

Market Sustainability and Fair Cost of Care Fund 2022 to 2023

**Annex C: Market Sustainability Report
Lincolnshire County Council**

1. Background and Context

Lincolnshire has a population of 751,200, with 30% expected to be over 65 years of age. It is the 4th most rural county making service organisation and delivery more challenging and costly.

As set out in section 5 of the Care Act 2014, local authorities have a duty to promote the efficient and effective operation of a market in services for meeting care and support needs, with a view to ensuring services are diverse, sustainable, and good quality for the local population.

The council has a well-established fee setting methodology, centred on market engagement and strengthened through the support of an independent consultancy. Fee setting across Lincolnshire has developed over many years informed by market assessments and ongoing provider engagement. Lincolnshire County Council structure the market assessments and engagement by service eg older people services, mental health services etc The residential market assessments carried out in 2021 underpinned the 2022-25 Residential Contractual Framework and informs the annual review of the residential rates. The market assessment of commissioned home care was completed in 2022 and informed the Councils Transforming Homecare Programme including the introduction of a new rate structure.

Adult social care, like many other sectors, suffered immensely as a result of Covid-19. As providers emerged from the pandemic, the financial volatility resulting from the cost-of-living crisis presented further financial challenges for the sector. To understand the scale of the impact, the council decided to carry out a market assessment across the whole market and not just those included within the scope of the national Fair Cost of Care grant.

Recruitment and retention continue to be significant challenges facing the sustainability of adult social care. The working-age population in Lincolnshire is only forecast to grow by 1% over the next 20 years. Consequently, the ratio of potential workers to people likely to need care and support is going to markedly fall. Across Lincolnshire, the ratio of people aged 20-64 to those aged 75+ is forecast to fall from circa 4.6-to-1 today to 3.0-to-1 in 20 years' time. The situation will be worse in most rural areas, which tend to have fewer workers and more elderly. The current ratio compares unfavorably to the national average of 6.2-to-1, which means workforce issues are more challenging in Lincolnshire than nationally.

Many of Lincolnshire's adult social care customers use one or more of the services during their lifetime. The council continues to promote a breadth of services which meet the needs of customers along their journey. The council will continue to work with providers and other health and care partners to encourage integration and through transformation, deliver its programme of continuous service improvement.

2. Current Market Sustainability

2.1 65+ Care Home Market

Residential and nursing care represents 42% of all Adult Care and Community Wellbeing expenditure at approximately £85m gross spend per annum. As such it is vital to manage the costs of residential and nursing care, whilst also ensuring the market is being paid a fair and sustainable price for their services in support of our obligation to maintain a healthy market offering a choice of high-quality services.

There are approximately 286 residential and nursing care homes registered within Lincolnshire. The council currently contracts with 273 (95%) residential homes across all categories of care. They provide a range of care types. 31% of the beds in the market are operated by five groups, past that, the market is very diverse. Recent growth in the sector has come exclusively from larger organisations with a focus on self-funders.

Lincolnshire's nursing home market is typical in terms of group composition, comprised of about 28% of beds operated by independent care homes (including small groups without formal links in the CQC care directory) and the rest a typical mix of small-to-large groups. However, Lincolnshire's residential care home market has a larger-than-average independent footprint, with 44% of beds operated by independent care homes compared to 38% for both England and shire counties. Available capacity based on the usual cost tends to be from smaller, older homes with sunk capital costs. It is this market mix that has enabled delivery of high-quality services at a lower cost (iMPOWER index 2019) than most local authorities historically.

2.1.1 Occupancy

The Covid-19 pandemic has driven unprecedented pressure in the adult social care sector. Lincolnshire is seeing a reduction in the number of residential and nursing homes with a CQC rating of good or outstanding, performance is currently 77%. The market assessment confirmed the picture the local authority was seeing through our 65+ residential provider data, a continued vacancy rate suggesting a potential excess of capacity in this part of the market. It is evident from data and feedback that Covid-19 accelerated a decline in occupancy levels which was originally projected to take place over several years. During the pandemic, the total number of residents in council commissioned homes has reduced by 4.7%. The number of self-funded residents reduced by 13.3%. Whilst there was a clear drop in occupancy because of Covid-19, based on the sample of CQC inspections in each year, approx. 20% of older adult care homes were already operating below 70% of registered capacity prior to the pandemic. Only about 40-45% of homes were operating above 90% of registered capacity prior to the pandemic.

