Appendix 2 – Final Market Sustainability Plan 2023

Section 1: Assessment of the current sustainability of local care markets

a) Assessment of current sustainability of the 65+ care home market

Sufficiency:

- **The Birmingham located care home market for over 65s has a bed capacity of 5,996** across 130 care homes. This accounts for 1.4% of the total capacity in England.
- **14.1% of beds are available for new service users.** Currently 84.4% (4,748 beds) of beds are occupied and a further 1.5% (86 beds) of these beds are unavailable or reserved.
- **Spare capacity varies across the geography**, highest capacity is in Edgbaston where 20.5% (128 beds) of beds are vacant (N.B. quality in the area is also low – see Quality section), the lowest capacity is in Perry Barr where 7.9% (25 beds) of beds are vacant. Evidence suggests demand may outstrip supply in some areas - Ladywood, Hall Green and Erdington.
- **Care Home demand has had a slow decline in the last three years**, and Birmingham's projections are demand will decline further by 1 to 2% over the next three years.
- **Conclusion:** While capacity varies across the region, the Council have not experienced issues brokering placements for service users in their preferred care home, indicating capacity is appropriate to the needs and choices of citizens. Occupancy rates indicate strong and sufficient supply in the market to meet both current and forecast demand levels in the next three years.

Diversity

- **The compositional structure of the Birmingham Care Home market** is dominated by small, single suppliers. 91 suppliers operate the 130 care homes; of these suppliers 71 (78.0%) run one home within the region, 18 (19.8%) run 2 to 4 homes and 2 (2.2%) run over 5 homes.
- **Care homes in Birmingham are long established** with 73 of the 130 (56.2%) being established over 10 years. 23 (17.7%) were established less than 4 years ago and of these 15 were nursing homes, suggesting that demand for and investment in nursing homes is greater.
- **The size of care home operating within Birmingham reflects England averages** with most homes having capacity for 25-50 service users (Birmingham 43.8%, England 39.9%). Birmingham have a lower proportion of homes with 0-24 beds (20.8% vs 31.9%) and a higher percentage of homes with capacity for between 74-99 beds (13.8% vs 6.2%).
- **Conclusion**: A market with a high concentration of small providers demonstrates both resilience and choice; where provider exits occur these affect less citizens, and the market typically has good geographic coverage. However, smaller providers are less financially resilient in a high inflation context; less able to spread costs across their bed capacity, or cope with demand fluctuations. There is a risk cost pressures reduce investment on innovation, or worse, force small providers to exit the market, weakening both local sufficiency and diversity.

Quality

- **Of the 130 65+ care homes, four (3.1%) received a CQC rating of Outstanding, 93 (71.5%) Good**, and 25 (19.2%) were rated as requiring improvement. This means 203 (3.4%) beds are in Outstanding care homes, 4,386 (73.1%) are Good and 1,093 (18.2%) Require Improvement. Positively, no care homes are rated Inadequate, and 8 (6.2%) care homes await a rating.
- **The % of citizens whose care is commissioned by the Council** in Good/Outstanding homes has risen from 50% in 2017/18 (prior to 2018 contracts) to 72.1% in 2022/23
- **There are differences in quality across wards**; all care homes in Hodge Hill are rated Outstanding or Good compared to Edgbaston where 54.5% meet equivalent standards.

- **Conclusion**: 1 in 5 care homes Require Improvement, similar levels to England. These quality challenges become more acute in particular wards across Birmingham.

Workforce

- **There are 7,424 employees working across the 130 homes.** Of these 7,044 are permanent staff, with 4,731 (67.2%) of these permanent staff being care workers, 551 (7.8%) being nurses and 1,762 (25.0%) non-care workers. There are 380 agency workers employed.

- **A high variability exists between the ratio of employees to service users** and the reliance of Care Homes on agencies to fill gaps in the permanent workforce, indicating care homes are not adopting similar operating models, and emphasising permanent recruitment issues.

- **Analysis conducted on the relationship between staffing levels and quality in Birmingham** evidences a higher ratio of employees to service users correlates with higher quality levels. Where care homes have higher agency reliance this correlates to higher costs.

- **As a region the West Midland labour market benefits** from the second lowest levels of employee turnover nationally. New starter and vacancy rates for social care workers are also lower, however the social care sector compares poorly against other sectors and the NHS. Recent provider feedback indicates homes are struggling to compete on pay with other sectors.

