

The professional association for homecare providers

Getting the price right: Calculating the cost of homecare in 2019

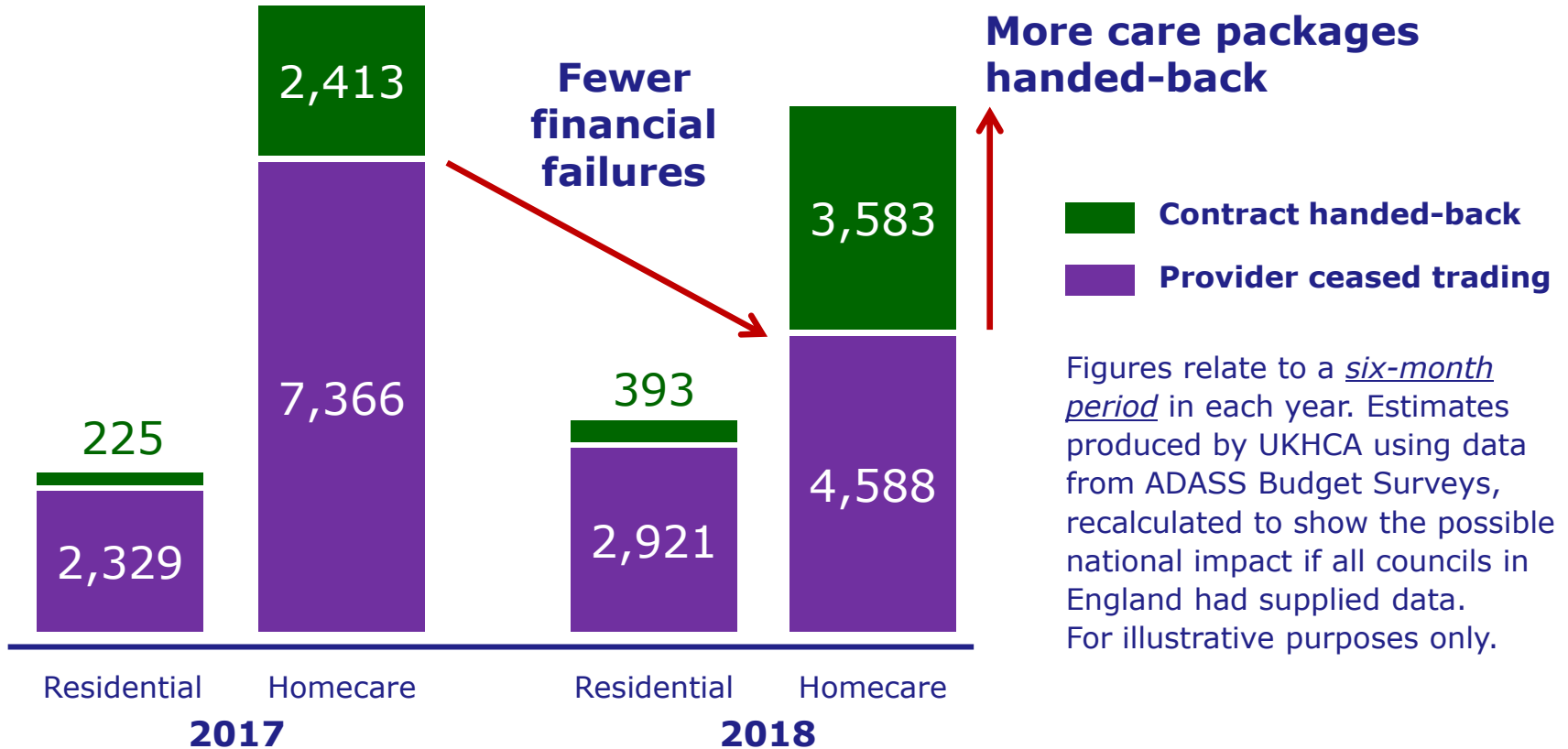
Colin Angel, Policy Director
United Kingdom Homecare Association



