



Health and Sport Committee – Care Home Sustainability

What impact does the recent announcement of the closure of 12 care homes have in your area?

This question is for the local authority areas affected by the closure of 12 Bield homes.

The National Contingency Planning Group includes members of statutory bodies such as Care Inspectorate, Scottish Government, Local Authorities providers and COSLA. COSLA hosts the meetings and provides a secretariat. The group have met to discuss concerns around the closure of Bield homes.

Are there any concerns regarding the sustainability of residential care service provision and, if so how could they be addressed?

The National Care Home Contract defines the terms of publicly funded placements in private or voluntary care homes for older people. The rates have historically been decided nationally, through negotiations led by Scottish Care and COSLA. The rate is a single national figure although there are mechanisms for quality payments and additional care charges.

Reaching agreement over the rate has been getting harder over the last 6 or 7 years. The last two years have been particularly difficult for a whole host of reasons including the Living Wage commitment, the growth in demand and the growth in dependency. Ultimately, both providers and commissioners have agreed that there was a need for more transparency around the content of the rate (what is and isn't costed) and for there to be a greater potential for flexibility to reflect local circumstance where appropriate. As such, as part of the 16/17 and again in 17/18 negotiations, providers and commissioners committed to a programme of activity to reform the contract and develop a cost of care calculator. Both partners agreed that the Care Home arrangements needed to be more sustainable and fit for purpose into the future.

However, in this context sustainability should be understood in two ways. Firstly, in respect of the financial sustainability of services and secondly in relation to the operational sustainability. Having a clear understanding of financial sustainability of care homes across Scotland is however difficult because of the number of things which can impact on sustainability. These range from the shape of a building and its location to the configuration of a local market and other local business pressures. The work COSLA and Scotland Excel have been doing with providers to gain a more in depth understanding of costs has reconfirmed this view.

The integration agenda has also brought a renewed focus on the operational sustainability of the contract. I.e, whether the contract supports, enables and empowers a

more localised and overt commissioning approach to the care home market able to respond to strategic commissioning plans and local need. The single rate, static contract can be seen as an impediment to this more proactive and sustainable approach to the care home sector. To be fit for purpose into the future, care homes need to be able to respond to commissioner agendas which advance different models of care including step down, re-ablement, end of life, specialist dementia services and intermediate care. The reform agenda is intended to support this approach.

Indicator of Cost

Under the reform of the National Care Home Contract there is a workstream looking at developing a cost of care calculator. This tool aims to provide a transparent indicator of the cost of providing a care home placement by disaggregating the cost elements in a care home and attributing a benchmark value to each element of providing for an average per resident per bed cost within a 50 bed care home.

The reason that we are careful to use the term 'indicator of cost' is because, as with the national rate, the cost calculator cannot accurately reflect the amount of variation which exists in terms of a cost base across the whole of Scotland. What we can do, is agree in partnership, the reasonable cost assumptions which give us a shared and evidenced indicator of costs in this type of setting. Again, factors such as the size, shape, age and location of a build can affect costs as well as the business choices by the care home operator which have been made for example around capital and debt.

Having said that, the work done to date has provided Local Government with a level of assurance that we have been over the past ten years, fairly funding care homes in the round since the introduction of the NCHC. However, we have also acknowledged through this work that the demands on care homes are changing and need to change further in light of the commissioning intentions of IAs. Not only are we still committed to more people, living for longer, independently and with support in their own homes, but we are also committed to shifting the balance of care from acute into the community. We have a shared interest in supporting tools and mechanisms around the national contract that can help transparently facilitate these changes for providers and commissioners.

Current sustainability

When looking at the sustainability of the Scottish care home sector, we need to acknowledge that the Scottish market position is markedly different to the rest of the UK – in part due to the National Care Home Contract (NCHC). In the 10 years since the contract has been introduced there have been year on year uplifts cumulating in a 42% increase which has not been mirrored in the English and Welsh care home sector. This is in stark comparison to England where, in the last 10 years, over 81% of local authority rates have reduced. Scottish providers have in this context, historically had a relatively stable and protected position.

We have however, recently seen evidence in the sector where businesses have looked to develop new models of care to better utilise their resources and improve sustainability – often in response to staffing issues. We have also seen providers reconfigure their

business model – in some places to respond to choices they have made in relation to their business finance. We have also seen some businesses come to the conclusion that the combination of their particular capital assets and model of care are no longer fit for purpose and are therefore unsustainable and unaffordable in comparison to other parts of the local market.

While the consequences of these decisions need to be managed carefully for residents and staff, the reality of public funding which we are faced with, means that Local Authorities cannot afford to subsidise inefficient and/or unsustainable business models over the long term. It is also appropriate to expect all businesses, as with the public sector, to look for efficiencies across all that we do in the current financial climate.

Finally, it should also be noted that the care home rate is not the only investment made in the sustainability of care homes. Local authorities and integrated authorities also invest in the sustainability of the care home sector by providing direct managerial support for example when a care home needs support to improve on their quality of care. Care Homes also get in kind support in the form of equipment and specialist staff including additional nurses. This is in addition to quality payments and additional care charges that may be agreed.

Sustainability into the future

There are wider issues affecting the sustainability of care homes which need to be addressed alongside the work to provide clarity around what comprises and drives costs within a care home environment.

The shortage of the social care and nursing workforce and reliance on agency staff has had a significant financial impact on the sector and this will get worse over time as the implications of extending the early years workforce, extending free personal care to under 65's and growth in demand for services for over 75's are felt within the care home sector. The implication on adult social care of growing the early years workforce by up to 20,000 people over the next 18 months should be of strategic concern to every layer of government and all partners active in the provision of social care.

In relation to nurses, work has been identified to try to minimise the reliance on and cost of, agency staff by enabling providers to access the NHS nurse agency rates and in support of new models of staffing mix to more appropriately configure staffing and staff roles while respecting clinical responsibilities within that context. More could however be done to consider the statutory locus on agencies and the disruption their prevalence brings to the continuity and quality of care.

In that context the new safe staffing legislation may, for many reasons, further destabilise care homes (and indeed the wider provision of social care). There are significant fears that the legislation could adversely affect both the financial and operational sustainability of the care home market and further concerns that it could stymie the innovation being shown in respect of models of care and care delivery.

Social Care Funding

Local Authorities have faced significant challenges from the long-term decline in revenue funding and the increased pressure of an ageing population. Councils have done everything they can to absorb the cuts in funding without effecting services through internal innovation and a drive for efficiency. However, there is a limit to how much more can reasonably be achieved by this approach after such a significant period of austerity.

Local Government believes that if there is not a fundamental review of Scottish priorities then difficult decisions will need to be made by all parts of the system which could include further reduction in workforce, cuts in services and increased charges and taxes.

Ultimately, our ambition for integration is to shift the balance of care from acute into the community. In reality, this has been challenging because of the absence of additional resource to facilitate change. It has been made even more difficult by the fact that many IAs have not had all of the relevant budgets defined in the Public Bodies Act meaningfully delegated to them to manage. This predominantly relates to the unscheduled care budget or 'set aside'. As such many IAs have been unable to significantly re-distribute resource from the acute sector to the community. The sustainability of health and social care services and the whole concept of transformational change is undermined by this reality.

Local Government is committed to fulfilling their statutory duties and working to improve the lives of those within our communities, however, the current funding challenge is significant and the challenge to come will be even greater, this is why COSLA are calling for [Fair Funding for Essential Services](#).