

What Price Care in Old Age?

Three years on from SPAIN's 'Underfunding of social care' paper, what has changed?

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Summary

Four years ago the *Social Policy on Ageing Information Network* (SPAIN) published a paper on the impact of the underfunding of social care for older people¹. We argued that we had a failing system for social care for older people. We called for a 'whole systems' review of funding levels for social care for older people.

The Government has since taken steps to address this situation, with above-inflation increases in central government support for social care and a raft of new initiatives. However, over the same period the cost of providing care has increased faster than inflation and as a result there is little sign of a reversal in the trend towards targeting care at ever fewer people with very high care needs. And little progress has been made in closing the gap between funding for older care recipients as compared to others. Over the next decade rising numbers of older people will create a need for additional resources.

The launch of the Government's Green Paper on Adult Social Care, *Independence, Well-being and Choice*, offers an opportunity to re-evaluate the nature of social care and provides a welcome opportunity to re-think the way care is funded and delivered. However SPAIN members feel it is unrealistic to expect this programme to be cost neutral overall. We share the concerns of the Local Government Association who state:

"The shift from acute services to a focus on prevention will not be cost neutral to implement as there will be a need to be double running of funding in the short to medium term. We do not envisage efficiency savings and savings arising out of new ways of providing services will in themselves be sufficient to meet the growing demand for services in the medium to long term future."²

If Government does not address the funding implications of the Green Paper's agenda we fear the laudable aspirations of delivering independence, well-being and choice will not be achieved.

The decision by the King's Fund to implement the recommendations of the 2001 SPAIN report, in the absence of Government action, and undertake a review of social care funding is extremely timely. In offering this paper SPAIN hopes to influence both this review and the Government in its deliberations toward the next spending review.

¹ SPAIN, 'The Underfunding of Social Care and its Consequences for Older People' 2001

² LGA Briefing on Independence, Well-Being and Choice, March 21 2005

Introduction

This report focuses primarily on social services, however in the long term SPAIN members agree with the proposals set out in the Green Paper for social care, *Independence, Well being and Choice*, which are based on the view that a coherent strategy for social care needs to go far beyond the provision of social services. Safe, accessible and active communities, support for carers, and housing, transport and health all have a role to play. However the main weakness of the Green Paper is that it is a long term vision with no timetable for implementation, and it does little to address the current crisis.

Local authority social services departments traditionally assess the needs of clients and provide or commission services to meet needs defined under social services legislation. Over recent years, due to escalating demands and costs and ever-tighter budgets, these services have been increasingly targeted at fewer people, and become focussed on those with the highest levels of need. The number of households receiving domiciliary care has, for example, declined by over 21% since 1997 even though the total number of hours that local authorities provide or purchase has increased by nearly 20%³.

In order to provide a comprehensive and joined up social care which offers independence well being and choice, as envisaged by the Green Paper, the Government *must* address the question of resources. Our argument is based on rights and efficiency – older people *deserve* a social care system which offers quality services which meet their needs, but also we know that short sighted under-funding of adult care ultimately results in *greater cost* to the taxpayer because without social care:

- Older people are more likely to be admitted to hospital when it should not be necessary;
- Problems are not addressed at an early stage, so people deteriorate more rapidly than is necessary; and
- Carers can be forced to withdraw from the labour market.

³ Community Care Market News Review, Lang and Buisson, April 2005 (figures quoted September 1997-September 2003 including double counting)

Part 1: The state of social care - 4 years on

What Central Government has done

Since the first SPAIN report the Government has made moves to tackle funding shortages in social care. Initiatives have included:

- A 6% increase in spending over three years
- A further 4% increase over two years
- Above inflation increases in funding for Personal Social Services through the FSS for the next three years
- Several specific grants for targeted Government initiatives

In addition, the Government has brought forward initiatives aimed at ending age discrimination, increasing choice, raising the quality of services, increasing stability in the care market and greater investment in low level support or preventative services. These include:

