

Kent County Council Domiciliary Fair Cost of Care Output Report

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Background and purpose of document

Kent County Council completed the Fair Cost of Care data gathering exercise in line with the 'Market Sustainability and Fair Cost of Care fund 2022 to 2023': guidance which was published on 24 March 2022. However, in light of expressed significant concerns mainly because of data quality, incompleteness, relevance and reliability, the County Council has concluded that it cannot place any substantial weight or meaningfully rely on the median figure derived from the exercise for the reasons described below. Consequently, the County Council holds the view that, consistent with the government guidance, the outcome of the cost of care data gathering exercise cannot be determinative and/or intended to be a replacement for the fee-setting element of the local authority commissioning processes or individual contract negotiation and that it would offend best value and other fiduciary duties owed to Kent residents.

Kent County Council has not received a valid statistical sample from the data returns meaning that it is not possible to draw any meaningful conclusions on the cost of care in Kent. Therefore, it would be wholly inappropriate for the result of the cost of care data gathering exercise to be singularly decisive for the fee setting element of local authority commissioning processes or individual contract negotiation.

Furthermore, Kent County Council has concerns around the extent to which the homecare providers that have provided useable responses can be considered representative of the local provider market in Kent.

Additionally, Kent County Council is concerned by the very high level of variation across providers that we are seeing both in the overall cost of care estimates and estimates for the key components of the cost of care, and the implications this has for the stability and reliability of a point estimate for the fair cost of care.

Moreover, Kent County Council has concerns that the cost information given by providers is not consistent with the current state of capacity in the market.

Thus, overall, Kent County Council has significant concerns as to the quality, completeness, relevance and reliability of data received from providers, and to the validity and representativeness of the sample of data returns. As a result, Kent County Council is unable to accept the outputs of the data gathering exercise as the determinative cost of care in Kent. In conclusion, the County Council does not intend to rely solely on the information in this submission as part of its future fee setting strategy and is treating this as a data gathering exercise with the market at this stage. The County Council's fee setting strategy will continue to be informed by a range of economic, fiscal and market factors taking into account legislative requirements.

This document will provide the detail of Kent County Council's Fair Cost of Care exercise and the outputs and conclusion of the results.

Geography of Kent

With a resident population of 1,589,100 Kent has the largest population of all the English counties. Over the past 10 years Kent's population has grown by 9.4% between 2010 and 2020, above the average both for the South East (7.5%) and for England (7.4%). Kent's population is forecast to increase by a further 19% between 2019 and 2039.

Kent has an aging population. Forecasts show that the number of 65+ year olds is forecast to increase by 44.9% between 2019 and 2039, yet the proportion of population aged under 65 is only forecast to increase by 12.2%.

Kent is the largest local authority in England, and as such the care and support in the home market varies significantly. There are currently 249 care and support in the home providers in the county:

- There is a mix of National, Franchised and Local providers. Currently 44 per cent of Framework providers are SME providers.
- Geographical 'hotspots' exist that are historically difficult to cover: Faversham, Cranbrook, Paddock Wood.
- Rurality plays a key factor in availability of providers and support, as does ease of travelling to London and other employment opportunities.

Data Collection and Provider Engagement

The Fair Cost of Care data gathering exercise was live for seven weeks between May and July 2022. During this time the council employed several different methods to engage the market. This included virtual drop-in sessions for providers to ask questions or request clarification (this had a low uptake by providers), weekly targeted e-mails setting out the requirements and the importance of engaging; articles in newsletters on the topic; meetings with representatives from Trade associations, presentations at provider forums, a dedicated mailbox set up for queries and external resource allocated to make direct telephone calls to providers to support them in completing the tool.

The council engaged with all 249 domiciliary care providers within Kent that were within scope as set out by the DHSC. For domiciliary care, the data was requested via the LGA supplied ARCC Excel tool and providers were required to enter data for the 2021/22 financial year.

Kent County Council used an independent third-party provider to review the provider cost data for validation and analysis. It was communicated to providers that the cut-off date for submissions was the 18/07/22 with final submissions sent to the external provider by 01/08/22.

If obvious outliers were identified at the point of submission, Kent County Council queried this with the provider to give them the opportunity to amend and resubmit to ensure as many valid returns were used within the Fair Cost of Care data gathering exercise as possible.

