The policy question

The question of how best to finance long-term care has prompted renewed debate since the publication of the report *Securing Good Care for Older People* (Wanless, 2006). The key issues are who is eligible for what publicly-funded care and with what user contributions, if any. Underlying the debate are concerns about both the future affordability of long-term care and the fairness of the current funding system.

The PSSRU long-term care financing model

The PSSRU long-term care financing programme, funded by the Department of Health, has developed a model to make projections of demand for long-term care by older people and associated expenditure, under clearly specified assumptions (Wittenberg et al., 2006).

The model has recently been updated to 2004 as base year and further development of the model is in progress. The model produces four types of projections: numbers of disabled older people likely to require long-term care, long-term care health and social services that will be required to meet demand, public and private expenditure on those services and on disability benefits, and social care workforce caring for older people.

Key projections

The PSSRU model does not forecast future policies or future patterns of care, but makes projections based on specific assumptions about future trends in key factors influencing demand for care. The base case projections take account of expected changes in factors external to long-term care policy, such as demographic trends, but hold constant policy-related factors, such as patterns of care and the funding system.

The latest base case projections project that the number of disabled older people will double between 2004 and 2041 to 4.6 million. The number of recipients of informal care is projected to increase from 1.7 million in 2004 to 3.3 million in 2041, assuming that receipt of informal care remains constant by age, gender, and marital status. Demand for formal services is also projected to increase between 2004 and 2041. This is reflected in a projected increase in total expenditure on services from £14.7 billion to £62.9 billion in constant 2004 prices.

Comparison with the projections from the previous version of the model are revealing. Expenditure as a percentage of GDP in 2041 was projected to reach 2.62% in the 2002 model compared to 3.07% in the 2004 model. This increase is driven by a real increase in expenditure on services between 2002 and 2004, reflecting especially an increase in home care services, and by changes in Treasury assumptions about future economic growth.

These projections are sensitive to the assumptions about key factors, such as trends in life expectancy, disability rates, supply of informal care, patterns of care and unit costs of care. An important finding from this study is that changes in these assumptions can have a significant effect on the projections (Wittenberg et al., 2006).
Marital status

The model incorporates the official 2003-based marital status/cohabitation projections (ONS, 2005) which show a rising proportion of older people who are married/cohabiting. It therefore takes into account a key aspect of expected changes in the supply of informal care, that is, changes in numbers of older people likely to have a spouse/partner. The projected percentage of the older population that would be de facto single in 2041 would be 45% using the ONS projections, rather than 48% if marital status rates remained unchanged. Long-term care expenditure is projected to reach 3.13% of GDP in 2041 under constant marital status rates, as against 3.07% under the base case (see figure 1). These extra costs, which arise because single people are more likely to receive formal services, are more likely to affect private than public expenditure, because single home-owners are generally required to use their housing assets to fund residential care.

Housing tenure

The model incorporates projections of housing tenure prepared by the University of Essex (Hancock et al., 2006). Housing tenure is included in the model because it is a simple socioeconomic variable for which projections are available and because it affects financing of care since home-owners generally are required to fund their own residential care. If the model had simply assumed that tenure rates, by household type, remained constant, projected total expenditure in 2041 would have been little different from the base case. Projected public expenditure, however, would have reached 1.99% of GDP compared to 1.94% under the base case (see figure 1). This difference reflects the high rates of home ownership amongst those currently aged 60 to 65 compared to those now aged 85 and over.

Future developments

The model produces base case projections on the basis of current patterns of care. These can be varied in scenarios to investigate the service, financial and workforce implications of different patterns of care. The research team are developing new scenarios involving changes in the supply of informal care by adult children and changes in the balance between residential and home-based care. They are also updating the social care workforce model using new data collected by Skills for Care – the National Minimum Data Set Social Care. This will enable the workforce projections to be more detailed, including variables such as job role. The model will then be able to investigate the impact that changes in demand for services or patterns of care will have on demand for different staff profiles.

Implications of the research findings

For projections to be robust, long-term care projection models need to take account of expected trends in a range of socio-demographic factors and not just trends in numbers of older people by age and gender. An important message for policy-makers is that they need to plan for uncertainty in future demand for long-term care for disabled older people.

References


