SPECIALIST ADULTS SERVICES PROVIDER FEEDBACK

SPECIFIC QUERIES ON THE APPLICATION OF THE MODEL TO INDIVIDUAL SERVICE USER PACKAGES NOT INCLUDED

Feedback	Proposed response
Provider A	
We consider the proposal to develop a pricing framework to cover the next 3 years as a very positive step. Attempting to provide some certainty at a time of political and economic uncertainty is laudable, challenging and greatly appreciated. The opportunity to comment on the draft proposals is reflective of what we consider to be the partnership working and transparency in our dealings over the past few years. We believe the basic principles on which the model is based being the needs of service users (high, medium and low) and the number of residents in a setting (smallest, smaller and standard) is appropriate and recognises both staffing needs to support individual needs and the capital and revenue requirements of running such operations and the economies of scale gained through larger units.	N/A
We believe this proposed framework clearly reflects the need to fund sustainable services as indicated in the Care Act and reflects some historical under-funding in relation to ourselves. We recognise the challenges we all face in providing quality services against an uncertain economic environment, however, for sustainability to continue we would suggest that inflation increases year on year should reflect 80% of any national living wage increase on the basis that 80% of our costs are staffing.	The recommendation is that the Usual Cost should be set for 3 years 2018/19, 2019/20 and 2020/21. To achieve this work has been done to anticipate how providers' costs are likely to increase in those years rates as a result of inflationary increases based upon: Staffing Wage Costs- The majority of staffing cost increases are based on an assessment of the impact of increases in NMW for workers aged 18-24 and NLW for those aged 25+. This calculation also takes the age profile of workers into account, producing an average rate increase across all groups. This results in an inflation increase of 4.62% across all work groups (with the exception of managers) in 2019/20 and 4.93% in 2020/21 Non Staffing Costs – These costs are increases by 2% per annum both in 2019/20 and 2020/21. These increase was based on predicted inflation targets as published by the Office of Budget Responsibility in their report entitled "Economic & fiscal Outlook" dated November 2017. New rates also take into consideration legislative changes to employer's pension obligations which have now increased to 3% and have been applied in the model from 18/19 onwards.

As part of this review it would be helpful to provide guidance/agreement as to some other issues including the question as to what may be considered as reasonable "top-up charges"; this could take the form of a menu of extra charges to service users for particular services, for example, travel costs to access leisure, to visit family, social opportunities – i.e. an agreed mileage contribution.	Many of the charges outlined here are already covered within the contract as 'Extras' and can be utilised by providers now and in the new contracts. While there is no exhaustive definition of what may constitute a cost that would be attributable to a top up it can be considered as the difference in cost between what the Service Users assessed needs require and what the home or service use may wish to receive in addition. This could be a larger room, enhanced views or aesthetics or more expensive meals.
The provider also referenced the specific costs of their business model, individual packages of care, and specific application of the model to individuals which has relevance in how the new model is applied but is not materially linked to the model itself notwithstanding the separate comments already noted.	
Provider B	
We are fully behind the principles behind the LD review and are pleased to see the pro-active approach you're taking albeit there is much analysis to do before matters fully conclude.	N/A
We would request additional information regarding the increased staffing requirements at higher bands, so that we can accurately review any additional staffing cost that will be associated to the increased funding available	TBC – JT, SH and AC to meet. Proposed response – *The hours as described in each band within the new model has fundamentally been used to calculate the rate for each band and not necessarily as a strict rule in how many hours must be in place for each service users or as a whole within a home. The hours per band should be used as a benchmark that sets out what the Council expects are necessary for the care of that individual with the expectation that their outcomes are being met. We believe that the existing provision in the settings we have analysed are not significantly different to the resources that are required under the new model when taking all commissioned hours into account.*
We would not accept any 1:1 charges being made at £10.71, it is simply not cost effective and the rate of £X has been agreed previously.	The Council intends to make payment to them on the principle of the bandings and rates we have identified and also based on the jointly agreed application of these rates to individual packages. For cases where there may be a dispute as to the final settlement we will make payment but will pay retrospectively (if need be) on the outcome of the negotiations. It is important to note that the Council does not anticipate to be in dispute over many cases as we will be tying the assessed care needs for the basis of these cost decisions.
The provider also referenced the specific costs of their business model, individual packages of care, and specific application of the model to individuals which has relevance in how the new model is applied but is not materially linked to the model itself notwithstanding the separate comments already noted.	
Provider C	

