



IFoA Social Care Policy Briefing Series  
**The state of play**



Ageing  
population

# Introduction



Can the care system be reformed to enable current and future generations to live out their lives in comfort and dignity, before it collapses under the weight of increased pressure?

That is the question confronting the government, arguably the greatest domestic public policy challenge facing it right now. Despite numerous attempts by successive governments to reform the system, social care remains in crisis and under constant pressure – both financially and in terms of demand. With the government due to publish its long-awaited green paper this year, I believe the actuarial profession has an essential role to play in offering a unique perspective on potential long-term funding solutions.

Actuaries have been involved in quantifying and managing long-term care risk in the insurance context since the 1990s, but were assessing mortality, morbidity and investment risk long before this. Over recent years, our members have produced a number of research reports on the sustainability of adult social care funding; in particular, analysing the costs for self-funders and the balance between state and personal funding. Ahead of the publication of the social care green paper, we are working on further analysis, as the government looks for ways to meet the evolving needs, demands and expectations of the health and care system.

This briefing series brings together the work the IFoA has undertaken to help inform the debate in preparation for, and during, the green paper process. This initial briefing considers the problems facing the government. Further briefings will follow over the coming months: on how means-testing could be made fairer, on potential funding solutions (including the IFoA's proposal for an 'all-inclusive' cap), the use of financial products, and how we can learn from other countries facing similar challenges.

We hope that our profession's expertise, through the lens of our public interest remit, will provide an objective and impartial assessment of the options facing the government, in order to achieve truly long-term, sustainable reform that ensures our ageing population is adequately cared for in old age.

A handwritten signature in black ink, which appears to read 'Jules Constantinou'. The signature is fluid and cursive.

**Jules Constantinou**

IFoA President and member of the government's social care green paper expert panel

“... the actuarial profession has an essential role to play in offering a unique perspective on long-term funding solutions.”

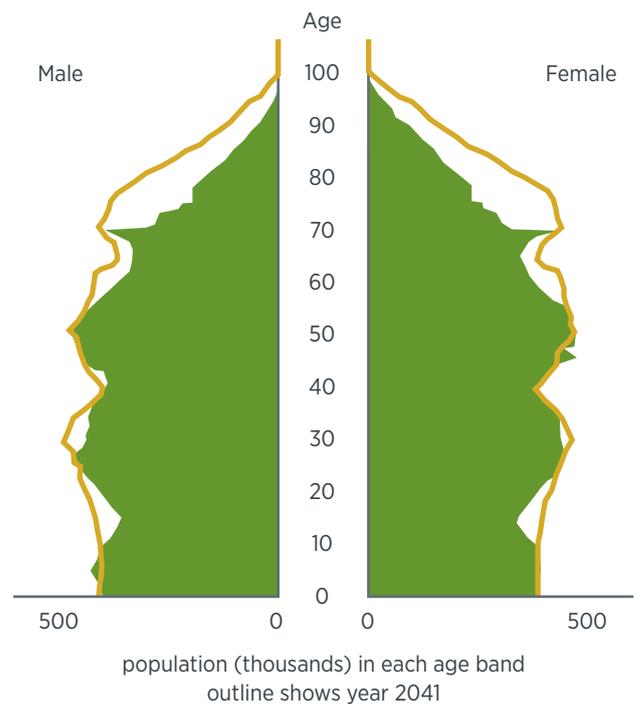
# Mounting pressures

## Demographic changes

The pressures facing the health and social care system are well-documented, and are largely driven by the UK's changing demographics. The population is growing, individuals are living longer, and there is a growing proportion of older people. ONS projections (*Figure 1*) demonstrate how these pressures will manifest themselves over the next few decades. These changes reflect both the 'baby-boomer' generation entering their 70s and the continued increase in life expectancy, which will see more people live to very old ages. In mid-2016 there were 1.6 million people aged 85 and over; by mid-2041 this is projected to double to 3.2 million.<sup>i</sup>

