



Care Provider Market Commissioning Overview

Key Findings 2014/15



Experts in Analysing and Negotiating Care Costs

Valuing Care

Introduction

Welcome to Valuing Care's market overview for 2014/15.

Welcome to Valuing Care's market overview for 2014/15; the second in our series of market commentaries.

This document provides commissioners with an alternative position on what constitutes the current state of the UK care market.

The market 'noise' in the media and publications continue to portray the position that the market is starved of resources and many providers are 'going to the wall'.

However the position is much more nuanced, with areas of underinvestment balanced against pockets of services that are still not value for money.

Through the work completed for commissioners during the past ten years, Valuing Care is uniquely placed to offer this insight, and bring our experience and data to target the correct areas for efficiency savings and provider investment.

During 2014/15, the breath of work Valuing Care completed continued to develop, and we have 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 the project detail, and summarise the key findings to help with any future commissioning decisions you have to make.



Ray Hart - Director, Valuing Care

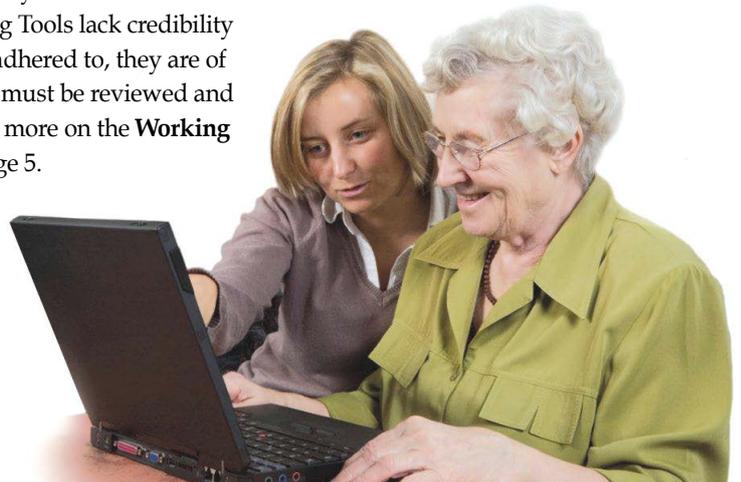


In 2014/15 Valuing Care:

- ✓ Received and analysed financial data collected from over 813 providers nationwide
- ✓ Reviewed £117 million per annum of spend for commissioners
- ✓ Worked with 20 authorities and NHS organisations
- ✓ Helped 5,000+ self-funders through the use of our Valuing Care Fees Calculator
- ✓ Negotiated £875,000 annual savings across all service domains
- ✓ Supported provider organisations to deliver efficient and robust services for the Care Act

Key findings:

- On average, current commissioned placement fees still typically exceed Valuing Care's calculation of a fair price by between 10% and 20%. The disparity continues to shrink in Adult services with pockets of over pricing more the exception than the norm. However our work continues to highlight the significant margins enjoyed by providers in Children's and Continuing Health Care services. Read more on the **Continuing Health Care and Children's Services** page 4.
- In Older People's, self-funders continue to pay up to 50% more than council funded placements regardless of the much lower cost differentials. Under the duties required for the Care Act, councils will need to significantly re-think their market shaping strategy and support to ensure the market continues to function without legal challenge. Read more on the **Older People's** page 3.
- The legal pressure from providers on older people's fee rates continues to grow. It is more vital than ever to undertake a robust and structured fee validation exercise. Valuing Care has now completed 13 of these exercises across England.
- 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 must be reviewed and updated. Read more on the **Working Age Adults** page 5.
- NHS commissioners benefit significantly from market training and price transparency analysis, and the changes in the healthcare market make this work even more valuable. Read more on the **Continuing Healthcare Review Services** page 6.



Managing the market and supporting self-funders

In response to the need for councils to prepare for implementation of the Care Act, Valuing Care provided a number of support services.

Our Valuing Care Fees Calculator, which assesses whether the quoted fee received from a care provider is value for money, has been widely used, demonstrating a growing need for non-regulated financial advice.