- **Conclusion:** A combination of high inflation and low relative pay in the care sector are leading to emerging issues in what has historically been a robust care labour market. Birmingham expects pressures to continue to disrupt resulting in higher staff vacancies and higher staff turnover rates. This is likely to have negative cost and quality implications, as well as subsequent sufficiency impacts where providers are then forced to reduce capacity.

Cost

- **Current Position:** The projected 2022/23 Fair Cost of Care exercise output is significantly higher than the current fee rates. For nursing homes, the 22/23 modelled costs are projected to be £1,137 for 22/23, 31% above the current fee rate of £867 (inc. FNC). For non-nursing homes 22/23 costs are projected to be £934, 63% above the 22/23 fee rate of £572.

- **Conclusion:** The Fair Cost of Care exercise has illustrated a significant gap between the provider view on costs and the Council's existing fee rates. Providers have been supported with over £50m in grants through the Covid period, alongside free access to PPE and other support that is being withdrawn over 2022 posing further financial risks. Macro challenges on pay and inflation are not addressed through the FCoC funding and rates submitted by providers therefore reflect additional financial pressures. Any social care reforms impacting the market must be fully funded by government as the Council's budget is not sufficient to address these.

b) Assessment of current sustainability of the 18+ domiciliary care market

Sufficiency:

- **The 18+ domiciliary care market in Birmingham has capacity for 8,806 users,** split over 224 suppliers, equivalent to 2.2% of total capacity in the England 18+ domiciliary care market.

- **67.2% of suppliers have indicated they could offer additional capacity hours** whilst 32.8% indicated they could not (Capacity Tracker Aug 2022). However, when measuring spare capacity by number of hours available, it is concentrated in a handful of suppliers.

- **For the first time in Winter 21/22** Commissioners struggled to broker domiciliary care packages, indicating capacity issues as demand spiked. This eased over Spring and Summer.

- **Conclusion:** While a large portion of suppliers indicated that they could offer additional hours, they also indicated that to deliver these they would require additional FTEs. The ability to offer additional hours, does not therefore accurately reflect useable spare capacity in the market. Sufficiency of supply is therefore likely to be constrained by the appropriate availability of labour within the market. There is a strong expectation that the demand and supply issues experienced in 2021/22 will arise again in Winter 2022/23 and subsequent years.

Diversity

- **Birmingham domiciliary care market is composed of a large number of small suppliers** and is not dominated by a small number of large firms. 74.4% of providers in the market support less than 50 service users and only 5% of providers work with over 200 service users. This high concentration of small providers promotes market sustainability and competition.

- **Conclusion:** Birmingham has shaped a market where supply is not monopolised by a few large suppliers, however in a market where barriers to entry are low there is a risk smaller firms are poorly capitalised & more susceptible to financial, macro-economic & workforce challenges.

Quality

- **Of the 224 suppliers, 137 (61.6%) have a CQC quality rating of Good** and 2 are Inadequate. 40 suppliers Require Improvement (17.9%) & 44 yet to be inspected. This equates to 6,583 (76.5%) citizens receiving Good care & 1,776 (20.6%) whose care Requires Improvement.

- **The % of citizens whose care is commissioned by the Council** in Good or Outstanding provision has risen from 72% in 2017/18 (prior to the current 2017 Commissioning Strategy and 2019 contracting arrangements) to 79% in 2022/23.

- **Conclusion:** While the Council's Commissioning Strategy awards work to suppliers with higher quality ratings, issues remain with some commissioned suppliers Requiring Improvement.

Workforce

- As noted in Section 1A. the social care labour market within the West Midlands appears to have lower rates of turnover compared with national averages.

- **Conclusion:** The domiciliary care market faces similar labour market challenges to care homes as a result of low relative pay levels and continuing national inflationary pressures, for example Care England identified 8 in 10 care providers across England have increased Agency use in the last 3 months. Capacity levels in domiciliary care are even more acutely intertwined with labour supply, and its exposure to other pressures such as fuel costs/Clean Air Zone means the market will continue to face staffing shortages and supply issues. These constraints could reduce hiring standards, lower average experience levels and ultimately impact quality.

Cost

- **Current position: For Home Support the 22/23 median reported cost in the FCoC exercise is £20.95 which is 28% higher than the 22/23 fee rate of £16.43.**

- **Conclusion:** The Fair Cost of Care exercise has illustrated a significant gap between the provider view on costs & the Council's existing fee rates. Providers have been supported with over £50m in grants through the Covid period, alongside free access to PPE and other support that is being withdrawn over 2022 posing further financial risks. Macro challenges on pay & inflation are not addressed through the Fair Cost of Care grant funding & rates submitted by providers therefore reflect additional pressures. Any social care reforms impacting the market must be fully funded by government as the Council's budget is insufficient to address these.

