



Care Provider Market Commissioning Overview

Key Findings 2016/17



Experts in Analysing and Negotiating Care Costs

Valuing Care

Introduction

Welcome to the fourth edition of Valuing Care's market commentary for commissioners. Our aim is always to provide an overview on the work we have completed in the care market and draw out transparent conclusions that do not fall with the same political bias required for some lobby groups.

Since our first market commentary in 2013/14, the care provider fee rates and margins have changed significantly. Initially 90% of our work was around renegotiating areas of excessive profit, now this has fallen to approximately 40% with the majority revolving around providing support for transparent and affordable increases.

The main shift has been in the analysis required for Older People's services, where the combination of rising costs and the squeeze on budgets leaves the market tighter and tighter. Raising fee rates for thousands of supported residents is an expensive business and Valuing Care has helped pinpoint where the money is most needed and where it is not. In some cases not putting up the rates to an affordable level has left purchasers in a seller's market as long term suppliers of care leave the market. Blanket increases (or inflation freezes) cause market distortions that can create disruption to long term market sustainability.

The squeeze on fee rates does not mean that all areas of the market are working efficiently though. Valuing Care still experiences significantly excessive profits in Children's residential, Continuing Health Care placements, pockets of Older Adults spend and self-funder fee rates.

If you would like to discuss any area of our market analysis, please contact us and we would be happy to provide an independent view.



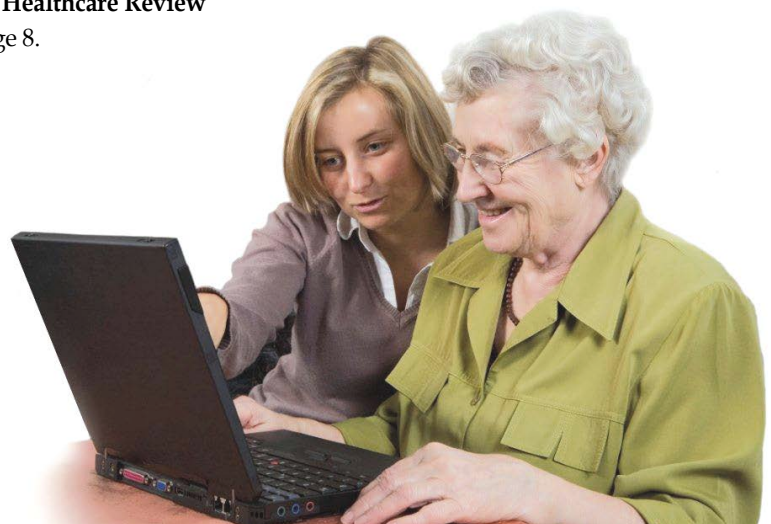
Ray Hart - Director, Valuing Care

In 2016/17 Valuing Care:

- ✓ Received and analysed financial data collected from over 571 providers nationwide
- ✓ Reviewed £180 million per annum of spend for commissioners
- ✓ Worked with 30 customers (authorities, NHS bodies & providers)
- ✓ Helped 7,000+ self-funders through the use of our Valuing Care Fees Calculator
- ✓ Negotiated £318k annual savings across all service domains
- ✓ Supported 10 councils and 2 CCG groups to identify the usual cost of delivering services locally

Key findings:

- High levels of staff turnover and increased fragmentation in the home care market is limiting supply and restricting choice. Read more on **Older People's** page 5.
- Increasing numbers of learners with Special Educational Needs (SEN) represent a growing cost pressure for councils. Read more on **Children's Services** page 6.
- 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 £200K for customers in 2016. Read more on **Working Age Adults** page 7.
- 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. Read more on **Continuing Healthcare Review Services** page 8.



Our Services

Transforming commissioning across children's and adult services

Our services:

- **MyCareCosts**
 - High cost placement reviews
- **Cost modelling**
 - Setting the usual price for care
 - Reviewing block contracts and RAS pricing
 - Creating model costs for working age adults
 - Setting SEN prices for FE colleges
- **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

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.



