Stepping-Stones: A strategy for reforming long-term care funding

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Debate on how to fund older people’s long-term care has tended to emphasise a simplistic menu of options, resulting in polarised positions among political parties, and preventing reform from getting under way. But the outcomes required of long-term care funding reform represent not one reform, but many, which vary in their complexity and the political sensitivities they may incur. Framing reform as a series of ‘stepping-stones’ reveals how many of the stumbling blocks to reform can be overcome, for example: the transition to a national assessment and entitlement framework; staged evolution in the shape of the state safety-net; and, a gradual transition from voluntary to compulsory contributions.

The multiple different models of long-term care funding that have featured in debate can also be framed as a series of ‘stepping-stones’. The analysis in this report shows how: widely different models of long-term care funding require some of the same policy changes and structural reforms to be made; seemingly large and challenging reforms can be broken down to a series of manageable steps; and, few models of long-term care funding have to represent fixed end-points and can themselves be implemented and developed as stepping-stones in a longer process.

This suggests the need for a ‘stepping-stones’ strategy for reform which: prioritises shared steps required by different funding models; evaluates individual funding models as stepping-stones, not just as end-points; and, proceeds immediately in areas where consensus exists.
1. Introduction

For over a decade, long-term care funding has seemed to be too complex and polarising an issue for badly-needed reform to begin...

The system for funding older people’s long-term care funding in England and Wales has come under increasing strain during the last decade.

The issues arising from the current system are well-known:

- **Excessive rationing** of state-support to vulnerable individuals symptomatic of under-funding;
- A systemic reliance on **excessive informal care** provision by family members;
- The incidence of ‘**catastrophic costs**’ as individuals accumulate large bills for formal care in their home or in a residential care setting;
- The inequities and perceived **unfairness resulting from means-testing**, with its consequences for individuals who have saved for their retirement being denied support in favour of those who are perceived to have been careless;
- **Poor integration and coordination** between social care spending and disability benefits, healthcare and other types of care-related public spending;
- An unpredictable ‘**postcode lottery**’ that results from overall decisions as to the levels of funding available for care and support at a local being taken by local councillors.

However, although the problems of the social care system are easy to identify, solutions have been much harder to obtain.

The long-term care funding reform agenda has been active for over a decade, and has featured multiple independent commissions, reports and ‘calls to action’. But during this period, the reform process itself has remained frozen.

In particular, political consensus has never been achieved both in relation to what the problems with the long-term care funding system are, and how they should be fixed. Again and again, it has appeared that the funding of long-term care for older people is too difficult and complex an issue for the policymakers - and society - to be able to formulate and implement an adequate response.

Stepping-Stones: A strategy to reform long-term care funding

This discussion paper is not about how the long-term care of older people in England and Wales should be funded.

Instead, this paper seeks to advance debate and the reform agenda by exploring how the issue of long-term care funding reform has been framed and debated by policymakers, stakeholders and commentators.

Its central argument is that the tendency of participants in this debate to frame the choices around reform as a simple menu of divergent options — A, B, C or D — has actually undermined the scope for the reform process to advance, and prevented policymakers from addressing problems in the social care funding system.

In particular, this characteristic of the agenda has left political debate featuring divergent, polarised positions among political parties, ultimately preventing any reform from getting under way.

To tackle this issue, this report shows that:

- Long-term care funding reform is not one reform, but many, i.e. it comprises changes required to a set of distinct, parallel policy domains, that vary in their complexity and the political sensitivities which they may incur;
- If long-term care funding reform is framed as a transition or ongoing process, many of the stumbling blocks to reform can be overcome;
- Most ‘models’ of long-term care funding that have been proposed in debate can be reduced down to a
The tendency of participants in this debate to frame the choices around reform as a simple menu of divergent options – A, B, C or D – has actually undermined the scope for the reform ...

series of manageable steps, that are much less challenging in terms of implementation, feasibility and the ‘political capital’ they require to implement;

- Most models of long-term care funding can also be framed not just as fixed, end-points for reform, but as steps in a longer process of reform.

This report therefore argues that to overcome the barriers to long-term care funding reform that have prevented advancements occurring over the last decade, policymakers and stakeholders should adopt a ‘stepping-stones’ strategy:

- Prioritising those elements of reform that are required whatever subsequent shape the system takes. A good example is the adoption of a national assessment and entitlement framework;
- Evaluating different models of funding care as stepping-stones in a process, not as end-points, in order to let reform advance as far as political consensus will take it;
- Proceeding immediately in relation to those distinct areas for which agreement does exist, even if broader consensus does not exist.

This report is not a call for incremental change. It begins from recognition of the acute problems currently presented by the long-term care funding system in England and Wales, but also from recognition that again and again, this issue has appeared too complex and too difficult for policymakers, politicians – and ultimately, society – to posit a proper strategic response. By recasting how this complex issue is presented and thought about, it is hoped that this report will help reform to finally advance.

In the next chapter, different aspects of long-term care funding reform are analysed as a series of stepping-stones, which can be implemented over time.

In Chapter 3, some of the principal models of long-term care funding that have featured heavily in debate are presented as a series of steps to be implemented in stages. The chapter explores how: seemingly difficult and ambitious funding models are less challenging when considered in this way; different funding models share different ‘building blocks’; and, different models of funding can represent stepping-stones in a process of reform rather than as an end-point.

