



Provider Engagement Document

Proposal for New Fee Model for Older Persons Placements (Care Homes) and Care Home Fee Uplift 2025/26

10th February 2025

Purpose

Devon County Council is seeking provider engagement on the proposed fee model for Older Persons' Care Home placements for the 2025/26 financial year and 2025 Fees Uplift. The engagement period will run for 6 weeks, closing at midnight on Sunday, 23rd March 2025.

We are engaging on and welcome your feedback on the four key components below:

1. Care Home Rates and Bespoke Pricing
2. Uplift
3. Service Specification
4. Service descriptors (Residential & Social Care Nursing)

Documents included in the pack:

Component	Access Link	Applicable to	Document status
Older Persons Fee Model Engagement Report 2025	This document is the Engagement Report 2025	(this document will apply to all clients aged 18 years and over in relation to the Uplift, but in relation to Care Home Rates, it only applies to clients over 65 years in an older person's care home)	For engagement feedback on the elements of: <ul style="list-style-type: none"> - Care Home Rates - Bespoke Pricing - Uplift
Service Descriptors (Residential and Social Care Nursing)	Link to access Residential Service Descriptors Link to access Nursing Service Descriptors	(this pricing mechanism will apply to clients aged 65 years and over and People who have needs which can be met in a care home setting which is predominately used for people 65 and over)	For engagement feedback
Service Specification	Link to access Service Specification	(this specification will apply to all clients aged 18 years and over)	For engagement feedback
Key Performance and Quality Indicators	Link to access KP and Quality indicators	(these metrics will apply to all clients aged 18 years and over)	Not for engaging on – supporting information
Contract terms & conditions	Link to access Adult Residential Pre-placement agreement	(this contract will apply to all clients aged 18 years and over)	Not for engaging on – supporting information
Valuing Care Report	Link to Valuing Care summary report	(this document will apply to clients aged 65 years and over)	Not for engaging on – supporting information
Engagement Feedback Form	Link for feedback form	(this feedback form will apply to all clients aged 18 years and over)	To be used to provide feedback on the engagement pack.

1. Background information

Under the Care Act 2014, councils have a duty to ensure a sustainable and affordable social care market locally. This involves several key activities:

- Shaping the market to ensure sufficient service provision.
- Ensuring people have access to a choice of high-quality services.
- Ensuring the efficient and effective provision of services, including setting fee rates.

The Council outlines the strategic context and key messages for the market in Devon through various documents, including the Promoting Independence Vision and Strategies (2023 to 2028), the Market Position Statement and the Market Sufficiency Plan.

In 2018, the Council implemented a personalised fee model for care home placements which applies to individuals aged 65 or over or individuals under 65 but whose needs can be met in a care home providing services for people over 65 (the “**Personalised Fee Model**”). Although the Personalised Fee Model has not undergone a formal review since its implementation, the Council has worked with care homes annually regarding inflation, adjusting costs accordingly.

Following on from the DHSC Cost of Care exercise in 2022, the Council committed to continuing to improve its understanding of the cost of delivering care home services in Devon. To address this, in April 2024, the Council commissioned Valuing Care Ltd, an independent company, to review the costs of providing care home services for older people in Devon.

2. Purpose of this document

In this document the Council will approach the fees payable to care homes for residents placed by Devon County Council during the 2025/26 financial year and beyond. The Council plans to:

1. **Introduce a new fee model for older persons placements:** This model would apply to new placements and existing placements upon review for clients over the age of 65 years, as further described in section 3.1 below (the “**New Fee Model for Older Persons Placements**”).
2. **Award an Uplift:** Effective from 7th April 2025, this uplift would apply to:
 - The Personalised Fee Model (for existing placements)
 - The banded fee model
 - Non-banded fees (primarily for clients aged 64 years and under)

There is no proposed change to how the Council sets fees or makes placements for clients aged 64 years and under. The Council will review its approach to this market in 2025.

