



new dynamics of ageing
a cross-council research programme

MAP2030

Modelling Ageing Populations to 2030

**PUBLIC EXPENDITURE ON LONG-
TERM CARE FOR OLDER PEOPLE:
THE EFFECT OF CHANGES IN
LIFE EXPECTANCY**

16 June 2009

MAP2030 PROGRAMME

OBJECTIVES

To produce high quality analysis to inform public debate and development of future long-term care and pensions policy up to 2030 by:

- projecting the numbers, disability status, family circumstances, income, savings and care needs of older people
- assessing the affordability and distribution of costs and benefits of combined policy options for pensions and long-term care
- accounting for links between care needs and economic resources in later life

MAP2030 RESEARCH TEAMS

- Mike Murphy, Mariachiara di Chesare (LSE)
- Carol Jagger, James Lindesay, Ruth Matthews (Leicester)
- Emily Grundy & Sanna Read (LSHTM)
- Ruth Hancock & Marcello Morciano (UEA)
- Raphael Wittenberg, Adelina Comas-Herrera, Linda Pickard, Derek King, Juliette Malley & Megan Challis (PSSRU)
- Chris Curry, John Adams, Sean James (PPI)

Supporting partner

- Department for Work and Pensions

LONG-TERM CARE POLICY CONTEXT

- Concern over future affordability of long-term care and pensions
 - increasing numbers living to late old age
 - uncertainty over numbers who will need care
 - potentially rising expectations
- Debate about the appropriate balance between public and private funding

LONG-TERM CARE FINANCING SYSTEM

- Health care free of charge at point of use throughout UK
- Nursing care in nursing homes now also free throughout the UK
- Personal care free in Scotland but subject to user charges in rest of the UK
- Hotel costs in care homes and domestic help subject to charges throughout UK
- Disability (cash) benefits are not subject to means test, throughout the UK

Govt Green Paper on Care and Support expected to be published shortly

METHODOLOGY

Use of three linked models:

- PPI suite of models on pensions
- Caresim, UEA, model of resources of older people and charging for care
- PSSRU at LSE model of long-term care

Innovative combination of macro and microsimulation models

PSSRU MODEL

The PSSRU model aims to make projections of:

- Numbers of disabled older people
- Long-term care services and disability benefits
- Long-term care expenditure: public and private
- Social care workforce

CARESIM MODEL

- Uses micro data on older people's income and capital assets (Family Resources Survey)
- Simulates the means-tests for residential care and for home care
- Uncompleted lengths of stay assigned randomly and contribution to fees calculated for that point
- Calculates what each older person in the sample would pay for care *should they need it*
- Does NOT predict who or how many will need care

LINKING THE CARESIM AND PSSRU MODELS

- PSSRU model provides:
 - age/gender/marital status/housing tenure weights within type of care for each projection year up to 2032, to act as weights
- CARESIM model provides to PSSRU model
 - projected trend in % of care home residents and home care clients eligible for state support
 - projected average % of care home and home care fees met by state supported service users
 - Projected average % of user charges and private payments met using disability benefits

