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Report of: John Macilwraith
Report to: Cllr George Lindars-Hammond
Date of Decision: Mid-March 2020
Subject: Care Home Payment Model Implementation

Is this a Key Decision? If Yes, reason Key Decision:-	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
- Expenditure and/or savings over £500,000	<input type="checkbox"/>	
- Affects 2 or more Wards	<input type="checkbox"/>	
Which Cabinet Member Portfolio does this relate to? Health and Social Care		
Which Scrutiny and Policy Development Committee does this relate to? (<i>Healthier Communities and Adult Social Care Scrutiny and Policy Development Committee</i>)		
Has an Equality Impact Assessment (EIA) been undertaken?	Yes <input checked="" type="checkbox"/>	No <input type="checkbox"/>
If YES, what EIA reference number has it been given? (<i>Insert reference number</i>)631		
Does the report contain confidential or exempt information?	Yes <input type="checkbox"/>	No <input checked="" type="checkbox"/>
If YES, give details as to whether the exemption applies to the full report / part of the report and/or appendices and complete below:-		

Purpose of Report:

To seek approval to begin the transition to a new care home payment model whereby care homes are paid their fee gross by the Council, as opposed to net of the resident's contribution, and care home residents are charged their contribution by the Council as opposed to by the care home.

This follows a decision in October 2019 to undertake preparatory work for this change. The report describes progress with this preparation including feedback from the sector and also sets out the Council's proposed arrangements for third party top ups and for future payment and invoice periods.

The report provides a timeline for the implementation of this change and seeks approval to delegate the decision on the exact implementation date for this transition to the Director of Adult Social Care, following more detailed engagement with the sector.

Recommendations:

That the Council will move to implement a new care home payment model which will allow the Council, and the care homes with which it contracts, to make a transition whereby care homes are paid their fee gross by the Council as opposed to net of the resident's contribution, and care home residents are charged their contribution by the City Council as opposed to their care home.

That this change will not affect the payment arrangements currently in place between the Council and the Care Homes with which it contracts.

That when the Council begins the new process of raising invoices for care home residents these will be raised once a month, every four or five weeks, in arrears.

That, under the new arrangements, third party top up payments will also be paid directly to the Council.

That the anticipated transition to the new arrangements will be September 2020 with authority delegated to the Director of Adult Social Care to decide the exact date once further detailed engagement with the sector has been undertaken.

Background Papers:

(Insert details of any background papers used in the compilation of the report.)

New Care Home Payment Model Implementation

Lead Officer to complete:-	
1	I have consulted the relevant departments in respect of any relevant implications indicated on the Statutory and Council Policy Checklist, and comments have been incorporated / additional forms completed / EIA completed, where required.
	Finance: <i>Liz Gough</i>
	Legal: <i>Steve Eccleston & Nadine Wynter</i>
	Equalities: <i>Ed Sexton</i>
<i>Legal, financial/commercial and equalities implications must be included within the report and the name of the officer consulted must be included above.</i>	
2	EMT member who approved submission: <i>John Macilwraith</i>
3	Cabinet Member consulted: <i>Cllr George Lindars- Hammond</i>
4	I confirm that all necessary approval has been obtained in respect of the implications indicated on the Statutory and Council Policy Checklist and that the report has been approved for submission to the Decision Maker by the EMT member indicated at 2. In addition, any additional forms have been completed and signed off as required at 1.
	Lead Officer Name: <i>Liam Duggan</i>
	Job Title: <i>Head of Service, Business Strategy – Business Planning (Adults)</i>
Date: <i>3rd February 2020</i>	

1. PROPOSAL

- 1.1 The proposal is to implement a new care home payment model whereby care homes are paid their fee gross by the Council as opposed to net of the resident's contribution, and care home residents are charged their contribution by the City Council as opposed to their care home.
- 1.2 Under the Council's Fairer Contributions Policy, individuals are financially assessed to determine how much financial support they are entitled to towards the cost of their care and what contribution they have to make themselves.
- 1.3 Where an individual is required to make a contribution towards the cost of their care the Council currently pays Care Home providers their fee *net* of the required contribution and requires the provider to invoice the client and collect the contribution to make up the payment to the full fee rate.
- 1.4 Sheffield City Council's current Care Home Payment Model is longstanding and consistent with the historic practice of many other Local Authorities. However it is clear that a change in practice, at a time when other Local Authorities nationally are making the same change, will mean consistency with current national guidance whilst allowing the Council to better support vulnerable people and provide improved financial assurance to the care homes with which it contracts.
- 1.5 Where the third parties (normally family members) are paying a top up to fund Care Home placements that are more expensive than Sheffield City Council's standard rate, these will also be paid to the Council under the new arrangements.

