Fees from April 2018

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 2018.

Introduction

1. The Care Quality Commission (CQC) is the independent statutory regulator for health and adult social care in England. The fees it charges to registered providers currently make up a significant proportion of the income CQC needs to carry out its statutory duties.

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 noon on 18 January 2018.

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, 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. The consultation document discusses this further.

Year	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m
Grant-in-aid	85.0	34.0	27.0	18.0
Fees	151.0	196.0	201.0	199.0
Total budget	**236.0**	**230.0**	**228.0**	**217.0**

7. Fees in this document are shown on an invoiced basis as this reflects the actual impact on the health and social care sectors. However, we report fees on an accruals basis to the Department of Health and within our financial accounts. This means that the estimated income for 2018/19 on an accruals basis is £4.2 million lower than the invoiced total. This accounting adjustment is covered by grant-in-aid. The total indicative budget shown represents the budget that we expect to be our total cost target.

8. The final budget for 2018/19 is still in the process of being agreed with the Department of Health, but we have calculated fees on the expectation that we will receive the budget and the grant-in-aid shown.

9. On this basis our budget for 2018/19 will be £228.0 million, which compares to £230.0 million for 2017/18.

10. £27.0 million of the total budget will be covered by grant-in-aid. Of this, £20 million will support 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. £2.8

million will fund the element of costs for community social care providers not yet funded via fees. The remaining £4.2 million represents the accounting adjustment we have to apply for the effect of deferred income.

11. The £201.0 million 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. Note that the £201.0 million in addition to the £4.2 million deferred income represents the £205.2 million invoiced to providers.

12. Appendix A shows the cost and fee budgets by sector for 2017/18 and 2018/19.

13. All sectors are now at full chargeable cost recovery, except for community social care providers, whose trajectory was set over four years. 2018/19 will be year three of their four year trajectory.

Proposed fees for 2018/19

14. Our consultation document *Regulatory fees – have your say* details our proposals in relation to fees for the 2018/19 fee scheme.

Proposal 1

15. We propose to change the fees scheme structure for community social care providers by:
    - replacing the current banding structure
    - charging fees in proportion to the size of a provider in the sector (using a measure chosen through this consultation).

16. Currently, the number of locations is used as the measurement of size. Our own assessments, as well as views from providers, show that this is not a satisfactory measure of provider size for this sector.

17. As outlined in the consultation document, we wish to move to a measure that is more appropriate to the sector and to CQC.

18. We think that an appropriate measure would have the following characteristics:
    - It is a better proxy for the size of the organisation than the current measure of number of locations.
    - It is easy to determine by the organisation.

- It is easy to collate and where possible, it is based on information that CQC collects or plans to collect through the PIC (provider information collection) mechanism.
- It is a measure that has popular acceptance to the sector.

19. We have discussed this with representatives from different membership bodies of the sector and drawn up a list of possible options that meet the above characteristics. The United Kingdom Homecare Association (UKHCA) offered to run a survey among its members and share its findings with us so that we would be able to concentrate on the most likely options in our assessment of impact. We were pleased to accept. UKHCA represents homecare providers of different sizes from the independent and voluntary sector and its members were asked which methods they favoured from the following list:
    - The number of people receiving support with regulated activities (RAs) from the service at a specified period.
    - The number of hours of RAs provided by the service at a specified period.
    - Annual turnover of the provider that relates to its regulated activities.
    - Whole time equivalent staff employed at a specified period.
    - Stay as we are (fee based on number of locations).
    - Other (free text box provided).

20. The two most popular options were a fee based on total hours of care (32%) and a fee based on the number of service users (27%).

21. The number of locations was included as the base position as well as 'other' to ensure that we did not miss any possible options. Respondents were also asked if they thought that fees should be charged:
    - In bandings (as they are currently).
    - As a proportion of the total cost of regulating the sector.

22. UKHCA received 216 responses (about 10% of their membership) and 85% of responses supported a change to a fee proportional to the size of the provider in the sector.

23. Appendix C shows the full questionnaire and appendix D gives an analysis of the results.

Impact of changing the measure

24. We are inviting comments on the whole list in the consultation, but on the basis of the results from the survey we have modelled the first two options. We have done this by analysing data from recently inspected community social care providers who had completed Provider Information Returns (PIRs) during the period February 2015 and May 2017, and who had provided data for "People receiving support with RAs" or "Hours of RAs you provided in the 7 days before the start of this return". We extrapolated this data for the whole sector on the assumption that

the size and make up of the sample meant it was reasonable to assume a similar distribution of providers in the population.

25. The sample sizes are not identical for each measure because the information provided in the completed PIRs was not complete in every field.

26. The modelling shows that fees could vary for organisations depending on the measure selected, whether or not we use a floor and ceiling, the actual values for each location, as well as how much of the overall sector that location represents.

27. We analysed the data as follows:
    1a. The number of hours of regulated activities (RAs) provided over the last 7 days at a location, distributed in proportion to the size of a provider's location in the sector
    1b. The number of hours of regulated activities (RAs) provided over the last 7 days at a location, distributed in proportion to the size of a location in the sector with the inclusion of a floor
    2a. The number of people receiving support with RAs at a location, distributed in proportion to the size of a location in the sector
    2b. The number of people receiving support with RAs at a location, distributed in proportion to the size of a location in the sector with the inclusion of a floor.

28. This analysis shows a proportionate fee and a fee with a floor. It does not include analyses with a ceiling to fees for the two options. The ceiling is intended to reflect the maximum cost that would apply and should be set to a level where the largest values are, and excluding obvious outlier values. Given that we have not collected this information yet, it has not been possible to determine a ceiling and so an option of a fee based on a floor and ceiling has been excluded.

