

Annex C: final market sustainability plan

Section 1: Revised assessment of the current sustainability of local care markets

a) Assessment of current sustainability of the 65+ care home market

Market Overview

Gateshead is split into five neighbourhood areas with each area having several care homes delivering both residential and nursing care to meet current demands. The Market is made up of 17 Independent Sector providers with 28 care homes in the borough. The overall beds capacity is 1,559 with 1,504 beds currently active (two homes currently going through refurbishment)

The market is made up of a mixture of provider types including voluntary sector, small independents, regional and national providers. The largest number of homes a single provider owns in Gateshead is 4 with the majority operating only 1 or 2 homes.

All 28 Care Homes are contracted with the Local Authority to deliver services for those 65+ who require General Residential, Dementia Residential, General Nursing and Dementia Nursing Care. There are 14 homes who are Dual Registered and the other 14 registered for Residential Care only.

The overall occupancy levels are around 92% across the market, however, only 45 vacant beds have staff available to take admissions. In the last 6 months, 2 homes decided to deregister Nursing Care and no longer offer Nursing beds within their homes. Another home has reopened an Older Persons Nursing Unit which has offset some of the nursing capacity lost to the system, however, there has been a net loss of 20 Nursing beds.

Nursing Care is becoming a worry with providers struggling to recruit and retain the number of Nurses needed, to prevent the use of Agency Nurses in the sector. Other parts of the region are facing similar struggles with providers leaving the market due to both the cost to deliver Nursing Care as well as the recruitment and retention of quality nurses. Several providers have commenced recruitment from overseas to increase the nursing levels within their homes.

Quality

To promote improvement in quality, fee levels are based on 3 Quality Band ratings based on an annual assessment. Over 70% of homes are in the top band with the vast majority maintained the quality standards year on year.

The overall quality of services is reasonably good with 72% of homes rated Good (17) or Outstanding (3) via CQC inspections. 8 homes are rated Requires Improvement which co-insides with the LA's Quality Monitoring of the Care Homes.

One of the main challenges of those requiring improvement is having a stable registered manager and a reduced reliance on agency workers. All homes that require improvements are supported by the Gateshead System's support team to improve quality standards to meet our expectations.

Fees

Care Home fees are set via blended rates for the 4 categories of care, with Funded Nursing Care added if eligible. Our fee model considers the different financial challenges across the market, with Dual registered providers having a separate fee model in place.

For 2022/23, to support the financial pressures of the market, an interim increase of 2.58% was agreed on top of our normal fee setting process. Our Fees for 2022/23 are as follows:

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Residential Only				Dual Registered			
General Res	22/23 Base Rates	Interim Fee	22/23 Temp Rates	General Res	22/23 Base Rates	Interim Fee	22/23 Temp Rates
Band 1	£685.16	£16.76	£701.92	Band 1	£719.49	£17.61	£737.10
Band 2	£636.29	£15.58	£651.87	Band 2	£667.47	£16.33	£683.80
Band 3	£582.00	£14.25	£596.25	Band 3	£611.01	£12.96	£623.97
EMI Res	22/23 Base Rates	Interim Fee	22/23 Temp Rates	EMI Res	22/23 Base Rates	Interim Fee	22/23 Temp Rates
Band 1	£713.39	£17.46	£730.85	Band 1	£748.27	£18.33	£766.60
Band 2	£658.01	£16.10	£674.11	Band 2	£689.60	£16.88	£706.48
Band 3	£599.38	£14.66	£614.04	Band 3	£628.72	£15.39	£644.11
General Nursing	22/23 Base Rates	Interim Fee	22/23 Temp Rates	General Nursing	22/23 Base Rates	Interim Fee	22/23 Temp Rates
Band 1	£732.77	£17.94	£750.71	Band 1	£732.77	£17.94	£750.71
Band 2	£679.64	£16.64	£696.28	Band 2	£679.64	£16.64	£696.28
Band 3	£623.19	£15.25	£638.44	Band 3	£623.19	£15.25	£638.44
EMI Nursing	22/23 Base Rates	Interim Fee	22/23 Temp Rates	EMI Nursing	22/23 Base Rates	Interim Fee	22/23 Temp Rates
Band 1	£762.66	£18.67	£781.33	Band 1	£762.66	£18.67	£781.33
Band 2	£701.78	£17.18	£718.96	Band 2	£701.78	£17.18	£718.96
Band 3	£640.90	£15.69	£656.59	Band 3	£640.90	£15.69	£656.59

There is a mixture of homes in Gateshead with around a third who do not rely on the private market or third-party contributions which may subsidise the LA funding. Other homes are charging private placements fees more than the LA rates with some charging third party top up's ranging from £10 per week up to £120 per week.

