Haringey LONDON

Fair Cost of Care Return Annex B: 18+ Domiciliary Care

Overview

The Home Care portion of the Fair Cost of Care (FCoC) exercise was outsourced to Care Analytics, who will also in the coming months configure various standardised cost models to inform council's future commissioning of domiciliary care, separate to the FCoC exercise. Care Analytics have carried out the entirety of the FCoC exercise for Home Care including, production of the Survey used in data collection and analysis of the returns and results. Engagement with providers was carried out in partnership with the council. Care Analytics have produced their methodologies and findings accordingly.

Local provider market

As at June 2022, Haringey commissioned domiciliary care from 71 different providers care with 23 of these providers delivering more than 250 hours of care a week.

Haringey invited all 71 providers to participate in the survey, albeit in provider-level engagement was focused on those that deliver more than 250 hours of care a week.

Council-led Provider Engagement

Multiple and sustained efforts have been made to engage collectively and individually with all commissioned providers, starting on 9 June 2022 with a pre-launch e-letter to all commissioned providers within scope outlining and requirements and process, followed by an online Q&A with Care Analytics on 21 June 2022.

Council communication was via regular group and individual email as well as frequent phone calls to our main providers to offer help and support. Providers were also signposted to the available external advice and support options.

Briefings, updates and opportunities to raise issues and ask questions were provided at our monthly online Provider Forums.

The initial deadline for receiving submissions was 10 July 2022, however, for those who did not submit further extensions were agreed on a case-by-case basis, with the last submission accepted in mid-August.

Despite best efforts some providers did not engage with the process for various reasons such as lacking the skills/access to finance colleagues to be able to provide information at a suitable level to be used in the calculations.

Data Collection and Query Process

The survey used was designed by Care Analytics. It is an adapted version of the survey that they used to conduct their market review service. As Care Analytics market reviews have a wider scope than the FCoC exercise required by the DHSC, the survey includes a wider set of questions to enable a thorough analysis of the marketplace.

The survey asked detailed questions about homecare delivery and the operating practices of each branch. It asked for a detailed breakdown of current back-office staffing and wages/salary by role.

It asked a series of questions about care worker pay rates, including supporting information so a reliable average rate of pay can be calculated. Providers had the opportunity to present their pay structure in whatever format was easiest to them. This is essential for homecare owing to the diverse ways homecare providers pay their care workers.

The survey collected information about employment terms and conditions so employment on-costs can be accurately calculated.

Non-staff operating costs are collected from previous or current financial years at a granular level. To promote engagement, providers were offered the opportunity to submit financial information in whatever format is exported from their finance system or is already available in their accounts. Care Analytics then standardised the data into the required format for analysis. Many providers took advantage of this opportunity as it can save considerable time.

Finally, providers had the opportunity to answer a variety of questions in their own words to inform the market review.

The data from providers was collected during July and August 2022, with the queries and clarification process ongoing well into September. The financial year was 2022-23.

Historic cost data was used for non-staff cost categories based on the providers most recent completed accounts. Each cost was uplifted to a 2022-23 baseline using an appropriate CPI index. This was done at the most granular level possible so that inflation adjustments are as accurate as possible. Each cost line was updated from the middle of their respective financial year to May 2022 (close to the start of the 2022-23 financial year).

Providers were asked to identify any costs that had or would increase for 2022-23 to an extent that would not be reflected using CPI measures of inflation. Many providers took advantage of this by providing details about structural cost increases. Each providers costs were updated to reflect any new baseline where data was supplied.

Payroll data was collected from a recent payroll period in the 2022-23 financial year to inform employer national insurance and pension contributions as a percentage of wages.

Surveys were received from 22 providers operating in Haringey, representing 31% of providers and ~70% of commissioned hours. Eight surveys were excluded on the grounds of data quality mostly owing to gaps (missing key data), incoherencies that could not be clarified by the query process, and/or data that was clearly fabricated.

