



Homecare
Association

Fee rates for state-funded homecare
in 2022 vs 2021 - has there been an
improvement and why does it
matter?

Contents

| | |
|---|----|
| Key issues and findings..... | 3 |
| Unavailability of homecare and its consequences | 3 |
| Fee rates for homecare in 2022 vs 2021 | 3 |
| NHS purchase of homecare from independent providers | 5 |
| Under-investment in homecare is driving a shortage of careworkers | 6 |
| Rebuilding homecare capacity..... | 6 |
| Background | 7 |
| About this research | 8 |
| Regular homecare/regular homecare and reablement | 9 |
| Number of contracts | 9 |
| Known 2022-23 fee rates..... | 11 |
| Average 2022-23 fee rates | 13 |
| Fee rate uplift from 2021-22 | 15 |
| CCG v local authority comparison | 17 |
| Minimum Price for Homecare | 20 |
| Careworker costs..... | 21 |
| Summary | 23 |
| Extra care and supported living..... | 23 |
| Conclusion | 24 |

Key issues and findings

Unavailability of homecare and its consequences

Unavailability of homecare is having serious consequences for individuals, families, communities, local authorities, and the NHS.

Rising demand and falling supply of homecare is leading to an increase in unmet need in the community and delayed discharges from NHS hospitals. Lack of available hospital beds contributes to [increased ambulance response times and longer NHS waiting lists](#), which adversely affects anyone who needs emergency care, diagnosis or treatment.

Inability of homecare employers to retain and recruit enough careworkers to meet demand is closely related to their inability to offer competitive pay and terms and conditions of employment in a tight labour market. This is because around 70% of homecare is state-funded and the income that providers receive from public sector commissioners with monopsony purchasing power does not adequately cover their costs. In turn, this is because central government has chosen to funnel most of the country's healthcare spend into acute hospitals, rather than investing in home-based and community support. Allocation of most of the Health and Social Care Levy to the NHS merely intensifies this disparity, whilst local authority budgets remain squeezed.

Pouring money into the NHS whilst starving social care has led to system failure, which is plain for all to see. Public confidence in the ability of the NHS to provide timely care for those who need it has plummeted, which will likely have long-term political ramifications.

For many years, the [Homecare Association](#) has campaigned for an increase in fee rates for state-funded homecare so that a competitive employment offer can be made to careworkers, to build capacity and ensure quality and sustainability of services. Many careworkers love their jobs and the opportunity to improve lives, but stark economic realities drive them away reluctantly to stack shelves in supermarkets.

Here we report on research we conducted between May and July 2022 to investigate whether fee rates for state-funded homecare increased after 1 April 2022, in line with recommendations we made in our [Minimum Price for Homecare Report](#) in December 2021.

Fee rates for homecare in 2022 vs 2021

Our findings, reported in detail in the following sections, indicate that fee rates paid for regular homecare/regular homecare and reablement by public organisations in England from 1 April 2022, are an average of **£19.01 per hour** for local authorities

(6.6% increase from 2021-22) and **£18.76 per hour** (an 8.1% increase from 2021-22) for NHS Clinical Commissioning Groups (CCGs, now part of Integrated Care Boards, or ICBs).

Both figures are significantly below the Homecare Association’s [Minimum Price for Homecare](#) of **£23.20 per hour**, which was an 8.2% increase on the prior year, and accounted for wage and other inflation at publication in December 2021. It is deliberately described as a *minimum* price, as it is based on ensuring careworkers are paid at least the national legal minimum wage of £9.50 per hour for all working time, as well as enabling providers to deliver high-quality, sustainable services.

As previously made clear, though, the Homecare Association believes careworkers should be paid much more than the national legal minimum, as the roles require substantial skill and training and are subject to regulatory oversight. Some supermarkets are now paying £12-13 per hour for warehouse and retail assistants. NHS Band 3 Healthcare Assistants (with 2+ years’ experience) receive the equivalent of £11.85 per hour plus more favourable terms and conditions of employment.

Our costing model indicates that fee rates for homecare of almost £30 per hour are required to offer pay rates of £12.50 per hour, which is much higher than the average of £19.01 per hour paid by councils identified in this research.

Minimum Price for Homecare by wage rate 2022-2023

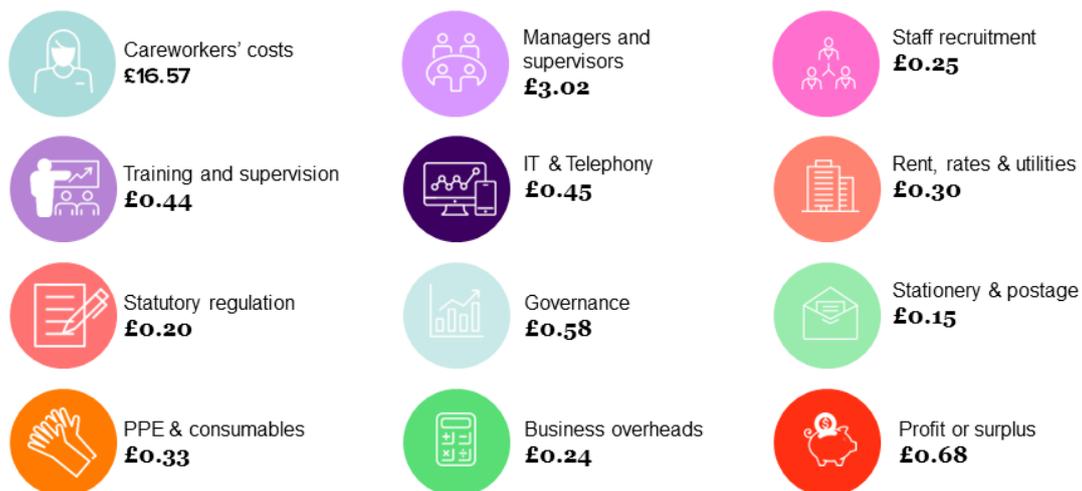


Homecare employers simply cannot compete for workers with those in retail, hospitality, or the NHS, where pay and terms and conditions are better. State-funded

providers have no means of passing on costs of higher wages to purchasers, as the latter are councils or CCGs in a monopsony.

Our findings also show that some councils are paying fee rates for homecare that are below even the direct costs of employing careworkers at NLW, which we estimate at £16.57 per hour (pay of £9.50 per hour, plus statutory pension, National Insurance contributions, holiday and sick pay, average travel time and mileage). This excludes all the other costs of running a homecare agency which must also be covered by the hourly rate received, which is typically paid for client contact time only. We have previously written to Walsall Borough Council about their standard rate of only £15.80 per hour for homecare.

Why regulated care costs at least £23.20 per hour



Fee rates this low make compliance with regulations and financial sustainability of providers almost impossible. We believe commissioning practices like this are unethical and should be made unlawful. Our advice to providers is not to bid for contracts at fee rates that do not cover costs.

NHS purchase of homecare from independent providers

According to last year's Homecare Deficit report, the NHS purchases around 13% of total hours of state-funded homecare in England. Over two-thirds of our sample of NHS commissioners in England, which purchase homecare from independent providers, have still not communicated with providers about fee rates after 1 April

2022, despite there being a 6.6% increase in NLW on this date. It is hard to justify this. NHS commissioners must recognise statutory increases in the legal minimum wage and ensure fee rates cover this and other operating costs.