The are 24% of placements that are self-funders, either via private contracts or by deferred payments due to capital being held via a House to sell.

Any residents that are Continuing Health Care (CHC) funded, also receive a premium of £97.62 per week paid via the Integrated Care Board (ICB).

Workforce & Capacity

Whilst the overall occupancy level is at a good level for the sector, there are workforce challenges that prevent some care homes accepting admissions into empty beds. Approximately 110 carers left the sector due to the mandatory vaccination requirement, with minimal numbers returning once legislation changed. Providers have just about replaced that workforce but there continues to be challenges with turnover rates of around 20% in the sector. Recruitment is showing an upward trend in care homes, albeit slow.

There are only around 95% of beds available in sector with staff to meet needs, which is leaving us very close to having problems to meet any sudden surges in demand. Whilst we don't expect demand for long term care admissions to increase, there is now an increase in demand for short term admissions to support the pressures across the NHS to support discharges.

Stability and Sustainability

With high levels of inflation expected to continue and potentially at best to halve by the end of 2023, providers are facing real challenges to meet the costs of delivering services. Increased pressures for most providers on utilities, food, insurance, and fuel. The national living wage (NLW) increase from April 2023 will also increase the costs of staffing which will need to be addressed via our fee setting process.

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Engagement with providers around fees for 2023/24 has commenced and we will look to continue with the interim increase for 2022/23 as well as an inflationary uplift to support running costs of services. There has also been a reduction in costs for employers National Insurance from November 2022 which has helped providers, but overall, all other costs are rising.

Funded Nursing Care rates will also have an impact on Nursing Care moving forward and work with ICB will be needed to explore the financial challenges this market is facing, albeit rate are set nationally.

The delays in the charging reform will allow us more time to work with providers who rely on private rates, to understand their business model and costs compared to other providers who don't rely on this subsidy. Several providers have expressed concerns around the impact and the potential loss of income in the future to sustain a high-quality service.

b) Assessment of current sustainability of the 18+ domiciliary care market

The biggest pressure we are facing in Gateshead is the Domiciliary Care market which has struggled to meet demands since June 2021.

Market Overview

Domiciliary Care is delivered by the Market via either a Council Contract (76%) or through a Direct Payment (24%).

Gateshead operates an open framework where providers can add on at any time, subject to meeting our requirements. For those contracted, they deliver across 4 geographic areas to minimise travel and competition of recruitment. There is a diverse range of providers with voluntary sectors, sole owners, and national providers. We have 3 providers who deliver more than 1,000 hours per week, 2 providers between 500 and 1,000 hours, with the remaining 8 delivering less than 500 hours per week.

The Direct Payment numbers are settled with providers not expanding but no signs of reducing and replacing packages like for like.

Gateshead has an in-house service, PRIME, which delivers short-term reablement service to support people in the community and those leaving hospital. This is complimented with 3 Independent providers who support people leaving hospital on a short-term basis.

Quality

CQC ratings shows all contracted providers being rated Good, bar one, which requires improvement. Over the last 6 months we have seen a rapid increase in the number of concerns, and we are supporting providers to improve quality standards.

Due to the workforce challenges, providers have limited contingencies available to manage excessive sickness issues. This is resulting in increased quality concerns, which is mainly around continuity of workers, duration of visits and late calls.

Fees

Domiciliary Care is purchased in 15-minute blocks with the same rate paid to both contracted providers and those who operate direct payments.

Our Fees from April 2022 are as follows:

- Standard Rate £17.52
- Outer West Rate £18.50

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The hourly rates are inclusive of travel time with the expectation of full durations being delivered to meet needs on a time and task approach. There is only around 3% of private funders who go direct to providers to purchase their care and there is no evidence that they pay premium rates that would have any impact of cross subsidy.

Workforce & Capacity

Around 11,300 hours of care are needed each week to meet current demand, but we are facing a shortfall of 2,025 (18%).

Shortfalls of supply are across all areas of the borough, but we have a greater shortfall in the outer west of Gateshead which is our most rural. Due to the distances needed to travel in that area, car drivers are needed to make efficient delivery runs of care.

Stability and Sustainability

A good quality and stable workforce is a real challenge and we continue to only have around 82% of required hours available, resulting in waiting lists for long-term domiciliary care services. Care Worker vacancies are high with around 70 FTE posts required. Over 50% of the current workforce are within the benefits system which impacts on the number of hours they can work without impacting on the level of benefits they receive. We estimate around 130 workers are needed to cover the existing and future demands of the market.