Why getting the price right is important for councils

- Budget cuts and increased demand for services
- Social care is now usually a council's biggest spend
- "Market-shaping" responsibilities from Care Act 2014
- Evidence of providers handing-back contracts
- Tenders not attracting bids, or subject to challenge
- Political aspirations for the (voluntary) UK or London Living Wages and/or guaranteed hours contracts

People affected by market failures, 2017 & 2018



Why getting the price right is important for providers

Supply and demand pressures

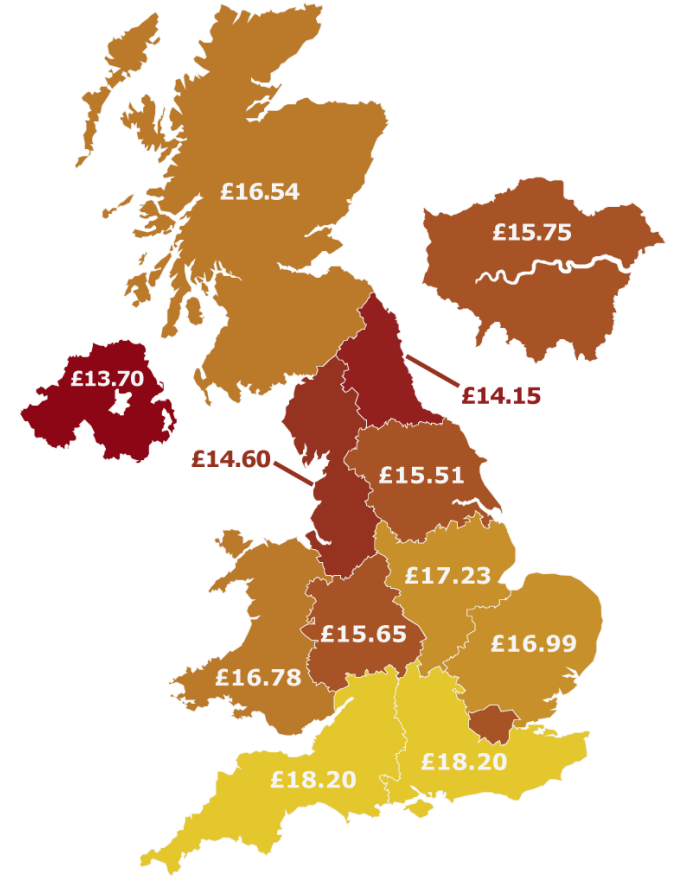
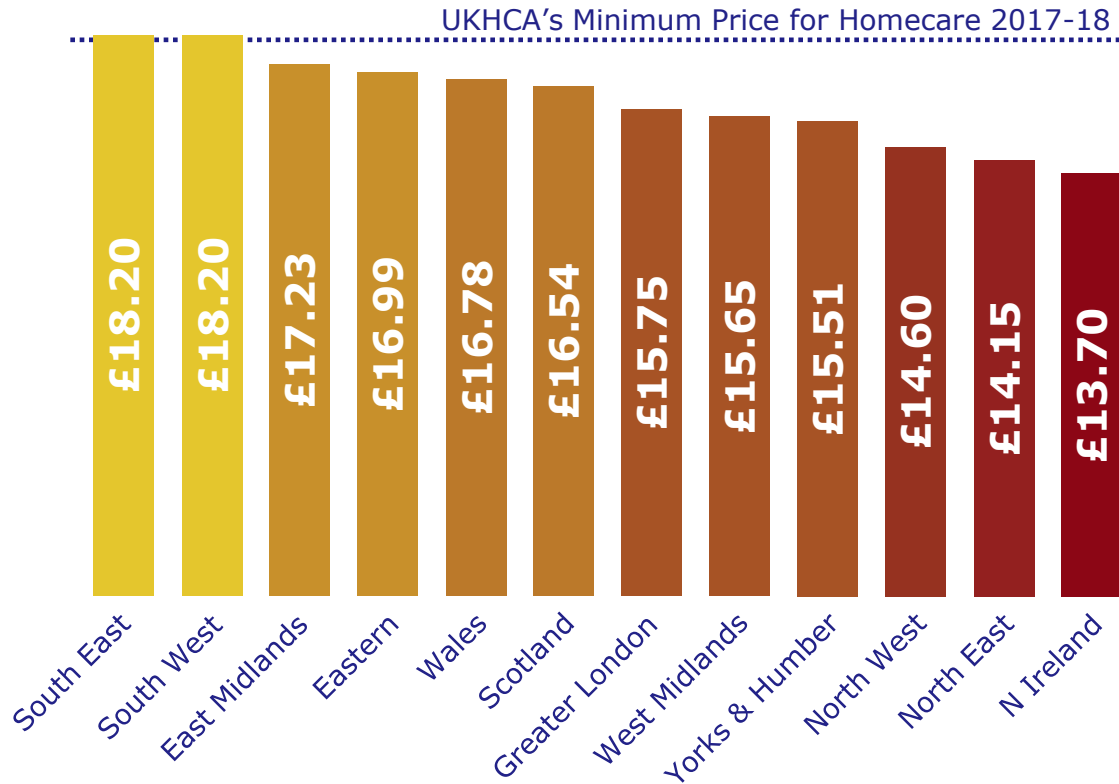
- Terms and conditions poor:
 - ◆ Wages; travel costs; workload
- Competition with other local employers (+ impact of Brexit)
- Self-funders willing to pay higher rates than councils

