



Care Provider Market Commissioning Overview

Key Findings 2015/16



Valuing Care

Experts in Analysing and Negotiating Care Costs

Introduction

Welcome to Valuing Care's market commentary for 2015/16; the third in our series of market reports. The objective of the 2015/16 commentary is to share some of the project detail in the last year and summarise the key findings.

This document aims to give commissioners an alternative position on what constitutes the current state of the UK care market, and highlight the key areas the company has reviewed in the last year.

The continued backdrop of ever tightening budgets compared to the growing needs and complexity of the commissioned care market makes the price paid for services even more important.

The market continues to cry out for fee increases and investment, and with the recently announced precept, the expectations of the providers will grow. However, paying for core services remains the priority and ensuring that any additional resources are spent in the most cost effective way is vitally important.

During 2015/16, the breadth of work Valuing Care has completed continued to widen and the company is now in the process of developing software tools that take our data and make it available on-line for commissioners to use in their interaction with the care market.

This database of cost data we retain from the work that we have completed for commissioners since 2005 continues to grow. Through the data and our experience nationwide we are uniquely placed to offer this insight into what represents a fair price for care services.

I hope the information provided is useful, and helps with any future commissioning decisions you have to make.



Ray Hart - Director, Valuing Care

In 2015/16 Valuing Care:

- ✓ Received and analysed financial data collected from over 500 providers nationwide
- ✓ Reviewed £146 million per annum of spend for commissioners
- ✓ Worked with 31 customers (authorities, NHS bodies & providers)
- ✓ Helped 4,700+ self-funders through the use of our Valuing Care Fees Calculator
- ✓ Negotiated £350,000 annual savings across all service domains
- ✓ Supported 5 councils and 2 CCG groups to identify the usual cost of delivering services locally



Key findings:

- Some councils are experiencing difficulty quantifying and funding the new National Living Wage, and dealing with the level of requests for uplifts from providers. Read more on the **Older People's** page 3.
- A lack of a structured approach to funding high needs learner support has resulted in high levels of inconsistency in the charges levied by FE colleges. Read more on the **Children's Services** page 4.
- Categorisation of needs of CHC bands must be reviewed to ensure an accurate estimate of the staffing inputs required to meet patient needs. Read more on the **Continuing Healthcare Review Services** page 6.
- Working Age Adults procurement processes and pricing systems can be improved by developing greater understanding of the local cost of delivering services. Read more on the **Working Age Adults** page 5.
- Self-funders in care home placements continue to subsidise provider profit levels and council placements. Read more on **Our Services** page 7.



Managing the market for Older People's services

Our work in Older People's services continues to be dominated by the need to ensure the Usual Cost of residential and nursing care fee rates are correct. Any increase in fee rates needs to strike a fine balance between available budgets and a sustainable market, particularly with the increase to the National Living Wage (NLW). Many councils have used our model rates as a benchmark for their wider provider engagement programmes.

On a wider level we are seeing a pickup in activity in new cost models in the domiciliary market, particularly in looking for new and innovative ways to contract for services.

Key findings:

- Some councils have used their purchasing power to hold down rates for residential care services.
- Some councils are experiencing difficulty quantifying and funding the new National Living Wage, and dealing with the level of requests for uplifts from providers.
- 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.
- 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: South Gloucestershire Council and CCG



The Council and CCG commissioned Valuing Care to undertake a joint review of the cost of care homes services for older people. The purpose of the review was to develop a consistent fee tariff across health and social care which allowed for the impact of the national living wage.

To fulfil these requirements Valuing Care undertook a survey of care home costs to identify the usual cost of providing services and usual rates of pay for each type of staff. This information enabled Valuing Care to model the impact of the NLW on care home services in South Gloucestershire and to recommend a tariff of rates for each type of service.

Key benefits:

- Ensures a clear understanding of the local cost of delivering services, including the impact of the National Living Wage
- Development of a new consistent fee tariff for residential, nursing and continuing health care, which reflects usual levels of care to people with different types of need
- Provides commissioners with greater confidence they are achieving value for money whilst ensuring the required supply and quality of places

Our services:

- **Recommending fair and sustainable rates for residential care**
 - Provider surveys to determine usual costs
 - Benchmarking against national intelligence and external data sources
- **Financial modelling of new cost pressures and legislative changes**
 - Unpicking legacy contracts to identify potential savings
- **Market review and analysis**
 - Estimation of future commissioning requirements and market capacity
 - Market health checks
- **Block contract reviews**
 - Unpicking legacy contracts to identify potential savings
- **Advising self-funders of a fair price for care**
 - Help self-funders secure the best possible price
- **Valuing Care Fees Calculator**
 - A free calculator that can be embedded on your website

“ The local market offered significant challenges which Valuing Care responded to. Throughout I found Valuing Care professional and competent and was happy to work with the team.”

