Fair Cost of Care- Newcastle City Council (FINAL DRAFT)

65+ Care Homes

Provider Engagement

Initial Engagement

On 30 May 2022, Newcastle City Council notified providers, via letter, introducing the Department for Health and Social Care's intention to undertake a Fair Cost of Care Exercise, outlining the following details:

- the purpose of the Fair Cost of Care exercise
- the intention to appoint a consultancy firm to undertake the exercise
- contact details for support and information
- Instructions on how to register on Care Cubed
- key dates, including: the Care Cubed submission date for providers and the council's submission date to the government

The Council subsequently held a virtual drop-in session for providers, which took place in June and July. This was set-up to answer follow-up questions from providers regarding the exercise. The Council also provided access to essential guidance, including a demonstration on Care Cubed registration.

In July, the Council appointed Grant Thornton UK LLP to work directly with providers, in order to maximise engagement and analyse the returns on Care Cubed. To do this, the Council permitted Grant Thornton with access to Care Cubed. At the same time, relevant information was shared, including:

- List of care homes in/out of scope
- Key contact information per home and parent organisation
- Relevant background information with providers to assist in navigation and relationship management

Once all information and progress to date made by the Council was shared with Grant Thornton, they split all in scope providers into 'buckets' to determine the position of each provider, this is detailed in the table below.

Table 1:

"Bucket"	**Engagement cycle carried out by Grant Thornton**
A. Not registered on CareCubed	• Immediate engagement by email in the first instance, followed up by a phone call if required • Where providers refused to participate in the exercise and complete CareCubed, understand why and share at weekly progress meetings with Newcastle City Council for escalation if required. It was noted that in most cases where providers responded to inform on non-completion noted capacity issues as the reason for not completing the exercise
B. Registered on CareCubed; no information provided to date	• Immediate engagement by email in the first instance, followed up by a phone call if required
C. Registered on CareCubed; information provided to date incomplete/ in query	• Engagement to discuss incomplete/ returns in query through email and phone calls, providing support to complete the tool

D. Registered; information completed/ not in query	• No initial engagement • Analysis of returns started • Proposed clarification questions shared with Newcastle City Council for discussion • Final clarification questions shared with provider by email in the first instance, followed up by a phone call if required

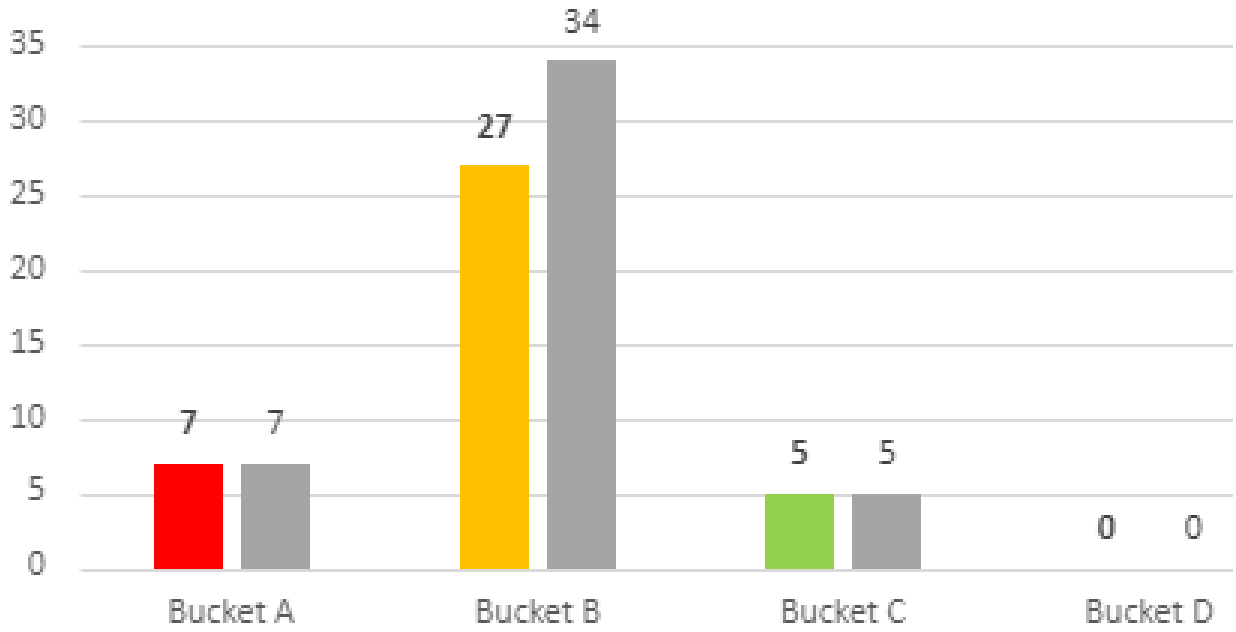
Once in scope providers were allocated to a "bucket" Newcastle City Council informed them via email of Grant Thornton involvement. Grant Thornton then contacted each provider individually offering support and guidance, according to their bucket allocation following the planned engagement cycle. It was agreed that for submissions to be included within the Fair Cost of Care calculations, submissions needed to be completed by 14 August 2022, there was therefore additional engagement with providers in advance of this date to gain as many submissions as possible.

