Regulatory fees from April 2017 under the Health and Social Care Act 2008 (as amended)

Our response to the consultation

March 2017

The Care Quality Commission is the independent regulator of health and adult social care in England.

Our purpose

We make sure health and social care services provide people with safe, effective, compassionate, high-quality care and we encourage care services to improve.

Our role

We monitor, inspect and regulate services to make sure they meet fundamental standards of quality and safety and we publish what we find, including performance ratings to help people choose care.

Our values

Excellence – being a high-performing organisation

Caring – treating everyone with dignity and respect

Integrity – doing the right thing

Teamwork – learning from each other to be the best we can

Summary

Background

The Health and Social Care Act 2008 includes powers for the Care Quality Commission (CQC) to set regulatory fees, subject to consultation. Fees are a charge for providers to enter and remain in a regulated market. CQC is required by HM Treasury (HMT) policy to recover our chargeable costs and we are committed to achieving that obligation. CQC is legally required to consult on proposals for making changes to our fees scheme but can implement a new scheme only if the Secretary of State consents to it.

We consulted between 20 October 2016 and 11 January 2017 on our proposals for a fees scheme to take effect from 1 April 2017. Our main proposal set out the proposed fee levels for 2017/18. Our previous consultation for fees in 2016/17 set out proposals to increase fees over a two-year or a four-year timescale to achieve full recovery of our chargeable costs. Subsequently the decision was taken to differentially increase fees over two years for most providers, and four years for community social care providers. Therefore, this year's consultation was based on the trajectories agreed with the Secretary of State last year as set out in our last fees scheme.

We set out the details of our proposals for this year's fee scheme in the consultation document and sought respondents' views to the questions we posed. We invited respondents to comment on the impact of the fee proposals on their service, so that we could set out those views to CQC's Board, the Department of Health (DH) and HMT. We also set out our strategic approach to regulation and fees, and additional contextual information including reference to our document *Shaping the future: CQC's strategy for 2016 to 2021*.

Fees response documents

This document is CQC's response to the comments we received on our recent consultation. It summarises the changes that will be made to the 2017/18 fees scheme.

We have also published separate documents alongside this summary on our **website**:

- The legal scheme of fees from April 2017.
- An analysis report of the consultation responses.
- A regulatory impact assessment to assess the overall economic impact of the fees scheme.
- An equality and human rights duties impact assessment.
- Fees guidance for providers.

Summary of responses to our consultation

This year, as last year, all sectors opposed our proposals to set fees to achieve full chargeable cost recovery. Response rates were lower overall compared to last year, and fewer national representative organisations sent a response.

We received 678 responses to the consultation out of a total provider base of 30,765. The majority of responses were from individuals or small providers, including NHS general practitioners (73%), dentists (6%), and community social care providers (5%). Responses were also received from 16 of the major representative organisations for most of the main sectors, as well as a number of corporate provider groups.

The responses to the proposal for fee levels to achieve full chargeable cost recovery fell broadly into two themes – the main one being opposition to the proposal, the other being suggestions for alternative approaches to setting fees.

Opposition to the proposal was further divided into the following main areas, which reflected last year's feedback. These were:

- Concern about the impact of increased fees on the sustainability of services and the quality of care.
- Criticism about CQC increasing fees when respondents had ongoing concerns about its regulatory effectiveness, inspection process, efficiency and value for money.
- Concern about the equity and proportionality of how the fees scheme is structured, particularly for smaller providers.

A number of suggestions were also made about the consultation process itself.

The themes of respondents' feedback to the specific proposals in our consultation are reviewed in the section below, and are set out in more detail in our separate analysis report on our website.

Our response to the consultation

Our response is set against the competing factors of the requirement placed on us to achieve full chargeable cost recovery and the concerns expressed by providers. Our total budget is set by DH and has been agreed under the terms of the Spending Review 2015. Our funding has always been balanced between grant-in-aid (GIA) from DH and fees from providers. We are obliged by HMT policy to reduce GIA and increase fees, moving to a position where we recover all our chargeable costs from fees income. Implementing the proposal for the fee levels set out in this consultation will mean that we have now largely achieved that requirement. The balance in funding from government in 2017/18 has also been set within that expectation.

Respondents provided strong arguments about the impact of fees on their services which are summarised as:

- providers' concerns that increases to fees could jeopardise their economic viability when considered in the context of existing and growing financial constraints
- concerns about the potential effect of fee increases on the provision of frontline services and a corresponding deterioration in service quality.