Angela Jamson, Commissioner Adult Social Care, Newcastle City Council

Checklist:

- ✓ Do you know the usual cost of delivering services in your area?
- ✓ Do you have sufficient capacity of quality services to meet the needs of your population?
- ✓ Does your market management team have the capacity to fairly deal with provider representation and queries relating to National Living Wage uplifts?
- ✓ Do your procurement teams have the necessary information and skills to manage this complex market?

Ensuring value across all types of service

The main focus in 2015/16 has been reviewing individual out of area placements. The excessive margins within those placements remain the largest in the care industry. We are finding more commissioners across the country willing to make difficult decisions so that resources can be released to fund shortfalls elsewhere.

We have also completed a number of post 16 high needs learner reviews as highlighted in our focus on Berkshire authorities below.

Key findings:

- A lack of a structured approach to funding high needs learner support has resulted in high levels of inconsistency in the charges levied by FE colleges.
- Children's placements do not appear to be subject to the same level of scrutiny as adult placements, particularly residential schools.
- 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.
- Some councils are overly dependent on out of area foster placements, and are consequently not getting value for money.
- Foster placements that have stabilised over time, and require a reducing amount of support, often continue to be paid at the same rate.
- High levels of inconsistency in the amount of money charged by providers to fund children's allowances, incentive payments, social activities and gifts, has created inequity between children.

Our services:

- **Review of post 16 high needs learner (HNL) support costs**
 - Cost survey and analysis
 - Design of price models
- **MyCareCosts – financial review and negotiation of existing service packages**
 - Residential homes with/without education
 - Independent fostering agencies
- **Cost Analysis – review of in-house and tendered out services**
 - Activity based costing
 - Independent option appraisals
- **Knowledge sharing workshops**
 - Bespoke training courses tailored to customer needs

“ The training workshop was a useful and informative day delivered by presenters that had a good depth and breadth of knowledge.”

*Angela Dakin,
Head of Commissioning,
Reading Borough Council*

Focus on: Berkshire Authorities



The Berkshire Authorities commissioned Valuing Care to undertake a cost review of post 16 high needs learner (HNL) support to attend college. The purpose of the review was to improve the Council's understanding of the cost of delivering HNL support, and to identify and challenge colleges with unusually high costs.

To fulfil these requirements Valuing Care undertook a survey of HNL support costs to identify the usual cost of providing services and usual rates of pay for each type of staff. The survey highlighted significant inconsistency in the reported cost of providing teaching and learning support, which has triggered audits of the high cost colleges.

Key benefits:

- Identification of usual costs and staff inputs for each staff type
- Increased intelligence about how support costs vary to meet the needs of high needs learners
- Development of a cost model based on the usual cost of delivering services

Checklist:

- ✓ Do you need to achieve efficiencies and savings?
- ✓ Are you confident that you have transparent models that ensure a fair price for services?
- ✓ New placement negotiations are essential to managing precious resources?
- ✓ Do you have a structured approach to determining a fair price for all service types?
- ✓ Does your procurement team have the necessary information and skills to manage this complex market?

Helping to deliver cost efficient services

Although we still complete placement reviews within Working Age Adults, the market has matured and it is a finer balance between achieving value for money and ensuring a sustainable market. Our work has evolved into providing modelling data, and reviewing specialist provision such as block contracts or specialist domiciliary services.

Key findings:

- New placement negotiations are still essential to managing precious resources.
- Savings are still achievable on long-term high cost placements for learning disabilities, physical disabilities and mental health. In total Valuing Care achieved annualised savings of £350k for customers in 2015/16.
- Procurement processes and pricing systems can be improved by developing greater understanding of the local cost of delivering services.
- Large historical block contracts infrequently deliver value for money and may provide an opportunity to make savings.
- Some providers require support to review costs and develop pricing.

Our services:

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

“ Thank you Valuing Care for pulling out the stops – it’s really appreciated.”

Sue Cooper, Commissioning Officer, South Gloucestershire Council

Focus on: Sunderland City Council



The Council commissioned Valuing Care to undertake a cost review of specialist home care and support services for adults with learning disabilities. The purpose of the review was primarily to help the Council identify and

achieve savings, but also to inform future pricing strategy.

