

Parliamentary briefing

Forthcoming Green Paper on funding social care in England

There is almost universal consensus that the current system of social care funding is unsustainable and in urgent need of reform. Many older people and adults with disabilities, as well as their families and carers, are being failed now and under the existing arrangements it is highly unlikely that in future the state will be able to support the costs of rising demand for long-term care. By 2026 it is estimated that one in five people will be aged 65 or over and the number of over-85s will have increased by two-thirds – this compares with overall population growth of just 10 per cent. The 2009 Budget revised down the government's forecasts for what it expects to spend on public services and benefits from 2011/12, but given that the existing system is unsustainable doing nothing is not an option, even in the current economic climate. This briefing from The King's Fund looks ahead to the Green Paper on social care, expected in June, and sets out the key tests that any new settlement will need to meet.

Key tests

The King's Fund believes that any new settlement for social care funding needs to meet four key tests: it needs to be fair, understandable, effective and enduring.

1. Fair

A new system should seek to be fair in four ways:

- Financial: the amount people pay for care – either as taxpayers or as an individual contributing to the cost of their own care – should relate to what they can afford, taking account of their overall income and wealth;
- Equity of access: people should have broadly similar access to the same level of support based on their needs and circumstances without being disadvantaged by virtue of their age, type of need or other circumstance;
- Geographical: the help people receive should be based not on where they live (the 'postcode lottery') but on what they need, avoiding wide variations from one local authority area to another;
- Inter-generational: a new system should balance the contribution working age people are expected to make towards the cost of care, recognising both the disparity in wealth among newer generations of older people and the fact that overall they will be the wealthiest ever.

At a time when public finances are severely stretched, meeting the test of fairness and affordability will be the biggest single challenge facing the architects of a new system.

2. Understandable

A good system of care and support is one that makes it easy for people to understand what help is available, including their entitlement to a basic level of publicly-funded care and support, how to access this help and what it will cost. This means very clear and well-signposted information about eligibility for help, an assessment of their needs and entitlement to services.

3. Effective

A new system must make it possible for people to have maximum choice and control to live their lives as independently as possible. A new funding settlement should go hand in hand with a new delivery model driven by personal budgets, featuring earlier help and prevention,

greater use of technology and the engagement of individuals in assessing their own needs and developing solutions that suit their own circumstances. Without a strong connection with the 'Transforming Social Care' programme, a new settlement will simply mean pouring more money into an ineffective system.

4. Enduring

A new system should avoid short-term initiatives or quick fixes but instead seek to build a longer-term consensus across the political parties about what the care and support system should look like and how it should be funded - not just over the next few years but a settlement that is designed to last for a generation at least. As a first step the aim should be to create a stable policy climate in which new solutions could be explored, as was achieved on pensions through the compilation of the Turner Report of 2005.

The path to reform

Recent debate about care funding has focused on older people. In 1999 the Royal Commission on Long Term Care recommended that the costs of personal care services for older people should be met by the state, but that board and lodging fees paid in care homes and the practical help people received in their own homes should continue to be means-tested. The majority report argued that free personal care, funded through general taxation and based on need rather than wealth, was the most efficient way of pooling the financial risk of long-term care. The principle behind this recommendation was adopted in Scotland in 2002 but not in England. A minority report by Lord Lipsey and Lord Joffe, however, argued that free personal care was not affordable or sustainable and instead recommended that public spending should be directed on those least able to pay. The government made some changes to the system in England including the introduction of a payment towards the cost of nursing care for those in residential accommodation. However, there remained concern the system was not working.

In 2005 The King's Fund commissioned a seminal review on the future of social care funding headed by Sir Derek Wanless. Published in 2006, *Securing Good Care for Older People: Taking a long-term view* forecast future care expenditure and set out an analysis of potential funding mechanisms, including a so-called 'partnership' funding model, which combined individual contributions and state support. The idea was that older people in need of social care would be entitled to a free basic package of care, without a means test, and then would be encouraged to make contributions themselves. This would be achieved through a 'matched funding' deal whereby every pound they put in would be matched by a pound from the state up to a certain amount. The King's Fund review argued that this partnership approach would be more inclusive and transparent than the existing system, that it would also encourage people to save, and that it would reduce local variation.

