Care Quality Commission

Fees from April 2019

Draft regulatory impact assessment

This initial regulatory impact assessment has been published alongside our consultation document *Regulatory fees – have your say*. We suggest that stakeholders read that document in full before reading this impact assessment.

This document sets out our initial analysis of the costs and impacts of the proposed changes to our fee scheme from April 2019.

Introduction

1. The Care Quality Commission (CQC) is the independent statutory regulator for health and adult social care in England.

2. Section 85 of the Health and Social Care Act 2008 (the 2008 Act) gives CQC powers to charge fees associated with its registration functions. Also, the Care Quality Commission (Fees) (Reviews and Performance Assessments) Regulations 2016 give CQC powers to charge fees associated with its review and performance assessments functions and enable us to charge fees to include all our activities associated with rating services. Like many public regulatory bodies, CQC is required by government to set fees in order to cover the costs of its chargeable activities.

3. We have a duty to consult every time we want to make any changes to the fees scheme. We have published our regulatory fees consultation document, and we are inviting comments on our proposals until midday on 17 January 2019.

4. In line with guidance from HM Treasury (HMT), CQC is committed to publishing a two-stage impact assessment. This document is an initial impact assessment which highlights our initial analysis of the costs and benefits for stakeholders of the various proposals contained within the consultation document. These stakeholders include regulated providers, HMT (representing the interests of taxpayers), people who use services, commissioners, the public and other regulators in the health and social care sector.

5. We will publish a final impact assessment on our website once we have analysed responses to the consultation.

Background

Financial position

6. Our budget is made up of a combination of income from fees paid by providers and a small amount of grant-in-aid from central government budgets. The funding of our revenue budget is set out here. This table, which is in line with the four year spending review as agreed with the Department of Health and Social Care (DHSC), demonstrates that our budget is reducing over time and this directly impacts on fees. In order to be effective and efficient we have targeted our need to achieve and demonstrate value for money as a key priority in our strategy.

Year	2015/16 Actual £m	2016/17 Actual £m	2017/18 Actual £m	2018/19 Budget £m	2019/20 Plan £m
Grant-in-aid	140.0	85.0	37.3	30.6	18.9
Fees	109.0	151.0	193.7	201.0	208.9
Total with depreciation	**249.0**	**236.0**	**231.0**	**231.6**	**227.8**
Total without depreciation	**239.0**	**226.0**	**221.3**	**223.6**	**217.0**

7. The final budget for 2019/20 is still in the process of being agreed with the DHSC, but we have calculated fees on the expectation that we will receive the budget and the grant-in-aid shown.

8. On this basis our budget for 2019/20 will be £227.8 million, which compares to £231.6 million for 2018/19. £18.9 million of the total budget will be covered by grant-in-aid. This supports the elements of our functions where we cannot recover costs by charging fees. These functions include: Healthwatch, Office of the National Guardian, Market Oversight, Mental Health Act duties (including provision of second-opinion appointed doctors), thematic reviews and enforcement.

9. The £208.9million funded by fees from providers is used to resource our registration and review and assessment functions under the Health and Social Care Act 2008 (the 2008 Act). These functions include registering new providers and managers, making changes to existing registrations, and monitoring, inspecting and rating services.

10. We consult every year we make changes to the fees scheme. For the 2016/17 fees scheme, we set a trajectory that brought all sectors except one to full cost recovery within two years, with grant-in-aid reducing by an equivalent amount.

11. The one exception was for providers within the community social care (CSC) sector, where the trajectory was set for four years. This means that in 2019/20 all providers will be at full cost recovery and we will receive no formal subsidy for the cost of our regulatory activities.

12. The fees scheme for 2018/19 also saw a major restructure of the scheme for community social care providers, NHS trusts and NHS GPs to ensure both fairer charging of fees and protection of income for CQC.

13. Appendix A shows the cost and fee budgets by sector for 2018/19 and 2019/20. 2018/19 saw the last of the grant-in-aid contribution towards fees. This consisted of the final estimated funding increase required for community social care providers (£2.7 million) and the accounting adjustment that we had to apply due to the effect of deferred income (£4.2 million). The total figure reduces to nil for 2019/20. Funding for community social care will come solely from their fees and the effect of deferred income disappers as fees reach a more stable position.