The exclusion of 8 out of 22 surveys is a higher proportion than most of the London boroughs that Care Analytics is working with but is by no means unique. The data submitted within these 8 omitted surveys will contribute to Care Analytics understanding of the local market on a selective basis. However, it would require a disproportionate amount of work and engagement with these providers to try to produce a reliable unit cost for their delivery.

All 14 usable surveys have full unit cost calculations for both care-worker costs and for other business costs.

All but one of the providers with usable surveys deliver a significant number of hours in Haringey.

The removal of this single provider with limited delivery in the borough reduces the median reported cost by circa £0.15 per hour. We have therefore also excluded them.

The FCOC exercise is therefore based on 13 returns This represents ~18% of commissioned providers and 10.4% of commissioned hours.

Every single homecare survey received was thoroughly reviewed at least twice. Queries were sent to every provider to try to ensure the data was as robust as possible.

Owing to the error margins associated with key variables, clarifications were nearly always sought on visit patterns (average visit duration) and average travel time, as well as all instances where care worker pay methods were unclear. Care Analytics also queried unclear answers and inconsistencies (large changes) between historic accounts data and the costs of current practice.

Unfortunately, many providers did not respond to queries. This has led to a high number of surveys that are unusable because there is too much error margin around their calculated unit cost. It has also led to a higher than ideal number instances where Care Analytics have had to make interpretation decisions to finalise unit cost calculations in the absence of either a response to queries or a clear answer.

Whilst in some instances it is reasonable to use standardised assumptions where there is missing or unclear data, this becomes more of an issue when the uncertainty can have a marked impact on the result.

For example, a few of the providers in Haringey with usable surveys neither answered the question about average travel time nor responded to queries.

For these providers, Care Analytics have assumed average travel time to be 5 minutes, although given the answers about travel time given by other providers, this could be significantly understated. For clarification, this will not affect the calculated unit cost, only the apportionment between contact-time costs and travel-time costs (and so by consequence the care-worker effective pay rate).

Almost all the other providers operating in Haringey estimated average travel times of either 10 minutes or 15 minutes between visits. However, no provider could supply any data in relation to door-to-door or paid travel time.

The government-set timelines mean there is nothing that could be done to extend the query stage of the process to feed into the October return. Care Analytics query process remains open where we can improve data quality from key providers to feed into their wider commissioning and market review.

Haringey LONDON

Whilst most providers are well intentioned and have positively engaged with Care Analytics through this process, it should also be noted there is only so far that our query process can go before either having to accept the information provided by providers as accurate or treat the whole survey as unreliable.

Calculation Methodology

All non-staff operating costs have been uplifted to May 2022 (around the start of the current financial year). However, the rate of inflation continues to increase. It should therefore be noted that some cost lines reported may already be significantly behind current costs.

As part of calculating each council's FCoC outputs for homecare, Care Analytics have done their best to try to reflect each providers current unit costs. This requires interpreting 'travel time' to be the time that is 'paid', as this is the only reasonable interpretation of actual operating costs.

In most instances, the following rules have been applied:

1. Convert the providers care worker pay method into a single contact-time rate of pay. This includes incorporating all enhancements for anti-social hours (such as evenings and weekends), all pay rates for senior care workers on a pro rata basis, all enhancements for working out-of-area, and any top-up payments made to ensure NLW compliance (where supplied either in the initial survey or as part of the query process).

2. If the providers contact-time pay and their stated average travel time between visits is legal (pay remains above £9.50 per hour), then their stated travel time is used to convert the 'contact-time' pay into a 'working-time' hourly rate of pay. This is required for the DHSC's FCoC return, even though working-time methods of payment are rare in homecare. The only alternative would be to report pay rates based on mixed contact time pay and working time pay (the results from which would be largely meaningless).

3. If the providers stated average travel time cannot be paid given their contact-time rate of pay (including any top-ups or enhancements identified), their stated travel time has been reduced to the point where their working time pay is £9.50 per hour. In other words, their stated average travel time is reduced to the best possible estimate of what they pay in practice (their actual costs).

