Annex B:

# Cost of Care Report – Lewisham Council Home Care (18+)

This report outlines the process followed by the London Borough of Lewisham to complete the cost of care exercise for the Market Sustainability and Fair Cost of Care Fund. This includes the borough’s approach to analysis of provider cost of care data to produce the information detailed in Annex A.

This exercise presented significant and fundamental challenges, including issues with data quality, lack of clarity in the structure and guidance for the exercise and unreliable results being produced by the mathematical median calculation method.

Lewisham worked with care providers to agree a local fee rate that is sustainable for the Lewisham market and incorporates the ambitions of the on-going re-procurement of home care services in 2023.

**Part One: Overview of the process for completing the exercise:**

**Defining the scope of the home care market**

* To ensure a representative response to the Fair Cost of Care (FCC) exercise in relation to home care, Lewisham defined the scope of the borough’s home care market as:
* All Care Quality Commission home care registered providers with a Branch located in the borough of Lewisham
* And have a commissioned service from the council.
* The LGA home care cost of care toolkit published by the LGA was adopted as the template for the exercise.

**Response rate**

* There are 59 Homecare providers in registered in Lewisham. However, 25 of these care providers do not have any commissioned services from the council.
* In total, 16 home care providers submitted FCC cost information to Lewisham, from a total of 34 organisations.
* The response rate represents **47%** of all commissioned care providers. This includes 3 Homecare Providers who provide **80%** of all commissioned care.

**Engagement with providers to promote completion of cost of care toolkits**

* LB of Lewisham Commissioning issued correspondence to all home care providers commissioned by Lewisham inviting them to submit cost of care information by the end of July, using the LGA cost of care toolkit.
* LB Lewisham circulated guidance, information and event invitations relating to the national programme. This included signposting to the home care toolkit and associated guidance published on the Local Government Association website.
* Weekly homecare provider forums were held, where the finance and commissioning leads discussed with Home care providers details of the guidance, toolkit format and answered questions.
* LB Lewisham followed up directly with providers individually, via emails and phone calls, where providers did not submit their toolkit by the specified deadlines.
* LB Lewisham extended the final toolkit submission deadline three times from end of July, to Mid-August and then finally end of August.

**Quality assurance and provider queries**

* Following the deadline for provider toolkit submissions, the finance lead with support from commissioning undertook a detailed quality assurance review of all the submissions.
* Where specific cost lines diverged significantly from expected levels and / or other submissions, providers were contacted to query this and invited to review and re-submit their toolkit information as appropriate.
* Where errors was identified, providers were either written to or contacted by phone and requested to correct and resubmit.
* One-to-one support calls with Lewisham Finance, was also offered to providers to discuss and address quality assurance queries.

**Provider engagement regarding Market Sustainability Plan and toolkit analysis**

* The Market Sustainability Plan, was developed with support from the finance and council performance teams.
* The latest data on population change and the care population in Lewisham was identified and analysed
* The weekly Homecare provider forum informed commissioners of the market pressures from the care provider perspective. The 2 key challenges highlighted by home care providers on market sustainability are,
* Workforces challenges – Recruitment & Retention and
* Rate of pay.

**Part Two: Approach to the cost of care estimates (Annex A, section 3)**

Lewisham engaged widely with home care providers to maximise the rate of response to the exercise. However, the quality of the output from this exercise is limited to a significant extent by several key issues.

These limitations include the following:

* The use of statistical median: Using a median calculation for a small dataset is biased and does not reflect reasonable market prices. The output is extremely sensitive to small data errors.
* The method does not give weighting to variety of size of operations of homecare providers. There was no clear distinction between national/regional operators. The size and nature of the care provider does impact the cost structure and its allocation across its operational sites.
* In addition there was no segmentation for specialist home care providers where these specialist services tend to have a disproportionately higher staffing cost.
* In the absence of clear guidance from the Department on appropriate benchmarks for these cost lines, care providers submitted varied cost items and values. Due to time constraints, Lewisham did not amend the care provider submission.
* Lewisham collaborated with care providers to calculate a local fair cost of care rate, using the UK HCA guideline as benchmark.

**Approach to the analysis of the home care toolkit submissions**

* After all required adjustments had been made by providers and with reference to available guidance and benchmarking information, we ensured
  + A degree of consistency to cost lines where providers submitted costs values across a wide range such as for travel and return on operations.
  + that the median rates identified are accurate and sustainable
  + Understanding of the risks and cost impact of adopting the median rates.
* Lewisham applied a consistent rate of 3% for ROO, based on the minimum surplus profit level recommended by the United Kingdom Home Care Association (UKHCA) in their ‘Minimum price for home care’ guidance for 2022-23.

The table below shows the count of observations, lower quartile, median and upper quartile of all items in **Annex A, Section 3:**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Care cost type** | **Count of observations** | **Lower quartile** | **Median quartile** | **Upper quartile** |
| Care worker costs | 16 | £14.68 | 18.64 | £21.36 |
| Business Costs | 16 | £3.69 | 3.83 | £8.71 |
| Total Return on capital | 16 | £0.10 | 0.67 | £1.05 |

* Lewisham is a signatory to the UNISON Ethical Care Charter and is committed to paying the London Living wage, travel time and mileage to all care providers. The new fair cost of care rate is compliant with the UNISON Ethical Care Charter and will be paid to providers from 01 September 2023 2023/24 financial year.
* The below shows the table in Annex A, Section 3 with a figure for the median for each commissioned care duration.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Cost of care exercise results - all cells should be £ per contact hour, MEDIANS.** | **18+ domiciliary care** | **15 mins visit** | **30 mins visit** | **45 mins visit** | **60 mins visit** |
| **Total Care worker Costs** | **£18.64** | 4.66 | 9.32 | 13.98 | 18.64 |
| **Total Business Costs** | **£3.83** | 0.96 | 1.92 | 2.87 | 3.83 |
| **Total Return on Operations** | **£0.67** | 0.17 | 0.34 | 0.50 | 0.67 |
| **TOTAL** | **£23.14** | **5.79** | **11.57** | **17.36** | **23.14** |