Care home top-up fees: research with local authorities

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Summary of findings

- There is a real challenge for local authorities in monitoring the extent of top-up fee arrangements in their area: local authorities recognise that they are not always aware of private arrangements when care homes request top-up fees or increases in fees. One way of addressing this has been for local authorities to contact relatives paying top-up fees to establish the extent of this practice and warn against it.

- Some local authorities find it easier than others to manage the use of top-up fees in their area. This depends on a number of factors including how much they actively control take-up, how flexible they are at negotiating fees on a case by case basis, and to what extent they manage to set a standard rate which reflects what can be demanded in the local market.

- There is a wide variation in local authorities' practice in arranging top-up fees, in terms of who the contract is with, the terms of the third party agreement, what and how much information and advice is provided, and how affordability of the top-up fee is assessed.

- There is, however, consensus about the importance of setting up a third party agreement, predominantly to mitigate against the legal and financial risk for the local authority and, to a lesser extent, to ensure the third party understands their responsibilities.

- There is a striking gap in terms of policy or procedure in relation to regular reviews of top-up fee arrangements, and this is accompanied by significant concern on the part of some participants about appropriate practice where arrangements break down. The councils we spoke to acknowledged that they only became aware that the third party has a problem with paying the fees once payments stopped or if a relative contacted them.

- Given the level of anxiety this can cause for third parties, a number of councils are actively reviewing their information and advice and their monitoring arrangements, having acknowledged that setting out responsibilities in a third party agreement is not a sufficient safeguard.

- There is a great deal of uncertainty regarding the implications for top-up fee arrangements under the new Care Act. Participants were particularly concerned about how self-funders would fit into the top-up system, and how the top-up rules would tie in with deferred payments and capped care costs. There were also concerns about the fairness of the top-up fee system and the challenges of managing choice and local care markets.
1 Introduction

The purpose of this research was to gain a greater understanding of the way that local authorities implement third party top-up fee arrangements and their concerns going forward, with a view to responding to the Department of Health (DH) consultation on the regulations and guidance for this element of the Care Act. It follows research carried out by Independent Age in 2013 where we collected information from local authorities via a Freedom of Information (FOI) request on the prevalence of top-up fees and use of signposting and reviews. We also carried out a survey of care homes, facilitated by the English Community Care Association (ECCA), asking homes for their experience of top-up fees.

Around 56,000 people in England have their care home fees paid in part by the council and in part through a top-up fee paid by a third party, normally relatives of the resident. Top-up fees are designed to allow relatives to pay extra for a care home place that is above and beyond the standard level of care paid for by the council, the council’s ‘standard rate’. Guidance states that councils should set their rate at a realistic level with regard to local market rates so that top-up fees are not routinely requested to cover a shortfall. When arranging a top-up fee it is the council’s responsibility to make sure that relatives are “willing and able” to pay the fees for as long as the resident is in the care home. When fees are put up, councils are not obliged to contribute towards the increase, making it particularly important that affordability is properly assessed and that arrangements are reviewed over time.

In our advice work with older people and their families, we regularly hear from people who have been asked to pay a top-up fee even though they have not expressed a preference for more expensive accommodation. This research was undertaken in order to hear from local authorities on how they view and manage top-up fees at a time when the implementation of the Care Act is likely to raise more concerns about these fees.

The report is based on qualitative interviews with representatives from 13 local authorities. Although this is a small number of interviews, the material generated was based on in-depth discussions which yielded significant insights about the variations in practice and the range of issues and concerns. The local authorities were selected to make sure that they represented a range of different types of local authorities, including county councils and London/metropolitan boroughs, different regions across England, and different political control.

A number of different senior staff roles were represented including business development, commissioning or procurement managers, financial managers, service managers, and staff responsible for implementing the Care Act. Mostly we spoke to one person per local authority, but in some we spoke to two or three people. Given their different roles, participants had different levels of knowledge about aspects of the council’s practice in relation to third party top-up fees.
The interviews lasted between 30-60 minutes and covered the following topics:

- use of top-up fee arrangements, rationale underlying current practice and any changes
- practice and procedures in relation to setting up top-up fee arrangements
- practice and procedures in relation to monitoring top-up fee arrangements
- views about the future use of top-up fees and the requirements of the Care Act guidance.

