**Fair Cost of Care Exercise – Care Homes**

**Purpose**

To determine the median weekly rates for Residential and Nursing Care in Milton Keynes.

**Approach**

Milton Keynes City Council used the CHIP Cost of Care tool to collate the required financial and activity data, which was circulated to 29 Care Homes registered with CQC for 65+ placements, along with supporting guidance. Care Home providers were also invited to a forum to discuss the Fair Cost of Care (FCoC) exercise with representatives from Finance, Commissioning & Contracts to provide advice and support.

16 providers responded. Of the returns received, 1 provider did not fully complete the return so this could not be utilised. 1 provider did not provide the information requested. Therefore a 48% return rate was achieved. Although this is a higher proportion of returns in comparison to the home care exercise, this does not reflect the entire care home market within Milton Keynes, and therefore may not be sufficient to rely upon.

**Limitations**

**Verification of data submissions**

No supporting evidence has been provided alongside the FCoC submissions, in line with national guidance (ie this exercise is to be light touch and not burdensome on the provider). There is also a risk providers could choose not to engage or withdraw completely if the exercise becomes too time consuming. Therefore, we cannot be confident data submitted is accurate, due to limited financial due diligence. Our general process for reviewing fee increases would be to scrutinise statement of accounts and management accounts and request other supporting information.

**2021-22 base year**

The base year for provider submissions is 2021-22, a year where significant additional costings would have been incurred due to Covid. Additional funding was also provided for other measures such as workforce which would have supported additional activities linked to recruitment and retention. Although providers have been asked to adjust for such one-off expenditure, it is not evident from the returns that this has been accounted for. There is a risk therefore that the cost of care will be over inflated.

**Inflation**

Providers have applied inflationary uplifts to their 2021-22 expenditure to provide an estimated cost for 2022-23. Although there are clearly some areas where we would anticipate that providers have incurred significant additional costs in the current financial year (eg utilities, travel, NLW) there appears to have been a blanket uplift applied to all costs, in some cases as much as 10-15%.

**Engagement from providers when challenged**

Not all queries received responses (whereby providers were challenged on assumptions and data submitted).

**CHC (Continuing Health Care)**

The return does not distinguish between those service users who are CHC funded, who generally have more complex needs and therefore would require a higher level of care. By not separating these costs, the fair cost of care for nursing placements could be too high. From the returns received, 7% of care home beds were occupied by CHC funded service users.

**Cost of Care exercise results for Milton Keynes Care Homes**

A further breaker of fees can be found in Appendix 1.

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| --- | --- |
|   | Weekly Rates   |
|    | **Lower Quartile**  | **Median**  | **Upper Quartile**  |
| Residential   | 750   |  790   |  958   |
| Residential - dementia \*  | 740   |  790  |  948  |
| Nursing   | 935   |  998   |  1,188  |
| Nursing - dementia   | 1,013   |  1,067   |  1,222 |

**\*** residential dementia rates were lower than residential frail elderly rates in the actual submission analysis, despite querying with providers. We do not believe this would be accurate and therefore have used the same rate (the higher of the two) for both categories.

**Financial implications**

The cost of moving to the median rates by 2025/26 is £2.874m. This includes the increased pressure of yearly growth and inflation demand.   This is an indicative figure, we cannot commit to the time period Milton Keynes City Council will increase the rates paid to care home providers (over and above yearly inflation) until we understand our Market Sustainability funding allocation for 2023-24 and beyond.

**Return on operations calculation rationale**

A return on operations of 5% has been used, consistent with the allowance within the home care fair rate. This is also consistent with another neighbouring local authority, who have also used this rate.

**Return on capital rationale**

Commercial estate agents Knight Frank cite a 5.5% yield for core care home stock. The average property value (per unit) for a care home in the East Midlands is between £0.040-0.080m. Taking the median property value of £0.060m, a weekly return on capital would be £63.46 per week, per resident.

