

SUMMARY REPORT

Alder Advice

ADASS North West

NORTH WEST MARKET SUSTAINABILITY AND OVERSIGHT REVIEW

**On the Markets for
Residential and Nursing Care
Homes and Domiciliary Care for
Older People and for Adults with a
Learning Disability**

Foreword



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We are pleased to present the Summary Report for our NW ADASS Care Market Sustainability and Oversight Review. This represents the collective efforts of our Branch during 2017 and signifies our shared aspiration to truly understand the care market across the North West and recognise the scale of the financial challenge facing adult social care.

While our region includes many examples of innovation and radical public service reform, via devolution and collaboration with health, we questioned how well we understood the existing provider markets across our traditional boundaries.

We worked with Alder Advice to carry out this major study, gathering comprehensive data from care management and financial systems from all 23 North West Local Authorities. From the outset we recognised this was an ambitious project in times of unprecedented system pressures, which included a vast data collection exercise. It has been a pleasure to witness the collective enthusiasm from all colleagues involved to make this work happen. We appreciate this work provides a certain level of detail, with future iterations encompassing even more information, but we firmly believe this is a solid platform from which to collectively understand the risks and opportunities in our care market and forward plan accordingly.

This summary report demonstrates the scale of the challenge facing the sector. We cannot continue to support people in the same way as existing models of care will simply not be sustainable. A number of NW LAs are pursuing transformational change and seeing benefits in terms of outcomes but our findings reinforce just how imperative it is that we:

- Support a lower proportion of the population through formal care for less of their life
- Alter the balance of support away from traditional residential care to community support
- Innovate to lower the cost of long term care e.g. use of technology or asset-based approaches

It is clear throughout the report that transformational change, both locally and at scale, is required to create a sustainable and vibrant market. We recognise our challenges around quality and fees and a diverse market increasingly being dominated by larger providers. However, this provides opportunities for collaboration on strategic engagement, commissioning and quality improvement.

The report also demonstrates the financial impact of different market shaping scenarios based on the last three years spend and activity – something which colleagues are refining locally to create a more robust financial modelling forward view.

Extensive engagement with commissioners and providers uncovered rich testimony about our existing services and the challenges we face, and a range of good practice examples that we will be routing through our established SLI Programme.

Whilst we are happy to share our experience and findings in the spirit of Sector Led Improvement, we are acutely aware this is not a perfect, exemplar framework. This study did not include health data and for some elements not all of our 23 local authorities were able to submit data. We will continue to work with our partners across the health and social care system to build the robustness of the study.

Finally, our challenge is how we react to the recommendations in the report. Much of the energy and effort will be deployed via our established sub-regions and there is already a strong commitment through our three STP's to embrace the recommendations and respond to the challenges.

It is inspiring to see the levels of commitment from colleagues in the region and we are enthusiastic about the opportunities this study provides in the NW. If colleagues or partners would like to discuss the report further, we'd welcome contact via our Programme Office.

Statement of support



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I was invited by NW ADASS to participate in the presentation of the final report to the NW ADASS Branch Meeting on the 12th December and to summarise my response in this foreword. I commend the region for having the strategic intent to complete this analysis and I am happy to endorse the work – it provides an excellent insight into the state of the care market in the region and the level of opportunity to do things differently.

The report makes clear that the time to act is now. Having gathered a wealth of data and identified the scale of the challenge and opportunity, the most important question is what will NW ADASS do next?

This work can contribute to national discussions on adult social care reform and funding hence considerable national interest in the results. I wish NW ADASS the best of luck in building upon this work, there is much that can be done in terms of further analysis and acting immediately on the challenges and opportunities raised. I look forward to working with NW ADASS in the future to help progress the work.

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1. Introduction and Background

1.1 The North West (NW) Region includes 23 local authorities (LAs) with statutory responsibilities for adult social care (ASC). It is extremely diverse, in geographic, demographic and economic terms. It has strong regional and sub-regional improvement networks and where possible it seeks to address challenges collaboratively.

1.2 Recent publications¹ have highlighted that at the national level the sustainability of the ASC market is increasingly at risk. Following on from these recent discussions at North-West Association of Directors of Adult Social Services (NW ADASS) Branch meetings have focused on the scale of financial challenge and the level of risk in care markets in the North-West. This has led to the Branch asking:

- How well does the Region and Sub-Regions within it understand these risks and challenges? In particular the financial challenge and
- What commissioning and market oversight arrangements by individual LAs, sub-groups of LAs and by the Region, as a whole, would best mitigate these risks? How are existing markets for older people's and learning disability services constituted?

2. Aims, Approach and Scope

2.1 To help answer these questions the NW ADASS Region asked Alder Advice to use data available within the region and nationally, and to engage with commissioners and providers within the Region, to advise it on its future approach to commissioning and market oversight. The analysis was informed by 3 work streams summarised in Figure 1 below:

Figure 1: Project Workstreams



¹ For example: CQC's report on the State of Care 2015/16 and LGA's submission to the Treasury on the Spring Budget.

3. Report at a glance

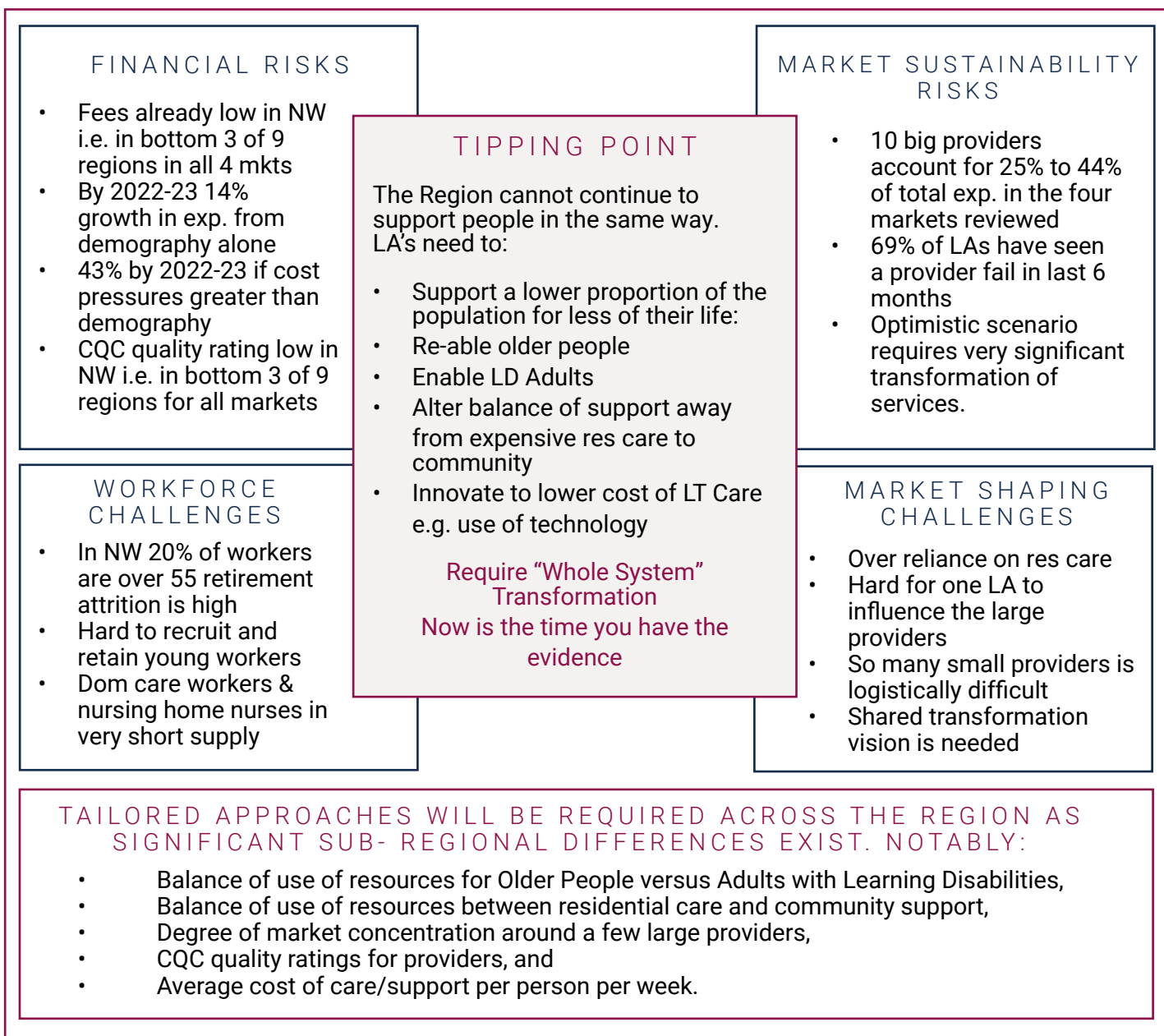
3.1 Taken together the findings from the three workstreams demonstrate that the Region cannot continue to support the same number of people, for the same amount of their lives using the same support models as now. To attempt to do so will not be affordable under any of the scenarios tested, except for a highly “optimistic” scenario, which was calculated to demonstrate the level of change that would be needed for a financial break-even position to be achieved after 5 years.