Kent County Council also conducted a survey to gain providers in Kent views on the issues currently faced by the care sector, and their feedback on the Fair Cost of Care data gathering exercise. The initial email invitation was issued to 490 65+ care homes and domiciliary providers on 17 August and followed by automated reminders to those who had not completed the survey after 7 and 14 days. The survey was closed on 6 September with 145 responses: a response rate of 30%.

Feedback on the issues currently faced by the care sector will be included within the Market Sustainability Plan (Annex C). The survey indicated that the main reasons that domiciliary providers did not complete the Fair Cost of Care tool was due to not having the time to complete it and not considering it applicable to their organisation. Technical difficulties and the amount of in-depth information required were also reasons given for not completing the tool. The most important outcome for domiciliary providers who did complete the Fair Cost of Care tool was: 'an understanding of what quality and sustainable care provision costs to run'.

Data Analysis and Fair Cost of Care Exercise Outputs

Methodology

An independent third-party organisation Evalucom, was commissioned to analyse the data received from providers and ascertain the lower quartile, median and upper quartile for the cost of care from the data received. This section details the methodology used by Evalucom.

The data was first reviewed and validated to determine what data returns were valid for use in the calculation of the outputs and any adjustments to the data required. This included:

1. Identifying and excluding data returns that were out of scope for the Fair Cost of Care exercise
2. Identifying and excluding any data returns that were incomplete
3. Identifying and excluding any data returns with quality issues
4. Identifying and excluding any data returns that contain outlier values

Once the data had been validated Evalucom analysed the data to calculate the following outputs:

- 1. Total cost of care 2021/22- domiciliary care:** Using the validated data, Evalucom calculated for 2021/22 the lower quartile, median and upper quartile costs in Kent for 18+ domiciliary care, plus 95% confidence intervals, using the total cost of care per hour outputted by the ARCC tool.

The ARCC tool asked providers to enter the 'operating profit / surplus percentage' to represent the percentage margin or business operating surplus (profit). Kent County Council used the ARCC approach to calculate the ROO and ROC figures for domiciliary care providers. The profit / surplus contribution was expressed as 'earnings before interest, taxes, depreciation, and amortization' (EBITDA) and before any operating dividends or shareholder returns.

This excluded any capital costs, depreciation, contribution to central overheads or shareholder returns already costed within the tool.

The profit contribution could include business specific figures that could include; retained profit, return on capital to shareholders, interest costs, invoice financing and central profit margins.

- 2. Cost of care detailed breakdown-domiciliary care:** The medians for Kent for each of the cost lines in the cost of care data table were calculated as set out by the DHSC within the submission template.

- 3. Cost of care by market segment- domiciliary care:** the medians were calculated for the cost of care for each placement type in Kent by provider framework status. The Council's framework consists of care providers that have been pre-qualified to ensure they are of sufficient quality before entering into a contract. This is also referenced as Kent County Council framework provider or non-framework provider.

Some outputs were adjusted such as:

Some providers had returned significant amounts of data, but their returns were incomplete as they were missing either profit costs or both profit and overhead costs.

With agreement from Kent County Council and so these returns could potentially be used, Evalucom also produced outputs after making the following data adjustments:

- 1. Inclusion of providers with only missing profit costs**

Where providers returned complete data except for a profit cost (3 providers), Evalucom adjusted their data by applying the median profit (5%) from providers who did return this data.

The lower quartile, median and upper quartile costs were then calculated when these additional data returns were included.

- 2. Inclusion of providers with missing profit and/or overhead costs**

Where providers returned complete data except for either a profit cost or overhead costs (7 providers), Evalucom adjusted their data by applying the median profit (%) or operating cost (£/ service user per hour) from providers who did return this data.

The lower quartile, median and upper quartile costs were then calculated when these additional data returns were included.

- 3. Adjusting visit lengths to produce costs for 30/45/60-minute visits**

To do this Evalucom followed the approach recommended by DHSC. Evalucom took the median cost of care of each data item, the average hours delivered, the average number of visits and average visit lengths of all validated and complete submissions and input these back into the empty version of the ARCC tool. This outputted the cost of care of a 'median' provider (i.e. a provider whose costs are at the median for each data item).

They then re-adjusted the data in the ARCC tool for the 'median' provider by setting visits lengths as if every visit was 30/45/60-minutes, while maintaining the same total.

