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# Cost of Care Report

65+ Care Homes  
Westminster  
Date 27.09.2022

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**City of Westminster**

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## Exercise Background & Overview

Background

Objectives

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Possible Funding Outcomes



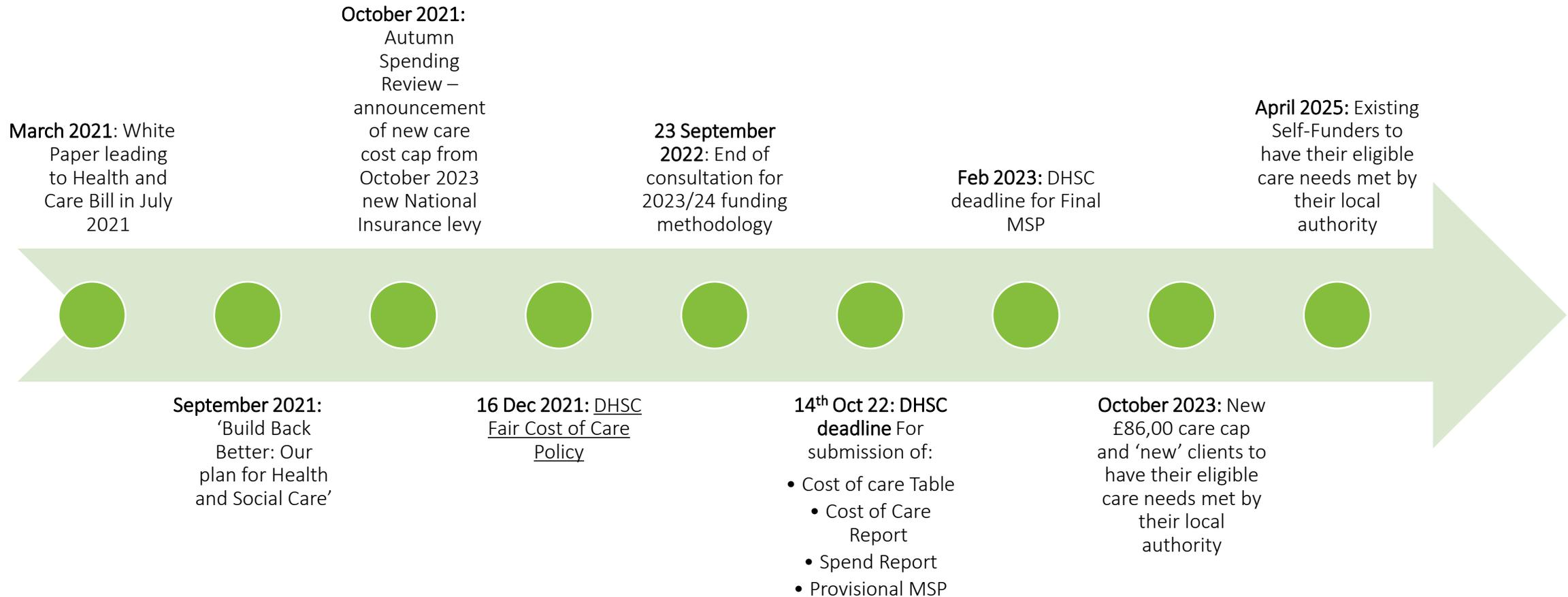
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# Introduction



- In June 2022, Peopletoo were commissioned by City of Westminster Council to support them to undertake and deliver a Fair Cost of Care exercise for 65+ Care Home Provision locally, in line with Department of Health and Social Care Guidance released in the Spring of 2022. This sets out the Government's expectations on Local Authorities in ensuring that they have the right health and care architecture in place to underpin and support the delivery of the Government's long term plan for Adult Social Care, 'People at the Heart of Care.'
- The cost of care exercise is an opportunity for local authority commissioners and local care providers to work together to arrive at a shared understanding of what it costs to run quality and sustainable care provision in the local area, and that is reflective of local circumstances. It is also a vital way for commissioners and providers to work together to shape and improve the local social care sector, and identify improvements in relation to workforce, quality of care delivered, and choice available for people who draw on care.
- The objective of the work undertaken by Peopletoo was to provide the Council with reliable information submitted by the Care Home provider market via the web-based iese Fair Cost of Care Toolkit, providing detailed information on Service Providers' actual delivery costs for 2021/22 to inform a sustainable fee rate for the future as the Council moves towards implementation of the Fair Cost of Care.
- This Cost of Care report provides the Council with the detail surrounding Peopletoo's Fair Costing methodology and approach to ensuring provider engagement, the approach to validating returns submitted by providers to ensure accuracy, and clarification in relation to the approach to outliers following the validation stage where issues with returns remained.
- The detail in relation to the returns received (anonymised and aggregated) is also included in the report, by care home category:
  - Standard residential care,
  - Residential care for enhanced needs,
  - Standard nursing care,
  - Nursing care for enhanced needs.

