- Market Sustainability and Fair Cost of Care Fund

Annex B - 18+ Home Care

THE ROYAL BOROUGH OF
KINGSTON
UPON THAMES

Table of Contents

Fair Cost of Care

Introduction

In 2021 the Government announced large-scale reforms to the Adult Social Care sector set out in the Build Back Better Policy Paper. The long-term objective of these reforms is to work with local authorities to make local care and support markets sustainable, provide choice for individuals at affordable rates, and improve overall wellbeing.

To this end, the Government outlined a Market Sustainability and Fair Cost of Care Exercise for local authorities to help inform how adult social care will be reformed. The aim is to ensure that providers are paid a fair cost for care and to develop resilient and sustainable care markets.

This document sets out how the Fair Cost of Care (FCOC) estimates were arrived at. The tables presented in this document and the analytical work completed on the data submitted by homecare providers operating in the Royal Borough of Kingston (the Council).

The Council commissioned Alma Economics following a competitive tender conducted under ESPO Framework Agreement 664_21 Consultancy Services. Alma economics was commissioned to further strengthen the council's internal commissioning and contract management capacity and to undertake the work associated with the FCOC grant conditions, to increase the transparency to the exercise and greater market oversight as a result of increased section 18(3) of the Care Act 2014 commissioning. Alma Economics engaged with local adult social care providers to collect data and analyse the cost of adult social care services and the costs incurred by providers, all the work carried by Alma Economics is independent but produced in collaboration with the Council and South West London partnership.

Engagement with providers

Response Rate

In total, 27 homecare providers were considered within scope for the FCOC exercise in the Council. Out of those, 11 submitted data on domiciliary care costs, representing 41% of all homecare providers within scope, and covering approximately 76% of the homecare and reablement market.

In order to increase providers' engagement, at the beginning of the project, the Council and Alma Economics organised a workshop with homecare providers. During the workshop the team explained to providers where and how they could submit their data and provided tips and suggestions on how to fill up the template and participate in the Fair Cost of Care exercise. Following the workshops, the Council team and Alma Economics shared the workshop material as well as guidance on how to fill in the questionnaire with providers.

In addition, Alma Economics delivered one-to-one sessions for providers who needed additional support to complete the questionnaire. The sessions were conducted online and lasted between 30 minutes and 1 hour depending on the needs of the providers. The Council's Commercial team acted as the named point of contact throughout the process; the Commercial officers made regular phone calls, emails and shared FCOC materials and offered support in addition to Alma Economics support offer in order to encourage submissions.

To maximise providers' engagement and the response rate, the data submission deadline was extended on multiple occasions until early September.

Description of questions asked, and template used

Data was collected using the toolkit developed by the LGA and available free of charge to councils and providers. The tool was developed to collect information on costs incurred by providers. Based on the figures submitted by providers, the toolkit calculates a range of outputs, including the total cost of care per hour. The toolkit captures information operating surplus and unit cost, direct pay rate card and costs, branch and volume capacity, travel time and mileage expenses, and care hours and visits breakdown.

What worked well

- The engagement activities carried out were useful to highlight providers' challenges in collecting the data and provide additional insights to those coming out from the data collection exercise.
- Overall, the data submitted are of good quality. The figures provided appear to be generally reasonable and consistent across providers.
- The data collection exercise covered a representative share of the market.

Areas for improvement

- Data on the number of visits was of lower quality.
- Providers mostly needed help in understanding how to input the data and what type of information was required, especially smaller providers who don't have a dedicated finance team.
- Some providers did not attend the one-to-one sessions scheduled.

Data analysis

The Council and Alma Economics recognise the limitations associated with data quality, lack of provider engagement with the exercise, and the median calculation. In particular, responses received included significant outliers, implausible data (e.g. negative numbers), and blanks, while approximately a third of the providers did not submit their cost of care. Regarding the median calculation, this approach is better suited to large datasets and lacks weighting of each provider's submission. As a result, a provider supporting one client would have the same impact on the median as one supporting hundreds.