- The introduction of a national framework for eligibility criteria – ‘Fair Access to Care Services’ (FACS);
- A national charging framework intended to bring about more national consistency in charges that individuals pay for social care services;
- The Community Care (Delayed Discharges) Act (2003) which introduced fines for so called “bed-blocking”;
- Measures to increase the use of Direct Payments to individuals to enable them to arrange their own social care support;

- Creation of the Commission for Social Care Inspection (CSCI) with a future plan to merge with the Healthcare Commission, to work across the system to improve practices
- A new Green Paper for adult social care - Independence, Well-Being and Choice

The impact of new funding

However there are a number of factors which make it difficult to establish the impact of this increased funding on older people’s services.

The complexity of funding arrangements is one key factor, another is the lack of clarity in the boundaries between social care and other forms of expenditure – such as Supporting People or NHS funding. These boundaries are neither well defined nor static - for example some responsibilities for the long term care of older people which were formerly assumed by the NHS have been transferred to social services, whilst Supporting People funding appears to have been used to meet some lower level support needs that were formerly met by social services.

Complexity also arises from the fact that the vast majority of funding provided by central Government with the intention of improving older people’s services is not protected. There are concerns that older people’s services often lose out to other local priorities. For example, the fact that local authorities are the corporate parent of children in care with a statutory responsibility, combined with enormous

public pressure to ensure all children are free from risk, means that money is easily channelled into expensive children's services away from adult services.

As a result the clearest indication of how increased funding is reaching older people's services on the ground comes from examining expenditure levels.

Spending on older people's services

In 2001 local authority budget overspends (which were almost £1 billion or 9.7% of budgeted social services expenditure) were largely (64%) in children's services⁴. Claims that overspends were caused by growing numbers of older people were in most cases unjustified, since the overspend in older people's services was only 21% of the total, despite older people being the majority of users of social services. In 2001-2 local authorities spent 47% of social services budgets on older people, who were 62% of social services clients⁵.

Local Authorities have continued to overspend on social care services for children. In 2003/4 expenditure was 4.9% above the government's spending allocation, and for 2004/5 is projected to be 6.5% above government provision. In both cases overspends are almost entirely attributable to children's services⁶. However within adult social services there have been variations in expenditure by client group, and increased spending has not been focused on older people. This can most clearly be seen by examining expenditure increases over the period 2000-01 to 2002-03. Over this period expenditure on all adult social care rose

by 28% - but within this expenditure on younger adults with learning difficulties rose by 43%, whilst expenditure on older people, including those with mental health needs, rose by only 22%.

Recent projections show that this pattern is continuing. For 2004-5 63% of local authorities are projecting an overspend on services for younger adults with learning disabilities 47% on younger adults with physical and sensory disabilities and only 33% on older people. Despite this, the area where the most local authorities are planning to restrict services is care of older people. 12% of local authorities are planning to raise the threshold for eligibility for services for older people, compared to between 7% and 9% who are planning to do the same with the various other client groups⁷.

Furthermore when we examine how this expenditure increase can be accounted for over the period, we see that in reality the extra investment in older people's services since the last SPAIN report has not been sufficient to stem the crisis we described then.

Increasing costs and burdens

Whilst the 22% increase in spending on older people's services over the 3 year period (2000-01 to 2002-03) clearly outstrips the pace of inflation nationally, the care sector has seen rising costs and increasing demands over the period which more than account for these expenditure increases.

Research by the Personal Social Services Research Unit at the University of Kent⁸ shows that:

⁴Department of Health PSS current expenditure England 2001

⁵ Local Authority personal social services expenditure by recipient group – National Statistics Office 2002

⁶ LGA research – Social Services Finance 2004-5

⁷ Social Services Finance 2004/5 – LGA research 2005

⁸ Curtiss and Netten– Unit Costs of Health and Social Care 204 (Inflation Indices) - PSSRU University of Kent

- over the period 1999-2000 to 2002-3 pay rates within the personal social services rose by an average of 5.4% a year (and in 2003-4 rose by 6.4%);
- the total increase in pay and prices over this period was 14%.

