

FROM Mark Lee

Director of Mental Health, Disability and Older People

DATE 24 April 2020

TO 1. Richard Pengelly [cleared. We discussed an approach based on paying per bed, to mitigate the cliff edges. However I understand this would be administratively more complex, place a burden on the Trusts and delay payment by around 2-3 days. On balance therefore I think we should pursue the approach proposed. RP 25/3.]

2. Minister Robin Swann MLA

Proposal for financial support to care home during COVID-19

SUMMARY

ISSUE:	HSC Silver has submitted a proposal for a package of financial support for care homes. Your approval to proceed is requested. A completed proforma, submitted by HSC Silver and approved by Health Gold, is attached Annex A .
TIMING:	Urgent
PRESENTATIONAL ISSUES	The pressures faced by care homes in responding to COVID-19 continue to attract significant media attention. Cleared with Press Office 23/4/20 (TS).
FOI IMPLICATIONS	Unlikely to be discloseable – policy in development.
EXECUTIVE REFERRAL:	Not required.
FINANCIAL IMPLICATIONS:	The proposal is to provide temporary additional funding in the form of a one off sum to the sector in 2020/21 totalling £6.52m . It should be noted that there may be further resource requirements dependent on the submissions from care home providers for costs in excess of the sum provided. The latest information provided to DoF estimated a funding requirement of £574m . This estimate is high level and heavily caveated. The Department has received an allocation of £205m , with a further £49m being held for health and social care, and £150m being held centrally by DoF for PPE. The additional requirement of £6.52m set

	<p>out in this proposal is not reflected in the estimated funding requirement of £574m and would represent a further pressure.</p> <p>Please note the risks set out at section 10 of Annex A.</p> <p>Cleared by Finance 24/04/20 DM</p>
LEGISLATION IMPLICATIONS:	None.
EQUALITY IMPLICATIONS:	None associated with this submission
SPECIAL ADVISOR COMMENTS:	
RECOMMENDATION:	<p>It is recommended that you:</p> <ul style="list-style-type: none"> i. Note the contents of this submission; ii. Note the proposal to provide a one-off payment to care home providers as set out at paragraph 5; iii. Note the risks associated with this proposal as set out at section 10 of Annex A; iv. Note the assessment provided in terms of the management of these risks provided at paragraph 8; v. Consider and if content approve the one-off payment proposed at a total cost of £6.52m; and vi. Consider and if content approve the approach to audit/verification of the payments i.e. that a condition of the one-off payment is that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time.

Introduction

1. In response to a request from the Department on proposals to support care homes in their response to the COVID-19 pandemic, HSC Silver submitted a proposal for a package of financial support to care homes on 22 April. Details of the proposal are provided in the attached proforma at **Annex A**.

Challenges facing the sector

2. Care home providers are reporting significant additional financial demands on top of their normal business costs as they work to maintain a safe environment during the pandemic. For some providers, we understand these pressures are starting to put their continuing business viability at risk.
3. It is not possible to quantify the exact level of additional expenditure care home providers will incur as a result of the COVID-19 pandemic, as this will depend both on emerging challenges in managing the outbreak and its duration. Care homes may also have varying levels of expenditure in relation to staff costs depending on the amount of overtime that will be required in order to maintain a safe level of service. However, HSC Silver has identified a number of areas which have resulted in additional financial pressures:
 - **PPE** – A number of actions have been put in place to ensure that independent care home providers have access to sufficient stocks of PPE. While Trusts have been providing significant quantities of PPE to care homes without charge, we have always been clear that independent care home providers should seek to procure their own PPE. Some (for instance, the Four Seasons group) have managed to do so in a limited way. Additional opportunities to purchase PPE have now been put in place with CPD and RQIA. Nevertheless, providers have reported that challenges in accessing PPE and inflated costs due to global demand are having a negative impact on cash flows and financial planning. Homes have also been asked to increase cleaning regimes, which may create some cost pressures.
 - **Workforce** - Historically, the sector has experienced significant challenges in recruiting and retaining nursing staff and relies heavily on the use of agency workers. The COVID-19 outbreak has placed significant demand on that resource because, for instance isolating residents is more resource intensive and some staff have been off unwell or self isolating. While the provision of testing for the workforce has been well received, the result of pressures has still been that hourly or sessional rates of pay have increased alongside the additional hours that have been needed. In addition to the proposed pilot arrangement of the Sanctuary approach, which you recently approved

(SUB/1301/2020), some other homes are also considering having staff work on a “live-in” basis, which could also have an impact on wage bills.

