LOCALIS

Policy Platform

FUNDING BRITAIN'S FUTURE NEEDS

HOW CAN WE FUND BRITAIN'S SOCIAL CARE DEMAND?

Introduction

Alex Thomson, Localis

We're all getting older- not just individually, but as a nation. The Lords Committee on Public Service and Demographic Change recently highlighted that there will be a 100% increase in people aged 85+ in England by 2030, with 50% more people aged over 65. This represents a demographic challenge that the Committee believes that the UK is 'woefully unprepared' for, and they go on to suggest that health and social care need to 'be radically reformed'. Quite so, both Localis and many others in local government have been saying exactly that for years.

The Government's proposals, in response to the review led by Andrew Dilnot, to introduce a £75,000 cap on the costs of care and extend the asset threshold in the means test, with further proposals expected in the March 2013 Budget, are welcome steps towards improving affordability for individuals. However, the question of how individuals can fund themselves up to the cap remains, as does the bigger picture issue of reducing the overall cost of care for the country.

With social care costs expected to eat up all local government spend other than the waste budget by the end of the decade, it's hard to understate the scale of the problem (though the LGA have calculated that the gap will be £16.5bn a year by 2020). However, the answer cannot be to simply channel endless billions into filling a bottomless financial pit; health and social care must come together. Community budgets are one possible mechanism by which services can become better integrated, more streamlined, and make more effective use of preventative measures. For the individual, insurance schemes, possibly mandatory, could be an alternative to asset sales in supporting individual costs. There are certainly no shortage of issues to address.

In this policy platform, we invited views from three MPs interested in the debate, representing the three main parties. While the contributors offer different perspectives, they all recognise the scale of the challenge and the need for innovative policy solutions.

Firstly, Chris Skidmore MP, a member of the Health Select Committee, journalist and academic, suggests that "the future of social care funding will rely on a new compact between government and people." His proposals include a 'care ISA' to help people save towards care costs, as well as looking abroad to more radical models of direct cash payments.

Rt Hon Paul Burstow MP, Former Care Services Minister, argues that the time to air issues about social care is right now, and that while funding preventative care is yielding results in some areas, "the wider the gap in social care funding grows the more it will destabilise a fragile system, and jeopardise the vision of the government's current social care reforms."

Finally, Roberta Blackman-Woods MP, Shadow Minister for Communities and Local Government, sets out a vision of the future with greater democratic accountability and the full integration of health and social care.

We hope that these contributions add to the ongoing debate and prompt further thoughts on how to solve this crucial public policy challenge.

Chris Skidmore MP

Member of the Health Select Committee (CON)

How we can fund Britain's future social care needs has become one of the most intractable problems in public policy. The sheer mathematics of the social care funding challenge are brutal, but worth revisiting.

The Personal Social Services Research Unit's modelling of future expenditure for Dilnot predicts that by 2030, the total annual spending on long-term care for people will have risen from £20.6 billion to £44.8 billion, of which £26.3 billion is state funding. This would constitute a rise in spending in services as a % of GDP from 1.63% to 2.31%. Naturally there is an ongoing debate as to how much the government can itself allocate to funding social care- as this demographic change also affects the future cost of healthcare and pensions.

At present it is the tax paid by people of working age that funds a great deal of care. This is unsustainable when you consider that by 2030, the ratio of working people to those aged 70 and over may well have fallen from 5.3:1 (as in 2010) to around 3.7:1. It is not practical to simply say that the state can continue to pay more and more, particular given the strong arguments about inter-generational inequalities that exist. The next cohort of people entering the social care system will constitute the most affluent in human history- to create a fresh entitlement to be funded by people in their 20s and 30s certainly does not pass the fairness test.

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Inevitably then, the lion's share of increased expenditure will have to come from individuals and their savings. In the short to medium term, the government must attempt to institute a savings culture, no easy task after 20 years of easy credit, low interest rates and increasing personal debt.

