

# Consultation response

## The King's Fund response to Health Select Committee inquiry into the future of social care

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### Introduction

This paper is a response by The King's Fund to the Health Select Committee inquiry into the future of social care. The King's Fund seeks to understand how the health system in England can be improved. Using that insight, we help to shape policy and transform services. Our work includes research, analysis, leadership development and service improvement. We also offer a wide range of resources to help everyone working in health and social care to share knowledge, learning and ideas.

### *Background and overview*

The case for major reform of the current system of social care funding is well established. The current system is complex, financially unsustainable, and perceived as unfair. The system's complexity means that many potential beneficiaries do not understand what they are or will be entitled to. A recent survey for the Department of Health found that almost a third of respondents believed (incorrectly) that social care services would be entirely free at the point of need (Samuel 2008). In the case of funding for older adults, this means there is a serious risk that a significant number of individuals will not be prepared financially for the care costs that up to a third of them are likely to incur in older age. There are considerable local variations in services, with a trend towards funding only those with critical needs – in 2007/8 72 per cent of councils were excluding those in the low or moderate needs bands (CSCI 2008). It is widely accepted that this is a system that has a high level of unmet need. Taken together with the fact that some individuals have to sell their homes to pay for residential care, it is not surprising that the current arrangements are perceived to be fundamentally unfair (Caring Choices 2008).

Yet despite all these failings, it has been estimated that without reform, the current system could result in a state funding shortfall of £6 billion per year by 2026, even assuming annual budget increases of 2 per cent (HM Government 2009).

Over the past decade a number of authoritative reports have proposed alternative funding systems. The majority report of the 1999 Royal Commission on Long Term Care advocated 'free personal care' paid for out of general taxation as the most efficient way of pooling the financial risk of long-term care (Royal Commission on Long term Care 1999). The review of social care funding for older adults commissioned by The King's Fund in 2005 favoured a 'partnership model' of funding, combining a universal state entitlement with a top-up scheme in which the state matched individual contributions (Wanless 2006). The Joseph Rowntree Foundation recommended in 2006 that there should be a universal state

entitlement covering 80 per cent of costs, supplemented by a 20 per cent contribution by individuals (Hirsch 2006).

Such approaches were supported by the findings of a nationwide consultation conducted by Caring Choices, a coalition of 15 organisations led by The King's Fund. In 2007 the coalition held a series of consultative events with older people, carers, social care staff and commissioners and found wide dissatisfaction with the current system and broad support for a funding model that involved contributions from both the individual and the state, and that was easier to understand (Caring Choices 2008).

Despite this activity, progress in bringing about reform has been slow. Initially the government insisted that no further changes were needed in the system of social care funding, and it was not until the publication of The King's Fund Review that it announced its intention to bring about fundamental reform. Even after this pledge, it has taken almost two years for a Green Paper to be published and legislation will not be possible in this parliament. The financial context in which the debate will now take place is of course very different from the one that existed when The King's Fund review was published. Nevertheless, The King's Fund strongly welcomes the opportunity for debate and engagement offered by the Green Paper. The funding environment may have changed, but the needs of older people and disabled adults are as great and in some cases greater than ever. The Green Paper provides an opportunity to engage the public, the political parties and other groups with an interest in this issue, and if at all possible, the chance to establish a consensus that could secure an enduring agreement on the shape of future funding.

### ***Shaping the Future of Care Together***

The Green Paper offers a compelling analysis of why radical reform is needed, recognising funding pressures, demographic change, higher expectations and widespread dissatisfaction with the current system.

The government's vision for a new system that is 'fair, simple and affordable' (Secretary of State for Health 2009) aligns closely with the four key tests The King's Fund developed to assess any proposed new funding arrangements: that it be fair, understandable, effective and enduring (The King's Fund 2009).

**A National Care Service:** the idea of a National Care Service is for there to be nationally defined entitlements based on need. It should be noted that four of the six elements of the proposed new service – prevention, advice and information, personalised support and joined-up delivery – are already being implemented by local authorities as part of the 'Putting People First' programme. In this sense the Green Paper connects funding reform with a better model of delivery, which is to be welcomed – the objective is not just to find a better way of funding but to provide a different way of responding to people's need.

We welcome the proposal for a national assessment process in which help is determined on the basis of what people need rather where they live. Research has shown that those who use or are affected by the service and also the wider public regard the current variations as unfair – tackling the so-called postcode lottery is entirely justified. However, the experience of the NHS after more than 60 years is a useful reminder that a national approach alone is not enough to ensure geographical consistency.

**Funding choices:** the 'partnership model' of funding favoured in the Green Paper follows some (though not all) of the principles advocated in The King's Fund's review, and supported by the Caring Choices consultative events. We believe that a system in which responsibility for funding is shared between the individual and the state is the right starting point.

The government is also right to consider how Attendance Allowance might be considered as a future source of funding; it has been described by some as the original personal budget (Hunter 2009), and it makes sense for it to form part of a single funding stream for social care, as we advocated in our 2006 Review. However, there are other options; for example, Attendance Allowance could be retained in its current form but be subject to a means test, thereby focusing it on those with lower incomes or fewer assets. The major challenge is to ensure that as far as possible any new system offers the freedom and flexibility enjoyed by current recipients, and that it represents a genuine enhancement of the service and is not a way of shifting from a cash payment to a rationed and prescribed service.

