Financing Long-Term Care for Older People
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The financing of long-term care for older people is a highly topical issue, especially in view of demographic trends and potential changes in patterns of care or policies. A number of key questions arise. How many older people are likely to require long-term care services in thirty or forty years’ time? How much are these services likely to cost? Will the cost to public funds prove affordable? How should costs be divided between public expenditure and private sources of finance?

The Long-Term Care Finance (LTCF) programme has developed a model to make projections of demand for long-term care by older people and associated expenditure, under clearly stated assumptions. Current work includes:

- further model updating and development to address policy questions
- modelling the impact of different financing systems within the research councils-funded MAP2030 study
- development of scenarios relating to future supply of informal care
- developing a module of questions on receipt of care, provision of informal care and payment for care, for use in surveys and evaluations, within a collaborative study funded by the DH and Nuffield Foundation
- contributing to a collaborative European study of long-term care systems funded by the European Union

Recently completed work has included:

- contribution to modelling care and support, as part of the MAP2030 project
- an analysis of the life-time costs of care
- a study of informal care by children and young people
- projections of demand for residential care for older people, for BUPA
- a comparison of disability measures across national surveys, for DWP

The first three of these contributed to the Green Paper on care and support.

The programme includes a research stream on informal care, which undertakes analyses of the supply of and demand for informal care, now and in future years. Recent work has included a study of the number of disabled adults who receive informal care from children and young people in England (Pickard, 2009). Ongoing work includes two projects. The first aims to link projections of the future supply of informal care to the future supply of the long-term care workforce. The second aims to incorporate the estimates of the future availability of adult children into the LTCF model, drawing on analyses of the English Longitudinal Study of Ageing.

Key publications
Projections of Long-Term Care Expenditure in England Under Different Assumptions Regarding the Future Balance Between Residential and Home Care
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Background
The PSSRU long-term care financing model aims to make projections of future demand for care under a range of scenarios and to contribute to the current debate on the future funding of long-term care. Governments will face challenges in implementing a system of funding long-term care that meets the rising demand for care (HM Government, 2009).

The PSSRU model has been expanded to enable it to handle balance of care scenarios more fully and updated to incorporate, for example, new projections of marital status rates and housing tenure.

Current findings
Office for National Statistics population projections show that between 2007 and 2032 the number of persons age 65 and over in England will increase by 64% from 8.2 million to 13.4 million. A significantly greater increase is likely to be observed amongst those age 85 and over: 136%. The PSSRU model projects that, on base case assumptions, the number of disabled older people (age 65 and over) is expected to rise from 2.4 million to 4.3 million, an increase of 75%. It is this disabled older population that is likely to require long-term care and support.

The model estimates that, under current care patterns, expenditure on long-term care would have to increase from 1.4% of GDP in 2007 to 2.7% by 2032 to meet increased demand and rising real unit costs of care. This represents an increase of 92%. The model also projects that the social care workforce caring for older people would need to increase by 79% in order to meet the rising demand for residential and home care services.

Projections of expenditure are sensitive to various factors, including potential changes in the balance of care between residential and home care (King et al., 2009). This is important because policymakers have in recent years promoted care at home, although there may be limits as to how much of a shift can take place, because of factors such as constraints on the supply of home care under current care patterns.

If it is assumed that there is a 2% annual reduction in the probability of entering residential care, the model projects that the number of older persons in residential care would rise by 13% between 2007 and 2032 as compared to an 86% increase projected under the base case. The corresponding required increase in expenditure would be 72% as compared to 75% under the base case. Contrast this with an assumed 2% annual increase in the probability of entering residential care. In this scenario the number of residential care places would need to increase by 130% as compared to the 86% increase required under the base case, and a 107% increase in expenditure on long-term care would be needed. These expenditure projections are sensitive to assumptions about the relative weekly costs of residential and home-based care.

References