Stephen McGinness
Public Accounts Committee
House of Commons
London
SW1A 0AA

21 February 2017

Dear Mr McGinness

Integrating Health and Social Care Inquiry

Thank you for the opportunity to respond to the Committee's "Integrating Health and Social Care inquiry" for England, which I have the pleasure to do on behalf of the United Kingdom Homecare Association (UKHCA).

The enclosed paper responds to the issues that the Committee has raised. Please do contact me if you require any additional information.

Yours sincerely,

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Evidence submitted by UKHCA for the Public Accounts Committee's Integrating Health and Social Care Inquiry

About UKHCA

1. UKHCA is the professional association of home care providers from the independent, voluntary, not-for-profit and statutory sectors. UKHCA helps organisations which provide social care (also known as domiciliary care or homecare), which may include nursing services, to people in their own homes, promoting high standards of care. The Association represents the homecare sector with national and regional policy-makers and regulators. The Association represents over two thousand members across the United Kingdom.

2. UKHCA estimates that in 2014/15 at least 465,000 adults in England received a domiciliary care service.[1] In the same period, we estimate that local authorities in England commissioned 141 million hours of homecare from the independent and voluntary sector.[2] There is no reliable information collected on the number of hours of care purchased by people who fund their own care, however, LaingBuisson estimates that there are 150,000 to 200,000 privately paying consumers of homecare at any one time.[3] In August 2016, the Care Quality Commission (CQC) had 8,517 registered locations providing home-based, from all sectors, providing personal care, to people in their own homes.[4]

Executive Summary

- Despite recent efforts by Government to address the funding of adult social care, the sector is still severely underfunded and is unlikely to be able to meet the needs of an increasingly ageing population with complex needs. Given that a significant proportion of Government funding allocated for transformation and integration has been used to cover increases in provider's costs from the introduction of the National Living Wages, progress towards full integration has been slow and is unlikely to be achieved by 2020. Any consideration of the progress of integration must be made in the context of the funding of social care.

- There are a variety of reasons why adult social care budgets are under severe strain; the introduction of the National Living Wage (NLW), auto-enrolment of pensions, rising business rates and steep increases in the cost of regulation are affecting providers. In addition local authorities have additional responsibilities following the introduction of the Care Act 2014 and reductions in their budgets.

- There is growing concern among independent and voluntary sector homecare providers about the stability of the domiciliary care market, evidenced by an increase in the number of councils experiencing providers exiting from contracts or individual packages of care. In September 2016 Mears, one of the UK's largest providers in domiciliary care, pulled out of contracts with Liverpool Council and Wirral Council due to rates being offered that were too low to be sustainable.

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[1] Holmes, J (2016) *An Overview of the Domiciliary Care Market in the United Kingdom*, UKHCA. Available at: http://www.ukhca.co.uk/downloads.aspx?ID=109, p.25.
[2] Holmes, *An Overview*, p. 27.
[3] Giatsi, E. and Laing, W (2016) *Homecare, Supported Living and Allied Services*. London: LaingBuisson, p. 136.
[4] CQC, 2016. *CQC Care Directory – with filters (1 August 2016)*, Care Quality Commission Available at: <http://www.cqc.org.uk/sites/default/files/HSCA%20Active%20Locations.xlsx> [Accessed 22 August 2016].

Local authorities need to be aware that forcing a race to the bottom between providers will damage the long-term sustainability of the care market by forcing providers to accept fees which do not adequately cover costs and risk going out of business altogether.

- A reduction in the capacity or funding of homecare services will be counterproductive in the short and medium term, and will not be conducive to integration.

- UKHCA believes a better understanding of, and communication with, the homecare sector is vital for integration to be successful. UKHCA's research suggests that homecare is hardly mentioned in Sustainability and Transformation Plans, a clear omission given that homecare is pivotal in enabling people to be discharged rapidly from hospital and in providing preventative services that help people avoid being admitted to hospital in the first place.

- For integration to succeed it is essential that more attention is given to workforce planning, and undertaken in consultation with the independent providers who employ a large proportion of the social care workforce. Planning must include a strategy for coping with the potential loss of workers from the EU who are working or would have worked in the UK, but who may be lost when the UK leaves the European Union.