We also agree that it is fair to expect those who are able to pay for their accommodation costs to do so, and we support the government's proposals to introduce universal deferred payment mechanisms that will allow these costs to be met through charges on someone's estate once they have died. Local authorities have powers under section 55 of the Health and Social Care Act 2001 to take a legal charge on a care home resident's main or only home instead of seeking contributions from the individual. Take-up appears low for a variety of reasons.

Although the Green Paper refers to the extent to which funding arrangements should be the same for working age adults and older people, it does not directly address the different needs of these groups nor how each option would work in practice. As a result there is a view that the funding options focus largely on older people. Two of the three options involve insurance that would not be relevant to most younger adults with disabilities whose need for care will already be apparent. And, unlike older people, many of them will not have had the opportunity to accumulate significant savings or assets. For these reasons, under the proposed 'partnership' option, many adults with disabilities would continue to receive their care free. This would also be the case under the 'insurance' option (because they would qualify for free care under the 'partnership' element). The 'comprehensive option' is described by the Green Paper as being 'for people of over retirement age' but there is a commitment to 'look at having a free care system for people of working age alongside this'. The implication appears to be that by default under all three options, adults of working age would continue to receive 'free' personal care either through means-testing or a new system funded by general taxation.

It is worth noting that councils are experiencing severe pressures on their budgets for learning and physical disabilities and this will be increased by further improvements in life expectancy in these groups. The rise in demand is not just because the population is ageing, and any assessment of need and the resources required to fund it must address demand across the whole age range.

None of the options in the Green Paper deals specifically with one widely expressed concern about the unfairness of the current system – the plight of those with modest means who have saved prudently throughout their lives. The proposal for a basic entitlement will, of course, be of benefit to this group but our original partnership model proposed that in addition to the basic entitlement, the state would match individual contributions pound for pound. This was designed to reward thrift and provide an incentive for individuals to contribute to the costs of their care.

### ***Towards a new system***

The Green Paper marks an important milestone on the journey to a reformed system, and the promise of a White Paper next year is encouraging. But realistically attention must focus on what can be done to support change in the next parliament.

The surprise announcement by the Prime Minister at the Labour Party conference that the government plans to introduce free personal care at home for those in highest need may have some merit as a transitional measure but it does not reduce the urgent need for comprehensive reform. We are concerned too about various aspects of this proposal and the fact that there has been no discussion or debate about the implications before it was announced. This is all the more surprising as it emerged halfway through consultation on a Green Paper that had taken more than a year to develop and that had explicitly ruled out free personal care as an affordable option.

Economic recession and the inevitable squeeze on public spending will make radical reform harder to achieve. The imminence of the general election makes reaching any form of political consensus unlikely within the next year. Yet the underlying demographic and funding pressures will continue unabated, and there is a desperate need to maintain the momentum for reform. In the meantime there are steps that could be taken to ameliorate some of the more blatant flaws in the current system, such as raising the ceiling on current assets, which determines whether an individual in a care home is entitled to local authority support, from £22,250 to £42,500, and lifting personal allowances, as recommended by the Joseph Rowntree Foundation (JRF 2009).

Despite efforts to transform the way social care is delivered through personalisation and the 'Putting People First' programme, the system remains largely unreformed and significantly underfunded. The real terms increase in adult social care spending over the past 10 years has been half that of the NHS and less than many other public services. It is clear that the options and costs set out in the Green Paper are indicative and will change according to public spending decisions and priorities.

For that reason alone there needs to be much greater openness and clarity about the costs of each of the options and the impact they would have on individuals. We need to understand more clearly how benefits will be brought into the new system and how this will affect future claimants. The Green Paper has left the position of working age adults unclear; unless this is addressed it is likely to encourage suspicion and hostility rather than open engagement.

There is much to do before the aspirational goals of the Green Paper can be translated into specific and detailed proposals; as a consultation document it is perhaps inevitable that it has raised more questions than answers, but the options must be firmed up before anyone can take a definitive view about whether there is one that should be taken forward. The proposal for a National Care Service, and getting the right balance between national consistency and local flexibility, have elicited particular comment. The promise that people will enjoy 'joined-up services' is laudable but the means whereby this will become a consistent reality have yet to be specified.

The King's Fund intends to contribute to the development of a consensus on reform of social care in several ways.

- The King's Fund will play a continuing role in highlighting the issues and seeking to influence policy thinking across the political spectrum.
- We are revising our original partnership model to take account of developments and policy changes since our 2006 Review. We are exploring whether this has the potential to offer a credible and financially viable option that would also address current concerns about the extent of unmet need; this would then be evaluated and, as far as we are able, costed alongside the options proposed in the Green Paper.
- The King's Fund is working with the Social Care Institute for Excellence to look at how a National Care Service might operate in practice and the implications for other areas of policy, for example, the NHS. In his speech to the Labour Party conference, the Prime Minister placed a rather different and more integrated meaning on the term 'National Care Service' than that set out in the Green Paper.
- We are considering how to develop further ideas about offering joined-up services in the light of past efforts to integrate health and social care and what can be learnt from international experience.

We would welcome the opportunity to discuss The King's Fund work in all of these areas.

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