Continuing Healthcare Costing Software: cost-effective CHC purchasing


For older people's services & patients with long-term conditions

To help commissioners manage and purchase more cost-effective CHC placements, our new Continuing Healthcare Costing Software is the first technology of its kind in the NHS; it enables practitioners to specify individual patient needs and calculate the associated model price for a placement anywhere in England, Scotland and Wales. It is available for older people's services, and patients with long-term conditions.

With total spend on CHC across the country reported at £2.5 billion per annum and rising, our CHC Costing Software provides a significant breakthrough in managing the market. This enables commissioners to conduct informed negotiations and improve purchasing.

This easy-to-use solution combines our unrivalled market intelligence, data averages and cost models to simplify the existing CHC processes. For people with purchasing responsibilities, it improves visibility, management control and average costs.

Through using this solution commissioners gain a better understanding of costs, and become more price aware, which helps secure value for money placements. It also allows placements to be processed much quicker; reducing the amount of time commissioners spend on paperwork and enabling staff to reallocate their time.

2016		2017
VALUE		
		
We have determined that this represents BAD value		
Value		
Quoted Fee		1,000.00
Fair Price for Service per week		588.37
Additional Therapies		50.00
Price for Identified Placement		638.37
Variation from quoted weekly care fee		411.63
Value Rating		1.00
SUPPLIES AND SERVICES		
	Core	Enhanced
Food	£36.58	£0.00
Utilities (gas, oil, electricity, water)	£25.47	£0.00
Telephone & Internet	£4.31	£0.00
Insurance	£8.10	£0.00
Office supplies (home specific)	£3.92	£0.00
Medical supplies & continence products	£1.59	£0.00
Domestic and cleaning supplies	£8.45	£0.00
Trade and clinical waste	£1.65	£0.00
Council tax / rates	£4.15	£0.00

Benefits:

- Cloud based infrastructure enables anytime, anywhere access
- Real-time cost comparisons of individual packages
- Costing support tool enables assessment of individual care packages
- Records audit trail of purchasing decisions against care homes, buyers and locations
- Automates inflation uplift and exceptional pricing
- Reduces the need for lengthy negotiation with providers
- Encourages greater price awareness among commissioners
- Enables national cost drivers to be tailored to a local level (to deal with issues such as carer shortages)
- Location based data can be built into the system (to allow bespoke cost rates by CCG, Local Authority, regional or national level)
- Adaptable for children's services

Watch our Continuing Healthcare Costing Software [webinar](#) for an overview

Warrington CCG is currently trialling the system, and Valuing Care is seeking additional development partners; please contact us for further information.

Greater financial and operational efficiencies

Services that are cost-effective, provide value for money and achieve good outcomes for older people are essential. Older people's services cost base is under constant scrutiny; let Valuing Care help you commission at affordable fee rates.

Key findings:

- High levels of staff turnover and increased fragmentation in the home care market is limiting supply and restricting choice.
- Care home 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 care.
- Where council rates have not kept up with provider costs market prices vary significantly in the spot 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.

“ I've been happy with the report and the detail which confirms some of my findings, but also presents some surprises and recommendations that are definitely worth considering. It is certainly key in our planning for the tender of domiciliary care.”

Scott MacDonald, Commissioning Manager, Stoke-on-Trent City Council

Our services:

- **Recommending fair and sustainable rates for residential care**
 - Provider surveys to determine usual costs
 - Benchmarking against national intelligence and external data sources
- **Market review and analysis**
 - Estimation of future commissioning requirements and market capacity
 - Market health checks
- **Financial modelling of cost pressures and legislative changes**
 - Assessing the impact of the National Living Wage and increased competition between employment sectors
 - Appraisal of options to improve recruitment and retention
- **Block contract reviews**
 - Unpicking legacy contracts to identify potential savings
- **Advising self-funders of a fair price for care**
 - Helping self-funders get the best possible price
- **Valuing Care Fees Calculator**
 - A free calculator that can be embedded on your website

Focus on: Stoke-on-Trent City Council



City of Stoke-on-Trent

A joint review of the cost of home care services for older people was instigated in response to local providers reporting increased difficulties in the recruitment and retention of staff.

