
Cost of Care Report

18+ Domiciliary Care
Hammersmith & Fulham
January 2023

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Exercise Background & Overview

Background

Objectives

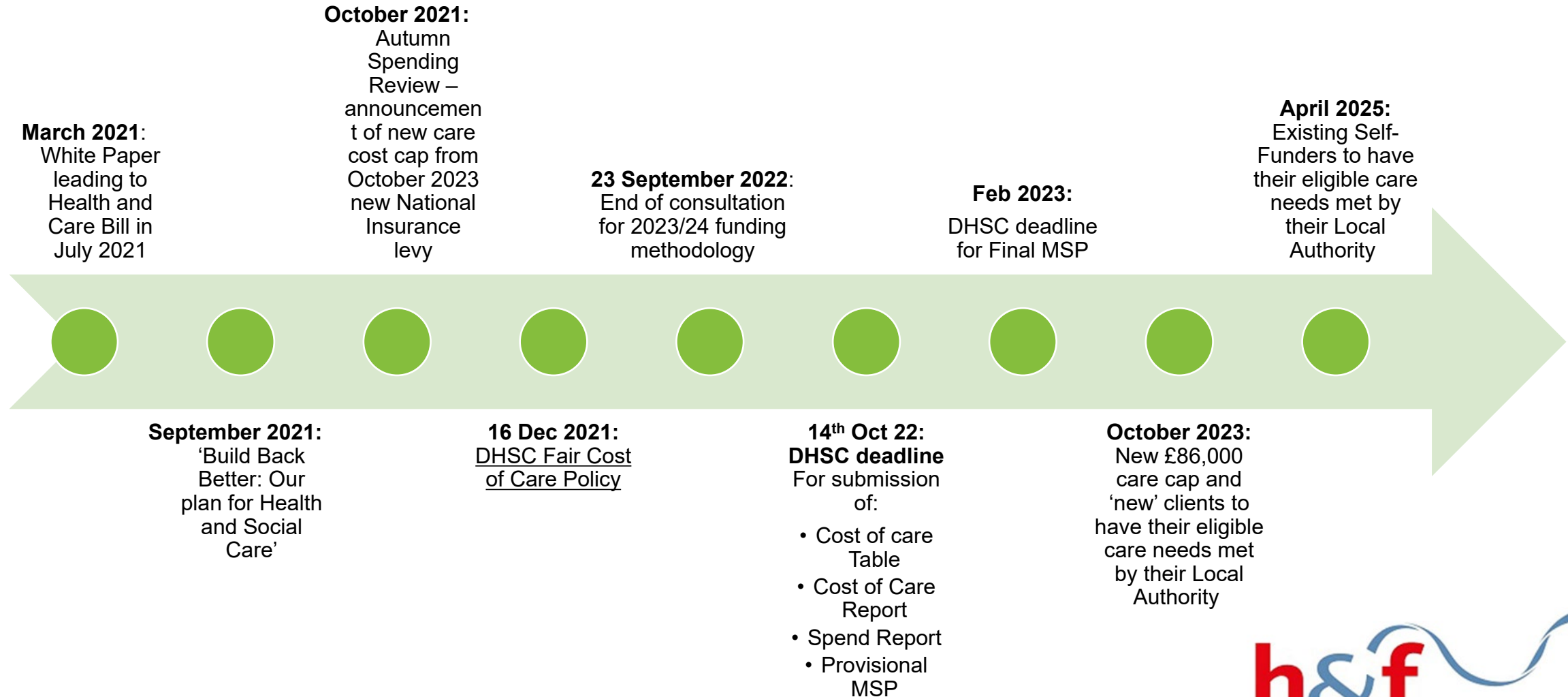
Funding

Possible Funding Outcomes

Introduction

- In May 2022, Peopletoo were commissioned by Hammersmith and Fulham Council to support them to undertake and deliver a Fair Cost of Care exercise for 18+ Domiciliary Care Provision locally, in line with Department of Health and Social Care (DHSC) Guidance released in the Spring of 2022. This sets out the Government's expectations on Local Authorities (LAs) in ensuring that they have the right health and care architecture in place to underpin and support the delivery of the Government's long-term plan for Adult Social Care (ASC), 'People at the Heart of Care.'
- The cost of care exercise is an opportunity for LA 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. It is also a vital way for commissioners and providers to work together to shape and improve the local social care sector, and identify improvements in relation to workforce, quality of care delivered, and choice available for people who draw on care.
- The objective of the work undertaken by Peopletoo was to provide the Council with reliable information submitted by the Domiciliary Care provider market via the excel-based Fair Cost of Care Toolkit, providing detailed information on Service Providers' actual delivery costs from April 2022 to inform a sustainable fee rate for the future as the Council moves towards implementation of the Fair Cost of Care.
- This Cost of Care report provides the Council with the detail surrounding Peopletoo's Fair Costing methodology and approach to ensuring provider engagement, the approach to validating returns submitted by providers to ensure accuracy, and clarification in relation to the approach to outliers following the validation stage where issues with returns remained.

