

Cost of Care: Stockton-on-Tees Borough Council 65+ Care Homes

Provider Engagement

Initial Engagement

On 23 May 2022, Stockton-on-Tees Borough Council (“Stockton”) hosted a Provider Engagement Event to introduce the Department for Health and Social Care’s intention to undertake a Fair Cost of Care Exercise. This was followed by a letter to providers on 20 June 2022, outlining the following details:

- the purpose of the Fair Cost of Care exercise
- the intention to appoint a consultancy firm to undertake the exercise
- contact details for support and information
- key dates, including: the Care Cubed submission date for providers and the council’s submission date to the government

Stockton subsequently held a virtual drop-in session for providers, which took place on 27 June 2022. This was set up to answer follow-up questions from providers regarding the exercise. The Council also provided access to essential guidance, including a demonstration on Care Cubed registration.

In July, Stockton appointed Grant Thornton UK LLP to work directly with providers, in order to maximise engagement and analyse the returns on Care Cubed. To do this, the Council provided Grant Thornton with access to Care Cubed. At the same time, relevant information was shared, including:

- list of care homes in/out of scope
- key contact information per home and parent organisation
- relevant background information with providers to assist in navigation and relationship management

On 21 July 2022, Stockton held a virtual drop-in session, to introduce Grant Thornton to providers.

Following this event, all information and progress to date made by Stockton was shared with Grant Thornton, Providers in-scope were split into ‘buckets’ to determine their position as is detailed in the table below.

Table 1:

“Bucket”	Engagement cycle carried out by Grant Thornton
A. Not registered on Care Cubed	<ul style="list-style-type: none"> • Immediate engagement by email, in the first instance, followed up by a phone call, if required • Where providers refused to participate in the exercise and complete CareCubed, understand why and share at weekly progress meetings with Stockton Council for escalation, if required. It was noted that in most cases where providers responded to inform on non-completion, capacity issues were cited as the reason for not completing the exercise
B. Registered on Care Cubed; no information provided to date	<ul style="list-style-type: none"> • Immediate engagement, by email in the first instance, followed up by a phone call, if required
C. Registered on Care Cubed; information provided to date incomplete/in query	<ul style="list-style-type: none"> • Engagement to discuss incomplete/returns in query, through email and phone calls, providing support to complete the tool
D. Registered; information completed/not in query	<ul style="list-style-type: none"> • No initial engagement • Analysis of returns started • Proposed clarification questions shared with Stockton Council for discussion • Final clarification questions shared with provider by email in the first instance, followed up by a phone call if required

Once in scope, providers were allocated to a “bucket”. Stockton informed them, via email, of Grant Thornton involvement. Grant Thornton then contacted each provider, individually, offering support and guidance, according

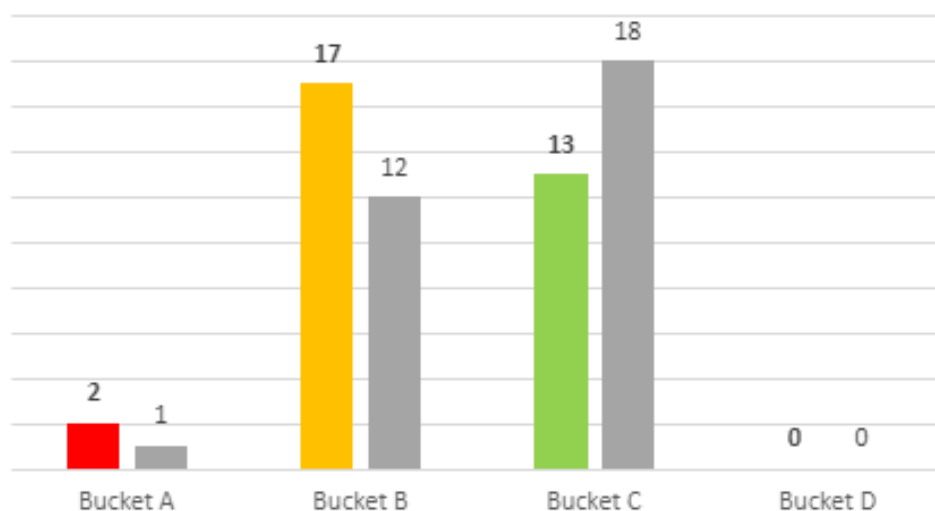
to their bucket allocation, following the planned engagement cycle. It was agreed that for submissions to be included within the Fair Cost of Care calculations, submissions needed to be completed by 14 August 2022, there was therefore, additional engagement with providers, in advance of this date, to gain as many submissions as possible.

