



## **Caring for People who Live at Home: Wider issues and challenges**

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I am going to talk about a number of wider issues and challenges which have been raised over the last year by the participating authorities. Many of these issues will probably surface again in the workshops.

- How near are we to understanding how the social care market is working?
- What is the role of competition in the social care market?
- The relationship between purchasers and providers: partnership or conflict?
- How are local purchasing decisions made?
- What are the implications of charging for social care services?

I will begin by examining some of the aspects of the social care market which make it different from other markets and then ask what role competition has played in the development of local social care markets. I will then go on to focus on the issues associated with the ways in which services are purchased. We at PSI have become increasingly aware of the importance of local purchasing practice and, as Isobel emphasised in her paper, we see the role of care managers as crucial to the long term sustainability of services stimulated under the Initiative.

### **How near are we to understanding how the social care market is working?**

If the previous emphasis on service-led social care has been bureaucratic, inefficient, ineffective and unaccountable to consumers, we need to understand what if anything has changed in the move to a mixed economy of care.

In most of the participating authorities the social care market has had to be created. Once created it has had to be developed and supported through the management of the supply, type and quality of services.

Although we have a number of indicators about how the social care market is working, they are not all pointing in the same direction. Part of

the problem is that we are not talking about one social care market, but a series of markets which operate differently among authorities and increasingly within authorities. This is especially true when services for different client groups are taken into consideration.

There are many factors which make the social care market unlike any other.

- Firstly, the traditional market relationship between supply and demand does not exist. While people with independent means may translate their own demands into the supply of services, access to services using local authority funds are controlled by care managers. Care managers mediate this relationship through an assessment of need.
- Secondly, local authorities have most of the purchasing power in the social care market - few individuals have adequate personal resources to pay for their own care. Strategic and political decisions within authorities about the purchase of care from the independent sector will determine whether and to what extent a social care market can develop.

It is not like going into a supermarket and choosing which brand of washing powder you are going to buy. In the social care market someone first determines whether you are eligible for an assessment, they then carry out an assessment of your needs, and then if you are assessed as needing washing powder they will select the brand of washing powder that they think will suit your needs and pay for it on your behalf. You may be asked for a contribution towards its cost.

All the participating authorities started from very different positions, with large variations in the nature and size of the existing independent sector. It is assumed that having a range of providers from whom a service may be purchased will provide users with choice and will push up the quality of services while pulling down prices.

### **What is the role of competition in the social care market?**

In theory, for the market allocation of a service to be efficient and for genuine choice to be offered there has to be competition.

On the supply side there should be an on-going choice of low-cost high quality reliable providers to ensure continuing competition. If there are too few suppliers of the right kind, there should be room for new providers to enter the market without incurring too high costs. On the demand side there should be a range of purchasers, none of whom should individually be able to affect the price of a service by their purchase. Dominance on either the supply or demand side has its problems.

In reality, the role of competition in the delivery of social care services is not clear. Not all of the authorities participating in the Initiative have had

a number of providers competing at the contract stage for funds. In some cases the absence of competition has led an authority into negotiations with only one provider. The purchasing power of the local authority was such that the provider was persuaded to reduce the cost of a service that the authority wanted to purchase in order for the contract to be awarded.

On the other hand, even where a number of providers have responded to tenders there have been instances in which economies of scale, rather than competition per se, have produced large differences in price. One authority participating in the Initiative advertised for a county-wide personalised domestic cleaning service. In order to encourage a range of providers the county was divided into smaller areas to make it easier for smaller providers to compete. One large company put in a bid for the contract for the whole county - and won it.

This raises the question: what are the consequences of large-scale provision by one independent sector provider, or of purchasers putting all their eggs in one basket?

There appear to be both advantages and disadvantages of large-scale providers:

- (a) On the positive side, as one authority has reported, it may be more important to users and carers to have one reliable service than the choice of six competing services - some of which may not stay in business.
- (b) Where there are a large number of providers and competition for labour, the cost of labour may be driven up. This has knock-on effects for the cost of the service because competitors end up bidding against one another in an effort to attract staff. We have seen evidence of this in relation to the employment of staff in rural areas and in relation to services recruiting specialist workers for certain client groups.
- (c) On the other hand, experiences from the United States suggest that a single dominant supplier may over time use its monopoly power to raise prices, while lowering the quantity, range and quality of the services they provide.
- (d) Given the reliance of providers on local authority money, large monopolistic providers may also wipe out the ability of smaller businesses to operate. Should problems arise with the monopoly provider there may be no other providers available to step in at short notice.

While the role of competition in the development of a social care market is unclear, there are clear messages about how the relationship between purchasers and providers influences the development of the independent sector.

