advice and support for older age
Independent Age

Health Select Committee:

Public expenditure on health and social care

October 2014

About Independent Age

Founded over 150 years ago, Independent Age is a growing charity helping older people across the UK and Ireland through the 'ABC' of advice, befriending and campaigning. We offer a free national telephone and email advice service focusing on social care, welfare benefits and befriending services, which is supported by a wide range of free printed guides and factsheets. This is integrated with on-the-ground, local support, provided by a network of over 1,500 volunteers offering one-to-one and group befriending.

For more information, visit our website www.independentage.org

Speak to one of our advisers for free and confidential advice and information. Lines are open Monday to Friday between 10am-4pm. Call 0800 319 6789 or email advice@independentage.org

Independent Age is also a member of the Care and Support Alliance: a consortium of over 75 organisations that represent and support older and disabled people campaigning to keep adult care funding and reform on the political agenda.

1. The funding crisis in adult social care

1.1 Independent Age believes we urgently need a new settlement across health and social care. We therefore hope the Committee will be looking at public expenditure in the round and not just focusing on any one part of the system.

1.2 The Health Select Committee clearly needs to assess the financial health of the NHS, now a £30 billion spending gap has been identified by 2020/21. However, we believe the Inquiry on public expenditure needs to give equal attention to the funding picture in the area of adult social care. A thorough examination of public expenditure needs to work on the premise that health and social care are closely linked and that examining the adequacy of current levels of spending requires an assessment of how we are spending money across the system as a whole.

1.3 In this submission, we focus on the crisis in the publicly funded care and support system, which is affecting the wider health and care economy in various ways.

1.4 The funding crisis has in fact become so severe that the Association of Directors of Adult Social Services is now warning that the council-run system for older people and adults with disabilities is becoming "unsustainable". In fact, ADASS is not a lone voice in this regard.

1.5 In 2014, we have seen many different pieces of evidence, all of which the Health Select Committee should take into account in their analysis of current levels of public expenditure:

- A 2014 survey of 144 social care departments in England by ADASS found efficiency savings of more than a quarter of their total budgets have had to be made since 2010. ADASS highlighted that this is the third year of continuing cash reductions and the fifth year of real terms reductions in spending. In fact, ADASS explained, since 2010 spending on social care has fallen by 12% at a time when the population of those looking for support has grown by 14%. This has meant there have been savings of 26% overall, but for many older people these £3.53bn reductions have been experienced not as a "saving", but as a direct cut to the support they receive, or in the form of new charges they have to contribute to the costs of their care.

- Councils in England face a funding gap of £5.8 billion in their budgets between March 2014 and the end of 2015/16, according to Local Government Association analysis in July. Local authorities will need to make huge savings before next April, equivalent to 12.5% of their total budgets. The shortfall in council budgets will be caused by a combination of reduced government funding and rising demand on services, in particular from growing numbers of elderly people.

- The National Audit Office (NAO) revealed that social care for older people had a 15% budget cut in real terms since 2010.

- In 2013-14, 51% (£8.8 billion) of spending was on older people (those aged 65 and over), compared to 52% in 2012-13. (Personal Social Services: Expenditure and Unit Costs, England - 2013-14, Provisional release [NS] 18

September 2014, final release due December 2014)
http://www.hscic.gov.uk/catalogue/PUB14909

- In 2013, we learnt from a study by the London School of Economics (LSE) that spending on older people needed to be £1.53bn more over the previous five years just to keep pace with demographic pressures.

- Finally, the respected Public Accounts Select Committee (July 2014) recently highlighted the funding "squeeze" on adult social care. While they agreed that the government's agenda to improve adult social care through the Care Act is rightly ambitious, they concluded that it simply "does not know whether the care system has the capacity to become more efficient and spend less while continuing to absorb this increasing need for care".

1.6 We need the government to recognise that there is a crisis in care and the system needs more money. There are many different ways in which chronic underfunding affects local authorities; it also affects care workers and ultimately older people and their families too.