Provider submissions were reviewed by Grant Thornton and clarification questions were determined. Grant Thornton reached out to providers with these questions, to ensure the returns were accurate, and offer a window of opportunity, up to 16 September 2022, for any changes to be made on Care Cubed.

Weekly operational meetings were scheduled for Grant Thornton to provide the Council's Fair Cost of Care Projects team with progress updates. A progress tracker was developed, to monitor the progress engagement and providers' submissions. Examples of the slides presented at these meetings, and the progress tracker, are included below:

Example one is an extract from a weekly operational meeting, illustrating the high-level summary of provider setting, by bucket, and changes from the previous week (see 'Table 1', above for 'bucket' definitions)

Example 1: Provider Engagement – “Buckets” and Weekly Transition



The following example (2) is an extract from a weekly operational meeting and illustrates the change in the number of providers per 'bucket' from the previous week. With narrative and actions.

Example 2: Provider “Bucket” Transition with Narrative

Bucket	Last week status	Current status	Change	Comment or action
A	2	1	-1	Remaining provider will not be participating
B	17	12	- 5	5 providers submitted returns on Care Cubed, taking the participation/completion rate to over 50%
C	13	18	+ 5	Grant Thornton will review submissions, to identify outliers/anomalies and generate clarification questions
D	0	0	-	No action required at this stage
Total	32	31	0	Note – one provider out of scope submitted a return however this was excluded

Example 3 Illustrates a detailed summary, regarding the level of engagement with providers, with an aim to maximise submissions, as is detailed in the submissions section below.

Example 3:

Provider Setting	Bucket Status	Weekly update	Contact Made
1 3	A	Numerous phone calls left for Director(s). Staff at Care Home HQ where they're based, have also provided internal emails and text messages.	Email 26.07 + 29.07. Follow up phone calls 03.08 + 04.08 + 08.08
4	A	Director is dealing with this exercise, but staff not able to provide contact details. Last linked in with a PA, where GT details passed on	Email 26.07 + 29.07. Follow up phone calls 03.08 + 04.08 + x2 on 08.08
5	A	Manager has not been available/on leave and call back scheduled for 09.08	Email 26.07 + 29.07. Follow up phone calls 03.08 + 04.08 + 08.08
6	B	Various emails/calls made and no engagement from provider to date.	Email 26.07 + 29.07. Follow up phone calls 03.08 + 04.08 + 08.08
7	B	Sales and finance team at head office managing return. Scheduled to call GT back 09-10.08	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08
8	B	Provider confirmed will not be participating	Email 26.07 + 29.07. Follow up phone calls
9	B	Director of Finance dealing with FCC contacted. Awaiting call back and GT will email follow-up on 10.08	Email 26.07 + 29.07 + 10.08. Follow up phone calls 04.08 + x4 on 08.08
10	B	Care homes being dealt with at head office. PA will provide contact details 09.08	Email 26.07 + 29.07. Follow up phone calls 04.08 + x2 on 08.08
11	B	Being dealt with by Head Office. Awaiting call back 09.08	Email 26.07 + 29.07. Follow up phone calls 04.08 + x3 on 08.08
12	B	Manager returning Wednesday. Returning call to GT 10.08. Director's contact details would not be provided	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08
13	B	Care homes being dealt with by Finance Manager. Internal emails sent to Chief and Manager	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08

