

# WALSALL MBC FAIR COST OF CARE EXERCISE REPORT TO DHSC

## ANNEX B HOME CARE FOR THE OVER 18

### 1. Aim

- 1.1 This report details the activities undertaken by Walsall MBC and the outputs associated with the national Fair Cost of Care Exercise locally in relation to Home Care for the over 18 year olds provider market.
- 1.2 The report outlines the approach adopted by the Council in the following sections;
  - project management
  - engagement and involvement of local market sector providers
  - market response
  - analysis and modelling undertaken, and
  - outputs and considerations to be taken forward.

### 2. Project Management

- 2.1 The Council established an internal Task & Finish Group to coordinate and complete the Fair Cost of Care Exercise. Its remit is to:
  - provide coordination of the Fair Cost of Care Activities for the Council
  - be responsible for undertaking and completing set tasks as laid out in future programme plans
  - ensure all tasks are undertaken in a robust and timely manner in line with national reporting requirements and aligned to regional quality assurance processes
  - ensure representation for Walsall in regional working groups
  - receive updates on work programme, providing scrutiny and challenge
  - oversee wider communications and messaging with providers in regard to the exercise
  - provide shared learning and reflection within the Council
  - monitor the delivery of key milestones in line with the project timelines and review and agree amendments to those milestones and timelines as deemed necessary
  - agree reports and any recommendations for submission to the Senior Responsible Officer (SRO)
- 2.2 The Group is comprised of commissioning and finance team members with project management support and overseen by the SRO who is the Councils Adult Social Care Director of Commissioning. The team are actively involved in all regional/WM ADASS led events and benchmarking exercises, taking the opportunity to learn from our neighbouring trailblazer.
- 2.3 It was agreed to adopt the nationally developed tool (AARC) for the Home Care Exercise, reflecting on a similar exercise undertaken two years previously which had not resulted in information that could better inform the local market rates setting process.

### 3. Engagement and involvement of local market sector providers

- 3.1 The Council was clear in its intent with providers that this exercise was to be shared and owned by local providers as much as by the Council. To that end, a monthly cross adult social care market sector provider forum was established which together with the Councils 'Reimagining Care' programme of work forms the basis of our ongoing market engagement.

- 3.2 Having trailed the national exercise utilising existing market sector provider meetings, this all embracing provider forum commenced meeting in June 2022. In subsequent monthly meetings, the national and local exercise processes have been shared and explained with providers; who have been encouraged to attend virtual sessions established by LGA/CHIP and IESE; the exercise tool provider, and complete their respective costing tool submissions.
- 3.3 Attendance at these monthly forums has been good overall, with a strong and consistent level of engagement from the Home Care sector. This is potentially because management staff were able to remove themselves from operational matter but also that there is a greater sense within the sector that there was more that needed to be achieved by participating in the exercise. Walsall compares less favourably in regard to their Home Care rates than their Care Homes rates to neighbouring councils.
- 3.4 The Council did not offer any financial incentive to providers to complete this work as all the available grant funding of £966,482 was allocated to providers by way of an additional in year adjustment to the Council rates for 2022/23. (See section 6.4. Table 9) This also meant that the commissioning and financial team input to undertake this exercise was done so by existing team members.
- 3.5 The Council had established constructive working relations with providers through the pandemic and had formalised and continued to operate routine market sector meetings. In addition to these and the cross-sector monthly provider forum, offer of national and regional support sessions were promoted and a fortnightly Provider Peer Review Group has also been established. Its remit is to;
- offer overview and assurance to the adult social care providers to the work that is being undertaken by the Council in regard to the Fair Cost of Care exercise,
  - offer constructive criticism and suggestions for improving the approach, technical assumptions, options and outcomes resulting from the findings of the exercise
  - provide insights into the roll out of Phase 2 of the exercise locally, involving; supported living, day opportunities and Residential & Nursing for under 65s.
  - provide insight and assistance in developing the Market Sustainability Plan in conjunction with commissioners and other partners, including identification and solutions for key market issues
- 3.6 Members of this group are expected to represent their own market sectors interests not their specific organisation, and ensure those interests are assessed and presented fairly against the overall costs of all market sectors with the aim of informing the national Fair Cost of Care exercise and future budgeting for services in Walsall. Membership of the Group consist of at least two providers from each Adult Social Care market sectors, including supported living, under 65 year old residential and nursing and day opportunities which will also be undertaking a local Fair Cost of Care Exercise ahead of budget setting for 2023/24 in Walsall.
- 3.7 This group is a sub group and reports to the Councils Fair Cost of Care Project Group and Provider Forum and as such, will influence local market planning.