Our Board and the Secretary of State have acknowledged those comments and recognise the constraints under which many providers are delivering services. However, government policy for CQC to achieve full chargeable cost recovery remains unchanged. CQC is required by legislation to carry out its regulatory functions and we require sufficient resources to undertake this. As described later in this document, CQC has made considerable efficiency savings over the last year, and will be making further reductions in its costs over the period of the Spending Review. However, the withdrawal of GIA leaves a gap in funding which, in order to deliver our regulatory responsibilities, we have concluded has to be met by increasing fees to the levels on which we have consulted.

Our decision for fee charges in 2017/18

Therefore, we intend to charge fees in 2017/18 as proposed in our consultation, as follows:

- For all providers, except community social care and dental providers, at the levels set out in our consultation, as the second year of the two-year timescale
- For community social care providers at the levels set out in our consultation, as the second year of the four-year timescale
- For dental providers at the levels set out in our consultation, decreasing them from those charged in the 2016/17 fees scheme.

We also intend to change two definitions in our fees scheme, as set out in our consultation:

- Providers of substance misuse treatment services will be reclassified as providers of healthcare activities, rather than providers of care activities
- Providers of single-location NHS primary medical services, where all or part of that location is a minor injuries unit or an urgent care centre, will be charged on the same basis as single-location providers of NHS primary medical services where all or part of that location is a walk-in-centre.

The Secretary of State has consented to the fees scheme as described above, and it will take legal effect from 1 April 2017. We will not make any further changes to the scheme in 2017/18 other than those outlined above. Our consultation on fee charges for 2018/19 will be published in the autumn of 2017.

Details about why we have made the changes to our fees scheme follow from page 8. Further information is also available in our regulatory impact assessment and our analysis of responses report, which are available on our website.

We have sought to consult openly and comprehensively, with transparency about our costs and our income. We have read and analysed every response and are grateful to all who took part in the consultation.

Overview of our response to the consultation

Background – our previous consultation

Our consultation document for fees in 2016/17 set out the requirement for CQC to recover the chargeable costs from the providers we regulate – this is HM Treasury policy, and one we are obliged to meet. The outcome of that consultation took a significant step in addressing the gap between fee income and recovery of chargeable costs, by increasing fee charges in 2016/17 for the majority of providers over a defined timescale.

Increases were differentiated for the different sectors, depending on how far the sector was from full chargeable cost recovery at the time. Only the dental sector had reached full chargeable cost recovery, so their fees were set to decrease from 2017/18. The decision to make these changes brought the overall cost recovery level for chargeable activities in 2016/17 to 75%.

Cost recovery under this year's proposals

This year's consultation for fees from 2017/18 set out the changes to fee levels that were required to continue to implement the agreed trajectories, with fee increases for sectors being differentiated as before. This would mean that sectors whose fees were set under the two-year timescale would achieve cost recovery in 2017/18, while the community social care sector would be at a cost recovery level of 73% under the second year of the four-year timescale. The decrease in fees for the dental sector would mean it would remain at full chargeable cost recovery levels.

Implementing the proposals unchanged would mean the overall cost recovery level for chargeable activities in 2017/18 would rise to 88% against our total budget.

Feedback from respondents

Responses to the consultation, although fewer than last year, showed a similar strength of overall opposition to the level of the proposed increases in the ongoing economic climate. Significant concern was also expressed about their effect on providers' sustainability, on people who use their services and on the wider health and social care system, in terms of maintaining standards of quality. Respondents also commented on the impact on their own services of increasing financial pressure on other services in the health and social care system, with potential closure of those services being a source of concern.

Last year, respondents expressed concerns about sustainability and the detrimental impact of fees increases throughout the health and social care system. This year, comments appeared to indicate that providers were experiencing a worsening of their financial positions. They cited increasing costs, efficiency demands and reducing contract tariffs, alongside increasing demand for services and capacity issues as evidence of this.

Consideration of CQC's position

We fully considered all the consultation responses and acknowledge the significant strength of feeling expressed in the consultation, and the pressures experienced by

providers. We have balanced this with HMT's requirement on us to achieve full chargeable cost recovery and our legal obligation to discharge our regulatory responsibilities. We have agreed, and achieved, efficiency targets and a reduction in our budget over the period of the Spending Review. However, given that no further grant-in-aid is available, necessary funding has to be met by an increase in fees.

Our decision for fee charges in 2017/18

Therefore, on this basis, we invited the consent of the Secretary of State to allow CQC to charge fees in 2017/18 based on the amounts we set out in our consultation. The outcome is that, from 1 April 2017, we will charge fees in 2017/18 as set out in detail on page 5.

Analysis of responses

We have prepared a detailed report of our analysis, the methods we used and the results we obtained. The report is available on our website. We have summarised the main areas of feedback from respondents in this consultation response document, but the detail, including direct quotes from specific responses, is contained in our analysis report.

