CITY OF WOLVERHAMPTON COUNCIL

Adult Social Care – Market Sustainability Plan

March 2023

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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**
Demand Local authority support for long term placements in residential and nursing homes shows a downward trajectory over the last 5 years with the exception of nursing care - enhanced needs, which has increased over the same time period. Whilst overall demand isn't increasing, the needs of individuals are changing as it is predicted that demand for dementia care will grow by 12% by 2030; this is in the context of 72% of residential placements already supporting people with dementia. Indications are that there will be an increased need for high quality dementia homes as well as nursing homes providing care for people with complex needs. **Sufficiency of Supply** Data through a capacity tracker and brokerage information through the local authority Personalised Support Team (PST / Brokerage) indicate sufficiency of supply across the care home market, with minimal number of people waiting for care. There have been provider failures over the last two years, however appropriate contingencies and market capacity were in place to ensure continuity of care. More recently, three providers have closed over the last few months citing insurance and safeguarding as primary reasons, rather than purely on a financial basis. There remains sufficiency within the market. **Care Provider Characteristics** There are 70 registered care homes in the city of which 50 are in scope for fair cost of care. 32 are registered to provide residential care and the remaining 18 nursing. The residential market is largely dominated by local providers (25) however there is a relatively even distribution based on bed capacity which

supports sufficiency as there is not an over reliance on particularly small providers or at the other end of the spectrum one or two large providers.

This is not the same landscape for nursing as the market is mainly comprised of large providers who account for 56% of the total market. Whilst sufficiency has not been an issue to date (except where covid-19 closures have impacted), it does raise the risk that should the larger regional or national providers be suspended, unable to accept new placements or become unviable then the market may not be able to provide continuity of care.

Factoring in CQC quality ratings and local intelligence through the Council's Quality Assurance function, there is rising concerns for the nursing market as only 55% of homes are rated as good or outstanding. Furthermore, 4 out of 6 large nursing providers that require improvement or are inadequate are providers with a bed capacity of 60 or more.

The residential market has 67% of care homes are rated as good or outstanding, and therefore the risk, in comparison to nursing homes, is lower due to not only the overall quality but this being more evenly spread by bed capacity.

Commissioning and Care Costs
CWC funded placements are made on a spot purchase basis, brokered centrally through our Personalised Support Team (PST). Individual contracts and rates are established based on the needs of the person.

Current median rates are £529 per week for residential and £578 per week for nursing, however actual rates are negotiated based on the level of need and market conditions. Provider fees are reviewed annually and have increased year on year in line with the Council's fee review process. As per the national care market in general, self-funder rates are typically significantly higher than local authority rates and act to cross subsidise revenue for providers.

Inflationary pressures have and continue to significantly challenge the care home market and provide a risk to provider viability if mitigations are not established. Whilst inflation is forecasted to have peaked and is predicated to fall throughout 2023/24, costs are likely to rise albeit at a slower rate than that of the last 12 months. A further cost pressure will be realised by providers in April 2023 when the increase to the National Living Wage (NLW) takes effect, rising from £9.50 per hour to £10.42 per hour – a 9.7% increase.

Through the charging reforms, the Council completed and published its cost of care exercise which aimed to arrive at a shared understanding of the local costs for delivering care. Even though the reforms are now delayed until October 2025, there remains the risk of managing expectations in relation to care costs. This has recently been evident through new placement costs where the market has naturally raised prices in recognition of financial pressures. Given the spot purchasing commissioning arrangements in use locally then this was anticipated.

Workforce
Recruitment and retention of care staff has and continues to be a long-term issue as pay terms are not attractive in comparison to other markets such as retail and there is an ever-increasing pressure being felt in the care sector. More recently, providers have reported increased difficulties citing numerous reasons including

increases in staff sickness, the effect on the market following Brexit and covid vaccinations.

Recruitment and retention data shows high turnover with many individuals choosing to leave the sector altogether whilst individual providers are struggling to fill vacancies. As a people led market, the risk of recruitment and retention is likely to impact on sufficiency of supply if pay terms and investment in staff are not addressed.