Following this work, the Council will set annual uplifts for future financial years in relation to the Personalised Fee Model, the banded fee model, and non-banded fees. By reviewing individual provider communications, engagement forums and targeted survey/questionnaires to understand cost impacts for providers when setting these fees for future financial years.

3 The Proposals

3.1 **Introduce a New Fee Model for Older Persons Placements:**

It is proposed the Personalised Fee Model will be replaced with the New Fee Model for Older Persons Placements. It is proposed that the New Fee Model for Older Persons Placements be used for all long-term social care placements (residential and nursing), replacement care and S117 agreements for clients aged 65 years and over. This model excludes Hospital Discharge Rate and Continued Health Care Funding (CHC).

3.1.1 Proposal: The New Care Home Fee Model for Older Persons Placements This model would consist of a new contract encompassing five component elements:

- Service Descriptors (this pricing mechanism would apply to clients aged 65 years and over and people who have needs which can be met in a care home setting which is predominately used for people 65 and over)
- Service specification (this specification will apply to all clients aged 18 years and over)
- Care Home Rates (this only applies to clients aged 65 years and over)
- Key Performance and Quality Indicators (these metrics will apply to all clients aged 18 years and over)
- Revised Terms and Conditions (these terms and conditions will apply to all clients aged 18 years and over)

(the “New Care Home Contract”)

As part of the Council’s proposals, Care Home providers would be required to sign up to the New Care Home Contract to receive new placements post June 2025. Care home placements partly or wholly funded by DCC will only be offered to those care homes who sign up to the New Care Home Contract.

It is proposed at the point of a resident’s review the new service descriptors will be used to support the assessment and as a result the resident will move to the New Care Home Contract and pricing. Care homes will be required to sign up to the new contract to enable this.

3.1.2 Service Descriptors (Appendix Two)

The Service Descriptors set out the different service groups and eligible care needs for individuals. It is proposed that these descriptors be used by social care staff to assess the needs of individuals and to support the placement into a care home. Nursing needs are above and beyond the responsibility and legal limits of the Local Authority and will be funded by Funded Nursing Care (“FNC”) or Continuing Health Care (“CHC”) – this will be determined by NHS staff. Nursing funded via FNC and CHC will be underpinned by NHS terms and conditions.

The Service Descriptors have been through an extensive engagement process with social care providers, social care professional staff, the Commissioning Involvement Group and health staff. The version in Appendix Two is the draft version for this engagement; the service descriptors will be finalised post this engagement.

3.1.3 Care Home Rates 2025/26

The table below sets out the proposed rate per resident per week for the financial year 2025/26. These fees correspond with the service descriptors per 3.1.1.

	Residential Low	Residential Medium	Residential High	Nursing Standard	Nursing Advanced
Social Care	£900.16	£1,051.06	£1,167.50	£1,079.65	£1,107.65
Nursing					
Current FNC 24/25 rate				£235.88 pending 25/26 uplift	£235.88 pending 25/26 uplift
Estimated FNC Shortfall 25/26 **				£16.24	£16.24

** National FNC uplift has not yet been announced for 2025/26.

The Care Home Rates will apply to all new care home placements and existing placements at the point of review for people aged 65 years and over, or where people’s needs can be met in these services. The proposed rates be effective from June 2025 (subject to feedback and timescales).

In March 2024, the Council instructed Valuing Care to undertake a review of the cost of providing care home services for Older People in Devon. The report has been shared with this document. The Care Home Rates reflect the findings and methodology of Valuing Cares Fair Price of Care Rates as of September 2024/25. The Council working with Valuing Care have inflated the 2024/25 rates as per the Valuing Care Methodology for 2025/26.

These are the proposed rates we are inviting views on.

The table below is a summary of the median of care hours identified in the Valuing Care report

In the new model care hours will not be assessed individually. Rather, the service descriptors will be used to set out the needs of individuals and to support their care planning and outcomes.