We asked three questions in our consultation – the first question affects all providers, but the second two are specific to certain providers. In coming to a decision about our response to questions two and three, we considered only those responses that would directly impact those providers. For question two, we considered responses from providers of substance misuse treatment services. For question three we considered responses from providers of NHS primary medical care services. We discounted responses to these questions from other sectors and responses from the affected services which did not directly relate to the proposal being made.

Responses to the proposals in our consultation

Question 1. What are your views on our proposals for fees for 2017/18, which take us to full chargeable cost recovery for most sectors?

Your response to question 1

Context

Of the 678 responses to the consultation, the majority opposed the proposal. 493 of the responses were from NHS GPs and NHS out-of-hours services, and we have covered their comments in the section, 'Opposition to the proposal' below. While the number of responses was lower than last year, the sentiments expressed were similar.

There are 30,765 registered providers. Numerically the 678 responses represent a small percentage of our total provider base, but this also includes responses from 16 organisations that represent a large number of providers from the different sectors, and several corporate providers responding on behalf of their organisations. The responses from the stakeholder organisations mirrored those from individuals, but covered all the points in more detail. These are included below and in our analysis report.

General comments from all sectors

The responses to the proposal for fee levels to achieve full chargeable cost recovery fell broadly into two themes – the main one being opposition to the proposal, the other being suggestions for alternative approaches to setting fees.

Opposition to the proposal

This theme was divided into the following main areas:

- *Concern about the impact of fees increases on the sustainability of services and the quality of care*
  The sectors gave different accounts of the perceived impact of proposed fees increases, although all talked about the squeeze on their total costs and the impact this has on the quality of care. Some cited CQC's *State of Care 2015/16* report in which we reported evidence suggesting that services were approaching a 'tipping point'. This was because the fragility of the adult social care market and the pressure on primary care services were beginning to have an impact – both on the people who rely on these services and on the performance of secondary care providers. Some respondents suggested that the tipping point we described had already been reached and that the impact of our fee increases would make the situation worse.
- *Criticism about CQC's regulatory effectiveness, efficiency and value for money*
  All sectors made similar criticism of CQC's effectiveness, efficiency and value for money. This was expressed in the context that it was not justifiable for CQC to be increasing its fees when its impact and value was not yet considered to be proven by respondents. A number of the national representative organisations and several individual respondents acknowledged the requirement for CQC to fully recover its chargeable costs in fees from providers. However, that support was set against the

view that we had not demonstrated what 'added value' providers would receive from paying the increased fees, and had not sufficiently explained how we would make cost savings.

Concerns about the fees scheme structure
Concerns were raised about the equity and proportionality of how the fees scheme is structured, particularly for smaller providers.

Comments about the consultation
We also received comments about the consultation itself, which fell into two broad categories – criticism of the consultation document and process, and requests for further information. Several stakeholders commented that they did not believe CQC would take any notice of the consultation feedback, and some representative organisations sent a brief response in this vein, reiterating their feedback from last year. Some told us they did not think it was worthwhile sending a response as, although fees are clearly important to their members, they considered that the outcome to this consultation would be a fait accompli and therefore they would prefer to focus their limited resources on matters they believed they had a more reasonable prospect of influencing.

Comments about our draft regulatory impact assessment
We also received comments about our draft regulatory impact assessment document, details of which are set out in our final impact assessment document, available on our website.

Opposition to the proposal

Scale and impact of proposals
Most of the responses indicated serious concern at the scale of the increases, and corresponding concern about their impact on quality of care. This year, respondents expressed a greater level of concern about the sustainability of services, notably the NHS general practitioner (GP) and community social care respondents. Given the volume of responses from NHS GPs, it is worth noting that, as a result of the 2017/18 GMS contract negotiations between NHS Employers (on behalf of NHS England) and the British Medical Association's General Practitioners Committee, GP practices will receive full reimbursement of their annual CQC fee from NHS England or the relevant clinical commissioning group (CCG), on presentation of their paid invoice.

Most of the stakeholder organisations commented in detail on the impact of the further increase in fees at a time when their members were experiencing reductions in their income or funding, alongside increased costs in many areas, and efficiency requirements. While the increase in CQC's fees was not the only cost increase affecting providers, respondents voiced concern that a further increase in fees could jeopardise providers' economic viability when viewed in the overall context of their growing costs and demand and reduced funding and capacity. Some acknowledged that CQC had to recover its costs, but asked us to note that providers could not benefit from similar levels of cost recovery in their funding from local authorities and CCGs.

