

## **The green paper and care funding: on the brink of a sustainable settlement?**

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**by Donald Hirsch**

The Green Paper *Shaping the future of care together* sets a framework for fundamental reform of funding for adult social care in England, and proposes a new National Care Service. After more than a decade of debate about the inadequacies of the present system of care funding, government seems finally to be prepared for root and branch change.

But successful reform will be a long-term process requiring cross-party consensus around the main principles of a sustainable settlement. This paper discusses some of the central issues that it raises, and invites the APPG to identify where such consensus might now be possible.

The Green Paper gives government endorsement to several areas of widespread agreement over care funding that have emerged in recent years, for example in reports by the Joseph Rowntree Foundation and the Kings Fund and in the Caring Choices debates. The main areas that we now agree can be summarised as:

- The status quo doesn't work.
- Any funding regime needs to combine public support with user contributions.
- At the base of such a settlement need to be some clearly defined, universal entitlements to funding support at the point of need.
- People should have as much choice and control as possible over the type of care and wider support that they receive.
- Support for care funding needs to be joined up with related provision including health care and supported housing.

However, there remain significant difficulties and unresolved issues with the model for meeting these criteria as set out in the Green Paper. The most important of these concerns the ability of such a settlement to find sufficient new sources of funding to meet current and future needs. A sustainable solution will need to create a framework for adequate funding capable of satisfying other criteria including fairness and choice. This paper reviews some crucial issues that need to be resolved in the process of implementing the Green Paper.

### **Recent announcements: short-term fixes or harbingers of reform?**

The Party Conference season saw two significant announcements, one from Labour and one from the Conservatives, on long-term care funding. Each applied only to part of the system. Should they be seen as useful stop-gap measures, as a first step in a more general overhaul of long-term care funding, or as unhelpful electioneering announcements that make debate on a long-term solution more complicated?

The Labour proposal was to make personal care free for people with high-end needs living in their own homes. This would provide welcome relief for those who benefit, much sooner than any extra help that would come from the Green Paper reforms. One could therefore regard this as a stop-gap measure helping some people with a particularly great financial burden, targeted to avoid unnecessary moves into care homes for those finding it hard to afford staying put. However, it is also possible that this makes it harder to debate the Green Paper's proposals for a fair across-the-board system of shared public and private responsibility for paying for care. If something has recently been made free, it is hard to reimpose a charge on it. Exempting a particular group from copayments makes the system feel more complex and ramshackle (a feature of the present system that reform is trying to reduce). It also pre-empts scarce public money, and therefore increases the necessary private contribution from everyone not entitled. On the other hand, these difficulties would be less important under the "comprehensive" Green Paper option (see below), since compulsory insurance premia would even out the costs for people needing different forms of care.

The Conservative proposal was to give government backing to an option for taking out private insurance as a one-off payment on retirement against the cost of care home fees. Again, this addresses part of the problem, although it would not offer immediate relief since it would be some years before today's 65-year-olds needed care. It might be seen as pre-empting the debate about the three options in the Green Paper discussed below, opting for the second one, voluntary insurance. However, it only covers one particular group of clients: people in care homes excluded from public support because of housing capital. This is significantly different from a scheme giving a universal baseline entitlement to the range of care needs and allowing voluntary insurance for topping this up. It is hard to see how, once launched, the scheme proposed by the Conservatives could be fused with a wider system of entitlement plus private insurance.

The discussion below sets aside the extra complexity introduced by these two proposals. It suggests that the debate at the APPG focuses instead on how to get agreement around a long-term project for reform.

## Four key issues for discussion

### *1. Can one of the funding options in the Green Paper adequately bridge the public-private funding gap?*

An important reason why it has taken so long even to produce a green paper is the difficulty in finding the right terms for a new settlement that unlock adequate resources at a time of tight constraints on public spending. The Green Paper has not yet resolved this difficult issue, avoiding the hard maths by not costing its models, but those numbers that it does give are revealing. Its illustrative first layer of tax-funded universal support suggests paying a quarter to a third of care costs. This is a very differently balanced partnership from that suggested by the Wanless Report, where the state would pay two thirds, or by the Caring Choices consultation, where participants found it hard to envisage co-payments covering more than 30% of care costs. Moreover, with the suggestion that Attendance Allowance might be brought into the equation, the government's partnership option on its own would not necessarily add to the public contribution overall, which is widely considered to be far too low.

For this reason, much rests on whether one of the two possible mechanisms for supplementing the tax-funded contribution – government-backed voluntary insurance contributions or compulsory levies to create “comprehensive” coverage for older people – represent a satisfactory way of bridging the funding gap. A satisfactory top-up mechanism would need to be seen both as adequate in meeting care needs and acceptable in the way it raises the funds. Both of these mechanisms pick up the principle of “insurance”, pioneered in the 1990s by the Joseph Rowntree Foundation's Inquiry on meeting the costs of continuing care, as a means of making a more direct link than through general taxation between what people pay and the protection that they gain. That Inquiry came down on the side of universal and compulsory contributions, as does the comprehensive option in the Green Paper.

