

# BUSINESS CASE

Recommissioning of Adult Care Homes



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## I. EXECUTIVE SUMMARY

There are currently 89 individual care homes for adults in Plymouth, offering a mixture of residential and nursing care. There is a need to reconsider how we commission care homes, to ensure they meet our population needs and continue to support our residents with more complex needs and vulnerabilities to be well cared for.

The current contracts are due to expire 31<sup>st</sup> December 2023 and we are seeking to extend these for an additional year to allow time for the redesign and procurement of the service including engagement with those who use these services as well as those who provide them. The current contract value is approximately £50m per annum.

Plymouth City Council has contracts in place with all of the care homes across Plymouth which allows for placements to be made through a pre-placement agreement, which includes care homes across the city and also out of area for residential care, nursing care, and NHS Continuing Healthcare (CHC). We work closely with our NHS Devon ICB partners to commission and monitor care home services. There has never been a tender process for care homes as this has historically always been managed through an open market.

The contract was initially a three year contract with an option to extend for a further two years. PCC acts as the lead commissioner and NHS Devon ICB as an Associate Commissioner.

Due to the ageing population and an increase in complex needs and comorbidities, the current mixture of residential beds and nursing beds is not considered to be fit for purpose. The available beds, and workforce, are therefore not able to fully support the demand and we know that the areas requiring more focus include:

- Complex dementia or mental health;
- Bariatric care;
- Complex physical health needs;
- Ventilated individuals and those with tracheostomies;

Therefore the proposed commissioning approach seeks to work with residential and nursing care home providers to design a revised model to address the gaps we are seeing in the care home market.

## RECOMMENDATIONS

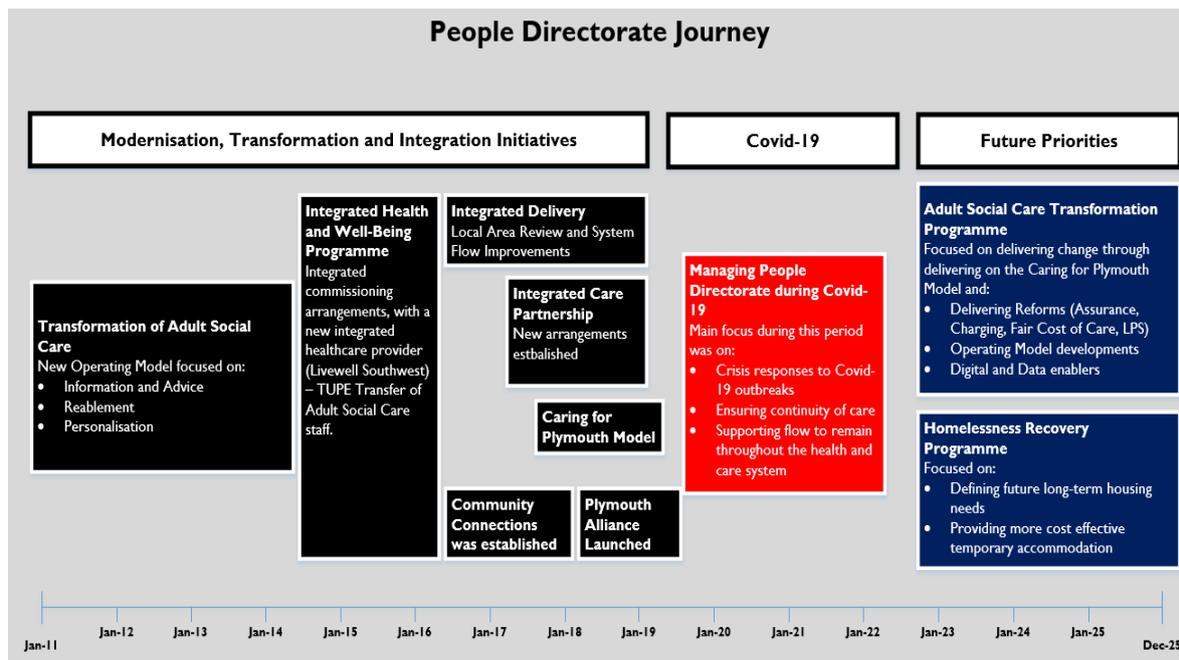
**It is recommended to extend the current care home contracts by a period of 1 year from the beginning of January 2024, and to use this period of time to carry out engagement to inform a future procurement of this type of provision. The business case to describe the approach to procurement will be brought back to Cabinet in March 2024.**

The 12 months' extension will be applied to all care homes' pre-placement contract unless as part of the usual review of individual homes, the council is not satisfied that the particular home will be able to meet residents' ongoing care needs.