Cost pressures and risk

- Risk of financial failure
- Obligation to comply with NMW
- Increasing costs:
 - ◆ Workplace pensions
 - ◆ Apprenticeship levy

Few councils are meeting providers' costs

UKHCA: "The Homecare Deficit 2018"



Care and Support Statutory Guidance

Paragraph 4.31 (applies to councils in England)

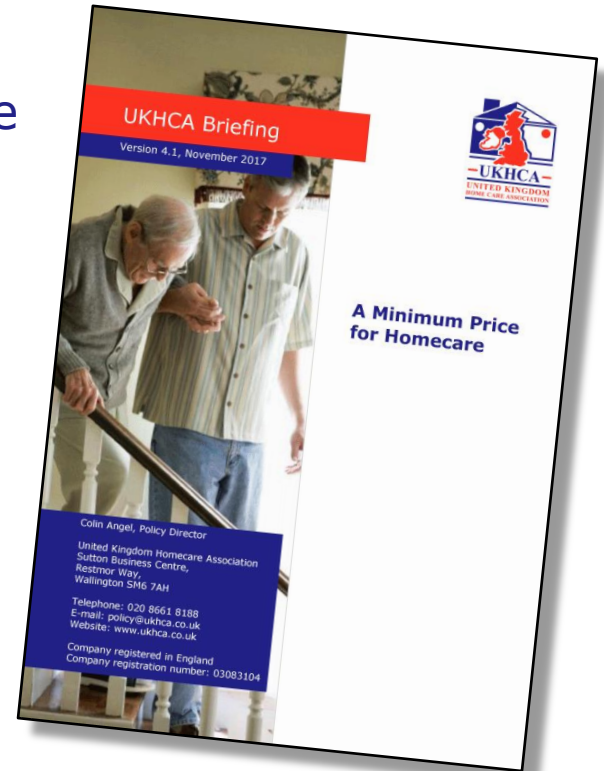
Contract terms, conditions and fee levels should provide the delivery of the agreed care packages at agreed quality of care. This should:

- Allow the provider to meet at least the **National Minimum Wage**
- Provide effective **training and development** of staff
- Allow **retention of staff**
- Encourage **innovation and improvement**
- Provide a **rate of return**, so that a sufficient pool of providers remains sustainable