# ASC Reform - Background



# ASC Reforms - Objectives

- People have choice, control and support to live independent lives
- People can access outstanding quality and tailored care and support
- People find social care fair and accessible
- Supporting unpaid carers to achieve their own life goals
- Helping the adult social care workforce to feel recognised and to have opportunities to develop their careers
- For social care to be on a stable financial footing

# ASC Reform Funding

- National funding through Social Care Levy – NI Increases
- £36 bn identified
- £5.4 bn for social care over next 3 years
  - £3.6 bn to fund new costs falling to LAs due to care cap and fair cost of care
  - £1.7 bn allocated to range of improvement initiatives
- DHSC are currently out for consultation on how to allocate the £600m funding for 2023/24, the deadline is 23 September 2022. Distribution of funding to support the reform of the adult social care charging system in 2023 to 2024 - GOV.UK ([www.gov.uk](http://www.gov.uk))
  - The funding is split into 3 strands:
    1. Distributing funding for the extension to the means test
    2. Distributing funding for the cap on care costs
    3. Distributing funding for implementation and additional assessments

## Project Methodology

Stages

Tool used

Data Collection Period

Validation Process

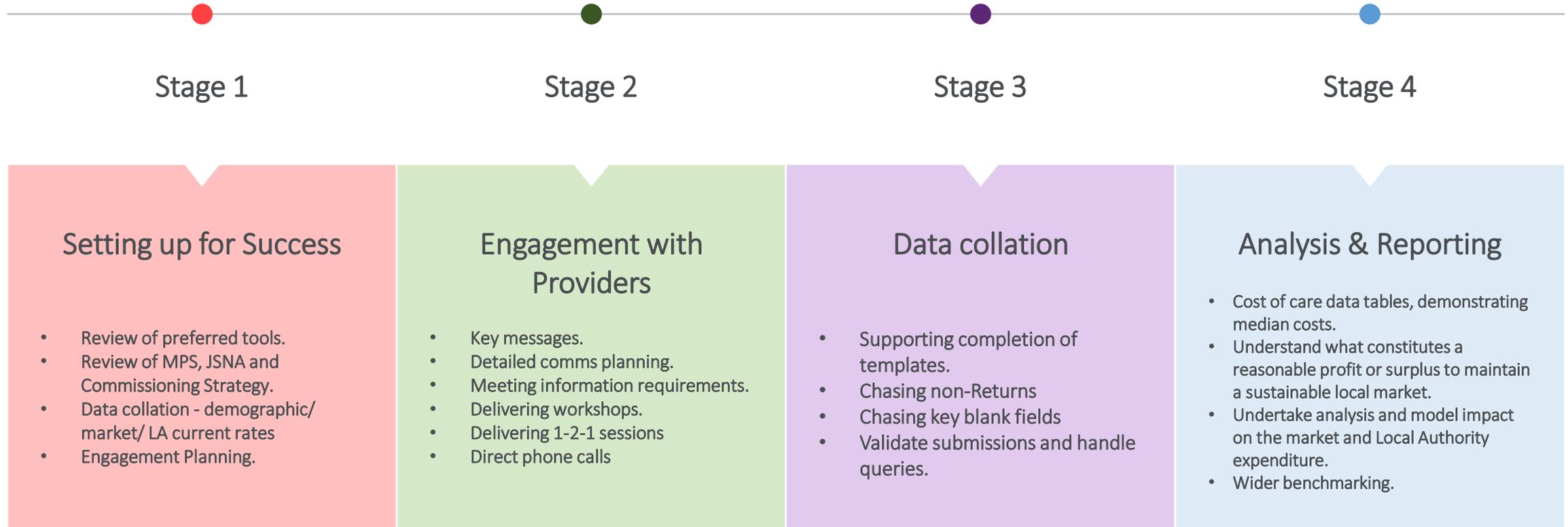
Treatment of Outliers



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# Cost of Care Exercise Stages

4-stage process



# Tool Used for Exercise



## Care Home iese CareCubed Tool

- ✓ Nationally recognised tool for the exercise
- ✓ Recognised tool already in use by a third of councils & 50 providers
- ✓ Included all key fields for data collection for analysis & validation
- ✓ A tool providers/ LAs could continue to use for future exercises