The interviews were carried out by phone and were recorded to ensure accuracy. Participants were assured that their participation and contributions would be confidential.

In this report, we will look at the factors that influence the extent of the use of top-up fees (section 2), and the variation in council practice in relation to contractual arrangements (section 3), setting up a top-up fee arrangement (section 4), and monitoring and reviewing top-up fees (section 5). In the final section (6) we will look at participants' views about the future use of top-up fees and the implications of the Care Act.

2 Use of top-up fees

In 2013, Independent Age published research based on a FOI request to all local authorities. The FOI returns demonstrated that nearly three quarters of local authorities did not collate comprehensive information regarding the prevalence of third party top-up fees in their area, signpost relatives to independent advice about top-up fees or formally review arrangements over time.

This picture was largely reflected in our interviews with local authority representatives who were not generally able to tell us how many third party top-up fee arrangements they had in their area or the level of top-ups paid. Representatives acknowledged that care home providers might privately approach council-funded residents to pay top-up fees without the council knowing and one council was planning to survey its residents to establish whether this was happening.

However, participants normally had a fairly good idea of whether top-up fee arrangements were rare or widespread, and also whether their use was increasing or not. Not surprisingly, the scale or potential scale of top-up arrangements in their area tended to influence their approach and practice on top-up fees. In particular, there was a greater sense of urgency about setting up good practice and procedures in areas where it was felt that top-up fee arrangements were widespread or likely to rise significantly in the next few years.
The extent of the use of top-up fees in an area was influenced by a number of factors, including:

- the local authority’s attitude towards them. Some authorities said they discouraged the use of top-up fees because of the risks to the council, or to the resident, or because they feel they don’t represent value for money.

- the operation of the local market and the difference between the average market rate and the rate the council pays (for example influenced by high demand for care home places, higher numbers of affluent residents or restricted council budgets):
  - “it’s getting quite difficult now to get homes to accept our rates, we’ve kept our prices at the same level for three or four years.” (London borough)

- the flexibility of the council to negotiate on a case by case basis if fees are unaffordable.

- the relationship between the local authority and local care home providers. Some participants described good working relationships where providers agree the rates after discussion and are “realistic” in what they charge, others felt suspicious of care home providers who they felt could be unscrupulous and unethical in the way they charged extra fees without being able to justify what the extra charge was covering.

### Case Study

A county council in the south east has very low rates of top up fee arrangements. The explanation was that the rates have been agreed as part of a large exercise carried out with key local suppliers and they represent an average market rate. As a result the rates are respected by local providers and the relationship between the council and the providers is good. If a top-up fee is proposed by a provider which is unaffordable, the council procurement team aims to negotiate agreement of an affordable rate.

Another council noted that its “relatively high” standard rate may reduce the need for a top-up. In setting its rate at the 66th percentile of all spot contracted placements (ie two thirds of all places on the market), the council finds an average that will cover most placements. .. Should any changes happen, the council will adjust its rate to maintain the 66th percentile level.

Operating within a market-led care sector was generally felt to be challenging for local authorities, particularly in the context of budget reductions and/or where
there was wide variety in local markets within an individual council area. Some authorities had responded by moving away from a 'standard rate' and instead introducing a more 'fine-tuned' system, such as negotiating different rates for each care home or, in one case, different rates for each placement.

**Case study**

A metropolitan borough facing significant budgetary cuts had recently taken the decision to procure all residential care placements on an individual basis. Fees were therefore agreed based on an assessment of how well the placement would meet the care needs and a consideration of cost. This was felt to improve accountability of care homes in the sense that there was a direct link between the fee charged and the care provided. Once this is agreed, providers cannot negotiate an additional top-up fee. However, if an individual expressed a preference for a particular care home then the 'standard rate' applied as did the potential for a top-up if the usual rate fell short of what the care home was charging.

