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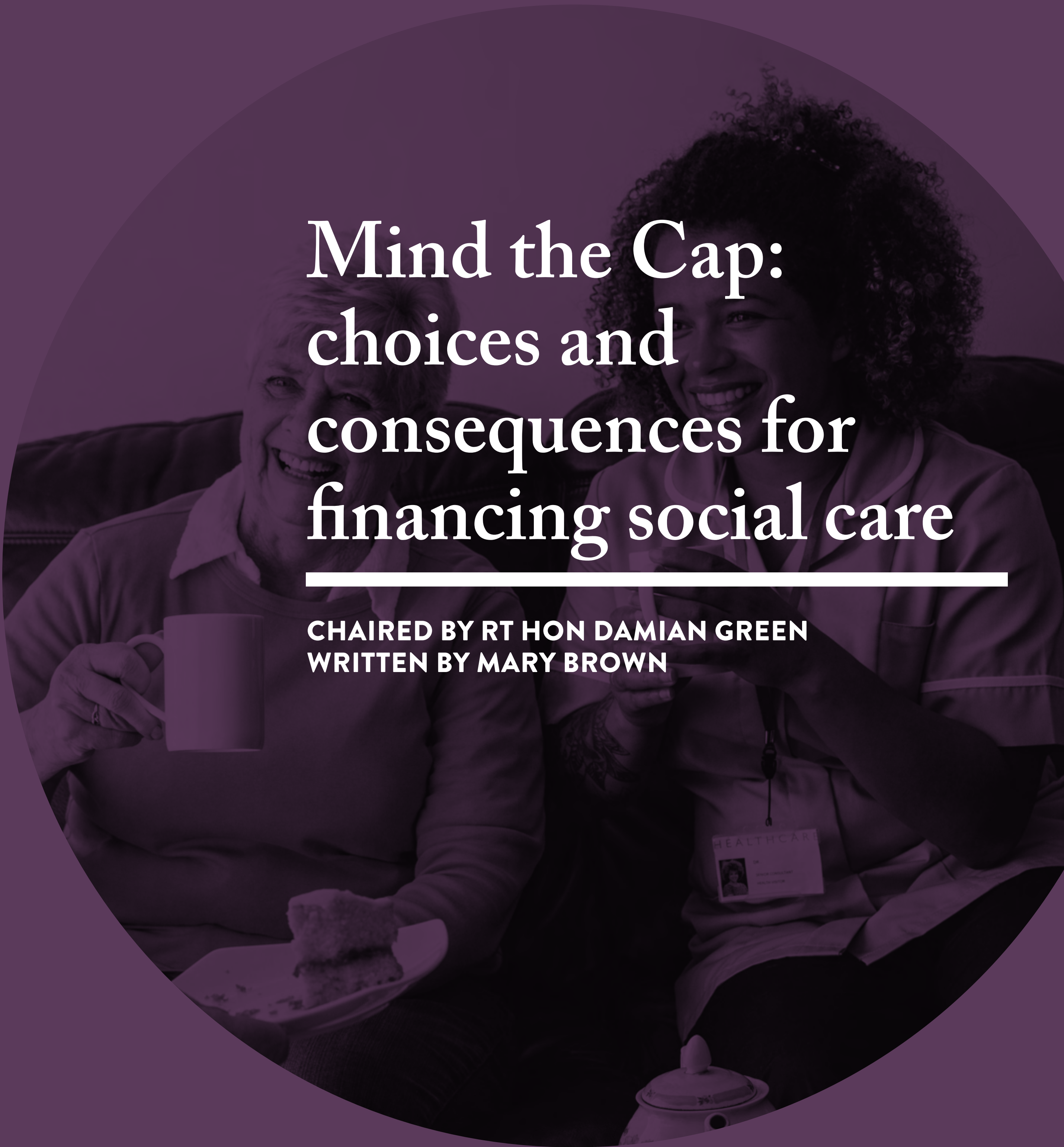
INSIGHTS