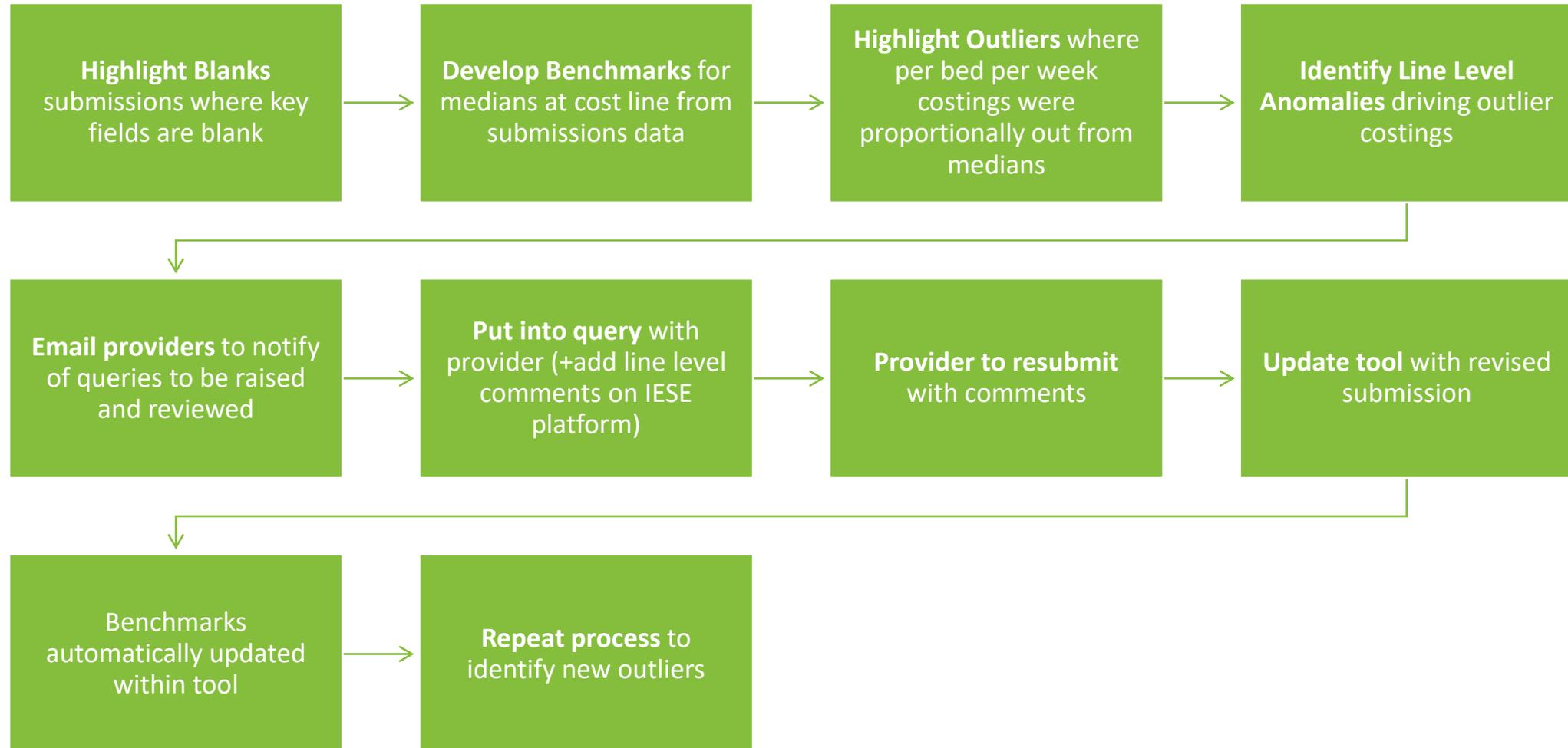


# Data Collection Period

## Care Homes Providers

- Providers were asked to submit their costing via the iese tool by 31.07.2022
- Providers were asked to submit their April 2021- March 2022 costings and were given the option to suggest a % uplift across the lines from April 2022
- The 21-22 data has been used for analysis and an uplift will be applied to 21-22 costs to bring them up to 22-23 costs
- All of the uplift information supplied by providers has been reviewed to support the method of uplifting

# Validation Process



## Treatment of Outliers – Care Homes

Given the smaller sample size of the provider submissions received, and the range of the data received, all provider submissions have been included and no exclusions were made for the calculation of the lower, median and upper quartile calculations.

It may be of interest to look at regionally available data to see how costs compare & to increase the sample size of submissions.

## Care Home Providers

Engagement Plan

Engagement & Response Rate

Representation of Provider Market with Responses



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# Care Home Providers Engagement Plan



- Introduction
  - Introductory Email
- Reminders
  - Deadline Reminder
  - Final Reminder
- 1-2-1 Surgery Sessions
  - Offered to all providers
- Direct Calls
  - Before Deadline (all providers)
  - After Deadline to offer extension & 1-2-1 support (providers yet to submit)
  - After Extension (providers yet to submit)

