

Adult Social Care and Health Overview and Scrutiny Committee

31st October 2012

Charging Review Update

Recommendations

(1) That the committee notes the content of this report and review whether another report would be required in another year's time in the light of the potential changes arising from the White Paper and the Dilnott report.

1.0 Introduction

- 1.1 In October 2010 Cabinet approved a series of increases in charges for community care services under the Fairer Charging guidelines. These changes were guided by the principle of removing subsidies from charges other than those generated by means testing.
- 1.2 The first stage of the increases was implemented in December 2010, and the last stage was implemented in April 2012.
- 1.3 In October 2011 the Adult Social Care and Health Overview and Scrutiny Committee received an update on the impact of the Charging Review and asked for a further report to be made in a year's time. This report provides that update.

2.0 Summary of Changes in Charges

- 2.1 The changes in charges can be summarised as follows (Appendix 1 sets out the actual rates):
 - 2.1.1 The income threshold below which no charges are payable was reduced from Income Support + 40% to Income Support + 25% (the government guideline level).
 - 2.1.2 The maximum weekly charge (which was £387.13) was removed.
 - 2.1.3 The method of charging would change from being based on planned levels of usage to actual levels of usage.

- 2.1.4 That inflationary increases in costs would continue to be reflected each year.
- 2.1.5 All charges were planned to increase to full cost with no subsidy by April 2012.
- 2.1.6 Transport and Day Care charges were broken up from a single average rate to three rates to more fairly reflect the different costs of different types of usage.

2.2 The original brief for the Charging Review was subsequently extended to incorporate the following:

- 2.2.1 The implementation of full cost charging for carers sitting services.
- 2.2.2 An increase in charging rate for customers of internal residential care homes to reflect the full cost of internal residential care.

3.0 Effects on Customers

3.1 In the assessment of the proposals the potential impact on customers was considered. The recording of the reasons for changes in service packages has been undertaken and Appendix 2 sets out the information recorded over the last 18 months.

3.2 This shows approximately 220 events over 18 months within the context of there being 3,500+ homecare customers at any one point in time (or more clients if other service types are included). It is important to have some caution in the interpretation of this data because upon detailed investigation the actual reasons for changes in services have not always been related to the charging review.

3.3 The Charging Review has been implemented at the same time as a range of other very significant initiatives which also impact on demand, for example reablement, more rigorous application of FACS criteria, etc. This makes it more difficult to isolate and measure the impact of the Charging Review on customers. Anecdotal commentary from colleagues in other authorities suggests that where significant charging increases have been implemented in relative isolation (i.e. without lots of other changes happening at the same time) then increases in charges do result in reductions in demand.

3.4 At the same time as the charging review has been implemented, the reablement service has been developed and expanded. The reablement service is free, and can last for up to 6 weeks. Therefore, for a very significant proportion of new customers, no charges at all are levied for up to 6 weeks, and on top of this, if the need for ongoing services is significantly reduced due to reablement (or due to any other service that helps to retain or develop independence) then the cost of the ongoing services is lower, and as a direct consequence the level of charges to

customers are lower.

- 3.5 Taking a full cost payer to illustrate the impact of activity, when charging rates increased from £9.66 to £11.36 per hour in Phase 1 then for every hour of existing service that keeps being provided an additional £1.70 of income is received, but for every hour reduction in service £9.66 of existing income is lost, and for every additional hour of service £11.36 of extra income is gained. I.e. changes in activity have the potential to impact on charging income very significantly.
- 3.6 For context in 2011/12 Warwickshire County Council was above average for the proportion of home care and day care costs funded from client contributions, and was around the average for the proportion of direct payments costs funded from client contributions.
- 3.7 The specific impact at the level of each individual is not something that has been monitored systematically as to do so would be administratively expensive. In addition, when assessing the impact of this particular initiative it is difficult to take the impact on a small group of individuals and then generalise about the impact on a group of thousands of individuals.
- 3.8 The impact on an individual depends upon many factors over and above any change in charging rate. For example (1) The charge may not change in proportion to the change in charging rate due to means testing. (2) A large increase in charge may not impact much on someone who has considerable means. (3) An apparently small increase in charge could have more of an impact on an individual who has very low income but is above the charging threshold, for example if an individual then spends less on food, heating, or other things that are essential to their health and well-being, or (4) a service user may reduce the service they receive out of objecting in principle to the increases in charges or due to the belief that they can no longer afford the services, resulting in inadequate care provision etc. However the means test is intended to help to prevent these things from happening.
- 3.9 The impact has been managed/mitigated by extensive consultation at the design phase resulting in changes to the implementation plans, and the use of the means test and the DH recommended minimum level of income protection have helped to ensure that that charges only increase where there is a means to pay.

4.0 The Factors Impacting on Charging Income

- 4.1 The following table summarises the significant factors that impact on community care charging income levels.

Factors that reduce income levels	Factors that increase income levels
Removal of subsidies for chargeable services (the Charging Review) – in so far as it suppresses demand both in terms of customers wanting to stop services, reduce service levels, or switch to cheaper services	Removal of subsidies for chargeable services (the Charging Review) – in so far as it increases the average amount paid per individual
Reductions in demand facilitated by reablement, telecare, equipment, and adaptations	Increases in demand for community care as an alternative to residential care for example as facilitated by reablement, telecare, equipment and adaptations. This results in less residential care income replaced by more community care income
Loss of income because reablement is not chargeable (but this loss of income is more than offset by the reductions in demand for services after reablement)	Demographic demand pressure. As demand increases and services increase, so does income.
More rigorous application of FACS criteria	Inflation on fee rates to providers. As fee rates inflate, charging rates inflate.
Reductions in the average assessed income of customers due to the impact of the recession in the levels of income and savings	Increases in supported living and extra care as alternatives to residential care
Welfare reform. The government's intention is to reduce the net cost of welfare support to the country. If benefit levels reduce, the proportion of nil payers and lower part payers would increase.	
Modernisation of day opportunities is reducing the demand for traditional day services. This in turn is reducing demand for traditional transport services which in turn reduces transport costs and therefore reduces transport income.	
Reductions in homecare costs driven by the new framework contracts (refer to Section 7.2).	

4.2 Some factors have multiple effects. For example the Charging Review has the dual effect of increasing income due to the charging rate but also reducing income due to suppressing demand, and reablement both reduces community care income as it is not chargeable and it reduces existing need for homecare, but it also delays or prevents residential care which actually increases the demand for the alternatives such as homecare and therefore increases homecare income in this respect.

4.3 Having set out the complicating factors, the following commentary sets out some measures of activity.

4.4 Demand for services has been changing since December 2010 when the Charging Review was introduced. The following table summarises the significant changes in demand (in terms of headcount) across the client groups across the period from December 2010 to the present (further detail is available in Appendices 3-6):

Activity (client count)	Older People	Learning Disabilities	Physical Disabilities	Mental Health
Home care	Reducing client numbers, increasing hours	Increasing	Flat	Increasing
Day care	Reducing	Reducing	Reducing	Flat
Transport	Measure not available but varies quite closely with day care			
Telecare	Flat	Flat	Flat	Flat
Reablement	Increasing	Flat	Flat	Flat
Direct Payments	Flat	Increasing	Increasing	Increasing
Respite Care	Reducing	Flat	Flat	Flat

4.5 The one area where client count does not change in the same direction as the total volume of services provided is home care for older people. For this service, the number of clients is reducing, but the total number of home care hours is increasing.

4.6 Having summarised changes in demand, the following commentary summarises changes in income levels.

4.7 Income that relates to homecare, daycare, transport, and telecare is all recorded together. Appendix 7 shows how this income has changed over time. Income levels stepped up noticeably in December 2010 and April 2011 (Phase 1 and Phase 2 of the Charging Review). However, the later stages of the Charging Review are not matched by such noticeable changes in levels of income.

4.8 This may be in part because reductions in levels of demand for various reasons (as explained above) were creating offsetting reductions in income, and in part because the increases in income for the later stages of the Charging Review were smaller than the increases for the earlier stages.

4.9 The Charging Review has changed the mix of full payers, part payers and nil payers. The proportion of full payers has reduced because the increases in charging rates have lifted charges above the rate that some of the previous full payers could afford, and those full payers will now be counted as part payers. The proportion of nil payers has also reduced, because the charging floor was reduced and therefore a number of clients who used to be nil payers will now be part payers. The proportion of part payers has as a consequence increased (refer to Appendix 12).

4.10 In respect of carers sitting services for which charges have been introduced, from a sample of 63 customers 52% are nil payers, 27% are part payers, and 17% are full payers.

- 4.11 Levels of residential respite care income did increase noticeably, because the increase happened at one clear point in time such that changes in the charging rate can reasonably be linked to changes in the levels of charging income. Appendix 16 shows how the level of income changed, and Appendix 14 and Appendix 15 show how demand for residential respite care has reduced. Whilst it is clear that demand has been reducing, it is not clear how much of this may be related to the Charging Review.
- 4.12 Direct payments income is not explicitly measured in a way that is easy to report automatically at this point in time. This is because direct payments expenditure is paid out net of any charges to customers. Information can be observed in terms of the net level of activity and expenditure on direct payments, but not in terms of gross levels of chargeable income and gross levels of expenditure. Net expenditure on direct payments has slowly increased over the last few years, therefore any increase in income from charging must have been more than offset by increases in demand for direct payments.
- 4.13 The change in the maximum charging rate for internal residential care may have had an impact on customer choice. However, the number of customers paying the full rate is a very small proportion of the total number of customers, and there is the additional factor to consider of the plans to sell the remaining eight residential care homes.