29. Table A below shows the percentage of respondents and the range of values that they provided for option 1 hours of RAs provided over the last 7 days. This demonstrates that around 75% of respondents provided less than 1,100 hours of regulated activities.

30. Table B shows the information for option 2 people receiving support with RAs. This demonstrates that around 75% of respondents supported less than 80 people.

Table A: Option 1: Hours of regulated activities (RAs) you provided in the 7 days before the start of this return

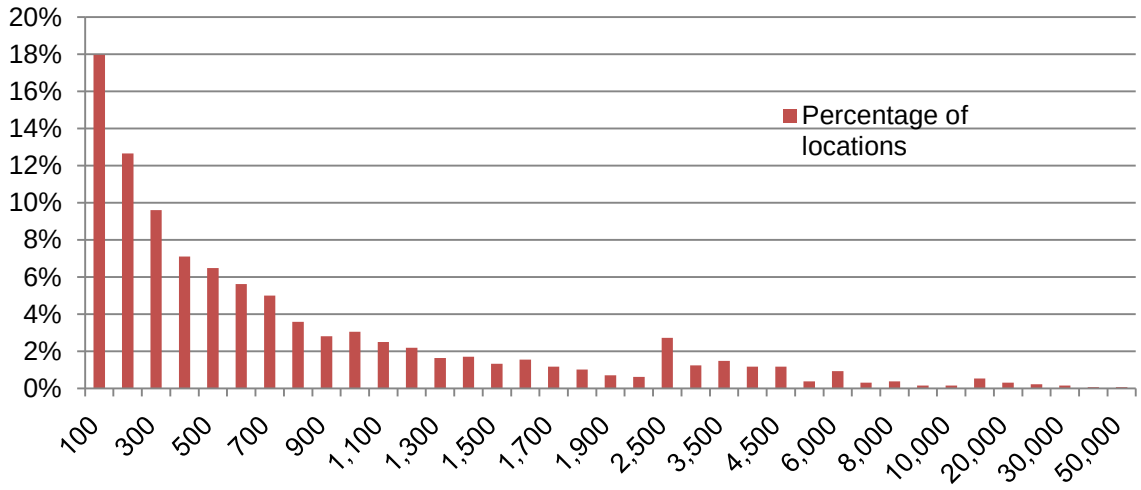
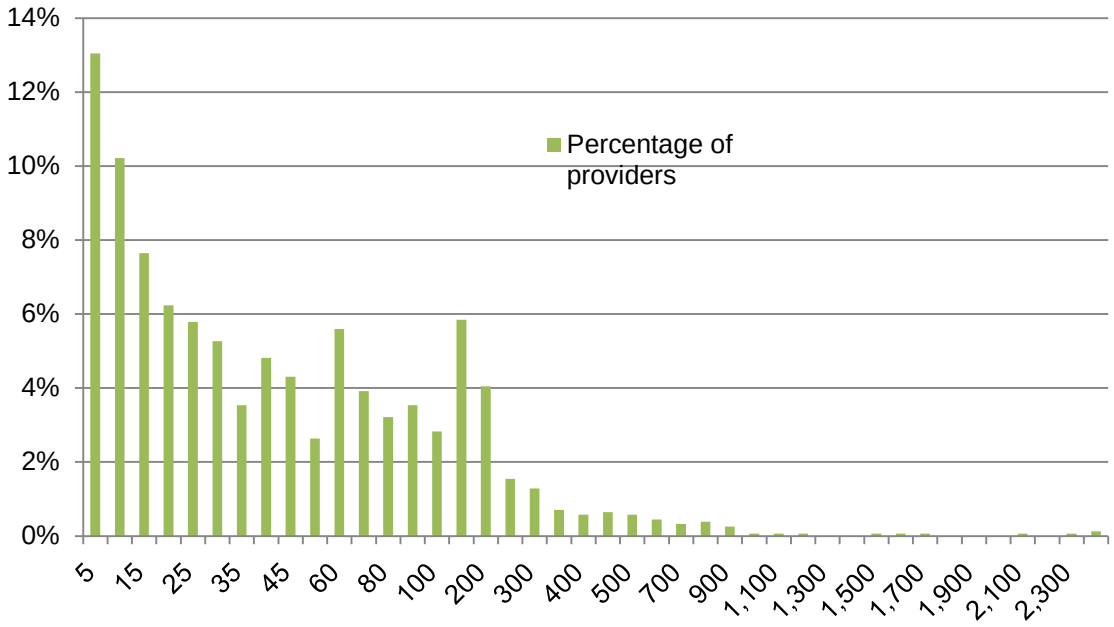


Table B: Option 2: People receiving support with regulated activities (RAs)



31. Appendix E shows that the two samples represent respectively 24% of our providers for ‘Hours of RAs you provided in the 7 days before the start of this return’ (Appendix E Table 2), and 20% of our providers for ‘People receiving support with RAs’ (Appendix E Table 3). The samples are therefore broadly representative of our providers in overall terms, although the samples have a larger percentage of one location providers, smaller percentage of providers with 2-3 locations, and no providers with more than 25 locations.

32. Tables C (Hours of RAs you provided in the 7 days before the start of this return) and D (People receiving support with RAs) give indicative fees for a range of examples (2017/18 basis). The mean and median values are also shown.