ASC Reform - Background



ASC Reforms - Objectives

- People have choice, control and support to live independent lives
- People can access outstanding quality and tailored care and support
- People find social care fair and accessible
- Supporting unpaid carers to achieve their own life goals
- Helping the adult social care workforce to feel recognised and to have opportunities to develop their careers
- For social care to be on a stable financial footing

Social Care Additional Funding

- The provisional social care financial settlement (December 2022) announcement detailed additional grant funding for social care. Most of the new funding is repurposing funding previously earmarked for social care reforms, which have been delayed for 2 years.
- The additional funding has 3 strands:
 - The **Social Care Grant** will increase nationally by £1.5bn in 2023-24 to £3.9bn (£612m in London). In Hammersmith & Fulham (HF) Adult Social Care (ASC) will receive £4.1m. The grant is to help meet current pressures in ASC.
 - A new **ASC Market Sustainability and Improvement** will be supported by a £562m ringfenced grant with £400m added to the existing £162m Market Sustainability and Fair Cost of Care Fund. In HF ASC receive £2.2m. This is to continue to support the progress local authorities and providers have already made this year on fees and cost of care exercises. The government expects this new grant funding will enable local authorities to make tangible improvements to adult social care.
 - **ASC Discharge Fund** worth £300m, will be ringfenced for adult social care and will also help support capacity and hospital discharges. In HF ASC receive £1.4m.
- Grant conditions, yet to be published by DHSC, will provide further details on the use of the 2 ringfenced grants market sustainability and improvement and discharge fund.

