

Annex C: Market Sustainability Plan

Section 1: Assessment of the current sustainability of local care markets

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

Sufficiency and diversity of supply

The older adult care home market in Leicestershire is smaller than the national average per head of population. However, relative to population size, Leicester City has the fourth largest market of all Councils in England. The combined county and city per capita market size is only a little below the national average. Leicestershire County Council commissions many placements in Leicester City.

There is a strong self-funder market in Leicestershire with registered bed capacity in older adult care homes growing since 2014. New care home capacity is opening at a faster rate than the older capacity has left the market.

There is a range of provision across Leicestershire, and the 1980s and 1990s saw a significant increase in the building of new purpose-built care homes in Leicestershire. The Council makes many placements into that market segment at standard fees rates which are less likely to be accepted by newer homes with higher capital costs.

The Council buys a little more than 30% of rooms in the market; most of Council-funded residents in residential homes will be in older purpose-built homes. This is the segment of the market in which the Council makes most placements at usual fee rates.

Compared with similar areas, per capita, there are significantly fewer nursing care homes in Leicestershire. This has implications for market forces and the prices paid by the Council for nursing placements.

Most vacancies in nursing homes are in either homes that do not accept the Council's usual rates, or in homes operated by providers who also specialise in the younger adult care home market. These providers may have different attitudes to differential pricing (accepting lower fees to increase occupancy to cover overheads) than more typical older adult care home providers.

It would appear that across Leicestershire, Leicester and Rutland the NHS make fewer determinations for Funded Nursing Care and Continuing Health Care than the regional and national average. The impact of this low number of determinations on the sustainability of the sector is being discussed.

Lower occupancy in residential homes as compared with nursing homes means that the Council has greater choice in where to make new placements and is more able to secure placements at usual rates.

The inflationary pressures during the 2022/23 financial year have intensified and impacted provider stability, but not severely. Where justified, the Council gave support, including financial support, to providers facing instability.

The delays to charging reform, together with other measures set out in the Autumn Statement has improved market sustainability by delaying the implementation of Section 18(3) and enabling the council to apply annual fee increases that better mitigate inflationary pressures across residential care and other

significant markets. However, some of the increase applied is at the Council's risk since there has been insufficient funding provided to meet the uplifts in full.

Quality of provision

The quality of provision in residential care homes in Leicestershire is slightly below the national average with 76% of homes rated as good or outstanding, compared with 79% nationally. However, Leicestershire compares well with the East Midlands (71%) and Leicester, Leicestershire and Rutland (LLR) (74%). However 89% of nursing care homes are rated either 'good' or 'outstanding'; higher than both the regional and national rates, at 76.5% in the East Midlands and 74% in England.

Actions being undertaken to check and improve quality in care homes include the recruitment of quality experience officers, ongoing developmental work in dementia and dignity in care, increased oversight visits, provider helpline support, training via learning and development team, provider news digests, and forums. Specialist support with recruitment and retention, challenging behaviour and infection, prevention and control is also offered.

Current fee rate coverage

The residential fee rates are £654 residential standard rate and £722 residential plus rate for 2022/23. The Council does not have a separate nursing care rate but utilises the residential rates with the addition of NHS Funded Nursing Care (FNC) as the rate for nursing care homes. There was a comprehensive fee review in 2019, a new structure was agreed, fees were increased significantly at that point and have been increased annually in line with Consumer Price Index (CPI) and wage inflation since that time. The fee review moved to a two-tier rating structure (Residential and Residential Plus) for both care and nursing homes.

This may be a factor in the finding that usual rate coverage in the nursing sector is significantly less than in residential care. To respond to this the Council will review the underlying hours assumptions and establish a separate nursing fee rate. It will take into account the Fair Cost of Care (FCOC) findings and the Council's commissioning activity in this market segment.

Provider feedback, working with the local Care Homes Association (EMCARE), has indicated provider difficulties around rising energy costs, insurance premium costs as well as a shift of resident needs and complexities over recent years. Fee rate coverage has undoubtedly been damaged by the unprecedented level of inflation; the fee increases for the 2023/24 financial year will reduce that impact.

Workforce

There are significant workforce pressures in relation to recruitment and retention across adult social care services in Leicestershire, but the residential care market is the more stable market (with a static workplace, no travel, and fixed shifts). There are challenges in certain geographical areas, and with certain types of care such as night-time care. An additional challenge within nursing homes is the recruitment and retention of nurses.

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

Sufficiency of supply

The Care Quality Commission (CQC) provider listing for August 2022 details 74 active (non-dormant) providers of home care in Leicestershire. However, there are currently 87 providers on the county's Home Care for Leicestershire framework.

A snapshot of activity taken from the capacity tracker in February 2023 indicated there are 123 providers supporting 5,204 clients at that time. It also reported that staff absence was running at 2% and that half of the providers reporting at that time could offer significant additional capacity.

There were 2,534 clients being supported by Council commissioned organisations (49% of the total clients reported via the capacity tracker). Council provision has grown recently, the weekly cost in early August was running at £746k, over £38m per annum, with circa 35,000 hours per week being delivered.

