

REPORT ON FREE PERSONAL CARE AND ALTERNATIVE OPTIONS

October 2007

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Background

1. In December 1997 The Labour Government established a Royal Commission to examine short and long term options for long term care for elderly people and to recommend how the cost of that care should be apportioned between public funds and individuals.
2. The Commission's report was published in 1999 with a number of recommendations for change. Among these, the Commission recommended that personal care should be provided free and the cost should be met from UK taxation. It also recommended that nursing care in nursing homes should be free, as it already was in all other settings. Residents in care homes, the Commission argued, should only be liable for the food and accommodation ("hotel") costs of their care package.
3. However, two of the Commissions' 14 members disagreed with the recommendation for free personal care. In a signed note of dissent included in the report, Joel Joffe and David Lipsey argued that free personal care was unaffordable given the projected increase in the elderly population over the Commission's remit of the following 50 years.
4. All 4 UK Jurisdictions accepted the recommendation relating to free nursing care and have subsequently introduced payments to care homes to cover the cost of nursing care. HPSS Payments for Nursing Care in NI were introduced in October 2002 with a weekly payment of £100. In England and Wales the equivalent Registered Nursing Care Contribution has been set at £101 and £114.90 respectively.
5. The Scottish Executive, however, is the only Jurisdiction to have introduced a payment to cover both the cost of personal and nursing care. Weekly

payments for personal care of £145 and £65 for nursing care were introduced in July 2002.

6. Neither the Department of Health nor the Welsh Assembly Government has plans to introduce free personal care. Further analysis of the position in Scotland, England and Wales is set out in Chapter 5.

Northern Ireland

7. In March 2001 the previous Executive commissioned an Inter-departmental group (IDG) to examine the costs of introducing free personal care here. However, the Assembly was suspended before the Group completed its analysis.
8. Although an update of the likely costs of free personal care was commissioned in June 2005 with an estimated cost of £45m at 2005/06 prices and volumes, Direct Rule Ministers maintained that, due to the significant cost of such a policy and the fact that the work had originally been commissioned by the Executive, a decision on implementation should be taken by a locally elected Executive¹.

Population Statistics

9. Over the next 20 years the age profile of the UK is predicted to change dramatically with an increasing elderly population. Given NI's relatively young population at present, the change here is expected to be more dramatic than in any other region of the UK.
10. By 2026 it is forecast that Northern Ireland's over 65 population will increase by 60%, some 14% more than the UK average. Within that figure, the over 85 population is increasing at an even higher rate, doubling by

¹ PQ 1120/02 Des Browne

2026 and outstripping average growth for the UK by 37% and the comparative figure for Scotland by 20%².

11. Demographics alone will require substantial increases to social care budgets to meet increasing demand. Any policy which increases costs in the provision of services now is also therefore likely to increase significantly over the next 20 years. In addition, any changes made to the current charging regime which restrict the level or scope of charging reduces potential future income through charging as, under the current system, it is likely that a higher proportion of people would be required to reimburse the full cost of their care

Report

12. Following your speech to the Assembly of 29 May 2007, this report examines the cost of introducing free personal care at June 2007 and also examines the cost of the alternative options you outlined: disregarding the home, increasing the capital limits and increasing the PEA.

² Government Actuary

CHAPTER 1: WHAT IS PERSONAL CARE?

1.1. For the purposes of this update of the cost of introducing free personal care, the definition of personal care remains that as defined by the Inter-departmental group (IDG) in 2002:

“Personal Care encompasses help with those personal tasks that a person would normally do for himself or herself such as dressing, eating, washing and bathing, toileting, getting in and out of bed, moving around their home and keeping safe”.

What is the current position?

1.2. At present in NI, the extent of financial support that care home residents receive from the HSC is dependent on their capital and income. Capital limits are set out in the Health and Personal Social Services (Assessment of Resources) Regulations (NI) 1993 and are uplifted each April in line with inflation. Residents who have capital above the current upper limit, £21,500, are considered able to pay the full cost of their care. Those with capital at or below the lower limit of £13,000 have the value of that capital disregarded. Those with capital between the two limits pay a maximum contribution from that capital of £33 per week, and will also contribute to the cost of their care from their income.

1.3. Where a client has less than £21,500 of capital, the client’s income, subject to a number of disregards, is considered available to contribute to the cost of their care. All clients who contribute from their income have a small weekly allowance – the Personal Expenses Allowance of £20.45 – protected from charging.

1.4 Clients at home, however, do not have to pay for their personal care.

CHAPTER 2: ESTABLISHING A WEEKLY RATE FOR PERSONAL CARE

- 2.1. As with HPSS Payments for Nursing Care, it is envisaged that free personal care would be provided via a weekly payment to care homes to cover the cost of providing personal care. The level of this payment, together with the number of people benefiting are central in determining how much the introduction of free personal care would cost.
- 2.2. In 2004/5 the Department commissioned research from PricewaterhouseCooper's (PwC) into the true economic cost of residential, nursing home and domiciliary care. PwC subsequently carried out an analysis of the various cost elements of residential care and data from this analysis has been used to estimate a rate for personal care for the Elderly Programme of Care (POC).
- 2.3. In establishing a rate for personal care for the Elderly POC we have considered the direct cost of free personal care to be the equivalent cost of care home assistants, i.e. those who actually provide personal care to residents. We have therefore taken salary data from the PwC report together with small amounts for training and agency premium. As this information relates to 2003/4 rates, we have uplifted the rates in line with annual increases to the Minimum Wage.
- 2.4. This methodology gives a rate for **personal care for the Elderly POC of £153**. The gross rate for an elderly placement is £419, and it follows that, if the cost of personal care is £153 then the remaining cost of the placement represents the hotel and accommodation costs. This gives **a hotel rate of £266, which equates to £38 per night**.