The conclusion identifies key lessons for policymakers and stakeholders, observing that ultimately, there is nothing to stop reform beginning today.

Key points:

- The long-term care funding reform agenda has been active for over a decade, and has featured multiple independent commissions, reports and ‘calls to action’. But during this period, the reform process itself has remained frozen.
- Again and again, it has appeared that the funding of long-term care for older people is too difficult and complex an issue for the policymakers - and society - to be able to formulate and implement a proper strategic response.
- This paper argues that the tendency of participants in this debate to frame the choices around reform as a simple menu of divergent options – A, B, C or D – has actually undermined the scope for the reform process to advance.
- In particular, this characteristic of the agenda has left political debate featuring divergent, polarised positions among political parties, ultimately preventing any reform from getting under way.
2. Steps to Long-term Care Funding Reform

The older people’s long-term care funding system actually needs multiple distinct and different reforms that can proceed in stages...

The previous chapter argued that reform to the long-term care funding system in England and Wales has been undermined by the tendency for debate to focus on a simplistic menu of alternative options.

This chapter shows how the reform to the system that is needed actually comprises multiple distinct and different reforms that can proceed in stages. It also shows that when reforms are analysed in this way, they are much less challenging in both political and implementation terms.

The different components of reform

The multiple problems observable in the long-term care funding system in England and Wales suggest multiple solutions are required:

- Adequate funding of the state safety-net;
- Reduced reliance on excessive informal care provision by family members;
- New funding arrangements that protect individuals from the potential ‘catastrophic costs’ of care
- A reduction in the role of means-testing;
- Modernisation of older people’s disability benefits and improved coordination with the social care system;
- The end of the ‘postcode lottery’ in publicly-funded entitlement.

Why has debate focused on the ‘big-bang’?

Despite the multiple different reforms required of the long-term care funding system, in debate on how to reform the system, commentators and stakeholders have typically conceived of reform as a choice between a set of potential ‘big-bang’ reforms: a sudden jump to a radical new system that will address the problems identified in the first chapter.

This tendency to think of reform in terms of a single big-bang switch to a new system is perhaps inevitable: given the severe problems observable in different parts of the current system, debate among stakeholders inevitably focuses on the end-point for reform – the outcomes wanted - rather than the complex and myriad steps required to achieve them.

However, this tendency for how reform has been conceived and framed in debate is arguably problematic, and has had a negative impact on the prospects for reform. Why is this the case?

1) “Consensus is easier to achieve on small changes”

Some of the changes necessary to fix the problems of the long-term care funding system are more likely to achieve political consensus than others.

However, the tendency for debate to focus on ‘big-bang’ reforms that struggle for political consensus has seen viable interim options for change, which may represent ‘stepping-stones’ to further reform, being discarded and ignored because consensus cannot be achieved on what will follow.

An example of this dilemma is the persistent debate about voluntary versus compulsory contributions from individuals to a new long-term care funding system, which was particularly prominent following the publication of the 2009 Green Paper on social care: “Shaping the Future of Care Together”.

One option proposed in this document was a voluntary ‘Insurance’ model, which would have seen major improvements in the design and organisation of the social care funding system - improving outcomes for all care users and their families - in addition to at least giving individuals the option to insure themselves, whether via private or state-sponsored insurance. It would also have paved the way for the ‘Comprehensive’ option contained in the Green Paper,
This chapter therefore maps out in more detail how long-term care funding reform can be analysed and presented as a set of processes...

which the then government favoured, and was built around compulsory contributions.

However, because the government and the opposition could not agree on a destination point for reform, the opportunity for major improvements in the system and the outcomes for care users represented by the Insurance model outlined in this Green Paper was missed.

Put simply, even when there is disagreement over the end-point for reform, this should not be a barrier to implementing policy changes that represent improvements, and can lead to different ‘final destinations’. However, this sort of inertia has been characteristic of the long-term care funding debate in England and Wales for over a decade. Debate has consistently featured polarising ‘either/or’ discussions about reform options, even though many options would require identical structural changes to the shape of the social care system.

2) “Fear of the big jump”

For politicians and civil servants, undertaking major reforms is ultimately a highly-risky enterprise that they may be fearful of, whether because reforms may go wrong or because they may have unintended consequences. This is particularly true of long-term care, which involves the welfare of some of the most vulnerable individuals in society and an existing system that is frequently characterised as being “stretched to breaking-point”.

For this reason, the tendency for debate to focus on big-bang reforms has arguably inhibited the momentum for change among politicians and policymakers, who are forced to confront the potential implementation of intimidatingly large reforms, even though smaller individual changes could be implemented as a process of manageable steps that do not pose such high-level risks.

3) “Small steps are easier”

For a reform agenda as wide-ranging and complex as that of long-term care funding, it is inevitable that some aspects of reform will go wrong. Unintended and unanticipated consequences will occur.

However, it is the nature of major policy reforms that ‘big-bangs’ are more likely to lead to big mistakes. Unintended and unanticipated effects can cause damage to the objectives and plans of other government departments. The implications of reform can only be truly understood when they are implemented. Many proposed big-bang reforms – for example, the implementation of ‘auto-enrolment’ in the UK pension system - are ultimately phased in when policymakers reach the point of roll-out.

