

The cost of providing home care

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Introduction

Although a key service in maintaining older people in their own homes, there is a dearth of good information about the unit costs of home care services in the public domain. In an effort to improve providers' and commissioners' understanding of the impact of contract requirements on the costs of providing care a study funded by the Department of Health was undertaken by Tribal Secta on behalf of the UK Home Care Association (UKHCA). A costing model was developed designed to help home care providers estimate their own costs. We used this model as part of a wider study of home care to improve our understanding of the costs of home care.

Method

The costing model consists of an excel spreadsheet tool designed to determine a reasonable price for home care services by both providers and commissioners. According to Tribal Secta the model was designed to be applicable for a wide range of domiciliary service types, whether provided by voluntary organisations, local authorities, health trusts or private companies.

As part of a telephone survey and a specific exercise in one authority, 87 independent home care providers and 9 local authorities were invited to complete the cost calculator. All calculators were sent to Tribal Secta to be analysed for consistency. Discrepancies within the data provided were largely due to misunderstandings of the way the model collects the data or misreading the instructions.

Results

Detailed information on costs was collected from 28 independent providers (25 from one local authority), giving a response rate of 33 per cent. Only 1 local authority participated so the results have been omitted here. The principle reason for refusing to participate was lack of time. Some respondents who agreed in principle refused once they saw the model.

Providers

The providers were divided into small, small medium, large medium and large on the basis of the sample distribution of the number of service users receiving care per week.

Table 1 shows that the participating providers supplied on average 1293 direct client care hours a week, rising to 2918 hours among larger providers. This table also shows that home care visits on average were less than one hour, with clients receiving 6.5 hours of care per week. Among smaller providers, length of visit increased to 1.1 hours, with clients receiving on average 9.3 hours of care per week.

Table 1 Contracts

	Number of clients	Chargeable direct client care hours per week	Average visit duration in hours	Average hours per client per week
All providers (N=28)		1293	0.7	6.5
Small providers (N= 6)	<100	516	1.1	9.3
Small medium providers (N=8)	100-159	673	0.7	5.5
Large medium providers (N= 7)	160-281	1042	0.6	5.4
Large providers (N=7)	282+	2918	0.6	6.5

Cost of home care

Table 2 shows that the average cost of home care among the participating providers was £12.68 overall before mark-up and £14.21 after mark-up. The cost per hour of home care including mark-up was higher among smaller providers.

Table 2 Average cost per hour of home care

	Average cost of home care per hour before mark-up for surplus £	Average surplus £	Average cost of home care per hour after mark-up for surplus £
All providers (N= 28)	12.68	1.53	14.21
Small providers (N=6)	15.63	1.65	17.28
Small medium providers (N=8)	10.63	1.33	11.95
Large medium providers (N=7)	11.59	1.81	13.40
Large providers (N=7)	13.58	1.39	14.97

Labour costs were the largest component of a home care provider's costs. Table 3 shows that on average the overall cost for direct client care time per hour was £6.54 among the participating providers, which rose to £7.17 among larger providers.

Table 3 Average cost for direct client care time per hour

	Average cost for direct client care time per hour £
All providers (N=28)	6.54
Small providers (N=6)	6.67
Small medium providers (N=8)	5.95
Large medium providers (N=7)	6.47
Large providers (N=7)	7.17

Travel time clearly will be affected by the rural or urban nature of the service. However, table 4 shows that travel to, from or between clients also varied between different sized organisations. This is likely to be the result of increased scope for grouping visits among larger providers.

It is worth noting that the vast majority of providers did not pay staff for the time spent travelling to, from or between clients. Some providers have noted an increasing pressure upon them to pay staff for travel between clients, which the results suggested would have a considerable impact on the cost of service provision. It is interesting to note that the time allowed for travel does not follow the same pattern however, as the number of miles travelled.

Table 4 Travel expenses per hour

	Number of miles travel allowances paid for per hour	Total cost of mileage allowance per hour £	Travel time per hour in minutes
All providers (N=28)	2.34	0.40	7
Small providers (N=6)	3.10	0.44	9
Small medium providers (N=8)	2.58	0.33	6
Large medium providers (N=7)	1.85	0.31	7
Large providers (N=7)	2.34	0.54	6

Indirect costs (i.e. training costs, insurance, premises, equipment, clothing and office costs) are an important element of the cost of delivering the service. Table 5 shows that on average home care providers spend £2.50 on indirect costs per hour, which rose to £4.23 among smaller providers.

Table 5 Average indirect costs per hour

	Average indirect costs per hour £
All providers (N=28)	2.50
Small providers (N=6)	4.23
Small medium providers (N=8)	1.69
Large medium providers (N=7)	2.00
Large providers (N=7)	2.43

Overall the costing model worked well as a tool for identifying an average hourly cost for homecare services. A potential area for improvement was the treatment of zero values. Null values were assumed to indicate zero expenditure and follow-up investigations suggested this was correct, however it was not always clear whether the specified costs were included elsewhere in the model or were not applicable.

Conclusion

The low response rate suggests more work needs to be done to make the model more 'user friendly'. Nevertheless, the study provided us with a valuable opportunity to investigate the cost of providing home care services and in cost comparison variation.

The results should not be seen in isolation. Many factors can affect and are associated with costs, including provider characteristics beyond those discussed here (for example, training and supervision arrangements, specialisations), area characteristics (i.e. labour market) and, of course, quality of service. Further research will investigate the relationship between provider characteristics, area characteristics, quality, costs and prices.