With the market finally balanced in Older People's, providers have turned to us for expert advice on how to competitively cost services to win council contracts.

Key findings:

- Some councils have used their purchasing power to hold down rates for residential care services.
- 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.
- Private funders are key to business profitability and the sustainability of the market.
- 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. They desperately need non-regulated financial advice.
- There is a general 'putting off' tackling the usual cost issue in the hope that the market will not be affected by the Care Act.

Focus on: Barnsley Metropolitan Borough Council



The Council contracted Valuing Care to undertake a cost review of residential and nursing services for older people. The purpose of the review was to inform the setting of future rates for services that are fair, sustainable and evidenced based. Valuing Care used its established processes to undertake

a survey of care home costs to identify the usual cost of providing services locally. The survey also gathered information on the overall health and sustainability of the market with specific regard to occupancy levels and the range of fees.

The cross corroboration of the survey results with Valuing Care's cost model and national database comparator, provided the Council with clear guidance of what represents a fair rate for care home services. The review also highlighted some of the inefficiencies in the market arising from the current oversupply of places.

Key benefits:

- Established processes for engaging care home providers, and evidencing the usual cost of providing services.
- Cross corroboration of local survey results with Valuing Care's national database comparator.
- Increased intelligence about the range of fees charged to different customer groups, levels of profitability, market efficiency and sustainability.

Our services:

- **Care Act implementation**
 - Surveys to identify the number of self funders buying care
 - Process design to accommodate increased volumes in the contact centres
- **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**
 - Help to educate self-funders in getting the best possible price
- **Valuing Care Fees Calculator**
 - A free calculator that can be embedded on your website

“ Congratulations to us all, we have been selected on the preferred providers list for WLA. We could not have done this without Valuing Care's input. We are very grateful for your support and guidance throughout.”

Gita Aggarwal, Gee Aggar & Co, Chartered Accountants

Checklist:

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

Empowering the most cost effective service

Valuing Care's expertise in this area is highly regarded, and we are active in providing advice to government on the true costs of delivering children's services.

The growing importance placed on providers to demonstrate cost transparency is evident, and Valuing Care has successfully analysed and negotiated an increasing number of residential and foster agency placements.

Key findings:

- Councils are not always clear about the delivery costs of the service, 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 certain residential settings have spaces that cannot be filled.
- 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 or moves into foster placement.
- 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:

- **Cost Analysis – Review of Internal and External services**
 - Understand the true costs of delivery
 - Assess whether services are offering value for money
- **Training**
 - Providing negotiation tools to service commissioners
- **MyCareCosts – financial review and negotiation on existing service packages**
 - Residential homes with /without education
 - Independent Fostering Agencies
- **FE College Cost Reviews**
 - Helping understand Element costs for SEN pupils

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

Evelyn Williams,
senior commissioning officer,
Tower Hamlets Training

Focus on: Buckinghamshire County Council



Valuing Care was awarded a contract to calculate unit costs for Buckinghamshire County Council's in-house foster care service, to benchmark these services against the cost of services provided by Independent Foster Agencies, and to make an assessment of value for money.

This project required Valuing Care to work closely with the Council's operational management to understand the varying level of resource input into short-term, long-term, family and friends, and special needs placements.

The intelligence gained enabled the cost of team budget to be apportioned between function, and the calculation of unit costs for each type of service.

A comparison of unit costs for the in-house service against Valuing Care's cost model for IFA services highlighted areas of variance in both service levels and cost efficiency; key to informing future service strategy and outsourcing decisions.

Key benefits:

- Calculation of actual unit costs covering different types of foster care placements.
- Greater understanding of differences in service levels and cost efficiency.
- Increased intelligence to inform service strategy and outsourcing decisions.

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?

Helping to deliver cost efficient services

Valuing Care offers a diverse range of services for working age adults, with demand continuing to grow year on year.

Local authorities have turned to Valuing Care for our skills and expertise in cost reviews, market management, contract renegotiation, pricing strategy and training services.