- **Other costs.** There may be miscellaneous costs associated with, for instance, sleeping in. In addition homes have also flagged other costs such as a 20% jump in insurance premiums.

Growing pressures

4. As of 22 April, there were 297 confirmed cases of COVID-19 in 60 care homes here. Information provided by RQIA suggests that deaths reported in nursing and residential homes have risen significantly in 2020 compared to the same time period in 2018 and 2019. RQIA reports that this difference is increasing, with almost as many death notifications in the first half of April as for the whole month of April last year, and recent modelling—while recognising that any estimates of the proportion of care homes which will eventually experience outbreaks is highly speculative—suggests that a figure approaching 90% cannot be ruled out if current trends are maintained.

Summary of proposal

5. In order to maintain this critical service through the current outbreak and into the recovery phase, HSC Silver has submitted a proposal to provide temporary additional funding in the form of a one off sum to the care home sector, taking account of care home size and based on the following rates:
 - Up to 30 beds: £10k
 - 31-50 beds : £15k
 - Over 50 beds: £20k

On the basis of the 483 homes within the care home sector this would equate to £6.52m.

6. To give some context to the proposed payment, the annual spend is approx. **£470m**. Assuming the proposed cash injection is to support providers over a three month period this equates to a 5.5% uplift over that period or less than 2% for the whole year.
7. It is proposed that administration and management of the payment will be co-ordinated by the HSCB to ensure an effective audit trail is maintained. There is a risk that this funding may be spent on costs unrelated to COVID-19 and may make homes more

profitable. This is to some extent compounded by the fact that care homes may be accessing other forms of financial support, for instance small business grants. We believe that risk to be relatively small in the current context (and in the context of a tight financial position generally for homes, with some closing in recent years). We therefore do not believe it would be proportionate to require reporting on – and auditing of – this expenditure. This is likely to create disproportionate administrative costs and would take time and focus (in both the Trust and the home) away from making sure residents are safe. Establishing any verification process which is both proportionate and legally sound is unlikely to be possible in the timescales that we have. Rather than requiring an audit of underlying expenditure related to Covid-19 to support the one off payments, it is proposed that a condition of the one-off payment is that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time.

8. While the proposal submitted by HSC Silver notes that this is a temporary financial commitment designed to address immediate additional costs unavoidably incurred by care home providers, it also recognises that some care home providers may have incurred costs in excess of the proposed sums. HSCB have suggested the ability to bid for funds above the one-off payment levels, provided there was evidence which could be checked and subject to independent audit. However, this creates an unknown financial liability for us as well as potentially significant administrative overheads (as discussed above). We are therefore not proposing to pursue this element of the proposal at this time but to do further work on whether additional funding is likely to be needed and how best it should be made available. It may, in any case, be necessary to provide further funding, depending how long COVID-19 continues.
9. An alternative approach to the proposal set out at paragraph 5 would be to increase the regional tariffs for care home beds. This would avoid cliff edges (whereby the current proposal means a home with 29 beds receiving 30% less than a home with 31 beds) but it will be presentationally difficult to reduce the rate (and uncertain when that decision could be made).
10. The HSCB set the annual regional tariffs for care home beds and an uplift of 4.5% for residential care homes and 5% for nursing homes has already been made with effect from 1 April 2020 as part of normal business arrangements and is affordable within the recent Resource Budget 2020/21 allocations which you approved (Sub-1290-2020

refers). Given that any commitment to an increase in regional tariffs as a result of Covid-19 would be difficult to reverse it would be realistic to assume that that commitment would be permanent and post Covid-19 would be expected to result in a significant unfunded financial pressure.

11. The proposal set out at paragraph 5 also creates a clear link between COVID-19 expenditure and the funding.

Current support

12. Guidance issued to care home providers on the 17th March set out the financial support available to all providers during the pandemic. In order to ensure the financial resilience of care home providers, where (as a result of the COVID-19 outbreak) a nursing home's income reduces by greater than 20% compared to the past 3 months' average, Trusts will block purchase 80% of the vacated beds at the regional tariff.
13. However, in light of the pressures facing the sector, the vulnerability of care home residents, and the importance of supporting care home staff to safely care for residents, it is recommended that this proposal for additional one-off payment is approved.

