

Cost of care report: home care for people aged 18 and over

1 February 2023

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1. Introduction

The Cost of Care exercise undertaken by the London Borough of Bexley represents an extensive engagement and analytic cycle. This report, and all supporting information, was based on twelve home care providers operating within the borough.

This exercise presented significant and fundamental constraints, including issues with data quality, lack of clarity in the structure and guidance for the exercise and unreliable results being produced by the mathematical median calculation method. These challenges are specified in further detail under the section 'Approach to Analysis'.

The Council has a responsibility for managing the local care market and negotiates fee rates with contracted providers each year in line with good practice guidance and legislation. This has due regard to the actual costs of providing care, whether services represent best value, and other local factors. When setting and reviewing fee rates, the Council goes through a process of market analysis to determine an appropriate level of inflationary uplift, where applicable, upon which to base our contract negotiations.

These limitations are such that the results produced by this exercise cannot be treated as wholly reliable or accurate. The London Borough of Bexley intends to work with providers from 2022/23 to agree local fee rates that are sustainable for the local market.

Further, we are unable to provide any detail on future rates until we have clarity on the national funding distribution.

2. Provider engagement

2.1 Initial engagement

The exercise was raised in Provider Forum sessions in both May and June 2022. The Council explained its importance to the authority and gave the providers information on the exercise and the range of information which would be required. We also had a Provider Session on 6th June 2022, focused purely on Fair Cost of Care, where we explained how the exercise would be used, timings, the range of information required to complete submissions and the support available to help providers with the exercise. This led to several questions which were responded to, and the Council subsequently set up a separate email address for providers to send in questions.

Individual approaches were made to providers both in the home care and care home market, where we commission large numbers of placements or care, to ensure that our data reflected the market as best as possible.

During July 2022, additional sessions were held to provide further support and clarification of issues that providers were expressing. These sessions were supported by the Care Providers Alliance and had providers from across South East London attending which gave a rich and helpful discussion. Further details of these sessions are included immediately below. Again, at these sessions the formal and informal support was explored and how to complete the Tools was demonstrated on screen to ensure clarity and address concerns raised.

The Council initially hosted a virtual engagement event for home care providers on the 8 July 2022. During this event Richard Ayres from the Care Providers Alliance alongside Ian Buchan (Older People’s Commissioning Support, London Borough of Bexley):

- introduced the Fair Cost of Care exercise;
- demonstrated the use of the Local Government Association (LGA) toolkit, whilst outlining sources of support and information;
- shared official guidance links for the Fair Cost of Care exercise; and
- had a question-and-answer session.

The Council reviewed the list of home care providers providing care to residents and determined which providers would be considered as in scope; all supported living providers and out of borough providers were classified as out of scope.

The Council subsequently emailed all providers, individually, with links to official guidance. Where required this was followed up with verbal and further email correspondence to support and encourage provider engagement. Two further virtual sessions with the Care Providers Alliance were hosted for providers.

2.2 Further engagement

The London Borough of Bexley appointed Grant Thornton UK LLP to support the Council in the Fair Cost of Care exercise and shared all provider returns received to date. Once all information and progress to date made by the Council was shared with Grant Thornton, they split all in scope providers into ‘buckets’ to determine the position of each provider:

Table 1 – Engagement cycle carried out with all in-scope providers

| “Bucket” | Engagement cycle carried out by Grant Thornton |
|--------------------------|---|
| A) Toolkit not submitted | <ul style="list-style-type: none"> • Immediate engagement by email in the first instance, followed up by a phone call if required. • Where providers refused to participate in the exercise and complete the toolkit, understand why and share at weekly progress meetings with the |

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|---|--|
| | Council for escalation, if required. In most cases where providers responded to inform on non-completion, capacity issues were noted as the reason for not completing the exercise. |
| B) Toolkit not submitted but provider confirmed participation | <ul style="list-style-type: none"> • Immediate engagement by email in the first instance, followed up by a phone call, if required. |
| C) Toolkit submitted | <ul style="list-style-type: none"> • No initial engagement. • Analysis of returns started. • Proposed clarification questions shared with the Council for discussion. • Final clarification questions shared with provider by email in the first instance, followed up by a phone call, if required. |

Once in scope providers were allocated to a “bucket,” the Council informed them via email of Grant Thornton involvement. Grant Thornton then contacted each provider individually offering support and guidance, according to their bucket allocation following the planned engagement cycle. It was agreed that, for submissions to be included within the Fair Cost of Care calculations, submissions needed to be completed by 20 September 2022. There was, therefore, additional engagement with providers in advance of this date to gain as many submissions as possible.