33. See Appendix B for definitions of mean, median, floor and ceiling.

Table C: Option 1 Hours of regulated activities (RAs) you provided in the 7 days before the start of this return

Hours of regulated activities (RAs) provided in the 7 days before the start of this return	2017/18 fee	Option 1a: Indicative fees with no floor £	Option 1b: Indicative fees with floor £	Option 1a: Indicative fee per hour of RA per 7 days no floor £	Option 1b: Indicative fee per hour of RA per 7 days with floor £
100		268	576	2.68	5.76
median 500		1,339	1,540	2.68	3.08
1,000		2,672	2,740	2.68	2.75
mean 1,190		3,177	3,194	2.68	2.69
1,500		4,017	3,950	2.68	2.63
2,000		5,356	5,155	2.68	2.58
3,000		8,007	7,541	2.68	2.52
5,000		13,394	12,390	2.68	2.48
10,500	ranging from £2,192 to £97,476 depending on number of locations	28,117	25,640	2.68	2.44
20,800		55,682	50,448	2.68	2.43
32,000		85,398	77,193	2.68	2.42
42,200		113,081	102,108	2.68	2.42

Table D: Option 2 – People receiving support with regulated activities (RAs)

People receiving support with regulated activities (RAs)	2017/18 fee	Option 2a: Indicative fees with no floor £	Option 2b: Indicative fees with floor £	Option 2a: Indicative fee per client no floor £	Option 2b: Indicative fee per client with floor £
5		197	499	39.39	99.72
10		394	676	39.39	67.58
15		591	853	39.39	56.87
median 30		1,182	1,385	39.39	46.16
50		1,970	2,094	39.39	41.88
mean 80		3,151	3,158	39.39	39.47
100		3,939	3,867	39.39	38.67
150		5,948	5,675	39.39	37.58
200		7,800	7,341	39.39	37.08
300		11,818	10,958	39.39	36.53
500		19,697	18,048	39.39	36.10
1,000	ranging from £2,192 to £97,476 depending on number of locations	39,394	35,776	39.39	35.78
1,530		60,272	54,566	39.39	35.66
2,000		81,939	74,066	39.39	35.61
2,400		94,348	85,234	39.39	35.59

Affordability

34. We cannot directly compare the indicative fees under the two proposals to the current fee because the proposed changes to the fee scheme determine fees using a different approach (as described above). However, tables C and D enable providers to calculate indicative fees based on their own data for options A and B with and without a floor.

35. Table E gives examples of the impact of the proposed options under the current fee scheme and under options 1 and 2. These examples show that the smallest providers with one location would pay significantly lower fees than they do

currently if the sample is representative of the sector. For example, under option 1 a single location provider who provides 100 hours of RA (example 1 of table E) might expect to pay an indicative fee of £268 (or £576 if a floor was applied), compared to £2,192 currently. 18% of our sample recorded this level of activity.

36. The largest providers could expect to pay higher fees than under the current fee scheme if the sample is representative of the sector. In example 5 of table E a provider with four locations each supporting 300-1,000 clients might expect to pay a fee of £90,605 (or £82,830 if a floor was applied) if we used this measure compared to £12,184 currently.

Table E: Examples of the impact of proposed options

		Option 1			Option 2		
Examples of impact of proposals	**2017/18 fee**	**Hours of regulated activities (RAs) provided in the 7 days before the start of this return**	**Indicative fees with no floor**	**Indicative fees with floor**	**People receiving support with regulated activities (RAs)**	**Indicative fees with no floor**	**Indicative fees with floor**
	£000		**£**	**£**		**£**	**£**
Example 1 small 2 location provider	6,093						
location 1		1,000	2,672	2,740	80	3,151	3,158
location 2		500	1,339	1,540	30	1,182	1,385
Total	**6,093**	**1,500**	**4,011**	**4,280**	**110**	**4,333**	**4,543**
Example 2 Smallest 1 location provider							
location	2,192	100	268	576	5	197	499
Example 3 larger 2 location provider	6,093						
location 1		2000	5,356	5,155	150	5,948	5,675
location 2		3000	8,007	7,541	200	7,800	7,341
Total	**6,093**	**5,000**	**13,362**	**12,695**	**350**	**13,748**	**13,016**
Example 4 4 location provider	12,184						
location 1		100	268	576	5	197	499

location 2		500	1,339	1,540	30	1,182	1,385
location 3		1500	4,017	3,950	100	3,939	3,867
location 4		100	268	576	5	197	499
Total	**12,184**	**2,200**	**5,891**		**140**	**5,515**	**6,249**
Example 5 4 location provider	12,184						
location 1		10,500	28,117	25,640	1,000	39,394	35,776
location 2		5,000	13,394	12,390	500	19,697	18,048
location 3		3,000	8,007	7,541	300	11,818	10,958
location 4		5,000	13,394	12,390	500	19,697	18,048
Total	**12,184**		**62,912**	**57,960**	**2,300**	**90,605**	**82,830**

37. To understand the total likely fee, providers will need to include the effect of proposal two below. Please see paragraph 40 on how to calculate the total indicative fee.

Proposal 2

38. We propose to increase fees for community social care providers as the third year of the four year trajectory to reach full chargeable cost recovery (FCCR).

39. This is part of our required trajectory that we have set out over the last two fee consultations. We have to undertake this as it is the last sector to achieve full cost recovery. The third year staged increase will see fees for the sector as a whole rise by 15%, taking the total recovery for the sector to £23.7 million (from £20.7 million in 2017/18). This will leave a further increase of £2.8 million for 2019/20 when the sector will be at FCCR.

40. For a provider to understand their full fee, they will need to consider the combined effect of this proposal with proposal 1. Providers can calculate an indicative fee by using the appropriate figures in tables C or D and then adding 15%. For example if a single location provider provided 500 hours of RAs, their indicative fee from table C would be £1,339 +15% = £1,540 without a floor or £1,540 +15% = £1,771 with a floor.