Provider submissions were reviewed by the Council and clarification questions were determined. Grant Thornton, reached out to providers with these questions to ensure the returns were accurate, and offer a window of opportunity, up to 16 September 2022, for any changes to be made on Care Cubed.

Weekly operational meetings were scheduled for Grant Thornton to provide the Council's Adults Social Care Leadership team with progress updates. A progress tracker was developed to monitor the progress engagement and providers submissions. Examples of some of the slides presented at these meetings and the progress tracker are included below:

Example one is an extract from a weekly operational meeting in August 2022, illustrating the high-level summary of provider by bucket (see '*Table 1',* above for 'bucket' definitions)

Example 1: Weekly bucket provider transition



The following example (2) is an extract from a weekly operational meeting in August 2022 and illustrates the change in the number of providers per 'bucket' from the previous week.

Example 2: High Level Bucket Position and Actions

Bucket	Last Week Status	Current Status	Change	Comment / Actions
A	7	7	-	These providers are a priority and follow-up calls have begun. The list of providers in bucket A has been shared with NCC.
B	34	27	**- 7**	Emailed providers to offer support with Care Cubed submissions. Follow-up phone calls with all this week. **Note: Provider 0 have now confirmed no intention to submit returns despite having signed up to Care Cubed.**
C	5	12	**+ 7**	No action required.
D	0	0	-	No action required.
TOTAL	**46**	**46**	**0**	**Care Cubed identifies 56 care home providers. NCC has been provided with the names of the 10 care homes. It's assumed these aren't commissioned under the NCC framework and are to be removed.**

Example 3 Illustrates a detailed summary regarding the level of engagement with providers, with an aim to maximise submissions, as is detailed in the submissions section below.

Example 3: Provider Engagement Log

Provider Setting	Bucket Status	Weekly update	Contact Made
1	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
2	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
3	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
4	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
5	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08

6	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
7	A	No change or feedback – awaiting outcome	Email 26.07. Follow up phone call 04.08
8	B	No change or feedback.	Email 26.07. Follow up phone 05.08
9	B	No change or feedback.	Email 26.07. Follow up phone 05.08
10	B	No change or feedback.	Email 26.07. Follow up phone 05.08
11	B	No change or feedback.	Email 26.07. Follow up phone 05.08
12	B	No change or feedback.	Email 26.07. Follow up phone 05.08
13	B	No change or feedback.	Email 26.07. Follow up phone 05.08
14	B	No change or feedback.	Email 26.07. Follow up phone 05.08
15	B	No change or feedback.	Email 26.07. Follow up phone 05.08
16	B	No change or feedback.	Email 26.07. Follow up phone 05.08
17	B	No change or feedback.	Email 26.07. Follow up phone 05.08

Example 3: continued

Provider	Bucket Status	Weekly update	Contact Made
18	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
19	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
20	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
21	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08

22	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
23	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
24	A	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07. Follow up phone 05.08
25	B	No change or feedback.	Email 26.07. Follow up phone 05.08
26	B	No change or feedback.	Email 26.07. Follow up phone 05.08
27	B	No change or feedback.	Email 26.07. Follow up phone 05.08
28	B	No change or feedback.	Email 26.07. Follow up phone 05.08
29	B	No change or feedback.	Email 26.07. Follow up phone 05.08
30	B	No change or feedback.	Email 26.07. Follow up phone 05.08
31	B	No change or feedback.	Email 26.07. Follow up phone 05.08
32	B	No change or feedback.	Email 26.07. Follow up phone 05.08

Submissions and Response Rate

The Council identified **46** care homes in scope**. 39** care homes were confirmed on Care Cubed and **32** submissions were received. This resulted in **70%** of registered care home submissions on Care Cubed, as illustrated in Graph 1.