The current average NHS fee of £18.76 per hour for homecare for independent providers is well below the amount needed to attract, retain and develop homecare workers able to take on the more complex care typically purchased by the NHS.

[NHS leaders](#) frequently point to inadequate availability of homecare as a key reason for poor NHS performance. They could help by ensuring that NHS commissioning and purchasing of homecare is done in an ethical and financially sustainable way, supporting the homecare workforce, which is currently not the case in many areas.

Others blame system failure on underfunding of the NHS. [OECD data](#) indicates that the UK spends an estimated 11.9% of GDP on healthcare, which is comparable to peer countries. Relative to peer countries, though, the UK spends among the highest proportion of its healthcare budget on hospital care and among the lowest on primary and community care.

This strategy of pouring most of the available funds into acute hospitals, whilst starving homecare and other parts of the health and care system, is failing, judging from [excess mortality statistics](#) and [NHS performance data](#).

Under-investment in homecare is driving a shortage of careworkers

Since publication of our Minimum Price for Homecare in December 2021, the rate of inflation has continued to climb and is currently [8.8%](#). Careworkers are [struggling to put fuel in their cars](#) and employers have insufficient income to cover higher pay and additional costs, such as increased mileage payments and [sick pay](#) for careworkers isolating after a positive COVID-19 test.

It is hardly surprising, therefore, that the vacancy rate in homecare in July 2022 was at an historic high of 14.8% compared with 5.9% in 2012-13, and [filled posts have decreased since 2020-21](#).

Employers are [struggling to retain and recruit staff](#), which is adversely affecting workforce capacity. In turn, this has led to an increase in unmet need, which risks negative consequences for individuals and their families, as well as the wider health and care system.

Rebuilding homecare capacity

Rebuilding homecare capacity requires sustained investment from central government, transformation of the way that public organisations commission and

purchase homecare, and incentives to incorporate technology solutions into service delivery. There are no quick fixes. International recruitment is certainly not a viable solution for addressing state-funded homecare workforce shortfalls at pace or scale in the current environment.

The Government must use the [Fair Cost of Care and Market Sustainability](#) work to understand the true cost of delivering care in different areas. It must also ensure that purchasing authorities, including local authorities and ICBs (formerly CCGs), have sufficient resources to pay the necessary fees to providers so they can meet their legal and social responsibilities, and attract and retain a skilled workforce.

Greater investment is needed in homecare and community support, so we can enable people to live well at home, extend healthy life expectancy, reduce inequalities, take pressure off the NHS and reduce costs for the health and care system.

The Homecare Association continues to urge the Government to:

- Invest adequately in homecare so that careworkers are paid fairly for the skilled roles they perform, and employers can retain and recruit sufficient staff in a highly competitive labour market.
- End the practice of councils and the NHS of purchasing homecare “by-the-minute”, alternatively focusing on achieving the outcomes people want, enhanced by technology solutions.
- Support development of an expert-led workforce strategy for social care and a 10-year workforce plan, aligned with the NHS People Plan.

Background

Our [Homecare Deficit 2021 report](#) analysed the fee rates being paid by public organisations – both local authorities and within the NHS – to independent and voluntary sector homecare providers across the United Kingdom.

We calculated hourly weighted averages of the prices for each UK nation. None of these figures were at, or above, our Minimum Price for Homecare which, at the time, was £21.43 per hour. Indeed, only 13% of public organisations that provided figures were paying an average price of at least this rate.

| Nation | Local authority/HSC Trust weighted average | NHS weighted average |
|------------------|--|----------------------|
| England | £18.54 | £19.54 |
| Wales | £19.33 | £19.06 |
| Scotland | £18.62 | - |
| Northern Ireland | £15.76 | - |

(NB. Social care in Scotland is generally purchased by local authorities rather than the NHS. In Northern Ireland, the five Health and Social Care (HSC) Trusts are responsible for purchasing homecare services.)

Since the report's publication, our Minimum Price for Homecare has increased to a £23.20 hourly rate.

About this research

To gain a picture of the status of homecare fee rates and uplifts for the 2022-23 financial year, we asked some of our members in England to provide details of the contracts they hold with local authorities, clinical commissioning groups (CCGs) or both. Specifically, when contracting with each council or CCG, we wanted to know:

- Main contract held (e.g. regular homecare, extra care, supported living etc.);
- Purchase type (e.g. framework, guaranteed purchase, spot etc.);
- Standard 2021-22 fee rate per hour;
- Whether the provider had been informed of their fee rate for 2022-23;
- If so, the standard 2022-23 fee rate per hour.

(NB. Since starting this work, CCGs have been abolished following the creation of Integrated Care Boards).

For local authorities, most contracts were for regular homecare – similarly CCGs, but also included contracts for regular homecare and reablement. Therefore, our analysis predominantly focuses on this. However, we also consider extra care and supported living contracts with local authorities.

As some of our members hold more than one contract with the same local authority/CCG, the analysis typically considers, say, the number or percentage of **contracts**, rather than **local authorities/CCGs** (i.e. local authorities/CCGs can be repeated).

On the flipside, given regional weighted averages in the Homecare Deficit 2021 were based on each public organisation's average rate for **all** hours of homecare purchased during a reference period (which is not the case here), we do not attempt a direct comparison between this current work and the Homecare Deficit 2021. Instead, this analysis should be treated as a guide only.

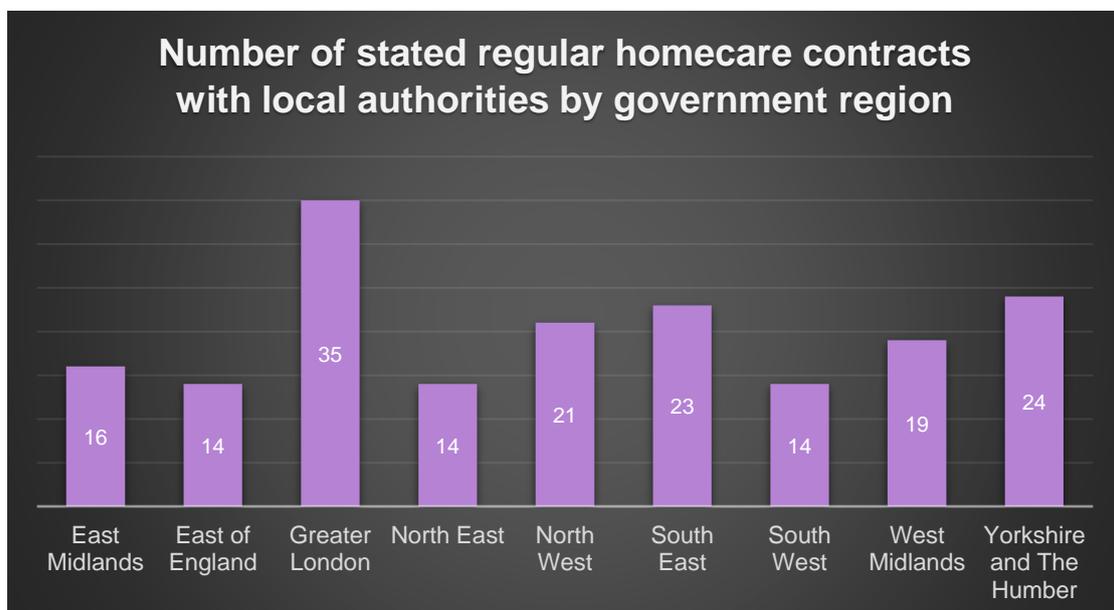
Please note that such contracts are commercially sensitive and the details were provided by our members on a strictly confidential basis. Consequently, we do not identify the members who contributed or specific contract details. Our analysis mainly concentrates on the English regions (whether government or NHS) more generally, or England as a whole. We greatly appreciate the willingness of our members whom we contacted for providing their data.