Proposal 3

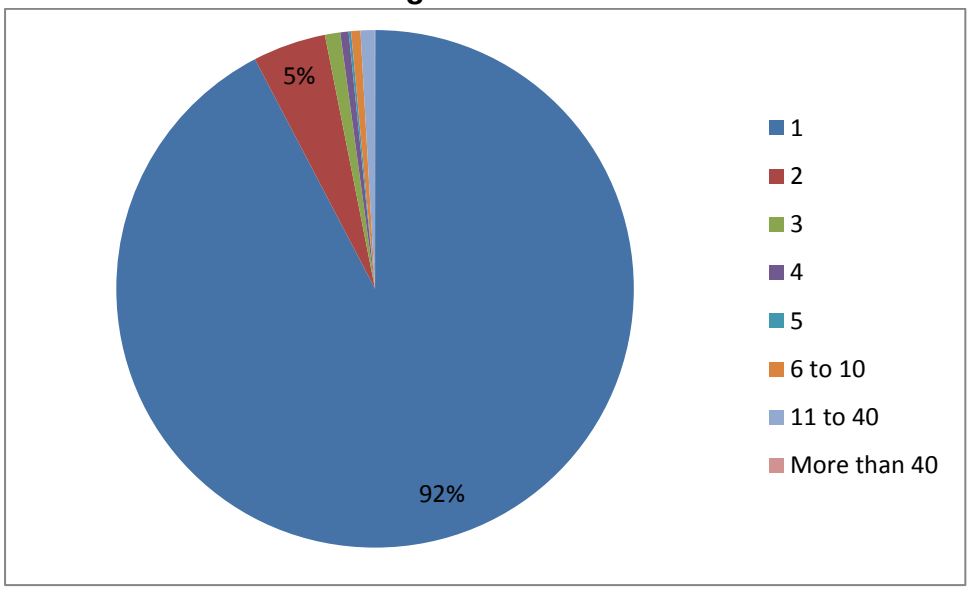
41. We propose to change the fees scheme structure for NHS GP providers by:
    - removing the current banding structure based on patient list size for providers with one location

- removing the current banding structure based on the number of locations for providers with more than one location
- charging fees in proportion to the size of a provider in the sector
- using patient list size per location as the sole measure of size for all NHS GP providers (using an option chosen through this consultation). Three options are offered in paragraph 49 below.

42. The current fee scheme for NHS GPs is split between those with one location, which are banded by list size, and those with more than one location, which are banded by number of locations. Providers with two or three locations are charged significantly more than providers with one location (up to more than double for two locations and triple for three locations), even though they might look after a smaller number of patients overall. The fee scheme for providers with multiple locations has seven bands, with some large steps for larger providers (and therefore significantly higher fees for adding one location).

43. Over 90% of providers currently have one location and the current four bandings for these providers mean that the range of fees charged is small compared to the range in size of practices. The differentiation in fees charged does not adequately reflect the differentiation in size of providers, as only 3% of providers have three or more locations currently. This is shown in Table F.

Table F: NHS GPs showing the number of locations



44. The market has also been changing, with the advent of new models of care, which represent a challenge to a number of areas of the fees scheme, as they could involve considerable restructuring of the GP and other sectors.

45. However, the shift to primary care working at scale being driven by the NHS Five Year Forward View, now means that we are seeing GPs working together to cover patient list sizes of at least 30,000 and in some cases 50,000 to 100,000

patients. Many GP practices are collaborating together in large-scale general practice, such as joining super-partnerships, multi-site practice organisations or other new models of care. Some practices have retained their independent status while others are fully integrated within a larger organisation. These changes mean that using numbers of locations as a measure of the size of a GP practice is unsuitable. If we did nothing, such changes could result in larger organisations paying lower fees than the individual practices prior to their reorganisation, and yet the cost of regulation of these providers remains broadly unchanged. The fee would therefore not reflect the costs incurred by CQC for regulation, and would not be in line with the complexity of the provider. The consultation document discusses the developments in both the organisation and provision of service delivery that we are beginning to address in the 2018/19 fee scheme.

46. Table G below shows two scenarios which demonstrate the current impact on fees when four providers form a new provider with either four locations or one location, whilst retaining the same number of patients overall.

Table G: Impact of structural changes on current fee income

Scenario	2017/18 fee before structural change	2017/18 fee after structural change	Loss of income to CQC
4 single location providers (each with a list size of 5,000) merge forming a single provider one location super-practice (total list size 20,000).	**£15,380** (4 x £3,845 ie fee based on list size up to 5,000)	**£5,918** (ie fee based on list size over 15,000)	**£9,462**
4 single location providers (each with a list size of 5,000) merge forming a four location super-practice provider	**£15,380** (4 x £3,845 ie fee based on list size up to 5,000)	**£13,951** (ie fee for 4 location provider)	**£1,429**

47. It is clear from Table G that the use of locations does not adequately distribute fees in line with the size and complexity of providers in this sector, therefore the distribution of fees needs rebalancing. It is not fit for the majority of GP providers currently and it will certainly not be suitable for the medium or long-term future make-up of primary care provision as outlined in the consultation document.

48. We propose two changes to the current fees scheme for NHS GP providers:

1. We will use patient list size as the sole measurement for all NHS GP providers instead of using the current mixture of patient list size and locations.

2. We will replace the banding structure with a calculation based on the size of each location compared to the total size of the sector as measured by list size. This means applying a location's individual list size to the total patient list size of the sector and using this as a percentage against the total cost of regulating the sector.

49. There are three options.
    - Option A involves charging every provider as described.
    - Option B inserts a floor and ceiling, which means that there is a minimum fee for smaller locations and a maximum fee for larger practices.
    - Option C inserts a floor.

