

CARING CHOICES

Who will pay for long-term care?

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Overview

Paying for care needs to be a shared responsibility between the state and individuals, with everyone receiving at least some public funding. This has been the emerging consensus at the Caring Choices debates, and was supported by the great majority of participants at the third event, held in Bristol on 22 June 2007.

Although the broad propositions of shared funding responsibilities and some level of 'universal' entitlement from the state have commanded an impressive level of support, this event showed no clear agreement on the form that such assistance should take.

Faced with a complex system and a complex set of choices, participants voiced a range of views – and in some cases considerable uncertainty – about the design of a future system.

Among distinct emerging attitudes were:

- a desire to create more predictable sources of funding for care when it is needed, which would involve more forward planning not just by the state but also by individuals, for example, by saving for care costs
- a desire to break down artificial boundaries between different care types insofar as they create distortions – including not just the divide between social and health care but the distinction between 'personal' and other forms of care
- a widespread demand for greater clarity and simplicity, in preference to clever funding mechanisms that are hard to understand.

On the last point, difficulties related to levels of understanding appear to be constraining the development of consensus around a particular type of solution. For example, while most participants grasped – and on the whole supported – the idea of the Wanless Social Care Review's proposal for a 'partnership' funding model, many found it hard to envisage exactly what it would mean for individuals and their budgets. This made it difficult to answer questions about the best balance of support between individuals and the state. Such issues are more than just details in the design of a future funding system, since they will help determine its affordability, its implications for taxation and the extent to which extra resources will be available to help the least well-off.

Nevertheless, the 60 older people, carers, caring professionals and other stakeholders who took part in this event greatly welcomed the chance to engage in this timely debate about the future funding of long-term care. Half of those responding rated the event as an 'excellent' means of raising awareness of the challenges ahead, and most of the rest thought it was 'very good'.

Discussions were focused around three broad issues:

- Who should pay for personal care?
- How do we encourage people to contribute to care costs?
- How do we support the provision of informal care?

These issues are discussed below.

Who should pay for personal care?

It is widely agreed that the state has a role in the provision of care, but few at this event were arguing that it should have the exclusive role.

Thus, three-quarters of participants believed that paying for care should be a shared responsibility between individuals and the state. Asked specifically about personal care, an overwhelming majority – all but eight people – supported the idea of a universal payment contributing towards the cost of providing personal care, paid regardless of income or assets. This did not, however, preclude some means-testing to influence the level of support, and about one in three expressed support for a continuation of some form of means-testing. In general, however, the great majority of participants liked the idea of a lightening of the means-test, for example, by raising or abolishing the limit on capital that precludes some people from any publicly funded support for care services.

The idea of some form of co-payment system was clearly favoured by most people in each of the categories (users, professionals, and so on) attending the event.

Behind these preferences were a number of attitudes about the role of state support. A common opinion, echoing earlier events, was the importance of rewarding those who save, and the perception that the present means-tested system fails to do so. However, a critique of excessive means-testing does not mean that people support universal funding of the full cost of care by the state. On the contrary, many participants felt that it was time for realism about what the state could afford, and felt that people understand the need for a shared responsibility.

'People who have saved are quite happy to pay something', said one contributor: it is the idea that they will have to pay the full cost that seems unjust. Nor did support for a 'partnership' model rest only on public finance constraints. 'I personally would not want to be fully dependent on the state', said another participant, and others agreed that those who pay part of the cost will feel a greater sense of entitlement and control.

Although sharing the costs was a well-accepted principle, the way in which this should be done caused considerable debate. Contributors found it difficult to envisage the implications for individuals and families of a particular level of co-payment, but a number of them emphasised the need to ensure that co-payments were not imposed on those who would find them hard to afford.

A much-discussed point at issue was the ring-fencing of personal care. In Scotland, the idea of a 'free' element, or more accurately a universal subsidy for this category of care, has been welcomed, but there has been debate about eligibility criteria. Some of the Bristol participants feared that by focusing on personal care, other services might suffer, including 'preventive' interventions that might in the long term reduce the need for intensive help with personal tasks. A hotly contested issue was

how to treat the lack of firm evidence on the cost-effectiveness of preventive measures, given difficulties in narrowly targeting those most at risk. Some participants emphasised widespread potential gains from measures that attended to people's state of health, including their mental health, early on. Taking a 'person-centred approach' would look at the measures that most help each individual in terms of lifetime care needs, rather than a 'service-centred' approach focusing on specific care categories.

