



Essex County Council

Annex B – Cost of Care Report - Homecare

Essex County Council

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Context

The purpose of this document is to provide an overview of the approach taken by Essex County Council to deliver the Fair Cost of Care Exercise. The Council commissioned LaingBuisson to deliver on this exercise, ECC have been keen to ensure that an independent consultant supported the delivery of median Fair Cost of Care. The approach was taken to ensuring that the exercise was managed independently.

Executive Summary

On the 6th of April 2022, the Council instructed LaingBuisson to support the delivery of the Fair Cost of Care Exercise covering registered domiciliary care services for adults (18+) within the council's boundaries, as described and specified in government guidance¹. The Council were keen to ensure that all Essex Providers were fully engaged in this exercise and that as many providers as possible contribute to the delivery of both the cost of care tasks which will support the Fair Cost of Care outcome. The overall scope of the exercise was to focus on our:

- Domiciliary Care market for Adults 18+
- Residential and Nursing market for Adults 65+

The Council felt it was important to ensure that our returns reflected our vast and diverse market, which included:

- Contracted and non-contracted providers,
- ECC Managed and non ECC Managed Adults including Self Funders
- Different organisational types e.g., Limited Companies, not for profit organisations
- Large and small providers

We have a large market of social care providers, of approximately 300 community care providers. ECC had an expectation that providers were made aware of the exercise and as many as possible to complete the tool kits.

This written report is based on validated submissions of CQC registered domiciliary care providers, using the toolkit developed by ARCC in partnership with the Local Government Association (LGA).

In the validation process, toolkit submissions were checked by LaingBuisson for sense and consistency and anomalies were amended as necessary with the agreement of providers.

¹ Market Sustainability and Fair Cost of Care Fund 2022 to 2023: guidance, updated 25 August 2022

<https://www.gov.uk/government/publications/market-sustainability-and-fair-cost-of-care-fund-2022-to-2023-guidance>

The report contains:

- All of the detailed operating cost categories and supporting items of information required by DHSC, extracted from respondents' toolkit submissions;
- Return on operations, being a benchmark rate determined by the council on the basis of the best available evidence. This benchmark has been used to supersede the return on operations figures stated by providers in their toolkit submissions.
- Key characteristics of each service, such as scale, sector, group ownership, etc, which may assist in analysis related to market sustainability, with data sourced from CQC and LaingBuisson's data warehouse.
- Other ratios are derived from the toolkit submissions, which may assist in understanding drivers of costs.

Headline Results

A summary of median total costs derived from the FCoC exercise is presented in Table 1. A more granular analysis of the cost of care results, including all of the cost lines prescribed by DHSC for councils to qualify for grant funding, is set out in Table 4.

Table 1 Median total costs of providers of domiciliary care services located in Essex (including return on operations), £ per hour at 2022/23 prices

	Median total costs	A) Fully validated submissions	B) Partly validated submissions (with at least one cost line validated)	C) Services in scope	Response rate (A + B) / C
	£ per hour	Number	Number	Number	%
All domiciliary care	£ 23.42	47	19	179	37%

Approach

Commissioning approach

LaingBuisson were instructed to support the delivery of our statutory obligations for the Cost of Care exercise, with their primary focus being:

- To engage with our social care market alongside the Council to ensure a robust engagement and communication campaign raised enough awareness with our providers.
- To actively work with our providers to encourage providers to complete the cost of care tool kits and provide support in completing and submitting their returns.
- To work with providers to ensure all tool kits were verified so that the maximum number of returns can be used to obtain the median rates for the Fair Cost of Care outcome.
- To ensure an auditable process was adopting for engaging with providers and completing their returns.

LaingBuisson have provided the Council with:

- A verified and unverified returns from providers that have completed a return (verified or unverified)
- An audit log of the number of contacts made to providers, alongside an audit trail of changes made to any returns with confirmation the changed made where confirmed with the provider.
- Domiciliary Care Report detailing their findings and insight. ECC has utilised this information and modified it based on our internal insight.