1.7 We now know from the NAO that there has already been an 18% reduction in the number of people receiving support: 1.57m (2010/11) to 1.33m (2012/13). With ADASS revealing that the further cash reduction in 2014-15 of £266m is likely to result in still fewer people receiving support, **whoever forms the next government will need to quickly tackle the crisis in publicly-funded care as part of the planned spending review.**

2. Integration and productivity

2.1 Productivity gains from greater integration alone cannot generate the amount of savings necessary to help the social care system emerge from its current funding crisis. Social service chiefs have now warned they have "run out of road" when it comes to identifying new efficiencies. We believe it is extremely unlikely that councils can find additional savings without seriously compromising the care and support disabled and older people need.

2.2 The ADASS Budget Survey, published in July 2014, set out the worrying steps many councils now believe they will be forced to take as a result of continued cash and real terms reductions to social care. These include fewer older people being able to access crucial care and support; providers facing financial difficulty with increasing risks of provider failure; and despite the Better Care Fund, the NHS coming under greater financial difficulty as more people are denied the 'upstream' help they need to live healthily and independently in the community.

3. The care pressure cooker

3.1 Chronic underfunding is now having an effect on councils, care providers, the care workforce and – crucially – older people and their carers too. Wherever a new problem in the care system appears, the root cause in nearly all cases appears to be inadequate levels of public funding. Arguably, the problems also

affect people who pay for their own care as they find themselves cross-subsidising the care and support provided to local authority-supported residents.

i. Loss of care and support

3.2 In March this year, the Nuffield Trust warned that deep budget cuts were preventing hundreds of thousands of older people accessing social care. Councils are rationing services to support only those with the very highest care needs. Of the 152 councils in England with social services responsibilities, the majority are now only meeting the care needs of older people at the highest level: in 2014, 89 per cent of councils set their threshold at the 'substantial' or 'critical' levels. The proportion of councils who set their thresholds at these levels in 2010/11 was 72%.

3.3 Furthermore, since 2008-9, the total number of people receiving services from councils with social services responsibilities has reduced by nearly 30 per cent (from 1,782,000 in 2008-09 to 1,267,000 in 2013/14)[i], according to the Health and Social Care Information Centre.

3.4 This figure recent findings from the LSE which show that approximately "320,000 fewer people received local council care in 2012/13 than in 2005/6", which show once socio-demographic changes were taken into account, should be regarded as a "decrease of 453,000 individuals" based on 2005/6 service levels[ii].

3.5 This means that 260,000 or 31% fewer older people received services in 2012/13 compared with 2005/6[iii]. Quoting these numbers can expose the plain and sad truth that the life support many older and disabled people rely on is being removed.

ii. Supporting moderate needs

3.6 Currently, hundreds of thousands of older people with significant care needs do not get any local authority help because they are judged "ineligible". Their needs are not deemed severe enough, even though they are unable to carry out several important and basic personal care or domestic routines.

3.7 From 2015, the government plans to introduce a new national minimum eligibility threshold that will limit care to only those with the most substantial needs. They will only be eligible for state-funded care if they are unable to achieve two or more important care outcomes and the council believes not being able to complete these outcomes will have a significant impact on their wellbeing.

3.8 In the short term, those few councils still meeting the needs of people with moderate needs should be supported to continue to do so.

3.9 The implications of setting eligibility criteria for adult social care services in England at the equivalent level to the "moderate" banding in the Fair Access to Care Services framework today would increase the overall number of people getting help by 23% by 2020. Estimates suggest that it would cost £1.2bn annually to support older people with moderate care needs. This additional

expenditure associated with the implementation of a more generous national minimum eligibility threshold is projected to rise from £1.2bn net in 2010 to £1.8bn in 2020. These figures are compatible with an increase in the number of clients of 180,000 in 2010 and 222,000 in 2020.

3.10 It is important to note that, according to LSE estimates, by not setting the national minimum eligibility threshold at the level equivalent to "moderate" in the Fair Access to Care Services Framework, around 235,000 older people who would otherwise be eligible will in fact find themselves ineligible for help with activities such as washing, getting dressed and getting out the house.