Specific examples were given by the adult social care and NHS GP sectors to illustrate their experience of reductions in funding in recent years and the increased demand on their services, neither of which were anticipated to change in the foreseeable future. As last year, although some acknowledged the requirement for CQC to fully recover its chargeable costs, the adult social care sector's main reason for opposing fee increases

was providers' inability to recover the full costs of their services in fees from local authorities or CCGs. They also cited increased costs associated with the National Living Wage, employer pension contributions, and growing issues with recruitment and retention of staff. The domiciliary care sector gave market instability as a specific additional factor. Individual NHS GPs and their representative organisations gave future recruitment of GPs and potential closure of practices as some of their reasons for criticism of the increases. NHS stakeholders commented on the efficiency savings the NHS was expected to make, and about the impact of fee increases on frontline services.

While many of these factors were cited last year, the issues of pressures on the system, reduced capacity and reduction in income appeared to be felt more deeply this year.

Many respondents commented that increasing fees would have a detrimental impact on quality and/or sustainability and that CQC's proposals did not recognise the pressures that providers were operating within. A number commented on providers' inability to pass on increased costs to the people using their services, and that the cost recovery requirement placed on CQC by government was not matched by a similar requirement of state funding of care services. Others disagreed with the principle that fees should be based on full recovery of chargeable costs. They argued that CQC's regulatory activities are driven by public interest, and that while providers have a part to play in meeting chargeable costs, this should not be exclusively borne by them. This comment was particularly strongly made by NHS GP respondents.

A number of respondents commented that the increases would have a significantly greater impact on smaller providers than larger ones, and questioned the fairness and proportionality of how fees were distributed. This was particularly in the context of the sustainability of small community social care service providers, where it was viewed that further closure of such providers would reduce the availability of provision and result in further pressures in other parts of the health and social care system.

CQC's effectiveness, efficiency and value for money
Last year, despite the critical nature of many of the responses to the consultation, a number of positive comments were received about CQC's value, particularly from representative organisations and community social care providers. This year, however, comments about CQC's performance and effectiveness were more critical. These comments were mostly made against the context of respondents considering it inappropriate for CQC to be increasing its charges again, when they did not think CQC was yet demonstrating improvements in its own efficiency and effectiveness. Some respondents thought that fees increases should be suspended until this was more clearly evidenced.

Some respondents thought that fee increases would not be required if CQC reduced its operating costs. They suggested overhead costs should be reduced, the inspection process should be more efficient and proportionate and that CQC should work more closely with other organisations to reduce regulatory burden and duplication, thereby reducing costs and, ultimately, providers' fee charges.

Responses from dental providers
We had proposed to decrease fees for dental providers in 2017/18, as the sector had already reached cost recovery and the decrease would reflect the reduced costs of their regulation.

There were mixed responses from the 37 individual dental respondents, and additional feedback from a national dental representative organisation. The responses were generally more positive compared to other respondent groups, but some considered the decrease in fee charges hadn't gone far enough, with some, particularly small providers, considering that they shouldn't have to pay fees at all and that they should be centrally funded. The responses appears to be driven by dentists' views that the sector as a whole performs better than others in terms of inspection outcomes, and that this should result in further reductions to fees, or no fees having to be paid. Small dental providers also commented on the proportionality of the fees scheme, suggesting that fees have a more detrimental impact on their service compared to larger providers.

A national representative organisation commented that, while they welcomed the reduction in fees, they had continuing concerns about the fairness and proportionality of the fees scheme, considering that a fee per location, rather than by incremental bands, would be a more reasonable alternative.

Alternative suggestions

Respondents made a number of suggestions about alternative options for setting fees. A number asked for a longer period to be agreed for CQC to recover its costs, while others considered that CQC should negotiate with the Department of Health and HM Treasury for all or some of its costs to be borne by the government, rather than providers. Some considered that CQC should use different measures to calculate the size of an organisation for costing purposes; others suggested that fee charges should be linked to a provider's ratings. A number suggested CQC should demonstrate greater efficiencies itself before increasing charges.

Our response to your feedback on question 1

In reviewing all the feedback, we looked carefully at the trends and issues described in the paragraphs above (and those covered in more detail in our analysis report). We acknowledge the clear views expressed by respondents from all sectors in opposition to the amount of the increases and their impact on quality and viability. While the increase in CQC's fees was not the only cost increase affecting providers, we noted that many voiced concern that a further increase in fees could affect sustainability when considered in the overall context of growing costs and demand, and reduced funding and capacity across the health and social care system.

We also acknowledge the clear message that this had worsened for many since we consulted last time, and that providers are working harder than ever to deliver quality services. (Indeed, our recently published *The state of care in NHS acute hospitals: 2014 to 2016* report notes that despite increasing demand, financial and other challenges faced by hospitals, trusts have often made and continue to make progress in improving care and delivering change.)