Personal care cost for other POC

- 2.5. Free Personal Care in Northern Ireland would not be restricted to the Elderly POC and consequently a free personal care rate for the Learning Disability, Mental Health and Physical/Sensory Disability POC needs to be derived.
- 2.6. Our census revealed that the average rates paid vary significantly according to POC. There would appear to be little discernible reason for hotel costs to differ from one POC to another, which means that the differential in average weekly rates across POC must be attributable to varying levels of personal care.
- 2.7. Assuming that hotel costs remain constant, we have derived a personal care rate for the other POC by deducting the hotel rate already calculated for the Elderly POC from the average weekly cost of placement for each of the other POC.
- 2.8. Table 1 below sets out the derived and recommended free personal care rates for the Learning Disability, Mental Health and Physical Disability POC.

Table 1: Recommended Personal Care rates by POC

| | Mental Health | Learning Disability | Physical Disability |
|---|---------------|---------------------|---------------------|
| Average Gross Fee per week (Residential Home) | £397 | £556 | £508 |
| Hotel Cost | £266 | £266 | £266 |
| <i>Derived fpc rate</i> | <i>£131</i> | <i>£290</i> | <i>£242</i> |
| Recommended Rate | £153 | £290 | £242 |

2.9. In following this approach, however, the personal care rate for the Mental Health POC falls below that of the Elderly POC. We recommend that the Elderly rate be used as the base rate as, it is based on independent research, we can therefore say with greater certainty that this is the minimum cost of providing personal care. **The free personal care rate for Mental Health would then be lifted from £131 to £153.**

2.10. It could be argued, however, that because the provision of personal care is central to the purpose of care homes, our rates to cover the cost of providing personal care should also reflect other overheads associated with the running of care homes. This view, and the knock on effect on the overall cost of free personal care is more fully analysed in Appendix 2.

2.11. For the remainder of this report we have focused on the personal care rates outlined in table 1 as the Elderly rate is in line with that used in previous cost estimates and with the rate currently paid by the Scottish Executive (£145 per week).

CHAPTER 3: WHO WOULD BENEFIT FROM FREE PERSONAL CARE?

3.1 As personal care is already free in a person's own home, the majority of potential beneficiaries of a free personal care policy are care home residents. Broadly speaking, residents who would benefit can be divided into one of three groups:

- **Private funders:** Residents who arrange and pay for their own care without any involvement from the HSC.
- **Self funders:** Residents whose care is arranged by the HSC and whose capital and income is such that they have been assessed as liable for the full cost of their placement ;
- **HSC Supported residents:** Residents whose care is arranged by the HSC and are eligible for some HSC funding;

3.2 However, some 70% of residents already have their personal care funded by the HSC due to the low level of their assessed contribution and will not therefore benefit from a free personal care policy.

How many would people benefit from free personal care?

3.3 The following section outlines the outcome of a census of care home residents carried out in June 2007. A detailed breakdown of the methodology used to ascertain the number of likely beneficiaries is attached at Appendix 1.

Private Funders

3.4 The HSC is not involved in the care of private funders which presents a difficulty both in terms of estimating their numbers and their eligibility for free personal care. It is assumed, however, that all private funders have sufficient capital and income that, if they were financially assessed, they would be self funders. Consequently, all private funders are assumed to be

eligible for free personal care. We estimate that there are **1,598** such individuals.

Self Funders

3.5 All self funders are expected to be eligible for free personal care and our survey in June indicated that **there are 1,895 such residents across all POC.**

HSC Supported Residents

3.6 Table 2 below shows the average HSC contribution across all POC together with the recommended personal care rates for those POC. An individual currently receiving some HSC financial support will only benefit from a free personal care policy where the level of HSC support they are receiving falls below the recommended personal care rate for their POC. As can be seen in Table 2, the average HSC contribution exceeds the recommended personal care rate across all POC, meaning that relatively few HSC supported residents would benefit from the introduction of free personal care. Our census indicates that **only 231 or 2% of the total number of HSC supported residents will benefit from a free personal care policy.** The remaining 98% of HSC supported residents, in effect, already receive free personal care due to the high level of financial assistance they are already receiving from the HSC. Where private and self funders will attract the full discount for free personal care, HSC supported residents will only receive a marginal benefit, as the HSC is already funding the vast majority of the cost of their personal care.

Table 2: Comparison of Average Weekly HSC contribution and recommended personal care rates

| Programme of Care | Current Average Weekly HSC Contribution | Recommended Fpc rate |
|--------------------------|--|-----------------------------|
| Elderly | £346 | £153 |
| Learning Disability | £488 | £290 |
| Mental Health | £351 | £153 |
| Physical Disability | £458 | £242 |

Summary

3.7 Table 3 below outlines the results of our survey.

Table 3: Results of 2007 survey of care home residents

| | Programme of Care | Total number of clients | Total number eligible for free personal care | Total number already receiving free personal care |
|------------------|--------------------------|--------------------------------|---|--|
| Private Funder | All POC | 1,598 | 1,598 | 0 |
| Self Funder | Elderly | 1,823 | 1,823 | 0 |
| | Learning Disability | 9 | 9 | 0 |
| | Mental Health | 36 | 36 | 0 |
| | Physical Disability | 27 | 27 | 0 |
| Sub-total | | 1,895 | 1,895 | 0 |
| HSC Supported | Elderly | 8,412 | 46 | 8,366 |

| | | | | |
|------------------|---------------------|---------------|--------------|---------------|
| | Learning Disability | 1,446 | 173 | 1,273 |
| | Mental Health | 517 | 0 | 517 |
| | Physical Disability | 364 | 12 | 352 |
| Sub-total | | 10,739 | 231 | 10,508 |
| | | | | |
| Total | | 14,232 | 3,724 | 10,508 |

CHAPTER 4: THE TOTAL COST OF FREE PERSONAL CARE

4.1 This chapter examines how much a free personal care policy is likely to cost by combining the personal care rates identified in Chapter 2 and the numbers benefiting identified in Chapter 3. We also examine a number of other potential cost factors.