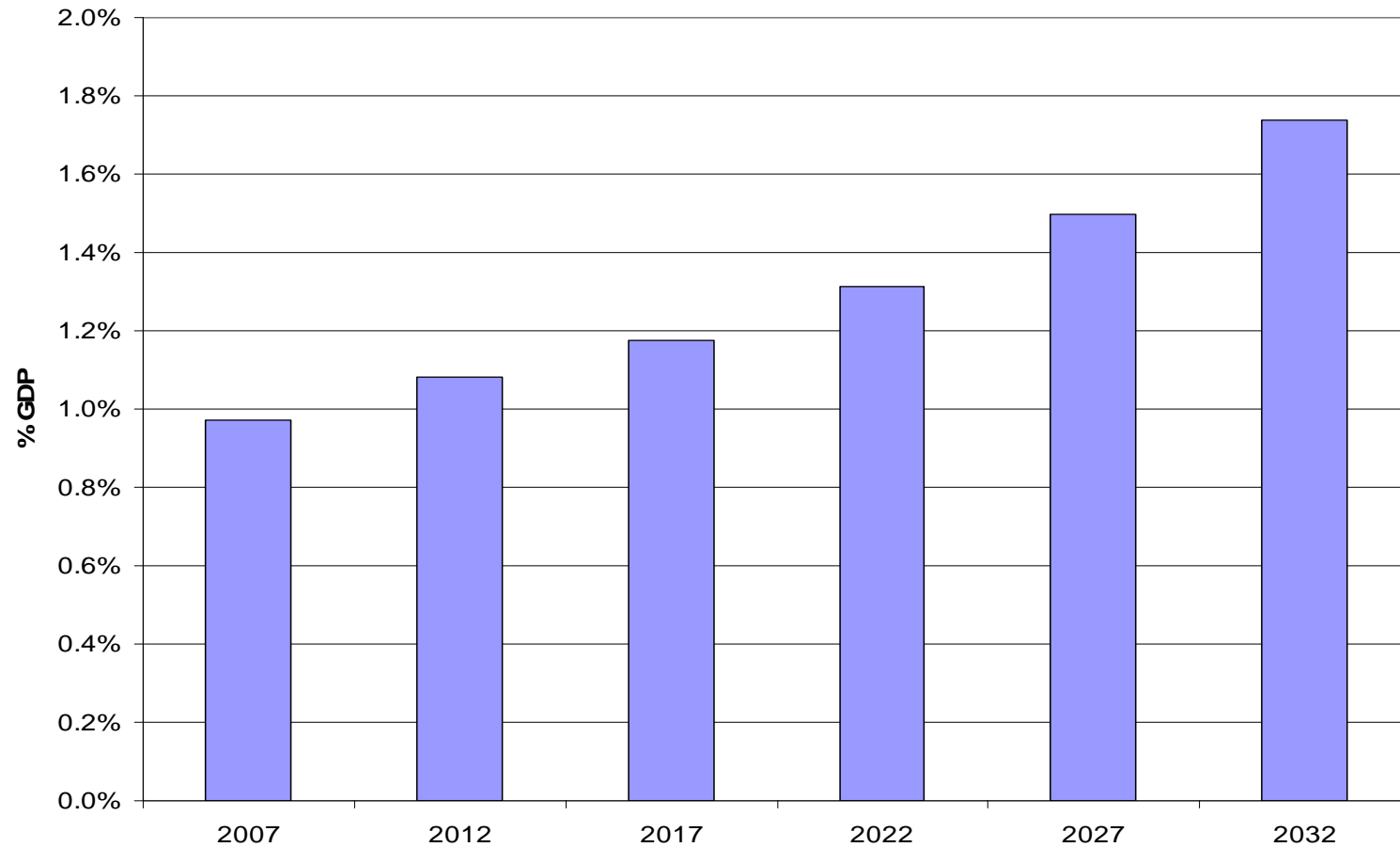
CENTRAL BASE CASE

- Official principal population projection, by age, gender and marital status
- Unchanged age-specific disability rates
- No change in patterns of formal and informal care
- Unit costs rise by 2% per year in real terms (but constant for non-staff, non-capital costs)
- No change in financing system from current system in England

BASE CASE EXPENDITURE

- Public expenditure on long-term care (including disability benefits used to fund care) is projected to rise from around £12bn in 2007 to over £25bn in 2027 and £32bn in 2032, at constant 2007 prices;
- Private expenditure on long-term care is projected to rise from around £7.3bn in 2007 to around £18bn in 2027 and £23bn in 2032, at constant 2007 prices.