Example 3: continued

Provider	Bucket Status	Weekly update	Contact Made
14	B	Finance Director dealing with exercise, but not engaging with LA's or Partners, due to high call and email volume.	Email 26.07 + 29.07. Follow-up phone calls 04.08 + 08.08
15	B	Manager returning to work tomorrow and GT will link in with him then re: submission	Email 26.07 + 29.07 Follow-up phone calls 04.08 + 08.08

16	B	No change or feedback. Follow up calls this week – awaiting outcome	Email 26.07 + 29.07. Follow-up phone calls x2 on 04.08 + 08.08
17	B	Manager is on leave until 11.08. Scheduled call with Manager on return	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08
18	B	Dp Manager scheduled call with GT on 09.08 - spoken 09.08 - submission in progress	Email 26.07 + 29.07. Follow up phone calls x2 on 04.08 + 08.08
19	B	Various emails/calls made and no engagement from provider to date.	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08
20	B	Care home manager advises GT to deal with Head Office on the Same Number on 09.08	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08
21	B	Various emails/calls made and no engagement from provider to date.	Email 26.07 + 29.07. Follow up phone calls 04.08 + 08.08

Clarification Questions

Care home providers were invited to complete the Care Cubed portal. The data from this was reviewed on a weekly basis by Grant Thornton, who validated provider responses and identified any outliers. Where required, further information and clarification questions were asked from providers. These questions and any responses were tracked and reported to the Council, at the weekly Operational Meeting, as illustrated in Table 2 (below).

Table 2: Clarification questions and provider tracker:

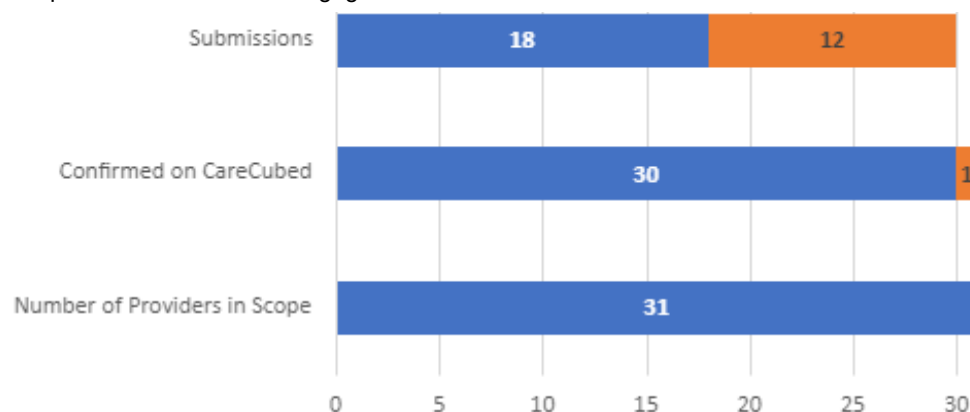
Provider Setting	Field and Issue from Return	Clarification Summary
1 - 3	Head Office Costs Staff (Indirect Care) Return on Capital percentage missing	Phone call: 30.08 x 3. Provider confirmed submission
11	Head Office Costs Return on Operation Return on Capital percentage missing	head-office has been contacted by phone and email. These outliers and missing ROC% are to be addressed. Awaiting update. * Nursing staff costs also addressed. Provider confirmed submission
12	Head Office Costs Return on Operation Return on Capital percentage missing	
13	Head Office Costs Return on Operation Return on Capital percentage missing	
8	If satisfied with Care Cubed figures provider can return submission	Contacted Director. Issues entering Care Cubed, but was supported through this and changes made and resolved.
5	Staff costs, other than direct care, is an outlier	Owner has been contacted by phone and a voicemail left, outlining the outlier. No call back or email received.
7	No longer in query. Resolved	Directors received a voicemail with resolution option outlined. Now resolved.

Of the clarification questions raised, three providers re-submitted their return. Other Provider settings confirmed the details submitted were accurate and would not require adjustment. Grant Thornton supported the provider settings, which had been in query on CareCubed, to resolve the issue and secure their re-submission. Grant Thornton had contacted all remaining providers several times, but no responses were received, or resubmissions made.