Mind the Cap: choices and consequences for financing social care

CHAIRED BY RT HON DAMIAN GREEN
WRITTEN BY MARY BROWN

Acknowledgements

ABOUT PUBLIC POLICY PROJECTS

Public Policy Projects (PPP) is a global policy institute offering practical analysis and development across a range of sectors, including health and social care. The institute is independent and cross-party, and brings together public and private sector leaders, investors, policymakers and commentators with a common interest in the future of public policy. Public Policy Projects publishes annual reports in a series of policy areas, including integrated care, social care, genomics, rare diseases, women's health, antimicrobial resistance (AMR), health inequalities, diagnostics, economics, environment and energy, connectivity and 5G wireless technology, rail infrastructure and planning. All these programmes, and their corresponding events, publications and conferences, receive contributions from sector leaders from around the world.

Acknowledgements

ABOUT PPP'S SOCIAL CARE POLICY NETWORK

Chaired by former deputy prime minister Rt Hon Damian Green, PPP's Social Care Policy Network is comprised of over 20 senior thought leaders within the social care sector. Given that social care reform is a key policy issue in 2022, PPP has brought together these experts to discuss four key issues within the sector: integration, finance, workforce and digitsation. Within the network is a lived experience panel, whose members consist of individuals who are experts through experiencing the current social care system on the ground. The Network aims to inform the social policy debate, from within industry, the public sector, academia and charity.

Foreword

FOREWORD FROM BY HON DAMIAN GREEN

Social Care and how to fund it has been an increasingly difficult problem which Governments have ducked for more than 25 years. The current administration deserves credit for addressing it head on, giving this vital sector some hope that it can look forward to a more sustainable future, despite the increasing pressures from demographics and a rising number of working-age adults needing care. Unfortunately, the current proposals, though a step in the right direction, do not go far enough to fund the system adequately or protect some individuals from devastatingly high fees on their essential care.

This report from Public Policy Projects (PPP) is therefore valuable and timely, as the recommendations in it offer practical steps to take to ensure the proper funding of social care, ahead of the Chancellor's Spring Statement.

Every year the stakes for social care get higher. The combination of a rapidly ageing population and the rising cost of living means that the Government must have a strategy for adequate and efficient funding. A civilised society must look after its most vulnerable members.
The report explains not only how we need a combination of public and private contributions to sustain the care system but also addresses the problems of regional unfairness and the complexity and inaccessibility of the current system.

Funding is only one part of the overall solution. But other issues can only be addressed successfully if there is enough money to sustain a decent level of care. This therefore is the first necessary step to ensuring that the right level of care can be given to those who need it.

Recommendations

Funding raised by the increase in National Insurance for the Health and Social Care Levy is nowhere near enough to create a stable and effective social care system. Financial support for social care should increase significantly and be part of a long-term funding solution to allow providers to plan effectively. This solution should maintain a duality of state provision and private funding schemes specifically for social care.

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Social care should not be funded at the local level, as this serves to increase regional inequality. The social care precept on council tax should be removed, so that the social care system is funded from national rather than local taxation, as well as individual contributions through an insurance system.

There should be serious moves to change public perceptions of the sector, including campaigns to make the system accessible and user-friendly.

Introduction

The UK is facing a crisis in social care. This is due to several cultural, economic and demographic shifts which have characterised the past century. Firstly, the UK has a rapidly ageing population due to the birth-rate falling dramatically since the 1960s, which means that at present, we have a high dependent population and a lower working age population to support this. Secondly, cultural changes in family life mean that women are more likely to pursue careers and interests beyond caring responsibilities. It is no longer expected that daughters should devote themselves to providing care to parents in later life, and therefore there are higher numbers of elderly dependents in need of social care. Finally, the rising cost of living and skyrocketing energy prices means that social care is more expensive than ever.

