# Annex B: Cost of Care Report – Home-Care 18+

## Response rate / conduct of the Cost of Care exercise

* 1. There are 40 private and voluntary sector Home-Care Providers registered within the Borough. Five of these provide Home-Care within the Council’s current commissioning framework.
	2. One non-commissioned provider ruled themselves out of scope because they provide mostly live-in care. The Council excluded returns from two further non-commissioned providers on the same grounds. We expect that more non-commissioned providers would currently be out of scope, but further market analysis is needed to confirm this.
	3. Four of the five commissioned Providers made submissions (80%). Six in-scope non-commissioned Providers made submissions. The overall response rate was 25%.
	4. Providers were invited to briefings on the Cost of Care exercise in June / July 2022, with separate meetings for commissioned and non-commissioned Providers. Assistance in completing the exercise was offered. An initial deadline for returns was set at 15 July 2022 but left open to allow more time for completion. The latest submission was received on 29 July 2022.

## Approach to Return on Operations

* 1. Providers were invited to submit figures for Return on Operations based on their group policy. Responses ranged from 1.6% to 13%. We have therefore proposed, after wider consultation with LGA/ADASS London Finance Leads and North East London Finance Network, a ceiling of 5% in our Cost of Care calculations. Only three out of the ten Providers who made submissions stated a figure above this ceiling.

## Results of the Cost of Care exercise Home-Care 18+

* 1. The results of the Cost of Care exercise for Home-Care 18+ are summarised in Table 1 (lower quartile, median and upper quartile). The detailed results are shown in Table 2.
	2. Figures were collected using the CHIP Home-Care Cost of Care tool. No additional information was requested of Providers.
	3. The cost base was April 2022.

*Table 1: Summary Cost of Care results for 18+ Home-Care*

|  |  |
| --- | --- |
|  | **Home-Care** |
| Count of observations | 10 |
| Lower quartile cost | £22.05 |
| Median cost | £23.28 |
| Upper quartile cost | £27.80 |

*Table 2: Detailed Cost of Care results for 18+ Home-Care*

|  |  |
| --- | --- |
| **Cost of Care exercise results - all cells should be £ per contact hour, MEDIANS.** | **18+ domiciliary care** |
| **Total Care worker Costs** | **£16.31** |
| * Direct care
 | £11.39 |
| * Travel time
 | £1.31 |
| * Mileage
 | £0.00 |
| * PPE
 | £0.25 |
| * Training (staff time)
 | £0.22 |
| * Holiday
 | £1.46 |
| * Additional non-contact pay costs
 | £0.01 |
| * Sickness/maternity and paternity pay
 | £0.36 |
| * Notice/suspension pay
 | £0.00 |
| * NI (direct care hours)
 | £0.91 |
| * Pension (direct care hours)
 | £0.40 |
| **Total Business Costs** | **£5.99** |
| * Back-office staff
 | £3.19 |
| * Travel costs (parking/vehicle lease et cetera)
 | £0.00 |
| * Rent/rates/utilities
 | £0.59 |
| * Recruitment/DBS
 | £0.09 |
| * Training (third party)
 | £0.06 |
| * IT (hardware, software CRM, ECM)
 | £0.30 |
| * Telephony
 | £0.07 |
| * Stationery/postage
 | £0.03 |
| * Insurance
 | £0.09 |
| * Legal/finance/professional fees
 | £0.11 |
| * Marketing
 | £0.04 |
| * Audit and compliance
 | £0.02 |
| * Uniforms and other consumables
 | £0.01 |
| * Assistive technology
 | £0.00 |
| * Central/head office recharges
 | £1.06 |
| * Other overheads
 | £0.26 |
| * CQC fees
 | £0.07 |
| **Return on Operations** | **£0.98** |
| **TOTAL** | **£23.28** |
| ***Supporting information on important cost drivers used in the calculations:*** |  |
| * *Number of location level survey responses received*
 | *10* |
| * *Number of locations eligible to fill in the survey (excluding those found to be ineligible)*
 | *40* |
| * *Carer basic pay per hour*
 | *£11.05* |
| * *Minutes of travel per contact hour*
 | *7* |
| * *Mileage payment per mile*
 | *£0.00* |
| * *Total direct care hours per annum*
 | *1,559,015* |

* 1. The number of appointments per week for visit lengths of 15, 30, 45 and 60 minutes is shown in Table 3, along with the cost per visit. The number of visits is as submitted by providers, and includes local authority, NHS, and self-funder visits.
	2. A distinction needs to be drawn between the number of visits delivered by those Home-Care providers who are operating under the Council’s commissioned Home-Care framework and providers working outside the commissioned framework. The reported number of 15 – 60-minute visits per week delivered by commissioned providers ranged from 3,700 to 12,073. Most non-commissioned providers were clustered around the lower quartile.

