28 March 2001

Fairer charging policies for Home Care and other non-residential social services

Response to the DoH Consultation Document from the Joseph Rowntree Foundation, March 2001

Introduction

No rationale is put forward for why service users should be charged for non-residential social services, other than it “can raise useful additional income, which can be used to develop services” [Paragraph 4 of the Draft Guidance]. This is too vague to be useful as a guiding principle. Presumably the implicit rationale is that those with sufficient means to pay for their care should do so. This sits badly with the commitment of the NHS that health care should be free at the point of delivery and that individuals should not be penalised because of ill health or disability. There is also a question of how ‘sufficient means’ is defined.

Other rationales have greater force. Strong arguments can be put forward in favour of making personal care free at the point of delivery, particularly for non-residential services. These include: an entitlement based on Human Rights; equity between disabled and non-disabled people; minimising disincentives to entering and keeping employment; and minimising administrative costs.

The Royal Commission on Long Term Care recommended that personal care should be available after assessment, according to need and paid for from general taxation. The JRF’s Inquiry into *Meeting the costs of continuing care* (Foundations 1) also recommended that personal care should be provided free at the point of delivery. A parallel JRF recommendation was that the costs of long-term care should be met through a new, compulsory, funded insurance scheme (JRF 1996) (Foundations 1). The Foundation continues to see this as the preferred option, particularly in the context of domiciliary care where it is not appropriate to take housing assets into account. Every incentive needs to be provided to help individuals remain in their own homes. In this context it is not clear why Torbay Council sets the maximum charge for any user of non-residential services at 85% of the average full charge for residential care. It is difficult to see how this provides an incentive for users to stay within home care as it ignores the fact that a substantial proportion of the cost of residential care is for the accommodation and the ‘hotel’ charges which individuals still have to meet if they are living at home. 85% therefore seems to be too high a proportion to set and the maximum charge should be lower.

If Government is unable to accept this argument, an alternative rationale could be that it is reasonable to seek some payment towards the costs of care from benefit payments specifically provided to meet such costs. But this is simply a mechanism for transferring costs from one government body (social security) to another (local authority).

Many service users are willing to make a contribution to the costs of care and services that they receive, if they consider that the charge is ‘fair’. But this arrangement does create a form of market so that service users legitimately feel that if they are paying for services they have a right to have a choice in what they receive and how it is delivered. These choices are often not available to service users at present, with service provision being determined by the provider, who also determines the charging arrangement.

Recent research (Raynes, N: What Older People Want from Home Care; Policy Press, forthcoming) has confirmed that older people are indeed *“grateful for what they can get”* but that this falls far short of the choice and control that they feel should be there. *“I want to be treated with respect and listened to; not just ‘I’ll pop you into bed.’”* If that service user is then to be charged for that service (or face increased charges), what greater say will they then have about the quality of the service they receive? If the answer is *“none”* then charging is purely a redistribution of wealth away from those who mainly cannot afford to pay!

The consultation document does not allow for the option of services being provided free so the remaining comments are on the basis that some form of charging system is put in place.

A further general introductory point is that, apart from the section on work incentives, the Guidance seems to focus on service users who are older people. No consideration is given to the needs of younger people who are, for example, in higher education or who are parents faced with a whole range of demands on their resources. No illustrations are given of couples below retirement age and therefore there are no examples of the way in which charging would operate if: both were working; one was working and one not; neither were working but one was a carer receiving services in his/her own right; or were bringing up young children.

The treatment of income support and the effects of charges on Users’ Incomes

a) General

Disagree

It is impossible to disagree with the guidance which says that charges should not reduce service users’ incomes below basic levels of Income Support. But this implies that Income Support levels are an adequate income. Work by the Family Budget Unit shows very clearly that this is not the case. (See in particular *Low cost but acceptable incomes for older people*. A minimum income standard for households aged 65-74 years in the UK. Edited by Hermione Parker. The Policy Press 2000). The Unit makes the point that the income required to reach a ‘low cost but acceptable income for older people’ varies according to age, gender, household composition, heating system, availability of public transport and other variables. A standard level for all is therefore inappropriate. The Unit found in 1999 that to avoid poverty, single women require net weekly incomes of between £97 and £121; single, older men require net weekly incomes of between £98 and £125; and older couples require net weekly incomes of between £143 and £184. (Page 88). Income Support levels at that time were below this level by up to £24 a week (single) and £28 a week (married) if individuals had no car. They found that owner-occupiers in this situation did even worse than tenants who had their rent and council tax paid in full. While Income Support rates for older people were increased by more than twice the rate of inflation in April 1999 they still fall short of the Low Cost Acceptable (LCA) levels as well as adding to the pensioner poverty trap. (Page 89). This assessment of LCA levels include no expenditure on home care and have therefore not included individuals who are in need of such care. It is likely that their income needs will be higher, rather than lower, because of additional expenditure such as higher heating costs, domestic help and possibly additional transport.

No equivalent work has been carried out by the Family Budget Unit on an income standard for younger disabled people. But Income Support levels are even less likely to provide an adequate income for this group. Not only do younger people have the normal living expenses which may include the costs of buying a house, but they are also expected to be saving for their old age.