The objective was to provide commissioners with the necessary data to ensure a sustainable market in Stoke, and to deliver the quality and capacity of service to meet the needs of the local population.

A survey of providers helped understand the usual cost of providing services, and identify options for improving recruitment and retention.

Key benefits:

- Provides critical insight into market conditions and the issues affecting providers.
- Ensures a clear understanding of the usual cost of delivering services locally.
- Provides commissioners with greater confidence they are achieving value for money.

Checklist:

- ✓ Are you developing a market that delivers a wide range of sustainable high-quality care and support services?
- ✓ Are you at risk of legal challenge from your local provider forum?
- ✓ Are you receiving value from block contracted services especially legacy arrangements?
- ✓ Do you know the usual cost of delivering services in your area?
- ✓ Do you have a structured approach to determining a fair price for all service types?

Sustainable long-term savings

The adoption of structured and uniform operational procedures combined with Valuing Care's cost data provides the level of management information needed to support smarter decision making, which is imperative moving forwards. Data is a key part of this, and Valuing Care's cost data provides the level of management information needed to support smarter decision making.

Key findings:

- Increasing numbers of learners with Special Educational Needs (SEN) represent a growing cost pressure for councils.
- 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.
- 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

“ We commissioned Valuing Care to undertake a review of our fee tariff framework for Post 16 High Needs Learner (HNL) support to enable us to review the framework costs in place, the costs of delivering the services and to ensure we are paying a fair price for the services. We were very happy with Valuing Care and would recommend its services to anyone in a similar position to us.”

Kate Capel, SEND Team Manager, Lincolnshire County Council

Focus on: Staffordshire County Council



Valuing Care completed a cost review of Post 16 High Needs Learner (HNL); to develop greater understanding of HNL support costs and whether

it represented value for money. A pricing model was also developed to purchase packages of support on a fair and consistent basis.

Valuing Care surveyed all FE colleges in Staffordshire to identify the level of staff input, and the associated cost of supporting a sample of HNL. The identification of median costs, and corroboration against our benchmark data, provided the Council with a good indication of the usual cost of delivering support locally.

The results helped to develop and populate a cost model to inform future HNL funding decisions.

Key benefits:

- Established processes for engaging service providers and reviewing the reported cost of delivering services.
- Increased intelligence on how support costs vary to meet the needs of HNL.
- Development of a cost model based on identification of the usual cost of delivering services.

Checklist:

- ✓ Do you need to achieve efficiencies and savings?
- ✓ Are you confident that you are paying a fair price for services?
- ✓ Do you have a structured approach to determining a fair price for all service types?
- ✓ Do your procurement teams have the necessary information and skills to manage this complex market?

Ensuring resources and services meet current and future needs

With pressures on budgets set to continue, it's time to review and challenge the way in which working age adult services are provided. At Valuing Care, our team identifies where the gaps in processes exist to help you make the best use of resources.

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 £200K for customers in 2016.
- Procurement processes and pricing systems can be improved by developing a 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.

“ Valuing Care has successfully delivered cost reductions in cases where we had previously been unable to make any progress, and brings national perspective and experience to our negotiations with national provider organisations.”

Adam Fitzgerald, Service Development Officer, Dorset County Council

Our services:

- **MyCareCosts – forensic cost review and negotiation service**
 - 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

Focus on: Bath & North East Somerset Council and Clinical Commissioning Group

Bath & North East Somerset Council



Valuing Care completed a review of the cost of providing care home services to younger adults with learning/physical disabilities and/or mental health needs; to inform commissioners' decisions about future fees and how these vary to meet different types and levels of need.

A cost survey with local care home providers identified the usual cost of delivering services. The results were benchmarked against two similar reviews undertaken for neighbouring authorities, and against Valuing Care's cost model, and national intelligence of care home costs.