'Whatever system we choose, we need to avoid cliff edges', said one speaker.

There were varied ideas about where new public money might come from – ranging from inheritance tax to a lifting of the lid on income subject to full national insurance contributions. Some supported the idea of 'tightening up' criteria for Attendance Allowance in order to release resources so that they could be more specifically targeted at care, but this was by no means a universal view. What was more generally acknowledged is that 'the system is bust', and more resources need to come from somewhere, which might require a considerable 'educational' task, explaining to the general public why more taxes will be needed to help pay for care.

How do we encourage people to contribute to care costs?

On this issue, participants expressed a wide range of views, with no single option emerging as a 'favourite'.

Perhaps the most dominant overall belief was that people need to learn to plan for care costs earlier in their lives. 'We need to be responsible for our own future', said one participant. Others felt that it will be difficult to persuade people to shoulder such responsibility in addition to saving for pensions, paying off student debt and other pressures. But it is significant that a pension-type saving product was the most popular single option, and the concept of 'saving' for care commanded greater support than insurance or equity release.

Yet it was also pointed out that simply saving for the 'rainy day' of requiring care is problematic, because for some people the rainy day will never arrive and for others it will pour down. This naturally points to the option of insurance, yet there were considerable reservations about insurance as a product. This was partly because of a mistrust of financial products in general (influenced, for example, by the failure of endowments), and also because of an instinctive reluctance to pay into something that may never pay out.

Similar reservations applied to the appetite for a property-based retirement product, especially where non-returnable capital payments are involved. This is also a concern about a reversion-type equity release scheme in which someone who dies soon after taking it out would be getting a 'bad deal'. Some participants thought that it is unwise to link the provision of care needs too closely to housing assets, not least because of the inequalities that this could cause in access to care. Others thought that registered social landlords should have a role to play in helping people to 'staircase down' out of home ownership in conjunction with obtaining care packages.

While these comments illustrated how any one type of product has drawbacks, there was an overall desire to look for new ways of paying for care, and a feeling that many choices would be needed rather than a single solution. One participant suggested that

equity release and insurance could be combined, by using part of the assets of one's home to purchase an insurance product. A similar notion could apply to a savings plan, to which people contribute during their working lives in order to purchase care insurance on retirement.

Overall, then, the biggest barrier to private provision seems to be a hesitation to accept the need for insurance that spreads risks, even though long-term care carries the low risk of very high spending against which it is natural to insure. Much of this hesitation seems to be linked to the fear of being 'ripped off', and there was more support for notions of 'social insurance' on a compulsory basis. This did not answer the question of how people could be encouraged to make provision privately, but a number of participants also liked the idea of government help with non-compulsory insurance or equity release products, pointing to the possibility of partnerships in which private savings/insurance is made more attractive because of public subsidy and regulation.

Finally, a widely shared sentiment was that products need above all to be easy to understand and trustworthy. 'Whatever it is must be copper bottomed', said one participant.

How do we support the provision of informal care?

This question attracted a similar range of responses to the second question. The single most widely supported form of provision was respite care, but financial support, better working opportunities, information and advice, and other options each had a measure of support.

A crucial point raised concerned the importance of taking the health of carers more seriously. The NHS's move to pull out of respite care was seen as a short-sighted form of 'cost-shunting'. There were calls to think about 'respite care' more flexibly – in terms of carers needing a break, which might not always be provided directly by a formal respite service. But for those who do require respite, a big challenge is to create services that are consistent across the country and that are truly adequate to meet the needs of carers. This means, for example, ensuring that they are available when they are needed, even though there may be peaks of demand. The implication is that a truly adequate respite service can be costly, and hard to afford within current social services budgets. Yet measured against the contribution made free of charge by carers, the public cost is small.

In this part of the debate, participants also pointed to:

- the mistake that can be made of seeing informal and formal care services as an 'either-or', and the importance of finding new ways to combine them
- a sense of injustice (and in some cases surprise) that the Carers Allowance is not available for pensioners
- the need to educate employers that caring for older relatives is a valid need
- the case for allowing individual budgets to be used for family carers
- the need to think creatively about new solutions, such as time banks to exchange unpaid care services among people living a long way from their relatives
- the need for greater clarity over what Attendance Allowance is for and how it can be used to support informal caring.