

Institution: London School of Economics and Political Science
Unit of Assessment: 22 Social Work and Social Policy
Title of case study: Shaping the financing of long-term care
<p>1. Summary of the impact</p> <p>Changes in key socio-economic patterns are threatening the sustainability of the public social care system. The Personal Social Services Research Unit (PSSRU), part of the Social Policy Unit's Health and Social Care Group, has used a range of modelling methods to analyse present and future costs and benefits of alternative social care funding policy scenarios. PSSRU's rigorous modelling has contributed significantly to shaping both the Labour and Coalition Governments' policies on funding long-term care, by identifying the need for funding reform and by assisting the government to define and appraise alternative reform strategies. This research has achieved considerable reach across key social care stakeholders in the UK and internationally.</p>
<p>2. Underpinning research</p> <p><i>Research Insights and Outputs:</i> The approach builds on work by PSSRU led by the LSE (with input from the University of Kent) which began in the late 1990s and resulted in the development of the PSSRU's Long-Term Finance Model [1,2]. The model produced the first projections of future long-term care expenditures for England based on a range of alternative assumptions about present and future demographic patterns, prevalence of disability, availability of unpaid support, service model and unit costs [Department of Health, £581,074].</p> <p>From that platform and as part of a project funded by EC DG Employment and Social Affairs (grant VS/2001/0270, £36, 147), the methodology was adopted in order to make projections for the UK, Germany, Italy and Spain [3]. A version of the model was prepared for the European Commission. This took account of differences in data availability across the EU25 while maintaining a high level of comparability, and enabled the policy implications of alternative possible future scenarios to be investigated [4]. In 2008, the Unit also developed a model exploring future long-term care costs for young people with physical disabilities and for people with learning disabilities [5] [Department of Health grant, £25,700].</p> <p>Since 2005, PSSRU has invested significant resources to develop a dynamic micro-simulation model of the health, social care and benefits systems in England. This model was originally developed to support the Wanless Social Care Review, which reported in 2006 [6, Kings Fund grant, £133,186]. The model enables analysis of a wider range of policy questions than was previously possible [7], and has since been used to provide the Department of Health, the Treasury and the Dilnot Commission on Funding of Care and Support with quantitative estimates of the aggregate and distributional impacts of alternative funding arrangements on resource use, costs and outcomes.</p> <p>A technical paper [8]:</p> <ul style="list-style-type: none"> • described the methods and assumptions underlying the newly-developed dynamic micro-simulation model; • gave details of potential and actual users of care, their levels of need, and their income and assets; • detailed the system of support available, the current funding arrangements and the benefits system; • looked at costs and the degree to which population need was being met; and • gave an assessment of the equity and efficiency of the current funding system. <p>Further analyses are ongoing: these are examining in greater detail key issues for the future of social care such as likely future patterns of the prevalence of disability [9], availability of social care workers in the future, and the role of private voluntary insurance in long-term care [AXA grant, £142,236]. In addition, the micro-simulation model is being used to support the development of a new formula for the allocation of adult social care funding to English local authorities [Department</p>

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of Health grant, £80,567].

The Unit has recently prepared, in collaboration with the University of East Anglia, an analysis of the costs and distributional effects of reforms to the social care financing system (including the Government's reform proposals), and presented the analysis at a meeting of the All Party Parliamentary Group on Social Care [10]. It is currently preparing projections to 2065 for the Office for Budget Responsibility.

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3. References to the research