## 2. INTRODUCTION

Plymouth City Council’s People Directorate has been on an aligned and consistent change journey to achieve modernisation, transformation and integration with health partners and communities for more than a decade, with the first phase of Transformation of Adult Social Care being mandated in 2011. The history of this journey is captured in Figure 1.

**Figure 1.** Adult Social Care Modernisation, Transformation and Integration Journey



In 2016, Community Connections was brought together to create a step change around how the council engages and works with communities and citizens. In 2018, the next major phase of change for Adult Social Care was outlined in the ‘Caring for Plymouth’ report, which sought to ‘enable people to live independent and fulfilled lives as part of their communities’. In April 2019, the Plymouth Alliance was launched, and homelessness, temporary housing, advice and support services were commissioned as part of the complex lives’ procurement including services such as substance misuse, and some mental health provision.

In March 2020, when the Covid-19 pandemic first presented itself, the above journey of change was temporarily put on hold, whilst health and social care partners across the city reacted and responded to the challenges and demands that the pandemic created.

Following the Covid-19 pandemic a new Directorate vision has been established to deliver a caring city where:

**“People live in a place they call home with the people and things they love, in communities where they look out for one another, doing things that matter to people”**

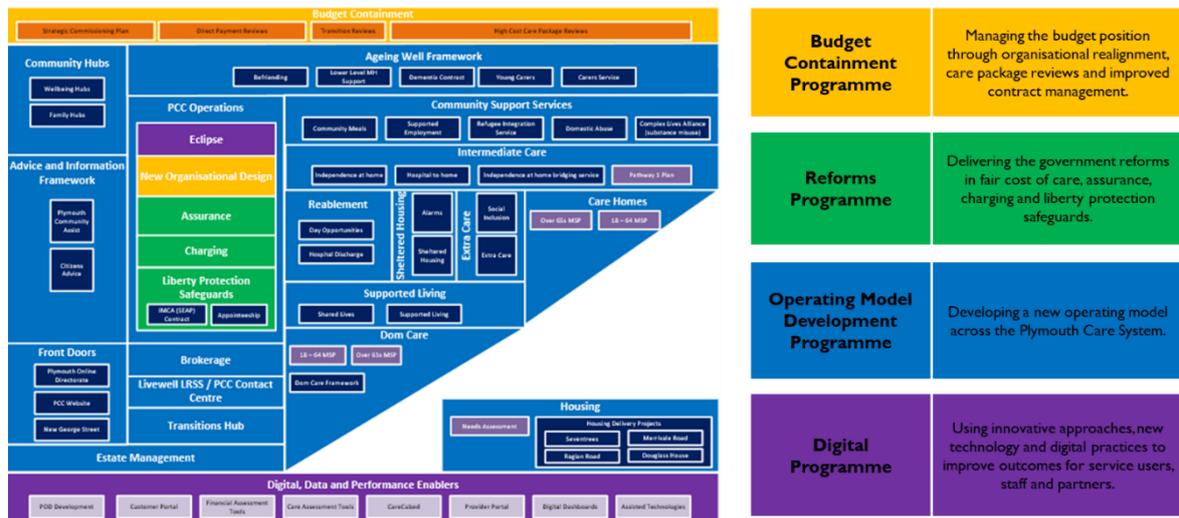
In line with PCC’s Corporate Plan to ‘work with the Police to tackle crime and anti-social behaviour’, to ‘build more homes – for social rent and affordable ownership’, to ‘work with

the NHS to provide better access to health, care and dentistry’, and to ‘keep children, adults and communities safe’ and with the direction from the Department of Health and Social Care, People Directorate has developed a long-term programme that will:

1. Continue to develop its Local Care Partnership (LCP) arrangements, continue to embrace and deliver integration with the ICB, and support the LCP’s overarching aims:
  - Improve health and wellbeing outcomes for the local population
  - To reduce inequalities in health & wellbeing of the local population
  - To improve people’s experience of care
  - To improve the sustainability of the health and wellbeing system
1. Manage the Directorate’s finances to deliver a balanced budget in 2023/24 and for future years;
2. Implement government reforms for Assurance, Charging and Liberty Protection Safeguards;
3. Embrace digital and innovative change that can improve the outcomes for people receiving care, people delivering care and people managing care;
4. Develop and implement new arrangements, processes, structures and culture that develops a more modern, strategic and dynamic operating model and workforce;
5. Deliver changes to the way we build, purchase, manage and use housing across social care, in particular, to improve the position of homelessness in the city.