The graph below sets out the final position of responses received as at the time of the Fair Cost of Care calculation, comprised of:

- **31** homes identified to be in scope
- of the **31** care homes in scope, **30** had registered on Care Cubed
- of the **30** registered providers, **18** had submitted the return on Care Cubed.
- representing a completion rate of **58%** of all providers in scope

Graph 1: Overall Provider Engagement – Care Homes



Pre-Analysis: Revised Definitions of Care

Following the Council's engagement with care homes and other stakeholders in 2018/19, with respect to the future contractual relationship, providers felt that existing definitions of care failed to reflect the level of support that a provider should be offering.

The Council committed to review the methodology (environmental banding and residential / dementia split) and proposed an approach which would focus on the care and support needs of residents. For example: a resident without dementia may have complex needs, requiring enhanced support. However, a resident with dementia may be high functioning, requiring only a standard level of care and support.

Through engagement with best practice nationally, local partners, as well as key professional stakeholders, the Council developed a revised definition of needs in residential care for older people using a 'Dependency Aid', to assess the complexity of needs of individual service users.

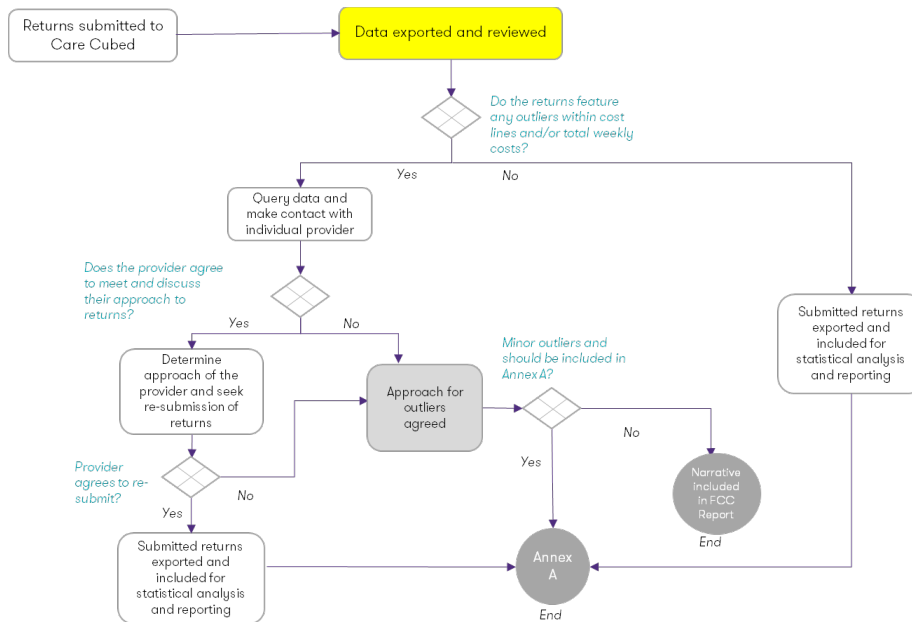
The 'Dependency Aid' provides the basis for supporting professionals, making placement decisions, to allow procurement to effectively contract manage providers and to support finance, to ensure that fee levels reflect individual resident needs.

This has been reflected in the analysis below, referring to provision settings for residents with complex needs and residents without complex needs.

