

PROJECTIONS OF LONG-TERM CARE EXPENDITURE

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FINANCING SYSTEM IN THE UK

- 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

POLICY AGENDA

- The Government's Coalition Agreement included a commitments to establish a commission on long-term care which would consider a range of ideas, including both a voluntary insurance scheme to protect the assets of those who go into residential care and a partnership scheme.
- The Dilnot Commission on the Funding of Care and Support reported in July 2011. It recommended a cap on lifetime costs of care, limiting the user's liability to a suggested £35k.

GOVERNMENT RESPONSE

The UK Government published this July:

- A report (White Paper) with a wide range of recommendations for reforming care and support in England
- A progress report on funding of care and support which accepted the principles on which the capped cost model is based but because of the economic situation did not commit to introducing it at this stage

PSSRU PROJECTIONS MODELS

- Older People's Aggregate Model (with link to UEA Caresim micro-simulation model)
- Older People's Dynamic Micro-simulation Model
- Younger Adults Aggregate Model

AGGREGATE MODELS

These produce projections of:

- Numbers of disabled older/younger people
- Numbers of users of informal care, formal care services and disability benefits
- Public and (for older people) private expenditure on long-term care
- Workforce providing social care

DRIVERS OF DEMAND FOR CARE

- Life expectancy and mortality rates
- Disability rates - compression or expansion of morbidity and disability
- Household composition and informal care
- Unit costs of care such as the cost of an hour's home care
- Public expectations about long-term care

BASE CASE ASSUMPTIONS FOR PROJECTIONS

- Number of people by age, gender and marital status in future years changes in line with official (ONS) 2008-based projections
- Prevalence rates of disability by age and gender remain unchanged for older people and younger physically disabled people but rise for learning disabled people
- Unit costs rise by 1.5% per year to 2015/6 and then by 2.0% per year in real terms
- Patterns of care – formal and informal - remain unchanged
- Long-term care system remains unchanged, as the current system for England

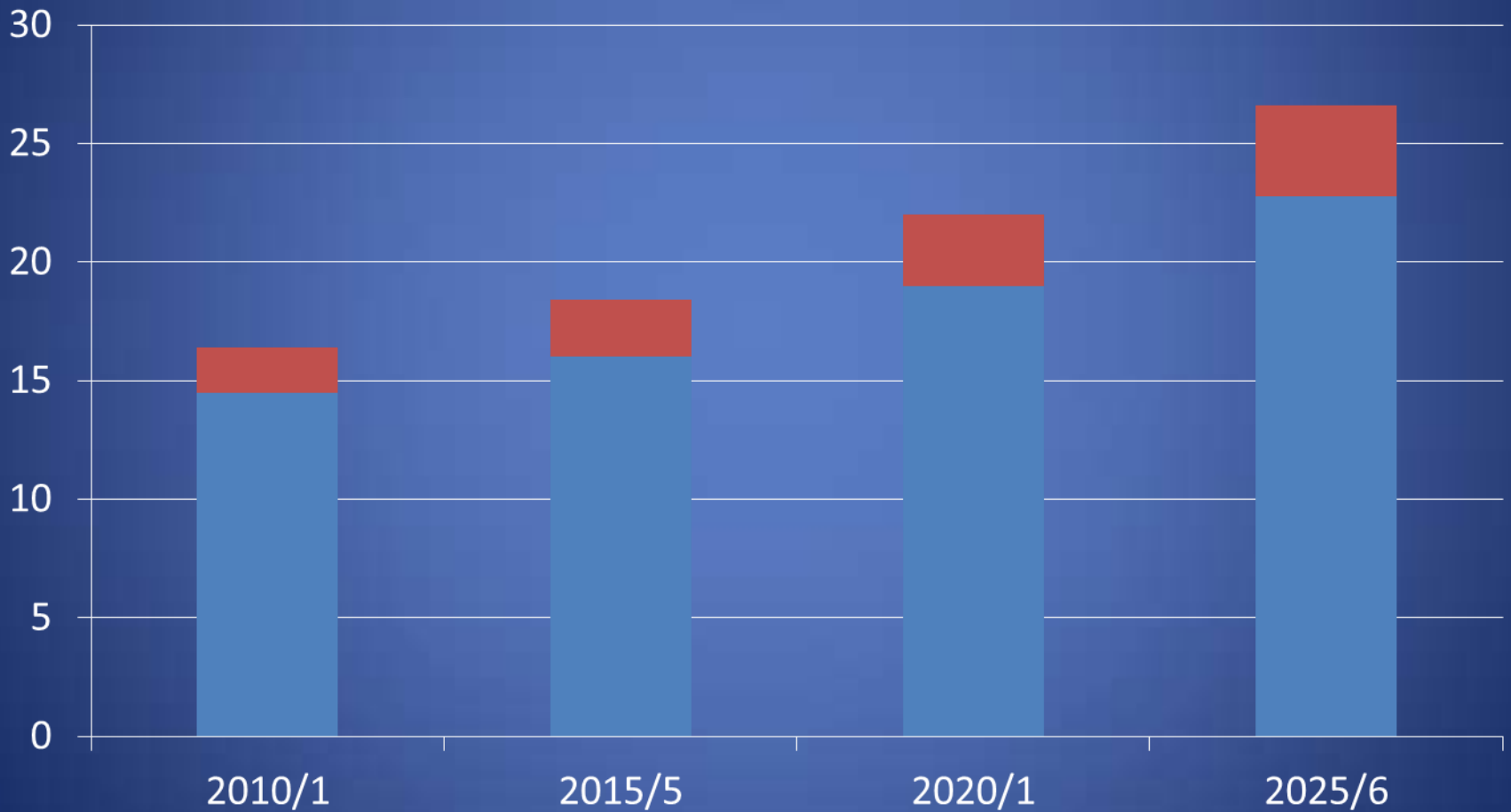
PUBLIC EXPENDITURE COSTS OF THE CURRENT SYSTEM (£bn 2010/1 prices)

	2010/11	2015/6	2020/21	2025/26
Older people	7.7	8.7	10.4	12.8
Younger adults	6.8	7.3	8.6	10.0
Total net social care	14.5	16.0	19.0	22.8

PUBLIC EXPENDITURE COSTS OF CORE RECOMMENDATIONS (£bn, 2010/1 prices)

	2010/11	2015/6	2020/21	2025/26
Older people	1.6	2.0	2.6	3.3
Younger adults	0.3	0.4	0.4	0.5
Total net social care	1.9	2.4	3.0	3.8

PUBLIC EXPENDITURE COSTS OF SYSTEM WITH CAP (£bn 2010/1 prices)



SCOPE FOR PRIVATE INSURANCE

- Private pre-paid long-term care insurance is not currently available in the UK: the market failed following low demand and high costs
- The Dilnot report and the financial services sector maintain that a cap on costs could lead to the development of new financial products
- Our study is considering potential premiums, potential take-up and potential impact on public and private expenditures on care

LIFE-TIME COSTS OF CARE

- Estimation of premiums for long-term care insurance requires information on current and expected life-time costs of care
- Our study includes triangulation of findings from several models:
 - Nuffield Trust modelling using administrative data
 - University of Barcelona actuarial modelling
 - PSSRU dynamic micro-simulation modelling
 - PSSRU estimation using Sullivan's method

PSSRU ESTIMATES OF LIFETIME COSTS OF CARE

- Males: Around £20,000
- Females: Around £40,000
- All: Around £30,000

£30,000 would fund roughly one year's home care plus one year's residential care

(at 2010/1 prices, no allowance for rising real costs of care, excluding hotel costs in care homes, current patterns of care, current disability rates)