Other administrations' approaches

14. It should also be noted that other areas have made additional support available to care homes. The Department of Health in RoI has announced a temporary COVID-19 Financial Support Scheme for nursing homes, where support will be provided based on the number of health service residents in situ, at a rate of €800 per resident per month for the first 40 residents, €400 per resident per month for the next 40 residents and €200 per resident per month thereafter. Where a nursing home has incurred significant further costs or undertaken necessary enhanced actions arising directly from COVID-19 outbreak as certified by the HSE, a nursing home may submit a separate business case for enhanced funding. The Department of Health and Social Care's Action Plan for Adult Social Care, published on 15 April, confirmed additional funding of £1.6 billion for local authorities to help them respond to COVID-19 pressures across all the services they deliver, including adult social care. Since then, a further

£1.6bn has been announced for local authorities – taking additional funding to £3.2bn. On a population level this is equivalent to over £100m but the English figures take account of wider financial pressures on local authorities, a greater emphasis on providers sourcing (and paying for) their own staff and PPE (both of which Trusts here are stepping into provide, where necessary) and an inflationary pay rise (which is being provided through the budget process here). We understand the initial £1.6bn reflected a 5% inflationary uplift, and two uplifts of 10% to reflect new cost pressures. We continue to seek further information on the basis for calculating the uplifts. Wales and Scotland have also enhanced funding to local authorities to meet cost pressures on social care.

Recommendation

15. It is recommended that you:

- i. Note the contents of this submission;
- ii. Note the proposal to provide a one-off payment to care home providers as set out at paragraph 5;
- iii. Note the risks associated with this proposal as set out at section 10 of Annex A;
- iv. Note the assessment provided in terms of the management of these risks provided at paragraph 8;
- v. Consider and if content approve the one-off payment proposed at a total cost of **£6.52m**; and
- vi. Consider and if content approve the approach to audit/verification of the payments i.e. that a condition of the one-off payment is that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time.

Mark Lee

Director - Mental Health, Disability and Older People

Ext

I&S

Copied to:

Michael McBride

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Deborah McNeilly

Jackie McIlroy

Neelia Lloyd

Names Redacted

Health Gold Policy Cell

EOC Operations Cell

DoH Press Office

DOH COVID-19 NI RESPONSE – FUNDING AND APPROVAL PROFORMA

TO BE COMPLETED BY THE REQUESTOR – SECTIONS 1 TO 11

Section 1
<p>Policy</p> <p><i>The nature of the COVID 19 requirement, and if applicable the evidence that it relates to the NI specific risks (including risk to public health, risk of public disorder, loss of life, impact on health/energy/food/water supplies).</i></p> <p>Independent Sector care homes are a critical resource in the smooth running of the entire health and social care system in Northern Ireland. Care home providers are reporting significant additional financial demands on top of their normal business costs as they work to maintain a safe environment of the delivery of care to over 16,000 residents. For some providers, these pressures are starting to put their continuing business viability at risk. Current regional annual expenditure on independent sector care homes is estimated at c£450m (17/18 TFR uplifted to 19/20).</p>
Section 2
Duration of the proposal
Proposal is for a fixed one-off payment to care homes in 2020/21.
Section 3
What would be the impact if this proposal was not taken forward?
<p>There are 483 care homes in Northern Ireland who deliver care and support to over 16,000 residents, and is a vital part of the overall health and social care system. Care homes not only care for the most vulnerable people in our society, but also facilitate timely discharges from hospital and make a significant contribution to the avoidance of hospital admissions.</p> <p>The sector has noted the additional financial pressures dealing with the COVID 19 outbreak has placed on providers and without some additional temporary support there is a risk that some providers will cease to trade and care homes will close.</p>

This has the potential to have a catastrophic impact on the entire health and social care system.

Section 4

What alternative mitigating actions have been explored before committing to this solution?

A series of options have been explored including reducing the use of care homes. These have been discounted as they do not support the sector to deal with COVID specific pressures.

Section 5

Why this needs an urgent response and what would be the impact on the proposal if this was delayed?

Care homes are dealing with these financial pressures on a daily basis and it is anticipated that further demands will be made on the sector as the outbreak continues, so action to support them is urgently required

Section 6

Is additional funding required? Or will costs be met from within existing baseline?

If additional funding is required explain why, and set out key assumptions including timeframe for expenditure eg 3 months, 6 months. Provide forecast profile in table below. If costs are to be met from within existing baseline explain how eg payment is an advance, and set out key assumptions and timeframe.

