foundations
Analysis informing change
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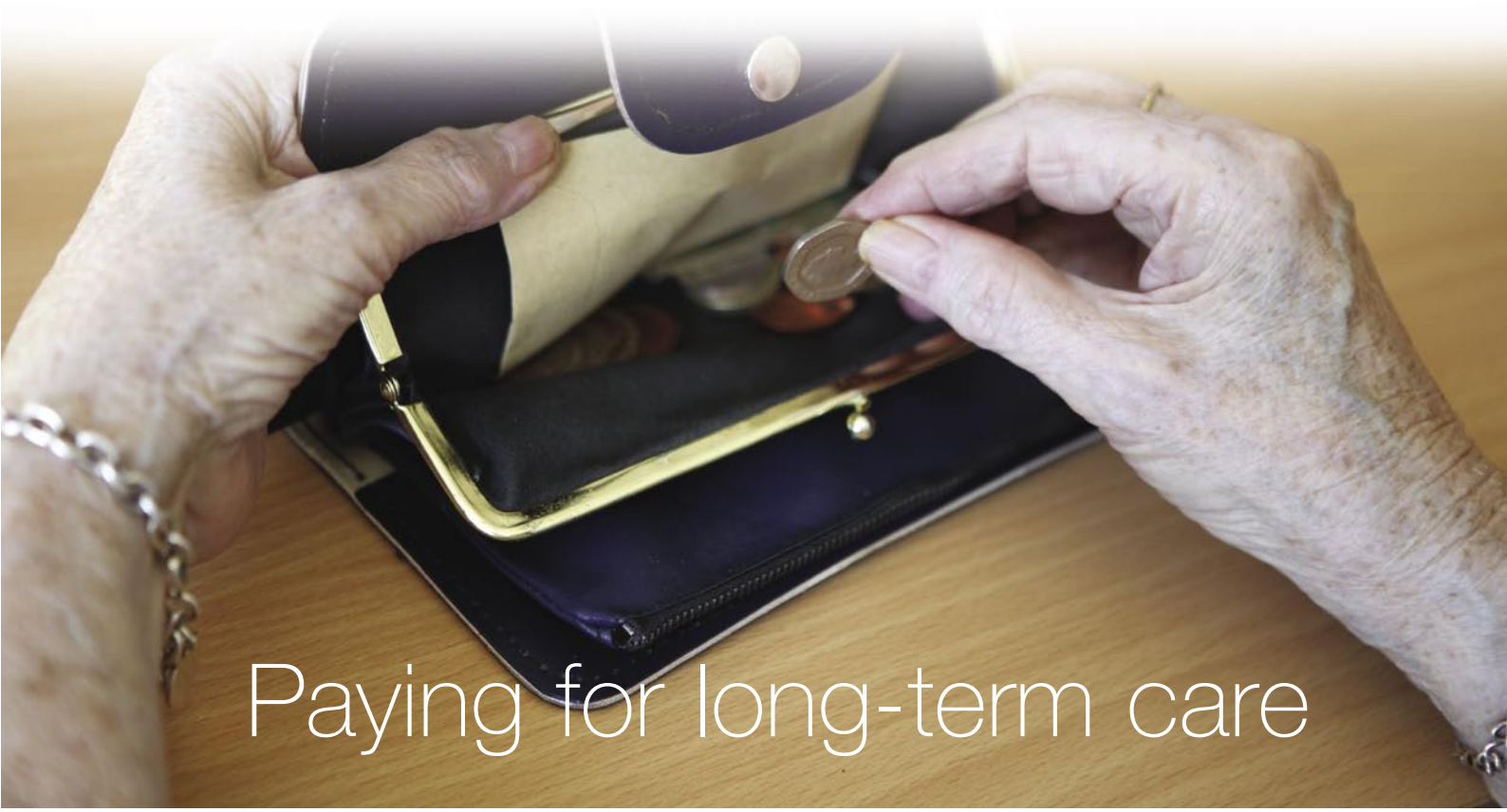


Paying for long-term care

Moving forward

The UK has not yet found a clear, fair and adequate system for financing the growing demand for long-term care as the population ages. In the 1990s it shied away from major reform which would have secured a sustainable and rational financing structure, as implemented in some other countries and recommended by many in the UK.

The Joseph Rowntree Foundation has been leading a debate on how to start moving towards better funding arrangements. While the need for big change over the long term has not gone away, important steps could be taken now to reduce the difficulties in the present system. This *Foundations* reviews the evidence and arguments brought forward and concludes this JRF programme of work by presenting some costed options for reform.

