

Title of report: Block contracted beds in Care Homes.

Meeting: Cabinet

Meeting date: 29 February 2024

Cabinet member: Councillor Gandy, Adults, Health and Wellbeing

Report by: Corporate Director Community Wellbeing

Report author: Senior Commissioning Officer

Classification

Part Exempt

This report is open but an appendix is exempt by virtue of the following paragraph(s) of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A of the Local Government Act 1972, as amended. This report is open but an appendix is exempt by virtue of the following paragraph(s) of the Access to Information Procedure Rules set out in the constitution pursuant to Schedule 12A of the Local Government Act 1972, as amended.:

Decision type

Key Decision

Wards affected

(All Wards);

Purpose

To approve the tender to commence and contract award for a block contract of care home beds which will commence from April 2024

Recommendation(s)

That:

- a) **Approval is given to progress with option 2 in Appendix 3 of this report to commission thirty block purchased care home beds across Herefordshire for a period of up to 5 years with a maximum spend up to £6.82million.**
- b) **Delegated authority be given to the Corporate Director for Community Wellbeing to take all operational decisions required to implement the above recommendation including all contractual arrangement.**

Alternative options

- 1 Do nothing. This is not recommended as the fees for spot purchased care home beds are rising.
- 2 Commission a smaller number of block care home beds. This could address some of the challenges of finding care home placements but this is not recommended given the rising costs of spot fees and the impact of this on the Community Wellbeing directorate budget.
- 3 Go out to market and purchase more block care home beds. This may be an option in the longer term, but there are some risks attached to this proposal in the short term due to the high projected value of the contracts and the need to resource the monitoring of utilisation of these block contracts.

Key considerations

- 4 There are four appendices attached to this report. The benchmarking and performance data attached in **Appendices 1 and 2** highlights local and regional trends for fee rates. The analysis helps to inform and conclude potential block commissioned rates going forward if the recommendation set out in this report is approved.
- 5 This report seeks approval to undertake a procurement exercise and commission a number of block beds. The options are set out in **Appendix 3** of this report. The preferred recommendation is **Option 2** whereby the Council goes out to market for the procurement and purchasing of 30 block community beds within the existing care home market across Herefordshire. The Council will be looking to purchase 15 nursing care home beds and 15 residential care home beds in 2024. These will be brought on stream on a phased basis to meet projected demand and mitigate incurring a number of voids and associated costs from the outset.
- 6 Currently the Council is reliant on spot purchasing care at significant costs from multiple care homes run as commercial business with varying levels of quality and reliability. Fee rates have risen significantly following the COVID pandemic and the cost of living crisis. The cost of care home placements continues to increase at an unsustainable level and indicates there will be a shortage of affordable capacity for local residents if this pattern is to continue.
- 7 As a result of the changing picture over the last four years, the Community Wellbeing Directorate is taking a more proactive approach in working in partnership with the care market and Commissioners are seeking to achieve greater control of the costs of Council commissioned care and increase capacity by seeking to develop new approaches. This includes the block bed purchasing arrangements being proposed within this report. Further approaches will include reducing demand for residential care, continued market engagement and delivery of alternative models such as Extra Care and enabling individuals to remain in their own homes for longer.

Background

- 8 The ageing population and increasing costs of providing adult social care at a time of prolonged fiscal austerity presents challenges for Herefordshire Council. In addition, the increasing levels of dementia and a county that has 95% rural demographics presents challenges for the workforce and care delivery across the county.