Securing Good Care for Older People also suggested that the extra cost of the partnership model could in part be financed by re-allocating some of the £1.7 billion spent on disability benefits. It did, however, acknowledge that more work was needed both on the practicality of the partnership model and on how disability benefits could be used.

In 2007, a group of organisations led by The King's Fund formed the Caring Choices coalition to consult with older people, carers, service providers, commissioners and regulators on the current system and the appetite for reform. At a series of events held around the country there was a clear consensus that the UK needed a new system to pay for long-term care for older people, which combined a clear-cut entitlement to care and support with a sharing of costs between individuals and the state (Caring Choices 2008).

In the October 2007 Comprehensive Spending Review the government announced its intention to reform the funding system for adult care and support in England – covering both older people and younger adults. In May 2008 at The King's Fund the Prime Minister launched the consultation: 'The case for change - Why England needs a new care and support system'. The options for reform will be set out in the Green Paper in June 2009.

Options for reform and the key issues

The Green Paper is expected to consult on a range of options to reform the funding of services. These are likely to include elements of funding from general taxation, co-payment, the partnership model and insurance-based approaches (private and/or social). It is clear that the growing use of personal budgets, and the potential to consider other funding streams such as benefits, will be significant factors in the options for reform.

Two major issues will need to be resolved during this process. One is the wide variation in the care available to individuals with similar levels of need in different local authorities. Any proposed reform will need to clarify whether and how far levels of entitlement will be determined nationally, while still allowing for local flexibility in the delivery of services. Secondly, the approach to reform will also need to make clear whether there will be one funding system for older people and younger adults with disabilities, or two separate systems which would fit the different needs, means and circumstances of each group.

Next steps

Applying the four key tests outlined above to the Green Paper will mark the beginning of a new programme by The King's Fund to ensure the consultation is informed by a sound assessment of the options and to develop further policy thinking about how a new settlement for social care can be achieved. Our work will be led by our Senior Fellow in Social Care Richard Humphries, working with our Senior Associates Professor Julien Forder and Andrew Webster. More information, and a detailed briefing on the current system, are available at www.kingsfund.org.uk/research/topics/social_care. If you would like to discuss this further, please contact Charlotte Moore-Bick on 020 7307 2603 or at c.moore-bick@kingsfund.org.uk.

Background – the facts

The need

- 1.8 million people used adult social care services in 2007-08 (NHS Information Centre for Health and Social Care, 2008).
- Of these 1.8 million people, 1.2 million were aged 65 and over and 550,000 were aged 18-64 (NHS Information Centre for Health and Social Care, 2008)
- At least 400,000 more people were estimated in 2006 to have arranged their own care, either at home or in care homes (The King's Fund, 2006)

The cost

- In 2007/2008 net total public cost of adult social care in England was £13.34 billion, of which £7.11 billion related to those over 65 (National Statistics, 2009)
- In addition, a total of £2.15 billion was paid in user charges, £1.76 billion coming from older people (National Statistics 2009)
- 67,000 adults received direct payments in 2007-08, a rise of 38 per cent from 39,000 in 2006-07 (NHS Information Centre for Health and Social Care, 2008)
- It is estimated that total private expenditure by older people in 2006 was £5.9 billion, including user charges, top-up payments and privately purchased care (Forder, 2007)
- An individual with assets of more than £22,250 (in 2008/09) receives no public financial support.

The future

- By 2026 one in five people will be aged 65 or over (The King's Fund, 2006)
- The ageing population is itself ageing: between 2008 and 2032 the number of over-85s will have doubled. In 2032 there are projected to be 3.1 million over-85s (Office for National Statistics, 2008)
- Increased morbidity will increase the need for health and social care services. An estimated 1.7 million more people will have a need for care and support in 20 years' time (HM Government, 2008)
- Not only are costs set to rise, but there is going to be a significant funding gap. By the government's own calculations, the difference between projected costs of adult social care and potential growth in government expenditure amounts to £6 billion (HM Government, 2008)