



## **Annex B: Fair Cost of Care Report – Domiciliary Care**

### **Introduction**

Local authorities are required by October 2023 to ‘move towards’ paying a ‘fair cost of care’. This is intended to ensure that providers receive sustainable funding, to deliver high quality, consistent care. Funding has been made available in 2022-23 to support local authorities to prepare their markets for reform, and to support the move towards paying providers a fair cost of care.

Completion of a Cost of Care exercise in 2022-23, to establish the actual cost of domiciliary care for the local area, is a key requirement of the grant funding. By surveying a range of providers (representative of the local market) as part of the cost of care exercise, the council will be able to improve its understanding of the actual costs of delivering domiciliary care in Barnsley.

This report (‘Annex B’) sets out the details of the cost of care exercise undertaken by Barnsley Council and would be submitted to the Department of Health and Social Care by 14 October 2022.

### **Overview of the fair cost of care exercise**

#### **Templates/Tools used**

The cost of care exercise is expected to accurately reflect local costs such as staff pay and travel time and provide for an appropriate return on capital or return on operations. The template/tool used to collate providers cost data is outlined below.

To support the completion of the exercise the council used the ARCC, LGA Fair Cost of Care Tool. We did not ask further information of providers, nor use any other data collection template. A copy of the toolkit and questions is provided in [appendix 1](#).

#### **Communication & Engagement**

We felt that the exercise could be undertaken by in-house staff as we had a good understanding and knowledge of the local market. Additionally, we felt we had built up

a good relationship with the Care Association that represents a large number of the providers and could work with them to encourage Providers to complete the model.

Additionally, the relatively short lead-in time for mobilising the exercise was insufficient to enable us to employ a consultant or external dedicated resource to engage and coordinate provider responses. The engagement and associated activity were delivered through existing internal commissioning and finance resources.

Engagement with the market was initially via a presentation delivered at the on-line Domiciliary Care Provider Forum held 10<sup>th</sup> March 2022. To manage expectations, we felt we needed to state that an increase to future funding would continue to be based on what funding is made available to the Council but clearly this exercise would give us a basis to engage with the sector around future fee decisions. We also wanted to stress to the market that their concerns around future funding would best be addressed by responding and engaging with us around the Fair Cost of Care (FCOC) process.

In addition, we invited providers to volunteer to participate in a FCOC working group. The purpose of the working group was to support the Council to meet the aims and objectives of completing the exercise through:

- Acting as an Operational Working Group of the wider Home Care market.
- Driving and supporting the collaborative delivery of the FCOC exercise.
- Raising awareness amongst Home Care Providers operating in Barnsley of their vital role and contribution to completing the FCOC exercise.

A meeting was held with the working group members on 28<sup>th</sup> April 2022 to agree key dates and activities.

Key messages and updates were emailed to all providers in scope to complete the exercise between 6<sup>th</sup> May and 22<sup>nd</sup> June 2022. Email communications included information and guidance on the toolkit, links to webinar training sessions and demonstrations, providing notifications of deadlines and communicating queries with providers following their submissions. In addition, working group members kept providers informed of key messages via a group WhatsApp.

Providers were sent links and invited to access demonstration sessions aimed at supporting the completion of the exercise, facilitated by the LGA through ARCC on 25<sup>th</sup> April 11<sup>th</sup> May and 19<sup>th</sup> May.

At a further Domiciliary Care provider Forum held on 31<sup>st</sup> May providers were further encouraged to complete and return their submissions highlighting and further sharing details of the support and guidance available to assist them.

Providers were also informed of and encouraged to attend a webinar run by the Care Provider Alliance for Home Care providers held on Thursday 23 June.

Due to the low initial response rate the deadline for completion was pushed back twice, from 27<sup>th</sup> May to 30<sup>th</sup> June 2022, this was to enable increased participation but still give officers time to evaluate and review responses.

During May and June 2022 direct telephone contact was made with providers advising them of the extended deadline and encouraging them to engage in the exercise, in addition any difficulties providers were having with completing the toolkit were discussed and followed up with email links providing access to support.