Proposed fees for 2019/20

14. Our consultation document *Regulatory fees – have your say* details our proposals in relation to fees for the 2019/20 fee scheme.

Proposal 1

15. We propose to increase fees for the community social care sector for 2019/20, as the final year of the four-year trajectory to full chargeable cost recovery (FCCR). This will be an increase of £1.5 million in invoiced fees to £24.5 million. This is less than the amount signalled last year.

Proposal 2

16. We propose to increase fees for the dental sector so that we collect £8 million. This will be an increase of £600,000 across the sector.

Proposal 3

17. We propose to decrease fees in the residential social care (RSC) sector so that we collect £69 million. This will be a decrease of £800,000 across the sector.

Other changes

18. Last year, we changed the fees structure and the way fees were calculated for NHS trusts, NHS GPs and community social care (CSC) providers. We do not intend to make any further changes until we have fully assessed the impact. We are monitoring those changes and include an early assessment of them in this document and the consultation document.

19. The nature of the calculation implemented in 2018/19 means we will recalculate fees for NHS trusts and NHS GPs for 2019/20. This will not alter the total fees collected overall, but may mean small adjustments for all providers within these sectors.

Affordability and impact of proposals for providers

Proposal 1

20. We are proposing to increase fees for the CSC sector as a result of proposal 1. Providers in this sector will see an increase in their fees as a result of this proposal. Last year we introduced a fee scheme for this sector that calculated fees based on a floor (a minimum fee applicable to each CSC location that a provider had, which represents the standing cost for regulatory activity regardless of the size of the provider) and a variable element (calculated on the number of service users that a location supported with regulated activities, up to a ceiling of 1,700 service users).

21. Proposal 1 does not change how the fees are calculated but does increase the overall amount recovered from the sector. The floor increases by around £10 and the variable element increases by around £6 per service user. Both these figures are calculated based on the CSC locations on our register on 1 August 2018.

22. This means that if the number of service users does not change for a CSC location, then the fees will increase as a consequence of Proposal 1. Appendix B provides indicative floor and variable elements of fees for 2019/20 based on the register as at 1 August 2018. It also shows the impact of proposal 1 on CSC locations on our register as at 1 August 2018. The fee increase for a CSC location with an average number of service users (46) is estimated at £290. This is made up of an increase in the floor element of the fee of £10 (£239 to £249) plus a variable element increase of £280.

23. Appendix C shows the range of CSC locations by number of service users they support. This shows that two-thirds of locations support up to 46 service users

while less than 0.5% support at least 500 service users. These means that two-thirds of CSC locations are estimated will pay no more than £2,634 in 2019/20.

24. See the section "Other adjustments to sectors" for other changes that might impact CSC fees.

Proposal 2

25. We are proposing to increase fees for the dental sector as a result of proposal 2.

26. We propose to increase fees by the same percentage for each band. The amounts are shown in Appendix D, and Appendix E models the size distribution and fee income distribution for dental providers on our register on 1 August 2018. These two tables show that 90% of dental providers have only one location. Fees for these providers are estimated to increase by no more than £149 in 2019/20. To look at the data in another way, 99% of dental providers have up to three locations and their fees are estimated to increase by no more than £276.

27. However the average provider (as at 1 August 2018) has one location and 4-5 dental chairs and would see an average fee increase of £114.

Proposal 3

28. We are proposing to decrease fees by £800,000 for the around 7,700 RSC providers as a result of proposal 3. Providers in this sector will see a reduction in their fees as a result.

29. Appendix F models the impact of proposed changes to the fee scheme for the RSC providers on our register on 1 August 2018. The fee decreases are estimated to range from £5 for our smallest providers with less than 4 registered service users at a location, to £237 for the largest providers with more than 90 registered service users at a location. The average RSC location, however, has 26-30 registered service users and they would see a fee reduction of £64 under this proposal.