Clarification Questions

Care home providers were invited to complete the Care Cubed portal. The data from this was reviewed on a weekly basis by Grant Thornton who validated provider responses and identified any outliers. Where required, further information and clarification questions were asked from providers. These questions and any responses were tracked and reported to the Council at the weekly Operational Meeting, as illustrated in Table 2 (below).

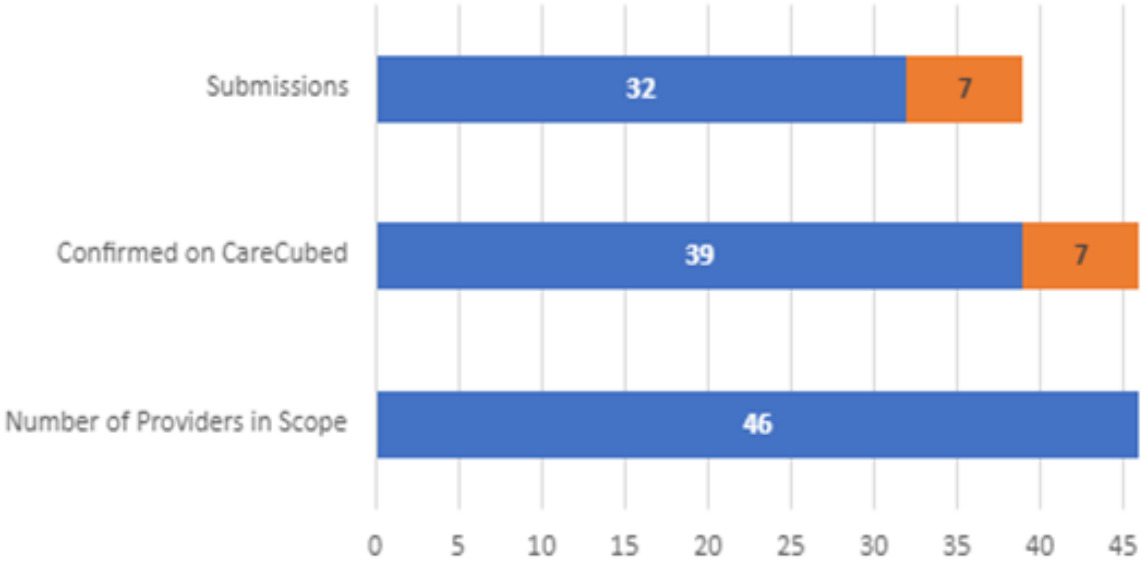
Table 2: Clarification questions and provider tracker:

Provider	Clarification Field	Contact Made
19	Outliers against nursing and care staff. ROC as a pc of the home value not included	Phone call: 30.08 x 3. No changes were made
21	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09
22	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09 + 05.09
32	Outliers identified against staffing costs	Phone call- 29.08+05.09 No adjustment made
23	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09. No adjustment made
26	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09. No adjustment made
25	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09. No adjustment made
7	ROC as a pc of the home value not included	Email 30.08. Follow up phone 31.08. No adjustment made
8	ROC as a pc of the home value not included	Email 30.08. Follow up phone 31.08. No adjustment made
17	ROC as a pc of the home value not included and gaps in data	Email 30.08. Follow up phone 31.08. No adjustment made
24	ROC based on a weekly rate, which was not included	Email 01.09. Follow up phone-call 02.09 No adjustment made

Grant Thornton had contacted the above-mentioned providers several times. However, no adjustments were made to the initial submission. However, all providers were informed that a fair and reasonable adjustment would need to be applied and expressed their motivation to remain involved in the process.

