United Kingdom Homecare Association
The professional association for homecare providers

CQC Fee Increases 2017-2018

Wednesday 11th January 2017

Dear Sirs

Proposals for fees from April 2017 for all providers that are registered under the Health and Social Care Act 2008

United Kingdom Homecare Association is pleased to submit our response to the Care Quality Commission concerning the proposed registration fee increases for financial year 2017-2018

Our response to Proposal 1 "What are your views on our proposed fee amounts for 2017/18?" is attached. We have not responded to the second or third proposal as these do not apply to the homecare sector.

Yours sincerely

Duncan White

Senior Policy Officer

United Kingdom Homecare Association

UKHCA,
Sutton Business Centre,
Restmor Way, Wallington,
Surrey SM6 7AH

020 8661 8188
020 8669 7100
enquiries@ukhca.co.uk
membership@ukhca.co.uk
@ukhca
www.ukhca.co.uk

CONSULTATION RESPONSE TO SPECIFIED QUESTION (one only)

1- What are your views on our proposed fee amounts for 2017/18?

United Kingdom Homecare Association (UKHCA) does not agree with the Care Quality Commission's (CQC) proposal to increase fees to all providers for the next financial year, 2017-2018. We further consider that the method of apportioning fees in bands is extremely unhelpful in the current financial climate and is potentially damaging the stability of the homecare sector, particularly for small and medium enterprises.

Our position is that the scale of the proposed increases is inherently inequitable. We consider it to be unreasonable that any increase should be predicated on anything other than the value that should be added by the inspection services provided by CQC. UKHCA have supported CQC's investment in their inspection methodology but, as yet, the planned improvements continue to be an aspiration and we do not consider that full cost recovery is sufficient argument to justify a significant elevation in fees for care services that the Commission has recently described as being at a 'tipping point'[1].

UKHCA considers that the proposed fee increases should not be seen out of context of the wider market conditions where higher pay, higher turnover of staff, higher pension costs and the apprenticeship levy have combined to generate the most unstable market conditions in a generation. We readily appreciate the pressure on CQC to increase revenue, but CQC is in danger of contributing to more providers pulling out of the market due to such increased costs from all directions leaving them unviable or unwilling to continue.

We have a number of concerns with the CQC's fee proposals for 2017-2018**:**

There have been continuous fee increases dating back several years and it is our position that the social care sector should not continue to bear this additional cost for businesses that are operating on exceptionally narrow margins in a commercial environment where there is growing evidence that providers are handing contracts back to local authorities, which purchase around 70% of homecare in the UK, on the basis that prices paid for care are commercially unsustainable. CQC's proposed fee increases therefore exacerbate the wider problems of a grossly underfunded sector.

Previous responses by UKHCA to your consultations go back as far as 2011 and we have noted since then that there has been a history of continuous and significant fee increases throughout this period. UKHCA has previously proposed that CQC's fee structure should incentivise quality throughout the sector in a way that visibly demonstrates that CQC makes efficient and effective use of registration fees by improving consistency within the inspection process. We consider that this remains an aspiration, although we appreciate the efforts undertaken by the Commission to date in this context.

Our member organisations tell us that the proposed fee increases have caused considerable anxiety, as many are struggling financially, a fact that the CQC has openly recognised[2]. If the fee increases are adopted, social care providers will see fees increase, in some instances, by nearly 60% in a single year. This means that the social care sector could be in a position where expansion of existing branch networks is an unattractive prospect. This is highly undesirable, given that we should expect to see consolidation of providers, as larger organisations absorbing smaller organisations exiting the markets.

CQC's proposed approach to the fees may also, in certain circumstances, create a perverse incentive for providers to close branches as a cost containment exercise. This could have the effect of centralising homecare services in some locations for no other benefit than to minimise the costs of registration and regulation potentially without any added value to the care of service users. We believe that care services benefit from being geographically close to the point of service delivery. In addition, CQC's own analysis of its quality ratings have suggested that outcomes, or at least quality ratings, are higher in services managing smaller amounts of care[3].

UKHCA members with whom we have discussed the proposed fees increases consider the proposed fee banding to be the least preferable formula by a significant margin. The proposed fee model is likely to result in avoidable consolidation of branches and this could adversely affect the CQC's proposed cost-model as the number of branches are reduced thereby diminishing income streams for the Commission. We return this topic later in this response.