We are pleased that the LD sector has wider recognition from the Council and is now more distinguishable from other Adult areas. If adopted your proposals will produce greater transparency of and within the market over the next three years.	N/A
To some extent you have acknowledged differences in need amongst the individuals whose care your commission. We concur with the concept of bandings however there is a 4th band that is missing which is one for the most complex individuals.	The Council believes that the model has sufficient clarity and flexibility to manage the varied levels of complexity across LD. However, as always, the Council reserves the right to consider and new or additional measures that would be necessary if circumstances dictate.
To set an increase now of 2% for 19/20 and 20/21 when inflation and the increased costs of applying the minimum wage, together with other unknown costs including Brexit which will come into play, is, we suggest, simplistic and highly risky. Our forecast for 2018/19 costs give a much more realistic increase of 4.58% to cover pension and living wage increases with their knock on effect on differentials between grades of support workers.	The recommendation is that the Usual Cost should be set for 3 years 2018/19, 2019/20 and 2020/21. To achieve this work has been done to anticipate how providers' costs are likely to increase in those years rates as a result of inflationary increases based upon: Staffing Wage Costs- The majority of staffing cost increases are based on an assessment of the impact of increases in NMW for workers aged 18-24 and NLW for those aged 25+. This calculation also takes the age profile of workers into account, producing an average rate increase across all groups. This results in an inflation increase of 4.62% across all work groups (with the exception of managers) in 2019/20 and 4.93% in 2020/21 Non Staffing Costs – These costs are increases by 2% per annum both in 2019/20 and 2020/21. These increase was based on predicted inflation targets as published by the Office of Budget Responsibility in their report entitled "Economic & fiscal Outlook" dated November 2017. New rates also take into consideration legislative changes to employer's pension obligations which have now increased to 3% and have been applied in the model from 18/19 onwards.
We would like to suggest that you consider commissioning a risk register to look at the each high acuity in terms of what would happen if the placement fails both in terms of impact to the Service User and their family and also cost to the commissioner.	The Council agrees this would be a sensible step to take in an event such as this.
In the context of your offering, our accounting profit would be eroded to an unsustainable level which would further worsen over the subsequent 2 years. If your current proposal is adopted without sensitivity to historic placements like many of ours, this will result in the reduction of providers able to offer higher acuity care than your costing bands and blanket approach to increases allow for… Whilst you are looking at supported living services to reduce the council's cost, although necessarily the tax payers costs, you run the very real risk that such services will simply not be	The Council is fully aware of the need for high complex care and it is the intention that under this proposed model the Council and the Market will have a stronger foundation to develop new capacity across the sector as well as undertake new commissioning objectives to address the full spectrum of LD provision, including supported living. This proposals being put forward under the LD cost model represent a significant increase in Council spending and cannot be considered as a cost saving exercise.

able to support the most complex individuals	
The provider also referenced the specific costs of their business model, individual packages of care, and specific application of the model to individuals which has relevance in how the new model is applied but is not materially linked to the model itself notwithstanding the separate comments already noted.	

ADULT FRAILTY AND LONG TERM CONDITIONS FEEDBACK

Comment	Response
Provider D	
Statistical Accuracy of Actual Revenue costs – Is it 48% of providers or 48% of available beds	Given that the responses covered 3,536 beds (Page 3) and there are approximately 7192 beds registered for older people and physical disabilities. We believe that 48% could apply to both the number of homes and number of beds and can be considered a representative sample.
Why has the Council used an alternative model when the Laing Buisson model is a recognised model in determining the cost of care	The Councils model is similar to that used by LaingBuisson but has number of differences. The Laing and Buisson model uses a 12% return on capital set by reference to the opportunity costs of not utilising the capital in other ways measured by what Laing and Buisson considered at the time could have reasonably been expected by selling out. The JRF toolkit suggests that "an adequate return on capital is the key to achieving a stable independent sector of sufficient size and appropriate quality to meet the commissioning needs of councils and their NHS partners. On the assumption that new and/or replacement care home capacity is required councils throughout the country need to set fee rates such as to (a) incentivise existing operators to continue to offer services and to upgrade the physical assets where they are below NMS for newly registered homes; (b) attract investment in new care home capacity to meet increasing underlying demand driven by the ageing population; and (c) compete with private payers and residents funded by other public sector agencies for available home care places."