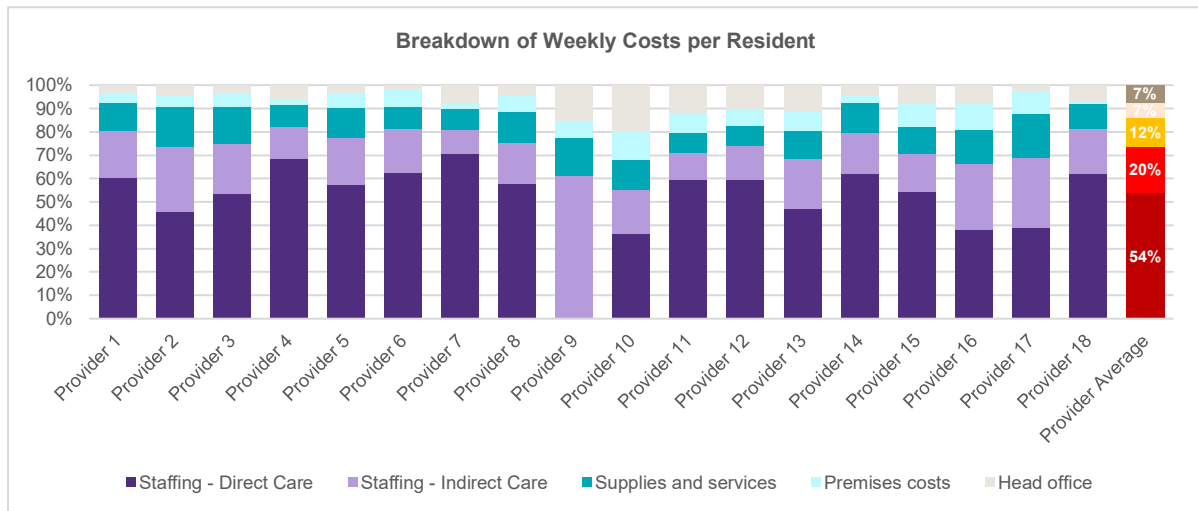
Analysis

To determine the median cost of care for older people's care homes, as required by this exercise, the local authority commissioned Grant Thornton to analyse provider submissions, with reference to available evidence, sector guidance and refer to local market and cost of care reports (as detailed above). All provider data was drawn from the Care Cubed portal, with data exports used to determine both statistical findings and the identification of outliers, summarised above, as part of the clarification questions. Where Grant Thornton had queries about specific cost lines in submissions, they contacted individual providers to seek clarification or justification of costs and any missing data. This was reported back to the Local Authority, at the weekly

operational meetings. The general approach to analysis, and subsequent updates to data, is best summarised in the flow chart below.



In accordance with government and sector guidance, clarification was sought on statistically significant areas of spend. Initial analysis of the returns highlighted a large proportion of spend on staffing care (both direct and indirect) along with large variation across care homes. Providers were contacted in the event of anomalous staffing costs, as well as justification for approaches adopted on Return on Capital and Return on Operations. Typically, higher staffing costs were associated with a greater proportion of agency nursing staff or the proportion of self-funders within care homes. Consequently, unusually high staffing costs were not explicitly amended or adjusted for the purposes of Annex A.



Providers were contacted, as explained in the tables above, to respond to clarification questions. Once a final set of figures were agreed with providers, the Care Cubed portal was updated, to reflect that a provider was no longer in query. The process to convert submissions into a median cost of care was as follows:

1. For each provider, a weekly cost per bed was calculated for all sub-service lines, as broken down within Care Cubed. These also represent the sub-service lines, within Annex A, which allowed for a straightforward conversion of raw data exports into Annex A. The weekly cost per bed for each sub-service line was based on the total expenditure in 2021/22, i.e., with no percentage uplift applied, and the respective occupancy of each care home, as of April 2022. The only sub-service line, which did not account for the total occupancy of the care home, was expenditure on nursing staff. In this scenario, the

weekly cost per bed was determined exclusively on the number of nursing placements, rather than accounting for total occupancy.