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2. Pickard L, Wittenberg R, Comas-Herrera A, King D, Malley J (2007) Care by spouses, care by children: Projections of informal care for older people in England to 2031. *Social Policy and Society*, 6, 3, 353-366. DOI: 10.1017/S1474746407003685
3. Comas-Herrera A, Wittenberg R, Costa-Font J, Gori C, Di Maio C, Patxot C, Pickard L, Pozzi A, Rothgang A (2006) Future long-term care expenditure in Germany, Spain, Italy and the United Kingdom. *Ageing and Society*, 6, 2, 285-302. DOI: 10.1017/S0144686X05004289
4. Pickard, L, Comas-Herrera, A, Costa-Font, J, Gori, C, di Maio, A, Rothgang, H and Wittenberg, R (2007). Modelling an entitlement to long-term care in Europe: Projections for long-term care expenditure to 2050. *Journal of European Social Policy*, 17, 1, 33-48. DOI: 10.1177/0958928707071879
5. Snell, T and Wittenberg, R and Fernandez, J-L and Malley, J and Comas-Herrera, A and King, D (2011) *Projections of demand for social care and disability benefits for younger adults in England: report of research conducted for the Commission on Funding of Care and Support*. PSSRU Discussion Paper, 2800/3. PSSRU, London, UK. LSE Research Online ID: 39361
6. Wanless D, Forder J, Fernandez J-L, Poole T, Beesley L, Henwood M, Moscone F (2006) *Securing Good Care for Older People: Taking a Long Term View*, Kings Fund, London. LSE Research Online ID: 12182
7. Fernandez, J-L, & Forder, J (2010). Equity, efficiency, and financial risk of alternative arrangements for funding long-term care systems in an ageing society. *Oxford Review of Economic Policy*, 26,4, 713-733. DOI: 10.1093/oxrep/grq036
8. Forder J, Fernandez J-L (2009) *Analysing the costs and benefits of social care funding arrangements in England: technical report*. PSSRU Discussion Paper 2644, London School of Economics and Political Science, London. LSE Research Online ID: 24977
9. Malley J, Hancock R, Murphy M, Adams J, Wittenberg R, Comas-Herrera A, Curry C, King D, James S, Morciano M and Pickard L (2011) The Effect of Lengthening Life Expectancy on Future Pension and Long-Term Care Expenditure in England, 2007 to 2032, *Health Statistics Quarterly*, 52, 33-61. DOI: 10.1057/hsq.2011.17
10. Hancock R, Wittenberg R, Hu B, Morciano M and Comas-Herrera A (2013) *Long-term care funding in England: an analysis of the costs and distributional effects of potential reforms*, PSSRU Discussion Paper No 2857. LSE Research Online ID: 51670

Evidence of quality: 1, 2, 3, 4, 7 and 9 are peer-reviewed journal articles. All grants were peer reviewed with the exception of that from the King's Fund: Knapp: Personal Social Services Research Unit (Core Grant), Department of Health, 1 January 2006 – 28 February 2011 (£3,320,347: £581,074 for the LTC programme in REF period); Knapp; Comas-Herrera, Study of Future Long-Term Care Expenditure, EC DG Employment and Social Affairs, 01 October 2001 – 30 September 2002 (£36,147); Fernandez; Wittenberg: Modelling of the long-term demands for care for working-age adults, Department of Health, 1 October – 31 March 2008 (£25,700); Forder;

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Fernandez: Wanless Social Care Review King's Fund, 1 January 2005 -28 February 2006 (£133,186); Wittenberg: How can private long-term care insurance supplement state systems? AXA Research Fund, 1 April 2010 – 31 January 2013 (€300,000); Fernandez: Review and updating of RNF allocation formulae for adult social care, Department of Health, 10 September 2012 – 14 April 2014 (£699,956 overall, £80,567 to Social Policy).

4. Details of the impact

Nature of the Impact. The PSSRU's pioneering projections models for long-term care expenditure have underpinned key quantitative analyses of social care funding arrangements in both England and at the European level for 15 years. Since 2008, the impact of the Unit's work has been visible in key documents produced by the UK Government and the EU. Research by the Unit provided the analytical modelling for the Labour Government's Green Paper on long-term care funding [A, pp.37,39,88,97], and for the subsequent White Paper on care and support [B, pp. 45, 47, 48, 125, 131]. The Unit provided significant quantitative analytical support to the Green and White Paper teams, using purpose-built aggregate and dynamic micro-simulation models. The unique nature of the Unit's models have made it possible to explore the distributional and longitudinal implications of changes in the funding arrangements over the next 40 years. These models have provided Government with estimates of the impact of alternative funding systems on the number of individuals supported by the care system, the services consumed, the costs to the state and to private individuals, and levels of unmet need. The dynamic micro-simulation model is unique in that it generates estimates of the distribution of these key factors across types of individuals (for instance across need and wealth groups); it is also able to "follow" individuals' interactions with the care system as they age and hence to estimate the "lifetime" consequences of different funding systems on people with social care needs.

Fernandez acted as a specialist adviser to the House of Commons Health Select Committee's 2010 review of Long Term Care Funding [C, p.11]. In the same year, the UK Government set up an Independent Commission, chaired by Sir Andrew Dilnot, in order to find a fairer and more sustainable way to pay for social care. The Commission's main report explicitly stated the source of its analysis to be the modelling work carried out by PSSRU [D, especially p.12; E, especially p.20]. Dilnot noted that the Commission 'relied very heavily on the work of the PSSRU in two areas. The first was in helping us to frame the problem. The second was in analysing our suggested responses to it' [F]. Dilnot's main recommendation on the need to develop a state-funded insurance mechanism to protect individuals against the risk of 'catastrophic' social care expenditures referred to the Unit's estimate that the lifetime social care costs of approximately 10 per cent of 65 years olds in England would exceed £100,000 [D, pp. 13, 32]. In addition the Dilnot Commission was able to use the Unit's macro and micro-simulation models to fine-tune its proposals by modelling the costs and benefits of a wide range of changes to the current means-tested arrangements (e.g. assets thresholds and income tapers), and of alternative levels of caps on private lifetime costs [D, pp. 30-33].