	The JRF toolkit also establishes a value of a bed based on the cost of building a new care home that meets basic specifications around size and building cost, with the cost of land also taken into account. The model uses this information to help establish a “floor” (minimum) and “ceiling” (maximum) weekly rate which is influenced both by rate of and on an assessment of how many homes meet specific physical and environmental standards for “new” homes as defined in the Department of Health publication Care Homes for Older People (DH, 2003). The Lincolnshire County Council model does not seek to establish “floor” or “ceiling” rate but rather a single rate based upon the average room value within Lincolnshire, recognising that the majority of homes within Lincolnshire are based within buildings that were built prior to 2003 and are not purpose built. Consequently the approach more closely reflects local factors in Lincolnshire. Current market indicators as published by property advisors Knight Frank suggest that the rate of return for care homes is currently 6.3%. This compares to UK 10 year Interest Rate Swaps at 1.45% and 30 Year Interest Rate Swaps at 1.90% and current London Inter-Banking Offered Rates (LIBOR) at 0.79% over 12 months. Interest Rate Swaps and Libor represent low risk investments As the Council buys a substantial amount of placements (48% based on the 2017 Kingsbury Hill Fox Lincolnshire survey) which it has the resources to pay for, this significantly reduces the risk to providers businesses and the beneficial impact of this should be reflected through a return which reflects a low/medium business risk for providers. Further evidence that the sector is not high risk is the lack of providers falling into financial distress, with a good balance between Council and self-funded and with the predicted demand for care home places remaining buoyant. In addition to the position on risk set out above, incorporating the rate of return of 12% as quoted in the JRF model into the costs model, risks building into the rate inefficiency as there is no incentive on providers to manage cost efficiently. It also incorporates pure profit, as distinct from cost which is what the Council is obliged to have regard to, into the model as the operating profit figure used in the calculation includes this. The return on capital should reflect all these factors making 6% an appropriate rate. This is consistent with some returns elsewhere should the providers choose to sell

	up and invest elsewhere in particular the 6.3% return on the Secondary Healthcare market. For these reasons the Council chooses to use its own model
The Council's model is a one size fits all for care hours which lends itself to homes that have occupancy of greater than 40 residents. Our analysis would indicate that where homes have either less than 40 residents or more significantly support residents with high dependency care needs including dementia the care hours are underestimated and below that which would be sage under the regulations.	The care hours are based on the responses from providers covering all sizes of homes.
No allowance for provider profit	Profit is included in the final line of the model – Unit Cost for Lane & Buildings (Rate of Return) and is calculated at 6%
No provision for night time or weekend enhancements to the pay rates	This is covered on Page 22 of the report
The costs exclude time that is required to be backfilled for individuals to meet their training compliance	This is covered on page 50 of the report
Repairs and maintenance costs	The figures are taken from the returns from providers
Excluding repairs and maintenance running expenses are circa 20 percentage points lower than the L&B model	The figures are taken from the returns from providers
No allowance is made for corporate overheads	This is covered on page 7. Allowances are made under management, administration and other non-staff items
Pay rate differentials – Our experience is that recruiting at LCC rates is not achievable in the current competitive environment	The rates are based on what providers are currently paying. The nature of an average rate is that some providers will pay more and others will pay less.
Annual Leave	Included in Working time on-cost @ 12%
Care Hours - We believe the Council has underestimated the paid care hours required to run a service with high dependency	The council has not estimated the care hours. The figures are based on the returns of providers. It has been recognised that care hours have increased over the last three years and the model adequately reflects those increases
Better Care Fund – We welcome an understanding how this additional funding is benefiting providers in covering its cost pressures.	The Council has directly transferred Better Care Fund money to providers, including £1.5million in the last year to residential providers in the form of grants. The better care fund is time limited and therefore must be treated separately from the Councils Usual Costs. Lincolnshire County Council has increased spend on residential care by 16% in the last 4 years at a time when the Council Revenue Service Grant from central government has reduced by 67% in the same time frame

Comment	Response
Provider E	
We do not agree with the clause of 3rd Party Top Ups having no increase during the 3-	The model allows for inflation over the next three years using the best estimates

