

Summary of Care Home Fees Consultation Feedback

We received a total of 20 responses from providers representing 35 homes. The responses came from a mixture of large and small providers, covering homes receiving funding at the standard rate and those who also have high numbers of non-standard packages. Responses were received from both Residential and Nursing providers, and those providing support to both 65+ and under 65 years of age. Not all responses answered every question.

1. The Impact of the Standard Fee Rate

As we are aware that the proposed fee rate falls short of the Median cost of care calculated by the recent fair cost of care exercise, we wished to determine what effect this is likely to have on care homes. This is because we are aware that there may be some cross subsidy of care fees from self-funders and some homes can provide care for less than the median cost of care. Overall most providers felt the proposed rate would have a negative or neutral effect on the home.

Two Homes felt that the proposed rate would have a severely negative impact on them, and it is likely they will have to close in the current financial year. The actual figure for homes at high risk of closure is likely to be higher than this as we only received responses from approximately 1 in 3 care homes.

Some providers organisations replied separately for each of their homes, this highlighted that even for homes where the proposed rate may have a positive impact, this would have to be used to subsidising other homes that may otherwise be at risk of closure at the proposed rate.

From this consultation and previous engagement with providers and through contextual analysis, it is possible to identify some characteristics of homes most at risk of closure.

- Residential Homes – These currently have lower occupancy rates than nursing homes in the city and the rate of admissions into them have still not recovered to pre-pandemic levels. The level of care offered is also more likely to be possible to be replicated in other settings such as the person’s own home or extra care housing.
- Older Care Homes – These may be less appealing to perspective admissions and maintenance costs are likely to be higher and increasing faster than the rate of inflation. They are less likely to have en-suites which can make them less appealing to new admissions and can limit income from self-funders or third-party top ups. More likely to have double rooms, these can rarely be used for double occupancy forcing homes to operate at below their registered capacity.
- In areas of high competition with other care homes.

Homes displaying the above characteristics often have lower, occupancy rates, lower average fees and in some cases are experiencing the highest cost pressures.

	Number of responses
The proposed fee rate will have a severe negative impact on the home, it is likely that the home will have to close entirely or close some units.	2
The proposed fee rate will have a negative impact on the home, there is a risk that home may have to close or close some units, but this is not likely this year. The home is unlikely to be able to re-invest in improving services.	12
The proposed fee rate will have a neutral impact. The home is likely to survive but re-investments in the service are likely to be minimal.	12
The proposed fee rate will have a positive impact. This will enable the home to make a profit and/or re-invest in the service.	4
Our service has very few residents at the standard fee rate and as such it will have little to no impact on us.	1
I am not sure what impact this will have.	2
Total	33

2. What are the greatest pressures on care homes?

We asked homes to rate their current pressures in relation to other pressures they faced from greatest to lowest 33 homes answered this question.

The most common answer for the greatest pressure currently facing care homes is Agency Costs. With 10 homes saying this was their greatest pressure. Overall, this was mentioned by 29 homes, 27 of whom had it in their top 5 pressures. This pressure appears partly from the increased reliance on agency workers but also the cost of the workers is also increasing due to the increased demand for them.

Overall staff recruitment and retention of care staff was an issue for 30 homes and the highest pressure for 3. 26 homes had it in their top 5 pressures. Whilst nurse recruitment was mentioned less times than recruitment of other staff this is largely due to it not being relevant to residential homes. Out of the responses who it was relevant for it was a bigger pressure than recruiting other care staff for 12 of these, a lower pressure for 1 and an equal pressure for another 1 home. Whilst recruitment and retention of management was mentioned as a pressure by 22 homes, this was only in the top 5 pressures for 5 of them and was the lowest ranked pressure for 11 so overall not deemed to be one of the greatest pressures.

Market Sustainability: Adult Social Care Fee Rates 2023/24
Appendix 1: Consultation Analysis

Energy costs was rated as the greatest pressure for 9 homes, this was the 2nd highest concern. All 33 homes who answered this question rated it as a pressure, 31 of which in their top 5 concerns.

Local Authority/ICB fees were also listed as the greatest pressure by 9 homes. Whilst this is lower than agency costs and equal to energy costs, a further 18 homes listed it as their 2nd biggest concern. This means it was in the top 2 concerns for more homes than any other issue.

Low Occupancy/referrals were the biggest concern for 5 homes and the 3rd biggest concern for a further 3. It was ranked low for 16 of the other homes that mentioned it. This reflects that whilst many homes occupancy levels have now returned to viable levels some homes are still struggling and may only be half full.

Other costs increases for things such rents, borrowing costs and other general price increases were a concern for most providers but where generally of medium concern.