5.0 Savings Compared to Target

- 5.1 The original savings target set for the Charging Review was £3.1 million pounds per year by the end of the review. In summary savings of approximately £2.7 million are estimated to have been delivered with a further £0.5m of income savings replaced by savings on costs/prices. This is because by the time Phase 4 was implemented in 2012, the unit cost of homecare had been reduced below the figure that was forecast at the beginning of the charging review and therefore the charging rate was reduced to line up with the cost. This meant that no additional income was received and in effect savings in the costs of homecare saved the same money first. If it were not for the cost savings replacing income savings then the Charging Review would have saved an estimated £3.2 million per year (refer to Appendix 18).

6.0 Financial Assessments and Income Collection

- 6.1 The Charging Review created a high level of additional workload in terms of reassessing customers. The final stage of the review was in April 2012 and since then efforts have been focussed on improving performance in terms of timely financial assessments.
- 6.2 Targets have been set of visiting clients within 2 weeks of notification, and having diarised visits within 2 days of notification. A target of 4 visits per day per visiting officer have been introduced, and the work of visiting

officers has been streamlined.

6.3 The duties of booking visits and dealing with visit queries have been separated in order that the task of booking visits is not delayed by dealing with queries, and an electronic diary/booking system has been introduced.

6.4 Visiting officers now use laptops to input assessment details only once rather than noting things down on paper during a visit and then inputting them into a system back at the office at a later date.

6.5 These actions have helped to improve the timeliness of financial assessments since April this year (refer to Appendix 17).

6.6 Income collection rates (i.e. the % of due income actually collected) do not appear to have changed as a result of the Charging Review. Overall levels of debt are similar although the age profile of debt is slightly older (Appendix 13).

6.7 Charges are now based on actual usage of services. Some changes to systems have facilitated the ability to do this with minimal additional long term expenditure on invoice raising costs. However, as a result of this policy there has been an increase in the number of variations between the care actually provided and invoiced for and the care originally planned.

7.0 Equality Impact Assessment (EIA)

7.1 An EIA was completed for this change at its conception. At that time equalities were considered to have a high relevance in respect of age, disability, and gender, medium relevance in terms of race and religion, and low relevance in terms of sexual orientation.

7.2 The initiative impacts on people with disabilities because that is the client group for the services being charged for. The initiative impacts more on older people because older people have the means to pay more than younger adults with disabilities. The initiative may impact more on women simply because there are more older customers who are women because of the difference in life expectancy (but men are the majority of service users in terms of adults with learning disabilities).

7.3 Although the initiative inevitably impacts on people with disabilities, older people, and women by its nature, there is no information to suggest that the initiative has impacted systematically inappropriately from an equalities perspective.

8.0 Current / Future Charging Issues

8.1 A significant factor which is changing the context within which charges for adult social care services are made is the increasing prevalence of personal budgets. Where clients have personal budgets, it is increasingly in the client's interest to have regard to seeking services that provide the best value for money that can be obtained with the budget available. In the

past, it was mostly only in the interest of the local authority to secure value for money, because individual clients would not necessarily have any reason to know the actual costs of their care, or have any control over the actual costs of their care, or have much choice in what care they received. The current set of charges for community services are based on the current average cost of care. However, this means that the actual cost of care for any given care package may be higher or lower than the average. Consideration is being given to the sustainability of this position, and whether or not it would be appropriate to move to a position where all charges were based on the actual specific price/cost of the specific services received in each individual case rather than based on averages. At the moment, work is being done to find out what other local authorities are doing about this issue, what systems and policies other local authorities use in order to charge in this way, and the potential impacts on customers of such a change.

8.2 Another issue to have regard to is that the new framework contract for homecare does not incorporate any uplifts for inflation in April 2013, and the nature of the contract may actually reduce costs. It may do this because individual clients purchasing homecare from the framework contracts using their personal budgets will have an incentive to buy homecare from the cheapest providers on the framework (all other things being equal) which did not exist in the past. This buyer behaviour, if it happens, would reduce the average cost of home care. In addition, in order to secure business, providers may wish to revisit and reduce their prices within the framework contract and this, if it happens, would also reduce the average cost of home care. All of these factors together may mean that the unit cost of home care could potentially reduce or stand still in 2013/14 rather than increase, and the change in charging rate would follow the change in cost.

8.3 The unit cost of residential respite care has been increased to the level of the residential care rate, however, the cost of residential care varies with some services from some providers costing more than this. This is a situation that may need to be reviewed in order to maintain charges in line with the full cost of services.

8.4 The social care white paper set out a number of issues that will impact on charging customers for community care services, for example:

8.4.1 Entitlement to a personal budget will be enshrined in law.

8.4.2 Veterans compensation payments will no longer count as assessable income.

8.4.3 But no decision has been taken on the fundamental issue of how to fund the costs of adult social care in the longer term (i.e. the funding issue considered by White Paper and the Dilnot Review).

Background Papers

1. Cabinet 27/5/2010 "Fairer Charging and Contributions"
2. Cabinet 17/6/2010 "Fairer Charging and Contributions"
3. Adult Social Care and Health Overview and Scrutiny Committee 12/10/2010 "Fairer Charging and Contributions"
4. Cabinet 14/10/2010 "Fairer Charges and Contributions"
5. Portfolio Holder (Adult Social Care) Decision Making Session 26/5/2011 "Charging Review – Further Proposals Relating to Both Community and Residential Care"
6. Cabinet 8/9/2011 "Charging for Community Services"
7. Adult Social Care & Health Overview and Scrutiny Committee 25/10/2011 "Fairer Charges and Contributions – The Impact of Changes"

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Charging Rates

Appendix 1

Service	Unit Type	Determinant	06/04/09	13/07/09	05/07/10	06/12/10 *	11/04/11	03/10/11	02/01/12	09/04/12
			£	£	£	£	£	£	£	£
Homecare	Per Hour	Flat rate	9.14	9.22	9.66	11.36	13.37	15.10	14.24	14.24
Homecare Sitting	Per Hour	Flat rate	n/c	n/c	n/c	n/c	n/c	n/c	7.12	14.24
Daycare All Client Groups	Per Day	Flat rate	5.25	5.30	5.55	10.43	15.69	15.69		
Daycare OP/MH	Per Day	Flat rate							22.60	25.21
Daycare PD	Per Day	Flat rate							36.12	40.28
Daycare LD	Per Day	Flat							41.91	46.74
Telecare	Per Week	Flat rate	4.50	4.55	4.76	4.76	4.87	4.87	4.87	4.87
Transport Flat	Per Journey	Flat rate	1.26	1.27	1.33	3.25	5.29	5.29	5.29	
Transport 0-5	Per Journey	Up to 5 miles								5.17
Transport 5-10	Per Journey	5 to 10 miles								8.63
Transport 10+	Per Journey	Over 10 miles								12.23
Direct Payments PA Rate	Per Hour	Flat rate			9.66	10.53	10.78			
Residential Respite	Per Day	Flat rate	3.94	3.94	4.13	51.80	51.80	51.80	51.80	51.80
Internal Residential Care	Per Week	Flat rate					397.18	659.00 (June)	659.00	659.00
Other Chargeable Services	£ cost of service	Flat rate	n/c	n/c	n/c	75%	100%	100%	100%	100%
Transport costs incorporated into means tested charges							With effect from Dec 2010			
Charging cap of £387.13 p/w discontinued							With effect from Dec 2010			
Income floor reduced from Income Support + 40% to Income Support + 25%							With effect from Dec 2010			
Charging based on actual usage rather than planned usage							With effect from Dec 2010			

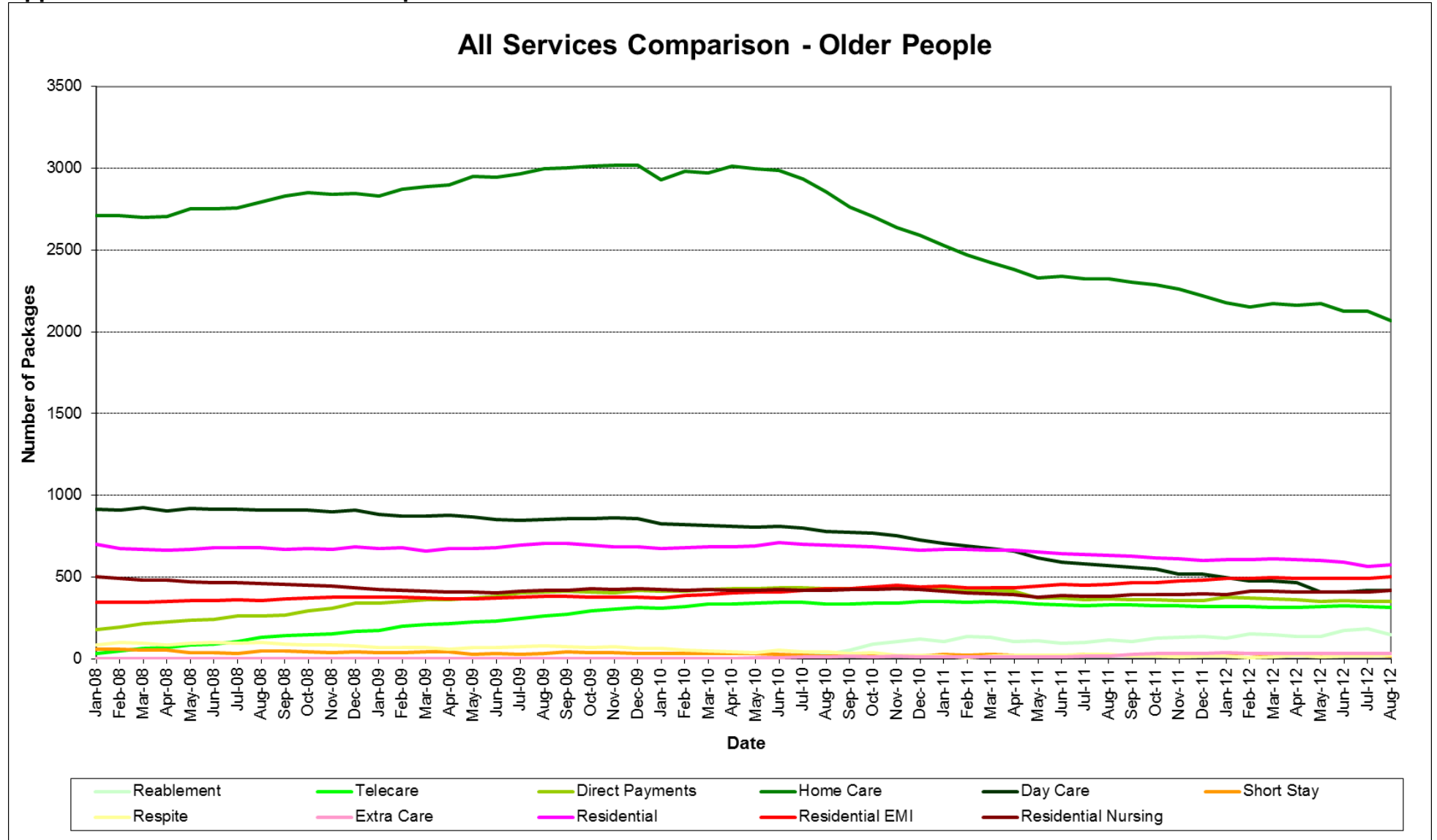
Note: If no charge was made at a point in time then the box will say "n/c". Blank boxes just mean that the figure is not included in the table, not that there was not a charge.

