



Valuing Care



Care Provider Market Commissioning Overview

Key Findings 2013/14

Introduction

Welcome to Valuing Care's market overview for 2013/14.

Commissioners deserve an alternative voice on the current state of the UK market, provided by an organisation that delivers services for them. Through the work that we have undertaken for commissioners since 2005, we believe we are uniquely placed to offer this insight.

During 2013/14 Valuing Care has worked with many commissioning organisations, providers and citizens to complete a diverse range of commissioning support services.

The objective of this report is to share some of the project detail and summarise the key findings.

I hope the information provided is useful, and it can help with any commissioning decisions you have to make.



Ray Hart - Director
Valuing Care



In 2013/14 Valuing Care:

- ✓ Received and analysed financial data collected from over 850 providers nationwide
- ✓ Reviewed £125 million per annum of spend for commissioners
- ✓ Worked with 27 authorities or NHS bodies
- ✓ Helped 4,000+ self-funders through the use of our Valuing Care Fees Calculator
- ✓ Negotiated £800,000 annual savings across all service domains including Independent Fostering Agencies
- ✓ Supported provider organisations to deliver efficient services ready for personal budgets.

Key findings:

- On average current commissioned placement fees in specialist services still typically exceed Valuing Care's calculation of a fair price by between 10% and 20%. This is particularly prevalent in Children's and Continuing Health Care services. Some commissioners appear to accept that children's residential placements cost between £3,000 and £3,500 per week, because that is the going rate. Read more findings on the **Children's Services** page.
- There is a large and growing disparity in older people's residential and nursing care between rates paid by local councils and by private individuals; a differential of 10-15% appears reasonable, however we are seeing cases of 50% plus. It is not unusual for self-funders to pay £1,000 per week for nursing care. Read more findings on the **Older People's** page.
- Older people's validation exercises on residential and nursing fee rates have not produced recommendations to significantly increase rates to providers. However it has been a mixed picture nationwide. The level of income received for funded nursing care by providers was consistently below the average cost of providing the nursing care element. Read more findings on the **Older People's** page.
- Large and historical block contracts are not delivering value for money. There is a need for re-commissioning on new terms and conditions, or reducing prices paid for these contracts. Read more findings on the **Working Age Adults** page.
- NHS commissioners are trying to develop pricing tools and fee banding for enhanced service levels but are struggling to define need categories that dovetail with council funded cases. Read more findings on the **Continuing Healthcare Review Services** page.



Older People

Managing the market and supporting self-funders

In 2013/14 Valuing Care was employed to help seven organisations set authority wide fair prices for care in residential and nursing homes.

With the Care Bill soon to become law, Valuing Care also launched an online postcode calculator to help self-funders assess value for money in residential services and has successfully negotiated savings in their first self-funder cases.

Key findings:

- Providers appear to make a minimal level of return from council funded placements. There is a large disparity between rates paid by local councils and those paid by private individuals who are likely to pay, on average, 25% more for the cost of their care. However from our analysis there is no wide scale subsidy of council funded placements.
- Private funders are vital to business profitability and the sustainability of the market, any changes with respect to the Care Bill must be thought through to mitigate sustainability issues in the market.
- Since its launch the Valuing Care Fees Calculator has been used 4,000+ times by self-funders to check prices.
- The self-funder negotiations undertaken by Valuing Care highlighted a significant naivety in commercial awareness of relatives entering into contracts with care homes.
- Self-funders are focussed on finding the right home but are often unclear about what they are paying for and how much it should really cost. This lack of knowledge and guidance could create significant issues when the care cap is implemented.
- FNC is often insufficient to cover the costs of nursing, recognising it should also make a contribution to management and overhead costs, and provide a return to the provider.

Focus on: Buckinghamshire County Council



The local provider forum requested a review of council fees with a view to implementing an inflationary uplift.

The Council chose to review the delivery costs and implement a fair, sustainable and evidenced based set of spot purchase fees for residential, nursing and dementia services.

Valuing Care collected detailed financial information from selected providers delivering residential services. The information was analysed and the survey results benchmarked against our database comparator to challenge and corroborate the survey results.