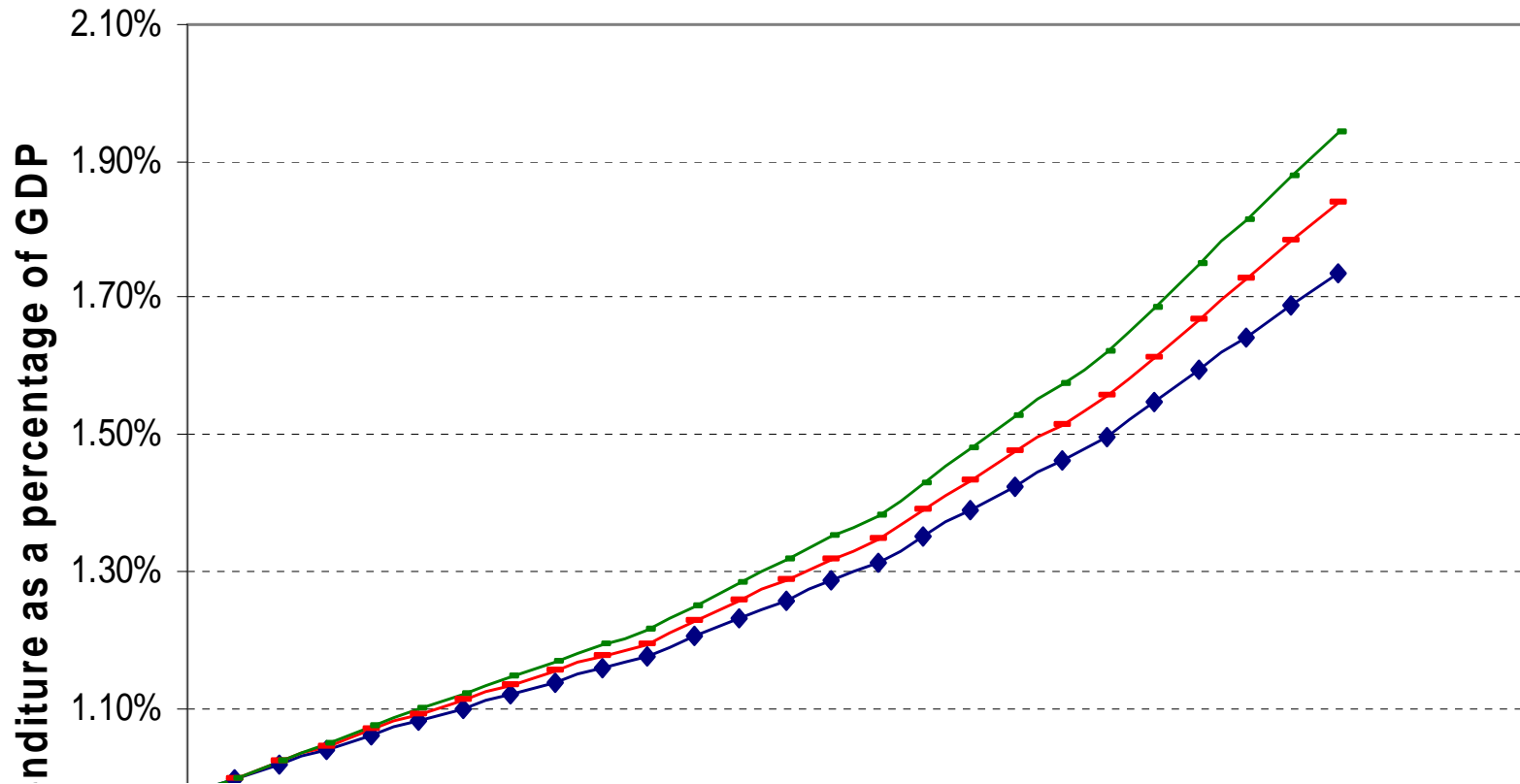
BASE CASE PROJECTIONS: PUBLIC EXPENDITURE AS % GDP



VARIANT POPULATION PROJECTIONS

- ONS official high life expectancy population projections show numbers of older people rising by $x\%$ between 2006 and 2032 as against 66% under the principal projection.
- Very high life expectancy population projections prepared by Mike Murphy show numbers of older people rising by $y\%$ between 2006 and 2032.

PROJECTED PUBLIC EXPENDITURE ON LONG-TERM CARE UNDER DIFFERENT LIFE EXPECTANCY VARIANTS, % GDP



REFORM OPTIONS

- 'Free' personal care
 - a non means-tested state contribution to care home fees of £248.70 ('fixed' care costs)
 - costs of assessed needs for personal care at home met by state
- Wanless partnership proposal
 - user pays 1/6 of personal care costs as co-payment; state pays remainder
 - user contributes to hotel costs as under current rules, first deducting 1/6 co-payment from income.

