

Lessons from the funding of long-term care in Scotland

The University of Stirling has carried out research into the funding and operation of long-term care policy in Scotland with wider lessons for the UK as a whole, focusing particularly on the policy of free personal and nursing care. Its key findings are:

- The introduction of free personal care has not reduced the level of informal caring. Free personal care at home supports informal carers and helps them provide other forms of care.
- Differences between Scotland and the rest of the UK in the public costs of personal and nursing care are smaller than popularly assumed. In Scotland, residential clients no longer receive Attendance Allowance (£61 per week at the higher rate); in the rest of the UK, care home residents continue to receive Attendance Allowance and more generous provision for nursing care. Payments for nursing care in Scotland are fixed at £65 per week; the highest rate currently payable in England is £129.
- Although the costs of free personal care have been higher than initially predicted, their current value amounts to only 0.2 per cent of Scottish GDP or 0.6 per cent of Scottish Executive spending.
- Demographic change and real cost rises of 2 per cent per annum would cause these costs to triple by 2053, although they will still be a relatively small share of GDP.
- Free personal care can support clients' wishes for person-centred care sensitive to individual needs. Free personal and nursing care have also improved equity, particularly for those of modest means and those with conditions such as dementia. However, some issues remain, including benefit rules, care fees, and addressing diversity (particularly the needs of black and minority ethnic groups whose access to culturally appropriate services remains limited).
- Confusion about the care system is widespread among clients. However, free personal and nursing care can improve clients' quality of life, partly by supporting the holistic view that clients and informal carers take of older people's care and support needs.
- A transfer of the free personal care policy from Scotland to England, Wales and Northern Ireland would not be a simple matter due to implications for other components of care provision. Nevertheless, the Scottish policy offers wider lessons including:
 - its affordability in relation to overall public spending;
 - its role as a catalyst in changing the balance of care towards care at home;
 - the need for improved co-ordination of benefits and social care systems; and
 - the positive impact for clients, particularly those of modest means.



Aims of the study

The study focused on:

- practical problems encountered in Scotland during the introduction of free personal and nursing care for older people;
- looking forward, key threats to the sustainability of the Scottish policy;
- wider lessons for the UK as a whole in designing policies to care for older people.

Care policy for older people in the UK

The common features of care and support for older people in Scotland and the rest of the UK derive from the responsibilities of Westminster departments for taxation and social security benefits and the largely shared economic, social and cultural heritage. Since 2002, all the countries of the UK have supported free nursing care for older people in care homes. But Scotland has also provided free personal care for older people, both in care homes and at home. Throughout the UK, older people who are assessed as having the means to do so pay for 'hotel' charges (such as 'bed and board') in care homes. If at home, they are expected to contribute towards the costs of services which are neither personal nor nursing care.

Development and context of free personal care

Assessing the specific impact of free personal care in Scotland is complicated by the wider changes in a range of care policies, including:

- shifts in the balance of care away from long-stay hospitals and towards care at home;
- encouragement of joint working between health boards and local authorities;
- increasing regulation of care provision; and
- the introduction of direct payments and the Supporting People initiative.

How replicable is the Scottish example?

In Scotland, England, Wales and Northern Ireland, projected growth patterns for the older population are similar over the next fifty years, with the population aged 85 and over growing most quickly. Variation in income, wealth and receipt of state benefits within the countries of the UK is greater than the variation between them. Thus, Scotland as a whole is broadly comparable with other parts of the UK in respect of its demographic characteristics and the average economic circumstances of older people. It provides a useful case study of the provision of free personal and nursing care which has implications for other parts of the UK.

Differences in the costs of nursing and personal care between Scotland and the rest of the UK are smaller than public debate has suggested. This is partly because the costs of nursing care are lower in Scotland and because the shift towards more domiciliary care makes the overall costs in Scotland lower. There is evidence in this study that free personal care has supported informal carers to carry on with the task of caring for older people.