3.2 The clear conclusion, as shown in figure 2 below, is that the Region is at a “Tipping Point” where incremental improvement is no longer enough. The only way that the demographic and cost challenges being faced can be met affordably will be through a “system wide transformation” in how care and support needs are:

- Minimised through prevention and early intervention approaches, and
- Met when long term support is unavoidable.

3.3 This conclusion is based on a combination of risks and challenges as summarised in figure 2.

Figure 2: Summary of Key Risks and Challenges



4. Findings from the Engagement and Research Process

The engagement and research undertaken was based around the 12 issues highlighted by the House of Commons Communities and Local Government Select Committee Report on Adult Social Care (ASC) published on 27th March 2017. The process started with a survey of Commissioners and Providers. This was followed by a series of sub-regional workshops with Commissioners and Providers, in depth interviews with other key stakeholders and a review of existing relevant secondary research and data.

4.2 The initial survey indicated that two of the 12 issues were of “critically high importance” in relation to market sustainability and oversight. They were the risk that:

- 1. Fee levels** may become unaffordable for commissioners or unsustainable for providers,
- 2. Provider failure or withdrawal** from the market could destabilise the market.

4.3 The two above risks were closely inter-related and were rated as being of “critically high importance” because survey respondents acknowledged that:

- **Funding for Adult Social Care is already very tight, and will remain so for the foreseeable future,**
- **Significant unavoidable cost pressures exist in the care and support system e.g. changes in demography, unavoidable new staff costs related to new legal responsibilities and the need to compete with other employers to recruit and retain suitably skilled staff, and**
- **Some providers are already failing and or withdrawing from the market and the North West is particularly vulnerable to this as it has some very large providers who would be hard to replace.**

4.4 Further research at engagement workshops, during one to one interviews and from existing research data confirmed the importance of the top two risks highlighted by the survey, but also highlighted two other issues that also warranted being rated as of “critically high importance”. The two issues were the:

3. Workforce sustainability challenge - This is because the workforce quality, recruitment and retention challenges that exist all have significant implications for the future market sustainability. This is due to strong links to a number of other issues raised in the Select Committee Report such as future cost challenges related to fees, market shaping challenges, quality of support challenges and the need to increase workforce skills to meet higher average needs/complexity that arises due to the increasing focus on people with the highest needs.

Market shaping challenge - This is because it is a key “enabler” that will help to address many of the other market sustainability issues highlighted. Namely to develop the low level, community support services, needed to fill the gaps in support that are emerging as statutory services are increasingly prioritised/rationed and to attract new, better quality and affordable providers into the region to address quality concerns and counter the risks of provider failure and unaffordable fee rises related to the highly concentrated nature of markets in the North West.

4.5 During the engagement process it became clear that many good practices and innovative ideas already exist in the Region. Some of these could possibly be picked up by different part of the Region, tailored to local needs and scaled up. These are reported in Appendix 3 to the main Market Sustainability and Oversight Review Report and are expanded on in the separate report on the engagement and research. Commissioners should collaborate to develop these.

4.6 Subsequent modeling (Part 5), market analysis (Part 6) and secondary research (Part 7):

- **Confirmed that stakeholders’ perceptions about the four key issues were valid, and**
- **Enabled the likely impact of the risks and the size of the challenges to be quantified.**

5. Findings from the Predictive Modeling Work

5.1 The findings from the Predictive Modeling work confirmed that the stakeholders' perceptions that demographic and cost pressures could lead to ASC becoming unaffordable in the future was accurate. This was evident from:

- Recent actual expenditure trends, and
- New projections of likely activity and cost levels over the next five years done for this project.

Recent expenditure trends reported on ASC FR²:

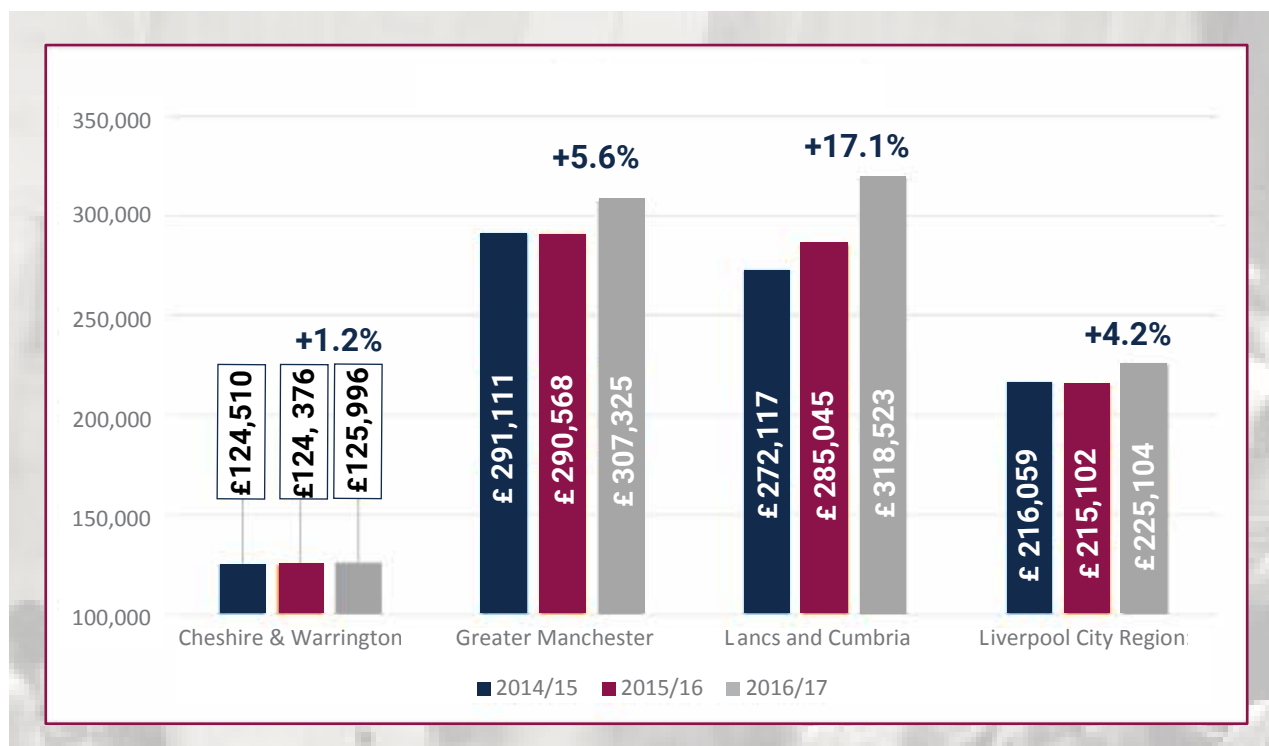
5.2 Actual reported ASC expenditure levels for the last 3 years from across the North-West Region showed that expenditure has increased on average by around 3% per annum.