Section 2: Assessment of the impact of future market changes (including funding reform) over the next 1-3 years, for each of the service markets

Social Care Charging Reform

The delay to the proposed Social Care Reforms until at least 2025 has been announced and so will not directly impact in the next 1-3 years, however should the reforms be implemented at a later date then we have assessed the impact as follows:

Impact of the Older Adults Means Test & Cap

- **Birmingham has a lower distribution of the Over 65 Care population in higher chargeable asset brackets** than both the West Midlands and England. Whilst positive against regional comparators, the reform will mean significant new volumes of individuals falling between the lower and upper capital limits leading to an increased cost. Birmingham has estimated this at £11.6m annually for change in Upper and Lower thresholds, and £26.1m annually for the introduction of the cap on personal care costs.

- **Conclusion**: With precept benefits negated by inflation and demand, the charging reform poses an extensive unfunded financial risk in a challenging budgetary context where the Council is already grappling with balancing escalating costs and demand against restricted funding opportunities.

Impact of Reform on Operational Staffing Expenditure

- **The reform significantly increases the number of Social Care Assessments** and Financial Assessments to be conducted, and for those who require care - additional volumes of packages to be brokered and potentially providers to be managed by commissioners. The Council has calculated this could require an additional £8.0m of staffing related spend.

- **Conclusion:** Reform will place significant additional care and financial assessment pressures on the ASC service that will require further resource and expertise to manage effectively.

Observation on Risks to Market Sustainability

- **The proposed reform with the most extensive financial implications for Market Sustainability is that of self-funders requesting Birmingham to broker care**. However, provider FCoC exercise submissions demonstrate significant subsidisation of LA placements by the self-funder market. The size of the current gap between fees and costs identified in the FCoC exercise for Birmingham is estimated to be between £56m and £59m.

- **Conclusions**: Charging Reform poses significant risks to the Council & provider financial sustainability. If Fair Cost of Care rates were implemented in full, taken in combination with the Means Test and Cap & Operational Spend pressures the reforms could place £104.7m of additional annual costs on the Council. Further, when cost pressures emerge a trade-off is likely where spend on strategic transformation, innovation & technology investment reduces.

People at the Heart of Care Reform

- **The broader signals within the Care Sector are of a fragile,** disengaged and underdeveloped workforce: Skills for Care identified monthly vacancy rates in May 2022 of 10% & 31% of staff indicated their desire to remain in the sector had decreased in the prior year.

- **Providers reported an additional 1,327,192 staff hours and 2,917 new recruits** as a result of Workforce Recruitment and Retention Fund spend, illustrating the effect of new investment.

- **Anecdotal evidence in Birmingham identifies pay within the sector as a major influence on workforce turnover** and recent analysis by the Kings Fund identifies that moving to major logistics firms or supermarkets from the care sector could lead to a 6.7% increase in pay.

- **While Birmingham recognises the importance of the UK wide £500m Social Care Workforce training and qualifications fund,** with an estimated UK requirement of 5,000 additional new staff through the Social Care Charging Reform alone, set against a significant training deficit following the pandemic, Birmingham's concern is the level of funding would only be sufficient to close existing training need gaps, and will not address the increased acuity of need associated with an ageing population people entering the care system later in life.

- **The Key Strategic Risk across home support, and older adult residential and nursing care is the availability of sufficient, well-trained staff** and the vulnerability of the labour market to current volatility in inflation and wage pressures.

Section 3: Plans for each market to address sustainability issues identified, including how fair cost of care funding will be used to address these issues over the next 1 to 3 years

(a) 65+ care homes market

Spend of MS & FCoC grant

The Council intends to spend **48%** of the grant on increasing fees paid to care homes with and without nursing. This will result in a proposed payment equivalent to a fee increase of **2.02%** in 2022/23. We believe this reflects that:

- While there is a significant gap between the FCoC exercise output and current fees there are no changes to funding streams proposed for care homes until November 2023 at the earliest.
- There is current oversupply of care home beds in the market.
- Workforce risks are significant but not as acute as those within the home support market due to factor such as travel costs.

Any final decisions on spend and distribution of funds to providers are subject to confirmation of actual funding from government in 2023/24 and 2024/25 and approval of this MS Plan.