2.0 PROGRESS TO DATE

- 2.1 On 22nd October 2019 the Cabinet Member for Adult Services made a decision to undertake the planning and preparatory work necessary to develop operational readiness to enable an effective and efficient transition to the new care home payment model described above.
- 2.2 Since that decision Sheffield City Council has made progress across a number of work areas as set out below.
- 2.3 *Communication and dialogue with care home providers about the planned change and impact on their business operations.*
 - All care home providers we contract with have been notified of the proposed change. Providers have attended one event to date, with others planned to discuss the changes in person.

- Feedback from the sector has been positive in relation to the proposed changes with strong levels of engagement, with providers welcoming the new care home payment model.
- One query was received via Scrutiny Committee expressing some concern around cash flow implications of the change and particularly the first payment which can be delayed and at present is mitigated by the fees paid by the resident. This has been a consideration in the recommendation with regards to care home provider payment terms, detailed in 9.5.
- 153 (69%) providers have responded to our initial data request between October and December 2019, which equates to 80% of the total residents across all care homes. This has provided us with key insight into current business practices, including payment terms; payment methods; 3rd party top ups; staff used to collect income and chase debt; and an indicative view on numbers of residents they have difficulty in collecting debt from provided information about their current.
- Further data is being collected via the RA1 process during February and March 2020 in order to provide more detailed information in relation to charging arrangements. Should a decision be made to implement, the Council will contact care homes in April 2020 to capture resident and 3rd party contact details, to enable the setup of charging information for care contributions and third party top ups.

2.4 *Systems configuration and testing to deliver the technical capability for the change*

- The Council's IT systems testing is advanced and minimal issues have been identified. The Council's systems are able to effectively process gross payments to care home providers and charges (invoices) to residents for their care contributions and to 3rd parties for third party top ups.
- Finalised systems configuration to verify technical capability for the change to be complete by the end March.

2.5 *Detailed planning for implementation*

- Detailed project plans have been developed for the implementation phase beginning April 2020.
- A high level Implementation Plan and Timetable is provided in Section 4.0

2.6 *Recruitment and training of Council staff to oversee the new arrangements*

- Recruitment processes are underway and staff are expected to be in place by the end of March 2020, in order to ensure the capacity and capability is in place for the implementation process.
- Induction and training of these staff will be complete by the 1st April 2020.

2.7 *Updates to assessment and care management processes and practice*

- Update current process to support correct communication of the new way of working.
- Work is underway to improve the accuracy and timeliness of data recording, in order to support effective debt prevention.

2.8 *Communication with partner organisations affected by the change e.g. Health*

- CCG and voluntary sector partners notified of proposed change.

3.0 POLICY PROPOSALS

3.1 Following the preparatory work set out above the Council is now in a position to set out more detailed policy proposals relating to the move to gross payments; these are the future arrangements for provider payments and resident charging, and also the treatment of third party top ups.

Provider Payments

3.2 Care home providers are currently paid every four weeks, two weeks in advance and two weeks in arrears i.e. at the mid - point of the period in question. Other care providers such as home care providers are currently paid in arrears.

3.3 In recognition of the cash flow concerns raised by some providers the Council is not currently minded to change its payment terms to care homes as a result of the proposed changes. This means that providers will continue to be paid four weekly, two weeks in advance and two weeks in arrears. The only difference being that their payment will be for the full (gross) fee as opposed to it being net of any contribution from the individual.

3.4 It may be that in a small number of cases providers will need transitional payment arrangements to support cash flow during the transition period and these will be determined on an ad hoc basis and by exception.

- 3.5 A key priority for the Council in 2020 is to address the timeliness of initial payments made to care homes. Improvement work in this area is underway and delays are being addressed although there is more work to do.