The outcome of the exercise being the usual prices paid by Buckinghamshire were broadly correct, with only the nursing element appearing under funded.

Key benefits:

- Provided clear guidance on what represents a fair and sustainable rate for older people's care home services in Buckinghamshire.
- Established that councils should not be required to subsidise the additional costs of nursing staff (which exceed Free Nursing Care).
- Provided a medium term strategy for fee rates based on reliable market benchmarks.

Our services:

- **Recommending fair and sustainable rates for residential care**
 - Provider surveys to determine usual costs
 - Benchmarking against our database comparator
- **Reviewing residential and nursing block contract fees**
 - Unpicking legacy contracts to identify potential savings
- **Informing self-funders of a fair price for care – Valuing Care Fees Calculator**
 - Help to educate self-funders in getting the best possible price
 - Negotiating value for money prices for self-funders

“ We believe that the project has been delivered in a timely, efficient manner, and we appreciated throughout the support offered by Valuing Care, and the proactive nature in which providers were engaged and encouraged to respond.”

Craig Barlow, commissioning business manager, Stoke City Council

Checklist:

- ✓ Are your rates for care home services fair and sustainable, especially with the care cap implementation coming soon?
- ✓ Are you at risk of legal challenge from your local providers or self-funders?
- ✓ Are you contributing to the costs of nursing (which exceed FNC)? Are you getting value from block contracted services, especially legacy arrangements?
- ✓ Are you providing the right advice and negotiation support to self-funders in your area?

Children's Services

Empowering the best possible service

This year has seen a growth in requests for Valuing Care to analyse and negotiate residential and foster care agency placements. Seven organisations have asked us to review their current placements.

Whilst some providers have challenged our involvement, including involving families, progress has been made as they begin to realise the need for our customers to evidence value for money services. It has also benefited from the realisation that we are conducting financial audits and not care need reviews.

Key findings:

- Councils are not always clear about the delivery costs of the service they are paying for and children's placements do not appear to be subject to the same level of scrutiny as adult placements.
- In some areas there are more children requiring care than there are foster placements available, however residential settings have spaces they cannot fill.
- Within the cost of children's residential placements, councils that do scrutinise fees are confused about the educational costs; providers are using this to their advantage.
- Current placement fees typically exceed Valuing Care's calculation of a fair price by up to 20%, and there appears some acceptance on the part of commissioners that children's residential placements cost between £3,000 and £3,500 per week, because that is the going rate.
- A high level of inconsistency exists in the amount of money charged by providers to fund children's allowances, incentive payments, social activities and gifts often amounting to between £150 and £250 per week. This raises two important issues:
 - Equity between children
 - The risk of creating expectations about lifestyle which are unlikely to be maintained once a child leaves care
- The price of foster care placements rarely reflect the cost of what is being provided by the foster care agency. Foster placements that have stabilised over time, and require a reducing amount of support, often continue to be paid at the same rate.

Our services:

- **MyCareCosts – financial reviews and negotiations**
 - Residential homes with/without education
 - Independent Fostering Agencies
- **Knowledge sharing workshops**
 - Specialist training courses
- **In house provision**
 - Calculation of unit costs and benchmarking against the market

“ This training provided much food for thought, great stuff.”

*Evelyn Williams,
senior commissioning officer,
Tower Hamlets Training*

Focus on: Doncaster Metropolitan Borough Council



Doncaster
Metropolitan Borough Council

The Council required a better understanding of the true costs of delivering its existing high cost placements. Valuing Care subsequently reviewed 22 cases with a weekly fee of between £2,000 and £4,000 per week paid by the Council.

Key benefits:

- Benchmarked provider costs against the Valuing Care FM cost model.
- A report for each case detailing the costs that varied from the model price to be used as a negotiation tool.
- Identified a potential saving of £850,000 per annum.
- Empowered the Council to manage in-house negotiations.

Checklist:

- ✓ Are you confident that you are paying a fair price for services?
- ✓ When you commission do you clearly state the level of service required? Has this been undertaken for all existing placements?
- ✓ Are you reviewing services to see if you can change the commissioned service level to reduce the weekly cost; if so could a financial audit and renegotiation increase your savings potential?