Regular homecare/regular homecare and reablement

Number of contracts

In total, we were provided with details of 180 regular homecare contracts with local authorities that had a known 2021-22 fee rate, a known 2022-23 fee rate or both.

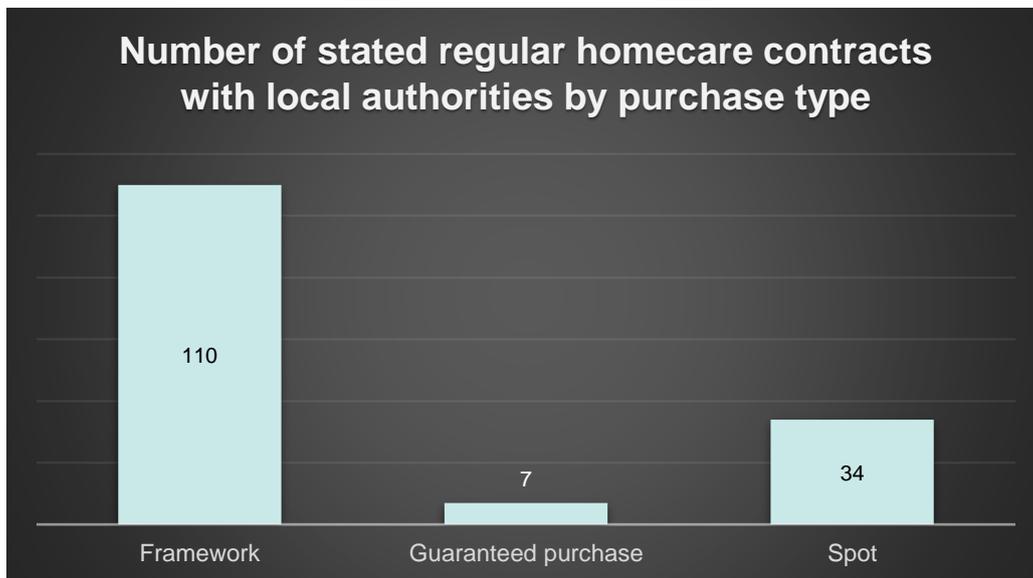
Of these, there were at least 14 specified contracts in each government region, with data given on 35 contracts in Greater London.



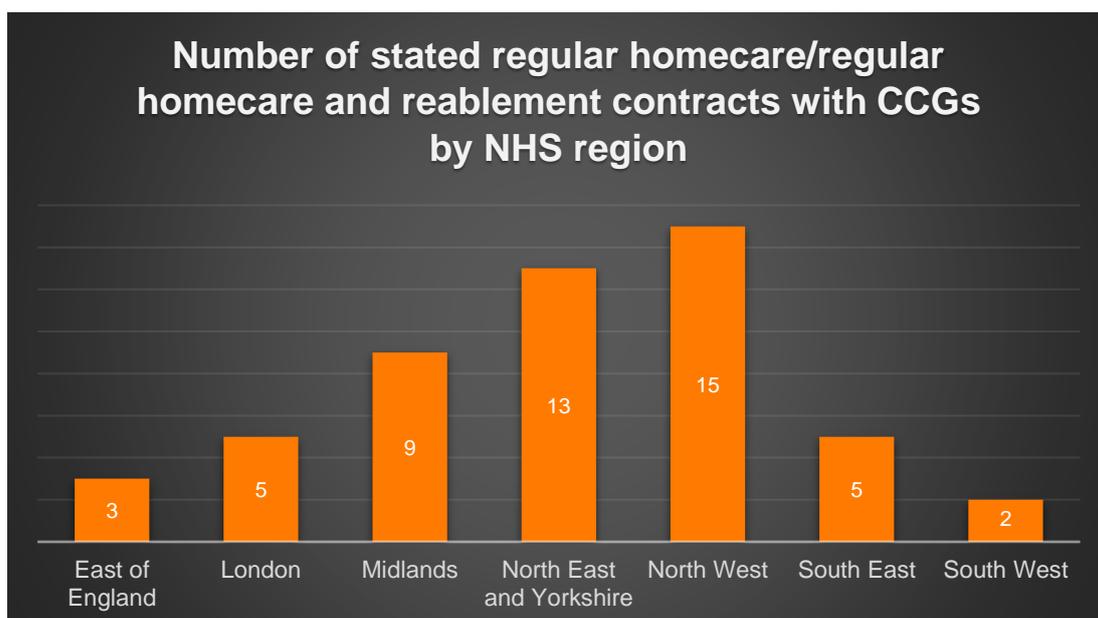
These contracts covered 126 distinct local authorities. Excluding Enfield (operate under a 'direct payments' model) and Isles of Scilly (do not commission external

services), this means that we received data on 84% of local authorities in England who purchase regular homecare.

Where a purchase type was specified for regular homecare, the majority (73%) were framework contracts with local authorities.



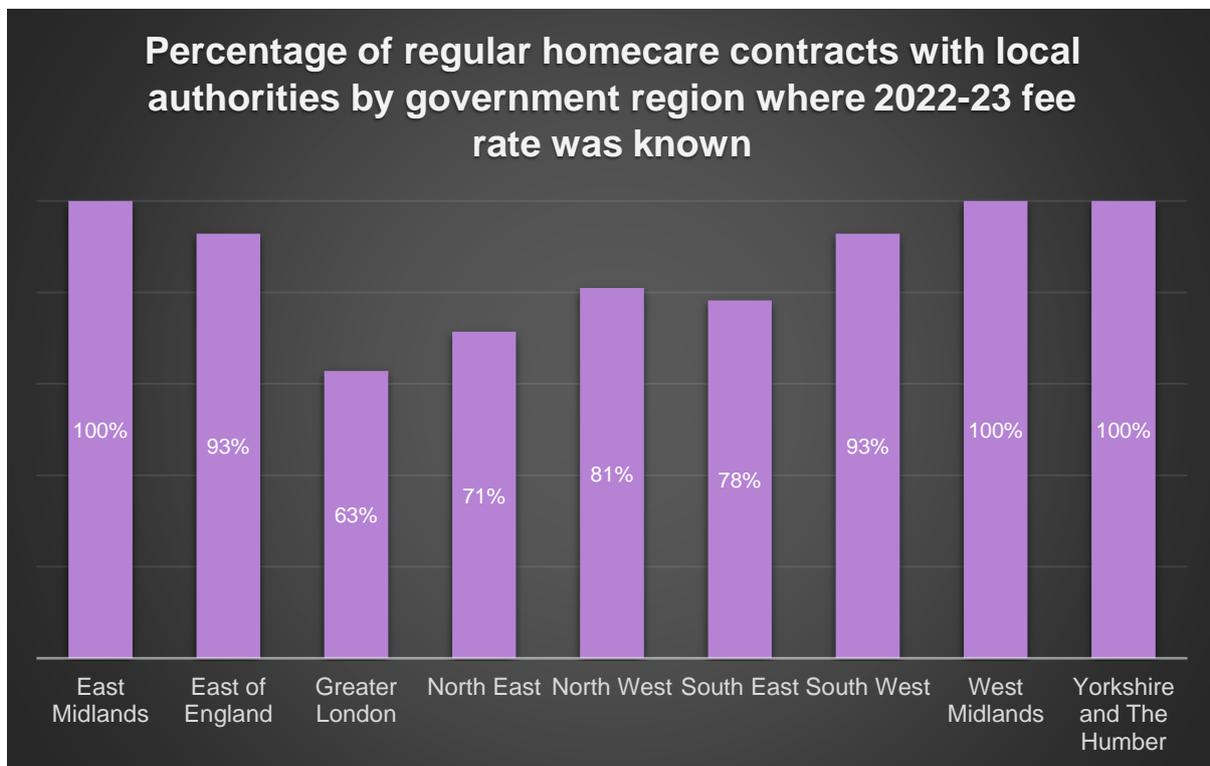
For CCGs, information was obtained for 52 regular homecare/regular homecare and reablement contracts, with the majority (54%) in either the North East and Yorkshire or North West NHS regions.