Implementing free personal care: views from the suppliers

From the suppliers' points of view, free personal care has sharpened debate about issues of long-term care for older people, in a context of complex and piecemeal changes in policy and delivery. Interviewees perceived that free personal and nursing care had brought a stronger focus on the quality of care at home, and had heightened debate about care home fees and changing demands on the workforce. They saw no clear evidence of a decline in informal care, but suggested that free personal care supported informal carers.

At the operational level, although local authorities had been central to policy implementation, their experience varied. Variations related to local demography and to what charges, if any, had previously applied for personal care. Practical problems for local authorities had included shortages of implementation funds, difficulties with complex contracts with service users and contractors, extra work for staff, and confusion relating to interactions with other policies, notably Supporting People.

Issues for the voluntary and private sectors had received little consideration. Voluntary sector providers reported pressure on resources, resulting from more enquiries about free personal care. From the private sector point of view, there was a perceived need for better relationships and more effective co-operation between sectors.

There was general concern about the consequences of interactions with other policies and the complexity of the systems needed to administer and evaluate the free personal care scheme, coupled with a desire to participate actively in constructing holistic care packages.

Implementing free personal care: older people's perspectives

Participants in focus groups took a holistic view of the care and support needs of older people, and expressed strong and clear views, grounded in experience. They did not differentiate personal care from other types of care and support, and emphasised the importance of good quality services which were person-centred and sensitive. There was continuing confusion and lack of clear knowledge about free personal care. At the start, many had believed that all care was to be free; respondents in

activist groups contended that local authorities varied in their provision of personal care; all policy on care for older people was generally described as difficult to understand; there was debate about who should pay (with wide support for free personal care).

Participants emphasised the crucial role played by informal carers, their dedication and commitment. The Scottish Executive initially allocated £8 million to pay for increased provision of formal care to offset an expected reduction in informal caring. There is no evidence, as yet, of any such switch. In fact, free personal care could support carers to carry on longer, and to devote their time to caring tasks other than personal ones if the older person and the carer preferred.

The financial effects of free personal care

Free personal care does not increase the costs of care to society as a whole – it shifts the balance between payment by individuals and payment from the public purse.

However, the costs of free personal care have been higher than initially predicted (for example, £143 million in 2003/04, compared with the £125 million planned). Nevertheless, this is 0.6 per cent of the Scottish Executive's total budget of £25 billion and therefore can have only marginal impact on spending in other areas.

For clients, the main impact has been felt in care homes. However, higher charges in care homes have meant that individuals themselves have not benefited by the full amount allocated to cover personal care. The considerable rise in care home fees since 2001 is only partly a consequence of free personal care. Other policies, such as Care Standards, have also increased fees. Although local authority social care budgets are not ring-fenced, local authority spending on care for older people increased sharply from 2001 onwards, particularly for intensive home care packages.

Sustainability in Scotland and the UK

Simulations show that the costs of free personal and nursing care expressed as a share of national output depend on underlying demographic change, but are also sensitive to:

- the balance of care provision – a shift to more care at home reduces costs;
- older people staying healthy for longer;
- changes in the costs of care;
- the rate of economic growth;
- changes in the proportion of the population funding their own care, particularly due to changing rates of home-ownership.

The future costs of free personal and nursing care are uncertain. Unless cost increases are restrained, demographic pressure will lead to substantial increases during the next 35 years. But policy actions can be taken. These include changing the balance of care towards more care at home, enhancing healthy life expectancy and closely examining the operation of charging policy. But ultimately, the free personal and nursing care policy will only be sustainable if there is sufficient political will within the Scottish Parliament and sufficient economic resources available to support the Parliament's spending plans.