year period of the contract. The reasoning behind this is that at these uncertain times in the care industry we have no idea what further costs we will have to find during this period	of the Office for Budget Responsibility. If there is a significant policy change (such as the introduction of the National Living Wage in 2015) we will review the impact on our expected costs and amend those rates where necessary.
The survey figures show £247.66 for nursing and personal care costs yet you have offered a lower basic rate for nursing residents	The difference in rates is due to respondents to the survey reporting a lower number of hours for non-care staff in nursing homes (1.7 hours for nursing compared to 2.1 hours for high dependency). It is unclear why this should be the case and the reasons are not reflected by the Kingsbury Hill Fox report.
The FNC nursing cost element per resident in your model is priced at £190.89 (2018) rising again next two years - this is using out of date nursing hourly rates which have increased dramatically during the last few months (see comment below) - yet we are only receiving FNC at £155.05 so we are already £35.84 in 2018 per week underfunded. We certainly do not have knowledge of any uplift and cannot sign up to this price for Nursing care without this uplift.	The Council does not set the FNC rate. The hours for nurses reflect the responses that we had to the survey.
What element of profit or surplus do the figures include - these are crucial to maintain the viability of the business and the service (as per CQC and Care Act etc) and the constant reinvestment needed to replace and refurbish the home and equipment etc. What other business can operate on nil profit - none.	Profit is included in the final line of the model – Unit Cost for Lane & Buildings (Rate of Return) and is calculated at 6%
The wages in the review for nurses is now outdated (see comment above) Nurses are now demanding at least £16 per hour as they know they are and know that they are in short supply - agency hourly rates for Mablethorpe can be as much as £35 per hour plus travelling. The average nursing agency hourly rate for much of Lincolnshire is £25.00 per hour plus travelling Also to recruit a nurse through recruitment agencies whether Uk or Eastern European Nurses the fee is now a minimum of £3000 plus VAT = £3600 as care homes are not VAT registered we cannot claim VAT back.	The hours and wage rates for nurses reflect the responses that we had to the survey. Allowance is specifically made for agency use in the model
Why is the catering, cleaning and laundry less per resident for a nursing resident that a residential or high dependency resident - again this is flawed and is definitely not the case.	The figure is based on the survey responses received. It is unclear why this should be the case and the reasons are not reflected by the Kingsbury Hill Fox report.
Why is the management/administration etc more for a residential resident - again this is flawed and I would argue there is more to manage for a nursing resident because of the more complex cases.	The figure is based on the survey responses received.
What does the figure £58.82 cost of capital include?	The cost of capital is the capital cost of a room in Lincolnshire (£46,000) multiplied by the chosen rate of return (6%) based on the occupancy level (90%) and is the level which the Council believe is sufficient for the recoupment of an investment over a reasonable period of time. Rate of return on capital is a generic term describing the return providers derive from capital assets invested in the business.

	Multiplying the value of a room at £46,000 by the nominal 6% rate of return provides a payment of £58.82 per person per week. In a 30 bed home it amounts to a payment to cover the cost of the accommodation of approximately £92,006 (£58.82 x 30 x 52.14) per annum to the Provider. The money can be used to pay existing mortgages/business loans or where the cost of the capital asset has already been defrayed to reinvest in the business or elsewhere or to take out as profit.
We cannot see any provision for mortgage/loan or leasing payments	The cost of capital is used an estimate of the cost of making the assets available in terms of rent or mortgage and interest. This is described above.

Comment	Response
Provder F	
The specification page 11 clause 4.4.2 refers to 2.5 nurse hours daily is this a specific requirement for a nursing placement or is this overridden if any of the procedures listed in clause 3 apply. We are currently working our staffing levels on the L&B staffing calculator which gives slightly over 1 nurse hours daily are we correct in using this calculator.	The definition at clause 4.4.2 is the wording used by Continuing Healthcare and is used in making a determination as to whether or not somebody is entitled to funded or fully-funded nursing care.. The amount of nursing for each individual resident will depend entirely on their assessed needs.

Comment	Response
Provider G	
Two of our long term nurse have retired and looking at the market, we cannot seem to attract any nurses to Boston. However we are alarmed to find pay rates now in the 16-16.50/hr	The nursing figures in the report are taken from responses provided through the survey.

In addition agency rates are creeping up alarmingly to around £29/hr for a weekday day rate	The FNC rate is the responsibility of NHS England.

Comment	Response
Provider H	
• 2018/19 (April 2018 to March 2019) – We would be happy to accept the fees which are included in the table below and have no further comments. • In regards to 2019/20 and 2020/21, whilst we acknowledge the Council's efforts to understand the impact of National Living Wage and other associated cost pressures, at this time we would be anxious to accept these fees until such time that the actual impact of the cost increases related to NLW etc. are released and in that we can then undertake our own cost impact calculations for each of these years.	The model allows for inflation over the next three years using the best estimates of the Office for Budget Responsibility. If there is a significant policy change (such as the introduction of the National Living Wage in 2015) we will review the impact on our expected costs and amend those rates where necessary.