For practical reasons, Care Analytics have also calculated allowable paid travel time using average care worker pay (as the work involved in producing separate calculations for each grade of care worker can become extremely complicated). Providers with different pay grades will therefore likely pay less travel time than we have calculated.

When calculating each provider's care worker unit cost, there are several areas where assumptions must be made, as the associated costs are either too difficult to calculate reliably or they are variable over time and so must be standardised to some extent.

Haringey LONDON

Care Analytics have made the following standardised assumptions for the FCoC returns:

- For statutory holiday (applicable to almost all providers), a 12% employment on-cost has been applied. This is a generous assumption for many providers, as costs will often be lower where providers calculate holiday pay based on strict interpretations of entitlements where employees work overtime (which is most employees given the preponderance of zero-hour contract in the sector).

- Although the survey includes detailed questions on training and supervision, this is mainly for analysis for Care Analytics pending market review. Attempting to quantify these types of costs for each provider is extremely difficult. For the FCoC return, a 3.0% standardised assumption (of total care worker time) is applied for combined paid training time (1.75%), sickness (1.0%), and notice/suspension pay (0.25%). The apportionment of the 3.0% could vary over time for each provider.

Based on all the evidence Care Analytics have seen, the total of 15% for these combined on-costs is a reasonable assumption for a market median. However, some providers will incur higher costs if they have more extensive paid training or a higher-than-usual number of staff off sick. Others will incur lower costs, as is the nature with averages.

To be included in the quartiles analysis the provider had to report enough data to be able to calculate all their care worker costs OR all their business overheads. If the total observation count is higher than the respective counts for the sub-sections, this will be because of a handful of providers where we could not report both sets of costs.

Return on Operations

It is important to recognise that this return on operations cannot all be taken out of the respective business as profit. The surplus is also needed to pay for both investment back into the business and exceptional costs that will inevitably arise from time to time.

Council expectations of sustainable surplus normally range from 3% to 10%. In Care Analytics opinion, a surplus below 5% can only be considered sustainable where the assumed costs have considerable slack. By contrast, a 10% assumption may be reasonable (or even necessary) where the operating costs are assumed to be extremely efficient. Key context for this is the earlier discussion on error margins associated with homecare cost modelling.

Based on the surveys received, providers stated sustainable profit levels ranging from circa 3% (usually with a caveat about the need for large volumes) to upwards of 30%.

Many of the highest stated sustainable profit levels were from independent providers where the owners time working for the business is not fully reflected as a cost (though Care Analytics have added modest notional costs in many such instances for both commensurability with other businesses and to ensure ‘costs’ are not unduly understated). It can therefore be difficult to interpret some provider’s expected or desired ‘profit’ in the more common use of the term.

Haringey Council has chosen to use 5% in the final return as this is considered to be a sustainable level for providers and is within the range of figures stated within the returns received.

<u>Final Answer Summary</u>

In any homecare cost model (or unit cost exercise) there are at least 7-8 areas where costs can be under or overstated by circa 1-2% of the overall unit cost (with a much greater error margin in relation to paid travel time assumptions).

Ultimately, this is about balance. If all these 7-8 areas are generously interpreted, the total unit cost could be overstated by circa 10-15%. Similarly, if all assumptions are 'tight', the total unit cost could be understated by a similar amount.

With a sample size of a small order the error margin for reporting median and quartile results as required by the FCoC exercise can be very large. Further it is generally better with small sample sizes to use equal weighting for each provider, rather than weight results by branch size. This minimises the impact of error caused by individual surveys; however, this is not ideal as small providers then have undue influence on the overall results.