Affordability

50. We have GP list sizes for over 90% of NHS GP providers. There are some gaps in our data because we do not have the GP list sizes for all multiple location GP providers. This information has not been required to calculate their fees in previous years. However, we are collecting the Organisation Data Service code (ODS) data for all our practice locations and we will derive patient list size data from that. We anticipate that this reconciliation will be completed by early 2018 and so we expect to have full information at the time of the consultation response. However, given the high percentage of information we have, the current information is enough to provide an indication of the size of the fee. Appendix F lists the indicative proposed fees based on GP list size per location for the three options (based on 2017/18 fee scheme). This shows that practices with the largest list sizes will pay higher fees and the smaller practices will pay lower fees, in line with the approach we take for all sectors.

51. Table H shows examples of the impact of the proposed options on the examples in Table G, namely when four providers form a new provider with either four locations or one location, while retaining the same number of patients overall. There would be no difference in fees for either structure if option A was implemented. If options B or C were implemented then the fees would be higher for a four location provider because of the floor that would apply for each location.

Table H: Examples of the impact of structural changes on proposed options

	2017/18 fee scheme	Option A: Indicative proportionate fee	Option B: Indicative fee with floor and ceiling	Option C: Indicative fee with floor only
4 single location providers each with a list size of 5,000 merge as one location superpractice provider with a list size of 20,000	**£5,918** (list size above 15,000)	**£12,842**	**£12,058**	**£12,058**
4 single location providers each with list size of 5,000 merge as a four location superpractice provider each with a list size of 5,000	**£13,951** (4 location provider)	£3,211*4 = **£12,842**	£3,390*4= **£13,560**	£3,390*4= **£13,560**

Proposal 4

52. We propose to change the fees scheme structure for urgent care providers by:
    - removing the current banding structure for providers with one location
    - removing the current banding structure based on the number of locations for providers with more than one location
    - adopting a new method of charging fees (using an option chosen through this consultation).

53. Currently we charge urgent care providers (which we define for the purposes of the fee scheme as walk in centres, minor injuries units, urgent care centres and out of hours services) with one location according to the highest banding for a single location, which is equivalent to the fee for NHS GPs with a patient list size that is greater than 15,000 (£5,918 for 2017/18) and multiple location urgent care providers pay a fee based on the number of locations. Moving NHS GPs to a measure based on patient list size (see proposal 3) means that this is no longer possible. We therefore need to determine an appropriate measure and charge this group according to that measure.

54. The consultation document outlines that we need to establish an alternative measure for this group. Our information suggests that the sector consists of about 53 single location and 55 multiple location providers and so we will use the consultation period to engage with members and representatives, to determine an equivalent measure to patient list size for them. We will then use the response to the consultation to determine this.

55. As a consequence we are unable to provide indicative fees for these providers.

Proposal 5

56. We propose to change the fees scheme structure for NHS trusts by:
    - removing the current banding structure
    - charging fees in proportion to the size of a provider in the sector
    - continuing to use annual turnover as the measure of this size for all NHS trusts (using an option chosen through this consultation). Three options are offered in paragraph 62 below.

57. The bandings for this sector are based on total provider turnover. These were set several years ago and were fixed with six wide bandings. There are a small number of providers within this sector, but they pay significant fees due to the resources required to regulate them.

58. The tendency in recent years has been for one or two mergers to occur per year, creating larger trusts. However the propensity to merge and/or transfer services has increased and we have seen the number of trusts reduce. On 1 April 2015 there were 242 registered NHS trusts; on 1 April 2016 there were 240; and on 1 April 2017 there were 237 NHS trusts.

59. Given the size of each trust, each merger has a significant effect on our income. We estimate that we had a shortfall in income of £78,000 in 2016/17 and there is a forecast shortfall of £600,000 in 2017/18.

60. This trend of merging also means that we now regulate some very large trusts with turnovers of over £1 billion while the highest banding of our fee structure is set at a turnover of more than £500 million. Our intelligence suggests that in April 2018 at least 43 (20%) NHS trusts will have turnover above this highest banding.

61. The current scheme needs to be adjusted to reflect this change. We also wish to take the opportunity to future-proof the scheme against changes in the sector. We can obtain accurate data for these providers and it is straightforward to flex the current scheme to provide a fairer distribution to all trusts and to protect our own income position at the same time.

62. We analysed the data as follows:
    - Option A: abolish the banding structure and calculate fees based on a proportion of the total cost of regulating the sector; or
    - Option B: abolish the banding structure and calculate fees based on a proportion of the total cost of regulating the sector, with a floor and a ceiling.
    - Option C: abolish the banding structure and calculate fees based on a proportion of the total cost of regulating the sector, with a floor only

Impact of changing the measure

63. We have estimated the number and turnover of NHS trusts for 2018/19 from various sources (intelligence from inspectorate colleagues, Health Service Journal and other publications, NHS Improvement). Based on the known mergers and service transfers (as at September 2017) we anticipate there will be fewer than 230 NHS trusts in 2018/19.

64. Table I below summarises how the current fees compare to the three proposed alternatives. Under our proposals fees will reduce for the smaller NHS trusts, while larger providers with turnover of over £0.5 billion will see their fees increase compared to the current fee scheme. This is most marked for a scheme with no floor and ceiling.

65. We anticipate that the largest provider in 2018/19 will be below the proposed ceiling of £1.6 billion. However table I gives examples of what fees might be under the three options for providers larger than this.

