Prospect
MAGAZINE
Issue 123, June 2006

Growing old disgracefully

by Donald Hirsch

In Britain, the system of funding long-term care for the elderly is arbitrary, unfair and unsustainable. Heavy means-testing and bureaucratic complexity are the culprits. So what kind of system do we want, and how will we pay for it?

The author is special adviser to the Joseph Rowntree Foundation

---

It is often said that you can tell a lot about a society by the way it looks after its very young and its very old. But as societies change, so do our approaches to the care and protection of those unable to look after themselves. Today in Britain, we are more confused about responsibilities to the old than to the young.

In the case of small children, we have had to rethink the respective roles of parents, caring professionals and the state in a world where most mothers work and one in four children live with only one parent. The present government leaves us in no doubt that it wants to expand the state's supportive role, having announced a raft of measures from Sure Start centres to baby bonds. Yet one thing remains clear: ultimate responsibility for a child's care and welfare remains, for the vast majority of children, with families.

For people who become dependent at the other end of life, the situation is far less clear-cut. This is increasingly apparent to anyone like myself who, approaching the age of 50, has a growing number of contemporaries with ageing parents who are becoming too frail to live on their own without regular assistance. We then realise that we have no clear idea who should look after them. Some acquaintances have taken their parents or parents-in-law into their own homes, and spend large amounts of their time caring for them. They tend to do so quietly, with none of the recognition or understanding from friends or colleagues that they might expect for childcare commitments. More often, parents and grown-up children live many miles apart, and older people struggle to keep independent in their own homes for as long as possible before being forced to move to a residential care home or, if they are lucky, a form of supported living in which they can retain some independence.

The fact that people grow old and frail will always create problems for families. However, one factor that adds greatly to these pressures is uncertainty about money. Take the situation of Janet, a 79-year-old widow who is finding it ever harder to cope in her own bungalow with failing eyesight and severe arthritis, and who also suffers from diabetes. She needs about 20 hours a week of personal care at home, which is arranged by the local council, but she has to pay over half her pension in charges for this service, to cover part of its cost. She worries constantly about money, and has delayed rewiring her house, even though the present wiring is dangerous. Her daughter-in-law June, a teacher, lives nearby and has offered to go part-time

to look after her. But this too would be expensive, since June wouldn't be eligible for carers' allowance, which goes to those caring for at least 35 hours a week.

The pressure on Janet is to do the thing that she least wants and that will cost the most overall: sell her bungalow and move into a residential home. This will cost her about £400 a week and she will receive nothing from the state; but it will save the local authority the money it pays towards her home care. The fees will come from the proceeds of her house. This will relieve the immediate financial worry, but Janet will feel angry and humiliated if her lifetime's savings are used in this way rather than passed on to her children.

In search of a rational funding system

Today, there is a growing consensus that the basis for funding long-term care in Britain is not only arbitrary and unfair, but also unsustainable in the light of growing demand and inadequate supply. The government rejected similar warnings by a royal commission in the late 1990s; its recommendations for a significant expansion in public spending on care were taken up only in Scotland. Now, with new evidence from the Joseph Rowntree Foundation and the recent Wanless review into long-term care funding showing that costs will rise steadily, the government has agreed to look afresh at the funding system, in its own review that will report next year.

Part of the problem with the present system (see below) is that its complexity makes it almost impossible for its users to understand and creates many arbitrary and perverse features. Two people with the same condition and the same wealth may receive very different funding depending on where they live, and in some cases on whether they are referred to a care home by the NHS or a local authority.

But the system, as well as being made more rational, needs to resolve an underlying principle about who gets help from the state. Many people feel that long-term care should, like healthcare, be provided as a free service to everyone regardless of means. For a minority of people with severe problems, this is what happens. But for most conditions, support remains heavily means-tested, and in most parts of Britain people get help with residential care only once they have exhausted most of their capital.

Other countries have made different choices. Both Germany and Japan, for example, have overhauled their funding systems in the past decade to create more consistent levels of support based on a single assessment of need, and in doing so have taken most means-testing out of their systems. These countries and many others believe that long-term care should be part of social insurance, and are willing to raise taxes to make it so. They consider, as we do for the NHS, that social fairness can be achieved not by targeting services on the poor but by raising money for universal benefits through tax and national insurance systems that take more from those with higher incomes.

Another revealing feature of these two reformed systems of care funding lies in how they have been designed to achieve specific social goals. Japan's system was designed to weaken the strongly ingrained custom of daughters or daughters-in-law being expected to give up work to look after ageing parents. This has been achieved by offering generous benefits to support professional caring services, emphasising those based in the community rather than residential care. Germany, on the other hand, wanted to ensure that its new social insurance benefits supporting care did not undermine family ties. So it offers, as an alternative to paying for professional services, a cash payment at a lower rate to families who meet their own needs. This has proved the most popular option for those making claims.