There is already a serious gap in what we save now, and the projected costs of the social care system down the line. The Dilnot Commission's report points out that half of people aged 65 and over can expect care costs of up to £20,000, one in ten can expect costs of over £100,000, but that there is no way of predicting who will end up needing what. The only answer, therefore, lies in risk pooling- as with insurance- yet the financial products that one might hope to use do not effectively exist. As Dilnot says, "This is the only major area in which everyone faces significant financial risk, but no one is able to protect themselves against it".

I have argued before for the creation of a new 'care ISA'. This would work like a regular ISA, except that the maximum investment could be far larger, to the value of the cap on care costs. Access to the ISA could then only be spent on care services within a family. Registered care services or providers could then access funds within the ISA, ensuring that the system could not be open to abuse.

"I have argued before for the creation of a new 'care ISA'..."

In a 2008 survey, 3% of people claimed that they were already saving for their long-term care, 32% that they had plans to do so, and 64 % that they had not. However, of people aged 16-35, 73% of people claimed that they had no plans to pay for their future social care- an unsurprising yet worrying proportion. The only way to encourage more people to save is to ensure that the financial products are there to incentivise them.

From the state financed side, funding social care is not just a question of how much money we can provide, but also how it is delivered. At present, we have a system in which local authorities are not only struggling to provide care, but for financial reasons have lowered the bar and reduced their eligibility criteria. They have done so principally because they have to juggle social care with the services on which people really want to focus when they pay their council tax. For instance, people want their bins emptied or potholes filled, and that, for democratically elected local authorities, can take priority over those citizens who are most vulnerable but who, unfortunately for them, form a small minority.

In many cases, whilst local councils save money by cutting back on care services, for the taxpayer as a whole it actually costs more money, as tightly stretched NHS budgets pick up the slack. Former health minister Lord Warner claimed that an 80 year old in hospital costs around £3000 per week, whereas in a medically supervised nursing home the figure would be around £1000 per week.

The answer here is not simply to throw more money at the problem or to ring fence budgets. The only way to ensure that funds are directed the right way is to give control to those who receive care.

Personal budgets are a good start, and the current government are making solid progress on this front. In England, their uptake has doubled from April 2010 to March 2011, to almost 340,000 service users.

"We should also look abroad, to even more radical models"

But we should also look abroad, to even more radical models. The part of the social care system in Britain that is most often overlooked is informal care- poorly recognised and grossly undervalued. It is possible for the government to both support this form of care giving, and stimulate it, without increasing overall spending on social care. Direct cash payments, as in Germany, can simultaneously save money and provide a means of caring that is much better shaped to individual needs.

In Germany, people are assessed as needing care at one of three levels, and they are then offered a choice between an individual budget cash payment with services in kind, including residential care, and a tailored combination of the two. Interestingly, the individual budget cash payment is of significantly lower value than the social care package. In 2007, people who needed considerable care, or care level 1, received €384 per month; those in need of intensive care, or level 2, received €921 per month; and those in need of highly intensive care, or level 3, received €1,432 per month. They were also offered the choice of claiming direct individual budget cash payments that were about two thirds lower than the payments in the social care package, which meant that people at care level 1 received €205 per month, those at care level 2 received €410 per month and those at care level 3 received €665 per month.

One might have expected the population to opt for the higher payment, given that the social care package is notionally more valuable, but in fact 49% of Germans decided instead to opt for the direct cash payment, which gave them greater choice and freedom in how they spent the money. That control is vital. It gives elderly people the opportunity to stay in their own home and receive informal care from relatives.

They can purchase the service they need without an additional layer of bureaucracy getting in the way. Local authorities have traditionally focused on a one-size-fits-all response, in effect acting as a single, inflexible state supplier. The next generations of retirees are the baby-boomers, accustomed to a historically unprecedented level of consumer choice and freedom. It is only natural that this should continue throughout their lives.

