



The Continuing Care Conference is a coalition of commercial, charitable and public service organisations with a mutual interest in providing better care for current and future generations of elderly people.

Continuing Care Conference

Secretariat
12 Little College Street
London SW1P 3SH
Tel: 020 7222 1265
Fax: 020 7222 1250
E-mail: acornell@central-lobby.co.uk

Continuing Care Conference

Local Authority Contracting Policies for Residential and Nursing Home Care

**a report of independent research prepared for the Consumer
Issues Group of the Continuing Care Conference**

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Local Authority Contracting Policies for Residential and Nursing Home Care

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Local Authority Contracting Policies for Residential and Nursing Home Care

1 Introduction

- 1.1 Each year Laing & Buisson publishes an informative report on the prices being paid by local authorities where residents or patients are admitted to either residential homes or nursing homes under a local authority contract. This of course does not mean that all such service users are fully funded by the local authority (subject to their own personal allowances), but that those people have been admitted under a contract and therefore responsibility for fees etc lies with the local authority. Each local authority may well be recovering part of the fee directly from the individual service user who will be paying according to the national scale for contributions.
- 1.2 What was clear in recent years is the fact that there were no regional influences on the rates paid by local authorities. Traditionally the expectation was that homes in the south east of England would be more expensive than those in other parts of the country, because of the higher land costs and employment costs. Whilst there is some evidence to suggest that there is a regional variation, the fact is that the variations between local authorities in areas such as the south east of England are just as great as those that exist in other parts of the country, and that there are some local authorities in other parts of the country that are paying higher rates than some authorities in the south east of England.
- 1.3 The Consumer Issues Group of CCC therefore decided to undertake a simple piece of research to try to find out what the major influences were when local authorities decided what level of payment they would make for care services.
- 1.4 One of the purposes of this piece of work was to try to find out whether local authorities reflected quality issues in their contracting strategies. Many local authorities have emphasised the need to ensure that quality services are provided, and indeed one of the arguments of those local authorities that have retained the majority of their services in-house is that services managed directly by local authorities are of a higher quality to those provided by the independent/private sectors.
- 1.5 Key questions to be addressed were:
- How do local authorities relate price paid to quality issues?
 - How are decisions about contract prices paid made?
 - Do local authorities have a clear strategy for purchasing residential and nursing home care?
- 1.6 Currently many providers feel that some local authorities are driving prices down to uneconomical levels, and that there would be a major crisis shortly as homes close, are sold not as businesses but for redevelopment, or go into receivership.

- 1.7 Equally, providers detect a growing policy of reassessing clients or patients from requiring nursing home care to residential care at a lower cost – not for care reasons but for financial reasons.

2 Methodology

- 2.1 Obtaining a reasonable response rate to non-statutory surveys and questionnaires has always been a difficulty. The Consumer Issues Group was fortunate in contracting the work to an independent researcher who liaised closely with the National Association of Contract Managers in local authorities. The result is that 145 questionnaires were sent out to local authorities in England, Scotland and Wales and the response rate ultimately was just over 75%. The results of this survey can therefore be assumed to be representative of the total population of local authorities. There are no regional variations in the response rate and returned questionnaires have come from Unitary Authorities, Metropolitan Districts, London Boroughs, and County Councils.
- 2.2 The questionnaire was sent out in a general mailing by the Association of Contract Managers and all the responses were returned to Andrew Williamson CBE, who recently retired as Director of Social Services in Devon and was for three years Honorary Secretary of the Association of Directors of Social Services. The questionnaire was distributed to local authorities at the end of January in order that the figures quoted would reflect contracting policies for the current financial year.