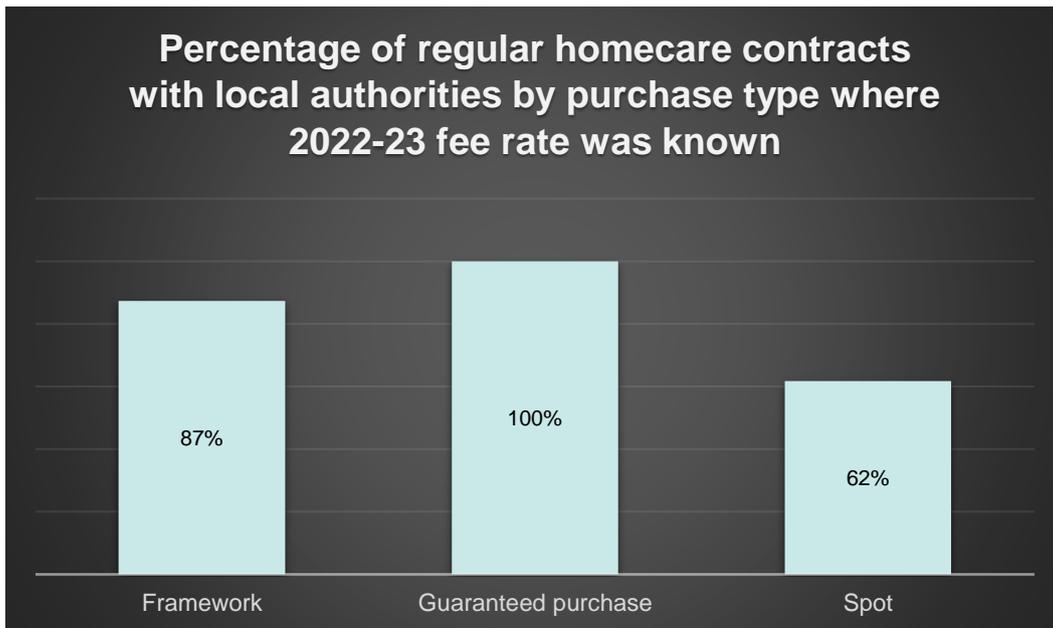
These contracts were with 45 distinct CCGs. Prior to their abolition, the total number of CCGs in England was 106. Excluding the CCGs of Oxfordshire, South Tyneside and St. Helens (each of whom do not directly commission external services themselves, according to our Homecare Deficit 2021), this means that 44% of purchasing CCGs were included in the members' fee rates data.

Known 2022-23 fee rates

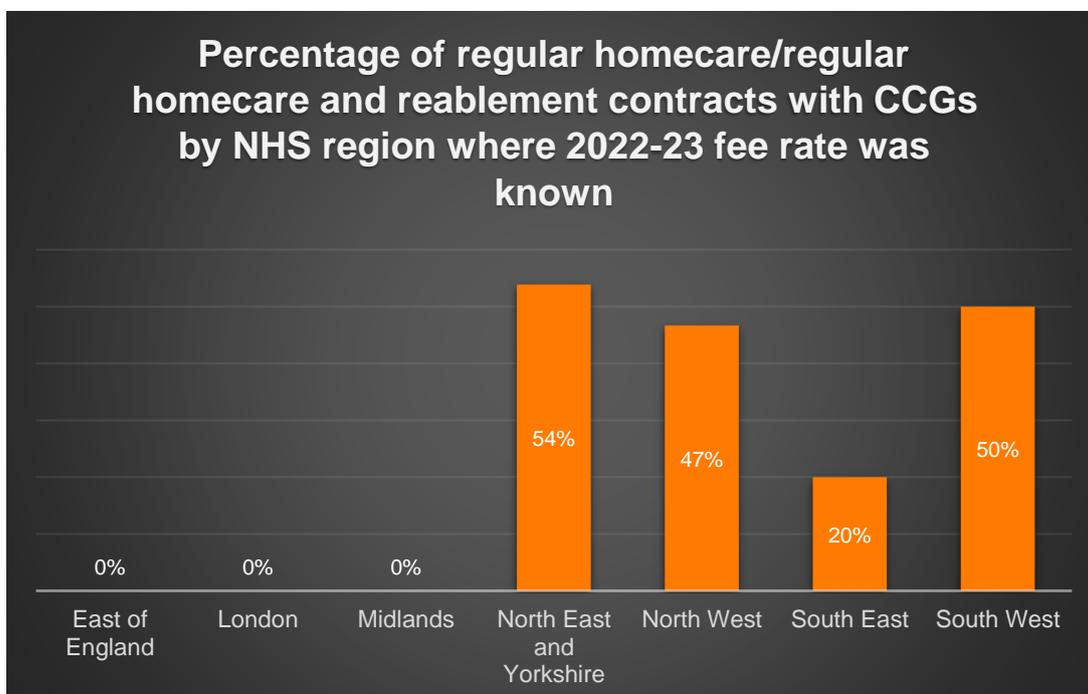
According to our members, 84% of local authority contracts for regular homecare had a known fee rate for 2022-23. In fact, the new rate was specified in all stated contracts within the East Midlands, West Midlands and Yorkshire and The Humber. But in Greater London, the proportion dipped to below two-thirds (63%).



Only slightly more than three-fifths (62%) of regular homecare, spot contracts with local authorities had a known 2022-23 fee rate. In contrast, the percentages for framework and guaranteed purchase contracts were more healthy.



The story for CCG contracts was very different, with under a third (31%) having specified a 2022-23 rate. Indeed, the new rate was not known in any of the 17 contracts in the NHS regions of the East of England, London and Midlands.



Average 2022-23 fee rates

Across all regular homecare contracts, the average 2022-23 fee rate for local authorities in England was £19.01 per hour – a figure that is significantly below our current Minimum Price for Homecare.