Appendix 2 – Reasons for Changes in Service Tagged to the Charging Review

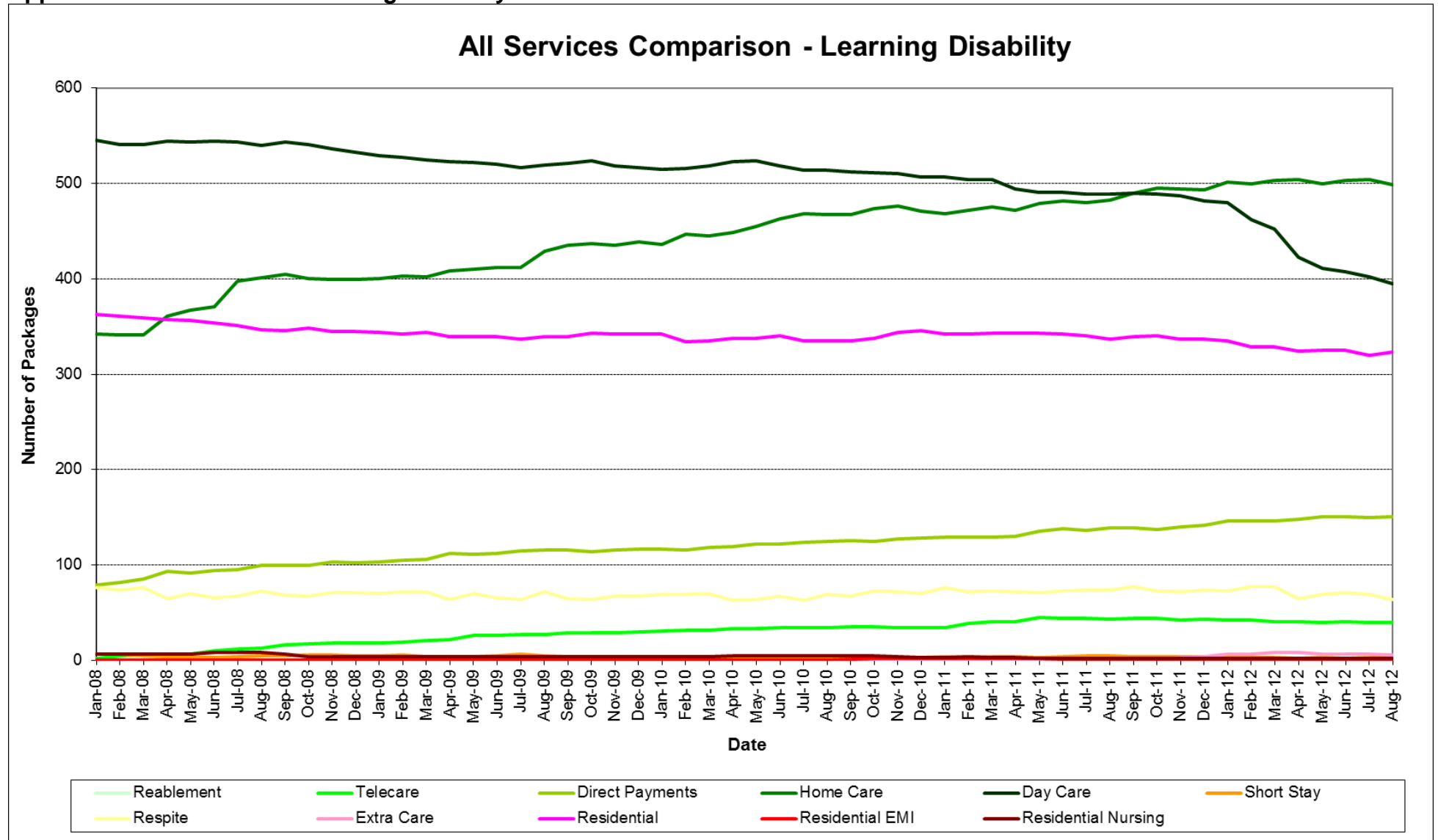
End Reason	Total Events by Fairer Charging Reason	Dementia	Hearing Impairment	Learning Disability	Mental Health (Not Dementia)	No Client Group Recorded	Physical Disability	Visual Impairment
Ended Service	86	12		3	4	2	64	1
Reduced Service	12	1		2	2	1	6	
Changed to Day Care	13	10		1			2	
Changed to Direct Payment	5	1	1			1	2	
Changed to Home Care	9	1	1	4		1	2	
Changed to Residential/respice Care	88	46		1	11	4	26	
Changed to Telecare Equip/service	6	2					4	
Grand Total	219	73	2	11	17	9	106	1

This information shows where the recorded reason for a change in service has been attributed to the impact of the charging review. However, it only records information about customers already within the system, it does not show information about situations where potential customers decline to take up services at the financial assessment stage and therefore do not enter into the local authority care management system.

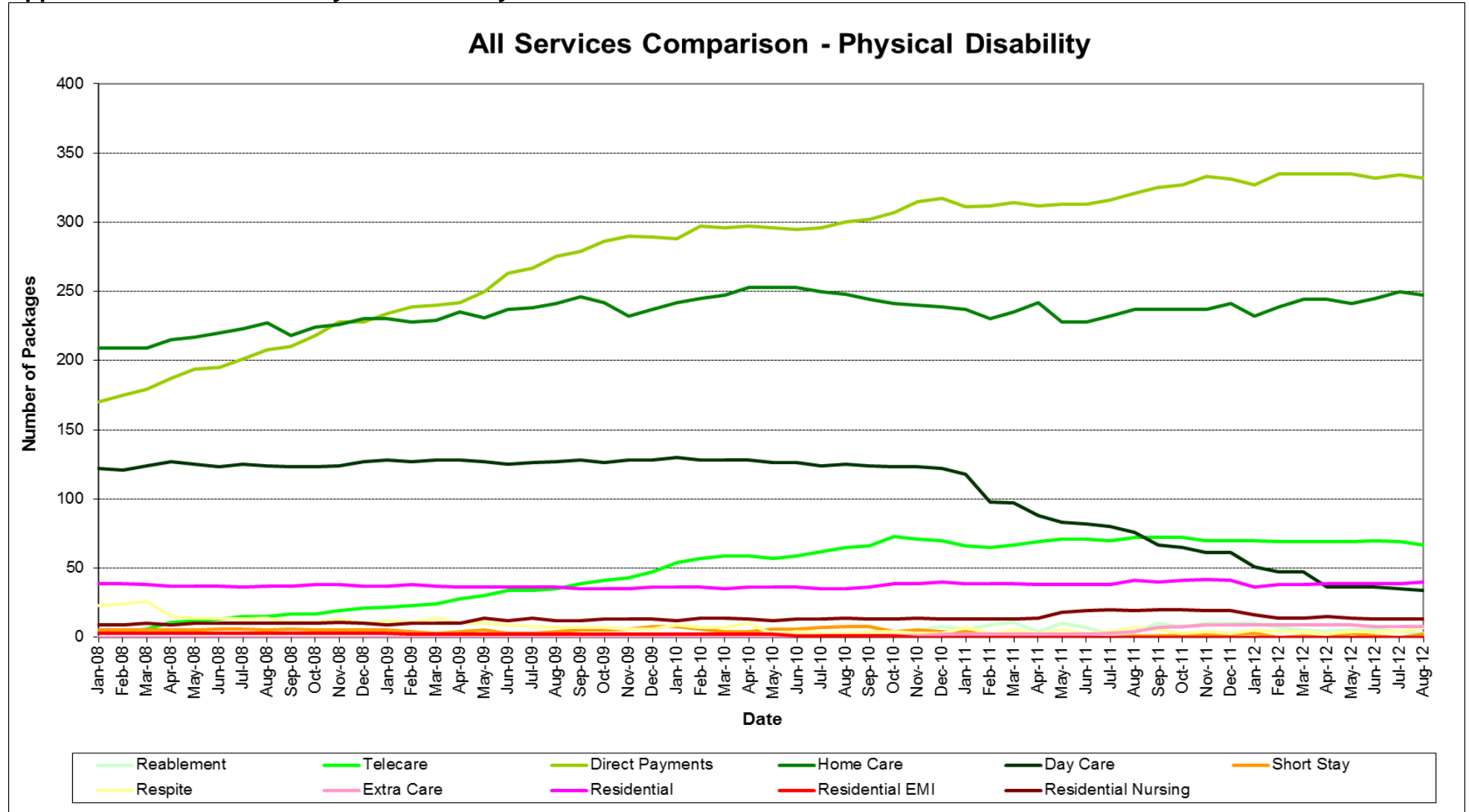
Appendix 3 - Demand for Older People's Services