This long-term programme is called the ‘Adult Social Care Transformation Programme’ and will run from 2023 – 2026. An outline of the model of this programme is presented in Figure 2.

**Figure 2. ASC Transformation 2023 – 2026 Model**



### **3. CURRENT SERVICE OFFER**

The overall number of care homes and beds for older people in Plymouth has changed little over the last five years. Across the previous financial year 2022/23, Plymouth has seen 2 older persons residential and nursing providers' close, whilst there has been 1 new entrant providing dementia residential care.

In contrast, there are concerns regarding the supply of care homes registered for those under the age of 65. In the past 18 months, 6 under-65 care homes in the city have closed. The reasons for closures range from financial viability, inadequate CQC rating/compliance, voids, lack of professional support from external agencies and behavioural and/or complexities of need. As such, a separate piece of work is currently ongoing to focus on the resilience of this sector of the care home market.

The vast majority of care homes in Plymouth are in the independent sector. Most homes in Plymouth are owned by small or medium sized businesses and there is little provision by large national businesses. This has strengths in terms of long-term commitment to local communities but does mean that businesses may lack access to capital for remodelling existing services or investing in new facilities. The local care home estate is mostly old Victorian houses; this can create challenges for providers who are trying to remodel / adapt their model to take more complex individuals.

A clear indicator of a market affected by challenges such as workforce, cost of living pressures is their reduced occupancy levels. NHS capacity tracker data shows us that the average occupancy rates across Plymouth are currently 90%. Occupancy rates vary significantly across individual homes from 42% up to 100%; this helps us to highlight potential viability issues and shows the challenge of finding suitable placements for those with more complex needs.

We expect occupancy concerns to persist especially for our more standard residential homes as they will not be able to meet the growing demand for individuals with complex dementia and comorbidities. Diversifying these homes to meet this demand is currently a particularly challenging option for the small to medium businesses that make up most of Plymouth's market. This is due to a combination of sustained public austerity, after-shocks of the pandemic, and increasing levels of client complexity and the unstable nature of the market itself inhibiting private investment.

### **TRENDS**

Following the impact of Covid 19, for the financial year 23/24 we are seeing an increase in the number of residential placements. Some of this rise in demand is driven by individuals presenting with dementia which has increased two-fold and continues to rise. Part of the increase in the prevalence of dementia in residential placements is attributed to improved diagnoses of the condition, but it is still believed to be becoming more prevalent.

### 3.1 CURRENT SERVICE PERFORMANCE AND FEEDBACK

The cost of living crisis is impacting the financial viability of local providers and through market engagement sessions we have listened to concerns such as:

- Inflation continues to rise and impacts on the cost of utilities, rates, food, equipment, service, repairs and maintenance, insurance premiums and CQC fees;
- Overdraft/lending rate increases;
- Cost of fuel;
- Providers competing for same workforce pay differential;
- Providers competing for same workforce and NHS able to offer better pay, terms and conditions;
- Increasing numbers of staff choosing to leave the sector;
- Increased risk of market failure;
- Increased demand around managing complexity of need;

#### Quality and CQC Compliance

Plymouth's older person's care market (over 65) contains in total 55 care homes of varying specialisms. Most care homes are registered for Dementia care, however many are only able to accommodate those with low to mid-level needs. Whilst homes are registered for dementia care, they will also take non-dementia clients.

The quality standards of Plymouth's overall care home provision compare favourably with the rest of the country. In August of 2023, 88% of Plymouth homes were rated Good or Outstanding which is higher than nationally, as seen in Table 1.

The 2021 Adult Social Care Client Survey showed that 78.2% of people in receipt of long-term social care within a care home were either 'satisfied' or 'very satisfied' with the care they receive, an increase of 7.1 percentage points on the 2019 survey. Historically satisfaction rates in Plymouth are higher than the national and comparator group averages.

