



**MANCHESTER
CITY COUNCIL**

Annex B

Fair Cost of Care Report

Homecare 18+

Executive Summary

This report is Manchester City Council's submission for The Fair Cost of Care Exercise 2022/23. The contents comprise of an evaluation of 18+ Homecare (Annex B) Submission for the Department of Health and Social Care, October 14th 2022.

The report is an evaluation and reflection of the summary findings as detailed within Annex A, giving insight and overview of the programme's methodology, processes, provider engagement, median cost lines and return on capital/operations percentage proposal.

The ability to deliver this is therefore predicated on:

- The additional funding envelope provided through the Fair Cost of Care grant
- The ability to sustain these higher rates within our substantive budgets beyond 2024/25
- Further fee negotiation with providers in the homecare market to target resources in the appropriate places and a review of the inflationary position for 2023/24.

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1. Overview of Adult Social Care Market – 18+ Homecare

- 1.1 Homecare was last formally contracted in Manchester in 2018, along with a contractual responsibility for all providers to pay carers a minimum of the Foundation Living Wage.
- 1.2 Adult Social Care in Manchester is deployed into Manchester Local Care Organisation (MLCO) which is an integrated partnership for the delivery of community health and care services. Currently MCC procures homecare via our brokerage function which is embedded into the MLCO Control Room which includes arranging packages of care through P1 discharge pathway.

Manchester City Council and Manchester Local Care Organisation (MLCO) are currently engaged in delivering a large-scale transformation programme, Better Outcomes, Better Lives. The Better Outcomes Better Lives (BOBL) transformation programme is the ASC long-term programme of practice-led change centred on achieving better life outcomes for the citizens of Manchester by working in a strength-based way. The programme aims to enable less dependency on more formal care, whilst also helping us to build a more sustainable future for the people we support.1.3

The BOBL programme commenced in January 2021 to an existing backdrop of rising demand for Social Care support among the adult population of Manchester, and growing pressures on Social Care funding. Since starting the programme, the unprecedented challenges of the COVID-19 health pandemic have continued to impact, and we are seeing more significant health challenges for our citizens, increases in unemployment, greater usage of food banks, and a rise in loneliness and mental health concerns.

- 1.4 Manchester's residents have been disproportionately adversely affected by the pandemic. Existing inequalities, particularly for our most deprived communities, ethnic minorities and those already living in poverty, have deepened, and we are seeing increasing numbers of new contacts from citizens in need of our support.
- 1.5 In this context, the BOBL programme has continued to focus on embedding a strengths-based approach alongside work to develop our short-term offer, work to enhance our operating model and social work practice, work on how and what we commission and embedding a performance approach across all of our services. Collectively these interventions have been intentionally designed to help our citizens achieve independence and better outcomes wherever possible, whilst preventing, reducing and delaying demand into adult social care services. We are seeing the positive impacts of the programme in reductions in demand for long-term care and improved outcomes.
- 1.6 Manchester currently commission 1,411,823 hours of homecare which meets the criteria of this exercise.
- 1.7 Homecare commissioning in Manchester is organised by 12 neighbourhoods (across three localities) with a prime contracted provider for each neighbourhood. Each provider covers community sourcing and hospital discharge.
- 1.8 A tiered process exists to engage other providers where the prime provider is unable to pick up a care package in the allotted timescales.
- 1.9 Currently 8 care providers are formally contracted across the 12 neighbourhoods.

- 1.10 Since commissioning the homecare contract, all of the providers in Manchester are now part of larger national organisations.
- 1.11 An additional safety net of three providers have been added to the original 8 contracted providers to add resilience to this provider group.
- 1.12 Through this exercise, MCC has gauged enhanced insights into the business models of our registered care providers. Establishing a mechanism for MLCO to regulate the financial and business models as part of quality & contractual monitoring, is being explored further and will be described in Annex C: Market Sustainability Plan.