30. Appendix G gives the distribution of RSC locations based on the number of registered service users, as well as the fee income for RSC providers on the register on 1 August 2018. This shows that around 61% of all RSC locations would pay no more than the average proposed fee of £4,305.

Other adjustments to sectors

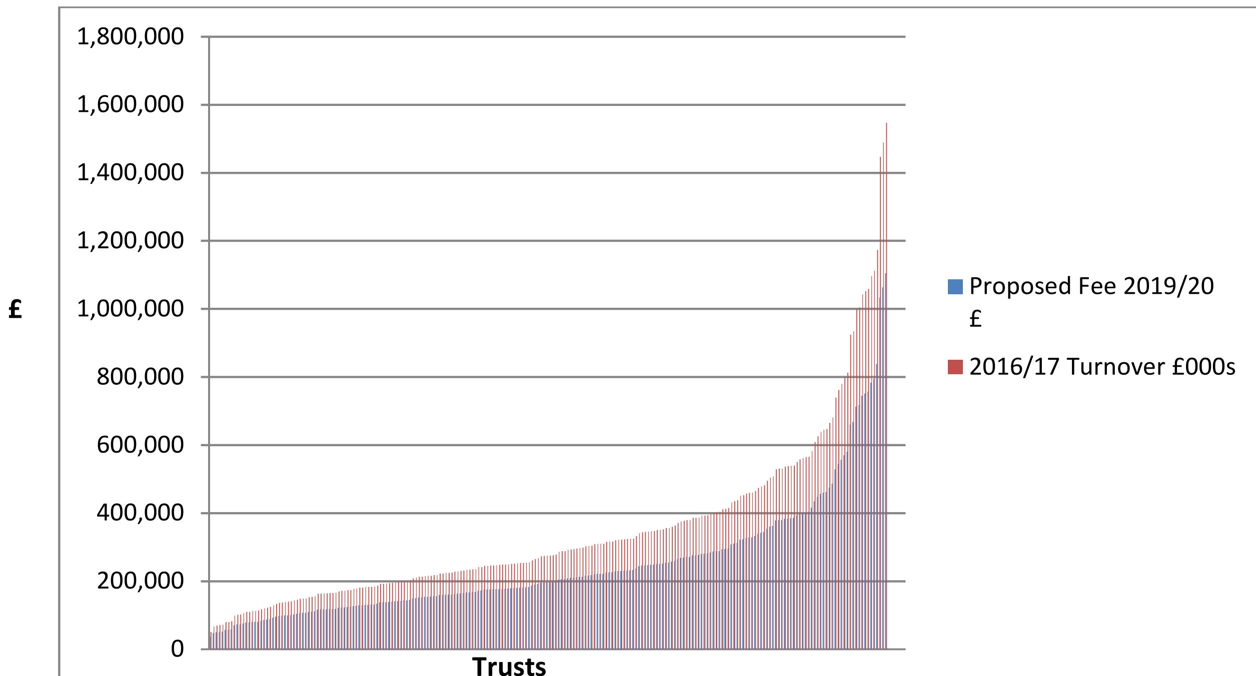
31. As outlined in the consultation document, we do not propose to change the total fee income we collect from the NHS GP and NHS trust sectors. Nor do we propose to change how we calculate fees for NHS trusts and NHS GPs. However, individual fees will change slightly for NHS trusts as a result of mergers and other service changes which will impact the number and turnover values of NHS trusts. The fees for NHS GPs may also change as a result of changes in practices' patient list sizes.

32. Appendix H shows the estimated change to fees for NHS trusts based on our register on 1 August 2018. The number of NHS trusts has reduced from 232 to 228 since February 2018 when we determined the formula to calculate fees for these organisations. If the number of trusts and their turnover values remain unchanged from the data we hold as at 1 August 2018, then the likely average fee increase simply to maintain a steady state income for CQC would be £2,073 per trust and the factor we would apply in order to calculate fees would be 0.07144% of the appropriate turnover for that trust. However our intelligence suggests that the number of NHS trusts will likely reduce by the time we recalculate fees in February/March 2019. Appendix H also gives the size range of trusts measured by turnover as well as their proposed fees. These range from the smallest with a turnover of £50 million to the largest with a turnover of £1,546 million.