UKHCA's Minimum Price for Homecare

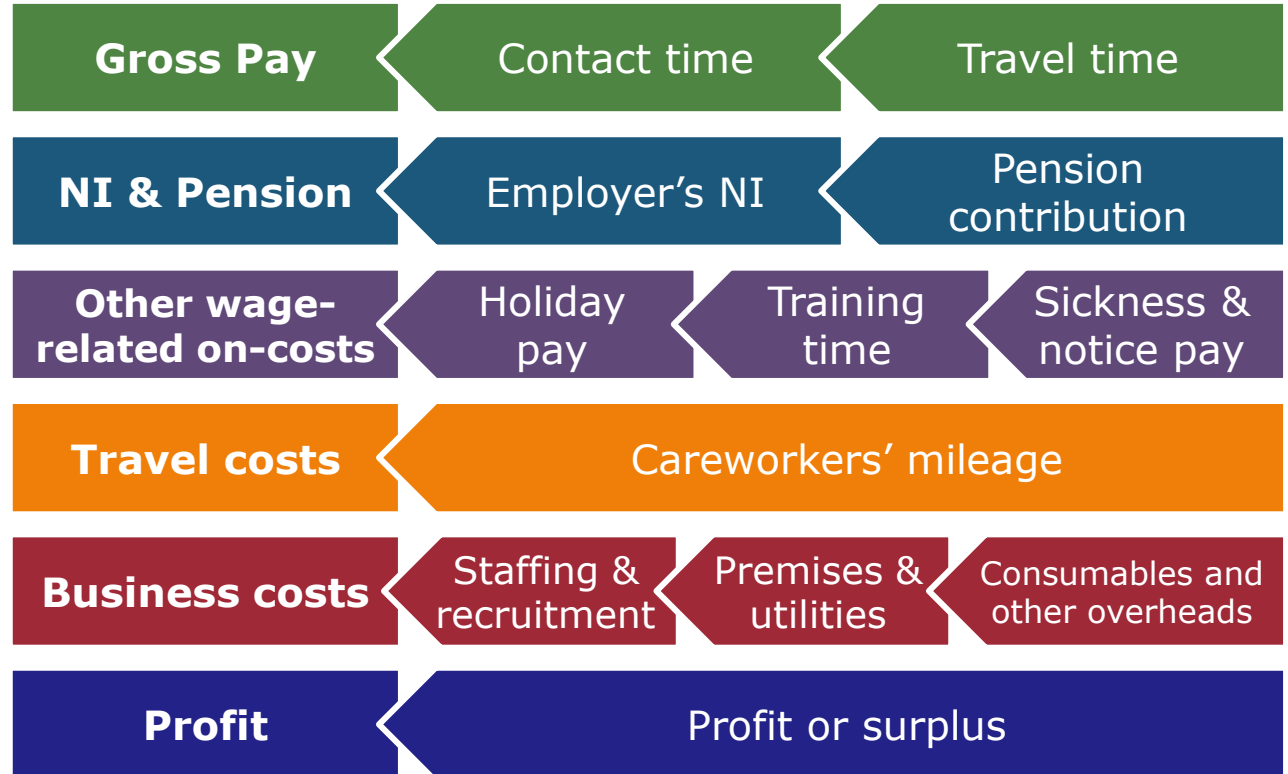
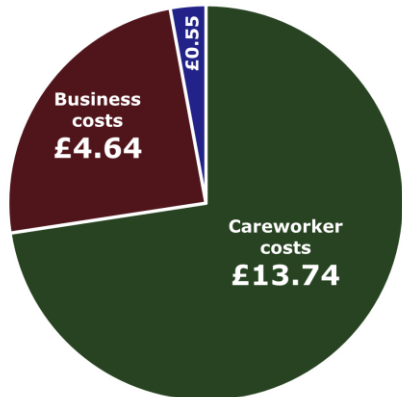
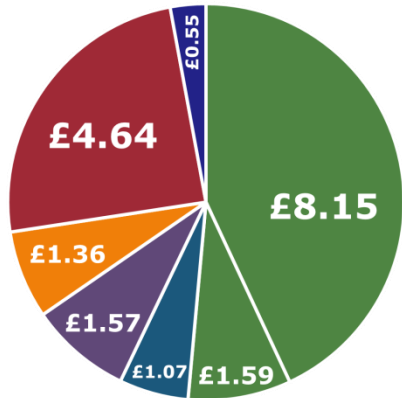
£18.93 per hour (April 2019 to March 2020)

