



advice and support for older age
**Independent
Age**

Long term funding of adult social care

Independent Age's response to the joint Communities & Local Government Committee and Health Committee Inquiry



March 2018

About Independent Age

Whatever happens as we get older, we all want to remain independent and live life on our own terms. That's why, as well as offering regular friendly contact and a strong campaigning voice, Independent Age provides older people and their families with clear, free and impartial advice on the issues that matter: care and support, money and benefits, health and mobility. As a charity founded over 150 years ago, we're independent so that older people can be.

Enquiries

Author: Gabriel Gavin, Independent Age

For more information on this submission or to arrange for Independent Age to give oral evidence to the committee, please contact Gabriel Gavin on 020 7605 4217 or publicaffairs@independentage.org

Website

For more information, visit our website www.independentage.org

Helpline

We give free, confidential advice over the telephone for older people, their families and carers on issues such as getting help at home, adaptations, care assessments, paying for care, staying in touch with other people and welfare benefits.

Call our team of experts on 0800 319 6789, Monday to Friday, 8am-8pm, and Saturday to Sunday, 9am-5pm, or email your query to advice@independentage.org

Registered charity number 210729

Independent Age's response to the joint Communities & Local Government Committee and Health Committee inquiry into the long-term funding of adult social care.

1. Introduction

Older people's charity Independent Age welcomes this joint inquiry from the Health Committee and the Communities and Local Government Committee into the long-term funding of adult social care. Action is urgently needed to ensure that the system can meet the needs of those older people who need care at present, as well as deliver better quality care to a growing number of older people in the future. This submission sets out some of the key issues that must be considered by the Government, as well as some of the options for funding high-quality care that every older person can access.

The funding of Adult Social Care continues to be a major political issue. The current funding gap for the sector stands at £1.3 billion and is expected to reach £2.7 billion by 2020/21.¹ Across the country, there is a clear disparity in the quality of care that older people can access and there is still uncertainty as to how they might pay for it. The pressures resulting from unmet need and the shortage of good residential care directly impact frontline health services and are, at least in part, responsible for hospital bed shortages, delayed transfers of care and the issues faced by the NHS in the winter months.

The current systems of residential and domiciliary care lack capacity to meet the needs of older people, their families and their carers at present and there is stark variation in quality across the country. As our population ages, there is also the question of how it will cope with a growing number of older people needing care. By 2030, there will be an estimated 15.7 million people aged 65 and over.² By 2020/21, public spending on social care must increase by a minimum of £1.65 billion annually to a total of £9.9 billion to meet the predicted impact of rising demographic and unit cost pressures alone.³

In March 2017, the Government announced its intention to publish a green paper on care and support for older people. Independent Age has been calling on the Government to ensure that this begins a process of radical reform for the care system, delivering better quality, integration and affordability for older people who need support in later life.

Some of the key areas in which action is needed are around regional variation in the quality of residential care, protecting individuals from catastrophic care costs, ensuring fairness in individual contributions and delivering a funding model that is both sustainable and intergenerationally fair. Independent Age urges both the Health Committee and the Communities and Local Government Committee to consider these issues as part of this inquiry.

¹ Local Government Association (October 2017) '*Adult Social Care Funding: State of the Nation*'

² ONS (October 2015) '*Population Projections*'

³ Age UK (February 2017) '[Health and Care of Older People in England](#)'

2. Future funding priorities

The Government has committed to end regional variation in the quality of care and deliver high quality care to everyone who needs it. However, at present, it is clear from Independent Age's research that a postcode lottery exists around residential care quality.

Whilst it is imperative that the Government act to ensure that the social care system is addressing the 1.2 million people estimated to not be receiving the care that they need.⁴ Independent Age is clear that the greatest challenge for the upcoming green paper is to not just simply expand provision of substandard care and support but improve access to good quality care for all older people who need it.⁵

Additionally, the current system of funding, and the emphasis on individual contributions to care, risks leaving a small number of older people paying very significant amounts for their care. This is particularly the case when someone has above-average needs or requires care for a longer period of time, such as is often the case for people with dementia.