REFORM OPTIONS (cont)

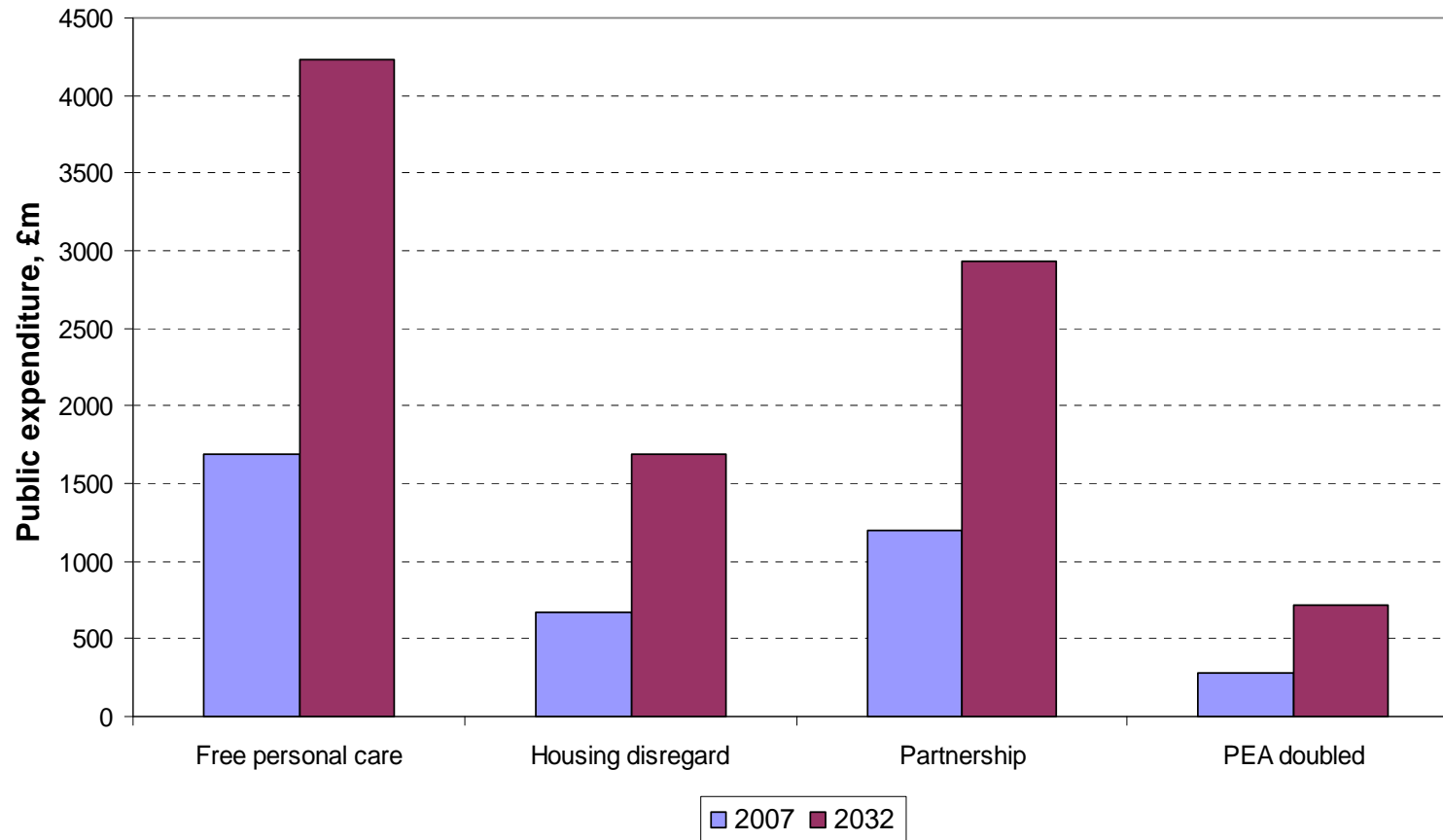
- Disregard of housing assets for care component of care home fees (with income used first towards hotel costs)
- Doubling of Personal Expenses Allowance
 - From £20.45 to £40.90 in April 2007 prices

PUBLIC EXPENDITURE COSTS OF DIFFERENT FUNDING REFORMS

The cost to public expenditure of the different funding arrangements, under the principal population projection would be:

- Free personal care, around £1.9bn in 2007 rising to some £3.7bn in 2027 and £4.9bn in 2032.
- Wanless partnership funding arrangement, around £1.4bn in 2007 rising to some £2.6bn in 2027
- Disregard housing assets in the means test for care in care homes around £900m in 2007 rising to £1,700m in 2027
- Doubling the personal expenses allowance around £225m in 2007 rising to some £425m in 2027.