HSC Managed Care Home Residents

4.2 There are 1,895 HSC managed residents who will derive full benefit from a free personal care policy and a further 231 who will derive some benefit.

As outlined in the table below we have calculated that the direct cost of free personal care to those residents is £15.5m.

Table 4: Cost of free personal care by POC for self funding and HSC supported residents

| | Programme of Care | Total number of clients | Total cost |
|----------------------|--------------------------|--------------------------------|-------------------|
| Self Funder | Elderly | 1,823 | £14.5m |
| | Learning Disability | 9 | £0.1m |
| | Mental Health | 36 | £0.3m |
| | Physical Disability | 27 | £0.3m |
| Sub-total | | 1,895 | £15.2m |
| HSC Supported | | | |
| | Elderly | 46 | £0.1m |
| | Learning Disability | 186 | £0.1m |
| | Mental Health | 0 | £0 |
| | Physical Disability | 12 | £0.1 |
| Sub-total | | 231 | £0.3m |
| Total | | | |
| | | 2,126 | 15.5m |

Private Funding Care Home Residents

- 4.3 Following the methodology outlined in Appendix 1, we estimate that there are 1,598 individuals who arrange and pay for their care privately without any HSC involvement. We anticipate that, were these private funders to be financially assessed they would be liable to pay for the full cost of their care and would therefore enjoy the full benefit of a free personal care policy. We estimate this cost to be some **£12.7m**.
- 4.4 It should be noted, however, that the £15.5m cost for HSC managed residents and £12.7m cost for private funders does not represent the net gain for those residents. Currently, residents paying for their own personal care are entitled to Attendance Allowance at either £43.15 or £64.50. If free personal care is introduced, however, Attendance Allowance (AA) will be withdrawn, representing a saving to HM Treasury of between £8m and £12m and limiting the net benefit to the resident of the difference between their AA and the personal care rate for their POC.
- 4.5 There is a potential further cost associated with but not attributable to free personal care. Private funders in nursing homes are, subject to an assessment of their needs, entitled to receive HSC Payments for Nursing Care of £100 per week. Nursing home beds represent 66% of the total number of places available in NI, with residential home beds making up the remaining 34%. If we assume that 66% of private funders are resident in nursing homes, this means that there are some 1,055 currently entitled to the £100 weekly payment but not claiming it. **If all private funders now presented for HPSS Payments for Nursing Care this would add £5.5m to the current total cost of the HPSS Payments for Nursing Care scheme.** However, this cost is dependent on the numbers who may actually present and the reason behind why some people have not yet presented. If, for example, they have not have presented simply because the nursing care payment is not in itself high enough to encourage them to

come forward, then the combined effect of a free personal and nursing care rate may overcome this. On the other hand, if a private funder has not presented simply because they do not wish to have any involvement from the State and wish to keep their affairs private, then the introduction of free personal care is unlikely to result in those individuals presenting for HPSS Payments for Nursing Care.

Private Domiciliary Care Purchasers

4.6 Although domiciliary care is free in Northern Ireland there is a small number of individuals who purchase care privately. We have established from the UK Home Care Association that income from private purchasers represents approximately 3% of total business. The cost associated with private purchasers depends on the reasons as to why they have privately purchased domiciliary care. If it is because individuals are not aware that the service is provided free by the HSC then the publicity relating to the introduction of free personal care would likely result in those individuals presenting to the HSC. If on the other hand, it is because the individuals want their affairs kept private then free personal care may not result on those individuals coming forward. If all private purchasers came forward we estimate that the additional demand would cost some **£1.7m.**

Home Help

4.7 The Department's Home Help Model Scheme requires that home help clients – with the exception of the over-75's and those in receipt of Income Support/Pension Credit - are charged for the service in line with their ability to pay. The home help service focuses on assistance with domestic tasks which fall largely outside the definition of personal care. However, given the minimal income generated by the scheme, and in order to remove confusion about what services would be free and which would be chargeable in a person's own home it is recommended that the Model Scheme be wound up at an **estimated cost of £0.1m.**

Assessment of Need

- 4.8 We have estimated that up to 1,598 private funders in residential and nursing homes would, subject to an assessment to confirm their need for personal care, would benefit from free personal care.
- 4.9 If all 1,598 private funders were to present for free personal care, this would represent a 13% increase in the number of complex need assessments currently carried out by the HSC. In order to avoid the type of criticism leveled at those Local Authorities in Scotland who have waiting lists for assessment, the HSC would have to expand capacity to meet the likely demand. **We have estimated that the cost of doing so is £0.5m.**

OTHER POSSIBLE COSTS

- 4.10 In previous analyses, costs to take account of people on waiting lists and those whose needs were being met informally but who might transfer to state funded care were included in the overall cost estimate. We have not, however, included provision for these factors for the reasons set out below.