During the latter half of 2022-23, the occupancy levels across the sector have returned to pre pandemic levels.

2.1.2 Geographical Variation

There are geographical variations to supply across Lincolnshire. There is less registered bed capacity in older adult care homes in the south of the county relative to the size of the elderly population which results in higher top ups. Skegness only has one nursing home. Louth and Spalding also have a low number of beds in nursing homes relative to the elderly population size. Boston and three of the four older adult care teams in the west have comparatively high numbers of beds in nursing homes, though we do not know true nursing capacity as there is no definitive and comprehensive data source for nursing bed capacity.

The market assessment highlighted the need for further review of residential care with nursing needs. Lincolnshire has seen a reduction of approximately 400 nursing beds in the past 4 years, representing a 10.5% reduction. Nurse unit costs returned are very low because a great many nursing homes in the sample do not have 168 nurse hours per week. This is because of a combination of managers working on rota and extensive use of nursing

assistants (with nurse managers being available in the building). However, the nurse costs per resident are still very low as we believe that many residents classified as nursing within nursing homes are residential only clients. Many homes were clearly struggling to recruit nurses at the time (and may still be) and so were managing the best they could. Despite the challenges with the loss of nursing beds, there continues to be sufficient bed vacancies to meet demand at a county level. However, the issues and risks become apparent when seeking nursing care in specific areas of the county, the east coast for example where supply is insufficient to meet demand.

2.1.3 Workforce

Providers fed back the increasing reliance on agency staff to cover gaps in their rotas. Agencies that supply staff to the social care sector are themselves unregulated. Evidence suggests a direct correlation between the quality of service delivered and the amount of agency usage (for example an increased use of agency staff and a high incidence of falls). Skills for Care published a summary of the adult social care sector and workforce in Lincolnshire in 2020/21. The report was based on data provided by independent sector employers in March 2021. The report confirmed a turnover rate of 35.3%, slightly above the region average of 30.4% and England, at 29.5%. Surveys received from providers confirm that the workforce are being paid the national living wage and in a small number of cases slightly higher for recruitment and retention purposes. The council passported the workforce grants through to providers to support additional workforce costs however these grants were temporary funding which ceased 31 March 2022 which meant the majority of providers didn't increase wages long-term to help recruitment and retention. As other sectors have faced recruitment challenges, providers have highlighted their inability to keep up with the hourly rates offered as major employers across the county begin to offer beyond the national living wage. To enable providers to compete with wages across other sectors and retain its staff, the Council passported 70% of its Discharge Fund allocation to support the adult social care workforce.

The Council is investing in wider initiatives targeted to improve recruitment into Lincolnshire. It has supported local care providers by investing in a county-wide campaign to attract and retain staff into the care sector. This work complements actions already identified through the Council's Workforce Strategy. The organisation commissioned to deliver this work took a partnership approach, working with key stakeholders including LinCA (the Lincolnshire Care Association). They have delivered an attraction campaign that promoted care as a career across our main social care sectors, Homecare, Residential & Nursing Care and Community Supported Living. The campaign aligned with and built on the national recruitment campaigns launched by the Department of Health and Social Care, such as 'Made with Care'. The work has provided the sector with a range of creative design assets that can be used beyond the initial commission, including social media content, adverts, print materials, outdoor media, gifs, and localisation of national campaign materials.

2.1.4 Financial Approach

Informed by the market assessment, Lincolnshire County Council contractual rates for 2022-23 are between £567-£627 per bed per week dependent upon the level of care needs. Building in the level of top ups paid, the actual rates paid per bed increase to £603+ per bed per week.

Whilst the 2022/23 agreed rates saw the largest annual increase, the increases seen in both insurance and energy costs have placed additional financial strain on the sector. In support,

the council has established a Hardship Fund. Providers can claim a contribution against their actual cost increases by submitting an evidence-based claim. The actual costs submitted highlight that a one size doesn't fit all with providers reporting between £1-£18 per bed cost increase depending upon a wide range of factors not least the size and age of the home. This indicates that a blanket rate increase approach into the commissioned rate is not suitable. The main reasons for the variations between providers are differing agreements with suppliers and differing end dates for fixed term arrangements.

To further support the market, the council has passported the majority of Covid-19 grants, workforce grants and more recently approx. 70% of the discharge fund. The latter grants supported the market to attract and retain staff.

