STATES OF JERSEY

LONG-TERM CARE SCHEME (S.R.11/2013): RESPONSE OF THE MINISTER FOR SOCIAL SECURITY

Presented to the States on 4th December 2013
by the Minister for Social Security

STATES GREFFE

LONG-TERM CARE SCHEME (S.R.11/2013): RESPONSE OF THE MINISTER FOR SOCIAL SECURITY

Ministerial Response to:	S.R.11/2013
Ministerial Response required by:	18th December 2013
Review title:	Long-Term Care Scheme
Scrutiny Panel:	Health, Social Security and Housing

INTRODUCTION

The Minister for Social Security ("the Minister") is grateful to the Health, Social Security and Housing Scrutiny Panel ("the Panel") and their expert adviser for undertaking a review of the Long-Term Care Scheme as proposed in P.99/2013 ("the LTC scheme") to a tight timescale and before the States debate.

The Minister appreciates the close working and open communications between the Panel and the Social Security Department, which has helped produce a report which is reflective of the complexity of the LTC scheme.

FINDINGS AND RECOMMENDATIONS

Ref.	Panel Finding/Recommendation	Response from the Minister
F1	The demand for long-term care, and the cost of its provision, is expected to rise substantially in coming decades. There are compelling reasons for additional State intervention in the market for long-term care, and as the demand rises, the need to address this issue is becoming increasingly pressing.	Agreed.
F2	Reforms to the provision of long-term care must be seen in the wider context of competing demands for government spending. The ageing population is predicted to lead to increased pressure on healthcare services and spending on pensions. The Health Insurance Fund is similarly facing pressures from an ageing population.	Agreed. Both the Health Insurance Fund and the Social Security Fund face pressures from an ageing population. UK Government Actuary's Department reviews are conducted every 3–5 years and the Department keeps long-term trends under careful review.

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	These predictions suggest that taxpayer contributions will rise significantly to fund these areas in the future.	P.99/2013 states that the LTC contribution rate will need to rise over the next 30 years.
F3	Funding of long-term care by compulsory contributions is supported by 70% of the population. However, opinions on taxation are at odds with this support as there is little support for increased levels of taxation.	The 'Funding of long-term care: Green Paper – Response Summary' (R.87/2010) stated the preferred funding mechanism was regular compulsory contributions (similar to Social Security contributions). This was supported by over 70% of respondents. Although collected through the same mechanism as Income Tax, the LTC contribution rate is not an increase in general taxation. Like Social Security contributions, LTC contributions will be collected into a ring-fenced fund (LTC Fund). As such, the LTC Fund will not be available for wider spending on other cost pressures.
F4	The OXERA report notes that there is evidence that the average length of stay in care, in Jersey, is greater than in the UK. However, Jersey plans to invest in a range of community-based services in order to reduce demand and enable people to remain in their own homes.	There is no comprehensive data set on length of stay in Jersey. As such, UK data – based on research completed by the Personal Social Services Research Unit (PSSRU) on length of stay in BUPA care homes – was used and is a good benchmark in the absence of comprehensive Jersey data.[1] With the introduction of the LTC scheme, the Social Security Department (SSD) will be able to gather length of stay information. Investment in community-based services to reduce the demand for long-term care is part of both health policy P.82/2012 and LTC policy P.99/2013.
F5	Estimates in the 2011 proposal showed that if the government were to do nothing to reform long-term care provision, the cost of long-term care to the States would double, reaching £60 million in real terms by 2026. Individual contribution would similarly double over the period.	Agreed.

[1] www.pssru.ac.uk/pdf/dp2769.pdf

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F6	The 2013 proposals will lead to a rise in the cost of care compared to the current provision, first because the new capped cost offer provides an immediate subsidy to those not eligible for means-tested support with the highest long-term care costs, and second because the asset disregard for means-tested support will rise substantially.	The introduction of the LTC scheme does not, in itself, affect the total cost of care. P.99/2013 states that the total cost of care will increase irrespective of introducing the LTC scheme – Jersey is facing an increased ageing population. P.99/2013 addresses the balance of how these care costs should be shared between the individual needing care and the community at large.
F7	The key differences between the 2011 and 2013 proposals relate to how costs are shared between government and individuals, and the mechanism by which individuals' assets are protected against very high costs of care.	Agreed.
F8	The 2011 proposals suggested that homes worth up to £750,000 together with assets to £25,000 would be disregarded from means-testing. For non-homeowners a much lower disregard of £100,000 was proposed. The new scheme proposes a much lower asset disregard value of £419,000 (which has been based on the value of a two-bedroom property (£394,000) plus £25,000) and is not limited to homeowners.	Agreed.
F9	Both homeowners and non-homeowners are on the same level of asset disregard. The introduction of property bonds in 2009 has already meant that the elderly no longer need to sell their homes in order to pay for long-term care. Currently no interest is charged by Social Security, but under the 2013 proposals interest will be charged at the Bank of England base rate plus 0.5%.	The Parishes, both under the historic system and the Income Support system currently, have provided limited support to homeowners. The new LTC Law will extend this to enable a much higher number of homeowners to take advantage of a loan against their principal residence. The interest charged on these loans will help maintain the real value of the money lent, as it may be many years before the loan is repaid.
F10	All individuals in receipt of residential long-term care will pay accommodation costs in the form of a "co-payment." The proposed value of the co-payment is currently £300. This value is just under the median income of a single pensioner after housing costs, but is significantly higher than the current States pension for a single pensioner of	P.99/2013 states that the proposed value of the co-payment for those placed in an institutional setting is currently a **minimum** of £300 p/w (2013 prices). Separately, the States pension is a weekly benefit that is paid once an individual reaches a certain age. The pension is designed to assist with basic needs in old