5.3 This increase has been on both residential/nursing placements and on community based support. Specifically, in the last three years actual gross expenditure on:

- Residential and nursing care expenditure has increased by £76m or 8.4%
- Community based care expenditure has increased by £126m or 9.3%
- All ASC expenditure has increased by £202m or 9%

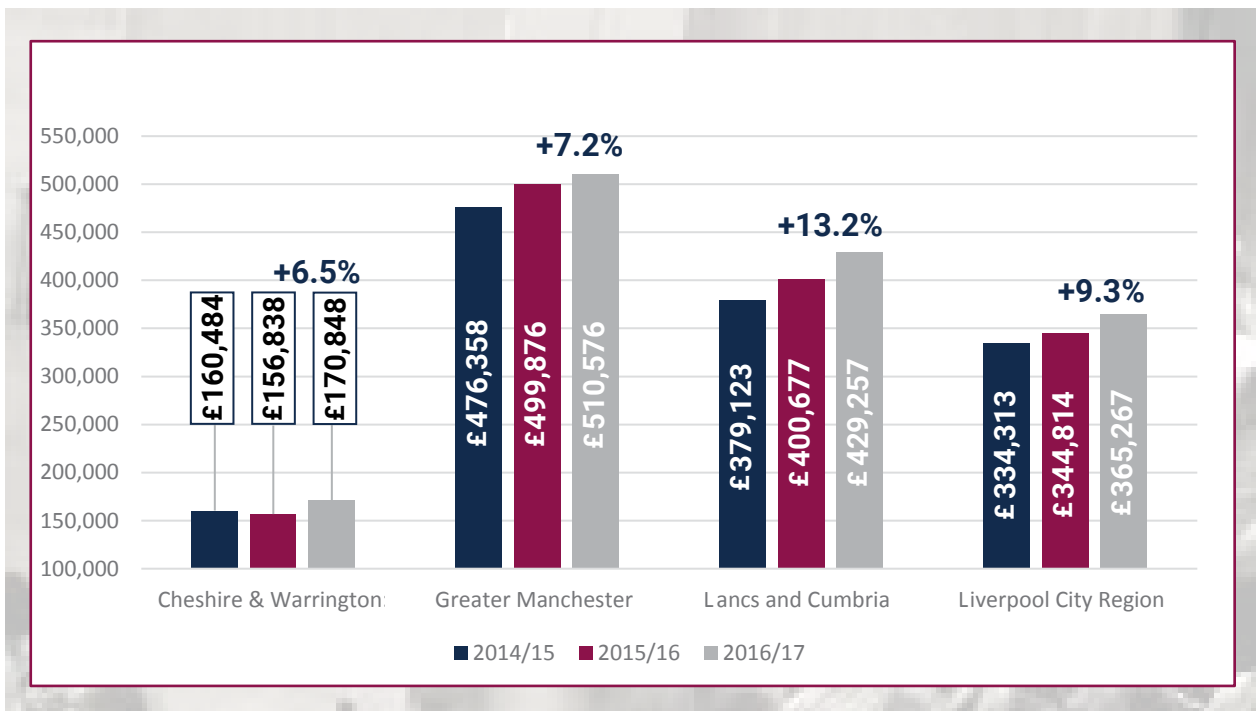
5.4 Figures 3 and 4 below give more detail on this analysis. Although they show that there is variation in changes to expenditure patterns across the Region overall if this pattern continued for the next 5 years ASC would become unaffordable. To remain affordable LA's would need to increase funding by 3% per annum on average over the next five years. This highlights the need to use community based support in place of residential care when this is feasible and cost effective.

Figure 3: Last 3 Years ASC Residential and Nursing Care Expenditure (£000's) by Sub-Region



2 ASC FR is an annual return to Department of Health where Local Authorities report their expenditure on Adult Social Care.

Figure 4: Last 3 Years ASC Community Based Care Expenditure (£000's) by Sub Region



New projections of likely activity and cost levels over the next five years:

5.5 The planned approach had been to build up a whole region forecast by aggregating the 5-year activity and expenditure projections for each individual LA excluding assessment and care management.

5.6 Using the data provided we were able to give a good indication of what future activity and expenditure levels might be if there was no change to current practices and policies. By extrapolating the actual data trends from the last 18 months the average³ increase in projected gross expenditure on the 9 local authorities which provided full data was projected as:

- 21.7% on support for older people,
- 10.3% on support for working aged adults with learning disabilities, and
- 18.3% overall excluding assessment and care management.

5.7 To make whole region projections the demand curves from the 9 LAs that supplied the data⁴ was applied to the 2016-17 baseline ASC-FR data at sub-spend category level and 3 scenarios were run for 5 years to 2022-23.

- **Scenario 1** assumed current policy and practice continues unchanged and that the data trends from the last 18 months will be replicated over the next 5 years, except activity volumes were adjusted to take forecast demographic changes into account and costs are assumed to increase by 4.75% over and above inflation over the 5-year projection period.
- **Scenario 2** assumed that strategies to limit the impact of cost and demographic pressures will not be very effective i.e. Like scenario 1 it shows the impact of predicted demographic changes and factors in a 4.75% above inflation cost increase, but in addition it assumes 75% of the new staff cost pressures such as the national living wage are passed on by providers to commissioners.

³ Please note these averages hide very wide variations between different local authorities.

