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MANAGEMENT

Commissioners and the Care Bill: the impact on care home pricing

Ray Hart and Janet Roberts offer support and advice by giving an example of one of the most common issues raised when providers in the UK look to win public sector health and social care contracts

Currently, the most common requests for support occur when providers are re-tendering for existing contracts in areas where they were previously successful. Some providers re-examine the process and techniques on the assumption that, as they were successful last time, the same process will be successful again. Unfortunately, this is not always the case, which is the main reason why providers are coming unstuck and requesting help. Recently one large national provider was awarded only 40% of its existing contracts after a re-tender process; this highlights the potential losses to providers.

It is tempting to consider that if a good working relationship with the council or NHS commissioner exists, and there has been success in delivering the contract and outcomes required, then all will be well. Unfortunately, this is frequently not the case. Procurement generally, and tendering in particular, is a dynamic developmen-

tal process which reacts to events. The scoring may have changed significantly over time, and the requirement for transparency to demonstrate value for money in pricing has become more prescriptive and demanding. The tendering process can be long and time consuming and can be seen as an additional burden.

The tender process itself is normally run by different officers in the purchasing organisation who may, or may not, have had input from commissioners and/or operational staff. In addition, sections of tenders may be scored by external contractors who will not even see the name identification on the documents they mark.

Splitting the process into the two core areas, process and prices, may be advisable. This article will discuss the key pointers to consider when tendering for renewing contracts.



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Scoring well and winning

The secret of successful tendering is preparation. A good tender includes detail that cannot be collected quickly. For instance, a provider approached Tendering for Care (TfC) to help prepare for a tender not expected to be published until October. There were some immediate problems to be addressed, two of which include:

- **Policies:** policies which are sufficient for the Care Quality Commission (CQC) registration are often inadequate for tendering purposes. A good set of policies provides the purchaser with the certainty that they are able to rely on the contract to deliver what has been promised. Procedures, on the other hand, are a management function setting out how the policies will be implemented. So the first job in this case was to arrange for policies and procedures to be updated and compliant with the standard required
- **Qualifications and skills:** the provider was aware that significant changes in the procurement and tendering processes are afoot. The new EU Procurement Directive published by the EU in April, is now in force, and expected to be adopted into UK law later this year. The thread which runs through the new rules is an emphasis on qualifications, skills and experience. While the tender can ask for records of these and successful contract delivery going back 3–5 years, purchasers may exclude a tender where the provider is unable to provide information requested 'at any moment'. The customer is now setting up a central database where the qualifications, skills and experience of everyone in the organisation, volunteers, staff, managers and directors/trustees is available for quoting in tenders. The database must be updated in real time.
Having covered these and the other priority areas the provider will be in a position of competitive advantage over others when the tender process starts in the Autumn.
Going back to the customer, the process employed involved three stages:
 - A review which interrogates the documents in order that the requirements and how these should be addressed are understood

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- The provider then drafts the answer to one question, which is reviewed and guidance provided for the tender as a whole
- The entire document is reviewed, again with guidance for improvement.

This was all undertaken online using telephone conferencing and remote working so that documents are discussed online in real time.

In this example, it proved very powerful as a learning exercise, and a method for securing contracts. During the space of a week, two tenders prepared using this approach scored 99%, another scored 100% which makes it all worthwhile. Competition is fierce; complacency results in the loss of business, staff and money.

Getting the pricing right

As with all pricing policies, it is important to get the right balance between making the pricing attractive, and ensuring the cost of the services are covered to make the business sustainable.

In this market it is not as easy as being able to look up the competitors on-line or phone up a few sample companies for a quote. Most often the prices are personalised to a particular service, or there is a disparity between the price

quoted and the final price. In addition, commissioners are always trying to drive down prices, so the rates received on day one may need to be sustainable for inflation for anything up to 3 years.

In addition, there is a greater request for levels of price transparency from commissioners for what makes up the final price. Even if the headline price is correct, a business may lose points with too high a management cost, or not meeting a desired rate for services, such as sleep-ins.

Are your costs still competitive?

In the same way that the tendering process has changed beyond all recognition, so has the pricing that commissioning authorities expect to pay. Particularly in large contracts, the prices are being driven down with new competitors coming in and/or companies from other services expanding into area that previously they would not normally consider. For instance, traditional adult services providers have been seen bidding for children's and NHS work, where the margins are perceived to be higher and more sustainable. Therefore, it is important to re-evaluate prices and understand all the costs that can build up a package price, for example, a residential package or domiciliary hourly rate. Valuing Care often review budget sheets

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composed by businesses that miss a number of key costs or have cost lines that are significantly above our value for money indicators.

As an example, there is often a huge range in costs of supplying ancillary items such as insurances. When combined with other on-costs, these can impact the overall price submitted. Helping customers benchmark their services for items such as this can be the difference between a competitive and uncompetitive tender.

Another area to consider is management infrastructure costs. Using benchmarks from organisations can be used as an independent driver to enable the business to remain competitive for both the tender in question and the longer term.

Even with the market there are different benchmarks that need to be factored in. For instance, the void levels in older people's is generally accepted as being higher than in

Key points

- Do not assume you will be successful in tenders you have won before, circumstances have changed
- The new EU Directive puts much more focus on demonstrable policy and procedures
- Purchasers may exclude a tender where the provider is unable to provide information requested 'at any moment'
- Transparent pricing has become a much more important requirement
- Suppliers from different markets have squeezed margins, requiring a relook at areas such as insurance and management costs

other specialist areas due to the nature of the placements. Similarly getting the pricing mix and balance right between council and self-funder placements is crucial, particularly with the new Care Bill opening this up to greater scrutiny.

Finally, it is important to understand at what level the market will accept your intangibles, such as return on capital or profit. Although, it is logical to think that a business can set the price at what point they wish, this publicly funded market that we work in requires a greater level of transparency; being able to demonstrate this while still providing a sustainable business is paramount. NRC

Further information

For further help and advice, please visit:
www.valuingcarefm.com/providers or
www.tenderingforcare.com

For TFC Summer training courses, please visit:
<http://tinyurl.com/p946v7x>