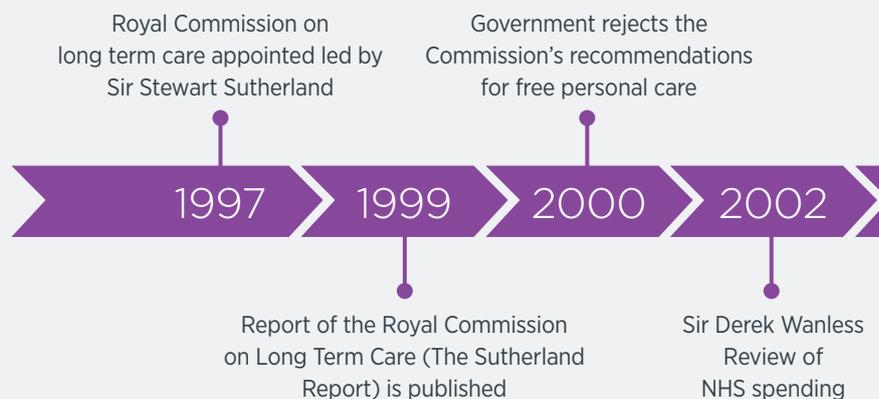
However, improvements in healthy life expectancy are not keeping pace with this increasing longevity. Males can now expect to spend 16.1 years in poor health in later life, and females 19 years, up from 15.4 and 18.1 years respectively since 2000-02.<sup>ii</sup> Research also suggests that the prevalence of multi-morbidity (the presence of two or more chronic conditions) is forecast to rise, not just in the retired population, but in younger age groups as well.<sup>iii</sup>

**Figure 1: Age structure of the UK population, mid-2016 and mid-2041 (ONS)**



## Social care: the long road to reform

For more than twenty years, successive governments have attempted to reform the system but, for various reasons, have failed to adequately solve the challenges it faces. The timeline illustrates the long road to reform.



## Financial pressures

Funding continues to be an ongoing concern. Despite an additional £650 million of funding provided to local authorities in the 2018 Budget, many in the sector have described this most recent cash injection as merely a sticking plaster. Between 2009 and 2017 local councils gross spending on adult social services fell by 7% in real terms, compared to historical average increases of 4% a year.<sup>iv</sup> Meanwhile, the old-age dependency ratio, or the number of people of pensionable age for every 1,000 people of working age, is projected to rise from 305 in mid-2016 to 370 by mid-2041.

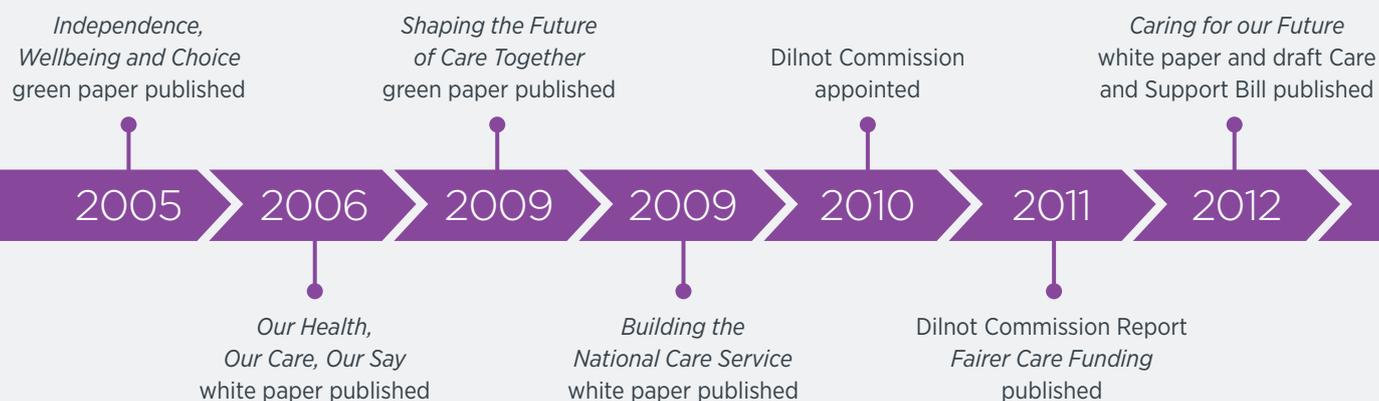
Combined, these trends point towards increased pressure on public services, as the number of people using these services exceeds those paying into the system through general taxation. According to a joint report by the Health Foundation and the King's Fund, these pressures are only going to increase. Social care is facing high growth in demand, the cost of which is projected to rise by around £12bn by 2031, growing at an average rate of 3.7% a year. At the same time, the report projects growth in spending on social care of just 2.1% a year. This would leave a funding gap of £1.5bn in 2020/21 and £6bn by 2030/31, at current prices.<sup>v</sup>

Shortcomings in social care provision are also placing a significant burden on the NHS. In the latest period for which figures are available, nearly 145,000 bed days were lost to delayed transfers of care due to shortfalls in social care provision.<sup>vi</sup> According to Age UK, 1.2 million older people do not have access to the social care they need – a 48% increase from 2010.<sup>vii</sup> This should not be seen as older people creating a 'burden' on health and care services, but as evidence that the system is inadequate.