When these extra costs have been accounted for we are left with only a 7% expenditure increase, compared to the cost of providing care, over the three year period.

At the same time the burdens and requirements on local social services departments have increased as a result of the dual effects of increased pressure from the centre and a growing older population.

Over the four year period 2000-01 to 2003-4 the number of older people over the age of 65 rose by 2.3%.

Local authorities have also been asked to shoulder more of the costs of older people's care as a result of changes in the rules on financing care home placements which included a 3 month disregard of the value of the person's home in calculating their eligibility for local authority funding when entering a home, and increased capital limits used for calculating eligibility for local authority funding.

In addition a raft of new targets and requirements meant local authorities are facing increasing costs. These include:

- New targets in the NHS plan - including 50,000 more older people being helped to live independently at home, 75,000 more older people benefiting from respite care;
- New targets in the Spending Review 2002 – for provision of 500,000 new items of community equipment to 250,000 people⁹; and tougher requirements on waiting for assessments and services;

- New charges and pressures – as a result of the Community Care (Delayed Discharges) Act, which has successfully reduced delayed discharge, but increased pressure on social services;
- Pressure to shift to care at home rather than care homes – more older people with high care needs are now living at home rather than in residential care, however for older people this is often a more expensive option.
- Cost of Fairer Charging – implementing this national framework for social care charges is estimated by the LGA to have cost local authorities £80 million in lost income or additional administration¹⁰.
- A new regulatory framework – bringing extra costs to providers.

Whilst SPAIN members are entirely supportive of all of these initiatives, we also acknowledge that they carry a cost.

Together the cost of meeting these new requirements, we would argue, easily accounts for the increased expenditure over and above that accounted for by wage and price inflation – the 7% increase explained above.

It is therefore hard to see where the “slack” in these budgets is to be found to allow local authorities to innovate in the provision of less-intensive services and to reverse the trend towards ever-tightening eligibility criteria.

SPAIN argued that social care was in crisis 4 years ago. It is our assessment, 4 years on, that the extra expenditure going into social services in recent years has not been sufficient to bring us out of this crisis. Unsurprisingly therefore, Local Authorities are continuing to report both budget overspends and cuts to services.

⁹ LAC 2003(10)

¹⁰ Expenditure Report 2003/4 – 2005/6 – LGA 2002

As a first step towards tackling the problem SPAIN members believe the Government must address the problem of funds being “creamed off” away from older people’s services towards other priorities.

Whilst we fully support the ideas of local flexibility and responsiveness, we believe the precedent shows that older people’s services are almost always the poor relation. Below we examine the age discrimination which we believe underlies many of these decisions. Until we stamp out age discrimination SPAIN members believes ring-fencing of funds for older people’s services is the only way forward.

Challenges ahead – the future of social care funding

In our view, it will be of even greater importance to weigh up the advantages and disadvantages of ring-fencing as we look to a future of even tighter resource settlements and ever-increasing challenges along with increasing expectations.

In contrast to the 6% per annum real terms increase that we have seen between 2001-2003 years going into social care, the Government’s spending pledges in relation to social care over the period 2004-2008 will amount to only a 2.7% per annum real terms increase.