Resident Charging

- 3.6 There is currently a wide variation across the sector in relation to the periods and timing of invoices raised to care home residents with a high proportion of invoices being raised at the start of the period in question.
- 3.7 It is proposed that under the new arrangements the Council will raise invoices to residents every four or five weeks in arrears. For two months each quarter the invoices will cover four weeks, and every third month will be a five week period. Invoices will be raised at the end of the period in question.
- 3.8 This arrangement will mean that the charges will continue to be broken down by week. The arrangement is broadly in line with Homecare although invoices to homecare residents are *two* months in arrears because of the current payment model. The intention is that ultimately homecare charging will be brought in line with the new care home charging model.
- 3.9 Care home residents will be contacted individually about these future payment arrangements in advance of these changes and individual circumstances and concerns will be addressed on a case by case basis.

Third Party Top-Ups

- 3.10 Third party top up payments are payments made by someone other than the care home resident (normally family members) in order to secure a (more expensive) care home placement of their choosing.
- 3.11 Top up payments are separate to the *resident's* financial contribution and are treated differently in law. Guidance makes certain requirements for Local Authorities to support the third party and consideration needs to be given to the approach to be taken to invoicing these people.
- 3.12 Around 20% of Council funded placements in Residential Care Homes and around 5% of placements in Nursing Homes have a third party top up. This equates to around 300 third party top ups compared to around 2,000 people paying care contributions.
- 3.13 Currently third party top ups are made directly by the third party to the care home. Under the new arrangements it is proposed that third party top ups will be paid by the third party to the Local Authority.

4.0 IMPLEMENTATION PLAN

4.1 Following approval to move to the new payment and charging model the Council will undertake the following tasks necessary to the implement the change:

1. Individual – level data sharing between care home providers and the Council.
2. Record creation and data cleansing in relation to financial information, including creation of direct debits.
3. Communication with care home residents, their families and 3rd parties.
4. Focused testing.

Implementation Plan and Timetable

Actions:	Delivery Dates:
Improvements to internal processes and practice in order to reduce set up times and improve the turnaround of initial payments to providers and initial invoices to residents following placement.	February 2020 - Ongoing
Finalise systems configuration to verify technical capability for the change.	31 st March 2020
Finalise communication plan to ensure all stakeholders are engaged and communicated with.	31 st March 2020
Communicate with customers (residents), their families/representatives and 3 rd parties with regards to the change in care home payment model.	31 st March 2020
Pilot transformed Direct Debits process and system – Non Residential / Residential.	1 st April – 30 th June 2020
Review Direct Debit Pilot and work with closely with Services to make further improvements where appropriate.	June and July 2020
Communicate with customers (residents), their families/representatives and 3 rd parties with regards to charging frequency and periods and payment methods for collecting care contributions and third party top ups, setting up of individual payment details on the Council's System.	April – 31 st July 2020 and ongoing
Establish a data sharing agreement (support and advice from Information Management) with care home providers, before requesting their customers (residents), their families/representatives and 3 rd parties contact details.	30 th April 2020 and ongoing
Financial record creation and cleansing of customer (resident) and 3 rd party contact details in relation to setting up invoicing and payments arrangements for care contributions and third party top ups.	April to August 2020 and ongoing.

Setting up of individual customer (resident) and 3 rd party payment details and arrangements on the Council's System and cleansing of financial information including creating direct debits.	April to August 2020 and ongoing.
Identify any mental capacity issues working closely with providers, customers (residents) their families/representatives, 3 rd parties and Social Workers with regards to invoicing and payments.	April to August 2020 and ongoing.
Focused testing of readiness to go live, including payment and charging and system set up.	April to August 2020
Implementation of the new care home payment model.	September 2020 (date tbc linked to further engagement with care Homes and payment/invoicing calendars

