

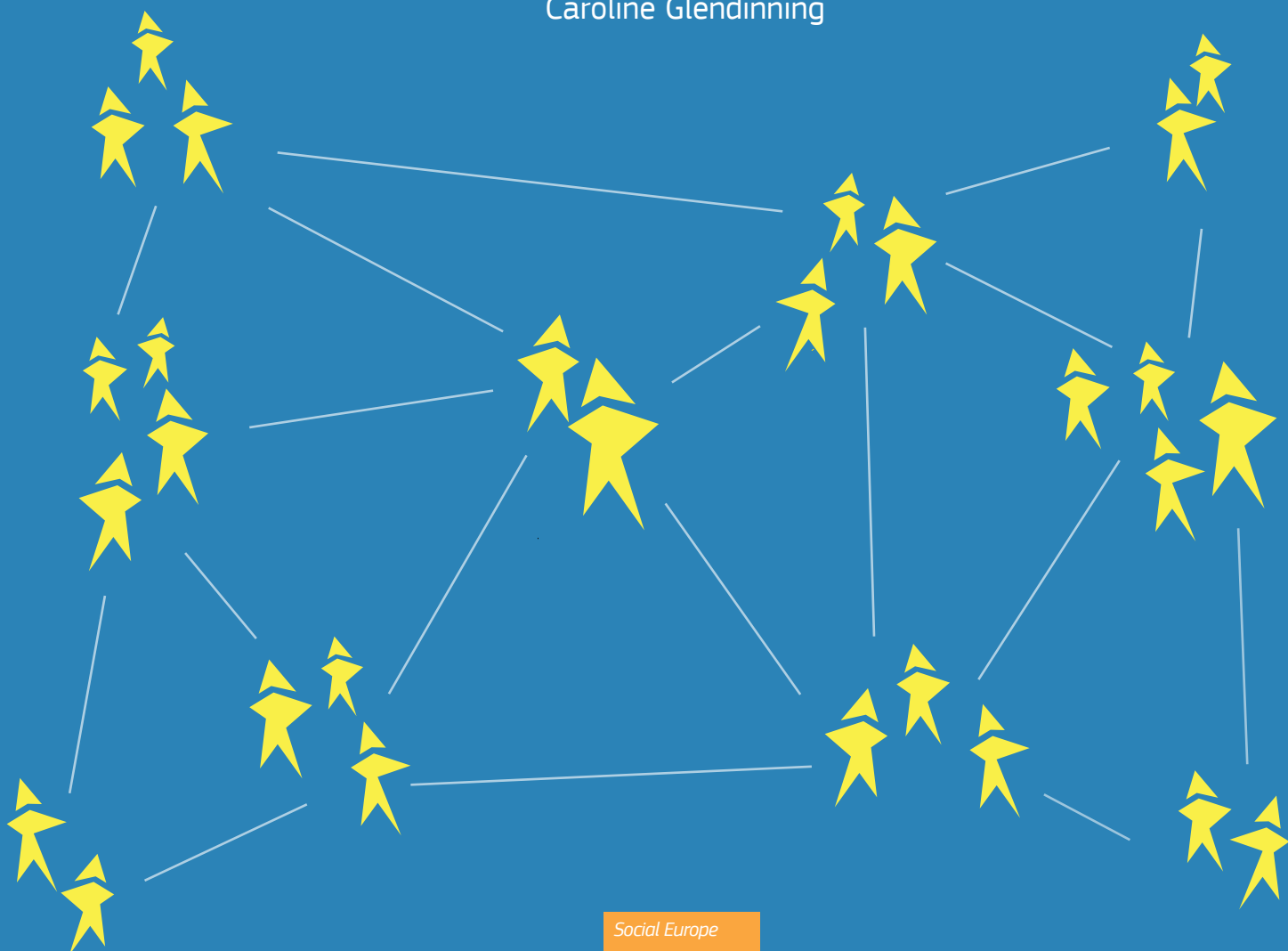


EUROPEAN SOCIAL POLICY NETWORK (ESPN)

Long-term care for older people

United Kingdom

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Social Europe

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European Social Policy Network (ESPN)