3 Analysis of Results

Contracting Arrangements and Purchasing Methods

- 3.1 In looking at the comparative cost of residential care one of the tests that will be required under the “Best Value” regime currently being introduced in all local authorities is the need to compare services. For in-house provided services and indeed for services provided by independent arms-length organisations in accommodation previously managed directly by local authorities, there is overall a policy of block purchasing places in such homes. However the survey revealed that 64% of local authorities rely on spot purchasing as their sole means of placing older people in the independent sector. Therefore any comparisons of costs need to be placed against this difference in the way in which residential and nursing home services are purchased. Clearly when looking at unit costs the independent sector will assume a level of non-occupancy. However for local authorities, and some arms-length organisations, unit costs will be worked out on the basis of 100% occupancy. Inevitably this will lead to a price differential.
- 3.2 For the remaining 36%, spot purchasing is accompanied by other forms of contracting. For that 36% the most common type of contract is indeed a block contract, and is used by 90% of those local authorities who do not exclusively spot purchase. However the scale of block contracting appears to be extremely limited. Of that 36% which have mixed policies of purchasing, less than 30% of the total purchasing activity is in the form of block contracts. Over half the local authorities

who do use block contracts only use this as a method of purchasing less than 10% of their total residential and nursing home provision. Only three local authorities have block contracts which amount to more than 50% of their total purchasing activity. This finding confirms the Audit Commission's view that there is an over-reliance of spot purchasing, and also tends to confirm the view of many home owners that independent sector residential care is only used to prop up provision within the directly-managed sector.

- 3.3 Given that the bulk of placements are on the basis of spot purchases, it is interesting to note that 82% of local authorities operate a system of fixed fee levels for the places they purchase in this way. Less than 15% of places are purchased on the basis of a negotiated fee.

How Fee Levels Are Fixed

- 3.4 One of the major areas of interest in this piece of work was to try to find out what was the basis for fixing the fee levels for places purchased in the independent sector. In 84% of local authorities the fee levels are approved by elected members and this is in the vast majority of instances done on an annual basis. 86% of local authorities link the fee level to the category of provision. Which category of provision an individual falls within is largely determined through the use of an assessment process (in 45% of cases), or by the care manager (in 34% of the cases reported). The arguments about the appropriateness of admissions to either residential or nursing homes was not fully addressed in the questionnaire. However, given the work undertaken by the Department of Health Social Services Inspectorate, there is no reason to believe that there are large numbers of people placed inappropriately in either residential or nursing homes, although criteria vary significantly from authority to authority, and this in some ways can be reflected in the national statistics (Key Indicators and CIPFA). In further analysis of this information what will be interesting will be to look at the level of provision provided by local authorities that pay higher fees compared with local authorities that pay lower fees. Do those authorities which provide a lot of care tend to provide low cost care, and do those authorities that are low providers of residential and nursing home care tend to pay higher prices, given that they use much tighter criteria? Such an analysis would, of course, need to take into account the provision of services within the NHS since it could be that a local authority that purchased lower amounts of nursing home care was doing so, not because it had a much more comprehensive community based home care service, or that it used residential care as an alternative to nursing home care, but the solution could be to the question that the local health trust provided rather more medium to long term care located in hospitals than, for example, in another area of the country.
- 3.5 39% of local authorities have a range of fees dependent upon the needs of the individual service user. In addition social work staff have delegated discretion over fee levels in 57% of local authorities. This indicates that there is a degree of flexibility, and yet it is slightly in conflict with the statistic that only 15% of admissions have fees determined exclusively as a result of negotiation.

Reviewing the Needs of Older People

- 3.6 Nearly all local authorities (93%) have standards or targets for reviewing the needs of older people in residential care and nursing homes. The care programme approach, coupled with the policies clearly dictated by the Department of Health in the early stages of the Community Care reforms, does mean that it is quite typical for there to be a review after six weeks (51%), with an initial visit after four weeks, followed up by an annual review (13%). So the conclusion that we can draw from this data is that local authorities are quite good at reviewing cases initially but once the decision is made that an elderly person should be placed permanently in residential or nursing home care, the review process is allowed to slip, with only 13% of local authorities reviewing cases after one year. The range of times used by local authorities before they initially review a placement varied from ten days to up to six months after the initial admission.

