

Estimating unit costs for Direct Payments Support Organisations

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Introduction

Demand for direct payments support has risen with the increasing policy emphasis on person-centred, individualised care. Direct payment support (DPS) can help people with the assessment process, provide finance advice and support for the many accountancy tasks involved, help recruit personal assistants, or can act as an employment agency for care workers (Department of Health, 2003). Personal budgets will be introduced for most publicly-funded social care users in England by 2011, and it is likely that many will choose to take them as direct payments. One consequence is likely to be that direct payments support will need to be much more widely available.

Despite this policy pressure, there is very little information on the costs of providing direct payment support. Where it is available, costs are typically estimated by dividing annual expenditure by the number of users supported (Stainton et al., 2009; Hasler et al., 1999). Such 'top-down' methods provide a helpful start, but they do not reflect the different support activities provided, and so do not pick up the different levels of resources provided to users or the different ways of spending those resources.

In 2005, the PSSRU undertook a national survey of organisations that provide direct payment support (Davey et al., 2008). Following new analyses of these data, we present information on the overarching unit costs for those organisations (2005 prices). Methodological details are available from the authors.

Methods

Sixty-four of the 121 Direct Payment Support Organisations (DPSOs) responding to our survey¹ provided sufficient and appropriate data to estimate unit costs. Organisations that had recently started were excluded as their unit costs were unlikely to reflect usual practice; this meant that a high proportion of DPSOs serving single user groups were excluded as

¹ Out of 169 DPSO operational at the time of the survey, an estimated 50 were in start-up mode, suggesting that our analysis of unit costs represents at least 60 per cent of DPSOs that were fully operational at the time.

they tended to be the newest. The included DPSOs supported on average 121 users (range 28 to 345) and had been providing direct payment support for about five years. This sub-sample included support schemes run by branches of national providers serving users with a wide range of needs, local organisations that serve one or more local authority areas, and schemes run directly by social services.

Most DPSO expenditure is likely to arise from fulfilling their core task in directly supporting service users through face-to-face and telephone contact and by regular case reviews. These data, recorded by the organisations – taking into account the amount of time needed from assessment, through setting-up the care package, to the point where the user could manage their direct payments independently – were employed to estimate staff dedication time per average user, for each user group in turn. This figure multiplied by staff hourly cost² provided a measure of the direct support costs (DSC).

Alongside this direct support, DPSOs provide additional services such as advocacy, accountancy and the like (see Table 1). The organisations surveyed varied in the extent to which they provided these services (Davey et al., 2008). Our cost estimations, therefore, needed to allow for this variation. Our approach was based on the assumption that, once all direct service costs were taken into account, the remaining expenditure would relate to provision of these service options; this provides a measure of the indirect support costs (ISC). Organisations that focus more on direct support than providing supplementary services, for example, are likely to have higher proportions of DSC relative to ISC. In contrast, a DPSO that mainly offers so-called additional services would have a higher proportion of ISC relative to DSC. One possible example would be an employment business which provides personal assistants for DP users.

Results

For each organisation and for each user group they supported, we estimated the average unit cost per average user per annum. Table 2 shows the median unit costs for the main user groups (most DPSO serve multiple user groups). The final data column shows that the average unit cost per service user was £734. Other findings from the survey suggested that the unit cost for people with mental health problems would be highest due to higher average recorded levels of direct support (Davey et al., 2008). However, our new analyses show that the highest average unit cost was for people with physical disabilities or sensory impairment (£736 per annum), although this was only marginally higher than the unit costs for people with learning disability or mental health problems. In other respects user group variation followed our expectations, being lowest for carers and older people (£626 and £637). Other research has suggested that older people may have lower needs for direct payment support because informal carers undertake many of the tasks (Davey et al., 2007; Glendinning, 2008).

Looking at the unit costs in each DPSO, we found eleven organisations had average annual unit costs above £1000 per user (for all users groups). These were predominantly Centres for Independent Living or similar local schemes run by disabled people, or in-house support schemes. This suggests that these particular models of working are quite expensive – although we cannot tell whether these schemes are also generating better outcomes for users. The highest annual unit cost per user recorded (£2631) was by an in-house scheme.

2 Staff hourly cost was calculated using data on total expenditure and number of full-time equivalent staff members. We assumed a 40 hour working week. By using total expenditure instead of staff expenditure we have been able to apportion non staff costs (buildings, staff payroll, administration and travel costs) to hourly staff cost.