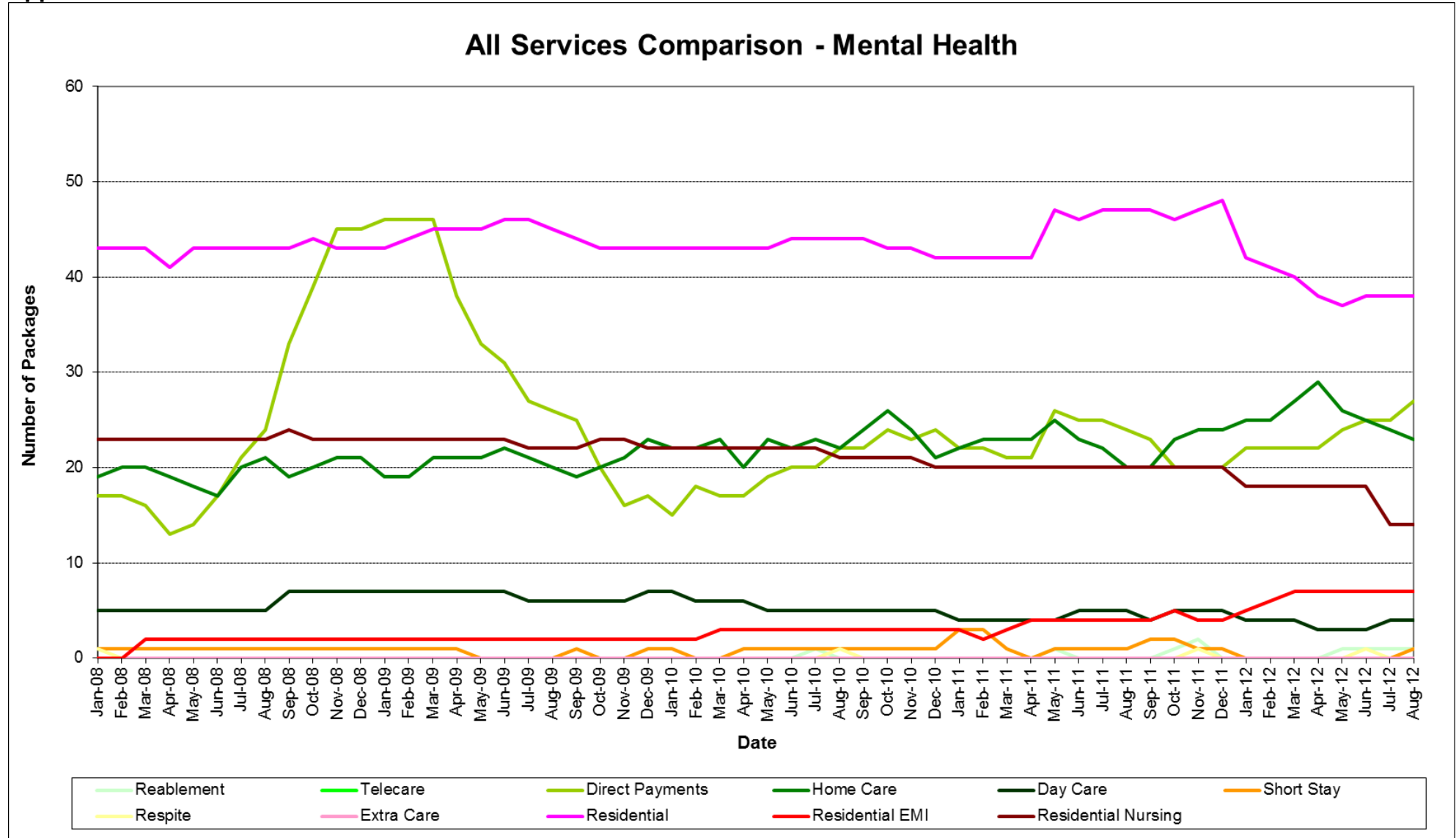
Appendix 4 – Demand for Learning Disability Services



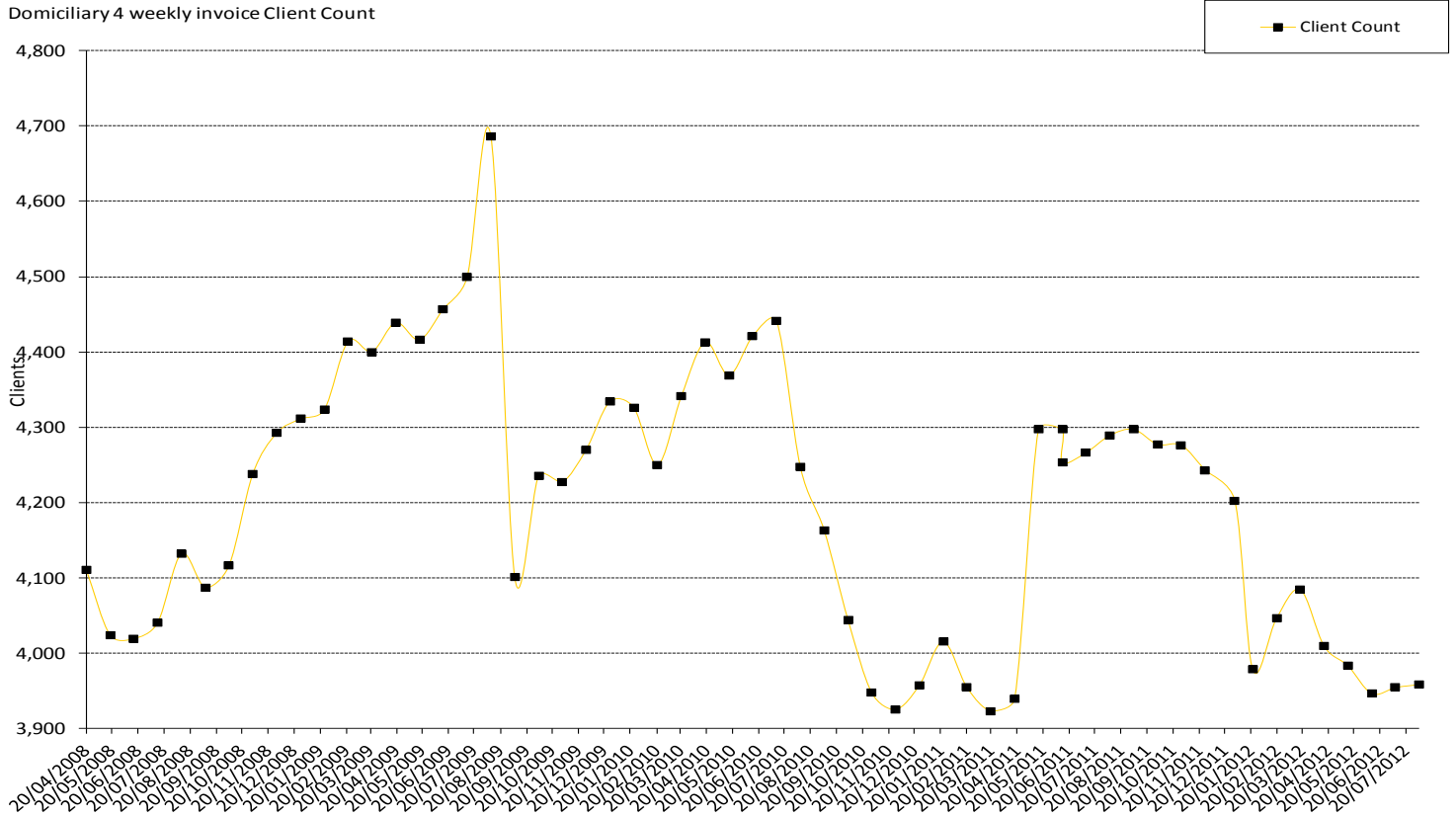
Appendix 5 – Demand for Physical Disability Services