The Department of Health (DH) accepted the analysis offered by Dilnot, drawing further on the Unit's macro and micro-simulation models to develop its plans for reform in line with the main recommendations of the Commission [G, p.30, p.32]. The DH has since issued a policy statement on care and support funding reform and announcing the implementation of a £75,000 cap on private costs from April 2017 [H], based in part on the Unit's analyses.

The PSSRU is continuing to use the policy modelling tools it has developed over the last 15 years to support the DH in its analysis of social care funding reform and of resource allocation in England. Currently, the micro-simulation model is being used in a DH-funded study that is developing a resource allocation formula to distribute social care funds to local authorities and, after many years of discussions about alternative solutions for funding long-term care, the Unit's work is now poised to help bring about decisive movement towards sustainable, more efficient and fairer arrangements for distributing the cost of caring for dependent people in England.

Thus the work of the Unit has had significant reach at national level. In addition, the PSSRU has

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produced a WHO briefing on funding options that fed into an EU Ministerial Conference on the Financial Sustainability of Health Systems [1]; this examined the key role for the state in achieving a fair and efficient social care funding system, and reviewed the range of options adopted by different countries, together with their associated costs and outcomes.

Wider Implications: Increasing numbers of people need long-term care and ways are needed to ensure that the funding arrangements are sustainable, more efficient and the costs distributed more fairly. The analysis carried out by the Unit has helped Government identify and appraise the priorities for funding reform, including the need to reduce the significant risk of catastrophic expenditure on care faced by a large number of dependent people. The on-going implementation of a cap on care costs in England will potentially improve the lives of millions of older people at a particularly vulnerable point in their lives, and achieve a fairer social care system in England.

5. Sources to corroborate the impact

All Sources listed below can also be seen at <https://apps.lse.ac.uk/impact/case-study/view/62>

- A. Department of Health (2009) *Shaping the Future of Care Together*, Cm 7673, The Stationery Office, London. <http://www.official-documents.gov.uk/document/cm76/7673/7673.pdf>
- B. Department of Health (2010). *Building the National Care Service*, Cm 7854, The Stationery Office, London. Available from LSE on request.
- C. House of Commons Health Committee (2010) *Social Care, Third Report of Session 2009–10*, Volume I, The Stationery Office, London. <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmhealth/22/2202.htm>
- D. Dilnot Commission (2011) *Fairer Care Funding: The Report of the Commission on Funding of Care and Support*, Commission on Funding of Care and Support, London. <http://webarchive.nationalarchives.gov.uk/20130221130239/https://www.wp.dh.gov.uk/carecommission/files/2011/07/Fairer-Care-Funding-Report.pdf>
- E. Dilnot Commission (2011) *Fairer Care Funding: Analysis and Evidence supporting the Recommendations of the Commission on Funding of Care and Support*, Commission on Funding of Care and Support, London. <http://webarchive.nationalarchives.gov.uk/20130221130239/https://www.wp.dh.gov.uk/carecommission/files/2011/07/Volume-II-Evidence-and-Analysis1.pdf>
- F. Dilnot, A. (2011) Personal communication, 29/11/2011 Source file: <https://apps.lse.ac.uk/impact/download/file/335>
- G. Department of Health (2012). *Caring for our Future: Progress Report on Funding Reform*, Cm 8381, The Stationery Office, London. <http://www.official-documents.gov.uk/document/cm83/8381/8381.pdf>
- H. Department of Health (2013). *Policy Statement on Care and Support Funding Reform*, Department of Health, London. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/217024/Policy-statement-on-funding-reform.pdf
- I. Fernandez J-L, Forder J, Trukeschitz B, Rokosova M, McDaid D (2009) *How can European states design efficient, equitable and sustainable funding systems for long-term care projects for older people?* http://www.euro.who.int/_data/assets/pdf_file/0011/64955/E92561.pdf In: Ministerial Conference on the Financial Sustainability of Health Systems, 10 - 12 May 2009, Prague, Czech Republic. <http://www.euro.who.int/en/what-we-do/data-and-evidence/health-evidence-network-hen/publications/joint-policy-briefs-and-policy-summaries/published-for-the-czech-european-union-presidency-ministerial-conference-on-the-financial-sustainability-of-health-systems>