- 39.2% turnover;
- 3.4% vacancy rate;
- 23% of leavers left the sector

**Figures are for 2020/21*

Key Headlines and Market Challenges

Although there has been sufficiency in the market to date, there is a risk if the following challenges are not addressed:

- Provider revenue is insufficient to offset increasing costs due to inflation and the general cost of living. General CPI inflation is forecasted to reduce in the next 12 months however prices are still likely to rise, albeit at a slower rate. This could affect areas such as quality, training and investment which may suffer in the short to medium term.
- Lack of a high-quality workforce supply due to ongoing recruitment and retention issues which could lead to the inability to accept new placements and may ultimately lead to providers being unviable which will risk continuity of care and market sustainability.
- Quality, particularly across nursing providers that could lead to sustained periods of provider suspension, the inability to accept new placements and worse care provider failure which may prove difficult to manage and could significantly destabilise the market.

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

Demand

Demand for home care continues to gradually increase and is projected to steadily increase in line with recent trends at 1-2% per year.

Sufficiency of Supply

Sufficiency is continuously monitored across the Adult Social Care Pathway on a weekly basis across internal departments and with contracted providers monthly and quarterly. Where issues have been raised, they have been responded to and resolved however financial factors for inflation and cost of living present significant risk for market sufficiency.

Whilst there are backlogs and waiting times for people who require care and support, the volume is not of significant concern and has been on a downward trajectory in the last 6-12 months.

Care Provider Characteristics

There are 26 home care providers on the local authority’s home care framework, however only 23 are active. A further 10 providers are currently able to provide home care on a spot purchase basis.

Providers vary by size with a mix of national, regional and local providers across contracted and non-contracted provision. The three tier 1 lead providers are all national or regional providers (please see commissioning section below for framework detail), as are three of the remaining nine tier one providers. The remainder are predominantly local providers.

72% of providers have a CQC rating of good or outstanding which is slightly below average on a regional comparison, but comparable or higher than direct neighbouring authorities.

Commissioning and Care Costs

CWC operate a home care framework covering home care, home based respite, rapid response and reablement. A tiered system is in place with tier 1 providers delivering the full scope, 3 of which are "lead" providers aligned to CWCs parliamentary constituencies, and tier 2 providers delivering home care only. Framework providers operate city wide. Other providers operate on a spot purchase basis to flex with any changes in demand.

The current maximum framework rate is £16.84 per hour, with providers supporting the hospital discharge pathway paid a maximum enhanced rate of £18.00 per hour. Some providers through previous tenders have submitted hourly rates below £16.84 per hour for standard home care. These rates are higher than three bordering authorities and are on par (within 1%) with other comparator authorities. They do however remain significantly less than rural neighbouring authorities which is expected to some degree given the difference in travel time.

Wolverhampton pays based on actual hours delivered up to the maximum commissioned hours. This differed during Covid-19 as CWC paid on commissioned hours as a mechanism to support providers.

Provider fees are reviewed annually and have increased year on year in line with the Council's fee review process which takes account of national change (i.e., increases to NI, national living wage etc.) and local intelligence. As per the national care market in general, self-funder rates are typically significantly higher than local authority rates and act to cross subsidise revenue for providers.

Sufficiency has been maintained across the market, however inflationary pressures have and continue to significantly challenge the home care market and provide a risk to provider viability if mitigations are not established. Whilst inflation is forecasted to have peaked and is predicated to fall throughout 2023/24, costs are likely to rise albeit at a slower rate than that of the last 12 months. A further cost pressure will be realised by providers in April 2023 when the increase to the National Living Wage (NLW) takes effect, rising from £9.50 per hour to £10.42 per hour – a 9.7% increase.

Through the charging reforms, the Council completed and published its cost of care exercise which aimed to arrive at a shared understanding of the local costs for delivering care. Even though the reforms are now delayed until October 2025, there remains the risk of managing expectations in relation to care costs.

Workforce

Over recent years, workforce issues have become increasingly concerning for home care providers as they struggle to recruit and retain, and offer attractive pay terms. Competing markets (i.e., retail) and fuel prices in particular have been cited by providers, who have noted the direct loss of care staff because of the cost of living as well as an increase in staff complaints and concerns.

Recruitment and retention data shows high turnover with many individuals choosing to leave the sector altogether whilst individual providers are struggling to fill vacancies. As a people led market, the risk of recruitment and retention is likely to impact on sufficiency of supply if pay terms and investment in staff are not addressed.

- 32.8% turnover;
- 11.7% vacancy rate;
- 47% of leavers left the sector;
- 58% of staff on zero hour contracts

**Figures are for 2020/21*

This presents a significant risk of providers being unable to accept new packages or worst-case provider failure which could lead to insufficiency within the market. These pressures are recognised as a national problem and are corroborated through provider surveys undertaken by ADASS and the Home Care Association (HCA).