For many years, the social care system in the UK has been underfunded and overstretched. This has resulted in a poorly functioning and expensive system for users. Successive governments have tried and failed to improve the system. The Dilnot Commission was set up in 2010 by the coalition government for the purpose of making recommendations to change funding care in England, and its findings were published on 4 July 2011.[1] However, the coalition government (May 2010 – May 2015) chose to delay proposals to implement the Dilnot Report, while Theresa May (July 2016 - July 2019) lost the government's majority following a manifesto commitment to reform social care. Now, for the first time in a decade, clear proposals are emerging from the government with a majority to enact their will. In September, in his party conference speech in Manchester, Boris Johnson declared that "In 1948, this country created the National Health Service but kept social care local. And though that made sense, in many ways generations of older people have found themselves lost in the gap". The Prime Minister has pledged to "fix the crisis in social care once and for all" and in November 2021 parliament agreed to increase national insurance contributions by 1.25 per cent in order to establish a new 'Health and Social Care Levy'.

The government also set out its intention to cap care costs at £86,000: the detail of how this would operate, the taper rate, and the funding of domiciliary care as well as the residential care cap rate for local authorities, remains open for final agreement. The social care white paper published in December lays out how money coming into the system will be spent to maximise its benefits and "transform the adult social care system in England", involving new investments in housing and home adaptations, technology and digitisation, workforce training and wellbeing support, support for unpaid carers and improved information and advice, innovation and improvement. It is of the utmost importance that the UK government is held to account to deliver their promises regarding social care. Over the past month, PPP has brought together 25 senior stakeholders within the sector, alongside a number of experts by experience to discuss how to create a long-term sustainable solution to delivering social care.

Chapter One

INSUFFICIENT FUNDING OVERALL

While the money proposed has been welcomed by the sector, it has been broadly agreed that it will not even begin to address the depth of issues within the social care system. Firstly, while the Levy will raise £36 billion in three years, only a small proportion of this, £5.4 billion, will go to social care in England.[2] An overwhelming majority of the money generated from the Levy will go to the NHS, for the purpose of addressing the backlogs of appointments which built up during the pandemic. This injection of funds into the NHS is of course necessary but given the joint budget it serves to keep the social care system struggling. As one participant said "the social care system is the Cinderella to the NHS, the younger sister surviving off scraps". The £5.4 billion (£1.8 billion a year) falls far short of the additional £6.1 billion a year needed by the social care system to meet the expected growth in demand over the next 10 years, as estimated by The Health Foundation.[3] Although more funding is planned to be channelled into social care after the initial National Insurance rise, one participant in our roundtable noted that "it would take a brave government to take it away from the NHS in two- or three-years' time and reallocate it to social care". The idea that social care is now "being fixed", as suggested by the Prime Minister, is a dangerous sentiment as, fundamentally, the levy is not enough to address critical issues across the sector.

As it stands, there are insufficient funds for an efficient, sustainable and functional social care system. Low funding not only means a lack of beds in the system, but a lower quality of care for all. Increased finance will result in a better

quality of life for people in receipt of care and fair wages for carers. Improved social care also results in reduced pressure on the NHS given that when dependent populations receive proper support, they are less likely to have accidents in their homes and more likely to be healthier overall.

Many of the issues in the social care system are interconnected and caused or exacerbated by the low level of funding available to social care providers. A recent report by the Kings Fund identified eight key problems in adult social care:[4]

- The means testing system in social care is unlike the NHS. While people receive healthcare free at the point of use, individuals are expected to make large personal contributions to their social care

- The catastrophic costs involved in social care, which meant that many people with significant support needs will end up paying large sums of money, and be forced to sell their home to pay for these costs

- There is a high level of unmet need, as people are excluded from public support because their condition is not considered serious enough for them to be entitled to publicly funded support.

- A low quality of care

- Poor workforce pay and conditions, which result in underpaid and overworked staff

- The market fragility caused by social care being commissioned by local authorities but delivered by mainly private companies. Care providers are going out of business when local authorities try to limit how much they pay for services, and providers are hit with increasing costs.

- Disjointed care, which can have a negative effect on the users' experience, lead to poorer outcomes and create inefficiency within the health and care system

- The postcode lottery of social care caused by local taxation and local decision making about budgets and services

Many issues in the social care sector are interconnected, as a member of the PPP social care network noted: "one of the things that fascinates me is the eight problems and how interlinked they are, and how, if you solve the fragility issue, you probably solve the capacity issue. And if you solve the capacity issue, then that handover from the health service gets easier. Here, you can see that broadly, there needs to be more money in the system. And if you spend it in the right places, then actually some of these problems will melt away naturally in a way that almost gives one some hope in a sector that often looks hopeless".