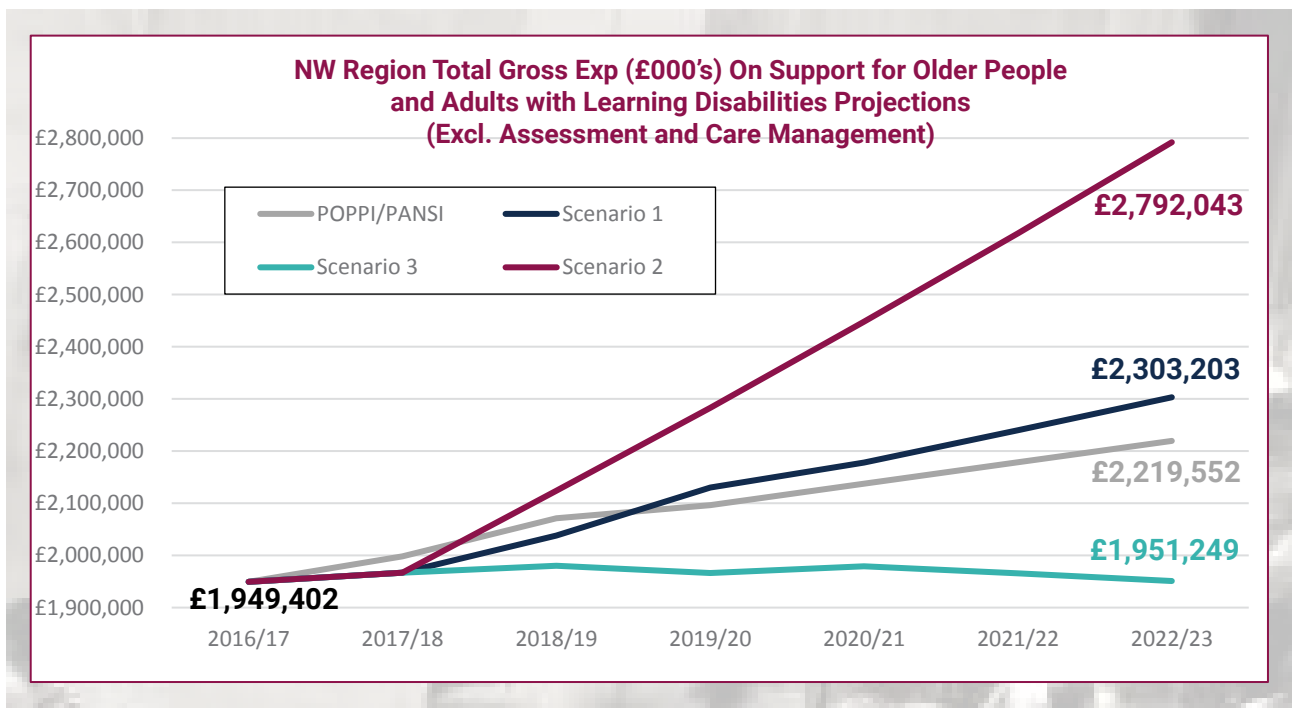
⁴ The data supplied represented 32.4% and 26.5% of the regions total gross expenditure on support for older people and for adults with learning disabilities respectively i.e. the projections are based on partial information and therefore need to be interpreted with appropriate caution.

- **Scenario 3** was calculated to demonstrate the level of change/improvement that would be needed for the Region to financially break even over the 5-year projection period i.e. it assumed new policies and practices are put in place and effectively enable the:
 - Substitution of community support in place of residential care,
 - Complexity and therefore the average cost of new cases to be managed down, and
 - Impact of new cost pressures is minimised.

5.8 The resulting projections for gross expenditure (excl. assessment and care management) are shown in figure 5 below. The fourth POPPI/PANSI line on the graph is included to demonstrate the impact that forecast demographic changes are likely to have assuming our assumptions about which age groups most affect the future need for ASC support are accurate⁵. The gap between it and:

- Scenario 1 (navy) shows that current policies and practices if replicated over the next 5 years would not be able to manage demographic pressures effectively, and
- Scenario 2 (purple) shows that cost pressures will over the next five years represent a bigger challenge than demography.

Figure 5: Gross ASC expenditure of support for older people and for adults with learning disabilities after 5 years under each scenario



5.9 Graphs showing separate projections for Older People and for Adults with Learning Disabilities respectively are provided in Annex 1. They are summarised in table 5.1 and show that the basket of changes used in scenario 3 (teal) to achieve financial breakeven for ASC overall would result in marginally less expenditure (-2.8%) on support for older people while expenditure on support for adults with learning disabilities would increase 5.8% over the 5-year period. However, this needs scenario needs to be treated with caution – we explore this in more detail in 5.16 and 5.17.

5.10 These results illustrate that while the national spotlight mainly focuses on the challenge of meeting the support needs of increasing volumes of older people the trickiest financial challenge is from learning disabled adults. This is because the commitment to supporting them is lifelong and the volume and complexity of the people needing support continues to increase.

⁵ Estimated increases in the need for support for older people was driven by forecasted numbers of 80-84 year olds, while the increases in the need for support for adults with learning disabilities was driven by forecasts 55-64 year olds with LD.

5.11 Table 5.1 below shows the projected increase in gross expenditure in percentage terms over the 5 years for each scenario in comparison to the 2016-17 baseline reported in the ASC FR return to DH.

Table 5.1: NW Projected Change in Gross Exp. in 5 years to 2022-23 (Excl. Assessment & Care)

	SCENARIO 1	SCENARIO 2	SCENARIO 3
Older People's Support	+ 21.4%	+ 42.4%	-2.8%
Learning Disability Support	+ 11.8%	+ 44.8%	+ 5.8%
Overall Change	+ 18.1%	+ 43.2%	+ 0.1%
Increase in Overall Expenditure	+ £353.8m	+ £842.6m	+ £1.8m

Analysis of the new projections:

5.12 Scenario 1: This broadly represents a “no or minimal change” situation in terms of policy and practice. It shows that costs would increase by £354m (18.1%) over the next five years. This is an average of 3.62% per annum which is higher than the 3% per annum actual increases in the last three years. Given the overall financial context for ASC this scenario is hard to afford and since cost increases are quite limited under this scenario it is also a reasonably optimistic scenario.

5.13 Implication: This result proves that the region cannot continue to support people in the same way as it does now over the next 5 years.

5.14 Scenario 2: This scenario represents the “tipping point” situation in terms of policy and practice as it adds in hard to avoid new related staff costs that providers will need to either absorb via productivity increases or by accepting lower profits or “pass on” in the form of higher fee rates to LAs and others who buy their services. This shows that costs could quite feasibly rise by as much as £843m (43.2%) over the next 5 years if policy and practice does not adapt and improve to effectively address the demographic and cost pressures that exist.

5.15 Implications: While it is possible that the cost increases under Scenario 1 could possibly be funded if there was the necessary political will; it is fair to assume that the cost increases, which average out as 8.65% per annum under Scenario 2, are unlikely to be acceptable to local nor national policy makers. This:

- Strengthens the earlier conclusion that the region cannot continue to support people in the same way as it does now over the next 5 years, and
- Leads to the question “*What would it take to counter the demographic and cost pressures?*” Scenario 3 was calculated to answer this question.

5.16 Scenario 3: As stated above this scenario was calculated to demonstrate what would be required to achieve a roughly break-even position at 2016-17 prices. Like all the other scenarios it **factors** demographic changes in. The value of this scenario is to show the size of the challenge to achieve financial break-even.

5.17 Implications: Achieving break-even will be very challenging for a high percentage of Local Authorities since:

- Cost increases over and above inflation to pay for increased fees to providers have to be limited to the basic 4.75% allowance over the 5-year projection period i.e. marginally less than 1% per annum
- New residential placements for both Older People and Learning Disability need to reduce to 80% of the current placement rate by 2022/23, and
- Increases in community based support activity levels, which would need to increase in place of residential care, need to be limited to:
- 12.5% for OP Domiciliary Care; 10% for OP Direct Payments, and
- 20% for LD Supported Living; and 10% for both LD Domiciliary Care and Direct Payments.

5.18 Each individual LA will know whether this level of change/transformation in their use of resources is feasible or not. For this reason, the model supplied to each individual LA is interactive so that each LA can tailor all the assumptions that drive the future scenarios e.g. assumptions about future costs, new demand numbers and complexity and about the models of support used to meet eligible demand.

5.19 The learning disabilities model provided has a facility to refine the projections for new demand from transitions from Children's Services by using data held by children's services and reported to the DfES each year in the SEN Return. This facility was not used in this instance as very few LAs in the region were able to access the data. It is recommended the region mobilises a further discussion with children's service colleagues to ascertain a more accurate level of data.

Conclusion:

5.20 Local Authorities should continue to work individually and collectively on analysing the costs of care due to:

- The demographic pressures that exist are unavoidable.
- The level of fees in the North West are low for England and below the rates that provider organisations say are sustainable, and
- Providers are already struggling to recruit and retain a skilled workforce - wage competition with alternative employers is one important factor in this.