<b>National overall - Care Homes</b>	<b>National (14,810)</b>	<b>Local (89)</b>
Outstanding	4%	11%
Good	72%	77%
Requires Improvement	16%	10%
Inadequate	1%	2%
Not Yet Inspected	7%	N/A

*Table 1. Please note that this information includes all care homes supporting adults 18-64 and those with a learning disability.*

Table 2 shows the quality of care provided in 25 out of 31 of our Dementia residential homes is classed by CQC as Good. These homes have strong leadership, competent, dedicated staff, a safe environment and a willingness to work collaboratively with others in the community for the benefit of their residents. This is therefore an opportunity for the local authority to work with these homes to explore expanding their provision, upskilling staff and being able to successfully accommodate change in the coming years.

Care Home Type & total number	Inadequate	Requires Improvement	Good	Outstanding	Not Yet Inspected
Residential	Nil	7	30	6	Nil
DE Residential	Nil	2	25	2	1
General Nursing	Nil	Nil	7	Nil	Nil
DE Nursing	Nil	Nil	7	2	Nil

Table 2. Older Persons CQC Classifications

#### 4. CASE FOR CHANGE

Due to our ageing population and an increase in complex needs and comorbidities, the current mixture of residential beds and nursing beds is not considered to be fit for purpose. The available beds, and workforce, are therefore not able to fully support our current and anticipated future demand. We have an oversupply of standard residential beds and not enough provision for those with more complex needs.

A significant barrier for diversifying the market will be instilling confidence in providers and home managers. Taking on more complex clients will increase the perception of risk and could, if not managed or supported correctly, result in safeguarding concerns and/or a change of CQC classification, both of which impact business viability. It will be necessary to ensure that the infrastructure is in place for these homes to develop. It is essential that this development occurs to meet the needs of Plymouth's residents, but also to ensure a financially viable, sustainable business.

#### Future Care Home Model

System leaders, commissioners and providers have all recognised the advantages of 'starting from scratch', in developing new services to meet projected levels of need and changing market expectations. Our Market Sustainability Plan, published in spring 2023 identifies market growth areas to include complex nursing care for older people, domiciliary care, and specialist housing for working aged adults and older people.

Transformation in the model for long stay residential and nursing care is required to ensure sufficiency of placements and workforce to support future needs.

## Potential Care Home Models\*

**Model 1:** Residential Care – A core offer of standard residential care, aligned to our anticipated needs. This is likely to see a reduction in the number of standard residential care providers with providers supported to decommission or move into more specialist provision.

**Model 2:** Nursing Care (or combination of model 1 & 2) - Sustain levels of nursing providers, supported by training and skills development to support individuals with more complex needs.

**Model 3:** Dementia Care - Development of a dementia care model which sees fees, process and risks managed to support innovation and meet demand.

**Model 4:** Complex Dementia Care (or combination of model 3 & 4) - Further to model 3, development of a dementia care model which sees fees, process and risks managed to support innovation and meet demand.

**Model 5:** Responsive End of Life Care (or combination model 2, 3 & 4) - Review of current end of life care to ensure it is both fit for purpose and accessible to those who need it.

**Model 6:** Residential care for under 65's – a model which supports younger people who require residential care, with a focus on maintaining independence for as long as possible.

The model is the basis for bedded long stay care in line with the Integrated Care Model; we will continue to work with our Local Care Partnership to ensure individuals are given the greatest opportunity to receive care in their own homes. This will be enabled through a neighbourhood approach, linking in with the voluntary sector, home care providers and others supporting the ambitions within our Market Sustainability Plans and the NHS Devon Intermediate Care plan which will bring changes to purchasing of short stay provision.

### 4.1 National Drivers

The following national strategic drivers support the recommissioning of home care services:

- **NHS Long Term Plan (2019):** Care to be increasingly delivered in people's homes or somewhere convenient, freeing up space in hospitals for those who need it most. Focus on expanding community care, support and prevention.
- **Care Act (2014):** Places a duty on local authorities to facilitate and shape our market for care and support; to ensure sustainability, diversity and continuously improving and innovating services. It includes the promotion of strengths-based approaches and particularly a focus on prevention and wellbeing.
- **Public Services (Social Value) Act (2012):** To consider how the services the local authority commissions and procures might improve the economic, social and environmental wellbeing of the Plymouth area.
- **Equality Act (2010) – Public Sector Equality Duty:** To eliminate unlawful discrimination, harassment, and victimisation, to advance equality of opportunity between people, to foster good relations between people who share a protected characteristic and those who do not.

