

Annex B: Cost of Care Report – Home Care

1. Introduction

In December 2021 the government published a white paper, [People at the Heart of Care](#), that outlined a 10-year vision that puts personalised care and support at the heart of adult social care, ensuring that people:

- have the choice, control and support they need to live independent lives
- can access outstanding quality and tailored care and support
- find adult social care fair and accessible

The implementation of the Market Sustainability and Fair Cost of Care Fund is one of the first steps in the journey to achieve this. The primary purpose of the fund is to support local authorities to prepare their markets for reform, including the further commencement of Section 18(3) of the Care Act 2014 in October 2023, and to support local authorities to move towards paying providers a fair cost of care.

As a condition of receiving future funding, local authorities need to evidence the work they are doing to prepare their markets and submit the following to DHSC by 14 October 2022:

- cost of care exercises for 65+ care homes and 18+ domiciliary care
- a provisional market sustainability plan, using the cost of care exercise as a key input to identify risks in the local market, with particular consideration given to the further commencement of Section 18(3) of the Care Act 2014 (which is currently in force only for domiciliary care) – a final plan will be submitted in February 2023
- a spend report detailing how funding allocated for 2022 to 2023 is being spent in line with the fund's purpose

The completion and reporting of a local cost of care exercises for 65+ care homes and 18+ domiciliary care is a requirement of the fund, however, the outcome of the cost of care exercise is not intended to be a replacement for the fee-setting element of local authority commissioning processes or individual contract negotiation.

The objective of the exercise is to identify the median actual operating costs of local authority contracted care in the local area, alongside justifiable approaches to return on operations and return on capital.

2. Cost of Care Exercise Process

A cost of care exercise was carried out using the Home Care Cost of Care Tool kit developed for the LGA and ADASS by ARCC HR Limited. Providers were invited to complete a standard

template to identify the cost of providing the service based on their current level of hours delivered. The template requested information on the following areas:-

- A breakdown of Care hours and visits per week
- Travel time and mileage
- Branch details and volume
- PPE costs
- Direct Staffing and non-contracted costs
- Back Office and Overhead costs
- Operating surplus

A summary of the timeline for the Home Care exercise was as follows:-

- A discussion held with contracted providers at a Regional Managers Forum was held on 10 March 2022 to commence the cost of care exercise.
- A link was sent to all providers on 11 April 2022 to the Home Care Tool kit with a deadline of 20 May 2022 to complete the exercise.
- Further information was sent to providers giving details of Webinars to support the completion of the exercise.
- Reminders were sent of the deadline to all providers on 13 May 2022.
- The deadline was extended to 8 June 2022 to allow providers further time to complete the exercise.
- A validation exercise of the returns from providers was undertaken and a number of queries were submitted to providers in respect of the clarification of data. This resulted in the resubmission of some returns from providers after reviewing our initial comments.
- We received a new submission on 8 July 2022, after the extended deadline, which was added to the overall returns and is included in the final figures.
- A meeting with providers was held on 29 September 2022 to discuss the key issues providers are currently experiencing and gave initial feedback on the process.

3. Cost of Care exercise outcomes

The outcomes of the exercise can be summarised below:-

- A total of 29 providers were invited to respond to the cost of care exercise, of which 15 actual responses were received, giving an overall response rate of 52%.
- All returns were based on 2022/23 prices at the time of submission.
- The Rate of Return on Operations (ROO) figures included in Annex A has been amended from the original provider returns. The median value from the cost of care exercise showed a return on operations of 4.5% of the total hourly rate. Annex A has been adjusted to reflect the UK Home Care Association recommended figure of 3%. No other cost lines have been adjusted in Annex A although there were still a small number of queries outstanding as part of the validation exercise.
- The table below shows the observations, lower quartile, median and upper quartile outcomes from the cost of care exercise and shows the median value of £22.82 before any adjustments to ROO in Annex A:

Home Care	All Clients 18+
Number of location level survey responses received	15
Number of locations eligible to fill in the survey (excluding those found to be ineligible)	29
Lower Quartile - cost per contact hour (£)	17.24
Median - cost per contact hour (£)	22.82
Upper Quartile - cost per contact hour (£)	27.66

- A summary of the results from the original provider returns adjusted for ROO in Annex A is shown in the table below together with lower and upper quartile and the number of observations on each of the cost lines. The methodology used calculated the median value across each of the expenditure lines and then added these values together to obtain the overall median cost per hour:

Domiciliary Care - Cost of care exercise results - all cells should be £ per contact hour,	Median	Lower Quartile	Upper Quartile	Observations
Total Careworker Costs	£17.15	£13.78	£19.57	
Direct care	£11.12	10.14	11.25	15
Travel time	£1.14	0.16	1.54	11
Mileage	£0.72	0.53	1.30	15
PPE	£0.85	0.31	0.98	14
Training (staff time)	£0.26	0.05	0.48	13
Holiday	£1.48	1.40	1.67	15
Additional noncontact pay costs	£0.00	0.00	0.10	5
Sickness/maternity and paternity pay	£0.32	0.26	0.48	15
Notice/suspension pay	£0.00	0.00	0.06	7
NI (direct care hours)	£0.84	0.54	1.23	15
Pension (direct care hours)	£0.42	0.39	0.48	15
Total Business Costs	£4.64	£2.60	£6.76	
Back office staff	£3.10	1.81	3.57	15
Travel costs (parking/vehicle lease et cetera)	£0.00	0.00	0.00	0
Rent/rates/utilities	£0.36	0.27	0.45	15
Recruitment/DBS	£0.17	0.13	0.28	15
Training (third party)	£0.01	0.00	0.14	8
IT (hardware, software CRM, ECM)	£0.25	0.16	0.36	15
Telephony	£0.15	0.07	0.36	15
Stationery/postage	£0.03	0.02	0.08	15
Insurance	£0.09	0.05	0.16	14
Legal/finance/professional fees	£0.02	0.00	0.04	10
Marketing	£0.04	0.00	0.09	12
Audit and compliance	£0.02	0.00	0.07	12
Uniforms and other consumables	£0.03	0.00	0.06	11
Assistive technology	£0.00	0.00	0.00	0
Central/head office recharges	£0.27	0.01	0.96	12
Other overheads	£0.00	0.00	0.02	6
CQC fees	£0.10	0.08	0.12	15
Total Return on Operations	£0.68	£0.68	£0.68	
TOTAL PER CONTACT HOUR	£22.47	£17.06	£27.01	

- The table below identifies the median cost per visit for each 15,30,45 and 60 minute visit based on provider returns:

Length of Call	Cost per Visit
Minutes:	£
15	6.77
30	12.25
45	17.06
60	21.32

- The number of appointments per week by visit length is summarised below over median and lower/upper quartile:

Length of Visit (Minutes)	Lower Quartile	Median	Upper Quartile
15	42	237	708
30	868	1280	2077
45	104	185	310
60	27	49	134

4. Future Fee Uplift

- The overall outcome of the cost of care exercise based on provider returns adjusted to reflect the UK Home Care Association recommended figure of 3% for the Return on Operations, shows an increase of 18.42% compared with the current weighted average hourly rate paid to providers. Further engagement will be made with providers in respect of their submissions as part of a move towards determining a true fair cost of care.
- In addition any proposed future years inflation uplift will also be considered as part of the Councils revenue budget setting process and will be outlined in the February submission. As in previous years this will consider the increase in the National Living Wage and the Consumer Price Index. This will be considered together with the outcome of the Fair cost of care exercise.