What do we want from the next Prime Minister?

Policy Exchange

A series of policy ideas for new leadership: Social Care

Warwick Lightfoot, Will Heaven
and Jos Henson Grič

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About the Authors

Warwick Lightfoot is Head of Economics and Social Policy at Policy Exchange. He is an economist, with specialist interests in monetary economics, labour markets, and public finance. He has served as Special Adviser to three Chancellors of the Exchequer, and a Secretary of State for Employment. Warwick was a treasury economist at the Royal Bank of Scotland, and has also been Economics Editor of *The European*. His many articles on economics and public policy have appeared in the *Wall Street Journal*, the *Financial Times*, *The Times*, *The Sunday Times*, the *Daily Telegraph*, the *Sunday Telegraph*, and in specialist journals ranging from the *Times Literary Supplement* and *The Spectator*, to the *Investors Chronicle* and *Financial World*. His books include *Sorry We Have No Money — Britain's Economic Problem*.

Will Heaven is Director of Policy at Policy Exchange. A journalist by background, he was previously Managing Editor of *The Spectator*, Britain's leading political weekly magazine, for which he still writes. Will served as Michael Gove's speech writer at the Ministry of Justice and for six years previously worked and wrote for *The Telegraph*. He focuses especially on Policy Exchange's work on Prosperity and Place.

Jos Henson Grič joined Policy Exchange in February 2018 as a Research Fellow in the Economics and Social Policy Team, with a focus on the role of Technology and Science in shaping the UK's future. Prior to joining Policy Exchange Jos worked for several FinTech startups, in both the UK and Slovakia, leading work on innovation, product development and partnerships. Jos served as a Senior Policy Researcher at the Centre for Social Justice from 2013-2015, publishing three key reports on personal debt, financial inclusion and the role of FinTech in improving financial capability for low-income households. As a freelance researcher and consultant, Jos has written reports and worked for the Open Society Foundation, the Big Lottery Fund, the *Spectator* and Lord Griffiths of Fforestfach. During his education, he studied in the US, Germany, the Netherlands and the UK, focusing on Economics, History, EU Integration and Law.

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Contents

Social Care

A policy proposal that would help to address the serious and urgent problems affecting the provision of social care in the UK

The next government should

1. Complete the welfare state by covering the costs of complex long-term social care, so that no individual or family faces ruinous costs or has to lose their home, as recommended in Policy Exchange's report 21st Century Social Care.
2. Ensure that, like health care on the NHS, complex long-term social care is available on the basis of need – largely free at the point of delivery.
3. End the present means test for complex social care. The capital component of the test should be eliminated altogether and the means-testing charging regime should be changed into a limited co-payment regime of the order of £5,000 per person per year, means-tested on income.
4. This should not preclude additional private payments for extra services; and as a basis for consultation, the starting point for the co-payment should be around one and a half times average annual pensioner income – approximately £27,000.
5. Carry out a review of the assessment criteria and the thresholds of the need for care to ensure that there is consistency of provision across the country.
6. Encourage the NHS to work with the UK's HealthTech sector, in areas like AI and robotics, that could lead to improvements in the delivery of social care.
7. Explore the potential of creating an interactive "My Social Care" app that can be used by patients and families to access information about care options.

What the public thinks

Polling carried out by DeltaPoll for Policy Exchange (14-17th June, 2019) reveals a high level of support for funding social care out of general taxation. Over two thirds – 69 per cent – of respondents said they "most agreed' with the idea that "social care should be funded like the NHS, free at the point of delivery and paid for through general taxation".

Just 13 per cent said they most agreed with the idea that "taxes to pay for social care should only be levied on people after the age of 40" – an

idea reportedly being considered by the government. Even fewer – 6 per cent – most agreed with the idea that "social care should be paid for by people who need it, by selling their assets such as their home".

It is overwhelmingly clear that the public prefers the idea of a pooled risk rather than unfortunate individuals or families, when faced with a long-term complex condition like dementia, facing ruinous costs with no support from the state. And there is far more support for funding out of general taxation rather than for taxes aimed at middle-aged and older people. There is, in short, broad public support for what Policy Exchange proposed in its report *21st century social care*.

Interestingly, the political party that respondents support has no bearing on their favoured option. Social care being funded like the NHS was clearly supported by Conservative, Labour, Lib Dem, Ukip and other voters – no matter where they lived in the UK. There was marginally stronger support for NHS-style social care among Conservatives (72 per cent) than among Labour voters (69 per cent). The highest support came from UKIP voters (85 per cent).

