Tool 4: Market analysis

This document is part of the Home Care Outcomes-based Commissioning Toolkit developed by the National Commissioning Board for Wales to assist home care commissioners and providers to move the home care service towards a more outcomes-based approach. This is an outline document **(which is yet to be completed)** that will be developed further as the project moves forward.

1 Core Material: Overarching principles of this toolkit

The provision of social services in Wales is governed by the Social Services and Well-Being (Wales) Act 2014. The Act is accompanied by a Code of Practice and guidance on the exercise of social services functions and partnership arrangements. The Code of practice stipulates that:

"In order to seek to promote the well-being of people who need care and support and carers who need support, local authorities need to understand what matters to people and the personal outcomes they wish to achieve".

The provision of health services in Wales is the remit of NHS Wales under the direction of the Welsh Government. Local Health Boards have responsibility for all commissioning and provision of health services in their area. The Welsh Government have produced an Outcomes Framework for the NHS in Wales that it describes on its website as follows:

"The NHS outcomes framework includes only outcomes and outcome indicators that have been determined to measure health related well-being. A delivery framework is in place to support the delivery of health and well-being by health boards and health trusts. "

Generally, the toolkit identifies that there are three models of outcome-based commissioning:

- **Model 1: Outcome Based Care Planning:** (Using outcomes as the basis for planning and reviewing a care package).
- **Model 2: Reward for Achieving Outcomes and customer satisfaction:** Again, Individual focused but concentrating on the financial aspects of meeting outcomes.
- **Model 3: Population based accountability for Outcomes:** Responsibility for the provider(s) for meeting the outcomes of a group of people across a defined geographic area.

2 Purpose of this tool

The purpose of this tool is to assist home care commissioners in carrying out a market analysis that is both appropriate to the outcomes-based approach being adopted, and effective.

3 Market Analysis – Overview

Market analysis is an activity carried out by commissioners with a view to identifying and understanding the key characteristics of a market in which they wish to commission services. Generally, it is focused upon the supply side of the market, although it can be extended to include details of who is operating on the demand side of the market (there may be more than one commissioner or purchaser) and also the mechanisms and constraints that operate in a market (In Wales, for example, they may include taking account of the impact of the current cap on service user contributions to the cost of care packages).

Market analysis can also be carried out as part of a wider range of activities that generally fall under the heading of Asset Mapping, and some commentators hold to the view that this wider approach is essential.[1] Accumulated knowledge and awareness can form part of a market analysis, but, to carry out effective decision making requires using robust information and good data.

Market analysis is important for a number of reasons including:

- Ensuring the market can cope with overall levels of demand and in particular those from commissioners.
- Avoiding adverse effects on price, quality and innovation.
- Avoiding a failure to attract enough high quality of bidders for contracts.
- Avoiding over-dependency on particular suppliers.
- Promoting competition in order to provide choice, deliver change and help ensure standards are met.
- Contracts which aggregate demand with little attention to the implications for continuing competition.
- Developing a better understanding of risks and the actions required to mitigate them.

An interesting view of the home care market form the provider's perspective is provided by a diagram showing the Capture of Current Reality of Domiciliary Care Market Place for Providers (Wales)[2]. (A similar diagram covers Capture of Current Reality for Managing Domiciliary Care Provision (Wales)[3].

[1] 'Commissioning for outcomes and co-production: A practical guide for local authorities' NEF 2014
[2] showing the Capture of Current Reality of Domiciliary Care Market Place for Providers (Wales) Ref to be confirmed.
[3] Capture of Current Reality for Managing Domiciliary Care Provision (Wales) – Reference to be confirmed

Commissioner need to be mindful that they are seldom the only buyers operating in any given market.

We know that Commissioning is a cyclical activity, but this element of market analysis can be iterative also – what you look for in the market and how you analyse it may both affect and be affected by the current perceptions and approach to commissioning. For this reason, it may be wise to start the analysis with wider parameters and focus down as it progresses and it becomes clearer what are the important aspects of the market, in the context of the market itself and in the current circumstances and with the current approaches to commissioning being pursued.

Also, market analysis needs to be undertaken for a purpose – either to inform the commissioner as to where and how to intervene in the market, or where an intervention is already intended, what form it should take. For example, under current arrangements it may be a struggle for demand to be met. Alternatively, existing contracts or agreements may be coming to an end, with a requirement for a new competition to be undertaken.

When undertaking a Market Analysis it can be helpful at times to remember and use some existing and well established tools – A SWOT analysis ('Strengths, weaknesses, opportunities and threats) and or a PEST Analysis ('Political, Economic, Social and Technological for example. These and 60+ others can be found in the 'Key Business analytics' Volume of Pearson's FT 'Key' series. (See also a free PEST Template)

In 2015, Cordis Bright produced a toolkit on assessing social care market provider sustainability. They suggest a range of ways in which commissioners can gather information on the home care market.

