

Sustaining the home care market

Learning from research and practice

Friday 13th October 2017





Introduction

- Builds on work we did looking at market sustainability for DH and the subsequent tool kit
- Interviews with Directors of Social Services and others to explore different views and ideas
- Analysis of third party research, plus our own research into pay levels for home care staff

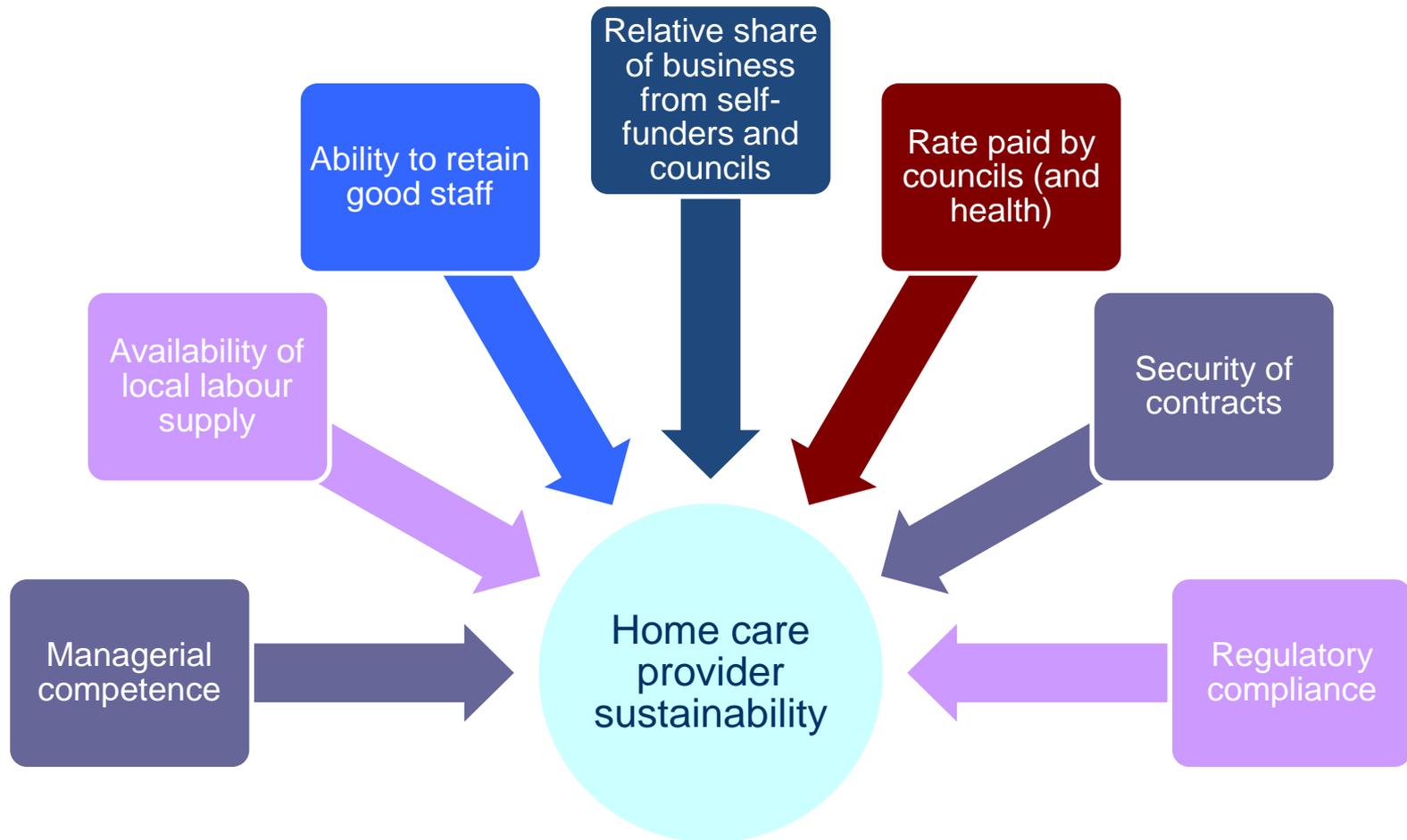
What makes a sustainable homecare market?