Residential Low	Residential Medium	Residential High	Nursing Standard	Nursing Advanced
Median Care Hours 16.10	Median Care Hours 24.01	Median Care Hours 30.12	Median Care Hours 24.85 – care staff 8.35 – nursing staff	Median Care Hours 26.32 – care staff 8.35 – nursing staff

3.1.4 Bespoke Pricing

The proposed Care Home Rates in 3.1.2 are representative of approximately 90% of all older persons care needs that are in scope of this model. Some people may have needs higher than those described.

Where an individual’s needs exceed those described in the Service Descriptors the placement will be individually brokered. This process will allow social care staff to contact care homes to assess if they are able to meet the persons need. Where a care home(s) can demonstrate, they can meet need the weekly rate will be individually negotiated.

This process will require the care home to provide a staff rota and full breakdown of costs which will be benchmarked against the New Fee Model for Older People (see table below)

Where one or more care homes can meet the need of the individual the placement offering best value will be accepted.

Bespoke Pricing at proposed 25/26 bench marks:-

Staff/Cost Type	Blended Care Assistant	Blended Nurse
Direct Cost Per Hour	£18.15	£30.18
Return on Operations	£0.91	£1.51
Hourly rate for extra hours	£19.06	£31.69

3.2 Award an Annual Uplift (Personalised Fee, Non Banded and Banded)

The Council proposes to apply up to an effective overall 4% increase. This recognises a reducing inflation rate, that is forecast to reduce further over the next 12 months to an average of 2.6% in 25/26 as per the Autumn Statement 2024.

It is proposed this uplift will apply to all current business and backdated to 7th April 2025.

3.2.1 Personalised Fee Model

Personalised Fee Model - Care Cost Hourly Rate

In the Autumn Statement 2024 it was announced that the National Living Wage (“NLW”) will rise from £11.44 per hour to £12.21 per hour from April 2025.

Giving consideration of the above for 2025/26 the Authority’s proposal is that the composite hourly rate for Care Staff increases from £11.76 per hour to £12.33 per hour.

Therefore, it is proposed that the care cost hourly rate, including on-costs, increase from £15.04 per hour to £15.76 per hour.

Personalised Fee Model - Accommodation Costs

The Council proposes to increase the accommodation weekly rates as follows:

- Residential to increase from £412 per week to £424 per week.
- Nursing to increase from £431 per week to £444 per week.

General limit on the Older People Personalised Fee

It is proposed Residential placement contracts with a resident per week rate under £1,167.50 will receive an increase of up to an effective 4% but the rate will not exceed £1,167.50 per week. Residential contracts above £1,167.50 will not be inflated. This is a policy which can be departed from where circumstances require. It is not an inflexible rule.

It is proposed Nursing placement contracts with a resident per week rate under £1,107.65 will receive an increase up to an effective 4% but the rate will not exceed £1,107.65 per week. Nursing contracts above £1,107.65 will not be inflated. This is a policy which can be departed from where circumstances require. It is not an inflexible rule.

3.2.2 Non-Banded Rate

It is proposed Non-banded rates be uplifted by 4%

3.2.3 Banded Fee Inflation

The inflation approach for the banded fee proposes that 4% be added to the 24/25 fee

3.2.4 Market premia and third party ‘top up’ payments

The proposed increase applies to the Council banded rate and personalised fee only and does not apply to any individually negotiated Market Premium or third party ‘top up’ contained within any contracted price paid.

3.2.5 Targeted support payments

These payments are of an individual nature and therefore the Council does not propose to apply a general inflation uplift in respect of these elements.

3.2.6 Care Homes outside of the Devon County Council area

These increases do not apply to out of area provision.

3.2.7 NHS Funded Placements

The proposals set out within this document are applicable to social care placements only, however, the Council continues to work in partnership with NHS Devon Integrated Care Board (ICB, known as NHS Devon) and Devon Partnership NHS Trust (DPT) in the commissioning of this sector. Hospital Discharge rates are not included in this proposal.

3.2.8 Application of Uplift

It is envisaged that, subject to feedback, the uplifts that have been proposed in section 3.2 would be back dated to 7th April 2025.