The public was also asked to rank the following areas of public expenditure "in terms of priorities for the government": the NHS, defence, international aid, benefits and welfare, the environment/climate change, transport, and social care for the elderly and adults in need. Overall, the NHS was the respondents' first priority by a clear margin. However, it was notable that social care was listed second. The priorities on eight areas of public spending were as follows:

1. The NHS
2. Social care
3. Education
4. Benefits & welfare
5. The environment
6. Defence
7. Transport
8. International aid

This strongly suggests that social care should be a high priority for the incoming Prime Minister – and that further delays on long-term solutions (or, for example, on the long-awaited green paper) will not be easily tolerated by the public.

On the issue of a co-payment for those who can afford to pay for their own care, there was a clear consensus that it should be low. Policy Exchange has suggested a co-payment of the order of £5,000 per year for people whose incomes are one and a half times the average pensioner income – approximately £27,000. "Up to £5,000" per year was the most popular choice, with more than a quarter – 27 per cent – choosing that. Just under a fifth – 18 per cent – opted for "between £5,000 and £10,000" and 10 per cent chose "between £10,000 and £25,000". There is therefore a combined majority of 55 per cent who would not want to pay more than £25,000,

preferably much lower – and this is striking considering the average cost of social care to self-funders at present, which is £44,000 annually.[1]

There is almost universal opposition to the idea that those requiring long-term social care should have to sell their family home to fund it. Just 4 per cent and 11 per cent think that idea very fair and fair respectively; 25 per cent and 38 per cent think it is unfair or very unfair, or an overall total of 63 per cent who think it is unfair. Taking homes from people to fund social care is plainly a hated proposition.

The public was also asked whether it is fair or unfair for people who pay for their own care to be charged more in order to subsidise other residents in the same care home whose care is paid for by the taxpayer. As the CMA has found, those residents subsidise the places bought for people by local authorities and pay on average 41% more per place. A total of 11 per cent thought this was very fair/fair, with a total of 67 per cent answering that this was unfair or very unfair. Strikingly there was a -69 net fairness result among Conservative voters, compared to -48 among Labour, with older voters most strongly opposed.

What are the key problems in social care?

The UK faces a serious demographic challenge. In 1991, 15.8% of the UK population was over 65: by 2016 this had risen to 18% and by 2030 is likely to be over 22%. As the number of old people grows, and funding has been constrained, resources have to be spread more thinly, yet more people have conditions requiring complex and serious social care. The three main problems as set out in *21st Century Social Care* are:

The unworkable structure

The fact that social care remains the responsibility of local authorities means that ensuring consistent working between hospitals, GPs, and social service teams presents a major challenge: the differences in funding and charging models are key obstacles.

Additionally, decades of initiatives to promote collaborative working between local authority social service departments have been very disappointing.

The economic unsustainability

The underfunding of care, the uncertainty about future funding, and the fact that much of the present care provided is available only through the differential pricing regime that penalises self-funders means that care providers are reluctant to engage in new investment to accommodate those paid for by local authorities. Crucially, those authorities cannot offer effective incentives to encourage care companies to invest in providing the service in their communities.

The sector is also highly fragmented, with 80% of care home providers operating a single home and accounting for 29% of beds. Economies of scale, however, do not offer what people want: while larger homes are more economically viable in the long term, the Care Quality Commission

1. https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report/care-homes-market-study-summary-of-final-report

rates small nursing and residential homes as offering significantly better standards of care. The same applies to care at home.

During the years of funding reductions, increasing costs and the shunting of the financial burden on to the self-funders, the public sector failed to invest the necessary resources even to fund that part of the care system it directly commissions itself, yet demand for social care rises steadily.

The deep unfairness

Above all, the priorities of the NHS since its foundation – which exhibit a bias in favour of treating acute conditions, along with neglect of community medicine, palliative care and other help for the chronically ill, the old and the dying – have been compounded by the incompatible bureaucracies and charging systems. The Competition and Markets Authority identified self-funders as being the big losers, paying on average £44,000 annually from post-tax income, far higher than the fees paid by local authorities buying places in the same home.

The great majority of self-funders are not wealthy: practically anyone who owns their own home is ineligible for state funding. They are subsidising a system that is fundamentally unfair.

The challenges that families face are not confined to the caricature of a very elderly person towards the end of their life needing care but can pose acute problems for families where a younger person in middle age or even earlier experiences early onset dementia, Parkinson's disease or a stroke.

There is a perception that older households have been exceptionally generously treated in the United Kingdom by the tax and benefits system in the last 40 years. This represents a misleading gloss on a complicated evolution of measures that have shifted resources from older households and households preparing for retirement towards households with children.

For many years, the basic state pension was indexed only for prices, the state second pension (formerly known as SERPS) was significantly eroded, the complex tax credit on dividends received by occupational and personal pensions was abolished in two stages in the 1990s and the retirement age for men and women has been equalised and is now being increased.

As well as this, in relation to social care, the Community Care Act 1990 effectively capped the amount of public money going into long-term social care and the eligibility criteria used when making assessments for care have been progressively tightened.

