

CQC fees scheme 2018/19 and consultation response

The Care Quality Commission (CQC) has published its [fees scheme 2018/19 consultation response](#). Following the move to a full chargeable cost recovery model in 2017/18, every year CQC must recoup the costs of regulating the trust sector. CQC therefore consulted on changing the fees scheme structure to more fairly distribute the costs of regulating the trust sector among all trusts.

NHS Providers submitted a [response to the consultation](#) in January 2018. This briefing summarises CQC's conclusions following the [consultation](#) and the key changes to this financial year's CQC fees scheme.

The documents published today include:

- [Fees scheme 2018/19 guidance for providers](#)
- [Fees scheme 2018/19: Summary of consultation responses and analysis report](#)
- [Fees scheme 2018/19: Letter to providers](#)

Key messages

- The new fees scheme will **take effect from 1 April 2018**.
- CQC has removed the current banding structure, and will now charge fees in proportion to the size of the trust in relation to the sector. CQC will continue to use annual turnover as the measure of this size.
- After consulting on three options, CQC has decided **not** to set either a maximum or a minimum fee.
- There is no new increase in the total amount of income CQC collects from trusts in 2018/19, but individual trusts will see a readjustment in the fee owed to CQC.
- CQC will review the changes it is implementing for 2018/19, and will consult again in autumn 2018 to review the fees scheme for 2019/20. CQC has also indicated that it will start to consider longer-term changes to the fees structure, and will set out its thinking later this year.

Below is a summary of the changes to the 2018/19 fees scheme, the main feedback from the consultation responses and CQC's response to the consultation exercise.

CQC's fees from April 2018

Following the consultation, CQC is introducing the following changes to NHS trust fees from 1 April 2018:

- CQC will remove the current banding structure.
- CQC will charge fees in proportion to the size of a trust in the sector, continuing to use annual turnover as the measure of this size.

- CQC will **not** set either a minimum fee (floor) or a maximum fee (ceiling).

CQC has updated its [fees calculator](#).

This fee will be calculated by dividing the trust's annual turnover by the total annual turnover of the trust sector, and then multiplying this by the cost of regulating NHS trusts. All trusts will therefore now pay about 0.07% of their total budget towards CQC fees. For any trust created after 1 April 2018, the calculation of the fee payable to CQC will be the trust's annual turnover multiplied by 0.07%. CQC distributes a portion of the total cost of regulation to each trust.

No further changes will be made to the fees scheme during 2018/19, and the consultation for 2019/20 fees will be published in the autumn of 2018.

CQC will consult again in the autumn 2018 to review the fees scheme for 2019/20, and will also set out CQC's early thinking on areas that may potentially change over subsequent years, which will be consulted on at a later date. CQC will also review the changes it is implementing for 2018/19 to ensure that the proposals are working as envisaged and are fit for the future.

Feedback on CQC's general approach to fees

Feedback: Respondents to the consultation commented that CQC fees are too high and divert resources away from the frontline, so any increase in fees impact negatively on services and therefore patients. Respondents also stated their expectations for a reduction of fees, particularly since CQC is moving from a comprehensive inspection model to an intelligence-led, risk-based approach.

CQC's response: CQC understands concerns about fee increases given the challenging financial context, but explains that it has switched from government funding to recouping all costs from providers, which is why the fees have risen. During this time, CQC's overall budget has reduced and will continue to do so through 2019/20. However, CQC is committed to keeping its costs as low as possible and improving its efficiency and effectiveness, especially as it moves to a more targeted inspection approach. In future, CQC will strive to reflect this in its fees scheme, but highlights the current need for resources and investment.

Feedback on CQC's proposal to move to a proportionate approach

The consultation set out CQC's proposals to abolish the banding fee scheme and instead calculate fees based on a proportion of the total cost of regulating the trust sector. The consultation set out three options:

- no maximum fee or minimum fee
- a maximum fee and a minimum fee
- a minimum fee only.

Feedback: Of the twelve trusts that responded to this proposal, 10 agreed with the move to a proportionate approach and two opposed it. Of the 10 trusts in favour of the change, four preferred both a floor and a ceiling, five neither, and one a floor but no ceiling. CQC decided that the measure of turnover currently used for the banded approach is still a good measure of the size of trusts.

CQC's response: CQC has decided to move to a proportionate approach, using turnover as the measure for size, to ensure a better distribution of fees across the trust sector. The consultation responses tended towards preferring neither a maximum nor a minimum fee, and CQC agreed with this stance. CQC argues that there is no need to set a floor or a ceiling for NHS trusts as the range between the largest and smallest is not large enough to necessitate reducing the fee divergence, as in other sectors. CQC clarifies that the largest trust will be paying a fee three times greater than the smallest provider.

CQC's impact assessment: While 75% of trusts will pay lower fees under the new fees scheme, the remaining 25% will pay higher fees. As an example, an NHS trust with a turnover of £120 million will see their fee decrease from £158,902 to £85,200, but an NHS trust with a turnover of £681 million will see their fee increase from £322,249 to £483,510.

NHS Providers' view

We are pleased that the CQC has chosen not to introduce a maximum or minimum fee for NHS trusts, which we argued is the approach that is most equitable and fair. While we welcome the reduction of fees paid by around 75% of providers, we are concerned that others will see their fee rise substantially.

This increase will add extra pressure at a time when providers are already operating in a climate of significant financial challenge. Therefore we are disappointed that CQC has not taken up our recommendation of adopting a transitional period and more phased approach towards implementing these changes. A cap on the maximum fee will be increasingly important in the future to restrict the highest fees paid by trusts.

The CQC's plans to continue to engage the sector and consult again in the autumn are welcome. We look forward to continuing to work with CQC to review the impact of the new fee structure and as it considers developments to the fee scheme in 2019/20.