#### **4. Market Response (cost template returns)**

- 4.1 Walsall have 36 Commissioned Domiciliary Care providers delivering care across the borough: 17 Local; 17 Regional & 2 National Providers. 23 are CQC registered in Walsall, but all 36 were considered in scope. The Council set an initial deadline for submissions of 30 June 2022. Owing to a relatively low level of response and a number of queries related to the submissions received, the Council extended this deadline first to 9 July 2022, and then to 23 July 2022, and continued to request clarification and submissions into

September, although this was not primarily focused on the Home Care sector, as the Council had received a good rate of response for this sector compared to other local authorities in the west midlands.

- 4.2 The commissioning team coordinated efforts to clarify anomalies with the returns submitted by providers, where information was missing, appeared incorrect or appeared over or under stated.
- 4.3 All 16 returns were found to have at least a few queries which required attention from the provider, 3 of which had significant queries on their submission details. Some, but not all, providers responded to the queries raised by the project team, and of those that didn't respond 2 were excluded due to significance of the errors, a further 3 were excluded as were out of scope. Although the remaining provider data still had queries that were not corrected or confirmed, by using the median average this would have removed outliers.
- 4.4 Some of the issues were taken to the Provider Peer Review Group for consideration and discussion, these include issues such as inflation, variability of costs in energy and appropriateness of stated rates for Return on Operations (ROO).
- 4.5 Of those providers not submitting returns, there were predominantly two reasons:
- Providers were not prepared to spend the time or pay for additional Accountants' hours to complete the exercise
  - Providers felt that the exercise would not produce any change in the rates being paid by the Council
  - Some national providers from the outset made a decision not to engage with the process but without offering any explanation
- 4.6 The table below summarises the submissions received by the Council and the number which the Council has been able to use to inform the exercise. It should be noted that some submissions could be used in part even though there were some unresolved issues with some aspect of the submission.

Table 1: Provider returns by market share (percentages)

	<b>Based upon providers CQC registered as within Walsall</b>		
<b>Home Care (18+)</b>	16/36 (44%)	731 of 1,414 packages (52%)	9,119 of 26,620 hours (34%)
<b>Submissions used</b>	11/36 (31%)	571 of 1,414 packages (40%)	7,052 of 26,620 hours (26%)

- 4.7 The data period for costs was set as April 2022.
- 4.8 A number of reoccurring issues were identified amongst the providers' returns, these included:
- No operating profit
  - No consistency on average visit length responses – some providers were unable to split visits into the standard 15, 30 minutes etc.
  - Call allocation for each staff type submitted at 100% instead of 100% in total for all staff types resulting in minus costs for some staffing types
  - Hours added for staffing instead of FTE's in Section H
  - Cost per package instead of costs per unit for PPE submitted
  - Rates inputted for staffing but no call allocation % added
- 4.9 Benchmark data from across the West Midlands as at July 2022 placed the response rates for Walsall very much within the middle of the range. There were adequate responses from across a range of local, regional and national providers.