This demonstrates the need for ambitious reforms to be tempered with realism, and the fact that small steps forward may be less likely to go wrong than giant leaps. Framing and implementing reforms as a series of steps is therefore preferable.

This chapter therefore maps out in more detail how long-term care funding reform can be analysed and presented as a set of processes. It identifies different aspects of long-term care funding reform to show how each can be framed as a series of stepping-stones:

- The transition to a national assessment and entitlement framework;
- Staged evolution in the shape of the state safety-net and support;
- Staged participation in reform by different cohorts;
- Evolving choice framework for contributions to a new system;
- Staged new funding for the different costs of long-term care.
The transition to a national framework for assessment and entitlement

This first example shows how a major and complex aspect of long-term care funding reform can be broken down to a series of manageable steps.

In the current long-term care funding system of England and Wales, local councillors take decisions on how much funding is made available to individuals who qualify for means-tested public support in their area.

The result is a widely-acknowledged ‘postcode lottery’: levels of support vary by local authority, and individuals with similar needs who live streets apart but in different boroughs can be given very different levels of public support.

This aspect of the system is perceived to be unfair, and regularly receives negative media coverage and comment. The inherent unpredictability for individuals that is characteristic of this system is also perceived to make it hard for individuals to plan ahead for care needs: individuals do not know where they will live and what the available level of local support will happen to be if they require care.

To fix these issues, a national framework for assessment and entitlement would have to be implemented in the long-term care funding system of England and Wales. This would ensure that levels of public support proportional to need were consistent across the country, while taking account of regional variations in unit care costs. It would also ensure that changes in levels of public support available followed a transparent, consistent and predictable process that applied consistent pre-ordained formula and principles in order to determine levels of support year-to-year and Treasury Spending Review to Spending Review.

However, despite longstanding agreement that the ‘postcode lottery’ in support must end, reform of this aspect of the social care system has never begun. Yet this reform can be framed in a way that shows it ultimately comprises a series of manageable steps.

- **Stage 1: Defining the National Framework**

  Policymakers review the current assessment criteria used by local authorities – Fair Access to Care Services (FACS) – and finalise the assessment criteria to be applied under a national framework, based on FACS, a modified version of FACS, or a new assessment criteria.

  Using the proposed public spending allocation for the new system, policymakers fix levels of financial support to be made available for different levels of need, and reflecting current and forecast variations in unit costs of care across England and Wales.

- **Stage 2: Administrative changeover**

  Following piloting and testing, local authorities begin transferring across to the new national assessment framework, with necessary staff re-training and changes to administrative processes.

  Using ring-fenced grants from central government, local authorities begin adjusting the levels of support made available in order to move entitlement closer to the incoming national framework.

- **Stage 3: Transfer to national funding system**

  The necessary changes in funding and revenue allocation occur to enable a national assessment and entitlement framework, with appropriate changes to how local government financing is administered and organised.

  Local authorities migrate as a block to the new system. Individual needs-assessments begin to apply the national assessment framework criteria and funding is
Staged evolution in the shape of the state safety-net and funding

allocated to individuals on this basis. National eligibility criteria are enshrined in law.

The public funding received by individuals for care and support needs becomes entirely portable, and individuals are able to move across the country without any re-assessment required, or any risk of loss of support.

Stage 4: Educating the public

The government undertakes a publicity campaign to inform the general public of the new assessment and entitlement framework, educating the public as to the level of support they will receive proportional to their means and need, as well as the formula and principles underpinning the system.

Comment

This four-step process comprises a series of manageable steps that, although clearly creating administrative challenges, are both feasible and politically acceptable across the board. There is therefore no reason for this key component of reform not to begin now.

Staged evolution in the shape of the state safety-net and funding

The second example explores what the shape and nature of public funding of care and support should be under a reformed system. This question has been subject to extensive and intense debate among politicians and stakeholders during the last decade, against the backdrop of varying fiscal constraints. However, rather than an either/or discussion, the shape of the state safety-net and public support can be conceived of as an evolution that occurs in stages.

The ‘shape’ of entitlement to state funding for care and support needs can take different forms. At present, the state-funding of care needs in England and Wales is a ‘safety-net’ system: anyone with a defined level of need, and less than £23,500 of (‘assessable’) wealth, has all of their care and support costs funded by the state.

However, in addition to this safety-net coverage provided by the state, various other forms of state-funded coverage are possible.

For example, the current means-tested horizontal safety-net could be extended in relation to level of needs, so that all individuals with substantial levels of need, for example, 4 Activity of Daily Living failures, have all of their care funded by the state regardless of means.

Alternatively, extra coverage could be provided through a co-payment system of matching contributions in which the state matches private expenditure on care from individuals pound-for-pound up to a defined limit, thereby diluting the cost of care to individuals.

Different forms of cost-capping could place a limit on the weekly expenditure that individuals are expected to shoulder in order to purchase adequate levels of care; for example, at £85 per week.

Alternatively, a ‘limited liability’ approach could place a limit on the accumulated care needs or care costs that individuals are expected to self-fund before they become entitled to free care funded by the state.

These different forms of state-funded coverage against the cost of care – safety-net, matching contributions, cost-capping, limited liability – could be introduced at different times and made more or less generous at different points in the fiscal cycle.

These different forms of state coverage can also be applied differently to different types of costs relating to...
Staged participation in reform by different cohorts

Retirement-phase contributions ➔ Retirement and working-age contributions ➔ Working-age contributions

care, i.e. personal care in the home, personal care in a residential setting and the accommodation costs of residential care.