In terms of adequacy, a comprehensive system would offer a full package of care and support for those who need it, and the voluntary insurance system would do the same for those who opt in. This sounds promising, but a reason for caution is the Scottish experience of “free” care being rationed through eligibility criteria. So a first requirement of such a system is that it is seen as providing a fair and consistent level of eligibility. What might that mean in practice? And would the exclusion of accommodation costs from the package be seen as fair?

In terms of raising funds in an acceptable way, the comprehensive option would represent a major new departure in raising money for a universal public service or entitlement. Possibly up to three quarters of care costs would be raised by a charge

on older people, which they could choose to pay through regular contributions, a one-off payment in their lifetimes or a charge on their estates.

Can this be accepted as a sensible means of using a portion of older people's assets to provide peace of mind over having their care needs met? Or will it be seen as an unwarranted "stealth tax", for many people ultimately increasing liability for a tax on inheritance, which both main parties have recently sought to limit. There are two reasons for hoping that the first of these views might prevail. First, that unlike in the case of general inheritance tax, people would see, and approve of, where the money is being spent. Second, that by spreading risk, the system would be seen to preserve the larger part of an inheritance by giving up a smaller part. But can these arguments produce the cross-party consensus that would be needed to make it a viable option at the political level?

Otherwise, can voluntarism – through optional insurance – be an adequate alternative? Politically, it may be easier. But its success and viability would depend on a sufficient proportion of the population choosing to enrol. People might be deterred from doing so if the costs seem high, if they do not consider themselves to be high risk or if they expect ultimately to be rescued by means-tested support. Can a well-designed system overcome such obstacles?

## ***2. What kinds of entitlements would be accepted as a fair package of care and support?***

The Green Paper suggests that the average cost of care and support after the age of 65 costs a total of about £30,000. This calculation is based on eligibility for existing services funded by local authorities – typically focused on personal care with some forms of non-care support such as physical adaptations. However, it does not include Attendance Allowance (AA), a benefit to help cover the extra cost of disability among older people, which they can potentially use to fund various forms of practical support such as gardening and cleaning. If AA were to be rolled into a unified care and support system, in which people get a choice as to how to spend a given entitlement, it would be important for this entitlement to be sufficient to cover practical help and not just personal care. So the true average cost after age 65 could be considerably higher than £30,000, with implications for both the universal tax-funded element of any package and the top-ups that are needed.

There has been considerable opposition to the idea of using money from AA to help fund care directly, because of its popularity as a benefit that can be used flexibly. But if a care and support payment were also delivered in a way that maximises the choice of the client over how it is used, might it be possible to achieve consensus over a combined system offering funding for both personal care and wider forms of support? And could a single framework of entitlements based on activities of daily living be capable of providing resources adequate for this wide range of purposes?

### ***3. Can national guarantees be delivered without creating an over-centralised service?***

The Green Paper recognises a potential trade-off between a system of national entitlements and local sensitivity, but concludes that while those consulted saw the advantages of responding to local needs, "... the majority of people were more concerned that a system in which a person's level of support varies because of where they live is unfair." It therefore opts for a system in which entitlements are set nationally, under a national assessment system.

Are such national criteria inconsistent with sensitivity to local need? Not necessarily. In a new system in which national criteria principally trigger access to a given level of resources which the individual can decide how to deploy, there is an important distinction between entitlement and provision. Local authorities might have more of a role in advice and co-ordination of local services than directly providing them. How can they perform this function effectively? Do they have the capacity to ensure that what is on offer locally matches needs, and that clients are able to find services appropriate to their individual circumstances? There is clearly a long way to go from the present maze of provision that leaves many people badly served and confused.

### ***4. What needs to be done to ensure that a National Care Service works well with health care and housing services, rather than creating a separate delivery silo?***

The Green Paper states that it wants to make services more joined up, but suggests that it is not structural change but rather attitudes and practices that will make this happen. This leaves open some difficult questions about the different definitions of needs that give access to separate funding streams across services - such as the often artificial distinction between "health" and "social care" needs. Is it possible to join up these services better without fundamental changes in the ways that NHS resources are released for people with both medical and care needs, integrating them more into a "care and support" system"? The Green Paper skirts this issue.

Similarly, while meeting certain types of housing need appears to be included in the definition of "support", the Green Paper does not elaborate how a more systematic approach could be taken to catering for older people's care and housing needs in a single framework. Indeed, by separating out accommodation costs from the support packages that would be provided to people requiring residential or nursing home provision, it seems further to disengage housing from care issues. In practice, if we are moving towards more of a continuum from independent living to a heavily supported living environment, replacing a simplified distinction between "care home" and "independent accommodation", it becomes all the more important to

make accommodation more fully part of the care and support equation. This is not the same as saying that all accommodation costs should be covered in a package. Rather it is to recognise that different forms of condition will impose different additional accommodation costs. Should a system be aiming to support these in some way?

### **A cross-party challenge**

There is much to disagree on around the above issues, some of which have been debated more or less continuously for a decade. But now is the time to draw out what principles and guidelines for action can be agreed on. Whichever government is elected in 2010 will have a once-in-a-generation opportunity to implement a care system that is fair, clear and sustainable. It will not be perfect, but it is in everybody's interest for parties to work together to make it as good as possible, and to ensure that it is not undone by subsequent governments. Recognising at the next election where consensus exists will be an important first step.