## 4.2 Plymouth System Drivers

The following **partners' strategies and plans** must also support the procurement of domiciliary care:

- The **Local Care Partnership** supports the Government's policy Build Back Better: Our plan for health and social care. It aims to: improve health and wellbeing outcomes for the local population, reduce inequalities in health and wellbeing of the local population, improve people's experience of care, and improve the sustainability of the health and wellbeing system. Ultimately, the ambition of the Local Care Partnership is for people to receive 'the right care, at the right time, in the right place'.
- **Livewell Southwest's** mission is to support people to lead independent, health lives in the place, and the community in which they live.

## 4.3 Plymouth City Council Drivers

The following **council strategies and plans** must also support the procurement of care homes:

- The **Plymouth Plan 2014-2034** details the Local Authority's ambition to ensure people get the right care from the right people at the right time to improve their health and wellbeing.
- Plymouth's **Go Green Campaign** is a key driver for our procurements, with the goal for the City to be net zero carbon by 2030. This includes sustainable procurement and driving innovations to create change across the City.

## 5. OPTIONS APPRAISAL

### 5.1 OPTIONS CONSIDERED

The table below presents a summary of the options considered, scoring methodology and recommended option.

OPTION 1	DO NOTHING
<b>Description:</b>	This would mean taking no action to increase or change the capacity in the care home market and rely on market forces to provide the increased beds and quality of care required by demographic and social policy changes
<b>Pros:</b>	'Doing nothing' is not considered a viable option, as it does not address the council's priorities and challenges nor contributes to planning services to meet future need
<b>Cons:</b>	The contract is due to expire. Due to procurement regulations, this would not be the preferred option
OPTION 2	EXTEND AND CARRY OUT ENGAGEMENT - RECOMMENDED OPTION
<b>Description:</b>	Extend the current contracts for a period of one year from 31 December 2023 to give time for market development and needs analysis, service design etc. work to take place
<b>Pros:</b>	No capital investment required Potentially immediate access to beds

	<p>Gives time for market development and needs analysis, service design etc. work to take place, working with our providers rather than “doing to”</p> <p>Focus on improving quality and sustainability of current nursing home provision</p> <p>Time to develop a single joint Care Home contract covering all PCC and ICB (NHS) fully funded Care Home with Nursing placements and FNC agreements</p> <p>Provides sufficient time to understand how the demand for services has changed and inform development of the future service model requirement</p> <p>The Health and Care Bill requires integrated provision, it will allow commissioners to understand the implications and develop plans that are legislatively compliant with the expected requirement</p> <p>Allows for a compliant procurement process over the extension period which provides time to develop the future model for delivery of community health and social care services</p> <p>Service deliverables are already agreed in the pre-placement contract, with performance standards known and changes to the terms for a three year extension already agreed - this option is unlikely to require any detailed negotiation or intervention outside business as usual</p>
<b>Cons:</b>	Limited market transformation for the next 12 months
<b>OPTION 3</b>	<b>TENDER THE SERVICE</b>
<b>Description:</b>	Complete a full tender of the service, to commence immediately
<b>Pros:</b>	<p>Potential for voluntary sector providers who already offer a similar service to bid</p> <p>Service continues to support the flow within the urgent care system; they have helped to reduce the number of hospital bed days and helped improve people’s experience of hospital discharge</p> <p>Potential for voluntary sector providers to build an alliance and bid together / sub contract</p>
<b>Cons:</b>	<p>Does not allow time for full market and service user engagement</p> <p>Would not allow time for partnerships and alliances to form</p> <p>Could see an increase in costs due to current inflationary increases</p> <p>This sector has not been formally procured before and will need support to engage with and understand the process</p>

## 5.2 OPTIONS SCORING METHODOLOGY

The following criteria were used to analyse each option:

- **Statutory Duties:** Will this option enable the council to carry out its statutory duties
- **System drivers:** Will this option support the strategies and plans in the system of health and adult social care?
- **Council drivers:** Will this option support the Council’s strategies and plans?
- **Revenue cost:** Will this option fit the budget outlined in the MTFP after the changes?
- **User benefit:** Will this option deliver benefits to service users / customers (both internal and external)?
- **Ability to deliver:** How easy will it be to deliver the option?
- **Risk:** How risky is the option in comparison to the current situation?
- **Timescale:** How quickly can the option be introduced and implemented?
- **Future needs:** Does the option allow for future changes to the organisation, and to still perform as expected?