33. It should be noted that these turnover values are the latest turnover values available. This is from the 2016/17 published accounts or the 2018/19 business plan data for new trusts or those that have recently merged. When we calculate the fees for NHS trusts for 2019/20 we will update the figures to those from the 2017/18 published accounts, or the 2019/20 business plan data for new trusts or those that have merged during 201819.

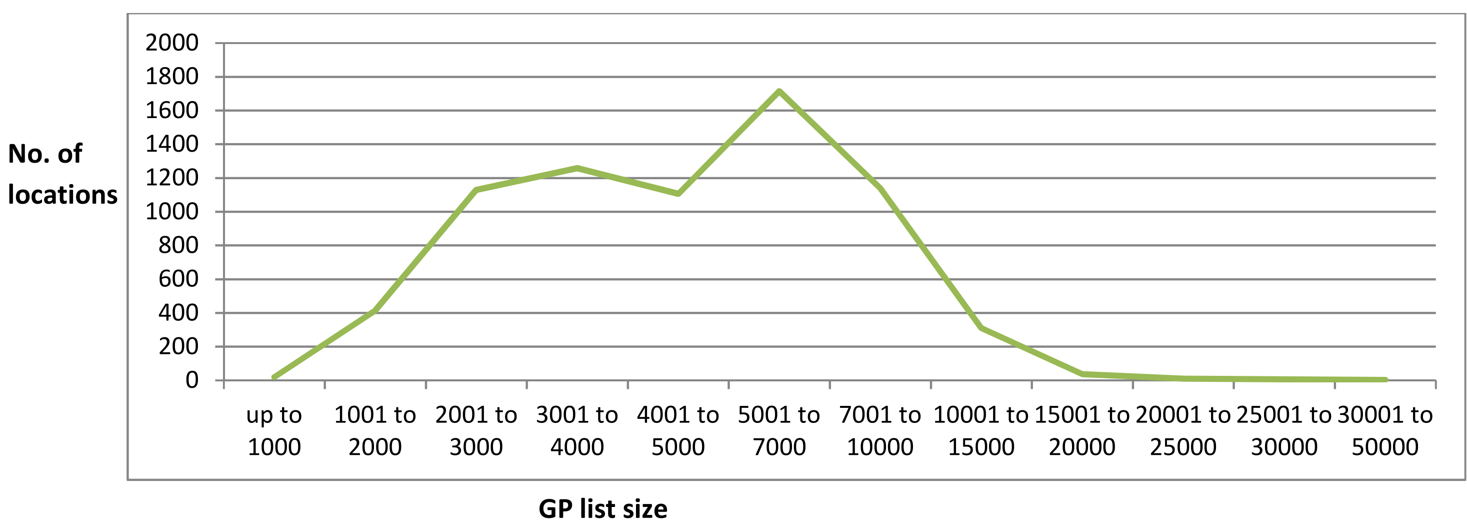
34. The graph below shows the range of current NHS trusts by size and proposed fees for 2019/20.

Range of NHS trusts by size and proposed fees 2019/20



35. The graph below shows NHS GP locations as at 1 August 2018 and their distribution based on patient list size. It indicates that 95% of NHS GPs have a patient list size of 10,000 or lower and 0.14% have list sizes of over 25,000. Our intelligence shows that the number of GP practices is reducing, although this is less marked than with NHS trusts, and the average patient list size is also slowly increasing. The mean patient list size was around 7,150 in February 2018 when we collected the data to calculate NHS GP fees for 2018/19.

NHS GP locations as at 1 August 2018 – their distribution based on patient list size



36. As with NHS trusts, we will calculate fees for NHS GPs for 2019/20 in February/ March 2019, based on the latest published patient list size data available.

37. For CSC providers, along with the changes associated with proposal 1, any changes to the number of service users supported by them will also change fees for individual providers.