Potential switch from Informal care to formal care

- 4.11 Informal care is care provided by unpaid carers in a domiciliary setting while formal care is care provided by the HSC. A cost may therefore occur where informal carers effectively withdraw their care in response to the availability of formal care which was previously charged for but becomes free as the result of a change in policy.
- 4.12 In Scotland, charges for domiciliary care were removed with the introduction of free personal care, with the Scottish Government anticipating a gradual move from informal to formal care as a result. However, successive reports

by the Joseph Rowntree Foundation have found little quantifiable evidence of such a switch.

4.13 In addition, Northern Ireland is unique in that we have never charged for domiciliary care, and do not therefore anticipate a significant change in the level of informal care provided as those eligible for domiciliary care are already getting it free of charge.

4.14 In light of this and the findings of the Joseph Rowntree Foundation, we have therefore estimated that there is unlikely to be a significant switch from informal care to formal care and consequently no additional cost associated with free personal care.

Waiting List

4.15 In June 2007, there were an estimated 106 individuals waiting for a place in a residential home, 182 waiting for a place in a nursing home and 30 waiting for a domiciliary care package.

4.16 While the cost of clearing these waiting lists cannot be attributed to free personal care – they have not been generated by the policy – we have examined if the introduction of free personal care would increase the cost of clearing the waiting list.

4.17 We have assumed that all those currently waiting for residential and nursing home placements will be eligible for HSC financial support and, consequently, free personal care will only generate an additional cost where the level of financial support those on waiting lists are likely to receive is less than the recommended personal care rate for their POC. Applying the personal care rates identified in Table 1 reveals that there is no additional cost for any POC. We have therefore concluded that there is no cost associated with free personal care.

Summary of costs

Table 5: Total cost of free personal care

| | Cost |
|--|---------------|
| Direct Costs | |
| Self Funders | £15.2m |
| HSC Supported Residents | £0.3m |
| Sub Total | £15.5m |
| | |
| Probable Costs | |
| Private Funding Care Home Residents | £12.7m |
| Private Funding Domiciliary Care clients | £1.7m |
| Home Help | £0.1m |
| Needs Assessment | £0.5m |
| Sub Total | £15m |
| | |
| Total | £30.5m |

4.18 We estimate therefore that, using data from June 2007, free personal care would directly benefit 2,126 residents whose care is currently managed by the HSC, with a further 1,598 private residents – subject to a needs assessment – also benefiting. In addition, those currently contributing to the cost of their Home Help and those individuals currently purchasing domiciliary care – again subject to assessment of need – will also benefit.

Future Costs

4.19 Free Personal care therefore benefits approximately 1.4% of the current elderly population. However, as the elderly population is expected to grow significantly over the next 50 years, so too will the cost of free personal care. Table 6 below outlined the projected cost of free personal care over the next 50 years.

Table 6: Projected future cost of free personal care

| Year | Projected Number of Beneficiaries | Projected Cost of Free Personal Care |
|------|-----------------------------------|--------------------------------------|
| 2016 | 4,728 | £35.9m |
| 2026 | 5,977 | £45.4m |
| 2036 | 7,341 | £55.8m |
| 2046 | 7,919 | £60.2m |
| 2056 | 8,727 | £66.3m |

4.20 The potential growth directly attributable to free personal care may, however, be mitigated by our policy of supporting increasing numbers of people at home, where personal care is already free of charge. The demographic impact within our existing arrangements has already been reflected in our CSR bids.

CHAPTER 5: POSITION ELSEWHERE IN THE UK

Scotland

- 5.1 Since introduction of Scotland's free personal care scheme in 2002, it is estimated that £741m has been spent on providing free personal care for free to self funders in care homes and older people living in their own homes (up to 2005/6)³. Prior to the policy, Local Authorities in Scotland were spending an estimated £65m per year on providing personal care services and this ongoing expenditure is included in the £741m figure. Since introduction, the numbers of clients receiving free personal care in a care home has increased from 7,590 to 9,080. The number receiving free personal care at home has increased dramatically from 27,340 in 2002/3 to 41,240 in 2005/6, although the figure for 2002/3 is thought to be an undercount.
- 5.2 There has been some criticism of the Scottish scheme focusing on the levels of funding provided by the Scottish Government to Local Authorities, with some such as East Lothian and Aberdeenshire reporting significant underfunding. However, funding from the Scottish Government is not ring fenced and at least some of the underfunding has occurred as a result of Local Authorities redirecting funding away from free personal care in response to other local priorities.
- 5.3 Successive reports by the Joseph Rowntree Foundation have also indicated that the free personal care policy is working well and that concern about

³ Free Personal and Nursing care Scotland, 2002-03 2005-06, Scottish Executive

cost elements such as the transfer of care from informal to formal care may spiral have not borne out on the ground.

- 5.4 The Scottish Government acknowledges, however, that there may an issue with the allocation formula used to determine how much each Local Authority receives to cover the cost of free personal care. To date, that formula has taken into account the number of elderly in each LA but not all elderly people benefit directly from the free personal care policy since those who were assessed as able to make only a small contribution would have already had their personal care paid for by their Local Authority. Rather, it is the LA's with a wealthy older population who incur the higher costs as, prior to free personal care, these individuals would have had to pay the full cost of their care, including personal care.
- 5.5 The new Scottish Government has therefore established a group led by Lord Sutherland (who was Chairman of the Royal Commission on Long Term Care) to examine total level of resources available to Scottish LA's for the implementation of its free personal care policy and the distribution of those resources amongst local authorities. Scottish Ministers have asked Lord Sutherland to report his findings by March 2008.

