Top Tips for Sustaining Homecare

Homecare, including supported living, is vital for people with care and support needs to remain at home, yet it is the most fragile part of the social care market. While some providers are running sustainable businesses, many are on the verge of becoming unsustainable. Commissioners, providers and regulators are all concerned about the viability of this part of the social care market, and there is an increasing public awareness of the pressures on the homecare sector through the national media.

In the six-month period covered by the ADASS Autumn Survey of Directors of Adult Social Services in September 2017, 46 councils (48% of the 96 which responded) had experienced homecare providers handing back contracts in homecare and 36 councils (38%) had homecare providers that had closed their businesses.[1]

Market instability can have a significant impact on the lives and experience of people who use care and support. The homecare provider market is diverse, with a high number of small and medium enterprises, as well as larger, corporate, providers.

Directors of Adult Social Services have to balance their responsibilities to develop and arrange high quality care that gives people choice and control, with the necessity to make significant savings in budgets, whilst maintaining sustainable markets with a sufficient workforce capacity. Likewise, providers have to balance quality, increasing costs, risks to their financial viability and their ability to recruit and retain suitable workers. This balance is increasingly hard to achieve and the viability of contracts becomes key, along with active engagement between commissioners and providers to develop positive business relationships and the shared aim of delivering good quality, sustainable care.

Local Government Association

UKHCA
UNITED KINGDOM HOME CARE ASSOCIATION

directors of adass adult social services

This brief paper has been endorsed jointly by ADASS, Local Government Association (LGA) and United Kingdom Homecare Association (UKHCA) and is designed to provide a shared view on a number of issues faced by commissioners and providers in order to increase the stability of the homecare market.

Here are our top tips on tackling these issues:

1. Understand the costs of care

Providers (and people arranging services with Direct Payments) must pay the National Living Wage,[2] including careworkers' travel time where applicable (which will form a significantly higher proportion of the total cost in rural areas and dense urban areas),[3] and the full costs of sleep-in hours.[4] The prices paid for care must also cover wage-related on-costs[5] as well as enabling employers to pay for training, supervision, rostering, and quality assurance, and ensuring that careworkers receive statutory holiday and sick pay and are enrolled in a workplace pension.

Commissioners and providers both need be aware of these costs. There are benchmarks readily available, including those which are referred to in the Care and Support Statutory Guidance.[6] UKHCA's "Minimum Price for Homecare" sets out a description of all the cost elements associated with delivering homecare, with a rationale explaining the assumptions that UKHCA has used to build up its published price.[7] Councils and providers should adopt an open and transparent costing exercise using open book principles, to establish local costs.

2. Benchmark with similar authorities

Start by assessing what commissioners pay the providers in your area, particularly those from which councils purchase high volumes of hours or which provide "hard-to-replace" services. Compare what the council pays with the appropriate benchmarks and the evidence from open and transparent cost of care exercises undertaken by the council and local providers. Be cautious of using benchmarks selectively; they should be an accurate reflection of rates paid by genuinely comparable authorities, and not just 'nearest neighbours'. If a council pays below the benchmarks, understand what the implications might be for the stability of the local market.

3. Recognise the profit and surplus requirements of different organisations

Whilst some providers may be able to operate specific contracts at marginal rates (because they have covered their operating costs through high volume business with the council or other commissioners), do not assume that all providers in the area can do the same; operating at marginal cost is more likely to be an exception, rather than the rule. Equally, whilst charities and not-for-profit organisations may choose to deliver some services at cost, they usually need to make a surplus from the services they operate so that they can re-invest in their services and meet their charitable objectives. Charities and not-for-profit organisations should not be expected to run services that do not make a surplus, unless they have made a conscious decision to do so and will still be financially viable. Small businesses may appear to be able to operate with lower overheads or profit requirements, but as with larger operators, if the owners or investors do not see a return from their business, there is risk of market withdrawal.

4. Understand the wage expectations of the local workforce

Careworkers' pay needs to be competitive with other local employment sectors, particularly where the local labour market is subject to low unemployment or a high cost of living. Benchmark costings need to be compared to the wage expectations of the local labour market, rather than against the statutory National Minimum Wage rates.[8] In most parts of the country, assuming that a sufficient number of careworkers can be recruited and retained at or just above the National Minimum Wage is inappropriate, as wage expectations in the local labour market will be significantly higher. Commissioners need to think about the local approach to contracting and how to engage their provider market to develop a specification which enables providers to secure workers with the right skills and experience in sufficient numbers to meet demand. Authorities that intend to contract with providers that voluntarily pay a higher rate than the statutory minimum wage (for example by adopting the UK Living Wage or the London Living Wage),[9] should recognise these costs in the prices that they pay.

5. Respond to specific local workforce issues

The greatest challenge facing the market is the recruitment and retention of high quality staff with the right values and skills. Councils and providers can work together with colleges, local recruitment agencies and training providers to encourage local people to consider a career in social care. Providers can share their turnover and absence figures with commissioners and together you can compare these with equivalent benchmarks. Is the council paying enough to enable providers to ensure sufficient capacity and quality of service? Where services are delivered in rural areas, for example, consider how this affects careworkers' travel time (and therefore providers' costs), consider a 'rural rate' for visits which cover greater distances. Provider partnerships could also be considered, and where domiciliary providers are unable to cover packages, consider options for personal assistants and direct payments alongside home care.

6. Use recommended tools and guidance

Providers and commissioners should have an open dialogue to understand each other's perspectives and requirements.

