

Cost of Care Report: 65+ Care Homes

Introductory Note

London Borough of Redbridge would like to thank all providers that participated in Department of Health and Social Care's (DHSC) Market Sustainability & Cost of Care Exercise.

The information gathered will make an important contribution to the consideration of future fee levels paid by the Council. We know that there are a range of factors that determine future fee increases that are outside the scope of this exercise, including funding levels and inflationary pressures. However, the information gathered provides for a much greater shared understanding of the costs of providers to inform future decision making.

Engagement

There has been a sustained effort to engage 65+ care home providers in the Market Sustainability and Cost of Care work since 17 June 2022, when initial correspondence was sent by way of email inviting them to participate in the cost of care exercise.

The data collection platform used (Care Cubed) already had a list of 38 relevant care home providers likely to be in scope for Redbridge which was populated by DHSC. From the existing list of providers, 17 were deemed to be out of scope as they provided learning disability and/or mental health services or did not have a CQC rating. They were marked as such, leaving 21 providers to be invited to participate in the exercise. These providers were contacted numerous times over three months via email correspondence and telephone. Contact details were collated using internal records and supplemented by information available online; many providers were contacted using named contact email addresses (and mobile numbers) along with general administration inboxes. Calls were made during different times of the day and providers benefitted from the contact details of named colleagues.

All providers were initially sent sufficient information to begin engaging with the exercise and were regularly sent reminders of internal deadline(s) along with any new updates that were being made available. They were also signposted to additional resources available such as national support from The Care Providers Alliance, and more locally from the Care Providers' Voice (the local representative organisation for care providers and a key strategic partner for this work). Engagement efforts were also made through presentations at online providers forums and at an in-person event where colleagues working directly on Market Sustainability and Cost of Care were able to answer any questions. Requests for further time were accommodated wherever possible, and the Redbridge support offer included individual support (through telephone or Microsoft Teams meetings). Drop-in sessions were arranged to provide further opportunity for providers to ask questions and discuss challenges amongst peers.

A sample list was produced in relation to the size of providers and were categorised as small, medium, or large depending on their number of beds. Another sample list was also used in relation to geography of providers in the borough which helped track the geographical diversity of submissions. Within the current homecare commissioning framework, the borough is delineated by 8 'lots', for which there are specific providers commissioned to deliver care packages (along with a set of backup providers). In keeping with these 'lots', providers were

categorised as belonging to one of eight, depending on the location they were based. By using this analysis based on provider of size and geography, more targeted engagement was possible, particularly as the deadline approached.

Ultimately, providers were given ample opportunity to engage, and had an absolute minimum of 6 weeks to complete the exercise before the Redbridge deadline.

Responses

A total of 38 providers were contacted, and 17 Redbridge providers were subsequently deemed to be out of scope for the exercise, as they provided learning disability and/or mental health services or did not have a CQC rating. This avoided the skewing of data and enabled a meaningful comparison between 65+ residential and nursing homes, resulting in more accurate median values. Out of the remaining 21 providers, 11 submissions were completed and returned which equates to a 52% response rate. This included the sole provider with which the Council holds a 'block' contract, operating four homes in total.

Responses received have largely been representative of the local care market, encompassing a variety of sizes and localities. Submissions were received from providers based in many of the Redbridge geographical 'lots' which suggests results encompass the differing costs of operating in different areas of the borough. Further, responses also included costs from providers offering additional types of provision (residential care for enhanced needs, standard nursing care, nursing care for enhanced needs, as well as standard residential care).

Data Collection

To collect data, Redbridge adopted the Care Home Cost of Care Tool on the CareCubed platform which was developed by iESE and is commissioned through the Care and Health Improvement Programme (CHIP), delivered by ADASS and the LGA. Data was collected between June and the end of August 2022, and the base price year providers were asked to use was FY 21/22 and apply a percentage uplift to bring to April 2022 cost base. The uprated figures using this cost base were used to inform the determining of the cost of care.

Findings

The cost of care for 65+ standard residential care was determined to be £975.02.

The cost of care for 65+ residential care for enhanced needs was determined to be £994.29.

The cost of care for 65+ standard nursing care was determined to be £1,173.09 (including NHS Funded Nursing Care).