SPAIN members are gravely concerned that funding at this level will be insufficient to meet the increasing costs and burdens that the social care sector will face over the coming years as a result of:

- A growing older population - from 2004 – 2011 the number of older people is expected to rise by 13%. The Local Government Association has estimated¹¹ that between 2002-3 and 2005-6 demographic changes alone will result in an increase of £146 million in the cost of providing services for what they term ‘adults and the elderly’

- Increasing wage costs – the National Minimum Wage has increased by over 23% between October 2001 and October 2005¹²
- Pressures to increase the numbers of older people receiving intensive home care - targets set by the Spending Review in 2002 were strengthened by the Spending Review 2004.
- The cost implications of the Green Paper, Independence, Well-Being and Choice

Advantage of Ring-fencing

- Counteracts the effects of age discrimination (see below) which is the biggest enemy of older people. Neither the NHS nor local authorities have statutory responsibilities for older people in the same way as children, yet we would argue that decisions on the allocation of funds should be based on merit, not driven by statutory obligation or political expedience.

Disadvantages of Ring-fencing

- Could undermine local autonomy and goes against the spirit of the Green paper, particularly in relation to individualised budgets.
- Could hit a ceiling relatively quickly.
- No flexibility to spend above the ring-fenced amount; Government view it as a minimum amount and councils view it as a maximum.

Money for adult services should therefore be as equally protected as funding for children’s services and education but without the disadvantages mentioned above that comes with ring-fencing.

¹¹ Expenditure Report 2003/4 – 2005/6 – LGA 2002

¹² DTI National Minimum Wage Website. October 2001 £4.10 per hour, October 2005 £5.05 per hour.

Part 2: Cause and consequence – the role of age discrimination

The most pernicious and unjust reason for, and impact of, the underfunding of care services for older people is age discrimination. Despite Standard One of the National Service Framework for Older People and the Fair Access to Care Services (FACS) framework for eligibility criteria, ageist attitudes continue to effect decision making on spending and services, and discriminatory practices remain in a number of forms:

- Local authorities pay lower rates for residential care for older people than for that of other groups. Performance Indicators for 2004 show that the average weekly cost of residential care for older people was £377, whilst for younger adult client groups it ranged from £447 to £734;
- Furthermore rates for older people's care at home are often based on the costs of residential care – which means older people receive less hours of home care than other groups;
- As a result of the lower amounts of home care available, older people are still, in practice more likely to be forced to move into residential care than other groups. Older people aged 75 and over make up 68% of local authority funded residents in care homes even though they are only 52% of clients¹³.
- Disparities in funding are compounded by the fact that people aged 66 and over are barred for applying to the Independent Living Fund for additional funding to top up social services' provision;

- National Minimum Standards for care homes for younger adults differ from those for older people – with less stringent requirements to involve older people in the running of their homes, and less emphasis on ensuring residents are able to participate in the local community.

Despite the laudable intentions of the FACS framework to promote preventative and low level support services, in the absence of protected funding local authorities still fail to provide the kind of services that we know help older people maintain their independence – e.g. for example, domestic help, shopping services and social support.

We believe additional funding is needed to meet to compensate for the unfairness inherent in our system and to help move to genuine equality for older people.

¹³ Department of Health community care statistics tables s5 and s6

Part 3: Concern about care homes – the impact of underfunding

The example of the care home sector clearly illustrates the impact that underfunding has had on the provision of care and the effect this can have on individual older people.

SPAIN members support the Government's policy to encourage increased use of extracare and sheltered housing, as we move away from over-reliance on traditional care homes. However we believe that care homes remain an important part of the social care landscape, particularly for older people with dementia. Furthermore we believe the current level of care home provision has several debilitating effects on older people, including lack of choice, and home closures which can lead to immense distress and can sometimes put older people at risk.

The question of whether there is a shortage in care home places has caused much debate. However evidence gathered by SPAIN members with helplines shows that older people, many of them at times of crisis, face significant barriers to finding suitable care home places. There are currently pronounced local and regional shortages of care home places, particularly for those who have specialist care need, such as those with mental health problems.

Nationally care home places have an occupancy rate of over 92%¹⁴. Arguably this is already over the optimal level and we are in the grip of a bed shortage. Some "spare" places are always going to be needed if we are to have a residential sector that is equipped and responsive to

the need for a range of care types – including for permanent residence, short term respite placements, and to allow discharge from NHS or intermediate care. Furthermore spare capacity is vital to the provision of choice, and local provision is central to ensuring that older people are not forced to live away from their communities, relatives and friends. In recognition of this the optimum capacity for care homes has been estimated to be 90%¹⁵.