Quality Systems: Choosing Providers

- 3.7 In 37% of local authorities, care managers were able to spot purchase from providers simply on the basis that they meet registration standards. There is however an impression that local authorities are becoming more sophisticated in the way in which they place contracts and 16% of local authorities operate an approved provider list as the primary determinant of which providers they will spot purchase from. 35% of local authorities use a combination of registration and approved provider lists to determine which homes they will enter into contracts with. As has been widely reported a number of local authorities are now developing star rating systems and it is interesting that on the whole these have been broadly welcomed by many of the smaller home operators in the areas where such systems operate. However it is also interesting to note that of the two that have been reported in more detail one pays significantly higher rates than neighbouring local authorities. What is clear is that the 16% of local authorities that use an approved provider list are increasingly having more detailed contractual specifications that reflect quality issues, as well as basic standards of care. It is this relationship between quality and price that is of particular interest.
- 3.8 Of the local authorities that do not currently differentiate amongst providers on the basis of quality, 40% say that they intend to introduce systems which will enable them to do so in the future. However, currently only 21% of local authorities have purchasing policies that incorporate quality issues in detail so that within a total population of local authorities it means that only a disappointing 11% of local authorities are paying higher fees for higher quality. This will become an important issue, especially when the purchasing policies of Social Services Departments are subjected to “Best Value” tests.

Meetings with Providers

- 3.9 Nearly all local authorities (91%) meet regularly with their independent sector providers, and 71% of meetings take place quarterly or more frequently. 11% of local authorities meet their providers only on an annual basis.

4 Conclusions

- 4.1 Progress in moving towards a system whereby contract prices reflect quality of provision seems to be extremely slow. This is very disappointing and suggests that if 'Best Value' tests are applied effectively there will be major issues for local authorities over the coming few years. Spot purchasing clearly puts independent providers at a disadvantage when it comes to competing on price alone.
- 4.2 The actual fee levels are in many instances influenced more by historical factors than the true cost of providing care at a certain level today. Many local authorities base their fees on the DSS preserved rights level and the increases, or decreases, in fees paid are influenced therefore by the Department of Social Security's policies and by broader financial issues within local government. Many local authorities have not offered the independent sector increases based on actual increase in costs since their own budgets have been under significant financial pressure. Whilst there are few examples of local authorities reducing contract prices, the fact is that in over half of local authorities contract prices have not kept pace with inflation. Given therefore that it is external factors that decide the level of funding for residential and nursing home care, it is little surprise therefore that many providers have two levels of charges – those that are funded through local authorities, and those that are totally privately funded. Whilst Contract Managers and Registration and Inspection Officers have little evidence, it would appear that policies have reverted to those which existed twenty or more years ago with publicly funded residents or patients being in low quality accommodation in the home, whilst privately funded residents or patients are in a better standard of accommodation. Nevertheless there is growing evidence that this practice is increasing. In some respects if minimum standards are being achieved one could argue that this is legitimate and understandable. However, given that few local authorities are relating quality to contract price there has to be some concern about the current way in which services are being purchased for older people.
- 4.3 Spot purchasing is therefore dominating the market and whilst there is evidence that in some local authorities there is regular contact between local authorities and the independent sector, there is a sense that local authorities continue to drive the market through the use of fixed fee levels, which in many instances are not related to the cost of services provided.
- 4.4 The limited use of block contracts and other forms of contracting, such as cost and volume or call-off contracts, is a source of concern. It reflects the limited sense of partnership between local authorities and independent sector providers, and yet if the Government's strategy in respect of intermediate care is to be effectively implemented it can only be done on the basis of close working relationships, and the development of true partnerships. There is increasing evidence that there is a slow-down in the level of investment being made within the independent sector, both in respect of residential and nursing home care, and the current contracting policies encourages this rather than giving confidence to independent providers to raise standards and increase the quality of the physical provision of the homes that they manage.