JOSEPH ROWNTREE FOUNDATION

Key points

- **The UK lacks an adequate system for paying for long-term care. It falls short in three main ways:**

  a) **In overall funding levels.** There are already signs that needs are going unmet. Without change, private individuals will have to foot a growing share of rising costs, and many will find this hard to afford.

  b) **In coherence.** Multiple funding streams create confusing and sometimes irrational, overlapping ways of paying for care.

  c) **In fairness,** in terms of the way costs and responsibilities are shared. Family carers often feel unsupported. Means-testing causes widespread resentment by taking away most of people's assets and income before they can get state help.

- **The public finds the present system incomprehensible and considers its outcomes unjust. Evidence suggests that people would be willing to pay more taxes, and potentially to make some private contribution, to pay for a system that provided clearer guarantees that needs will be provided for.**

- **Other countries have taken major steps to secure sustainable and stable funding systems. Both Germany and Japan, for example, have overhauled funding and integrated it into a single rational structure. Although tensions remain between growing demand and finite resources, these are being resolved in a clear-cut framework where open choices can be made.**

- **Within the UK, Scotland has taken a promising step forward by introducing a payment towards personal care in residential and nursing homes and abolishing local authority charges for care in people's own homes. This system is popular and perceived as fair. The biggest beneficiaries have been people on modest means and people with dementia facing high care charges. Costs have not escalated out of control by unleashing limitless demand, as some had feared.**

- **Some elements of the present system could be improved without incurring excessive extra costs. A package could include:**

  - **presenting Attendance Allowance as a care payment rather than a benefit;**
  - **giving people with high home care costs the option of deferring payment under a public equity release scheme;**
  - **raising the meagre personal allowances for people supported by local authorities in care homes;**
  - **requiring people presently funded in care homes by the NHS to pay non-care charges, and using the savings to improve payments to all care home users.**

- **These kinds of change would start moving care funding forward to a better settlement, but would not replace the need for more fundamental reform. Such reform would cost money but is required to create a sustainable system: the piecemeal change suggested above would not resolve the underlying problems of today's funding arrangements. In its review of care funding, the Government needs now to confront the need for fundamental improvements that create a fair, adequate and sustainable regime.**

THE CASE FOR CHANGE

Background: renewing a quest for a better system

Ten years ago, the Joseph Rowntree Foundation made the case for an overhaul of long-term care funding, in *Meeting the costs of continuing care* (JRF, 1996), the report of its inquiry on this subject. The Royal Commission on Long-Term Care also concluded, in 1999, that current funding arrangements were inadequate. New resources made available since that time have fallen short of providing what was recommended. Although subsidies for nursing care have been introduced throughout the UK, only in Scotland has the state undertaken to contribute to the cost of personal care, regardless of the recipient's means. At present, the Government is promoting important principles for long-term care provision, including choice and control for users and the importance of early prevention, through its White Paper, *Our health, our care, our say* (DoH, 2006). But it has not yet said how it will deploy the resources needed to make such ambitions a reality, so the recently established review of social care funding has a crucial role.

The Wanless Review has convincingly shown that care costs will rise in the coming years, and that the present funding regime is inadequate. This is not a problem that will go away. Therefore, since 2003, the Joseph Rowntree Foundation has been bringing together evidence and building consensus around the need and opportunities for change.

This process seeks to break the impasse between, on the one hand, those who seek an adequate settlement that can only be achieved with major reform and large-scale new resources and, on the other, a government that has until recently seemed unprepared to contemplate such measures. A discussion paper published in 2005, *Facing the cost of long-term care* (Hirsch, 2005), argued that a first step towards a settlement that secures necessary resources for care in the decades ahead is to start to create a system that is perceived as fairer and that people are willing to pay for. Thus, while incremental improvement is unlikely to be enough on its own, it can help prepare the ground for greater reforms in the future.

This *Foundations* restates briefly why there is a need for change, reviewing evidence gathered by the JRF around problems and solutions. It goes on to draw conclusions and propose costed recommendations, to conclude the Foundation's current programme on paying for long-term care.