Whilst there will be some health funded provision commissioned outside the Council's framework, this does indicate there is a strong self-funder market for home care. Work is ongoing to better understand the size of that market, but information from the Leicestershire Homecare Association and the National Home Care Association indicates it accounts for about 30% of provision. But analysis from the home care FCOC exercise found that, based on the survey sample received in Leicestershire, only four out of 21 providers deliver more than 20% of their hours for self-funders.

The Council's fee structure was changed in November 2021 with higher fees paid for rural and isolated delivery. However, there are still some difficult to service areas within the county where rural challenges persist.

The Council's spread of spend across providers is stable and there is not a tangible over-reliance on any providers. The Council commissions care with two providers where delivery is circa 2,000 hours per week and a further nine providers delivering circa 1,000 hours per week.

Those people requiring 24/7 live in and/or more complex care are serviced via the home care framework with availability of provision in line with demand.

Diversity of market – the Council's reablement/community response service is run in-house. The service outcomes are positive and performance being within the top quartile nationally.

Commissioned home care is again spread across a range of national/local/franchises and small providers. New entrants on the framework suggest an appetite to work in Leicestershire but the number of providers means that the share of the available market is limited for new entrants.

Home Care for Leicestershire is jointly commissioned with Health partners so the Integrated Commissioning Board (ICB) has access to the Council's home care framework but usage is limited. Providers are contracted directly by Health services to provide continuing healthcare (CHC) / Health specific packages when required with little oversight by the Council.

Quality of services – The quality of provision in Leicestershire with 89% of providers rated as good or outstanding compares well with provision nationally (87%), the East Midlands (82%) and LLR (also 82%).

Current fees – The Council operates a closed framework with no guarantee of business with current fee levels paid by the Council (2022/23) ranging from £20.25 to £26.45 per hour depending on geographical need. The fees were uplifted in April 2022 (between 5.8% and 6.3%) following extensive provider engagement and adult social care led modelling. The rates are believed to be favourable across comparator authorities and across the East/West Midlands region.

Workforce - there are tangible challenges across home care providers in relation to recruitment and retention of staff. Recent dialogue with providers and the Home Care Alliance has indicated a number of leavers from the sector due to the cost of living/rise in energy and fuel costs coupled with a low number of new entrants into the workforce. Some providers have sought recruitment from overseas which has seen increased numbers of workers in the County.

Inflation - the inflationary pressures during the 2022/23 financial year have intensified and impacted provider stability, but not severely. Where justified, the Council gave support, including financial support, to providers facing instability.

Charging delays - the delays to charging reform, together with other measures set out in the Autumn Statement has improved market sustainability enabling the council to apply annual fee increases that better mitigate inflationary pressures across home care and other significant markets. However, some of the increase applied is at the Council's risk since there has been insufficient funding provided to meet the uplifts in full.

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

Residential care

Workforce (High Risk) – longstanding challenges have been compounded by the impact of the Covid-19 pandemic (including the strain to maintain services throughout the pandemic, and former vaccination requirements), inflationary pressures and a lack of equity in pay, when compared to NHS care workers.

That gap between care worker pay in the NHS and those in social care will be further increased by the 2022 NHS pay increase which will be 5% on average, but up to 9.3% for lower earners, including band 2 and 3 Health workers.

The Council's view is that such a significant improvement in pay, terms and conditions cannot be funded from the current FCOC allocations. Any upward trends in pay would require a significant level of resources.

Quality of care (Medium risk) – the proportion of residential care homes judged good or outstanding compares well within LLR and regionally.

Fair cost of care (Medium risk) – the Council's current rates are relatively competitive for care homes with the level of inflation assigned over recent years being favourable when compared to other local authorities.

However, the FCOC analysis demonstrated that the staffing levels and thus ratios require review, which will be considered when calculating the FCOC. The recommendation is that should be at least 21.5 hours, akin to a staffing ratio of 1:6. Levels of inflation and increases in National Living Wage will also be considered when determining its 2023/24 rates.

A further risk relating to FCOC in all markets is the unprecedented levels of inflation. Price increases since April 2022 have been significant. Currently reported at 10.1% (ONS Jan 2023) inflation appears to have peaked and is expected to fall over the course of 2023/24.

Undersupply of care (Low risk) – although the proportion of care homes (per head of population) is relatively low in Leicestershire, it is relatively high in the Leicester city area where the Council makes a number of placements. Council placements account for circa one-third of the beds in the market and is able to operate in that market segment effectively.

Diversity of provision (Low risk) – there are a range of operators, mainly 'for profit', with homes of varying ages, size and location. Though a number of groups operate in the county, there is also a strong cohort of independent operators.

Nursing care homes

Workforce (High risk) – as per the residential narrative but with the additional pressures in recruitment for nursing staff when competing with the NHS and independent healthcare sectors.

Quality of care (Low risk) – Leicestershire's nursing provision as measured by CQC ratings compares well with the national picture. Local nursing homes have a noticeably higher proportion of homes that are good or outstanding (89%), compared with 76% nationally.