We would urge the Committees to consider not only how to meet the current shortfall faced by local authorities in funding social care for older people, but also what additional funding is needed to deliver better quality care and build a fairer care system, in line with the following principles.

Improving quality of residential care

Independent Age's research last year showed that there was a large degree of variation in the quality of residential care homes across the country. In some areas, such as the North East and Yorkshire, as many as half of all local residential care homes were rated 'Inadequate' or 'Requires Improvement' by the Care Quality Commission.⁶ This research showed that whilst some regions had a large number of local authorities with a high number of homes performing well, many major cities, as well as rural and coastal areas, have a large proportion of care homes failing to meet the level of quality that older people expect and deserve (Figure 1). Independent Age will shortly be releasing an updated analysis which can be made available to the committees.

Worryingly, there is no clear correlation between the cost of care paid for by individuals and local authorities, and the quality of that care. Furthermore, there appeared to be no consistent relationship between the level of economic deprivation in an area and the quality of care available to its residents. For example, Kensington and Chelsea ranked in the top five poorest performing local authorities for care quality, with 50.0% of residential care homes rated 'Inadequate' or 'Requires Improvement', despite being having one of the wealthiest councils in the country.

That said, the ability of local authorities to raise revenue through the precept, through council tax and with business rates clearly plays a role in ensuring that they are able to meet the demands for adult social care. In fact, of the twenty local authorities shown by Independent Age's analysis to have the highest proportion of care homes rated 'Inadequate' or 'Requires Improvement', one in four of these were also named in the DCLG list of the 20 local authorities with the highest proportion of neighbourhoods in the most

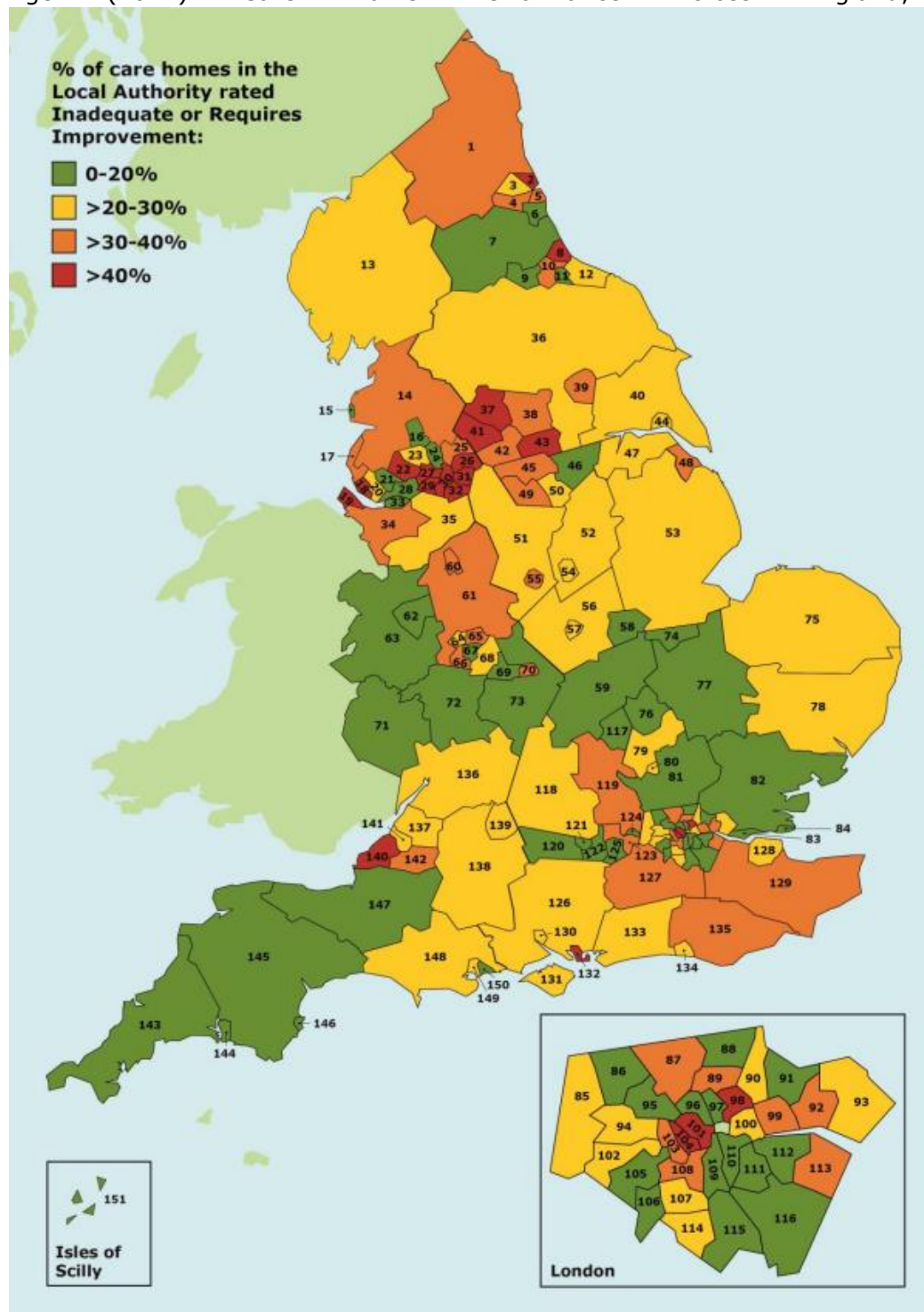
⁴ Age UK (February 2017); [Health and Care of Older People in England 2017](#)

