FAIR COST OF CARE

Annex B – Cost of Care Report

18+ Domiciliary Care services

1 Engagement with providers

The Isle of Wight council currently commission domiciliary care services from 3 prime providers who in turn subcontract with other providers. There are 31 domiciliary care providers in the area, although some were taken as out of scope for this exercise due to the nature of the service they provide, for example, some are based within supported living settings. We have ensured that the engagement process has been inclusive of all providers to give them as much information and support as possible to encourage them to be involved in our Fair Cost of Care process as detailed below.

- Initial engagement with Home Care providers started in April and providers were invited to a toolkit demonstration and then a Teams call to undertake a Q&A session.
- Following this, more information was sent out sharing links to the ARCC toolkit and guidance and dates for training sessions.
- In April we undertook a discussion with a representative from the LGA to understand timescales, etc and relayed this information to our providers.
- In early May, providers were invited to attend a follow-up Teams session and two on-line demonstrations by ARCC.
- In June one of our prime providers offered to create a video demonstration to show how to complete the toolkit that we could share with other providers. This was helpful and we ran another Teams session to present this in early June. It was also sent out to all providers to share with providers that may have missed the session. Also, during June more information from the LGA was shared and another Teams Q&A session took place.
- The original deadline date was extended to the end of June and during that period, we made calls to individual providers offering one-to-one support.
- In early July we still had a few providers that we were hoping would submit a response because of their position in our local market. At this point we spoke to them individually and shared the Care Provider Alliance statement encouraging them to engage.

In addition to the points included above, the service undertook to set up a dedicated email box for Cost of Care enquiries and submissions. This was monitored daily, and all emails followed up promptly.

During the provider engagement process we met quite a lot of scepticism from some providers who were not convinced that this exercise would make any difference to fee rates. We spent a lot of time talking with them and endeavoured to be as transparent as possible about expectations. We

also used the information shared by the Care Provider Alliance to encourage these providers to submit their data to ensure this exercise represented a wide spread of the total market costs.

We were hopeful that sharing of a video and active engagement by one of the prime providers would persuade all our providers to respond, but this did not happen and at least 2 of our bigger home care providers declined to submit a response.

2 Response rate

At the end of the toolkit submission process, we had received a total of 11 responses from our home care providers which represents a 35% response rate.

Despite our best efforts to secure more responses to get a wider overall picture of the market, this is the final position we ended with.

However, on the Isle of Wight, as mentioned above we have three 'prime providers' that we contract directly with. These home care agencies sub-contract with several other agencies. Having their full support and involvement during the process has been important to our overall response**.** However, it should be noted that when using these returns for analysis purposes, that as these are larger cross county providers, they do have a regional and/or national structure with some centralised functions for all their activity across those regions, so may not be completely representative of more localised providers.

3 Analysis of submissions

3.1 Following the closing date for responses, we undertook a detailed analysis of all responses received and it was at this point that, in line with the guidance relating to LAs using their judgement regarding quality of returns and identified outliers to enable analysis, we chose to remove 3 providers from the analysis. The reasons for this were:

- One agency has low numbers of staff, but their carers visits are generally much longer because they were undertaking extra work such as gardening, letter writing, and activity sessions so do not provide a 'traditional' home care service.
- One agency provides a specialised personal assistant service.
- One agency is based within a supported living setting, so was not actually providing a standard home care service.

These agencies also had disproportionately high back-office staff costs which pushed them into an outlier position. Also, none of these services were showing any information in the profit line. On reflection, these providers should have been counted as Out of Scope at the start of the process.

3.3 Of the remaining 8 submissions, despite the low return rate, there appears to be a mix of business structures and both large and small providers delivering care. The information provided did encompass the full range of information requested although there were some remaining queries which were raised directly with providers to clarify any discrepancies with the figures and to agree amended submissions. These largely related to:

- Volume of care hours – these variances were caused by confusion about the data period for the hours and were easily rectified.

- Carer Wages – this was clarified with providers to ensure that the hours shown were accurate and represented the current hourly rates being paid.

3.4 In the final analysis, almost all the information was pulled across from all 8 providers to calculate the median figure on each cost line. The only amendment that was made to the data was to exclude the back-office costs from 2 providers who were deemed to be high outliers on this cost compared to all others.

This means that there was a usable cohort of 25.8% of all providers on the Isle of Wight registered to provide domiciliary care. Although there were enough returns to conduct a 'high-level' analysis to undertake the Fair Cost of Care exercise we need to be mindful however, the outputs may not be fully representative of the wider market provision and costs.