Importantly, the different options for the shape of state-funded coverage could also represent different steps in an extended process of long-term care funding reform.

For example, in the 2010 social care White Paper ‘Building a National Care Service’, it was proposed that the state would undertake to fund all care costs of those who had been in residential care for more than two years, prior to the full introduction of free personal care across all settings at a later stage.

As such, over an extended process of long-term care funding reform, in which the coverage provided by the state to individuals increases commensurate with the volume of funding in the system, the cover provided to the population may extend. For example, this could proceed as follows:

- Stage 1: Limited liability for personal care

  The cover by provided by the means-tested safety-net of public-support, set at the threshold of £23,500, is extended by the introduction of free personal care in the home to all those who have required care for more than 3 years.

- Stage 2: Weekly cost-cap for accommodation costs of residential care

  The state begins making a contribution toward the accommodation fees of people in residential care, set as a proportion of a benchmark cost.

- Stage 3: Matching contributions

  On top of the means-tested safety-net and limited liability in relation to personal care costs, the state begins funding matching contributions toward the cost of care for individuals too wealthy to be entitled to free personal funded by the state.

Comment

This example has shown how state-funded care and support, and the shape of the state-funded safety net in particular, can vary and evolve over time. In this way, stakeholders and politicians really only need to prioritise what should be the key components of state support going forward, and agree to potentially extend this support as appropriate in future.

Staged participation in reform by different cohorts

Debate on long-term care funding in England and Wales has in recent years recognised that a better funding system will require new contributions from individuals, whether toward private or state-sponsored insurance, or as taxation.

However, this has led to ensuing debate about whether contributions should be sought from the retired cohort, given the considerable and unprecedented wealth of the so-called ‘baby-boomer’ cohort, in particular derived from high-rates of home-ownership in this group with associated high levels of housing wealth.

By comparison, the younger working-age population in the ‘accumulation stage’ of their lives are perceived to have limited disposable income or wealth that could be directed to a new long-term care funding system. However, there is consequent concern about building a funding system around contributions during retirement, given the need to incentivise saving for retirement, and the fact that contributions would be more affordable if spread over working-life.

This points to the potential need for different models of funding care for different cohorts, and for contributions from retirees in a first phase of reform to precede
Evolving choice framework for contributions to a new system

ccontributions from people of working-age. How might such a process unfold?

- **Stage 1: Retirement-phase contributions**

The new long-term care funding system is reformed on the basis of new and specific contributions from the retired cohort, whether through the deployment of their housing wealth, pension savings, pension income, or other forms of assets and saving.

- **Stage 2: Working-age and retired contributions**

New and specific contributions toward a reformed system of long-term care funding are made by the working-age cohort, whether in the form of a social insurance fund, individual care insurance savings accounts or some other mechanism.

- **Stage 3: Working-age contributions**

By facilitating contributions into the long-term care funding system when individuals are in the ‘accumulation-stage’, over time, the system becomes characterised entirely by contributions by individuals of working age rather than in retirement.

Having fully funded their contribution during the accumulation stage of their life, individuals arriving at the point of retirement do not have to continue to make contributions.

**Comment**

Should long-term care funding reform be built around contributions during retirement or working-life? Ultimately, this distinction is misleading. Reform to the long-term care funding system can begin with retirement-phase contributions and move gradually to working-age contributions over time. This observation is particularly important currently, given the negative fiscal climate and high levels of household debt among the working-age population.

Evolving choice framework for contributions to a new system

Arguably the most persistent, polarising and awkward argument around long-term care funding reform has been the ‘voluntary/compulsory’ debate. Should new contributions from the population toward a new long-term care funding system be based on voluntary or compulsory payments?

Policy analysis on long-term care funding reform has explored the scope for new and specific contributions from individuals, whether in the form of a charge on people’s estates, contributions to a state-sponsored insurance scheme, or private insurance. But debate has principally turned on whether contributions should be compulsory or voluntary, in the context of widespread public ignorance about how the current system functions. Voluntary contributions are perceived to risk low participation rates. Compulsory contributions are perceived to risk a political backlash from the public that would inhibit or undermine reform.

However, rather than two fixed, divergent end-points, voluntary and compulsory contributions could comprise two different stages of a single process of reform, that moves gradually from voluntary to compulsory contributions, avoiding political backlash, but ultimately obtaining the levels of participation required.

- **Stage 1: Voluntary contributions**

In a first-stage, a new long-term care funding system features voluntary contributions, in the context of policy interventions to educate and inform the public about the option to contribute to the new system, and thereby obtain protection from the potential costs of long-term care.
To implement voluntary contributions, policymakers define a choice framework that is as simple and communicable as possible. The necessary administrative systems are put in place to handle contributions.

- **Stage 2: Soft-compulsion**

The long-term care funding system moves from voluntary contributions to 'soft-compulsion' or 'auto-enrolment', the nature of which reflect wider funding reforms.

A ‘hard’ form of soft-compulsion could see individuals compelled to make contributions, unless they choose to opt-out.

A ‘softer’ version of soft-compulsion would be ‘mandated choice’ in which individuals are compelled to make a choice about whether or not to make contributions into a new system, thereby overcoming issues of inertia. For example, in order to claim the State Pension, individuals at 65 could be required to choose whether to opt-in or opt-out of making contributions, in order for them to be entitled to receive the State Pension.