When carrying out a market analysis, there are then a range of factors and characteristics that it might be necessary to look at. A list is set out below, along with questions that might be asked with regard to them.

	Market Aspect/ Characteristic	**Potential related questions**
1.	Geographic area covered.	**1.** What area is covered by this market? **2.** How urban/rural is it? **3.** How important is a local presence likely to be, and how local is that?
2.	Market segment covered.	**1.** Does the market cover home care, re-ablement or both? **2.** Does the market cover other specialist home care provision for older people? (e.g. rapid Response, End of Life or Dementia services? Extra care housing?)
3.	Population covered.	**1.** How large is the population to be covered?

	Market Aspect/ Characteristic	Potential related questions
		2. How many people is it anticipated will need the service over the time period covered? **3.** What eligibility criteria are being applied?
4.	Number of current providers.	**1.** How many organisations currently deliver the service?
5.	Volume of service currently provided and required in the future.	**1.** How much service is delivered under current commissioning arrangements now? **2.** How much service is delivered outside of current commissioning arrangements? (E.g. Self-funders, Direct Payments, commissioned by non-partner organisations. **3.** Is there any identified shortfall in capacity within the market, currently? **4.** How much service is it anticipated will be needed in the future?
6.	Market share of each provider.	**1.** What proportion of the total service does each provider deliver? **2.** Have those proportions changed during the duration of the current arrangements? **3.** If the proportions did change, what problems would that cause? **4.** If the proportions stay the same, what problems will that cause?
7.	Range of services delivered by each provider.	**1.** What services does each provider deliver in the area that are: **a)** Home care services covered by current commissioning arrangements **b)** Home care services not covered by current commissioning arrangements **c)** What services does each provider deliver outside of the area? **2.** What proportion of each provider's total output is delivered inside the area?
8.	Number of potential providers.	**1.** How many organisations are there that are not included within current commissioning arrangements, but could be in the future?
9.	Current quality of provision.	**1.** What measures of quality are available with regard to current providers? **2.** What measures of quality are available with regard to potential providers?

	Market Aspect/ Characteristic	Potential related questions
		3. What does that information say about the quality within the market?
10.	Flexibility of the market.	1. What ability does each provider have to increase the volume of service they deliver? 2. What ability does each provider have to deliver services in a different way? (i.e. move to an outcomes-based approach?) 3. how quickly and effectively can the providers respond to changes in demand?
11.	Flexibility of current and potential providers.	1. How well can current and potential providers expand or reduce their input?
12.	Diversity of provider type within the market	1. What different types of organisation currently operates in this area? 2. What different types of organisation might be developed in this area?
13.	Identified barriers to entry into the market.	1. What barriers prevent new providers entering this market? 2. 2(what might be done to help new providers overcome those barriers?
14.	Stability and sustainability of supply.	1. Overall, is the market likely to deliver and maintain required levels of service to meet supply? 2. How well could potential providers step into this market?
15.	Stability and sustainability of individual providers and potential providers.	1. Is each individual provider likely to deliver and maintain required levels of service to meet supply?
16	Identified 'pockets' of shortfall in capacity	1. Are there any specific areas (geographic or service-based) where providers sometimes struggle to meet demand?
17.	Information Asymmetry in the market.	1. Do all the providers and potential providers have access to the same level and quality of information?
18.	How geared up to deliver an outcomes-based approach are the	1. Do current providers properly understand what is meant by an outcomes-based approach? 2. Do potential providers properly understand what is meant by an outcomes-based approach?

	Market Aspect/ Characteristic	Potential related questions
	providers/potential providers?	3. Are current and potential they able to deliver an outcomes-based approach?
19.	Scope for choice in the market	1. How much choice do service users and carers have about who they receive a service from? 2. How much choice do service users and carers have about what they receive in the care package? 3. How much choice service users and carers have in setting outcomes and having services directed towards them?
20.	Relationships between commissioners and providers.	1. How would relationships between commissioners and providers be best described?
21.	Relationships between providers and providers.	1. How would relationships between providers and providers be best described?
22.	Levels of vertical and horizontal integration of providers.	1. How much are providers involved in the delivery of the same service by other providers (sg Through Franchise arrangements)
23.	Preparedness for an outcomes-based approach	1. How much are providers involved in the delivery of related services by themselves or other providers (Eg Through franchise arrangements?)

Again, not all these areas or questions necessarily need to be covered when analysing the market in preparation for a move to outcome-based home care and/re-ablement services but it is important to consider which of them should be.

Any significant change in home care provision is likely to need many of the above questions answered in order to be achieved successfully.

3.1 Social Services Improvement Agency: Population needs assessment interactive resource toolkit

Social Care Wales host a population needs assessment tool which was written by Tony Garthwaite and Rebecca Cicero and produced by the social services improvement agency in collaboration with Public Health Wales.