The impact of the changes made to the fee scheme on the timing of payments

38. Comments received during last year's consultation indicated that some providers were concerned about the effect that increased fees would have on their financial viability. We tested this by analysing fee payments for CSC providers and NHS trusts to see if the fee scheme changes had an impact on how long providers took to pay. We did not analyse the fee payments from NHS GPs as their fees are being reimbursed in 2018/19 and so it is less likely that there will be a link between payment and ability to pay.

39. The first table below gives a comparison of the timing of fee payments received from CSC providers in the five months from April to August 2018 (ie payments received under the 2018/19 fee scheme) and those received in the same five months in the previous year under the previous fee scheme. This shows that a proportion of providers whose fees have increased are taking longer to pay than those whose fees have reduced, but conversely a proportion who have seen their fees reduce are taking less time to pay. However, the table does not include those providers who have opted to pay by direct debit and who make up 57% of CSC providers.

40. A better indicator might be to identify the average time it took for a CSC invoice to be paid. This was 35 days in the five months from April to August 2018, compared with 49 days for the same period last year. This shows that so far this year CSC providers are generally paying more quickly than they did last year.

41. The second table below provides a similar analysis of the payments received from NHS trusts, but over the slightly longer period April to September 2018 compared to the same period in 2017. The results are comparable to those for CSC. This data also excludes those providers who decided to pay by direct debit. In 2017/18 there were less than 10 NHS trusts that paid by direct debit and in 2018/19 this has increased to 24 (around 11% of all NHS trusts).

42. In terms of overall timeliness of fee payments, it took an average of 51 days for an NHS trust invoice to be paid in the period April and September 2018, while it took longer (an average of 65 days) in the same period in 2017. As with CSC, this shows that NHS trusts are generally paying more quickly than they did in the same period last year.

43. While more providers who have seen an increase in fees have taken longer to pay, it is not significant. Equally, while more providers who have seen a reduction in fees, have paid in a shorter time, a significant number have still taken longer to pay their fees. This suggests that the change in time taken to pay is the result of many factors.

Impact of fee changes on payments by community social care providers

Summary	Total no. invoices	Increase in fees			Decrease in fees		
		Total no.	Shorter/Same time to pay	Longer time to pay	Total no.	Shorter/Same time to pay	Longer time to pay
2018/19 invoices	402	135	46%	54%	267	58%	42%

Impact of fee changes on payments by NHS trusts

Summary	Total no. Invoices	Increase in fees			Decrease in fees		
		Total no.	Shorter/Same time to pay	Longer time to pay	Total no.	Shorter/Same time to pay	Longer time to pay
2018/19 invoices	204	52	48%	52%	152	59%	41%

Estimating fees for budgeting purposes

44. The consultation response and the final regulatory impact assessment will give final fee amounts for 2019/20, but the indicative figures in this document can be used for financial planning purposes.