**ESPN Thematic Report on
long-term care for
older people**

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Highlights

- Despite growing numbers of people aged 65+ and particularly the very elderly, funding for LTC across the four countries of the UK has been cut during a decade of 'austerity' policies. LTC provision in Scotland is emerging as the most generous, while England is markedly less generous than the other three countries.
- Funding shortfalls are apparent in the growing numbers of older people, particularly in England, who report receiving no help at all with activities of daily living and/or personal care, and in applications for LTC help which are refused. In England, around half those in residential LTC have to pay for all their care. The costs can be catastrophic, and are politically contentious as older people are required to sell their homes to meet the costs.
- LTC providers are struggling to provide quality care because of below-inflation fees offered by local authority purchasers, new payroll costs and major challenges in recruiting and retaining staff. The market-based approach to LTC provision is breaking down as both residential and domiciliary care providers close, collapse financially or hand back their local authority contracts.
- Despite numerous public enquiries, consultation documents and commentator proposals, there has been no serious attempt to reform LTC or move towards a more sustainable funding system in England. Plans to restrict immigration post-Brexit are likely to worsen shortages in the LTC workforce.

1 Description of main features of the long-term care system(s)

1.1 Demographic trends

There are nearly 12 million people aged 65 and above in the UK, of whom 5.4 million are aged 75+ and 1.6 million 85+¹. The proportion of the population aged 65+ in 2016 was 17.9% - slightly below the EU average of 19.2%². By 2030 21.8% of the UK population will be aged 65+, 6.8% aged 75+ and 3.2% will be 85+³. In England numbers of people aged 65+ will rise by 49% between 2017 and 2040; those aged 85+ are projected to double, from 1.4 million in 2017 to around 2.7 million in 2041. Much of the increase reflects an expected rise in male life expectancy⁴.

The older population is not evenly spread across the UK. Older people constitute higher proportions of the populations of rural and coastal areas than urban areas. Coastal areas of SW England currently have the highest percentages of the population aged 65+ - over 21.6% of the population is aged 65+. Conversely, most localities with the lowest proportions of people aged 65+ are in Greater London (only 11.6% of people aged 65+). Similar distributions are apparent in the 85+ population⁵.

Estimates of future demand for long-term care are based on numbers of older unable to perform at least one instrumental activity of daily living (IADL e.g. shopping, preparing hot meals and managing finances) or experiencing difficulty with at least one aspect of personal care (ADL). In England, this group is expected to grow by 108% between 2005 and 2041, from 2.4 million to 4.95 million adults. Numbers of older people needing help with one or more ADL tasks will increase by 122% from around 950,000 to around 2.1 million⁶. These may be underestimates, as more recent data shows that improvements in healthy, disability-free life expectancy have not kept pace with improvements in overall life expectancy⁷.

1.2 Governance and financial arrangements

Responsibilities for UK LTC policy and practice are devolved to the English, Scottish, Welsh and Northern Ireland governments. The Department for Work and Pensions has UK-wide responsibility for cash income maintenance benefits covering disability and care costs. Within each country local authorities are responsible for assessing individual needs and funding and arranging care in residential and domiciliary settings. Services are commonly commissioned from private (for-profit and non-profit) organisations. Local authorities are not directly accountable to government, but to their local electorates.

- Even within **England**, governance responsibilities are fragmented. The Department of Health and Social Care is responsible for health and care policy; the Ministry of Housing, Communities and Local Government for the financial and accountability arrangements of the local authorities that deliver LTC; and NHS England for

¹ AgeUK (2019) *Later Life in the UK*, https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/older_life_uk_factsheet.pdf (26.05.2019)

² Eurostat (2016) *A Look at the Lives of the Elderly in the EU Today*, downloaded 01.05.2020 from <https://ec.europa.eu/eurostat/cache/infographs/elderly/index.html>

³ AgeUK (2019) *Later Life in the UK*, https://www.ageuk.org.uk/globalassets/age-uk/documents/reports-and-publications/older_life_uk_factsheet.pdf (26.05.2019)

⁴ Age UK (2019) *Briefing: Health and Care of Older People in England 2019*, London, Age UK.