Engagement Approach

The Council have been keen to ensure all providers were and continue to be aware of the Fair Cost of Care exercise and where we are within the process and the importance in supporting the Council to deliver on this national exercise. From the 6th April 2022 the Council completed a series of communications. This included:

Table 2 Activity regarding engagement for the Fair Cost of Care exercise

When	What we did	Aimed at
20 th April 2022	The first communication was sent to home care and care home providers by Laing Buisson	Domiciliary and Older People Residential and Nursing Providers
16 th May 2022	Home care providers emailed directly about the Fair Cost of Care exercise which included links to the toolkit and LB contact details	Domiciliary Providers
25 th May 2022	Fair Cost of Care page launched on the Provider Portal – includes links to both toolkits	Domiciliary and Older People Residential and Nursing Providers
27 th May 2022	A direct email was sent to care home providers informing them of the launch of the iESE toolkit and how to register	Residential and Nursing Providers
16 th June 2022	Virtual session with ECA and care providers that included a Fair Cost of Care discussion	ECA Provider members
23 rd June 2022	Joint Essex County Council, LaingBuisson, Essex Care Association and The Care Provider Alliance letter sent to the market about the Fair Cost of Care exercise	Domiciliary and Older People Residential and Nursing Providers
24 th June 2022	Development of a Fair Cost of Care webpage on our Essex County Council provider hub to provide information to our market. The webpage provided information the task, key contacts, any key questions and timescales.	Domiciliary and Older People Residential and Nursing Providers
11 th July 2022	A direct email was sent to care home providers advising of two provider support sessions on the 12 th and 14 th July 2022, run by The CPA and iESE.	Residential and Nursing Providers
18 th July 2022	A reminder email was sent directly to all op care home and home care providers reminding them of the 31 st of July 2022 deadline for toolkit returns	Domiciliary and Older People Residential and Nursing Providers
Mid/late July	ECC officers have telephoned/emailed the tier 1 and 2 residential care providers as well as key home care providers requesting their support with this exercise	Domiciliary and Older People Residential and Nursing Providers
1 st August 2022	Extension to providers completing the tool until the 11 th of August 2022.	Domiciliary and Older People Residential and Nursing Providers

In addition to this, the Council has sent out care Provider Bulletins highlighting the Fair Cost of Care exercise throughout the above period. Council officers have also attended and flagged this exercise at care provider locality forums within Essex.

Throughout the above timeline, LaingBuisson have contacted providers directly via phone and email to ensure providers are aware of the exercise, to support the providers to complete the tool kits and to answer any provider queries.

Care UK, LGA and Essex Care Association (ECA) have shared any communications and encouraged the market to complete the returns. A number of different types of webinars were provided to support providers and the Council attended locality forums with operations and our market to raise awareness on the Fair Cost of Care process.

High Level Timelines

The Council were keen to ensure providers had as much time as possible to complete the tool kits. Therefore, alongside issuing communications, we were keen to ensure providers had links of where the tool kits were, our key dates were:

- 20th April 2022: Launch of the Domiciliary Tool Kit
- 31st July 2022: Planned closure of the tool kits
- 11th August 2022: New extension deadline for tool kits
- 15th September 2022: initiate governance with senior stakeholders on the outcome of the exercise and draft core documents to government.
- 16th September 2022: Deadline for verified submissions of both tool kits
- 26th September 2022: Engagement with DASS and Finance Director on the exercise.
- 27th September 2022: High level summary provided to CLT on the outcome, impact and next steps.
- 3rd October 2022: Sign off with DASS and Finance Director on draft documentation for Government and key messages to Council members.
- 7th October 2022: briefing with Councillor Spence, cabinet member for Adult Social Care on the outcome of the exercise and key messages.
- 13th October 2022: briefing with PLT on the outcome of the exercise and key messages.
- 14th October 2022: Submit draft returns to government

The Council have tried to give providers as much opportunity to complete and verify their returns with LaingBuisson. This has been vital to ensuring we obtain as many verified returns as possible within our set timescales.

After the 14th of October 2022 a deep dive analysis on the returns will be undertaken and a comprehensive analysis to meet the required checklist by government is delivered and supports our Market Sustainability Plan final submission for February 2023.

It is noted that in order to follow the Council's process for governance and to obtain appropriate approval for the final submission of the returns to Government by end February 2023, a report will need to be approved at Cabinet on the 9 February 2023 which in turn will mean our governance process will need to start around the 6 December 2022.

Verification of Returns with LaingBuisson

ECC chose to utilise the toolkits provided by the LGA.