Simulations for Scotland showed that:

- If payments for free personal care keep pace with inflation, costs rise modestly until 2035, then fall back. However, if payments rise in real terms above inflation, there is a much steeper rise in costs until the end of the projection in 2053.
- Increased home-ownership in Scotland means that the number of people with wealth in excess of current capital limits will rise. Therefore, the number of potential 'self-funders' who would have paid for their personal care will also increase. Because their personal care will instead be provided free, the costs of free personal care will rise. This effect will increase costs until 2035, after which they will level off.
- Shifting the balance of care towards care at home can dramatically reduce costs: the average costs of care at home are less than the £145 and £65 for personal and nursing care in a care home; the average annual cost of care at home is £3,000. However, if the costs of care at home increase at a rate above average economic growth, a shift to care at home creates an initial saving, but there is little difference in costs by the end of the period.
- If personal care costs rise more rapidly than the economy as a whole, the costs of the free personal care policy reach 1 per cent of GDP by 2053 and then level off. However, changing the balance of care in favour of care at home can offset this.

Simulating the application of the Scottish policy of free personal and nursing care to the rest of the UK shows that costs would evolve very similarly throughout the UK, because of the close correspondence in demography and of economic circumstances. Hence similar arguments about the actions that can be taken to moderate cost increases are likely to apply.

In all parts of the UK, if the costs rise at 2 per cent in real terms and the balance of care does not change, then the costs to the public purse of free personal and nursing care will rise to 0.5 per cent of GDP by 2035, starting from a base of 0.2 per cent in 2003.

However, if it is possible to change the balance of care towards lower cost provision, this increase might be contained to around 0.4 per cent of GDP.

Wider lessons and conclusions

A number of wider lessons and conclusions can be drawn from the study:

- Differences between Scotland and the rest of the UK in public sector support for self-funding care clients are significantly smaller than is commonly assumed. Key factors are the lower costs of nursing care in Scotland, the ineligibility for Attendance Allowance of care home residents in Scotland, and local authority subsidies for older people's services in the rest of the UK.
- Free personal care has the capacity to support clients' wishes for person-centred which is sensitive to individual needs.
- Shifts in the balance of care can moderate costs – it is important that projections of future trends do not merely reproduce existing models of the balance of care.
- A new approach to costing care packages which avoids problematic classifications of tasks and their allocation to different budgets could address many difficulties, both for individuals and for the delivery and costs of service provision.
- Free personal care has made provision for those of modest means – especially women – and people with conditions such as Alzheimer's disease more equitable (for this group, personal care payments are no longer a burden, particularly towards the end of their lives when such care is vital). However, these groups still face charges for some aspects of their care.
- Black and minority ethnic groups continue to lack access to appropriate services. Free personal care has not changed this.
- There is a need for balance between nationally agreed priorities and local authority autonomy. Currently, the lack of ring-fenced budgets increases local authorities'

autonomy in funding care provision. This may be advantageous in allowing responsiveness to local conditions, but may also compromise national policy priorities.

- In general, there is much more variation between local authority areas in Scotland than between countries in the UK. Demography, the historic balance of care, the urban-rural mix and the socio-economic structure all make a difference across local authorities. However, Scotland differs from England (but not Wales or Northern Ireland) in placing heavier reliance on public sector provision of services for older people.
- Free personal care promotes more 'joined-up' approaches, reduces means-testing and money worries, and enables informal carers to continue caring. Thus, it can improve clients' quality of life and support their care choices.
- Changes since 2001 in provision for nursing care throughout the UK and for personal care in Scotland have caused the funding of the care systems in different parts of the UK to diverge. Therefore, applying free personal care in other parts of the UK would be extremely complex. However, it does offer important insights for care policies that could be pursued in other parts of the UK.

About the project

The work was undertaken by David Bell and Alison Bowes of the University of Stirling.

The project sought views from clients and those involved in implementing the policy using both interviews and focus group discussions. With clients, the researchers particularly explored people's knowledge and understanding of free personal care, their own expectations of care and support; and other policies and services which they saw as related. Implementers focused on their experiences of the process. The project also involved secondary analysis and modelling of a wide variety of UK and Scottish datasets.

For further information

The full report, **Financial care models in Scotland and the UK** by David Bell and Alison Bowes, is published by the Joseph Rowntree Foundation (ISBN 978 1 85935 439 1, price £17.95).

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