Why change is needed

The case for change (set out in more detail in Hirsch, 2005 and reinforced by Wanless, 2006) rests on inadequacies in both the structure and the resourcing level of the UK's present system. This results in:

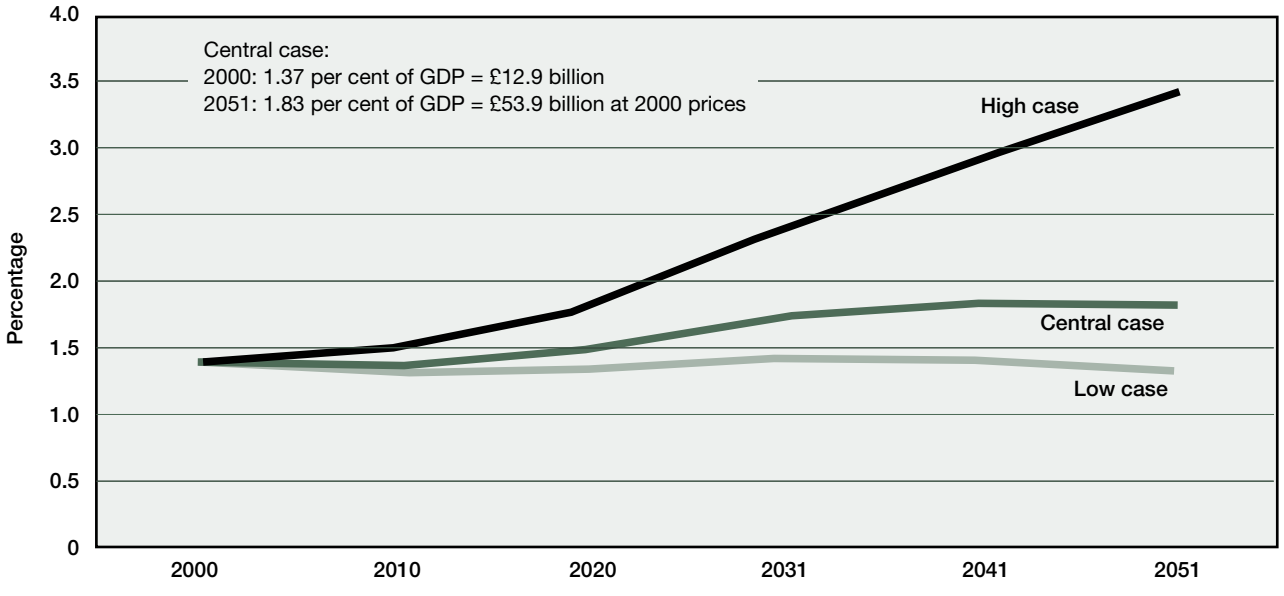
- ***Inadequate overall funding levels***, for now and the future. There are several areas where current evidence points to unmet need. One concerns *quality* – for example, where cost containment has resulted in poorly trained staff, low pay and high turnover. A second emerging shortfall concerns *supply* – with, for example, a recent fall in the number of 'low-level' domiciliary care packages. Third, *affordability* of domiciliary packages is an issue, with evidence that some people on modest incomes are having in some cases to pay large amounts to get adequate care in their homes.

  Looking ahead, new demographic projections show the number of people aged over 85 rising from just over 1 million to nearly 4 million in the first half of this century. This is likely to raise demand for care home places: JRF estimates that the number of beds needed will rise from 450,000 to 1.1 million over this period, and the number of home-care hours from 2 million to 4.8 million per week (Wittenberg et al., 2004).

  At best guess, this could cause long-term care costs to quadruple from £12.9 billion in 2000 to £53.9 billion in 2051 in real terms. The rise is less dramatic relative to GDP – from 1.37% to 1.83% – but on present funding policies much of the rise would fall on private individuals, whose contribution relative to national income would rise by nearly half. Moreover, there are serious risks that the cost could be much higher – for example, if successive generations become more demanding in the standard of care they require (see Figure 1).

- ***Incoherence and complexity in funding structures.*** At every level of long-term care funding, it is hard for users to understand the rationale and sometimes the purposes of different funding streams. Informal care arguably gets large-scale support through Attendance Allowance, but this is presented as a benefit rather than a care subsidy. Levels of local authority support for home-care services vary greatly, as does the basis for means-testing the charges imposed, despite some recent standardisation. The basis for funding care homes is poorly understood, and contains serious

Figure 1: Percentage of GDP spent on long-term care: three scenarios



Source: Wittenberg et al., (2004)

anomalies. In particular, someone requiring high-level nursing care might have all their fees paid by the NHS if they are judged to need 'continuing care', but another person with a similar condition might receive only nursing care subsidy and have to pay the great bulk of the fees from their own pocket. In addition, the system creates arbitrary distinctions between medical and social forms of care, which from an individual's point of view can both impose high, unavoidable costs. Such anomalies contradict the spirit of the 2006 White Paper on reforming health and social care, which argues for a more integrated approach to procurement and service delivery (DoH, 2006).