- Methodology verified by experienced finance directors from different organisations
- Explains the assumptions used to create the figures in this presentation
- Assumptions verified against best available data
- Works with UKHCA's on-line costing model



Calculating the minimum price of homecare:

£18.93 per hour (April 2019 to March 2020)



UKHCA's Minimum Price for Homecare

Significant updates from April 2019

Statutory Minimum Wage

National Living Wage: +38p / hour
National Minimum Wage: +32p / hour

Scottish, UK & London Living Wages

Outside London: +25p / hour
London: +35p / hour

Workplace pensions

Employers' minimum contribution
increases from 2% to 3% of gross pay

Careworkers' travel time

Our assumption has *increased* from
11.4 to 11.7 minutes per hour of care

Careworkers' mileage

Our assumption has *decreased* from
4.0 to 3.89 miles per hour of care

A *minimum* price is not the same as a *fair* price

£18.93 per hour can achieve

compliance with the law.

However, this rate does not include

incentivising careworkers to

undertake **unsocial hours** working,

nor the need to pay workers

above the **statutory minimum wage**

in order to remain **competitive**

in the local labour market.

Key issues for homecare costings

- **Councils only pay for “contact time”**
 - ◆ But providers must cover careworkers’ entire working time at or above NMW
- **The costs of non-working time must be covered in the hourly price**
 - ◆ Including holiday pay, training, supervision, etc
- **Careworkers’ mileage should be reimbursed**
 - ◆ Failure to do so can lead to non-compliance with NMW
- **Business costs include paying the staff needed to deliver services safely**
- **Making a profit or surplus is essential for survival**
 - ◆ Profit is the incentive for people to invest their money in care, rather than elsewhere
 - ◆ Surplus is what voluntary sector providers use to reinvest in their services

38p on NLW and 1% extra on pension contributions will add at least 92p per hour from April 2019