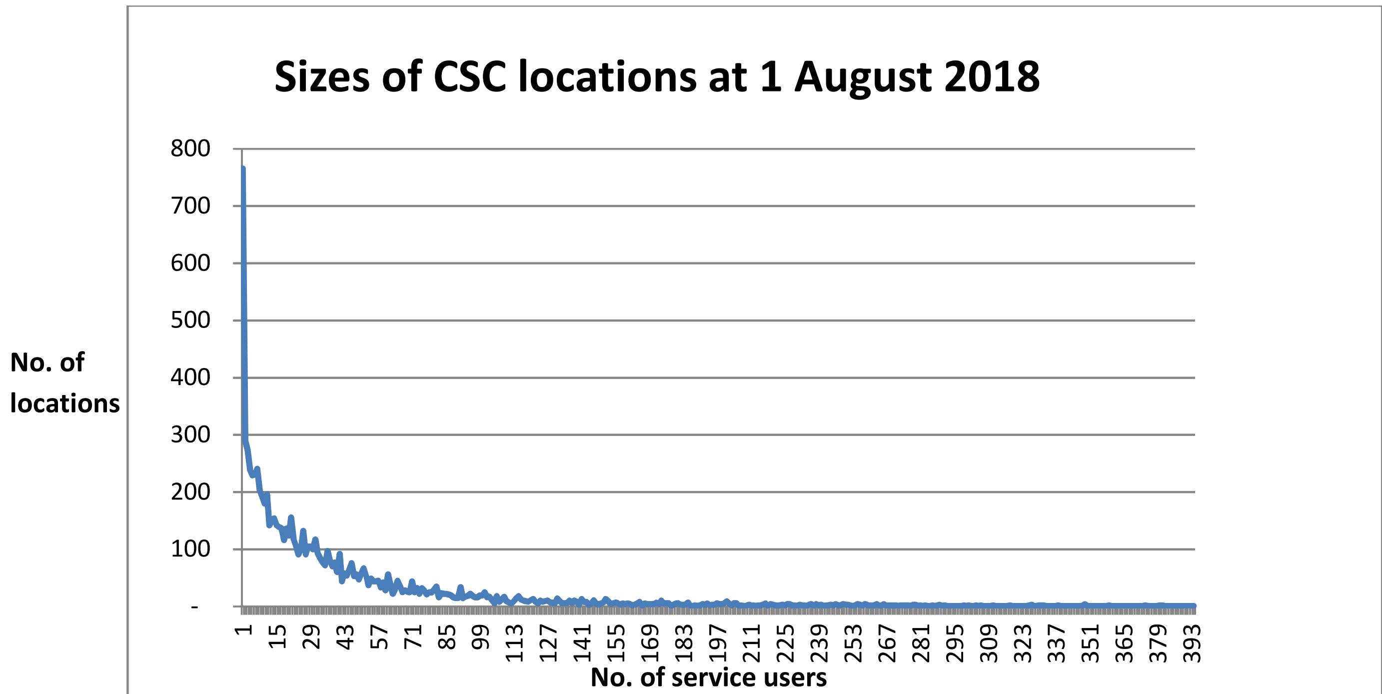
Appendix A: Cost and fee income by sector for 2018/19 and 2019/20

	2018/19		2019/20	
	TOTAL COSTS	FORECAST FEE INCOME	TOTAL COSTS	PLANNED FEE INCOME
	£'M	£'M	£'M	£'M
NHS trusts	60.0	56.0	60.1	56.5
Independent healthcare - hospitals	4.9	4.3	4.6	4.3
Independent healthcare - single specialty	1.0	1.0	1.0	1.0
Independent healthcare - community	5.9	5.7	7.2	7.0
Adult social care - residential	66.0	69.8	66.1	69.0
Adult social care - community	26.6	19.5	26.3	24.5
NHS GPs	34.1	37.8	34.1	38.0
Dentists	9.4	7.4	9.5	8.0
GIA subsidy		6.4		-
	207.9	**207.9**	**208.9**	**208.3**
Non chargeable work	23.7		18.9	
TOTAL	**231.6**	**207.9**	**227.8**	**208.3**

Appendix B: Indicative fees for community social care based on CQC register on 1 August 2018

Fee elements		2018/19	Proposed 2019/20	Mean proposed fee increase
Floor		239	249	
Ceiling number of service users		1,700	1,700	
Variable element multiplied by number of service users up to ceiling		45.770	51.852	
Maximum fee		78,047	88,397	
Mean number of service users per location	46	£2,344	£2,634	£290

Appendix C: Community social care locations on 1 August 2018 – their distribution based on numbers of service users



Appendix D: Proposed fee scheme for dental providers

Primary care services (Dental) – One location

Number of dental chairs	2018/19	2019/20		increase 18/19 to 19/20
1	£529	£598		£69
2	£661	£747		£86
3	£749	£846		£97
4	£837	£946		£109
5	£969	£1,095		£126
6	£969	£1,095		£126
More than 6	£1,145	£1,294		£149

Primary care services (Dental) – More than one location

Number of locations	2018/19	2019/20		increase 18/19 to 19/20
2	£1,410	£1,593		£183
3	£2,114	£2,389		£275
4	£2,819	£3,185		£366
5	£3,524	£3,982		£458
6 to 10	£4,229	£4,779		£550
11 to 40	£8,810	£9,955		£1,145
41 to 99	£26,429	£29,865		£3,436
More than 99	£52,857	£59,728		£6,871

