The Economics of Housing and Care for Older People
PSSRU Evaluation of the ECH Funding Initiative

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Economics of Housing and Care for Older People

- Focus on Costs:
  - Some emerging findings on development costs
  - Some emerging findings on operating (revenue) costs

- Next steps: Cost-Effectiveness Analysis
Costs

- Greatest lack of evidence in terms of costs
- Costing methodology
  - Comprehensive; social perspective
  - Reflecting variations
  - Comparisons on a like-with-like basis
  - Costs in relation to outcomes
- Costs in context of outcomes: Is it worth it?
Costs and Outcomes

Relevant question in current context:
- A new but expanding area, but is capital expenditure on ECH justified?
- Is ECH more cost-effective than care homes, than sheltered housing, than care in the community, or other alternatives?

To answer questions, need to identify costs and the outcomes they were incurred to achieve.
Cost-Effectiveness Plane

Q1.
Intervention less effective, and more costly than O

Q2.
Intervention more effective, and more costly than O

Q3.
Intervention less effective, and less costly than O

Q4.
Intervention more effective, and less costly than O
The Extra Care Housing Initiative: PSSRU Evaluation (19 Schemes)

- **2004/05**
  - 2 retirement villages: 258 & 270 units
  - 7 new-build: 344 units (38-75)

- **2005/06**
  - 1 retirement village: 242 units
  - 9 new-build/remodelled: 372 units (35-48)

### ECH Capital Cost Funding: 2004/05 – 2008/10

<table>
<thead>
<tr>
<th>Financial year</th>
<th>Fund</th>
<th>Bids</th>
<th>Successful bids</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>2004/05</td>
<td>£29.0m</td>
<td>205</td>
<td>16</td>
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<tr>
<td>Pre-allocated</td>
<td>£17.7m</td>
<td></td>
<td>6</td>
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<tr>
<td>2005/06</td>
<td>£40.3m</td>
<td>&gt;140</td>
<td>21</td>
</tr>
<tr>
<td>2006/07</td>
<td>£20.0m</td>
<td>5</td>
<td></td>
</tr>
<tr>
<td>2007/08</td>
<td>£40.0m</td>
<td>43</td>
<td>14</td>
</tr>
<tr>
<td>2008/10</td>
<td>£80.0m</td>
<td>61</td>
<td>25</td>
</tr>
</tbody>
</table>
Dev Costs I: Findings

- Not straight-forward to compare development costs
- Average cost per m$^2$ across 19 schemes
- Cost per standard flat (i.e. cost per m$^2$ x average area of flats across schemes)

In comparison to Tinker et al.’s study
- Remodeling no less expensive than new-build (Methodology: no land, less communal facilities)
- vs. £64,300
Dev Costs II: Findings

- Sources of capital funding; funding ratio
  - Viability of rent-only schemes / mixed tenure
  - (Cross-)Subsidies: LA land, Sales Incomes

- Impact of current economic climate
  - Stalled sales: housing assets

- Development Cost Overruns
  - As percentage of budgeted costs
  - Delays: land negotiations, planning consent, construction difficulties, design changes

- But dev. costs only one of the cost elements
Cost Elements, and Outcome links

COSTS TO
- housing association
- health service
- social service
- to resident
- to informal carer

RESOURCE INPUTS
- building
- staff
- medication

INTERMEDIATE OUTPUTS
- service volume
- quality of care
- people served

NON-RESOURCE INPUTS
- care environment
- staff attitudes
- personal histories

SERVICE USER OUTCOMES
- changes in health, quality of life
- effect on carers
Revenue & Indiv-level cost:

- Costing principle:
  - Opportunity cost
  - Estimates for each of the broad cost components
- Accommodation, Social Care, Health Care, Living Expenses:
  \((\text{Service receipt frequency} \times \text{unit cost})\)
- Estimated Mean costs per person per week

- In-depth JRF study: Costs in relation to Outcomes
  - Level of receipt and costs of services seemed to increase in part due to meeting previously unmet needs
  - Overall costs pp increased but associated with improved outcomes
  - Initial evidence that ECH situated in Q2 of C-E Plane
Before & after costs: JRF study

Before move

Health Care
Social Care
Accommodation
Living expenses
Personal expenses

After move to ECH

Informal Care
Health Care
Social Care
Accommodation
Living expenses
Personal expenses
Cost Data Collected

- **Costs: Individual level**
  - Receipt of health & social care services & benefits at 6m (467 indivs.) + 18m

- **Costs: Scheme-level (19 schemes)**
  - Development costs
  - Revenue (operating) costs, i.e. financial accounts after 1 and/or 2 yrs & funding sources (LA) Variation in unit costs: e.g. home care
  - Charges to residents & service charge breakdowns

- **Outcomes**
  - Functional ability (Barthel, MDS) at 0m, 6m, 18m;
  - Well-being (CASP 19) at 6m +18m
Current/ Further Analyses

- Development Costs of ECH
- Costs and Outcomes of ECH: JRF In-depth study in one scheme

Current/ future analyses – Dec 2010:
- Variation in costs: factors (individual & scheme-level)
- Relationship between costs and outcomes
- Comparative costs / Cost Effectiveness analysis
  - No ideal comparator: e.g. ppl eligible for ECH but who instead remain home (amended care package) or move to care home
  - Comparator Group: e.g. previous PSSRU studies on care homes with statistical matching & potentially series of comparisons with different data sources in terms of outcomes