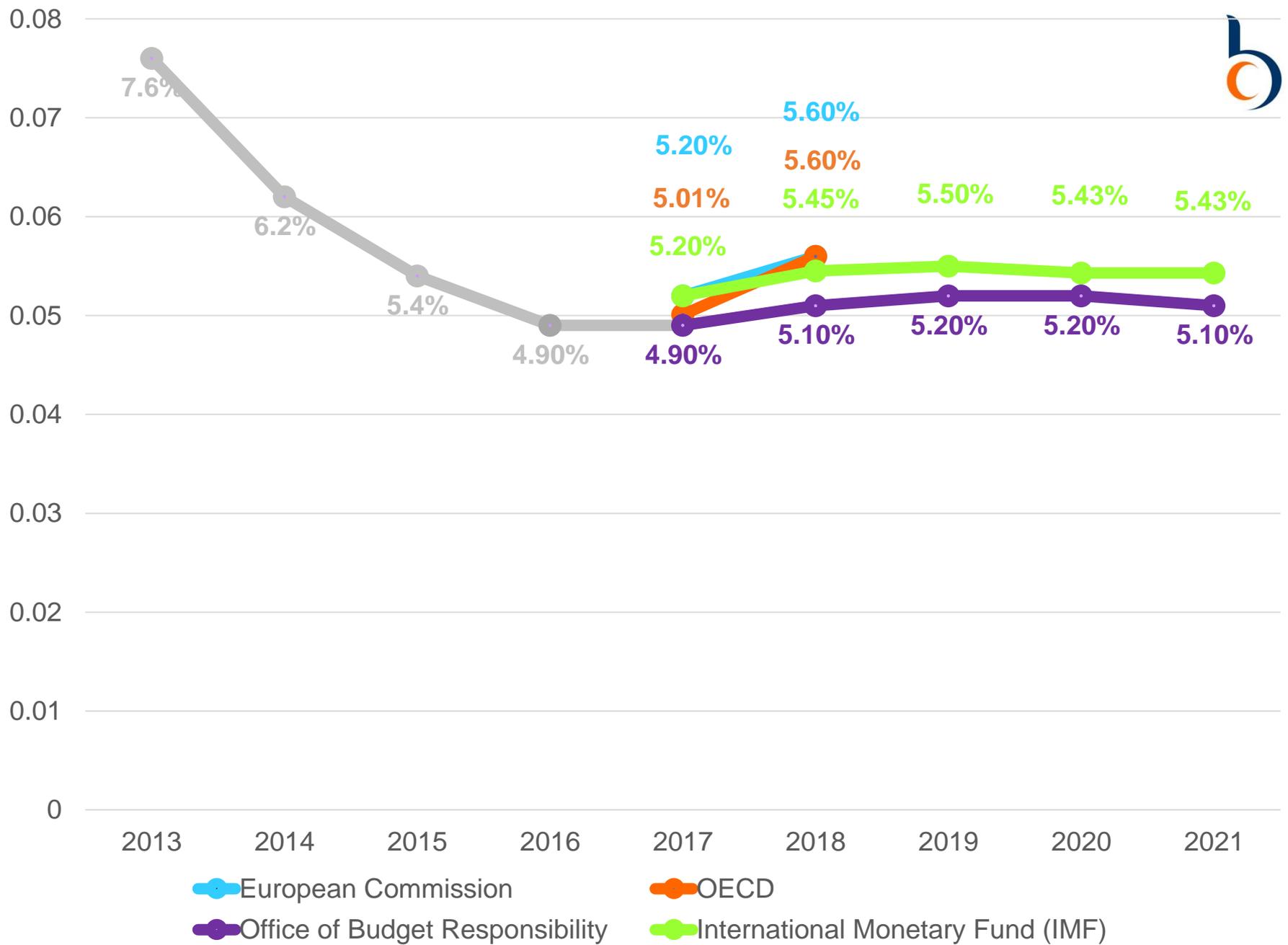
Sustainability of supply

Forces affecting provider sustainability



The home care model

- Home care is in the main about small businesses (average net worth around £314k) operating locally - the vast majority of home care providers still have only a single registered site.
- Contract 'hand backs' have slowed but still occurred in at least 36% of councils last year, with a further 39% councils seeing providers failing or ceasing to trade.
- Even within social care, the recruitment and retention of home care staff appears exceptionally difficult, with a vacancy rate running above 11%.
- Shortage of affordable labour is not a unique challenge to social care, but along with retail and hospitality it is one of the big consumers of lower paid workers and will therefore always be one of the first industries to experience a labour shortage as unemployment falls.