### **The relationship between purchasers and providers: partnership or conflict?**

Although different approaches have been adopted to the development of the care market, in the main, participating authorities have tried to develop partnerships with the independent sector to ensure that services are developed to fit in with their purchasing strategies.

Developing these partnerships has not ended with the commissioning of services. As Shropshire will point out, care businesses will probably undergo at least one crisis before achieving sustainable viability. This means that decisions do have to be made about how long an organisation should be allowed to set up and sustain a service and what help and support will be extended to them during this time.

Authorities participating in the Initiative have allowed between three months and two years for services to set up and become self-financing. By the end of the Initiative we hope to be able to draw some conclusions about the relative merits of these timescales. Certainly, the question of whether or not a participating authority has intervened to support an ailing business has tended to depend on the type of relationship that purchasers and providers have established and the recognition of the consequences of leaving organisations floundering.

- Clearly, constant switches of provider as purchasers try and achieve value for money has implications for both costs and users. Each new and different contract entered into generates extra negotiation, management and monitoring costs.
- In addition, users frequently develop highly personal relationships with those providing services and are likely to be unhappy about changes to a contract which removes a valued friend.

As Gloucestershire point out, the social care business is often high risk/low profit - some services in some areas may not make a profit, and indeed may not be able to operate without subsidy or some level of guaranteed purchasing. This brings me on to the next question -

### **How are local purchasing decisions made?**

Not enough is currently known about how purchasing decisions are made. While most of the funds for the social care market come from local authorities, the way in which local authorities purchase varies enormously. In most authorities, however, purchasing takes place both centrally and at the local level. As I said in my introduction, the purchasing behaviour of local authorities plays a crucial role in the sustainability of Initiative services. I want to focus now on what appears to have been happening at the local level.

There is some evidence from the Initiative to suggest that care managers are influenced by a number of factors in the process of assessing need and commissioning services, so that two care managers assessing the same person using the same assessment form, may identify different needs and different service solutions.

This may be due to:

- their preferences of provider
- their different access to resources, including financial and information
- their different approaches to risk and its management
- their different approaches to accountability

I want to address each of these issues in turn.

### ***Preferences of provider***

Different care managers have established different relationships with the independent sector. In some cases this is the result of a corporate strategy on the use of the independent sector; in other cases it is a result of the individual care manager's past experience and 'preferred' providers. Some of the participating authorities have found that services stimulated under the Initiative have not been purchased because they are competing with voluntary organisations with whom care managers have a long established relationship.

In other cases Initiative services are only being used to provide what local authority in-house providers cannot themselves provide. As other researchers have highlighted, this leads to a concentration on the more expensive hours of care for example, evenings, nights, weekends and bank holidays. Few independent sector services can survive by only providing care at these times.

### ***Access to money***

The extent to which care managers have access to money varies from one authority to another, as does the amount of money to which they have access. Where care managers are responsible for assessing need and hold a budget they not only have to ensure value-for-money, but also contain their costs within a pre-determined budget.

The costs of services appear to be playing a larger role in the purchasing of service than ever before. This is not just taking place at the local level. Difficult decisions are being made about the costs of intensive packages of care against the costs of residential care, about the value of preventative against intensive high risk care and about the value-for-money of general social care services against specialist services.

Specialist providers offering a specific service for a particular client group often have higher unit costs than a more generalist service. An example of this would be a home-based service providing respite for carers of elderly mentally infirm people. When budgets are constrained, care managers may be tempted to purchase a cheaper more general type of respite care than a more expensive quality specialist respite service. Purchasing a service at the right price may assume greater importance than purchasing the right service at a price.

Many of the services stimulated under the Initiative have been designed to be purchased as part of an assessed package of care. As the targeting of services becomes focused on people in greater need, purchasing priorities are changing. There are growing concerns that many of the independent sector services stimulated under the Initiative are providing a service to people who are no longer defined as high priority. These are people who are in danger of having services withdrawn. The long term sustainability of these services is therefore in doubt, particularly since individuals rarely have the money to purchase them from their own resources.

### ***Access to information***

Authorities vary enormously in the range and type of information to which purchasers have access. It is not a coincidence that the first task of many of the project officers was to develop a directory of local independent sector providers for internal circulation to all purchasers.

It is not clear how purchasers can make informed decisions in the absence of up-to-date information on the availability of services, costs and outcomes and the appropriate technology to process that information.

Many project officers in the Initiative have raised questions about the ways in which care managers assess value-for-money. They have noted that frequently there is inadequate information on the way in-house services are costed - what is included and what is left out. There is a commonly held belief that there are no costs attached to using in-house providers. There also appears to be a lack of clarity about how to define and measure service outcomes. And yet, unless these two elements, costing and outcomes, are specified, it is difficult to see how comparisons between providers in terms of value-for-money can be made.