**Case study**

In a Midlands county council, the variation in affluence and market demand is so large that they have adopted a system of negotiating and fixing separate rates for each care home. This allows them to manage the use of top-up fees by having a higher council rate in areas of greater affluence where care homes are in a stronger position to charge higher fees.

The extent to which the use of top-up fees works as a way of improving choice of accommodation for the resident appears to be determined by a combination of i) funding levels and ii) the negotiating power that councils have in managing the local care market, given the particular socio-demographic characteristics of residents and the supply and demand for care home places in their area.

The interviews demonstrated some variation in practice in determining the 'standard rate' for residential care. It was felt by one participant that this causes confusion between councils where placements are being made cross-county, and that ideally there should be a consistent methodology in working out council rates.
Some areas suggested that top-up fee arrangements had in the past become too much of a default arrangement where, for example, market rates were outstripping council rates such that it was hard to find a choice of places at the council rate or where practice on the ground meant that social workers were not making sufficient checks in terms of affordability. Others felt that care home providers have not always in the past been called sufficiently to account for their fees, and were able to charge “horrendous” top-up fees which they were not able to justify due to lack of transparency in the breakdown of costs.

A number of councils were seeking to improve the transparency behind charging and choice of residential accommodation through the use of online vacancy tools. These clearly identify care homes with places available and their rates, so that it is very clear where a top-up fee would be needed.

3 Contractual arrangements

Opinion was divided about the best way to set up contractual arrangements for the top-up element of the placement fee. Councils who contracted with the care home provider to pay the full amount, including the top-up element, said that this provided clarity that the council was ultimately financially responsible for the whole fee. Third parties then paid the top-up element directly to the council. A key advantage of this arrangement was that financial departments were then aware from monitoring procedures if third party payments stopped, and they could take action to address this.

In other local authorities, the payment for the top-up element was made directly from the third party to the provider. Some participants saw this as an entirely private arrangement between the two parties. Others took a more intermediate position, whereby the amount and existence of the top-up was detailed in the contract with the care home but was paid direct to the care home by the third party. Having relatives pay the top-up fee directly themselves was felt to provide a clearer signal of responsibilities, ie that the care home, not the council, is charging a top-up and the third party is agreeing to pay it. This approach was also seen to have a benefit of being easier for the council to administer.

"It makes it very clear which party is responsible for what level of funding and therefore it reduces the financial risk to the local authority." (London borough)

4 Setting up the top-up fee arrangement

There was a general view among participants that a third-party agreement was essential to mitigate against legal and financial risk for the council. This included councils where the actual arrangement for the payment of the top-up
fee was between the third party and the care home provider. What this agreement covers appeared to vary between councils: at a minimum it was felt the agreement must include details of who has responsibility for paying the different fee elements and that the third party signs to say they understand what they have agreed to pay.

For some councils, these agreements were also seen as an essential tool in ensuring that the third party understood the arrangement and its implications. This meant more detail contained in agreements including:

- the council's right to move the resident if the third party stops paying the top-up fee
- the third party's right to withdraw from the arrangement
- the third party's responsibility to inform the council of any change in their circumstances
- one council we spoke to said that they ask third parties to agree that they are able to pay the top-up fee for three years.

Other participants were concerned that there was a danger of over-reliance on making sure paperwork is legally watertight (for the council’s benefit) at the expense of full and comprehensive explanations to people when they are considering top-up fees.

"It's very difficult, people don't always understand.... we take the position that if we've had the conversation with them and provided the paperwork then we have done our responsibility. But some people still come back and say they didn't understand. It's always going to be the case, even if someone has signed something." (Metropolitan district)

There was a lack of agreement about what constitutes good practice in relation to providing information and advice to third parties about care home placements and top-up arrangements. On the whole, practice was to rely on the social worker to have a conversation with the resident and relatives about top-ups, but some participants were not confident that this was being done in a consistent or thorough way. The role of the social worker (or other frontline officer) in brokering the arrangement appeared to vary between authorities, with some participants describing the arrangement as being largely negotiated between the third party and the care home, and others seeing the council officer as a key figure in making sure that residents are not put under pressure from providers:

"We make sure they're not being pressurised by care homes. We ask for proof that they have the means to make the top-up.... it's up to them, but we would dissuade them." (London borough)
Councils recognised the importance of independent advice, to make sure that people consider the range of alternatives other than top-up fees, help with the complexity and sensitivity of the decision-making, and ensure that they have advice from someone seen to be impartial and not already involved.