Whilst we had hoped for greater participation in the exercise, we recognised the difficulties some providers had experienced. At the Domiciliary Care provider Forum held on 24<sup>th</sup> August 2022 feedback received from providers included:

- Not having access to all the information required to populate the template,
- The template requirements were confusing,
- Internal / operational pressures did not allow providers to complete the exercise.

Complete timetable of engagement is at [appendix 2](#).

## **Analysis of responses**

There are four providers operating under the framework contract with the council, however due to the significant and ongoing increases in demands for home care, the council has entered spot contract arrangements with other homecare providers operating in Barnsley. The number of spot contracted providers picking up packages of homecare to support capacity has increased from 21 providers (May 2021) to 46 in July 2022.

In Barnsley 44 Domiciliary Care providers were identified as being in scope to complete the Fair Cost of Care exercise, this number is the total combined contracted and spot contracted providers the council is currently doing business with. Due to capacity pressures we have been seeking support from all home care providers so we would be confident we were engaged with the whole of the market.

The completed response rate, as a percentage of those providers in scope was 34%, but the responses covered just under half (44%) the total contracted home care hours. The following table details the profile of those providers who responded.

<b>FCOC Returns Provider Profile</b>	<b>No. Responses</b>	<b>% Providers</b>	<b>Combined Care Hours</b>	<b>% Market (Hours)</b>
	15	34.09	317,944.00	44.33
	<b>Contracts</b>		<b>Org. Size</b>	
	Framework	3	Small	7
SPOT	12	Medium	3	
		Large	5	
	<b>Requires CQC Rating</b>	<b>improvement</b>	<b>Good</b>	<b>Not inspected</b>
		5	8	2

The profile of the providers submitting responses is broadly representative of the whole market in terms of organisation size, the quality of providers and the responses received represents over 44% of the total care hours allocated across the borough during 2021/22. This gave us the confidence to proceed with the FCOC knowing that we had a good sample of provider returns.

We did receive a response from a provider who provides both supported living and domiciliary care, who had provided details for the supported living provisions. After making enquires they had not picked up older people’s domiciliary care for quite some time and so had no meaningful data from the period 2021/22 to share. On this basis their submission was excluded and has not been reflected in the profile or analysis.

## **Methodology / approach**

### **Data Collection and cleansing**

The ARCC, LGA Fair Cost of Care Tool was used by the Council to collate the operating costs for domiciliary care providers in Barnsley. The data collection exercise is underpinned by the following parameters:

- Submitted data should be based on actual costs for 2021-22, with staffing costs reflecting the impact of the April 2022 National Living Wage;
- costs should be expressed on a cost per care hour basis

Detailed audit of submitted cost data for accuracy was not undertaken. However, it was sense checked for reasonableness and compliance with the above parameters before accepted for inclusion. Providers were contacted to highlight specific areas in their individual submission that needed further consideration. The following detailed some of the common issues encountered with the data and queried with providers:

- Average distance and travel time where this was not provided or was otherwise an outlier in comparison to other submissions.
- Average number of service users supported each week where this was not provided or was significantly different to internal data held for the provider. E.g. one provided included service users they had supported through the discharge to assess contract; this contract has predominantly been used to deliver rapid response provision for hospital discharge and short term / reablement support and so was out of scope to be included.
- Volume of care hours delivered where this was significantly higher as compared with internal data held for the provider. In some cases, the increase was reflective of provider self-funder / private customers which is unknown to the council.
- PPE costs and quantity of items used at each visit where no values were provided, or quantities / costs seemed excessive.
- Associated costs of back-office support where this was not provided or were an outlier in comparison to other submissions.
- Central / head office recharges where the provider is not known to be part of a wider organisational structure.
- Additional overheads added by the provider where these seemed unusual / exceptional e.g. costs for staff travel and substance, franchise fees and bank fees.

Providers were asked to review, amend as necessary or provide an explanation as to the value provided and re-submit their data. We have excluded cost data submissions where the provider wasn't in scope.