The toolkit is designed to support individuals responsible for undertaking the assessment and/or writing the report on how to undertake a good population assessment and producing a population assessment report. It:

- Informs you of what you need to do to comply with the legislation;
- Advises you of the benefits a population assessment can bring so that you have a benchmark to test the quality of your assessment;
- Offers you a planning tool so that you can be prepared for the task and organise yourselves accordingly;
- Breaks down the tasks into individual parts to help make the process more manageable;
- Provides you with advice on HOW to approach these component parts and fulfil your responsibilities.

You can access the toolkit here: Population Assessment Toolkit

3.2 Outcomes based commissioning models

Set out below are the three models of outcomes-based commissioning. Moving to any of them from traditional time and task commissioning for home care and/or reablement services will be a major challenge. Some of the key issues for each model are covered below.

Model 1: Outcome Based Care Planning: (Using outcomes as the basis for planning and reviewing a care package)
The current quality of provision is likely to be a key area when looking to move to an outcomes-based approach – current providers are often in the best position to win new contracts and are likely to be the benchmark used in any event. Also, where quality is poor, if providers cannot deliver traditional time and task home care, it is unlikely that they will prove to be effective in delivering to an outcomes-based approach.

However, it is possible that new providers come in who are capable, but again it will be important then to fully incorporate evaluation of that ability into the procurement process.

Newer and less traditional forms of organisation might also be better suited to delivering a new approach and may provide an opportunity to introduce an outcomes-based approach, perhaps engaged outside of existing procurement arrangements.

The relationship between commissioners and providers is also likely to be a key area in effectively moving to outcomes-based approach – especially where it is being established without reference to financial rewards for achieving the required outcomes. It is likely that commissioners and providers will look to having a partnership approach to deliver this model of service.

Whether seen in terms of being geared and having a good understanding of the what the approach entails, or being prepared in terms of previous experience providers have to be ready to take on the new concepts involved. There can be opportunity for an incremental implementation and the chance to develop a greater understanding over time, but providers need to be willing and able to make the necessary changes in approach and outlook. Crucially, their staff need to be to do that also. Assessment

and Care Management staff also need to understand the new approach and to be committed to working to help deliver it.

Also, the scope for choice may be important. Where service users feel that some of their outcomes are not being addressed, they may wish to change service provider. This is only possible if the market circumstances allow it. Clearly, too, service users need to be taking the lead in identifying the outcomes to be met.

Finally, vertical and horizontal integration may mean that a single provider has overall responsibility for a person's well-being and the achievement of their desired outcomes.

Model 2: Reward for Achieving Outcomes and customer satisfaction: (Again, Individual focused but concentrating on the financial aspects of meeting outcomes)
Whilst much of the above from Model 1 applies here, clearly the relationship aspect is likely to be different. Whilst commissioners and providers may still need to work largely in partnership the introduction of a financial element to the contract is likely to add a new dimension. This may cut both ways, depending upon how well the contract is written and operated. Where service users (and therefore commissioners) are not satisfied with performance, but providers can point to the contract and legitimately claim the identified payments, that is a problem. However, where service users (and therefore commissioners) are not satisfied the contract might provide a basis for withholding payment, which is likely to concentrate the mind of the provider.

Model 3: Population based accountability for Outcomes: (Responsibility for the provider(s) for meeting the outcomes of a group of people across a defined geographic area).
The key issues here are somewhat different to those outlined above. Geographic area covered is vitally important when considering population level outcomes. The area covered, and the population covered need to tally with those identified in the setting of the population level outcomes.

To be effective, this model really can only operate with one provider for each area in which the population outcomes are being met. However, this does up the possibility of providers working in concert, or a single provider leading an alliance of providers all working towards the same goal.

Again, as in the other models, provider preparedness and understanding of the concepts behind the model will be important, as will their understanding that reward will, at least in part, be based upon the achievements of outcomes not directly or wholly related to the provision of their service.

4 Further Resources

Key Business Analytics: The 60+ tools every manager needs to turn data into insights, Marr B, 2016, Paperback, ISBN13: 9781292017433, ISBN10: 1292017430

UKHCA, Website Resources Page - General resource

An Overview of the Domiciliary Care Market in the United Kingdom UKHCA May 2016'

Paying for it: The human cost of cut-price care, Koehler, I LGIU/Mears, 2017

Market Shaping toolkit, IPC, 2016 (With range of tools and documents)

What is Market Shaping?, IPC, 2016

Market Shaping, DH Guidance, 2017

Top Tips: Commissioning for Market Diversity, TLAP 2015

Impact Statement 2015-16, UKHCA, 2016

Making public service markets work, Gas T, l Panchamia N, Sims S and Hotson, L Institute of Government 2013

What's measured is what matters: targets and gaming in the English public health care system, Bevan, G and Hood, C, Public Administration Volume 84, Issue 3, August 2006 Pages 517–538

Public service markets - guide and diagnostic tool, Thorpe, K Institute of Government Undated

'Developing a Market Position Statement: A Commissioner's Toolkit', SSIA/IPC, 2014.

Cordis Bright 2015 - Assessing social care market and provider sustainability Part B: Toolkit