



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

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MAP2030 WORKPACKAGE 5: LONG-TERM CARE AND PENSIONS

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OVERVIEW OF PRESENTATION

- **POLICY BACKGROUND**
- **METHODOLOGY**
- **BASE CASE**
- **VARIANT POPULATION PROJECTIONS**
- **FUNDING REFORM OPTIONS**
- **WANLESS PACKAGES OF CARE**
- **CONCLUSIONS**

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

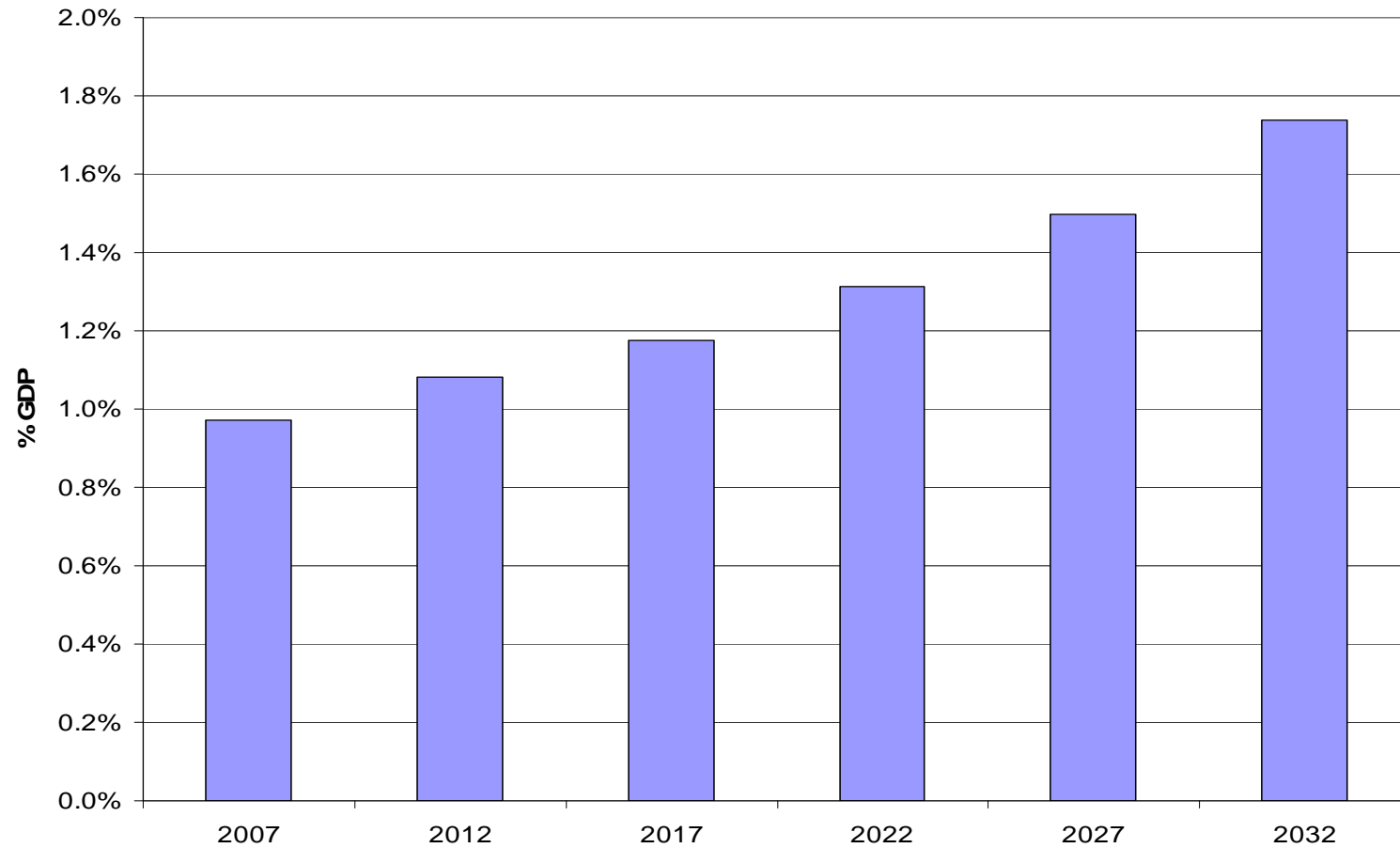
CENTRAL BASE CASE

- 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



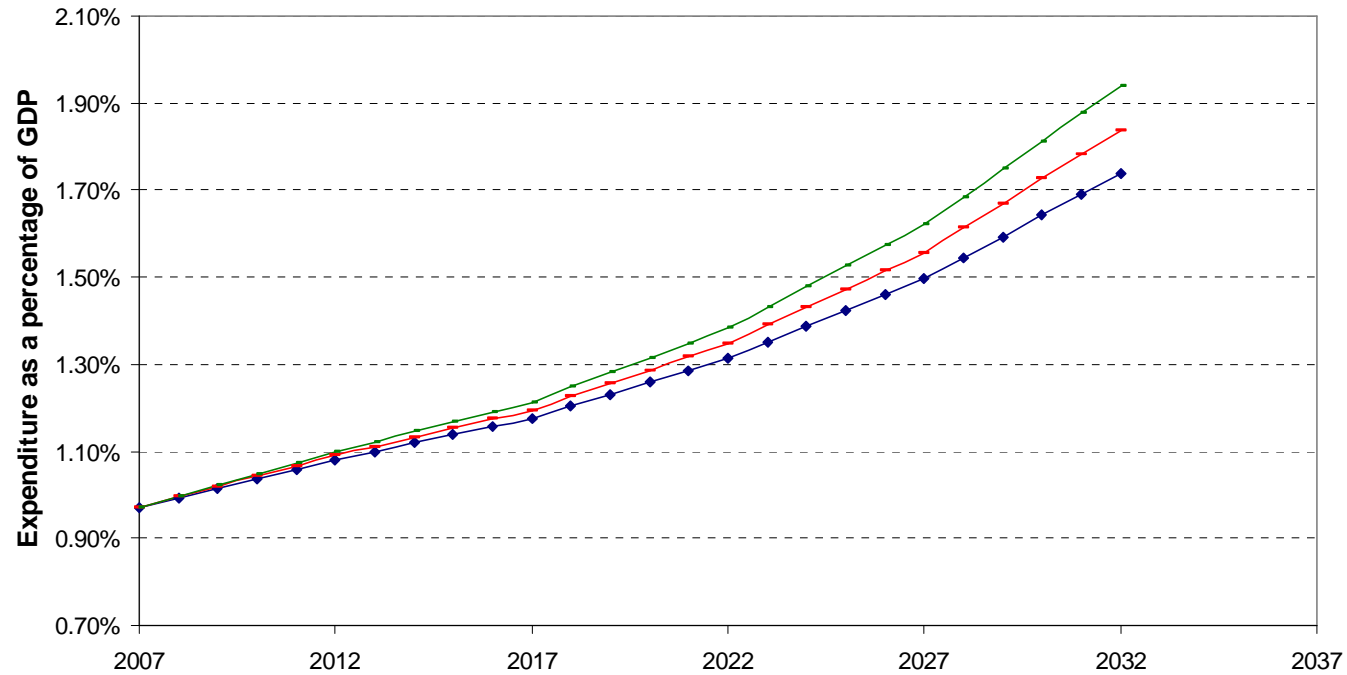
VARIANT POPULATION PROJECTIONS

- ONS official high life expectancy population projections (HLE) show numbers of older people rising by 71% between 2006 and 2032 as against 66% under the principal projection.
- Very high life expectancy population projections (VHLE) prepared by Mike Murphy show numbers of older people rising by 77% between 2006 and 2032.

IMPACT OF VARIANT POPULATION PROJECTIONS

	CLE	HLE	VHLE
POP 65+ % INCREASE 2006-2032	66%	71%	77%
POP 85+ % INCREASE 2006-2032	145%	168%	192%
DISABLED POP 65+ % INCREASE 2006-2032	78%	86%	95%
TOTAL EXPENDITURE 2032 £bn	£53bn	£56bn	£59bn
TOTAL EXPENDITURE 2032 %GDP	2.90%	3.05%	3.25%

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)