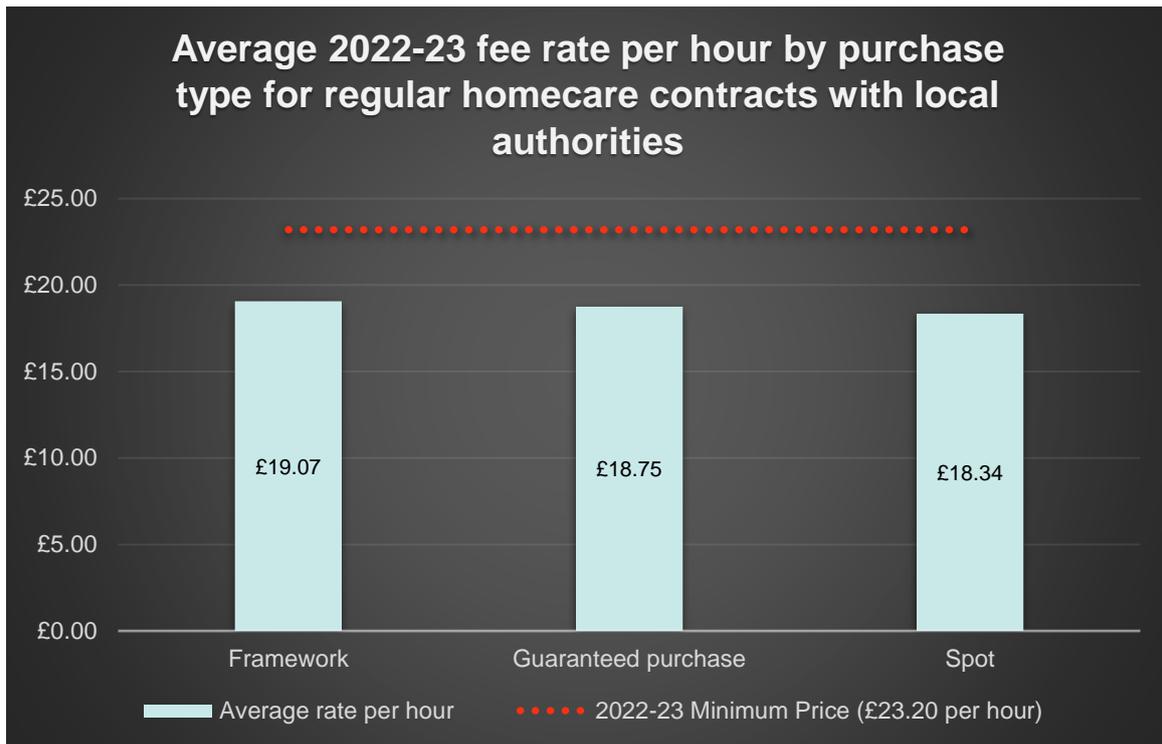
Only two of the nine regions (South East and South West) had an hourly average above the £20 mark. Excluding Greater London, there was evidence of a north-south divide in terms of prices – a similar phenomenon was also seen in the Homecare Deficit 2021.

Furthermore, five of the regions had an average hourly rate below that for local authorities in England overall. In fact, the North East average was £1.36 under the overall figure. To contrast, the South West average was £1.83 above this benchmark.

Average 2022-23 fee rate per hour by government region for regular homecare contracts with local authorities



Perhaps surprisingly, spot contracts with local authorities for regular homecare were, on average, lower than those with a framework or guaranteed purchase type. Indeed, the average for framework contracts was the only one of the three types to surpass £19 per hour. It should be noted that, in the data provided, there were contracts where the purchase type was not specified.

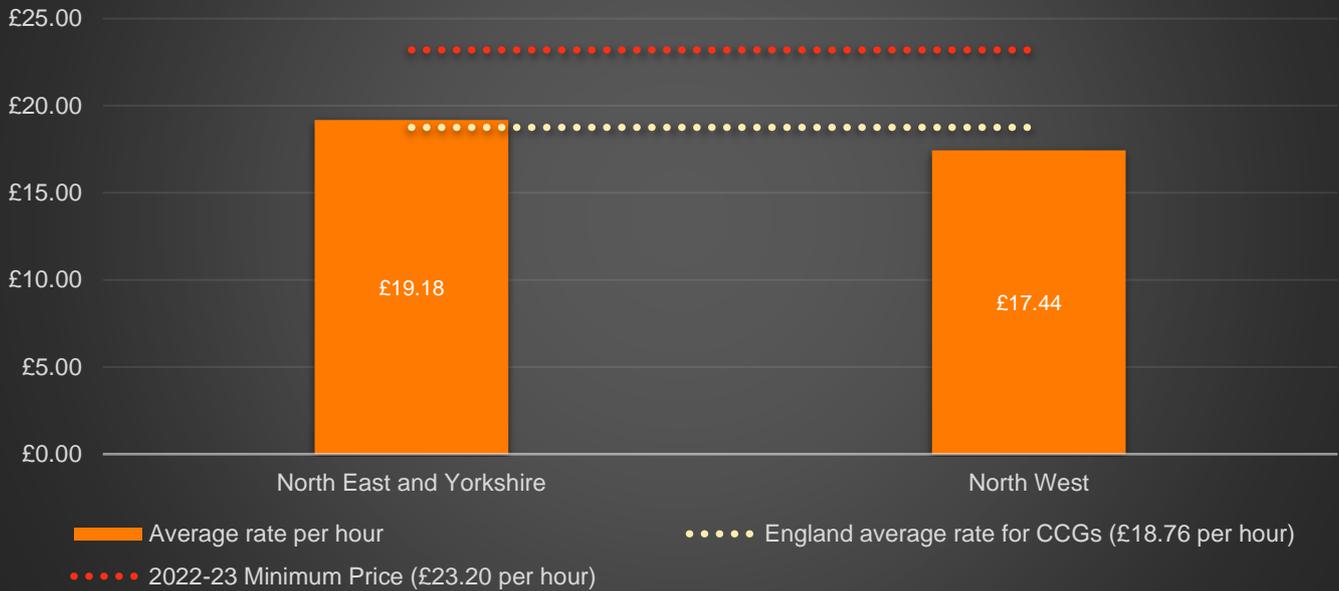


For CCG contracts in regular homecare/regular homecare and reablement, the average 2022-23 fee rate for England was just £18.76 per hour – a price that was £0.26 below that for local authorities (using exact figures).

Only the North East and Yorkshire, and North West had more than one contract with a known rate for the current year (seven apiece), so the following chart shows only these two NHS regions.

While the North East and Yorkshire's average price was £0.43 above the respective number for CCGs overall, the North West had an average that was £1.32 below this benchmark.