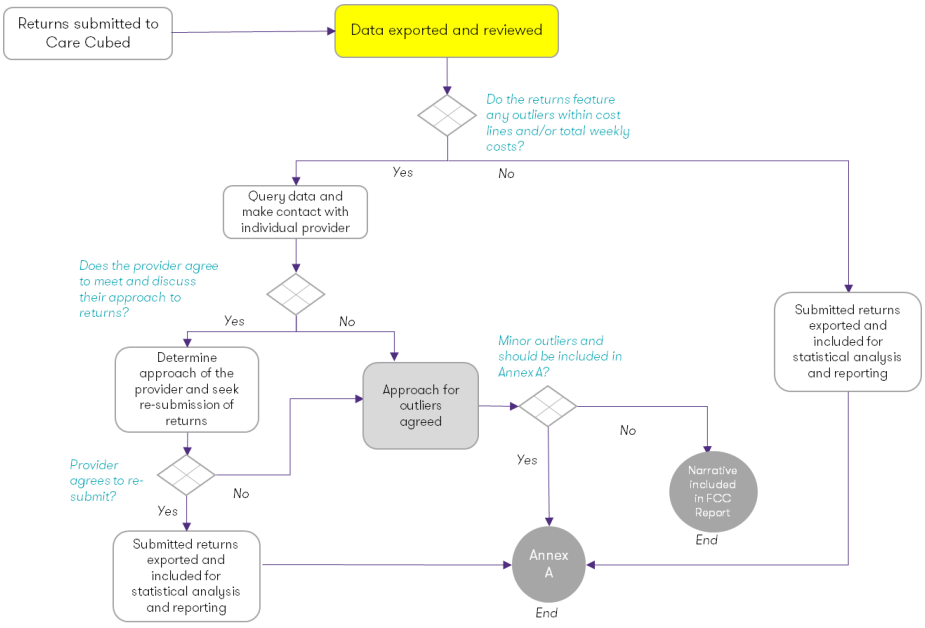
The graph below sets out the final position of responses received as at the time of the Fair Cost of Care calculation:

Graph 1: Overall provider engagement

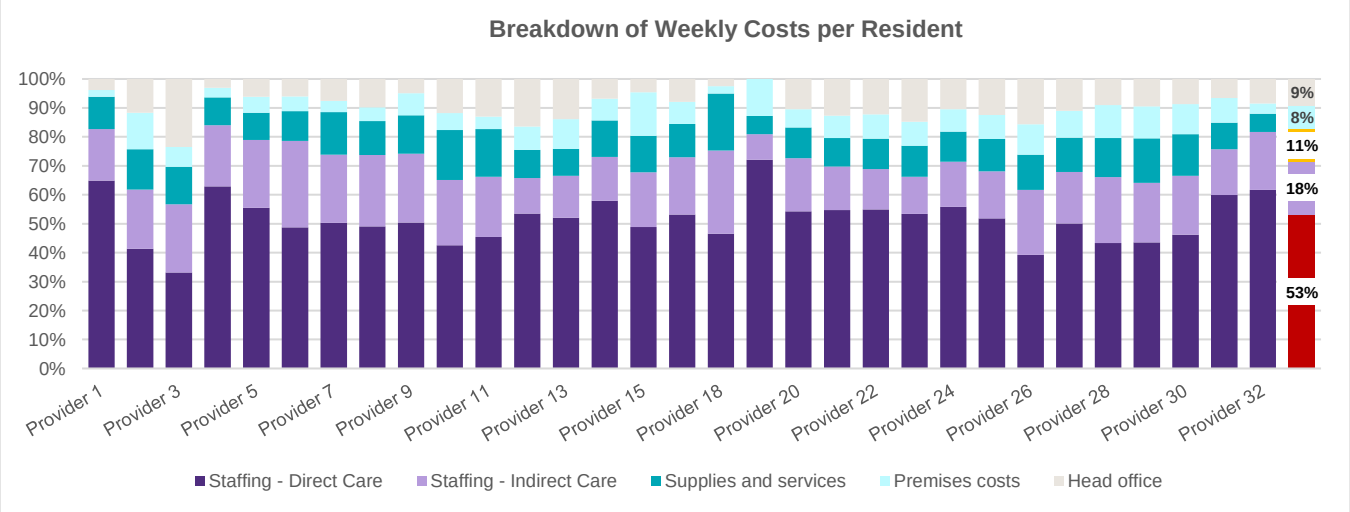


Analysis

To determine the fair cost of care for older people's care homes as required by this exercise, the local authority has analysed provider submissions with reference to available evidence and sector guidance. All provider data was drawn from the Care Cubed portal, with data exports used to determine both statistical findings and the identification of outliers, summarised above as part of the clarification questions. Where the local authority had queries about specific cost lines in submissions, the local authority contacted individual providers to seek clarification or justification of costs and any missing data. The general approach to analysis, and subsequent updates to data, is best summarised in the flow chart below.