- ***The absence of an accepted rationale for sharing costs***. In the context of expanding demand and limits to public spending, some form of public-private cost-sharing seems essential. However, even better-off individuals cannot readily pay for everything, because unsupported private insurance markets have so far failed (see Box 1). So the state takes responsibility for some degree of protection against the risk of high care costs. The present system does not command public support, particularly because of its high level of means-testing, which is especially disliked by older people who have saved hard for their retirement. Means-testing effectively impoverishes people before they can get state aid, other than for nursing care (plus personal care in Scotland). Much attention has focused on the need to run down capital from selling one's home before receiving assistance. But in addition, for those qualifying, care is not free but requires the surrender of almost all income leaving a meagre living allowance of just £19.60 a week if they are being supported to live in a care home.

Box 1: The failure of the private care insurance market

Why should relatively well-off older people get money from the state to help pay for their care needs? One reason for at least some form of 'universal' benefits is the difficulty of covering privately the risk of large care bills, especially in care homes. A number of private products insuring against this risk have been withdrawn from the market. They have been unable to offer attractive terms, largely because of high uncertainties associated with longevity, dependency rates and care costs several decades in the future. JRF's review of these markets concluded that there is a need to reintroduce insurance products and build consumer confidence in them, but that this can only be done with government support. This might take the form of public-private partnerships in which the Government provides some form of guarantees – but the exact responsibilities taken on by each side would need to be carefully worked out. An effective market for care insurance would also require a clearer system of state entitlements (as argued elsewhere in this *Foundations*): otherwise, it is hard for individuals to see the extent to which insurance may be needed. (Johnstone, 2005)

In addition to these three central problems, the system has various perverse effects, including insufficient incentives for older people to remain in their own home or for local authorities to support this option, and a failure to cater adequately for diverse needs of different ethnic groups. Users are frequently given little or no choice over provision, even though evidence shows, for example, that ethnic groups have different preferences and that their satisfaction levels with what is presently on offer differ greatly. In short, it confirms the importance of avoiding a single model of care and the value of one that offers a degree of choice, with services structured flexibly to accommodate diverse needs

One clear result of all these shortfalls with the present system is that its users neither understand nor accept the existing basis for funding long-term care. The JRF held discussions with members of the public, in which there was a powerful sense of injustice that care needs are not being properly paid for. The prevailing view, in line with other surveys, was that most support should come from the state, even if this means higher taxes. At the same time, people indicate that they would be willing to make some private contribution to the cost under a fairer and more rational system (Croucher and Rhodes, 2006).

Three key lessons from the UK and elsewhere

Are we stuck with our present unsatisfactory and ad hoc system of long-term care funding? The JRF has considered the present situation of the constituent parts of the UK, in relation to each other and to developments in other countries. It has drawn three particular lessons from these experiences.

Major changes are feasible

Other countries with comparable challenges to the UK, and with just as disorganised systems, have succeeded in implementing across-the-board reforms to pay more systematically for long-term care. Japan, in particular, has shown the political will to produce a radical overhaul in a country hitherto characterised by 'traditional' forms of care, while Germany has extended its social insurance system to this area (see Box 2). In neither of these systems have the crucial issues of affordability and funding levels gone away. But, in both, a coherent and transparent system is in place to make these decisions.

Box 2: Two 'big bang' reforms and Scotland's small bang

Over the past decade, developed countries have been realising that they will have no proper way of paying for long-term care when the proportion of the population who are very old is several times as large as when welfare systems were designed. As a result, some countries have introduced a complete new system for paying for long-term care.

In 1995, **Germany** added long-term care to its social insurance system, funded by new payroll charges on employees and employers. In this comprehensive model, a single needs assessment unlocks a payment based on dependency level and what form of care is used: care home, domiciliary or family-based. The most popular option is the family payment, even though it is lower than the value of in-kind services provided to those opting for professional support.

In 2000, **Japan** overhauled a highly ad hoc system for funding care provision whose costs were spiralling out of control, replacing it with a still expensive but much more rational system. This tax-funded system pays a flat rate 90% of costs of all care homes and home care. The remainder comes from a private 'co-payment' regardless of means. Unlike Germany, Japan does not offer public support for family care, which was previously the dominant form of long-term care, because the Government wants to relieve what is sometimes an excessive burden on families, and especially on women, by changing the prevailing culture. The reform has succeeded in increasing the amount of formal home care services.