## 5. Analysis and modelling

### Home Care Cost of Care Exercise Results as at October 2022

5.1 The following table details the median results across cost items.

Table 2 – Median results across costing items

Costing item	Cost of care exercise results – all cells should be £ contract hour, MEDIANS	18+ domiciliary care
Care worker	<b>Total care worker costs</b>	<b>£15.47</b>
	Direct care	£10.00
	Travel time	£1.37
	Mileage	£0.70
	PPE	£0.21
	Training (staff time)	£0.34
	Holiday	£1.36
	Additional non-contact pay costs	£0.00
	Sickness/maternity and paternity pay	£0.23
	Notice/suspension pay	£0.00
	NI (direct care hours)	£0.93
	Pension (direct care hours)	£0.35
	Business	<b>Total business costs</b>
Back office staff		£2.23
Travel costs (parking/vehicle lease etc)		£0.00
Rent/rates/utilities		£0.30
Recruitment/DBS		£0.09
Training (third party)		£0.03
IT (hardware, software, CRM ,ECM)		£0.22
Telephony		£0.07
Stationary/postage		£0.03
Insurance		£0.07
Legal/finance/professional fees		£0.03
Marketing		£0.01
Audit and compliance		£0.01
Uniforms and other consumables		£0.03
Assistive technology		£0.00
Central/head office recharges		£0.00
Other overheads		£0.00
CQC fees	£0.06	
Total	Total return on operations	<b>£0.93</b>
	Total	<b>£19.61</b>

5.2 Of the 16 returns submitted, five were excluded, three of which were out of scope (extra care) and two had significant errors within their submission. The remaining returns were reviewed in detail and queries were submitted to the providers.

5.3 There remains concern around the number of outstanding queries and in effect the quality of the data used to calculate the result of the Fair Cost of Care exercise. Of the remaining 11 returns, 9 still have outstanding queries. These queries include:

- Confirmation/ reasoning of high cost figures
- Omitted data

5.4 To ensure outliers do not impact the results and to reduce the effect of the remaining queries, the weekly cost of care has been calculated through median values as per national guidance.

5.5 A median value has been calculated for each expenditure line and the subtotal is the sum of these calculated medians. The calculation for the median value includes zero values to account for any providers who do not generate a cost within that area of expenditure, or who may have included the cost within a different area in the return.

5.6 These subtotals have been added together to calculate the total cost for Domiciliary Care.

Approach to Return on Operations (ROO)

5.7 Providers submitted an average ROO of 7% and a median rate of 5.43%. This figure was discussed by the Peer Review group and providers reflected that 5% would be an adequate level. The median rate of 5% has been applied to the FCOC rate. This value reflects the national Laingbuisson benchmark of 5% for ROO.

5.8 The Provider Peer Review Group agreed that ROO can be very variable between providers, and that often it was a by-product of existing fee rates and income.

Approach to inflation

5.9 All figures quoted are based upon provider returns as at April 2022, and do not take into account the impact of inflation beyond the point the data collection exercise was undertaken. The findings from this exercise combined with any further impacts of inflation will be considered alongside available resources, including further grant allocations attached to this exercise, when setting future fee rates, and the Councils 3 year market uplifts strategy.

Cost Drivers as at October 2022

5.10 The following table summarises a range of key cost drivers.

Table 3 – Key cost drivers in domiciliary care

<b>Supporting information on important cost drivers used in the calculations</b>	<b>18+ domiciliary care</b>
Number of location level survey responses received	16
Number of locations eligible to fill in the survey (excluding those found)	36
Carer basic pay per hour	£9.75
Minutes of travel per contact hour	7
Mileage payment per mile	£0.25
Total direct care hours per annum	65,260

5.11 To complete the table above the following assumptions have been made:

- The carer basic pay per hour, Mileage payment per mile, and Total direct care hours per annum have been calculated using the median value of only the returns included within the fair cost of care calculation
- The minutes of travel per contact hour has been calculated using the median average travel time per visit, the median total contact hours per week and the median total visits per week of only the returns included within the fair cost of care calculation.

5.12 The following tables demonstrates the lower quartile, median and upper quartile of cost items. To note, the return on operations values have been adjusted in line with the ROO approach adopted.