In the context of ‘soft-compulsion’, the government would continue to educate and inform the public about the benefits for individuals of making contributions, and the potential consequences of not participating.

In this way, public understanding of the rationale for making new and specific contributions toward long-term care funding would continue to grow, making the switch to compulsory contributions more feasible.

- **Stage 3: Compulsion**

The system of soft-compulsion is replaced by a system of compulsory contributions. Having become accustomed to the new system and its rationale, public opposition to the introduction of compulsory contributions is limited.

The result of compulsory contributions becomes observable in both the coverage of protection against care costs across the population, and the increased level of funding channelled into the long-term care system.

**Comment**

The ‘voluntary/compulsory’ argument in debate on long-term care funding in England and Wales has generated more ‘heat’ than any other aspect of potential reform. But, this noisy, heated argument has arguably been completely pointless and unnecessary. It is true that imposing voluntary contributions would be unlikely to achieve adequate levels of participation in a new funding system, and that compulsory contributions would pose a difficult political challenge. Yet this ‘either/or’ analysis ignores the fact that a reformed long-term care funding system could move gradually from voluntary to compulsory contributions over time.

**Staged new funding for the different costs of long-term care**

The final example in this chapter begins from an observation that the “costs of long-term care” can refer to different things, and can comprise: personal care in the home; personal care in a residential setting; the accommodation costs of residential care; the costs of telecare and prevention; and, the costs of nursing care.

Importantly, these different types of care-related costs do not all have to be funded in the same way. Different types of long-term care funding model can co-exist for these different types of cost.

For example, all nursing care costs became state-funded and free at the point of use across the UK.
This analysis shows how how long-term care funding reform can in fact be analysed and framed as a distinct set of processes, with reform unfolding through a step-by-step process...

following reforms in the early 2000s, with state-funding of other types of cost remaining means-tested in England and Wales.

However, in future, partial or full state-funding of other types of costs could be introduced, as well as private insurance or state-sponsored insurance schemes.

As such, different types of funding models for different types of costs can be introduced at different stages in time, so that risk-pooling and coverage for the different types of costs associated with long-term care extends over time. This process could proceed as follows:

- **Stage 1: Nursing care**
  Nursing care become free at the point of use funded entirely by the state in the early 2000s.

- **Stage 2: Telecare and prevention**
  Telecare and other preventative interventions are currently subject to mixed public and private spending, with public funding that varies by local authority. To maximise the benefits and savings for public spending, all telecare and preventative services become that become free at the point of use and funded by the state.

- **Stage 3: Personal care**
  State-sponsored insurance schemes are deployed in relation to the costs of personal care in the home or residential care, with individuals making contributions and being entitled to funding upon experiencing need.

- **Stage 4: Accommodation costs**
  The government promotes private insurance products for the accommodation costs of residential care, which are bought at the point of need.

**Comment**

This example illustrates the fact that there is not one long-term care funding ‘problem’, but several. However, different costs associated with long-term care can be funded in different ways, and reforms to the way in which these costs are funded can also proceed in stages. Fixing the problems of long-term care funding in England and Wales is not one problem that can be solved with one ‘big-bang’; it is several problems that can be solved at different times in different ways.

**Discussion**

This chapter has illustrated how long-term care funding reform can in fact be analysed and framed as a distinct set of processes, with reform unfolding through a step-by-step transition. Treated in isolation, each step is less challenging both in feasibility terms, and politically.

For example, it would not be difficult for any government to maintain political consensus for the introduction of voluntary contributions from retirees to a care insurance scheme, implement limited liability for personal care costs, as well as universal free prevention and telecare services. Each of these individual reforms would also be relatively feasible to implement, but each would also make it easier to move on to a second step, with further improvements in outcomes for users.

This stepping-stone approach to analysing reform of long-term care funding can be applied to more than just abstract issues such as voluntary and compulsory contributions. It can also apply to some of the different specific models of long-term care funding that have featured heavily in policy debate. This is the focus of the next chapter.
Key points:

- Long-term care funding reform is not one reform, but many, i.e., it comprises changes required to a set of distinct, parallel policy domains, which vary in their complexity and the political sensitivities that they may incur.
- Some of the different areas of policy requiring change include: adequate funding of the state safety-net; reduced reliance on excessive informal care provision by family members; new funding arrangements that protect individuals from the potential ‘catastrophic costs’ of care; a reduction in the role of means-testing; modernisation of older people’s disability benefits and improved coordination with the social care system; the end of the ‘postcode lottery’ in publicly-funded entitlement.
- But, if long-term care funding reform is framed as a transition or ongoing process, many of the stumbling blocks to reforms in these domains can be overcome.
- Reform across these areas of policy can be framed as a series of steps, for example, incorporating: the transition to a national assessment and entitlement framework; staged evolution in the shape of the state safety-net and support; staged participation in reform by different cohorts; an evolving choice framework for contributions to a new system; and, staged new funding for the different costs of long-term care.
3. Steps to Different Long-term Care Funding Models

This chapter shows how different long-term care funding models that have featured in debate can be reduced to a series of manageable steps, that are less challenging in terms of feasibility and the ‘political capital’ they require to implement.