Comment	Response
Provider I	
• We would like further clarity on why the HD residential rate is higher than the nursing rate. It appears from the cost breakdown this is driven by costs for non personal care i.e. domestic and kitchen etc. We disagree with this. The cost of providing non-care services to a residential and nursing resident are the same. • The rate for a nursing bed should be the same if not higher than the price of a HD bed.	The difference in rates is due to respondents to the survey reporting a lower number of hours for non-care staff in nursing homes (1.7 hours for nursing compared to 2.1 hours for high dependency). It is unclear why this should be the case and the reasons are not reflected by the Kingsbury Hill Fox report. The overall rate for a nursing bed includes the Funded Nursing Care rate and therefore the total price is higher than HD
We understand that the council would like to fix the top-up for the 3 year period. We disagree with this approach as it is difficult to forecast costs pressures for the period ahead due to current economic uncertainty. We also feel it would be likely that homes may put top-ups at the maximum from the start. This may lead to service users and their families having to pay higher top-up to start with.	The model allows for inflation over the next three years using the best estimates of the Office for Budget Responsibility. If there is a significant policy change (such as the introduction of the National Living Wage in 2015) we will review the impact on our expected costs and amend those rates where necessary. The reason for fixing third party top ups is to provide security for service users and their families
As an alternative would it be possible to set a maximum top-up in that period e.g.£50 which could be varied per year of contract as required. This would provide certainty to	This shall be considered however it would still present some uncertainty for the service user as the maximum amount may be unaffordable and this may affect

the top-up payer that the maximum would be say £50 over the whole period but could be lower in some years.	their decision even if the first year was affordable
In Clause 39.4 – the last part states "This Third Party Waiver Form shall remain in place for the duration of the contract". Please can you clarify if the home signs a third party waiver does that remain in place for just the IFA (i.e. for that specific resident) or does that impact the agreed top-up for that room during the whole 3 year contract with the council. i.e. would that wavier apply to the next user of that room as well	The third party waiver form in on a placement by placement basis therefore it applies only to the specific resident
Paperwork in respect of Top-ups must be signed by social worker and home. It should be the responsibility of the social worker to ensure that this is done.	This is the process in the contract. The social worker should also ensure that the service user and their representative understand the third party process.
Please can you clarify what steps will be taken to ensure that IFAs are sent to the home within 7 days	Operations to respond

Comment	Response
Provider J	
3 years ago when the rates were fixed and afterwards either LinCa did act in the best interests of the providers or County council did not act fairly. Hence 1. low rates were fixed, 2. rates were fixed for 3 years, 3. increases afterwards were not commensurate with inflation and effects of National minimum wage increase. As per the Lincolnshire County Council commissioned Kingsbury Hill Fox report, our/LCC rates of 2017 are very much below the average of the rates of comparable counties. My request/suggestion: 1. I would urge not to fix rates for 3 years, but only for one year at a time. Inflation prediction is most likely to go wrong. 2. It is fair to increase the rates on par with the average rates of comparable counties in 2017 plus rate of inflation of 2017.	In 2015 we increased our rates by between 2.6-2.8% on top of our annual inflationary increase as a direct result of the increase in the National Living Wage. The recommendation is that the Usual Cost should be set for 3 years 2018/19, 2019/20 and 2020/21. To achieve this work has been done to anticipate how providers' costs are likely to increase in those years rates as a result of inflationary increases based upon: Staffing Wage Costs- The majority of staffing cost increases are based on an assessment of the impact of increases in NMW for workers aged 18-24 and NLW for those aged 25+. This calculation also takes the age profile of workers into account, producing an average rate increase across all groups. This results in an inflation increase of 4.62% across all work groups (with the exception of managers) in 2019/20 and 4.93% in 2020/21 Non Staffing Costs – These costs are increases by 2% per annum both in 2019/20 and 2020/21. These increase was based on predicted inflation targets as published by the Office of Budget Responsibility in their report entitled "Economic & fiscal Outlook" dated November 2017.

	New rates also take into consideration legislative changes to employers pension obligations which have now increased to 3% and have been applied in the model from 18/19 onwards. Please see Q&A 2 of Provider D as to the reason why the Council has chosen to utilise the current model.