"It's a complicated set of facts to advise people on...there can be misunderstanding or miscommunication and families do get anxious and stressed and unhappy that the authority is not prepared to contribute more funding." (London borough)

However, councils also raised concerns about developing a comprehensive offer of independent advice, in terms of identifying appropriate, properly qualified, genuinely impartial experts able to provide a range of free, tailored advice:

"Who will be the not-for-profit, trustworthy, truly independent sources of advice? There's a bit of a gap in that respect at the moment." (SE county council)

A small number of councils already encourage third parties to seek independent advice, although again practice varied as to whether this was in a more general way (through information leaflets), or in a specific way via the third party agreement on top-ups or through their face-to-face contact with social workers. Some councils have established working relationships with advice or advocacy organisations or are beginning to specifically provide funding to these organisations to deliver independent advice to residents.
Establishing **whether a third party is able to pay** the top-up fee or not was a clear part of the process for some councils but not for others. One participant commented specifically that they felt the guidance should be clearer on what a council needs to do to assure themselves that the top-up fee was affordable. Some councils adopted a relatively informal approach described by one as a “check in” with the family if the top-up looked large and by others as part of the general conversation that a social worker or assessor would be having with the resident and third party.

Other councils had a more formal process to establish the affordability for the third party. Practice here included the use of budget sheets (for the family to fill in by themselves or for the council to review), asking third parties to provide bank statements, or more thorough financial assessments.

A number of councils said that they would refuse a top-up fee arrangement to fund a care home placement if they felt it was not sustainable. One participant felt that the guidance was not sufficiently clear about whether or not councils are allowed to refuse a top-up fee arrangement.

**Case study**

In one council, the budget sheet was used as a tool to encourage third parties to be cautious about committing to additional expenditure in the form of a top-up fee and ensure they record all their regular and ad-hoc items of expenditure, *"so that they realise they can't really afford it"*. In this council, the participant felt that it was the responsibility of the council to encourage caution because, *"People are making these decisions when they’re at a time of crisis, people feel guilty at putting their relatives into residential accommodation, and at that time they’ll agree to practically anything if you put it in front of them."*

**5 Monitoring and reviewing arrangements**

None of the councils we spoke to said that they did a regular review of top-up fee arrangements but some were actively looking at how to monitor arrangements more effectively. Participants said that any problems with paying the top-up fees would only come up in an ad-hoc way either if they were contacted by the third party, or if payments stopped - meaning that the care home provider or the council finance department (whoever payments were being made to) would be made aware automatically. One council commented that there are too many agreements to review them regularly.

Some councils went some way towards reviewing top-up arrangements by asking a general question about financial arrangements in their annual review of
care needs or in their annual financial assessment of income. However, it was also acknowledged that the review of care needs was primarily focused on care arrangements and that the financial question was unlikely to be covered in sufficient depth to establish if there were any problems with affordability.

In general, this was an area of real concern for participants, with particular anxiety and uncertainty about what to do if third party payments stop,

"The two possible impacts are very undesirable, either moving the resident...or the council having to pay the top-up." (London borough)

This was one of the key drivers for setting up signed third-party agreements: to ensure that third parties understand the risk of not being able to continue payments. One council had sought legal advice about whether they were allowed to remove a resident from a care home if the top-up fee was no longer paid by the third party.

In general, participants were clear that it is the responsibility of the council to pay the top-up fee if the third party can no longer afford to pay. Views differed, however, on how seriously the council would have to look at moving someone from their care home in this situation. All participants felt uncomfortable about the thought of having to move someone, and some felt that it was something that was very unlikely to happen - instead they would look at re-negotiating the fee with the provider (easier to do if there is a good working relationship or if there is someone already in the home on a council rate).