5.21 LAs in the North-West Region cannot continue to support the same number of people, for the same amount of their lives using the same support models as now. This is apparent because the modeling work undertaken shows that if fees increase as they need to in order to ensure providers are sustainable and the models of support remain the same the care and support system will simply not be affordable.

5.22 Incremental change will not be sufficient. System wide transformational change is necessary i.e. Commissioning and Market Oversight approaches on their own will not be enough. The required transformation for:

- Older people needs to be underpinned by (1) "Enabling people to age better" so they don't need support so early in life, recover quicker/better after illness, injury or any other set back. and (2) Commissioning services so older people can get the right support, at the time they need, but only for as long as they need it,
- Learning disabled adults needs to be underpinned by (1) "Enabling" people to become more independent over time i.e. support to develop skills and resilience are key as is forward planning, and (2) Commissioning services that support people along a "Progressive" pathway,
- Both client groups use information from across the wider system for risk profiling (e.g. NHS for older people & from NHS/ Education for learning disabled people) to trigger early interventions.

5.23 The other alternative would be to not increase fees to providers, but this could be seen as a risky strategy as:

- The next section on the findings from the analysis of current markets will show that quality ratings by CQC for providers are already below average for England and vary significantly within the Region i.e. further squeezing provider fees may well further impact on quality standards, and
- Provider failure is already a reality rather than a risk and further squeezing fees would simply increase that risk further. The next section on the findings from the analysis of current markets will show that the impact if one of the large providers failed would be severe.

5.24 When embarking on system wide transformation it is very important to track the impact that the changes implemented have on activity levels and costs. The model developed for this project has been provided to each LA in the Region. It is important all Local Authorities now use the model to actively plan their transformation work, sub-regionally where appropriate, and to track the impact it makes.

6. Findings from Analysis of Current (As Is) Markets

6.1 The analysis of the existing older people's and the adults with learning disabilities care and support markets was based on a "snap shot" of individual placements/support packages⁶ at around end of June 2017 from each LA in the Region, but containing no personal information.

6.2 The data provided⁷ showed that both markets are financially very important markets in the North-West Region as they account for around £1.387bn p.a. It also showed that the average cost of support for each adult with learning disabilities is approximately 2½ times greater than the average cost per older person (aged >65) supported:

- £947m p.a. is spent on support for 53,856 older people (£17,584 per person), and
- £440m p.a. is spent on support for 9,688 adults with learning disabilities (£45,417 per person)

6.3 In addition, the market analysis work confirmed that the stakeholders' perceptions than the **Impact of provider failure/withdrawal could potentially be severe**. It could easily destabilise care and support markets across the region, and that the **Market shaping challenge to achieve the "transformation" necessary will be very difficult** because it found all four markets have a:

- Few dominant large providers. This means each market is highly concentrated, but each also has a plethora of other small providers who need to be monitored, involved in market shaping etc.
- Significant range of price and quality variations between sub regions and these are hard to explain, and
- Significant opportunity cost where residential care is used in place of community based options.
- The challenges and the opportunities that arise from each of these three issues is explored below.

Market Concentration:

6.4 The analysis also shows that both markets appear at first to be diverse markets with a large number of providers for the number of people supported. However, our analysis shows each market is in fact highly concentrated with a very high reliance on a few large providers e.g. 10 large providers account for between 25% - 44% of total expenditure in each of the 4 markets examined⁸ as shown in table 6.1.

Table 6.1: Market Concentration Levels

Sub- Market Area	Number of providers LA buys from	Providers that are part of a Brand ⁹	Number of Brands	% Exp. on 5 biggest Brands	% Exp. on 5 biggest non-Brands
OP RES/NURSING	1,281	261	107	21%	4%
OP DOM CARE	461	85	53	18%	12%
LD RES/NURSING	403	117	66	20%	10%
LD SUP LIVING	267	56	44	31%	13%

⁶ This scope means that the data collected did not cover ALL expenditure on care and support. Obvious omissions are expenditure on direct payments and expenditure on day care/day activities. This means that expenditure calculations in this section are not comparable with section 5 where future projections are made based on all care and support expenditure except for assessment and care management

⁷ Data was received all 23 LAs for all markets except learning disability supported living where full data was received from 21 LAs, 1 data supplied partial information and 1 LA was unable to supply any data

⁸ It is also apparent that over time the level of market concentration is increasing.

⁹ Brands are nationally significant providers defined by CQC.

6.5 These market conditions give rise to several **market sustainability risks**. The key ones are:

- Provider failure/withdrawal as market sustainability is fragile/vulnerable to the collapse or withdrawal of one of the large providers,
- Above inflation price increases as a few large providers operate a large proportion of the market and therefore have powerful negotiating positions, and
- Variations in quality between providers as:
 1. Many of the larger providers operate across many local authority areas and there is no consistent approach to monitoring the quality as all the authorities have different approaches.
 2. In addition to the small number of large providers there are many very small providers whose sheer number presents challenges communicating commissioning intentions and in terms of monitoring quality.

6.6 These market conditions also give rise to some improvement opportunities. For example, the trend for fewer larger providers means commissioners need to work with less providers. This may:

- Make it easier to understand the risks and challenges in the markets,
- Help to rationalise negotiation processes as fewer conversations around price are required,

- Help manage average quality levels up by working with fewer providers, and
- Enable standardised outcome focused contracts and monitoring arrangements on sub-regional footprints to be introduced.

However, it is extremely important that a balance of large and small/medium businesses (Private and third sector) must be sought to ensure a vibrant, innovative and thriving market that can provide outstanding quality care and remain value for money. Commissioners should pay particular attention to the potential of their available market and help support local enterprises/businesses to flourish, where appropriate.

Price and Quality Variations:

6.7 Equally, the price and quality differences (see below) are potentially improvement opportunities as it is reasonable for commissioners to investigate why on average:

- Costs per person supported per week are higher in some areas, sectors and individual providers? Where no good reason exists it may be possible to reduce costs by either reassessing support levels to identify instances of over servicing and/or by negotiating unjustified prices down.
- Quality ratings are lower in certain areas, sectors or at individual providers? Once reasons have been established quality improvement plans can be agreed with individual or groups of providers.

Table 6.2: Ave. Costs/CQC Ratings - Over 65's Res/Nursing Care by Sub-Region¹⁰

Over 65's Res/ Nursing Care	CCW	GM	L&C	LCR	AVERAGE
Outstanding	2%	1%	2%	2%	2%
Good	67%	66%	73%	64%	68%
Requires Improvement	27%	30%	23%	30%	28%
Inadequate	4%	3%	1%	4%	3%
Ave cost per person pw	£520	£459	£516	£486	£491

Table 6.3: Ave. Costs/CQC Ratings - Over 65's Domiciliary Care by Sub-Region

Over 65's Domiciliary Nursing Care	CCW	GM	L&C	LCR	AVERAGE
Outstanding	0%	1%	2%	1%	1%
Good	74%	67%	83%	72%	74%
Requires Improvement	25%	29%	14%	26%	23%
Inadequate	1%	2%	1%	1%	1%
Ave cost per person pw	£173	£164	£185	£189	£177

¹⁰ CCW = Cheshires and Warrington, GM = Greater Manchester, LCR = Liverpool City Region and L&C = Lancashire and Cumbria. This last sub-region also includes Blackburn and Darwen Council and Blackpool Council All CQC ratings accurate as of July 2017

Table 6.4: Ave. Costs/CQC Ratings - Adults with Learning Disabilities Res/Nursing Care by Sub-Region

