STATES OF JERSEY

LONG-TERM CARE SCHEME (P.99/2013): SECOND AMENDMENT (P.99/2013 Amd.(2)) AND DRAFT LONG-TERM CARE (STATES CONTRIBUTION) (JERSEY) REGULATIONS 201- (P.140/2013): AMENDMENT (P.140/2013 Amd.) – COMMENTS

Presented to the States on 5th December 2013
by the Minister for Social Security

STATES GREFFE

COMMENTS

Summary

- The Long-Term Care Scheme (LTC Scheme) proposals include an annual States contribution into the Long-Term Care Fund (LTC Fund) from 2016.
- This States contribution is proposed to increase in line with RPI each year.
- The new LTC Fund with a separate funding stream through the LTC contribution rate is designed to remove pressure on tax-funded budgets in respect of the growing cost of care in coming decades, as well as removing the risk that individuals will face catastrophic long-term care costs.
- Senator Breckon's amendment will increase the States' contribution into the LTC Fund by an extra 1% above RPI each year.
- This will require a higher level of States contribution, defeating in part the purpose of the scheme and leading to increased pressure on income tax, GST, impôts or other tax receipts.

States Members are urged to reject this amendment.

1. Annual States Contribution from 2016

As explained in P.99/2013, P.140/2013 and in detail in the addendum to P.140/2013, the total value of the budgets from both the Social Security Department (SSD) and the Health and Social Services Department (HSSD) allocated to make payments into the LTC Fund in 2014 will be used to establish an ongoing annual States contribution from 2016 onwards, with the amount adjusted annually in line with general price inflation (RPI).

Care costs are predicted to increase faster than RPI, as both the number of people receiving care and the unit cost of care increase. It is the intention that the LTC Fund and its ring-fenced contributions will bear these additional costs in future years, **removing the pressure on tax-funded budgets** to meet this growing expenditure.

Under Senator Breckon's proposal, the annual States contribution will increase each year above the rate of inflation which will continually put pressure on tax-funded budgets, whereas an objective of the standalone LTC Fund was that the Fund itself would absorb this pressure, leaving tax-funded budgets available to meet other costs.

Over 30 years, this additional 1% per annum could increase the States' contribution by one-third, which would need to be funded by additional taxes such as income tax, GST or impôts duty. There would be a corresponding reduction in the increases needed in the LTC contribution rate.

2. Changes to HSSD income and budgets

Under the proposed Long-Term Care (Health and Social Services Charges) (Jersey) Law 201-, HSSD will be able to make charges that reflect the cost of the long-term care provided, up to the maximum benefit rate set under the LTC scheme.

Senator Breckon suggests that, as a consequence of these higher charges, HSSD will have an increased budget. This is not correct. During the current Medium Term Financial Plan (MTFP) (2013–2015), HSSD will make payments into the LTC Fund equal to the additional income received as a result of being able to charge for long-term care. In subsequent MTFP periods (2016–2018, etc.). HSSD’s expenditure budget will be reduced and income target increased, to take account of the changes brought about by the LTC Scheme. These details are set out in more detail in the addendum to P.140/2013.

Conclusion

Over the next 30 years, the annual States contribution into the LTC Fund is designed to reduce as a proportion of the overall income into the ring-fenced LTC Fund, as contributions made by individuals increase to reflect the growing number of people receiving care and the cost of that care.

Increasing the States’ contribution by RPI + 1% will not prevent the LTC contribution rate from increasing, but will, counter-productively, continually put pressure on tax-funded budgets in addition to the LTC contribution rate itself.

As such, the effect of this amendment would be to dilute the objective of setting up a separate, ring-fenced LTC Fund to reduce the pressure on tax-funded budgets to meet the rising costs of our ageing population.

Senator Breckon’s longstanding commitment to the introduction of a long-term care scheme is acknowledged, and his support for the current scheme is welcomed. However, for the reasons set out above, Members are urged to reject this amendment.