The proposal is to provide temporary additional funding in the form of a one off sum to the sector taking account of care home size and based on the following rates:

Up to 30 beds: £10k

31-50 beds : £15k

Over 50 beds: £20k

On the basis of the 483 homes within the care home sector this would equate to £6.52m.

Home Size	Number of Homes	£'000	£'000
Upto 30 beds	226	10	2,260
31 to 50 beds	176	15	2,640
Over 50 beds	81	20	1,620

Total	483		6,520
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Where a care home considers that they have incurred significant further costs arising directly from a Covid 19 outbreak in excess of the one-off funding provided, such claims will be considered on an individual basis and must be supported by evidence of the costs incurred and will be subject to independent audit.

Please refer to the attached paper for details

ALB/ Organisation	Key Deliverable	Resource or Capital	2019/20 £'000	2020/21 £'000	2021/22 £'000
HSCB	Provide a one-off payment to each IS care home to cover extraordinary financial demands related to COVID 19. ensure that care homes are in a position to sustain services.	Resource		£6,520	

Section 7

When approval for the proposed expenditure is needed by, with reference to when the funds need to be committed by and the contractual arrangements for committing them.

NB Legal obligations in relation to procurement still apply, and even if the award of a contract without competition is justified, its scope must be limited to that which is strictly necessary to overcome the immediate requirement.

The proposal is to increase payment to existing providers, therefore procurement is not impacted.

The funding will be disbursed through HSC Trust contract and finance departments but may require a centralised overview as IS providers work across Trust boundaries and a process may be required to ensure sure that each facility receives only one one-off payment.

Funds need to be allocated as soon as practical so that immediate cost pressures can be addressed and providers continue to trade.

Section 8

What longer term financial implications the commitment has, and how these will be funded?

This is a temporary commitment designed to address immediate additional costs unavoidably incurred by care home providers. There may be further resource requirements dependent on the submissions from care home providers for costs in excess of the sum provided.

Section 9

Legal

Any legal risks arising from the proposed spending and confirmation that these have been considered by DSO including, where necessary, the risk that the ALB/Department may be acting outside its existing powers.

None noted

Section 10

Recommendation/Decision Required and Timescale for Approval?

Gold are asked to approve the required temporary additional expenditure to support care homes.

In considering this Gold should note some of the key challenges/risks:

The one-off payment may not be spent to the level intended on Covid-19 related issues and may not therefore represent value for money;

A one-off payment may be seen as a means to address perceived underlying costs pressures not Covid-19 related

Care homes vary in size and purpose: a fixed sum one-off payment might result in some facilities having a surplus while others would still incur costs beyond the level of the one-off payment, albeit in this instance care homes can make individual claims for consideration

Owners of multiple care homes may receive more in one-off payments than they actually require due to economies of scale within their business;

Potential for additional resource requirement arising from care home submission for costs in excess of one-off payments.

Mitigation of Risks:

Payment is for a defined sum per home.

Claims for further excess costs must be evidenced with appropriate records and will be subject to audit..

Section 11 – Declaration

Requestor: *Insert name below.*

Date: *Insert date below.*

The above proposal is judged the best course of action to mitigate:

Please strike through any which do not apply.

- (a) High priority operational risk(s) in relation to COVID 19 resilience;
- (b) The financial implications have been reviewed by HSCB Finance;
- (c) ~~This activity will be resourced from within the existing departmental budget; or~~
- (d) This activity requires additional COVID-19 funding; and
- (e) Is recommended to DoH for approval.

TO BE COMPLETED BY DOH EOC APPROPRIATE CELL LEAD (IF THE CELL LEAD IS NOT THE REQUESTOR) – SECTIONS 12 AND 13

Section 12

Review

Set out your assessment of the proposal, provide any additional information relevant to the decision maker, including assessment of benefits and risks. Include legal advice where necessary, and advice from policy and professional colleagues as necessary.

Care homes provide a vital service in caring for some of our most vulnerable people. They are coming under increasing pressure as a result of COVID-19, and it is essential that they are able both to respond to the needs of their residents and protect their staff at this challenging time, and remain capable of sustaining services as we move into the recovery phase.

I note the pressures set out clearly in the submission accompanying this note. Some financial support has already been provided to care homes at this time, so that where (as a result of the COVID-19 outbreak) a nursing home's income reduces by greater than 20% compared to the past 3 months' average, Trusts will block purchase 80%

of the vacated beds at the regional tariff. However, this only ensure some degree of stability in income. It does not address increased costs.