3.11 Put more simply, this amounts to £1.3bn that would otherwise be spent on this group of older people's care falling on the shoulders of private households, with no element of local authority funding available to help.

iii. Paid and unpaid care

3.12 Family and friends often find themselves plugging the gap, both in terms of providing unpaid care but also paying from their own income or wealth to fund the costs of care.

3.13 Through choice or through necessity, millions of people rely on unpaid care from family and friends. Commentators often observe how quickly the care system would be pushed to breaking point were these carers no longer able to provide support. The estimated equivalent cost of unpaid care is staggering at potentially £119bn per year – more than the £98.8 billion spent on the NHS – in the year 2009-2010 or £18,473 for every individual carer in the UK.

3.14 In turn, many care workers are underpaid. Between 160,000 and 220,000 care workers are unlawfully paid less than the National Minimum Wage (NMW), often due to breaches of NMW regulations. A HM Revenue and Customs investigation into 80 Care Providers found that almost half (47%) were not compliant with National Minimum Wage regulations[iv].

3.15 It is not necessarily always clear how, and to what extent, the crisis in publicly funded care has an influence on levels of unpaid care, or indeed public sector and private sector pay of the care workforce. Cash reductions in adult social care at the very least appear to intensify some of the burdens and financial pressures felt by family carers and care workers.

3.16 A recent report from Carers UK revealed that 1 in 5 carers surveyed reported receiving no practical support (from 5,200 carers surveyed overall) and45% of carers who said they had reached "breaking point" had seen their services cut or charges for care services rise[v]. For those who do not qualify for support, carers who are already having to cope with the impact of lost earnings or higher household bills, experience high care costs on top.

3.17 In terms of care workers, it's worth noting the recent review from Baroness Kingsmill, *Taking Care*, which concluded that, "The pressure of austerity measures on local authorities has led to years of underfunding and chronically poor conditions for Care Workers and Care Recipients alike"[vi].

iv. Cost increases

3.18 People who pay for their own care and live in care homes often find they pay more for the same level of care received by residents who are funded by their local authority. The cause, again, appears to be chronic underfunding. Local authority fee rates for care home providers often don't reflect the 'real' costs of care.

3.19 Laing & Buisson estimate that self-funders typically pay £50-£100 more per week for similar levels of residential care – a 'cross subsidy' in effect. The cross-subsidy helps make good any shortfall borne by providers who receive below-inflation rises in care home fees for council-funded residents.

3.20 The average fee for residential care for older people in 2012/13 paid by local authorities was £492 per week, against an average of £538 for private payers.

3.21 At home, average fees and charges have increased by over 16% in the last three financial years alone. The average fees and charges paid per year per person aged 65 and over for community services such as home care, day care, and meals on wheels has increased from £1,605.54 in 2005/6 to £2,430.05 in 2012/13.

v. Care home underfunding

3.22 Based on the latest estimates from Laing & Buisson, Independent Age believes the residential care sector could be underfunded by somewhere in the region of £700 - £800 million each year. Average council fees remain between £31 and £130 per week below the minimum or 'floor' level that the 'Fair Price' model calculates is necessary to offer investors and operators a reasonable return.

3.23 Recognising there are 143,000 care home residents whose fees are paid for by their local authority, and a further 54,000 care home residents whose fees are part paid for by the council and part paid for by family members contributing a 'top-up' payment, a simple calculation might suggest the underfunding problem could be as high as £800 million, and perhaps even more.

3.24 This figure of £800 million is based on calculating the mid-point figure in the range presented by Laing & Buisson – so £80 – and multiplying that weekly shortfall in care home fees paid on average by councils by the total number of care home residents whose fees are at least paid in part by the council (so 197,000), and then multiplying that figure to get a total annual figure.

