

# Research impact: making a difference

## Projecting and managing the costs of long-term social care

The Personal Social Services Research Unit created a unique set of computer models for assessing the future cost of long-term social care

### What was the problem?

The English social care system was designed in the 1940s, but changes in life expectancy and demographics now threaten its sustainability.

There are currently 2 million adults requiring social care and support, and it is estimated that by 2026 this figure will have risen by a further 1.7 million. Costs are expected to rise alongside public expectations of choice and availability of services.

Additionally, there are wide variations in the availability, standards and quantity of care offered by local authorities across England. Large numbers of people have been expected to make provision for themselves, and to these people the system has appeared to be unfair.

Uncertainty in the existing arrangements also makes it difficult for the private insurance market to operate, given that the Government's financial intentions as both purchaser and supplier have not been transparent.

### What did we do?

Since 2005 researchers in the Personal Social Services Research Unit (PSSRU) at LSE and Kent have worked on the development of computerised, analytic models of the health, social care and benefits systems in England. These models are based on assumptions about demographic patterns, prevalence of disability and availability of unpaid support and build on earlier PSSRU long-term finance models developed in the 1990s. They have produced the first-ever projections of future long-term care needs in England and enable analysis of a wider range of policy questions than was previously possible.

The methodology developed by PSSRU researchers has been adopted across the UK, Germany, Italy and Spain (2006) and a version was prepared for the European Commission (2008). The Unit also developed a model which explored the future cost of caring for young people with physical and learning disabilities (2008).

Additional PSSRU research analyses are examining key issues for the future of social care, including likely patterns of disability, availability of care workers and the role of private voluntary insurance. In addition, the model is being used to support the development of a new formula for the allocation of adult social care funding amongst English local authorities, and to analyse the cost of the social care funding reforms in England.

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In collaboration with the University of East Anglia, PSSRU presented an analysis of the effects of reform on the social care financing system to the All Party Parliamentary Group on Social Care (2013). The Unit is currently preparing projections up to 2065 for the Office for Budget Responsibility.

## What happened?

PSSRU's financial models informed the Labour Government's Green Paper on long-term care funding and the subsequent White Paper on care and support (2010). With its ability to incorporate individual need and wealth, the key model was uniquely able to provide analytical support to the Green and White Paper teams by exploring the implications of available data for funding arrangements, including:

- estimates of the impact of alternative funding systems on the number of individuals able to be supported by the care system
- services consumed
- cost to the state and to private individuals
- individuals' interactions with the care system as they age and, thus, the 'lifelong' consequences of different funding systems.

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Fernandez subsequently acted as a specialist adviser on the 2010 review of Long Term Care Funding conducted by House of Commons Health Select Committee.

A dynamic microsimulation version of the model was designed to follow individuals with care needs through time, so as to understand the lifetime implications of different funding models for people with different income, wealth and levels of dependency. A technical report prepared by PSSRU Principal Research Fellows Jose-Luis Fernandez and Julien Forder, called *Analysing the costs and benefits of social care funding arrangements in England* (2009), provided a summary of the model and of their analysis. The results of this model highlighted the significant risk of catastrophic financial social care costs for older people. These analyses supported the Independent Commission set up by the UK Government and chaired by Sir Andrew Dilnot, to find a fairer and more sustainable way to pay for social care. The Dilnot Commission's report stated that its main information resource was the PSSRU's modelling work, on which it relied 'very heavily' in framing the problem and analysing potential courses of action.

Dilnot's main recommendation, on the need to develop a state-funded insurance mechanism to protect individuals against the risk of 'catastrophic' social care costs, drew from the PSSRU

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estimate that the lifetime costs of approximately 10 per cent of 65 year olds would exceed £100,000. The Dilnot Commission also used PSSRU's models to assess the costs and benefits of a range of changes to the current means-tested system and of instituting financial capping.

The Department of Health accepted Dilnot's analysis and issued a policy statement announcing the implementation of a £72,000 cap on private costs from April 2017. This has the potential to improve the lives of millions of older people.

The PSSRU model has since been used to develop a formula for the Department of Health for the distribution of social care funds to local authorities in England and, potentially, to achieve a more sustainable and fairer system of caring for dependent people.

PSSRU has produced a World Health Organisation briefing on funding options, which also informed a European Union Ministerial Conference on the Financial Sustainability of Health Systems (2009). This briefing paper examined the state's key role in social care funding and reviewed the range of options adopted by different countries, including their associated costs and outcomes.

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