The challenge in Gateshead is the retention on workers. There is almost a 100% turnover rate with every recruit replacing someone who leaves the sector.

The main financial pressure for this sector is Fuel and NLW increases. Fuel has reduced in recent months and has remained stable recently. NLW increase from April 2023 will also increase the costs of staffing which will need to be addressed via our fee setting process.

Engagement with providers around fees for 2023/24 has commenced and we have already brought forward the April 23 rate to January 23 to support with retention and recruitment of staff

We don't see an immediate risk of the delays in the charging reform in this market due to the small numbers of self-funders and the number of years it will take most people to reach the cap.

Section 2: Assessment of the impact of future market changes between now and October 2025, for each of the service markets

Gateshead already has an overuse of bed-based care and the current numbers of being supported in Care Homes is higher than we would like. Whilst demand for Adult Social Care will continue to grow due to an Ageing population, our focus to support more people at home and investing in Domiciliary Care and Technology will see a slow reduction in admissions into long term care between now and October 2025.

We are likely to see the following across the care markets in the next 3 years:

- An 8% increase in people needing long-term Nursing Care
- A 10% reduction in people needing long-term Residential Care
- An 18.6% increase in the number of people receiving Domiciliary Care

Information gathered from the Fair Cost of Care (FCOC) exercise and from local intelligence indicates around 300 self-funders in care homes and between 25 & 30 in domiciliary care. The introduction of Charging Reform in October 2025 will have a significant impact on potential funding short-falls and Assessment Capacity.

Investment in Assessment Capacity will be needed from October 2024 to support the process to ensure everyone has a Care Act Assessment and a financial assessment, ready from Charging Reform implementation of October 2025.

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We made it clear that the FCOC process was not a fee setting exercise, however, further detailed work will be needed in some key areas such as Return on Capital (ROC) & Return on Operations (ROO). Valuations of properties is going to be needed in Gateshead to ensure we are not relying on estimates of a small proportion of providers.

Section 3: Plans for each market to address sustainability issues, including fee rate issues, where identified.

Gateshead's Market Position Statement is currently being updated to cover 2023 - 2025 and work has commenced engaging with providers looking at new commissioning strategies for Adult Social Care. Our strategic intentions within this draft plan will underpin our new Market Position Statement and outline our clear Commissioning Intentions over the next 3 years.

Our move to a digital platform will show a live 'Market Position Statement' with data being updated monthly.

The Gateshead Integrated system have already approved two joint projects to look at future ways of delivering adult care home provision and generalist domiciliary care in Gateshead. The projects are being delivered under an 'Alliance Agreement' with expectations as we move into 2023/24, that changes in the way these services are delivered, will start to address the challenges being faced.

Our commissioners have a strong relationship with providers in both markets, which has resulted in 26/27 Care Homes completing the FCOC exercises and domiciliary care providers who represent 65% of the hours being delivered in the borough. Gateshead do more than engagement with providers and see our relationship as more of a partnership and how we can work together to improve and develop good quality services.

Our providers are aware that the FCOC exercise was not the fee setting process and that we will continue to engage following the submission of these plans and work together on a new fee model for the future.

(a) 65+ care homes market

Whilst not a fee setting exercise, the FCOC process gave us an indication of the current market costs supplied by providers. Whilst we need to show a plan on how we will move towards the Cost of Care in the future, we are aware of further joint work needed between Commissioners and providers to get a full understanding of the challenges now and the impact of Charging Reform in the future. The main areas to focus are:

- Splitting the costs between general and dementia residents
- Return on Operations
- Return on Capital
- Valuations of properties
- Income via Third Party Contributions & Self-Funder Market

The costs within the FCOC include additional costs for services provided by Health partners. Two clear areas are:

- Funded Nursing Care – Set nationally but clearly not enough to cover existing costs and future investment needed to sustain Nursing provision
- Continuing Health Care – Set locally and further joint work is needed to understand the true cost for complex needs that are funded for CHC eligible residents
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Gateshead fee models are already different to most due to dual registered providers having higher costs compared to the general residential care providers. The FCOC exercise has provided further evidence of this, and we will continue to explore a different approach to fee setting in the future considering the challenges of blended fees.

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Due to the increased financial pressures this market was facing due to the rising inflation costs, a commitment was made to invest £0.666m of the 2022/23 allocation of funding, by offering a temporary increase in fees for the year to care home providers, ahead of the completion of the FCOC.