## **Data analysis**

Costs per hour have been calculated by aggregating all the median average for individual cost lines for those providers that submitted cost data in the exercise. The use of median average at cost lines level reduces the sensitivity and impact of unusually low and high costs (i.e. outliers).

Particular attention was given to the treatment of zero values shown on each cost line, to ensure that they don't represent missing values. It should be noted that the impact of zero values on the calculated cost per hour is minimised through the use of median averages. Unusual provider costs were aligned to the 'best-fit' cost lines to ensure its inclusion in the median average.

The attached appendix 3 (summarised below) detailed the FCOC median costs per hour (including the upper and lower quartile costs) for Barnsley:

	18+ domiciliary care		
Summary of Costs Per Hour	Lower	Median	Upper
Wages & Salaries	£15.17	£17.31	£29.56
Overheads and other COS	£3.98	£4.65	£7.19
Surplus / Profit	£0.80	£0.92	£1.53
Total	£19.96	£22.88	£38.28

The following outline the approach (and adjustments) made to the submitted cost data by the Council to derive the median costs:

### **Staffing**

No adjustments were made by the Council to the calculated median costs. There was some consistency in the carers hourly pay rate around the median value of £10.70 as well as with the Council's own funding assumptions. This hourly pay rate reflects the NLW+£1 wage supplement paid by the Council to care providers.

### **Call Duration Data**

Many providers in scope for the exercise deliver upwards of 60-minute calls, these have been added into the calculations for visits by call duration and combined make up the overall number of visits.

The following table details the number of appointments per week by call length, setting out the Upper, Lower and Median quartile as derived from the 15 submissions received.

	Upper	Lower	Median
15 Minutes	1,830	3	176
30 Minutes	2,024	28	600
45 Minutes	660	28	147
60 Minutes	3,383	21	123

We recognise that the number of 15 minute call is higher than we would want to see and will be working with our locality teams to look at what these visits are for to reduce the number of 15 min calls due to the increased costs and challenges for providers in delivering them.

### **Call Duration Cost**

The table below details the cost per call duration based on fixed and variable costs identified within the exercise.

	Call duration			
	15 min	30 min	45 min	60 min
Based on fixed and variable costs	£7.87	£12.87	£17.88	£22.88

In the current domiciliary care contract costs for shorter calls are based on the apportionment of the provider's total hourly fee. We recognise this approach does not specifically reflect the variable costs associated with travel / mileage etc for delivering shorter calls.

As stated earlier, the proportion of providers we are working outside of the framework contract has been increasing and their fee rates for shorter calls is higher than contracted providers. Through the increased use of Spot contracted providers, the overall costs to the council of meeting shorter call types have increased.

Whilst it is our intention to review the use of 15-minute calls with a view to moving away from these call types, the data provided will be used to inform fee setting for 2023/24.

### **Profit Margin**

The median value for profit margin based on the provider cost data submissions equates to 5.8% of the cost per hour. The % for profit margin vary across providers between 4.8% and 6.5% within the cost data submissions and is significantly in excess of the recommended 3% by the UK Homecare Association (UKHCA) in its 2022-23 Homecare Fee Report.

The Council's current fee setting model (based on the outcome of its homecare procurement exercise in 2018) applies a 3% profit margin - consistent with the UKHCA rate. On this basis the Council has adjusted the profit margin on the FCOC template to 4%. The LA's position on profit margin has been benchmarked across South Yorkshire authorities and the wider Yorkshire & Humber to ensure a consistent approach. This will be one of the areas we will want to engage further with providers as part of conversations to move to the FCO rates.

### **Conclusion and further work**

The full implementation of the domiciliary care FCOC would create affordability challenges for the Council, particularly if other care provision that works off the back of the domiciliary care hourly rate is taken into account (e.g. supported living; direct payments, etc). This is as a result of the difference between the median cost per hour (£22.88) and the current Council's funded rate (£20.16) – a variance of 11.9%.