Table 1: Direct payments support: supplementary service options

Generic name	Service options
Advocacy services	General advice and support* Support with applying for direct payments Training in undertaking self-assessments Support with undertaking self-assessments Advocacy for statutory assessments Assistance with indirect payments schemes Financial advice (general)* Direct payments awareness raising Campaigning Peer support*
Recruitment services	Lists of personal assistants Lists of local agencies* Bank of emergency staff Assistance with interviews* Assistance with training PA training Employment law advice* Recruitment support* PA management advice* Assistance compiling job descriptions* Assistance compiling contracts* Any other backup service*
Accountancy services	Help setting up a bank account Issuing cheques Assistance with tax* Assistance with National Insurance* Accountancy service* Assistance with payroll* Payroll service* Training in budgeting* Completing monitoring forms* Help to organise employer's liability insurance
Employment agency services	Care worker introduction scheme Employee scheduling/rotation service Finance and insurance management service
Employment business services	Contract care workers Organisation of payment to care workers Finance and insurance management

Note: * Direct Payment Support referred to in official guidance on direct payments (Department of Health, 2003)

Table 2: Average unit cost by user group

Cost per annum per user	Older people	Mental health	Learning disability	Physical disability/sensory impairment	Disabled children	Carers	All groups
	(£)	(£)	(£)	(£)	(£)	(£)	(£)
	n=58	n=42	n=59	n=61	n=42	n=26	n=64
Median	637	725	732	736	668	626	734
Minimum	148	244	178	126	150	160	155
Maximum	2546	2293	2557	3079	2569	1982	2631

The minimum and maximum values in Table 2 reveal the wide range of costs. Disabled children and adults have the widest ranges of unit costs, with some of the lowest and the highest minimum and maximum values. For all user groups except for mental health, the maximum unit cost for each user group is at least 10 times larger than the minimum, indicating the very different levels of direct contact provided. The final data column shows average cost across all user groups which tends to disguise the wide variation by user

group. This shows that the minimum annual unit cost per average DPSO user was £155; direct service costs absorbed about a third of this figure (n=59). The highest unit cost per DPSO service user was £2631 of which DSC absorbed just 15 per cent (n=59). In turn, these costs suggest 15 hours of direct contact time in the most expensive DPSO compared to 9 hours in the cheapest (based on the staff hourly cost for each). Across all DPSOs, staff costs per hour ranged from under £5 to £68 around an average of £14.

In three-quarters of the organisations, direct support costs were lower than indirect costs, suggesting that proportionally less of their resources were absorbed by direct contact with users. Half of these organisations were spending up to twice as much on ISC as on DSC, and five were spending between two and five times the DSC levels on ISC. At the highest end of these ratios, four organisations' spend on ISC was between 13 and 66 times that spent on direct support costs. Given the way data were recorded, it is unlikely that the organisations underestimated the level of direct contact time per user so these high ISC proportions indicate organisations which have the largest infrastructures for supplementary services. Despite the overall dominance of expenditure on indirect support, a significant minority (around a quarter) dedicated most of their resources to directly supporting users.

Overall, these unit costs begin to identify the wide variations in the scope of DPSO activities, their differential within-organisation spend, and the cost implications of these choices about the balance of direct support and supplementary services.

Conclusion

These new analyses of the DPSO survey data had two objectives: to provide a comprehensive and transparent means of calculating unit costs; and to provide new insights into the costs of direct payment support. This paper focuses on the latter. While providing some of the first unit costs to show the considerable variations in unit costs between user groups, they also provoke new research questions.

Certainly, the variations in the ratios of direct to indirect support costs need further investigation. Since costs, income and expenditure for these organisations come within tolerable limits, we may conclude that our unit cost estimations are reasonably accurate and that the variations in the ratios of direct to indirect support costs are largely due to the result of the organisations' differing practices. Moreover, according to our results extreme variations in the ratio of direct to indirect support costs (or vice versa) were not obviously linked to extremes in average unit cost per user. Further analysis is required to explore the factors which are associated with variations in unit cost, DSC and ISC, and particularly the dynamic between the three relative to the delivery of particular supplementary services (e.g. payroll).

It is also probable that our results indicate the limitations of broad-based data collection. While investigation supports the hypothesis that staff contact to provide direct payment support (through home visits, telephone consultations and annual review) accounts for most but not all user-related activity (Davey et al., 2007), our results question the level of expenditure required by the majority of DPSOs on indirect support (e.g. supplementary services) relative to direct support. Recording *all* user-related activity and staff time – particularly time spent within the supplementary services – is a much more complex task. To increase the accuracy with which we can identify the costs of direct payment support and activities provided through the supplementary services, work is needed to develop and

extend current methods of processing, recalling and recording user data and tracking the support provided to service users.

Acknowledgement

We are very grateful to Jennifer Beecham for her assistance with this article.

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