- 9 With the number of nursing care homes decreasing nationally, and the cost of care placements rising, the Council has to ensure there are enough good-quality care settings available to meet the increased demands and needs of local communities across Herefordshire. The local Joint Strategic Needs Assessment (JSNA) report highlights that Herefordshire is seeing numbers in the older age groups growing at a disproportionately higher rate than other Councils, with those aged 85 and over rising even more rapidly and this increase is also set to continue.
- 10 According to ADASS latest regional data report in July 2023, Herefordshire pays above the regional average for residential care beds and slightly below the regional average for nursing care home beds. The statutory duty under section 18 of the Care Act requires the Council in developing and shaping the care market that meets the needs of local people now and in the future. A key factor in achieving sustainable local Council funded provision is to reduce the Councils reliance on high cost spot purchased care home placements. This will achieve efficiencies, increase capacity and reduce the risks of overpaying for spot purchased care. *Appendix 1* of this report highlights the comparator costs locally and regionally.
- 11 In order for the Council to have a clear picture of the capacity and cost of residential and nursing care for the next 5-10 years, it is recommended that the Council begins the commissioning exercise of a new block bed contract prior to a new contract and framework beginning in mid-2024. This will mitigate risks and developed with a refreshed Market Sustainability Plan, will give greater oversight of a sustainable market.
- 12 The Council has had success in a recent pilot for 12 block beds that were commissioned to support hospital discharges in accordance with the Discharge to Assess (D2A) model (January until June 2023). This enabled Herefordshire Council to meet the challenges of system pressures in a timely way and increase market greater oversight of the fees. This involved formal market engagement and expressions of interest from in county care home providers who are already on the Council's accredited list and unified contract.
- 13 The pilot secured beds and contributed to approximately £18k savings by block purchasing beds for the above period. The pilot evidenced:
 - a) The block beds were effectively utilised
 - b) Good throughput.
 - c) Increased capacity, flow and discharges.
 - d) Block usage was monitored
 - e) The system found the additional capacity a vital resource.
- 14 For the first four months the block purchase arrangement worked well and had occupancy between 90-99%. The last month showed some reduced occupancy at 85% as the short term arrangement was coming to an end.
- 15 The block D2A pilot has proven to commissioners and operational leads that a block bed arrangement is needed and can achieve cost efficiencies and improved capacity of care home beds. It fits into the wider commissioning plans to increase capacity, reduce inefficiencies and re-design where possible to meet future demands. The rationale is clear as set out below:

- a) The Council has a high ratio of spot purchased to block purchased care home beds provision and therefore a high exposure to non-controllable market forces
 - b) We are seeing a trend of those individuals on the existing Council's fees rates being replaced with higher rates which will present the Council with future cost pressures.
- 16 Recommissioning and establishing the local authority's block bed provision for the next 5 years will contribute to the reduction of high cost spot purchased beds as the first priority enabling the Council to maximise the benefits and minimise risks.
- 17 In order to have robust oversight of the block contracts, the role of the brokerage team is vital. The block beds arrangement is required to have effective oversight via a dedicated brokerage resource. Some funding for this has come via the Urgent and Emergency Funding 2023/24, the remaining amount will come from the savings achieved from the block beds and is highlighted in the resource section.
- 18 Work to quantify the Council's future affordable capacity needs is based on the most up to date intelligence gathered alongside the market engagement which shows the trends of people going into residential care. The data gives an overall view that the number of Residential and Nursing care entrants has remained fairly static, but the fee rates are rising exponentially. From analysing this data it highlights the number of beds required. See Appendix 1
- 19 This intelligence, alongside some market engagement and the recent pilot allows the Council to gain a clearer picture. The aims of the market engagement have been;
- a. To ensure suppliers have a shared vision and expectation of future block fees
 - b. To ensure the market is fully committed in ensuring all block beds are maximised effectively.
 - c. To ensure strong partnership and trust can be developed.
 - d. To assess current market conditions, the quality and sustainability of the market and explore the appetite of Suppliers to bid for a block contract with the Authority
 - e. To understand the budget envelope that provides value for money whilst reflecting market conditions.

Tender

- 20 Due to the proposed length of this block contract, the Council expects providers to submit fees that will not exceed the threshold parameters set out in Appendix 2 of the report. Those care fees should be between the existing Council fees and average fees paid.
- 21 The contracts will be awarded on a block basis to a number of suppliers to the most competitive tender submissions based on cost and quality submissions as well as geographical locations across the county.
- 22 An annual uplift in line with the Council's standard fee rates for care homes will apply to these block fees.