# Care Homes Response Rate

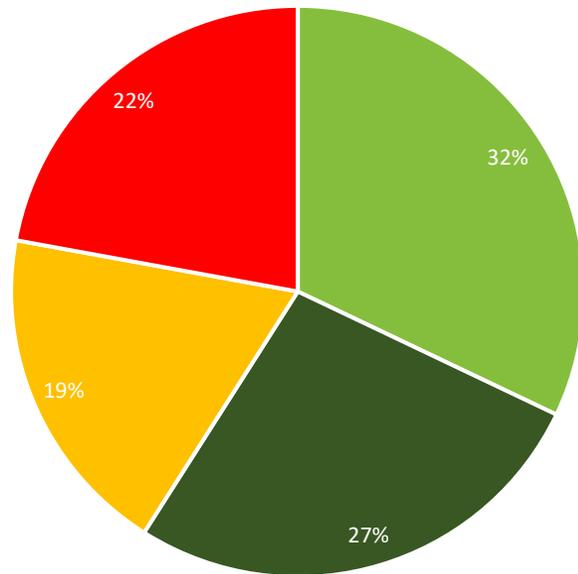
Category	No of Care Homes	% Out of Homes in Scope	No of Registered Beds	% of Registered Beds
In Scope	6	N/a	328	N/a
Engaged with Exercise*	6	100%	328	100%
Submitted Returns	2	33%	153	47%
Returns which can be used	2	33%	153	47%

- Out of the 4 remaining care homes in scope:
  - 2 homes confirmed they would not be participating as they felt the commissioning arrangements within the home were unique & different to the other homes where they have submitted
  - 2 home providers advised they would submit but didn't despite chasing. Both were involved in separate conversations with Westminster officers on quality concerns and pricing.

\*Registered/Attended event, Emailed for support on exercise, discussed the exercise in detail on the phone

# Representation of Market – Bed Type

21-22 Bed Split Represented in Returns

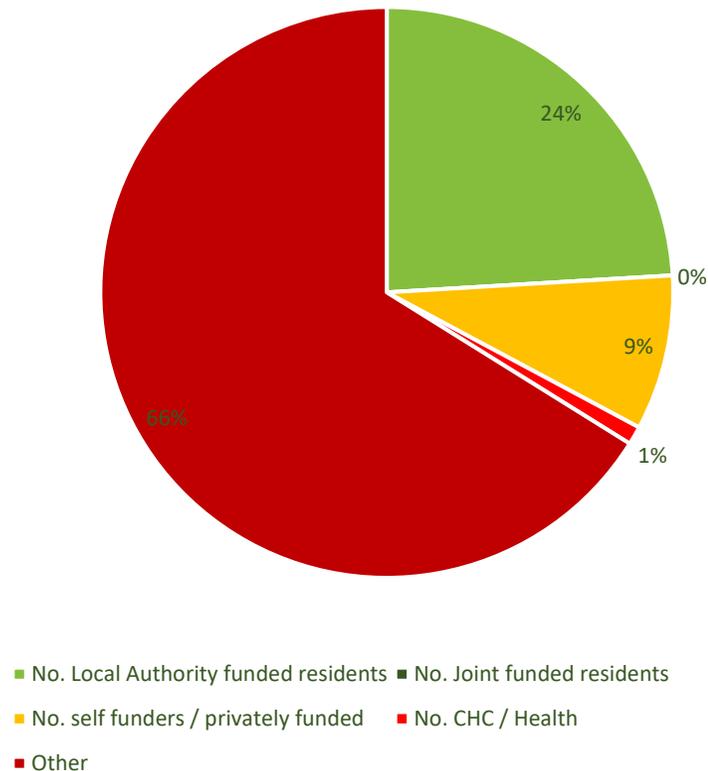


- Care Home occupied beds without nursing
- Care Home occupied beds without nursing, with dementia
- Care Home occupied beds with nursing
- Care Home occupied beds with nursing, dementia

- This pie chart show representation across all bed types request from this exercise
- Although there is good coverage across the 4 bed categories, with only 2 homes submissions, we believe that the data may not be representative of the market and would encourage looking at neighbouring LA provider submissions