Some councils acknowledged that squeezed budgets would mean that they would have to look at moving someone, particularly if the amount of money involved was relatively large and freeing this up would provide the opportunity to fund an additional placement:

"If they can't pay, we have to look at moving people, and we do say that in our information. In the past it hasn't happened that often, but going forward with budgets so tight, I don't think authorities are going to have a choice.... if they [the resident] were going to deteriorate a lot we wouldn't move them, but if someone's life expectancy is two or three years, and the top-up is £500, then that's another person's placement at the local rate." (SE county council)

However, there was general agreement that decisions would need to be taken on an individual basis, with an assessment taking into account the resident's age and the potential impact on their health of moving them.

Two further areas that councils said they find challenging to monitor are i) increases in top-up fees charged by providers and ii) situations where third parties are still paying top-up fees but are struggling to pay. Councils acknowledged that without a review of arrangements, they would be very
unlikely to know about an arrangement where there was a risk of defaulting unless they were contacted by the third party.

There was clear agreement that it was against contractual arrangements for providers to increase top-up fees without negotiating this through the council, but several participants acknowledged that this sometimes happened and that care homes tended to feel that top-up fees were “none of the local authority's business”. In these cases, councils had only found out about a fee increase by chance if it had been raised by a resident or third party, or if it had come out in a re-assessment of needs or a more general quality review of the provider. Some councils had taken action to try to prevent this recurring, for example removing providers from their contractor list.

6 Views about working with top-up fees in the future

Participants were generally expecting to see an increased use of top-up arrangements in the near future as the option to pay top-up fees is opened up to self-funders and as demand for greater quality in care home provision grows. Some councils were seeing an increase in top-up fees as they found it harder to find placements at the council rate:

"It can be difficult to find alternative options at the local authority rate and it probably will be increasingly going forward. The local authority has to set a reasonable rate...and we need to make sure we're keeping pace with what the market rate is, otherwise we're penalising people." (London borough)

One or two felt that the use of top-up fees may go down, partly because they anticipated that council rates for residential care will need to move closer to the market rate/the rate paid by self-funders once there is greater transparency in the charging system. However, others felt this may result in a rise in top-ups demanded from care homes if self-funders ask the council to arrange their placement at the council's standard rate.
Councils who currently had a relatively low use of top-up fees felt that this anticipated increase in use of top-ups would require greatly improved policies and processes – particularly in terms of systems for the management of legal and financial risk and the delivery of information and advice.

When looking at the use of top-up fees over the next few years, a number of participants expressed their general concerns about fundamental challenges for local authorities operating a top-up fee system. They felt that the use of top-up fees was a clear reflection of underfunding in the provision of care and was inequitable when required to provide choice in residential care for older people but not for younger adults’ care. Another concern was the operation of cross-subsidies within the system (with different rates paid by council and self-funders). In addition, one council had calculated that they were subsidising the NHS at a rate of around £35 a week per resident in nursing care because the Free Nursing Contribution rate is below the market rates. Participants also noted the link between cross-subsidies and the lack of transparency in charging:

"Why would you charge a top-up? What extra are you offering? Why should people have to pay for a particular type of business model, particularly if the quality is not there? The correlation between price and quality is a bit of a myth - it's not necessarily about care or what people need." (Metropolitan district)

"The major issue is that care homes are a market, but such a skewed market... Local authorities expect that their places will be available at a lower rate but, of course, care homes use self-funders and to some extent third party top-ups to balance the overall lack of funding out." (Northern county council)

Councils also talked about the important role of care home providers in shaping the way that top-up fees worked. Participants noted that providers should take more responsibility for i) being transparent about what the top-up fee is paying for (or any increase in fee), and ii) ensuring the sustainability of a top-up fee themselves rather than relying on the council to underwrite this.