Both of these systems have succeeded in establishing a coherent and transparent funding system. Neither has resolved fully the issue of how to pay for mounting demand, and both governments are having to curb costs by adjusting the terms of their schemes. However, the present structures make it possible to take the required political choices on a clear-cut basis.

Scotland's changes in 2001 went some way to securing a more systematic long-term funding arrangement, although these changes were superimposed on the current UK system rather than replacing it. The main change was to introduce 'free' personal care; more precisely, to remove any charges for care at home, and to give a flat-rate subsidy for personal care (as well as for nursing care) to people in care homes. This policy has proven popular. A JRF evaluation of its operation concluded in particular that:

- While costs increased as a result of this policy, they did not spiral out of control.
- Where professional care at home has replaced family care, the quantity of the latter has not been reduced, but rather redeployed to other tasks such as shopping and cleaning.
- The availability of free personal care at home makes staying at home more feasible and is thus likely to reduce the use of care homes and hence costs may be reduced in the long term.
- While the poorest care users have not benefited from this policy because of means-testing, people on modest incomes are the greatest beneficiaries, relative to their means.
- The policy has been particularly beneficial to people with dementia who face high personal care costs if they remain at home.
- Among remaining problems are a failure to provide fully for diverse needs, arbitrary variations in costs and a lack of public understanding of what remains a highly complex system.

(Glendinning et al., 2004; Bell and Bowes, 2006)

Costs are containable

A big fear when setting new entitlements is that demand will increase uncontrollably. In practice with long-term care, the experience has been that new demand does arise, but not to the degree pessimists assumed. In Scotland, for example, more people are making use of home care packages, but costs have been contained within reasonable bounds. And rather than simply meaning that unpaid family care declines, it has released family carers to give other forms of support, such as help with shopping and housework. By helping people to remain at home for longer, such additional support could contribute to the objectives of consumer choice, control and prevention that are at the heart of the Department of Health's White Paper (DoH, 2006).

Public-private cost-sharing can become more systematic

The Japanese case, for example, illustrates how a common across-the-board co-payment can make responsibilities much clearer, by requiring everybody to pay a fixed percentage of their care costs. In general, overseas experience shows that socially equitable provision of care does not have to mean providing state aid only for the poor: the alternative is to build redistribution into the means of raising resources (e.g. through progressive taxation) rather than into the system for allocating them. Even without abolishing means-tests, the system could move further towards a system of 'progressive universalism' – combining some entitlement for everyone but a larger entitlement for poorer people. Such an approach is favoured by the present government in other areas, such as financial support for families with children.

FUTURE DIRECTIONS

In the long term, the UK needs to move towards a more coherent system, seen to be fair, that raises more resources than at present to pay for long-term care. Box 3 sets out some basic principles to which such a system needs to adhere. The recent White Paper (DoH, 2006) offers a vision for the future that pursues some of these principles, and in particular seeks to extend choice and to emphasise prevention. In order to achieve these outcomes, the Government's review of care funding will need to establish how to make the necessary resources available.

Ten years ago in *Meeting the costs of continuing care* (JRF, 1996), the Joseph Rowntree Foundation proposed a new funding system and a new system of entitlements. The need for such a major overhaul remains. But the Government should not wait until it is prepared for a 'big bang' change before starting to make improvements.

Box 3: Six core principles for long-term care funding

1. *Be fair and be seen to be fair* – both in the way money is raised and allocated
2. *Support preventative measures* – through a system that encourages early intervention, rewarding rather than penalising measures that reduce the amount of care needed
3. *Recognise the diversity of needs and allow recipients to retain their dignity* – through the care provided and resources left to individuals after paying for their care
4. *Promote personal and family responsibility* – through an appropriate balance between family and state
5. *Be sustainable* – by commanding general public support and by being responsive to demographic, medical, economic and other changes
6. *Encourage a more efficient supply of care services* – by funding a range of care choices adequate to meet demand

On today's agenda: improving the present system

Incremental improvements to our present system could do much to build confidence in the ability of government to cater fairly for long-term care needs, and hence make it easier to raise the resources that would be needed for greater changes. These improvements could address all areas of care – from informal family provision through domiciliary services to the funding of care homes. A package of improvements such as those presented as reform options below would need to achieve a balance between targeted support for those with fewest resources and an improvement in 'universal' access to care services. (Costings for options 2-5 below are set out in Hirsch, 2006.)

