

Title: Care Act 2014 – Financial Update

Wards Affected: All

To: Health and Wellbeing Board **On:** 18 June 2015

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1. Purpose

- 1.1 The Department of Health (DH) has been developing and trialling a model to forecast the costs of implementing parts of the Care Act, specifically those parts which will see implementation in 2016/17 rather than the current financial year.
- 1.2 Torbay was invited to take part in this trial and this report outlines the findings of the trial from Torbay's perspective and identifies areas for concern if the model and specifically the data sources are unchanged from the current version.
- 1.3 The Board will note that this has been a "desk top" exercise which includes some significant assumptions. Staff will continue to monitor and modify the outcomes as later and better information becomes available.

2. Recommendation

- 2.1 The concerns of Torbay Council (The Council) and the Torbay and Southern Devon Health and Care NHS Trust (The Trust) over the data being used in the current DH model be raised nationally at every opportunity through ADASS, the LGA and any other professional body felt appropriate.
- 2.2 That, assuming the Government fully funds the initial model and utilises current data, the Board recognises that Torbay could be facing a deficit in funding of £0.6m in 2016/17 and seek options to reduce the potential financial impact on the residents of Torbay.

3. Supporting Information

- 3.1 The Department of Health (DH) has been working on a forecasting programme which allows Social Care organisations to estimate the expected cost of implementing parts of the Care Act 2014. A trial version was circulated to certain authorities at the end of March, with requests for the results of the testing to be submitted by mid-April. The Trust undertook the testing and completed the return, which was forwarded to DH along with 5 other responses from the SW ADASS region.
- 3.2 It is expected that the DH will respond to the returns and the comments on the programme by late summer and an updated version is expected to be circulated to all authorities later in the year. The Trust has been given access to the results submitted by other authorities and these give assurance that Torbay's anticipated increase in costs are not out of line when compared to most of the other authorities in the South West.
- 3.3 The model was tested both for the data and the sensitivity of the formula being used when changes were applied. Details of the data used and the impact of changes are shown in Appendix A.
- 3.4 Three areas raised significant concerns when local data was applied to the formula. These were:

(a) **Self-funders**

Self-funders are those clients who currently meet the costs of care from within their own resources. However with the changes in the financial assessment criteria and the cap on care costs being implemented, this cohort will form part of the potential number of clients the Trust and Council will be responsible for.

The concern of the Trust is that the numbers being assumed by the DH have been understated by about 12% compared to data Torbay holds following a review of Care Home occupancy undertaken in Autumn 2014.

(b) **Local Wealth**

Local wealth assumptions are based on 2 elements, the value of property held by the client and the value of non-property capital assets (such as cash and share holdings). The DH data overvalued property assets by approximately 7% compared to data from the Land Registry.

The model then appeared to treat non-housing wealth as having a correlation with housing wealth. Whilst this may be the case, the

figures used in the national model inferred a higher level of wealth than the anecdotal evidence from our own in-house sources suggested with the obvious implication that the DH assumed that Torbay residents would be able to fund more of their own care than will actually be the case.

(c) **Length of Stay (LoS)**

The Trust's records showed that the LoS for Working Age Adults (WAA) was shorter than that in the national model but in respect of the Older Age (OA) clients the stay was longer which, although only a few months, added to the estimated costs significantly.

3.5 A more detailed analysis of the results is shown at Appendix B to this report but in summary the outcomes are:

- The results, using our own data, are not out of line with other authorities in the South West. (Appendix B Table 1)
- As might be expected the early costs of implementing the Care Act arise in OA but over the next 10 years we should expect to see an increase in WAA costs, especially in Physical Disability Home/Dom care. (Appendix B, Table 3).
- The costs being identified from this model are approximately £1.5m more in 2016/17 than had previously reported. (Appendix 5, Table 4)
- The impact of the Means test is the main driver of costs in the early years but by 2026/27 the Cap will account for some 45% of the costs of implementing the Act. (Appendix B, Table 5)
- By introducing local reliable data into the model, the costs of implementing the Act rise by £0.6m (or 63%) in 2016/17 to £1.6m (or 52%) in 2026/27 compared to the DH estimates. (Appendix B, Table 6)

3.6 When testing, the model was considered to be a reasonable way of forecasting the impact of possible future costs of the Care Act. However the concerns raised by Torbay about some of the original data were generally echoed in the regional response.

3.7 However, what will be of concern to the Board is that although the model is only used for forecasting the estimated cost of the Act, it does use national

data which could be utilised when generating funding proposals. This will be of concern when the underestimation of costs are as great as those reported above and which would then have to be found from within existing resources.