Other considerations regarding the analysis in relation to the useable returns should also be taken into account when considering the outputs and calculated rates. Although there was a mix of returns from across different domiciliary providers, it is important to acknowledge the possibility that some costings may be skewed by a poorly balanced mix of returns from different size services. An example of this is where only 5 more locally based domiciliary providers provided usable returns compared to the 3 larger cross county providers.

In the interest of transparency of the Fair Cost of Care exercise we have chosen to leave the 2022/23 estimated costs submitted by providers within the FCoC modelling rather than revising to standard CPI rates. We therefore need to acknowledge that there will be variances between providers in their assumptions on inflation and other potential cost rises including increases in salary costs. Due to the assumptions made and inconsistencies across the market this will influence the final calculations. This then is another element to be considered in relation to the exercise outputs and whether they are truly reflective of the wider market.

In addition, we also need to consider that the guidance for this exercise required a median average of the aggregated returns. Although, useful to ensure a consistent approach by all local authorities, it does not, however, provide the level of other important detail, such as where additional care is provided that would not normally be the responsibility of a local authority. This would also include the requirement to provide additional care for complex cases which would be either solely or joint funded with health such as Continuing Health Care (CHC) or section 117 of the Mental Health Act (s117). There has been no guidance on how the health funded element such as CHC and s117 will also be increased as part of working towards the fair cost of care.

3.5 TABLE 1 - Provides a table for each cost line with the i) no. of responses, ii) lower quartile, iii) median and iv) upper quartile

18+ domiciliary care				
Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.	**MEDIAN**	**LOWER QUARTILE**	**UPPER QUARTILE**	**NUMBER OF OBSERVATIONS**
Total Care worker Costs	**£18.01**	**£16.73**	**£20.35**	
Direct care	£11.30	£11.14	£11.52	8

Travel time	£1.63	£1.31	£1.87	8
Mileage	£0.72	£0.66	£0.98	8
PPE	£0.37	£0.21	£0.58	8
Training (staff time)	£0.31	£0.26	£0.40	8
Holiday	£1.58	£1.46	£1.67	8
Additional non-contact pay costs	£0.00	£0.00	£0.17	8
Sickness/maternity and paternity pay	£0.32	£0.22	£0.40	8
Notice/suspension pay	£0.00	£0.00	£0.08	8
NI (direct care hours)	£1.34	£1.08	£2.22	8
Pension (direct care hours)	£0.43	£0.39	£0.46	8
Total Business Costs	**£5.36**	**£3.99**	**£7.75**	
Back-office staff	£3.62	£2.89	£4.28	6
Travel costs (parking/vehicle lease etc)	£0.00	£0.00	£0.00	8
Rent/rates/utilities	£0.48	£0.41	£0.82	8
Recruitment/DBS	£0.12	£0.10	£0.48	8
Training (third party)	£0.06	£0.01	£0.12	8
IT (hardware, software CRM, ECM)	£0.28	£0.14	£0.33	8
Telephony	£0.07	£0.06	£0.11	8
Stationery/postage	£0.08	£0.06	£0.12	8
Insurance	£0.12	£0.09	£0.21	8
Legal/finance/professional fees	£0.14	£0.07	£0.26	8
Marketing	£0.19	£0.05	£0.42	8
Audit and compliance	£0.04	£0.01	£0.06	8
Uniforms and other consumables	£0.06	£0.03	£0.09	8
Assistive technology	£0.01	£0.00	£0.06	8
Central/head office recharges	£0.00	£0.00	£0.26	8
Other overheads	£0.00	£0.00	£0.00	8
CQC fees	£0.09	£0.08	£0.13	8
Total Return on Operations	**£1.17**	**£1.07**	**£1.33**	
TOTAL	**£24.54**	**£21.79**	**£29.43**	

Supporting information on important cost drivers used in the calculations:	**18+ domiciliary care**
Number of location level survey responses received	11
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	26
Carer basic pay per hour	£10.90
Minutes of travel per contact hour	6
Mileage payment per mile	£0.40
Total direct care hours per annum	314,443

3.6 The LGA/ARCC toolkit was used to collect the data which had an entry period of 2021/22. Providers were encouraged to uplift any known costs for 2022/23 or provide an estimate.