- At present there is no clear definition of integration, nor agreement what integration means in different locations. Clearly given that health is run by a national body and social care by local councils, with one service free and the other charged for, and funding is being increased for one (albeit insufficiently) and cut in the other, there are limits to what can be achieved without a full system re-structure. There needs to be a better central steer about what is intended to be achieved by 2020.

The future of UK social care

Integration of health and social care

3. The NHS planning guidance issued in December 2015 asked NHS Organisations and their partners to develop proposals and make improvements to health and care through Sustainability and Improvement Plans (STPs). The intention was to integrate health and social care across England and provide a single and seamless service for patients by 2020.

4. UKHCA supports the aim of building a truly integrated system which can deliver the health and social care service older and disabled adults need. We argue that with an increasingly ageing population spending more and more years with multiple long-term conditions, homecare should be viewed as key player within an integrated service. Home-based social care can play a vital part in preventing or reducing ill health and accidents, and where a person is admitted to hospital, it can ensure a swift return home.

5. The STPs which we have reviewed, lead us to conclude that it is far from clear that STPs will be successful in delivering health and social care integration at a time when local authorities and the NHS are under such severe financial pressures. Many STPs include proposals for delivering services closer to home, while having little or no reference to home-based care; a clear omission in plans which should adequately cover all the future health and social care services needed in an area.

6. We also note that STPs require much more attention to workforce planning, as those we reviewed made no mention of talking to independent providers who employ over 95% of the social care workforce. Nor did plans to integrate health and social care workforces refer to independent sector employers, nor making use of independent sector expertise in delivering care. Making sure social care can recruit and retain the staff it needs will be essential in the future, and will need careful planning, particularly in areas which employ a significant proportion of workers from the EU whose status is uncertain following the UK's decision to leave the EU.

7. We were also concerned to see that many STPs contained little evidence of local authority involvement in their preparation, which strikes us as odd given that the majority of homecare (around 70%) is commissioned by councils.

8. It is the commissioning process itself that often undermines the drive to integrated health and social care as councils are using their dominant purchasing power to drive prices for homecare services down as a result of public spending cuts. The impact on providers' businesses, and their ability to recruit, retain and reward social care workers sufficiently, carries serious implications for the future capacity of the homecare sector.

9. A sustainable homecare sector is crucial for reducing delayed transfers of care. UKHCA beleives that because state-funded homecare sector is running at a substantial deficit and fewer people have been eligible for state-funded homecare, there has been a significant increase of demand side pressure on the NHS.[5]

10. This has led to a growing number of hospital patients experiencing a delayed discharge due to lack of homecare provision in their community. We estimate that over the course of May 2016, the NHS spent £10.2 million on excess bed days for people awaiting homecare. This represents an extra annual expenditure for the financial year 2015/16 of £95 million on excess bed days for people awaiting homecare[6].

11. Our estimates show that to date, initiatives to reduce delayed discharges are not working. The National Audit Office[7] reported that the Better Care Fund has not achieved the expected value for money, in terms of savings, outcomes for patients or reduced hospital activity, from the £5.3 billion spent through the Fund in 2015-16.

12. We believe that reduced capacity and funding for homecare is an inefficient use of public money, places unnecessary demand and cost pressures on the NHS and undermines the health and wellbeing of people with care and support needs.

[5] Holmes, J (2016) *Delayed Transfers of Care and Homecare*, UKHCA, Available at: http://www.ukhca.co.uk/downloads.aspx?ID=489
[6] Holmes, J (2016) *Delayed Transfers of Care and Homecare*, UKHCA, Available at: http://www.ukhca.co.uk/downloads.aspx?ID=489
[7] National Audit Office, (2017), *Health and Social Care Integration* https://www.nao.org.uk/wp-content/uploads/2017/02/Health-and-social-care-integration.pdf

The sufficiency of funding available for social care

13. For integration to succeed, social care must be adequately funded. In 2015, the King's Fund estimated that,

> "Despite the additional funding announced in the Autumn Statement, estimates suggest that provider deficits could top £2 billion this year, indicating that the NHS as a whole is heading towards a deficit."[8]

14. We believe that this deficit is fast becoming a reality; a conclusion we have arrived at through our own research into the price paid for homecare as well as studies done by other cross-sector organisations, some of which are included in our response.

The Adult Social Care Precept

15. The Social Care Precept, introduced in the 2015 Autumn Statement, has been one attempt to increase funding in the sector. It is encouraging to see that Government recognised the sector's funding needs and introduced a ring-fenced tax. The funding flexibility introduced in 2016 which enables councils to bring forward funding in 2017-18 and 2018-19 is also welcome.