There were 179 domiciliary care services in scope, with a CQC registered address located within the boundaries of Essex County Council. In scope services include for-profit and not-for-profit providers which predominantly offer visiting domiciliary care to adults aged 18 or over, funded by local authorities, the NHS or privately. Those which predominantly serve clusters of users at fixed 'extra care' or 'supported living' locations are not in scope. Out of scope services can usually be identified through their CQC registrations as those with an 'extra care' or 'supported living' service type, but without a 'domiciliary care' service type.

LaingBuisson worked with the Council to engage with providers through a variety of communication channels, including intensive, direct telephone contact with providers to encourage participation and completion of the toolkit.

Among the providers they were able to make positive contact with, 6 gave outright refusals to participate. Reasons given by those who gave outright refusals or otherwise expressed uncertainty and did not submit were most commonly confidentiality of information sharing, company policy preventing participation in surveys and lack of interest. Additionally, a sizeable proportion of those homecare providers with whom successful contact was made expressed concerns about the lack of time they had available to participate in the exercise given the number and complexity of the questions within the toolkit, the privacy of data they were expected to submit, and/or about the value of the exercise, given the perceived lack of meaningful results from comparable exercises in the past. LaingBuisson cannot measure the exact extent, but they expect these issues to have affected the number and quality of submissions received.

Toolkit submissions were inspected by LaingBuisson and checked for sense and consistency. All respondents were re-contacted by telephone following submission. Among other things, re-contact was necessary to resolve ambiguities around two specific data points reported in the toolkits, each of which could potentially have a significant impact on reported total costs:

- date of currency of costs, particularly carers' gross hourly pay rates. The ARCC toolkit does not ask for currency dates, meaning that stated pay rates may relate to either 2021/22 or 2022/23; and
- payroll calculation: the internal formula within the ARCC toolkit calculates direct staffing costs (before on-costs) as gross hourly pay rate X contact + travel hours. However, we understand that the majority of domiciliary care employers calculate payroll as gross hourly pay rate X contact hours only, meaning that ARCC's internal formula is biased towards overstating staffing costs in many cases, the degree of overstatement depending on the ratio of travel hours to contact hours.

The opportunity presented by the re-contact call was taken to ask some further questions, for the purpose of gathering supplementary information which may be useful for FCoC and also for subsequent market sustainability work,

- What is your approximate breakdown of billable hours by funding source? – Local authority, Private, NHS and Others. Unfortunately, however, the homecare response rate was insufficient to estimate the sector-wide funding profile reliably.
- How would you describe your catchment area: Mainly Urban, Urban, Rural, Mainly Rural?
- Which districts do you operate your services in?

- Does gross pay include an element of mileage? If so, please confirm that travel time is not double counted.

In some cases, where the total cost returned in the initial toolkit submission was unusually high, LaingBuisson carried out an anonymous mystery shopper call, prior to the validation re-call. The question (paraphrased) was: *'I want to arrange domiciliary care for my [relative], what's your hourly rate?'* The reason for this was to test the plausibility of toolkit submissions. If the hourly rate quoted was less than the operating costs submitted in the toolkit, then the provider could be challenged as follows: *'Your service appears to be loss-making (toolkit operating costs are higher than charge-out rates). If you are not loss-making, how might your toolkit submission have overstated your costs?'*

Depending on the answers to the above questions, appropriate adjustments were made with the agreement of providers in order to arrive at corrected total hourly costs at April 2022 prices for each submitted toolkit.

Removal of missing or anomalous data points

Some submitted toolkits contained missing or anomalous data points. Many of these were resolved in the re-contact calls, with the agreement of providers. Where it was not possible to re-contact the provider, in line with DHSC guidance, ECC agreed to LaingBuisson's approach to apply an outlier range, values beyond which have been excluded from analysis. As such, the sample size associated with individual medians may exceed the number of verified samples. Figures have been classified as plausible where they have been found to fit within boundaries set based on median absolute deviation from the median (MAD) ranges calculated with verified figures. This was found to be a reliable and sensible method for identifying reasonable values, ensuring the best sample is used for each individual cost item and that submissions with incomplete verification can be included in analyses where their figures are plausible and excluded only for individual cost(s) which aren't deemed plausible.

$$MAD = \text{median}(|X_i - \bar{X}|)$$

Response Rates

The overall validated response rate at the date of this report stands at 37% of all domiciliary care providers in scope. Table 3 segments response rates according to key Homecare characteristics which may have a bearing on costs.