Table I: Indicative fees under the current fee scheme and options A, B and C

		2017/18 fee		Option A		Option B		Option C	
Indicative size of provider	**Turn-over**	**2017/18 fee**	**Indicative fee as proportion of turnover**	**Indicative proportional fee**	**indicative proportional fee (2017/18 planned fee income)**	**Indicative proportional fee (2017/18 planned fee income) with floor and ceiling**	**Indicative fee as proportion of turnover**	**Indicative proportional fee (2017/18 planned fee income) with floor only**	**Indicative fee as proportion of turnover**
	£000	**£**		**£**		**£**		**£**	
mean	352,044	288,912	0.08%	245,464	0.07%	245,482	0.07%	245,482	0.07%
median	286,335	245,652	0.09%	194,597	0.07%	199,702	0.07%	199,702	0.07%
smallest	50,117	115,565	0.23%	35,124	0.07%	56,176	0.11%	56,176	0.11%
largest	1,546,539	332,249	0.02%	1,083,870	0.07%	1,000,048	0.06%	1,000,048	0.06%
maximum fee (example)	1,600,000	n/a	n/a	1,121,337	0.07%	1,033,769	0.06%	1,033,769	0.06%
example	1,800,000	n/a	n/a	1,261,504	0.07%	1,033,769	0.06%	1,159,919	0.06%
example	2,000,000	n/a	n/a	1,401,672	0.07%	1,033,769	0.05%	1,286,069	0.06%

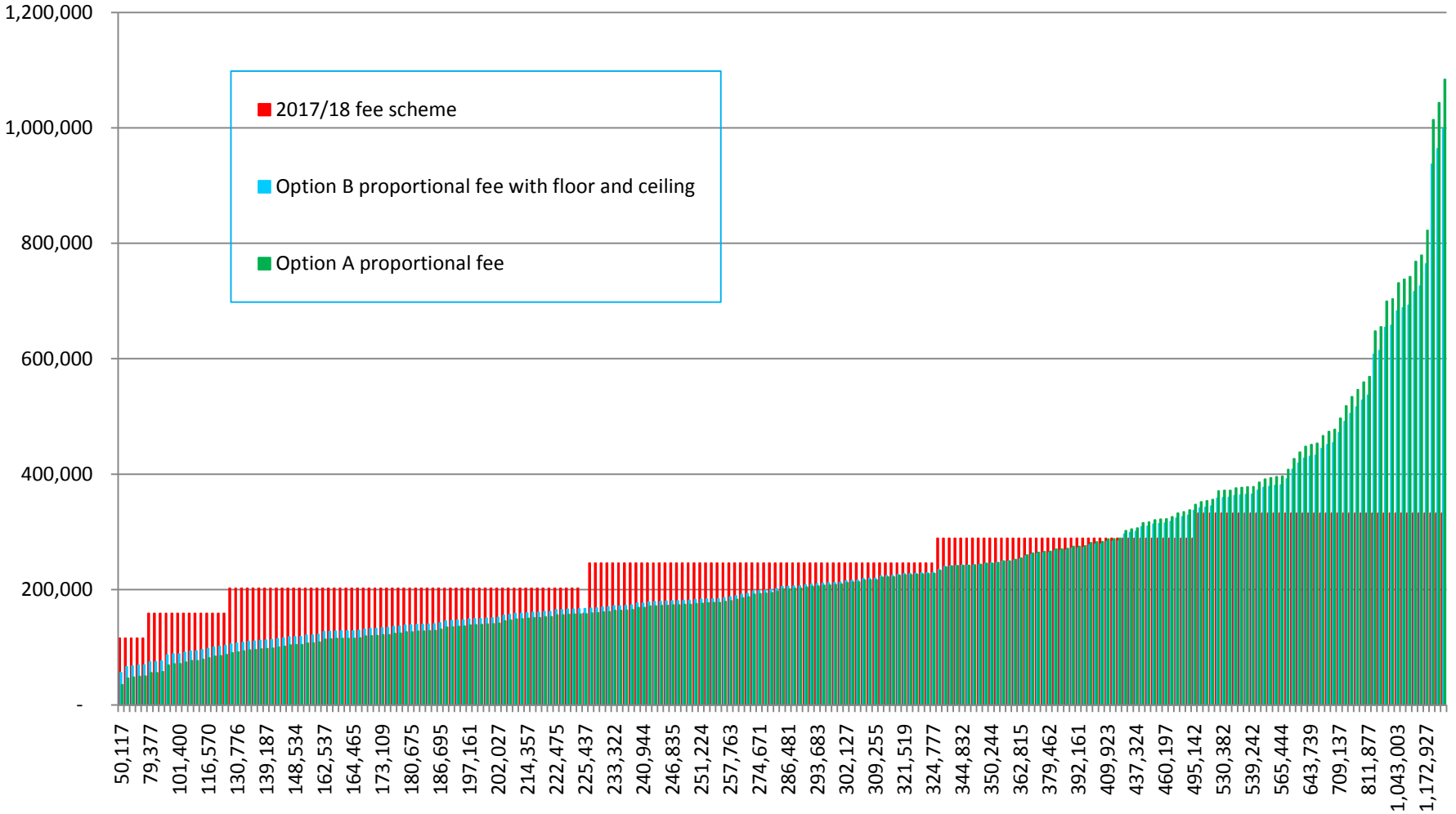
66. Further analysis is shown in Appendix G, which identifies the expected number of NHS trusts for 2018/19 and the distribution of fees based on the current fee scheme and the three proposed alternatives (using 2017/18 planned fee income). Table J shows the same information graphically.

Affordability

67. Table I shows that a fee proportionate to the size of the provider measured against the size of the sector for 2018/19 would represent 0.07% of turnover of all trusts (option A). Under the current fee scheme the fee ranges from 0.02% for the largest trusts to 0.23% of turnover for the smallest trusts. A fee with a floor and ceiling (although lower than the current fee for the smallest providers and higher for the larger providers) would represent 0.11% of turnover for the smallest providers and 0.06% for the largest providers (option B). As we do not anticipate any trust having turnover above the proposed ceiling of £1.6 billion then option C (with a floor only) gives identical results to option B.