As per industry guidance, clarification was sought on statistically significant areas of spend. Initial analysis of the returns highlighted a large proportion of spend on staffing care (both direct and indirect) along with large variation across care homes. Providers were contacted in the event of anomalous staffing costs, as well as justification for approaches adopted on Return on Capital and Return on Operations. Typically, higher staffing costs were associated with a greater proportion of agency nursing staff or the proportion of self-funders within care homes. Consequently, unusually high staffing costs were not explicitly amended or adjusted for the purposes of Annex A.



Providers were contacted for clarification as explained within the previous section. Once the final set of figures were agreed, and the Care Cubed portal was updated to reflect any changes in provider submissions, the process to convert submissions into a fair cost of care was as follows.

1. For each provider, a weekly cost per bed was calculated for all sub-service lines as broken down within Care Cubed. These also represent the sub-service lines within Annex A, which allowed for a straightforward conversion of raw data exports into Annex A. The weekly cost per bed for each sub-service line was based on the total expenditure in 2021/22, i.e., with no percentage uplift applied, and the respective occupancy of each care home as of April 2022. The only sub-service line which did not account for the total occupancy of the care home was expenditure on nursing staff. In this scenario, the weekly cost per bed was determined exclusively on the number of nursing placements, rather than accounting for total occupancy.

2. The next logical step would have been to calculate a sub-service line median for each care home type, as delineated in Annex A. However, within the Care Cubed portal there is no differentiation between care staff costs for those with dementia and those without. For instance, a care home which houses 10 patients without dementia and 20 patients with dementia will end up with the same weekly cost per bed, regardless of the client's needs. Essentially, a provider will have expenditure associated with staffing costs which does not accurately reflect how these costs go towards dementia and non-dementia clients. Theoretically, it would have been possible to separate care homes by those which house no dementia patients. However, given the low number of care homes housing exclusively non-dementia patients, this approach would reduce the sample size, and hence reliability of any data analysis. Therefore, to determine weekly costs for care homes with and without dementia a new approach was adopted, which accounts for as much data as possible, and explained below.

3. The approach was to discount the differentiation of dementia and non-dementia care homes within Care Cubed. Instead, a median weekly Care Staff cost per bed was calculated for (a) Residential Homes and (b) Nursing Homes. A dementia uplift factor was then applied to the median weekly Care Staff cost, based on the total proportion of dementia and non-dementia clients across all care homes. This results in much more 'reasonable' costs, with a clear increase in costs associated with Care Staff for dementia patients.

4. The uplift factor agreed is explained later in this report, within the section Fair and Reasonable Adjustments. Note that the uplift factor was applied only on Care Staff costs. For all other sub-service lines, a median cost of care was calculated for (a) Residential Care and (b) Nursing Care. If a provider housed any non-nursing clients, then their respective weekly costs were included within the median for (a) Residential Care. Similarly, if a provider housed any nursing clients, then their respective weekly costs were included within the median for (b) Nursing Care. Essentially, the only difference in the total weekly cost per bed for Residential and Residential with Dementia is within the weekly Care Staff cost per bed.

5. A total weekly cost of care per bed could then be calculated for each care home type, based on a sum of the sub-service line medians determined from the approach so far. However, these figures were based on expenditure from 2021/22. Therefore, each sub-service median weekly cost per bed was inflated based on the average uplift factor as reported by providers in their Care Cubed returns.

6. At this point, a number of fair and reasonable adjustments were required. These centre around the dementia uplift factor referenced above, an appropriate approach to Return on Operations and Return on Capital, and a scaling factor applied to certain fixed costs based on the reported occupancy rate of care homes. These adjustments are detailed below.

Fair and Reasonable Adjustments

Dementia Uplift Factor

As referenced in Points 2, 3 and 4 above, there is no differentiation between care staff cost for those with dementia and those without. To overcome this, the following steps were carried out:

a) Calculate a median weekly Care Staff cost per bed was calculated for (a) Residential Homes and (b) Nursing Homes.
b) Assign a 'complexity uplift' to those with dementia. For instance, within a care home, staffing costs will be a certain percentage greater for those with dementia. Staffing costs are assumed to be higher for those with dementia given the increased complexity of care giving required, along with any additional time required over the course of a week to deliver this care.
c) Based on the total proportion of dementia and non-dementia clients across care homes, a new weighted average Care Staff cost was back calculated, generating two median Care Staff costs: one for those with dementia and one without.