Table 3 Validated response rates according to key characteristics, domiciliary care providers in Essex

Key characteristics	Responses (No.)	Responses as % of services in scope with the relevant characteristic	Key characteristics cont.	Responses (No.)	Responses as % of services in scope with the relevant characteristic
Total	66	37%	Mainly (60%+) private pay	0	NA
Strategic providers	15	52%	Mainly (+60%+) public pay	45	NA
For-profit	65	38%	Basildon Borough Council	6	43%
Not-for-profit	1	10%	Braintree District Council	1	13%
Large corporate group ¹	5	31%	Brentwood Borough Council	2	33%
Medium group ²	10	67%	Castle Point Borough Council	0	0%
Small group or independent ³	51	34%	Chelmsford City Council	5	31%
Good or Outstanding	53	36%	Colchester Borough Council	12	43%
Requires improvement or Inadequate	7	44%	Epping Forest District Council	0	0%
Urban	3	NA	Harlow District Council	6	38%
Mainly Urban	22	NA	Maldon District Council	0	0%
Mainly rural	16	NA	Tendring District Council	0	0%
			Uttlesford District Council	0	0%

¹ 40 or more homecare services across the UK

² 3 - 39 homecare services across the UK

³ Independents and small groups with fewer than 3 homecare services across the UK

Base price year and uplifts

The base price year of toolkits has been given as 2022/23. As this was not an element covered within the LGA/CHIP toolkit, additional contact with providers was necessary. Data used in the included analysis has been taken from toolkits received from providers who have confirmed that a 2022/23 base price year has been used, or for toolkits with 2021/22 costs for which uplifts have been applied to cost totals. Uplifts for each cost item have been gathered from NLW, CPI, and CPIH 12 month % change figures to April 2022², with future uplifting possible through application of later releases of the same indices/% change figures. LaingBuisson's approach to uplifting through application of figures on a point-by-point basis has been made with a view to reflecting relative differences as recommended in The Green Book 2022³.

² Table 22, <https://www.ons.gov.uk/economy/inflationandpriceindices/datasets/consumerpriceinflation>

³ Section 5.13, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1063330/Green_Book_2022.pdf

Analysis and results

The median rates have been provided by LaingBuisson. As part of the verification process Essex County Council had the opportunity to review and challenge the methodology, approach and findings presented by LaingBuisson. LaingBuisson reflected any changes requested into the relevant documentation as a result of these discussions which impacted the median rates.

Summary results from fully and partly validated homecare toolkits submitted by home care services located in Essex are presented in Table 4, in the form prescribed by the DHSC guidance.

Return on operations is based on a benchmark 5% mark-up on operating costs, as agreed by the council based on the evidence from the returns.

Table 4 Median costs of domiciliary care services located in Essex which submitted valid toolkits, £ per hour at 2022/23 prices

	Median £	1st Quartile £	3rd Quartile £
Total Careworker Costs:	17.21	15.10	20.48
Direct Care - direct pay	11.08 (37)	10.74 (37)	11.66 (37)
Travel Time	0.59 (46)	0 (46)	1.79 (46)
Mileage	0.82 (42)	0.55 (42)	1.12 (42)
PPE	0.45 (35)	0.26 (35)	0.59 (35)
Training (staff time)	0.2 (34)	0.14 (34)	0.33 (34)
Holiday	1.66 (35)	1.54 (35)	1.81 (35)
Additional Non-Contact Pay Costs	0.54 (17)	0.33 (17)	0.75 (17)
Sickness/Maternity & Paternity Pay	0.29 (38)	0.16 (38)	0.41 (38)
Notice/Suspension Pay	0.06 (15)	0.04 (15)	0.06 (15)
NI (direct care hours) ⁴	1.16 (40)	0.97 (40)	1.47 (40)
Pension (direct care hours)	0.44 (36)	0.41 (36)	0.49 (36)
Business Costs:	5.09	3.50	8.06
Total Back Office Staff	3.44 (35)	2.62 (35)	4.26 (35)
Travel Costs (parking/vehicle lease etc.)	0.05 (25)	0.02 (25)	0.11 (25)

⁴ No adjustment has been made following the changes in NI Levy. This will need to be considered in the near future.