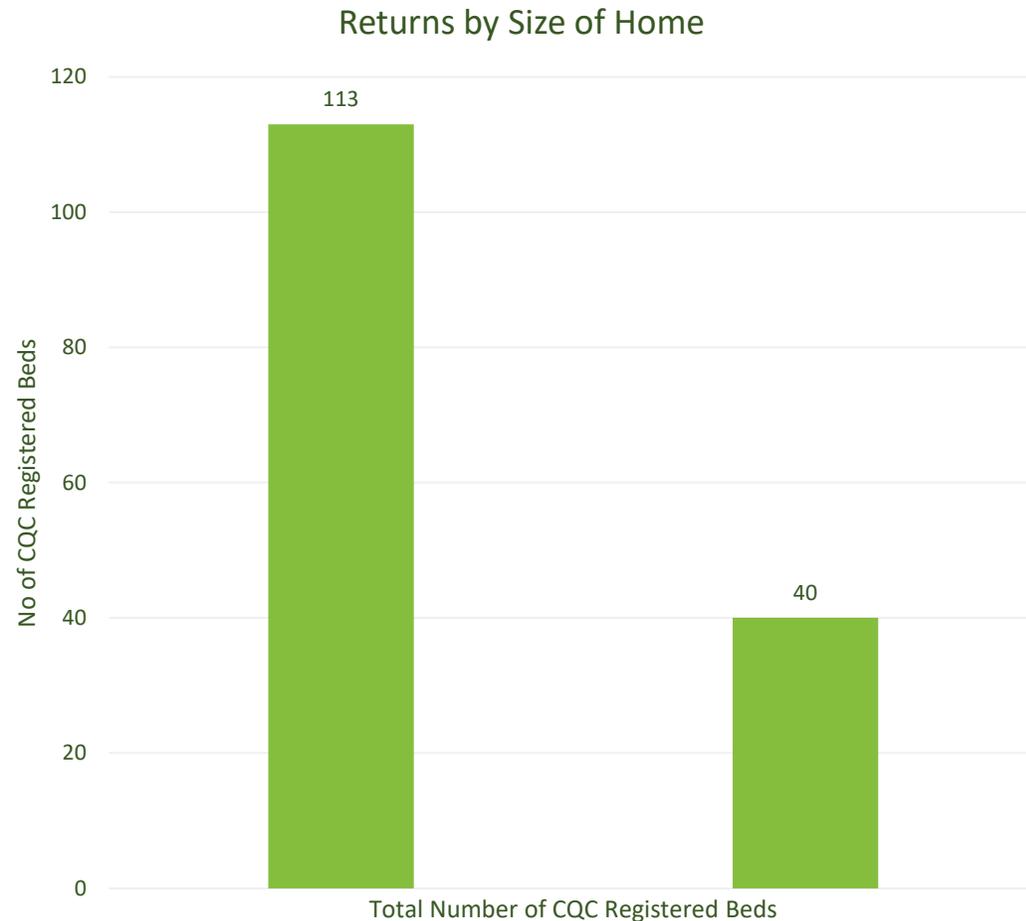
# Representation of Market – Funding Type

Total Split of Residents Represented in 21-22 Returns by Funding Type



- This pie chart show representation across the different funding types
- The “other” funding option has been listed where a block bed arrange is in place with the LA
- The self funding market is less represented within the returns received than you would expect, and therefore, may not be representative of the market
- We again would encourage looking at neighbouring LA provider submissions

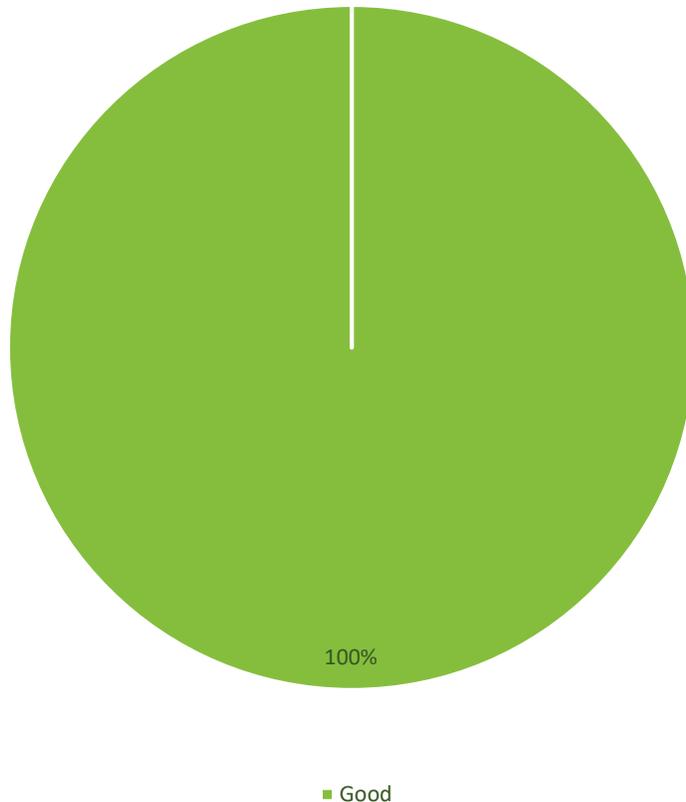
# Representation of Market – Size of Homes



- This graph shows the care homes represented in the returns data by size of home.
- Overall, the returns represent homes of 2 completely opposite sizes, from relatively small to large.
- 2 homes based in Westminster that chose not to participate in the exercise are considerably smaller than the homes represented in this sample and may not be reflective of different operating models in place at smaller homes.

# Representation of Market – Quality

CQC Overall Quality Rating



- This pie chart show representation the latest CQC Overall quality rating at the time of writing this report
- Both homes included in the sample had an overall rating of “good”.