There were two different opinions about how to do this: one group felt that the most effective approach was for local authorities to work closely with providers to encourage them to adopt good practice and help address the concerns and challenges they face. Others felt that there was a greater need for regulation of providers’ practice.

Changes arising from the Care Act

On the whole, participants felt that the current guidance was reasonably clear and straightforward to follow although, as described above, the application to the
“real world” of the care market was felt to be challenging. There was felt to be a need for future guidance to use less legal or technical language, and to be aimed at frontline staff to help them implement the rules effectively. On more specific issues, participants raised the urgent need for the Department of Health to clarify i) how top-ups are going to interact with the introduction of universal deferred payments, ii) how top-ups will count towards the care costs cap, iii) how councils should support self-funders paying a top-up direct to the provider, iv) how to determine what is an appropriate choice of accommodation for individuals.

One of the biggest areas of concern in terms of changes coming in under the Care Act was the inclusion into the system of self-funders, in terms of local authorities general duties, the implications of the meter towards capped care costs, and the options for self-funders to pay top-up fees directly. Some participants stressed that it would be very important in the future to ensure that effective arrangements were set up when self-funders entered residential care so that residents and their relatives fully understood the implications of running down their assets and when a top-up fee might be required.

"We do need to develop some good trusted sources of financial advice as self-funders come within the remit of local authorities. To help self-funders think about how to make their money go further and the implications of the contractual arrangements they’ll be entering into. It's very important for the council to be thinking about." (London borough)

In their work to prepare for the Care Act, councils were starting to look much more closely at the provision of appropriate information and advice, including developing systems for sourcing independent advice. Some participants were considering the need for ongoing advice, not just at the start of an arrangement but as and when arrangements or circumstances change. The provision of information was also felt to be the responsibility of central government, not just local authorities, in terms of promoting understanding more generally around social care funding.

7 Policy recommendations

In early June 2014, the Department of Health published for consultation draft regulations and guidance to support the Care Act. We welcome the progress that the guidance represents in relation to charging and top-ups and provision of information and advice. Under the guidance, local authorities now need to satisfy themselves that residents and relatives have been provided with sufficient information before they agree to a top-up for residential care. They also have to make plans to assess the information and advice needs of their local population and take steps to address any gaps in local information and advice provision.
This research has raised a number of issues which we believe have implications for local authority practice and the further development of the regulations and guidance underpinning the proper implementation of the Care Act. We have not only found wide variation in the practice of managing top-up fees, but significant gaps in terms of well-defined processes for monitoring and reviewing arrangements and ensuring the sustainability of an arrangement.

We recommend the following actions for local authorities:

- they should review all existing agreements and also write to care homes they contract with and/or relatives of care home residents to establish whether there are other top-up fee arrangements in place which they are not aware of. This will help prepare for their responsibility, under the proposed new guidance, to maintain an overview of all top-up agreements in their area.

- once the final guidance on choice of accommodation and additional payments is published in autumn 2014, they should write to care homes they contract with to explain their main legal obligations on managing top-up agreements, calling on care homes to i) always inform them when a resident or their relative is keen to pay a top-up fee and ii) alert them if they become aware that top-up arrangements are at risk of breaking down.

- to satisfy themselves that a top-up arrangement is sustainable, they should consider asking for documentary evidence that a third party or a resident is in all likelihood able to continue paying top-up fees for at least the first year of the top-up agreement. In addition, they should review annually whether adults remain able and willing to pay. These annual checks could take place at the same time as the annual review of care needs and finances.

- the proposed new guidance recommends that local authorities signpost relatives to independent information and advice on top-ups as part of their duties to provide them with access to sufficient information and advice to understand the terms of the top-up agreement. In preparation for this, they should review their arrangements for working with independent providers of information and advice. At a minimum, they should satisfy themselves a signpost to independent information and advice has taken place before a relative is approached to sign a written agreement.

- they should offer training to all relevant social care professionals involved in supporting older people to move into residential care to ensure that they apply the new guidance consistently and can communicate it effectively to individuals and families. They should also consider developing case study illustrations for staff to help them interpret the guidance in a “real world” situation.
Report by:

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