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Project Methodology

Stages

Tool used

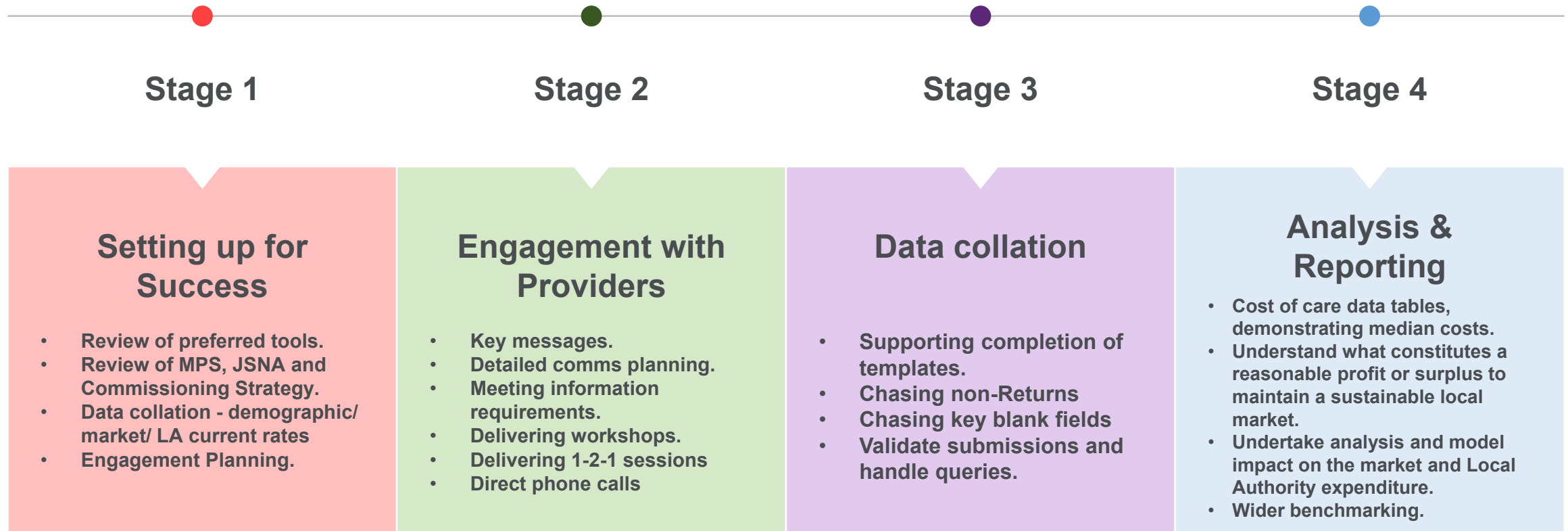
Validation Process

Treatment of Outliers

h&f
hammersmith & fulham

Cost of Care Exercise Stages

4-stage process



Tool Used for Exercise

Domiciliary Care Tool

- Nationally recognised tool for the exercise
- Co-developed with providers and commissioners
- Included all key fields for data collection for analysis & validation
- A tool providers / LAs could continue to use for future exercises

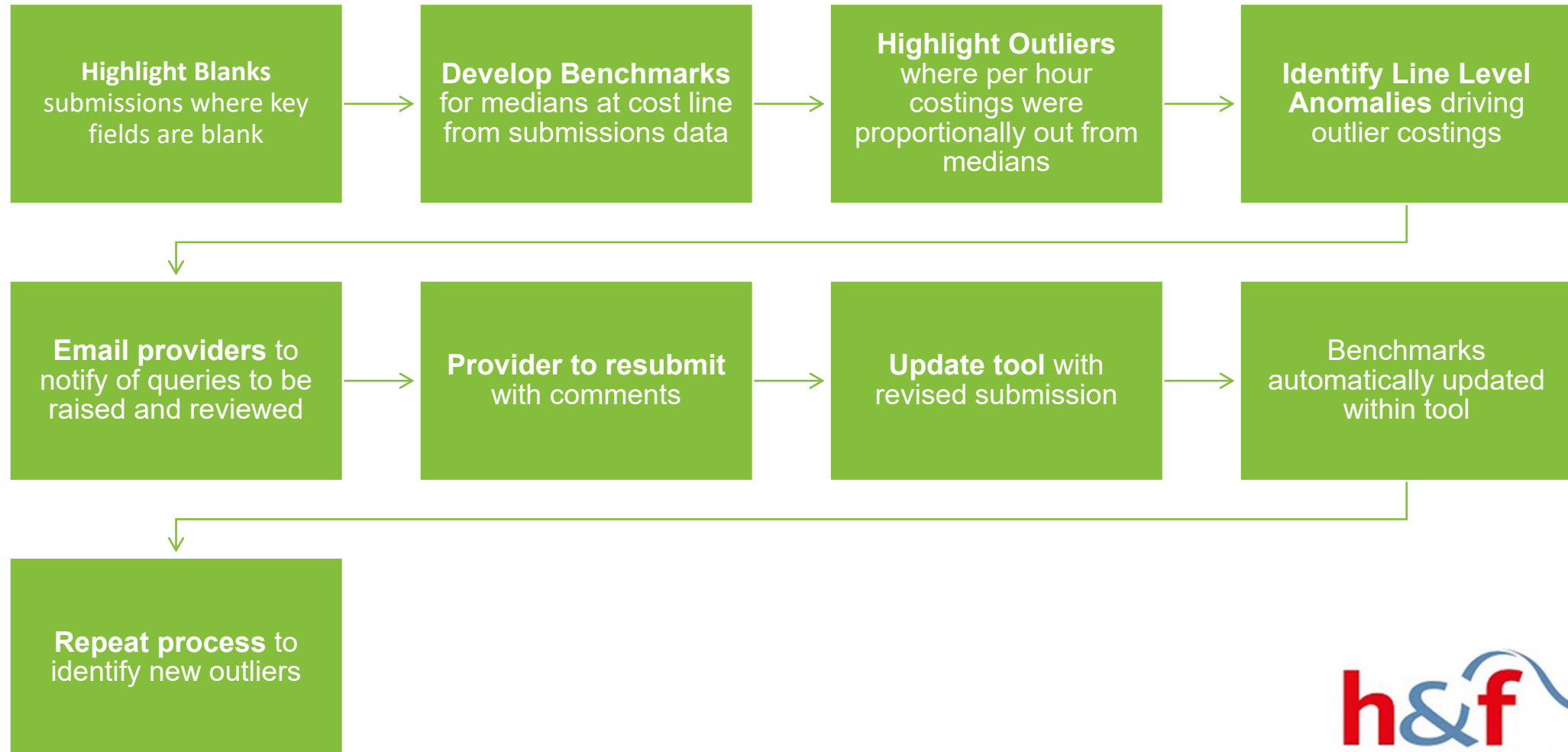


Data Collection Period

Domiciliary Care Providers

- Providers were asked to submit their costing tool to us by 14/07/2022
- Providers were asked to submit their costs as of April 2022