Outdated buildings and equipment were not a top 2 concern for anyone but were the 3rd highest concern for 11 homes. Whilst this was listed as a concern for 26 homes it was only in the top 5 for 15 and was often seen as a lesser concern.

Lack of guaranteed income from care homes was mentioned by 20 homes but never in the top 2 pressures and only in the top 7 pressures for 6 homes. This was the pressure of least concern to homes.

One home suggested a new pressure, this being the delay of homes receiving their first payments after a new admission. They listed this as their 3rd biggest pressure, but no other home mentioned it in this consultation. It has however been mentioned by some providers outside of this consultation as a concern they have and affecting their cash flow.

Table showing how providers rate their individual pressures from greatest to lowest.

	total providers mentioning	Greatest pressure										lowest pressure
		1	2	3	4	5	6	7	8	9	10	11
Local authority/Integrated Care Board Fee Rates	31	9	18	1	1	2	0	0	0	0	0	0
Low Occupancy/Low referrals	24	5	0	3	0	0	2	3	0	11	0	0
Energy Costs	33	9	3	6	9	4	2	0	0	0	0	0
Increased rental costs or costs of borrowing.	27	1	3	1	0	1	6	10	0	2	0	3
Other cost increases (not rent, borrowing or energy)	24	1	1	5	1	3	11	0	1	0	1	0
Recruitment and retention of Nurses.	14	1	3	1	5	0	0	4	0	0	0	0
Recruitment and retention of management positions.	22	1	2	0	2	0	1	0	5	0	11	0
Recruitment and retention of staff (excluding nurses and management)	30	3	2	3	7	11	1	0	0	3	0	0
Agency costs	29	10	5	1	7	4	1	0	1	0	0	0
Outdated buildings or equipment.	26	0	0	11	1	3	0	3	1	2	3	2
Lack of guaranteed income from care contracts.	22	0	0	4	4	0	0	0	10	0	3	1
(other) Delays in payment for new packages	1	0	0	1	0	0	0	0	0	0	0	0

NB: some providers listed some pressures as a tie with multiple pressures occupying the same ranking. This is the reason the number of individual pressures listed as the greatest pressure exceeds the total number of responses.

3. Private fee rates.

Providers disclosed a wide range of private rates ranging from £689-£1,175 per week for the minimum price charged to self-funders in beds we would usually fund at our standard rate of £565 per week.

Some premium beds fetched prices of up to £1,555 per week.

The median price for the cheapest private rate in these homes was £783. This is £218 per week higher than our standard rate, and also broadly in line with the median Fair Cost of Care figures calculated (for non-enhanced support).

The figures collected in this consultation are broadly in line with other research completed by LaingBuisson and Carterwood on private fee rates. Providers told us they intended to increase their private fee rates by between 6.66% and 24% with a median increase of 10%.

4. Rates of pay for staff.

It is clear from the consultation feedback that most care workers and domestic staff or those on similar grades continue to receive low pay.

Out of 30 homes that answered the question on rates of pay for the next year, 25 homes pay a starting wage that is within 20p of the national minimum wage of £10.42. The highest starting hourly rate reported was £11.65 per hour and average was starting rate was £10.67, this is less than the Foundation Living Wage of £10.90 as of 22/9/2023 ([What is the real Living Wage? | Living Wage Foundation](#)).

The differential between the wage paid to senior carers/team leaders and carers ranged from 25p – £2.79 per hour with an average of £1.24 per hour difference.

5. Specific pressures

We asked homes if they were facing any exceptionally high cost increases over and above inflation, below is a summary of the responses we received.

Pressure	Comments
Rent	5 homes told us rent increases were a specific concern with increases of between 3-4.5%
Utilities	23 homes told us about their utilities increases, these ranged from 7.75% increases to 300% increases. In some cases, Gas increased by more than 300% but electric cost increases were less significant reducing the overall impact. 16 homes reported their utilities prices were more than doubling.
Food	20 homes told us about the increases in their food costs ranging from an 8-25% increase, with most increases in the 15-17% region.
Insurance	6 homes told us about the increased cost of their insurance premiums with costs increasing by between 18-28% with a median increase of 24%.
Maintenance	14 homes told us about increased maintenance costs with costs increasing by 11-100%. 9 homes said their expected maintenance costs will double next year.
Agency costs	3 care home groups representing 12 care homes told us about their increase agency costs. 1 group expected a 10-25% rise, another 137%, the final one expected an additional £624k on their agency bill (it is not known the increase in percentage terms).
Interest payments	One care home group is facing a 107.95% increase in their interest payments and another facing additional interest payments of £100k per year (percentage increase unknown). A further provider said an additional 1.25%, it is not known if this is how much their interest rate is increasing by or the percentage increase in their payments.
Wages	One home said they were facing an additional 7% wage bill on top of National Minimum Wage increases due to a pay restructure. Another 2 homes said they were facing additional pressures beyond NMW in this area without specifying amounts.
Purchasing/supplies	One provider told us they were forecasting an increase in their supplies/purchasing budget of 93.86% this budget covered a variety of different expenditures such as food but also replacing items from wear and tear. It is therefore possible that this increase might not be entirely due to inflation.
IT	9 homes told us of increases to their IT costs of 15%.