Through established processes Valuing Care undertook a survey of service provider costs to identify the usual cost of providing services locally. Providers reporting costs in excess of the local average were subsequently challenged to achieve efficiencies and pass the saving back to the Council.

Key benefits:

- Established processes for engaging service providers and evidencing the usual cost of providing services
- Cross corroboration of local survey results with Valuing Care’s cost model and national intelligence
- Achievement of savings from service providers who want to partner the Council and offer competitively priced services

Checklist:

- ✓ Are you getting what you are paying for?
- ✓ Are your pricing systems/fee tariffs reflective of the usual cost of delivering services?
- ✓ Does your procurement team have the necessary information and skills to manage this complex market?
- ✓ Are your local providers delivering value for money services?

A smarter approach to procurement

The scrutiny of Continuing Healthcare (CHC) placements has led to the greatest increase in our activity within the care market. This includes both specialist single placements and banded rates for Older People’s services.

Commissioners are grappling with the need to purchase in the market at fixed rates, whilst also recognising the varied needs required by CHC patients.

Valuing Care’s main development has been working with CCG partners to create a new CHC software tool that calculates a fair and sustainable price for CHC placements.

Key findings:

- NHS fees for care home services are usually more generous than those for local authorities, even after allowing for the additional care required to meet more complex needs.
- Categorisation of needs (in bands) must be reviewed to ensure an accurate estimate of the staffing inputs required to meet patient needs.
- CCG commissioners often lack the tools to set a fair price for CHC services, and are dependent on the competitiveness of the local market to achieve value.
- There are opportunities to achieve significant savings by reviewing and renegotiating existing placement costs.

“ The costing analysis and training was very good and the course was beneficial. ”

Mark Payne, Individual Patient Pathways Manager, North Norfolk CCG

Focus on: Leicester, Leicestershire & Rutland CCGs


East Leicestershire and Rutland
Clinical Commissioning Group


West Leicestershire
Clinical Commissioning Group


Leicester City
Clinical Commissioning Group

The CCG’s commissioned Valuing Care to undertake a cost review of care home services for older people with continuing healthcare needs. The purpose of the review was to help the Council update its fee tariff for patients in each band of need.

Through established processes Valuing Care undertook a survey of care home costs to identify the usual cost of providing services to patients in each band. The cross corroboration of the survey results with Valuing Care’s cost model and national intelligence provided the CCGs with clear guidance of what represents a fair rate for a standard service, and how this could be adjusted to reflect higher levels of care.

Key benefits:

- The comparison of the survey results against Valuing Care’s cost model and national intelligence facilitated critical challenge of the local survey result
- Increased intelligence about how service provider costs vary to meet the needs of patients within each CHC band of need
- Development of a fee tariff which reflects the usual cost of delivering services locally

Our services:

- **Recommending fair and sustainable rates for services**
 - Provider cost surveys to determine usual costs
 - Benchmarking against national intelligence and external data sources
- **Development of bespoke pricing tools**
 - Flexible to meet the needs of individual patients
 - Reflecting local cost of delivering services
- **MyCareCosts – financial reviews and negotiations**
 - Care home placements and domiciliary care
- **Online CHC pricing software**
 - Partnering with CCGs to develop a needs led pricing tool to help nurses purchase CHC packages at value for money prices
- **Knowledge sharing workshops**
 - Specialist training courses

Checklist:

- ✓ Do you need to achieve efficiencies and savings?
- ✓ Are you confident that you are receiving value for money?
- ✓ Do you have a structured approach to determining a fair price for all service types?
- ✓ Do you have purchasing systems that can accurately reflect the underlying cost of complex CHC cases when sourcing care placements?
- ✓ Do your procurement teams have the necessary information and skills to manage this complex market?

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's, Children's and CHC 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 latest part of our development includes taking our database averages and turning them into practical software tools. This will enable commissioners to have confidence when purchasing in a market that continues to bear the brunt of budget reductions.

We also continue to actively campaign for the rights of self-funders in the private care market and have made a number of appearances on BBC radio and national newspapers to highlight the issue.

Read more about [Valuing Care in the news](#)

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**
 - Including an innovative purchasing tool for CCGs to use for purchasing Continuing Healthcare
- **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
- Innovative on-line software tool for CCGs to use for purchasing Continuing Healthcare
- Provides 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 and national radio.

For more information call one of our team:



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