- 4.5 It would appear that there is a continuing trend in many local authorities of ‘spreading the jam thinly’ across all providers. From the local authorities’ perspective this simplistically can be interpreted as generating a competitive market where downward pressure can be brought to bear on prices. Providers appear to be faced with a difficult choice between achieving higher fee levels for all, which local authorities say they cannot afford, or persuading local authorities that they should be more discriminating in their purchasing, and that they should pay a premium for those providers achieving higher quality standards. In a few local authorities, providers are increasingly saying that the fees now have reached such a low level that there will be a major crisis, with some providers going out of business with all the accompanied anguish that this can cause for residents and relatives.
- 4.6 A copy of the summary of the responses is **attached** to this report.

CCC
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Appendix I

SURVEY OF CONTRACTING POLICIES

Summary of Responses

| | | | | |
|----|----------------------------------|-----|----|--------|
| 1. | Do you spot purchase all places? | Yes | 68 | 63.55% |
| | | No | 39 | 36.45% |

| | | | |
|----|--|---------------|----|
| 2. | If not, please indicate which other contract arrangements you use? | Block | 35 |
| | | Cost & Volume | 5 |
| | | Other | 2 |

| | | | | |
|----|--|-----|----|--------|
| 3. | Do you operate a system of fixed fee levels for spot purchased places? | Yes | 88 | 82.84% |
| | | No | 19 | 17.76% |

| | | | | | |
|----|--------------------------------|------------|----|-----------------|---|
| 4. | How are fee levels determined? | Set by LA | 71 | Set by LA/Neg | 9 |
| | | Negotiated | 16 | Set by LA/Other | 1 |
| | | Other | 8 | Not stated | 2 |

| | | | | |
|----|--|------------------|----|--------|
| 5. | Are fee levels approved by? elected members | Yes | 90 | 84.11% |
| | | No | 17 | 15.89% |
| | | approv. annually | 79 | 87.78% |
| | | other | 3 | 3.33% |
| | | not stated | 8 | 8.89% |

| | | | | |
|-----|---|---|----|--------|
| 6. | Are fee levels linked to category of provision? e.g., places for older people with mental health problems | Yes | 92 | 85.98% |
| | | No | 15 | 14.02% |
| 7. | How do you decide which category a person falls into? | Care Manager's discretion | 36 | 33.64% |
| | | Assessment Tool | 48 | 44.84% |
| | | Other | 3 | 2.80% |
| | | CM discretion & Assessment Tool | 10 | 9.35% |
| | | CM discretion & other | 2 | 1.87% |
| | | Not stated | 8 | 7.48% |
| 8. | Within defined categories of provision, are upper and lower limits applied to fee levels? | Yes | 42 | 39.25% |
| | | No | 59 | 55.14% |
| | | Not stated | 6 | 5.61% |
| 9. | Within defined categories of provision, do purchasers have any delegated discretion over fee levels? | Yes | 61 | 57.01% |
| | | No | 42 | 39.25% |
| | | Not stated | 4 | 3.74% |
| 10. | Does the LA have standards or targets for reviewing the needs of older people in residential care or nursing homes? | Yes | 99 | 92.52% |
| | | No | 8 | 7.48% |
| 11. | If so, what are they? e.g., initial visit within 6 weeks followed by reviews every 12 months. | 6 weeks + annual | 50 | |
| | | 4 weeks + annual | 13 | |
| | | 6 weeks + 6 monthly | 11 | |
| | | 4-6 weeks + follow up within one year + 6 monthly or annual | 13 | |
| | | | | |

| | | | | |
|-----|--|--|----|--------|
| 12. | What quality systems determine which providers you may spot purchase from? | Registration | 35 | 32.71% |
| | | Approved Purchaser list | 17 | 15.90% |
| | | Other | 5 | 4.67% |
| | | Registration + Approved Provider | 38 | 35.51% |
| | | Registration + other | 5 | 4.67% |
| | | Registration + Approved Provider + other | 5 | 4.67% |
| | | Approved Provider + other | 1 | 0.93% |
| | | Not stated | 1 | 0.93% |