Undersupply of care (High risk) – the proportion of nursing care homes per head of population is very low in Leicestershire. It is also dominated by large group organisations which often leaves the Council

and self-funders with limited options to purchase care, often at significantly higher than expected fee levels.

Diversity of provision (High risk) – as with residential care the Council commissions circa one-third of the market capacity. However, with a higher proportion of group delivery there is less choice in the market.

Consideration needs to be given to the impact of the significantly lower number of FNC and CHC determinations by the NHS in Leicestershire compared to regional and national averages

Fair cost of care (High risk) – the FCOC revealed that the current assumption that that each resident needs on average 19 hours of individual care is too low. The recommendation is that should be 24 hours, akin to a staffing ratio of 1:5. The Council is considering revising this assumption and establishing a nursing fee.

Home care

Workforce supply (High risk) – recruitment and retention within the home care sector is a significant challenge with rising energy costs being a key factor in providers losing staff to general retail. Some providers are sourcing overseas workers for home care with a relatively healthy flow of applicants.

Quality of care (Low risk) – the quality of care compares well with provision nationally, and regionally.

Undersupply of care (Medium risk) – Via the capacity tracker, providers indicate they have significant additional capacity. There are indications that there is a reasonably active self-funder market, though its size is difficult to quantify, and recently the Council has increased provision and successfully procured additional providers.

There are challenges in relation to providing care in certain rural and isolated areas but these have been mitigated by a fee structure that better aligns the fee with the cost of delivery. The bigger risks relate to the workforce challenges faced by providers.

Diversity of provision (Low risk) – the mix of provider models promotes a relatively stable cross section of groups / organisations.

Fair cost of care (Medium risk) – the rates in Leicestershire range from £20.25 to £26.45 based on geographical locations. The Council consider these rates to be favourable and in line with the expected provider models to service the County's residents.

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

(a) 65+ care homes market

These plans have been informed locally by:

- Engagement with the representative body EMCARE, but also bearing in mind aligned statements and approaches from national bodies
- Engagement with providers through the regular conference calls including a bespoke finance session in December 2022; letters and emails from individual organisations; feedback via the Quality and Contracts service within the Commissioning team
- Lessons learned from local provider instability or failure
- Local market risks as they have emerged

At a regional and national level, these plans have been informed by:

- Approaches taken by peer local authorities in the East Midlands

- Advice from East Midlands ADASS
- Advice from Partners in Care and Health (formerly CHIP)

Whilst developing these plans the council is updating its market position statements.

Nursing rates and development - The establishment of a nursing rate in the county to increase both nursing placements and to facilitate new developments of nursing provision is the primary action that has been identified by the FCOC work. The development of nursing provision is being considered with the exploration of delivery in partnership with market providers and Health stakeholders. The recruitment and retention of nurse roles requires consideration of different nursing models (e.g. potential for in-reach community nursing models as delivered in other areas).

Residential rate - The FCOC 2023/24 levels will mean an uplifted rate (but in line with the market rate in place currently). The Council will aim to maximise its use of alternative options for people and minimise residential placements. The analysis indicates that the care hours provided per resident per week are lower than those costed into the council's current fee structure, and addressing this is also an action that has been identified.

Extra care – The Council considers its extra care stock to be low for the size of the county, in particular for those people with higher social care needs. The Council will seek to increase development of extra care within the county to support people with a higher level of care and support needs akin to standard residential care with a particular focus on dementia.

The Council recognises the shift in the building/development market with increased costs and availability of materials and labour having an impact on deliverability. However, the Council has explored, and continues to explore, different funding models to incentivise investment from developers.

(b) 18+ domiciliary care market

These plans have been informed locally by:

- Engagement with representative body the Leicestershire Home Care Alliance, but also bearing in mind aligned statements and approaches from national bodies
- Engagement with providers through the regular conference calls including a bespoke finance session in December 2022; letters and emails from individual organisations; feedback via the Quality and Contracts service within the Commissioning team
- Lessons learned from local provider instability or failure
- Local market risks as they have emerged

At a regional and national level, these plans have been informed by:

- Approaches taken by peer local authorities in the East Midlands
- Advice from East Midlands ADASS
- Advice from Partners in Care and Health (formerly CHIP)

Whilst developing these plans the council is updating its market position statements.

Reablement – The Council will strategically increase reablement provision in partnership with the ICB and local hospital to maximise people's independence and increase the numbers of people receiving care/support in their own homes as opposed to in accommodation-based settings. This will see the home care market grow in the county with provider growth and capacity being paramount to delivery. Investment from partners into the sector will be fundamental to the success of this strategy.

Home care pilots - The Council will pilot models for home care testing new ways of working and efficiencies with a view to developing a new home care model for 2024/25 based on a partnership approach with the provider market. This will see testing of initiatives such as provider led reviews and flexibility in delivery/use of hours for providers including flexibility in time bandings and increased use of technology.

Personal Assistants – The Council is undertaking work on defining the Personal Assistant (PA) market offer with the aim to increase the availability of PAs and micro providers across the county. This will see a PA workforce growth to support the growing demand for older people’s care and support in their own homes. The Council sees this as part of the available pathways for people receiving long term care to deliver improved outcomes in a more cost effective and efficient model.