We have agreed to look at a new fee model within 2023/24 as part of our new contract work and will consider factors of the FCOC process as well as the Charging Reform potential impacts should it commence in October 2025. The focus of the new contract and fee models is to ensure we have the right capacity and quality to meet the future demands as we slowly reduce the need of long-term residential care placements.

Our fees from April 2023 are being negotiated and we hope to conclude by end of March / early April. We have committed continuing with the additional £0.666m invested and looking to increase fees to consider inflation and NLW increases.

The LA is already working towards a reduction in the levels of people going into long term residential care and we should see a shift in the numbers of people needing residential care home provision, however, we will see a rise in those needing support with complex needs including dementia and end of life nursing needs.

Our focus to support people in their communities by working with system partners, including the voluntary sector, will delay or remove the need to for long-term care home provision for the future.

As an LA we are investing in alternative models to meet needs and have plans for a further 2 Extra Care schemes to be built and in operation in the next 3 years with additional sites in the years thereafter. A new joint Housing Strategy is being developed which will look at future proofing new general housing needs developments to enable people to live in their homes in later life.

Our investment in digital solutions will be key to tackling the workforce pressures along with the funding challenges the LA has to meet the needs of the population.

We are confident that this market will be sustainable over the next 3 years and we continue to engage positively with providers in partnership with developing new delivery models.

(b) 18+ domiciliary care market

The FCOC exercise for the domiciliary care market was more straightforward to look at the median rate needed. The exercise did not look at factors around locations of service delivery etc but gave an overarching hourly rate needed to deliver a full hour of care.

Only 7 providers carried out the exercise despite support being offered and engagement throughout, however, as 2 of the providers where our larger providers and 4 medium sized providers, we were confident with the figures being returned represented Gateshead well as they covered around 65% of the hours being delivered in the borough.

Following the scrutiny of the data received, we have been able to use both the 2021/22 and 2022/23 data to support our approach to setting the median rates.

The rates are based on full durations being carried out for visits and factor in the travel time and costs needed to go from visit to visit. Due to the current workforce pressures and operational issues being faced daily, we are aware providers are unable to deliver full durations and build in travel time from allocated hours of care. This has highlighted issues in both our approach to assessing an allocating need on a time and task approach in 15-minute blocks, and also our approach to how we contract and pay for care being delivered.

Due to the low level of self-funders not already under the LA's arrangements, we are confident that there is minimal, if any, impacts of self-funder rates.

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One area where we need some further focus is the additional travel time needed in rural areas compared to urban areas. We aim to work with providers in more detail over the coming months to conclude a review in this area to support our future fee setting process to continue to have different rates instead of one blended rate.

The gap between the median rates and the current average fees being paid is significant and will represent a major challenge to the LA without appropriate funding in the short, medium and longer term. The median rates are also based on a full delivery hour and travel time, but we believe only around 86% of durations are being delivered with travel time being included within service delivery time. Our new approach will consider how we balance both delivery and travel time to avoid double counting, as per the FCOC exercise.

Our main investment into this market is to tackle workforce pressures and to reduce the gap in capacity needed to meet needs. We are developing a workforce strategy across Health and Social Care and the system agree that a sustainable domiciliary workforce is key for the whole system. A decision was already made to bring forward the April 23 increase by 3 months for providers to increase salaries earlier. Further investment in 2023/24 is being considered whilst we undertake work on a new delivery model commencing in 2024/25, taking account of the costs to deliver a good quality domiciliary care service.

Our focus for 2023/24 is to look at reducing the current waiting list by 25% this year by increasing the workforce. With the introduction of a new model in 2024/25 we aim to have the market at full capacity by 2025/26 with waiting lists being minimal moving forward and capacity increasing year of year to meet growing demand.

Subject to resources received and support from our key partners, we will look to invest in a new model which will see a move away from a zero-based hours workforce to a salaried workforce who operate on a shift model. The investment will have a positive impact on both retaining the existing workforce but also to increase the numbers entering the sector by having a guaranteed salary. There will also be a focus on staff having clear career opportunities across Health and Social care services in Gateshead with partners working together to ensuring we see our workforce as a joint workforce that we need to support and develop. This in turn, will minimise the numbers moving into other sectors and hopefully improve the attractiveness to younger people to move into Health and Social Care.

This approach will not require the full investment identified in the gap between existing hourly rates and the median rates, but it will need significant investment to establish this approach to workforce.

Our focus to support people in their communities by working with system partners, including the voluntary sector, will require growth in the hours and staff needed in the years to come.

Our plans for additional Extra Care provision will also require additional domiciliary care capacity so we need to continue to grow the workforce in our communities. This can be mitigated to some extent by our investment in digital solutions and enhanced technology minimising the need for hands on care and support.