Social care reform is one of the great challenges of our time
by Jacob Rees-Mogg

Every Member of Parliament will be aware of the deep unfairness inherent in this country's health and social care provision. We see it close up in our constituency work. Those with one type of illness – cancer, for example – are well looked after by the National Health Service. Medical care, from GP appointments to the operating theatre and into recovery, is free at the point of use and usually of a high standard, even if there is some room for improvement.

Constituents with more long-term conditions, however, are not so fortunate. An elderly person who suffers from dementia, for instance, and who requires long-term complex social care – either at home or in a residential setting – may have to pay tens of thousands of pounds, even hundreds of thousands, from their own capital and retirement income, until they are down to their last £23,250. The fruits of a lifetime of hard work and careful saving can be wiped out: there is certainly no reward for prudence here. The powerful bequest motive that guides behaviour among all conservative-minded people is effectively demolished.

Thankfully, the social care received will usually be of a good standard, even if underinvestment in the sector has taken its toll. But the impact on that person and their family, at a difficult time in their lives, can be devastating. It can involve the forced sale of the family home. The effects can be even more severe when a much younger person requires long-term care and finds the welfare state has turned its back on them. Politically, it is by no means easy to fix this problem. We saw this in the 2017 General Election, when an untested and frankly disastrous policy was launched in the Conservative manifesto – the so-called "dementia tax".

It protected some assets, admittedly, but it highlighted and confirmed the huge sums people might be forced to spend on social care. There was no sense of pooled risk and a lottery remained for people requiring care, which depended entirely on the sort of illness or condition they faced. The public was not impressed and that was evident in the election result.

Worryingly, it seemed as if social care had become a "third rail" in British politics: too dangerous to touch, which perhaps explains why the Government's long-awaited green paper on the subject has yet to surface. For this reason, I am pleased that Policy Exchange, a centre-right think tank with a strong record of providing ideas for welfare reform, has explored such a vital policy area, which affects millions of people – including the children and relatives of those needing care.

In *21st Century Social Care*, Policy Exchange researchers – including one of Lord Lawson's former Special Advisers – put forward recommendations that I find persuasive. This is one area, it is clear, where the state has a significant role to play. It is far better to pool risk and for the taxpayer, where appropriate, to step in and help those who would face ruinous costs on their own, making social care largely free at the point of use. This is something we can afford as a nation, as Sir Andrew Dilnot and others have pointed out, if we can only get our priorities right.

Nonetheless, as a Conservative, I also applaud the idea of an affordably small co-payment, of the order of £5,000 per year, for those who need social care, so that they are treated more like consumers of a service and less like those who can only take what they are given by some beneficent state provider. It is also right that it is charged on income, not savings, and is only paid by those who can afford it – not, for instance, those whose retirement income is the state pension alone or not much more.

There are some who have argued for a new tax, used solely for the funding of social care – in other words, a hypothecated social care tax. This would be pure sophistry and should be avoided. In cyclical downturns in the economy, the amount raised by such a tax would fall. In that scenario, would it be right to slash social care provision? Of course not.

Likewise, in periods of boom, there might be higher-than-expected revenues – and earmarked money, in the absence of a rise in demand for social care, might be wasted. Partial hypothecation, where the Government can top up the tax revenue or take some of it for other uses, is even more fraudulent: a lie told by those who believe the taxpayer is gullible.

Far better, as Policy Exchange sets out, to pay for social care out of general taxation like any other normal area of public expenditure. The Conservative Party has a better record in the area of social care than recent history might suggest. For example, it was the Tories who introduced the Attendance Allowance in 1971, which is not means-tested and helps well over a million people today pay for personal care.

But there is much more to do and for too long the issue has been kicked into the long grass. It is time for Conservative leaders to think differently, and radically. In another age, the original One Nation Tory, Benjamin Disraeli, sought to improve the "condition of the people"; in our own time, we should recognise that social care reform is one of the great challenges where the people need to see new political leadership.

How we got here

The NHS has always provided tax-funded health care free at the point of use, while social care was the responsibility of local authorities that were required to make those in need of it pay if their assets exceeded a low cap through a strict social security-based means test.

The result was that well-off people were entitled to have what were classified as medical conditions (cancer and heart disease, for example) paid for in full under the NHS.

Meanwhile, far poorer people with chronic conditions and needs (such as Parkinson's disease, stroke recovery and dementia) were charged by their local authorities for social care until their modest assets fell below the relatively low level of the means test and its capital threshold.

These separate charging regimes created a key impediment to effective coordination between the two services. The division of responsibilities between the NHS and local authorities compounds these difficulties to this day.