The previous chapter explored how long-term care funding reform is not one reform, but many. It showed how framing different aspects of reform as a series of stepping-stones suggests many of the apparent stumbling blocks to reform can be overcome.

This chapter turns to look at the different models of how to fund the long-term care of older people that have featured in debate over the last decade. It shows how different models can be reduced down to a series of manageable steps, that are much less challenging in terms of implementation, feasibility and the ‘political capital’ they require to impose. It also explores how different models of long-term care funding can also be framed not as fixed, immovable end-points, but as stepping-stones in a longer process of reform.

**Partnership Model**

The ‘Partnership Model’ was first put forward by the Wanless Social Care Review in 2006, and subsequently updated by the King’s Fund in 2010.

The core rationale of the model focuses on improving how public expenditure on social care is distributed. The model applies the principle of ‘progressive universalism’: everyone in need of care and support receives something from the state, but the amount received is proportional to means. To enable the levels of financial support proposed in the model, a greater allocation of public spending would be required. In addition, the model proposes that public spending on Attendance Allowance, for all but the poorest households, would be transferred into the social care system.

The model also proposes the use of ‘matching contributions’, so that among wealthier households with limited entitlement to public support, private expenditure on care is matched with extra public support, up to a defined limit.

What would be the steps to implementing such a model?

- **Stage 1: Introduce a national assessment and entitlement framework**

  The ‘Partnership model’ would require a clear, consistent national assessment and entitlement framework to be operating in the social care system.

- **Stage 2: Integrate spending on Attendance Allowance with expenditure in the social care system**

  Public spending on Attendance Allowance would be phased out, with payments to existing claimants protected, and claims remaining open to individuals on means-tested income support in retirement.

- **Stage 3: Transition to new entitlement framework**

  With the national entitlement framework in place, and public spending transferring across from the disability benefits system, new entrants into the social care system would be entitled to levels of support set according to the new framework, with the poorest households continuing to receive all of their care needs paid for by the state.

- **Stage 4: Introduce system of matching contributions**

  With new levels of support now distributed in the social care system, the government implements the use of matching contributions for wealthier households purchasing care.
Beyond the Partnership model

Were it implemented, the ‘Partnership model’ would not have to represent the ‘end’ of older people’s long-term care funding reform in England and Wales. The key variable in the model is the minimum percentage of care costs that individuals have funded by the state regardless of their means. From the point of view of policymakers, the generosity of the Partnership model could be ‘dialled up or dialled down’, reflecting changes in the fiscal environment, changes in the ‘elderly support ratio’ and changes in the income and wealth of individuals in the social care system.

Over the long-term, the system could be made so generous as to be akin to universal free care, with matching contributions retained in relation to a small percentage of care costs as a policy device to ensure individuals ‘attach a price’ to the support they received from the state, and ration their demand accordingly.

In this way, the Partnership model could be framed as a transitional model; i.e. one which functioned as a stepping-stone, as it became more generous over time.

It is also worth noting that the different steps that would be required to implement the Partnership model are not unique to it. Other long-term care funding models have proposed the integration of disability benefits with the social care system, the imposition of a national assessment and entitlement framework and the deployment of matching contributions in the social care system.

National Care Fund

The National Care Fund model was first put forward by the current author in 2008, and subsequently updated in further publications. A state-sponsored insurance scheme for the personal care costs of older people, it would provide a vehicle for new contributions and could be administered and underwritten by the private sector. The model is innovative for: promoting contributions from the retired cohort; seeking to give individuals maximum flexibility in when and how they paid; and, the application of ‘auto-enrolment’ to contributions in order to overcome inertia.

What steps would be involved in implementing such a funding model?

- **Stage 1:** Introduce a national assessment and entitlement framework

  The National Care Fund would require a clear, consistent national assessment and entitlement framework to be operating in the social care system.

- **Stage 2:** Create necessary infrastructure and payments systems for a National Care Fund

  As a vehicle for collecting and distributing resources, the operational side of a National Care Fund would have to be set in place, and fully integrated with existing payment systems in the social care system.

- **Stage 3:** Voluntary contributions from retirees

  With the National Care Fund ready to start operations, the government begins encouraging voluntary contributions from the retired cohort.

- **Stage 4:** Introduction of soft-compulsion

  To increase participation rates, the government applies soft-compulsion (auto-enrolment) to contributions from the retired cohort.

Beyond the National Care Fund

A key feature of the National Care Fund model is its flexibility. Not only is it designed to enable a gradual transition from voluntary contributions to ‘soft-
compulsion’ among the retired cohort, it would eventually facilitate compulsory contributions from this age-group, as well as compulsory contributions from those of working age.

In this way, the National Care Fund could after a series of steps eventually become an orthodox social insurance fund for long-term care, functionally akin to state-funded free personal care, but with contributions ring-fenced, at arms-length from the Treasury, and having avoided unfair intergenerational transfers in its implementation.

**Care Duty**

The Care Duty model essentially comprises new taxation raising – specifically, inheritance tax – to fund the abolition of means-testing in the social care system of England and Wales. Different models of mandatory payments from estates have been explored, including taxes, lump-sum charges, and combinations of the two. Politicians have remained averse to the political consequences of increasing the net of inheritance tax, although many social care stakeholders remain attracted to the model as a mechanism for funding a means-blind social care system.

What would be the steps in introducing a Care Duty?