Informal care

One neglected area of care funding is support for non-professional forms of care – that provided free by friends and families – which comprises about 70% of all care activity. The Government gives £1.1 billion in Carers' Allowance to support some carers, and a much larger amount, £6.7 billion, in Attendance Allowance going to older people with impairments to support the extra cost of their disability. The latter is presented as a benefit rather than a co-payment for informal care, and may be spent on many things other than the cost of care. However, it would be valuable to review the way it is structured and whether this very large sum of money might be better targeted (e.g. by taxing the allowance), and perhaps repackaged as a co-payment for care.

Reform option 1: Review the basis of Attendance Allowance and the uses to which it is put, considering whether (a) it should be transformed into a care allowance and (b) whether it should be means-tested or taxed.

Domiciliary care

An important social objective for long-term care, stressed by the White Paper (DoH, 2006), is to ensure that people are given the opportunity to choose where their care is delivered. Given that most older people prefer to remain at home the availability and affordability of help to support this is crucial. In Scotland, the provision of such services free of charge since 2002 has been extremely popular, and there is a strong case for extending this throughout the UK. However, smaller steps towards this goal could at least ensure that people do not face large charges that they cannot afford. The introduction of national rules for not charging the very poorest groups has helped, but people on modest means may still face high charges that they find unaffordable. Another issue that needs to be addressed is the disincentive for local authorities to provide intensive packages for people in their own homes, rather than put them in care homes and recover more of the costs through charges on people's assets once they have sold their homes.

A positive step forward would be to ensure that home owners do not have to sell their homes and move into residential care to afford high care costs. This might be achieved through a publicly supported, easy-access equity release scheme enabling people to defer payments while living at home. The cost would depend on take-up, but most would be covered eventually by repayments with interest. Box 4 discusses some aspects of such a scheme.

Reform option 2: Pilot a national, public, voluntary Home Equity Scheme to help cover private costs for home-based long-term care. The pilot would be important in establishing the eventual cost of such a scheme, the degree to which it achieves the objective of helping people on modest incomes to remain in their homes and how it should be designed to avoid substitution for existing local authority provision.

Box 4: A national Home Equity Scheme to defer domiciliary care charges

Existing private options to release home equity to pay for long-term care or other items can be expensive, and are not well taken up by lower income groups.

An alternative is to create a scheme that combines public and private resources to help cover domiciliary care charges for those finding them hard to afford. This would be voluntary, with the purpose of enabling but not obliging people to deploy some of their home equity to help meet existing private costs of care at home, whether to pay existing local authority charges or to make it possible to afford a wider range of care services than offered by the local authority. This would make it possible for users to get care free at the point of use, and to repay charges, plus modest interest (at base rate), when the person eventually sells their home.

The initial cost to government would depend on take-up. If 20% of all domiciliary charges were covered by the scheme, it would pay out £100 million a year. Only a fraction of this amount would count as public expenditure, since government accounting rules count only the eventual net cost to government of 'soft' loans at the time they are incurred; for example, student maintenance loans are costed at 29% of their value at the time they are taken out, for the purpose of public spending.

Eligibility rules for this scheme would need to take a wide view of what counted as care spending, as one advantage is that it would allow people to afford a more flexible range of services, including practical help in the home. It would also be important to ensure that local authorities do not use the existence of such a scheme as a reason for restricting the range of care services that they provide or raising their charges.

How reform option 2 might work in practice

Judith is 78 years old and suffers from severe arthritis, diabetes and very poor eyesight. She has been assessed as requiring 20 hours a week of home care, for which her council charges her £150. This represents nearly half her weekly income, including Attendance Allowance. She would like to be able to stay in her own home, but this is getting increasingly difficult because of the many extra expenses involved, including paying a cleaner, high council tax and covering various home repairs. If she feels forced to move into a care home, she will have to pay fees of several hundred pounds a week, using capital from selling her suburban bungalow in Berkshire, which has been valued at nearly £300,000. Under a public Home Equity Scheme, she could live much more comfortably, deferring the payment of her fees to the council and also receiving £30 a week from the scheme to pay the cleaner. If this enables her to remain in her own home for an extra five years, and then she moves into residential care or dies, there will be a charge on the sale of the bungalow of £56,000 including 4½% rolled up interest. This will still leave a large capital sum, especially if the house's value has risen in the interim.

Care home funding

The complex maze of funding for residential and nursing homes would be difficult to reform piecemeal, but some initial measures could bring improvements.

