	£4,651
Argyll & Bute	£4,783	£3,826
City of Edinburgh	£19,501	£15,601
Clackmannanshire	£3,434	£2,747
Comhairle nan Eilean Siar	£2,551	£2,041
Dumfries & Galloway	£7,065	£5,652
Dundee City	£6,991	£5,593
East Ayrshire	£6,034	£4,827
East Dunbartonshire	N/A	£4,337
East Lothian	£5,274	£4,219
East Renfrewshire	£4,906	£3,925
Falkirk	£7,310	£5,848
Fife	N/A	£12,030
Glasgow City	£23,499	£18,799
Highland	N/A	£8,085
Inverclyde	£4,489	£3,591
Midlothian	£4,661	£3,729
North Ayrshire	£6,574	£5,259
North Lanarkshire	N/A	£11,186
Orkney Islands	N/A	£1,864
Perth & Kinross	£6,966	£5,573
Renfrewshire	£7,948	£6,358
Scottish Borders	£5,715	£4,572
Shetland Islands	N/A	£1,903
South Ayrshire	£4,906	£3,925
South Lanarkshire	£13,246	£10,597
Stirling	£5,568	£4,454
The Moray	£5,004	£4,003
West Dunbartonshire	N/A	£3,866
West Lothian	£8,021	£6,417