⁵ Office for National Statistics (2018) *Living Longer: How our population is changing and why it matters*, downloaded from:

<https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/ageing/articles/livinglonger/howourpopulationischangingandwhyitmatters/2018-08-13#introduction>

⁶ Wittenberg, R., Pickard, L., Malley, J., King, D., Comas-Herrera, A. and Darton, R. (2008) *Future demand for social care 2005 to 2041*, Discussion Paper 2514, Personal Social Services Research Unit, London School of Economics and Political Science.

⁷ Age UK (2019) *Briefing: Health and Care of Older People in England 2019*

commissioning health services, which are provided by a patchwork of local NHS Trusts.

- In **Scotland** LTC services are planned and commissioned by joint health and care boards. Personal care (hygiene, continence management, food and diet, counselling support and simple nursing treatments) has been free of charge since 2002 for people aged 65+⁸. Scotland has also introduced a bi-annual £226.60/€260 supplementary payment to Carers Allowance recipients⁹.
- In **Wales** there is considerable variation between local authorities in whether they provide services in-house or commission and purchase them from private providers¹⁰. There is a maximum weekly charge for domiciliary and community LTC services – from April 2019, £90/€103 per week¹¹.
- Although health and social care services in **Northern Ireland** have been structurally integrated since 1973, this is not reflected in integrated services. The suspension of the devolved Stormont government between 2017 and 2020 prevented reform, despite a deepening funding crisis across both sectors¹².

Across the UK, total spending on LTC in 2017-18 was £22.7bn/€25.84bn – just 1.1% of GDP, compared with 7.1% GDP expenditure on health¹³. LTC is largely funded from local authority budgets, which are comprised of redistributive central government grants plus locally generated revenue from private domestic property and business taxes (Table 1).

Table 1. Estimated breakdown of gross adult social care funding, England 2016-17¹⁴

Source	Proportion of funding
Council (domestic property) tax	38.6%
Business property tax	18.1%
Other income (predominantly from NHS)	15.5%
Central government grants	14.7%
User contributions/co-payments	13.1%

Most local authority funding is not ring-fenced for LTC, so authorities are free to allocate funding according to perceived local needs and priorities. Thus even within the UK, differences in local authority budgets and practices lead to variations in eligibility thresholds, assessment arrangements, types and levels of services and user charges.

In England since 2016, there has been a shift away from central government funding towards a greater reliance on locally-generated revenue, which is unrelated to local levels of need¹⁵. Nine out of ten local authorities themselves believe increased local taxation is not a viable or equitable way of meeting shortfalls in LTC funding¹⁶. A Parliamentary report

⁸ Free personal care was extended to working age people from April 2019.

⁹ <https://www.mygov.scot/carers-allowance-supplement/overview/>

¹⁰ <https://www.bma.org.uk/collective-voice/policy-and-research/nhs-structure-and-delivery/primary-and-community-care/social-care/wales> (02.10.18).

¹¹ AgeUK (2019) *Paying for Care and Support at Home in Wales*, Factsheet 46, www.ageuk.org (26.05.19).

¹² Griffin, N. (2019) How the lack of government is affecting healthcare in Northern Ireland, *British Medical Journal* 364: 172.

¹³ Health Foundation (2019) *What Should be Done to Fix the Crisis in Social Care?* London, Health Foundation.

¹⁴ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392; figures exclude all LTC purchased entirely privately by older people themselves.

¹⁵ Amin-Smith, N., Phillips, D. and Simpson, P. (2018) *Adult Social Care: A Local or a National Responsibility?* Briefing Note BN227, London, Institute for Fiscal Studies.

¹⁶ LGIU (2017) *State of Local Government Finance Survey*, downloaded from <http://www.lgiu.org.uk/reports> (11 February 2017)

also noted that local taxes are unlikely to match demand for social care, particularly in poorer areas with lower local tax bases but higher levels of need¹⁷.

Public LTC funding has been severely hit by government austerity policies since 2010, as local authorities have borne the brunt of public spending cuts. Government funding for English local authorities fell by 49.1% in real terms from 2010-11 to 2017-18, equating to a 28.6% real-terms reduction in spending power¹⁸. Although local authorities have tried to protect their LTC budgets, their ability to do so is now very limited indeed, with the percentage of local authority budgets spent on adult LTC actually falling during 2019-20. During 2019-20 a third of local authorities anticipated an overspend on their projected LTC budgets, with non-recurrent reserves or cuts in other local authority services making up the shortfall¹⁹.