Table 4 – Lower, Median and Upper Quartiles cost items

Costing item	Cost of care exercise results – all cells should be £ contract hour, MEDIANS	Lower quartile	Median quartile	Upper quartile
Care worker	<b>Total care worker costs</b>	<b>£12.81</b>	<b>£13.01</b>	<b>£18.34</b>
	Direct care	£10.00	£9.55	£10.49
	Travel time	£0.00	£0.01	£1.61
	Mileage	£0.00	£0.08	£1.66
	PPE	£0.21	£0.59	£0.41
	Training (staff time)	£0.08	£0.22	£0.23
	Holiday	£1.23	£1.25	£1.48
	Additional non-contact pay costs	£0.00	£0.19	£0.00
	Sickness/maternity and paternity pay	£0.13	£0.29	£0.00
	Notice/suspension pay	£0.00	£0.10	£0.00
	NI (direct care hours)	£1.06	£0.38	£2.08
	Pension (direct care hours)	£0.10	£0.35	£0.37
	Business	<b>Total business costs</b>	<b>£3.22</b>	<b>£6.91</b>
Back office staff		£2.27	£5.04	£2.23
Travel costs (parking/vehicle lease etc)		£0.00	£0.03	£0.02
Rent/rates/utilities		£0.23	£0.38	£0.14
Recruitment/DBS		£0.05	£0.11	£0.12
Training (third party)		£0.03	£0.05	£0.09
IT (hardware, software, CRM ,ECM)		£0.10	£0.49	£0.00
Telephony		£0.27	£0.28	£0.02
Stationary/postage		£0.03	£0.05	£0.03
Insurance		£0.07	£0.08	£0.01
Legal/finance/professional fees		£0.01	£0.19	£0.00
Marketing		£0.06	£0.02	£0.01
Audit and compliance		£0.02	£0.02	£0.00
Uniforms and other consumables		£0.02	£0.10	£0.28
Assistive technology		£0.00	£0.00	£0.00
Central/head office recharges		£0.00	£0.00	£0.00
Other overheads		£0.00	£0.00	£0.00
CQC fees		£0.05	£0.07	£0.06
Total	Total return on operations	£0.80	£1.00	£1.07
	Total	£16.83	£20.91	£22.41

5.13 The return on operations values have been adjusted to Laing Buisson benchmark in line with the ROO approach adopted.

5.14 The following tables demonstrates the lower quartile, median and upper quartile of the number of appointments by visit length (15/30/45/60 minutes)

Table 5 - Lower, Median and Upper Quartiles appointment length

	Visit length
Lower Quartile	30 minutes
Median Quartile	30 minutes
Upper Quartile	60 minutes

5.15 Cost per visit length

Table 6 – Cost per visit length

Visit length (minutes)	15	30	45	60
Hourly rate	£22.10	£19.82	£19.07	£18.69

## 6. Outputs and Considerations

6.1 The outputs of the exercise are summarised in the table below which details a comparison of the existing market rates in Walsall with those generated by the exercise.

Table 7: Current market rates and prices paid compared to Fair Cost of Care rates (based upon application of provider ROCE/ROO submissions)

<b>AVERAGE PRICES Vs CURRENT PRICES</b>	<b>Home care £/hour</b>
Standard price	£15.80
Current average price	£16.02
FCoC price*	£19.61
Percentage increase on current average price	22.4%

6.2 The Council allocated the full grant value of £966,482 to market uplifts as follow:

Table 8 – 2022/23 FCOC Grant Allocation Spend

<b>Market Sector</b>	<b>£</b>
Care Homes (65+)	412,652
Home Care	553,830
<b>TOTAL ALLOCATION</b>	<b>966,482</b>

- 6.3 The Council recognises that the median operating costs which have arisen from this cost of care exercise do not necessarily represent the cost of care for each provider in the area. The Council will use this cost of care exercise to inform future fee setting as part of the Council's budget setting process but recognise that further work is required to improve the quality and quantity of returns in order for this exercise to be meaningful.
- 6.4 The Council has undertaken calculations which identifies a significant financial pressure from the application of the home care exercise rate above. The progress in working towards this rate will be dependent on the national allocations which are unknown at this time.
- 6.5 It should be noted that this exercise could also impact on Walsall's 'Pathway 1' reablement rates as they are currently paid the same as long term domiciliary care. Compared to our Black Country neighbours, Walsall may need to uplift the reablement rates further to attract carers with the right skill set to deliver reablement which will further impact budgets.