Response Rates

Kent County Council only received 57 data returns for domiciliary care. Out of the 57, 7 had data issues and 14 had incomplete data returns. This left a total of 36 out of a possible 249 in-scope domiciliary data submissions for the Fair Cost of Care data gathering exercise equalling to a 14% response rate. The seven data returns with data issues were all related to negative values present in the data outputs. Six of these

returns were due to negative employer NI contributions. One of these data returns would have been identified as an outlier had it got through to that stage of the data checks.

The 14 data returns with missing data points were all missing or reporting “0” profit costs. Seven of these providers were also missing overhead costs. Kent County Council confirmed that the providers missing profit costs were not registered charities. As described earlier in this report, it was agreed to calculate the cost of care outputs on an adjusted data set which included providers with missing data items (by assigning a median cost for the missing data from providers with complete and validated data). Evalucom therefore needed to also run outlier checks on the 14 providers with missing data, to determine which data returns could be used in the adjusted data set. The result was ten additional returns included in the adjusted data set.

Out of the 36 validated returns for domiciliary care, 11 submissions (31%) were a part of Kent County Council’s framework providers and 25 (69%) were not a part of Kent County Council’s framework. To investigate whether the sample is representative of the population, Evalucom performed a chi-square statistical test. **The results of this statistical test provided evidence that the data returns were not a true random sample of the population in terms of KCC framework providers, with a higher response rate than expected from domiciliary providers not on Kent County Council’s framework.**

Validated Data Outputs

The below tables set out the outputs of the cost data analysis as conducted by the Evalucom. All outputs displayed are for validated returns only. The table below shows the lower quartile, median, upper quartile and 95% confidence intervals for the total cost of care for 2021/22 for 18+ domiciliary care for validated and complete returns.

Placement type	Lower quartile (Q1) cost of care £/service user per hour	Median (Q2) cost of care £/service user per hour	Upper quartile (Q3) cost of care £/service user per hour	Number of validated returns
18+ domiciliary care	23.38	24.80	28.17	36

In line with guidance from DHSC the below figures have been uplifted to 2022/23 by Kent County Council from the work completed by Evalucom. This has been achieved using national and local data such as ONS and local market conditions. Therefore, the total cost of care for 2022/23 for 18+ domiciliary care for validated returns is £26.43.

The below table shows the median cost per service user per hour for each cost category.

For costs that were the sum of more detailed cost categories, Evalucom summed costs prior to the calculation of the median (i.e., the median of the sums is used, rather than the sum of the medians). Please note therefore that columns do not add up because in general the sum of medians values is not equal to the median of sums.

Cost category	Median cost (£/service user per hour)
Care worker costs:	18.13
Direct care	11.34
Travel time	1.38
Mileage	0.84
PPE	0.45
Training (staff time)	0.31
Holiday	1.61
Additional non-contact pay costs	0.25
Sickness/maternity and paternity pay	0.30
Notice/suspension pay	0.06
NI (direct care hours)	1.16
Pension (direct care hours)	0.44
Business costs:	7.04
Back-office staff	3.88
Travel costs (parking/vehicle lease et cetera)	0.07
Rent/rates/utilities	0.50
Recruitment/DBS	0.07
Training (third party)	0.07
IT (hardware, software CRM, ECM)	0.32

Cost category	Median cost (£/service user per hour)
Telephony	0.12
Stationery/postage	0.06
Insurance	0.12
Legal/finance/professional fees	0.12
Marketing	0.05
Audit and compliance	0.06
Uniforms and other consumables	0.04
Assistive technology	0.11
Central/head office recharges	1.09
Other overheads	0.24
CQC fees	0.10
Return on Operations	1.26
TOTAL	26.43
<i>Number of validated data returns</i>	<i>36</i>

The below table shows additional supporting information to be submitted within the Fair Cost of Care exercise

Metric	Value
Carer basic pay per hour (median £/hr)	11.00
Minutes of travel per contact hour (median mins/contact hour)	7.25
Mileage payment per mile (median £/mile)	0.32
Total direct care hours per annum (total hours/annum)	10,313,709

The below table shows the cost of care for a 'median' provider for 2022/23 for different visit-lengths.