68. This analysis is based on the information available in mid September 2017. There may be changes in mergers and service transfers of NHS trusts after this date. Any such changes will be reflected within the final fee scheme published in March 2018.

Table J: Anticipated NHS and foundation trusts in 2018/19 and the distribution of fees based on the current fee scheme and the two of the three proposed alternatives.



Appendix A: Cost and fee budgets by sector for 2017/18 and 2018/19

	2017/18				2018/19		
	Per Budget				Per Budget		
	COSTS	FEES	GIA		COSTS	FEES	GIA
	£'M	£'M	£'M		£'M	£'M	£'M
NHS trusts	56.6	56.6	-		56.5	56.5	-
Independent healthcare - hospitals	4.6	4.6	-		4.5	4.5	-
Independent healthcare - single specialty	1.2	1.2	-		1.2	1.2	-
Independent healthcare - community	4.2	4.2	-		4.1	4.1	-
Adult social care - residential	70.3	70.3	-		70.3	70.3	-
Adult social care - community	26.5	20.7	5.9		26.5	23.7	2.8
NHS GPs	37.5	37.5	-		37.5	37.5	-
Dentists	7.4	7.4	-		7.4	7.4	-
Invoiced to providers as fees	**208.4**	**202.5**	**5.9**		**208.0**	**205.2**	**2.8**
Deferred income		(6.5)	6.5			(4.2)	4.2
Grant in Aid	21.6	-	21.6		20.0		20.0
TOTAL	**230.0**	**196.0**	**34.0**		**228.0**	**201.0**	**27.0**

Appendix B: Definitions

Mean: The mean is the average of the numbers.To calculate this you need to add up all the numbers, then divide by how many numbers there are.

Median: The median is the middle number in a sorted list of numbers.

Floor: is the minimum fee applicable to each provider and represents the standing cost for regulatory activity regardless of the size of the provider. For example:

- community social care: The floor is applied at location level and based on 10% of the total fee income
- NHS GPs: The floor is applied at location level and based on 10% of the total fee income
- NHS trusts: The floor is applied at provider level and based on 10% of the total fee income

Ceiling: is the maximum fee applicable. It is set to a level where the largest organisations seem to be and will exclude obvious outlier values.

- Community social care: The ceiling is applied at location level. It will be decided once we are clear what value will be used to calculate fees and the range of values within the sector.
- NHS GPs: The ceiling is applied at location level. The proposed ceiling is a patient list size of 100,000 or more.
- NHS trusts: The ceiling is calculated at provider level. The proposed ceiling is a turnover of £1.6 billion or more.

Appendix C: UKHCA member survey

UKHCA represents homecare providers of different sizes from the independent and voluntary sector and its members were asked the following questions:

1. What would be fairest measure to base a fee structure on?
    - The total number of people receiving support from the service at a specified period
    - The total number of hours of care and support provided by the service at a specified period
    - The total number of staff employed at a specified period, expressed as 'whole time equivalents'
    - The total number of locations the provider has registered to undertake a 'regulated activity' at a specified period
    - The annual turnover of the provider that relates to its regulated activities
    - Other (please specify)

2. Do you think that fees should be charged:
    - In bandings (as currently)?
    - As a proportion of the total cost of regulating the sector using the measurement in Q1 to determine your proportion of your fee? What this means is described in the following example (the figures are purely for illustration and do not represent actual fees)?

      Example
      If we measured the sector using the number of people receiving support with RAs and:
        - The total number of people came to 1,000,000;
        - You told us you supported 20 people;
        - It costs CQC £26 million to regulate the whole sector

      Then your contribution would be 20/1,000,000 multiplied by £26 million. This comes to £520.
      If your submission was 40 people (rather than 20), then your fee would be twice as much at £1,040
    - Other(please outline in free text box below)?

Appendix D: Results of UKHCA member survey

UKHCA Survey on CQC Fee Scheme - September 2017

	Responses	
Who completed the survey?	**Responses received**	**Responses received as % of total**
Owner, proprietor or franchisee	145	67%
Registered Manager	34	16%
Head office manager	21	10%
Other manager	8	4%
Branch manager or equivalent	4	2%
Non-manager	2	1%
Franchisor	1	0%
Other	1	0%
Total	**216**	**100%**

	Responses	
Preferred measure	**Responses received**	**Responses as % of total**
Total hours of care	70	32%
Number of service users	59	27%
Annual turnover	39	18%
Number of locations	31	14%
Number of staff employed	4	2%
Other	13	6%
Total	**216**	**100%**

	Responses	
	Responses received	**Responses as % of total**
Change to a proportional fee	184	85%
Keep banded fee	30	14%
Other	2	1%
Total	**216**	**100%**

Appendix E:

Table 1: Registered community social care providers as at 14 September 2017

Number of locations	2017/18 fees £	Registered providers on 14/09/2017	
1	**2,192**	4,598	70%
2 to 3	**6,093**	1,552	24%
4 to 6	**12,184**	215	3%
7 to 12	**24,370**	92	1%
13 to 25	**48,740**	33	1%
More than 25	**97,476**	34	1%
		6,524	**100%**

Table 2: Option 1 – Hours of regulated activities (RAs) provided in the 7 days before the start of this return

Number of locations	Sample size	
1	1,107	86%
2 to 3	125	10%
4 to 6	26	2%
7 to 12	12	1%
13 to 25	10	1%
More than 25	0	0%
	1,280	**100%**

Table 3: Option 2 – People receiving support with regulated activities (RAs)

Number of locations	Sample size	
1	1,358	87%
2 to 3	148	10%
4 to 6	28	2%
7 to 12	12	1%
13 to 25	10	1%
More than 25	0	0%
	1,556	**100%**