Whilst Care Analytics had an extensive query process which tried to reduce uncertainties to a minimum, there remain reliability issues with some surveys that there was no choice but to use for the FCoC return. A great many homecare providers simply do not have the skills or understanding to be able to present a clear picture of their operating practice and costs

Overall, there are too many confounding factors (and too much error margin) to use data collected from local providers to directly determine what the council should pay for standard homecare. Further to this it is likely that the council's commissioning of homecare will significantly change over the next few years as it implements its commissioning strategies. Care Analytics market review (to be completed over the next 3-5 months) will feed into these developing strategies. Overall, there are too many confounding factors (and too much error margin) to use data collected from local providers to directly determine what the council should pay for standard homecare. Further to this it is likely that the council's commissioning of homecare will significantly change over the next few years as it implements its commissioning strategies. Care Analytics market review (to be completed over the next 3-5 months) will feed into these developing strategies, and will likely change the costs incurred by homecare providers . However, FCOC results will be used to inform our inflationary uplift plans for 2023/24 and beyond alongside other intelligence such as our local cost analysis being developed by Care Analytics, and importantly affordability for the Local Authority and availability of funding.

Haringey LONDON

Data Tables

Annex A Median Values and Supporting Information:

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	18+ domiciliary care
Total Careworker Costs	**£14.14**
Direct care	£9.63
Travel time	£1.53
Mileage	£0.02
PPE	£0.11
Training (staff time)	£0.19
Holiday	£1.35
Additional noncontact pay costs	£0.00
Sickness/maternity and paternity pay	£0.11
Notice/suspension pay	£0.03
NI (direct care hours)	£0.92
Pension (direct care hours)	£0.15
Total Business Costs	**£4.25**
Back office staff	£1.90
Travel costs (parking/vehicle lease et cetera)	£0.03
Rent/rates/utilities	£0.34
Recruitment/DBS	£0.05
Training (third party)	£0.07
IT (hardware, software CRM, ECM)	£0.07
Telephony	£0.03
Stationery/postage	£0.05
Insurance	£0.06
Legal/finance/professional fees	£0.25
Marketing	£0.02
Audit and compliance	£0.03
Uniforms and other consumables	£0.08
Assistive technology	£0.11
Central/head office recharges	£0.64
Other overheads	£0.10
CQC fees	£0.06
Total Return on Operations	**£0.92**
TOTAL	**£19.30**

Supporting information on important cost drivers used in the calculations:	18+ domiciliary care	Response rates by question	1st quartile	Median	3rd quartile
Number of location level survey responses received	13	13	13	13	13
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	75	75	75	75	75
Carer basic pay per hour	10	13	£9.50	£9.50	£9.81
Minutes of travel per contact hour	10	13	7.4	9.6	9.8
Mileage payment per mile	0	3	£0.43	£0.45	£0.45
Total direct care hours per annum	69,336	13	55,002	69,336	109,150

Haringey LONDON

Number of Observations and Quartiles:

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	Response rate by question	1st quartile	Median	3rd quartile
Total Careworker Costs	**13**	**£13.81**	**£14.14**	**£14.45**
Direct care	13	£9.52	£9.63	£9.81
Travel time	13	£1.22	£1.53	£1.56
Mileage	13	£0.01	£0.02	£0.09
PPE	10	£0.05	£0.11	£0.23
Training (staff time)	13	£0.19	£0.19	£0.20
Holiday	13	£1.35	£1.35	£1.38
Additional noncontact pay costs	0	£0.00	£0.00	£0.00
Sickness/maternity and paternity pay	13	£0.11	£0.11	£0.12
Notice/suspension pay	13	£0.03	£0.03	£0.03
NI (direct care hours)	13	£0.80	£0.92	£1.08
Pension (direct care hours)	13	£0.05	£0.15	£0.24
Total Business Costs	**13**	**£2.81**	**£4.25**	**£5.08**
Back office staff	13	£1.84	£1.90	£2.80
Travel costs (parking/vehicle lease et cetera)	10	£0.02	£0.03	£0.11
Rent/rates/utilities	12	£0.23	£0.34	£0.51
Recruitment/DBS	11	£0.01	£0.05	£0.08
Training (third party)	9	£0.04	£0.07	£0.20
IT (hardware, software CRM, ECM)	12	£0.04	£0.07	£0.11
Telephony	13	£0.01	£0.03	£0.13
Stationery/postage	13	£0.02	£0.05	£0.09
Insurance	12	£0.05	£0.06	£0.08
Legal/finance/professional fees	13	£0.05	£0.25	£0.31
Marketing	7	£0.02	£0.02	£0.04
Audit and compliance	5	£0.03	£0.03	£0.08
Uniforms and other consumables	7	£0.04	£0.08	£0.10
Assistive technology	3	£0.10	£0.11	£0.12
Central/head office recharges	8	£0.40	£0.64	£0.94
Other overheads	13	£0.04	£0.10	£0.21
CQC fees	12	£0.04	£0.06	£0.08
Total Return on Operations		**£0.83**	**£0.92**	**£0.98**
TOTAL		**£17.45**	**£19.30**	**£20.50**