Key Headlines and Market Challenges
Although there is sufficiency in the market to date, there is a risk if the following challenges are not addressed:

- Levels of inflation and the cost-of-living crisis exacerbating existing, ongoing workforce issues could lead to provider failure, the hand back of care packages and the inability to accept new packages. This could ultimately lead to market failure and the inability to keep Wolverhampton residents safe and for CWC to meet its statutory duty.
- Recruitment and retention of care staff with providers reporting that the current workforce market is the most difficult experienced in recent times. The risk of provider failure and sufficiency is a growing concern for both providers and CWC.

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

The impact on market sustainability over the next three years, that affects all providers of adult social care, can be broadly categorised as:

- **Inflationary cost pressures** – providers continue to be challenged by the rate of inflation which has increased to 10.5% (CPI) in the last 12 months. Whilst the Officer for Budgetary Responsibility (OBR) expects inflation has peaked and is predicated to fall to 3.8% by the end of 2023, this means care providers will still be faced by rising costs. Through provider engagement, as part of the annual fee review process, feedback has highlighted costs for insurance and utilities trend above the rate of Consumer Price Index (CPI) inflation. In combination with cost pressures, providers have also expressed concern relating to costs that are currently government subsidised. Whilst there is confirmation through the Energy Bills Discount Scheme that further support will be provided during 2023/24, there remain concerns for other costs such as rates relief, PPE and DBS checks.

- **Workforce, recruitment and retention** – whilst not a new issue within the care market, providers are reporting that the current workforce market is the worst experienced in recent times and have cited the cost of living, and pay and terms as key factors. As a people driven sector, the inability to offer attractive pay terms and conditions in comparison to competing markets (i.e., retail, NHS etc.) limits providers ability to recruit and retain, whilst also increasing recruitment budgets as providers seek to attract new staff.

- **Demand –** projections for Adult Social Care in Wolverhampton, based on available data, suggest a relatively static trend across all care provision. However, it is not fully understood, and may not be for some time, what the impact of Covid-19 will be on resultant demand for Adult Social Care services as a whole or for specific market segments.

- **CQC New Regulatory Approach** – as with any regulatory change, this is likely to result in an element of disruption to care providers as they transition from the current regulatory framework to the new approach. It is yet to be seen how this may manifest in terms of effort required, cost or how it may impact on provider quality ratings.

The resultant impact of these key areas is not necessarily quantifiable, but without sufficient mitigation, through a combination of increased care fees and wider support to the market, then there are potential risks for provider viability. This could manifest in provider suspensions, the inability to accept new packages or placements, provider “handbacks” or ultimately provider failure; all of which could pose a wider risk to sufficiency and market sustainability.

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

(a) 65+ care homes market

Immediate sustainability issues outlined in the current market assessment relate to inflationary cost pressures, recruitment and retention, and quality. The latter is of particular concern for nursing providers and this represents the greatest risk to sufficiency and continuity of care.

The “cost of care” exercise (completed through the charging reforms) has provided useful data to inform the fee review process, however the Council has concluded that the outcome cannot be used as a sole guide for fee setting given the issues of low response rates and data completeness and quality. This approach is in line with DHSC guidance which states that the outcome of the cost of care exercise is not intended to be a replacement for the fee setting process. Instead, the local authority should use the insight to support the fee review process for 2023/24.

The outcome of the “cost of care” exercise resulted in an increase of between 33%-37% in comparison to current median costs, if the Council was to move towards the “cost of care” immediately. This compares to 18% for home care.

The gap in rates paid, in comparison to home care, was corroborated through benchmarking analysis as part of the fee review for 2023/24. It suggested that residential and nursing rates in Wolverhampton were typically 8-13% lower than comparators, whereas this much lower for home care (within 1%).

The Council recognises that all care providers face the same or similar challenges as outlined in sections 1 and 2 of this report, however given the risk to sufficiency within the care home market CWC has decided to prioritise market sustainability grant funding for 2023/24 across care homes. This has been applied on a 70:30 ratio, with 70% of additional grant funding being used to further uplift care costs across the care home market as a means to mitigating risks to sustainability and stabilising the market.

This has been incorporated through the fee review for 2023/24 which was completed based on a financial analysis of the impacts of the National Living Wage (NLW), rate of inflation, benchmarking data and provider feedback. The analysis has balanced the ability of the Council to uplift care fees whilst also satisfying its legal duties under section 5 of the Care Act 2014 to promote to the efficient and effective operation of markets, as well as legally setting a balanced budget.