This provided commissioners with a high level of confidence in what represents a reasonable allocation for each cost type. Valuing Care used the data to populate a cost model to guide price setting for service users with varying levels of need.

Key benefits:

- Established processes for engaging service providers and maximising participation in local cost surveys.
- Benchmarking against Valuing Care's cost model and national intelligence provides confidence of what represents a reasonable allocation for each cost type.
- Development of bespoke cost models reflecting the local cost of delivering services, and designed to meet individual customer's needs.

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?

Step up procurement processes & practices

Valuing Care is at the forefront of helping organisations implement new systems to take procurement to the next level and ensure value for money. Replacing outdated processes and practices with systems that are fit to respond to today's challenges of NHS Continuing Healthcare has facilitated significant savings.

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.
- 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.
- Categorisation of needs (in bands) may not be an accurate estimate of the staffing inputs required to meet patient needs.
- There are opportunities to achieve significant savings by reviewing and renegotiating existing placement costs.

“ I wanted to thank you for delivering excellent training sessions to our CHC team. Everyone enjoyed the day, and the feedback was positive from all. It has certainly focused my attentions on how we need to move forward as an organisation, and it has given us a very good foundation to work with.”

Kelly Glover, Continuing Health Care Programme Manager, Greater Huddersfield CCG

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
- **Block contract reviews**
 - Identification of savings opportunities
- **Knowledge sharing workshops**
 - Specialist training courses

Focus on: Dorset Joint Commissioning Group

Dorset Clinical Commissioning Group

In response to a request for a large increase in fees from a national provider organisation, Dorset Joint Commissioning Group worked in partnership with Valuing Care to undertake a cost review

of all the specialist care home services delivered by the provider. The objective was to assess the reasonableness of the current fees, thereby informing a decision on the requested fee uplift.

Valuing Care benchmarked the reported cost of the provider's services against its cost model and national intelligence of care home costs. The review concluded current fees were in excess of a fair price.

Key benefits:

- Established processes for engaging service providers and reviewing the reported cost of delivering services.
- Service audits to obtain first hand evidence of the level of service being provided and to ensure commissioners are getting what they are paying for.
- Achievement of savings from service providers that want to partner the Council and offer competitively priced services.

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 your procurement teams have the necessary information and skills to manage this complex market?

Valuing Care: In the news

A well-recognised specialist in care home fees, Ray Hart, managing director, regularly provides expert comment and interviews for the media; encouraging transparency of costs in the market by presenting the facts and dispelling common market misconceptions.

As a result, Valuing Care has a strong and well-respected presence in the media, in print, online and broadcast, including:

- BBC 5 Live
- BBC Radio 4 'You and Yours'
- BBC Radio Essex
- Building Better Healthcare
- Care Home Management Magazine
- Community Care
- Guardian Social Care Network
- Healthcare Finance
- Health Technology Newspaper
- High 50
- Independent Age
- Mature Times
- Moneywise
- My Ageing Parent
- NHS Confederation
- Nursing and Residential Care
- Older is Wiser
- Practice Business
- The Care Home Environment
- The Daily Mail
- The MJ
- The Sunday Times
- The Telegraph
- UK Authority
- Your Money

The Telegraph

The real reason why the middle classes pay 194pc more for care.

[Find out what Valuing Care said here.](#)

BBC Radio 4 You and Yours

Ray Hart discusses the need to review contracts for hidden clauses about payments to be made when rooms have become vacant due to resident death.

[Listen to the interview here.](#)

BBC Radio 5 Live

Ray Hart is interviewed by Adrian Chiles on the criteria for councils funding care home services, and what is a fair price for care.

[Tune into the interview here.](#)

Daily Mail

Could you afford £1k a week care home fees? Our indispensable guide has all you need to know.

[Read Ray Hart's expert view here.](#)

The Sunday Times

Care home fees to exceed Eton's.

[Ray Hart explains.](#)



Valuing Care

Value for money: at the heart of our operations

For more information call one of our team:



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