Average 2022-23 fee rate per hour by selected NHS region for regular homecare/regular homecare and reablement contracts with CCGs



Fee rate uplift from 2021-22

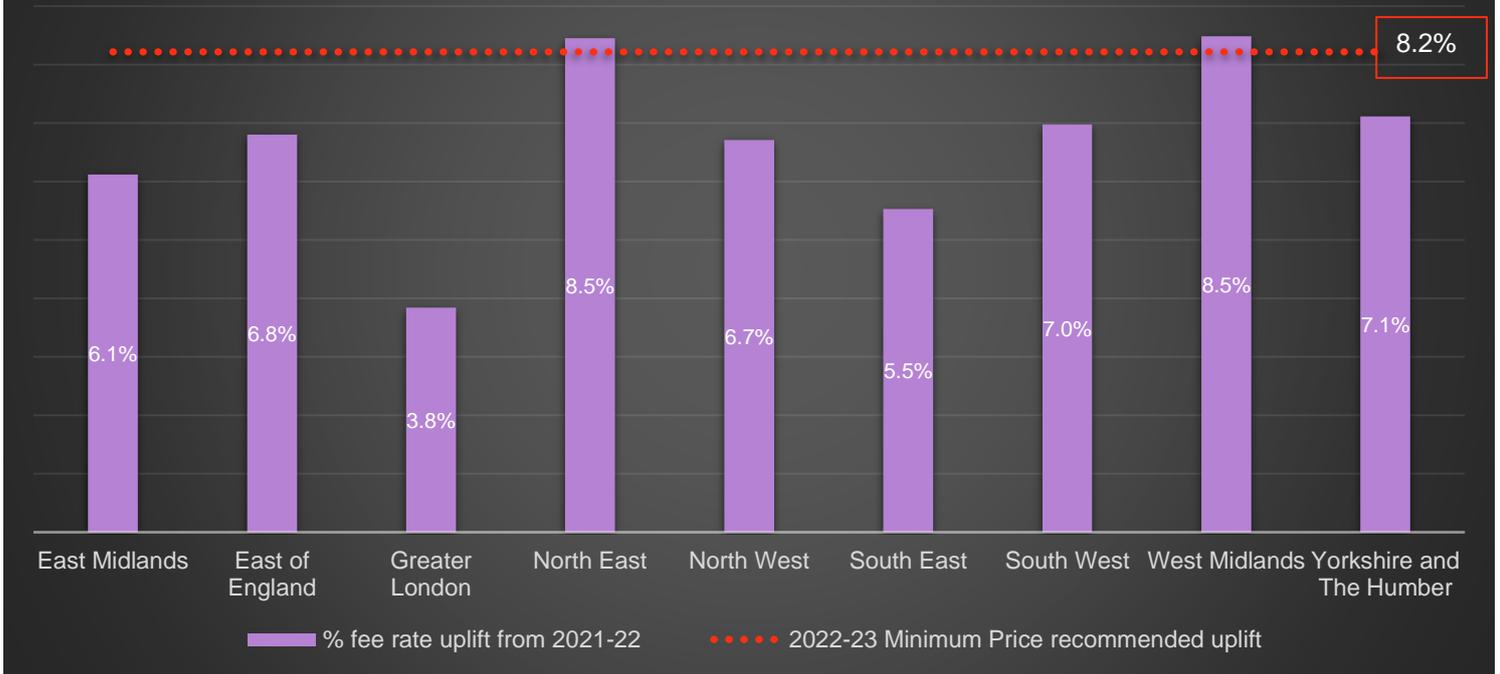
We now calculate the percentage uplift in fee rates from the previous year, using regular homecare/regular homecare and reablement contracts where the prices for 2021-22 and 2022-23 were both known.

For local authority contracts, the uplift from 2021-22 was 6.6% in England overall.

Amongst the regions, uplifts varied from 3.8% in Greater London to 8.5% in the North East and West Midlands.

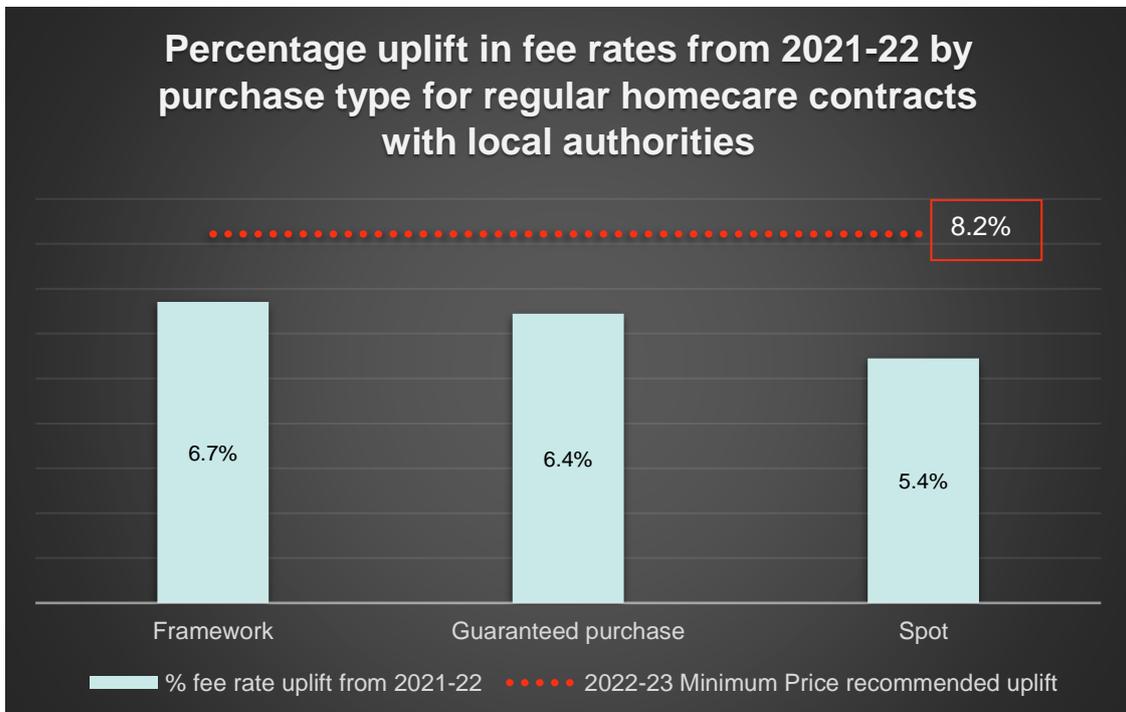
In our latest Minimum Price for Homecare report, we stated that there would be wage and other inflationary costs of at least 8.2%, and this is marked in the graph below. But while the North East and West Midlands were hitting the target, this was significantly tempered by the rates in these regions for specified contracts being far too low at the outset.

Percentage uplift in fee rates from 2021-22 by government region for regular homecare contracts with local authorities