Haringey LONDON

Cost by visit Duration

Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	15 minutes	30 minutes	45 minutes	60 minutes
Total Careworker Costs	**£19.12**	**£15.56**	**£14.37**	**£13.78**
Direct care	£9.63	£9.63	£9.63	£9.63
Travel time	£5.35	£2.68	£1.78	£1.34
Mileage	£0.07	£0.03	£0.02	£0.02
PPE	£0.37	£0.19	£0.12	£0.09
Training (staff time)	£0.26	£0.21	£0.20	£0.19
Holiday	£1.82	£1.49	£1.38	£1.33
Additional noncontact pay costs	£0.00	£0.00	£0.00	£0.00
Sickness/maternity and paternity pay	£0.15	£0.12	£0.12	£0.11
Notice/suspension pay	£0.04	£0.03	£0.03	£0.03
NI (direct care hours)	£1.23	£1.01	£0.94	£0.90
Pension (direct care hours)	£0.20	£0.16	£0.15	£0.15
Total Business Costs	**£4.25**	**£4.25**	**£4.25**	**£5.08**
Back office staff	£1.90	£1.90	£1.90	£1.90
Travel costs (parking/vehicle lease et cetera)	£0.03	£0.03	£0.03	£0.03
Rent/rates/utilities	£0.34	£0.34	£0.34	£0.34
Recruitment/DBS	£0.05	£0.05	£0.05	£0.05
Training (third party)	£0.07	£0.07	£0.07	£0.07
IT (hardware, software CRM, ECM)	£0.07	£0.07	£0.07	£0.07
Telephony	£0.03	£0.03	£0.03	£0.03
Stationery/postage	£0.05	£0.05	£0.05	£0.05
Insurance	£0.06	£0.06	£0.06	£0.06
Legal/finance/professional fees	£0.25	£0.25	£0.25	£0.25
Marketing	£0.02	£0.02	£0.02	£0.02
Audit and compliance	£0.03	£0.03	£0.03	£0.03
Uniforms and other consumables	£0.08	£0.08	£0.08	£0.08
Assistive technology	£0.11	£0.11	£0.11	£0.11
Central/head office recharges	£0.64	£0.64	£0.64	£0.64
Other overheads	£0.10	£0.10	£0.10	£0.10
CQC fees	£0.06	£0.06	£0.06	£0.06
Total Return on Operations	**£1.17**	**£0.99**	**£0.93**	**£0.90**
TOTAL	**£24.53**	**£20.80**	**£19.55**	**£18.93**

Quartiles for number of Appointments per Week by Length of Visit

	5 mins	10 mins	15 mins	20 mins	25 mins	30 mins	35 mins	40 mins	45 mins	50 mins	55 mins	60 mins	>60 mins	Total
First quartile	0	0	0	0	0	21	0	0	42	0	0	37	133	100
Median	0	0	0	0	0	465	0	0	462	0	0	80	139	1421
Third quartile	0	0	0	0	0	665	0	0	484	0	0	168	146	1426

Please note that Length of Visit Data was requested separately from the main survey and only five returns were received. Given the small sample size we have limited confidence in this information.