Use the tools available and commissioned to support councils and providers to work together to comply with the Care Act 2014: The Department of Health and Social Care commissioned "Working with Care Providers to understand costs"[10] and "Assessing social care market and provider sustainability Part A: A guide for local authorities",[11] together with "Integrated Commissioning for Better Outcomes: a commissioning framework 2018".[12] The LGA has also in 2018 published "Six top tips for resilience planning in adult social care and health commissioning".[13]

Seek advice and information from economic development partners in your region, for example Local Enterprise Partnerships (LEPs). Take advantage of learning from other business and public sector organisations.

7. Work together to assess providers' ongoing viability

Councils and providers can work together to develop an open dialogue so that providers can seek help (including from the council) in good time if they are experiencing financial difficulties. Councils can seek early warning intelligence from providers on possible non-viability, such as careworkers' wages being paid late, or early signs such as a rapid deterioration in the quality of service, or an increase in safeguarding alerts. While it may be possible to establish whether providers are running a viable business by using data from Companies House, this will always be retrospective (that is, up to 18 months old) and small organisations may not be required to submit audited accounts. Establishing financial viability from accounts is not straightforward and open book accounting provides a far more reliable source of intelligence.

Commissioners and providers should work together to ensure they do not perpetuate an unsustainable market. There is a risk associated with developing, accepting, or encouraging bids that quite clearly do not enable providers to meet their responsibilities or cover their costs (or both).

8. Recognise the costs of market failure

Both parties need to recognise that market failures have associated costs. Some of these are financial, and include urgent intervention to re-arrange services and the need to re-tender services. Other costs relate to the wellbeing and safeguarding of people who use the services. Inadequate fee levels or rationing the amount of care that individuals receive can increase the incidence of late visits and encourage "call cramming", both of which can cause physical harm, pain or discomfort to very frail people, and anxiety and distress to everyone. These can also cause understandable behavioural challenges for people with dementia or learning disabilities.

9. Respond constructively to hand backs of care

Both councils and providers should exercise caution in situations where providers are being asked to take on large amounts of work that has been previously handed back by another provider that has exited the local market. There have been examples where providers rated 'good' by CQC, were offered (and agreed to take on) significant increases in their contractual work from councils at marginal cost who then failed as a result. These providers' quality ratings from CQC deteriorated to 'inadequate' or 'requires improvement', or they themselves left the market. Both parties need to understand that growth needs to be at a managed pace and attempt to support managed growth. Where contract handbacks have occurred, and new providers are willing to come in and accept the same rates, scrutinise that too. It is important that the provider is able to sustain a service that a competitor could not. Commissioners need to understand what is being done differently and assure themselves that the service can be sustained.

10. Develop a diverse market

A vibrant market requires diversity of providers. Once markets are stabilised, the aim should be to have a sufficient number of providers in the area to mitigate the impact of provider withdrawal, while giving contracted providers a sufficient volume of hours to remain viable (this may be assisted by dividing larger geographic areas into 'zones'). Try not to restrict unduly the number of providers and be careful not to make contract terms unattractive to new entrants to the market. It is not necessarily true that larger providers are inherently more stable: some large homecare organisations are operating with low margins, and are often highly dependent on local authority business. The most important factor is to ensure that individual providers are sustainable, rather than working on assumptions that one size of provider is more stable than another. Make sure that people who fund their own care and support, either by using a direct payment or from their own means, have genuine choice of provider by giving information about the full range of providers in the local area.

11. Prioritise available financial resources

Consider the best way to use both short and long-term resources, ensuring a balance. Short-term funding can be used to help stabilise the homecare market, but care should be taken not to limit options for longer-term development. The fact that particular funding is only short-term should not be used as a reason for not building it into longer-term planning.

12. Conclusion

While these tips are not exhaustive, adopting them is likely to contribute to positive working relationships which offer further scope for constructive dialogue between commissioners and providers to support a more stable homecare market.

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Notes

1. ADASS (2017) Autumn Short Survey of Directors of Adult Social Services 2017. See: https://www.adass.org.uk/media/6118/autumn-short-survey-2017-report-october-2017.pdf.

2. The National Living Wage is a higher rate of the statutory National Minimum Wage, payable to workers aged 25 years and above. The age profile of the homecare workforce means that it applies to the majority (around 90%) of the homecare workforce in England.

3. The National Minimum Wage Regulations require workers' total pay to average out at at least the National Minimum Wage for the total 'working time' over a 'pay reference period'. In homecare services 'working time' will include not just the time spent providing care, but time spent travelling between people's home and any time spent waiting to travel or waiting to begin work. 'Working time' excludes travel from the workers' home to the first place of work, and travel back home from the last place of work.

4. See: www.gov.uk/minimum-wage-different-types-work.

5. Apart from careworkers' travel time, the main wage-related on-costs which employers must cover are: Employer's National Insurance Contributions; pension contributions; statutory holiday pay; training time; and statutory sickness; maternity; notice and suspension pay.

6. HM Government (2017) Care and support statutory guidance, Paragraph 4.31. See: www.gov.uk/government/publications/care-act-statutory-guidance/care-and-support-statutory-guidance#chapter-4.

7. Angel, C (2018) A Minimum Price for Homecare, Version 5.1. See: www.ukhca.co.uk/downloads.aspx?ID=434.

8. Reference to the National Minimum Wage includes the National Living Wage, which is a specific rate of the National Minimum Wage, payable to workers aged 25 years and above.

9. The rates of pay to meet the UK Living Wage and the London Living Wage are calculated by the Resolution Foundation and overseen by the Living Wage Commission. See: www.livingwage.org.uk.

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

11. See: www.cordisbright.co.uk/admin/resources/market-sustainability.zip.

12. See: www.local.gov.uk/icbo.

13. Current version at: www.local.gov.uk/sites/default/files/documents/6%20Top%20Tips%20for%20Resilience%20Planning%20%20in%20Adult.pdf.