For a decade now professional and sector leaders and independent commentators have warned of the growing crisis in LTC. All four UK countries have been affected, though the impact in England has been particularly harsh; by 2016-17 per capita spending on LTC was 43% lower in England than Scotland²⁰. Recently the House of Lords (not the most radical of commentators) called the LTC funding shortfall in England a 'national scandal' and estimated that £8bn/€9.11bn a year additional funding is needed to restore access and quality in LTC to 2009/10 levels, address increased pressures on unpaid carers and tackle current levels of unmet need. More will be required subsequently in response to demographic changes²¹.

1.3 Social protection provisions

LTC-related social protection is minimal and profoundly inequitable. Across the UK, access to publicly-funded LTC is severely restricted by tests of both income and assets (wealth), as well as levels of care need. Assessments of need and financial eligibility are carried out by local authority staff. People with assets of £23,250/€26,415²² are not eligible for any publicly-funded LTC, regardless of level of need. Even where assets are lower than £14,250, people in residential LTC may still be required to contribute all their income apart from a protected Personal Expenses Allowance of £24.90 /€28.30. Between the two thresholds, user co-payments are based on assessments of actual income plus notional/assumed income from assets. Additionally, local authorities have responded to the growing funding pressures by raising level of need thresholds, so that only those with the highest levels of need and no available family support are eligible for publicly-funded LTC.

Very significant numbers of older people therefore face potentially catastrophic LTC costs because they must fund all their care from their own resources. The impact of these payments on intergenerational wealth transfers is regarded as a major political issue. Around half of all English residential LTC placements are fully funded by older people themselves because their income/assets are above the eligibility threshold. Reflecting broader socio-economic inequalities, the extent of self-funding varies regionally from 62% of residential placements in SE England to just 22% in NE England²³.

¹⁷ House of Commons Communities and Local Government Committee (2017) *Adult Social Care*, Ninth Report of Session 2016-17, HC 1103, London: TSO

¹⁸ NAO (2018) *Adult Social Care at a Glance*, London, National Audit Office.

¹⁹ ADASS (2019) *ADASS Budget Survey 2019*, London, Association of Directors of Adult Social Services.

²⁰ Health Foundation (2019) <https://www.health.org.uk/news-and-comment/blogs/the-real-cost-of-a-fair-adult-social-care-system>.

²¹ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392.

²² If the individual is receiving care in their own home (domiciliary care), the value of their home is not included in the financial assessment of assets. If they are living in residential care, the value of their house is included in their assets; any outstanding mortgage debt is deducted from the value.

²³ NAO (2018) *Adult Social Care at a Glance*, London, National Audit Office.

Across the UK an estimated 380,000 older people also pay privately for some or all of their domiciliary LTC services²⁴. In England, 6% - 25%²⁵ of those receiving domiciliary LTC (an estimated 145,000 to 249,000 people²⁶) purchase all of this privately and 200,000 pay privately for help with domestic tasks, possibly as well as receiving publicly-funded personal care.

Additional social protection measures are:

- Benefits to mitigate the extra costs of disability/care: Personal Independence Payment (working age adults) covering extra care/support needs and mobility-related expenses; Attendance Allowance (adults aged 65+) covering only care/support needs.
- Carers Allowance, an income replacement benefit for family/informal carers who have no more than minimal income from work and provide at least 35 hours a week care to a PIP/AA recipient.

These benefits are UK-wide; eligibility is determined by the Department for Work and Pensions.

1.4 Supply of services

Government policy during the 1980s and 1990s transformed public sector provision into quasi-markets. Local authorities largely ceased providing their own in-house services and now purchase LTC services from private (charitable and for-profit) providers. Nearly all UK residential provision, with and without additional in-house nursing care, is now privately owned; in 2019, 84% of beds were owned by the private sector, 13% by charitable/non-profit providers and just 3% by the public sector²⁷. Many are small businesses, but over 30% of residential beds are owned by large international companies²⁸.

Domiciliary LTC shows similar trends. In 1992 the private sector supplied just 2% of English home care contact hours, but by 2018 97.5% of domiciliary care was delivered by private providers. Any remaining in-house provision is likely to be highly specialised or unattractive to the private market, such as short-term, intensive reablement services following early discharge from acute hospital²⁹.

