Public Seminar
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The Cost of Social Care

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Overview:

› What is the funding challenge
› A brief history of funding reform & current position
› Options for funding social care
› What can we learn from other countries?
› Public attitudes
› Summary – values, choices and trade-offs
Social demand, spending and activity in England, 2009/10 to 2014/15

Index: 2009/10 = 100

People aged >65 years

> 65yrs +14%
Social care demand, spending and activity in England 2009/10 to 2014/15

Index: 2009/10 = 100

> 65yrs
+14%

Spending
-9%

The King's Fund
Social care demand, spending and activity in England 2009/10 to 2014/15

- Spending: -9%
- Activity: -26%
- >65 yrs: +14%
Identifiable spending on social care
Spending in the four countries of the UK per head, 2008/09–2014/15
But are we spending money in the best way?

Figure 3 All health- and care-related spending on older people, 2014/15

Source: Department for Work and Pensions 2016; Robineau 2016; Health and Social Care Information Centre 2015e
Spending on long term care (health) per capita, OECD countries, 2014, current prices, $)

Where could the money come from?

**Public**
- taxation
  - income tax
  - national insurance
  - VAT
  - corporation tax
  - inheritance tax
- redirecting other spending
  - eg pensions triple-lock
  - universal pensioner benefits
  - NHS
  - attendance allowance
- local (council) tax
- social care precept
- business rate retention

**Private**
- means-testing
  - co-payment
- private insurance
- deferred payments
- equity release

**Employer contributions**

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The King's Fund

Ideas that change health care
Aggregate total wealth of all private households in Great Britain - £11.1 trillion

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<thead>
<tr>
<th></th>
<th>£ Billion</th>
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<tbody>
<tr>
<td></td>
<td>July 2012 to June 2014</td>
<td>July 2010 to June 2012</td>
<td>July 2008 to June 2010</td>
<td>July 2006 to June 2008</td>
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<tr>
<td>Property Wealth (net)</td>
<td>3,927</td>
<td>3,528</td>
<td>3,379</td>
<td>3,537</td>
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<tr>
<td>Financial Wealth (net)</td>
<td>1,596</td>
<td>1,305</td>
<td>1,091</td>
<td>1,043</td>
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<tr>
<td>Physical Wealth</td>
<td>1,152</td>
<td>1,081</td>
<td>1,016</td>
<td>961</td>
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<tr>
<td>Private Pension Wealth</td>
<td>4,459</td>
<td>3,530</td>
<td>3,470</td>
<td>2,886</td>
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<tr>
<td>Total Wealth (including Private Pension Wealth)</td>
<td>11,134</td>
<td>9,444</td>
<td>8,955</td>
<td>8,426</td>
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<tr>
<td>Total Wealth (excluding Private Pension Wealth)</td>
<td>6,676</td>
<td>5,914</td>
<td>5,485</td>
<td>5,540</td>
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Source: Office for National Statistics
The hard choices: how should we pay for this?

These changes should not be paid for by new NHS charges, nor should they be funded privately or through insurance.

Instead, this increased access to social care should be paid for by public finance, and much of the cost should be borne by those who can most afford it (wealthier people) and those who will benefit from it the most (older people).

(Barker Commission 2014)
How can we afford it? Prescription charges

Make prescriptions much cheaper but remove most of the exemptions.

Potential saving of £1 billion
How can we afford it? National Insurance

Restructure National Insurance to collect more from those over 40, those over state pension age and high earners.

Potential extra revenue of £3.3 billion
How can we afford it? Contributions from older people

Limit Winter Fuel Payments and free TV licences to older people on low incomes.

Potential saving of £1.4 billion
How can we afford it? Wealth and property taxes

Review taxes on wealth and consider reforms to inheritance tax, wealth transfer tax, capital gains, property tax, etc.
Snapshot of four countries:
Germany

- Universal social insurance scheme since 1995
  - Older people & disabled people of working age
  - Mandatory employee & employer contributions via payroll
  - Contribution rates increased in January 2017 in response to rising costs
  - Covers residential care and care at home

- Covers basic needs only
  - Strong expectation that families should provide as well as pay for care
  - Benefits can be taken in cash, not services, are reduced
  - Cost of accommodation not included & services not funded until 6 months after needs assessed
  - Means-tested safety net operated by federal states
Netherlands