The Department of Health needs to be clear what level of impoverishment they consider reasonable for anyone who is receiving home care services. Current Income Support levels are inadequate to provide an acceptable 'low cost' income and therefore deprive many people of an opportunity to lead independent, fulfilled and healthy lives.

b) Do you agree that flat-rate charging policies will not secure the aims set out in paragraph 7?

Disagree

c) Do you agree that there will usually need to be a detailed assessment of a person's resources and expenditure, which also has regard to the effects of a charge on disposable income?

Disagree

A flat rate charge would be possible if it was set as a percentage of a particular benefit, like Attendance Allowance. It could well be that this would be the easiest, fairest and administratively cheapest way of raising funds for services.

The alternative, which is the one proposed, sets a charge by reference to both level of service and the user's means which obviously results in flat-rate charging policies being inappropriate. Once it is decided that service levels and users' means are taken into account then an assessment system has to be put in place. But it is important to note that the more a system is tailored to the circumstances of individuals the more expensive it is to administer. It is also the case that the more discretion there is in the system the more likely it becomes that individuals are not treated equally. (It was the realisation of this that led to a shift from the range of discretionary benefits provided through Supplementary Benefit to the Income Support system in the 1980s).

The treatment of disability-related benefits and assessment of disability-related expenditure

a) General

Again, no rationale is given for treating almost all sources of income in exactly the same way. It could be argued, for example, that benefits specially related to meeting care costs could legitimately be used to pay for services but that income from work should not be included.

b) Should councils be expected to assess disability-related expenditure specifically, where they take disability-related benefits into account as income?

Agree and Disagree

If councils take disability-related benefits into account as income they must take disability-related expenditure into account.

But the list of expenditure in Paragraph 36 of the Draft Guidance is inadequate. It does not include any expenditure related to the costs incurred by a disabled parent in paying for additional child-care, for example, or for work-related costs. The latter might not be the result of someone having an impairment, but could be the costs that everyone has in order to be able to go to and stay in work, including: transport costs; expenditure on clothes; phones, faxes and computers etc.

c) Should the provision of Welfare Rights advice be encouraged alongside assessment of ability to pay home care charges?

Disagree and Agree

Encouraging people to claim their benefits in order that they can pay charges is simply shunting money from one government body to another without providing any real benefit to the individual concerned. A Welfare Rights approach so that everyone is encouraged to claim the benefits to which they are entitled would be a preferred approach.

d) Do you know of other good practice examples of assessment of disability-related expenditure?

The approach developed by the Family Budget Unit is now tried and tested. If funds were made available it is probable that the FBU could produce a Low Cost but Acceptable income for disabled people.

Savings and capital

Disagree

The Family Budget Unit, in the report referred to above, has indicated the complexity of the interaction between the tax and benefit systems in relation to investment income. They have identified a pensioner poverty trap similar to those of the poverty trap for people of working age, except that they undermine the savings motive as well as the work ethic. (Page 10). Earnings, pensions and investment income are treated differently by the tax system and by different benefits. A much fairer, and much more straightforward, way of treating savings and capital would seem to be to include the actual income from investments in any assessment of income and to do away with the capital limits, except perhaps at the upper levels. (Most people would consider it 'fair' that capital over a certain level, perhaps the point at which capital transfer tax starts, could be converted into income to pay for care).

Partner's income and savings

Disagree

The discussion of partners income and savings is very skimpy. There is no discussion here about the charge against a Partner's earned income and what, if anything, it would be appropriate to take into account. On grounds of equity, Human Rights and providing incentives to Partners to work, there is a very strong case for treating anyone receiving a non-residential service as an individual and not taking their partner's income or assets into account. If the income received is joint (through benefits) then it should be apportioned between the two people appropriately.

Work incentives

Disagree

Paragraph 53 of the Draft Guidance is completely wrong! The notion that the requirement not to reduce users' incomes below basic levels of Income Support should help to minimise any disincentives to work is ludicrous. Paragraph 18 of the consultation paper says that the guiding principle that those in work should retain the majority of any benefit from entering work or from increased earnings but then proposes the level at 55% of earnings. This is an extremely mean definition of 'majority'. Most, if not all, economists would suggest that losing 45% of any additional income earned is a major disincentive. The individuals will already have paid tax and National Insurance on their earnings and will therefore be losing considerably more than 45% of their gross earnings.

Timing and other implementation issues

Disagree

It is not clear why you are bothering to consult if you think the responses will be so unchallenging that you can issue the final guidance in May, when the deadline for receipt of replies is 30 March.

Management of charges and charging policies

Agree and disagree

On the face of it, paragraph 68 of the Guidance suggests that local councils can make money by charging users for the cost of services even if a contribution to the cost has been received from the NHS. If this is a correct reading of the paragraph the suggestion is outrageous.

It is difficult to see how local authorities can consult with users and carers about charging policies, including the items listed in the Best Value checklist, when there is no clear national statement about the rationale underlying a charging system.