- 3.8 Accordingly pressure will need to be applied at every opportunity to ensure data that is eventually used reflects the concerns expressed by Torbay and others. Local authorities will also need to ensure that the costs identified nationally in the model are fully funded in accordance with the statements previously issued by DH and other sections of the Government.
- 3.9 However everyone will be equally aware of the economic prospects facing the public sector in the next few years and the potential squeeze on social care spending. Although the Government has indicated that it will fund the consequences of implementing the Act. It is possible that the Trust and Council could be facing, at least, the costs identified in paragraphs above.

4. Relationship to Joint Strategic Needs Assessment

- 4.1 Aligned to JSNA

5. Relationship to Joint Health and Wellbeing Strategy

- 5.1 Aligned to strategy to support older people.

6. Implications for future iterations of the Joint Strategic Needs Assessment and/or Joint Health and Wellbeing Strategy

- 6.1 To ensure commissioning partners consider the impact of the Care Act for providers and for pooled budget arrangements.

Appendices

Appendix A – Data sources used to assess costs of implementing Care Act 2014

Appendix B – Analysis of data results

Background Papers:

The following documents/files were used to compile this report:

Department of Health model – LAM15 release v1 20150315

In-house data sets

Various national data sets.

Data sources used in DH model

- (1) **PSS-EX1 and associated returns for 2013/14 covering core client numbers and financial expenditure.**
 - a. The financial data was re-priced to 2016/17 by use of national indicators.
 - b. Client numbers submitted on the return have been increased to reflect demographic growth as identified by DH.
 - c. As this data was the Trust's own data, this has not been challenged. Although the inflators used did not concur with Torbay evidence the impact on the overall projected outcomes in certain elements, especially WAA was insignificant. In these cases no changes have been made to the national data.

- (2) **Average Earnings**
 - a. The model used an assumed level of earnings growth to move pay rates from 2013/14 prices to 2016/17 prices. In discussions with TDA and TC staff it was felt that the national growth figures being used were slightly higher than had been evidenced in Torbay.
 - b. Applying local data would have reduced costs, but not by a significant sum. However local data was applied.

- (3) **Home Capacity**
 - a. The model assumed that residential homes operated at 90% capacity which was a lower figure than that which has been evidenced locally.
 - b. Local data implied capacity was running at 95% and this was used in the model.

- (4) **Residential Care Fee (weekly rate).**
 - a. A major issue facing both the Trust and Council is the financial consequence of the Judicial Review on the level of Residential fees. For the purposes of this exercise, existing fees have been used and any changes due to the outcome of the JR have been excluded.

(5) Home Care Fees

- a. The data used has been updated to reflect the impact of the Mears contract, as applicable from 2015/16.

(6) Self- Funders

- a. The number of self-funders in the national model was less than evidence suggested which had been obtained from a survey undertaken in 2014.
- b. This also appeared to be a regional issue as well and the source of the national data has been challenged, along with the assumed levels of take up by existing self-funders.

(7) Local Wealth

- a. This factor turned out to be another significant issue in the model for Torbay as it used indicators and assumptions based on 2010 information. There were 2 elements to this factor, the value of property in the area and the assumed non-housing wealth held by clients.
- b. With regard to the value of property, using the latest information available from the Land Registry, it was felt that the model's assumptions on Housing wealth was approximately 7% overstated.
- c. The model then appeared to treat non-housing wealth as having a correlation with housing wealth. Whilst this may be the case, the figures used in the national model inferred a higher level of wealth than the anecdotal evidence from our own in-house sources suggested.
- d. This element of the model was raised as a major issue with the Department of Health when the return was submitted, with questions being raised about the sources of data being used.

(8) Length of Stay (LoS)

- a. Data was extracted from our own records regarding the LoS in home care before entering either Residential Care or Intensive Home Care.
- b. The Trust's records showed that the LoS for WAA was shorter locally than that in the national model but in respect the OA clients the local stay was longer which, although only a few months, added to the estimated costs significantly.

Model Results

(1) Overall results

Looking at the results from other authorities it can be seen that Torbay was in line with the results seen from the other authorities, which will give re-assurance that the data being used was not “rogue”.

Table 1
Overall % increase in costs

Authority →	Torbay	“A”	“B”	“C”	“D”	“E”
Fin. Year						
2016/17	4.9%	2.1%	0.6%	2.6%	3.1%	3.3%
2017/18	5.1%	2.4%	0.7%	2.7%	4.4%	4.3%
2018/19	5.4%	2.8%	0.9%	2.8%	5.0%	5.5%
2025/26	14.7%	10.2%	3.2%	12.4%	17.0%	11.7%

It is not appropriate to identify the authorities involved in this survey but the sample covered 4 counties and 1 unitary authority as well as Torbay. Whilst no one authority is directly comparable with Torbay, elements of each can be compared with similar elements from Torbay and assurance be given as to the results. If the results from Authority “B” are excluded then Torbay has the highest increase in costs for the first two years but over time drop back more into the “pack”.

