The Economics of Housing and Care for Older People

PSSRU Evaluation of the Extra Care Housing Funding Initiative

Ann Netten and Theresia Bäumker

Symposium: The Role of Housing with Care in Promoting Quality of Life
British Society of Gerontology Annual Conference, Bristol, 2-4 September 2009

Context and relevant questions

- Era of public funding cuts
- Need to justify expenditure, C-E analysis more important than ever
- Housing with Care, specifically Extra Care Housing
  - A new, limited, but expanding area
  - 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 measure costs and outcomes, neither of which straight-forward

Cost-Effectiveness Plane

Q1. Excluded

\[ C_2 > C_1 \]

\[ E_2 > E_1 \]

Intervention more effective, and more costly than O

Q2. Cost effective

\[ C_2 > C_1 \]

\[ E_2 < E_1 \]

Intervention less effective, and more costly than O

Q3. Questionable

\[ C_2 < C_1 \]

\[ E_2 < E_1 \]

Intervention less effective, and less costly than O

Q4. Dominant

\[ C_2 < C_1 \]

\[ E_2 > E_1 \]

Intervention more effective, and less costly than O

PSSRU Evaluation: Extra Care Housing Funding Initiative

- Need to identify costs and the outcomes they were incurred to achieve
- Greatest lack of evidence in terms of costs
- Costing methodology / ‘rules’
  - Comprehensive; social perspective
  - Reflecting variations
  - Comparisons on a like-with-like basis
  - Costs in relation to outcomes

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>2004/05</td>
<td>£29.0m</td>
<td>205</td>
<td>16</td>
</tr>
<tr>
<td>Pre-allocated</td>
<td>£17.7m</td>
<td>6</td>
<td>306</td>
</tr>
<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(4)</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>

Capital Costs Findings

- Average cost per m²
- Cost per standard flat (i.e. cost per m² * average area of flats across schemes)
- In comparison to Tinker et al.’s study
  - Remodeling no less expensive than new-build
- Sources of capital funding; funding ratio

Capital Cost IV: Questions raised

- Are rent-only schemes viable? Viability in long-term without subsidies?
- Dependency on sales income? Impact of current economic climate?
- How are rental rates set in public sector ECH? Do capital costs influence rental rates? Who bears the cost?
- But capital 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
- Service user outcomes
  - Changes in health, quality of life
  - Effect on carers

Cost elements: Bradford Study

- Social care: £130 increase on average
- Two-fold increase in home care costs + well being charge
- Health care: £70 decrease on average
- Pattern of service use: increased access vs. decreased freq.
- Like-for-like comparison problematic
  - Increase in costs to public sector ~ 85 % fails to public sector
- Level of receipt and costs of services seemed to increase in part due to meeting previously unmet needs
- Overall costs per person increased but associated with improved outcomes
Bradford Study III: Conclusions

- People assessed eligible with desire to change circumstances had unmet needs = not surprising
- Hope that situation would change on moving = it did
- Question then is more what are costs of improved outcome, rather than surprise at increased costs (or indeed no saving)

**THUS, initial evidence that ECH situated in Q2 of C-E Plane**

**BUT, could unmet needs have been met in previous homes?**

**BUT, do not yet have an ideal comparator:**
- People eligible for ECH but who cannot or don’t take that option, who remain in own home (amended care package) or move to care home

Next Steps

- Complete data collection (!)
- Costs
  - Individual level - receipt of health and social care services at 6m+18m, receipt of benefits 0m+6m
  - Scheme level – capital cost, operating cost (HA accounts after 1 and/or 2 yrs) & funding sources (LA), charges to residents, variation between schemes
- Outcomes
  - Functional ability (Barthel, MDS) at 0m, 6m, 18m;
  - Self-perceived health at 0m + 12m; Quality-of-life at 12m;
  - Well-being (CASP 19) at 6m +18m
- Series of comparisons with different data sources (best alternative in absence of “ideal comparator”):
  - E.g. previous PSSRU studies on care homes 1995, 2004/05 (approx. 500 residents in 16 local authorities)