

# Adult Social Care – Fair Cost of Care Report – Home Care

February 2023

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## 1. Purpose

- 1.1. To outline the approach and define the outcome of the City of Wolverhampton Council's (CWC) FCoC exercise in relation to the home care market for adults aged 18 and over.
- 1.2. A separate, but similarly structured report has been produced which details the same FCoC exercise for the older people's care home market, age 65+.

## 2. Background and Context

- 2.1. In September 2021, the Government published its Building Back Better plan for reforming the funding of Health and Social Care and was followed by the White Paper for reforming Adult Social Care (People at the Heart of Care, November 2021). These reforms have now been incorporated into law through the Health and Social Care Act (2022).
- 2.2. To support the implementation of the wider reforms, local authorities needed to prepare their markets and build upon their existing market sustainability plans. This requires the local authority to engage provider markets with the purpose of reaching a shared understanding of the true cost of delivering care; this is being referred to as a "Fair Cost of Care" (FCoC) exercise.
- 2.3. The exercise is an opportunity for local authority commissioners and local care providers to work together to arrive at a shared understanding of what it costs to run quality and sustainable care provision in the local area and that is reflective of local circumstances.
- 2.4. Government has announced additional funding with the primary purpose of supporting local authorities to prepare markets for reform and move towards a "fair cost of care" over the next three years. There are three main grant funding conditions that must be met of which one is the FCoC exercise.

- 2.5. Six local authorities across the country were early adopters of the reforms and were due to implement changes from April 2023. This was designed to test the impact and implementation of the reforms so that learning could be gathered and shared amongst the remaining local authorities.
- 2.6. Since the original report was drafted, it was announced in the Government's Autumn statement that the reforms would be delayed by two years, pushing the implementation date back to October 2025.
- 2.7. In late December 2022, the Department of Health and Social Care (DHSC) confirmed that local authorities are still required to publish their cost of care exercises and Market Sustainability Plans (MSP). The latter is due for release towards the end March 2023 as the DHSC are yet to finalise the template format and actual publication date. The original MSP would have focused significantly on the impact of the new reforms, however due to the delay these impacts would not be realised in the short term.

### **3. Executive Summary**

- 3.1. Utilising the national home tool as the foundation for capturing cost information, CWC received information from 19.5% of providers invited to respond. Returns represented 58% of local authority funded home care.
- 3.2. Whilst this reasonable proportion of Council funded home care hours the overall response rate was very low and potentially not representative of the market as a whole. This could be, in part, due to the fact that CWC is a trailblazer authority and the exercise was undertaken in a very short timescale.
- 3.3. Whilst no adjustments have been made to information received, there are key areas where the Council has concerns over the accuracy and reliability of data. The main cost lines affected are Travel and Mileage, which seems to differ significantly based on each providers operating model, and Return on Operations (ROO) which ranged widely and even though the use of median accounted for this, the output of 7% was still higher than expected 5%, as suggested as a proxy rate through discussions with regional finance colleagues, the LGA and the DHSC.
- 3.4. The Council has concluded that due to the relatively low response rates based on the number of providers invited to participate in the exercise, data issues and the DHSC timeline which didn't allow for more robust engagement, the outcome should not be used as a direct guide for setting future care fees. That does not mean that the data is not useful and it will be used to inform the 2023/24 fee review, but the Council believes further engagement and discussion with providers is required to gain an improved, joint understanding of local costs.
- 3.5. It is also important to note that the FCoC exercise aimed to determine care fees that equalised the difference between local authority rates and self-funder rates. Given the delay to the reforms, the self-funder market will remain as is which will continue cross-subsidisation in the short to medium term.
- 3.6. The outcome for CWC's home care FCoC exercise is £20.04 per hour.

## **4. FCoC Tool and Provider Engagement**

### **4.1. Home Care Cost of Care Toolkit**

- 4.1.1. The Local Government Association (LGA) in conjunction with ARCC-HR Ltd developed an excel-based toolkit designed to capture, analyse and obtain a shared understanding of the costs of providing home care.
- 4.1.2. This toolkit was made available to all local authorities and providers nationally so that there is a consistent approach across the country. The tool was developed through extensive engagement across the sector to ensure that quality and robust data could be gathered and analysed.
- 4.1.3. Given these factors, CWC made the decision to utilise this tool as the basis for its FCoC exercise for the home care market, ages 18+.
- 4.1.4. Provider submissions use data from the financial year 2021/22.