Local social care providers are under unprecedented pressure too. According to Four Seasons Health Care, since 2010 there has been a 261% rise in the number of residential care providers declared insolvent.<sup>viii</sup> In 2015, the think tank ResPublica projected a funding gap of over £1 billion for older people's residential care alone by 2021, which could result in the loss of around 37,000 beds. This is greater in scale than the collapse of Southern Cross in 2011, which affected 31,000 older people. ResPublica went on to estimate that if all care homes were to collapse and lost beds were to flow through to hospitals in this way, the annual cost to the NHS would total £3 billion.<sup>ix</sup>

## Changing family structures

Changing societal attitudes towards the older population and new family dynamics are also significant factors. Compared to traditional structures three or four decades ago, families tend to be more geographically spread, therefore care is often provided by the partner, who is also elderly. The number of 'informal' carers is rising too. Carers UK estimate that 1 in 8 adults (or 6.5 million people) provide care in some form, saving the economy £132 billion per year.<sup>x</sup> Consideration therefore needs to be given to how best to support partners and/or families to provide care at home for a longer period, in order to reduce the pressure on public services and to give individuals a better quality of life. The inevitable strain this will place on the intergenerational contract only emphasises the difficult questions facing policymakers around who should and who is able to pay to fund the increasing demand for care.



# Principles for reform

It is evident that social care requires urgent attention and action to address the funding challenges set out earlier. While the government has recently committed more funding to social care, fundamental reform is needed across the system to fix the problems facing it and to future-proof it against the pressures it will inevitably face as the population continues to age. In light of this, we believe the government should consider the following principles to ensure the impending green paper is the beginning of the end of the road to reform:

- Efforts should be made to improve the public's understanding of the risks and costs associated with social care (as well as the solutions) and to clearly outline who is responsible for meeting any potential needs, ie the state or the individual.
- Given the diverse needs and circumstances of those requiring care, the government should consider multiple funding solutions. These might include one (or more) solution(s) for those already in retirement or with care needs, and one (or more) for the working population with potential future care needs.
- A combination of approaches will avoid exacerbating issues around intergenerational fairness. We would caution the government against asking younger generations to bear a disproportionate amount of the costs of supporting future older generations, particularly given the projected shrinking tax base over the coming decades.

- The government should consider how it can help remove any existing barriers associated with the use of insurance and savings-based products and solutions, particularly for those who are able to self-fund, as well as how older people could effectively and efficiently use the wealth they may have accumulated through property and pension assets.
- As proposed under the Care Act 2014, the means test should be implemented as soon as possible to reduce the disincentives to save for those with lower levels of assets.

The ensuing briefings in this series, which will be published over the coming months, will add detail and substance to the above principles. For more information about the IFoA's work on social care, please contact [policy@actuaries.org.uk](mailto:policy@actuaries.org.uk).

Implementation of capped cost model of £72,000 brought forward to 2016

Dilnot reforms postponed until April 2020

Green paper and £2bn extra of funding announced at Budget by Chancellor

2013

2014

2015

2015

2017

2018

The Care Act 2014 receives Royal Assent

Better Care Fund and council tax precept announced at Spending Review

Green paper delayed until the autumn

# References

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- iii. A Kingston, L Robinson, H Booth, M Knapp, C Jagger, *Projections of multi-morbidity in the older population in England to 2035: estimates from the Population Ageing and Care Simulation*, Age and Ageing, 2018
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- vii. Age UK, Care in Crisis, 13 October 2017 <https://www.ageuk.org.uk/our-impact/campaigning/care-in-crisis/>
- viii. Four Seasons 2018 Policy Briefing
- ix. ResPublica - The Care Collapse: The imminent crisis in residential care and its impact on the NHS: <https://www.respublica.org.uk/our-work/publications/the-care-collapse-the-imminent-crisis-in-residential-care-and-its-impact-on-the-nhs/>
- x. Carers UK Facts & Figures <https://www.carersuk.org/news-and-campaigns/press-releases/facts-and-figures>



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The Institute and Faculty of Actuaries (IFoA) is a royal chartered, not-for-profit, professional body. We represent and regulate over 32,000 actuaries worldwide, and oversee their education at all stages of qualification and development throughout their careers.

We strive to act in the public interest by speaking out on issues where actuaries have the expertise to provide analysis and insight on public policy issues. To fulfil the requirements of our Charter, the IFoA maintains a Public Affairs function, which represents the views of the profession to government, policymakers, regulators and other stakeholders, in order to shape public policy.

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