The proposal to set fees in 2017/18 against the two- and four-year timescales agreed in 2016 was made as a further step towards achieving recovery of the chargeable costs of regulation, as required by HM Treasury of CQC and other fee-setting regulatory bodies. Our cost recovery rate would rise from 75% to 88%, based on our total budget, enabling us to move significantly closer to cost recovery for all sectors except community social care, and to secure the appropriate level of funding, mainly from fee income, that would enable us to deliver our programme of work in 2017/18.

We fully acknowledge the strength of feeling expressed by providers about the amount of fee increases. We also appreciate the tension between the requirement for CQC to recover its chargeable costs in fees and that of providers reporting they are unable to benefit from similar levels of recovery of their own costs from their own funding streams. Several respondents suggested we take an alternative approach to setting fees in 2017/18, including freezing fees, extending the period for achieving cost recovery, or for government/other bodies to absorb all or part of providers' fee charges. Our own budget is decreasing during the period of the Spending Review, but grant-in-aid is reducing to an even greater degree, so adopting a different position to that we consulted on would result in a significant gap in our funding.

We have carefully considered whether we could make structural changes to the fees scheme to ease the impact on providers, especially the smaller ones, in response to feedback about the scheme's equity and proportionality. However, apart from the gap in funding from fees income that could result, we know from experience that making revisions to the fee structure for one sector, or part of a sector, can result in unintended consequences and unfairness for other sectors. Our focus over the last three years has, of necessity, been on differentially increasing fees to meet our obligation for achieving full chargeable cost recovery. We have made structural changes to the scheme during this period where clear unfairness has required immediate action. Now, though, we can turn our attention to reviewing what changes may be necessary, over time, to ensure that our scheme fairly and proportionately reflects the costs of regulating a changing health and social care market. This review will take account of specific sector issues, changes in our regulatory approaches, and the efficiencies we are making simultaneously. This is covered in more detail in the section below, 'Future fees strategy' from page 14.

We considered whether there were any steps we could reasonably take to set fees at a different level or timescale to that we proposed, and concluded that the risk to our funding and the impact on the delivery of our statutory functions would not be tenable. We decided, therefore, to ask the Secretary of State for his consent to our recommendation that fee amounts will be set in 2017/18 as we proposed in our consultation.

We appreciate that the scheme we have put forward is not one the majority of those who took part in our consultation will support, particularly in the ongoing, challenging climate. However, in order to discharge our regulatory functions, carry out our programme of work, have sufficient funding to do this, and achieve our commitment to the government and the taxpayer to fully recover our chargeable costs, we made the recommendation to continue to implement the decision on fee increases that was agreed last year.

We have also noted the many comments made about CQC's efficiency, effectiveness and perceived value for money in the context of costs and fee charges. Our document *Shaping the future: CQC's strategy for 2016 to 2021*, and our recent associated consultation *Our next phase of regulation* set out how we will be an efficient and effective regulator with fewer resources. We have described examples of the considerable progress we are making in improving our efficiency and reducing our costs in the section 'Future fees strategy'. Our approach to future regulatory methods are still evolving and as part of this we will work hard to demonstrate our value for money and commitment to driving further improvements in our effectiveness and efficiency.

In our previous fee consultations, we have consistently explained the government requirement that we must move to full cost recovery over a reasonable time period.

Each consultation has resulted in views confirming opposition to any increases, which is naturally understandable, but to which we have had limited room for manoeuvre, given the absolute obligation placed on us. As we have moved along the trajectory to fully recovering our costs, the degree of opposition has not altered, but the emphasis has changed to one of challenging us to prove our value for money and to be more transparent in showing how we cost our work.

The costing model described in the accompanying regulatory impact assessment is a key vehicle for this. We are using this to cost our regulation, based on the information we collect on how we use our resources.

The dental sector provides a specific example of how we have used the model to adjust fees by taking direct account of the decreasing costs of regulation. The sector reached full cost recovery in 2013/14. Since then, the methodology for regulating this sector has been revised, and our review of the impact of this on our costs has resulted in a reduction in their fees this year.

The development of our five year strategy, and the methodology that will evolve as a result of it, means that we will continue to develop the costing model and use the information derived from it to better understand the cost of regulating each sector. How fees will change in future in each sector will depend on the costs of the changes to methodology we are implementing. Therefore, while fees for the dental sector have decreased this year, it does not necessarily mean that this will always be the case, or that this will necessarily apply to other sectors. However, we are committed to adopting this approach of closely monitoring our costs as we make changes to our methodologies, and reflecting the changes to the cost of regulation for each sector in the fees they pay.