The role of funding

Government funding settlements have not addressed the issue of provision and as a result decline in availability has continued, mainly because the number of new registrations has collapsed¹⁶. Providers tell us that the main reason for this is the inadequacy of local government funding rates¹⁷. As the balance of supply and demand has shifted in favour of providers with scarce supplies of services and labour, many areas have seen market rates increase well above the rate of inflation. This entirely predictable trend has cancelled out many of the benefits of increased central government funding.

The true cost of care

We would argue that the baseline determining the care fee levels at the time of the NHS and Community Care Act 1990 was an unfair foundation on which to build successive fee uplifts over decades, and has led to fractured relations between purchasers and providers with service users being caught up in the crossfire. The fundamental flaw was the amount of

¹⁴ Care of Elderly People UK Market Survey – Laing and Buisson 2004

¹⁵ Laing and Buisson, 2004

¹⁶ Care of Elderly People UK Market Survey – Laing and Buisson 2004. Table 4.5 – in the year to April 2004 11,800 existing beds were lost whilst new registrations provided only 3,200 new beds.

¹⁷ Care Home Closures, the Provider Perspective – Williams et al – PSSRU at the University of Kent 2002

money transferred from the then Department of Health and Social Security (DHSS) to local authorities in the form of a Special Transitional Grant (STG) was based on an individual's supplementary benefit level, instead of their assessment. This policy emerged from an underlying ageist assumption that older people in care homes needed nothing more than accommodation and physical care, covering their basic needs. This was in sharp contrast to the laudable policies developed at that time for adults with learning disabilities who were seen as individuals with rights to choice, dignity and respect. The concept of "normalisation" encouraged integration in the community, non-institutionalised living and maximised quality of life. Funding of their services reflected this and was based on a broad understanding of an individual's needs, their assessment being axiomatic.

We now have the Single Assessment Process (SAP) which offers a key opportunity to redress the balance. Funding of older people's care should be based on a person's total needs and linked and tailored to SAP, not determined by how much a local authority can afford in any given year.

We welcome the introduction of funding tools such as the Joseph Rowntree Foundation's *Fair Price for Care* developed by William Laing and the UK Homecare Association's (UKHCA) costing model, *Calculating the Real Cost of Care* as these provide helpful starting points for dialogue between purchasers and providers on a fairer basis. This is vital as policy moves towards developing extra care where past mistaken assumptions about costing have created some poor quality environments for older people. In addition, recognition must be given of the need to fund and manage the transition from current to new models of care outlined in the Green Paper, *Independence, Well-Being and Choice*.

Problems in the market

Increased market rates are not encouraging new care homes into the market. Owners argue that land values and difficulties in recruiting staff are the main reasons for this¹⁸. However, SPAIN members have argued that failings in the workings of the care home market are more widespread than this and we have initiated and supported a 'super-complaint' to the Office of Fair Trading about this. The focus of this complaint is the common practices of care homes subsidising inadequate local authority fee rates by charging higher fees to older people who have to fund themselves, and of relatives being required to top up the fee paid by the local authority.

The pressurised circumstances in which most older people move to care homes, combined with the lack of information mean that older people have little opportunity to exercise consumer choice. Once in a care home few older people have the energy or resources to move even if they are dissatisfied, due to the lack of available alternatives and the stress involved in moving.

SPAIN members believe these factors make it unlikely that the market will automatically match supply to demand. We believe local authorities should be planning for the future and be actively managing the market in order to ensure adequate future capacity.

¹⁸ Improving Lives, Improving Life – English Community Care Association 2004

Part 4: Innovation vs. efficiency? – The role of commissioning

If social care services are to meet the needs of their older clients, it is vital that local authority commissioners place older people's needs at the heart of their processes.