⁵ Independent Age (January 2018); [Seven key tests for the green paper](#)

⁶ Independent Age (March 2017); [Care home performance across England](#)

deprived 10%.⁷ As an indicative measure, this demonstrates the disproportionate impact of limited revenue-raising ability on social care quality.

Figure 1: Variation of care home quality by local authority in January 2017. (Independent Age (2017) Care Home Performance Across England, pp. 3)



⁷ Department for Communities & Local Government (September 2015); [The English Indices of Multiple Deprivation](#)

Protecting individuals from catastrophic care costs

In December last year, the Government announced that it would not be implementing the cap on care costs legislated for in 2014 and due to have come in by 2020.⁸ Independent Age has been consistent in calling for older people to be protected from excessive costs incurred by paying for their care, whether through a well-designed cap or other means.

The average length of stay for those in residential care varies widely, but is in the range of 16 to 42 months. However, a significant number of people live far longer than this in residential care.⁹ 20% of users will live longer than 5 years, based on a woman aged 85 entering residential care. These individuals have the potential to incur 'catastrophic' care costs that are well beyond what anybody could reasonably be expected to plan for.

Whilst commitment to a cap on care costs was a central feature of many parties' General Election pledges, there remains uncertainty around whether one will be implemented, over what timeframe, what level it might be set at and what expenses it might include. New research done jointly by Independent Age and the Institute and Faculty of Actuaries set out some of the best options for the implementation of a care cap to protect as many older people as possible from catastrophic care costs.¹⁰

This research found that the £72,000 cap originally legislated for, but since dropped, would only be of limited value and would impact only 1 in 10 of those who currently pay for their own care, typically only affecting those staying in care for six years, twice as long as the average stay. This would protect fewer pensioner households and expose them to greater costs for longer, compared to the £35,000 cap proposed initially by the Commission on Funding of Care and Support.¹¹ (Figure 2)

A better alternative, and one which should be considered by the Government as part of the green paper process, would be an all-inclusive cap covering all costs and set at £100,000. This would see far more of those who currently pay for their care reaching the cap, on average after only three years and protecting 4 in 10 self-funders. There may be better ways to limit the exposure of older people to care costs than an all-inclusive cap, and these options should be considered as part of the green paper process.