I note the other options considered by HSC Silver, including a temporary uplift to the regional tariff. I note that a temporary uplift to the regional tariff would cost in the region of £11m, as considered. It would, of course, be possible to set a tariff increase that matched the proposed £6.5m one-off payments figure. The disadvantage of the one-off payments approach is that there are cliff edges which mean a home with 29 beds would get £5,000 (and 30%) less than a home with 31 beds. An approach based on an increase in the tariff would be more equitable. However, it would be less clearly linked to COVID-19 costs and presentationally would be more challenging to remove. It would be particularly challenging to remove if COVID-19 ran for an extended period, which could create a pressure to overspend by maintaining it.

I have also considered allowances made in other jurisdictions and note the relatively small size of this financial intervention by comparison. This is in part mitigated by the ability to meet additional exceptional costs.

However, confirming that we will meet additional costs effectively provides a blank cheque. We do not know how much these additional costs equate to and if the sums provided by other administrations are correct we could face a significant additional bill. Given any bid for exceptional costs would have to be a one-off bid and would therefore have to prove that the entire one-off payment had not meet costs to date and that additional costs had been incurred to date.

There is a risk that this funding may be spent on costs unrelated to COVID-19 and may make homes more profitable. This is to some extent compounded by the fact that care homes may be accessing other forms of financial support, for instance small business grants. We believe that risk to be relatively small in the current context (and in the context of a tight financial position generally for homes, with some closing in recent years). We therefore do not believe it would be proportionate to require detailed reporting on – and auditing of – this expenditure. This is likely to create disproportionate administrative costs and would take time and focus (in both the Trust and the home) away from making sure residents are safe. Establishing any verification process which is both proportionate and legally sound is unlikely to be possible in the timescales that we have. Rather than requiring an audit of underlying expenditure related to Covid-19 to support the one off payments, it is proposed that a condition of the one-off payment is that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time.

HSCB have suggested the ability to bid for funds above the one-off payment levels, provided there was evidence which could be checked and subject to independent audit. However, this creates an unknown financial liability for us as well as potentially significant administrative overheads (as discussed above). We are therefore not proposing to pursue this element of the proposal at this time.

Section 13

Conclusion and Recommendations

Evidence suggests that COVID-19 is already having a significant impact on care homes here and that there is a risk that the number of outbreaks will increase over the coming weeks. Other areas—including England and ROI—have already announced financial support measures for the care home sector.

As the total one-off payment payable to care homes represents less than 2% of the annual funding from HSC (approx. £470m), I am of the view that this proposal, with that a condition of the one-off payment that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time, represents the most suitable option for additional financial support to care home providers to help them respond to the current challenges.

EOC CELL LEAD: *Insert name below.*

DATE: *Insert date below.*

Mark Lee

23 April 2020

TO BE COMPLETED IN ALL CASES BY DOH FINANCE WHERE PROPOSAL HAS A FINANCIAL IMPLICATION – SECTION 14

Section 14	
Review <i>Set out your assessment of the financial implications of the proposal eg departmental budget implications, and any governance concerns/ risks. Include legal advice where necessary.</i>	
<p>The proposal is to provide temporary additional funding in the form of a one off sum to the sector in 2020/21 totalling £6.52m. It should be noted that there may be further resource requirements dependent on the submissions from care home providers for costs in excess of the sum provided. The latest information provided to DoF estimated a funding requirement of £574m. This estimate is high level and heavily caveated. The Department has received an allocation of £205m, with a further £49m being held for health and social care, and £150m being held centrally by DoF for PPE. The additional requirement of £6.52m set out in this proposal is not reflected in the estimated funding requirement of £574m and would represent a further pressure.</p> <p>Please note the risks set out at section 10 above.</p> <p>The approach proposed that a condition of the one-off payment is that the Trusts reserve the right to audit/verify the underlying expenditure related to Covid-19 at any time is reasonable in the circumstances.</p>	
FINANCE: <i>Insert name below.</i>	DATE: <i>Insert date below.</i>
Deborah McNeilly	24/04/20

TO BE COMPLETED BY THE DEPARTMENT'S ACCOUNTING OFFICER* – SECTION 15

Section 15		
Approved by the Department's Accounting Officer	Signature	
	Date	
	Role	

***Where appropriate Deborah McNeilly, Deputy Secretary, Resource and Corporate Management Group may approve on behalf of the Accounting Officer, copying the Accounting Officer into any approvals provided.**