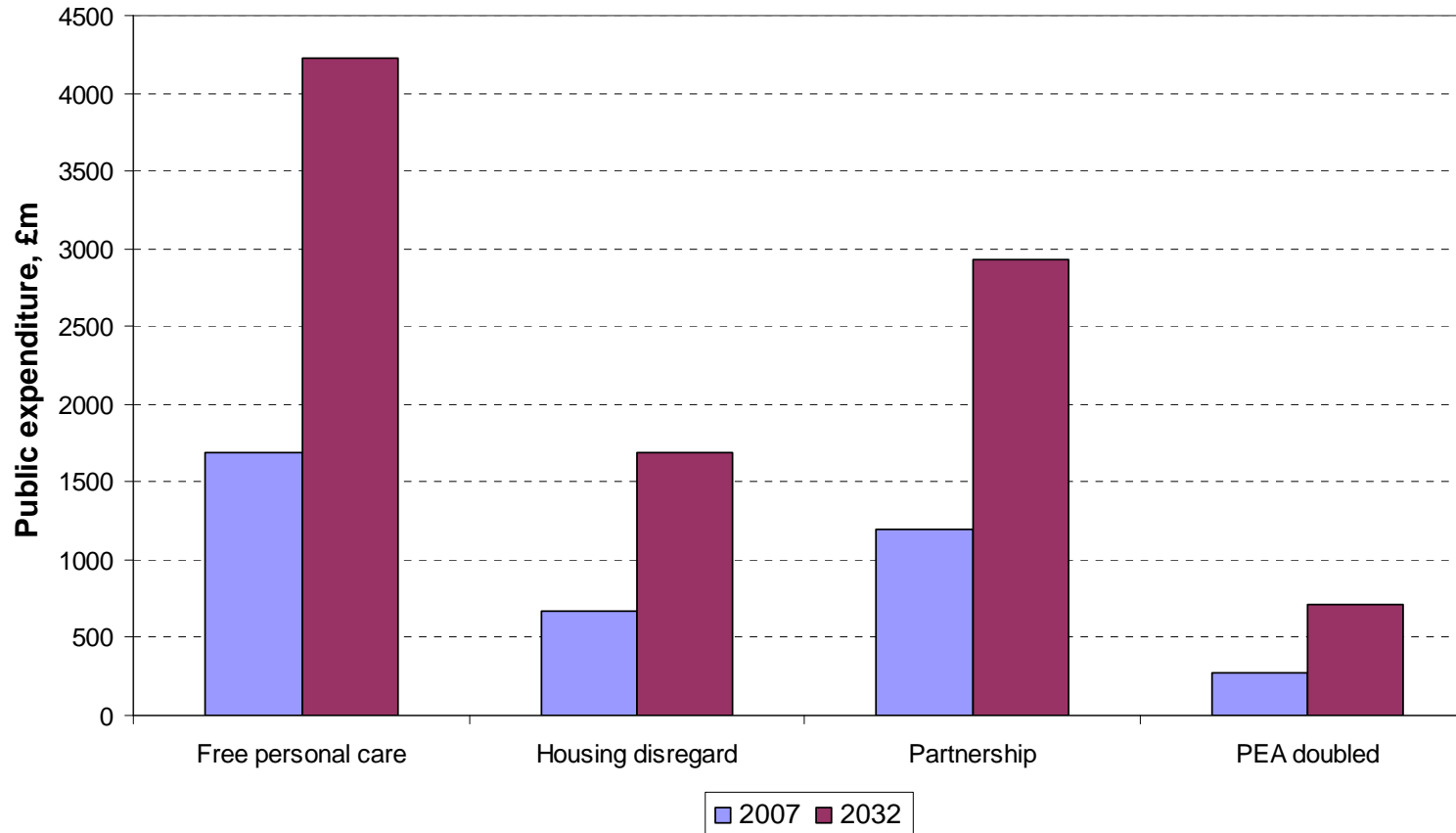
- Disregard of housing assets for care component of care home fees (with income used first towards hotel costs)
- Doubling of Personal Expenses Allowance
 - From £20.45 to £40.90 in April 2007 prices

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 £1.7bn in 2007 rising to some £4.2bn in 2032.
- Disregard housing assets in means test for care in care homes around £700m in 2007 rising to £1.7bn in 2032
- Wanless partnership funding arrangement, around £1.2bn in 2007 rising to some £2.9bn in 2032
- Doubling the personal expenses allowance around £275m in 2007 rising to some £725m in 2032.