Weekly operational meetings were scheduled for Grant Thornton to provide progress updates to the Council’s Adult Social Care Reform Programme Task and Finish Group. A progress tracker was developed to monitor the progress, engagement and providers’ submissions. Examples of the slides presented at these meetings and the progress tracker are included below:

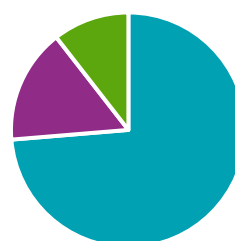
Charts 1 and 2 – Examples of slides showing progress made with provider engagement

Home Care Progress



- Submitted (Bucket C)
- Confirmed will action (Bucket B)
- No response (Bucket A)

Care Homes Progress



- Submitted (Bucket C)
- Registered, not yet submitted (Bucket B)
- Not registered (Bucket A)

| Provider | Bucket Status | Weekly update | Contact Made |
|----------|---------------|--|------------------------------|
| | B | Confirmed they would action completion of the tool. | Email 24.08 + 26.08 |
| | A | Have been chased by the Council but no response received so far. | Email 22.08 + 23.08 + 26.08. |
| | A | | Email 22.08 + 23.08 + 26.08. |
| | A | | Email 22.08 + 23.08 + 26.08. |
| | C | Submission received and analysis in progress. | |
| | B | Confirmed they would action completion of the tool. | Email 22.08 + 23.08 + 26.08. |
| | C | Care cubed complete and analysis in progress. | |
| | C | Care cubed complete and analysis in progress. | |
| | C | Care cubed complete and analysis in progress. | |
| | C | Care cubed complete and analysis in progress. | |
| | A | | Email 22.08 + 23.08 + 26.08. |

2.3 Submissions and response rate

There are forty-six home care providers that provide care to Bexley residents. This list of providers was reviewed by the Council and consideration given to which providers should be invited to participate. It was decided for this exercise thirty providers would be engaged. Final engagement of these providers is summarised below:

- Of the thirty providers deemed in-scope, sixteen agreed to participate in the exercise
- Of these sixteen providers, twelve submitted returns via the LGA toolkit.
- The response rate of the exercise, as a percentage of those invited (excluding providers for whom the exercise turned out not to be relevant) was 40%.

Providers were invited to complete the LGA toolkit and responses were received from twelve providers. The data from this was reviewed on a weekly basis by Grant Thornton who validated provider responses and identified any outliers. Where required, further information and

clarification questions were asked from providers through direct emails and phone calls. The clarification questions sent to eight providers are listed below:

Table 2 – Clarification questions sent to eight of the providers

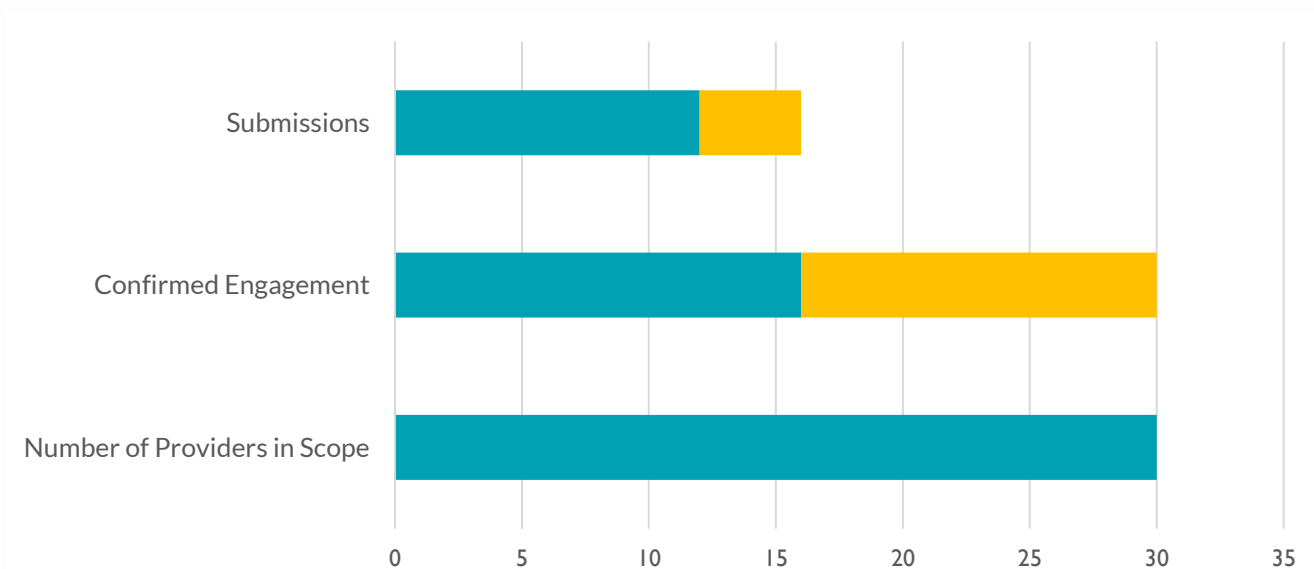
| Provider Reference | Section of the return | Clarification |
|--------------------|--|---|
| 1 | Back-office staff | Within Section H, cells D128:E135 are meant to indicate the number of Full Time Equivalent (FTE) staff by grade, and their associated pay. As these cells are currently empty, this has led to zero costs going towards back-office staff. We ask for you to re-submit with Cell D128:E135 reflecting the number of FTE staff by grade and their associated pay. |
| 2 | Return on operations | Return on operations at 20%, please can you review? |
| 3 | Direct staffing costs | Within Section G, Cell D114 reflects the number of care staff required per annum. You have indicated that four care staff are required - this has led to very low costs spent on Direct Care, and a very large amount on Back Office costs. Please could you confirm if the figure of four care staff is correct? |
| 4 | Mileage, Personal Protective Equipment (PPE) | Within Section B, Cell D37 reflects the average distance travelled per visit. You have indicated that the average is 103 miles per visit - could you confirm that this is accurate? Within Section D, Cells D60:D63 reflect the cost per unit of PPE. Regionally, average costs for this equipment have typically been under 10p - the costs you have quoted are significantly greater than this, leading to extortionate spend on PPE. |
| 5 | Travel time | Within Section B, Cells D37:D40 reflect the travel requirements per visit. As these cells have been left empty, this has led to zero costs going towards travel time and mileage costs. We ask for you to re-submit with Cells D37:D40 updated. |

| | | |
|---|-----------------------|---|
| 6 | Return on operations | Within Section K, Cell D192 reflects the business operating profit. You have left this cell empty, leading to zero profit on operations. We ask you to re-submit with Cell D192 updated. |
| 7 | Direct staffing costs | Staffing costs appear higher than we expected, please can you review and confirm if these are correct? |
| 8 | Direct staffing costs | Staffing costs appear higher than we expected, please can you review and confirm if these are correct? |

Of these clarifications raised, providers 3,4,6 and 7 re-submitted their return. Providers 5 and 8 maintained that their submission was correct and final. Providers 1 and 2 were contacted several times but no response was received.

The graph below sets out the final position of responses received as at the time of the Fair Cost of Care calculation:

Chart 3 – Responses received from home care providers

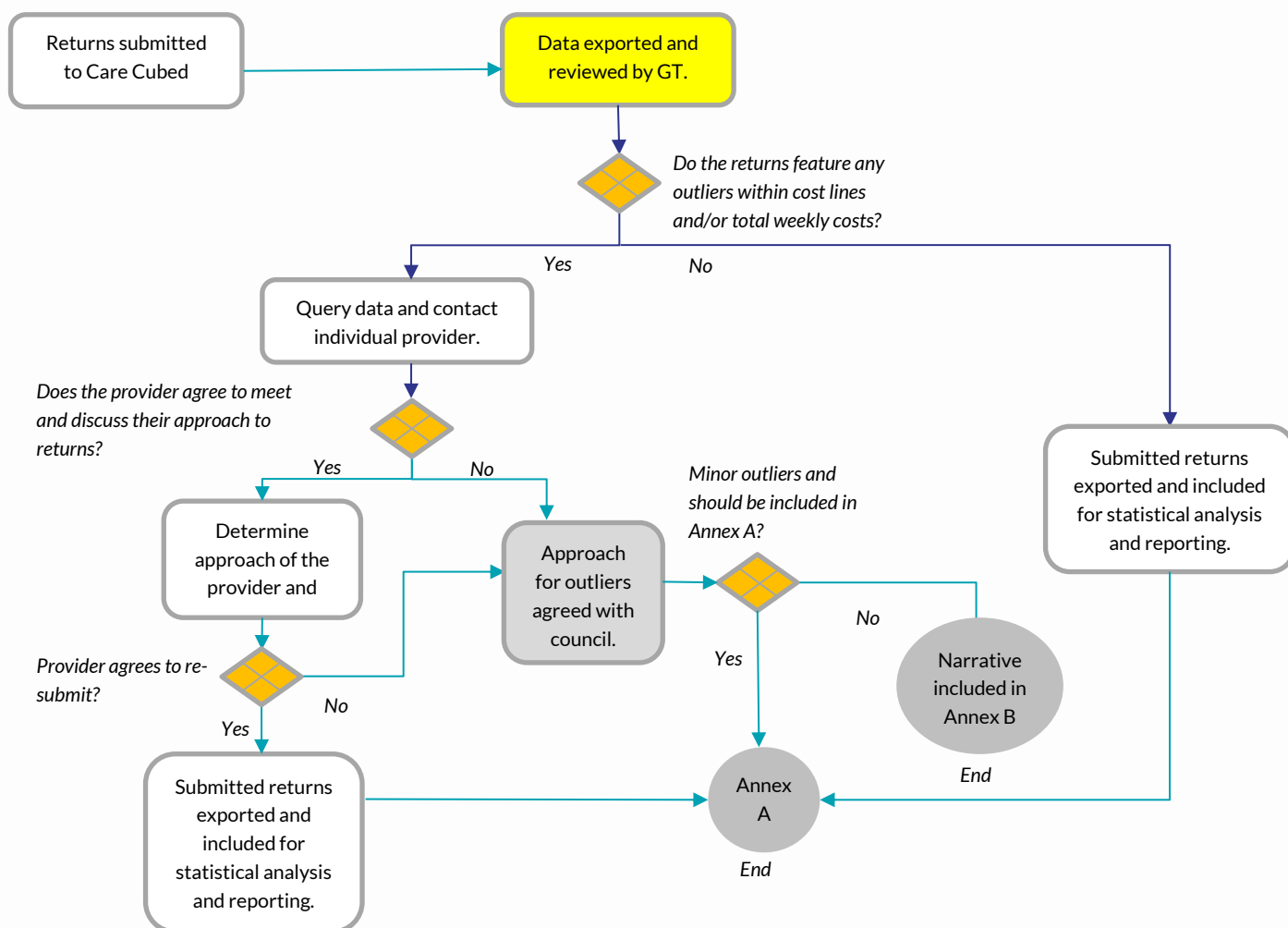


3. Approach to analysis

To determine the fair cost of care for home care as required by this exercise, the Council have analysed provider submissions with reference to available evidence and sector guidance. All provider data was drawn from the Homecare cost of care toolkit, as developed by the LGA and ARCC-HR Ltd. Data exports were used to determine both statistical findings and the identification of outliers, summarised above as part of the clarification questions. Where the Council had queries about specific cost lines in submissions, the Council contacted individual providers to seek