Visit length	Cost of care for a 'median' provider* £/service user per hour	Cost of care for a 'median' provider* £/service user per visit
Average visit length (43.2 minutes)	26.33	18.96
30-minute visit	27.76	13.88
45-minute visit	26.19	19.65
60-minute visit	25.42	25.42

Please note the cost of care presented is the cost of care for a provider whose cost is at the median cost for each cost line shown in the full breakdown of costs. Please note that the total cost of care for this 'median' provider does not match the total median cost of care presented in the previous tables, because in general the sum of median values is not equal to the median of sums. **It is Kent County Council's policy not to commission 15- minute visits and therefore those figures have been omitted from the above. Kent County Council made the decision to move away from 15-minute calls when we last retendered the home care contract as part of Care and Support in the Home in 2018. The focus on each call is meeting the outcomes of the individuals, which is not always possible in a 15-minute window.**

Evalucom also conducted an analysis to determine any cost difference based on the following market factors:

1. The median cost of care for each cost category for 2021/22 for validated and complete data returns split by Kent County Council framework and non-framework providers. There was a statistically significant difference between the median cost of care for framework and non-framework providers. There is evidence to suggest that non-framework providers have a higher cost of care than framework providers.
2. The median cost per hour for each cost category for 2021/22 for validated data returns both excluding and including providers with missing profit and/or operating costs. As described in the methodology section, where providers

were missing profit or operating costs, the median profit % and median operating cost per hour from validated provider returns was used to calculate a total cost of care for these providers. There is evidence to suggest there is little difference between data returns with missing profit and/or operating costs included and excluded from the outputs.

Critical Review of Cost Information

- 1. Kent County Council has not received a valid statistical sample from the data returns meaning it is not possible to draw any meaningful conclusions from the cost of care data gathering exercise in Kent.** There are 249 domiciliary care providers in Kent. All were approached to take part in the Fair Cost of Care data gathering exercise, but despite considerable time and effort on the part of the council to secure cooperation with the exercise, only 36 useable responses were received. This represents a response rate of 14%, which is well below the acceptable level to calculate an accurate estimate of the median cost of care. The very small sample size for this exercise has implications for the confidence levels associated with the Fair Cost of Care estimates that are derived from this small sample size, highlighting the unreliable nature of the estimated median cost.
- 2. Kent County Council have concerns about incomplete information in data returns.** Kent County Council did receive some information from providers which required clarification or verification. In these instances, Kent County Council queried this with the provider to give them the opportunity to amend and resubmit to ensure as many valid returns were used within the Fair Cost of Care data gathering exercise as possible. Any unresolved issues led to returns being classified as 'unusable' and so excluded from our final dataset. The council received 57 submissions, but there were data quality issues with seven responses and incomplete data for 14 responses. This has compounded issues with low (useable) response rates and a small sample size.
- 3. Kent County Council is concerned by the very high level of variation across providers that we are seeing both in the overall cost of care estimates and estimates for the key components of the cost of care, and the implications this has for the stability and reliability of a point estimate for the fair cost of care.**

The ARCC tool contained pre-set expenditure categories but also allowed for free text categories to be added. This resulted in 94 expenditure categories which made verifying the data very difficult. The only category completed by all providers was direct staffing, which had a difference of 30% between minimum and maximum cost.

- 4. Kent County Council has concerns with the LGA-supplied ARCC Excel tool that was utilised to collect the data for the exercise, including:**

The requirements set by DHSC stated to include within Annex A and B, the median cost of care for different visit lengths. However, this was not part of the LGA- supplied ARCC excel tool.

Providers fed back to Kent County Council that the tool “was too difficult to understand” and this subsequently resulted in a number of providers not submitting a return for the Fair Cost of Care exercise. Some providers stated that the outputs generated within the tool looked higher than what they knew the cost of care to be, but they could not generate the correct figure within the tool.

How figures will be uplifted in future for inflation

As part of the Council’s annual budget setting process and medium term financial planning, the council reviews and adjusts prices considering a range of factors including key fiscal indicators and trends, both at a national level and local level. This is achieved using national and local data such as national living wage, inflation, market conditions, local supplier relationships, etc as well as affordability within the council’s overall budget.

Conclusion

1. Kent County Council has **significant concerns** as to the quality, completeness, relevance and reliability of data received from providers, and to the validity and representativeness of the sample of the data returns. **Kent County Council therefore cannot accept the outputs of the data gathering exercise as the cost of care in Kent.**
2. Notwithstanding the significant concerns and limitations of the data gathering exercise, of the options available, Kent County Council’s preferred methodology is to use the median cost of care from the complete data returns which for domiciliary care is £26.43 per hour.