- 23 The procurement process will be undertaken in compliance with the Council's contract procedure rules. It is anticipated there will be a range of providers across the county who will be awarded contracts. The scope of the tender focuses on utilising a range of locations. Particular focus is given to the areas where the commissioning of beds is more challenging due to location.
- 24 It is anticipated that the tender will be awarded in the spring 2024.
- a) Informal market engagement late February and March 2024
 - b) Tender advertised March 2024
 - c) Tender evaluated end of March 2024
 - d) Award and Contract Start late April / May 2024
- 25 The price per bed per week will be paid until the expiry date of this contract. The utilisation of the block contract will be reviewed and monitored weekly by the brokerage team. The Provider and Council will continue to endeavour to ensure the block beds are fully utilised and managed. The Council reserves the right to withdraw from the block purchase arrangement with the provider should it not be utilised effectively.
- 26 The Council seeks to purchase block contracts from high quality services and the tender exercise will include a series of quality award questions for providers that will be evaluated and scored by a panel of officers including representatives from social care, commissioning, finance and commercial teams. It is the aim to contract with care homes rated as good or outstanding. There will be consideration given to any rated as "requires improvement" once Council officers are satisfied an improvement action plan is in place.

Community impact

- 27 Herefordshire Council's corporate plan has four priorities, one of which is the improvement of the health and wellbeing of people in Herefordshire to 'enable residents to live safe, healthy and independent lives'. The Council will be proactive in helping and encouraging people to live healthier lifestyles and developing resources that offer more choice and control in remaining independent including when in receipt of longer term care. This proposal supports the Council's priorities by offering choice of services and support to an ageing population.
- 28 Care facilities can offer good local employment opportunities and enhanced community cohesion, particularly with shared local facilities.
- 29 The principles that underpin the service design will ensure that individuals' outcomes are improved through supporting the sustainability of the care homes and investing in initiatives that will enhance people's lives. It will align to the Council's health and wellbeing strategy, which underlines how Herefordshire aims to be a vibrant county where good health and wellbeing is matched with a strong and growing economy.
- 30 In line with the Council's commitment to social value outcomes, providers will be expected to deliver social, economic and environmental benefits beyond the direct delivery of the purchased service. These requirements will be included in the service

specification and the outcomes achieved will be monitored as part of contract management.

Environmental impact

- 31 The development of the contract has sought to minimise any adverse environmental impact associated with the delivery of commissioned block purchased care home beds and will actively seek opportunities to improve and enhance environmental performance.
- 32 The Council provides a wide range of services for the people of Herefordshire. Together with partner organisations in the private, public and voluntary sectors, there is a shared strong commitment to improving the environmental sustainability and achieving carbon neutrality in Herefordshire.
- 33 A Care home provision can provide the following
- a) Improve residents access to green space in Herefordshire
 - b) Work in partnership with others to reduce county carbon emissions
 - c) Improve energy efficient care homes
 - d) Conserve and enhance the natural environment

Equality duty

- 34 The decision does not discontinue any service and has no detrimental impact to eligible service users under Section 149 of the Equality Act 2010.
- 35 The Council is committed to equality and diversity using the Public Sector Equality Duty (Equality Act 2010) to eliminate unlawful discrimination, advance equality of opportunity and foster good relations. An Equality Impact Assessment is attached at Appendix 4 has been completed.
- 36 The public sector equality duty (specific duty) requires us to consider how we can positively contribute to the advancement of equality and good relations, and demonstrate that we are paying 'due regard' in our decision making in the design of policies and in the delivery of services. Our providers will be made aware of their contractual requirements in regards to equality legislation as part of the tender process.
- 37 This proposal will contribute to providing care and support to the County's most vulnerable adults, and some with protected characteristics.

Resource implications

- 38 This procurement exercise will contribute to efficiencies of the social care budget by purchasing beds at a reduced amount. The value associated with this tender is not an additional cost. It is replacing the existing spot purchase arrangements and is anticipated will reduce the care fee spend per bed.