*Table 3: Number of appointments per week by visit length / cost per visit for 18+* *Home-Care*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **15mins** | **30mins** | **45mins** | **60mins** |
| Lower quartile count | - | 245 | 179 | 198 |
| Median count | - | 1,358 | 995 | 649 |
| Upper quartile count | - | 1,956 | 2,081 | 1,804 |
| Cost per visit | - |  £12.30  |  £17.79  |  £23.28  |

## Future Indexation

* 1. It is proposed to base future indexation as shown in table 3.

*Table 4: Future indexation*

|  |  |
| --- | --- |
| Care staff costs | London Living Wage |
| Other staff costs | ONS average weekly earnings |
| Non-staff costs | CPI |

## Fair Cost of Care Results

* 1. Having followed guidance, we are not confident that the Cost of Care figures provided here are sustainable. They provide data without the context and insight to come to an accurate judgement on the fair cost of care. This is because:
* The cost is derived from a sample of the care market that chose to provide data, so risks not being fully representative of the cost of care.
* This is particularly true in London where small care markets are common.
* Costs can vary significantly from provider to provider, impacted by factors that include the size of the organisation, variations in staff pay rates and use of agency staff. There is also significant variation in Return on Operations costs submitted by Home-Care providers and likewise Return on Capital.
* Due diligence has been carried out on the data provided, however, there was insufficient time to comprehensively review cost data with providers and there is no practical way of scrutinising central overheads.
* The median calculation method produced results that do not reliably reflect market costs.
* DHSC guidance did not provider clear criteria for moderation (e.g., adjusting for ROO / ROC).
* DHSC guidance recommends querying outliers with providers, however there is no clear line between a cost being inefficient or an outlier.
* Rising inflation, living, and running costs mean that the data submitted through this exercise at a point in time may no longer be accurate.

	1. There are several interdependencies that will significantly impact the costs of providing care. Since the deadline for data submissions closed at the end of July 2022, several new developments have emerged which are relevant to provider costs. These include:
* Energy costs: on 8 September 2022, central government announced a policy to provide financial support for households (“energy price guarantee”) alongside a new 6-month scheme for businesses and other non-domestic energy users. The details of the scheme are yet to be published.
* Inflation: rate of inflation is unpredictable and continuously changing. The inflation rate for 2022/23 is not a reliable benchmark for determining fees in future financial years; it is necessary to have a dynamic approach to working with providers to understand actual costs.
* London Living Wage: on 22 September, the Living Wage Foundation announced an uplifted London Living Wage rate for the 2022/23 financial year of £11.95.

	1. From the outset, it is important to acknowledge the fundamental limitations of the data and the unknown variables that are key constraints for the analysis of the Cost of Care data. The data quality concerns are such that, even after final analysis, it is necessary for the Council to consider other factors in setting fee rates as the Cost of Care outputs alone do not provide a reliable basis for fee setting.
	2. There is a high level of concern within the Council in relation to the overall cost pressures that it is under, with an ongoing overspend, rising pressures and reduction in NHS funding, despite significant additional investment by the Council. The allocated grant funding provided will support a level of fee increases over the next three years, however there is a significant gap between the Fair Cost of Care results and the grant provision. In addition, this grant does not address the existing financial challenges around market provisional costs that the Council is facing.
	3. The outcome of the Cost of Care exercise is not intended to be a direct replacement for the fee setting element of the Councils commissioning process or individual contract negotiations. It is expected that actual fee rates will differ, as the outcome of sound judgement, evidence, and local negotiation. The outputs of this exercise will be one element to inform future negotiations, taking into consideration other known market factors including inflation, demand, capacity, benchmarking, quality and importantly affordability for the Council and availability of funding.