In addition, some older people receive a cash payment ('direct payment') from their local authority to employ their own care workers ('personal assistant' – PA), instead of services in kind.

The multiple thresholds – assets, income and high levels of need – limiting access to publicly-funded LTC, combined with demographic pressures, are reflected in extensive unpaid, family care-giving. UK-wide, numbers of carers increased by 11% between 2001 and 2011³⁰. Some 8.8 million adults are carers, of whom 26% care for more than one person and 19% are themselves aged 65-plus³¹.

²⁴ Henwood, M., McKay, S., Needham, C. and Glasby, J. (2019) *From Bystanders to Core Participants? A Literature and Data Review of Self Funders in Social Care Markets*, HSMC, University of Birmingham.

²⁵ Baxter, K. and Glendinning, C. (2014) *People who Fund their Own Social Care: A scoping review*, SSCR 2619, NIHR School for Social Care Research, York: SPRU, University of York.

²⁶ NAO (2018) *Adult Social Care at a Glance*, London, National Audit Office.

²⁷ IPPR (2019) *Who Cares? The Financialisation of Adult Social Care*, London, Institute for Public Policy Research.

²⁸ CHPI (2019) *Plugging the Leaks in the UK Care Home Industry*, London, Centre for Health and the Public Interest.

²⁹ Glendinning, C., Jones K., Baxter K., Arksey, H., Rabiee, P., Forder, J. and Wilde, A. (2010) *Home Care Reablement Services: Investigating the Longer-Term Impacts (Prospective Longitudinal Study)* York: SPRU, University of York.

³⁰ Carers UK (2014) *Facts about Carers: Policy Briefing*, Carers UK London downloaded 8 June 2015.

³¹ Carers UK (2019) *State of Caring*, www.carersuk.org 10.09.2019

Working age carers have rights to request flexible working arrangements and to 'reasonable' time off work to deal with crises involving someone they provide care for.

2 Assessment of the long-term care challenges in the country

2.1 Access and affordability

There is sustained and consistent evidence of growing unmet needs for LTC support, especially in England. As well as the assets and income tests, local authorities have raised needs-related eligibility thresholds in response to budgetary pressures, so that only those with the highest care needs can access publicly-funded LTC. Thus despite the continuing growth of the older population, numbers of older people receiving local authority-funded LTC in England have actually dropped, from 599,385 in 2014/15 to 565,385 in 2017/18 – a 5.7% drop³².

Consequently, around 1 in 7 older people in England now report unmet needs for help with personal care; almost a third of those aged 65+ reporting difficulties with personal care (ADLs) receive no help from paid or family carers. Among the 1.4m older people affected, nearly 300,000 report difficulties with three or more personal care ADLs. When IADLs are included, the numbers with unmet needs rise to more than 1.5 million older people. An estimated 51% of formal requests for LTC from older people in England resulted in no services being received or applicants being directed to other, universal services³³.

Older people with more than minimal assets and income must fund all their own care. There are significant and growing gaps between the rates paid by local authorities, the full costs of care, and the fees paid by these 'self-funders'. The regulatory Competition and Markets Authority found that fees paid by local authorities for residential LTC are as much as 10% below the actual full cost of care, while fees for self-funders are now 41% higher on average than for local authority-funded beds in the same care homes – equivalent to an extra £236/€268.62 per week cross-subsidy. For residential LTC homes, financial sustainability depends on the client mix; in a quarter of homes over 75% of residents are local authority-funded and these homes are most at risk of failure or exit from the market³⁴.

Additionally some 11% of local authority-funded residents or their families pay 'top up' fees, sometimes for genuine extras like a larger room or balcony, but sometimes for elements of basic care, such as incontinence equipment³⁵.

2.2 Quality

All LTC providers must register with the national care regulatory body for their country, which conducts regular quality inspections. Inspections focus on structure, organisation and practice within LTC services and are the same whether services are provided by local authorities, charities or for-profit companies; are purchased/funded by local authorities; or are purchased by the growing numbers of people paying privately for their own care.

³² Age UK (2019) *Briefing: Health and Care of Older People in England*, London, Age UK. This decrease may also reflect a partial shift towards more short-term intensive LTC interventions aimed at optimising independence.