(2) Overall % Increase in Total Older Adults(OA) and Working Age Adults (WAA) costs

As might be expected the growth in the Older Age sector, and the Residential element in particular, was greater than the average overall growth in costs

Table 2
Overall % Increases in Total OA and WAA costs

Authority →	Torbay		“A”		“C”		“D”		“E”	
Fin. Year	OA	WAA	OA	WAA	OA	WAA	OA	WAA	OA	WAA
2016/17	8.2%	2.3%	2.6%	1.5%	2.4%	2.9%	3.7%	2.6%	3.3%	3.3%
2017/18	8.6%	2.3%	2.7%	2.0%	2.5%	2.9%	3.8%	4.8%	3.4%	4.9%
2018/19	8.9%	2.5%	2.8%	2.9%	2.6%	3.3%	3.9%	5.8%	3.5%	6.8%
2025/26	24.2	7.1%	15.0	4.5%	15.7	7.2%	29.7	7.7%	13.8	10.3

(3) Torbay increased costs by element

As would be expected the OA-Res sector dominates the growth, but overtime the impact of the changes can be seen influencing the costs of WAA-MH sectors.

Table 3

Torbay % Increases by Element

Financial Year	OA-Res	OA-Com	WAA-PD-Res	WAA-MH-Res	WAA-LD-Res	WAA-PD-Com	WAA-MH-Com	WAA-LD-Com
2016/17	12.8%	0.0%	0.2%	0.2%	0.0%	5.2%	6.6%	2.9%
2017/18	13.4%	0.0%	0.2%	0.2%	0.0%	5.3%	6.6%	3.0%
2018/19	13.9%	0.0%	0.2%	0.2%	0.0%	5.4%	6.7%	3.5%
2025/26	37.6%	0.5%	6.2%	8.5%	0.0%	2.9%	7.0%	4.3%

(4) Revised Financial Impact

The table shows that the estimated costs for implementing the Care Act has increased since last publicly reported. The increases are mainly down to the better information and projection tools now available.

Table 4

Comparison of financial consequences

Financial Year=>	2016/17	2017/18	2018/19	2019/20
	£'000	£'000	£'000	£'000
Original assessment of costs	2,983	3,316	3,676	4,022
Revised assessment of costs	4,447	4,543	4,654	4,840
Variation of costs between estimates	+1,464	+1,227	+978	+818

(5) Components of increased costs

As can be seen the costs arising from the Means Test (change in resources required before the Trust will intervene) is consistent over the period at about £1.3m. However the impact of the cap is also visible with the consequences beginning to appear after 6 years and quickly rising to in excess of £1.9m. The WAA increased costs mainly arise in the Community based services.

Table 5

Major components of increased costs

	16/17	17/18	18/19	19/20	20/21	21/22	22/23	23/24	4/25	25/26
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
OA MeanTest	1,176	1,230	1,270	1,309	1,348	1,316	1,299	1,273	1,324	1,375
OA Cap	0	0	0	0	11	301	1,265	1,914	1,991	2,068
<i>OA Sub-total</i>	<i>1,176</i>	<i>1,230</i>	<i>1,270</i>	<i>1,309</i>	<i>1,359</i>	<i>1,617</i>	<i>2,564</i>	<i>3,187</i>	<i>3,315</i>	<i>3,443</i>
WAA change	406	415	453	563	690	871	,228	1,239	1,251	1,263
Total	1,582	1,645	1,723	1,872	2,049	2,488	3,792	4,426	4,566	4,706

(6) Impact of using Torbay data against DH data in financial terms

As can be seen, the DH data seems to be consistently understating the cost of implementing the Act by at least £0.6m and is generally 60% under what the Trust and Council forecast. This can only emphasise the need to ensure the final model reflects the position on the “ground” and the need to exert pressure whenever possible on the DH to amend its sources of data.

Table 6

Financial Comparison of DH and Torbay data

Financial Year=>	2016/17	2017/18	2018/19	2019/20		2026/27
	£'000	£'000	£'000	£'000		£'000
Torbay Forecast	1,582	1,645	1,722	1,872		4,729
DH Forecast	973	1,008	1,066	1,158		3,110
Variation- £'000	+ 609	+ 637	+ 656	+ 714		+1,619
Variation (%)	63%	63%	62%	62%		52%