16. However, early evidence indicates the scheme will not be sufficient to alleviate the issues faced by local authorities and their providers. Councils now have the option of raising the social care precept to a maximum of 3%. However, the total raise cannot go above 6% over the next three year period, meaning that councils which choose to use the maximum rise for the first two years will not be able to raise any extra revenue in the final year. The Local Government Association estimates that the precept will generate £543m in 2017/18 but the cost of meeting the National Minimum Wage alone will cost £600m[9].

17. UKHCA supports the principle of the NLW, but its introduction has put greater financial pressure on homecare providers who already receive low (and in many cases extremely low) fees from the majority of local councils.

18. Since the introduction of the NLW, UKHCA's minimum price was recalculated and is currently **£16.70** per hour. Despite this, the weighted average price for an hour of homecare for older people in a sample week during April 2016 was £14.66 per hour in England.

19. ADASS concluded that the squeeze on provider fees had already reached the point where tightening would no longer be an option if local care markets were to remain stable. The National Living Wage (NLW) (which also impacts on the cost of careworkers' travel time) impacts upon the historic underfunding of homecare[10]. These financial pressures have consequences; an underfunded unit of care is actually a cost.

20. Provider failure and providers withdrawing from local authority contracts are becoming a worrying reality in the homecare sector. The ADASS Budget Survey revealed that in the last six months, 3,925 vulnerable individuals were predicted to

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[8] The King's Fund, 2015. *The budget: health and social care funding*. [pdf] London: The King's Fund. Available at: <http://www.kingsfund.org.uk/sites/files/kf/field/field_publication_file/Budget%20briefing%20July%202015%20final_0.pdf>, p. 1.

[9] LGA Analysis: Council tax rises will not fix local government funding crisis: www.local.gov.uk/web/guest/media-releases/-/journal_content/56/10180/8256122/NEWS

[10] ADASS, *Budget Survey*, p. 7.

have been affected by provider failure (in 48 of 151 councils) and 3,715 others by contract withdrawal (in 59 of the 151).[11] Such figures reveal the human impact of low prices paid per hour and unstable local markets.

21. Provider withdrawal from local markets is not usually widely reported. However in July 2016, Mears Group publically withdrew from contracts with Liverpool, Wirral and Sefton councils.[12]

22. The Social Care Precept has injected some additional funding into the sector but falls short of covering the increasing costs of minimum wage obligations, and is unlikely to be a sustainable form of funding, given that councils are expected to be less willing to increase local taxes in successive years. Additional funding has been made available through cuts being made to the New Homes Bonus. However, this only generates £240m which falls far below what is needed to make up the gap in the social care budget which is expected to reach nearly £1.9bn this year alone.

Better Care Fund

23. UKHCA welcomes the desire for clinical commissioning groups and councils to work collaboratively to help people remain independent within their local community. However in our experience we can see little money from the BCF reaching frontline services. Regrettably, we believe that Government has misrepresented the impact of the BCF as additional funds for the social care sector. It has effectively been a redistribution of existing funding, and in any event, its impact is back-loaded to the end of the current Spending Review period.

24. UKHCA recognises that as oversight body for the BCF, NHS England has the power to ensure the policy framework is adhered to. One of the eight conditions set out by NHS England is the "Agreement on the consequential impact of the changes on the providers that are predicted to be substantially affected by the plans."[13] Again, we believe a close relationship between local areas and providers are key for the betterment and sustainability of social care.

25. Spending through the BCF in the financial year 2015/16 has not been impressive: "Almost £1.1bn of [the amount spent on the protection of adult social care] was directly spent on avoiding cuts or demographic pressure".[14] ADASS believe this figure should not be counted as "extra money" as it was not passed on to providers or their service users.