(i) Capital limits

A popular idea is to raise the capital threshold, presently £21,000 in England, above which care home residents are excluded from local authority support. It would be extremely expensive to raise this to a level that offered immediate support to people selling even modestly-valued homes. However, a substantial increase in the threshold would help people with modest savings, leave people with high care costs with a more generous amount of residual capital and start to address the strong sense of injustice felt by those who feel that thrift is being punished. To double the capital threshold to £42,000 would cost of the order of £250-300 million a year. Such a change would require some alteration in the way in which charges are imposed by local authorities on people with capital over a lower limit of £12,750, which requires them to contribute 20% of this capital a year to care fees. In order to allow people to preserve their capital, it would be fairer to charge only the amount that it is likely to earn in interest in a deposit account – presently about 4%.

Reform option 3: Double to £42,000 the capital threshold restricting eligibility to local authority support for care home residents, and reduce the 'tariff' on capital to reflect only the income that can be earned by putting it on deposit.

How reform option 3 might work in practice

Edith, aged 82, has been living in a nursing home for three years, and half of the £80,000 that she got from selling her modest terraced house in the north of England has been spent on fees. Her greatest wish now is to be able to leave at least something to her children, but she can see the life savings that went into buying her council house disappearing before her eyes. A higher capital allowance and a lower 'tariff' on her capital means that her fees are now paid by the local authority, which makes a charge on her pension income plus a charge of £1,600 a year, which her capital earns as interest in the bank. She now feels confident that she will not have to use up any more capital and can eventually leave £20,000 to each of her two sons.

(ii) Personal expenses allowance

A more targeted measure concerns means-testing income rather than capital. This would help the least well-off people in care homes; contrary to popular belief, they do not receive care free but must surrender almost all their pensions to pay for it. The low level of the £19.60 that they retain as a 'personal expenses allowance' undermines their dignity, treating them like children with pocket money rather than adults with pensions based on a lifetime of contributions. To double this allowance to £39.20 a year would cost £250 million. Combining such a measure with the raising of capital allowances would be a just way of giving something to the least well off as well as to people on modest means but with some capital.

Reform option 4: Double to £39.20 the personal expenses allowance for care home residents supported by local authorities.

How reform option 4 might work in practice

Harold, an 86-year-old widower, moves into a residential home when he becomes too frail to cope on his own in his rented flat. The local authority covers the fees, but charges him £94.50 of the £114.10 he previously received in state pension plus pension credit. The remaining £19.60 is just enough to cover personal items such as clothes and toiletries, but his biggest regret is that he has almost nothing left to buy gifts and treats for his eight grandchildren on birthdays, at Christmas and on family outings. Raising his weekly allowance to £39.20 allows him to afford these items and makes him feel as though he has something to contribute to his family, rather than just being someone to be looked after.

(iii) Non means-tested subsidies

A further approach is to start ironing out some anomalies in the structure of non-means-tested support. The present system is inconsistent and unsustainable: people meeting 'continuing care criteria' get all fees paid; others with comparably high nursing needs may get only a fraction of their fees paid by the state; while someone with dementia and high personal care needs in a residential home may receive no public money.

The Government needs now to take a systematic look at what is available and how it might be better distributed. A first step is to require everyone in care homes to pay for their non-care costs (e.g. food and accommodation) if they can afford to; this would save about £180 million a year, or £290 million if people being cared for in hospitals were included. This saving could be used to make at least some public contribution to pay for the personal care of people in care homes in England and Wales; potentially it could be combined with new resources to make a flat rate payment as is done in Scotland. A key criterion in any new system of entitlements would be simplicity: the Scottish system of a flat-rate payment for everybody is well understood and accepted, even though it does not pay exactly for the cost of personal care for each resident.

Reform option 5: Require all care home residents to pay for the non-care elements of their fees, subject to means-tested local authority support. Consider how to combine the proceeds with new public money to subsidise personal care in English and Welsh care homes.

On tomorrow's agenda

While measures are taken to improve the operation of the present system, it will be important not to lose sight of the need for more fundamental change in the long term. Government objectives, set out in its White Paper on health and social care (DoH, 2006), include better prevention, the tackling of inequalities of access to community-based services and more support for people with long-term needs. Such ambitions can only be achieved over the long term with a sustainable, rational system for devoting resources to long-term care. Such a system needs both to bring in more public resources than at present and to muster supplementary private resources.