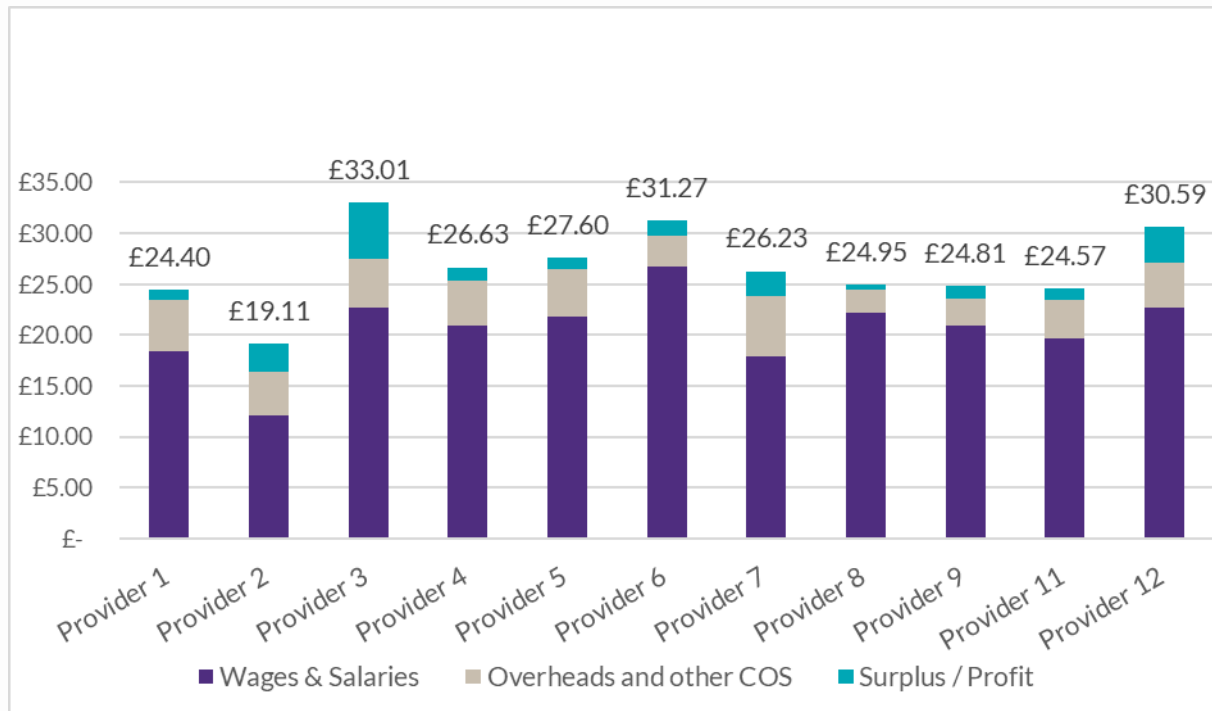
clarification or justification of costs and any missing data. The general approach to analysis, and subsequent updates to data, is best summarised in the flow chart below.

Chart 4 – Flow chart showing the general approach to analysis



As per industry guidance, clarification was sought on statistically significant areas of spend. Initial analysis of the returns highlighted a large proportion of spend on staffing care (wages and salaries), though there was large variation across providers. Providers were contacted in the event of anomalous staffing costs, as well as justification for exceptionally high overhead costs, and approaches adopted on Return on Operations. The chart below represents initial analysis of weekly costs, at which point twelve providers had submitted their returns. Provider names have been omitted from the chart.

Chart 5 – Local Government Association Toolkit Returns – Summary Costs



Providers were contacted for clarification questions in advance of finalising the submissions, in line with the table within the section above. Once the final set of figures were agreed, and returns were updated to reflect any changes in provider submissions, the process to convert submissions into a fair cost of care was as follows:

- 1) For each provider, an hourly rate of care was calculated for all sub-service lines as broken down within the LGA Homecare Cost of Care Toolkit. These also represent the sub-service lines within Annex A, which allowed for a straightforward conversion of raw data exports into Annex A. The hourly rate of care for each sub-service line was based on the total expenditure in 2021/22, i.e., with no percentage uplift applied.
- 2) A total hourly rate of care was then determined, based on a sum of the sub-service line medians as calculated from the approach so far. However, these figures were based on expenditure from 2021/22. Therefore, each sub-service median hourly rate was inflated based on relevant indices from the Retail Price Index, from April 2021 to April 2022.
- 3) At this point, two fair and reasonable adjustments were required. These centre around exceptionally high hourly rates of care, along with an appropriate approach to Return on Operations. These adjustments are detailed below.