National Living Wage

26. UKHCA has welcomed the NLW as a mechanism to increase wages for low paid workers. However, it has also put greater strain on the homecare sector which has not been matched by sufficient funds through fees generated from councils, who are the dominant purchaser within local care markets

27. We have found very little evidence that councils have attempted to understand the actual costs of providers in their local area. Where we have seen calculations of fee rates produced by individual authorities, we have been generally left with the

[11] ADASS, *Budget Survey*, p. 18.
[12] Carter, R., 2016. Home care provider pulls out of council contracts over fee row. *Community Care*, [online] Jul 8. Available at: <http://www.communitycare.co.uk/2016/07/08/home-care-provider-pulls-council-contracts-fee-row/> [Accessed 19 August 2016].
[13] Department of Health, 2016. *2016/17 Better Care Fund: Policy Framework*. [pdf] London: Department of Health. Available at: <https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/490559/BCF_Policy_Framework_2016-17.pdf>
[14] ADASS, *Budget Survey 2016*, p. 19.

opinion that in order to accommodate the wage costs of the workforce, councils underestimate (a) careworkers' travel time and mileage costs and (b) the operating costs of running regulated homecare services.

28. We are deeply disappointed that where we have seen councils' costing of homecare services, the general assumption is that careworkers are paid at the minimum statutory pay level available. We are left with the impression that many councils are content to impose their cost pressures onto the front-line health and social care workforce.

29. Homecare services commissioned by councils are almost universally purchased by reference to the amount of time that care is delivered in someone's home (we refer to this as "contact time"). In 2012, we found this to be the case for 98% of providers we surveyed.[15] However, employers must pay at least the National Minimum Wage (including the National Living Wage for workers aged 25 years and above) for all working time, including careworkers' travel between homecare visits. The additional costs the NLW have a higher impact on fees than is appreciated by many councils, particularly as we estimate that 86.9% of the workforce are aged 25 years and above, and therefore entitled to the higher National Living Wage.[16]

30. We analysed the average fees paid by councils in Great Britain and the Health and Social Care Trusts in Northern Ireland. The data gathered demonstrated that only 10% of respondent councils paid at or above UKHCA's minimum price for homecare of £16.70 per hour[17].

    Low prices paid for homecare services creates risk, including poor terms and conditions for the workforce, insufficient resources to organise the service and insufficient training for the complex work that supports the increasingly frail and disabled individuals who qualify for state-funded support.

    Our findings suggest that many councils are likely to have failed to comply with their duties in the Statutory Guidance to the Care Act, which states:

    > *"4.31* When commissioning services, local authorities should assure themselves and have evidence that contract terms, conditions and fee levels for care and support services are appropriate to provide the delivery of the agreed care packages with agreed quality of care. This should support and promote the wellbeing of people who receive care and support, and allow for the service provider ability to meet statutory obligations to pay at least the national minimum wage and provide effective training and development of staff. It should also allow retention of staff commensurate with delivering services to the agreed quality, and encourage innovation and improvement. Local authorities should have regard to guidance on minimum fee levels necessary to provide this assurance, taking account of the local economic environment. This assurance should understand that reasonable fee levels allow for a reasonable rate of return by independent providers that is sufficient to allow the overall pool of efficient providers to remain sustainable in the long term."[18]

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[15] Angel, C., 2012. *Care is not a commodity*. [pdf] UKHCA. Available at: <http://www.ukhca.co.uk/downloads.aspx?ID=356>, pp. 39—40.
[16] Latest figure from Skills for Care's National Minimum Data Set
[17] Angel, C. (2016) *The Homecare Deficit* 2016 https://www.ukhca.co.uk/downloads.aspx?ID=525#bk1
[18] *Care and support statutory guidance*. c.4(31). London: Department of Health, Available at: <https://www.gov.uk/guidance/care-and-support-statutory-guidance/general-responsibilities-and-universal-services> [Accessed 19 August 2016].

31. Our analysis of the data suggests that rates paid by councils for homecare services, particularly in the Midlands and North of England, have failed to recognise the costs of the NLW in the fees they pay. It is our view that a number of councils either know that this is the case but are not acting on the information, or have failed to act with appropriate diligence.

Adequacy of funding

32. Although UKHCA welcomes the introduction of the Social Care Precept and the Better Care Fund, it is apparent that they do not go far enough in supporting the domiciliary care sector and its providers.

33. As made explicit by the ADASS Budget Report, the available funding is inadequate, with no excess margin savings to be made. It follows that providers also face challenges for quality training, better recruitment and improved terms and conditions for the workforce.

Commissioning practices and local social care markets

Achieving a minimum price paid for homecare

34. Although the majority of homecare provides operate in the independent and voluntary sector, they exist in a market dominated by statutory sector purchasers, primarily local authorities. These local authorities exercise and sometimes exploit their dominant purchasing power in an attempt to pay for care from their constrained budgets.