Rent / Rates / Utilities	0.39 (40)	0.29 (40)	0.52 (40)
Recruitment / DBS	0.06 (42)	0.04 (42)	0.15 (42)
Training (3rd party)	0.05 (32)	0.02 (32)	0.08 (32)
IT (Hardware, Software CRM, ECM)	0.15 (38)	0.09 (38)	0.24 (38)
Telephony	0.08 (44)	0.04 (44)	0.13 (44)
Stationery / Postage	0.05 (34)	0.04 (34)	0.07 (34)
Insurance	0.09 (40)	0.05 (40)	0.13 (40)
Legal / Finance / Professional Fees	0.06 (36)	0.02 (36)	0.14 (36)
Marketing	0.05 (31)	0.01 (31)	0.09 (31)
Audit & Compliance	0.04 (27)	0.01 (27)	0.09 (27)
Uniforms & Other Consumables	0.05 (38)	0.02 (38)	0.08 (38)
Assistive Technology	0.04 (16)	0.01 (16)	0.1 (16)
Central / Head Office Recharges	0.13 (15)	0.02 (15)	1.27 (15)
Additional Costs (Totals)	0.28 (17)	0.12 (17)	0.5 (17)
CQC Fees	0.08 (37)	0.08 (37)	0.1 (37)
Sub-total Operational Costs	22.30	18.60	28.54
Return on Operation	1.12	0.93	1.43
Total Cost per hour	23.42	19.53	29.97
Supporting Information on important cost drivers used in calculations:			
Number of location level survey responses received			66
Number of locations eligible to fill in the survey (excluding those found to be ineligible)			179
Carer basic pay per hour			£11.20
Minutes of travel per contact hour			11.5
Mileage payment per mile			£0.33
Average direct care hours per annum			37,011
Total direct care hours per annum			1,554,466

Notes: All data are derived from toolkit responses except for return on operations, which has been superseded by the council based on a benchmark rate of 5% of operating costs.

Supplementary information from homecare toolkits

DHSC guidance requires supplementary information on the number of appointments per week by visit length, direct care costs by visit length and travel costs per visit. The information is presented in Tables 5 and 6.

Table 5 Number of domiciliary care appointments per service per week by length of visit

Visit Length	Median	1st Quartile	3rd Quartile
15 minutes	46	7	689
30 minutes	542	132	1086
45 minutes	140	42	216
60 minutes	56	18	116

Table 6 Cost per visit by visit length

Visit Length	Average Cost	Median Cost
	£	£
15 minutes	7.6	7.1
30 minutes	13.4	12.6
45 minutes	19.2	18.2
60 minutes	25.0	23.7

Sensitivity analysis

The median total costs set out in Table 4 are sensitive to the following factors:

- The efficacy of the validation process in eliminating implausible and incorrect toolkit submissions for individual cost lines. We believe that the validation process was effective;
- The validity of the rules adopted for elimination of outliers before calculating the medians for each cost line. Outlier exclusion was restrictive and we believe the rules adopted, as described, were appropriate;
- The value of the return on operations benchmark that has been adopted, see paragraph below;
- The approach to calculating confidence intervals for the median total costs, see paragraph below;
- Special local factors, if any.

Return on operations

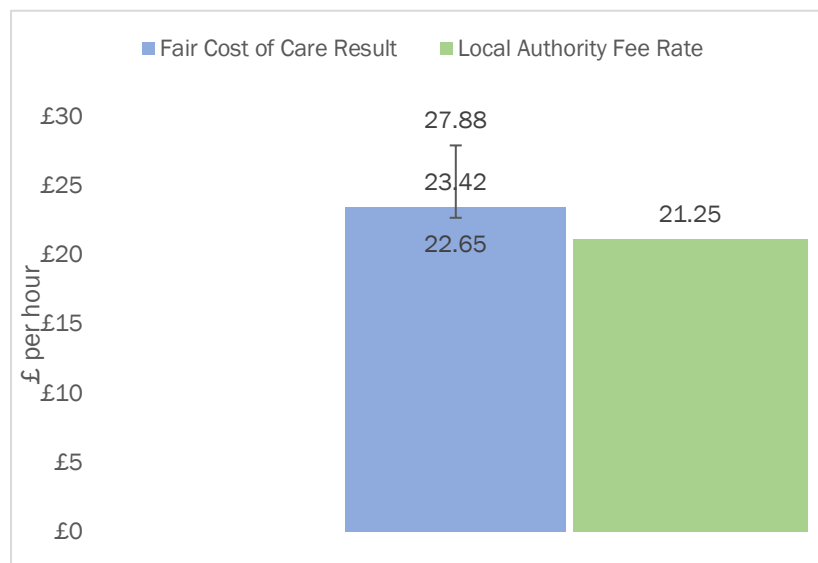
LaingBuisson's advises setting the return on operations benchmark at a 10% mark-up on operating costs, based on their experience and collated evidence. However, after considering this evidence and comparing to the results from the returns in this exercise, ECC has determined that the benchmark should be a 5% mark-up on operating costs. This latter benchmark rate has been applied in the calculation of median total costs in Table 4. If the council-determined benchmark were amended to the LaingBuisson recommended mark-up of 10% of operating costs, then the median total cost calculation in Table 4 would rise from £23.42 per hour to £24.53 per hour.