Home care fee and pay rates

Region	Average home care worker hourly rate	£ above NLW	Average hourly rate paid by councils	Margin for non-wage costs
South East	£9.85	£2.35	£16.04	39%
London	£9.71	£2.21	£16.97	43%
South West	£9.60	£2.10	£17.72	46%
North West	£9.05	£1.55	£13.81	34%
Eastern	£8.85	£1.35	£15.87	44%
East Midlands	£8.79	£1.29	£15.15	42%
West Midlands	£8.67	£1.17	£13.77	37%
North East	£8.41	£0.91	£12.07	30%
Yorkshire & Humber	£8.35	£0.85	£13.93	40%

Review of more than 1,500 home care worker jobs advertised on TOTAL JOBS and INDEED in June, July and September 2017

Changes in the market

- Consolidation as a result of market forces is very slow
- Growth in franchises doesn't consolidate the market
- Market consolidation may be tempting in terms of trying to establish larger and more robust businesses but it could be counter to improving the quality of the service
- Important to understand that the home care market is far bigger than the council-funded share alone



How councils are supporting provider sustainability: examples from our research

- Forming strategic relationships with a smaller number of providers, who would be guaranteed a secure income stream

Before the review we had 140 providers. It was impossible to have a relationship with that many. We made a big shift to working with 20 providers.

- Moving to five year contracts

We want to have a long term relationship and to help them to stabilise their workforce. Longer term contracts have done that.

- Setting up schemes to enable home care agency staff to receive some of the same benefits as council staff

We want to make carers' jobs as attractive as possible. We are working out how agency care workers can have access to a range of benefits.

- Joint commissioning with health, through a pooled budget

It made sense to go into the market jointly. Now we have locality based integrated teams delivering step up and step down care.



How councils are supporting provider sustainability: examples from our research

- Creating new roles for care workers

The STP workforce stream is looking at a career pathway, including an enhanced care worker role, delivering some of what is currently delivered by health workers.

- Increasing the level of consultation and engagement with providers, including establishing provider forums

We held several consultation events, which were open to all providers, whether we were buying from them or not. These were invaluable in helping us understand what home care providers needed.

- Dividing contracts up into geographical areas

Our providers are now commissioned to deliver integrated home care in a defined locality. Logistically this is easier for them, and enables us to commission for outcomes.

- Building in financial incentives to reduce the amount of care an individual needs

We felt that if a provider could reduce the amount of care a new client needed, they should share in the benefit of that. If this happens we and the provider share the saving 50/50.

Additional ideas

- Look at how framework call offs are managed – is the process used increasing market stability?
- Consider providing business to business support – staff training is important, but good cash-flow management, compliant employment practices and effective planning could be the difference between business failures and long term viability
- Consider using Local Enterprise Partnerships as a means of encouraging new entrants into the home care market and supporting those already there