2. The next logical step would have been to calculate a sub-service line median for each care home type, as delineated in Annex A. However, within the Care Cubed portal there is no differentiation between care staff costs for residents with complex needs and those without. For instance, a care home which houses 10 residents without complex needs and 20 residents with complex needs will end up with the same weekly cost per bed, regardless of the higher level of support/provision needed for residents with complex needs.
3. Essentially, a provider will have expenditure associated with staffing costs which does not accurately reflect how these costs go towards residents with complex needs and non-complex needs. Theoretically, it would have been possible to separate care homes by those which have residents without complex needs. However, given the low number of care homes exclusively available for residents without complex needs, this approach would reduce the sample size, and hence reliability of any data analysis. Therefore, to determine weekly costs for care homes for residents with and without complex needs, a new approach was adopted, which accounts for as much data as possible, and is explained below.
4. The approach was to discount the differentiation of care home provision for residents with complex needs and non-complex needs, within Care Cubed. Instead, a median weekly Care Staff cost per bed was calculated for (a) Nursing Staff and (b) Care Staff. A complex (enhanced need) uplift factor was then applied to the median weekly care staffing cost, based on the total proportion of residents with complex needs and non-complex needs across all care homes. This results in much more 'reasonable' costs, with a clear increase in costs associated with Care Staff supporting residents with complex needs.
5. The complex (need) uplift factor agreed is explained later in this report, within the section Fair and Reasonable Adjustments. Note that the uplift factor was applied only on Care Staff costs. For all other sub-service lines, a median cost of care was calculated for Care Homes. Given the way in which beds have historically been commissioned, there has been no specific differentiation between a Residential Home and a Nursing Home. Essentially, the only difference in cost per bed for Residential and Nursing is currently the Free Nursing Care Rate.
6. A total weekly cost of care per bed could then be calculated for each care home type, based on a sum of the sub-service line medians determined from the approach so far. However, these figures were based on expenditure from 2021/22. Therefore, each sub-service median weekly cost per bed was uplifted based on ONS data. This is detailed within the Fair and Reasonable Adjustments section below.
7. A number of fair and reasonable adjustments were required. These centre around the complex (enhanced need) uplift factor referenced above, an appropriate approach to Return on Operations and Return on Capital, and a scaling factor applied to certain fixed costs, based on the reported occupancy rate of care homes.
8. At this point, Stockton had considered multiple options in reaching its final decision around what fair and reasonable adjustments should be applied. The analysis undertaken as part of this exercise, combined with Stockton's previous market and cost of care review, reported to the Council's Cabinet in 2017 and 2021, informed adjustments detailed below.

Fair and Reasonable Adjustments

Complex Uplift Factor

As referenced in Points 2, 3 and 4 above, there is no differentiation between care staff cost for residents with complex needs and those without. To overcome this, the following steps were carried out:

- a) Calculate a median weekly cost per bed, across all Care Homes, for both (a) Nursing Staff and (b) Care Staff.
- b) Assign a 'complexity uplift' to those with complex needs. For instance, within a care home, staffing costs will be a certain percentage greater for those with complex needs. Staffing costs are assumed to be higher for those with complex needs, given the increased complexity of care required, along with any additional time required, over the course of a week, to deliver this care.
- c) Based on the total proportion of residents with complex needs and non-complex needs, across all care homes, a new weighted average care staffing cost was back-calculated, generating two median care

staffing costs: one for those with complex needs and one for those without. Again, this is applied to both Nursing Staff and Care Staff.

The complex (enhanced needs) uplift factor was set at 20% and applied to both Nursing Staff Care costs and non-Nursing Staff Care costs.

Inflationary Uplifts

Each sub-service median weekly cost per bed was uplifted based on predominately the ONS indices from Nov 21 to August 22 (the most recently available at Oct 22 and consistent with previous fee uplifts) as follows;

Costs	Inflationary Uplifts
Direct staff	% increase in the NLW + NI Levy
Other staff	% increase in the AEI + NI Levy
Electricity	ONS index - electricity
Gas	ONS index - gas
Water	ONS index – water supply
Food	ONS index - food
Domestic Supplies	ONS index – household textiles
Medical supplies (non-PPE)	ONS index – medical products, appliances & equipment
PPE	ONS index – medical products, appliances & equipment
Office supplies (home specific)	ONS index – tools & equipment for house & garden
Insurance (all risks)	ONS index – insurance
Registration fees	ONS index – financial services (nec)
Telephone	ONS index – telephone and telefax equipment and services
Council Tax/Rates	ONS index – council tax and rates
Trade & waste	ONS index – sewerage collection
Transport & activities	ONS index – transport services
Other supplies & services	ONS index – tools & equipment for house & garden
Fixtures & fittings	ONS index – major appliances & small electric goods
Repairs & maintenance	ONS index – repairs of household appliances
Furniture	ONS index – furniture & furnishings
Other premises & running costs	ONS index – owner occupiers' housing costs
Central / Regional management	% increase in the AEI + NI Levy
Support services	% increase in the AEI + NI Levy
Recruitment, Training & vetting	% increase in the AEI + NI Levy
Other head office costs	ONS index – owner occupiers' housing costs