Validation Process



General comments on the methodology

Having followed guidance, we are not confident that the cost of care figures provided here are fair or sustainable. 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. It provides 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.
- 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.
- 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, particularly in Hammersmith and Fulham's context of a very small sample size submission.
- DHSC guidance did not provide clear criteria for moderation (e.g. adjusting for Return on Operations (ROO) / Return on Capital (ROC)).
- DHSC guidance recommends querying outliers with providers, however there is no clear line between a cost being inefficient or an outlier. Due to the small sample size, outliers could not be identified.
- Rising inflation, living and running costs mean that the data submitted through this exercise at a point in time may no longer be accurate.

Treatment of Outliers

Given the small sample size of the provider submissions received, and the range of the data received, all provider submissions have been included and no exclusions were made for the calculation of the lower, median and upper quartile calculations.

Domiciliary Care Providers

Engagement Plan

Engagement & Response Rate & Representation

Domiciliary Care - Engagement Plan



- ✓ **Introduction**
- ✓ Email letter follow up
- ✓ Event Invite
- ✓ Event reminder email
- ✓ Event joining instructions

- ✓ **Introductory Event**
- ✓ Introductory Session
- ✓ Event presentation email follow ups

- ✓ **Reminders**
- ✓ Deadline Reminder & CPA Session Invites
- ✓ Final Reminder & CPA Session Invites

- ✓ **1-2-1 Sessions**
- ✓ Offered to all providers

- ✓ **Direct Calls**
- ✓ Before Deadline (all providers)
- ✓ After Deadline to offer extension & 1-2-1 support (providers yet to submit)
- ✓ After Extension (providers yet to submit)

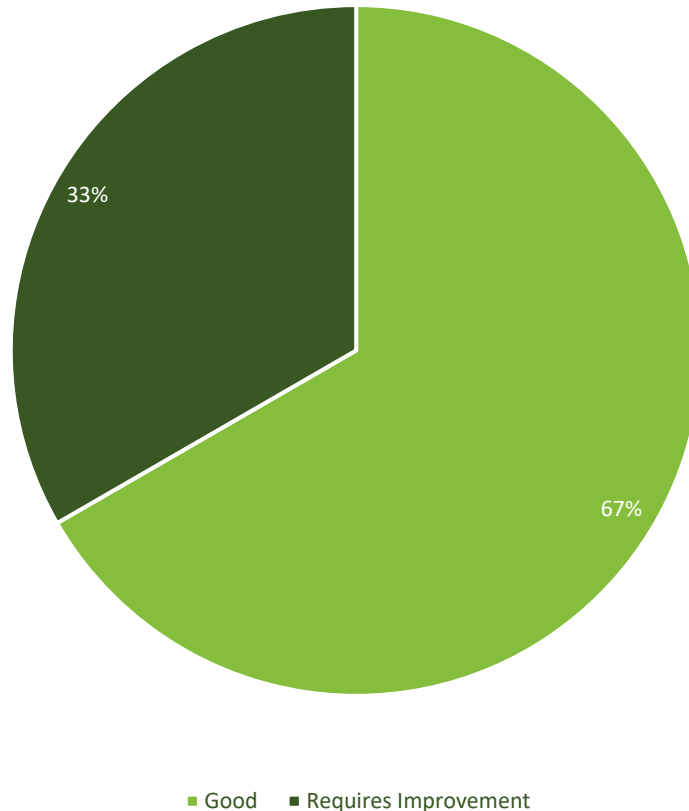
Domiciliary Care - Response Rate & Representation

Category	Total Number/%
Home Care Returns Received	3
% return rate out of providers in scope	21.4% (3/14)
% of H&F commissioned service users represented	50.1% (503/1003)
% of H&F commissioned hours represented	61.9% (288046/465650)

- ✓ 3 homecare providers chose to participate in the exercise
- ✓ This represents 21.4% of the total number of homecare providers in H&F.
- ✓ However, of the 3 providers who submitted, this represents 50.1% of all commissioned service users and 61.9% of all commissioned hours.