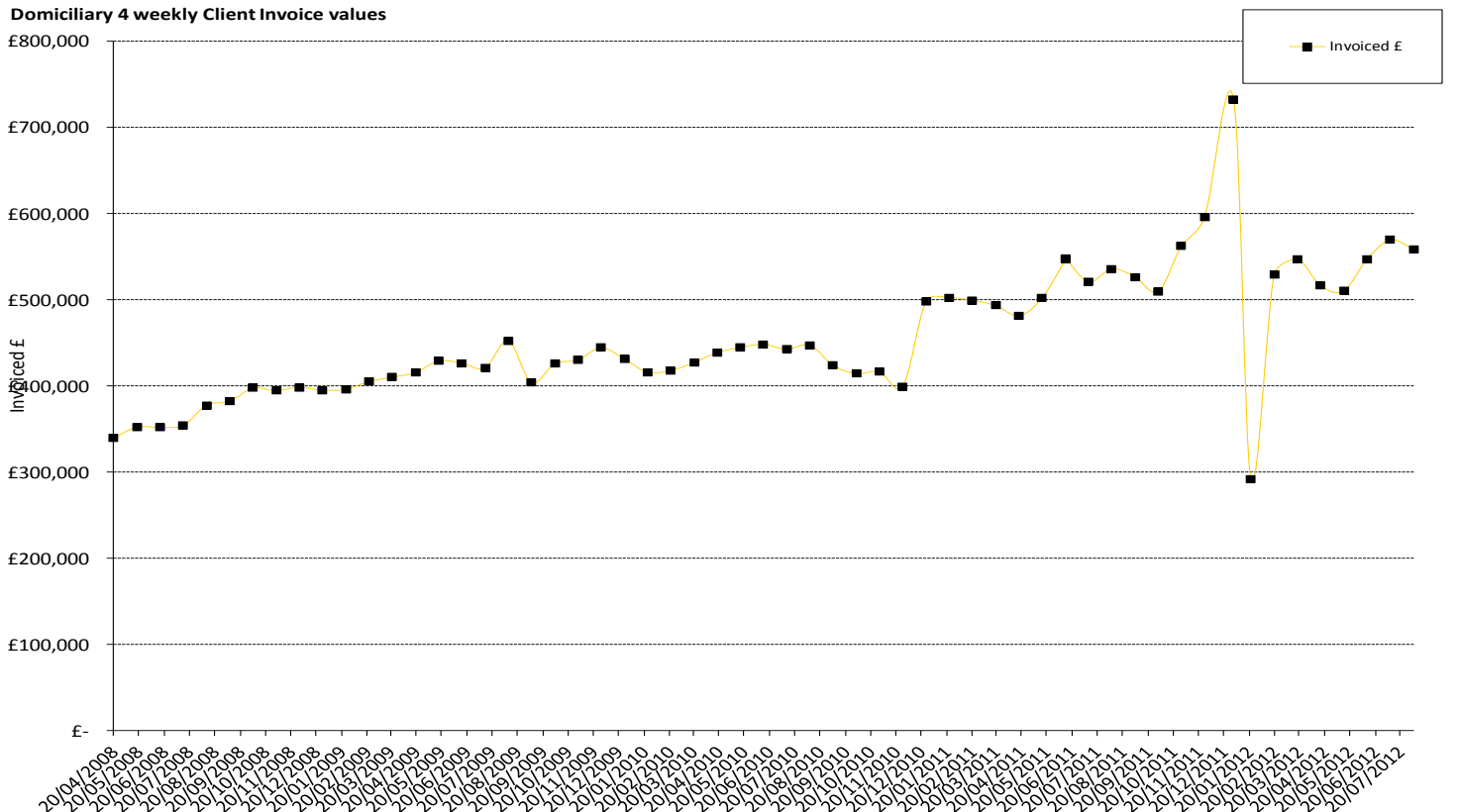
Appendix 6 – Demand for Mental Health Services



Appendix 7 - Count of Client Numbers Invoiced for Community Care Services

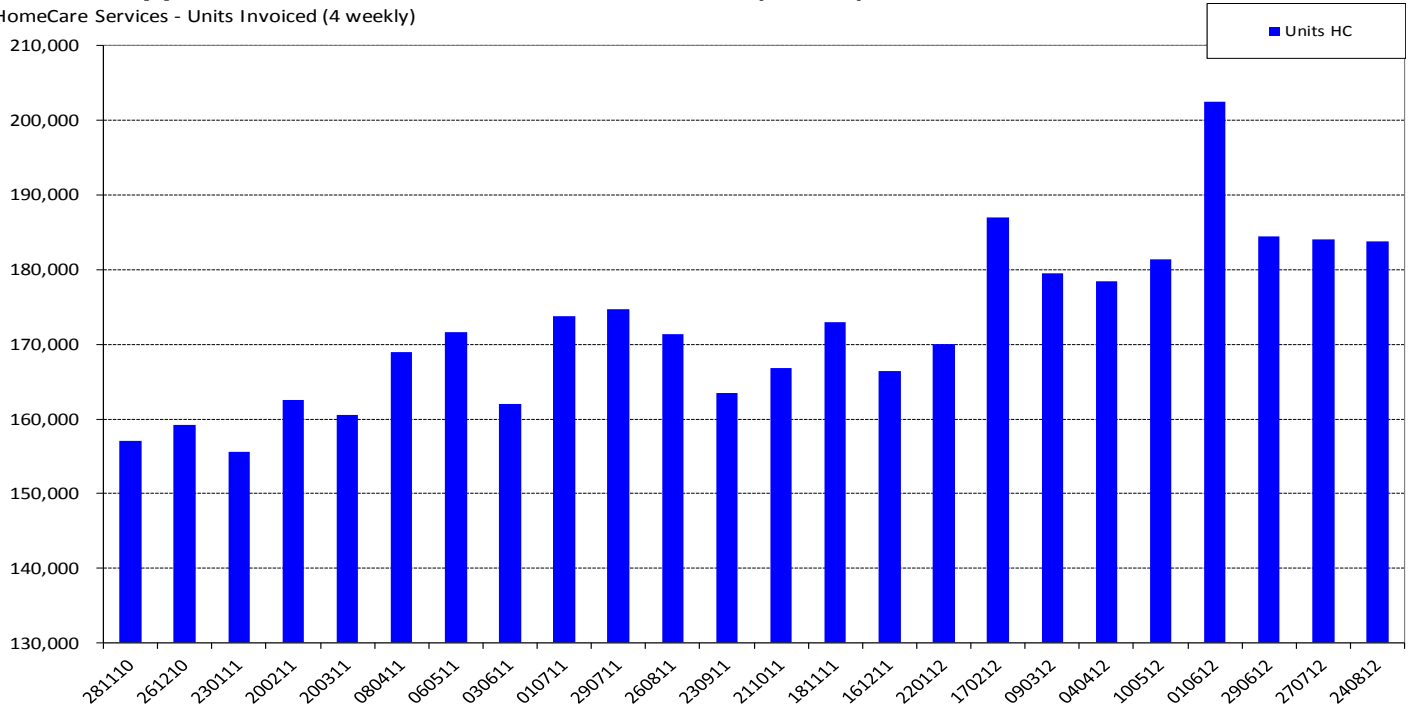


Appendix 8 - Count of Total Invoiced Income Per 4 Week Period



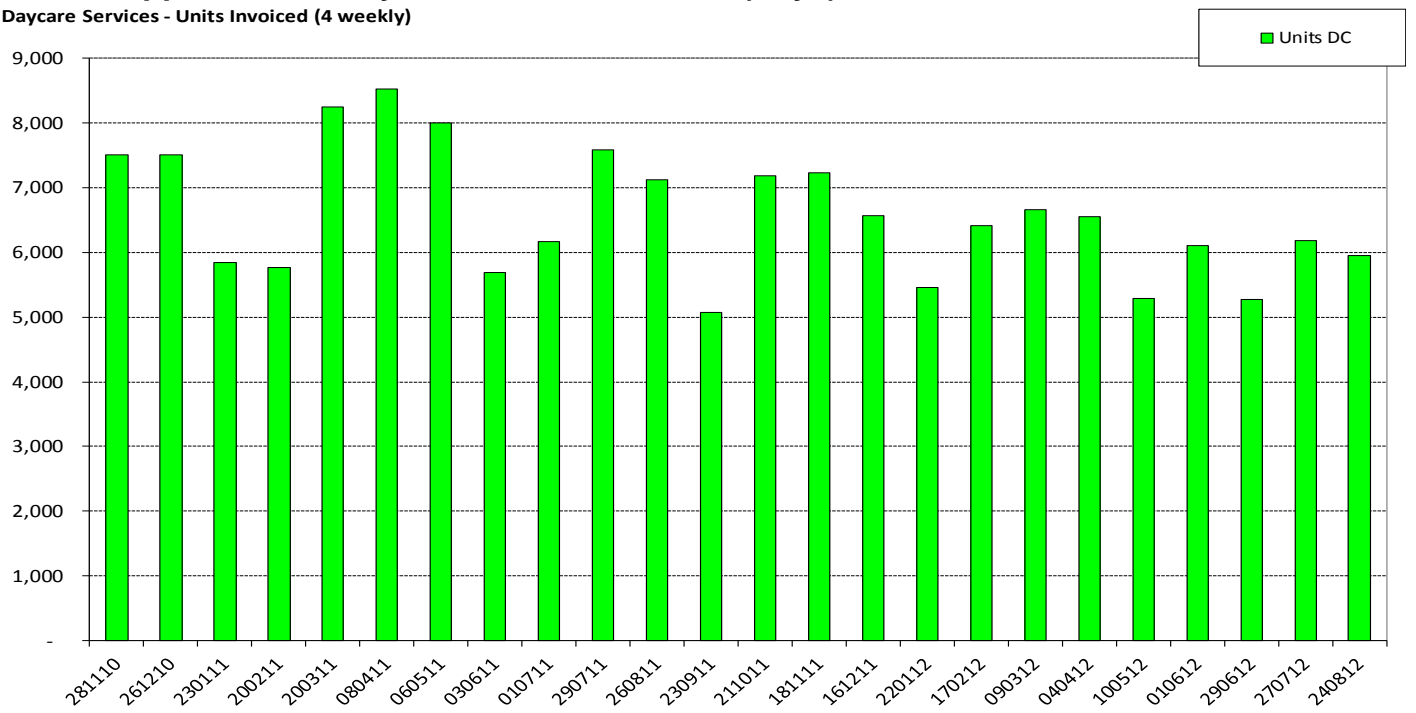
Appendix 9 - Home Care – Units Invoiced (Hours)

HomeCare Services - Units Invoiced (4 weekly)