Wales

- 5.6. The Welsh Assembly Government's(WAG) position on free personal care remains that it accepts the principle of free personal care but is not deliverable through its devolved budget and, in line with the Royal Commission's recommendation, should be funded through UK taxation and benefits.
- 5.7. Within the powers and funding available to it, the WAG has focused on increasing the levels of income which are protected from charging for home care services. This includes plans to seek from Parliament a Legislative

Competence Order, leading to an Assembly measure, to introduce legislative measures to ensure consistency in charging for non-residential services where LA's undertake this. In addition, WAG has set what are currently the highest capital limits in the UK in relation to residential care charging so that proportionally a higher number of Welsh residents on low levels of capital receive assistance from their local authority towards their residential care costs.

- 5.8. The new coalition Government in Wales has also given a commitment to carry out a fundamental review of the factors determining social services funding to examine the medium and long term implications for those who need social care. It is understood that the Terms of Reference for the review will be agreed over the next few months with a target date for completion agreed thereafter. In addition, WAG will be looking carefully at the details of what is planned for England following the UK Government's recent announcement to produce a Green Paper on reform to the system of adult social care support. This is on the basis that the legislation covering this matter is England/Wales based and that arrangements are likely to be tied into the UK benefits system, which is not a devolved matter. WAG will be assessing the implications for Wales of these plans and the effect on the Assembly's budget.

England

- 5.9 The Department of Health is strongly of the view that free personal care is unaffordable, unsustainable and unfair because it bears no relation to relative ability to pay and, were such monies available, they could be used in many better ways to the benefit of all elderly people rather than the relatively small number (310,000) who would benefit from free personal care. In support of this position, DH point to the Note of Dissent in With respect to old age⁴ In contrast to NI, there also appears to be little political

⁴ With Respect to Old Age: Long Term Care - Rights and Responsibilities

will to implement such a policy. For example, the Liberal Democrats' 2005 manifesto included a guarantee of "free long-term personal care for the elderly", which was widely interpreted as meaning that the costs of accommodation would also be free. Sandra Gidley for the LDs has since made clear that the commitment was "dishonest" as it was to a subsidy along Scottish lines, not fully-funded care as recommended by the Royal Commission.

5.10 Earlier this month, however, the Government announced in joint statement from Department of Health and HM Treasury its intention to produce a Green Paper on reform to the system of adult social care support in order to ensure that an affordable system is in place for the 21st Century.

5.11 Although the Health Secretary has said publicly that 'nothing is ruled out' the key messages also include "the new system must strike a fair balance between individual responsibility and that of wider society".

5.12 In his speech to the LGA on 18 October, Alan Johnson also said that "anyone thinking reform can be achieved without means testing is either

A Report by The Royal Commission on Long Term Care; March 1999 (Cm 4192-I).

The Note of Dissent was inserted by Joel Joffe and David Lipsey and included: "... Given demographic pressures, the cost of formal care could, on perfectly plausible assumptions, rise to five or six times what it is now (Figure 3 Chapter 2). When you add the likely demand of future generations for better care standards, you have a potentially explosive mix.

To make personal care free for all those who are assessed as needing it would make matters worse. In essence, it would transfer initially at least £1.1 billion rising to at least £6 billion in 2051 from the private to the public purse. This huge addition to the burden on public expenditure would not, however, increase spending on services for elderly people by a single penny.

Because it would make personal care free for those who qualify for it, it would add to the demand for such care, imposing an additional cost on top of that driven by demographics. Because it would provide public funds irrespective of income, it would weaken the incentive for people to provide for themselves privately. It would transfer income and wealth to the better-off members of society and their heirs, at the expense of those most in need. It would pre-empt the state's resources in this area so that it unlikely that some of the Commission's other proposals would be funded."

dishonest or deluded”, and “free personal care on the Scottish model, after the recommendations of the 1999 royal commission on long-term care, was a non-starter”.

ALTERNATIVE OPTIONS

Chapter 6: Disregarding the Residents former home

- 6.1 In your speech to the Assembly you set out your view that it was unfair that some residents had to sell their former homes in order to meet their assessed contribution to the cost of their care.
- 6.2 A study by the Universities of Bath and Bristol into attitudes to inheritance in Britain indicates that this view is shared by many⁵. While only half of property owners said they wanted to leave their house as an inheritance (although this increased with age) and only half of people expect to inherit property most people were not willing to use assets to pay for care. Several pieces of research examined by the study suggest that people remain firmly of the view that care should be funded by taxation; that older people feel they have an inalienable right to their property and that homeowners resent that home ownership can be treated as planning for the cost of their future care.

Are homes always taken into account?

- 6.3 It is important to recognise, however, that the value of a resident's former home is not always included in financial assessments. The HPSS (Assessment of Resources) Regulations (Northern Ireland) 1993 contain a number of provisions which allow the value of a former home to be disregarded where it is occupied by:
- the resident's partner or civil partner; or
 - a lone parent who is the resident's estranged or divorced partner; or
 - a relative who is either under 16 and whom the resident is liable to maintain; or aged 60 or over; or who is incapacitated.

⁵ JRF Attitudes to Inheritance in Britain

- 6.4 In addition to these provisions, the HSC also has discretion to disregard the value of a resident's former home where it is occupied by a person such as a carer who does not fall within any of the disregards outlined above.
- 6.5 Where the value of a former home does not fall within these disregards the value is taken into account in the resident's financial assessment after their first 12 weeks of stay in a care home.

Who would be affected and how much would it cost?