**Calculating year uplifts for care home providers**

The current formula used for calculating yearly uplifts to care home providers is detailed below:

Care worker’s staffing element: 74% x increase in NLW for year

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Other business related costs:  26% x CPI (September CPI)

From the returns received and the fair cost of care rate calculated, front line staffing costs on average account for 69% of running costs and therefore the formula should be adjusted accordingly for 2023-24 and beyond.

**Appendix 1 – results from cost of care exercise**

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| **Cost of care exercise results - all cells should be £ per resident per week, MEDIANS.** | **65+ care home places without nursing** | **65+ care home places without nursing, enhanced needs** | **65+ care home places with nursing** | **65+ care home places with nursing, enhanced needs** |
| **Total Care Home Staffing** | **£453.74** | **£453.74** | **£649.35** | **£713.34** |
| Nursing Staff | £0.00 | £0.00 | £192.13 | £258.36 |
| Care Staff | £320.91 | £320.91 | £320.91 | £315.79 |
| Therapy Staff (Occupational & Physio) | £0.00 | £0.00 | £0.00 | £0.00 |
| Activity Coordinators | £7.74 | £7.74 | £8.00 | £8.42 |
| Service Management  | £36.10 | £36.10 | £36.10 | £39.97 |
| Reception & Admin staff at the home  | £13.83 | £13.83 | £15.10 | £17.20 |
| Chefs / Cooks | £29.05 | £29.05 | £29.05 | £25.92 |
| Domestic staff (cleaning, laundry & kitchen) | £40.65 | £40.65 | £42.90 | £41.89 |
| Maintenance & Gardening | £0.00 | £0.00 | £0.00 | £0.00 |
| Other care home staffing (please specify) | £5.46 | £5.46 | £5.16 | £5.79 |
| **Total Care Home Premises** | **£34.87** | **£34.87** | **£34.87** | **£36.08** |
| Fixtures & fittings | £0.00 | £0.00 | £0.00 | £3.87 |
| Repairs and maintenance | £23.70 | £23.70 | £23.37 | £21.44 |
| Furniture, furnishings and equipment | £8.87 | £8.87 | £9.20 | £9.46 |
| Other care home premises costs  | £2.30 | £2.30 | £2.30 | £1.31 |
| **Total Care Home Supplies and Services** | **£107.94** | **£107.94** | **£110.15** | **£110.14** |
| Food supplies | £39.36 | £39.36 | £39.36 | £40.19 |
| Domestic and cleaning supplies  | £6.46 | £6.46 | £6.46 | £6.73 |
| Medical supplies (excluding PPE) | £3.80 | £3.80 | £6.05 | £7.41 |
| Office supplies (home specific) | £2.90 | £2.90 | £2.90 | £2.71 |
| Insurance (all risks) | £6.11 | £6.11 | £6.31 | £6.21 |
| Registration fees | £3.43 | £3.43 | £3.43 | £3.44 |
| Telephone & internet | £2.40 | £2.40 | £2.28 | £2.15 |
| Council tax / rates | £1.36 | £1.36 | £1.35 | £1.31 |
| Electricity, Gas & Water | £30.85 | £30.85 | £30.74 | £30.68 |
| Trade and clinical waste | £4.82 | £4.82 | £4.82 | £4.75 |
| Transport & Activities | £2.75 | £2.75 | £2.75 | £1.92 |
| Other care home supplies and services costs  | £3.70 | £3.70 | £3.70 | £2.64 |
| **Total Head Office** | **£95.39** | **£95.39** | **£95.86** | **£96.33** |
| Central / Regional Management | £63.82 | £63.82 | £63.82 | £64.32 |
| Support Services (finance / HR / legal / marketing etc.) | £10.54 | £10.54 | £11.01 | £10.22 |
| Recruitment, Training & Vetting (incl. DBS checks) | £8.06 | £8.06 | £8.06 | £8.71 |
| Other head office costs  | £12.97 | £12.97 | £12.97 | £13.08 |
| **Total Return on Operations** | **£34.60** | **£34.60** | **£44.51** | **£47.79** |
| **Total Return on Capital** | **£63.46** | **£63.46** | **£63.46** | **£63.46** |
| **TOTAL** | **£790.00** | **£790.00** | **£998.20** | **£1,067.14** |