Each criterion was scored 0 – 3. The scoring was defined as:

3 – Exceed expectations

2 – Sufficient

1 – Partly sufficient

0 – Not met at all

### 5.3 OPTIONS APPRAISAL SCORING OUTCOME

	Do Nothing	Extend & Engage	Tender the Service
Statutory Duties	2	2	2
System Drivers	1	2	2
Council Drivers	1	2	2
Revenue Cost	2	2	2
User Benefit	2	2	2
Ability to Deliver	2	2	1
Risk	2	2	1
Timescale	2	2	1
Future Needs	0	1	2
<b>Score</b>	<b>14</b>	<b>17</b>	<b>15</b>

### 5.4 RECOMMENDED OPTION

Based on the scoring above it is recommended to proceed with Option 2: Extend the current contracts for a period of one year from 31 December 2023 to give time for market development, needs analysis and service design work to take place.

There are no significant risks associated with extending the contract which might otherwise warrant going out to re-procurement. Any individual performance issues can be managed using the provisions within the existing contract.

### NEXT STEPS

- Develop draft specification
- Market engagement sessions to develop updated revised specification
- Developing the market for procurement
- Discuss procurement options with providers and key stakeholders, to include but not limited to:
  - ❖ Block,
  - ❖ Framework or
  - ❖ Dynamic Purchasing System
- Agree recommended option.
- Agree implementation timescales.

- Develop Implementation Timescales
- Market engagement.
- Develop a robust communication plan.
- Develop business case for Cabinet.

## 6.1 IMPLEMENTATION TIMELINE

An indicative timescale is as follows:

Activity Milestone	Date
Extension of pre-placement contract variation	1 <sup>st</sup> January 2024
Agreement of Spec – Market Engagement	October 2023 – Dec 2023
Procurement Process Workshops – Market Engagement	October 2023 – January 2024
Models – Market Engagement	January 2024 – March 2024
Final development of draft specification	January 2024
Market engagement	January 2024 – March 2024
Cabinet for consideration of business case	March 2024
Tender process	March 2024 – June 2024
Contract Award	August 2024
Development of mobilisation plan	August 2024 – December 2024
Contract Go Live	1 January 2025

## 6.2 FINANCIAL IMPLICATIONS

An extension to the Care Home Pre-placement contract would mean that we continue to work within the current agreed financial structure for procuring placements with residential and nursing care providers. An annual inflationary uplift will continue to be applied in April 2024 in line with inflation markers identified by the ONS.

### 6.3 RISKS AND MITIGATIONS

Risk	Risk Score			Mitigation	Revised Risk Score		
	Likelihood (1-5)	Impact (1-5)	RAG (1 - 25)		Likelihood (1-5)	Impact (1-5)	RAG (1 - 25)
Extending the contract is not supportive of the Local Authorities financial objectives	2	3	6	In year budget pressures to be managed with Adult Social Care with reviews of exceptional high cost placements as appropriate.  Early engagement with local providers gives greater opportunities for diversification and right sizing of provision including fees	1	3	3
Sufficiency and structure of care home placements doesn't enable the Local Authority to meet its statutory duties under the Care Act, further the LA is unable to support system partners to maintain positive system flow	2	4	8	Continue to work closely with providers of residential and nursing services alongside Devon ICB colleagues to understand challenges facing the market and design new approach to meet these	2	3	6
Insufficient time to run an appropriate procurement process that meets the future commissioning intentions for residential and nursing care	2	3	6	Contract extensions allows time to properly prepare the provider market for a procurement process and meet commissioning intentions	2	2	4

### 6.4 OUTCOMES AND BENEFITS

Strategic Outcome	Benefit Description	Benefit Category
Improve health and wellbeing outcomes for the local population	Development of enhanced clinical support and a re-design of the care home market to enable care homes to manage more complex needs	User Improvement
To reduce inequalities in health & wellbeing of the local population	Alignment of health and social care priorities. E.g. to the intermediate care plan which seeks to reduce length of stay and improve proactive therapy support	User Improvement
To improve people's experience of care	A re-design of care home market to support providers to develop specialisms e.g. dementia nursing care	User Improvement
To improve the sustainability of the health and wellbeing system	Development of a new fee model to support new models for care	Cost Avoidance / System Improvement