Occupancy Rates

Using data from the Care Cubed portal, weekly costs per bed were calculated on the respective occupancy of each care home, as of April 2022. Though variable costs within care homes (Care Staff, Food, etc.) will fluctuate, based on the number of occupied beds, there are several fixed costs which will appear high on a per bed basis, in the event of low occupancy. A sustainable care home market requires a minimum occupancy rate, to avoid the prospect of care homes failing. Historically, Stockton has commissioned beds on the premise of care homes operating at appropriate levels of occupancy. As of April 2022, occupancy rates within Stockton were reported to be 80.0%. An occupancy factor has been applied to several fixed costs based on occupancy standing at 92.0%.

It was applied on the following weekly costs per bed:

Service Management

Reception

Water

Insurance (all risks)

Registration fees

Telephone
 Council tax / rates
 Trade and Waste
 Central / Regional Management
 Support Services
 Other head office costs

Return on Operations and Capital

As the figures submitted by Stockton older people's care homes, for both Return on Operations and Return on Capital, varied significantly, applying the approaches outlined below supports consistency in calculating a median rate for this exercise.

In the previous cost of care exercise, a rate of 6% has been used as an appropriate level for Return on Operations. To ensure consistency with previous work undertaken, 6% has continued to be the rate applied.

For Return on Capital, a quantified amount, rather than an assumed percentage, has been applied. This was calculated following the methodology described in approach 1 of the Market Sustainability & Fair Cost of Care Fund Guidance, Annex E.

Providers stated the current freehold value of their care home in the Care Cubed portal, which were uplifted to 2022/23 values, using relevant indices. A percentage yield of 5.5% was then applied to the freehold value per bed and an adjustment for occupancy applied. This resulted in a Return on Capital equivalent to £41.09 per resident, per week.

Output from the exercise

As detailed within Section 3 – Approach to Analysis, a median cost of care was determined by calculating median weekly costs for sub-service cost lines, and uplifting these rates to 2022/23. The median rates for 2022/23 are therefore standalone rates, rather than a median of individual provider rates. Essentially, this means that it is not possible to determine interquartile ranges on cost of care data for 2022/23. Theoretically, interquartile ranges could be drawn directly from the uplifted values in the Care Cubed portal returns, though this would lead to costs of care with no Fair & Reasonable Adjustments applied. To avoid inconsistency in the fair cost of care, as determined through the Stockton's approach to analysis, interquartile ranges have not been included within the table below. The median costs of the FCoC exercise for 22/23 are:-

Cost Lines	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
Total Care Home Staffing	£485.74	£547.84	£715.88	£824.02
Total Care Home Premises	£36.15	£36.15	£36.15	£36.15
Total Care Home Supplies and Services	£100.26	£100.26	£100.26	£100.26
Total Head Office	£29.14	£29.14	£29.14	£29.14
Total Return on Operations	£39.08	£42.80	£52.89	£59.37
Total Return on Capital	£41.09	£41.09	£41.09	£41.09
Median Rate	£731.45	£797.29	£975.41	£1,090.03
Count of observations	17	12	11	4

The rates above are the median costs from the FCoC exercise and therefore do not represent the true cost of care. It is expected that actual fee rates paid may differ, due to wider market circumstances. The output from the exercise will therefore be considered alongside the existing contractual framework which includes an annual fee uplift mechanism, however not in isolation of other local factors and intelligence.

The current Stockton-on-Tees Borough Council care home contract is due to be renewed in April 24.