It will take time to implement our new, more targeted and focused approaches under *Our next phase of regulation*, and to collate and interpret information about how much they are costing once they are rolled out into practice. It is understandable that providers express scepticism that we are serious about better matching the cost of regulating each sector to the fees providers pay. We fully intend to do this now that we have reached the full chargeable cost recovery requirement for the majority of providers, and will therefore have more control over how we charge fees in future years. We expect our costs to reduce as our more focused approach to regulation becomes embedded. The fee levels associated with regulating different parts of the sectors will reflect these changes.

Impact of the fees scheme in 2017/18

All providers, except the community social care and dental sectors, will see fee charges set at the level we proposed in our consultation as the second year of the two-year timescale. Those for community social care providers will be set at the level we proposed in our consultation as the second year of the four-year timescale. Fee charges for dental providers will be at the levels set out in our consultation, decreasing them from those charged in the 2016/17 fees scheme.

These changes are shown in the tables on pages 19 to 23.

The effect of these changes is set out in our regulatory impact assessment document, which is available on our **website**.

Future fees strategy

Fees strategy in relation to the Spending Review 2015

The requirement to achieve full chargeable cost recovery has been the driver behind fees increasing over the last three years. We will largely have met this commitment in 2017/18 as the fee levels for all sectors except the community social care sector will recover the full chargeable costs of regulation. This year is the second year of the four-year Spending Review, which requires us to make savings year-on-year (details of this are set out in our regulatory impact assessment document).

We have already made progress towards achieving greater efficiencies, saving over £10 million in non-staff costs for this year, by making significant efficiencies in our travel and subsistence arrangements. We are also anticipating reductions in staff numbers as part of a planned modernisation programme. Our focus on efficiency is set to continue and will result in us reaching a target budget position of £217 million by 2019/20 from £230 million in 2017/18. We remain on track to achieve this. The effect of our efficiency savings, our reducing budget and the changing costs of inspection will translate directly into our overall income from fees moving on a downwards trajectory.

Our costing model shows that the average cost of regulation per provider is falling steadily as we become more efficient, showing an average reduction from £9,325 at the start of 2015/16 to £5,553 in the middle of 2016/17. We are working to ensure that this progress continues.

Fees strategy in relation to changing methodologies

Our 2016-21 strategy sets out our commitment to completing our programme of comprehensive inspections, and to move to more targeted and focused inspections based on risk. We have recently consulted on our plans for how this will be implemented for NHS trusts, with further consultations planned for the adult social care and primary medical services sectors.

Our changing focus on how we regulate will have an impact on the cost of regulation. We will use our costing model to assess what the changing methodologies will mean for future fee charges in each of the sectors, and will consult on our proposals for any changes to the fee structure or charges.

We will also monitor the effect of new and emerging models of health and social care for their impact on the costs of regulation. We will be adaptable and flexible in the way that we charge fees, ensuring that we do so proportionately without hindering innovation, but at the same time ensuring that the principle of recovering the full chargeable costs of regulation is maintained.

Changes to the structure of the fees scheme

We welcome the feedback this consultation has generated. It has identified a number of important areas we will actively consider in the next stages of planning our fees strategy, such as reviewing concerns about the equity and proportionality of how the fees scheme is structured, particularly for smaller providers.

We have not made any structural changes to the scheme this year, as explained on page 12. Fee categories, indicators of providers' size and the existing fee bands remain in their present format, one which has changed little since fees started to be charged by CQC in 2009/10. We know that the structure needs to be refreshed and developed to ensure that it is able to reflect charges fairly and proportionately for a changing health and social care market and where our regulatory approaches are also adapting. Our previous experience of making singular adjustments to the scheme to correct an issue often resulted in unintentional unfairness in other areas. We are committed to addressing such issues in depth, over a planned timescale and with full engagement with the sectors.

Following this consultation, we will review the fees scheme to shape a timetable of areas that might need to be amended for 2018/19 and beyond. In doing this, we will take into account:

- the feedback and suggestions set out in this consultation response and our analysis report
- the issues that we are aware of as a result of our own work
- the changing provider landscape, forms of organisation and new models of care
- the financial impact of our strategy's implementation as it is introduced.

We are required to consult whenever we propose to make any changes to the fees scheme. Having reached full cost recovery for most sectors, we will regularly review the fees scheme. This is to ensure that charges are fairly distributed among providers in each sector, and fee levels are adjusted in line with our changing budget and costs of regulation as our evolving methodologies are implemented throughout the period of our strategy.

We intend to consult again in the autumn of this year on the areas that we consider to be in most pressing need of change in 2018/19. Where these are specific to a sector, we will engage with key stakeholders in each sector so that we can develop our proposals collaboratively. We will set out specific proposals that will come into effect on 1 April 2018, subject to the Secretary of State's consent to our fees scheme. We will also set out our early thinking on areas that may potentially change over subsequent years which we will consult on at the appropriate time.