5.0 HOW DOES THIS DECISION CONTRIBUTE?

- 5.1 Switching to an arrangement whereby the Council pays providers their full fee rate (and charges the resident directly for any contribution they are liable for) will ensure that charges to vulnerable people are within Local Authority control, enabling earlier identification of clients who are struggling to pay their care contributions.
- 5.2 The arrangement will provide care homes with greater financial assurance and will also reduce the administrative burden on care homes associated with charging and debt recovery.
- 5.3 It will see financial risk transferred to the Council and a changed relationship between provider and resident.
- 5.4 Having the third party top up being paid to the Local Authority will ensure the Council is fully compliant with both the letter and spirit of the Care Act. It will also provide the best service to residents and 3rd parties (normally family members), providing simplicity, consistency and transparency of charging, while protecting them from erroneous charges.
- 5.5 Retaining the existing contractual care home provider payment arrangement in paying providers 4 weekly, 2 weeks in advance and 2 weeks in arrears, will balance risk to the Council while supporting cash flow for providers.

- 5.6 Aligning the new charging frequency and periods for residential care contributions and third party top ups to those of Homecare, will support a consistent and transparent transition for people moving from Homecare to a Care Home setting. The transitional arrangements, including mitigation for impacts on any individual, where there is significant difference from their current charging calendar, will help support the change to the new care home payment model.
- 5.7 Charging this way will provide simplicity, transparency and full protection to residents and their families. The arrangement will bring some administrative cost to the Council but this is expected to be offset at least in part by clearer lines of accountability for any debt. This option also brings the benefit that the Council will have a clear and definitive view on third party top up arrangements in the city and the true cost of the residential care it commissions.

6.0 HAS THERE BEEN ANY CONSULTATION?

- 6.1 This proposal has been driven by the need to remain compliant with national statutory guidance but has involved and will continue to involve engagement and communication with the care home sector and its residents in order to implement the required change effectively and deliver the associated benefits to individuals and care homes.
- 6.2 It is understood from initial contact with the care home sector that this change will be widely supported because of the financial assurance that the change will provide. Although it has been noted that one provider has raised concerns around cash-flow particularly in relation to the initial payments for new placements, which can be delayed and which, under the new arrangements, will not be offset by the collection of contributions directly from the resident. Engagement with the sector is summarised in section 2.3.
- 6.3 Engagement with care home residents will begin immediately following the decision to implement the change. This will be undertaken on an individual basis with the primary aim being to ensure people understand the changes, to support people to transfer their payment arrangements and to address any individual concerns they may have in relation to the period of transition.
- 6.4 Communication to individuals, their families/representatives and 3rd parties (normally family members) will be supported by a broader communications plan, to be developed in collaboration with care homes, which will ensure that the changes are communicated to other people and support agencies involved in the care and support of people in care homes and those lacking mental capacity.

7.0 RISK ANALYSIS AND IMPLICATIONS OF THE DECISION

Equality of Opportunity Implications

- 7.1 An Equality Impact Assessment (EIA) has been undertaken for this decision and, assuming a successful implementation of the new charging model, there are no anticipated adverse implications for people with protected characteristics. Indeed the purpose of this change is to ensure that vulnerable people and their 3rd parties (normally family members), in respect of third party top ups, are in future charged directly by the Local Authority in order that it has oversight of the charging process and can better support the avoidance of debt.
- 7.2 The Local Authority's EIA process also requires consideration of the impacts of decisions on the Voluntary, Community and Faith (VCF) Sector. It is considered that the change will benefit all care home providers – including those who fall under the VCF and/or not-for-profit category – by offering increased financial certainty.

Financial and Commercial Implications

- 7.4 The annual cost to the City Council of moving from net to gross payments was estimated to be around £715k in October 2019. In March 2020 we estimate the cost to be £753k, taking into account the inclusion of costs relating to third party top ups being paid to the Local Authority. The table below highlights the breakdown of these estimated costs:

Area of Cost:	Estimated Annual Cost - October 2019 (£)	Estimated annual cost - March 2020 (£)
Estimated Bad Debt	508k	536k
Staffing	152k	152k
Financial Business Transactions	55k	65k
Estimated Annual Cost:	£715k	£753k

- 7.5 The key financial risk to the Council remains in relation to bad debt. The change will require the Council to collect around £14.5m per annum of financial contributions from residents, which is currently collected by care homes.