# Returns Representation– Occupancy



- This bar chart shows the occupancy rate applied to the provider cost submissions.
- Both active & CQC Beds occupancy rates were the same
- CQC Registered beds: Average 21-22 occupancy 87%, Average 22-23 occupancy 89%
- When comparing occupancy rates from 21-22 to 22-23, they are slightly lower, but also lower than may be expected from national benchmarks.
  - Lower occupancy rate will impact costings used to calculate annex A per bed costings
- Westminster may look to model how occupancy rates of 90-95% could impact costings

## Outcome of Cost of Care Exercise – Care Homes

Challenges in the Data

Approach to Calculating Median

Approach to Inflation

Approach to ROO & ROC

Annex A Table

Summary of Annex A



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# Challenges in the Data

The Cost of Care Exercise set out by the DHSC is one which is predominantly driven by the input of provider cost data, and as the exercise only sets loose guidance around validation parameters and the ability of local commissioners to challenge and interrogate the data in depth, several challenges in relation to data accuracy should be raised and noted.

Specially for Westminster, these challenges include:

## **Accuracy of data provided**

- Although validation has allowed for some interrogation of costs, it is not possible to completely verify that these costs are truly reflective of incurred costings

## **Sample Size**

- Due to the small number of care homes in borough, the sample size of the data collected is very small and it would be our recommendation to also look at neighbouring authorities to strength the validity of the data.
- Both standard and enhanced rates for residential and nursing are the same.

## **The impact of Covid-19**

- The requirement to base a fair costing exercise on a year in which care homes and commissioners faced significant pressures in relation to occupancy and costs as a result of the Covid-19 pandemic is a challenge raised at a National level.

## **The inability to re-calculate higher occupancy and lower ROO/ROC**

- In setting a fair cost of care locally, commissioners would like to be able to model several scenarios such as higher occupancy and lower Return on Operations and Return on Capital figures to better reflect an accurate local position. At the time of writing this report, there is limited availability in the toolkit to undertaken this modelling. This is a challenge gaining ground at a National level, with other commissioners wishing to undertake similar modelling activity.

# Approach to Calculating the Median

There are 3 methods that can be used to calculate the median values for this CoC exercise.

1. Medians calculated using end per resident per week costings from each submission
2. Medians calculated at category subtotal level then summed
- 3. Medians calculated at line level, summed at subtotals, then subtotals summed**

In line with the above, the calculation method used for Annex A is option 3. We have excluded 0/blank values from the calculations of the medians.

# Approach to Inflation of 21-22 Costs

- The data collected in the IESE tool asks providers to submit their 21-22 costs with an option to apply an uplift to bring those costs in line with April 22 costings.
- Westminster have reviewed a number of inflationary methods to move providers actual 21-22 costs to April 22 costs. They have decided that the best method would be to apply an overall uplift of 6%
- Any assumptions made for this exercise need to be caveated as nationally there is uncertainty around inflation and cost of goods and services. This means that predicting future inflation is very difficult and needs to be reviewed in line with the council's policy to uplifts.

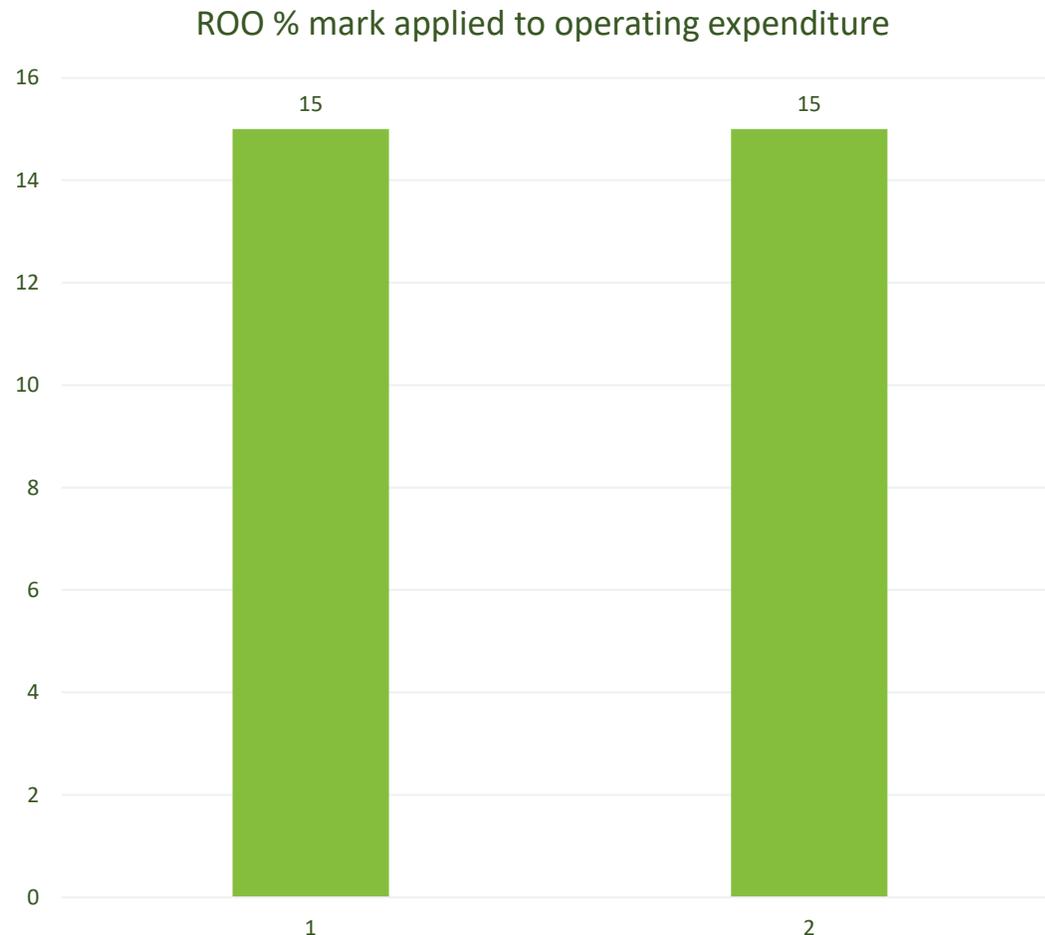
Category of Bed	Uplift applied
Care Home occupied beds without nursing: Final total	6%
Care Home occupied beds without nursing with dementia: Final total	6%
Care Home occupied beds with nursing: Final total	6%
Care Home occupied beds with nursing, dementia: Final total	6%