SPAIN members believe that successful commissioning requires an imaginative approach which:

- Protects the rights of service users (including human rights);
- Involves users and carers as well as the independent sector in the overall process;
- Ensures that varied and flexible services are available to meet the individual needs of clients; and
- Eliminates waste and obtains value for money.

The Government's Green Paper *Independence, Well-Being and Choice* proposes a move away from narrowly targeted service provision towards a holistic approach to social care which gives control back to the people. This new vision for adult social care puts direct payments and individual budgets at the heart of its new more personalised approach to social care. These new models imply a whole new approach to local authority commissioning which SPAIN members welcome.

However we are concerned that other drivers acting upon those charged with commissioning social care services may undermine efforts to achieve these aspirations.

Barriers to good commissioning

Meeting the diverse needs of older people requires a wide ranging knowledge and expertise. This is best achieved through the involvement of service users, and also those voluntary carers and staff who are in day to day contact with service users. It is also vital that commissioners have a clear understanding of the rights of their service users – including their human rights. Unfortunately however, our experience of the reality “on the ground”, is that knowledge and understanding of the rights and needs of older people is not widespread.

Differences in professional perspectives – both within and between agencies - can also act as a barrier to ‘joined up’ service provision. It is vital that everyone involved in commissioning social care is focussed on meeting the varying needs of each individual they serve.

Unfortunately these differing perspectives and priorities are reflected even at the highest levels. SPAIN members are concerned that the language and priorities of *Independence, Well-Being and Choice*, are undermined by the drive towards efficiency laid out in *Releasing Resources to the Frontline* –which emphasises the need to work for economies of scale in achieving 35% of the £6.45 billion savings through procurement of adult social care and other services. This drive towards “bulk-buying” appears incompatible with a person-centred individualised approach to social care.

However, whilst we are concerned about the drive towards standardisation, regionalisation, and a one size fits all approach to commissioning, we strongly support the drive towards efficiency.

We believe the most efficient use of social services' resources can be achieved through a greater focus on tailoring services to individual needs. This is because:

- By ensuring that services are provided in response to need - through better assessment and review – waste can be reduced;
- The precedent established by Direct Payments so far show that they save money.

However – whilst we believe long-term savings are achievable – more personalised services will require up-front investment in assessment, review, advocacy and support for users. Therefore we believe it is vital that the drive for efficiency in the short term – and the pressure to reduce commissioning costs - does not result in this type of up front expenditure being targeted for cuts.

Part 5: An action plan for the future

In the four years since SPAIN first reported on the underfunding of social care, some moves have been made to improve funding and services. However the acknowledged need for change at the centre is not uniformly being translated into service improvements on the ground. It is our judgement that older people's social care remains chronically underfunded.

There is evidence to suggest that without attention to protecting funding for older people's services and basing funding upon need, they will continue to be the "poor relation" as funding is channelled into other areas considered higher priority. This is an even greater cause for concern given that investment in social care overall is due to slow down over the period 2004-08.

We believe a new funding settlement for social care is overdue.

Our recommendations

We recommend that the government responds to our concerns as matter of urgency with:

- A new settlement for social care in the 2006 spending review;
- Equal protection of funding allocated for adults as for children's services and education, without the disadvantages of ring-fencing.
- Basing funding upon the total needs of older people and linking with the Single Assessment Process
- Improved commissioning of social care services to take account of individual needs and the rights of older people;
- Resources to support the Government's commitment to end discrimination against older people in the provision of care.

Conclusion

Despite Government action since 2001, older people still suffer the consequences of underfunding of social care. Whilst SPAIN welcomes the Government's Green Paper *Independence, Well-being and Choice*, without adequate resources we are concerned that it will not be achieved.

We are convinced that ageist attitudes underlie the under-resourcing of older people's care. It is time we all examined what real value we place on older people's care