

Institution: City University London
Unit of Assessment: 19 Business and Management Studies
Title of case study: Demographic change and paying for the true cost of social care
<p>1. Summary of the impact</p> <p>Research by Professor Les Mayhew and Professor Ben Rickayzen at City University London on the question of how the public sector and the private market might jointly establish a better way of funding long-term care for the elderly has influenced policy thinking and development within the Treasury, the Department of Health, the Dilnot Commission, the actuarial profession and among ministers and parliamentarians. Evidence is provided here that shows that their research on population ageing has had an impact at the highest levels in Whitehall. In addition, Mayhew's work on integrated health and social care for Brent Council has helped to transform services at local level and provides a model that could be replicated more widely.</p>
<p>2. Underpinning research</p> <p>The number of older people in the UK is increasing and the number of people in the age category 85 and over is predicted to double between 2010 and 2030. The cost of providing the elderly with social care is uncertain and can be very high. The problem with the current system of funding care and support is that funding has not kept up with demand and so people face high costs and can lose most of their assets. Since 2002, Mayhew (at City since 2002, now Professor) and Rickayzen (at City since 1994, now Professor) have conducted research into the costs of health and social care combined with those of disability. The resulting body of work considers ways of tackling these challenges.</p> <p>Rickayzen and Walsh (2002) considered how to estimate accurately the future cost of long-term care (LTC) in the UK by developing a multiple state model to project the number of people with disabilities over the next 35 years, thereby identifying implications for the future demand for LTC for the elderly. The projections suggest that the implications for the number of elderly people requiring LTC could be ameliorated by a reduction in the proportion of older people who are severely disabled. Karlsson <i>et al.</i> (2006) computed cost projections for LTC for older people in the UK. They considered how demand for LTC will evolve and to what extent there will be sufficient supply to meet demand. For formal care, this requires an estimate of how much the public purse and hence taxpayers will be burdened with LTC costs. The costs and impacts of any reforms to the current system were considered by evaluating the LTC funding system in other countries. Karlsson <i>et al.</i> (2007) showed that importing systems into the UK from Germany and Japan, which have compulsory insurance systems, or from Sweden, which has a wholly tax-funded system, would prove far more expensive and imply much higher taxes. The researchers showed that the demand for LTC would grow to the end of the projection period in 2040, resulting in a heavier tax burden if the system was not reformed and consequently a significant need for care could go unmet. They recognised that the distribution of wealth and income was such that systems operating elsewhere would not be suitable for the UK where a "mixed system" of public and private funding would be more suitable.</p> <p>Very few insurance companies have offered pre-funded LTC insurance in the past and none does now. This means that people are unable to protect themselves in advance of having a care need. Providers withdrew from the market for pre-funded LTC policies because there was very little demand or them from consumers. Because the LTC costs can be very large and uncertain, the premiums therefore tended to be too expensive for most people. Mayhew and Rickayzen began to think how more affordable products could be created for a wider market and for a range of personal circumstances. One of these products, disability-linked annuities (DLAs), combined classic pension annuities with disability risk (Rickayzen, 2007). A disability-linked annuity works by reducing the income from an otherwise flat annuity (say by around 10%) but then doubling or trebling income at the point of developing a care need (e.g., failing three activities of daily living) or of reaching a certain age (e.g., 85).</p> <p>Building on their early work, Mayhew and Rickayzen identified six different types of products which may emerge from the financial services sector to help people make a contribution to their long-term social care and support costs: equity release, 'top-up' LTC insurance, immediate needs annuities, DLAs, accelerated life insurance and long-term care bonds (LTCBs). They assessed the cost and market potential of each and created for the first time a financial services product map based on</p>

individual income and wealth. This product map is being widely reported in Government evidence. Of the six products, DLAs, LTCBs and top-up insurance have since received considerable interest from government and industry. LTCBs (now known as Personal Care Savings Bonds, or PCSBs), for example, were designed to encourage people on a low income with few assets to contribute to their future LTC needs (Mayhew and Smith, 2013) and top-up insurance was designed to fill the gap between state provision and actual LTC costs (Mayhew, Karlsson, and Rickayzen, 2010).