### ***Minimising risk***

Much of the purchasing behaviour of care managers and local authorities can be explained in terms of risk management. Many new services stimulated under the Initiative have had difficulty in getting off the ground because care managers have felt that the risks associated with purchasing

a new service were too great. In the name of reducing the risk of harm to users, untried providers may remain untried and contracts to new providers may be drawn up to allow for a quick exit should things go wrong. Spot contracts minimise the risk to the purchaser but are not a good basis on which providers can establish a track record. There is a growing concern that spot purchasing creates an environment in which price is all important and service quality may be compromised.

Although contracts are frequently used as a way of limiting purchaser risk, not enough is yet known about how contracts can be drawn up to limit the risks to both purchasers and providers while retaining the crucial elements of quality and flexibility. There is also a growing concern about the amount of paperwork associated with changing contracts to accommodate changing needs.

Ensuring that providers stay in business and provide a reliable quality service may involve contracts which provide a measure of financial certainty. While block contracts or call-off contracts might provide financial certainty, unless they are tightly specified, providers may be faced with huge fluctuations in demand which are difficult and costly to plan for.

The authorities participating in the Initiative have noted that there is a need to develop a more strategic approach to the funding of services by using smaller and more specific forms of block contract which will give providers a greater sense of security and which will give purchasers flexibility.

### ***Strategies for the management of risk***

Ensuring the quality of a service is seen by all participating authorities as integral to the stimulation of independent sector provision. Not only do local authorities want to assure themselves of the quality of the service that they might purchase, but they also recognise the need to satisfy users and independent purchasers of services that services are of a recognised quality standard.

In the absence of national registration schemes or quality standards, the participating authorities have developed strategies for ensuring quality. The introduction of explicit quality standards into contracts and the development of approved provider lists or voluntary registration schemes are some of the major ways in which local authorities have tried to reduce the risks of purchasing. These activities have not been without their problems. The charging of a fee to join, the practicalities of regularly monitoring agencies operating in people's own homes and of keeping lists up-to-date are all problems that participating authorities will recognise.

Specifying quality requires clear service values and outcome measures and there is little consensus about what criteria should be applied. More attention needs to be paid to developing ways of hearing the voice of users and carers without establishing complex and costly monitoring procedures. PSI have commissioned some work on this as part of our evaluation of the Initiative and Leonie Kellaher will be talking about it in her workshop on quality this morning.

### ***Accountability of services***

There are issues of accountability which have not yet been sorted out partly because of the separation of the purchase and provision of service. If users do not like a service they have in theory the power to stop having it but little power of choosing an alternative supplier. In many instances it is not clear to whom a user should complain if the service they receive is felt to be unacceptable - the purchaser? the provider? or both? and whose responsibility is it to put things right?

### **What are the implications of charging for social care services?**

Charging is rapidly becoming a very important issue in all local authorities. Many of the authorities which did not have charging policies have introduced one, and other authorities are into their third or fourth revision. The basis, however, for charges varies between authorities and frequently appears to have more to do with history, the sensitivities of elected members and pragmatism than any clearly thought-out rational strategy.

Users are very sensitive to the possibility that other people may be getting something for nothing that they themselves have to pay for. We have been particularly concerned to see that in some instances people using the Initiative services have been paying different charges for the same service according to how they get referred into the service, while some have been paying nothing at all. At the start of the Initiative, there was an assumption in some authorities that being charged for a service would provide users with the same feelings of control as those experienced by individuals purchasing their own services privately. There is little evidence to show anything of the sort.

Indeed there is some evidence of users being reluctant to pay for services, particularly where the charges for complex packages of care can cost up to £40 a week.

The implementation of a charging policy is not without its costs: developing and operating a financial assessment, collecting and accounting for charges all have a cost. It is not yet clear how the costs of running a charging policy are offset by the money collected from charges.

## **Conclusions**

The Initiative has shown how important it is for local authorities to identify the need and demand for services, to identify the gaps, to identify the services which could fill these gaps and to stimulate independent sector providers to meet these needs. It has demonstrated that potential providers will come forward if they are encouraged and nurtured and helped, but it has also demonstrated that short-term encouragement and funding are not enough. Before providers take a risk they need some indication that their services will be purchased, and for this they need to have some trust in the purchasing intentions of the local authority. Conversely, of course, the local authority needs to have trust in the capacity and ability of independent sector providers to deliver quality services for vulnerable people.

The Initiative has offered the opportunity for purchasers and providers to develop a real relationship and partnership – and it is undoubtedly partnership which will be the key factor in the development of the independent sector.