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**Fair Cost of Care Exercise – Home Care**

**Approach**

A national tool to collate the required financial and activity data was circulated in March 2022 to 34 contracted providers along with supported guidance. Home Care providers were also invited to attend a forum with Commissioning, Contracts and Finance leads as an opportunity to discuss the Fair Cost of Care (FCoC) approach.

Following low submission rates, 25 non-contracted providers based in Milton Keynes were also invited to participate in the exercise.

11 providers responded. Of the returns received, 2 could not be utilised due to errors in the data (follow up queries were sent, responses provided did not address the issues). 1 provider withdrew their return when asked to provide additional information.

Feedback has been collated by Commissioning colleagues from providers. Providers generally felt the work was too time consuming.

**Limitations**

**Verification of data submissions**

No supporting evidence has been provided alongside the FCoC submissions, in line with national guidance (ie this exercise is to be light touch and not burdensome on the provider). There is also a risk providers could choose not to engage or withdraw completely if the exercise becomes too time consuming. Therefore, we cannot be confident data submitted is accurate, due to limited financial due diligence. Our general process for reviewing fee increases would be to scrutinise statement of accounts and management accounts and request other supporting information.

**Low returns**

Only 8 returns could be utilised for the FCoC exercise (a relatively low number) and therefore may not represent the true Cost of Care within the local market.

**Current market capacity**

The results from the FCoC exercise indicates that our current fee level is circa 20% lower than the fair cost of care. However, we generally have good capacity within our home care market with no waiting lists which does not indicate there is a significant issue with the rate we pay for home care.

**Fair Cost for Milton Keynes Home Care**

From the 8 returns which could be utilised and taking the median cost for all categories of incurred expenditure, and applying a reasonable profit margin, the median home care for Milton Keynes, from the exercise, would be £23.91 per hour (a further breakdown of this rate can be found in appendix 1):

|  |  |
| --- | --- |
|   | Fair Cost of Care (£/hour)  |
| Lower Quartile  | £18.10  |
| Median  | £23.91  |
| Upper Quartile  | £31.25  |

Milton Keynes City Council currently pay external Home Care providers between £17.85-£19.34 per hour.

**Cost per visit**

Milton Keynes City Council pay a flat rate for home care and therefore the cost per visit using the median rate would be as follows (we no longer commission 15 mins visits in line with the ethical care charter):

|  |  |  |  |
| --- | --- | --- | --- |
|  | 30 mins | 45 mins | 60 mins |
| Cost per visit | 11.95 | 17.93 | 23.90 |

**Financial implications**

The cost of moving to an hourly rate of £23.91 by 2025-26 would be in the region of £4m. This does not include the impact on direct payments (whereby a large proportion of service users who are 65+ use their direct payment to arrange their own home care). This is an indicative figure, we cannot commit to the time period Milton Keynes City Council will increase the home care rate (over and above yearly inflation) until we understand our Market Sustainability funding allocation for 2023-24 and beyond.

**Profit calculation rationale**

A requirement from the DHSC is to be transparent in the profit margin applied within the median rate for Home Care.

Providers requested a wide range of operating surplus, from 4%-14.4%.

The UKHCA minimum price for Homecare uses a profit margin of 3%.

5% profit margin has been included in the median rate of Homecare for Milton Keynes, which is over and above the UKHCA margin. We have also compared with some neighbouring Local Authorities, who have also applied a profit margin in the region of 5%.

 **Calculating year uplifts for Home Care Providers**

The current formula used for calculating yearly uplifts to Home Care Providers is detailed below:

Care worker’s staffing element: 71% x increase in FLW for year

+

Other business related costs:  29% x CPI (September)

From the returns received and the new Home Care rate calculated, front line staffing costs on average account for 67% of running costs and therefore the formula should be adjusted accordingly for 2023-24 and beyond.

**Visits per week**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|   | **15 mins**  | **30 mins**  | **45 mins**  | **60 mins**  |
| Lower Quartile  | 4   |  113   |  29   |  30   |
| Median  | 7   |  223   |  58   |  60   |
| Upper Quartile  | 154   |  1,170   |  135   |  464  |

**Private Clients**

The FCoC exercise is the first phase of the Social Care Reform, with an objective of ensuring rates paid by Local Authorities (LAs) are sustainable for providers. It is widely acknowledged that private clients whose care is not arranged through the LA will often pay a significantly higher rate in comparison to LA service users, ultimately subsidising the underfunding from the Local Authority.

If LAs are to move towards a the medium rate, there would be no immediate benefits to private clients. There would be an expectation that private clients are charged less as LA rates increase, however LAs have no authority to enforce this with Home Care providers. There appears to be no leverage in the guidance that would allow LAs to withhold the fee increase if providers do not level off their fees charged to private clients.

The median rate will therefore not provide any benefit to the levelling off of fees in preparation for the social care reform and would ultimately increase the profits of providers.

**Appendix 1 – results from cost of care exercise**

|  |  |
| --- | --- |
| **Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.** | **18+ domiciliary care** |
| **Total Care worker Costs** | **£17.15** |
| Direct care | £10.37 |
| Travel time | £1.26 |
| Mileage | £1.43 |
| PPE | £0.38 |
| Training (staff time) | £0.30 |
| Holiday | £1.45 |
| Additional non-contact pay costs | £0.00 |
| Sickness/maternity and paternity pay | £0.43 |
| NI (direct care hours) | £1.15 |
| Pension (direct care hours) | £0.38 |
| **Total Business Costs** | **£5.62** |
| Back office staff | £4.41 |
| Rent/rates/utilities | £0.49 |
| Recruitment/DBS | £0.06 |
| Training (third party) | £0.01 |
| IT (hardware, software CRM, ECM) | £0.24 |
| Telephony | £0.06 |
| Stationery/postage | £0.03 |
| Insurance | £0.08 |
| Legal/finance/professional fees | £0.04 |
| Marketing | £0.06 |
| Audit and compliance | £0.04 |
| Uniforms and other consumables | £0.02 |
| CQC fees | £0.08 |
| **Total Return on Operations** | **£1.14** |
| **TOTAL** | **£23.91** |