+ **37p**
blended
average

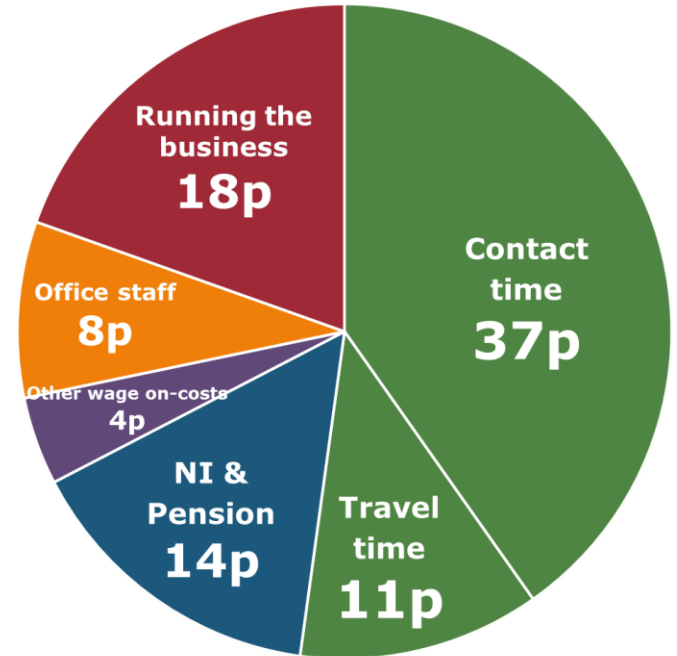


38p NLW increase
32p NMW increase

+ **29p** Travel time, NI, pensions
and other wage on-costs

+ **26p** Office staff and
running the business

= **92p** Minimum increase required

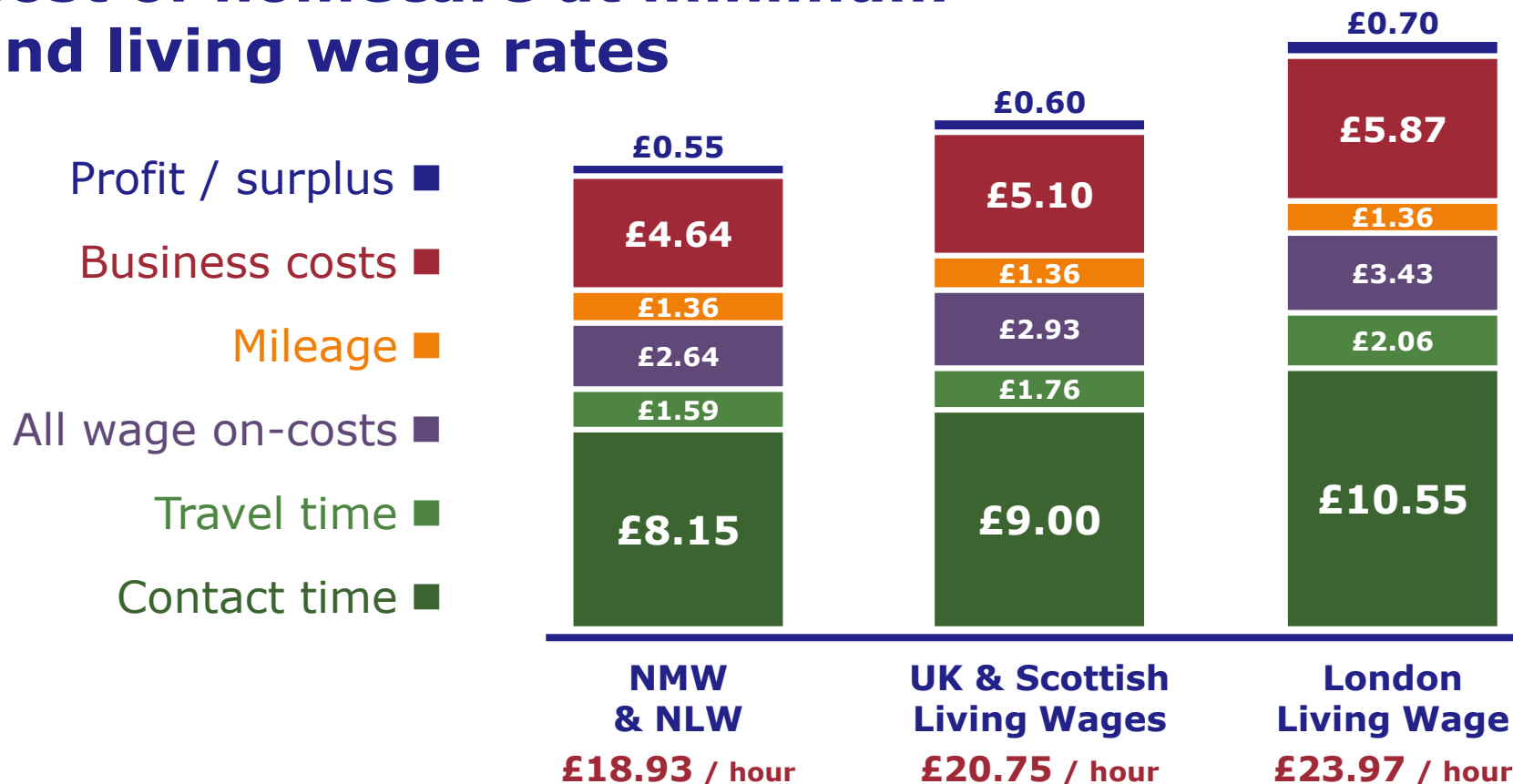


Inflation (CPI) ↑ 2.2% | Homecare costs ↑ 5.11%

Requirements of a sustainable price

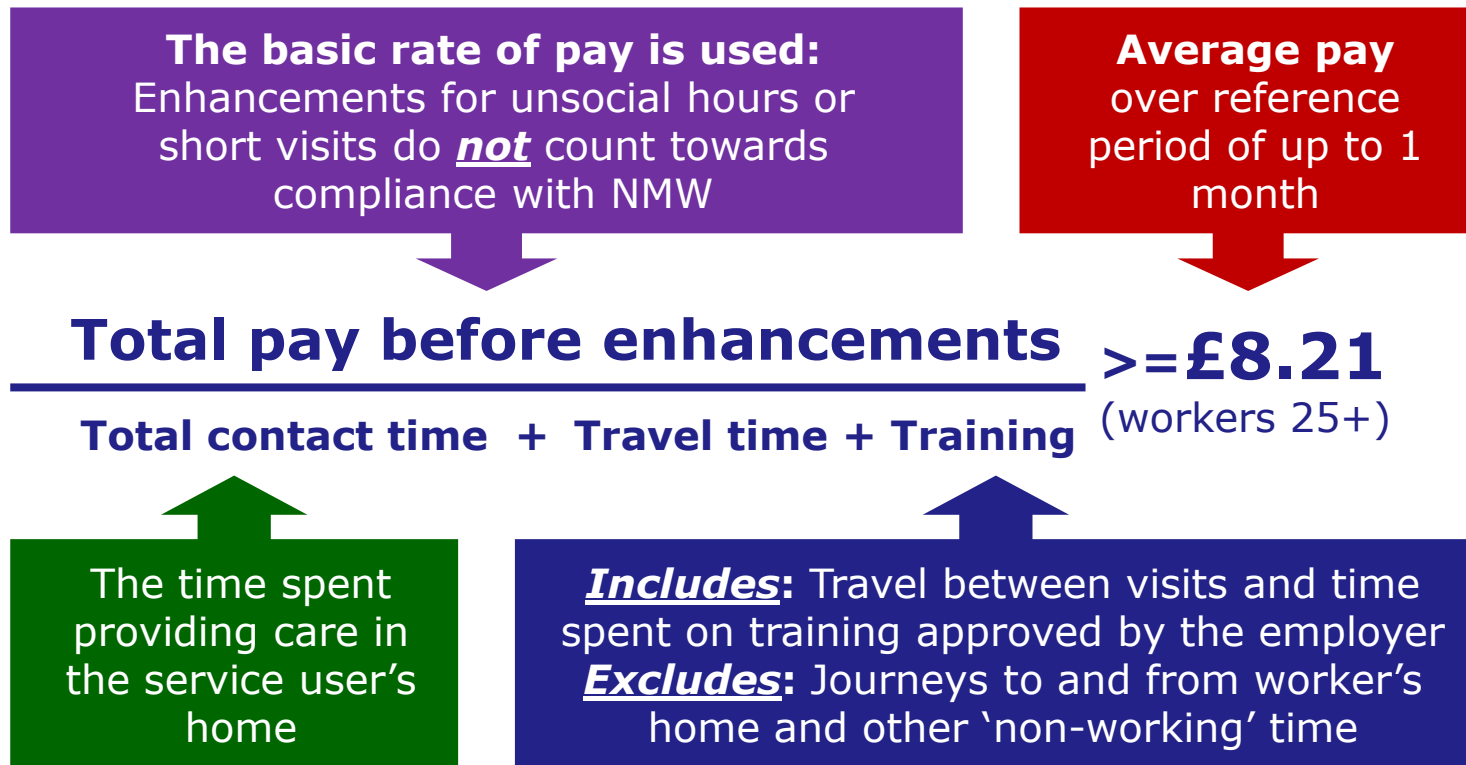
- Cover workforce costs, including careworkers' travel time, to ensure **compliance with National Minimum Wage Regulations**
- Recognise **wage expectations of local labour markets** to secure a sufficient workforce to meet demand
- Cover costs of regulation, supervision, organisation and training to **meet quality and safety requirements**
- Ensure businesses receive a profit/surplus to **maintain market stability**, innovate and reinvest in services

