Sheffield City Council

Care Home Proprietor Feedback on Fee Increases

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1 Introduction

This feedback is from interviews with care home proprietors conducted by Cordis Bright and LaingBuisson as part of the strategic review of the care home market that has been commissioned by Sheffield City Council.

Overall, 41 proprietors and stakeholders have scheduled interviews, of which around 30 have been conducted so far.

Interviews are conducted on the basis that specific comments will not be attributable to individual proprietors and the comments below are linked to specific proprietor types, rather than names of proprietors.

2 Feedback on fee levels and the proposed increase

Proprietors were asked about their viability in terms of current fee levels and the proposed increase as well as their general views on the increases.

1. A number of proprietors are very negative on low fees and low increases from medium-sized local / regional operators familiar to the council, (covering 7 homes in the city). Negative on SCC methodology, 'base rate' and engagement / communications. A number of these providers say that they have significant viability issues within 3 to 6 months

2. The views are less negative from not-for-profit operators with a larger national base (three homes). The current £505 is manageable but they seek minimum £60 top ups, which is now proving very difficult. No immediate viability issue, although one provider closed a home in Rotherham for viability issues. One complaint was having to fund specialist equipment, such as profile beds, which used to be lent by SCC. This same issue has been identified by other proprietors too, particularly those providing specialist services.

3. The views are neutral to negative from operators with longstanding council relationships (10+ homes) but warn that loss-per-bed has increased from £12 pp/bed/week at 90% occupancy to £130 pp/bed/week at current 75% occupancy. Also cited fact that 'real inflation' -- such as food, insurance and IT -- is greater than 1.9% and therefore CPI element of 1.9% does not reflect reality. This point was

again picked up by a range of other providers who felt that using the basic CPI rate did not reflect the true increases in non-staff costs faced by care homes. Other councils use a basket of care home related costs to calculate annual inflation. Looking at reported operating costs of Care Homes (LaingBuisson Care of Older People Market Report) shows that after staffing costs the biggest expenditure areas for care homes are:

- Repairs, maintenance and equipment servicing.
- Food.
- Utilities (fuel, water, telephone)

4. Providers who mainly have self-funders are neutral on the fee levels and increases, as expected (3 providers, 4 homes). One provider is achieving £800 pw and has a waiting list and another has a similar level of fees and has a higher level of vacancies and a drop in referrals / enquiries.

5. A majority of proprietors have questioned the rationale for having a flat £505 rate, when many other LA's differentiate between residential, residential EMI, nursing and nursing EMI. On the other hand, in authorities that do differentiate the fees, the proprietors often complain that the differentiation of £20 or £30 per week does not reflect the actual differential costs of providing care to people with complex needs.

6. Short/medium term viability issues also often attributable to financing structures / leverage / breaching bank covenants. This is obviously partly bound up with fees, but also driven by fact that the homes break-even only at 90%+ which means that they are unsustainable except in good times (3 homes in Sheffield, one in administration). A slow return of self-funders to the market could have a significant impact on these providers.