A major question for both the Committees and for the Government is whether funding such a cap would be feasible, and what impact it would have on the wider care sector. The complexity of potential interactions between any imposed cap and other economic aspects of the care system makes an overall assessment of its impact on the Exchequer difficult. Regardless, a cap should be strongly considered as a potential mechanism to protect older people and their families as part of funding reforms.

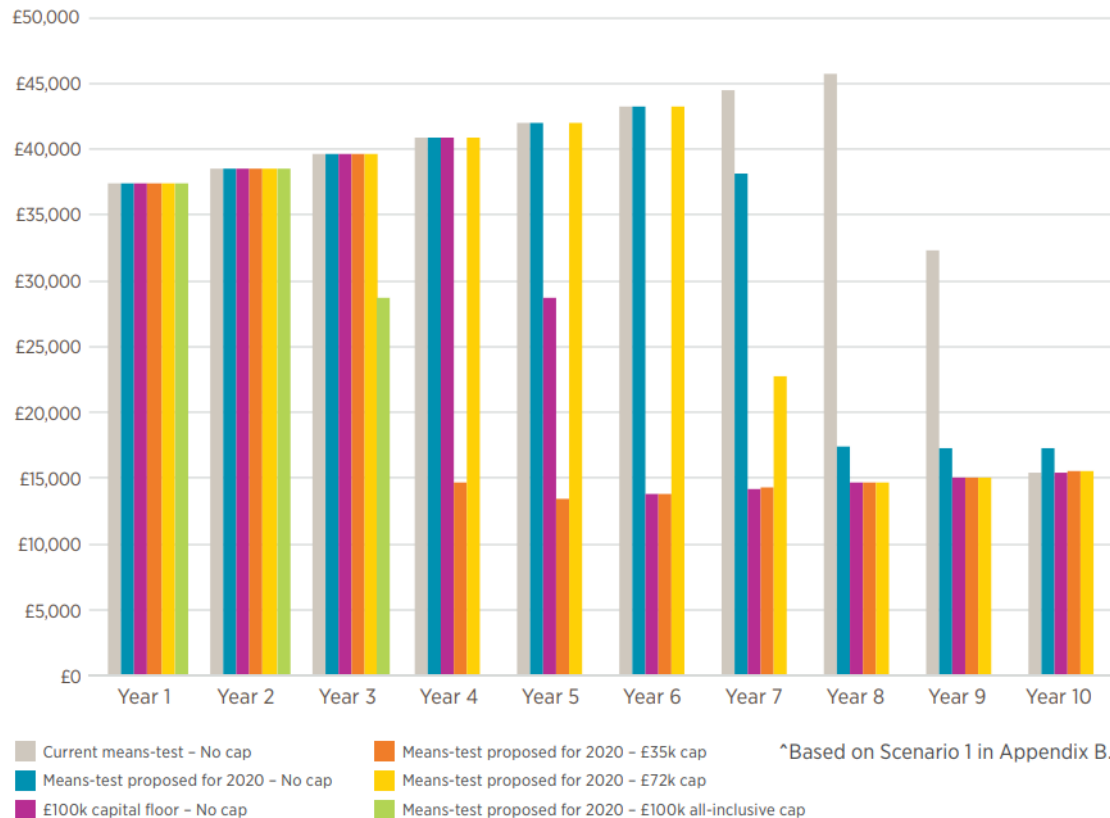
⁸ *Hansard* HC Deb vol. 632 col. 1235 ([7th December 2017](#))

⁹ LaingBuisson, *Care of older people: UK market report*, 28th edition (May 2017) p. xxi

¹⁰ Independent Age (November 2017); [Will the cap fit?](#)

¹¹ Ibid & The Commission on Funding of Care & Support (July 2011) [Fairer Care Funding](#)

Figure 2: Levels of care fees for varying care cap and means-test scenarios. (from Independent Age (November 2017) 'Will the cap fit?' pp. 23)