| | | | | |
|-----|--|------------|----|--------|
| 13. | Do you explicitly differentiate among the providers on the basis of quality? | Yes* | 22 | 20.56% |
| | | No** | 84 | 78.50% |
| | | Not stated | 1 | 0.93% |
| * | see Table 14 | | | |
| ** | see Table 15 | | | |

| | | | | |
|-----|---|-----|----|--------|
| 14. | Do you pay different rates based on this differentiation? | Yes | 12 | 54.55% |
| | | No | 10 | 45.45% |

| | | | | |
|-----|--|------------|----|--------|
| 15. | Do you intend to introduce systems which explicitly differentiate among providers on the basis of quality? | Yes | 34 | 40.48% |
| | | No | 33 | 39.28% |
| | | Maybe | 12 | 14.29% |
| | | Not stated | 5 | 5.95% |

| | | | | |
|-----|---|------------|----|--------|
| 16. | Do you have regular meetings with independent sector providers? | Yes | 97 | 90.65% |
| | | No | 9 | 8.41% |
| | | Not stated | 1 | 0.93% |

| | | | | |
|-----|----------------------|--------------------------------|----|--------|
| 17. | If yes, how regular? | Annually | 11 | 10.28% |
| | | Six monthly | 16 | 14.95% |
| | | Quarterly | 46 | 42.99% |
| | | More frequently (please state) | 23 | 21.50% |
| | | Not stated | 11 | 10.28% |

Appendix II: Background to CCC and List of Members

Continuing Care Conference (CCC)

CCC is a coalition of organisations with an interest in providing better long-term care for older people. Members include financial service providers, care providers, public service organisations, charities and consumer groups. CCC was established in 1992 with the objectives of:

- i) increasing awareness and developing understanding of long-term care of older people as a political issue
- ii) raising the standards of care available to older people
- iii) developing the standards of financial products used to fund long-term care

CCC believes that all older people in Britain should live their lives in dignity, comfort and in a place of their choosing. We want all elements of society to make the necessary individual and social investment to ensure that happens. Our task is to ensure that policy-makers pursue this goal and to encourage the public to join with us in our mission to persuade them to do so.

For further information, contact: CCC Secretariat
12 Little College Street
London SW1P 3SH

Tel: 020 7222 1265

Fax: 020 7222.1250

CCC - Current Members

Abbey National plc
Age Concern England
Anchor Trust
Armstrong Neal
Association of Directors of Social Services (ADSS)
Assurance Medical Society
AXA Sun Life
Bacon & Woodrow
Barnet Directorate of Community Services
BUPA
Care Choices Ltd
CGU Life
City of Bradford Metropolitan Council
City of Sunderland Social Services Department
Counsel and Care
Dirk Bloemers
East Sussex Social Services Department
Eastern Health & Social Services Board
Eli Lilly
ERC Frankona

Faculty and Institute of Actuaries
Friends Provident
GE Life
General & Cologne Life Re UK Limited
Grace Consulting
Hannover Life Re UK
Help the Aged
Homeowners Friendly Society
Housing 21
IFACare
Independent Healthcare Association
J Rothschild Assurance Holdings plc
Jewish Care
Laing & Buisson
Local Government Association
Long-term Healthcare Consultancy Services
Metropolitan Borough of Stockport
Metropolitan Borough of Wigan
Munich Re
Norton Waverley Ltd
Norwich Union
Nursing Home Fees Agency
PPP lifetime care plc
Prudential UK
Quality Care & Nursing Home Advice Service (CNHS)
RB Kensington & Chelsea
Registered Nursing Homes Association
Research into Ageing
Retirement Strategies Ltd
SAGA Services Ltd
Salvation Army
Scottish Provident Institution
Scottish Widows
Skandia Life
SmithKline Beecham Pharmaceuticals
Social Care Association
Solihull Social Services
Standard Life Assurance Company
Swiss Re Life and Health
The Health Quality Service
The Relatives' and Residents' Association
Teachers' Benevolent Fund
Tunstall Group plc
United Kingdom Home Care Association
Warwickshire Association of Nursing Homes
Western Health & Social Services Board
Westminster Health Care plc

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