- 6.6 In order to estimate the cost of disregarding the family home, we looked at self funding residents to determine why they were assessed as able to meet the full cost of their care. This could be for one of three reasons: the value of their home, value of other capital or high levels of income.
- 6.7 Our census indicated that there are currently 1,895 self funding residents in residential and nursing homes. However, the equivalent of 100 of these residents are made up of short term admissions to homes typically for respite care/rehabilitation. Where a resident is in a care home on a temporary basis, the value of their home is not taken into account in determining how much they can afford to contribute to the cost of their care.⁶
- 6.8 Disregarding the value of a former home would therefore only impact on permanent residents. We therefore obtained "Explanation of how weekly assessed charge has been calculated" sheets for all 1,795 self funding residents. This data revealed that only 11 individuals were self funding due to high levels of income. 74% of residents were responsible for the full cost of their care because of the value of their home, while the remaining 26% were self funding due to high levels of other capital.

⁶ Schedule 4, para 1 The Health and Social Services (Assessment of Resources) Regulations (NI) 1993

6.9 Table 7 below outlines the outcome of this calculation, with the **cost of disregarding the family home for self funders of £20m**

Table 7: Numbers benefiting from and cost of disregarding the family home

| | Family Home | Other Capital | Income | Total number of self funders |
|--|--------------------|----------------------|---------------|-------------------------------------|
| Total Number of permanent self funders | 1,328 | 461 | 6 | 1,795 |
| Cost to HSC of disregarding family home | £20m | £0 | £0 | £20m |

6.10 However, this is not the total cost as we estimate that there are a further 1,598 private funding residents about whom we have no records. We have assumed that all private funders, were they subject to a financial assessment, they would be self funding due to the value of property. If the value of that property was disregarded, we have assumed that private funders would then be contributing from their income which we have assumed to be in line with Pension Credit – effectively reducing the typical self funders payment towards their care from £390 to £98.65 This presents a significant financial cost for the HSC of a further **£24.3m**.

6.11 The projected total cost of disregarding the value of residents' former homes as of June 2007 is **£44.3m**.

Trends in home ownership

6.12 Based on trends in housing tenure from 1991 – 2001, it is estimated that owner occupied properties will increase from 487,900 in 2007 to 615,100 in 2025, a 26% increase. However, these projections are very sensitive to

changes in policy – such as the sale of Housing Executive properties – and changes in the economy and should, therefore, be treated with caution.

6.13 House prices in Northern Ireland have increased in every quarter since 1995, with this growth recently accelerating to 22% increase in 2005, 37% increase in 2006 and a further 14.6% increase in the first quarter of this year. Taken together, the increase in home ownership and the increase in the price of properties is likely to lead to a far greater proportion of care home residents reimbursing the full cost of their care and consequently less reliance on HSC financial support. The cost of disregarding the family home should not therefore be considered as a one off cost but in the context of lost future income through charging.

Issues to consider

6.14 If the value of former homes were to be disregarded, this may lead to a perverse incentive for prospective care home residents to invest in larger properties and therefore ensure that more of their capital was protected from charging.

Chapter 7: Increasing the Capital Limits

- 7.1. Using the financial data obtained to estimate the cost of disregarding residents' former homes, we have been able to identify the current levels of capital held by 1,795 of the 1,895 self funding residents (increasing the capital limits affects both permanent and temporary residents).
- 7.2. From this information we have then estimated the cost of changes to the capital limits under a number of different scenarios outlined below.

Removing the lower capital limit

- 7.3 The lower capital limit, currently £13,000, sets out the value of capital which should be disregarded in a financial assessment. Residents who have capital between £13,000 and the upper capital limit of £21,500 are considered to have tariff income of £1 for every £250 of capital they have between the two limits. The tariff income is then taken into account in the resident's financial assessment together with any other income they may have.
- 7.4 Removing the lower limit and thereby moving to a single limit of £21,500 would mean that residents would benefit by having a higher level of capital disregarded in their financial assessment and those currently contributing tariff income towards the cost of their care would no longer have to do so. As a result they would be eligible for greater HSC financial support.
- 7.5 Not all HSC Trusts were able to provide the levels of tariff income paid by residents to the cost of the care. We do, however, have this information for approximately 70% of the total number of HSC supported clients and, using this information, we estimate that moving to a single limit of £21,500 would benefit approximately **1,008 residents at a cost of approximately £0.9m.**

Capital Limits: Increasing to £100,000

7.6 If the lower limit was scrapped and the upper limit increased to £100,000, this would mean that all residents with capital below £100,000 would have the value of that capital disregarded, providing for greater independence and, should they wish, enabling residents to pass on a significantly higher level of inheritance. We estimate that this approach would **benefit some 1,633 residents at a cost of £10.7m.**

Table 8: Numbers benefiting from and the cost of moving to a single capital limit of £100,000

| | Numbers benefiting |
|-------------------------|---------------------------|
| HSC Supported Residents | 1,008 |
| Self Funders | 625 |
| Total Cost | £10.7m |

Issues to consider

7.7 We have already discussed that the introduction of free personal care would likely result in AA being withdrawn from self funders (see para 4.4). This would result in a saving to HM Treasury of between £8m and £12m. However, increasing the capital limit may enable self funders to keep their AA as we believe that increasing the capital allowance would have no detrimental effect upon existing entitlement to AA.

Chapter 8: Varying the Personal Expenses Allowance

What is the PEA?

- 8.1 As outlined in the introduction, a resident's capital and income is assessed to determine how much they can afford to contribute to the cost of their care. Where a resident cannot afford to pay the full cost of their care, and is paying their assessed contribution from their income, a small weekly income – the Personal Expenses Allowance (PEA) - is protected from charging.
- 8.2 The PEA, currently £20.45, is uplifted each April in line with the increase in average earnings and is benchmarked against the rate in England and Scotland. The PEA in Wales is marginally higher than elsewhere in the UK and is currently £20.88.
- 8.3 There is, however, growing concern at the low level of PEA and Age Concern and the Joseph Rowntree Foundation are currently campaigning to have the PEA lifted to £40.

