

# A Fair Price For Care

## A UKHCA position statement

### Maintaining the capacity of the independent homecare sector



#### Position statement

UKHCA believes that to ensure the effectiveness of the independent homecare of service provision, including recovery of recruitment costs, workforce development in the sector. Fee increases negotiated in contracted business must take full account

#### Recommendations for commissioners

- Use 'open-book' principles to assess the true costs of homecare, especially when letting new contracts;
- Encourage providers to use the UKHCA Costing Model to demonstrate the component parts of their charge;
- Ensure that tendered prices contain a realistic component for training;
- Check that careworker pay rates are competitive with local retail and catering sectors.
- specifying a 'standard rate' payable to independent sector providers.

#### The homecare sector in context

Almost 3,600,000 hours of care per week were commissioned or provided by local authorities in England<sup>1</sup> in 2005.<sup>2</sup> A further 500,000 hours a week are estimated to be purchased by self-funding service users.<sup>3</sup>

The quantity of care commissioned by local authorities from the independent sector<sup>4</sup> has increased year-on-year since

1993, to the point where more than 73% of all care funded by local councils was provided by the sector in 2005.<sup>5</sup>

There are around 3,700 independent homecare providers<sup>6</sup>, many of which are small or medium-sized enterprises.

There are clear predictions that demand for care services over the next 20 years will increase dramatically. The population aged 85 years and above is expected to increase by two-thirds compared to just a 10% growth in the overall population.<sup>7</sup>

#### Opportunities and threats

##### A strong, stable independent sector

<sup>1</sup> relate to England. Readers should note that there is no consistent analysis of homecare provision across the four nations of the United Kingdom.

<sup>2</sup> Health and Social Care Information Centre.

<sup>3</sup> . London: Governmental Statistical Service; 2006, page 6.

<sup>4</sup> McClimont B, Grove K. *Profile of the Independent Sector Home Care Workforce in* . Sutton: United Kingdom Home Care Association; 2004, page ix.

<sup>5</sup> In this paper, reference to the unless otherwise indicated.

<sup>5</sup> Health and Social Care Information Centre.

<sup>6</sup> . London: Governmental Statistical Service; 2006, page 6.

<sup>7</sup> ; London: CSCI; 2006, page 4.

<sup>7</sup> Wanless D, *Securing Good Care for Older People: Taking* London: King's Fund; 2006, page 32.

is essential for the continued delivery of statutorily-funded domiciliary care and for self-funding users who do not meet increasingly tight council eligibility criteria.

Research by UKHCA in 2004 suggests that around 60% of domiciliary care agencies depend on local authorities for more than three quarters of their business. 14.5% of providers are thought to work for local authorities.<sup>8</sup>

The sector's ability to thrive is heavily power of local authorities, particularly where the quality of services demanded in

disproportionate when compared to the contract price.<sup>9</sup>

## Homecare and national policy

Care at home is central to modern social care, made clear from the White Paper

the Commission for Social Care Inspection's report<sup>11</sup> and Sir Derek Wanless' report for the King's Fund,

## What is a fair price for care?

A fair price for care cannot be calculated<sup>13</sup>

<sup>8</sup> McClimont B, Grove K. *Profile of the Independent Sector Home Care Workforce in*. Sutton: United Kingdom Home Care Association; 2004, page 41.

<sup>9</sup> Use of this dominant purchasing power without regard to an objective assessment of costs may be a breach of European Commission in *Implementing the Community* {SEC(2006) 516}, page 6.

<sup>10</sup> HM Government, , 2006. Norwich: TSO

<sup>11</sup> Commission for Social Care Inspection, , London: CSCSI

<sup>12</sup> Wanless D, *Taking a long-term view*, London: King's Fund.

<sup>13</sup> In 2003, the Department of Health, Social Services and Public Safety (DHSSPS) in Northern Ireland commissioned PriceWaterhouseCoopers to establish a 'fair rate' for care.

not produce a meaningful 'fair rate' for independent domiciliary care. Reference (Department of Health Social

homecare services and prices are highly of labour.

However, local authorities have a statutory duty to know the true costs of care services they commission<sup>14</sup> and are required to take this into account when setting prices.<sup>15</sup>

## Downward pressures on price

Local authorities (and some primary care trusts) contract with the independent sector through 'spot' and 'block' contract arrangements<sup>16</sup>

Successful providers are appointed on the basis of lowest price, or on a balance between price and quality. Both systems generate a downward pressure on charge rates.

In some instances, local authority contracts even determine the terms,

'take it or leave it' decision for providers.

## Contract price increases

The majority of local authority contracts specify a maximum annual increase, set with reference to the prevailing Retail Price Index (RPI).

In practice, local authorities often award rate and fail to award the increased costs of regulation in the sector and the labour market.

providers' margins, an effect that is compounded over successive years of a

Services and Public Safety. *Research Project to Identify the True Economic Cost in Northern Ireland of Independent:* Belfast: DHSSPS; 2006. Volume II, paragraph 5.21, page 45.)

<sup>14</sup> Department of Health. . London: Department of Health; 2001. Page 10.

<sup>15</sup> Department of Health. London: Department of Health; 2001. Page 5.

<sup>16</sup> The term 'block contract' is often used inappropriately and is rarely seen in practice. A block contract requires commissioners to pay for a pre-determined number of hours of care, whether or not the services are requested during the contract period.

contract.