35. UKHCA publishes a regularly updated "A Minimum Price for Homecare" in which we outline the reasonable assumptions for the costs of homecare purchased by the statutory sector. Specifically, these are:

    - Wages, including careworkers travel time;
    - On-costs, including careworkers' mileage, holiday pay, National Insurance and pensions;
    - Operating costs, including management and supervisory staff and
    - Profit or surplus.

36. UKHCA reported that only 10% councils in England were paying their local providers an average of £16.70 per hour or above, the rate UKHCA estimated, at that time, necessary to comply with National Minimum Wage and the costs of running the service in a sustainable way. [19] We are currently in the process of updating this report after raises to the National Living and Minimum wages were announced in the Autumn Statement in 2016.

37. Although some local authorities have expressed a genuine interest in contracting with the independent and voluntary sector at a sustainable rate, others are attempting to achieve payment of the Living Wage to workers without recognising the substantial costs incurred by providers of uplifting workers' wage rates.

[19] Angel, C., *Minimum Price*, p.9.

Evidence of widespread market instability

38. In UKHCA's 2015 "Market Stability Survey", we found that in 2014/15 there had been a growing concern about the stability of the domiciliary care market in the UK.[20] Some of the key findings from the overview include:

- **93%** of providers trading with councils had faced a real-terms decrease in the price paid for their service over the last 12 months, **20%** reported a decrease in the actual fees paid;
- **50%** of providers who were aware of tender opportunities from their local authority had declined to bid on the basis of price;
- There is strong evidence of pending market instability over the next year: **74%** of providers trading with councils said that they would reduce the amount of publicly funded care they delivered, estimated to affect 50% of all the service users they support and
- **11%** of providers though they would have 'definitely' or 'probably' ceased trading within the next 12 months, while **38%** of providers were completely confident that they would still be trading at the same time next year.

39. This picture is at considerable variance to the expectations of successful market shaping described in the statutory guidance to the Care Act, for example:

> "*4.1* High-quality, personalised care and support can only be achieved where there is a vibrant, responsive market of service providers. The role of the local authority is critical to achieving this, both through the actions it takes to commission services directly to meet needs and the broader understanding of and interactions it undertakes with, the wider market, for the benefit of all local people and communities."[21]

40. Of the 308 respondents in our survey who confirmed they traded with local councils, 219 (71%) said they had refused to accept certain new care packages from an authority because the price paid was too low for the services required. Indeed, at the time of publication, only 38% of providers were entirely confident that they would still be trading in a year's time.

41. Our conclusions were recently confirmed in the 2016 ADASS Budget Survey which showed evidence of actual provider failure. The number of councils where at least one provider had ceased training in the previous six months were 48, affecting 3,925 people. It also found that 59 councils had their contracts handed back by providers, affecting 3,715 people.[22]

42. The effect of current local authority adult social care commissioning practices and market oversight functions is a cause of concern for our members and the viability of their businesses.

[20] Angel, C., 2015. *Market Stability Survey*. [pdf] UKHCA. Available at: <http://www.ukhca.co.uk/downloads.aspx?ID=486>
[21] *Care and support statutory guidance*. c.4(1).
[22] ADASS, *Budget Survey*, p. 18.

Recommendations

In order to achieve the stated aim of the Committee, to more effectively manage and demand for health and social care services and work towards meaningful integration of services, we recommend the following:

- For local councils and health bodies to involve providers of home-based care services in the planning and execution of Sustainability and Transformation Plans;
- For the Departments of Health and Communities and Local Government to increase their capabilities to determine where the commissioning practices of local authorities are failing to meet responsibilities outlined in the Care Act 2014, and to respond accordingly to rectify;
- Adequate funding of adult social care services to promote short and medium term market stability, as plans to integrate health and social care services will not be achievable without a robust independent and voluntary sector provider market; and
- Taking immediate steps to alleviate workforce challenges within the adult social care sector, particularly relating to the recruitment and training of front-line social care workers.

Key UKHCA documents

- An Overview of the Domiciliary Care Market in the United Kingdom, 2016
- Delayed Transfers of Care and Homecare, 2016
- National Minimum Wage Toolkit, March 2016
- A Minimum Price for Homecare, November 2015
- Market Stability Survey, 2015
- Homecare Deficit, 2016