Major public inquiries have sought to resolve these anomalies, but split responsibility, persistent underfunding, political timidity and the use of the issue as a political football have impeded reforms and left fundamental problems unaddressed. There has been a neglect of social care compared with other clinical and medical services. Having local authorities funded by government to take the lead in long-term community-based social care created a disconnection between those providing funding and those delivering social care, with the former having the power to impose an effective cap on social care provided in the community.

While most people know how to access the NHS, securing social care is a labyrinthine process that few people fully understand. To compound this, there are different funding arrangements in the four nations of the United Kingdom. This paper makes proposals for England but explores them in the wider context and experience of the way policy has developed in the devolved nations.

Social care funding has been significantly constrained since the 1990s. The frustrations of dealing with a convoluted bureaucratic process have

increased, as local authorities cope with shrinking budgets and increased costs.

The aim of a 21st century social care system

We need to ensure that the health and social care systems are both adequately funded and in a coherent manner with as much consistency as possible between a social care system with an element of means-testing and a health service that is free at the point of use.

This means that the present, very stringent means-testing regime should be significantly modified and made much more generous from the perspective of the user of the service.

This would achieve much greater coherence, efficiency and confidence that will help to ensure a balance of demand and supply and give the care industry the confidence to invest to raise quality and productivity.

Similarly to health care, complex long-term social care needs to be largely free at the point of use and principally funded through general taxation.

With a more financially integrated system, there will be scope for significant savings for the NHS, which has constant problems with thousands of patients being trapped in hospital for lack of social care.

Affordability

> *"GDP in real terms is more than 5.5 times as big as it was in 1948…We may choose not to afford it but the notion that we can't afford something, given what has happened to our income, is striking and quite surprising, and doesn't strike me as correct."*
>
> Sir Andrew Dilnot

The costs are affordable. Total public expenditure currently accounts for about 38% of GDP, of which health absorbs 7.5%, the state pension 4.5% and social care 1%. The proposal fully to fund complex long-term social care would involve additional spending of some £11bn, or around 0.5% of GDP, equivalent to 1.3% of total public spending.

It is not for this study to suggest how the 0.5% of GDP might be funded, but we can agree with Sir Andrew Dilnot that it is entirely within the means of a rich society like the UK to do.

The particular context in 2019 has been a decade of tightly constrained increases in public expenditure, popularly known as "austerity", following the banking crisis of 2008-9. During the crisis years public spending rose rapidly and was subsequently squeezed. By 2018 spending had fallen to 38% of GDP compared with 46% in 2010. The volume of service provision did rise, albeit slowly, as the main cost, public sector wages, stagnated in real terms.

Cuts fell particularly hard on the social care budget. However, austerity can now come to end since the public sector deficit has fallen to 1.5% of GDP and has been below 3% of GDP for three years. The net debt of the public sector has also begun to fall from its peak of 86% of GDP.

Current OBR projections for real government current spending suggest

growth at under 2% per annum for five years leading to a ten-percentage point reduction in net debt (to 74% of GDP). This steep reduction in debt is a policy choice and one that would be only slightly affected by an increase in spending on social care of 0.5% of GDP. Higher taxes or spending cuts elsewhere would be alternatives but a slower reduction in debt is a sustainable approach.

How technology can help

Though they cannot cure the underlying problems, technological innovations can alleviate them. There is still a long way to go, but in recent years the NHS has made some progress in terms of driving forward its digital transformation plans and embracing technology.

The rapid pace of innovation seen in areas like AI – where diagnostic chatbots can now outperform human physicians – or in the coordination and improvements in the quality of domiciliary care services through the use of cloud-computing and remote monitoring of patients, show that there is some potential to improve the quality of care, choices and efficiency.

The Government should explore ways in which the NHS can be given greater autonomy over how it uses and influences the development of HealthTech innovations.

The NHS can also improve social care, in terms of providing greater clarity, control and patient choice, in a way that fits within the Government's Digital Transformation Strategy, led by the Government Digital Service, which created the award-winning Gov.uk platform as a simple online portal for people to access public services.

Tools that would make a great deal of difference could include a "MySocialCare" app for assessing the care needs and relative priorities patients themselves have. Such tools obviously cannot replace the role local authorities have in carrying out the assessment process for personalised care, but they can aid them.

Policymakers in England and across the UK should be attentive to examples of developing use of technology in countries such as Japan and Norway and in any other countries where innovation is identified.

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What do we want from the next Prime Minister? New ideas for the UK's future are plentiful. Brexit has increased the number of potential futures for our country. But as yet a new national consensus – a governing philosophy with a broad basis of support and an exciting policy agenda to match – has proved elusive.

Policy Exchange believes that such a consensus is within our grasp and is the only basis for a process of national renewal. This publication forms part of a complete set of policy ideas on these issues and more.

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Westminster
London SW1P 3AE

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