4. Fair and reasonable adjustments

4.1 Exceptionally high hourly rates of care

As referenced in Point 3 above, there were a number of home care providers that submitted returns indicating a greater-than-expected hourly rate of care. All of these providers were contacted as per the clarification table within the previous section. In the absence of any re-submissions or explanation for the high rate of care, it was agreed that they could not be included in any median calculations for the Fair Cost of Care.

This is justified for the following three reasons:

- 1) Providers were contacted up to three times to justify their extraordinarily high rates of care. We received no response from those which have been excluded.
- 2) Framework contracts were recently agreed with the very same providers at significantly lower hourly rates of care.
- 3) The very same providers have successfully operated at significantly lower hourly rates of care.

For these reasons, along with our belief that sections of the LGA toolkit were incorrectly filled out by these providers, those indicating an hourly rate of care greater than £27.50/hour were excluded from median averages.

4.2 Justification of the proposed approach to return on operations

As the figures submitted by home care providers for Return on Operations varied across a wide range, applying the approach outlined below supports consistency in calculating a median rate for this exercise, informed by industry guidance.

In determining that a rate of 2.8% for Return on Operations is the appropriate figure we have considered the factors listed below. These factors will inform - but not necessarily determine - our fee-setting decisions, but we have also had regard to them in moderating and deciding the information submitted to the Department of Health and Social Care (DHSC).

First, Bexley has a duty to consider how it will achieve the objectives prescribed by section 5(1) of the Care Act 2014, which requires us to promote the efficient and effective market in our area. In doing so we must have regard to the matters outlined in section 5(2) of the Care Act 2014.

Second, in doing so we must have regard to the matters set out in the Care and Support Statutory Guidance.

Third, we must have regard to the Market Sustainability and Fair Cost of Care Fund 2022 – 23 Guidance.

Fourth, as a public body we must reach a determination that is not irrational, in that it is within the range of decisions that a public body acting reasonably could make.

Finally, we must have regard to our public sector equality duty under s149 of the Equality Act 2010.

The Council have determined that the data submitted to the DHSC will be premised on a minimum rate of 2.8% for surplus profit or Return on Operations being sufficient to support the market in our area. In our assessment, there is a high volume of provision in the borough overall that provides good quality services to clients. Based on an appraisal of local market sustainability and with reference to the United Kingdom Home Care Association guidance, the Council is of the view that a 2.8% rate for Return on Operations will be appropriate to secure sufficient and sustainable service provision, ensuring a variety of high-quality services in the borough.

5. Limitations of the exercise

Having followed guidance, we are not confident that the cost of care figures provided here are fair or sustainable. They provide data without the context and insight to come to an accurate judgement on the fair cost of care. This is due to several reasons, namely:

- 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 varied 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.
- Costs varied significantly around Employers' National Insurance contributions.
- The median calculation method produces results that do not reliably reflect market costs.
- DHSC guidance did not provide clear criteria for moderation (e.g., adjusting for Return on Operations).
- 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.

Further, as the median rate simply selects one value in the middle of the range of prices submitted by providers, this does not guarantee that a median rate will correspond with an accurate market rate. The median calculation is more suitable for large data sets, whereas for small sample sizes the addition or removal of a single value can significantly impact the median. The method does not give weighting to relevant factors such as the actual number of clients supported by a provider – costs submitted by a provider supporting one Bexley resident would have an equal impact on the median calculation as a provider supporting one hundred Bexley residents. Additionally, the

median calculation method diverges from current practice, whereby the Council uses a mean average calculation method to determine the improved Better Care Fund rates.

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, called the energy price guarantee, alongside a new six-month scheme for businesses and other non-domestic energy users.
- 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 2022, the Living Wage Foundation announced an uplifted London Living Wage rate for the 2022/23 financial year of £11.95.

6. Annex A – Outputs

Annex A has been published with this report on the Council’s website. The table below sets out the median value for each category from the data received from providers. This represents the output within Annex A, and therefore reflects the fair and reasonable adjustments delineated in the ‘Approach to Analysis’ section above. Please note that the total of £25.11 in Table 3 does not exactly match the sum of the individual rows because of rounding.