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	£193.48 (based on 2009/2010 figures).	age. As such, it is not a good comparative measure for the LTC co-payment, which is linked to the basic accommodation charges an individual faces.
F11	Regulations will prevent individuals from divesting their assets to avoid long-term care costs by including any assets divested in the previous 10 years in the assessment.	Agreed.
F12	A cap of £50k provides protection for individuals against the very high levels of costs that affect 1 in 10 over-65s. However, the scheme does not just benefit those incurring these costs, but rather acts as insurance against such costs for the wider community, removing financial uncertainty as individuals move into care.	Agreed. The objective of the LTC scheme is to help protect individuals against catastrophic care costs.
F13	The estimated growth in the cost of long-term provision is based on the tripling of the elderly population over the next 30 years.	The population scenario 350+ net inward migration has the 'elderly' population (those over 85) tripling from 1,900 (2010) – 6,000 (2040).
F14	The level of migration plays an important role in determining population trends in Jersey, and estimated population numbers are highly dependent on assumptions about migration patterns. This has potentially important implications for both the demand for long-term care and for its finance.	As detailed in the Minister's response to the written question dated 10/09/2013 (1240/5(7812)): The number of people aged over 65 in Jersey will increase under each of the population scenarios and in general terms, the number of people requiring care over the next 30 years is not strongly influenced by different population scenarios – the great majority of people who will require care before 2044 (when they are in their 70s, 80s and 90s) already live in Jersey. However, the working-age population is quite strongly dependent on the population scenario chosen. • Increasing net immigration above 350 persons per year will increase the number of working-age people and will **decrease** the LTC contribution rate required in 2044. For example, the LTC model suggests that net immigration of 700 persons per year would reduce the 2044 break-even LTC contribution rate from 2.7% to 2.5%.

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		• A net immigration level below 350 persons per year will lead to a decline in the number of working age people, and this will **increase** the LTC contribution rate required in 2044. For example, the LTC model suggests that nil net immigration would increase the 2044 break-even LTC contribution rate from 2.7% to 3.0%.
F15	Investment in cost-saving measures, such as more suitable housing and technologies to enable people to stay at home for longer, may reduce costs of long-term care provision. This was recognised in P.82/2012 "Health and Social Services: A New Way Forward" and is currently being implemented by the Health and Social Services Department.	Agreed.
F16	There is no co-payment payable by those receiving care in their own home which results in a saving of £300 per week, although these savings are arguably not real because costs of living still have to be paid.	Agreed, for those choosing to receive the care in their own home, there is no liability for the minimum co-payment of £300 p/w (2013 prices) as these people will have to meet their living costs – as do all who live in their own home.
F17	One omission from the OXERA report is discussion of pensioners' income, the median value of which was £326 per week in the 2009/10 Jersey Income Distribution Survey, and how assumptions about variations in pensioners' income may impact on the value of state spending on means-tested support.	The Oxera model allows for sensitivities to be explored in various areas, including the relationship between care costs and household incomes. The base case assumes that these will both increase at the same rate (i.e. in line with earnings). If care costs rise faster than earnings, the contribution rate would need to increase, or reductions be made in the generosity of the benefits or disregards.
F18	The proposed long-term care rate of 1% will be in addition to taxes levied on the individual. The long-term care liability for all taxpayers (marginal and full-rate) will rise to 1/20 of their income tax liability in 2016 or £5 for every £100 of tax paid. An Upper Earnings Limit (UEL) is to be applied with contributions due only on income up to UEL £152,232.	Agreed.