2.0 Programme Methodology

- 2.1 In order to properly manage the fair cost of care exercise, MCC undertook a programmatic approach to deliver a comprehensive planning and engagement programme in which to gather the required volume and quality of data to ensure a robust return to the Department of Health and Social Care (DHSC)
- 2.2 As part of this planning, MCC recruited a 0.8FTE Programme Manager from June 2022 as well as diverting internal resources from Commissioning and Finance. A formal programme plan was developed with close links to the wider charging reforms (Section 18(3)) through an aligned governance structure.
- 2.3 Across the Manchester system, colleagues from Adult Social Care (ASC) and Health were engaged within the governance structure to ensure a broad system view on both the inputs and impacts of the exercise were understood. These include Executive Director of Adult Social Services (DASS), Deputy DASS, Deputy Chief Executive and City Treasurer (Section 151 Officer), Social Work Leads, Finance Leads (Health and Care), Clinical Leads, CHC leadership and ASC Commissioning.
- 2.4 The method utilised began with a local project initiation document which gave clear action to set out an approach and to create a project management plan, with a weekly highlight reporting mechanism and governance framework.
- 2.5 The chosen Cost of Care tool for this exercise was the CHIP commissioned toolkit, co-produced with ARCC-HR Ltd, to support councils in their efforts to better understand cost of care, to inform strategic and operational commissioning approaches and to meet expected DHSC requirements in relation to cost of care.
- 2.6 There were 5 key areas of focus; as drawn from The Project Initiation Document.
 1. Provider Engagement
 2. Data Collection
 3. Data Analysis
 4. Sensitivity Analysis
 5. Report Production
- 2.7 A large scale engagement programme was planned and delivered to ensure that the widest range of providers were able to contribute to the exercise. This programme included:
 - Main agenda items at two separate quarterly Manchester Commissioning Innovation Labs*
 - Three specific cost of care exercise webinars
 - Twice weekly drop-in sessions (online) over a six-week period for provider to discuss any concerns, issues or clarification to support accurate submission

- Clarification meetings with providers who submitted to the exercise to standardise data on cost lines, where possible and to address anomalies and outliers
 - Direct contact by the FCoC Programme Manager to providers yet to submit by telephone call and email
- 2.8 Additional activity logs and evidence were collated, as part of the project planning methodology; to inform task analysis, report structure, risk and issue management and to give timescale for completion, including space for governance, advice, evaluation and reflection.
- 2.9 The resulting project plans led to the production of task-based activities, a weekly activity tracker and to allow the Local Authority to complete a submission of a good standard, generating additional local market intelligence
- 2.10 The homecare tool, was completed by our registered providers with our finance team reviewing and analysing data-sets for analysis inclusive of explanations of those workings (Annex A).
- 2.11 A check and challenge element to commissioner / provider queries further improved the quality of the data and therefore the overall robustness of the submission. We have some anecdotal reflection that suggests that homecare businesses might not have had the required financial information readily available.

3. Data Submissions

- 3.1 Of the 11 eligible homecare providers (contracted and safety net) we received a submission from 7 providers (64%). We also received two submissions from providers who care commissioned on a spot basis and who are based in Manchester.
- 3.2 The 9 submissions covered a total of 56% of the total care hours delivered.

4. Base Price Year & Future Uplifts

- 4.1 The base year costs provided are actual costs incurred in 2021/22 with an adjustment for 2022/23 made on projections in conjunction with providers. (See also 5.2).
- 4.2 In 2018 the Council contracted a new homecare framework (by neighbourhood) which obligated all contracted providers to pay the Foundation Living Wage. Since then, fee setting has been based on an annual percentage uplift of these rates in lieu of a full cost of care approach and is informed through a consultation exercise with providers to understand key pressures and issues, although input from providers has been relatively low. The response rate to the FCOC programme has seen an improvement. Annual inflationary increases have varied and have fully taken into account the movements in the Real Living Wage. The market supply of homecare has been challenging at times but overall remained robust. The 2022/23 approach has provided for three key components:-

1. Sector specific modelled staffing costs (and know NLW/FLW increases);
2. Sector specific modelled non-staffing costs (blend of RPI and CPI); and
3. Exceptional inflationary items (for 22/23 this includes energy, insurance and food using national indices and provider feedback and national insurance changes)

- 4.3. The approach to fee setting for 2023/24 will be informed by the outcome of the Fair Cost of Care research. The annual consultation with providers will also look to gain an understanding of the latest inflationary and other cost pressures. In setting the 2023/24 fees, the Council will also place due regard to the requirements of the Care Act and DHSC's 2022 policy, "Market Sustainability and the Fair Cost of Care Fund guidance". In line with the framework for this exercise there is an expectation we will 'move towards' a fair cost of care.
- 4.4 Reflections on workforce challenges/strategies have featured during this work as a natural by-product. These will be a feature of Annex C: Market Sustainability Plan.
- 4.5 Plans to further establish the financial stability of registered care homes and homecare are explored within the Market Sustainability Plan (Annex C). This will allow us to incorporate the findings from this exercise to give a stronger evidence base for future fee uplift projections.

