


The Actuarial Profession
 making financial sense of the future

Moving forward: towards a fair and adequate funding system for long-term care

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The changing demographics

Latest population projections from the Government actuary's Department predict higher than previously projected growth in numbers of older people, showing that there will be:

- An 81% increase in over 65s (from 9.3 to 16.8 million) between 2000 and 2051
- Even faster growth amongst over 85s – a 255% increase from 1.1 million to 4 million
- Over this period, the 'elderly support ratio' – the population of working age divided by the population of pension age is projected to fall from 3.35 in 2002 to 2.4 in the 2050's




The argument

Present system is simply not working well enough:

- Inadequately resourced
- Suffers from fundamental ambiguities
- No convincing rationale for distinctions drawn
- Particularly mean to some of least well off
- No clear view of what is expected of family carers



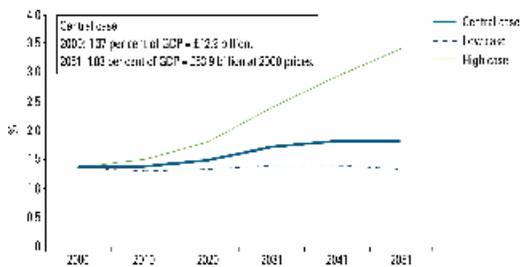

Shortcomings of current arrangements

- Funding – many needs are going unmet
- Coherence – multiple funding streams create confusing and arbitrary ways of paying for care
- Fairness – there is no generally accepted underlying rationale and a number of the features cause great resentment

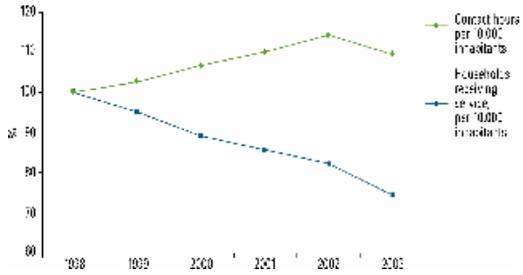
Signs of inadequate funding

- Quality of some services
- Affordability
- Shortcomings in supply

Projections of funding demand



Domiciliary care funding







Our lessons from other countries have show that:

- Other countries face similar challenges to our own
- Germany, The Netherlands, Austria, Japan and Scotland all reviewed
- There is no universal solution, nor is it believed that any specific scheme can be copied
- There is a need for strong leadership from Central Government
- Issues over integration of health and social services are surmountable





What's new from Scotland?

- New research on the effects of Free Personal care on informal care delivery
- The introduction of free personal care has NOT reduced the level of informal caring
- Cost is higher than initially predicted but it only amounts to 0.2% of Scottish GDP
- Equity improved and more service for sensitive to individual needs





A consumer perspective

- Current system is confusing, complex and inequitable
- Hard work and thrift are seen to be penalised
- Private sector solutions mistrusted
- A trustworthy, government guaranteed equity release system seen as a potential improvement
- Main plank of peoples future care strategy appears to be spend assets and rely on State
- Support for national scale of fees for home care
- Much interest in specific tax or national fund for long term care



Next steps: the choice

- Continue as we are, at least for a few years
- Stay broadly with the existing system, but try to make it fairer and more coherent
- Radical change – for example Wanless suggests a radical overhaul of the funding arrangements with significantly higher levels of government funding



JRF Suggested Reforms

- Pilot a voluntary home equity scheme
- Double the capital threshold for care home support
- Double the personal expenses allowance
- Charge all care home residents for non care costs
- Review the basis of Attendance Allowance



In the longer term

- Explicit sharing of responsibility between state and individual
- Fairer and seen to be fair
- Transparent and easier to understand
- Less damaging to incentive to save
- More easily supported through insurance

In the meantime... CCRCs

- Offer purpose built housing
- A range of formal and informal activities
- Flexible care and support services
- Independence and security
- Promote health and wellbeing
- Can ease current shortage of homes
- Create economies of scale and employment opportunities
- Encourage equity release

Conclusion

“...if we delay for too long in confronting the realities of an ageing population, it will become much more painful to make the necessary changes than if we act now”

Sir Christopher Kelly,
Chair of the JRF Advisory Group on long term care
15 September 2005