Tangible improvement in the social care system, local authorities and care providers simply must be adequately funded. Yet there has been, at present, no acknowledgement of the wider costs that the social care system will face as demographic demand increases. Neither have government plans adequately reflected the increased cost burden that will arise from recent inflationary rises.

PPP Social Care Policy Network recommends that this higher funding must come from both wider forms of taxation and private payment. Firstly, the government needs to widen the scope of the Health and Social Care levy. At present, it creates the unwelcome precedent that those working, regardless of their wealth, should bear the highest burden of paying for social care. Instead, other forms of income and wealth to which national insurance does not apply should also be considered for a social care levy, in order to ensure that this taxation mechanism is fair and balanced on the broadest shoulders in society.

It should be ensured that a fair proportion of taxation revenue is directed towards social care. At present, combined health and social care funds are directed disproportionately to frontline NHS services. However, it is imperative that funding is funnelled into the social care system as a priority, rather than as an afterthought, given that social care needs can impact an individual's life equivalently to health issues. The proper provision of social care will only serve to reduce pressure on the NHS, as healthier and better supported individuals are less likely to need to access NHS services.

Secondly, the government needs to focus its attention on how best to stimulate a wider insurance-based approach to care, that will incentivise individuals to insure against the costs of their future care, with individuals encouraged to participate in voluntary insurance schemes to cover costs up to the cap. The public must be informed as to why it is a good idea and encouraged to take out insurance for peace of mind in older age, in a similar manner to the social messaging which surrounds pensions.

As it stands there is little incentive for people to make provision for themselves privately as there is currently no insurance market for social care. The government will need to bear the cost of the most expensive cases (which are very rare) for the market to develop. Individuals have also been reluctant to take out insurance because of the natural human instinct to avoid thinking about yourself as older and in need of care. A new system will need widespread backing from both the state and the insurance industry to give it public credibility. This will be essential as some people will not be seeing any benefit from their insurance contributions for many decades. In order to establish confidence in the system, the state should seek to match private contributions with a social care bonus, in a similar manner to the operation of a match funded pension scheme. The priority for the future financing of social care must be to establish new financial incentives and mechanisms that will both pay for the future demands on the social care sector, and at the same time change behaviour patterns that currently see individuals not having saved enough to cover the costs of their future care needs.

There would also be the opportunity to explore greater flexibility around the Health and Social Care Levy. Rather than this simply being a tax, of which the NHS rather than the care sector seems to be the greatest beneficiary, one option would be for a proportion of this levy to be directed into an individual's social care insurance scheme, incentivising workers to establish social care schemes in a similar manner to the adoption of work-based pensions.

Already the establishment of the levy has highlighted the necessity of individual contributions for the future sustainability of social care. However, contributions for social care might also be made by employers, as is the case with work-based pensions.

Ultimately, the debate between the private and public funding of social care is a contentious issue. What is essential is that there is a substantial increase in social care funding, given the years of underfunding which has driven the system to crisis point. For this to happen, at present the only feasible option is an increase in both state funding and private contributions to the system. Private contributions not only provide the insurance of social care for those with means, but serve to subsidise the costs of those dependent on government provision. Furthermore, while social care services continue to be provided by private companies, private provision serves to keep the social care market afloat. Therefore, at present dual funding is the most appropriate option.

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social care should increase significantly and be part of a long-term funding solution to allow providers to plan effectively. This solution should maintain a duality of state provision and private funding schemes specifically for social care.

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Chapter Two

A SYSTEM UNAFFORDABLE FOR MANY

A second problem identified by the Social Care Policy Network is that even with some level of state provision, social care is unaffordable for many. The cap being introduced by the government is a positive step in the right direction. It acts as a form of social insurance, which pools the risk of having to pay astronomically high social care fees. The cap will serve to take away fear from individuals that they will have to pay upwards of £86,000 for care. Taking away that risk gives the UK a chance of having a social care market which will work not just for the individual, but for providers of care as well.