What would happen if we introduced such a system in this country? In 2009-10, local authorities spent £3.4 billion on residential elderly care. On that basis, if uptake mirrored that of Germany, with half this group opting instead for cash payments and staying at home, we would save £1.14 billion a year, with people receiving £566 million instead of £1.7 billion. That extra money could go a significant way towards relieving some of the pressures on the current system.

So to conclude, the future of social care funding will rely on a new compact between government and people. Individuals must take responsibility in saving for their own care needs, whilst the government must make it easier and more lucrative for them to do so. And the corollary, where the government does fund care it must be in a way that allows the maximum amount of freedom and choice to individuals. We cannot fall into the trap of treating elderly people as single, homogenous bloc. Each of us who grow old do so in our own way, finding our own path through later life. Perhaps we should not talk of social care as a system, but as an ongoing journey. Working out how we pay for it is merely the first step.

"The future of social care funding will rely on a new compact between government and people"

Rt Hon Paul Burstow MP

Former Care Services Minister (LD)

Social care has a nasty little secret: it's not free.

People are still shocked to discover social care is subject to means-testing and that the risk of needing care is not one they can insure themselves against.

This ignorance of how the system works is in itself an obstacle to people taking steps to plan and prepare for potential future care needs. But this is an ignorance born out of a secret that has been kept by politicians, media and local authorities for a long, long time.

The blame also rests with something far more ingrained in our consciousness – a fear of growing

old and our unwillingness to confront it. We live in a society where ageist assumptions and attitudes are deep-seated, the culture of youth is celebrated while ageing is portrayed as a negative thing and older people are labelled as burdens. Changing these deep seated cultural attitudes is not going to happen overnight but it is essential if we are to successfully articulate the case for better social care.

Perhaps social care's secret is hardly surprising given that it is often obscured from view by its bigger sibling, the NHS. One way to start shining a spotlight on social care's secret is by explaining how social care has the potential to be an important contributor to this country's economic growth.

"Social care's story is one that needs to be told if we want to ensure people are treated with the dignity, respect and care they deserve"

Ultimately social care's story is one that needs to be told if we want to ensure people are treated with the dignity, respect and care they deserve. It's a narrative that must emphasise the importance of relationships for people's wellness and wellbeing – one that taps into the hidden wealth of communities and individuals to stave off the need for formal care. Social care's story must become a tale of prevention and early intervention, not crisis and too little too late.

Asking not what you can do

We cannot expect social care to be protected by the state and championed by the people who receive it unless it is sustainable and reciprocal. Social care is at its best when it is about asking people not 'what can't you do?' (the deficit model) but 'what can you do for yourself and for others?' (the asset model).

This is not a vision of a social care system that aims to get 'something for nothing', it is not a Big Society vision of the state stepping back. Instead it is a way of working that delivers dividends for the taxpayer and for those in need of support. This philosophy of personal and community resilience and reciprocity is embedded in the Care and Support White Paper. But we need a greater chorus of voices to spread this vision from a few beacons of 'best practice' to the widespread custom and practice. Because if we get it right, this 'glass half full' model of social care will not only relieve enormous pressures on the NHS, but secure the future of care in the long term.

Work commissioned by the Department of Health, has shown that spending on adult social care can improve the quality of people's lives while generating substantial savings for the economy. One report in particular estimated that for every £1 spent on preventative measures, we save up to £1.20 on emergency hospital bed days[1]. And this is not an isolated example. A hip fracture caused by a fall at home costs the state on average just over £28,000 per person – over one hundred times the cost of fitting hand and grab rails to someone's home[2]. The numbers stack up and a system focussed on prevention makes sense – so why is social care still so beleaguered?

"Work commissioned by the DH, has shown that spending on adult social care can improve the quality of people's lives while generating substantial savings for the economy"

A 1997 report from the Audit Commission described the pressures in the social care system as a 'vicious circle'[3], and not much has changed since then. As the number of people living with chronic illness grows the number of hospital admissions rises and the demand for formal care increases. This in turn leads to ever more resources being spent on high cost crisis interventions at the expense of low cost preventative services that could have reduced the pressures in the first place.