Representation of Returns – Quality

CQC Overall Quality Rating



- This pie chart shows the CQC Overall quality rating for the providers submissions used to calculate Annex.
- 67% of providers have an overall CQC quality rating of Good.
- The remaining provider is listed as “requires improvement” at the time of writing this report

Outcome of Cost of Care Exercise – Care Homes

Approach to Median Calculation

Approach to Inflation

Approach to Surplus / Profit

Annex A Table

Summary of Annex A

Challenges with the Data

The Cost of Care Exercise set out by the DHSC is one which is predominantly driven by the input of provider cost data, and as the exercise only sets loose guidance around validation parameters and the ability of local commissioners to challenge and interrogate the data in depth, several challenges in relation to data accuracy should be raised and noted.

Future modelling and exercises would need to consider additional data from relevant other local authorities, benchmarking or alternative open book approach exercises to further enhance outputs robustness and validity. DHSC guidance on appropriate benchmarking was not available for this exercise.

Specially for Hammersmith & Fulham, these challenges include:

Accuracy of data provided

- Although validation has allowed for some interrogation of costs, it is not possible to completely verify that these costs are truly reflective of incurred costings.

Sample Size

- Due to the small number of returns (3) in borough, the sample size of the data collected is very small and would require regional / neighbouring borough data to make this meaningful moving forward.

The impact of Covid-19

- The requirement to base a fair costing exercise on a year in which care homes and commissioners faced significant pressures in relation to occupancy and costs as a result of the Covid-19 pandemic is a challenge raised at a National level.

Approach to Calculating the Median

There are 2 methods that can be used to calculate the median values for this CoC exercise.

1. Medians calculated using end per hour costings from each submission
- 2. Medians calculated at line level, summed at subtotals, then subtotals summed**

In line with the above, both methods of calculations were modelled and analysed to understand the best method for calculating the median, based on the sample characteristics and size. They are listed on the next page.

The most appropriate method for the small sample of data in place for Home Care was option 2, medians calculated at line level (excluding zero values), as this better reflected the ranges of costs listed by providers, through the LQ, Median and UQ values. It also addresses where there may be errors only at a single line in the submissions.

This is the method that was used to calculate the medians in Annex A.

Methods of Calculating LQ, Median and UQ Figures

Cost per Hour	Lower Quartile (LQ)	Median	Upper Quartile (UQ)
<u>Option 1</u> Cost per hour (Calculated median at end total cost per hour level)	£24.01	£24.10	£24.18
<u>Option 2</u> Cost per hour (Calculated line level median costs, then summed) EXCLUDING ZERO VALUES	£21.84	£24.01	£26.32

Note: LQ, Median & UQ different methods of calculation which were analysed to determine the most appropriate method for the data sample, listed in the above table.

Approach to Inflation

- For the homecare tool, providers did not have the option to uplift for 2022/23 costs, providers were asked to provide a cost for 2022-23.
- Therefore, costs submitted should be considered to be accurate at the point of collection, however, similarly to care home providers:
 - Home care providers have also raised that since filling out this tool, inflation has increased further than stated in the tool. Particularly providers have advised that they are seeing considerable increases in fuel costs.
- Therefore, further consideration is needed to understand the cost-of-living pressures that will be impacting the prices listed in Annex A.

Approach to Surplus / Profit

- Within the home care collections, providers have submitted surplus/profit as part of the total cost per hour.
- This graph shows the profit % listed by providers as part of this exercise.
- The range submitted by providers was from 5% to 10%, with the average at 7% and the median at 5%.
- **Given that a decision needs to be made on a fair level of profit which will enable the sustainability of the market moving forward, Hammersmith & Fulham have decided that a median value of 5% coming through from provider returns is fair for providers registered in the borough.**



Domiciliary Care - Annex A – Part 1 (Based on method 1 for Median Calc)

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Careworker Costs	£18.33
Direct care	£11.47
Travel time	£2.36
Mileage	£0.00
PPE	£0.51
Training (staff time)	£0.15
Holiday	£1.68
Additional noncontact pay costs	£0.03
Sickness/maternity and paternity pay	£0.30
Notice/suspension pay	£0.00
NI (direct care hours)	£1.44
Pension (direct care hours)	£0.39
Total Business Costs	£4.52
Back office staff	£2.25
Travel costs (parking/vehicle lease et cetera)	£0.00
Rent/rates/utilities	£0.39
Recruitment/DBS	£0.10
Training (third party)	£0.00
IT (hardware, software CRM, ECM)	£0.22
Telephony	£0.08
Stationery/postage	£0.03
Insurance	£0.09
Legal/finance/professional fees	£0.00
Marketing	£0.00
Audit and compliance	£0.00
Uniforms and other consumables	£0.00
Assistive technology	£0.00
Central/head office recharges	£1.27
Other overheads	£0.01
CQC fees	£0.08
Total Return on Operations	£1.16
TOTAL	£24.01