- **Stage 1: Introduce a national assessment and entitlement framework**

  A Care Duty would require a clear, consistent national assessment and entitlement framework to be operating in the social care system. Although no users would be means-tested for the public support they receive, if the public were to accept a Care Duty falling on the value of estates, there would have to be consistency and transparency in what individuals received proportional to different levels of need.

- **Stage 2: Upscale probate system**

  The introduction of a Care Duty would require the existing probate system to be scaled up considerably to handle a much larger volume of estates liable for inheritance tax.

- **Stage 3: Removal of means-testing**

  New revenue from the Care Duty is directed into the social care system, which completes its transition to a means-blind system. Local authorities allocate resources entirely on the basis of need for formal care, rather than means.

**Beyond the Care Duty**

The Care Duty idea is principally one of how to raise new taxation to fund the abolition of means-testing in the social care system of England and Wales. However, having achieved universal free personal care, the revenue derived from a Care Duty as a proportion of public spending on care and support could eventually be reduced in favour of other taxes. Indeed, some commentators have argued that given long-term trends in property ownership, a Care Duty would have to comprise a ‘one-generation fix’ at most. In this way, a Care Duty can be framed as a stepping-stone to other models of funding care and support over the long-term.

**Limited Liability Model**

For some years, various stakeholders have argued for the adoption of a ‘limited liability model’ in the social care funding system. On this approach, the state undertakes to pay for the care of those individuals experiencing high levels of need for a long time – the most unfortunate – regardless of their wealth, thereby limiting the individual potential liability for funding care out-of-pocket that the population confronts. The adoption of a limited liability model would be more
Stepping-Stones: A strategy for reforming long-term care funding

Introduce a national assessment and entitlement framework

Upscale probate system

Removal of means-testing

‘Care Duty’

generous than the current means-tested safety-net of publicly-funded coverage provided in England and Wales, but is less generous than universal free personal care. What would be the steps to introducing a limited liability model?

- **Stage 1:** Introduce a national assessment and entitlement framework

The limited liability model would require a clear, consistent national assessment and entitlement framework to be operating in the social care system, in order that individuals and public agencies could identify who had experienced care and support needs, the level of support required and for how long.

- **Stage 2:** Implement framework for defining what care-related liabilities will be capped and how thresholds will be set

Because the costs of long-term care can relate to different types of cost – personal care in the home or residential setting, ‘hotel costs’, prevention and telecare – the government sets out a framework for defining which care-related liabilities will be capped and how thresholds will be set. A governance mechanism is put in place to determine how thresholds will be adjusted in future to take account of trends in need and the costs of care.

- **Stage 3:** Implement assessment framework

A new assessment system is implemented so that all individuals with care and support needs are assessed, and their cognitive and physical impairments recorded, such that those who experience high levels of need for an extended period can be identified.

- **Stage 4:** Introduction of funding for limited liability

Having defined how care needs will be recorded in the new system, and implemented an assessment system for recording need, the state begins funding the care and support needs of those qualifying individuals, regardless of their means, and the Treasury makes available the extra revenue that this requires.

**Beyond the Limited Liability Model**

As described above, the limited liability model is more generous than the current means-tested system of social care funding in England and Wales, but less generous than universal free personal care.

However, as with other models of long-term care funding, it does not have to represent an end-point, but can represent a stepping-stone in a longer process. For example, any limited liability model implemented by the government could become more generous by lowering the threshold at which individuals become entitled to free support from the state, almost to the point of universal free care. As an extension of state support, the model could also extend sideways to other types of care-related costs besides personal care, for example, the ‘hotel costs’ of residential care.

**Discussion**

This chapter has shown how:

- Most ‘models’ of long-term care funding that have been proposed in debate can be reduced down to a series of manageable steps, that are much less challenging in terms of feasibility and the ‘political capital’ they require to implement;
- Most models of long-term care funding can also be framed not just as fixed, immovable end-points for reform, but as steps in a longer process of reform.

This sort of viewpoint has previously been entirely absent from debate on long-term care funding reform in England and Wales. Many stakeholders and commentators have preferred lining up different models as a menu of options, ignoring how they share
similar components, and how different models can be pitched as simply different steps in a journey of reform.

In light of such observations, what does such analysis mean for how long-term care funding reform is achieved? This is explored in the final chapter.

**Key points:**

- Different models of how to fund the long-term care of older people that have featured in debate over the last decade.
- However, analysis shows how these different models can be reduced down to a series of manageable steps, that are much less challenging in terms of feasibility and the 'political capital' they require to implement.
- Different funding models can also be framed not as fixed, immovable end-points, but as stepping-stones in a longer process of reform.
- This sort of viewpoint has previously been entirely absent from debate on long-term care funding reform in England and Wales. Many stakeholders and commentators have preferred lining up different models as a menu of options, ignoring how they share similar components, and how different models can be pitched as simply different steps in a journey of reform.
4. Conclusion: A strategy for reforming long-term care funding

The analysis in the previous chapters points to the need for a ‘stepping-stone’ strategy for long-term care funding reform...

The previous chapters have explored how different components of long-term care funding reform in England and Wales could unfold as a series of steps, and how different models of long-term care funding could be implemented and developed as part of a longer process.