### **4.2. Provider Engagement and Timeline for Submissions**

- 4.2.1. Following the release of the national home care tool, CWC commenced engagement with the home care market through a series of communications and discussions:
  - 12<sup>th</sup> May 2022 – provider communication giving an overview of the reforms and inviting the providers to actively participate in the FCoC exercise, including links to the home care tool
  - 19<sup>th</sup> May 2022 – demonstration of the tool and questions and answer session (national forum)
  - 27<sup>th</sup> May 2022 – local demonstration of the tool and forum for provider questions. Session was supported by the Care and Health Improvement Programme (CHIP)
  - 8<sup>th</sup> June 2022 – local deadline for provider submissions
  - Joint engagement statement released between CWC and the Care Provider Alliance
  - Ongoing support offer from CWC Commissioning and Finance for completing the tool
  - Regular subsequent communications to further encourage participation, including using already established forums
  - Phone contact with individual providers to encourage participation, allay any concerns and support with queries
  - Providers have also been offered support through various national associations including the Care Provider Alliance (CPA)

## **5. Response Rates and Analysis Approach**

### **5.1. Provider Response Rate**

- 5.1.1. CWC operate a home care framework covering home care, home based respite, rapid response and reablement. A tiered system is in place with tier 1 providers delivering the

full scope, three of which are “lead” providers aligned to parliamentary constituencies, and tier 2 providers delivering home care only. Framework providers operate city wide and are supported, subject to demand and capacity, by spot purchase providers.

- 5.1.2. 41 home care providers were invited to participate in the exercise, of which eight (8) responses were received, a 19.5% response rate.
- 5.1.3. In relation to Wolverhampton’s home care framework, seven (7) were received which includes the three lead providers, two tier one providers and two tier two providers; a 30.4% framework response rate (7 out of 23 active providers).
- 5.1.4. The additional response was submitted by the local authorities’ largest spot purchase provider.
- 5.1.5. Overall, returns represent 58% of the local authority funded home care hours when compared to the latest snapshot, June 2022.

## **5.2. Analysis Approach**

- 5.2.1. CWC has followed the analytical principles in the government guidance and used the median, rather than the mean, as the fundamental measure of cost. This is because the median is less sensitive to extreme values, whether high or low.
- 5.2.2. Prior to analysis, submissions have been individually and collectively reviewed to identify any unusual values or cost lines with particularly high variation.
- 5.2.3. Where anomalies were identified, providers were contacted and given the opportunity to provide context and explanation, however no adjustments to the data were made.
- 5.2.4. Following the initial review and challenge, a weighted median has been calculated for each cost line included in the tool. This approach has been used as a method to further focus the central tendency of the data and therefore provider a more accurate result.
- 5.2.5. This has been done by using the number of visits per week, as reported in the tool, to give a percentage factor or “weight”. Data has then been ordered (for each cost line) and at the point where the cumulative weighting is greater than the 50<sup>th</sup> percentile then the corresponding value for that cost line has been used.
- 5.2.6. The sum of the individual weighted medians has then determined the overall weight median, which is the output of the FCoC home care exercise.

## **5.3. Approach to Return on Operations (ROO)**

- 5.3.1. CWC having committed to using the national home care tool has used the profit calculations within the overall unit rate as the basis for the return on operations.
- 5.3.2. The national home care tool asks providers to state their operating profit/surplus as a percentage. This has then been applied to the total annual expenditure before profit to give total provider costs.

5.3.3. The tool then factors in the volume of care delivered to produce individual cost lines that together sum up to provide the overall unit rate; profit or the return on operations is one of these cost lines.

5.3.4. As per the overall approach, the weighted median has been calculated across the profit/surplus cost line to reach an overall return on operations.

## 6. Outcome(s) of the FCoC Exercise

6.1. The home care FCoC rate for CWC has been calculated as £20.04 per hour.

<b>Cost of care exercise results - all cells should be £ per resident per week</b>	<b>18+ domiciliary care</b>
<b>Careworker costs:</b>	<b>£15.21</b>
o Direct care	£9.91
o Travel time	£1.16
o Mileage	£0.46
o PPE	£0.76
o Training (staff time)	£0.32
o Holiday	£1.33
o Additional noncontact pay costs	£0.00
o Sickness/maternity and paternity pay	£0.21
o Notice/suspension pay	£0.00
o NI (direct care hours)	£0.74
o Pension (direct care hours)	£0.32
<b>Business costs:</b>	<b>£3.88</b>
o Back office staff	£2.54
o Travel costs (parking/vehicle lease et cetera)	£0.00
o Rent/rates/utilities	£0.40
o Recruitment/DBS	£0.13
o Training (third party)	£0.08
o IT (hardware, software CRM, ECM)	£0.17
o Telephony	£0.10
o Stationery/postage	£0.02
o Insurance	£0.07
o Legal/finance/professional fees	£0.14
o Marketing	£0.01
o Audit and compliance	£0.00
o Uniforms and other consumables	£0.03
o Assistive technology	£0.00
o Central/head office recharges	£0.07
o Other overheads	£0.01
o CQC fees	£0.11
<b>Return on Operations</b>	<b>£0.95</b>
<b>TOTAL</b>	<b>£20.04</b>
<b>Supporting information on important cost drivers used in the calculations:</b>	NA

o Number of location level survey responses received	8
o Number of locations eligible to fill in the survey (excluding those found to be ineligible)	41
o Carer basic pay per hour	£9.73
o Minutes of travel per contact hour	9
o Mileage payment per mile	£0.25
o Total direct care hours per annum	48581

