

Update on the completed procurement of additional nursing and residential bed capacity in care homes

To: Adults and Health Committee

Meeting Date: 22 September 2021

From: Executive Director, People & Communities

Electoral division(s): All

Key decision: No

Forward Plan ref: N/A

Outcome: Commission an increased number of Council C residential and nursing care beds to ensure:

- i) Investment in the local care home market remains sustainable in the face of unprecedented pressure caused by the pandemic
- ii) People can continue to access affordable, quality, choice-based care in line with statutory responsibilities under the Care Act 2014
- iii) Current shortfalls in Council bed provision are addressed in the long term.

Recommendation: Adults and Health Committee is asked to note the update provided

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1. Background

- 1.1 This paper presents the results of the recent procurement exercise which has increased the number of residential and nursing care beds commissioned by the Council on a 'block' basis. Given the value of these contracts and the investment that this represents to the care market it is important that the committee have sight of the associated benefits.
- 1.2 The procurement exercise was part of a number of actions designed to deliver against the Older Persons Accommodation Strategy which is seeking to secure a sufficient level of affordable, quality residential and nursing care provision to meet the needs of the local community within Cambridgeshire through:
 - Reducing the Council's reliance on spot purchasing of care home beds which was driving up cost.
 - Significantly increased the amount of good quality care home provision available to people requiring this support within Cambridgeshire enabling them to exercise choice and control over where they reside
 - Creating additional capacity to enable the Council to meet its statutory duty under the Care Act in the face of increasing demand through expanding the use of extra care and development of independent living schemes
 - Reduce and delay demand for residential and nursing care beds through addressing the effectiveness of interim and respite provision and ensuring community capacity is accessed wherever possible.
- 1.3 Prior to development of this approach the Council had significant shortfalls in capacity across the County limiting choice of provision for people who required a care home placement. The Council were also managing significant increases in the costs of care home placements year on year.
- 1.4 In addition to this, the procurement exercise was also able to support the local care home market in the wake of the COVID-19 pandemic. Pressures from high levels of vacancies and rising costs increased the risk of care home closures. Clearly, this would have a negative impact on the individuals affected and the local economy. It would also mean less care home provision locally, reducing choice and potentially driving up prices of remaining care homes. The long term guaranteed income from a Council block bed contract will help care homes to remain sustainable and, in doing so, ensure local people can continue to access their choice of local, affordable, high quality care whether privately or council funded.
- 1.5 A care home bed purchased on a block basis is allocated to the Council for the duration of the contract. Block beds offer mutual benefits to the provider and the Council. A provider gets guaranteed income for the contract duration and the Council gets guaranteed bed capacity at a more competitive rate. Block beds also offer the Council some protection against increases in bed prices due to inflation and other market forces. Although block beds become available at the start of the contract, the Council does not begin to pay for them until they are 'activated' by a first admission. This is to enable Providers to offer more beds than they currently have available whilst minimising financial risk to the Council.
- 1.6 Beds purchased on a 'spot' basis are temporary, typically purchased on an individual basis and last only as long as the individual remains in the placement. Whilst spot purchasing has its advantages, it does not offer guaranteed income to providers and it can work out more

expensive, particularly if prices rise as they have historically done so in Cambridgeshire. In recent years spot purchased bed prices have increased by around 10% per year placing significant pressured on adult social care budgets.

- 1.7 The tender and delegated authority to award contracts to the Executive Director of People & Communities was approved by Adults Committee in June (Forward Plan ref: 2020/21). It sought up to 810 residential and nursing care home block beds and up to 12 planned respite beds across Cambridgeshire at a maximum value of £553.6 million over 15 years. This investment is projected to secure savings of c.£21.5m by 2025, raising to c.£62m by 2030.

2. Main Issues

2.1 Tender Overview

The tender sought a varied number of beds within each district and across four different care types – Residential, Residential Dementia, Nursing and Nursing Dementia. The numbers used reflected differences in supply and demand across the county and the ratio of block to spot beds that we currently have in each district. Whilst a variety of beds were required to ensure, wherever possible, people have a home for life as their needs increase, emphasis was placed on increasing nursing and nursing dementia provision as demand for these services continues to rise. The proportion of residential beds sought was deliberately lower as we forecast increasing trends towards domiciliary care and away from residential care.

The tender also set a variety of ceiling prices for beds by care type and district. The rates used were developed through working with Finance to review current spot placement rates by district and recently commissioned block bed rates. In proposing these ceiling rates, consideration was given to the need to balance affordability against the need to ensure rates were commercially attractive to the market. An overview of the ceiling rates used can be viewed in Table 1 below:

Care Home Block Beds				
	East Cambridgeshire	Fenland	Huntingdonshire	City & South Cambridgeshire
Residential	£628	£585	£620	£662
Residential Dementia	£655	£600	£640	£683
Nursing	£790	£700	£700	£800
Nursing Dementia	£820	£720	£724	£830

Table 1: Tender ceiling rates by care type and district

- 2.2. **Bids received:** An extensive level of engagement and consultation took place with the local market and other stakeholders as part of this tender. As a result, the tender received an unprecedented positive response from the market with 820 beds being offered across 51 homes. Unfortunately, 255 of these beds were above the ceiling price or located out of county and so were declined. Providers were given the opportunity to review their prices as part of stage two of the tender evaluation process and this secured a further 21 beds.
- 2.2 **Tender Result:** In total, the tender secured 565 block beds (557 block + 8 respite beds)

across 15 providers and 33 homes, many of which had never been successful in securing block bed contracts with the Council previously. All 565 are located within Cambridgeshire, passed the quality threshold, and fell within the price ceilings stipulated within the tender. All beds can be accessed from August 2021.