Local authorities are under intense pressure to make savings. The demographic strains on social care spending are growing. And while the debate about whether or not there is a social care funding gap is academic, it is indisputable some councils are cutting social care, rationing access and increasing charges.

But other councils are doing things differently – by placing prevention at the heart of the services they provide.

Take Darlington, for example, who are protecting their frontline services by supplementing natural community and family support networks with paid

1 Glasby, 2010,

2 Heywood, F. *et al* (2007) *Better outcomes, lower costs*. London, The Stationary Office

3 *Coming of Age*, Audit Commission, 1997 http://www.audit-commission.gov.uk/nationalstudies/health/socialcare/Pages/thecomingofage.aspx

services as part of an individual's support plan for social care. This means Darlington has moved from 'seeing individuals not as service users, and not defined by their care needs, but as citizens in their community with rights'[4]. In doing so they are asking people not what they cannot do, but what they can do with the help of the right level of services.

But these Councils are sadly the exceptions to the rule – as the focus of most services is on the 15% in crisis, rather than on those who need a little support to maintain their independence for as long as possible. But this flies in the face of all the evidence for prevention – which suggests early intervention approaches save money in the long term. For example, Turning Point's Connected Care projects can generate resource savings of over £2.50 for every £1 spent[5]. Indeed, further research has shown that for each £1 invested by a local authority in community development activities and by the volunteers' time input to deliver activities, £2.16 of social and economic value is created. We also know that for every £1 invested by a council in a community development worker, £6 of value is contributed by locals in volunteering time[6].

It is common sense to invest in a child's support services when they are young. It prevents crime, improves academic attainment and saves money in the long run. But there seems to be a blind spot when applying this principle to older people.

This gap in policy can be filled by ridding ourselves of a social care system based on a deficit approach, one which stutters into life when the crisis has come. Instead, it is a community's collective resources, its social capital, and an individual's wealth of experience, talents, skills and relationships that need to be nurtured to enable people to prevent or postpone the advance of chronic illness.

Funding as prevention

After years of successive governments kicking the can down the road, the recent announcement on a cap on care costs is hugely encouraging. While the cap is higher than many would wish, the protection from catastrophic costs it signifies may be the key to installing prevention across the board, because it will help people to plan and prepare. It embodies, by its very nature, a 'glass half full' approach to social care and represents a huge public health intervention – saving far more money in the long term by encouraging people to engage with the need to plan for the future.

However, delaying the implementation for four years is a missed opportunity for all of those who need certainty now, and there seems no clear case for not setting a more ambitious target of 2015 – or a more manageable deadline of 2016 – for introducing the cap. This would demonstrate that the urgency of the crisis facing social care has been genuinely understood across Government – and that all the stops are being pulled out to realise the benefits of the cap system – for both individuals and taxpayers – as soon as possible.

But, even with the cap on costs and the protection that it will offer, there is more to do if social care is to be moved from the critical list. A capped cost system tied to an eligibility threshold likely to be set at substantial will do nothing to address the ongoing challenge of funding in the social care system as a whole. The wider the gap in social care funding grows the more it will destabilise a fragile system, and jeopardise the vision of the government's current social care reforms.

> "Even with the cap on costs and the protection that it will offer, there is more to do if social care is to be moved from the critical list"

Measuring the size of the gap and fixing it is something we simply cannot afford to delay any longer. After all, it seems a strange logic to put off the steps needed to create a sustainable and effective social care system when an unreformed one will shunt increased costs onto the NHS. This approach can only lead to a crisis in already squeezed heath budgets, and inevitable demands for increased health funding to cope.

In 2002 Chancellor Gordon Brown commissioned Derek Wanless to undertake a review of health spending to provide the intellectual justification for increased taxation to fund our NHS. In his report *Securing Our Future Health* he recommended a similar piece of work should be undertaken for social care.[7]

Yet, nearly a decade later no such review has taken place. Before the next Comprehensive Spending Review is completed it is essential this happens – so social care's little secret can be heard and brought out into the open.