Sufficiency and Diversity

- Undertake an assessment of provider investment and exit plans across the next 5 years, and employ technology and market intelligence solutions that monitor Care market resilience.
- Further exploration of demand/supply mismatch in Ladywood, Erdington and Hall Green to determine scale/impact of the issue.
- Further exploration of spare capacity in market/occupancy and FCoC identified non-correlation with cost as well as identification of provider development plans.
- Review market position statements and develop a joint approach to market shaping with NHS.
- Continued use of contractual annual fee review and uplift methodology to address costs within available revenue resources.
- Continue regular market dialogue and forums to shape and explore the issues, including regular engagement with large market share providers regarding their business intentions.

Quality

- The Council will not award contracts to Inadequate rated care providers and will support any providers subsequently rated as Inadequate to either improve services or be decommissioned.
- Continued application of Council's quality monitoring process to drive up quality in the market - including implementation of an enhanced Integrated Quality Assurance Framework with the NHS from 2023 onwards.

Workforce

- The Council is currently developing a joint workforce plan with local ICS including to address integrated career pathways and ways in which the system can support the wider sector.
- Exploration of how low pay in the sector can be addressed as a system, including how to deliver on political aspirations to pay Real Living Wage.
- Develop a support offer that focuses on upskilling the workforce, sharing of best practice and sharing of expertise from across the system to develop and retain the workforce.

Cost

- Further exploration of numbers of self-funders, charging rates and other sources of care home income, inc. top ups to allow further assessment of the impact of social care reforms.
- Exploration with the care market and local trade associations of opportunities for skill/knowledge/cost sharing/pooling of purchasing resources, such as PPE, back-office costs.

- Further exploration of ROO and ROC and other high variability costs in FCoC to support clarification of Council's understanding and approach.
- Exploration of non-correlation of standard & enhanced costs identified by FCoC exercise.
- Further work with market to promote use of technology and consider how the Digital Social Care grants can be used to support efficiencies.

(b) 18+ domiciliary care market

Spend of MS &FCoC grant

The Council intends to spend **52%** of the grant on increasing fees paid to 18+ home support providers This will result in a proposed payment equivalent to a fee increase of **3.5%** in 2022/23. We believe this reflects that:

- There is a significant gap between the FCoC exercise output and current fee. Self-funders are already able to approach the Council to purchase care on their behalf, so providers may face an immediate pressure to income.
- There is a strong chance that demand will outstrip supply again this winter and in future years.
- Workforce risks are more acute in the home support market and there is increased vulnerability to inflation and fuel cost increases.
- The home support market is of key strategic value in promoting independence and preventing admissions to hospital and care homes

Any final decisions on spend and distribution of funds to providers are subject to confirmation of actual funding from government in 2023/24 and 2024/25 and approval of this MS Plan.

Sufficiency and Diversity

- Assessment of provider investment / exit plans over the next 5 years and building of intelligence bank to monitor provider resilience risks.
- Further exploration of winter demand/supply risks & development of plans to address this.
- Review of market position statement & development of joint approach to market shaping with NHS.
- Continued use of contractual annual fee review and uplift methodology to address cost changes within available revenue resources
- Further assessment of declared spare capacity in the market to determine if this is real or would require additional workforce to mobilise and consider how this can be utilised through future commissioning strategies.
- Continue regular market dialogue and forums to shape and explore the issues, including regular engagement with large market share providers regarding their business intentions.

Quality

- The Council will not award contracts to Inadequate rated providers and offer support any providers subsequently rated as Inadequate to improve services, or decommission.
- Continued application of Council's quality monitoring process to drive up quality in the market - including implementation of an enhanced Integrated Quality Assurance Framework with the NHS from 2023 onwards.

Workforce

- The Council is currently developing a joint workforce plan with local ICS including to address integrated career pathways and ways in which the system can support the wider sector.

- Exploration of how low pay in the sector can be addressed as a system, including how to deliver on political aspirations to pay Real Living Wage.

- Develop a support offer that focuses on upskilling the workforce, sharing of best practice and sharing of expertise from across the system to develop and retain the workforce.

Cost

- Exploration of options to improve cashflow to suppliers, including potential changes to current system of invoicing.

- Further exploration of rates to reflect variable visit durations (30/45 minutes).

- Further exploration of numbers of self-funders and charging rates to allow further assessment of the impact of social care reforms.

- Exploration with the care market and local trade associations of opportunities for skill/knowledge/cost sharing/pooling of purchasing resources, such as PPE, back-office costs.

- Further exploration of ROO, travel, back office and other high variability costs in FCoC exercise to support clarification of the Council's understanding and approach.

- Further work with the market to promote use of technology and consider how the Digital Social Care grants can be used to support efficiencies.