The cost of care for 65+ nursing care for enhanced needs was determined to be £1,199.65 (including NHS Funded Nursing Care).



| Cost of care exercise results - all cells £ per resident per week | Median for 65+ care home places without nursing | Median for 65+ care home places without nursing with dementia, enhanced needs | Median for 65+ care home places with nursing | Median for 65+ care home places with nursing with dementia, enhanced needs |
|---|---|---|--|--|
| · Care home staffing: | £478.74 | £492.41 | £693.97 | £681.14 |
| o Nursing Staff | £0.00 | £0.00 | £185.63 | £202.12 |
| o Care Staff | £343.32 | £328.80 | £343.32 | £325.71 |
| o Therapy Staff (Occupational & Physio) | £0.00 | £0.00 | £0.00 | £0.00 |
| o Activity Coordinators | £4.28 | £0.00 | £13.19 | £8.78 |
| o Service Management (Registered Manager/Deputy) | £10.99 | £0.00 | £32.13 | £31.81 |
| o Reception & Admin staff at the home | £22.16 | £71.24 | £14.26 | £22.16 |
| o Chefs / Cooks | £48.33 | £46.72 | £38.62 | £25.99 |
| o Domestic staff (cleaning, laundry & kitchen) | £45.96 | £45.24 | £50.09 | £47.84 |
| o Maintenance & Gardening | £3.40 | £0.00 | £16.73 | £16.73 |
| o <i>Other care home staffing (please specify)</i> | £0.31 | £0.42 | £0.00 | £0.00 |
| · Care home premises: | £47.76 | £52.56 | £59.79 | £64.92 |
| o Fixtures & fittings | £2.85 | £3.51 | £2.05 | £6.18 |
| o Repairs and maintenance | £29.75 | £29.75 | £24.24 | £24.24 |
| o Furniture, furnishings and equipment | £15.16 | £19.30 | £15.16 | £16.16 |
| o <i>Other care home premises costs (please specify)</i> | £0.00 | £0.00 | £18.34 | £18.34 |
| · Care home supplies and services: | £88.17 | £86.21 | £121.48 | £119.18 |
| o Food supplies | £32.16 | £32.05 | £33.91 | £34.78 |
| o Domestic and cleaning supplies | £5.94 | £5.94 | £10.97 | £10.97 |
| o Medical supplies (excluding PPE) | £4.23 | £3.73 | £11.34 | £4.93 |
| o PPE | £0.00 | £0.00 | £0.00 | £2.28 |
| o Office supplies (home specific) | £5.10 | £5.13 | £2.73 | £3.43 |
| o Insurance (all risks) | £0.00 | £0.00 | £12.30 | £12.30 |
| o Registration fees | £3.22 | £3.29 | £3.29 | £3.29 |
| o Telephone & internet | £2.15 | £1.62 | £4.41 | £4.26 |
| o Council tax / rates | £0.67 | £0.60 | £1.38 | £1.38 |
| o Electricity, Gas & Water | £25.17 | £24.27 | £30.11 | £30.11 |
| o Trade and clinical waste | £6.59 | £6.83 | £4.66 | £4.47 |
| o Transport & Activities | £1.36 | £1.16 | £5.80 | £6.85 |
| o <i>Other care home supplies and services costs (please specify)</i> | £1.59 | £1.59 | £0.58 | £0.13 |
| · Head office: | £88.93 | £91.69 | £78.71 | £92.76 |
| o Central / Regional Management | £60.86 | £64.84 | £35.49 | £46.05 |
| o Support Services (finance / HR / legal / marketing etc.) | £26.76 | £26.85 | £21.50 | £25.36 |
| o Recruitment, Training & Vetting (incl. DBS checks) | £0.33 | £0.00 | £12.36 | £4.59 |
| o <i>Other head office costs (please specify)</i> | £0.99 | £0.00 | £9.37 | £16.76 |
| Total exc. ROC & ROO | £703.59 | £722.86 | £953.94 | £958.00 |
| · Return on Operations | £81.43 | £81.43 | £64.32 | £73.41 |
| · Return on Capital | £190.00 | £190.00 | £154.83 | £168.24 |
| Section Total: | £271.43 | £271.43 | £219.15 | £241.65 |
| Final TOTAL | £975.02 | £994.29 | £1,173.09 | £1,199.65 |
| FNC rate removed for nursing of £210 | £975.02 | £994.29 | £963.90 | £990.46 |