Cost of homecare at minimum and living wage rates



Complying with Minimum Wage

(Highly simplified)



How short visits affect careworkers' wage costs



Travel from home	30 minutes	10 minutes	30 minutes	10 minutes	30 minutes	Travel back home
------------------	-------------------	-------------------	-------------------	-------------------	-------------------	------------------

Travel from home	15 minutes	10 minutes	15 minutes	10 minutes	15 minutes	Travel from home
------------------	-------------------	-------------------	-------------------	-------------------	-------------------	------------------



Council pays for 90 minutes of care	Travel time adds 22% to careworker's pay
Employer must also pay 20 minutes of travel	

Council pays for 45 minutes of care	Travel time adds 44% to careworker's pay
Employer must also pay 20 minutes of travel	

Guaranteed hours contracts

In order to offer a guaranteed hours contract:

- Providers must cover all of careworkers' "working time"
 - ◆ Time spent delivering care + travel time + any down-time
- Councils must pay enough to cover NMW for the span of duty
 - ◆ Paying solely for "contact time" is incompatible with guaranteed hours

Other issues affecting the viability of contracts

- Unrealistic maximum prices in the invitation to tender
- Contract terms stacked in the favour of the council
- No guarantee of price increases during the life of the contract
- Cost-saving strategies which impact workforce:
 - ◆ Eg. 'Per-minute' billing
- Vague or unquantifiable liabilities:
 - ◆ Untested payment-by-results mechanisms

CIPFA guidance

Working with care providers to understand costs

- Explains the principles of costing homecare and residential services
- Encourages commissioners to work with providers to determine and agree actual local costs
- Endorsed by Department of Health, LGA, ADASS and Care Provider Alliance



A model for engagement and costing exercises

- Councils should engage with providers to understand costs
- Start early to allow sufficient time to agree changes
- Share relevant information on numbers and costs
 - ◆ Compare like-with-like data on costs
 - ◆ Reflect actual costs incurred in modelling
- Consider options to:
 - ◆ Minimise transaction costs and make timely payments
 - ◆ Incentivise increased capacity and allow innovation
- Publish findings and maintain an evidence trail

Contingency panning for market failure

Recommendations for councils

■ Act now to avoid future failure

- ◆ Open and transparent cost of care exercises leading to sustainable rates

■ Advanced contingency planning for market failure

- ◆ Know which providers are likely to be able to provide cover at short notice

■ Act quickly to retain the workforce in the event of failure

- ◆ Careworkers have to pay their bills – they don't hang around if unpaid

■ Don't set more providers up to fail

- ◆ Avoid flooding providers with more care than they can deliver safely
- ◆ New providers just as likely to fail if the Ts & Cs are the same

Watch and share the webinar and handouts

www.ukhca.co.uk/pricewebinar



The professional association for homecare providers

Getting the price right: Calculating the cost of homecare in 2019

Colin Angel, Policy Director
United Kingdom Homecare Association



Links to useful documents

Calculating the cost of homecare

- **UKHCA's Minimum Price for Homecare, Version 6.0**

www.ukhca.co.uk/downloads.aspx?ID=434

- **Getting the Price Right: Calculating the Cost of Homecare**

Webinar and handout: www.ukhca.co.uk/pricewebinar

- **UKHCA's on-line Costing Model**

www.ukhca.co.uk/CostingModel

- **Working with Care Providers to Understand Costs (CIPFA)**

www.cipfa.org/policy-and-guidance/reports/working-with-care-providers-to-understand-costs

United Kingdom Homecare Association

E-mail: **policy@ukhca.co.uk**

Website: **www.ukhca.co.uk**

Twitter: **[@ukhca](https://twitter.com/ukhca) and [@colintwangel](https://twitter.com/colintwangel)**

Phone: **020 8661 8188**