³³ AGE UK (2019) *Briefing: Health and Care of Older People in England*, London, Age UK.

³⁴ CMA (2017). *Care homes market study: Final report*.

<https://assets.publishing.service.gov.uk/media/5a1fdf30e5274a750b82533a/care-homes-market-study-final-report.pdf>

³⁵ Age UK (2019) *Briefing: Health and Care of Older People in England*, London, Age UK.

In England, all LTC service providers must register with the Care Quality Commission (CQC). Registration requirements are that applicants and service managers are not banned from working with vulnerable adults³⁶; a statement of purpose; and assurance from an accountant or bank of sufficient financial resources³⁷ to deliver on the stated purposes. CQC must subsequently be notified of significant events or changes, including death or serious injury of a service user, allegations of abuse and any incident involving the police. Newly registered services are comprehensively inspected within the first year. Inspections seek to establish whether the service is safe, effective, caring, responsive and well-led³⁸. Services are judged 'outstanding', 'good', 'requiring improvement' or 'inadequate' against these criteria and are also given an overall/composite rating. Inspection reports also itemise any regulatory breaches and recommended actions. Additional targeted or focused inspections are conducted in response to specific complaints or problems identified in earlier inspections. Services are regularly re-inspected (both announced and unannounced): services rated good/outstanding are inspected within 30 months; those rated inadequate within 6 months of their last inspection.

Given the funding crisis, it is remarkable that in 2019 overall 80% of English LTC services were rated 'good', although 24% of nursing homes were inadequate or required improvement³⁹.

Given their extensive role in UK LTC provision, it is perhaps surprising that little attention is paid to the quality of informal care; rather, policies and practice reflect the demands by carers' organisations for recognition and recompense for carers. There is no quality regulation of LTC provided unpaid by families or by privately employed carers.

2.3 Employment (workforce and informal carers)

Across the UK care workers are generally low skilled and low paid; there are major challenges in recruiting and retaining staff; and turnover is high. Detailed data on, and planning for, the LTC workforce are devolved country responsibilities.

In England, the LTC workforce has increased by 22% (290,000 jobs) since 2009, but this has not kept pace with the ageing population. Across the UK, the number of LTC workers per 100 individuals aged 65+ declined markedly between 2011 and 2016⁴⁰.

A quarter of the English adult LTC workforce is employed on zero-hours contracts, increasing to 58% of domiciliary care workers. As in other OECD countries, the workforce is predominantly female (83%) and ageing (25% aged 55-plus). Half of all English care workers have no relevant social care qualification; annual turnover is 31%. Some 7.8% of posts are vacant, equivalent to 122,000 vacancies, and highest amongst registered managers at 11.4%⁴¹. Staff themselves complain of low pay, high pressure, clearer alternative career pathways offered by the NHS, and the generally low social esteem of LTC.

In 2018/19 84% of the English LTC workforce was British-born⁴²; 8% (115,000 jobs) were EU nationals and 9% (134,000 jobs) were non-EU nationals. Nationality varies regionally, with London in particular having a higher proportion of non-British born care workers.

³⁶ The Disclosure and Barring Service (DBS) checks police records and sex offender lists to ensure applicants are not exempt from working with vulnerable people.

³⁷ <https://www.cqc.org.uk/guidance-providers/registration/references> 10.09.2019.

³⁸ <https://www.cqc.org.uk/guidance-providers/adult-social-care/how-we-monitor-inspect-regulate-adult-social-care-services> 10.09.2019

³⁹ CQC (2019) *The State of Health Care and Adult Social Care in England 2018/19*, HC9, London, Care Quality Commission.

⁴⁰ OECD (2019) *Ensuring an Adequate Long-Term Care Workforce*

⁴¹ CQC (2019) *The State of Health Care and Adult Social Care in England 2018/19*, HC9, London, Care Quality Commission.

⁴² OECD estimates for the whole UK in 2015 give 20% of the LTC workforce as foreign-born.

Given demographic projections, a 36% increase in the English LTC workforce (580,000 workers) will be needed by 2035⁴³.