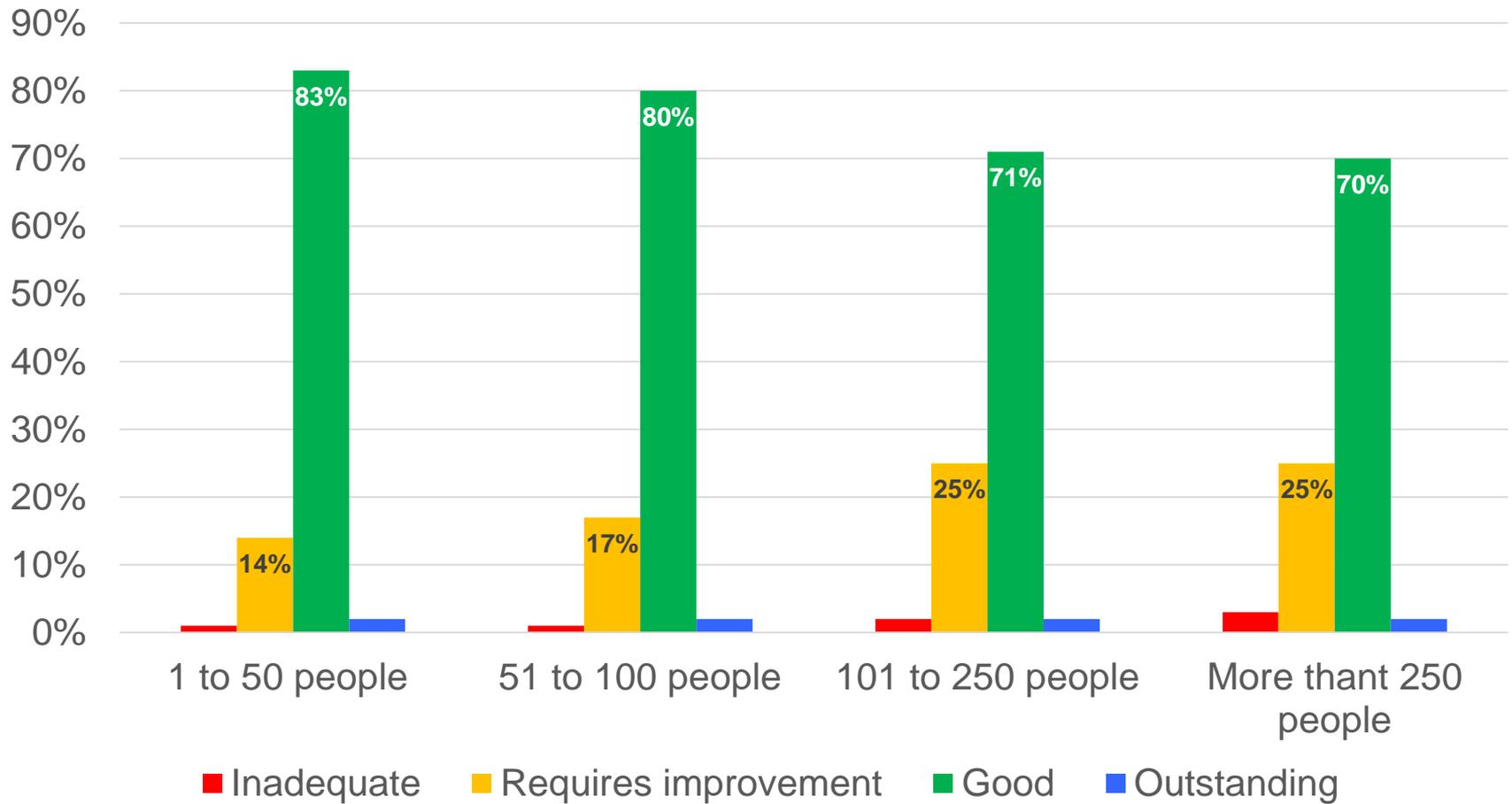


Quality of service

Overview of home care quality

- Home care performs at about the same level as residential care, with around 80% of provision classified as 'Good' and around 18% classified as 'Requires improvement'
- We could find no link between pay levels and quality
- Variances in quality appear to correlate to the size of the business

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- We could find no link between pay levels and quality
- Variances in quality appear to correlate to the size of the business
- The assumption has to be that smaller businesses are closer to their customers and that this delivers a significantly improved service
- There is a clear tension between creating bigger and more stable home care businesses and maintaining quality

Suggestions for action: examples from our research

- Proactively supporting the development of a local trade body and resourcing it to provide training to frontline care staff (Lincolnshire Care Association, Herefordshire Care Providers Association)
- Actively encouraging *smaller* home care businesses through more stable contracting and payment arrangements
- Work with selected providers to design a service that meets your needs

We got a small task group together to develop an outcome based specification, and we consulted widely with providers to see whether or not they thought it would work.

- Develop outcome based home care specifications

An interesting piece of information we got from providers was that people who are self-funders are very motivated to increase their independence, whereas people funded by the council had no incentive and saw home care as an entitlement. We worked with providers to design a system whereby everybody could benefit from improving outcomes.