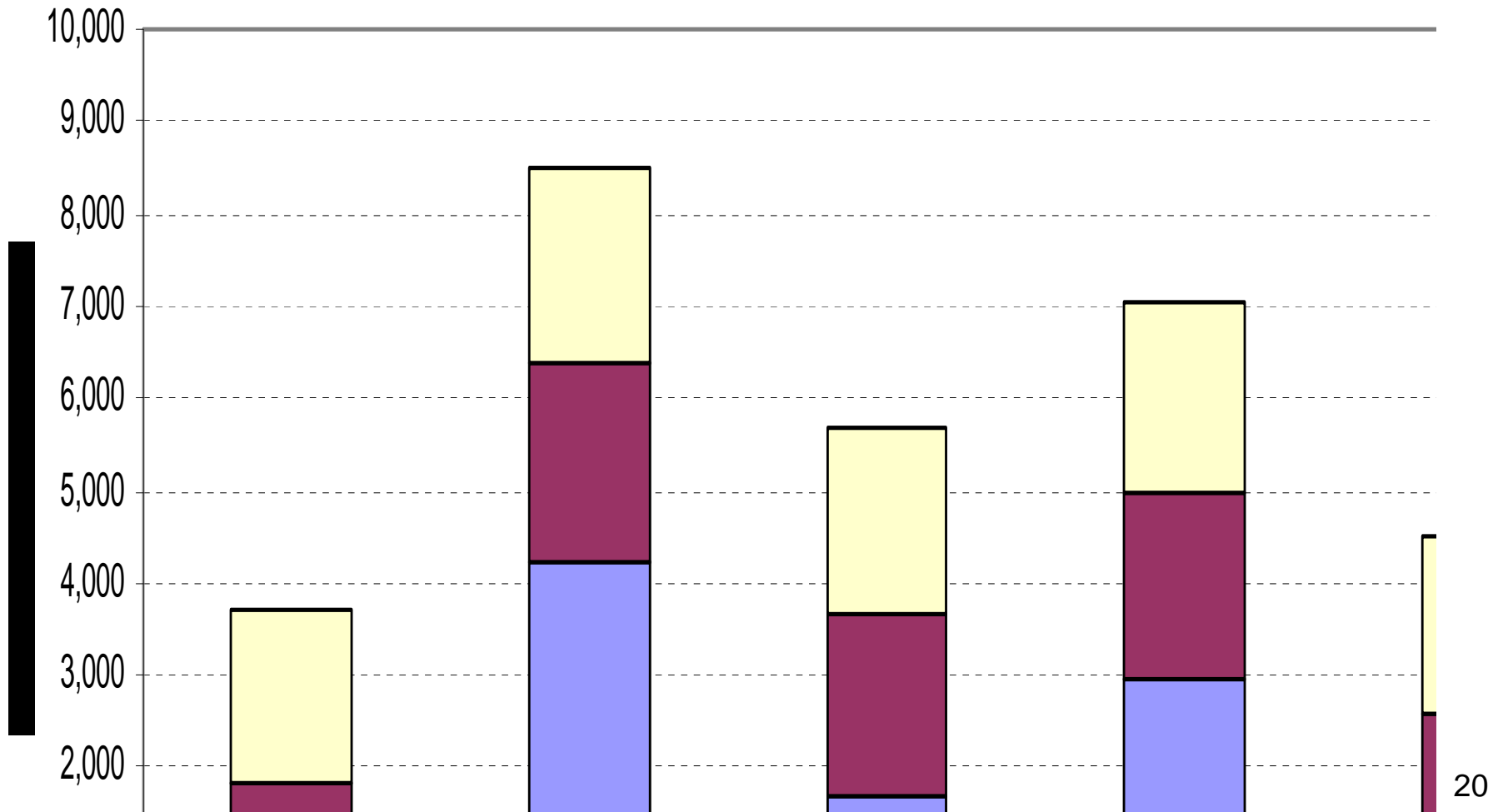
COSTS TO PUBLIC EXPENDITURE OF DIFFERENT FUNDING REFORMS 2007 AND 2032



CARE HOME FEES UNDER REFORM OPTIONS

- Self-funder fees are higher than LA-funded fees
- Shifts in balance of numbers self-funded to LA-funded residents over time leads to
 - Change in average provider income per person
 - Change in total provider income
- Alternative scenarios explored assuming that average provider income per person remains constant, but these are not discussed in this presentation.

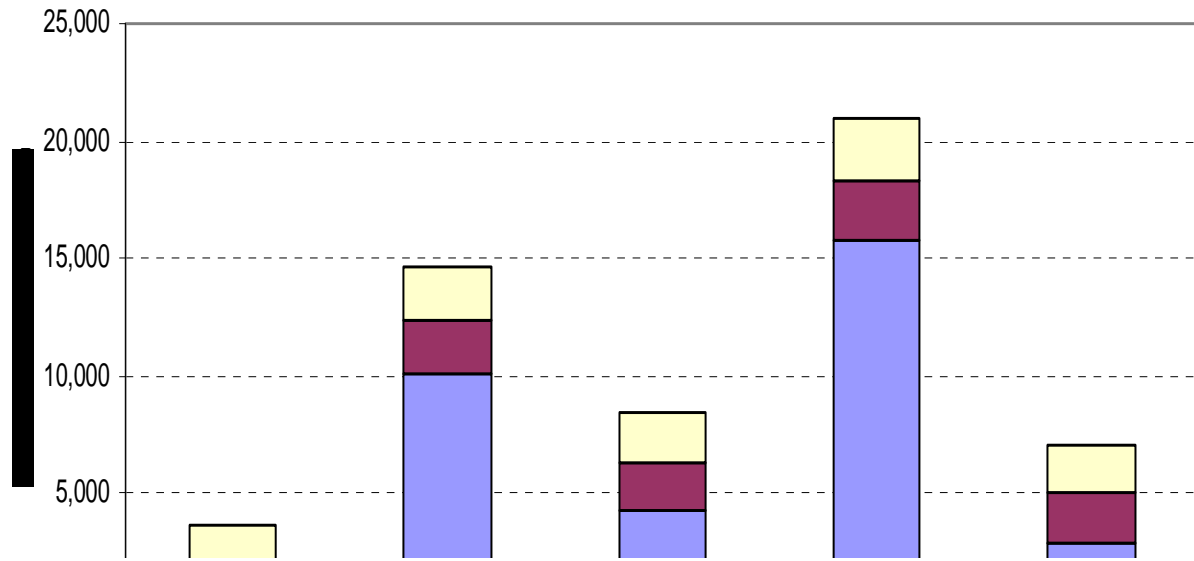
COSTS TO PUBLIC EXPENDITURE OF DIFFERENT FUNDING REFORMS UNDER DIFFERENT POPULATION PROJECTIONS



WANLESS PACKAGES OF CARE

- The Wanless Social Care Review recommended a substantial increase in community-based services and a reduction in residential care services.
- The public expenditure costs of implementing the Wanless patterns of care would be around £3.2bn in 2007 rising to around £8bn in 2027 and £10bn in 2032, under the current funding system and principal population projections.

COSTS TO PUBLIC EXPENDITURE OF DIFFERENT FUNDING REFORMS UNDER DIFFERENT POPULATION PROJECTIONS AND PACKAGES OF CARE, 2032



CONCLUSIONS

- Public expenditure on long-term care projected to rise from 0.95% of GDP in 2007 to in 2032:
 - 1.75% of GDP under the ONS principal population projection;
 - 1.85% under the ONS high life expectancy projection;
 - 1.95% under a very high life expectancy projection.

[to be expanded]