COSTS TO PUBLIC EXPENDITURE OF DIFFERENT FUNDING REFORMS 2007 AND 2032



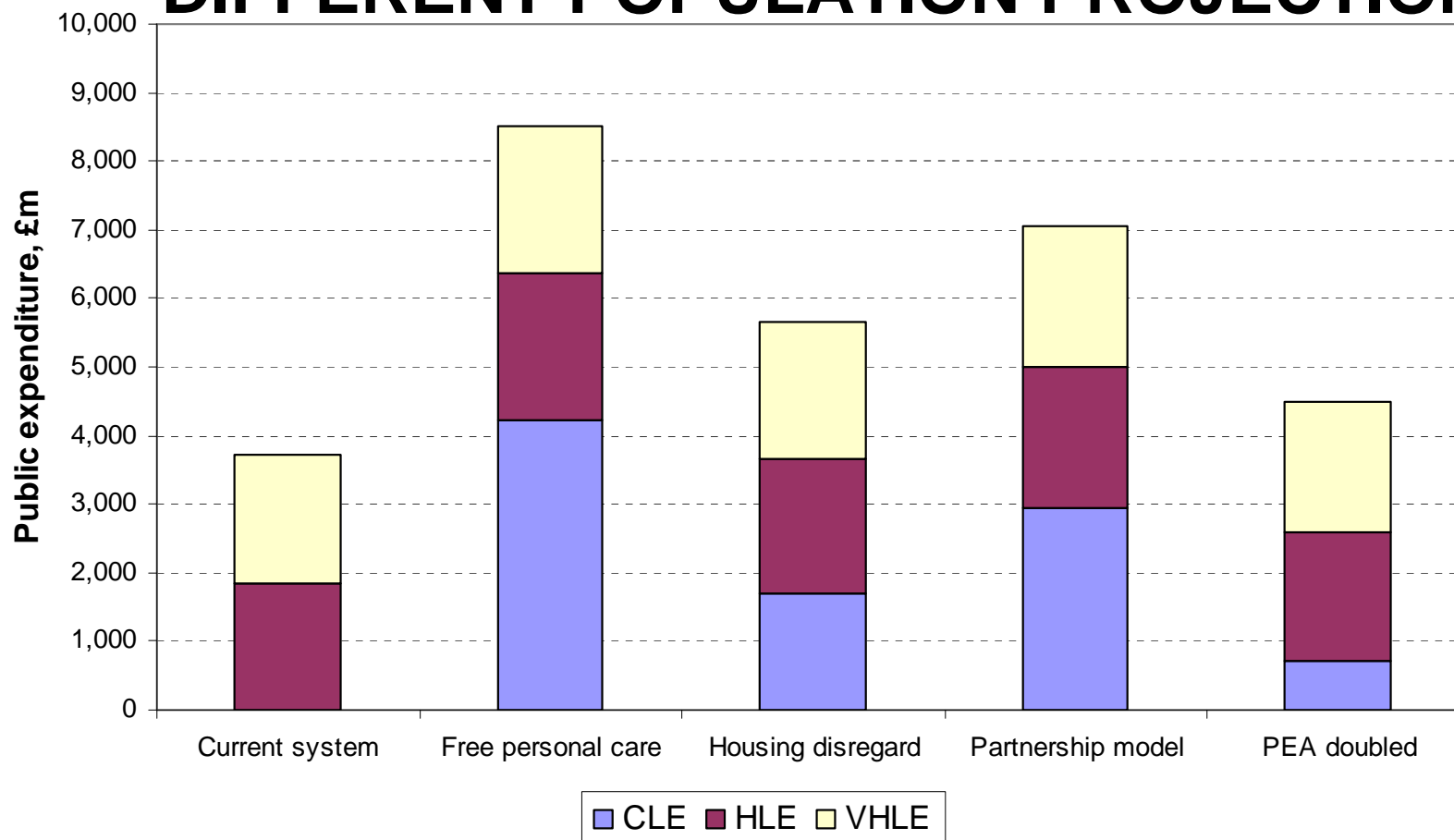
CARE HOME FEES UNDER REFORM OPTIONS

- 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 OF DIFFERENT FUNDING REFORMS UNDER DIFFERENT POPULATION PROJECTIONS

- While free personal care would cost £4.2bn in 2032 under CLE, it would cost £4.5bn under HLE or £4.8bn under VHLE, relative to projection for current funding system.
- The total cost above current system CLE for free personal care would be £6.4bn under HLE and £8.5bn under VHLE.