During 2009 and 2010, Mayhew was able to demonstrate how the research could be put into practice at both macro and local levels. In January 2010, he was commissioned by the Prime Minister's Strategy Unit to investigate the broader question of the impact on the wider economy of increased longevity, healthy ageing and the ability to work longer. Using a purpose-built demographic-economic model, he identified the scale of the problems facing public expenditure along with potential strategies for managing the problem (Mayhew, 2011). Mayhew was appointed as lead evaluator of the Brent Integrated Care Coordination Service after helping Brent Council to secure a £1.6M grant from the Department of Health. Using novel modelling techniques, he demonstrated that early intervention and integrated health and social care could avoid unnecessary hospital admissions and lead to significant savings (Mayhew, 2009).

3. References to the research

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Research was published in journals that apply a stringent peer-review process prior to accepting articles for publication, and backed by EPSRC grant [EP/C522974/1] 'Paying for Long-Term Care'.

4. Details of the impact

Mayhew and Rickayzen's research has had a significant influence on the funding system for social care and support in England. Their work has affected the development of policy and practice with regard to social care provision. It has (i) led to improvements in access to social care at a local level; (ii) provided a model that could be replicated more widely; (iii) provided the basis for private finance to make a contribution to long-term care; (iv) had an effect on the quality and cost-effectiveness of health and social care services; and (v) stimulated policy debate within central government, local government and the insurance, pensions and health care sectors by providing stakeholders with fundamental actuarial research.

In 2008, Mayhew and Rickayzen's research came to the attention of the Prime Minister's Strategy Unit (PMSU) and Mayhew and Rickayzen were appointed to the Department of Health's Private Finance Working Group, which was investigating existing and new private products for funding LTC with the aim of increasing their adoption. Mayhew was later commissioned to investigate the market potential for customised LTC insurance products. A key finding was that many more women than men are in institutional care, but are less able to afford it. This finding was later cited in the Department of Health's influential report on protecting adults in social care which was aimed at NHS commissioners, health service managers and practitioners with the aim of assisting them

with preventing and responding to neglect of patients in vulnerable situations [1].

The academic-practitioner collaboration of the Private Finance Working Group generated the Green Paper 'Shaping the future of care together' (July 2009). The Paper established the principle of a public/private partnership in which disability linked annuities, equity release and top-up insurance would play a part. The preferred option contained within the Green Paper was based on the concept of a 'National Care Service', which was effectively taxation-based. This was then re-affirmed in the White Paper, 'Building the National Care Service' in 2010 [2].

Mayhew was then invited to undertake a second, broader study by the PMSU on the economic impacts of increasing longevity and healthy ageing. This generalised the impacts of pensions, health care and social care on the UK economy and proposed various strategies for coping with the imminent ageing 'bulge'. The report was widely circulated at senior levels in Whitehall and presented to senior officials. It is also referenced in 'Building a Society for All Ages' with a foreword from the Prime Minister (HM Government, 2009b, pp. 15-16): "[Mayhew] shows the economic returns that healthier, more active later lives could bring in terms of significant savings in the costs of health care, social care, pensions and benefits" [3].

In the Spring of 2010, public debates in London and Edinburgh were organised by The International Longevity Centre (ILC-UK), the leading think tank on longevity and demographic change in the UK; and the Actuarial Profession, the professional body which represents actuaries in the UK. Both organisations have acknowledged the researchers' contribution to solving the long-term care funding problems of an ageing population [4]. Various emails testified to the impact of the ILC-UK presentations including one from the Director General of Information Services at the House of Commons saying that it would be of considerable interest to Parliamentarians and would be made available to them in briefings [5].

Mayhew and Rickayzen's research came to the attention of the City of London Corporation, the local government body for the City of London. Mayhew was commissioned to prepare a report setting out his proposals, published in 2009 as 'The role of private finance in paying for long-term care in an ageing society'. The findings were presented, in a seminar to politicians, insurers and care providers and were reported in the media. The report assisted with the City of London Corporation's response to the Government Green Paper mentioned above [6].