Adult with LD Res/Nursing Care	CCW	GM	L&C	LCR	AVERAGE
Outstanding	0%	2%	2%	3%	2%
Good	86%	79%	83%	79%	82%
Requires Improvement	13%	17%	14%	15%	15%
Inadequate	1%	1%	2%	3%	1%
Ave cost per person pw	£1,751	£1,281	£813 ¹¹	£1,005 ¹²	£1,103

Table 6.5: Ave. Costs/CQC Ratings – Adults with Learning Disabilities Domiciliary Care by Sub-Region¹

Adult with LD Supported Living	CCW	GM	L&C	LCR	AVERAGE
Outstanding	6%	2%	4%	3%	4%
Good	83%	78%	89%	79%	82%
Requires Improvement	8%	19%	7%	18%	13%
Inadequate	3%	0%	0%	0%	1%
Ave cost per person pw	£851	£718	£1,027	£742	£829

The Opportunity Cost of Residential Care Compared to Community Support:

6.8 The comparisons above also show the difference (opportunity cost) in the average cost per person per week of supporting someone in residential care as opposed to in the community. This highlights that there is the potential to substitute residential care for community support where this would improve individual outcomes and assuming the average unit costs remained the same or similar this could also deliver savings of:

- £314 per week or £16,325 p.a. for each older person where community support was substituted in place of residential care, and
- £300 per week or £15,600 p.a. for each adult with learning disabilities where community support was substituted in place of residential care.

It is accepted not all people currently supported in residential care can be supported in the community and if supported at home may be at an increased cost.

Improvement Opportunities:

6.9 Two further improvement opportunities have emerged from the market analysis work:

- First there is scope for joint approaches to Quality Assurance, market oversight and joint negotiations as so many providers operate across multiple LA areas. This could be enabled by using a shared ICT platform for market oversight, Quality Assurance and Quality Improvement work, and
- Second, there is scope to improve data quality and data sharing arrangements within and across the Region. This is because the data collection phase of this project highlighted very different data security standards between different LAs.

Note: The learning disability market is far less reliant on residential care than the older people's market as only 1 in 4 adults with learning disabilities in each of the four sub-regions are supported in residential/nursing care compared to around 1 in 2 older people. This means the opportunity to substitute community support in place of residential care is almost certainly greater for older people than for adults with learning disabilities.

¹¹ £1,185 if the respite packages included in the data are excluded.

¹² £1,081 if the respite packages included in the data are excluded.

Other Sub-Regional Differences:

6.10 In addition to the price and quality differences highlighted on previous pages there are a number of other differences in sub-regional markets. For example, levels of reliance on brand and non-brand providers differ as does the usage of Over 65 Res and Nursing beds. This is important as it means that a tailored sub-regional approach to commissioning and market oversight will be needed. It is unlikely that one approach will be appropriate across the whole region.

6.11 The main sub-regional differences and their possible implications for commissioning and for market oversight are summarised in tables 6.6 (Older people) and 6.7 (Adults with Learning Disabilities) below.

Table 6.6 Older People

OP RESIDENTIAL AND NURSING CARE	OP DOMICILIARY CARE
<ul style="list-style-type: none"> LCR and L&C buy the most beds locally (50% and 44%). CCW buys the least and we believe it has the most self-funders. CCW also has the most concentrated market in terms of market share. It also has the most concentrated market in terms of market share of big providers - 41% of the LA purchased market is with 10 providers and 28% of the remaining market is with other large brand providers. Very few SME providers operate here. This represents a serious market sustainability risk if a large provider was to fail. High market concentration and competition with self-funders is likely to have an upward pressure on local fees. LCR pays the lowest fees and has providers who appear to be the most reliant on LA fees for revenue. This raises the risks related to fee increases and provider sustainability, but potentially the risk here is less than in CCW as the market is less reliant on big providers. GM is also at risk from provider failure/ upward pressure on fees as conditions are similar to LCR. LCR and GM have worst sub-regional CQC ratings and pay the lowest fees. Further investigation is needed to see if these factors are linked. L&C is the highest performing sub-region from a quality perspective. It is worth investigating what can others learn from it? 	<ul style="list-style-type: none"> CCW and L&C have the lowest percentage of spending on Domiciliary Care and have the highest weekly fees for Res/Nursing Care. The annual opportunity cost is £18k per person in residential care instead of domiciliary care. Significant potential to substitute domiciliary care in place of residential care exists. Further exploration is needed to investigate the two sub-regions with the highest overall spending on domiciliary care (GM & LCR). This could show that fees are higher than they should be, or it could show that people with higher needs are being supported in the community, which would be a good thing. LCR has the most concentrated market in Domiciliary Care as 56% of its spending is with just 10 large providers. Serious risk if a large provider fails, but this is also an opportunity for market shaping/quality improvement as commissioners can influence change by working with fewer providers. Despite paying the second lowest hourly rate on the methodology we have used, L&C has the best performing CQC rating indicating that cost alone does not drive quality.

Table 6.7 Adults with Learning Disabilities

LD RESIDENTIAL AND NURSING CARE	LD SUPPORTED LIVING
<ul style="list-style-type: none"> • There are some differences in the amount of beds each LA buys locally, within the region and outside the region. For example, LCR buys the largest share of its local market capacity, so it potentially has more influence over its local providers. • At over £1,700 p.w. CCW is paying the highest average weekly fee, but CQC ratings are high. This is due to a combination of factors including complexity of need, the concentration of the local market (52% of spend is with the top 10 providers and Brands in total are 70% of the total), some nationally recognized complex care providers are based in the area and CCW is spending the lowest percentage of total spending on supported living (56%). 27% of placements also appear to be outside the region completely. • GM also has a higher than average weekly fee level, but the context here is also complex. The market is diverse, with many SME providers and the average weekly fee for the Top 40 providers is much higher than the rest of the market (£1,608 vs £919). This suggests there are many expensive (and likely, but not always) specialist providers. This presents GM with some challenges for both market shaping and market oversight. • L&C has a low volume of placements within the rest of the region as well as outside of it. It has a wide spread of placement fees and has a lot of fees under £1,000 p.w. which appear to be historical packages. It again performs strongly for quality and spends the highest percentage on supported living, but there is a risk from fee increase requests that may not be affordable. • LCR has the second lowest average spend per person per week and a high majority of placements are “in-area”. It spends the second highest amount on supported living (74%) and it has a relatively consistent average weekly cost across its provider market i.e. it has lots to build on going forwards. 	<ul style="list-style-type: none"> • CCW is again the most concentrated market. Fully 80% of its spending is with just ten providers. It is at risk of provider failure, but it performs very well on CQC ratings. • L&C is the sub-region with the most concentration with the large Brand providers i.e. 44% of its spending is with the 5 largest Brands so it is also at risk of provider failure. • GM again has a relatively diverse market, although 61% of its spending is still with just with 10 provider organisations. • LCR has the most balanced market with a good spread of large Brand and SME providers. There are clear opportunities in this sub-region for collaboration between LAs on quality improvement, quality assurance and market shaping activities.

Conclusions:

Market shaping:

6.12 To achieve the transformation needed market shaping activities must be mobilised at the earliest opportunity. The transformation needed should include:

- Information and advice services about staying fit, active and healthy, planning for the future/ old age etc.,
- Harness asset based approaches so lower level needs are met from community resources, not statutory social services, to prevent social isolation.
- Front door services that help manage demand by helping people access above Information and advice and locate the community level support that is available.
- The development of short term services so people get small amounts of support when they need it and for just long enough, and
- New approaches to, and new services for long term care that are community/housing based rather than residential and use the latest innovations e.g. technology, equipment etc. to enable people to remain as independent as possible (with appropriate support) for as long as possible.