3.25 Furthermore, assuming all 54,000 care home residents whose fees are paid in part through a top-up payment, have family who pay somewhere between £31 and £130 on top of what councils on average contribute, a total figure could be reached of £87million at the lower end of the scale, or £365million at the higher end of the scale. Divided by 54,000 care home residents, this could represent an average top-up payment of anywhere between £1611 a year through to £6759 a year. These are basic estimates, and come with a caveat that we don't know how many of these 54,000 residents paying care home fees with a top-up in place are doing so unwittingly, or voluntarily, and indeed the typical top-up in place.

vi. Future reductions

3.26 Local authority-funded care and support faces further reductions. Local Government Association analysis shows that councils in England face a funding gap of £5.8 billion in their budgets between March 2014 and the end of 2015/16. This immediate funding gap should be getting just as much attention as the emerging funding gap in the NHS. Indeed, solving the pressures in the NHS to a very large extent depends on us solving the problems that first arise in community and social care.

vii. Impacts on NHS and health care

3.27 We know that there has been a 13% rise in the number of emergency hospital admissions in the past six years[vii]. We don't know why but between 2010/11 and 2012/13 there were over 150,000 more care home residents counted through Hospital Episodes Statistics that had a 'finished admission episode' in an accident and emergency ward (a finished admission episode being the first period of in-patient care under one consultant within one healthcare provider).

3.28 The NAO has reported that approximately one fifth of emergency admissions are for known conditions which could be managed effectively by social (as well as primary) care, and could therefore be avoided[viii]. The increase in A&E admissions are well documented but since the changing age profile of the population accounts for only 7% of the increase in short stay admissions, something else must be driving the dramatic rise in A&E visits, which the NAO reports are typically becoming more severe with more people now admitted following an ambulance call. Anecdotally at least, it would appear the pressures acutely felt within A&E wards have been driven by reduced help within the community and in social care.

3.29 In fact, there are even claims made by some that there has been a 48% increase in people aged over 90 coming in to A&E via blue-light ambulance. That equates to 100,000 people aged over 90[ix]. Clearly, something needs changing and fast. We need an improved, more coordinated approach to meeting older people's day-to-day care needs.

viii. The Care Act

3.30 These funding pressures felt by councils – and any possible knock-on effects in terms of avoidable admissions to hospitals - must be placed in a wider context.

3.31 Local authorities need to fulfil a range of new and ambitious duties as part of their legal obligations under the Care Act 2014. While the tens of millions provided by the government to assist with the implementation costs of delivering these new duties have been welcomed by local government, ADASS has questioned whether the funds are adequate against a backdrop of five years' worth of deeper spending reductions.

3.32 Like ADASS and the LGA, Independent Age worries that at the very time we want to see councils make the most of the potential of the Care Act, the funding to deliver on the fine aspirations of the legislation just won't be in the system.

Conclusion

With ADASS revealing that the further cash reduction in 2014-15 of £266m is likely to result in still fewer people receiving support, whoever forms the next government will need to quickly tackle the crisis in publicly-funded care as part of the planned spending review.

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[i] Community Care Statistics on Social Services Activity in England for 2013-14, Health and Social Care Information Centre, July 2014
[ii] Changes in the Patterns of Social Care Provision: 2005/6- 2012/13, Jose-Luis Fernandez, Tom Snell and Gerald Wistow, University of Kent and London School of Economics, Personal Social Services Research Unit, December 2013 http://www.pssru.ac.uk/archive/pdf/dp2867.pdf
[iii] Changes in the Patterns of Social Care Provision: 2005/6- 2012/13, Jose-Luis Fernandez, Tom Snell and Gerald Wistow, University of Kent and London School of Economics, Personal Social Services Research Unit, December 2013 http://www.pssru.ac.uk/archive/pdf/dp2867.pdf
[iv] HM Revenue and Customs, National Minimum Wage compliance in the social care sector, December 2013
[v] Carers at Breaking Point, Carers UK, September 2014
[vi] The Kingsmill Review: Taking Care, by Baroness Denise Kingsmill CBE, 2014
[vii] Care Quality Commission, The State of Health Care and Adult Social Care in England 2013/14 (2014)
[viii] Emergency admissions to hospital: managing the demand. National Audit Office (2013)
[ix] Speech by Shadow Secretary of State for Health (July 2014).