From 2005 to 2009, Mayhew advised Brent Council on its 'Integrated Care Co-ordination Service', a £1.6M pilot funded under the 'Partnerships for Older People Projects', to show how early intervention and working with the private sector could improve lives and reduce the costs of health and social care. The results were presented to Phil Hope, then Minister of State for Care Services with senior health officials and members of the Council in attendance. Christabel Shawcross, Brent Council's Assistant Director for Community Care at the time of the pilot, said: "*The benefits and savings came to the health service, but we are fairly convinced that this will help social services too in the longer run by enabling people to stay longer in the community*" [7]. The project was quoted in a House of Lords report as providing a model to be replicated more widely [11].

In July 2010, the newly-elected coalition Government established the Commission on Funding of Care and Support, chaired by Sir Andrew Dilnot. Mayhew was invited to a private meeting with Sir Andrew in September 2010. Mayhew and Rickayzen's research was used by the Commission in its report, which specifically mentions the term 'disability-linked annuities' that Rickayzen originally coined in 2007. Additionally, the Dilnot report explicitly refers to tax issues which had been highlighted by Rickayzen [8]. In October 2010, Mayhew and Rickayzen were asked to present their findings from Mayhew *et al.* (2010) to the Department of Health's Social Care, Local Government and Care Partnerships Directorate.

In May 2011, Mayhew and Joules Constantinou, Head of Marketing at Gen Re, the global re-insurance company, led a debate at the Actuarial Profession's Health and Care Conference. Mayhew and Rickayzen's research influenced thinking within the actuarial profession and was cited in the profession's response to the House of Commons Health Select Committee's consultation paper 'Inquiry into Social Care' in October 2011 [9]. Mayhew was appointed to the Office for National Statistics' expert advisory panel on population projections and its research is cited in an Office for National Statistics study on the impact of changing longevity on long-term care expenditure [10].

Mayhew has also been asked to present his ideas to other influential bodies and individuals,

including personal briefings to Rt Hon Stephen Dorrell MP, Chairman of the House of Commons Health Select Committee, in February 2011 and Norman Lamb MP, Parliamentary Private Secretary to Deputy Prime Minister, in April 2011. Mayhew presented long-term care proposals in a televised debate hosted by Policy Review TV, sponsored by Partnership Assurance in March 2011 and at a House of Lords meeting chaired by Lord Lipsey entitled, 'If not Dilnot, what?' [11]. In November 2012, he gave spoken evidence to the House of Lords' Select Committee on Demographic Change and Public Services [12]. In 2013, Mayhew addressed the Society of Later Life Advisors at Westminster, sharing the platform with leading MPs. Later in the year he became a member of an industry-led group advising the Department of Health on private sector financial products.

In 2013, Mayhew launched a paper at the House Lords on PCSBs at an event chaired by Baroness Greengross of the ILC-UK. The concept received much praise from actuaries, the insurance industry, local authorities, and older people's representatives for its simplicity and innovation [13]. PCSBs have since been presented to Ministers and a paper is being published by the Geneva Association, an international think tank on insurance. National Savings and Investments has also affirmed its interest in helping to develop PCSBs further. Mayhew is working with independent think tank Demos on a new family of affordable equity release products designed to help people pre-plan their care and he has recently presented his initial ideas at fringe meetings at all the main party conferences.

The debate over long-term care costs continues unabated following the Government announcement of the £72k cap and the introduction of the Care and Support Bill in Parliament in 2013. Now a new debate is emerging about the possibility of integrating health and social care services to which Mayhew and Rickayzen's research is also contributing. Their research has had a profound impact on both debates for over a decade and there is strong indication that this will continue to be the case in the years to come.

5. Sources to corroborate the impact

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9. House of Commons (2011). [Health Select Committee's 14th Report – Social Care](#), List of additional written evidence, published 13th February 2012
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12. House of Lords (2012). [Ready for Ageing?](#) Report by the Select Committee on Public Service and Demographic Change, published 14th March, pp. 66-76
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