4 Rationale for Proposals

4.1 Care Home Fee 2025 – Older Persons Model

Market Overview

Devon's use of care home settings for older people is above the region and our peer group but below the national average. However for people aged 65 years and under we use care home settings above the national average. The councils spend is higher than the England average for all type of care homes and this is mainly reflected by price as opposed to volume.

In the last 3 years the council has seen a net increase in the number of registered beds, this growth is a result from new homes opening and existing care homes extending. There has also been consolidation with larger providers increasing the number of homes they own in Devon.

The Council considers the care home market in Devon to be stable with very few care homes requiring additional financial support. Overall, there is good market sufficiency but there is a gap highly complex beds for older people and people with a learning or physical disability. For this reason, the council has proposed the 'Bespoke Pricing' element of the model to ensure complex needs are adequately funded. During 2025 the council plans to work with care providers to commission new services for complex dementia as well as reviewing the fee model for people aged under 65 years whose care needs will primarily be a learning disability (including autism).

Ensuring the cost of delivering care is sustainable is crucial for maintaining a stable and effective care market in Devon. The Valuing Care cost exercise was undertaken to support the council review its care home fees, this enables to align the funding with the actual costs incurred by providers, promoting long-term viability. All care homes delivering services to people over the age of 65 years were invited to participate in the cost exercise to ensure different commercial models were reflected.

The existing Personalised Fee Model involves multiple elements being added together to build up the persons weekly fee rate. This complexity can lead to inefficiencies and inconsistencies in service delivery. By reviewing the current approach, the Council aims to simplify the model, making it easier for providers to navigate and ensuring that resources are allocated more effectively. This can lead to improved care outcomes and a more streamlined process for both providers and clients. The Council also recognises the Personalised Fee model is not accurately supporting commissioners to understand the local needs and acuity for people, this is more prominent following on from Covid19 and changes to hospital discharge. Understanding the needs of people is fundamental to delivering effective care services and making sure there is a sufficient market. It is proposed that the new Care Home Fee Model 2025 will be a way to improve commissioning data which in turn can support with market shaping. Data and intelligence will be shared with care providers to help inform their business planning and where appropriate operational delivery.

The Council believes that the new proposed Care Home fee model 2025 will improve transparency and equity in the fee-setting process. The service descriptors and clearer brokerage processes will ensure that all placements follow a transparent process in turn support providers to understand how fees are determined and so they can plan their operations accordingly.

4.2 Proposed Uplift

Reflect market position

Having considered the sufficiency of the care homes market in Devon, the Authority considers the proposal to apply a 4% uplift appropriate. This figure recognises a reducing inflation rate, that is

forecast to reduce further over the next 12 months to an average of 2.6% in 25/26, as well as ensuring the composite hourly rate remains above the NLW from April 2025.

Whilst funding is key to supporting the care home market the Authority also recognises the way we work with providers is important, there will be continued engagement meetings where providers can feedback concerns and identified issues to be resolved.

The Council is always willing to discuss, beyond this present engagement exercise, any impacts that occur, and to consider any action that it might need to take to address them. We would do so as part of our usual liaison with providers through our Provider Engagement Network.

5 **Provisional Timescale**

Activity	Date
Start	10 th February 2025
Close	23 rd March 2025
DCC final decision	March/April 2025
Launch of contract for signing	April 2025
Go Live	June 2025



6 **Feedback**

We encourage you to review all the documents in the engagement pack and provide your feedback here - <https://forms.office.com/e/ccncPtng1s>

The council is reviewing its **equality impact assessment** (EIA) with regards to these proposals, and seek feedback on the effect of our proposals on people with one or more of the nine characteristics protected by the Equality Act (generally known as protected characteristics).

If you have any questions or require the information in a different format, please contact the socialcarebusinessrelations-mailbox@devon.gov.uk with the subject line: Care Home OP Fee Model and Fees Uplift 2025/26 proposals.

Appendices:

Appendix	Description	Attachment URL
Two	Residential Service descriptors	 Appendix Two - Residential Service Descriptors.pdf
Two	Nursing Service descriptors	 Appendix Two - Nursing Service Descriptors.pdf