2.3 Outcomes of the Tender

2.3.1 Increased the number of beds across a wider range of care homes, promoting better choice for service users from a range of good quality provision

The beds secured through the tender are distributed across Cambridgeshire, with a particularly good mix in City & South, Hunts and Fenland. The tender secured the Council's first block beds in East Cambridgeshire (for Residential and Residential Dementia needs). The continued shortfall in LA block contracted Nursing and Nursing Dementia care home beds is being mitigated by the LA's development of a 65-bed independent living scheme in the area which will offer nursing and nursing dementia care.

2.3.2 Increased proportion of block contracted beds will strengthen Council control over care costs

One aim of the tender was to increase the proportion of block contracted beds to spot purchased beds, thereby securing better value for money for the Council in the long term. The aspiration was to achieve a ratio of 60% block beds to 40% spot purchased beds. The tender has moved us much closer to this, with our ratio currently standing at 55% block to 45% spot. This gives the council more protection against inflationary price increases over the next 10 -15 years as the block contracts contain a fixed inflation of no more than 3% per year. In contrast, in recent years spot purchased bed prices have increased by around 10% per year.

2.3.3 Increased the number of Providers under block contract therefore reducing Council reliance on a small number of Providers

Prior to the tender going live, commissioners carried out robust market engagement with all care homes which resulted in the largest number of bids that we have seen from the care home market. As a result, the tender saw 8 new block bed providers across 11 homes offering block beds for the first time, enabling the Council to offer a wider choice of high-quality affordable provision within the local communities. It also helps to increase the Council's influence on the market, making it easier to drive through emerging priorities over time with the right investment model and approach (for example driving forward the Council's environmental commitments and social value agenda).

2.3.4 Ensured market sustainability in the face of unprecedented pressure

As noted earlier, the number of deaths and reluctance of families to place individuals in a care home setting have resulted in a higher number of empty beds in the local care home market. The tender has offered providers a degree of financial stability to help weather this storm until the care home market recovers. Feedback from the market has been extremely positive about the support offered and the tender process.

2.3.5 The introduction of a flexibility clause will ensure the Council gets maximum value for money from its block bed provision

The new block bed contracts introduced a 'flexibility of use clause'. This means the Council can place people into its empty block beds on a short term (sometimes emergency basis).

In turn, this has allowed the Council to reduce the number of block beds it has historically purchased for short term stays and reduce the number of emergency spot purchased placements. The revised contracts also opens the block beds to all adults with needs that can be met by the provider, regardless of age.

2.4 Projected cost-avoidance of £66m over the contract term

2.4.1 The tender will have a significant cost avoidance effect. During the first six years, the cost avoidance forecast is £7.6m. *(This assumes the equivalent spot purchased bed price would have increased by 6.5% in the period, that all block beds are activated within 1 year of the contract start date and occupied 95% of the time (known as a 5% void rate). It also incorporates costs of converting old block contract beds and spot purchased placements to the new block contract rate).*

2.4.2 Over the contract term, the forecasted cost avoidance ranges from £50m to £110m with the exact figure dependent on the future price increases in spot purchased placements. The highest savings of £110.5million would be delivered if spot bed rates continued to increase at 6.5%, as projected for 2022-2026. However, it is likely the spot bed rate of inflation will sit at around 4% over the next 10-15 years so on that basis the likely total projected savings would be **£66.6million** over the life of the contract.

2.5 Improved KPIs will enhance the monitoring of quality and utilisation of block beds

The updated contracts and Key Performance Indicators introduced through this tender will enable Contracts and Commissioning Officers to monitor quality, utilisation and impact of these beds in a more detailed and purposeful manner. The key improvements relate to enhanced monitoring of a range of utilisation including the providers response times from referrals particularly from acute hospital settings. The contract allows for us to clawback payment for activated block beds if we have not been able to access them within the specified timescale and in compliance conditions set. In the last 6 months, £78,000 has been clawed back as a result of contract monitoring and management. This has benefited the local Authority financially, but more importantly has improved performance and response times meaning people who need this care can access it in a timely manner.

In addition, empty block beds which are not being used by the Council can be used by agreement for self-funders. A termination clause of 6 months has also been incorporated to ensure we are responsive to changing demand, enabling decommissioning of under-utilised provision and/or shift to alternative model of delivery if opportunities arise.

2.6 Next steps

As part of routine commissioning practices, the utilisation and activation of the block beds and the quantity and cost of spot placements being made will be closely and regularly monitored. This information will inform the development of future commissioning intentions for the Older People's Accommodation Strategy work and as part of this the service will explore more joined up commissioning approaches with health partners.

3. Alignment with corporate priorities

3.1 Communities at the heart of everything we do

The following bullet points set out details of implications identified by officers:

- Local affordable care home provision will help to sustain the care home market in the wake of Covid and protect jobs in the local community. It will also enable the Council to provide

individuals with more choice and control over arrangements to meet their long-term ongoing care needs within high quality settings.

3.2 A good quality of life for everyone

- There are no significant implications for this priority

3.3 Helping our children learn, develop and live life to the full

- There are no significant implications for this priority

3.4 Cambridgeshire: a well-connected, safe, clean, green environment

- There are no significant implications for this priority

3.5 Protecting and caring for those who need us

The following bullet points set out details of implications identified by officers:

- Recommissioned local affordable high-quality care home provision which will enable the Council to provide individuals with more choice and control over arrangements to meet their long-term ongoing care needs.

4. Source documents

- None