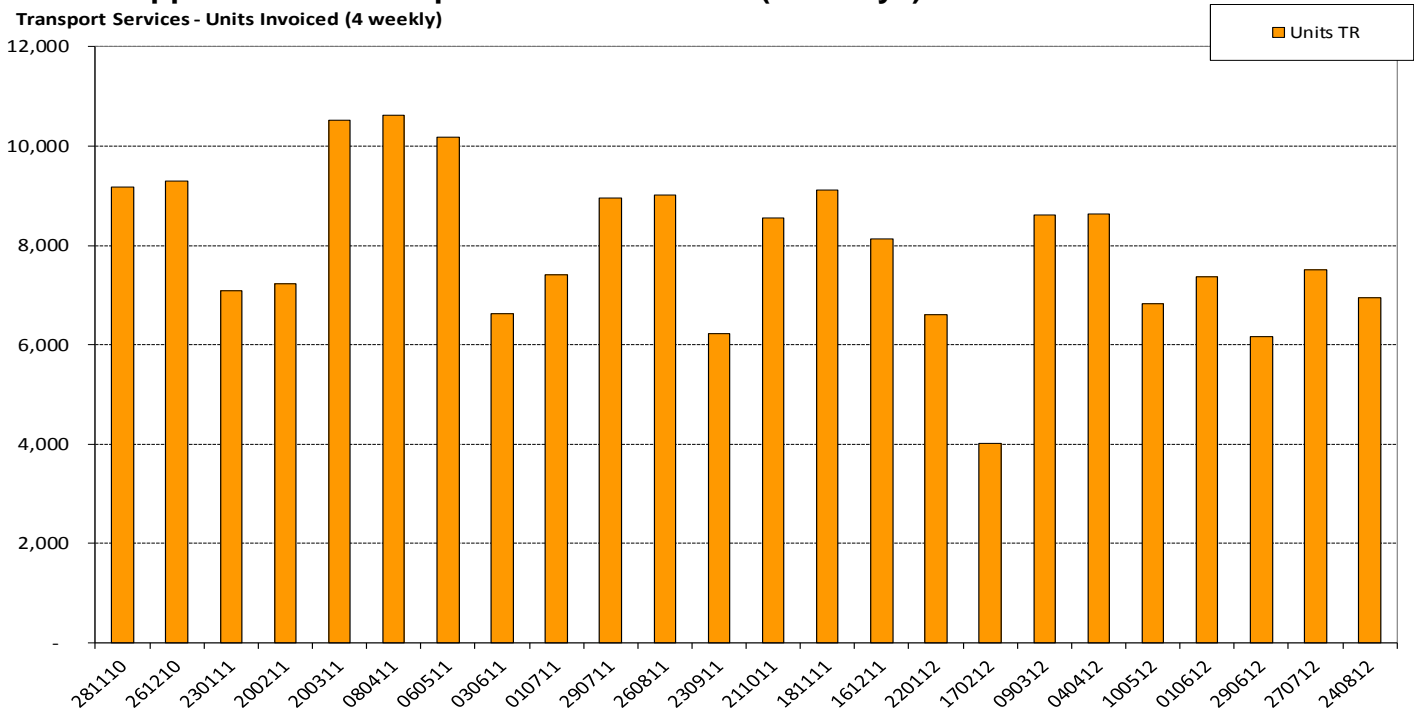
Appendix 10 - Day Care – Units Invoiced (Days)

Daycare Services - Units Invoiced (4 weekly)



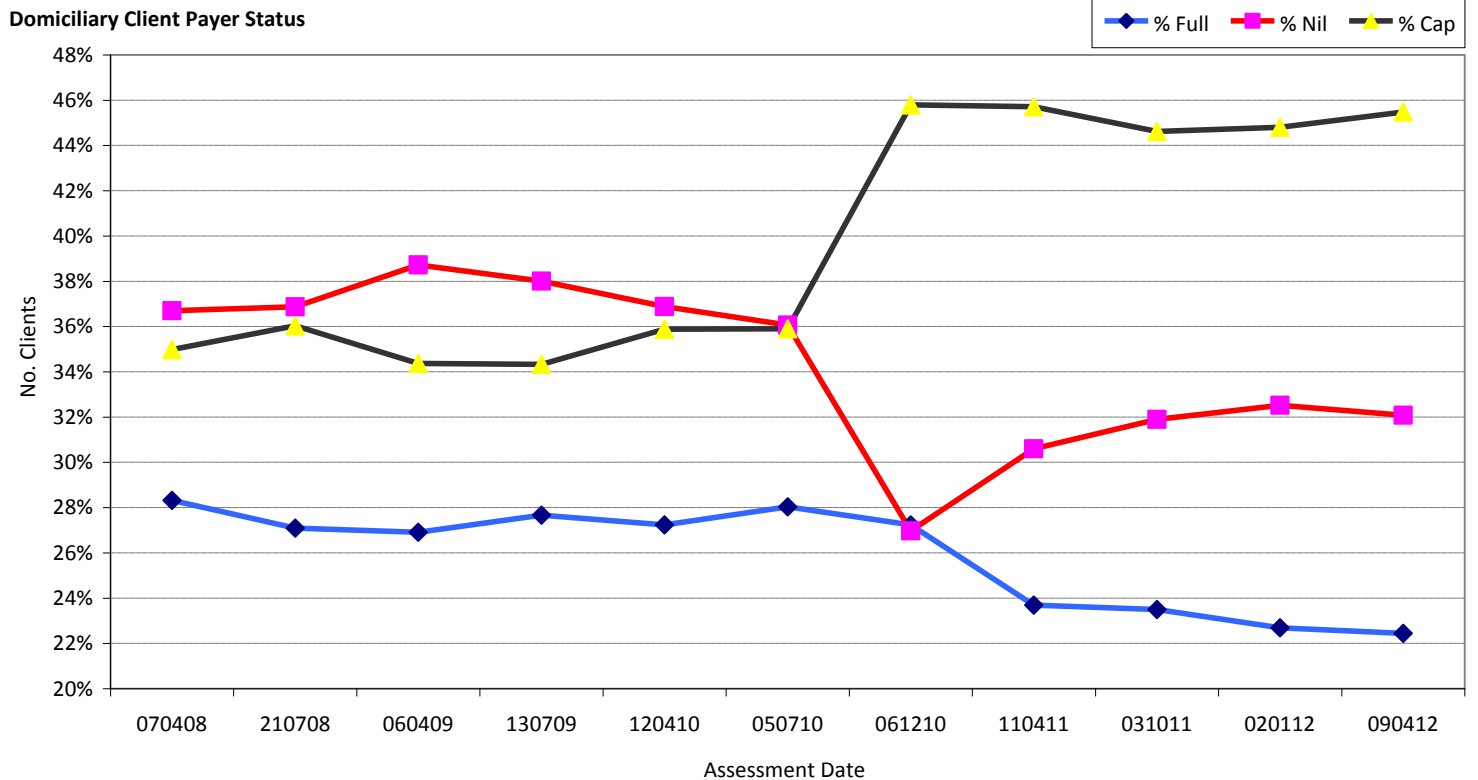
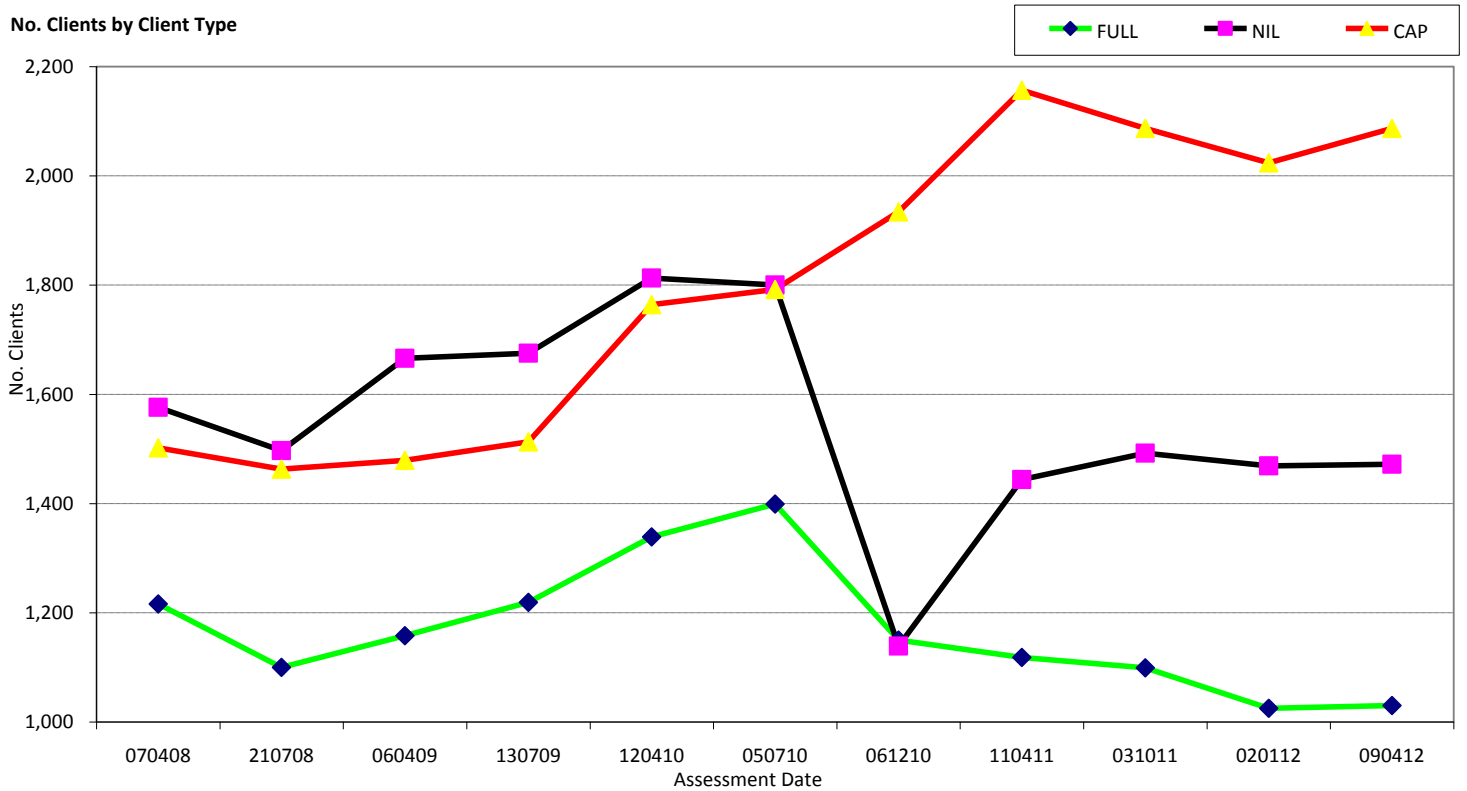
Appendix 11 - Transport – Units Invoiced (Journeys)