- Compulsory social insurance scheme since 1968
  - Income related contribution via payroll by all workers 16yrs+ and employer contribution
- Restructured in 2015 in response to rising costs & demand:
  - Residential care still funded by social insurance, assessed by a national body
  - Municipalities now responsible for non-residential care, responsible for assessing needs and arranging care at home, funded through taxation
  - Nursing care needs assessed separately by district nurses
- Significant shift from social insurance (guaranteed national entitlement) to municipalities (discretionary & local)
- Very generous levels of provision
France

- Universal & progressive social insurance funded through taxation
  - For people aged 60yrs +
- Needs assessed through a nationally determined process but by a local multidisciplinary team
- Covers only part of the cost, rest through municipality, user contribution or private insurance
- Significant tax reliefs & private insurance – 15% of over-40s have private plans - but covers only a small part of total care costs
- Boundary between ‘health’ and ‘social care’ needs – and insurance coverage – very fuzzy.
Sweden

- Relies heavily on taxation to fund care
- 90% from local taxation, 5% national taxation, 5% user charges
- User charges based on income not savings or other assets
- 290 municipalities responsible for arranging care, local care managers assess individual needs
- 21 county councils responsible for health care
- Each municipality decides range and level of services it offers
- Low number of hospital beds per capita but heavy investment in care at home & reduced use of residential care
- Good performance on delayed transfers but rising pressures on emergency care & waiting times
Conclusions

- No single ‘right’ or ‘best’ way of funding social care
- All countries are having to revisit existing arrangements e.g:
  - Increasing contributions to social insurance
  - Shifting responsibilities to municipalities
  - Restricting eligibility and/or coverage
  - Higher co-payments
- Significant differences in levels of spending and generosity of provision
- How money is spent is as important as how much is spent?
So what is different about England?

1. Sharp division between universal tax-funded health care and means-tested and highly rationed social care

2. NHS budgets have been relatively protected but not local government social care budgets – ASC spend has fared badly compared to most other countries

3. England’s system(s) are exceptionally fragmented (funding & payment mechanisms, entitlement, governance/accountability, regulatory regimes)

4. Successive governments have failed to achieve significant reform
Identifiable spending on social care
Spending in the four countries of the UK per head, 2008/09–2014/15

The Health Foundation
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For further information see health.org.uk/fundingexplained
Who should pay for social care?

- The government, through taxation (40%)
- Means-tested: the individual should pay what they can & the government pay the rest (25%)
- Means tested & capped: as above, but no one paying more than £72,000 in their lifetime (20%)
- The individual (5%)
- Other/don't know (10%)

Question: [follows the question] And how satisfied or dissatisfied are you with social care provided by local authorities for people who cannot look after themselves because of illness, disability or age? And who do you think should pay for this social care? 1) (the Scottish Government/the Welsh Government/the government) (paid for by taxes); 2) means-tested: the individual should pay what they can depending on their income, and (the Scottish Government/the Welsh Government/the government) should pay the rest; 3) means-tested and capped: the individual should pay what they can depending on their income, with no one paying more than £72,000 in their lifetime, and (the Scottish Government/the Welsh Government/the government) should pay the rest the individual.

Source: King's Fund analysis of NatCen Social Research's British Social Attitudes survey data, 2015
Key choices for all countries:

- A collective risk best addressed through pooling of risk across whole population
  or
  the responsibility of individuals & families, with the state’s role only to offer a basic safety net & protect most vulnerable

- Balance of responsibilities between individuals, families & the state in terms of
  - Who provides care
  - Who pays for it

- Selection of funding mechanisms & sources:
  - General & specific taxation
  - Mandatory social insurance
  - Co-payment, user charges
  - Private insurance & other financial products

- Administrative responsibilities for assessing needs, arranging care, planning & commissioning services:
  - At central, regional, local levels
  - Interface with health care responsibilities
  - Interface with other key public services eg benefits system, housing
  - Role of private and independent providers

- Priority given to health & social care relative to other public spending commitments
NHS faces bed-blocking crisis

Hospitals will be filled with elderly patients denied local authority care by the cuts, warn health chiefs.

MPs warned of savage cuts to care for old and disabled

- 'Hundreds of thousands' affected
- Vulnerable could lose home support

Small rise for health honours pledge

NHS boost likely to go on social care
Thank you

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