Appendix F: Indicative proposed fees based on GP list size per location with and without a floor and ceiling (based on 2017/18 fee income)

Yellow represents about 75% of the total of that column

See Appendix B for further definitions

	List size up to	Number of practices per NHS Digital on 01/04/17		Option A Indicative fee based on list size per location (2017/18 fee income plan)	Option B Indicative fee based on list size per location with floor and ceiling (2017/18 fee income plan)	Option C Indicative fee based on list size per location with floor only (2017/18 fee income plan)
				£	£	£
	500	85	1.1%	321	789	789
	1,000	34	0.5%	642	1,078	1,078
	2,000	198	2.6%	1,284	1,656	1,656
	3,000	615	8.2%	1,926	2,234	2,234
	4,000	745	9.9%	2,568	2,812	2,812
	5,000	767	10.2%	3,211	3,390	3,390
step in current fee banding	**5,001**		0.0%	3,211	3,390	3,390
	6,000	692	9.2%	3,853	3,967	3,967
median list size	***6,932***		0.0%	*4,451*	4,506	4,506
	7,000	657	8.8%	4,495	4,545	4,545
mean/average list size	***7,785***			*4,999*	4,999	4,999
	8,000	632	8.4%	5,137	5,123	5,123
	9,000	540	7.2%	5,779	5,701	5,701
	10,000	491	6.6%	6,421	6,279	6,279
step in current fee banding	**10,001**		0.0%	6,422	6,280	6,280
		439	5.9%			

	11,000			7,063	6,857	6,857
	12,000	364	4.9%	7,705	7,435	7,435
	13,000	308	4.1%	8,347	8,013	8,013
	14,000	224	3.0%	8,990	8,591	8,591
	15,000	186	2.5%	9,632	9,169	9,169
step in current fee banding	**15,001**			9,632	9,169	9,169
	16,000	127	1.7%	10,274	9,746	9,746
	17,000	95	1.3%	10,916	10,324	10,324
	18,000	68	0.9%	11,558	10,902	10,902
	19,000	52	0.7%	12,200	11,480	11,480
	20,000	37	0.5%	12,842	12,058	12,058
	25,000	85	1.1%	16,053	14,948	14,948
	30,000	25	0.3%	19,263	17,837	17,837
	35,000	9	0.1%	22,474	20,727	20,727
	40,000	8	0.1%	25,685	23,616	23,616
	45,000	4	0.1%	28,895	26,506	26,506
	50,000	1	0.0%	32,106	29,395	29,395
	60,000	3	0.0%	38,527	35,174	35,174
	70,000	1	0.0%	44,948	40,953	40,953
	80,000	-	0.0%	51,369	46,732	46,732
	90,000	-	0.0%	57,790	52,511	52,511
Proposed ceiling	**100,000**	-	0.0%	64,211	58,290	58,290
	110,000	-	0.0%	70,633	58,290	64,069
	120,000	-	0.0%	77,054	58,290	69,848
		7,492				

Appendix G: Anticipated sizes of NHS trusts and foundation trusts for 2018/19 with current and indicative proposed fees

Yellow represents about 75% of the total of that column

See Appendix B for further definitions

Note: the largest provider we anticipate for 2018/19 will have turnover below the proposed ceiling of £1.6 billion therefore Options B and C are the same

Turnover range less than	Number of Trusts		2017/18 fee scheme		Option A Indicative proportional fee		Options B and C Indicative proportional fee with floor (and ceiling)	
£'000								
100,000	10	4%	1,213,433	2%	466,449	1%	640,890	1%
150,000	23	10%	4,218,127	7%	2,060,361	4%	2,419,329	4%
200,000	32	14%	6,471,648	11%	3,973,692	7%	4,362,412	8%
250,000	35	15%	7,816,462	14%	5,589,146	10%	5,890,011	10%
300,000	26	11%	6,386,952	11%	5,020,198	9%	5,156,874	9%
350,000 MEAN TURNOVER	25	11%	6,530,640	11%	5,702,172	10%	5,746,084	10%
400,000	17	7%	4,911,504	9%	4,452,818	8%	4,425,144	8%
450,000	9	4%	2,600,208	5%	2,622,797	5%	2,581,605	5%
500,000	10	4%	2,889,120	5%	3,274,851	6%	3,193,018	6%
600,000	16	7%	5,315,984	9%	6,052,925	11%	5,840,674	10%
700,000	8	3%	2,657,992	5%	3,633,738	6%	3,466,885	6%
800,000	5	2%	1,661,245	3%	2,654,662	5%	2,512,022	4%
900,000	1	0%	332,249	1%	568,992	1%	536,658	1%
1,000,000	3	1%	996,747	2%	2,002,316	4%	1,875,781	3%
1,100,000	5	2%	1,661,245	3%	3,682,564	7%	3,437,134	6%
1,200,000	2	1%	664,498	1%	1,601,261	3%	1,490,265	3%
1,300,000	0	0%	-	0%	-	0%	-	0%
1,400,000	0	0%	-	0%	-	0%	-	0%

1,500,000	2	1%	664,498	1%	2,057,193	4%	1,900,604	3%
1,600,000	1	0%	332,249	1%	1,083,870	2%	1,000,048	2%
PROPOSED CEILING @ £1.6 billion turnover			**332,249**				**1,033,769**	
1,700,000	0	0%	0	0%	0	0%	0	0%
1,800,000	0	0%	0	0%	0	0%	0	0%
1,900,000	0	0%	0	0%	0	0%	0	0%
2,000,000	0	0%	0	0%	0	0%	0	0%
	230	**100%**	**57,324,801**	**100%**	**56,500,005**	**100%**	**56,475,439**	**100%**