We have taken several steps to increase robustness and validity of our calculations but the results produced by this exercise cannot be treated as wholly reliable or accurate. To ensure our approach was fit-for-purpose, we attended online webinars explaining the requirements for Annex A, B, and C and attended weekly meetings with the South West London working group to discuss methodology and results, as well as official guidance on how to analyse the data. As mentioned above, we engaged with providers either by email or by organising one-to-one sessions to ask follow-up questions and clarifications on their submissions when needed. Specifically, we requested clarifications on outliers, blank cells, zero values, and potential mistakes.

Our analysis closely followed DHSC guidance on data cleaning to ensure the correct identification of outliers (DHSC, 2022). Specifically, we applied Tukey's rule[1] and excluded values that were not within the rule's limits. To that end, we first calculated the median, lower and upper quartile of each cost item including all responses. Then, we calculated the interquartile range as the difference between the upper and lower quartile. Lastly, we excluded as outliers all data points that were either (i) above 1.5 times the interquartile range from the upper quartile or (ii) below 1.5 times the interquartile range from the lower quartile.

As part of the project, Alma Economics conducted upskilling sessions with the Council team to share best practices and lessons learned from this exercise. The sessions covered all aspects of the analytical work, including stakeholder engagement, data analysis, and modelling. These sessions ensured that the Council will be able to conduct similar exercises in the future.

Base price year and uplift

The cost information collected through the LGA toolkit refers to 2021- 2022. However, all figures have been adjusted to reflect changes in the National Living Wage (NLW) and inflation. Specifically, the "Direct Care" cost item has been increased by 6.6%, following the NLW growth from the 2021-22 average to 1st of April 2022 for over 23-year-olds (UK government, 2022). However, we do not assume that homecare staff is on NLW, rather we expect their wages to move proportionately with the NLW. All remaining cost items have been increased by 3.2%, following the growth of the ONS deflator for "Human health and social work activities" over the same period (ONS, 2022).

Our approach on Return on Operations

[1] Tukey's rule is a statistical approach which identifies outliers based on the interquartile range. Specifically, an outlier is defined as any observation more than 1.5 times the interquartile range from the lower or upper quartiles.

No adjustment was made on Return on Operation for domiciliary care due to a lack of robust evidence on how to adjust ROO and what this value should be.

Data Tables

Table 1 presents the median cost of homecare per hour. The final median cost has been calculated as the sum of individual cost items (after removing outliers) to reduce the impact of outliers or incorrect values on the final figure. The cost categories included in the calculation are (i) care worker costs (ii) business costs and (iii) surplus/ profit contribution.

Table 1. **Median costs per contact hour**

Cost Items	18+ domiciliary care
Total Care worker Costs	**£17.23**
Direct care	£11.78
Travel time	£1.36
Mileage	£0.38
PPE	£0.10
Training (staff time)	£0.15
Holiday	£1.54
Additional noncontact pay costs	£0.00
Sickness/maternity and paternity pay	£0.09
Notice/suspension pay	£0.00
NI (direct care hours)	£1.40
Pension (direct care hours)	£0.42
Total Business Costs	**£4.04**
Back office staff	£2.83
Travel costs (parking/vehicle lease et cetera)	£0.01
Rent/rates/utilities	£0.44
Recruitment/DBS	£0.06
Training (third party)	£0.09
IT (hardware, software CRM, ECM)	£0.16

Telephony	£0.09
Stationery/postage	£0.05
Insurance	£0.10
Legal/finance/professional fees	£0.08
Marketing	£0.01
Audit and compliance	£0.03
Uniforms and other consumables	£0.01
Assistive technology	£0.00
Central/head office recharges	£0.00
Other overheads	£0.00
CQC fees	£0.07
Total Return on Operations	**£0.95**
TOTAL	**£22.22**

Following the same approach and categories as table 1, Table 2 presents the median, upper quartile, and lower quartile costs for homecare providers. The last column indicates the number of providers included in the calculation of each cost line. Where the observation count is lower than the total number of submissions (i.e. 11), individual data points have been excluded as outliers following Tukey's rule described above.