3.7 The Return on Operations is based on the figure of 5% which was agreed with prime providers taking account of guidance from CPA and LGA

3.8 Table 2: The lower quartile, median and upper quartile of number of appointments per week by visit length (15, 30, 45 and 60 mins) – This is not applicable to the Isle of Wight context as we mainly commission on an average of 30 to 60 minutes.

Table 3: The cost per visit for different visit lengths (15, 30, 45 and 60 mins) based upon the median cost of care is calculated as:

Cost of care exercise results	Median	15-minute visit	30-minute visit	45-minute visit	60-minute visit
Total Care worker Costs	**£18.01**	**£5.43**	**£9.25**	**£13.07**	**£16.89**
Total Business Costs	**£5.36**	**£1.34**	**£2.68**	**£4.02**	**£5.36**
Total Return on Operations	**£1.17**	**£0.34**	**£0.60**	**£0.85**	**£1.11**
TOTAL per Visit	**£24.54**	**£7.11**	**£12.53**	**£17.95**	**£23.37**

4. Conclusions

4.1 It is felt that the cost information supplied by the remaining 8 providers is fairly consistent with other indicators of the state of the market. This is largely influenced by the current capacity in the market which is extremely stretched on the Isle of Wight due to a challenging recruitment situation. We are aware that currently, all our home care providers are trying to recruit staff in order to meet their existing calls and to expand their business to meet unmet demand. This can skew the outputs of this exercise as many providers may not be working to their optimum business model to balance frontline activity to offset back-office requirements. It has not been possible to properly quantify this as it was not part of the Fair Cost of Care exercise set up nationally and also due to the very low returns of some of the more local providers.

Unfortunately, being an island makes staff recruitment more difficult than it is for our 'mainland' neighbours which is reflected in the unit costs for home care. This is primarily due to the cost and reliability of cross Solent travel, which is prohibitive and problematic for cross county commuting for staff in the care sector which happens in other areas nationally.

The Island has an unmet need of 14% in addition to the total number of hours delivered. If the sector was able to operate at the required level, the providers would have better economies of scale and the unit cost would be decreased. Therefore, had all our providers been fully staffed to meet demand, the data submitted for the Cost of Care exercise would have given a far more realistic representation of the market.

4.2 Table 4a below would indicate that our localised median rate for domiciliary care based upon a profit line of 5% is calculated as £24.54. The percentage difference from the Cost of Care exercise of our current rate is 15.2%.

Table 4a: Localised Median Rate at 5% profit	
£20.80	Current Unit Cost
£24.54	Median Unit Cost
15.2%	Variance

Table 4b below would indicate that the median rate if the profit element is changed to the recommended Homecare Association rate of 3%.

Table 4b: Localised Median Rate at 3% profit	
£20.80	Current Unit Cost
£24.07	Median Unit Cost
13.6%	Variance

4.3 However, the following points aspects need to be considered for arriving at a fair cost of care:

- The very low rate of returns, 25.8%, and the fact that two of our larger more local home care providers did not submit a response. We therefore must question whether this exercise does truly reflect the cost of care on the Isle of Wight.
- There is a significant number of unmet care hours on the Isle of Wight, and current recruitment issues on the island mean that many of our providers are staffed well below the capacity needed to meet demand thereby not reflecting a more realistic and economical hourly rate.

This exercise has been incredibly helpful in increasing the councils understanding of the pressures that local providers are facing. The information provided will enable us to be more informed when considering adjustment of the rate we pay for care and support. However, although this has been helpful in general understanding of the challenges, due to the low number of returns and other issues already highlighted we are not able to conclude that the figures are truly reflective of the fair Cost of Care on the Isle of Wight. It must also be noted, that in addition to reflecting what is believed to be the cost of care, that cost must be affordable and represent best value for the public purse. We remain committed to working with our providers to maximise their sustainability within the financial envelope available to us.

In addition to this, there is a real concern that our relationship with our home care provider market will be impacted by their expectation that the council will be able to afford to pay what they believe is due, yet funding from Government does not reflect the increases indicated within the exercise. In addition, as detailed in section 3.4 no indication or guidance has been provided in relation to how health commissioned element of care such as CHC and s117 will be uplifted to contribute appropriately to work towards meeting the fair cost of care. We continue to work hard to maintain our good relationships with our home care provider market and have been open and transparent with them through this exercise. This has been an opportunity to influence future funding, they have trusted us to represent them, and we will continue to work with them constructively in this space.