Comment	Response
Provider K	
LaingBuisson conducted a comprehensive survey of all care home services in United Kingdom for 2016/17. This report identified regional costings as a guide, which established fees of £578 for Residential and £725 for Nursing placements in East Midlands. This true reflection of cost is 18% higher than the review of homes in Lincolnshire. We would expect Lincolnshire County Council to establish a minimum fee rate which is in line with this reporting, rather than a smaller study conducted with only 50% of responders in Lincolnshire.	Lincolnshire County Council is responsible for setting a rate for Lincolnshire providers and therefore we need to understand the specific costs of providers within the county. Our rates are based on actual figures from Lincolnshire Providers and also take in to account the security of placements made by the local authority as opposed to self-funded placements which traditionally are at a higher rate.
From reviewing information provided, this exercise has focused on determining a market position, this report and subsequent suggested fees does not establish a quality framework and ensuring that outcomes are reached by people using these services. Barchester prides itself on being both financially viable and proving a high quality service to our residents, this is reflected in our scorings on the independent site CareHomes.co.uk and also through all of our CQC reporting	We believe that the proposed rates enable providers to meet the CQC regulations. Our commercial team work alongside the sector on a number of initiatives e.g. Workforce Development to allow providers to strive for an outstanding rating. Over the last year we have seen an increase in providers rated as good and outstanding.
Due to success with prevention work in Lincolnshire and other similar areas, we have established that when people enter residential and nursing placements, they may have delayed admission to the service, but the needs they present with tend to be higher, this is a continuing trends and therefore the current state of the market, when reviewing fees, does not reflect the change in support needs for people within residential and nursing care. Barchester would like this to be taken into account when determining new fee rates.	We recognise that there is a trend for service users to come in to residential care at a later stage. The criteria for standard residential and high dependency has not changed and therefore there may be a higher proportion of resident's coming in to homes at the higher level. However, we believe that the High Dependency rate reflects the level of care needed for these residents as it based on actual feedback from providers. The High Dependency rate reflects that there has been an increase in care hours over the last three years. In 2015 High dependency residents received approximately 21 hours of personal care per week and in 2018 this has increased to approximately 24 hours. This increase is incorporated in to the rates.

Comment	Response
Provider L	
The increasing rise in costs of running, staffing and maintaining a high standard of care in our care centres, whilst adhering to the standards stipulated in LCC framework and in the Care Quality Commission's framework (KLOES), are making it increasingly difficult and challenging to make a reasonable profit for the business. Your proposed changes, do not appear to take in to full account the knock on effect of the increases in NMW and NLW which have greatly increased our outgoings. The increase in Utility bills, food costs and consumables have also added to the increase in expenditure.	The figures are based on the returns from Lincolnshire providers and therefore we believe that the rates adequately reflect the actual costs incurred by providers. The model allows for inflation over the next three years using the best estimates of the Office for Budget Responsibility.
We would like explanation on why the personal care rate for nursing is below OP HD. This surely should be the same at least. Also in your proposals, nursing homes do not seem to be getting the required rate. Could you please explain why this is?	The difference in rates is due to respondents to the survey reporting a lower number of hours for non-care staff in nursing homes (1.7 hours for nursing compared to 2.1 hours for high dependency). It is unclear why this should be the case and the reasons are not reflected by the Kingsbury Hill Fox report. The Council does not set the FNC rate. The hours for nurses reflect the responses that we had to the survey.
We would like to raise the question as to why LCC should be able to request we determine top up rates for three years, when these are independent businesses.	Top ups apply to residents that are placed under the Council's residential framework. Over the last three years we have experienced some providers introducing or increasing top ups which have meant that placements have become unaffordable to some residents. This has created uncertainty and, in some cases, has resulted in residents having to move to alternative homes. We believe that by setting top ups for three years this will enable new residents to be secure in their placements.
Although Ed Baker said at the meeting that there were a lot of homes in Lincolnshire who do not have a top up, we have found it to be necessary to supplement the fee rates received from LCC to cover costs in running our care centres.	A third party top up can only be put in place where there is a third party willing and able to pay the supplement. If there is no third party willing and able to pay a top up then the social worker must either propose an alternative or seek a waiver. A social worker absolutely cannot put undue pressure on anybody to agree to a third party payment

Our experiences have led us to feel that social workers do not try that hard to get the top up if the resident's family say they are unable to pay.	
It is concerning that your projection of an increase in demand for beds as 38% when there are care homes closing down because they are no longer able to sustain them due to increase in costs and fees not increasing in line with this.	Whilst we have seen a number of home closures in the last three years these have not all been related to financial issues. We recognise that there has been a decline in the number of registered nursing beds and this is down to the difficulties in recruiting nurses experienced by the whole sector. The Council's commissioning team constantly reviews demand projections and is actively working on innovative solutions to meet the demands of an aging population.
These are challenging times for everyone, but at the end of the day, surely the standard of care and environment is to the fore front, which all costs money. The local authority surely has some responsibility in ensuring that the fees- rates they pay are in line with the increase is costs that providers have to face. If profits continue to fall, more and more homes will be forced to close.	The model has an allowance for profit built in. We believe that the proposed rates enable providers to meet the CQC regulations. Our commercial team work alongside the sector on a number of initiatives e.g. Workforce Development to allow providers to strive for an outstanding rating. Over the last year we have seen an increase in providers rated as good and outstanding.