What kind of system do we want in Britain? As with so many choices about public services, our hopes and expectations of what the state will provide have tended to run ahead of what we seem to be willing to pay for, at least through income tax. Our willingness or otherwise to pay more through public means for long-term care is a good test of our views about the state's role as a social insurer. This is because private provision for social care is less viable than, say, private saving for pensions. At present no providers will insure on reasonable terms against the risk of having to pay huge bills for intensive care over many years. This is principally because of uncertainties about future longevity and care costs. So a consequence of today's limited public coverage is to create anxiety about future impoverishment among the many, even though truly catastrophic care bills only hit the very few.

Sharing the cost with the state?

Full public provision of long-term care is not the only alternative to our present means-tested system. One option, currently being operated in Scotland, is to widen the scope of "universal" coverage by giving personal care free to people living in their own homes, and paying a flat-rate subsidy towards the cost of people living in care homes (although the latter still face hefty fees and there remains a need for means-testing). Another choice would be for the state to pay a percentage of everybody's care costs matched by a private contribution to make up the rest. This is the system in Japan, but it only works if the private share is low enough to afford on an ordinary pension. In Britain this would mean the state paying 80 per cent, which would require £2bn more of public spending, equal to about a penny on income tax.

With the public finances already tight, a more attainable medium-term goal might be to make it easier for people with modest resources who are not eligible for means-tested benefits to afford reasonable services, by mixing public with private money. One route would be to revive the care insurance market by providing some state guarantees. A method for achieving this, suggested by the Conservatives at the last election, is to enable private insurers to cover a fixed initial spell in a care home of two or three years, with the state picking up the bill for the minority who live beyond that time.

For people buying care in their own homes like Janet, the widow described earlier, another form of cost sharing could be state-supported equity release. Janet should be able to unlock a small portion of the assets tied up in her home to make staying there more viable, rather than having to sell it to buy a much more expensive residential care package. But commercial means of doing this are expensive and are not trusted. A public home equity scheme would allow her to borrow money to pay for care at a low interest rate, repaying it out of capital when the home was sold.

Will we face up to the need for greater clarity in how we pay for long-term care, or will we continue to muddle through with a messy system? The recent establishment of a fundamental review by Liam Byrne, a health minister before the reshuffle, indicates a new urgency. But will the chancellor give it the priority it needs in next year's comprehensive review of all public spending? If he does, he will be thanked not just by people in their old age, but by their worried children as well.

UK funding for long-term care

People with serious disabilities or illnesses require routine care on a permanent or long-term basis. This may involve nursing, help with personal activities such as getting dressed, and practical assistance in everyday life. It is provided, broadly, in three ways: in a care home (either "residential" or "nursing" according to whether residents require nursing support); in the person's own home by paid professionals ("home" or "domiciliary care"); or at home by unpaid family members ("informal care").

Care homes The most complicated arrangements apply to care homes. About 60 per cent of residents receive help from local authorities. To qualify, your assets must be worth less than £21,000. Those with assets between £12,750 and £21,000 qualify for reduced payments. But even for those who qualify, care is by no means free: they must pay over most of their pension towards charges, keeping only a meagre "personal expenses allowance" of £19.60 a week.

Most of the rest, about a third of residents, are "self-funders," and must use their income, supplemented by savings and the proceeds of selling their home, to pay the care-home fees. Since 2001, people in nursing homes have received a non-means-tested payment towards nursing costs, and in Scotland all people in care homes receive a payment for personal care. But this still leaves substantial fees to be covered privately: the "accommodation" element in a nursing home fee averages about £15,000 a year.

A minority of people receiving long-term care in nursing homes and in hospitals have their fees paid in full by the NHS, regardless of their means. These are the 6 per cent who meet the "continuing care criteria" granting them high-level nursing care on an ongoing basis. The trouble is that the qualifying criteria seem highly arbitrary. Of two people with similar needs in the same nursing home, one may be fully paid for while the other has to pay about £20,000 a year out of their own pocket, sometimes depending on how each one has been referred.

Domiciliary care Local authorities provide or arrange domiciliary care for people living in their own homes, up to a level that is supposed to meet essential needs. However, local authorities usually charge for these services, and use very different methods for doing so. In practice, what is available through local authorities varies greatly, and many people use privately arranged services, sometimes because they find the quality or reliability of council services wanting.

Informal care This is provided free of charge by family members or friends. Full-time carers can receive a carers' allowance of £45 a week, if they are not claiming other benefits--less than any other benefit designed to replace income from work. However, over 1m pensioners receive an attendance allowance of £40 or £60 a week to meet extra needs related to their disability--such as equipment, cleaners or taxi rides. In principle this could be used to pay carers, but in practice this relatively rarely happens. Many commentators think that some of the £6bn spent on the attendance allowance and similar benefits for older people would be better spent directly on carers.

Growing old disgracefully
http://www.prospect-magazine.co.uk/article_details.php?id=7462
Prospect Magazine
http://www.prospect-magazine.co.uk