There are no measures aimed at training family/informal carers or LTC workers employed privately by older people. English legislation in 2014 gave family carers the right to an assessment by the local authority of their needs on the same terms as those of people needing care; assessments cover the impact of the caring role on all aspects of carers' lives and the support they and their families need. However, in a 2019 survey of 8,000 carers, only 27% reported having an assessment or review in previous year; a fifth had had to wait over 6 months for an assessment. Most felt their needs were not given thorough consideration and one in eight reported they and/or the person they cared for had experienced reductions in support from LTC services during the previous year. Of the 5.4m carers in England, only 0.7m receive Carers Allowance and 0.3m receive support from the local authority⁴⁴. Almost two-fifths of carers report struggling financially⁴⁵. There is no entitlement to regular respite from care-giving. In 2019 spending on carers' breaks varied from £0 to £6 million across English local authorities and only 8% of a sample of 1000 carers felt they were able to take sufficient breaks⁴⁶.

2.4 Financial sustainability

LTC across the UK – particularly England – is not sustainable. Multiple reports by regulators, sector and professional leaders and Parliamentary Committees refer to 'crisis' and 'tipping points'⁴⁷.

As well as the impacts on older people unable to access publicly-funded LTC and their unsupported care-giving families, the shortfall in public funding is having a growing impact on LTC service supply. Providers of both residential and domiciliary LTC remain heavily dependent on local authorities as the largest purchasers of care. However a decade of austerity policies and cuts in local authority funding have seriously impaired providers' ability to maintain supply, as local authorities have frozen, cut or offered below-inflation increases in the fees they pay for LTC services. Providers have also had to absorb significant new payroll costs arising from increases in the statutory minimum wage. Workforce shortages, particularly of nursing staff, are further challenges for providers.

Since 2013 numbers of both residential homes and beds have fallen and both residential and domiciliary care providers are withdrawing from local authority contracts or closing altogether. In the first half of 2019, almost half of English local authorities reported the closure of at least one local domiciliary LTC provider; a third reported the closure of one or more residential provider; a quarter reported contracts being handed back by domiciliary LTC providers; and nearly 10% reported residential LTC providers handing back contracts. Two major residential LTC providers have collapsed – Southern Cross in 2012 and Four Seasons in 2019 – and a third, Allied Healthcare, experienced a 'managed collapse' in 2018. 'Financial difficulties' and inability to recruit care staff are the most common reasons given by providers closing/withdrawing from contracts⁴⁸. 'Care deserts' are now emerging in parts of the country where adequate social care provision is no longer reliably available to older people, even where they are paying for this privately themselves⁴⁹. The

⁴³ Skills for Care (2019) *The State of the adult Social Care Sector and Workforce in England*, skillsforcare.org.uk/adult-social-care-workforce-data/Workforce-intelligence/publications/national-information/The-state-of-the-adult-social-care-sector-and-workforce-in-England.aspx. 09 April 2020.

⁴⁴ NAO (2018) *Adult Social Care at a Glance*, London, National Audit Office.

⁴⁵ Carers UK (2019) *State of Caring*, www.carersuk.org 10.09.2019.

⁴⁶ Carers UK (2019) *Carers at Breaking Point* www.carersuk.org. 03.05.2020

⁴⁷ House of Commons Health and Social Care and Housing, Communities and Local Government Committees (2018) *Long term funding of adult social care* HC 768; House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392.

⁴⁸ ADASS (2019) *Budget Survey*, London, Association of Directors of Adult Social Services.

⁴⁹ Age UK (2019) Briefing: Health and Care of Older People in England, London, Age UK

Commission and Markets Authority regulator has concluded that the current market-based approach to LTC provision is unsustainable without additional public funding⁵⁰.

A further factor contributing to market failure is the funding model of larger residential LTC providers. Some 26 companies (for profit and not-for-profit) operate 30% of English beds. Among these large providers, substantial profits are extracted in the form of dividends or as loan repayments to investors. Other profit 'leaks' out through complex and opaque company structures, property costs, management fees, and debt repayments. It is estimated that £13.35/€15.09 of every £100/€113.82 income 'leaks' into profit before tax, rent payments, directors' remuneration and net interest paid out⁵¹.

The funding model has also contributed to the volatility of the residential LTC sector, with some of the large providers owned by private equity-funded businesses that operate highly leveraged business models. These providers are also likely to offer less staff training, have higher staff turnover and lower pay – all factors that also contribute to poorer quality care⁵².