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F19	The fund is to be financed from a combination of funding from central government and new funding to be raised from contributions paid through the income tax system. It is proposed that the States will transfer current annual spending on long-term care into the fund, which at present stands at £31 million a year. Although this amount is going to be increased by RPI on an annual basis, there will be no growth in the real value of this contribution over time.	Although the gross expenditure by both Health and Social Services (HSSD) and Social Security (SSD) is approximately £31 million, this will not be the value that is transferred into the LTC Fund. See the supplementary report for P.140/2013 for more details (P.140/2013 Add.).
F20	It was recognised during the development of the long-term care scheme that the benefit it would provide for older people needed to be balanced against the costs it would impose on younger people. Therefore, pensioners will also be liable for the long-term care contribution, with payments liable on all earnings and other income. Between one-third and a half of all pensioners are expected to be liable for the contribution.	Agreed – LTC contribution liability is dependent on income tax liability. Designing the LTC scheme on an individual's tax liability ensures that pensioners continue to contribute into the LTC Fund. This increases the sustainability of the LTC Fund in light of an ageing population.
F21	The average duration of long-term stay data has been taken from UK evidence. Improved data that is specific to Jersey would enable better assessment of the cost implication of setting a cap on the cost of care.	Agreed – see response to F4.
F22	Couples who both require long-term care will have a care cost cap set at £75,000. The 2013 proposals assume that income will be assessed on the basis of an individual and their partner's incomes. How much income a partner will be allowed to retain when their partner enters long-term care is unclear.	This information will be specified in Ministerial Orders. Details will be available on the www.gov.je/longtermcare website and communicated to individuals on an ongoing basis.
F23	The long-term care scheme covers everyone over the age of 18. Younger people (those under 65) in receipt of long-term care are treated in the same way as pensioners in the proposals.	Agreed.

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F24	Discussions between Social Security, Treasury and Resources and Health and Social Services are taking place to determine what services currently provided by the Health Department will be passed onto the Long-Term Care Fund. The Panel is concerned that this work has not yet been completed.	The LTC Law explicitly identifies that benefits can only be paid to eligible individuals receiving approved care packages. The Minister for Social Security is responsible for setting and maintaining the eligibility criteria and the approval process for care packages. HSSD do provide services that fall outside the remit of the LTC Law, and HSSD will continue to receive tax-funded budgets in respect of these services. See the supplementary report for P.140/2013 for more details.
F25	Although the Minister is determined the Long-Term Care Fund will be ring-fenced, the Panel is concerned that the criteria for care could be expanded to include other healthcare services, broadening the original intention and cost of the Fund.	See response to F24.
R1	Improved data on the average duration of long-term stay specific to Jersey should be gathered and maintained.	Agreed. There is no comprehensive data set on length of stay in Jersey. As such, UK data – based on research completed by the Personal Social Services Research Unit (PSSRU) on length of stay in BUPA care homes – was used, and is a good benchmark in the absence of comprehensive Jersey data. With the introduction of the LTC scheme, SSD will be able to gather length of stay information. Investment in community-based services to reduce the demand for long-term care is part of both health policy P.82/2012 and LTC policy P.99/2013.
R2	Regular analysis of Jersey-specific data relating to the duration of long-term stay should be carried out in order to monitor and assess the cost implications of the Long-Term Care Fund and its financial condition. This should not only be included in the Department's actuarial review, but also reported to the States on an annual basis.	Agreed. The information on duration of long-term care will be required to inform the regular actuarial reviews of the LTC Fund. The Social Security Reports and Accounts (2014) will incorporate key information pertaining to the LTC Fund, such as average duration of long-term care claims.

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R3	Further work should be undertaken by Social Security in order to understand the potential variations to pensioners' income caused by economic changes and the likely impact on the Long-Term Care Fund.	Agreed. Regular Income Distribution Surveys are conducted by the Statistics Unit (the next one is planned to start in 2014). The UK Government Actuary's Department will include sensitivities based on this information as part of the regular actuarial review of all Funds administered by the Social Security Department.
R4	The publicity campaign carried out by the Social Security Department should not only include an explanation to the public of how the scheme works, but also impress on them the need to save for their future, particularly in order to cover the £300 per week accommodation costs.	Agreed. The communications plan for the LTC scheme has taken this into consideration.
R5	Prior to the implementation of the scheme, it should be made clear how much income an individual will be allowed to retain when their partner enters long-term care.	Agreed. This information will be specified in Ministerial Orders. Details will be available on the www.gov.je/longtermcare website and communicated to individuals on an ongoing basis.
R6	In order for the Council of Ministers to fulfil what was approved by the States in P.82/2012 "Health and Social Services: A New Way Forward", the long-term care charge should not be increased above 1% until further consideration is given to the sustainable funding mechanism for health and social care. The outcomes of the discussions should be reported back to the States before the end of September 2014.	P.99/2013 sets the LTC contribution rate at 1% in 2016, and confirms that the Minister plans to hold the 1% contribution rate until the end of 2018. During the first 5 years of the scheme, work will be undertaken to review the contributory requirements for the LTC Fund. The LTC contribution rate is set by Regulations and requires States approval to be changed. The Ministers for Social Security and Health and Social Services will continue to work together on the commitments included in P.82/2012.