# Applying Proposed Approach to Inflation Method of 21-22 Costs

Bed Type	Current Medians (21-22 Data)	22-23 Medians (Calculated using agreed approach for inflation)
Care Home occupied beds without nursing: Final total	£1,079.35	£1,144.11
Care Home occupied beds without nursing with dementia: Final total	£1,079.35	£1,144.11
Care Home occupied beds with nursing: Final total *includes FNC	£1,227.39	£1,301.03
Care Home occupied beds with nursing, dementia: Final total * includes FNC	£1,227.39	£1,301.03

Further consideration to be discussed around inflating costs for 2023/24 and 2024/25.

# Approach to ROO



- This graph shows the ROO % listed by providers as part of this exercise. They were also given the option to submit this a cost as a value per annum.
- Overall, when looking at all submissions used to calculate Annex A, the ROO per resident per week came out between 10-12% of the overall per bed per week cost.
- Westminster have reviewed submissions and guidance around benchmarks available and believe an ROO of 5% is reasonable to enable sustainability in the market for current and future provision.
- This would differ from the costings listed in Annex A and would need to be modelled separately.

## Approach to ROC

- Only 1 of the care homes included in the sample listed an ROC Value as %, this was listed at 5.66%. As this sample size is insufficient to calculate the ROC this has been used to inform a reasonable ROC only.
- This was not applicable to the other home listed in the sample due to their business type.
- Overall, when looking at all submissions used to calculate Annex A, the ROC per resident per week came out between 10-11% of the overall per bed per week cost.
- Westminster have reviewed submissions and guidance around benchmarks available and believe an ROC of 5% is reasonable to enable sustainability in the market for current and future provision.
- This would differ from the costings listed in Annex A and would need to be modelled separately moving forward.