3. Ensuring fairer funding for service users: Top-up fees

Top-up fees are third party agreements, usually between the family of an older person in residential care and their care provider. Ordinarily, these allow families of an older person in receipt of local authority-funded care to pay for them to have an additional add-on not covered by their personal budget, such as a room with a view. An estimated 48,000 people are paying a third-party top-up.¹² However, Independent Age regularly hears from the families of older people who are experiencing issues with top-up fees, such as a lack of council involvement, little clarity around who should be paying and questions over value for money. In some cases, people do not know that they are paying a top-up and do not have a contractual agreement in place.

In 2015, Independent Age helped to persuade the Government to change the law around top-ups to ensure older people and their families have clarity around what they are paying. However, it is clear that many local authorities are still not meeting their obligations under the Care Act. Of 119 local authorities who responded to

¹² LaingBuisson (May 2017) 'Care of older people: UK market report'

requests under the Freedom of Information Act, 24 local authorities told us that they kept no information relating to third-party top ups, drawing their oversight of these agreements into question.¹³ A further 11 local authorities told us that they are not involved in all third party top-up agreements with state-funded care home residents, contrary to Care Act guidance. As a result, around 1 in 4 of the councils that responded to our study could not fully or routinely demonstrate that they were meeting all of their duties under the Care Act on the issue of top-up fees. Any decisions around long-term funding for adult social care must consider this issue.

4. **Finding funding: Sustainability & intergenerational fairness**

Whilst estimates for the funding gap in adult social care vary, there is a clear consensus in the sector that, as well as systemic reform, more money is needed to deliver better services to more older people. Independent Age has called on the Government to both meet the immediate funding shortfall currently facing local authorities, and to seek to deliver a funding model that can deliver good care in a fair and affordable way to a growing demographic.

In a recent report on the funding of adult social care, Independent Age and the IPPR analysed some of the options that have been suggested for redistributing existing spending on older people to improve social care provision.¹⁴ Some of the key options we looked at were revising the Triple Lock on the State Pension and means-testing Winter Fuel Payment (Figure 3.). However, both of these options were unlikely to raise enough capital to meet the funding gap in the short-term, and were likely to be regressive.

We have also considered ways to raise new revenues to pay for Adult Social Care, with some opportunities to do so analysed below:

- **National Insurance.** Our report analysed the potential gains associated with three different changes to National Insurance payments. First, we determined that a one per cent rise in the employee main rate would raise £7 billion annually by 2030/31. By contrast, a one per cent rise in the employer main rate would raise £9 billion annually by that year.

An alternative to increasing general taxation, which would increase the tax burden on working families to pay for the care of older people, is to extend National Insurance Contributions to people working above pensionable age. We estimated this would have raised at least £1 billion annually if enacted last year. Given the growing number of older people continuing to work past retirement, we would expect the potential revenue to increase proportionally.

Our analysis suggested that an increase in the employers' main rate was broadly progressive, meaning that the poorest families would lose an average of only £20 per annum, which the richest cohort would lose £1,220 annually. An increase in the employee main rate would, by contrast, be less progressive given that the richest, poorest and those on middle incomes would all pay the same proportion of their income.

¹³ Independent Age (November 2017) *'Caring about the Care Act: A freedom of information research briefing'*

¹⁴ Independent Age (November 2017) *'Saving Social Care: A fair funding settlement for the future'*

- **Inheritance Tax.** Increases in inheritance tax have been repeatedly suggested as long-term solutions for the funding of adult social care. Independent Age and the IPPR modelled a variant of an increase in inheritance tax first proposed by the Strategic Society Centre.¹⁵ We found that a 5% 'care duty' of the kind proposed by then-Health Secretary Andy Burnham in 2010 would raise £3 billion annually. A 13% duty would raise 7%, the modelling predicts. However, given that future generations of older people are unlikely to have amassed large asset bases from a ballooning in property values, a system predicated on older people selling their homes to pay for their care may only be a short-term solution.