Table 3 – The median value for each category from the data received from providers

| Cost Lines | Home Care for people aged 18+ |
|--------------------------------|-------------------------------|
| Total Care worker Costs | £18.48 |
| Direct care | £11.97 |
| Travel time | £1.37 |
| Mileage | £0.77 |
| PPE | £0.20 |
| Training (staff time) | £0.18 |
| Holiday | £1.62 |

| | |
|---|--------------|
| Additional non-contact pay costs | £0.03 |
| Sickness/maternity and paternity pay | £0.29 |
| Notice/suspension pay | £0.02 |
| NI (direct care hours) | £1.58 |
| Pension (direct care hours) | £0.45 |
| Total Business Costs | £5.95 |
| Back-office staff | £2.88 |
| Travel costs (parking/vehicle lease, etc) | £0.01 |
| Rent/rates/utilities | £0.26 |
| Recruitment/DBS | £0.08 |
| Training (third party) | £0.08 |
| IT (hardware, software CRM, ECM) | £0.32 |
| Telephony | £0.15 |
| Stationery/postage | £0.07 |
| Insurance | £0.15 |
| Legal/finance/professional fees | £0.20 |
| Marketing | £0.02 |
| Audit and compliance | £0.03 |
| Uniforms and other consumables | £0.02 |
| Assistive technology | £0.00 |
| Central/head office recharges | £1.31 |
| Other overheads | £0.32 |
| CQC fees | £0.08 |

| | |
|----------------------------|---------------|
| Total Return on Operations | £0.68 |
| TOTAL | £25.11 |

| Cost Lines | Home Care for people aged 18+ |
|--|-------------------------------|
| Number of location level survey responses received | 12 |
| Number of locations eligible to fill in the survey | 30 |
| Care basic pay per hour | £11.90 |
| Minutes of travel per contact hour | 5 |
| Mileage payment per mile | £0.45 |
| Total direct care hours per annum | 791,657 |

7. Additional Information

The table below represents the lower quartile/median/upper quartile of number of appointments per week by visit length.

Table 4 – Number of appointments per week by visit length.

| Visit Length/mins | Lower Quartile | Median | Upper Quartile |
|-------------------|----------------|--------|----------------|
| 15 | 17.5 | 28 | 403.5 |
| 30 | 465.5 | 984 | 1340 |
| 45 | 95 | 300 | 560 |
| 60 | 40.5 | 80 | 500.75 |

As detailed within the ‘Approach to Analysis’ section of this report, a fair cost of care was determined by calculating median weekly costs for sub-service cost lines and uplifting these rates to 2022/23. The median rates for 2022/23 are therefore standalone rates, rather than a median of individual provider rates. Essentially, this means that it is not possible to determine interquartile ranges on cost of care data for 2022/23. Theoretically, interquartile ranges could be drawn directly from the uplifted values in the LGA Toolkit returns, though this would lead to costs of care

with no Fair and Reasonable Adjustments applied. To avoid inconsistency in the fair cost of care as determined through the Council's approach to analysis, interquartile ranges have not been included within the table below.

Table 5 – Cost of care without applying the interquartile ranges

| Cost Line | Count of observations | Median |
|-------------------|-----------------------|---------------|
| Care worker Costs | 8 | £18.48 |
| Business Costs | 8 | £5.95 |
| Return on Capital | 8 | £0.68 |
| Total | 8 | £25.11 |

Below shows the table in Annex A, Section 3 with one column of median values for each care cost type after the requested provider adjustments and the application of the 2.8% minimum surplus profit rate. Based on the home care returns we re-calculated a median rate based on the visit being shorter/longer (i.e., 15 minutes, 30 minutes) than the provider return. The median value is further broken down to the cost per visit for each of 15-, 30-, 45 - and 60-minute visits (shorter visits have larger relative travel times so are relatively high in cost). These figures are not representative of the real costs of visits with reduced duration.

The median visit length within Bexley was 36.9 minutes.

Table 6 – Median values by cost line and cost per visit

| Cost Line | Median | 15 min visit | 30 min visit | 45 min visit | 60 min visit |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| Care worker costs | £18.48 | £51.55 | £25.78 | £17.18 | £12.89 |
| Business costs | £5.95 | £10.85 | £5.42 | £3.62 | £2.71 |
| Return on Capital | £0.68 | £3.50 | £1.75 | £1.17 | £0.88 |
| Total | £25.11 | £65.90 | £32.95 | £21.97 | £16.48 |