2.2 18+ Domiciliary Market

Homecare services support over 2,500 people receiving regulated care via one of the Council's contracted providers each week totaling over 1.3 million hours of care delivered each year. With a total annual spend of £27m per annum it represents approximately 10% of the total Adult Care budget. It is also one of the most challenging and pressurised parts of the adult care system due to increasing overall demand and increasing complexity of care needs.

Homecare contracts in Lincolnshire are awarded based on geographical zones. There are nine lead provider contracts in place covering eleven zones. Each provider takes responsibility for meeting all the demand for commissioned homecare in a specific zone either directly or via sub-contractors. This structure enables the council to build close, strategic relationships with a small group of providers who then can access the wider home care provider market if needed.

2.2.1 Geographical Variation

Critical context for the delivery of homecare is that most of Lincolnshire is highly rural and the county has a low ratio of potential workers to elderly population. Lincolnshire has only one large town (Lincoln), with other smaller towns separated by large distances. Lincoln faces different challenges with respect of homecare service delivery compared to most of the rest of the county.

Lincolnshire County Council has historically used postcode sectors to set boundaries for both commissioning zones and rates. The market assessment highlighted that ONS ward boundaries would be more precise in terms of mapping to the urban rural continuum. Following the market assessment we have moved to using the ONS urban rural classifications at postcode level to introduce a greater level of accuracy between rurality and rates.

2.2.2 Workforce

The geography of Lincolnshire is challenging from the perspective of homecare delivery. Only Lincoln is a genuinely large urban area, and other small and medium sized towns are far from each other. Some rural areas in the north are best served by workers from out of county from either North Lincolnshire, Peterborough and to a lesser extent Wisbech and Kings Lynn offer potential sources of workers. There is limited feasibility for care workers to travel in from the East, other than Newark on Trent.

As part of the market assessment, we plotted the geographical location of those customers waiting care which further highlighted that the cost of delivery was more than the average fee rate paid and providers were not able to source care workers to deliver care in the most remote areas.

2.2.3 Financial Approach

Historically rates have been uplifted in line with national living wage and inflationary increases. Prior to the market assessment, the council paid rates ranging from £17.76-£18.54 per hour plus a performance payment of £2.1m divided across providers. The assessment identified two material changes the local authority needed to make to ensure a sustainable market

- i) The most critical is investment in the rates paid. The council has agreed to adopt a more granular approach underpinning its domiciliary care delivery and rate structure. The commercial model and associated rates will be structured based on post codes, a more precise mapping to the urban-rural continuum. This level of detail better reflects the cost of delivery evidenced in the provider surveys. The council is moving to a four-tiered rate structure to reflect extra care, urban, urban fringe and isolated. This structure will see 8% of providers activity paid for at £17.50 per hour. This is activity which takes place in an extra care setting, a setting the surveys evidence as lower cost provision due to no travel between customers and greatly reduced scheduling costs. 46% of providers activity will be paid at £19.65 reflecting cost of delivery with urban areas like the city of Lincoln. 38% of activity will be paid at £21.00 reflecting the higher cost of delivering domiciliary care to the more rural areas. The final 8% will be paid at £23.70 per hour reflecting the cost of delivery to those isolated areas of Lincolnshire.

The council took the decision to go further than the single median cost of £20.10 highlighted through the national fair cost of care exercise as providers delivering in the most rural areas of the county wouldn't be able to operate at that rate. With the four-tier rate in place 46% of providers activity will be paid at a rate higher than the fair cost of care. The council believes the four-tiered structure reflects the cost of delivering domiciliary care across the rurality of Lincolnshire.

- ii) Providers ability to deliver care within the existing rates is further exacerbated, albeit to a lesser extent, by operational practice. The data highlights Lincolnshire as an outlier for the number of calls less than 30minutes long.

3. Impact of Future Market Challenges

Residential providers continue to adapt to the impact of Covid-19 and the cost-of-living crisis with both residential and domiciliary providers trying to tackle the financial pressure caused by unprecedented increases in energy and fuel costs. In addition, the key market challenges facing the adult social care market are

3.1.1 Workforce

With the increase in wages in other sectors, the challenge for the sector is to keep pace in order to attract and retain staff.