In particular, the previous chapters have shown how:

- Long-term care funding reform is not one reform, but many, i.e. it comprises changes required to a set of distinct, parallel policy domains, that vary in their complexity and the political sensitivities which they may incur;
- If long-term care funding reform is framed as a transition or ongoing process, many of the stumbling blocks to reform can be overcome;
- Most ‘models’ of long-term care funding that have been proposed in debate can be reduced down to a series of manageable steps, that are much less challenging in terms of implementation, feasibility and the ‘political capital’ they require to implement, for example, a transition from voluntary to compulsory contributions;
- Most models of long-term care funding can also be framed not just as fixed, immovable end-points for reform, but as steps in a longer process of reform.

As described in the Introduction, over the last decade it has appeared that the funding of long-term care for older people is too difficult and complex an issue for the policymakers - and society - to be able to formulate and implement an adequate response.

What does the analysis set out in this report therefore mean for how policymakers, politicians and stakeholders should approach the issue of older people’s long-term care funding reform?

This paper concludes by arguing for a ‘stepping-stones’ strategy for how long-term care funding reform should unfold.

Stepping-stones: A strategy for reforming long-term care funding

What would a ‘stepping-stones strategy’ mean for reform for reform of long-term care funding in England and Wales?

- Prioritise shared steps in the process of reform

Some aspects of long-term care funding reform are common to most funding models and implementation of these changes can begin in the absence of wider consensus.

Perhaps the best example of this is the adoption of a clear, national assessment and entitlement framework for public funding of long-term care. This reform, which will be significant and time-consuming to implement even considered in isolation, is a starting-point for almost every worthwhile reform of long-term care funding conceivable. In truth, such a reform could have begun some years ago, but has been repeatedly held up by an absence of consensus about the wider direction of reform.

- Evaluate individual reforms and models of funding as stepping-stones, not as end-points

Stakeholders should not reject any model of long-term care funding as ‘wrong’ if it can be a stepping-stone to further improvements in how care is funded in England and Wales. Much related policy debate has ultimately been about how ambitious reforms should be, but the absence of consensus on this has prevented any improvement from occurring at all.

This means that stakeholders debating the merits of different long-term care funding models should
This would prioritise those aspects of reform for which consensus exists, evaluate different funding models as potential ‘stepping-stones’ rather than just as ‘end-points’, and would proceed with reforms common to different models of funding...

evaluate them as potential stepping-stones to further reforms and improvements, rather than as end-points on their own.

For example, both the Partnership model and limited liability models of long-term care funding do not rule out subsequently adopting more generous funding arrangements from the state, so there is no reason for those advocating, for example, universal free personal care, to rule out these models or oppose them.

- Proceed in areas where consensus exists

Even if not explicit, some areas of consensus are observable in the long-term care funding debate, for which reform can begin now.

A good example is the need to modernise disability benefits by improving signposting across the disability benefits and social care system.

A more nuanced area is the issue of new contributions from the older cohort. There is an implicit shared consensus across the social care debate that new contributions to the long-term care system are required, whether in the form of compulsory funding arrangements from the state, so there is no reason for those advocating, for example, universal free personal care, to rule out these models or oppose them.

- Stage 1

Despite an absence of political consensus as to what should comprise the end-point for reform, the government begins the process of implementing a new long-term care funding system. It focuses on those aspects of reform that do benefit from consensus – such as the need for a national assessment framework - and those changes which facilitate different potential future reforms, such as introducing voluntary contributions to a new system.

- Stage 2

Following a general election, a new and different government continues the process of reform. With a new mandate and new ‘political capital’ to spend, it is able to push through changes that were too politically...
All stakeholders need to recognise priorities, areas of potential reform that share consensus, and the scope to move forward one step, even if some will want reform of the care system to subsequently go much further...

challenging for the previous government, such as compulsory contributions.

**Conclusion: Reform can start today**

This discussion paper has taken an unorthodox approach. It has focused not on how older people’s long-term care should be funded in England and Wales, but on how this issue has been conceptualised, framed and debated. It has explored the nature of different funding models and reforms to address the problems of the long-term care funding system. It has deployed the unifying concept of ‘stepping-stones’ as a way of articulating a strategy for how reform should be implemented across different domains and over time.

In recent times, different indicators have suggested that various aspects of the long-term care system in England and Wales are at crisis point. There is simply no time left for heavy-handed, simplistic, polarised debate. All stakeholders need to recognise priorities, areas of potential reform that share consensus, and the scope to move forward one step, even if some will want reform of the care system to subsequently go much further.

By moving forward in this way, prioritising those changes to the care system that enable set up multiple potential funding models, and by evaluating models of funding as potential stepping-stones, not just as end-points, the agenda will finally be able to move forward.

**Key points:**

- The analysis in this report has shown how: widely different models of long-term care funding require some of the same policy changes and structural reforms to be made; seemingly very large and challenging reforms can be broken down to a series of manageable steps; implementing easier changes makes it more feasible to subsequently implement more substantial reforms; and, few models of long-term care funding are fixed and distinct, and can themselves be implemented and developed as stepping-stones in a longer process.

- This suggests the need for a ‘stepping-stones’ strategy for reform, which prioritises shared steps required across different funding models, evaluates individual reforms and models of funding as stepping-stones, not just as end-points; and proceeds immediately in areas where consensus exists.
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5 Spiers P (2008) Care Duty A Proposal for Funding the Immediate and Future Long-Term Care Costs of Older People in the United Kingdom, First Stop Advice
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