5. Modelling Assumptions, Adjustments and Exclusions

- 5.1 The Manchester view of this exercise is that it is about providers' real cost of care regardless of funding source, placing authority or perceived affordability for the local authority. Therefore, when analysing the data provided to us, we wanted to understand outliers, but only exclude those where services provided were fundamentally outside the scope of this exercise. None of the submissions were excluded from the final report.
- 5.2 Our approach to return on operations has been to apply a 5% mark up on operations and head office costs, for both care homes and domiciliary care agencies. This reflects discussions across Greater Manchester and our knowledge of the local market and is our commissioning judgement of a reasonable rate to maintain a good supply market and that it may be considered reasonable to calculate return on operations on a consistent basis across all providers, rather than using figures supplied by each provider.
- 5.3 During the course of undertaking the fair cost of care exercise, localities across Greater Manchester and North West Association of Directors Adult Social Services have engaged in collaborative discussions, to better inform our approaches to the treatment of certain cost items and interpretation of the guidance. It is anticipated that these discussions will continue as we work towards fee setting for 2023/24, so as to be cognisant of any potential impact, particularly on the market sustainability of neighbouring authorities.
- 5.4 As *travel time per contact hour* has been established within Annex A, it was felt that adjustments were not required to the 15, 30 and 45 minute visit figures. Within our homecare modelling approach for the new contract in 2023/24 we are likely to revisit this as part of our soft market testing activity to ensure actual activity is reflected.

6. Cost of Care Estimates

- 6.1 Base prices for the types of care covered by this exercise for 2022/23 are as follows:

| Designation (FCOC) | 15 min visit | 30 min visit | 45 min visit | 60 min visit |
|-------------------------|--------------|--------------|--------------|--------------|
| Contracted 18+ Homecare | £4.56 | £9.11 | £13.67 | £18.22 |

6.2 The outputs from the Cost of Care Exercise for 18+ Homecare are as follows:

| | Quartile | Lower Quartile | Median | Upper Quartile |
|---------------------|--------------------|-----------------------|---------------|-----------------------|
| Visit Length | 15 mins (£) | 4.69 | 5.44 | 6.14 |
| | 30 mins (£) | 9.38 | 10.87 | 12.28 |
| | 45 mins (£) | 14.07 | 16.31 | 18.42 |
| | 60 mins (£) | 18.76 | 21.74 | 24.56 |

7. Challenges (Engagement, Uptake & Data Quality)

- 7.1 Engagement with providers proved to not be as effective as hoped, given the perceived opportunity to address what is believed to be underfunding of care providers nationally. Demonstrable pressures exist around recruitment and retention and a current attrition rate of over 30% of care staff is a major concern. The amount passported to providers and the links to this additionality being paid through to carers will have a level of impact that it is difficult to estimate in terms of real terms workforce increase and reduction in costs associated with turnover rates. However, the homecare submission in Manchester was above that of care home providers and can therefore be considered a more robust view of the local market costs.
- 7.2 We know that price and quality are not inextricably linked and this exercise does not consider the art of the possible in terms of commissioning for outcomes and has been a missed opportunity to consider how added-value within services could lead to better outcomes and improved independence.
- 7.3 The quality and accuracy of the returns drew out anomalies between submissions which were broadly related to:
- (i) Who within an organisation completed the return
 - (ii) The challenges of understanding different operating models of medium and larger organisation and their relative access to cash.
 - (iii) The perception of the exercise within a provider
 - (iv) Whether providers wanted to accurately attribute cost lines manually to submit to the tool from their own operational and financial reports.
 - (v) The volume of submissions that a provider needed to support regionally / nationally, leading to capacity challenges within providers.
- 7.4 The lack of clear national provider communication strategy, given the number of medium and larger enterprises that submitted to the exercise could be a consideration for future exercises.
- 7.5 The partnership and power dynamics between public sector commissioners & providers, particularly around cost has a history that requires consideration, with providers being suspicious of the purpose of the exercise, the deliverability of the outcomes and the understanding that Local Authorities were not the bodies that

would ultimately provide the financial envelope for implementation. That said, it was appropriate that local authorities used their understanding of local markets and conditions to lead the work.

- 7.6 Providers do not necessarily produce either management or published accounts in the format used and this often took significant manual working to enable an accurate submission.

8. Cost of Implementation

- 8.1 Based on current activity, the cost to implement after applying the modelling assumptions, adjustments and exclusions would be **£4.97m** for 18+ homecare (£3.52ph x 1,411,823 hours). This is based on the current level of commissioned hours and a £3.52 increase on the existing median rate (£18.22) to the new median (£21.74) using the 60 min visit benchmark detailed in Section 6.