Home Care Draft LQ, Median & Upper Quartile figures

Option 1 – Medians calculated end per hour costs

Cost per Hour	Lower Quartile	Median	Upper Quartile
Total Care worker Costs	n/a	£20.74	n/a
Total Business Costs	n/a	£1.17	n/a
Total Return on Operations	n/a	£2.19	n/a
Cost per hour (Calculated end per hour cost)	£24.01	£24.10	£24.18

Home Care Draft LQ, Median & Upper Quartile figures

Option 2 – Medians calculated at line level, summed and subtotals and summed

Cost per Hour	Lower Quartile	Median	Upper Quartile
Total Care worker Costs	£17.86	£18.33	£20.01
Total Business Costs	£2.83	£4.52	£4.63
Total Return on Operations	£1.15	£1.16	£1.68
Cost per hour (Calculated end per hour cost)	£21.84	£24.01	£26.32

Domiciliary Care - Annex A – Part 2

Supporting information on important cost drivers used in the calculations:	18+ domiciliary care
Number of location level survey responses received	3
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	14
(Average) Carer basic pay per hour	£11.23
(Average) Minutes of travel per contact hour	14.6
(Average) Mileage payment per mile	£0.50
Total direct care hours per annum	380,861

Summary of Domiciliary Care - Annex A

The below tables show the current weighted average rates paid by H&F for Domiciliary Care per Hour and the gap between the results coming through from the CoC exercise.

H&F Current Average Home Care Rate (per Hour)	CoC Median Rate listed by Providers (April 22)	Potential Gap
£18.15	£24.01	32.3% (£5.86 per hour)

Split of Visit Lengths

	15 Mins Visit	30 Mins Visit	45 Mins Visit	60 Mins Visit	90 Mins Visit	90 Mins + Visit
Count of Submissions	0	2	2	3	2	2
Lower Quartile	n/a	1422.75	1850	3725	164	209
Median	n/a	1443.5	884.5	1112.5	71	88.75
Upper Quartile	n/a	1464.25	925	1146	82	104.5
Total Number of Visits	0	2887	965.5	1323	93	120.25

The above table shows the LQ, Median and UQ number of visits for each visit length listed above for the submissions received.

Modelling Visit Lengths

	15 Mins Visit	30 Mins Visit	45 Mins Visit	60 Mins Visit
Median Hourly Rate	n/a	£25.94	£23.94	£22.57
Lower Quartile	n/a	£12.81	£17.72	£20.83
Median	n/a	£12.97	£17.96	£22.57
Upper Quartile	n/a	£13.13	£18.20	£25.45
Count of Submissions	0	2	2	3

The LQ, Median and UQ Costs listed in Annex A and the previous pages in this report are calculated directly from the ARCC tool which uses a weighted blended rate of the visit lengths as listed by each provider.

To understand how the cost vary depending on the visit length, this exercise asks to model the LQ, Median and Upper Quartile costs for 15, 30, 45 and 60 minute visit lengths.

This has only been modelled with providers submissions that list these visit lengths. To model, in line with the ARCC guidance video published, we have amended the submissions to solely reflect either 15,30,45 or 60 mins visit lengths, and the results are listed above.

Future approach to inflation

Providers submitted inflationary rates and costs that varied significantly across cost lines including staff costs, Employer's National Insurance (ENI) contributions, energy costs, training and insurance. These inconsistencies present concerns regarding the accuracy of the data. However, in the absence of clear guidance from the Department on appropriate benchmarks for these cost lines, and within the short timeframe allocated to local authorities to complete the exercise, Hammersmith and Fulham judged that it was not feasible to amend the figures to a single value that could be clearly evidenced. Therefore, Hammersmith and Fulham did not amend these cost lines, despite concerns about the accuracy of the information submitted.

For the ARCC homecare tool, providers did not have the option to uplift for 2022/23 costs as providers were asked to provide a cost as of April 2022. Therefore, costs submitted are considered to be in year at the point of collection.

There are several interdependencies that will significantly impact the costs of providing care. Since the deadline for data submissions closed, 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.

Further consideration is needed to understand the cost-of-living pressures that will be impacting the rates submitted as part of this exercise.