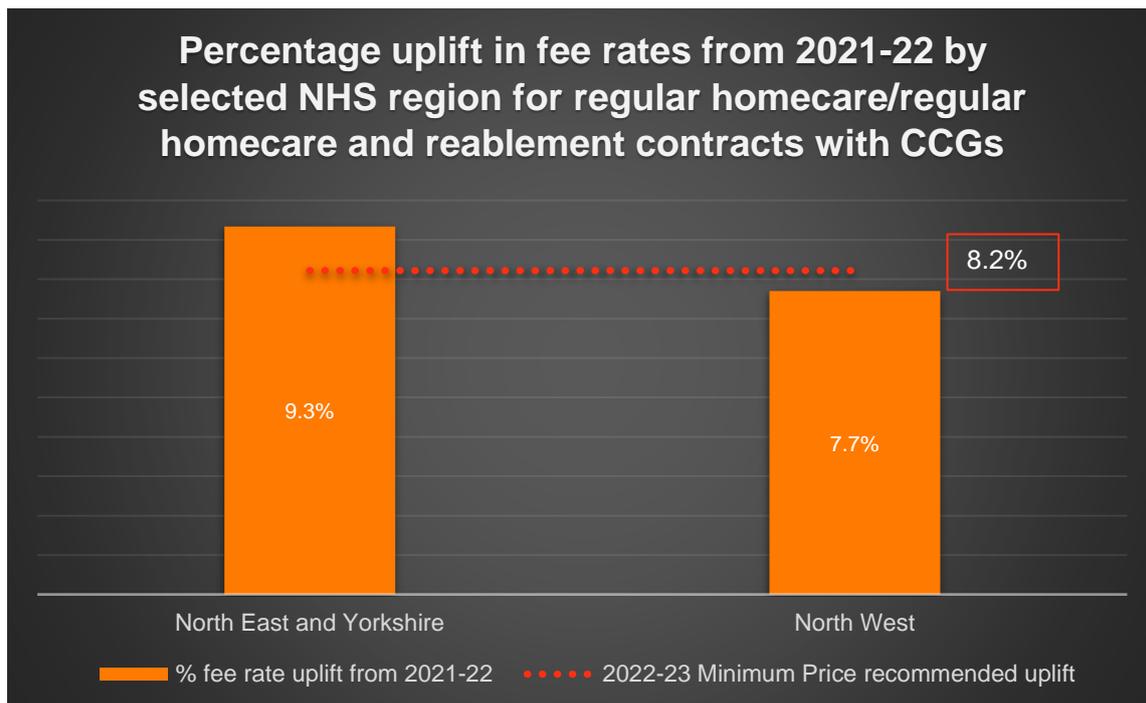
Where a purchase type was specified, the uplift in each case was below the recommended 8.2%, with the figure for spot contracts being only 5.4%.

Percentage uplift in fee rates from 2021-22 by purchase type for regular homecare contracts with local authorities



For the NHS in England overall, the uplift for regular homecare/regular homecare and reablement contracts of 8.1% was higher than the respective local authority percentage (albeit using a much smaller sample size).

Again, considering only the North East and Yorkshire, and North West NHS regions, the former was above the Minimum Price recommendation, the latter just beneath it. But we stress that an uplift over 8.2% counts for little if the baseline fee was already too low.



CCG v local authority comparison

There were 13 'areas' where both a CCG and local authority had specified a 2022-23 fee rate. These areas may not necessarily be coterminous, but nevertheless, it enables a comparison to be made in rates and uplift.

Where details of more than one contract for a local authority or CCG were provided, an average of the 2022-23 fee rates was taken (similarly, for 2021-22 fee rates). In this case, the percentage uplift was recalculated.

The following graph indicates the difference between the CCG and local authority fee rates for 2022-23. Therefore, if the figure is positive, the CCG rate was higher (orange bars), otherwise the local authority rate (purple bars). We do not identify individual areas, labelling these simply on the graph as 'Area 1', 'Area 2', etc. All contracts were for regular homecare.

Of the 13 comparable areas, only four had a greater CCG 2022-23 fee rate. In a further four cases, the CCG and local authority rates were the same.

Difference between CCG and local authority 2022-23 fee rates per hour in comparable areas for regular homecare contracts where rates were known



Moreover, we can contrast the percentage-point difference in uplifts from 2021-22 between CCGs and local authorities.

Repeating the colour scheme as before, six of the 13 comparable areas had a higher CCG uplift, with the difference being just over five percentage points in one case. In addition, three of the areas saw no difference in uplift, with each also having no difference in 2022-23 fee rates (see graph above).

Percentage-point difference between CCG and local authority uplift from 2021-22 fee rates in comparable areas for regular homecare contracts where rates were known



From the comparable areas, we can contrast the picture in the ‘North’ (consisting of the North East and Yorkshire, and North West NHS regions, as well as the North East, North West, and Yorkshire and The Humber government regions).

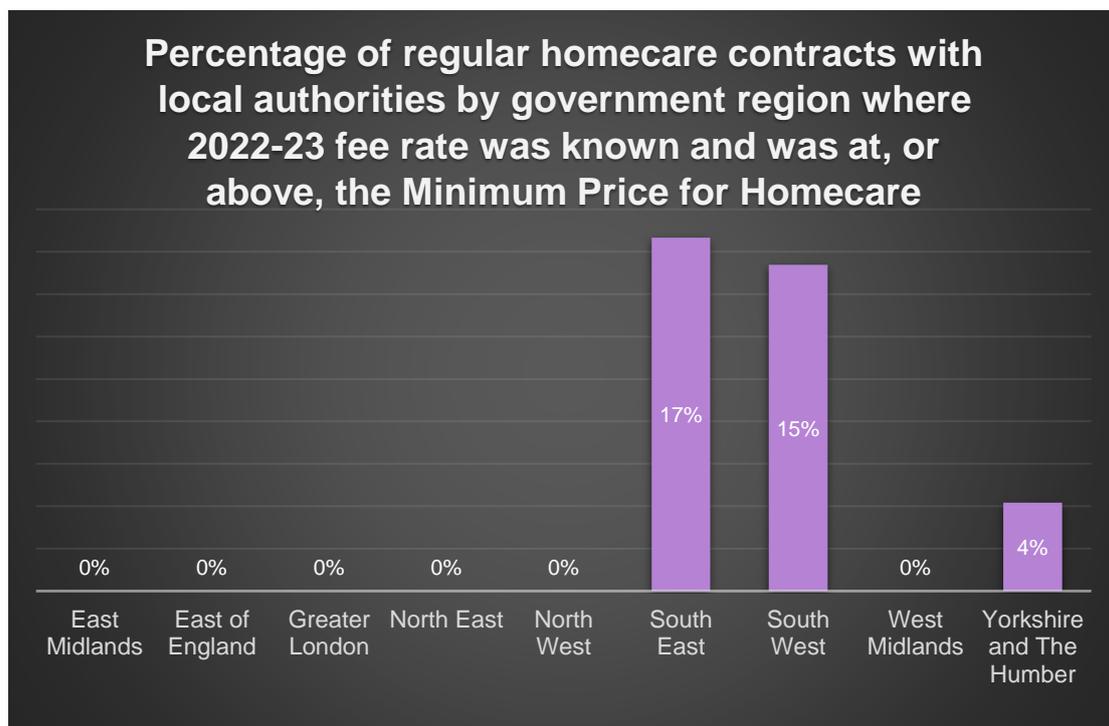
The table below reveals that the 2022-23 hourly fee rate was £0.69 higher among ‘North’ local authorities, while the uplift from the previous year was 1.5 percentage points greater for ‘North’ CCGs (when rounding to one decimal place).

| | 2022-23 fee rate per hour | % uplift from 2021-22 |
|---------------------------|---------------------------|-----------------------|
| ‘North’ NHS region | £18.31 | 8.6% |
| ‘North’ government region | £19.00 | 7.0% |