A popular way to do this would be to create a more 'universal' system of public support, which accepts the need for the state to pay for most care services regardless of people's wealth and income, as is accepted for health care. Japan has shown how this is possible while requiring individuals to pay a small, fixed percentage of their care costs themselves. In the UK, moving to such a system at current levels of care activity would cost around £2 billion extra a year. This is how much extra would need to go into the system to enable the state to pay for 80% of all care home fees and domiciliary care costs. A 20% co-payment from individuals would be affordable for most individuals – for example, for a pensioner on the minimum income guarantee with an average nursing home fee – and hence reduce the need for means-testing to a minimum.

While £2 billion is large in terms of a public spending increase, it is an amount that could be afforded in the long term. Such a sum may be considered a price worth paying for a system assuring everyone facing old age that their care needs would be properly covered, in exchange for a modest contribution from themselves. This kind of system would score highly against the principles set out in Box 3 (see p.9); in particular, it would provide a simple, straightforward basis of funding with clear-cut sharing of responsibility between the state and individuals/families. Note that, at 0.2% of GDP, it is similar to the extra amount allocated in Scotland to introducing public payments for personal care.

These calculations provide broad estimates only, but illustrate the degree to which a structural change of this type would require extra money to be raised. As the Pensions Commission has shown, long-term improvements in resourcing are feasible if introduced gradually and planned now.

CONCLUSION

There is now widespread acceptance that our present system for funding long-term care is unsatisfactory. The evidence and analysis put forward by the Joseph Rowntree Foundation's recent work in this area, together with publication of the Wanless Review (Wanless, 2006), has made it clear that 'muddling through' with piecemeal reform is no longer an adequate long-term strategy. In recognition of this, the Government has set up a "fundamental review of care costs" and of funding, due to feed into the Comprehensive Spending Review in 2007. Such a review is welcome and timely, and should not shy away from confronting the need for wide-ranging reform to the system over the long term.

A new settlement, however, would require many years of development and implementation. In the meantime, some of the worst features of the present system need to be addressed.

This *Foundations* has suggested a series of reform options that could be set in course now.:

Reform option 1: Review the basis of Attendance Allowance (see p.9)

Reform option 2: Pilot a voluntary Home Equity Scheme for home-based care (see p.10)

Reform option 3: Double the capital threshold for care home support (see p.12)

Reform option 4: Double the personal expenses allowance for people supported by local authorities (see p.13)

Reform option 5: Charge all care home residents for non-care costs and redistribute the proceeds (see p.13)

This is not a comprehensive agenda for reform, but identifies some of the areas where there is a growing consensus that change is needed. Other such areas include better brokerage to help people navigate a complex system, and improvements in the supply and quality of the caring workforce. Such reforms might start to make the funding system for long-term care more coherent and fairer. Only by progressively building public confidence in the system will it eventually become possible to raise the resources required to ensure that everyone gets the standard of care that they need and deserve.

About the programme

The Joseph Rowntree Foundation's Paying for Long-term Care Programme (2003-6) brought together a group of leading experts and stakeholders to commission analysis and international comparisons, and to help formulate approaches to reforming the present funding system. Its key aim was to build consensus around solutions. Following a discussion paper arising from the evidence and analysis assembled by this group, the Foundation commissioned Laing & Buisson to cost selected reforms, and has presented its ideas to leading policy makers and other interested groups.

The programme advisory group

This programme has been guided by an advisory group with the members listed below. This group has played a pivotal role in identifying key issues and helping to develop consensus around solutions. However, the contents of this concluding document and its recommendations are the responsibility of the Foundation and do not necessarily represent the views of individual members of the Group.

Advisory group members: Sir Christopher Kelly (Chair), Andrew Barnett (JRF), Professor David Bell, Lord Richard Best (JRF), Dame Ann Bowtell (JRF Trustee), Sue Collins (JRF), David Gulland, Professor Ruth Hancock, Helena Herklots, Glenys Jones, William Laing, Des Le Grys, James McCormick, Naina Patel, David Stanton, Robin Wendt.

Advisers: Donald Hirsch, Sandy Johnstone, Michelynn LaFleche

Publications

The following have been published by the Foundation under this programme. JRF reports are available for free download from www.jrf.org.uk. Printed copies, where indicated, can also be purchased through our website or from York Publishing Services Ltd, 64 Hallfield Road, Layerthorpe, York YO31 7ZQ, Tel: 01904 430033, Fax: 01904 430868 (please add £2.00 p&p per order). Four-page summary *Findings* of projects are available as indicated, via our website, or in print form (Tel: 01904 615905 or email: publications@jrf.org.uk).

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