The CQC has previously stated in its Impact Analysis that it was unable to fully identify, cost or account for how the new system will impact on the sector. In the current Impact Analysis you state that “we are continuing to use the model to report on and analyse the cost of our operating model and the activities that result from this” without the benefit of identifying how, in the interim, the costing model has been improved sufficiently to assure providers that the CQC will not be in a position where it has to make further adjustments to its fees regime in subsequent years.

UKHCA are concerned that the proposed fee increases demonstrate that CQC may not have fully appreciated the extent of the fragility of market economics that are at play within the adult social care sector into its actual operational disposition**:** we consider it to be unreasonable that any increase should be predicated on anything other than a quantifiable value added by the CQC’s inspection services.

UKHCA has supported the new CQC Inspection and Regulatory regime but consider that the proposed increase in fees is inequitable and we therefore recommend that the proposed fee increases should not be enacted until an *independent* Impact Analysis gives clear evidence that the proposed fee increases will not, realistically, have any adverse impact on market stability and sustainability. We do not believe that the current National Audit Office value for money review of CQC will provide a view on whether CQC’s fees have a destabilising effect on the market.

CQC, like the services it inspects, are not immune from financial pressures. We urge the Commission to focus on core regulatory activity and to review whether it is operationally efficient. Repeated feedback from our member organisations suggests that inspectors continue to focus on inspecting the inputs of services, rather than assessing whether positive outcomes have been achieved for people using services.

The size of social care provider’s locations appears not to have been fully risk-assessed in consideration of the CQC’s attempt to preserve simplicity in its fee charging structure[4], as per the hypothetical illustration below**:**

a. Provider A has five branches, one in Birmingham, Nottingham, Derby, Leicester and Northampton could be providing care to an aggregated population catchment area of nearly two and a quarter million people. With an estimated uptake of adult social care 3% this could result in a potential service-user base across the entire area of over 66,000 if the provider had a monopoly. If this population were provided for by a single organisation consisting of five locations, the CQC will receive fees in line with their proposed model for 2017-2018 of £12,184.

b. Compare this to Provider B in rural Wiltshire with eight locations serving a population of less than 100,000 with a potential service user base of <3,000, with about 375 users per branch, for which the provider will have to pay the CQC £24,370 in 2017-1018, twice the figure for Provider A for less than a twentieth of the service user population.
c. In this entirely hypothetical model, the 'cost' of each service user in registration and inspection fees for Provider A is £0.18 pence per annum but for Provider B it will be £8.12 per annum.
d. UKHCA do not think that such disparity is either equitable or a sensible business strategy for the CQC to adopt towards the social care sector, particularly when the CQC is on record in the last few weeks as stating that the sector is at a 'tipping point'[5] to the degree where "the quality regulator is raising concerns about how long this can last"[6].

Furthermore, UKHCA considers that the incremental steps between CQC fee bands is exceptionally unhelpful in the current economic climate and we strongly urge the CQC to reconsider the structure of the fee proposals.

We consider that a 'per branch', or location, model is a more accurate reflection of the market profile and would be very easy to implement based on a *per branch* fee of £2,030, which is the figure arrived at by dividing each of the proposed bands by the maximum number of locations within that band. This approach would not create perverse incentives for providers on the boundary of a fee band to consolidate or to withhold from expanding their service offer. For example, in this approach a provider with twenty-five locations intending to open another would only pay £50,690 instead of the band-rate for 26+ locations of £97,476, enabling the £46,786 otherwise due to the CQC to be applied to frontline care services.

In addition UKHCA request that the CQC review the process of presenting Inspection reports which we consider will add considerable incentivisation to providers. We suggest that reports should be available in draft form within ten working days and should be presented personally by the inspector with a final version available five days later. We are concerned that the CQC considers a fifty working day turnaround as acceptable**:** we do not consider this to be the hallmark of an efficient public authority seeking significantly increased fees in payment for its services.

In conclusion, UKHCA considers that any fee increases will have an immediate effect of simply diverting much needed funds from frontline care services for an inspection service that still demonstrates inconsistency and variable regulatory requirements that often appear to be based on inspector's opinions rather than objective and standardised, replicable measures. UKHCA is concerned that this often devalues the regulatory work of the CQC and in some instances has proven to offer marginal value to service-users or providers.

[1] http://www.cqc.org.uk/content/adult-social-care-approaching-tipping-point

[2] ibid

[3] 20161019_stateofcare1516_web, p60 and others

[4] "Our approach to setting fees", p8, 20161013 CQC_Draft fees consultation document

[5] http://www.cqc.org.uk/content/adult-social-care-approaching-tipping-point

[6] ibid