| | | | | |
|--|------------|------------|------------|-------------|
| o Number of residents covered by the responses | 177 | 171 | 140 | 46 |
| o Number of nursing hours per resident per week | 0.00 | 0.00 | 7.00 | 13.00 |
| o Number of carer hours per resident per week | 25 | 23 | 28 | 30 |
| o Average nurse basic pay per hour | £0.00 | £0.00 | £15.09 | £13.03 |
| o Average carer basic pay per hour | £10.96 | £11.12 | £10.65 | £10.51 |
| o Average occupancy as a percentage of active beds | 89% | 87% | 91% | 94% |
| o Freehold valuation per bed | £83,333.33 | £95,595.24 | £95,595.24 | £104,268.71 |

Validation & Analysis

Returns were queried as necessary, with some providers being requested to make several amendments before data was validated. Each return was reviewed to check for common errors or any incomplete sections. Further, the data obtained was collated and analysed; clear outliers were identified and where there was no satisfactory comment or explanation, these were highlighted. Ranges for key cost lines were used to benchmark each return and were provided by partner care home providers (in their capacity as representatives of the local provider association CPV). By harnessing the expertise and experiences of these providers, data that was at variances to expected value ranges was better able to be identified. Qualitative sessions were also held with several providers (and offered to all those participating), where commissioners were able to better understand nuances and some of the reasons behind certain costs that the tool was not able to capture. This was also used to inform the Market Sustainability Plan.

Providers were asked to comment and justify where any data was considered to be unusual. However, evidence was not requested for outlying costs when an unsatisfactory (or no) response was received. This was due to time constraints and to help avoid discouragement of participation, but multiple providers adjusted data items upon request. Most remaining outliers were deemed to be reasonable due to variability of costs incurred in the care home market and were thus included in the cost of care calculation, submitted to the Department of Health & Social Care (DHSC) in October 2022.

However, after the October submission, data from two providers were replaced with the median rate, given its impact on skewing nursing figures, which were high compared to neighbouring local authorities we share the market with (BHR). Cost of care figures were thus resubmitted to DHSC in January 2023, reflecting alterations made in calculating final medians.

For both submissions to DHSC, final medians were calculated using the sum of the subtotal medians.

Return on Operations (ROO) & Return on Capital (ROC)

The ROO and ROC was determined by undertaking necessary market analysis, including holding qualitative sessions with a range of care home providers to understand different approaches, as well as using guidance from CHIP/ADASS and the Care Providers Alliance.

Return on Operations, calculated as a percentage markup on operations and head office costs, was determined (by COC data) as being between 6%-8% for the Redbridge cost of care

exercise. This reflects both the data extracted from the cost of care exercise and an appropriate ROO that enables reinvestment into the business.

Return on Capital was calculated by using Potential Approach 1 in Annex E on the Cost of Care guidance page, which applied a percentage rental yield to the median freehold value per bed. Sanctuary, our block contract provider which operates four homes did not provide freehold valuations as the local authority owns the property. There has been no recent valuation conducted on these properties, hence a valuation would be out-of-date – and therefore excluded from the ROC calculation.

All remaining providers except one provided median freehold valuations. Calculations were conducted (as per Annex E guidance) for each of the four types of care and resulted in a range between £93.43 - £110.28 per resident per week.

Limitations

It is acknowledged that there are some limitations attached to the data collected. Whilst many providers engaged with the exercise, some did not submit information. The use of the median calculation is more suited to larger data sets and means the addition or subtraction of single figures can significantly impact on the median.

The exercise was conducted in July 2022 whereby external factors such as general inflation, the costs of energy and the increase to London living wage means the data may not be reflective of the current position of providers.

The methodology does not give weighting to relevant factors such as the actual number of clients supported by a provider. Costs submitted by a provider supporting one Redbridge client would have an equal impact on the median calculation as a provider supporting 100 Redbridge clients. Costs can vary significantly depending on the size of the organisation, variations in staff pay rates and the use of agency staff.

There is a significant variation in Return on Operations and Return on Capital costs submitted by care home providers. Redbridge proceeded to analyse cost lines and applied a consistent approach to both, with reference to evidence-based industry guidance.