It is clear from this feedback that inflationary pressures can vary drastically from one care home to the next.

6. Summary of qualitative feedback.

We asked care home providers if they had any comments related to the Fair Cost of Care exercise or the proposed standard rate for care homes. We received 12 qualitative responses to this question. There did not appear to be any challenge to the validity of the results produced by the exercise. However, two providers commented that it was an onerous process.

10 responses stated that the uplift offer was insufficient due to the size of the gap between the offer and the fair cost of care. Five of these responses suggested the gap between the council standard rate and the fair cost of care will actually increase because of the process due to current inflationary pressures or the historically low fee paid.

Three responses point to the Sheffield fee rate being lower than other local authorities.

Two responses suggested a higher rate of inflation on their business with 1 believing their pressures were 12.9% and the other over 11%. The provider who believed their cost increases were 12.9% asked us to split the difference with our proposal to offer an 11.3% increase. One provider stated they are being asked to provide care at less than cost and another felt the fair cost of care exercise was a waste of time as it appears to have been ignored.

One provider asked for our calculations and more transparency with our calculations on where the money received by Sheffield from the spending review was being spent and pointed to greater uplifts being granted by other local authorities who already pay more than Sheffield.

We asked if providers had any other comments regarding the fees review process for the standard rate. We received eight qualitative responses to this question.

Six of these relate to the fee offer being insufficient, either due to the provider not believing this meets their current cost pressures or due to the historical rate being too low. Reasons for them believing it does not meet their current cost pressures are similar as to set out elsewhere in the consultation summary for example increased energy costs, agency costs, staff recruitment and retention, ageing buildings and increased maintenance costs.

One provider made a request for Sheffield City Council to provide more equipment to care homes and gave North Lincolnshire as an example of an authority that does this and where it works well.

One provider asked for Sheffield City Council to consider a contractual addition to require homes to pay Foundation Living Wage in exchange for a further fee increase.

One provider suggested that there were current disparities in some of the fees paid by Sheffield City Council. These have been investigated and the only differences in fee rates for the residents we fund are due to different Third Party Top up fees which are set by the providers.

7. Proposed Non Standard increase

We also asked providers on their views on the proposal of a 9.8% uplift for non-standard care home placement.

10 providers provided qualitative feedback to this question with most thinking the proposal was insufficient. Five of these providers stated that they would challenge the uplift or that it would lead to unsustainable services, a further three felt the uplift was below what their increased cost pressures would be but would accept the uplift or could cope with it. A further provider felt the offer was in line with inflation, but their current fees were too low, only one provider felt this offer was in line with their predictions.

The reasons given by non-standard providers for the proposal being insufficient were inline with the reasons given by standard rate providers, for example rising energy costs, recruitment and retention issues and rising agency costs.

Conclusions from consultation feedback

Whilst there was a range of responses received in this consultation the prevailing view from most providers are that the fee rates that are being proposed for next year are not sufficient. In some cases, providers feel it is a fair uplift but on a fee that is historically too low, other providers feel it does not cover their current unprecedented pressures and some providers feel it is a combination of the two.

It appears that providers are increasing their private fee rates by an average of 10% though there is significant deviation between providers. This is very similar to the 9.8% increase that is being proposed. Combined with analysis of expected cost increases from CPI inflation and National Minimum Wage this is an indication that the proposed increase is close to the average cost increase providers will face next year. However, it is still likely that many providers will still struggle financially with this proposal as half would be expected to face above average cost increases, some which will face cost increases significantly above average. In addition, in cases where a provider is already paid a fee that is unsustainably low, a fee increase that only matches inflation will not make the placement sustainable.

Many providers felt the proposal would have a negative impact on the business in the coming year. Whilst most did not believe this would lead to the most significant consequences such as home closures, some did. Most providers felt the proposal could lead to the worsening of longstanding issues in the sector such as staff recruitment and retention and lack of investment in environments as well as increasing the risk of future closures. Few providers felt the proposal would lead to any improvement in the known emerging and longstanding pressures on the sector.