Transport Services - Units Invoiced (4 weekly)



Appendix 12 - Analysis of Client Payer Status (Number of Clients and % of Clients)

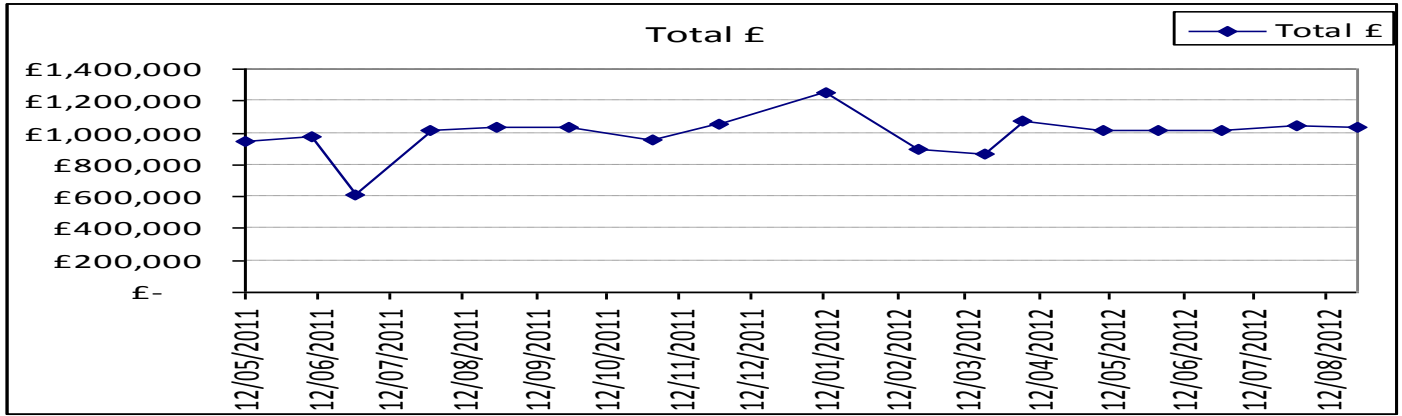
This is the analysis of client numbers based on their financial assessment



Appendix 13 – Debt Outstanding

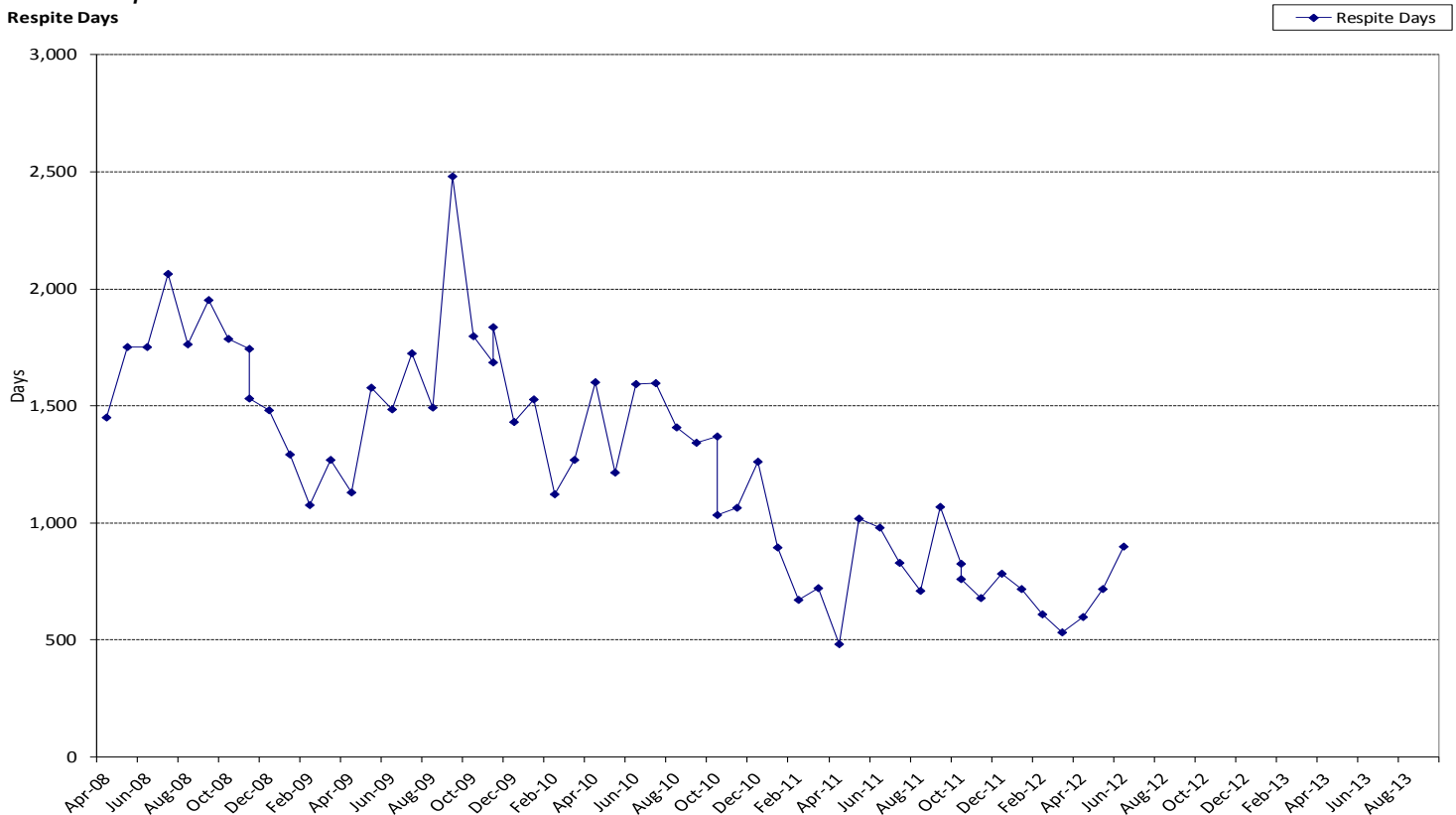
(recorded from May 2011 only due to change of recording process for status indicators from this date)

These are the levels of debt analysed by status



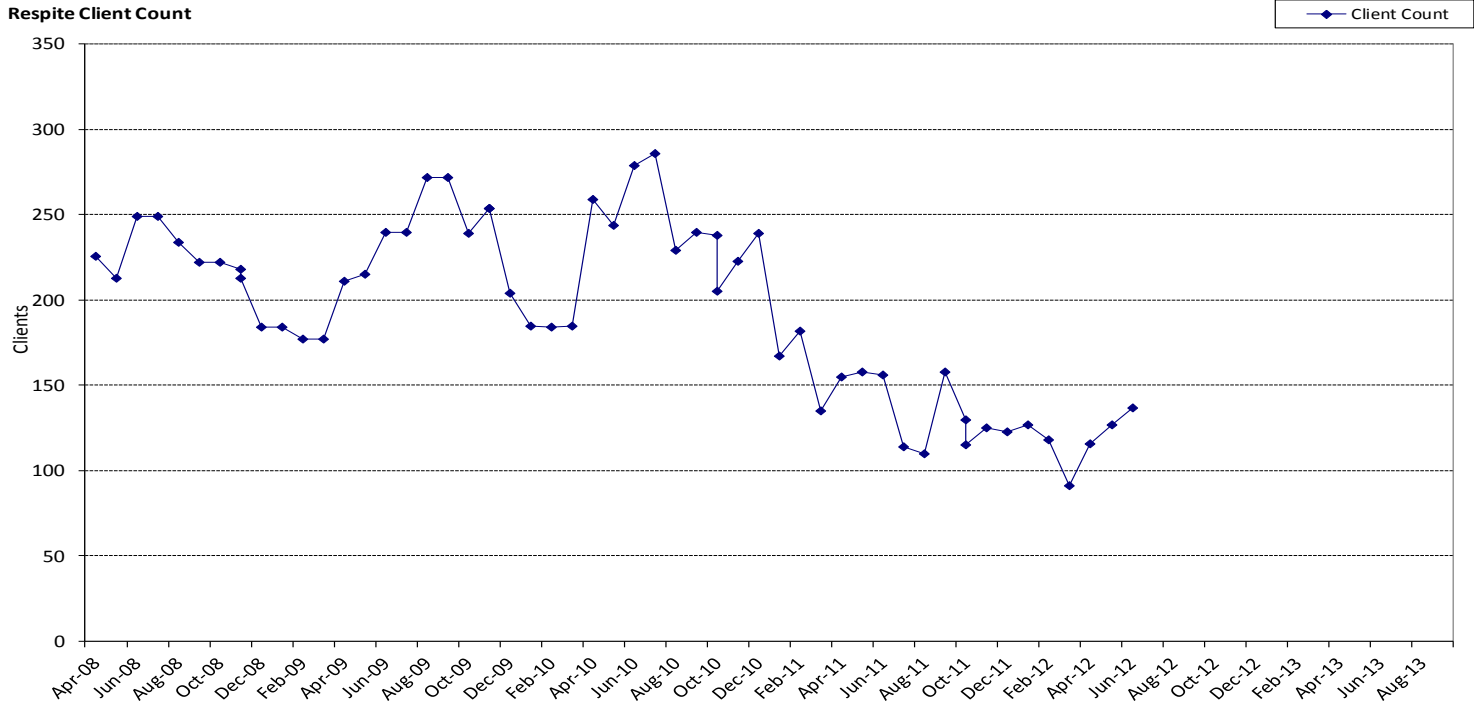
Appendix 14 - Count of Respite Days

These are the number of days respite care which clients have taken during each period.