Comment	Response
Anonymous	
With regards the fees, I appreciate these are sensitive time and budget and constraint pressures however, we are starting from a position of lower fees over several year and so whilst the increase may seem high, we are talking from a position where historically the increases have been slight.	We believe that the proposed fees reflect the responses received through the consultation
I feel the rate of return of 6% is low as from the number businesses need to pay corporation tax at 20% thus reducing any return to 4.8% and then from this lower number we need to pay ourselves / head office functions along with paying for our buildings so the return is not high enough. The inflation rate used of CPI at 2% is not really the inflation we actually pay for good and service. This is calculated in a way to always be below RPI and will naturally be 1% lower due to the way it is calculated.	Current market indicators as published by property advisors Knight Frank suggest that the rate of return for care homes is currently 6.3%. This compares to UK 10 year Interest Rate Swaps at 1.45% and 30 Year Interest Rate Swaps at 1.90% and current London Inter-Banking Offered Rates (LIBOR) at 0.79% over 12 months. Interest Rate Swaps and Libor represent low risk investments As the Council buys a substantial amount of placements (48% based on the 2017 Kingsbury Hill Fox Lincolnshire survey) which it has the resources to pay for, this significantly reduces the risk to providers businesses and the beneficial impact of this should be reflected through a return which reflects a low/medium business risk for providers. Further evidence that the sector is not high risk is the lack of providers falling

	into financial distress, with a good balance between Council and self-funded and with the predicted demand for care home places remaining buoyant. In addition to the position on risk set out above, incorporating the rate of return of 12% as quoted in the JRF model into the costs model, risks building into the rate inefficiency as there is no incentive on providers to manage cost efficiently. It also incorporates pure profit, as distinct from cost which is what the Council is obliged to have regard to, into the model as the operating profit figure used in the calculation includes this. The return on capital should reflect all these factors making 6% an appropriate rate. This is consistent with some returns elsewhere should the providers choose to sell up and invest elsewhere in particular the 6.3% return on the Secondary Healthcare market. The recommendation is that the Usual Cost should be set for 3 years 2018/19, 2019/20 and 2020/21. To achieve this work has been done to anticipate how providers' costs are likely to increase in those years rates as a result of inflationary increases based upon: Staffing Wage Costs- The majority of staffing cost increases are based on an assessment of the impact of increases in NMW for workers aged 18-24 and NLW for those aged 25+. This calculation also takes the age profile of workers into account, producing an average rate increase across all groups. This results in an inflation increase of 4.62% across all work groups (with the exception of managers) in 2019/20 and 4.93% in 2020/21 Non Staffing Costs – These costs are increases by 2% per annum both in 2019/20 and 2020/21. These increase was based on predicted inflation targets as published by the Office of Budget Responsibility in their report entitled "Economic & fiscal Outlook" dated November 2017. New rates also take into consideration legislative changes to employers pension obligations which have now increased to 3% and have been applied in the model from 18/19 onwards.
We are seeing real inflation pressures in food, utilities, insurance and a large increase in staffing costs with the NMW increasing again further. We are also seeing nurse wage inflation running much higher than this and causing recruitment issues and problems with higher pay or terms and conditions needed.	The model allows for inflation over the next three years using the best estimates of the Office for Budget Responsibility. If there is a significant policy change (such as the introduction of the National Living Wage in 2015) we will review the impact on our expected costs and amend those rates where necessary. We recognise the particular challenges faced in recruiting nurses however these are funded through NHS England and are therefore outside of our fee setting process.
I notice there is an enhanced rate but this is rarely used and suggest the social care teams start to utilise this rate to allow more scope to differentiate and	The High Dependency rate is used where applicable.

allow fees to be paid to those that need. Can I ask for a criteria for the enhance rate to be shared so we can look to assess our resident group or indeed future residents.	A manager can request a review of needs at any time. The criteria for high dependency has always been included in the contract.