Working Age Adults

Helping to deliver cost efficient services

We delivered our most diverse range of services for working age adults in response to the particular needs of our customers. Nine authorities worked with us for a variety of cost review, market management, contract renegotiation, pricing strategy and training services.

Key findings:

- Some providers continue to mask their profitability either by simply misrepresenting their costs, or alternatively developing complex corporate structures, use of sales and lease back arrangements, and use of inter-company debt to transfer profits.
- Providers are struggling to adapt traditional services to a transparent pricing model for personal budgets. Some councils are financially supporting providers achieve this goal.
- Reorganisation has left some commissioning and brokerage teams with new processes and insufficient skills and experience to deal with sophisticated commercial providers.
- New placement negotiations are still essential to managing precious resources. One negotiation by Valuing Care for a client with complex needs led to an annual reduction of £100,000 on the agreed price quoted to the authority.
- Savings are still achievable on long term high costs placements in mental health, physical disabilities and learning disabilities. In total we achieved annualised savings of £800,000 for our customers in 2013.
- Customers report that the Care Funding Calculator is too complex, has flaws, and its completion has become a mini industry. Where we have been commissioned to review CFC cases, savings are quite often still available.
- Councils are struggling to reconcile their Resource Allocation Systems and Pricing Tools with the cost of services offered by the market. If the RAS and Pricing Tools lack credibility and cannot be adhered to, they are of little value and need to be reviewed and updated.

Our services:

- **MyCareCosts – financial reviews and negotiations**
 - Residential placements, supported living and home care
- **Provider price book reviews**
 - Helping providers set prices for personal budget holders
- **Knowledge sharing workshops**
 - Specialist training courses
- **Block contract reviews**
 - Identification of savings opportunities in legacy contracts
- **Review of pricing tools / RAS**
 - To ensure reasonable allocations match the cost of provision

“ A very comprehensive summary of the workshop – I’m particularly impressed by the chart mapping of our process. It really does illustrate the current complexity of the operation.”

*Peter Hart, brokerage officer,
London Borough of Barnet Council*

Focus on: Your Choice and Mencap



The London Borough of Barnet commissioned Valuing Care to undertake a price book review to develop a menu of prices that would be attractive to personal budget holders, and financially sustainable for the

provider. This was commissioned to help the provider overcome the withdrawal of direct funding from the Council.

Key benefits:

- A price model to calculate individual prices to reflect current cost structure and comparable value for money rates (based on private sector provision).
- Equipped providers with a clear understanding of how much their services cost to provide, and the prices they need to charge to recoup costs.
- Exposed the commercially viable activities, and confirmed activities to be discontinued.
- Highlighted the necessity for ongoing dialogue with the customer base to understand the services required and the price customers are prepared to pay.

Checklist:

- ✓ Are you reviewing services to reduce spend? If so, are you ensuring that provider finances are reviewed in parallel? A reduction in service is not the only way to achieve savings.
- ✓ Are you paying for the correct level of direct care hours? We often see 1 to 1 commissioned throughout the day, and the provider is also charging for shared care hours.
- ✓ Are your local providers ready for personal budgets? Are their prices competitive and sustainable?
- ✓ Do your contracts teams have the necessary data and skills to manage this complex market? Do they need support?

NHS Continuing Healthcare Review Services

A smarter approach to procurement

The work completed during 2013/14 included the traditional MyCareCost service, new placement negotiations and price checks for six customers.

We have also supported CSUs in setting needs thresholds and costing models for banding older people's CHC placements

Since reorganisation there is a renewed appetite for either CSUs or CCGs to get to grips with the level of spend in Continuing Health Care. This has led to an increase in requests for support.

Key findings:

- Health commissioners are trying to develop pricing tools for different service levels but are struggling to define needs categories. Providers are using this inconsistency to lift prices through additional services.
- Benchmarked CHC rates for older people are comparatively higher than those for local authorities, even when the higher degree of complexity of health services is factored in.
- Providers are typically charging 10% - 15% higher prices for long term placements made by CCGs than those made by local authorities, for similar comparable inputs.
- Providers are more accepting on negotiating prices within case reviews and particularly for new placements.
- The reorganisation in the NHS market has left some areas of continuing health care to 'drift,' with providers using these changes to inflate prices charged, particularly on specialist placements.