4 Wood, Claudia, *Coping with the Cuts*, Demos, London, 2011.

5 http://www.turning-point.co.uk/commissionerszone/centreofexcellence/Pages/ConnectedCareBusinessCase.aspx

6 www.cdf.org.uk/web/guest/publication?id=362954

7 'Securing Our Future Health: Taking A Long-Term View' http://www.hm-treasury.gov.uk/d/chap7.pdf

Roberta Blackman-Woods MP

Shadow Minister for CLG (LAB)

It came as a surprise to me that social care didn't loom larger as a decisive issue in the 2010 General Election. I guess it simply got dwarfed by the economy and party leader personality issues. But despite its lack of prominence at the election it has been a central issue facing this parliament.

The most significant announcement on social care in the Coalition Agreement was the setting up of a Commission on the funding of long term care to report within a year. The Commission when established was Chaired by Andrew Dilnot and reported to the government in July 2011. This was followed by a Social Care White Paper a whole year after Dilnot reported which was transparently vague as to the approach the government might take to address growing concerns about the affordability of, access to and quality of social care.

> "Despite its lack of prominence at the election [social care] has been a central issue facing this parliament"

By February of this year the government still had not responded to the Dilnot proposals and it was facing growing criticism for its slowness and lack of action on what is an extremely pressing matter.

Now that the government's policy response is known following a statement from the Secretary of State for Health to parliament on 11 February 2013 criticism has instead focused on the nature of the government's proposals.

Dilnot had suggested a cap of £35,000 for social care costs and whilst accepting the principle of a cap the government intends setting it at £75,000 so significantly higher than the Dilnot recommendation. The cap however does not apply to board and lodgings. In addition the government intends raising the threshold of the amount of assets a person can hold whilst still receiving financial support for their residential home costs. Currently set at £23,250 it is being raised to £123,000 roughly in line with the Dilnot proposals. However despite these changes many of my constituents would still lose a substantial part of the value of their home. Something the government says it was hoping to prevent in the future.

These long awaited but fairly limited changes to the funding of social care have, perhaps not surprisingly, received a fairly lukewarm response. Independent Age said that the cap is set too high and that only one in five people will benefit. Age UK welcomed the cap but is disappointed that the level is higher than that suggested by Dilnot and they believe more needs to be done to improve the care system. LGiU has warned that the proposals are aimed at keeping people in their homes rather than addressing the deep-seated problems with paying for social care for those with modest means. For many people, costs of £75K will represent a large of portion of their asset base. The proposals will not limit an individual's total liability to £75K as they will still have to pay for accommodation and food and, once they have reached the cap, will have to make good any difference between their care fees and the council's standard rate.

So the government's response to Dilnot is disappointing to say the least especially as the current proposals do not seek to deliver even these modest changes before 2017. It is also unlikely that the government will bring forward additional proposals on improving social care provision before the end of this parliament so this begs the question of what Labour would do.

In a speech to the King's Fund in January 2013 the Shadow Secretary of State for Health Andy Burnham set out Labour's approach. This started with the recognition that money is tight and the NHS is struggling to cope with another reorganisation but that despite this it is necessary to get better results for people from what already exists. Andy Burnham provides a fundamental critique of the current model of heath care delivery that sees needs addressed across what are effectively three different services - health, mental health and social care. He argues that social care delivery is detached from the NHS through means-tested Council services that differ greatly depending on where a person lives. Instead he wishes to see a unified service that can provide one point of contact for all a person's needs

"On a practical level, families are looking for things from the current system that it just isn't able to provide. They desperately want co-ordination of care - a single point of contact for all mum or dads needs".

What he suggests as an alternative is radical - getting much better value from the £104bn spent on health and £15bn spent on social care by turning the system on its head. By this he means

looking seriously at a full integration of health and social care. "One budget, one service world that starts with what people want – to stay comfortable at home" an approach he calls whole person care. But of course to add up to a true and realistic alternative to the Coalition approach Labour will need to move beyond the rhetoric to show how budgets can be merged, services made streamline and hospitals and GPs able to share in the benefits of keeping people at home.