Minimum Price for Homecare

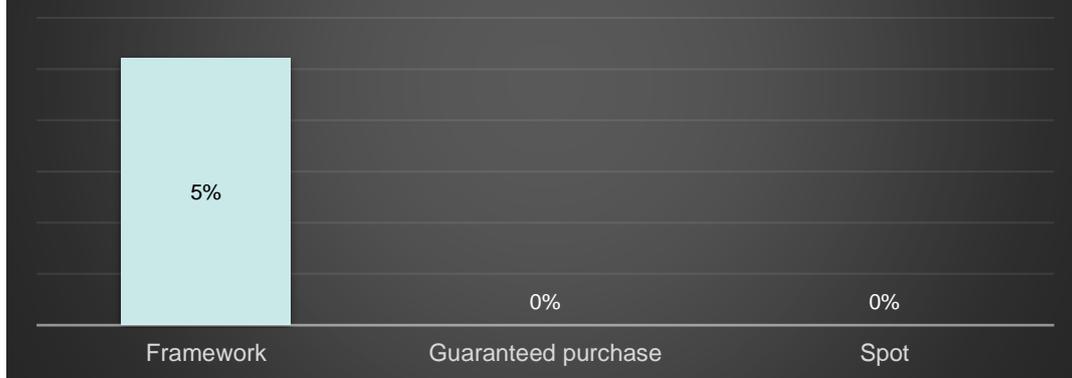
Where the 2022-23 fee rate was known, only 4% of regular homecare contracts with local authorities were paying at, or above, £23.20 per hour – the Homecare Association’s Minimum Price for the current financial year.

When breaking down by region, the situation is somewhat alarming. Of the 97 contracts in the East Midlands, East of England, Greater London, North East, North West and West Midlands for which the fee rate was specified, none had a rate that was at least our Minimum Price for 2022-23.



Just 5% of local authority framework contracts were seeing regular homecare commissioned for at least £23.20 per hour, mainly in areas where travel time is high or labour markets are particularly competitive. However, none of the 28 guaranteed purchase or spot contracts with a known 2022-23 fee rate were offering this price or more.

Percentage of regular homecare contracts with local authorities by purchase type where 2022-23 fee rate was known and was at, or above, the Minimum Price for Homecare



The respective proportion for all NHS regular homecare/regular homecare and reablement contracts was 6%. This amounted to just one contract.

Careworker costs

Of the £23.20 per hour in our Minimum Price, we calculated that £16.57 of this was for careworker costs alone. This sum consists of pay, national insurance and pension, and other wage-related on-costs (such as holiday and sickness pay).

7% of local authority regular homecare contracts (covering seven distinct councils) had a known 2022-23 fee rate below £16.57 per hour – a higher proportion than that for those contracts offering our Minimum Price. Indeed, the associated proportion in the West Midlands was almost a third (32%).

Percentage of regular homecare contracts with local authorities by government region where 2022-23 fee rate was known and was below the value of careworker costs (£16.57 per hour)



While no guaranteed purchase contract had an hourly price under £16.57, 7% of local authority framework contracts did offer this. There was even one spot contract whose rate was not enough to cover careworker costs.

There were, however, no CCG regular homecare/regular homecare and reablement contracts that came into this category.

Percentage of regular homecare contracts with local authorities by purchase type where 2022-23 fee rate was known and was below the value of careworker costs (£16.57 per hour)



Summary

We now summarise the key information for regular homecare/regular homecare and reablement contracts by combining the figures for local authorities and CCGs.

| Regular homecare / Regular homecare and reablement (local authorities and CCGs) | |
|---|--------|
| Number of stated contracts | 232 |
| % contracts with known 2022-23 fee rate | 72% |
| Average 2022-23 fee rate per hour | £18.99 |
| % fee rate uplift from 2021-22 | 6.7% |
| % 2022-23 contracts with known fee rate at, or above, Minimum Price | 4% |
| % 2022-23 contracts with known fee rate below careworker costs | 6% |

Extra care and supported living

For contracts with local authorities, there were some that delivered extra care and supported living. The salient statistics for these services are shown below.

| | Extra care | Supported living |
|---|------------|------------------|
| Number of stated contracts | 15 | 10 |
| % contracts with known 2022-23 fee rate | 87% | 90% |
| Average 2022-23 fee rate per hour | £16.57 | £18.58 |
| % fee rate uplift from 2021-22 | 5.5% | 4.2% |
| % 2022-23 contracts with known fee rate at, or above, Minimum Price | 0% | 0% |
| % 2022-23 contracts with known fee rate below careworker costs | 46% | 11% |

Albeit with reduced sample sizes, the proportion of extra care and supported living contracts with a specified fee rate for 2022-23 each slightly exceeded that for regular homecare contracts with local authorities.

However, both average hourly fee rates were below the mark for regular homecare. This was particularly true for extra care, where the average was £2.44 adrift of regular homecare and equated to the value of careworker costs only in our latest Minimum Price.

The situation is exacerbated by the percentage uplifts from 2021-22 for extra care and supported living also falling short of the 6.6% rise in regular homecare.

While neither extra care nor supported living had a contract with a rate to the value of the Minimum Price, a massive 46% of extra care contracts were below £16.57 per hour.

Conclusion

Demand for homecare continues to rise while capacity in the sector is falling. This mismatch between supply and demand in homecare is leading to an increase in unmet need in the community and delayed discharges from NHS hospitals. Lack of available hospital beds contributes to increased ambulance response times and longer NHS waiting lists, which adversely affects anyone who needs emergency care, diagnosis or treatment.

This research shows that homecare continues to be commissioned by local authorities at levels below the true cost of delivering care, with an average fee rate of £19.01 per hour across England.

While some local authorities are paying sustainable rates for homecare, a significant number are paying homecare providers below cost to deliver homecare. This risks destabilising local supply of homecare, creating unfairness, affecting sustainability and, at times, leading to poorer quality of care. It is also a key factor contributing to [under-performance of the NHS](#).

Homecare providers continue to tell us they are operating in the toughest environment for recruitment and retention they have ever experienced. Worryingly, despite the increasing demand for homecare, Skills for Care have reported a 3.3% drop in filled posts in the independent sector in 2021-22. The homecare vacancy rate has reached 14.8% this year, the highest ever recorded. Without sufficient fee rates and improvements in commissioning, providers are unable to improve pay, and the terms and conditions of careworkers.

Concerningly, 7% of local authority regular homecare contracts pay below £16.57, calculated as the direct hourly cost of a careworker at the National Living Wage. Set

against a backdrop of rising fuel prices, inflation and the cost-of-living crisis, careworkers will continue to move to jobs in retail and hospitality without improvements in pay, and terms and conditions.

The Government must use the [Fair Cost of Care and Market Sustainability](#) work to understand the true cost of delivering care in different areas. It must also ensure that purchasing organisations, including local authorities and ICBs (formerly CCGs), have sufficient resources to pay the necessary fees to providers so they can meet their legal and social responsibilities and attract and retain a skilled workforce.

Greater investment is needed in homecare and community support, so we can enable people to live well at home, extend healthy life expectancy, reduce inequalities, take pressure off the NHS and reduce costs for the health and care system.

The Homecare Association continues to urge the Government to:

- Invest adequately in homecare so that careworkers are paid fairly for the skilled roles they perform, and employers can retain and recruit sufficient staff in a highly competitive labour market.
- End the practice of councils and the NHS of purchasing homecare “by-the-minute”, alternatively focusing on achieving the outcomes people want, enhanced by technology solutions.
- Support development of an expert-led workforce strategy for social care and a 10-year workforce plan, aligned with the NHS People Plan.