LINCOLNSHIRE CARE ASSOCIATION FEEDBACK

LinCA	
The model indicates nursing costs of more than £190.80. To date there is no indication that FNC is to increase to this level (if at all), leaving a potential shortfall of £35per bed per week before the impact of continually escalating nursing pay rates. Whilst nursing costs are not the subject of this contract, this anomaly calls into question the sustainability of nursing beds.	It was agreed that LinCA would raise this with system leaders including Glen Garrod in his capacity as DASS.
There was also a discrepancy between the costing model which includes 10 hours of nursing care per week, and the service specification which requires 2.5 hours per day.	The definition on required nursing hours will be verified to ensure that it aligns with the NHS definition of FNC.
Whilst it was acknowledged that there needed to be certainty around the cost to service users, LinCA feels that committing to a fixed fee for 3 years is unreasonable, particularly in view of the current political uncertainty. We proposed that a link to wage inflation be included in this clause. The perceived attitude to top-ups within staff arranging placements was also discussed and a joint approach to confirming good practice was agreed.	The model allows for inflation over the next three years using the best estimates of the Office for Budget Responsibility. If there is a significant policy change (such as the introduction of the National Living Wage in 2015) we will review the impact on our expected costs and amend those rates where necessary.
We proposed that the emphasis in the clause relating to Toiletries be reversed so that service users are encouraged to continue to use the toiletries which they prefer, but providers will make them available if needed.	LinCA agreed to put forward proposed wording for this clause.
There are a number of clauses in the contract which set out the boundaries of the items covered by the fee (eg escorts, activities with an entry charge). Providers have indicated that custom and practice does not always match the contractual position.	It was agreed that a leaflet for new residents will be co-developed with a wide range of stakeholders to set out responsibilities of various parties. Included in this leaflet will be the requirement to make personal allowances available to individuals to spend as they wish – in the meantime, providers are asked to refer any instances where this is not the case to the social work team.

	It was confirmed that incontinence wear should not be paid for by care providers (except CHC funded residents). LCC suggested a number of NHS colleagues to contact with regard to long delays in the provision of incontinence wear. LinCA to feed back to future liaison meetings on the response.
The difficulties in collecting service user contributions was raised – particularly when IFA s are delayed and sometimes received post mortem. Lincolnshire is unusual in paying providers net and expecting them to collect service user contributions.	It was confirmed that the move to gross payments is being considered and a paper will be presented to Adult Care and Wellbeing Scrutiny Committee in February. Ultimately this is a decision to be taken by Lincolnshire County Council members.
A number of issues within the specification were discussed including 1. Care Home Trusted Assessor service to be encouraged rather than contractual as this is in keeping with the spirit of the service 2. Safeguarding Ambassadors to be included as an example of best practice 3. Clauses mentioning Care Certificate are potentially contradictory 4. CRB is referred to rather than DBS	Agreed to review and amend clauses as necessary to reflect these points
Whilst the proposed fee structure for the following 3-year period is based on a representation of the current situation with an adjustment for the following periods; there is some concern the underlying base survey fees are not in themselves fully reflective of a stable supply condition. Looking at staff costs, there is some concern that expressed as a % of total fees; these costs cannot in general go above 60% of total fees for this kind of care, in order that homes are sustainable The reason for this are: (1) Lenders generally do not accept business models for this kind of care in older homes (not brand new large homes – there models often reflect a 50% staff costs) when staff costs are not kept to a ratio equal to or lower than 60% of income. In order to alter this ratio, either the aggregated fees including top-ups; private fees; nursing fees need to be reflected in the proposed fee structure; or the hours/resident/week reduced, and these costs moved into an “investment” category or other categories. If a care home’s business model is not acceptable to lenders, the home is not sustainable. (2) The general level of acuity of care of residents and frequency of this occurrence	On points 1,2 and 3 the Council acknowledge these concerns and while staff productivity, use of technology and other investment opportunities are valid issues they are not in scope for the cost model per se. The Council intends to continue to pursue new initiatives over and above that of the Framework to help address these issues. On point 4, While there may be difference in the ratio of supply and demand within Lincolnshire the cost data provided via market research did not establish a geographic variance in the costs of delivering care. Where there are instances of imbalance in the County the Council intends to address this through strategic commissioning activities.

is increasing, and likely to keep on increasing. (3) There is a need for care homes to maintain high investment levels particularly in systems which allow for greater productivity of labour; and deliver better safer outcomes. Such items may cover, Wi-Fi throughout the building; automatic movement sensing beds/devises; the use of acoustic monitoring in residents' rooms where appropriate; the use of cctv in communal areas etc; improved moving and handling devices; communication equipment etc. Many care providers are concerned that availability of suitable labour is becoming increasingly problematic, and this is likely to increase going forward. Therefore, staff productivity/costs is a significant concern, which is not reflected in the proposed fees. (4) There is wide variance across the county in terms of actual fees paid including top ups etc; and this is mostly explained by the supply and demand ratios for beds varying across the county. The proposed fees reflect areas of the county where supply far out strips demands. This situation is also unstable, and a net reduction in available beds v demand for those beds is not reflected in this proposed pricing model.	

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