- 7.6 In addition to the £14.5m contribution income to be collected from residents the Council is also proposing to collect the top up income directly from the 300 third party payers (as set out in section 3.10 - 3.13). This top up income amounts to around £700k. Although bad debt for top up income was incorporated into the original budget costs the value of top ups is now known to be higher than originally estimated which will have a small impact on the bad debt costs of around £28k per annum.
- 7.7 The proposal for the Council to collect top up income directly from third party payers will also increase transaction costs by around £10k because of the impact of the additional 300 invoices.
- 7.8 The implementation phase of the project includes a number of improvements which will seek to minimise the Council's exposure to bad debt. These include redesigned processes which better support residents to avoid debt and improve the speed at which providers will be paid; optimisation of direct debits including improvements to the process; and a proportionate but robust debt collection process, which will be used where people have a clear liability and ability to pay.
- 7.9 One off costs associated with implementing the change are not set out in the table above. This will be absorbed within existing change project resources allocated to the ASC Income and Payments Change Programme.

Legal Implications

- 7.10 The proposals set out in this Report are consistent with best practice as set out in the most up to date statutory guidance.
- 7.11 The move from net to gross payments will involve a large volume of personal data being initially transferred from care providers to the Council, to enable the Council to effectively invoice residents for their respective care costs. It will therefore be imperative that officers ensure full compliance to the General Data Protection Regulation (GDPR) and the Data Protection Act 2018 in the transfer and holding of personal data, supported in this endeavour by the Council's Information Management Function.

8.0 ALTERNATIVE OPTIONS CONSIDERED

- 8.1 In order to better protect vulnerable people with the cost of care the Council might consider simply strengthening the existing controls and monitoring arrangements with Care Homes. However, it is felt that the recommended proposal will better support individuals and care homes as well as reflecting the Statutory Guidance.

- 8.2 Under legislation there are other options that have been considered with regards to the arrangements for charging and collecting income from third parties. The Care Act states that where all parties are in agreement the local authority may choose to allow the person to pay the provider directly for the 'top up' where this is permitted. However, in doing so it must be remembered that multiple contracts risk confusion and that the local authority may be unable to assure itself that it is meeting its responsibilities under the additional cost provisions in the Care Act. Having the third party top up being paid to the Council will ensure we are fully compliant with both the letter and spirit of the Care Act, while providing the best service to residents and their families.
- 8.3 Other options were considered for payment and charging arrangements within the proposed new care home payment model. However it was considered important to align provider payment arrangements with existing practice and contractual terms, while aligning charging for care contributions and third party top ups to current Homecare practice, ensuring a consistent and transparent transition for people moving from Homecare to a Care Home setting.

9.0 REASONS FOR RECOMMENDATIONS

- 9.1 This change will ensure the Council's processes are compliant with National Statutory Guidance.
- 9.2 Switching to an arrangement whereby the Council pays providers gross and charges the resident directly will ensure that charges to vulnerable people are within Local Authority control.
- 9.3 The arrangement will provide care homes with greater financial assurance and will also reduce the administrative burden on care homes associated with charging and debt recovery.
- 9.4 Invoices raised by the Council to 3rd parties (normally family members) for third party top ups, will ensure the Council is in line with the statutory guidance and within the spirit of the Care Act. This will reduce the risk of care homes inappropriately introducing an additional charge or of increasing charges without due negotiation.
- 9.5 In recognition of the cash flow concerns raised by some providers the Council is not currently minded to change its payment terms to Care Homes as a result of the proposed changes. This means that providers will continue to be paid four weekly, two weeks in advance and two weeks in arrears. The only difference being that their payment will be for the full (gross) fee as opposed to it being net of any contribution from the individual.

- 9.6 Under the new arrangements the Council will raise invoices to residents monthly, every four or five weeks, in arrears for care contributions. For two months each quarter the invoices will cover four weeks, and every third month will be a five week period. Invoices will be raised at the end of the period in question. This will largely be in line with Homecare charging and will help with the transition from people moving from Homecare to Care Homes.
- 9.7 Under the new arrangements the Council will raise invoices to 3rd parties (normally family members) for third party top ups every four or five weeks in arrears. For two months each quarter the invoices will cover four weeks, and every third month will be a five week period. Invoices will be raised at the end of the period in question. This will be in line with invoicing arrangements for care contributions, ensuring a consistent approach.