Who would benefit from an increase in the PEA?

- 8.4 Where free personal care benefits those who have high levels of capital and income so that they are liable for the full cost of their care the PEA, and consequently any increase to it, benefits those with low levels of capital and low levels of income.

How many people would benefit and how much will an increase cost?

- 8.5 From our survey of care home residents in June 2007, we know there are **10,671** residents who have sufficiently low levels of capital and income that they receive financial support from the HSC and are therefore likely to be in receipt of the PEA.

8.6 Based on this number of recipients we estimate that **each increase of £10 in the PEA would cost some £6.6m**. Implementing Age Concern’s recommended level of PEA of £40 for all residents would cost some **£12.8m**.

8.7 However, there may also be a number of self funders who would gain some benefit. As set out in the table below, a self funder would benefit where, after paying the full cost of their care, they were is left with a level of disposable income which falls below the PEA.

Table 9: Numbers benefiting from, and the cost of, increasing the PEA to £40

| | POC | Residents benefiting | Cost of increasing PEA by £10/week to £30.45 | Cost of increasing PEA to £40/week (Age Concern recommended rate) |
|------------------|---------------------|----------------------|--|---|
| Self Funder | Elderly | 1,823 | | |
| | Learning Disability | 9 | | |
| | Mental Health | 36 | | |
| | Physical Disability | 27 | | |
| Sub-total | | 1,895 | £1m | £1.9m |
| HSC Supported | Elderly | 8,411 | | |
| | Learning Disability | 1,446 | | |
| | Mental Health | 517 | | |

| | | | | |
|------------------|---------------------|---------------|--------------|---------------|
| | Physical Disability | 364 | | |
| Sub-total | | 10,738 | £5.6m | £10.9m |
| Total | | 12,634 | £6.6m | £12.8m |

APPENDICIES

Methodology to determine the number of people likely to benefit from free personal care.

Permanent Residents

Private Funders

Private funders arrange and fund their own care without any involvement from the HSC. As the HSC is therefore unaware of the likely number of private funders it was necessary to derive an estimate.

In order to estimate these numbers we first had to ascertain the number of available care home places from the Regulation and Quality Improvement Authority. The number of places occupied by HSC supported and self funding permanent and temporary residents was then deducted from the total available to give the number of remaining places which were either then occupied by private funders or were vacant. Using information supplied by the largest provider of care homes in Northern Ireland, Four Season's Health Care, we allowed for a 6% vacancy rate. Deducting this and the number of places occupied by HSC managed clients from the total number of available places, we were able to estimate the number of private funders at 1,598.

It should be noted, however, that private funders will not have undergone an assessment of need, and would need to undergo one in the event of free personal care to confirm a need for personal care. In our final figure of 1,598 private funders eligible for free personal care, it is assumed that an assessment of need will confirm the need for personal care.

HSC Managed Residents (Self funders and HSC Supported Residents)

In order to derive the number of HSC managed residents in a care home, HSC Trusts were asked to report on the number of managed residents on a single day in June 2007. In total we received this information for 12,634 residents.

Included in the reports prepared by Trusts was information relating to the financial contribution made by each resident towards the cost of their care. This enabled us to clearly identify the number of self funders who would receive the full benefit of a free personal care policy. All 1,895 self funders would benefit from the policy.

In order to derive the number of HSC supported residents who would receive an element of benefit from a free personal care policy, we identified those individuals who were in receipt of financial assistance at a lower level than the recommended personal care rate for their POC. Those residents would then benefit by the difference between their existing financial support from the HSC and the personal care rate for their POC.

Temporary Residents

Not all care home places are occupied by permanent residents. At any given time a number will be occupied by temporary residents who, as with permanent residents, will benefit from free personal care if the personal care rate for their POC is higher than the level of financial assistance they receive from the HSC.

In order to build up an accurate picture of the volume of beds occupied by temporary residents we looked at all temporary stays in 2006/7. As the length of temporary stays vary from client to client, we converted the total number of days occupied by the those residents who would be eligible for free personal care into the equivalent of permanent placements to give a total of a further 123

permanent-equivalent residents who would benefit from free personal care. This number was then added to the numbers of permanent residents.

Table 10: Breakdown of care home beds June 2007

| | Programme of Care | Total number of residents |
|-----------------------------|--------------------------|----------------------------------|
| Private Funder | All POC | 1,598 |
| Self Funder | Elderly | 1,823 |
| | Learning Disability | 9 |
| | Mental Health | 36 |
| | Physical Disability | 27 |
| Sub-total | | 1,895 |
| | | |
| HSC Supported | Elderly | 8,411 |
| | Learning Disability | 1,446 |
| | Mental Health | 517 |
| | Physical Disability | 364 |
| Sub-total | | 10,738 |
| | | |
| Vacancies | All POC | 897 |
| | | |
| Total | | 15,128 |
| | | |
| RQIA Registered Beds | | 15,129 |

The Cost of Free Personal Care under Option B (higher rate)

As outlined in Chapter 2, this Appendix looks at the cost of free personal care where the recommended rates to cover the cost of providing personal care also includes a number of overheads associated with the running of care homes..

The higher rates identified under Option B were arrived at by analyzing all of the cost elements of residential care identified by PwC, and determining which related directly to personal care or hotel costs and which should be shared between the two.

Table 11 reflects all of the cost elements identified by PwC in the provision of residential care. Firstly, those costs which clearly relate to either personal care or hotel costs are identified, with 52% of those costs attributable to personal care and 48% to hotel costs.

This split is then applied to those costs which cannot be directly attributed to either personal care or hotel costs and must therefore be shared between the two.