Question 2. What are your views on our proposal to change a definition in the fees scheme to reclassify providers of substance misuse treatment services as providers of healthcare activities?

Your response to question 2

We received 435 responses to this proposal, though there were only five from providers who would be directly affected by the change (community healthcare providers). Respondents from the other sectors mostly used this question to underline their opposition to proposal one. Of the five relevant providers, two respondents offered an explanation in opposition to the proposal.

General comments

Of the two respondents who commented, one expressed a concern about stretching substance misuse services, including both the financial impact of fees and the time impact of completing 'CQC inspection hoops'.

Our response to your feedback on question 2

Given the small amount of feedback we received to this proposal from providers that would be directly affected, its relevance to the question being asked and because the proposal we made represents a minor, technical change to a definition in the fees scheme which will have limited impact on the fees charged to these providers, we have decided to implement this proposal as set out in the consultation. Fee levels for these providers, however, will be increased under proposal 1, in line with other providers, but implementing proposal 2 does not have any additional fees impact.

Impact on the fees scheme in 2017/18

We have amended the definition as set out above in paragraph 1 (1) of the 2017/18 fees scheme. Further information for providers of substance misuse treatment services is provided in our *Fees guidance for providers* document, available on our website.

Question 3. What are your views on our proposal to change a definition in the fees scheme to clarify charges for providers of services in minor injuries units and urgent care centres?

Your response to question 3

We received 423 responses to this proposal, with 310 of those from providers who would be directly affected by the change (NHS GP and out-of-hours services). Seventy-eight of those respondents gave a view in support of or in opposition to the proposal. Of those responses from NHS GP or out-of-hours providers, 57% agreed with the proposal, 34% of them disagreed.

Of the 113 responses to this question from sectors that would not be affected by the proposal, 48% indicated it was not applicable to them, or expressed no view and 5% disagreed with the proposal. Many repeated their comments in respect of question 1 above, using question 3 to reiterate their thoughts about the proposal for cost recovery.

Summary of comments

Nine respondents from the NHS GP and out-of-hours category provided comments that agreed with the proposal, with seven of those considering it would provide clarity. Twelve respondents provided comments that disagreed with the proposal, some considering that the proposal would unfairly penalise services, or make their service financially unviable, or that the proposal was designed to set up private providers to 'step in and rescue the services'.

These 21 responses are those which contained enough detail to be thematically coded and analysed. The remaining 57 responses did not provide any detail beyond a simple agree/disagree.

Our response to your feedback on question 3

Given the limited feedback we received to this proposal from providers that would be directly affected, its relevance to the question being asked and because the proposal we made represents a minor, technical change to a definition in the fees scheme which will have no impact on the fees charged to these providers, we have decided to implement this proposal as set out in the consultation. Fee levels for these providers, however, will be increased under proposal 1, in line with other providers, but implementing proposal 3 does not have any additional fees impact.

Impact on fees scheme

We have amended the definition as set out above in paragraph 1 (1) of the 2017/18 fees scheme.

The effect of all these changes is set out in our regulatory impact assessment document, which is available on our **website**.

Providers of hospice services

CQC published a consultation in December 2016, *Our next phase of regulation*, setting out proposals on how we should develop our approach as we implement our five-year strategy and move into the next phase of our regulatory model. Within that document (page 12), we described our thinking for how hospice services might be assessed in future under the new healthcare framework, rather than the adult social care methodology and assessment framework as is currently the case. In 2017/18, after we have completed the first round of inspections under our current model, we will start assessing hospices under the healthcare assessment framework and they will become part of the responsibility of the Chief Inspector of Hospitals.

In moving hospices to the Hospitals portfolio, we proposed to make a minor, administrative change to the definition section of our fees scheme, which would describe hospice providers as providers of 'healthcare services' rather than as providers of 'care services'. Our proposal to make this simple, technical amendment to the scheme was to better reflect the changed emphasis of how we will assess hospices in future. The change would have no impact on the current hospice fee bands or charges.

At the time we launched our fee consultation, the policy and operational issues for the future regulation of hospices were not at a sufficiently developed stage for us to be able to include a reference to it in our publication. Even small changes to the scheme, such as this, need to be consulted on so, rather than run a separate consultation process to seek views about it, we included a question in *Our next phase of regulation* consultation, describing our proposal to amend the definition of hospices in our fees scheme. We received no comments in response to this question.

The timetable for transfer of these services from the Adult Social Care (ASC) portfolio to the Hospitals one will be phased from April 2017. Services that have been rated as good or outstanding will transfer on 1 April 2017. Those rated as requires improvement will remain within the remit of the ASC directorate, who will carry out any follow-up inspections, where necessary, using the current ASC methodology. They will also inspect any services rated as good or outstanding should there be any indications the service may not be performing to those ratings. Full implementation of the transfer is expected to take place from October 2017.