COSTS TO PUBLIC EXPENDITURE IN 2032 OF DIFFERENT FUNDING REFORMS UNDER DIFFERENT POPULATION PROJECTIONS



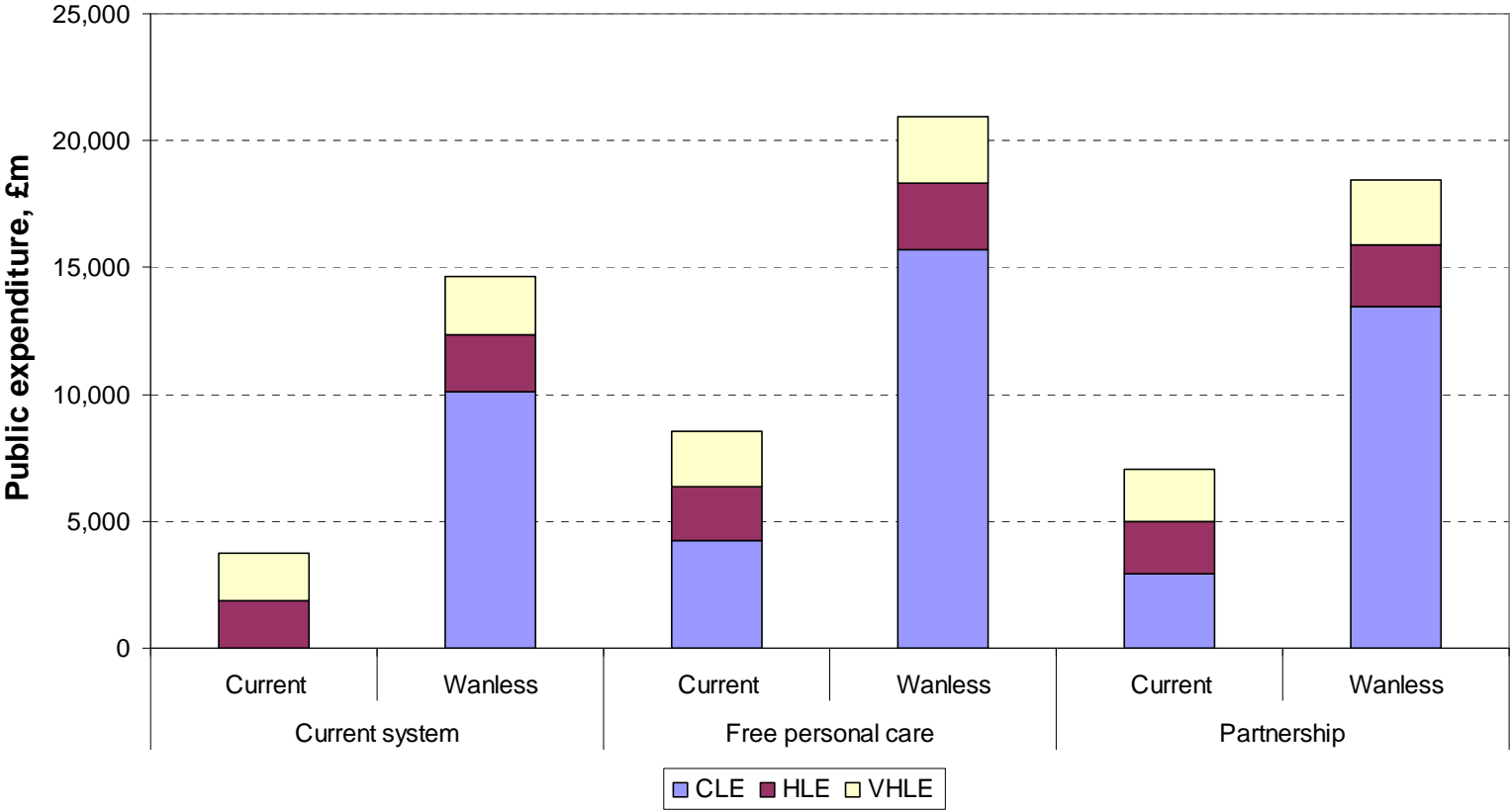
WANLESS PACKAGES OF CARE

- The Wanless Social Care Review recommended a substantial increase in community-based services (over 900,000 rather than 650,000 users) and a reduction in residential care services (250,000 rather than 340,000 users)
- 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.

WANLESS PACKAGES OF CARE

- The cost of Wanless packages of care and partnership funding system would be £13.4bn in 2032 under CLE rising to £18.4bn under VHLE.
- The cost of Wanless packages of care and free personal care would be £15.7bn in 2032 under CLE rising to £21.0bn under VHLE (above current system CLE).

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



CONCLUSIONS (1)

- 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.

CONCLUSIONS (2)

- The costs of reforms to the funding system would in 2032 be significantly higher under the high or very high life expectancy projections, eg for free personal care £6.4bn and £8.5bn as against £4.2bn.
- The costs of Wanless packages of care would in 2032 also be significantly higher under the high or very high life expectancy projections, £12.3bn and £14.6bn as against £10.1bn.