Mean/average fee paid by a dental location	£873	£986		£114

Appendix E: Dental providers on 1 August 2018 – their size distribution and fee income distribution

Primary care services (Dental) – One location providers

Number of dental chairs	number of dental locations @ 01/08/2018	% of dental locations		% of fees invoiced 2018/19
1	1,457	17.36%		10.52%
2	2,251	26.81%		20.31%
3	1,738	20.70%		17.77%
4	1,024	12.20%		11.70%
5	716	8.53%		9.47%
6	396	4.72%		5.24%
More than 6	-	0.00%		0.00%
TOTAL one location	**7,582**	**90.32%**		**75.01%**

Primary care services (Dental) – More than one location

Number of locations	number of dental locations @ 01/08/2018	% of dental locations		% of fees invoiced 2018/19
2	571	6.80%		10.99%
3	120	1.43%		3.46%
4	41	0.49%		1.58%
5	18	0.21%		0.87%
6 to 10	36	0.43%		2.08%
11 to 40	17	0.20%		2.04%
41 to 99	9	0.11%		3.25%

More than 99	1	0.01%		0.72%
TOTAL more than one location	**813**	**9.68%**		**24.99%**
TOTAL PROVIDERS	**8,395**	**100.00%**		**100.00%**

Appendix F: Proposed fee scheme for residential social care

Maximum number of service users per location	2018/19	2019/20 Proposed		Proposed fee reduction 18/19 to 19/20
Less than 4	£321	£316		-£5
From 4 to 10	£836	£824		-£12
From 11 to 15	£1,674	£1,649		-£25
From 16 to 20	£2,447	£2,411		-£36
From 21 to 25	£3,348	£3,299		-£49
From 26 to 30	£4,375	£4,311		-£64
From 31 to 35	£5,147	£5,071		-£76
From 36 to 40	£5,921	£5,834		-£87
From 41 to 45	£6,694	£6,595		-£99
From 46 to 50	£7,468	£7,358		-£110
From 51 to 55	£8,235	£8,114		-£121
From 56 to 60	£9,008	£8,875		-£133
From 61 to 65	£10,295	£10,143		-£152
From 66 to 70	£11,322	£11,155		-£167
From 71 to 75	£12,355	£12,173		-£182
From 76 to 80	£13,383	£13,186		-£197
From 81 to 90	£14,415	£14,203		-£212
More than 90	£16,096	£15,859		-£237

Fee paid by an average provider	*£4,369*	*£4,305*		*-£64*

Appendix G: Residential social care locations on 1 August 2018 – their size distribution and fee income distribution

Maximum number of service users per location	% of locations	% fee income 2018/19
Less than 4	4.55%	0.33%
From 4 to 10	26.05%	4.99%
From 11 to 15	7.37%	2.82%
From 16 to 20	8.20%	4.59%
From 21 to 25	7.35%	5.63%
From 26 to 30	7.76%	7.77%
From 31 to 35	5.88%	6.93%
From 36 to 40	7.41%	10.05%
From 41 to 45	4.73%	7.25%
From 46 to 50	4.05%	6.93%
From 51 to 55	2.79%	5.26%
From 56 to 60	3.83%	7.89%
From 61 to 65	2.20%	5.18%
From 66 to 70	1.85%	4.80%
From 71 to 75	1.31%	3.69%
From 76 to 80	1.26%	3.86%
From 81 to 90	1.36%	4.47%
More than 90	2.05%	7.56%
	100.00%	**100.00%**
Percentage of locations paying no more than the average fee	*61.3%*	

Appendix H: NHS trusts as at 1 August 2018

Average fees NHS trusts based on CQC register on 1 August 2018	
2018/19	£245,734
2019/20 proposed	£247,807
Estimated fee increase to maintain a steady state	£2,073

	2016/17 Turnover (or from 2018/19 business plan) £000	Proposed fee 2019/20 £
Smallest NHS trust	50,117	35,803
Largest	1,546,539	1,104,823
Mean turnover	346,882	247,807
Median turnover	274,858	196,354
Estimated factor based on providers as at 1 August 2018		0.07144%