The statutory regulator noted how contract prices affected relationships between commissioners and providers, characterised by a preoccupation with fees and creating a 'mutual lack of trust'.<sup>17</sup>

### Independent sector disadvantaged

Even discounting the requirement for independent sector providers to generate

there is evidence that local authorities pay independent sector providers

of care than they pay for an equivalent service from their own in-house teams.

for social care in such a way that capacity is damaged, or that the quality of the independent sector's workforce falls below the required standards of practice, training and personal development. Such practices reduce the possibility of long-term policy objectives being effective.

### Implications for staff recruitment

Homecare providers report increasing

Estimates of new entrants (those with less than 12 months' experience) to the sector in 2004 suggested that recruitment had fallen by 8% in just four years.<sup>18</sup>

There is also an element of 'churning' within the workforce, with organisations being forced to recruit from competitors' workforce, rather than attracting new

would appear to be evidence that the existing workforce is relatively mobile even where marginal pay increases become available.

continuity of care.

<sup>17</sup> Commission for Social Care Inspection, *Homecare: A New Model for the 21st Century*, London: CSCI; 2006. Page 6.

<sup>18</sup> McClimont B, Grove K. *Profile of the Independent Sector Home Care Workforce in the United Kingdom*. Sutton: United Kingdom Home Care Association; 2004, page 53.

### Implications for staff retention

workers in the sector is exacerbated by commissioning practice that can prevent providers from:

- Making proper payment of travel time between visits,<sup>19</sup> an entitlement enjoyed by workers engaged by local authority in-house teams.
- Paying workers for undertaking induction training.
- Offering enhanced pay rates for staff holding vocational<sup>20</sup>

*"The pressure on prices does not appear to drive providers out of the*

*employment conditions for care workers"*.

*King's Fund. Understanding Public Services and Care Markets (Working Paper) 2005*

- Reducing the migration of careworkers to the more favourable (and more costly) statutory sector.

Anecdotal reports suggest that there is a continuous migration of careworkers from the independent sector to local authorities, who

are often able to offer more favourable terms and conditions.

### Increasing demands on the workforce

The practice of homecare has become increasingly complex for a number of reasons, including:

- The workforce regularly undertakes activities, including medication administration, that were once the domain of community nurses.
- Packages of care have become more intensive as tighter eligibility criteria reduce the number of households receiving care to the most physically dependent service users.<sup>21</sup>
- Routine shortening of visit times to cope

by the statutory regulator.<sup>22</sup>

<sup>19</sup> Ibid, page 23.

<sup>20</sup> Ibid, page 75.

<sup>21</sup> The number of households receiving care fell by 28% between 1995 and 2006, while 49% more hours were in the same period. Source: Community Care Statistics 2005.

<sup>22</sup> Commission for Social Care Inspection, *Homecare: A New Model for the 21st Century*, London: CSCI; 2006, page 84.

- Commissioning practices often require personal care to be delivered in episodes as short as 10 or 15 minutes.

### Rewarding the workforce

Increasingly complex work undertaken by homecare staff requires contract prices that recognise the skills and abilities of the workforce to:

- Form quality relationships with frail, dependent and vulnerable people;
- Maintain continuity of care in challenging environments;
- Provide services that are effective and highly-responsive.

### UKHCA's advice for commissioners

The Association urges commissioners to review the costs of care services on an open-book basis, particularly during

assistance from the Department of Health, UKHCA provides a free costing model to help providers to demonstrate the respective costs of their services.<sup>23</sup>

Commissioners should reassure themselves that tendered prices meet the full costs of workers' training and development and that the workers' pay component compares with competing sectors, including retail and catering.<sup>24</sup>

Where commissioners set prices in their local area, the Association believes that they have a duty to ensure that prevailing rates meet the full costs of provision of homecare to the local community.

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<sup>23</sup>

Available as a down-load from [www.ukhca.co.uk/pdfs/UKHCACostingModel.xls](http://www.ukhca.co.uk/pdfs/UKHCACostingModel.xls).

<sup>24</sup> Commission for Social Care Inspection, London: CSCI; 2006. Page 29.

Additional copies of this position statement can be ordered from UKHCA at the address below. Copies can be downloaded without charge from [www.ukhca.co.uk/positionstatements.aspx](http://www.ukhca.co.uk/positionstatements.aspx).

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## About UKHCA

UKHCA is the representative association for organisations that provide domiciliary care, home nursing and allied services.

The Association's primary aims are to promote the highest standards of care through training, information sharing and membership services.

### Professional Representation

UKHCA represents the views of homecare providers with national policy makers and the media.

### Advice and support

professional advice about the sector, with a telephone helpline service for legal, employment and practice-based enquiries.

### Conferences and Events

A programme of conferences, workshops and events runs in the four nations of the UK. Member organisations receive preferential rates on all events.

### Training and learning

UKHCA helps organisations access available training funds and runs a Training and

### Updates and publications

Regular e-mail alerts, mailings and a member-only website complement our bi-monthly magazine, *Homecarer*, for breaking news and guidance on key practice issues.

### Commitment to Quality

The UKHCA Code of Practice, revised in January 2007, enables member organisations to demonstrate their commitment to quality and to use the UKHCA logo, which is recognised throughout the social care sector.

### Membership Services

UKHCA enables organisations to access criminal record disclosures and provides an for homecare providers.