- 39 The block beds will require dedicated brokerage resource to ensure maximum utilisation over the life of the contract. This resource will be funded by the savings achieved from the block purchased beds. See options appraisal
- 40 The new arrangements should contribute to a reduction in expenditure of :
- a. Approximately £174k reduction in spend per year based on 30 block purchased beds or
 - b. Approximately £104k reduction in spend per year based on 20 block purchased beds.
 - c. The proposal will contribute to anticipated savings over the length of the 5 year contract. (the breakdown is in appendix 3 Options Appraisal)
- 41 The Council's annual gross expenditure on commissioned care homes during the 2022-23 financial year was just over £38 million (short and long stay beds). The block bed arrangement will contribute to savings by securing beds at a reduced fee.

Legal implications

- 42 The Care Act 2014 places clear and on-going legal duties for meeting and providing care in line with eligible needs, as well as placing a duty on the Council to shape the local provider market and enable a sustainable and diverse range of care providers. This then helps promote the wellbeing of local people who need care and support.
- 43 The Council will undertake the procurement exercise in accordance with its contract procedure rules.

Risk management

- 44 If the Council is not able to secure ongoing block contract capacity costs will continue to increase.
- 45 This means the Council could fail to meet its statutory duties under the Care Act 2014 by commissioning a fair sustainable market
- 46 The introduction of the block purchased beds would enhance the customers experience by improving the access to available beds.
- 47 Providers may choose not to apply for this tender as the fees are more aligned to the Council's fees, however the pilot and discussions with the sector have concluded there will be sufficient interest in this.

Risk / opportunity**Mitigation**

Ensuring there are sufficient resources to manage the blocked beds arrangement

Currently the operational teams commission the existing care beds and the brokerage have oversight of the blocked beds. There needs to be a process and dashboard of the block beds for greater oversight. It is the preferred option to have the brokerage team manage this process with additional resources. The block beds will be utilised before any spot purchased beds are funded.

Purchasing a number of block hours that are not fully utilised.

The pilot highlighted that with regular monitoring by the brokerage team; the block hours were utilised effectively. Providers will be required to submit monthly occupation reports also. Senior Commissioners will have oversight of this also.

Purchasing the wrong level of block beds resulting in public monies being poorly utilised

Commissioners have carefully used existing and previous data to support the block hours required. They have worked in collaboration with finance, Intelligence and operational teams also to ensure clarity regarding demand.

Destabilising the market

Ongoing market engagement indicates good levels of interest in the opportunity from existing providers wishing to deliver commissioned block hours on behalf of the Council.

Lack of interest from current providers in the new arrangements

Providers may discontinue the delivery of commissioned care and focus their activity on self-funders. The Council only commissions 35% of care home beds delivered by approved providers. The remaining beds are funded by self funders and health. However, as stated in the previous mitigation there is currently no indication that there will be insufficient interest in this opportunity

Damage to the Council's reputation as a result of changes of service provision to customers as a result of the tender

The tender process will be compliant with legislation and Council processes.



Consultees

- Care Home Providers – Provider meetings in 2023 and 2024
- Member Briefing Session 11th January 2024
- Adult Social Care Operations Managers
- Political Groups Consultation 6th February 2024

Appendices

- Appendix 1 Care home trends and overview of the market
- Appendix 2 Financial analysis
- Appendix 3 Options Appraisal
- Appendix 4 Equality Impact Assessment

Background papers

ADASS – Association of Directors of Adult Social Services

Governance	John Coleman	Date 16/01/2024
Finance	Wendy Pickering	Date 17/01/2024
Legal	Emma Jane Brewerton	Date 10/01/2024
Communications	Luenne Featherstone	Date 26/01/2024
Equality Duty	Harriet Yellin	Date 19/01/2024
Procurement	Lee Robertson	Date 04/02/2024
Risk		Date

Approved by	Hilary Hall	Date 26/01/2024
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Please include a glossary of terms, abbreviations and acronyms used in this report.