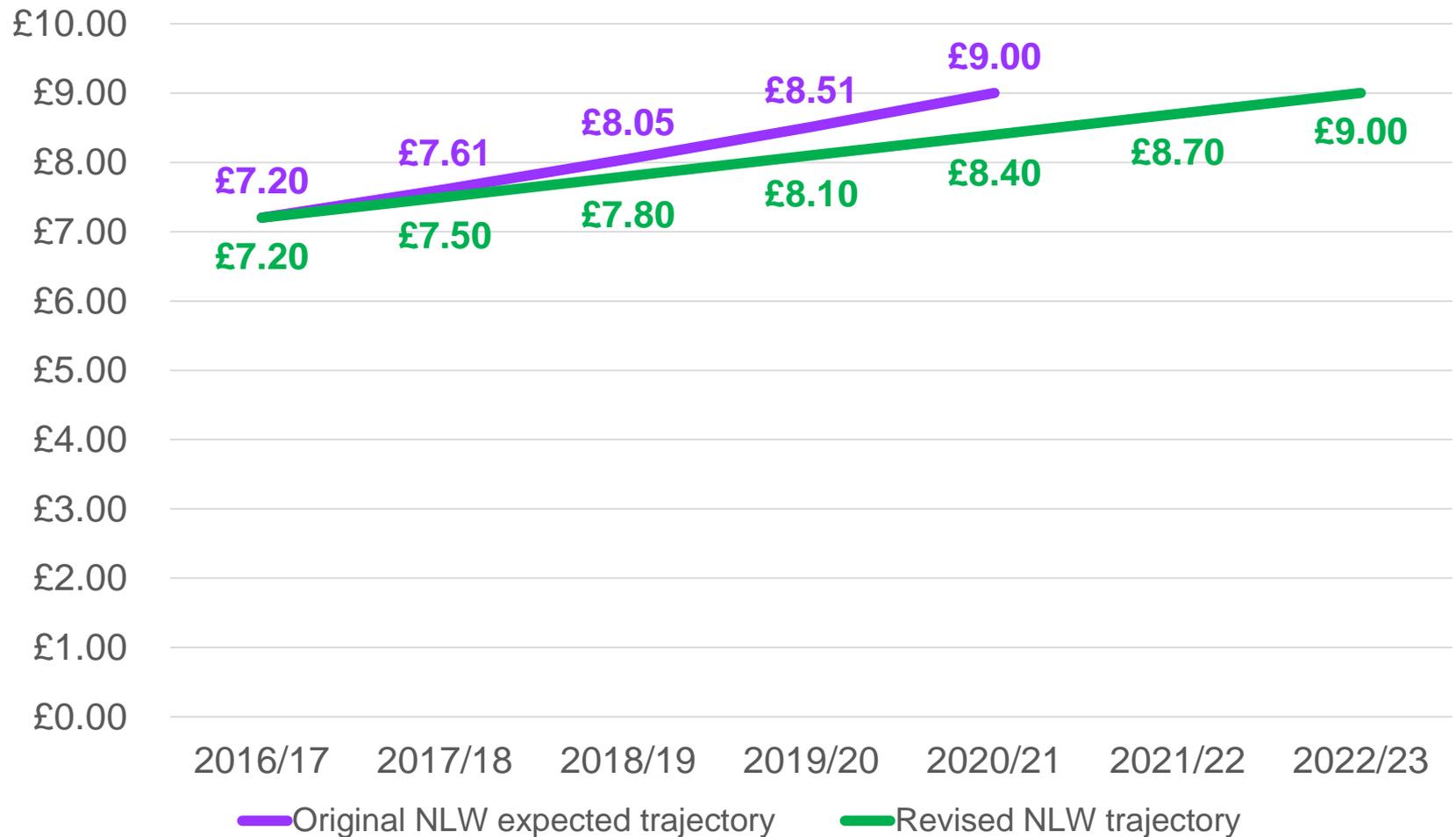
Affordability of product

Key issues

- Affordability is primarily an issue for councils not self funders
 - Typical self funder rates: £16 - £25 per hour depending on where you live
 - Typical rates paid by local authorities £12.07 - £17.72 depending on where you live, with a reported England average of £15.39 per hour.
- Local authorities have been paying larger increases to home care providers than almost any other group – 64% of authorities increased funding by over 3%
- National Living Wage means that costs of home care will continue to rise at least until 2020 and probably beyond.
- Home care costs are likely to increasingly align with NLW increases over time



National Living Wage projected increases



Suggestions for tackling affordability

- Some providers might be able to work with lower prices if contract duration and scale of business were more stable
- Procurement based on trust between Local Authorities and Providers might enable 'alliance' based approaches which can deliver to outcomes but be more flexible day to day
- Review the use of neutral vendors
- Explore with colleagues in health the role of home care in more integrated services
- Extra care housing with an integral support offer could offer some economies of scale

Final observations

- The labour market is not in the control of providers or councils, but providers and councils can play a key role in building up staff retention.
- Cost of home care is set to rise every year until 2020; there is not a clear strategy which will avoid this.
- Really good practice is already happening in some local authorities but this will need to happen more widely and probably more radically.
- The debate on higher levels of funding will need to acknowledge the issue of resources held in property – over £900billion and counting for people aged 65+. The last election may have stalled this issue but it will not go away.



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