The East Midlands Region will be putting in place infrastructure to support ethical recruitment across the region, pastoral support within local areas and support with removing barriers that local areas face such as transport, accommodation or loss of workers through migration to neighbouring regions. This is supported by the International Recruitment funding.

The plan for the future is to work closely with providers in a trusted assessor approach as and when appropriate/ possible. This means that our external workforce will have an opportunity to increase their knowledge and skills set. We are hoping that these learning and development opportunities will contribute to a better job satisfaction and will subsequently improve the retention rate.

3.1.2 Adult social care reforms

Lincolnshire is preparing for the impact of the adult social care reforms. The confirmed delay to October 2025 is enabling a detailed review of the end-to-end adult social care pathway rather than adding bolt ons to the existing pathway to meet the original October 2023 needs.

Lincolnshire has a 50:50 local authority to self-funder ratio. Lincolnshire County Council is providing adult social care to approx. 3,200 residential customers over 65 years of age and approx. 2,500 domiciliary customers aged 18+. The council has completed its potential increase in demand arising from the reforms. Intelligence gathered from providers during the passporting of covid-19 grants, current projects underway and comparisons to the available ONS indicates the 50:50 assumption is robust.

The council is planning for an 80% increase in assessment volumes and forecasting 50% of those residential self-funders will exercise their right under section 18(3) to ask the local authority to arrange their care at local authority rates. For residential provision, this could see an additional 1,040 customers come through the local authority placing residential provider income at risk of reduction. Section 18 (3) is already operational for customers in receipt of non-residential care and the council receives 13 requests a month. Whilst the council expects this number to increase as awareness of the reforms increases, the largest impact will be on residential providers.

Residential providers are not solely reliant on the local authority rate with both NHS provision and self-funder rates. With confirmation of a two-year delay to the introduction of social care reforms and the subsequent reduction in the total funding originally earmarked to be released to Local Authorities to move towards increasing rates paid, inevitably the residential market will continue to be reliant on self-funder rates for longer. This is not the case for the nine prime providers who are reliant on the local authority rate with over 92% of their activity commissioned by Lincolnshire County Council.

3.1.3 Rate Structure Reviews

Working with providers, the Lincolnshire Care Association and an independent organisation to complete the market assessments, the intelligence gathered incorporated the nuances of Lincolnshire and underpinned the Councils rate paid for care. With the Market Sustainability and Improvement Funding, the Council has agreed to continue with the four-tier homecare rate structure and agreed in principle to further invest in the residential rate. The detail of this investment will be confirmed once the grant conditions have been published.

In addition, community supported living providers are highlighting their challenges in being able to deliver services within the single tier rate structure currently in place. A market assessment including an indication of the cost of delivery is underway and expected to conclude during the first quarter of 2023-24. As an interim step, the council has introduced an interim floating support rate recognising the cost of delivering services to people who live within their own home is not recognised by the single rate paid.

3.1.4 Service transformation

The council commenced its transformation journey to introduce a new strengths-based approach which is operational across 80% of social work teams. This more empowering approach maximises community assets and offers technology solutions to meet the customers needs. 70% of customers report feeling more independent and 59% report an increase in their wellbeing. In 33% of conversations, TEC reduced or even prevented reliance on formal services.

3.1.5 Shift in market construct

Within the older peoples market we are beginning to see a shift in the make-up of the market with 7 independent homes closing and 7 newer larger build group homes opening. The smaller independent homes still make up the majority of the market however should Lincolnshire continue to see this shift, the councils rate will come under increased pressure as the larger group homes have a larger cost base of delivery.

3.1.6 Growing demand and increased complexity

With residential demand returning to pre pandemic levels, increased focus on prompt discharge from hospital and continued increase for demand across working age adult services, the cost of maintaining quality services to meet the need across Lincolnshire requires continuous improvement across the board to deliver financial balance.

4. Future Strategy

To meet the challenge of continuous improvement, the council must influence the shape of the adult social care market by

- ✚ providing the right care in the right place at the right time for customers with eligible social care needs and
- ✚ agree fee levels for services that are appropriate to provide the delivery of the agreed care packages with agreed quality of care aligned to the council's duties contained within the Care Act 2014 and affordable to the council.

Supporting the care sector through the complexities of the adult social care landscape is a continuous challenge. The council is strengthening its Market Sustainability Framework to provide support to the market in tackling the challenges ahead. The structure of the councils Market Sustainability Framework for 2023-24 onwards is below.