Confidence intervals

There is no reason to believe that the toolkit responses were biased in any systematic way⁵. However, because of the relatively low number of validated responses, and the high degree of variance among the sample of toolkits in most of the cost lines, councils will wish to have some indication of the margin of error, and particularly whether confidence limits for the FCoC median do or do not overlap with the average fee currently being paid by councils in financial year 2022/23. Calculation of the 95% confidence limits is set out in Figure 1.

Figure 1 Fair Cost of Care median total cost of domiciliary care for April 2022 with 95% confidence intervals, and comparison with fee rates paid by Essex County council to independent sector providers in financial year 2022/23 to date

Note: The council's average hourly fee rate is calculated as Gross Fees divided by Service Users, using iBCF definitions.



⁵ We cannot, however, rule out the possibility that providers may have overstated their costs, and it was not practicable within the timescale available to carry out a range of checks applied by LaingBuisson in other cost of care exercises, including requesting evidence of staff costs from payroll records.

Essex County Council future application of the Fair Cost of Care exercise

Results vs Current Method

The results from this exercise have indicated that our current cost of care models are in line with the results found here. However, due to funding and other factors, Essex have managed to source care at lower rates than this via our domiciliary care framework. Therefore, the existing fee rate setting will continue until future funding is more certain.

Inflation

Using the Fair cost of care results, Essex's aim is to continue to use the basis of this cost of care and apply a combination of inflationary factors when reassessing fee rates within domiciliary care for Essex. This will be a combination of calculations due to National Living Wage increases, average earnings increases and a CPI % on non-staff costs.

Location specific analysis

Due to the size and rurality of parts of Essex, the Council already identifies certain locations as higher cost due to either the difficulty to recruit in such areas (where competing industries prevail) or where the rurality creates an increased cost due to increased travel per visit. Essex will continue to analyse the results of this exercise and delve into the returns based on the geography of their provision. Essex will then aim to update our current Target Supply Areas (TSA) and their rates based on these findings and discussions with key providers both who did and did not submit returns for this exercise.

Conclusions

The key item of data that the national FCoC exercise has sought to reveal is the 'fee gap' (if any) between the calculated median cost of care and the fee rate currently being paid by councils, in order to inform policy decisions on the quantum of the gap to fill (if any) and the pace at which it can be filled with the resources available.

The average domiciliary care fee rates actually being paid by Essex County Council, at the date of the report in September 2022, stood at £21.25 per hour⁶. This is £2.17 lower than the calculated FCoC median, and £1.40 below the lower 95% confidence bound of the calculated FCoC median.

This means that we can be at least 95% confident that there actually is a gap between the £ 21.25 per hour average rate being paid by Essex County Council now and median provider costs calculated from the FCoC toolkits. We cannot be certain what the quantum of the gap really is, though we can be 95% confident that it is at least £1.40, being the gap between the rate paid by the council now and the lower bound of the 95% confidence limits of the calculated FCoC median, and it may be much more.

The confidence levels could be improved in future by increasing the response rate of these returns. With only 26% of the market within Essex responding, the council will need to explore the areas where there are gaps in the data e.g. Not-for-profit (only 10% of services in scope responded) and particular geographical areas missing responses completely (5 lower tier areas containing 40 providers altogether).

⁶ The gross hourly cost to the council of domiciliary care provision since 1 April, 2022 divided by the number of paid contact hours, using improved Better Care Fund (iBCF) definitions.

In order to boost the confidence in these results further, Essex will analyse the results per provider and continue to test the accuracy by way of comparison to annual accounts and/or previous cost of care exercise submissions.

However, there is evidence to support an increase of at least £1.40 in the current average hourly fee rates paid by Essex County Council to its domiciliary care providers, subject to funding availability.