Andy Burnham's approach also sets a huge challenge for commissioning. He proposes a much greater role for local government. This certainly gives a much higher priority to democratic accountability than the current system but it remains to be seen whether local government can rise to the challenge and whether it can include local people in the process.

But what I find truly refreshing in his approach is the recognition that local government through its strategic oversight (for the time being at least) of housing, education, leisure, planning, employment and economic development can influence the determinants of health at a much wider level.

Labour is consulting on the detail and how to make this vision a reality but in the meantime many families are facing poor quality care and rising costs and Labour was absolutely correct to criticise the Government's recent announcement for doing nothing to address current problems whilst pointing out that much could be done at minimal cost.

Earlier this year the APPG on Local Government held an inquiry on Adult Social Care and produced a report which contained the following recommendations:

Recommendation 1: Local government and the NHS must integrate services and budgets to change the focus of social care services and spending towards prevention.

It was argued that there is already substantial progress towards this goal but a step change is needed. To help drive this change the report recommends that Community Budgets, which are currently being piloted by the government, are implemented across all local authority areas with a focus on preventative health care.

Recommendation 2: The Group heard how Health and Wellbeing Boards are already making an impact and have great potential.

The Inquiry Panel felt that Boards need powers to influence the NHS Commissioning Board's plans, and the right to challenge those plans if they are not sufficiently in keeping with the joint health and wellbeing strategy. The NHS Commissioning Board should have a duty to cooperate with the Health and Wellbeing Board in the exercise of its functions and specifically in relation to the promotion of integration and collaborative working.

The Group recommends that the NHS and local authorities be required to make an Annual Statement that accounts for all NHS and adult social care expenditure so that members of Health and Wellbeing Boards can scrutinize and challenge the choices made. This information should also be made publicly available.

Recommendation 3: Evidence gathered in the Inquiry suggests that the funding gap is around 4.4% per year, equivalent to £634 million.

To close this gap, the Group recommends that the government divert additional resources from NHS budgets to preventative care. In the current year £622 million of NHS money has been invested in social care. It recommends that this is doubled in 2012/13 and 2014/15 to the end of the CSR period, using funds from NHS underspends (currently £1.5bn) ahead of savings accruing.

Recommendation 4: The role of local authorities needs to evolve to help people lead independent lives, remain financially independent and to shape social care markets.

Local authorities across the country should as a matter of urgency emulate the best practice featured in this report to help people stay independent for longer; to manage and stimulate a market of care provision; and to ensure that all citizens, not just those funded by the council, receive timely and appropriate advice about their care options and about how to manage their finances effectively to meet the costs of their care.

In summary the recommendations largely focused on short term changes to funding and practice that could be fairly easily implemented and that could make the experience and scrutiny of social care better.

Whilst we wait for Labour's new approach of a truly integrated health and social care system to be developed, argued for and then implemented if we win the 2015 election we must be careful not to ignore the present plight of families facing a complex, underfunded and sometimes poor quality system. That is why Labour members are calling for incremental changes such as those contained in the recommendations above to provide help albeit

limited to families now. I think the government could do more than twiddle its thumbs until 2017.

Liz Kendall Labour's spokesperson on social care said following Secretary of State Hunts announcement on social care in parliament on 11 February:

"These proposals won't do anything for the hundreds of elderly and disabled people who are facing a desperate daily struggle to get the care and support they need right now".

She is absolutely right of course. The government has not yet produced anything to help improve the quality and availability of care now or to create a responsive system that gets rid of the post code lottery and poor quality that shamefully characterises much of our social care system.

About Localis

Localis is an independent think-tank dedicated to issues related to local government and localism more generally. We carry out innovative research, hold a calendar of events and facilitate an ever growing network of members to stimulate and challenge the current orthodoxy of the governance of the UK.

For more information, please visit www.localis.org.uk or call 0207 340 2660.

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