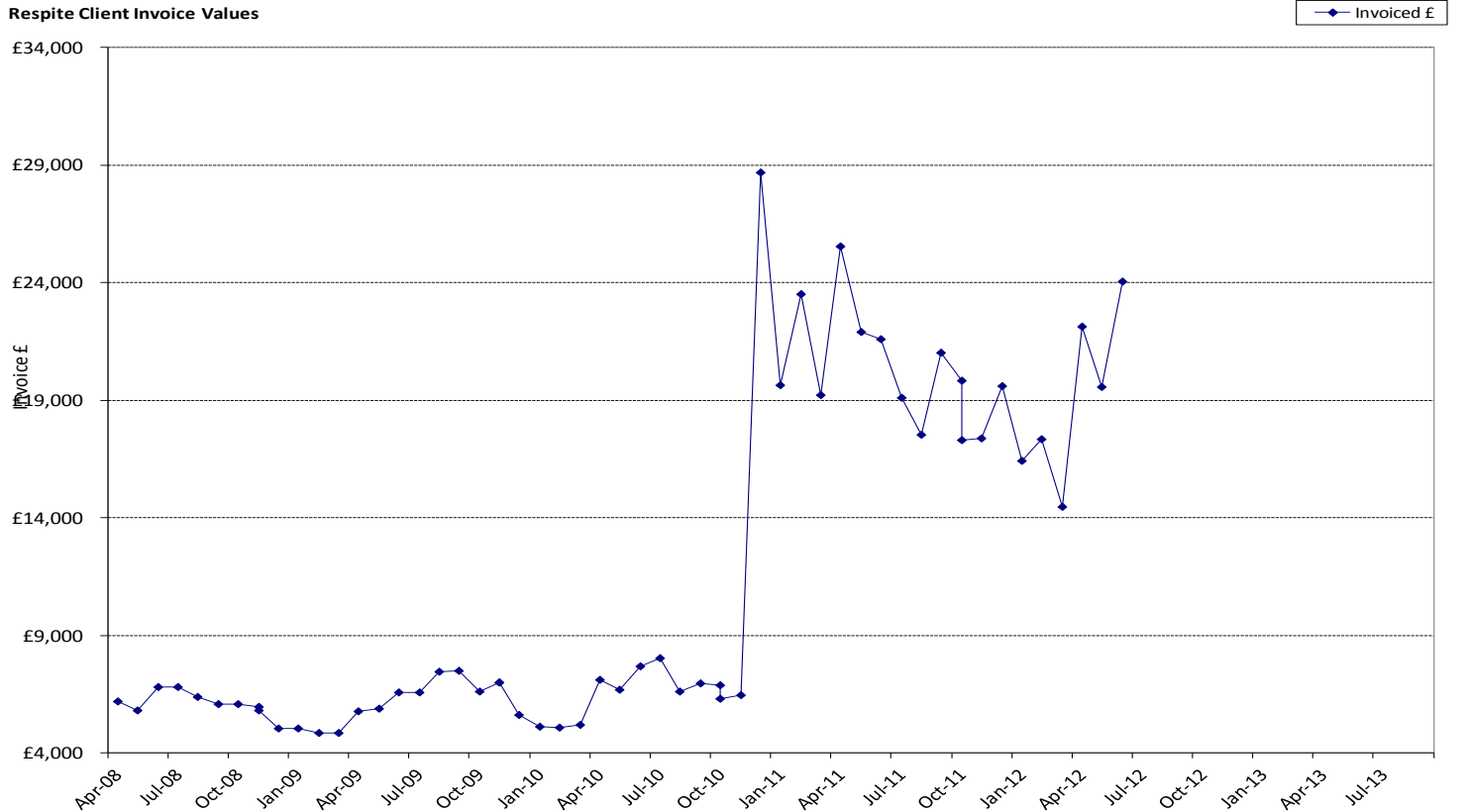
Appendix 15 - Respite Client Count

These are the number of clients invoiced for respite care during each period.



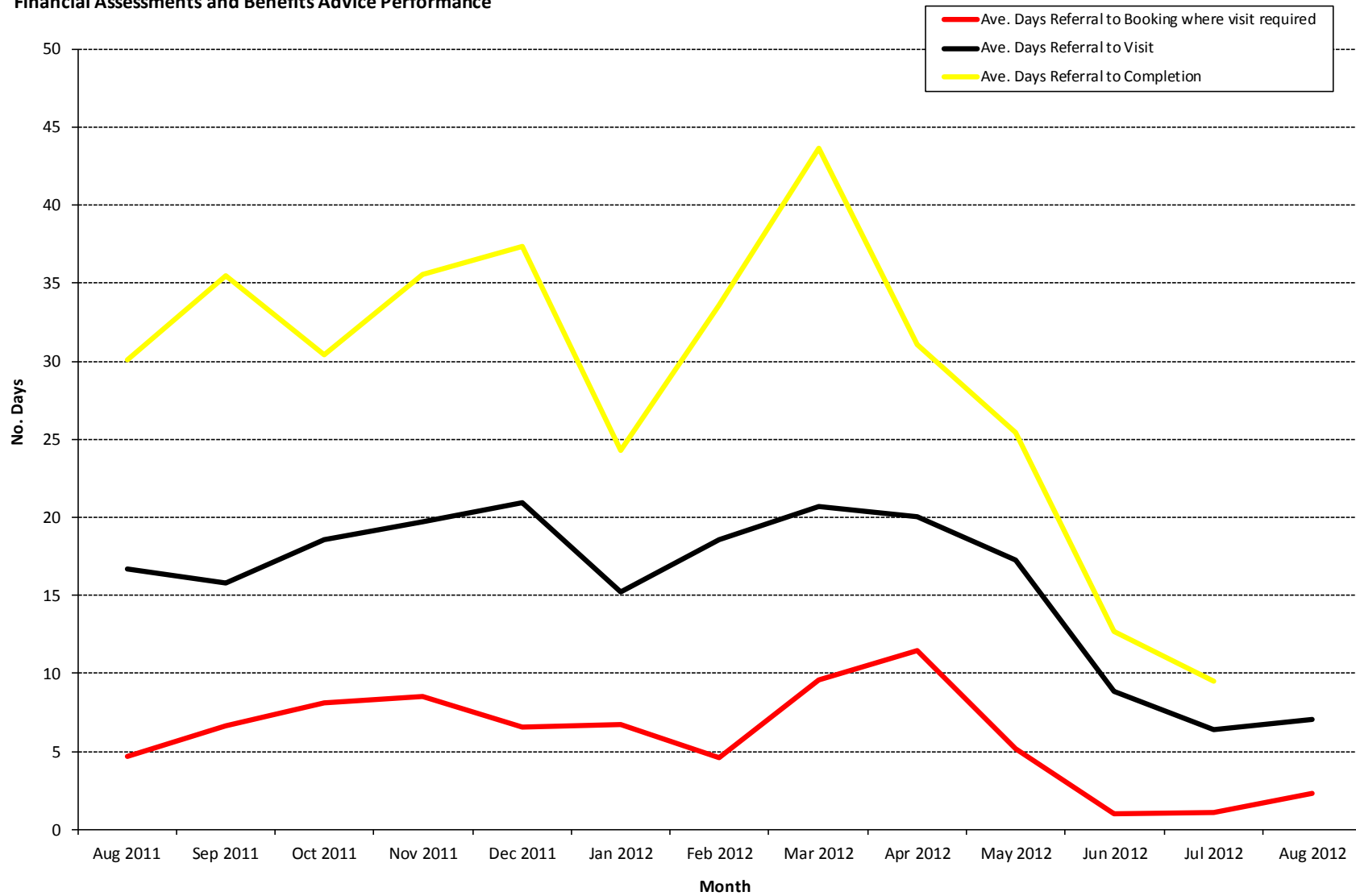
Appendix 16 - Respite Client Invoice Values

This is the value invoiced to clients in respect of contributions for their respite stays



Appendix 17 – Financial Assessments Performance

Financial Assessments and Benefits Advice Performance



Savings Compared to Plan (refer to Section 5.1)

Appendix 18

£'000	£'000	Notes
Homecare, daycare, transport Phase 1	1,300	Approximately £100,000 per 4 week period
Homecare, daycare, transport Phase 2	520	Approximately £40,000 per 4 week period
Respite Care Phase 1	170	Approximately £13,000 per 4 week period
Total savings directly measured	1,990	
Homecare, daycare, transport Phase 3	330	Estimate based on changes in rates compared to earlier changes and the increases directly measured
Homecare, daycare, transport Phase 4 savings (homecare presented as reduced costs, not as increased income)	310	Estimate based on changes in rates compared to earlier changes and the increases directly measured
Direct Payments Phase 1	350	Estimate based on volumes and changes in rates
Carers Sitting Services	?	Not measured separately
Internal Residential Care	190	Approximately 14 full paying clients (estimate ignores part payers and so is an underestimate).
Add: Other Chargeable Care Services	?	A 100% recovery rate was introduced for any chargeable services outside the mainstream services. This figure is not measured directly but will be very small compared to homecare and day care income
Reductions in net spending due to reductions in demand caused by increased changes	?	Not possible to quantify but this could amount to a significant figure
Total Savings Due to Charging Review	3,170	