The above differential is before factoring the impact of national living wage, inflationary and other cost of living increases anticipated for 2023-24. We know that increased cost of living and rising fuel prices are having a significant and detrimental impact on care staff and domiciliary care providers. This, in addition to challenges such as workforce recruitment / retention will be considered in future activity to support the financial viability of the market.

The domiciliary care FCOC exercise and data would form one of the number of factors that would be considered in the fee setting process for 2023-24. It is the intention of the Council to undertake a verification exercise on the figures submitted by providers prior to the final fee setting process for 2023-24.

At this stage it is unclear what level of grant funding would be made available to the Council (from the £600m market sustainability grant). The Council will look to agree a gradual move towards the FCOC based on what funding will be made available.



## Appendix 1:

### ARCC Fair Cost of Care toolkit



Home Care Costing  
Tool\_v2.21 01.02.22\_

## Appendix 2:

### Communication and Engagement

Date	Communication
10-Mar	Domiciliary Care provider forum FCoC presentation
22-Apr	Email to all providers to share details of LGA (ARCC) webinar sessions providing demonstration of the toolkit and Q&A on 25th April 11th May and 19th May to assist with completing the Fair cost of Care exercise
28-Apr	Working group meeting
06-May	Toolkit available and emailed out to all providers
11-May	Email remainder of remaining webinar sessions and Toolkit
Wc 16 May	Telephone contact with providers to engage with FCoC exercise
18-May	Email reminder of remaining webinar session and link to LGA website for information and guidance
23-May	Email remainder deadline for completion 27th May
30-May	Email to providers advising a change of deadline to 6th June
31-May	Domiciliary Care provider forum FCoC discussion
06-Jun	Further email to advise change to deadline to 30th June
Wc 6 June	Telephone contact with providers
15-Jun	Email from Care Association advising of a webinar session on 23rd June sent to all providers
22-Jun	Email to all providers as a reminder of the training from The Care Provider Alliance to assist with completing the Fair cost of Care exercise 23rd June
30-Jun	Submission deadline

## Appendix 3:

### LA Fair Cost of Care Median costs (after adjustments)

#### 18+ domiciliary care

	Lower	Median	Upper
Total Careworker Costs	£15.17	£17.31	£29.56
Direct care	£10.87	£10.70	£11.00
Travel time	£0.52	£1.52	£1.04
Mileage	£0.32	£1.02	£0.95
PPE	£0.02	£0.33	£4.56
Training (staff time)	£0.31	£0.25	£7.68
Holiday	£1.44	£1.50	£1.97
Additional noncontract pay costs	£0.00	£0.00	£0.00
Sickness/maternity and paternity pay	£0.21	£0.36	£0.00
Notices/suspension pay	£0.00	£0.00	£0.00
NI (direct care hours)	£1.09	£1.19	£1.73
Pension (direct care hours)	£0.40	£0.44	£0.62
Total Business Costs	£3.98	£4.65	£7.19
Back office staff	£1.46	£3.50	£4.92
Travel costs (parking/vehicle lease etcetera)	£0.00	£0.00	£0.00
Rent/rates/utilities	£0.59	£0.34	£1.14
Recruitment/DBS	£0.02	£0.07	£0.08
Training (third party)	£0.09	£0.04	£0.15
IT (hardware, software CRM, ECM)	£0.41	£0.12	£0.08
Telephony	£0.11	£0.11	£0.31
Stationary/postage	£0.01	£0.02	£0.03
Insurance	£0.07	£0.08	£0.02
Legal/finance/professional fees	£0.01	£0.20	£0.33
Marketing	£0.03	£0.06	£0.00
Audit and compliance	£0.03	£0.00	£0.00
Uniforms and other consumables	£0.00	£0.02	£0.02
Assistive technology	£0.00	£0.00	£0.00
Central/head office recharges	£0.00	£0.00	£0.00
Other overhads	£1.14	£0.00	£0.00
CQC fees	£0.03	£0.09	£0.13
Total Return on Operations	£0.80	£0.92	£1.53
TOTAL	£19.96	£22.88	£38.28