# Care Homes - Annex A – Part 1

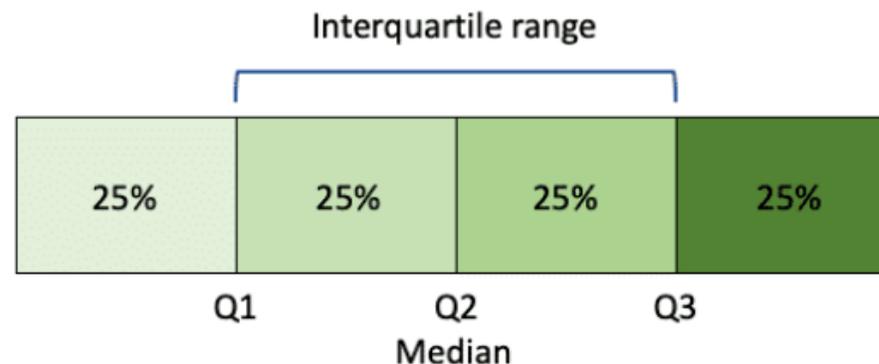
Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
<b>Total Care Home Staffing</b>	<b>£639.77</b>	<b>£639.77</b>	<b>£796.70</b>	<b>£796.70</b>
Nursing Staff	£0.00	£0.00	£263.46	£263.46
Care Staff	£464.60	£464.60	£358.06	£358.06
Therapy Staff (Occupational & Physio)	£0.00	£0.00	£0.00	£0.00
Activity Coordinators	£13.95	£13.95	£13.95	£13.95
Service Management (Registered Manager/Deputy)	£46.17	£46.17	£46.17	£46.17
Reception & Admin staff at the home	£22.06	£22.06	£22.06	£22.06
Chefs / Cooks	£40.31	£40.31	£40.31	£40.31
Domestic staff (cleaning, laundry & kitchen)	£36.91	£36.91	£36.91	£36.91
Maintenance & Gardening	£8.66	£8.66	£8.66	£8.66
Other care home staffing (please specify)	£7.12	£7.12	£7.12	£7.12
<b>Total Care Home Premises</b>	<b>£55.25</b>	<b>£55.25</b>	<b>£55.25</b>	<b>£55.25</b>
Fixtures & fittings	£1.02	£1.02	£1.02	£1.02
Repairs and maintenance	£34.20	£34.20	£34.20	£34.20
Furniture, furnishings and equipment	£6.72	£6.72	£6.72	£6.72
Other care home premises costs (please specify)	£13.31	£13.31	£13.31	£13.31
<b>Total Care Home Supplies and Services</b>	<b>£111.40</b>	<b>£111.40</b>	<b>£111.40</b>	<b>£111.40</b>
Food supplies	£38.33	£38.33	£38.33	£38.33
Domestic and cleaning supplies	£6.94	£6.94	£6.94	£6.94
Medical supplies (excluding PPE)	£10.12	£10.12	£10.12	£10.12
PPE	£0.00	£0.00	£0.00	£0.00
Office supplies (home specific)	£3.34	£3.34	£3.34	£3.34
Insurance (all risks)	£3.03	£3.03	£3.03	£3.03
Registration fees	£3.52	£3.52	£3.52	£3.52
Telephone & internet	£4.87	£4.87	£4.87	£4.87
Council tax / rates	£0.52	£0.52	£0.52	£0.52
Electricity, Gas & Water	£19.87	£19.87	£19.87	£19.87
Trade and clinical waste	£4.85	£4.85	£4.85	£4.85
Transport & Activities	£2.77	£2.77	£2.77	£2.77
Other care home supplies and services costs (please specify)	£13.24	£13.24	£13.24	£13.24
<b>Total Head Office</b>	<b>£73.97</b>	<b>£73.97</b>	<b>£73.97</b>	<b>£73.97</b>
Central / Regional Management	£16.36	£16.36	£16.36	£16.36
Support Services (finance / HR / legal / marketing etc.)	£37.49	£37.49	£37.49	£37.49
Recruitment, Training & Vetting (incl. DBS checks)	£10.36	£10.36	£10.36	£10.36
Other head office costs (please specify)	£9.76	£9.76	£9.76	£9.76
<b>Total Return on Operations</b>	<b>£137.26</b>	<b>£137.26</b>	<b>£137.26</b>	<b>£137.26</b>
<b>Total Return on Capital</b>	<b>£126.45</b>	<b>£126.45</b>	<b>£126.45</b>	<b>£126.45</b>
<b>TOTAL</b>	<b>£1,144.11</b>	<b>£1,144.11</b>	<b>£1,301.03</b>	<b>£1,301.03</b>

## Care Homes - Annex A – Part 2

Care Homes - Annex A – Part 2	65+ care home places without nursing	65+ care home places without nursing, enhanced needs	65+ care home places with nursing	65+ care home places with nursing, enhanced needs
Number of location level survey responses received	2	2	1	1
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	2	2	1	1
Number of residents covered by the responses	33.5	38.2	32	30
Number of carer hours per resident per week ( AVERAGE)	35.81	29.7	23.59	23.59
Number of nursing hours per resident per week (AVERAGE)	N/a	N/a	7.39	7.88
Average carer basic pay per hour	£11.68	£11.68	£11.68	£11.68
Average nurse basic pay per hour	N/a	N/a	£20.33	£20.33
Average occupancy as a percentage of active beds	88.8%	88.8%	88.8%	88.8%
Freehold valuation per bed	£104,125	£104,125	£104,125	£104,125

# Annex A - Lower & Upper Quartiles

Bed Type	Lower Quartile	Median	Upper Quartile
Care Home occupied beds without nursing: Final total	£ 1,044.10	£ 1,144.11	£ 1,244.11
Care Home occupied beds without nursing with dementia: Final total	£ 1,044.10	£ 1,144.11	£ 1,244.11
Care Home occupied beds with nursing: Final total *includes FNC	£ 1,254.29	£ 1,301.03	£ 1,347.77
Care Home occupied beds with nursing, dementia: Final total *includes FNC	£ 1,254.29	£ 1,301.03	£ 1,347.77



# Potential Impact of Annex A CoC Figures

Bed Type	Westminster Current Average Paid Rates	CoC 22-23 Medians (Calculated using agreed approach for inflation)	Potential Gap
Care Home occupied beds without nursing: Final total	£769.04	£ 1,144.11	49%
Care Home occupied beds without nursing with dementia: Final total	£836.05	£ 1,144.11	37%
Care Home occupied beds with nursing: Final total *includes FNC	£958.32	£ 1,301.03	36%
Care Home occupied beds with nursing, dementia: Final total * includes FNC	£981.25	£ 1,301.03	33%

Note: Westminster current paid averages are calculated using data provided based on 65+ placements both in and out of borough.