Aside from the fee uplifts for 2023/24 and use of grant funding, the Council is currently mobilising a significant change across Adult Services. The local authority's Transforming Adult Services Programme (TASP) aims to deliver a holistic system change (that will impact both markets) over the next three years by:

- Supporting practitioners to prevent, reduce and delay long term support provision
- Improving outcomes for individuals
- Reducing social care dependence and maximise people's resilience and independence by supporting them in meeting their needs in a timely way and potentially alternative ways
- Enabling residents to know what support there is to independently access resources within communities and online
- Offer a coordinated and accessible front door offer

Scoping and design activity cannot be pre-empted but identified opportunities that will impact markets include:

- Embedding technology enabled care and digital
- Maximising reablement outcomes
- Developing the approach to hospital discharge
- Developing a co-production approach
- Developing a new approach to Commissioning

The programme also has a strong interdependency with Integrated Care Systems (ICS) which is designed to promote more joined-up services focusing on improving both health and social care services. This will use a parallel approach of defining the overarching commissioning partnership whilst also delivering a pilot around hospital discharge, recognising principles need to apply system wide.

In addition to wider transformation plans key areas of improvement already identified are:

- Addressing quality issues – strengthen relationships with CQC to provide consistency across inspections. Review and develop internal Quality Assurance (QA) functions to be more proactive and better utilise evidence bases to highlight "early warnings".

- Exploring local, regional and national responses to workforce issues and how the local authority can better support providers with recruitment and retention
- Continuation and expansion on the recent cost of care exercise to further the joint understanding of local care costs, including a longer term offer to the provider market which incorporates costs but importantly increases the scope for wider support to the market including partnership opportunities with health.
- Build upon recent learning from approaches and schemes deployed as part of winter planning, utilising the discharge fund.

(b) 18+ domiciliary care market

The "cost of care" exercise (completed through the charging reforms) has provided useful data to inform the fee review process, however the Council has concluded that the outcome cannot be used as a sole guide for fee setting given the issues of low response rates and data completeness and quality. This approach is in line with DHSC guidance which states that the outcome of the cost of care exercise is not intended to be a replacement for the fee setting process. Instead, the local authority should use the insight to support the fee review process for 2023/24.

The outcome of the "cost of care" exercise resulted in an increase of 18% in comparison to the current maximum framework rate for home care. This is significantly lower than the suggested gap for care homes. Benchmarking data analysed through the 2023/24 fee review suggests current rates are on part with that of comparator authorities.

The Council recognises that all care providers face the same or similar challenges as outlined in sections 1 and 2 of this report, however given the risk to sufficiency within the care home market CWC has decided to prioritise market sustainability grant funding for 2023/24 across care homes. This has been applied on a 70:30 ratio, with 30% of additional grant funding being used to further uplift care costs across the home care market as a means to mitigating risks to sustainability.

This has been incorporated through the fee review for 2023/24 which was completed based on a financial analysis of the impacts of the National Living Wage (NLW), rate of inflation, benchmarking data and provider feedback. The analysis has balanced the ability of the Council to uplift care fees whilst also satisfying its legal duties under section 5 of the Care Act 2014 to promote to the efficient and effective operation of markets, as well as legally setting a balanced budget.

Aside from the fee uplifts for 2023/24 and use of grant funding, the Council's TASP programme will impact on the home care market. The commissioning intention is to further strengthen its contracted provision to effectively manage quality and cost, mitigating the reliance on non-contracted provision which can vary on both. A tender process has recently been undertaken with the aim of:

- Increasing the number of lead providers from three to five to improve geographical coverage in the North and East of the City
- Increasing contracted (framework) capacity, particularly of tier 1 providers so that the Personalised Support Team have the highest quality care at the forefront of the brokerage process.
- Overall increased contracted capacity will mitigate potential market failure
- To better support hospital discharge pathways

Additional actions include:

- Exploring local, regional and national responses to workforce issues and how the local authority can better support providers with recruitment and retention
- Continuation and expansion on the recent cost of care exercise to further the joint understanding of local care costs.
- Explore and develop a longer term offer to the provider market which incorporates fee reviews but importantly widens the scope for wider support to the market including partnership opportunities with health.
- Build upon recent learning from approaches and schemes deployed as part of winter planning, utilising the discharge fund.