However, the cap does not cover everyone. Even with the cap, it remains inevitable that some people will spend their life savings on social care. Overall, the cap will successfully protect middle-high income households but will make no difference to people whose assets are less than £200,000. At the time of writing, of the 7,419 properties for sale in the North-East of England on Rightmove (the UK's largest online real estate portal), 4,770 properties are below £200,000 This means that approximately 64 per cent of households in the North-East are not covered by the cap.[5] This is significant, given that those living in relative poverty are more likely to be in receipt of social care in later life due to the social determinants of health. According to the WHO, the social determinants of health are the non-medical factors that influence health outcomes, and are the conditions in which people are born, grow, work and age, and the wider set of forces and systems shaping the conditions of daily life.[6] This means that individuals with poorer living conditions are more likely to have poor health, and require social care at some point in their lives. Therefore, government solutions to fund social care should particularly concern those least able to afford it.

Recommendation: The cap should be based on a proportion of an individual's assets, not on a simple number applied to all parts of the country, whatever the average level of house prices in each region. The Government should choose what percentage of an individual's assets can be taken for social care costs, up to an absolute limit.

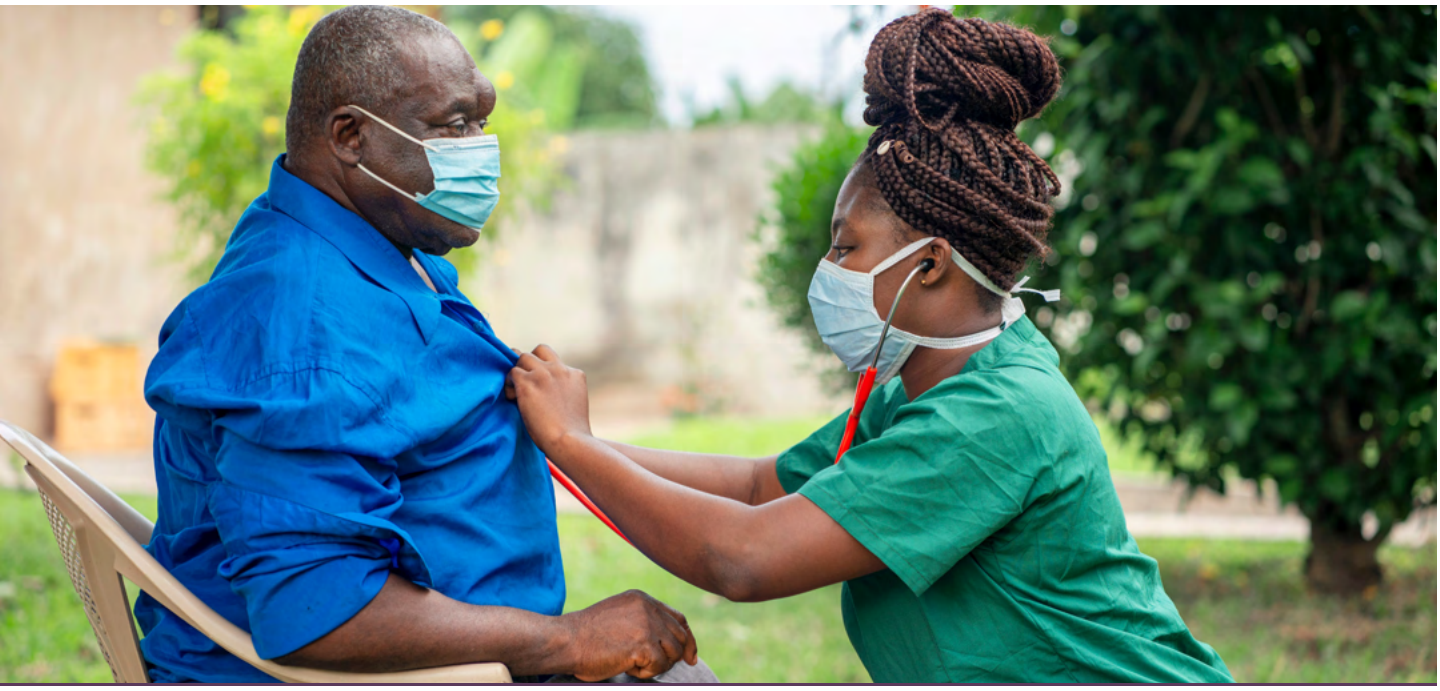
Chapter Three

THE POSTCODE LOTTERY

The quality of social care received by British people is subject to a “postcode lottery”. This is due to the fact that social care is funded locally, through council tax. This arrangement means that in areas where a high proportion of people can comfortably afford to finance their own social care, there is a higher budget available in the local system. Similarly, in areas of low income where people are less likely to be able to cover the costs of care, care homes are less generously funded. Additionally, in areas with an older demographic, there is a higher proportion of people in care, and a lower proportion of working age adults to fund the care required. It is the richest areas which generate the most in taxes which have the lowest social care needs. This means that there is vast regional inequality in the standards of care.

In addition to this, participants of the roundtable discussions emphasized that relying on a state solution for funding social care may be unfair to younger generations. If social care is funded in part through taxation, then we have a population of individuals paying for the care of a disproportionally large dependent population. This means that those contributing to the system are not the direct beneficiaries of it, which is unlike the NHS, where those contributing through tax can benefit from the healthcare system at any point. The nature of social care is that those in receipt of care are dependent, and therefore will generally not be able to fund their own care unless through savings, so, this situation is difficult to avoid if we are to fund it through the state (which is necessary to at least some level). However as mentioned earlier, it is imperative that a sustainable and reliable social care system is created and consolidated, so that taxation for the young working generation is fair and they can be guaranteed the same support in their older age.