6.13 In addition to market shaping work by the Commissioning functions, the system wide transformation will also need to include:

- Public Health - To identify and invest in prevention that works,
- Professional practice development - So assessments/reviews promote independence, are asset based and outcomes focused,
- Integration with Housing/NHS/Education Partners - So care and support are joined up and consistently promotes the maximisation of independence, and
- Real collaboration with providers. They must be treated and included as trusted partners in this change.

Market Oversight:

6.14 Effective oversight of service quality and of the financial viability of providers (particularly the large ones that would be hard to replace) is essential as we now know:

- NW quality ratings by CQC are below average for England,
- Quality ratings vary between sub-regions and between the four markets examined,
- All four markets examined are highly concentrated with a small number of large providers accounting for between 25% and 44% of all spending and many of these:
- Have no financial viability oversight from CQC,
- Are powerful in the market and work across many different LA areas so it would be difficult for an individual LA to exert much influence over them, and
- All four markets also have numerous SME providers and quality varies between them and the resources needed to monitor them all effectively is significant.

6.15 This all calls for:

- A joint approach by LAs that share providers to pool their resources and expertise for quality assurance work, to share intelligence for quality improvement and to liaise with CQC and/or share financial viability evidence etc. Collaborative approaches will also lower compliance costs for providers,
- A proportional approach with SME providers e.g. where there are quality concerns regular review/support is needed, but where quality is good a light touch approach should be used, and
- Further work to understand what other natural clusters of LAs, that rely on the same providers, exist below the sub-region level as collaboration at cluster level may also be cost effective.

7. The Workforce Challenge

7.1 The fourth issue that the engagement process highlighted as being of “critically high importance” was the challenge of recruiting, training and retaining a sustainable workforce capable of delivering the enabling support needed to achieve the service and market transformation that is needed. This was validated by secondary research data from Skills for Care¹³ This showed that in the North West the:

- Number of ASC jobs in the North West in 2015-16 was estimated at 210,000 (155,000 ftes). This is around 6% of the economically active population and is a 3% increase (5,000 jobs) since 2012/13, but is 2% less than 215,000 in 2014/15 – Issue: There is competition from other industries for the same staff.
- Average age was 43 years, and a fifth of workers were over 55 years - Need for more workers in line with demography and as core workers retire – Issue: There will be a recruitment challenge/cost to replace these people due to competition for the staff.
- In the previous 12 months 30% of all workers were new in role, but the ASC sector also has an experienced ‘core’ of workers e.g. staff had, on average of 9 years of experience in the sector and 5 years in their current role. There were 47,000 leavers = turnover rate of 27.5%. This rate has increased steadily, by 6.3%, between 2012/13 and 2015/16. – Issue: There is areal challenge to keep people in the industry.
- 44.4% of new starters leave within 12 months and people under 20 years of age even more likely to leave quickly. Issue: Retaining new recruits although higher wages do help improve retention.
- Vacancy rate est. at 5.1% e.g. 9,000 at any one time, but varies e.g. 11.1% Social work posts and 9.1% Reg Nursing posts vacant. Issue: The recruitment challenge is toughest for the most skilled posts.
- 83% of senior care workers and 51% of care workers were qualified at level 2 or above. Issue: The recruitment challenge will be in parallel with a need to invest in training for the new recruits.
- Majority (91%) of the ASC workforce were British, 3% had an EU nationality and 5% a non-EU nationality, but 21% of nurses are not British. Issue: The impact of Brexit may hamper certain key roles such as nurses.
- Average sickness is 6.1 sickness days per worker = 1.1 million days lost p.a. and rates vary a lot between roles. For example, Social workers average 14.1 days, OT’s average 11.1 days where as Registered Nurses average just 2.5 days. Issue: Opportunity to decrease sickness levels.

Conclusion:

7.2 The system wide transformation needed could be undermined by an inability to recruit enough care and support workers with the necessary skills

7.3 The implication of this is that every LA in the North-West Region needs a care and support workforce strategy to work on in partnership with providers, but as many providers are shared by several LAs local approaches should be augmented by a more strategic regional, sub-regional or cluster approach.

7.4 It also makes sense for the workforce strategy to link in with local economic development strategies as local economies can benefit from local people being employed in the local care and support sector.

7.5 Essential areas to cover include how to:

- Attract more people – Rewards packages, career path and reputation as a good employer,
- Take on the right people – Value based recruitment/value life experience at recruitment,
- Develop talent and skills – A variety of approaches used throughout a person’s career, and
- Retain people – All the above, plus flexible work patterns.

13 The size and structure of the adult social care sector and workforce in England, 2017, Published by Skills for Care,

8. Summary of Recommendations

Part 4 - Engagement and Research Recommendations:	
1.	Regional, sub-regional or clusters of LAs collaborate to develop local markets – This will enable LAs to pool their joint power/influence when dealing with large providers (brand or non-brand) and means a regional or sub-regional approach to developing specialist services currently bought from outside the region.
2.	Individual LAs and groups of LAs should review the good practices highlighted during the engagement and research process for local applicability. Many good practices already exist, and some of these should be picked up and tailored to local needs in distinct parts of the Region and or scaled up across the Region.
3.	Many of the existing good practices identified involve joint work with providers and the type of transformation required cannot be imposed on providers i.e. commissioning intentions must be clearly communicated to providers e.g. at forums and through market position statements and providers should participate in co-production approaches to market/service development plans.
Part 5 – Predictive Modeling Recommendations:	
1.	Each LA has been supplied with an interactive model to project future activity and expenditure levels. The model is easily tailored to best fit local with each LAs assumptions about likely future costs, new demand etc. Each LA should populate and tailor its model, so it has a robust mechanism to monitor whether the improvement plans are achieving planned results or not.
2.	This project has demonstrated how SEN data is a valuable resource that could improve the basis for estimating likely new pressures from transition cases. It would also enable more effective transition planning. Each LA should complete the SEN exercise and use it to augment the existing model which picks up mid-life transition trends from the last 18 months and factors in the effects of aging, but probably underestimates new demand from young adult transitions.
Part 6 - “As Is” Market Analysis Recommendations:	
1.	Collaborative (sub-regional) approaches to all aspects of contract management are developed. To Include price negotiations, quality monitoring, quality improvement and contract documents.
2.	Further work should be done to understand price and CQC quality differentials and to agree common approaches to open book accounting and/or the use of fair funding calculators.
3.	Collaborative (sub-regional) approaches to market development that aims to alter the balance in the use of resources away from residential care to community support are developed. The opportunity cost of the current balance is not affordable. (See also recommendation 1, Part 4)
4.	Consistent data standards and data sharing protocols need to be developed across the region and supported by clear regional guidelines. These should specify what data each Local Authority (LA) should hold, monitor and share.
5.	A careful assessment/ option appraisal of different shared ICT platforms that exist to support market oversight, Quality Assurance and Quality Improvement work is undertaken. These products allow LAs to share their databases of placement information, contracting and monitoring regimes on regional and/or sub-regional footprints.
6.	A proportionate financial sustainability oversight regime needs to be developed at a regional or sub regional level. The region now knows which providers it is most dependent on, which are subject to CQC scrutiny and which are not. It has the information needed to develop a proportionate and shared approach.
Part 7 – Secondary Research Recommendations:	
1.	Joint regional or sub-regional strategies, action plans and approaches to tackle the workforce challenge are developed – This should be in partnership with providers and must as a minimum cover recruitment, training and retention. It should link with local economic development plans.