4.1.1 Market Oversight

The council will undertake periodic Market Assessments including an indication of the cost of delivering care for each part of the sector. This will continue to be delivered in partnership with the sector, supported by an independent party and underpin the rates for care paid.

4.1.2 Service Transformation

The council has a comprehensive programme of service transformation underway aimed at maximising people's independence. The programme includes, but is not limited to

- Increasing housing opportunities. Working with district councils, the council is investing £13m over a 6-year period in extra care housing developments. The first development opened in April 2022 and is already fully occupied with a waiting list of 30 people. This development has seen a mix of customers, with an individual even moving from long term residential care.
- Continued support and development to embed strengths-based approaches and TEC first across the adult social care pathway and move towards an outcome-based approach.
- Expanding reablement capacity. The eligibility criteria to enter the reablement service has been broadened and the service itself is gearing up to increase its capacity. This is a precursor to the redesign of a truly integrated intermediate care layer.
- Development of intermediate care services. System leads were asked to take part in a collaborative assessment of Lincolnshire's current intermediate care landscape. This consisted of 22 indicators was used to stimulate constructive discussion and reflection on the current state. This identified considerable scope for improvement across all key themes and the development of what intermediate care services for Lincolnshire will look like is underway as a system.
- The Homecare transformation programme was launched following completion of the market assessment. In addition to the introduction of the new rate structure, the programme is assessing new models of care including the implementation of a Home Care Trusted Assessor pilot and a move towards outcome-based commissioning for those requiring domiciliary care.

4.1.3 Commissioning Strategy

- Development of outcome-based commissioning
- Exploration of block purchasing where it makes sense to do so, predominantly adult specialties services
- Increase use of technology across services again where it makes sense to do so

4.1.4 Contract Management

- Develop Strategic Partnerships across older adults in addition to adult specialties
- Introduction of the quality framework

- Working with CareInLincs to create a Registered Manager Buddy System to provide coaching and mentoring to new managers (Residential)
- Continuation of Intervention Support

4.1.5 Financial Process

- The council has process mapped the adult care pathway from a person entering adult social care through their needs assessment and on to commencement of service, payment of the care provider and collection of the service user contribution. This has identified where improvements in process need to be made and potential opportunities to employ digital solutions to enhance the persons journey and improve cashflow for care providers.
- With the current outsourcing contract for Adult Care Financial and Exchequer services coming to its natural end, the council has taken the decision to insource the services from 1 April 2024.
- The council is also committed to moving residential payments on a gross payment footing during 2023-24. This has taken longer than expected as the council has needed to introduce new systems and processes to enable this to happen.
- At the request of providers, consideration of providers deciding to form VAT groups.

4.1.6 Financial Support

- Provider rates are uplifted to reflect the increase in national wage and the CPI average inflation forecast for the year ahead as standard. In addition, 65+ yrs residential rates were uplifted to align the amount within the rate for capital maintenance to that contained within the adult specialties rates. The council has agreed to continue to invest in provider rates for care, informed by the market assessments, utilising the Market Sustainability and Improvement Fund.
- The council has agreed to continue the Hardship Fund introduced in 2022-23. Whilst fuel prices are reducing, it is expected that other volatile costs will continue at a higher level for longer. The strategy is to continue to operate a Hardship Fund for commissioned providers on a targeted, evidence-based basis. The framework of the fund will be confirmed once the national grant conditions of the Discharge and Market Sustainability.
- Development of a residential sustainability framework to act as an early warning of potential provider distress.

5. Conclusion

The council recognises a decrease in quality across the residential sector, increasing usage of agency to tackle workforce challenges and signs of financial pressure caused by the increases in energy and fuel prices. The council continues to invest in the rates paid for care and provide additional financial support through development of the Hardship Fund and the passporting of additional government support when available.

The Council will continue to utilise its well-established fee setting methodology to calculate its provider rates informed by its Market Sustainability Strategy. The recent fair cost of care exercise provides an indication of the scale of increase in residential rates needed to move towards reducing the residential sectors reliance on self-funder rates as the social care reform programme takes shape. The council will increase rates utilising the funding released through the Market Sustainability Fund through to 2025.

The council will continue to work with the sector and as part of the Lincolnshire Integrated Care System (ICS) to develop new models of care to support sustainability of the sector.