Recommendation: Social care should not be funded at the local level, as this serves to increase regional inequality. The social care precept on council tax should be removed, so that the social care system is funded from national rather than local taxation, as well as individual contributions through an insurance system.



Chapter Four

AN INACCESSIBLE SYSTEM

It was emphasised throughout each roundtable that there is not a proper public understanding of how the social care system works, and what it takes to run social care. Participants felt that the social care system is complex, difficult to understand, and inaccessible for many. As it stands, the complexity and opacity of the system makes engagement with care and funding a challenge. As mentioned, uncertainty about the operating and funding of the social care system does not encourage current non-users to want to make sustainable contributions to cover the cost of their care in the future, either publicly or privately.

The UK must have a clear model of how the system works, where taxpayer money is being spent, and where people can go to access the appropriate care when the time comes. The UK must establish “a clear benchmark of what we should expect in a 21st century social care system” as one network member suggested.

With a better understanding of how the system operates and how the sector will improve, users and contributors can trust that money will be spent wisely and strategically in a transparent system. Any benefit which comes from increasing funding to the sector must be maximised with wise strategic spending, which will be made easier with the demystification of a currently complex system.

To allow for wise and strategic spending, the social care sector must be provided with consistent payment, which must be transparently communicated to the governing bodies of social care providers. One network member highlighted that “every year, when the social care system continues to be completely on its knees, the Treasury simply adds an extra billion pounds. This is immature. If we have to put an extra billion pounds into social care every year; then let’s say, over the next five years, we are going to put an extra billion pounds every year so that providers can plan. At the moment, there is barrier to planning there”. Currently, the lack of planned funding in the system means that money introduced cannot be utilised in ways which maximises benefits to the sector, as rushed spending is poorly planned. It is imperative that an increase in long term spending must coincide with a reconfiguration and education of the system.

Recommendation: There should be serious moves to change public perceptions of the sector, including campaigns to make the system accessible and user-friendly.

Conclusion

The social care system is stretched to its limit, resulting in poor care, a stressful experience for users of the system and poor working conditions for carers. For the social care system to survive sustainably, it must receive more money from individuals, companies and the state. Any money received must be spent wisely and strategically in a transparent and clear system for the money to be utilized most effectively.

Recommendations Summary

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Members

PPP'S SOCIAL CARE NETWORK MEMBER LIST

While the PPP Social Care Network has been involved in the discussions on which this report is based, membership does not imply agreement with the recommendations.

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Sources

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