6.2. Based on submissions received, analysis of the number of visits per week, by visit length is shown in the table below:

	Number of Visits Per Week by Visit Length				
	15 mins	30 mins	45 mins	60 mins	>60 mins
<b>Lower Quartile</b>	0	1,144	147	38	0
<b>Median</b>	55	1,680	175	105	2
<b>Upper Quartile</b>	153	3,519	410	119	22

### 6.3. Home care model outputs by quartiles

Total	Lower quartile	Median	Upper Quartile
o Direct care	9.83	9.91	9.97
o Travel time	1.03	1.16	1.82
o Mileage	0.25	0.46	0.84
o PPE	0.38	0.76	1.07
o Training (staff time)	0.07	0.32	0.37
o Holiday	1.01	1.33	1.46
o Additional noncontact pay costs	-	-	0.02
o Sickness/maternity and paternity pay	0.14	0.21	0.30
o Notice/suspension pay	-	-	0.02
o NI (direct care hours)	0.56	0.74	0.92
o Pension (direct care hours)	0.26	0.32	0.38
o Back office staff	2.03	2.54	3.77
o Travel costs (parking/vehicle lease et cetera)	-	-	0.04
o Rent/rates/utilities	0.24	0.40	0.58
o Recruitment/DBS	0.10	0.13	0.29
o Training (third party)	0.01	0.08	0.12
o IT (hardware, software CRM, ECM)	0.10	0.17	0.27
o Telephony	0.04	0.10	0.17
o Stationery/postage	0.01	0.02	0.05
o Insurance	0.04	0.07	0.10
o Legal/finance/professional fees	0.06	0.14	0.16
o Marketing	-	0.01	0.05
o Audit and compliance	-	-	0.02

o Uniforms and other consumables	0.01	0.03	0.05
o Assistive technology	-	-	0.01
o Central/head office recharges	-	0.07	0.42
o Other overheads	-	0.01	0.15
o CQC fees	0.08	0.11	0.14
Profit as per returns	0.81	0.95	1.18
<b>Total with profit as per returns</b>	<b>17.06</b>	<b>20.04</b>	<b>24.74</b>

6.3.1. The three main cost lines with high variation are travel time and mileage, back-office staff costs and profit:

- Further explanation has been received from one provider in relation to high back-office staff costs, which was a result of back-office staff also delivering care calls. Given the difficulty and complexity of reallocating to other cost lines, the cost has been included but will be mitigated in part through use of a median value.
- Differences in travel time and mileage are partially due to some providers paying travel for between calls.
- Three out of eight providers have profit in excess of 18% which has been queried with no response to date. Again, the median does mitigate this to some degree but is above an expected percentage at 7%.

6.3.2. The cost line of least variation is direct care where all providers are paying above the National Living Wage and the median is £9.95 per hour delivered.

## 6.4. Cost per visit

6.4.1. The following table summaries the cost per contact hour by visit length. As expected the equivalent rate increases for shorter visits due to travel and mileage remaining constant regardless of visit length.

Visit Length (minutes)	Cost per contact hour (£)
15	23.52
30	21.20
45	20.43
60	20.04

## 7. Annual Fee Review Process

- 7.1. CWC is required to provide appropriate care and support services to meet the statutory requirement and needs of its residents. To support this, the Council undertakes an annual fee review exercise.
- 7.2. The fee review process considers national changes such as any increase to the National Living Wage (NLW), National Insurance and the rate of inflation.
- 7.3. Benchmarking is undertaken against neighbouring local authorities, comparator authorities and CIPFA (the Chartered Institute of Public Finance and Accountancy).
- 7.4. Additional market factors such as the impact of COVID-19 and local intelligence through engagement with the local provider market.

- 7.5. Whilst there is useful data that has been provided through the FCoC exercise, which will be used to inform the fee review process, the Council has concluded that the outcome cannot be used as a sole guide for fee setting given the issues of low response rates and data quality.
- 7.6. This approach is also in line with DHSC guidance which states that the outcome of the cost of care exercise is not intended to be a replacement for the fee setting process. Instead, and as referred to earlier in the report, the local authority has used the insight to support the fee review process for 2023/24.