Given that fee charges will not change as a result of transferring services to the Hospitals Directorate and the current fee structure, based on the number of locations and bands, would remain as it is now, we have decided not to make the change to the definition in the fees scheme at present, but will incorporate it within any changes we make to the scheme from April 2018.

However, for clarification, fee levels for providers of hospice services will be increased under proposal 1, in line with other providers.

Appendix 1 – Table of fee charges in 2017/18 for all providers by fee category

NHS trusts (Part 1 of Schedule of existing fee scheme)

	Fee charge
Amount of turnover	2017/18
Up to £75,000,000	£115,565
From £75,000,001 to £125,000,000	£158,902
From £125,000,001 to £225,000,000	£202,239
From £225,000,001 to £325,000,000	£245,652
From £325,000,001 to £500,000,000	£288,912
More than £500,000,000	£332,249

Healthcare hospital services (Part 2, column 2 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£10,968
2 to 3	£21,917
4 to 6	£43,836
7 to 10	£87,670
11 to 15	£141,820
More than 15	£193,390

Community healthcare services (Part 2, column 3 of Schedule of existing fee scheme) – includes health service bodies (NHS Blood and Transplant) under paragraph 2(c)(i) of existing fee scheme

	Fee charge
Number of locations	2017/18
1	£1,867
2 to 3	£3,728
4 to 6	£7,456
7 to 10	£14,910
11 to 15	£29,820
More than 15	£59,640

Healthcare – Single specialty services (Part 2, column 4 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£1,743
2 to 3	£3,479
4 to 6	£6,958
7 to 10	£13,915
11 to 15	£27,831
More than 15	£55,662

Community healthcare services (independent ambulance services) (Part 3 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£994
2 to 3	£1,988
4 to 10	£4,970
11 to 50	£12,425
51 to 100	£29,820
More than 100	£59,640

Community healthcare services – Individuals registered at one location providing only diagnostic and screening services (Paragraph 2(c)(ii) of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£309

Primary care services (Medical) – One location (Part 4 of Schedule of existing fee scheme)

	Fee charge
Number of registered patients	2017/18
Up to 5,000	£3,845
5,001 to 10,000	£4,526
10,001 to 15,000	£5,237
More than 15,000	£5,918

Primary care services (Medical) – One location where walk-in-centre forms part or all of location (Paragraph 2(d)(i) of existing fee scheme) and

Primary care services (Medical) – One location providing out-of-hours services (Paragraph 2(d)(iii) of existing fee scheme)

	Fee charge
Location	2017/18
1	£5,918

Primary care services (Medical) – More than one location (Part 5 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
2	£8,371
3	£11,161
4	£13,951
5	£16,736
6 to 10	£20,924
11 to 40	£41,848
More than 40	£104,614

Primary care services (Dental) – One location (Part 6 of existing fee scheme) – includes domiciliary dental services under paragraph 2(d)(iv) of existing fee scheme where the fee charge is the same as for one dental chair

	Fee charge
Number of dental chairs	2017/18
1	£529
2	£661
3	£749
4	£837
5	£969
6	£969
More than 6	£1,145

Primary care services (Dentists) – More than one location (Part 7 of existing fee scheme)

	Fee charge
Number of locations	2017/18
2	£1,410
3	£2,114
4	£2,819
5	£3,524
6 to 10	£4,229
11 to 40	£8,810
41 to 99	£26,429
More than 99	£52,857

Care services – Providers of care services who also provide accommodation (Part 8 of Schedule of existing fee scheme)

	Fee charge
Maximum number of service users	2017/18
Less than 4	£321
From 4 to 10	£836
From 11 to 15	£1,674
From 16 to 20	£2,447
From 21 to 25	£3,348
From 26 to 30	£4,375
From 31 to 35	£5,147
From 36 to 40	£5,921
From 41 to 45	£6,694
From 46 to 50	£7,468
From 51 to 55	£8,235
From 56 to 60	£9,008
From 61 to 65	£10,295
From 66 to 70	£11,322
From 71 to 75	£12,355
From 76 to 80	£13,383
From 81 to 90	£14,415
More than 90	£16,096

Care services – Hospices (Part 9 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£1,933
2 to 3	£3,861
4 to 6	£7,721
7 to 10	£16,242
11 to 15	£30,885
More than 15	£61,771

Community social care services (Part 10 of Schedule of existing fee scheme)

	Fee charge
Number of locations	2017/18
1	£2,192
2 to 3	£6,093
4 to 6	£12,184
7 to 12	£24,370
13 to 25	£48,740
More than 25	£97,476