The dementia uplift factor was set at 15% and applied to Nursing Staff Care costs.

Return on Operations and Capital

As the figures submitted by Newcastle older people's care homes for both Return on Operations and Return on Capital varied across a wide range, applying the approach outlined below supports consistency in calculating a median rate for this exercise, informed by industry guidance for care homes.

In determining that a combined rate of 10.5% for Return on Operations (6.0%) and Return on Capital (5.5%) is the appropriate figure we have considered the factors listed below. These factors will inform - but not necessarily determine - our fee-setting decisions, but we have also had regard to them in moderating and deciding the information we will be submitting to the Department for Health and Social Care.

First, Newcastle has a duty to consider how it will achieve the objectives prescribed by section 5(1) of the Care Act, which requires us to promote the efficient and effective market in our area. In doing so we must have regard to the matters outlined in section 5(2) of the Care Act.

Second, in doing so we must have regard to the matters set out in the Care and Support Statutory Guidance.

Third, we must have regard to the Market Sustainability and Fair Cost of Care Fund 2022 – 23 Guidance.

Fourth, as a public body we must reach a determination that is not irrational, in that it is within the range of decisions that a public body acting reasonably could make.

Finally, we must have regard to our public sector equality duty under s149 of the Equality Act.

Newcastle have determined that the data we will submit to the DHSC will be premised on a minimum rate of 5.0% for surplus profit or Return on Operations and of 5.5% for Return on Capital being sufficient to support the market in our area. In our assessment, the Newcastle OP care homes market is a diverse market that provides good quality services to clients. Additionally, the LaingBuisson guidance sets out the market-based observation that 5% is an appropriate figure for surplus profit or Return on Operations and that 6% is an appropriate figure for Return on Capital for care homes. Based on an appraisal of local market sustainability and with reference to the LaingBuisson guidance, Newcastle is of the view a combined

rate of 10.5% for Return on Operations (5.0%) and Return on Capital (5.5%) will be appropriate to secure sufficient and sustainable service provision, ensuring a variety of high-quality services in the borough.

Occupancy Rates

Using data from the Care Cubed portal, weekly costs per bed were calculated on the respective occupancy of each care home, as of April 2022. Though variable costs within care homes (Care Staff, Food, etc.) will fluctuate based on the number of occupied beds, there are several fixed costs which will appear high on a per bed basis in the event of low occupancy. A sustainable care home market requires a minimum occupancy rate to avoid the prospect of care homes failing. Historically, Newcastle has commissioned beds on the premise of care homes operating at appropriate levels of occupancy. As of April 2022, occupancy rates within Newcastle were reported to be 80.7%. An occupancy factor has been applied to several fixed costs based on occupancy standing at 92.0%.

This occupancy factor was calculated as 80.7% / 92.0% = 0.88.

It was applied on the following weekly costs per bed:

Service Management
Reception
Food
Insurance (all risks)
Registration fees
Telephone
Council tax / rates
Trade and Waste
Central / Regional Management
Support Services
Other head office costs

Cost of Care Outputs - To be completed once the final figures are agreed

The below table sets out the median value for each category from the data received from providers.

Cost Lines	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Total Care Home Staffing	£473.81	£519.87	£739.83	£787.07
Total Care Home Premises	£38.68	£36.68	£43.27	£43.27
Total Care Home Supplies and Services	£104.21	£104.21	£112.81	£112.81
Total Head Office	£36.99	£36.99	£51.07	£51.07
Total Return on Operations	£32.68	£34.99	£52.08	£54.68
Total Return on Capital	£35.95	£38.49	£52.08	£54.68
TOTAL	**£722.32**	**£773.22**	**£1,046.42**	**£1,098.62**

The table below sets out the supporting information on the cost drivers used in the cost of care calculations:

Care Home Type	Count of observations	Median
65+ care home places without nursing	28	£722.32
65+ care home places without nursing, complex needs	29	£773.22
65+ care home places with nursing	17	£1,046.42
65+ care home places with nursing, complex needs	15	£1,098.62