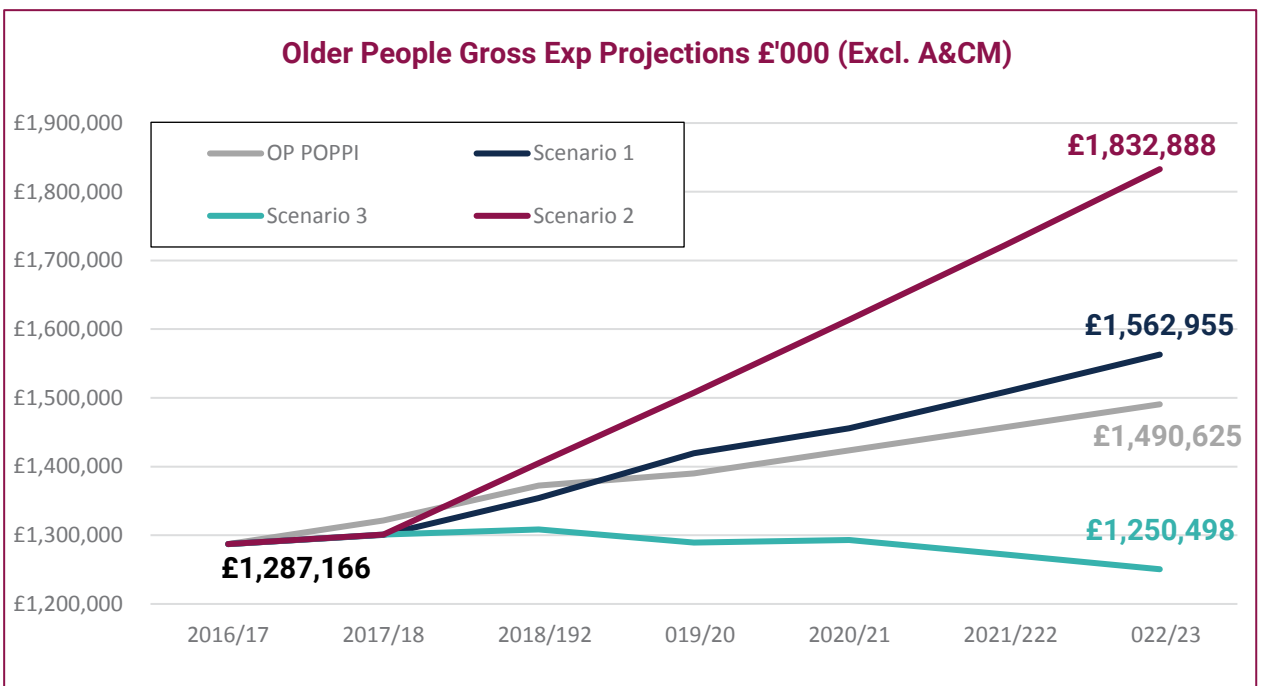
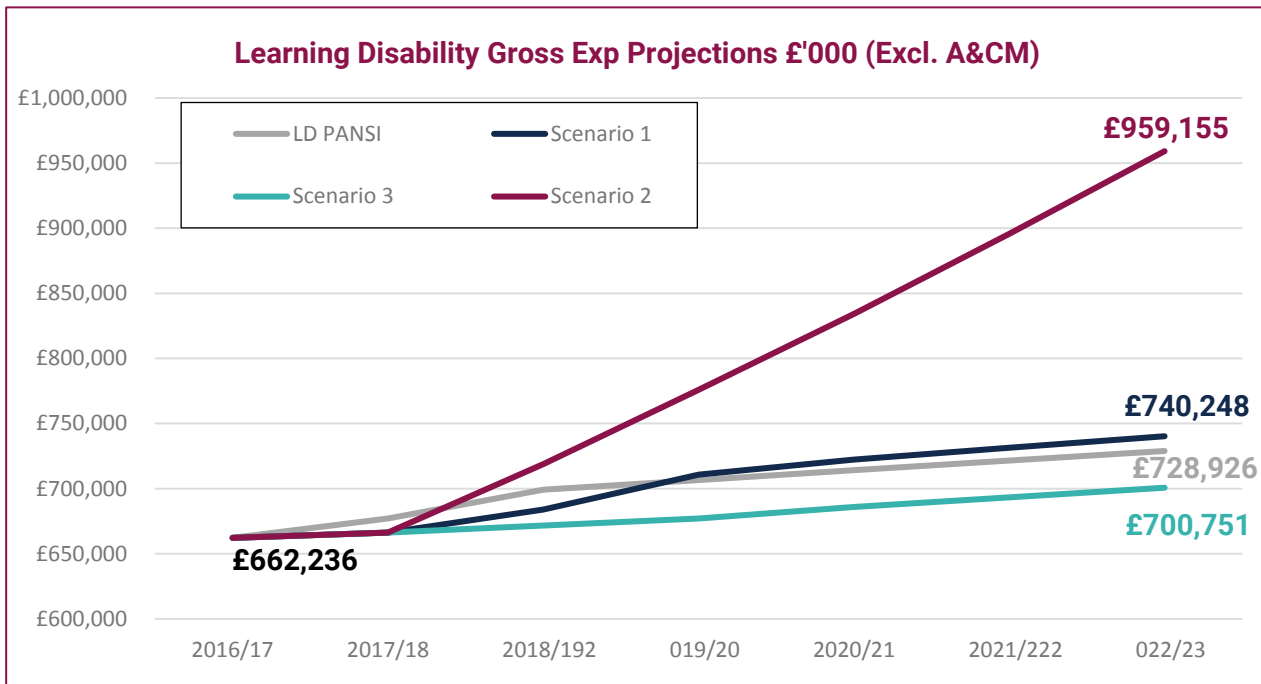
Annex 1: The Future Scenarios

Learning Disability (excludes A&CM) £000'S							
Learning Disability	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
LD PANSI	£662,236	£677,061	£699,298	£706,710	£714,116	£721,521	£728,926
SCENARIO 1	£662,236	£666,207	£683,945	£710,788	£722,353	£731,387	£740,248
SCENARIO 2	£662,236	£666,209	£718,947	£775,879	£834,234	£895,618	£959,155
SCENARIO 3	£662,236	£666,206	£671,791	£677,149	£685,961	£693,329	£700,751

Older People (excludes A&CM) £000'S							
Older People	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
OP POPPI	£1,287,166	£1,231,415	£1,327,123	£1,389,913	£1,423,484	£1,457,055	£1,490,625
SCENARIO 1	£1,287,166	£1,300,908	£1,354,298	£1,419,409	£1,455,846	£1,508,590	£1,562,955
SCENARIO 2	£1,287,166	£1,300,911	£1,405,076	£1,507,210	£1,613,850	£1,721,778	£1,832,888
SCENARIO 3	£1,287,166	£1,300,505	£1,308,440	£1,289,253	£1,293,261	£1,272,165	£1,250,498

Grand Total (excludes A&CM) £000'S							
Grand Total	2016/17	2017/18	2018/19	2019/20	2020/21	2021/22	2022/23
POPPI / PANSI	£1,949,402	£1,998,476	£2,071,421	£2,096,624	£2,137,699	£2,178,576	£2,219,552
SCENARIO 1	£1,949,402	£1,967,115	£2,038,243	£2,130,197	£2,178,199	£2,239,977	£2,303,203
SCENARIO 2	£1,949,402	£1,967,120	£2,124,023	£2,283,089	£2,448,048	£2,617,396	£2,792,043
SCENARIO 3	£1,949,402	£1,966,711	£1,980,231	£1,966,402	£1,979,222	£1,965,494	£1,951,249

Annex 1: The Future Scenarios





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