Table 2. **Quartiles and observation count of submitted costs**

Cost Items	Medians	Lower (First) Quartile	Upper (Third) Quartile	Observation Count
Direct Care	11.78	10.38	12.28	11
Travel Time	1.36	0.33	1.89	11
Mileage	0.38	0.00	1.55	11
PPE	0.10	0.01	0.26	10
Training (staff time)	0.15	0.00	0.23	11
Holiday	1.54	1.48	1.59	9
Additional Non-Contact Pay Costs	0.00	0.00	0.11	11

Sickness/Maternity & Paternity Pay	0.09	0.01	0.12	9
Notice/Suspension Pay	0.00	0.00	0.00	9
NI (direct care hours)	1.40	0.86	1.67	11
Pension (direct care hours)	0.42	0.41	0.44	8
Total Careworker Costs	**17.23**	**14.17**	**20.15**	
Back Office Staff	2.83	2.63	3.36	10
Travel Costs (parking/vehicle lease etc.)	0.01	0.00	0.17	10
Rent / Rates / Utilities	0.44	0.36	0.62	10
Recruitment / DBS	0.06	0.05	0.09	10
Training (3rd party)	0.09	0.04	0.13	10
IT (Hardware, Software CRM, ECM)	0.16	0.07	0.38	11
Telephony	0.09	0.04	0.13	11
Stationery / Postage	0.05	0.04	0.06	8
Insurance	0.10	0.08	0.16	11
Legal / Finance / Professional Fees	0.08	0.03	0.29	10
Marketing	0.01	0.00	0.05	9
Audit & Compliance	0.03	0.01	0.03	9
Uniforms & Other Consumables	0.01	0.00	0.04	9
Assistive Technology	0.00	0.00	0.00	9
Central / Head Office Recharges	0.00	0.00	0.00	9
Other overheads	0.00	0.00	0.06	10
CQC Registration Fees(4)	0.07	0.05	0.10	11
Total Business Costs	**4.04**	**3.40**	**5.67**	
Surplus / Profit Contribution	0.95	0.45	1.24	11
Total Cost Per Hour	**22.22**	**18.01**	**27.06**	

To calculate the median cost per hour of care we adjusted “Travel Time” and “Mileage” cost items to scale for variations in travel time and costs depending on visit length to show how the cost of

delivering a full hour of care varied by visit length.

Table 3 presents the median cost per hour of care by visit length for each of the four main lengths of visits (15, 30, 45, and 60 minutes). The median cost per hour is inversely related to the length of the visit, with 15-minute calls being the most expensive and 60-minute calls the least.

Table 3. **Median cost per hour of care by visit length, minutes**

	15-min visit	30- min visit	45-min visit	60-min visit
Median	23.96	22.22	21.79	21.35

Table 4 presents the median, lower and upper quartile number of visits by visit length for each of the four main lengths of visits (15, 30, 45, and 60 minutes). The most common type of visit among our sample of providers was 30-minutes (268 median number of visits), followed by 45-minute visits (182 median number of visits), and 60-minute visits (82 median number of visits). The least frequent type of visit was 15-minute visits, with 23 median visits.

Table 4. **Visits per provider in FCOC sample**

Number of appointments	15-min visit	30-min visit	45-min visit	60-min visit
Lower quartile	11	106	40	27
Median	23	268	182	82
Upper quartile	34	382	325	136

Note: Some providers also provided data on visit lengths over 60 minutes in duration

Miscellaneous notes

The following notes refer to individual cost lines in Annex A, section 3 tables.

1) Line 126- Carer basic pay per hour: Framework providers for the Council are paying London Living Wage, however, the median rate may represent non-framework providers
2) Line 129- Total direct care hours per annum: This is a median of the total of each provider after excluding outliers.
3) Lines 136/137- Average external provider fee rates for 2021/22 and 2022/23: The figures presented in these rows are based only on in-borough data.