

Appendix 1 – Rationale for Differential Approach to Adult Social Care Provider Price Uplifts 2023/2024

1. Distinction Between Services in Scope

1.1. This appendix sets out the rationale for the chosen percentage rate for each service type.

1.2. For context, it is useful to define each service within the scope as “main contracts”. These are outlined as follows (*all proposed increases refer to only those providers who have been accepted on to the Council’s framework for each service*):

a) **Homecare/Care and Support in the Home (CSiH) – Proposed Increase: 10%**

Homecare/Care and Support in the Home services are available across all needs categories and age groups, although the vast majority of provision is focused on the Older Person’s cohort (over 65). Care and support enable individuals to live as well as possible with any illness or disability they may have within their own home. It can include help with things like getting out of bed, washing and dressing. CSiH suppliers provide regulated activity under ‘Personal care’ therefore are required by law to register with CQC.

b) **Supported Living Services - Proposed Increase 6%**

Supported Living Services are available across all needs categories including learning disability, mental health, physical disability, and children. These services are designed to provide care and support with some offering personal care to people as part of the support that they need to live in their own homes. The care and support care is provided under separate contractual arrangements to those for the person’s housing. The accommodation is often shared, but can be single household. Supported Living providers that do not always provide the regulated activity ‘Personal care’ are not required by law to register with CQC.

c) **Supporting Independence Service (SIS): Proposed Increase -6%**

SIS services are available across all needs categories including learning disability, mental health, older people, physical disability and children. SIS can be up to a 24 hour, seven days a week service. It can be purchased for people living with family or friends or people living in their own home. SIS providers that do not provide the regulated activity ‘Personal care’ are not required by law to register with CQC.

d) **Older Persons Residential and Nursing: Proposed Increase - 7%; and Learning Disability, Physical Disability and Mental Health Residential Proposed Increase - 6%**

Accommodation with Care and Support services are available across all needs categories including learning disability, mental health, older people, physical disability. Residential care, as part of this, refers to long-term care given to adults or children who stay in a residential setting rather than in their own home

or family home. As the suppliers provide regulated activity under 'Personal care' they are required by law to register with CQC.

2. Basis for Differential Approach

- 2.1. For context, the planned National Living Wage April 2023 increase is 9.7%, whilst the Consumer Price Index (CPI) rose 10.5%% in the twelve months to December 2022.
- 2.2. A particular consideration in determining how to split uplift funding amongst providers of differing care types, is tempering the context of the wider financial pressures faced by all adult social care providers, with market challenges relating to supply and cost management in the service areas with most, and increasing, demand. These service areas relate to the provision of homecare and residential/nursing care to older people (aged over 65), and it is the increasing cost of these which deliver the greatest challenge to adult social care budgets.
- 2.3. Today, nearly two thirds of the people admitted into hospital are over 65 years old, and an increasing number are frail or have dementia. At the same time, there are a third fewer emergency hospital beds than there were 25 years ago, despite the fact that these admissions rise at a rate of 2 to 3 per cent every year. One way to cope with this problem is to cut the length of time that people stay in hospital, but this duration is actually rising for people over the age of 85, in part due to a lack of appropriate social care that can support them in their home setting.
- 2.4. This unprecedented level of demand on both NHS and Social Care providers, coupled with decreasing capacity to manage this demand, increasingly leads to extended unnecessary hospital stays which often augment dependency levels, creating a self-perpetuating cycle of increasing demand.
- 2.5. Conversely, the answer to managing costs is not simply to increase supply. Increasing reliance on a wider number of suppliers, most of whom will not agree to controlled framework rates, means that an increasing number of both homecare and residential packages for older people are being arranged with off-contract suppliers who charge significantly more than those on our current framework.
- 2.6. The annual report published by Skills for Care found in the year to March 2022, there were a total of 1.79 million posts nationally in adult social care. Of these 1.62 million were filled, leaving 165,000 posts unfilled. The number of filled posts fell by 50,000 compared with the previous year, marking the first drop ever, and leaving average vacancy rates at nearly 11 percent, which is twice the national average for other sectors (source: carehome.co.uk).
- 2.7. Skills shortages within the sector mean there are a greater number of staff who can seek better pay with more expensive providers. This reduces supply within the framework cohort, forcing buyers to agree packages at higher cost when capacity is exceeded.

2.8. The additional differential element of the prices provision (the element above 5%) proposed for the Older People’s Residential and Nursing and Homecare Contracts is to be funded from the new ringfenced grant - Market Sustainability and Improvement Fund (MISF). Although the full grant conditions are still to be published, an explanatory note has recently been issued by the Department of Health and Social Care (DHSC). The purpose of the grant is described as follows:

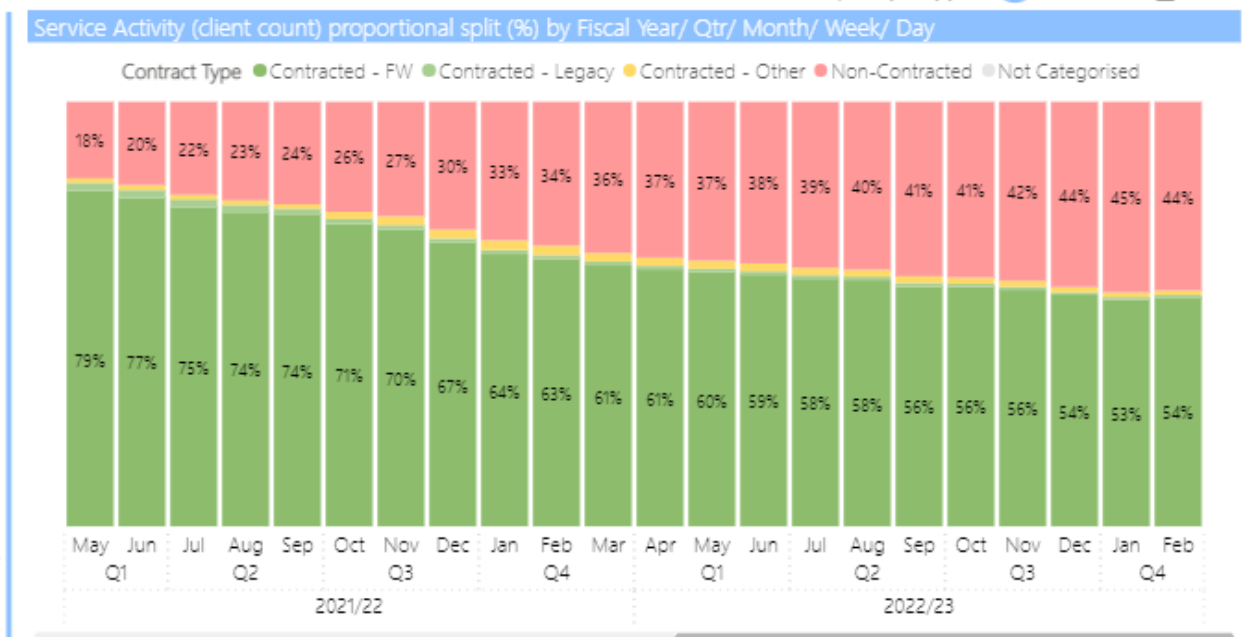
2.9 This contributes to our fundamental objectives of increasing capacity within the adult social care sector across different types of care and contributing to the reduction of delayed discharges. Local authorities will have flexibility to use the MSIF to drive improvements across a range of priority areas, to best address local sustainability and improvement needs. These are:

- Increasing adult social care capacity
- Reducing waiting times
- Increasing workforce capacity and retention
- Increasing fee rates to close the cost of care gap in an area.

3. Further Basis for Homecare/Care and Support in the Home Award (10%)

3.1 Table 1 shows how this is borne out by the vastly increasing proportion of Homecare packages purchased off framework – having risen from 18% to 44% in the last eighteen months. Whilst there was also an increase in SIS/Supported Living, it was less marked (18 to 28% in the same period); whereas for Residential/Nursing care, it stayed relatively static.

Table 1: Proportion of Homecare Packages Purchased – Contracted vs Non-Contracted.



- 2.9. In the same period, the **cost** of packages of Homecare increased from £2,365.70 per quarter on average to £3,342.50 per quarter, an increase of 41%. Whilst the cost increased significantly for SIS/Supported Living across the same period, the number of SIS/Supported Living packages is less than 50% of those arranged for homecare.
- 2.10. Increasing costs by 10% for homecare providers contracted to the framework will help address a situation where excessive fees are being charged by non-contracted suppliers, and ensure the market forces can be managed to further consolidate supply and ultimately reduce costs.

3. Further Basis for SIS and Supported Living Award (6%)

- 3.1. The average cost of a SIS/Supported Living package (See Table 2 below) has increased by 9.17% since the start of the current financial year. Whilst this is not vastly less than the 10.34% increase for homecare in the same period, as of January 2023, there were 2,643 SIS/SP packages verses 4,644 homecare packages.

Table 2: Increases in SIS/Supported Living Costs 2022/23

The average weekly cost of a SIS / Supported Living package has increased 9.17% since the start of the financial year



- 3.2. The proportion of packages purchased off contract for SIS and Supported Living has stayed static between Quarter 1 of 2022 and the most recent Quarter of 2022/23 at 17%. Such market stability allows fee increases to rise at a lower rate than homecare, allowing extra funding for the latter. The differential approach across SIS and Homecare seeks to recognise that the market pressures themselves vary, and increased funding in the most overburdened area should help reduce overall costs in time.

3.3. Whilst the general uprate for Supported Living and SIS payments is 6%, payments for sleep night support need to be increased by 9.68% to maintain parity with the National Living Wage set amounts for this year.

4. Further Basis for Residential and Nursing Award (Learning Disability, Physical Disability and Mental Health 6% / Older Persons 7%)

4.1. The funding envelope allowed for a standard increase of 6% across all services, with 10% allocated to homecare for the reasons explained above. The reason for making a distinction between Older Persons (OP) and Learning Disability, Physical Disability and Mental Health (LDPDMH) is again to recognise market pressures due to rising demand and increasing vacancy levels, which affect residential care in a similar way to homecare. Contracted (Framework) vs Non-Contracted (Non-Framework/Individual Contracts) spend across residential and nursing care has remained static; however quarterly costs per package have increased as per Table 2 which follows:

Table 3: Increases in Quarterly Residential /Nursing Package Cost Q1 2019/20 – Q3 2022/23

Service Area	Q1 19/20	Q3 22/23	Increase
OP	£6,290.60	£8,973.00	43%
LDPDMH	£14,455.00	£18316.60	27%

4.2. The higher increasing costs within Older Persons Residential/Nursing, coupled with the unique market pressures specific to Older People is deemed to warrant a slightly higher increase, whilst allowing the higher 10% rise in Homecare and remaining within the cost envelope.