Focus on:

NHS Central Midlands Commissioning Support Unit



Developing a Framework Agreement to inform providers of the value for money price the Clinical Commissioning Group would expect to pay for a service was high on the agenda for NHS Central Midlands Commissioning Support Unit.

Valuing Care collected detailed financial information from selected providers delivering nursing and domiciliary services across standard, enhanced and complex service bands.

The information was analysed and the survey results benchmarked against our database comparator in order to challenge and corroborate the survey results.

Key benefits:

- Highlighted considerable variation in service levels provided to CHC patients with enhanced and complex needs.
- Raised questions about the achievability of fixed rates for these levels of care.
- Provided clear guidance on standard nursing home and domiciliary care service costs.
- Recommended a mechanism for adjusting the standard rates to meet higher levels of need.

Our services:

- **MyCareCosts**
 - High cost placement reviews
- **Setting usual prices for services**
 - Analysis of local service delivery costs
 - Support to define usual weekly fees
- **Provider price book reviews**
 - Assess the block contract provision for value for money
- **Knowledge sharing workshops**
 - Specialist training courses

“ We achieved significant savings which were made possible by the help and input from the Valuing Care team. We have gained a huge amount of experience and learned a range of negotiation techniques and approaches.”

*Joanne Watkinson,
assistant contracts manager continuing
healthcare, NHS Doncaster CCG*

Checklist:

- ✓ Have your on-going CHC cases been thoroughly reviewed in the past three years?
- ✓ Are you confident that value for money is being achieved?
- ✓ Do you have robust models and banding levels for determining rates for services which reflect the needs of your patients?
- ✓ Are you confident that the provider is offering you the same price as the local authority for a similar service?

Our Services

Transforming commissioning across Adult's, Children's and Continuing Health Care services

Our active market presence, and position as industry experts, makes us the leading choice for commissioners across Adult's, Children's and Continuing Health Care services.

We believe in price transparency, and as such have invested significant time and resources examining rates to create a comprehensive database of thousands of individual care placements. Our data highlights value for money costs, which takes into account significant regional variations; a unique offering that sets us apart from anyone else in the market.

From negotiating existing placements and advice with cost modelling to set the Usual Price (UP) for services, to empowering your workforce to undertake their own financial analysis, we help secure cost-efficiencies. This enables funds to be reallocated to other frontline services.

“ The time we spent with Valuing Care was invaluable, we now have a clear understanding of how to present the figures, and the types and scales of figures that would be expected and accepted.”

Lynne Forster,
commercial director, Bornel Care Limited

Our services:

- **MyCareCosts**
 - High cost placement reviews
- **Cost modelling**
 - Setting the usual price for care
 - Reviewing block contracts and RAS pricing
- **Knowledge sharing workshops**
 - Specialist training courses
- **Valuing Care Fees Calculator**
 - A free tool for self-funders to assess value for money care home fees
- **Data and information services**
 - To help set authority wide care rates
- **New placement negotiations**
 - Manage and negotiate care home fees



Valuing Care

Value for money: at the heart of our operations

Fast facts:

- Market leader in analysing and negotiating care packages
- Database of over 5,000 individual cases and cost averages
- Provide negotiation support and advice for self-funders
- Developed robust cost models for each service category in Older People's, Adults and Children's services
- Worked with more than 100 local authorities and NHS organisations
- Saved more than £15 million per year on prices paid by commissioners
- Typically negotiate 10 – 15 % reduction on care fees
- Highly regarded spokespeople on care costs; Valuing Care provides expert advice to a range of media from the broadsheets to local radio

**For more information visit www.valuingcarefm.com
or call one of our team on: 01273 757 233**



Valuing Care

Suite 4, The Hub,
3 Drove Road,
Newhaven,
East Sussex,
BN9 0AD

Phone: 01273 757 233
Email: enquiries@valuingcarefm.com
LinkedIn: Valuing Care Financial Management
Twitter: @ValuingCare
Web: www.valuingcarefm.com