Independent Age has avoided making a judgement as to which of the options for funding Adult Social Care should be pursued by the Government, but our analysis demonstrates the varying amounts that could be raised given these changes, and our focus groups highlight some of the public perceptions of these options (Figure 3). Our work suggests that there is significantly more to be gained by exploring new mechanisms for raising revenue than by seeking to recycle existing expenditure on older people, although utilising a combination of both would be entirely possible.

Figure 3: Summary of findings for funding options. (Adapted from Independent Age (November 2017) 'Saving Social Care' pp. 4)

	Sufficient?	Fair?	Potentially Achievable?
Means Test Winter Fuel Payment	Only raises a relatively small amount of money	People on low incomes pay higher shares than those on high incomes	Some political support if targetted at the wealthiest
Scrap Triple Lock	Could raise substantial amounts in the long-term, but only if wage growth remains limited	People on high incomes pay lower shares than those on low incomes	Some support, but fears it will hit vulnerable pensioners
Increase National Insurance Contributions	Raises substantial sums of money in both the long term and the short term	People on high incomes pay higher shares than those on low incomes	Support for NICs but concern it may hit low and middle income families
Increase Inheritance Tax	Raises substantial amounts of money in both the long term and the short term, assuming avoidance is limited.	People with higher wealth pay a higher share than those with low wealth	People are often instinctively opposed to a wealth tax. Would need substantial work to secure support for it.

¹⁵ Strategic Society Centre (March 2011) 'Charges, Taxes, Estates and Care: A comparative analysis'

5. What older people are telling us about care funding & assessments

Last year, Independent Age gave advice to people experiencing issues with their care almost 1,500 times via our national helpline. Some of the most common issues were around financial assessments for residential care, issues with deferred payments and problems with top-up fees for residential care. In January and February of this year alone, Independent Age has given advice on these issues on more than 500 occasions.

Iris' story

Iris, 79, was being cared for by her daughter before a fall led to a social worker recommending the need for nursing home care. It took more than a month for a care needs assessment to be carried out and Iris and her family were not provided with a record of this nor were they given any information about capital thresholds. Many months passed and Iris's savings were at £24,000. A financial assessment had still not been conducted to establish who was paying for the care and what her contribution would be. Importantly, a portion of Iris's savings was a war compensation payment and should have been excluded from any means-testing for her care.

A year later, the family's lawyer (who was now involved) asked for a copy of the care assessment, which they finally received. It was entirely hand written and largely inaccurate. By this stage Iris had run out of money and the care home was threatening her with eviction. Because it took so long for a financial assessment to be completed, Iris has spent her war compensation payment as well as all of her savings. Some of this money should have been disregarded from any local authority decision on what capital Iris had to pay for her care. Iris is facing considerable uncertainty and the prospect of eviction while these errors are being investigated

6. Key recommendations for the green paper and beyond

Ahead of the Government's green paper, Independent Age has set out the following key tests which it must meet if it is to be successful in delivering a social care system that enables people not just to survive, but to thrive. To do that, it must:

1. Set out an ambition for a social care system that is fairer, more transparent and more sustainable than our current system.
2. Be based on a thorough understanding of people's experiences of using and delivering the services today.
3. Go beyond narrow questions about social care funding and finance and tackle problems related to housing, regional variation and the social care market.
4. Demonstrate a clear aspiration to end poor quality and to create real choice for all users.
5. Identify the key questions to address, commit to the widest possible consultation and set out a clear plan for action.
6. Create an urgent plan for action, with reforms underway by the end of this parliament and a clear vision for future sustainability.
7. Be politically feasible but also command the support of all parties so whatever reforms are proposed they have a strong prospect of lasting for more than a single parliament.

Whilst the green paper does represent a genuine opportunity to improve Adult Social Care for the future, there continues to be an issue with funding at present. Independent Age has been calling on the Government to meet the existing funding gap to ensure that those who need care now can get the high-quality support that they expect and deserve.