Table 11: Analysis of the costs of residential care as identified by PwC

| | Total Cost | Personal Care | Hotel Cost |
|-------------------------|-------------------|----------------------|-------------------|
| Direct Costs | | | |
| Care Assistants | £126.49 | £126.49 | £0 |
| Admin & Reception Staff | £5.64 | £0 | £5.64 |
| Agency Premium | £0.19 | £0.19 | £0 |
| Training | £2.08 | £2.08 | £0 |
| Food | £17.00 | £0 | £17.00 |
| Utilities | £12.00 | £0 | £12.00 |

| | | | |
|------------------------------|----------------|---------------------|---------------------|
| Gardening | £6.00 | £0 | £6.00 |
| Insurance | £4.00 | £0 | £4.00 |
| Medical Supplies | £3.00 | £3.00 | £0 |
| Other | £7.00 | £0 | £7.00 |
| Repairs/Maintenance | £21.46 | £0 | £21.46 |
| Management & Admin | £16.17 | £0 | £16.17 |
| Debt financing | £26.36 | £0 | £26.36 |
| Total Direct | £247.39 | £131.76(52%) | £115.63(48%) |
| Apportioned Costs | | | |
| Catering, cleaning & laundry | £40.80 | £21.73 | £19.07 |
| Supernumery Mgt | £23.41 | £12.47 | £10.94 |
| Registration Fees | £2.00 | £1.07 | £0.93 |
| Recruitment | £2.00 | £1.07 | £0.93 |
| Direct Training | £2.00 | £1.07 | £0.93 |
| Taxation | £10.23 | £5.45 | £4.78 |
| Return on Equity | £31.54 | £16.80 | £14.74 |
| Total Apportioned | £111.98 | £59.66 | £52.32 |
| Total Cost | | | |
| | £359.37 | £191.42 | £167.95 |

As outlined previously, the PwC figures relate to 2003/4 data. Uplifting the figures to 2007/8 gives a **personal care rate of £223 for the Elderly POC with an associated hotel rate of £196**. Following the methodology outlined in paragraph 2.4, we were able to derive personal care rates for the other POC.

Table 12: Higher recommended personal care rates

| | Mental Health | Learning Disability | Physical Disability |
|-------------------------|---------------|---------------------|---------------------|
| Average Gross Fee | £397 | £556 | £508 |
| Hotel Cost | £196 | £196 | £196 |
| <i>Derived fpc rate</i> | <i>£201</i> | <i>£360</i> | <i>£312</i> |
| Recommended Rate | £223* | £360 | £312 |

*It is recommended again that this be lifted to £223, in line with the Elderly POC.

Given the higher rates of personal care across all POC, the cost for private and self funding residents will increase with all being eligible for the higher rate. We have calculated that **fpc for private and self funding residents will cost £X using the higher rates.**

HSC supported residents derive benefit from fpc where the personal care rate for their POC is higher than the current level of financial support they are receiving from the HSC. It is logical therefore that, with higher personal care rates, more people will benefit as there is a greater chance that their current financial support is lower than the personal care rate. **We estimate that 4,205 people would benefit at this rate, compared with 3,724 at the lower rate.**

Total cost for care home residents at higher rate is £42.6m, compared with £15.5m at the lower rate.

Table 13: Comparison of the numbers benefiting and the cost of free personal care using both lower and higher rates

| | Lower personal care rates | | Higher personal care rates | |
|-------------------------|---------------------------|---------------|----------------------------|---------------|
| | Numbers Benefiting | Cost | Numbers Benefiting | Cost |
| Private funders | 1,598 | £12.7m | 1,598 | £18.6m |
| Self Funders | 1,895 | £15.2m | 1,895 | £22.2m |
| HSC Supported Residents | 231 | £0.3m | 731 | £1.8m |
| Total | 3,724 | £28.3m | 4,205 | £42.6m |

Informal to Formal Care

In examining the cost impact of a potential switch from informal care (provided by carers) to formal care (provided by the HSC) we have followed the same methodology as the Inter departmental group.

This involves examining the level of informal care hours which we have taken from the census. Having examined the Scottish Model the IDG considered that only 30% of informal care hours represented “true” personal care with the remainder of the time being of a waiting/ on call nature. Applying this assumption then gives an estimate of the total number of informal personal care hours. This is then added to the number of formal personal care hours provided by the HSC to give the total number of personal care hours provided to individuals.

The IDG then looked at USA research into the effects of withdrawing charging for personal care. This research suggests that, where charging is withdrawn, formal personal care never exceeds 13.4% of the total number of personal care hours provided.

Table 14 shows the outcome of this methodology with the number of formal personal care hours taken from 2005/6 analysis of activity.

Table 14: Analysis of the proportion of total personal care hours provided by the HSC

| | |
|--|--------------------|
| | 2001 Census |
| Number of older people receiving informal care | 123,861 |
| Average informal care hours per person per week | 30.5 |
| Total informal hours per week | 3,777,760 |
| Percentage of informal hours categorized as personal care | 30% |

| | |
|--|------------------|
| Total informal personal care hours | 1,133,328 |
| Current formal personal care hours per week | 237,254 |
| Total personal care hours per week | 1,370,582 |
| Formal care hours as a percentage of total personal care hours | 21% |
| Anticipated formal care hours as a percentage of total personal care hours following introduction of free personal care | 13.4% |

Assuming that we hold to the American research, the table above illustrates that we are already providing more than the perceived maximum number of formal personal care hours where there is no associated charge. We have therefore concluded that there is unlikely to be a transfer of personal care from informal providers (carers) to formal providers (the HSC) and therefore no cost impact for the HSC.