Key findings:

- Providers are beginning to adapt traditional services to a transparent pricing model for personal budgets.
- New placement negotiations are still essential to managing precious resources.
- Savings are still achievable on long-term high costs placements in mental health, physical disabilities and learning disabilities. In total Valuing Care achieved annualised savings of £600,000 for customers in 2014.
- Large and historical block contracts are not delivering value for money. There is a need for re-commissioning on new terms and conditions.
- 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, then they are of little value and need to be reviewed and updated.
- Some providers, particularly charities are struggling to reposition their prices to align to personal budgets. Support is needed to ensure their services are competitively priced.

Our services:

- **MyCareCosts – financial reviews and negotiations**
 - Residential placements, supported living and home care
- **Provider price book reviews**
 - Activity based costing to inform pricing strategies
- **Knowledge sharing workshops**
 - Specialist training courses
- **Block contract reviews**
 - Identification of savings opportunities
- **Review of pricing tools / RAS**
 - To ensure reasonable allocations

“ 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

Focus on: Gloucestershire County Council



The Council commissioned Valuing Care to undertake a cost review of care home services for working age

adults. The purpose of the review was to help the Council update its 'Residential Pricing Tool,' which was no longer considered fit for purpose.

Through established processes Valuing Care undertook a survey of care home costs to identify the usual cost of providing services locally. The cross corroboration of the survey results with Valuing Care's cost model, and national database comparator, provided the Council with clear guidance of what represents a fair rate for care home services.

Key benefits:

- Established processes for engaging care home providers and evidencing the usual cost of providing services.
- Cross corroboration of local survey results with Valuing Care's national database comparator.
- Increased intelligence about the range of fees charged to different customer groups, levels of profitability, market efficiency and sustainability.

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?

A smarter approach to procurement

In addition to meeting a growing demand for high cost placement reviews as part of our MyCareCosts service, Valuing Care has also completed new placement negotiations, CHC banding reviews and price checks to ensure value for money is achieved.

To assist in-house staff to enhance their negotiation skills and techniques, our knowledge sharing workshops have fully equipped nurses and commissioners to analyse and negotiate package costs and achieve significant cost savings.

Key findings:

- Health commissioners are trying to develop pricing tools for different service levels, and are experiencing difficulties when defining needs categories. Providers are using this inconsistency to raise 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% more for long term placements made by CCGs than those made by local authorities for similar inputs.
- Joined up analysis and implementation through the Better Care Fund could lead to more stable prices and release resources for community services.

Focus on:

Greater Huddersfield Clinical Commissioning Group



Greater Huddersfield
Clinical Commissioning Group

Valuing Care facilitated two specialist workshops empowering staff at Greater Huddersfield CCG to analyse and negotiate care packages.

The workshops provided nurse practitioners, administrators and finance leads with an understanding of the knowledge and tools required to ensure a value for money price is paid for services.

Valuing Care shared skills and expertise on how to assess and achieve value for money for customers, and included real, local case studies for the group to analyse.

Key benefits:

- An understanding of how to collect financial data from providers, and complete a value for money assessments.
- A detailed overview of the cost breakdown .
- An overview of how Valuing Care builds a cost model.
- An in-depth review of provider accounts.

Our services:

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

“ Thank you for delivering excellent training sessions for our CHC team. Everyone enjoyed the day, and feedback was positive. It has certainly focused our attentions on how to move forward as an organisation, and has provided us with a very good foundation to work with.”

Kelly Glover,
continuing health care programme manager,
Greater Huddersfield 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 children's and adult services

Our active market presence, and position as the industry experts, makes us the leading choice for commissioners across adult and children's 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; funds which can 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 6,000 individual cases and cost averages
- The ability to validate and benchmark current care rates for specific regions and service types
- 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 on placements that are not value for money
- Highly regarded spokespeople on care costs; Valuing Care provides expert advice to a range of media from the broadsheets to local radio
- Click here to read our latest media coverage www.valuingcarefm.com/news

**For more information visit www.valuingcarefm.com,
call one of our team on: 01273 757 233, or find us on Twitter @valuingcare**



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