Reflecting increasingly tight restrictions on local authority funding, 51% (£7.7bn) of the total annual income (£15.2bn) of private residential LTC homes now comes from individuals and their families. The lack of financial transparency within the care home industry is therefore as much a consumer rights issue as it is a value for money issue for taxpayers.

2.5 Country-specific challenges regarding LTC for other age groups in need of care

People aged 65+ constitute the largest demographic group needing LTC. However, they do not receive an equivalent proportion of LTC public expenditure or services; LTC expenditure is divided almost equally between older and working age people⁵³, suggesting significant age-related inequalities in both access to and levels of support. There is also increasing demand from younger people; applications for LTC from working age adults increased by 4% between 2015/16 and 2018/19⁵⁴ and this is expected to continue. By 2025 there will be over 150,000 more working age adults with moderate or severe physical disabilities and 16,000 more with learning disabilities⁵⁵. Working age adults, particularly those with learning disabilities, have increasingly complex needs and require very expensive LTC support.

3 Reform objective and trends

Despite growing demographic-related pressures, spending on LTC across the UK has suffered as local authorities have experienced very severe reductions in their budgets during a decade of 'austerity' policies. Growing numbers of older people are not eligible for any publicly-funded LTC support or services; needs for help with activities of daily living are unmet; only the poorest and most severely disabled have any access to social protection measures; and family carers are carrying increasingly onerous and unsupported responsibility for care. Perhaps most perniciously, local quasi-markets of LTC providers are breaking down, as providers face a perfect storm of decreased local authority funding and challenges in recruiting and retaining staff; this is despite the significant (but highly

⁵⁰ Age UK (2019) Briefing: Health and Care of Older People in England, London, Age UK

⁵¹ CHPI (2019) *Plugging the Leaks in the UK Home Care Industry*, London, Centre for Health and the Public Interest.

⁵² IPPR (2019) *Who Cares? The Financialisation of Adult Social Care*, London, Institute for Public Policy Research.

⁵³ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392.

⁵⁴ <https://www.kingsfund.org.uk/publications/social-care-360/access> downloaded 06 April 2020

⁵⁵ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392.

inequitable) cross-subsidies from higher fee-paying self-funding service users. The prospects for older people of finding good quality care locally are very poor.

These challenges have been building for a decade and are particularly acute in England, but there have been no significant funding or structural reforms. Policy responses have been piecemeal, short term, ad hoc and risk increasing inequities both within and between the 4 UK countries. In England since 2016 local authorities have been allowed to raise domestic property taxes over a three-year period. However, the additional revenue raised has barely covered the costs of increases in the national minimum wage, while any increases in local business taxes have been offset by decreased central government grants. Additional funding has been allocated to LTC via NHS budgets, but this funding is generally tied to specific targets such as reducing pressure on NHS services (e.g. around hospital discharge).

Much more radical reform is needed to rebalance the respective responsibilities of individuals needing care, their families and the state; address current major inequities; stabilise care providers (and limit private profit); and be fair between generations. Reform proposals date back to the mid-1990s and reappear regularly during Parliamentary election campaigns. Since 1998 the English government has published no less than 12 green consultation papers and five independent reviews⁵⁶. In 1999 a government-appointed Royal Commission published proposals for reform, including a more generous means-test and free personal and nursing care. The proposals were accepted in part by the then Labour Government and subsequently implemented by the Scottish Government. A further Commission (the Dilnot review) in 2011 proposed a cap on lifetime social care charges and a much more generous assets-test threshold. Although included in legislation, the reforms were postponed indefinitely because of funding pressures on local authorities. Reforms were also promised in election manifestos in 2017 and 2019; indeed, on becoming Prime Minister Boris Johnson pledged to 'fix the crisis in social care once and for all'⁵⁷. No action has yet been taken.

There is some agreement between politicians and specialist think-tanks that sustainable long-term reform requires cross-party agreement; that voluntary private insurance is not a realistic option; and that reforms should optimise pooling of risk. There is also some acknowledgement that, like the NHS, the state should provide at least some universal social protection against catastrophic LTC costs. Beyond these issues, however, there is little agreement. Commentators have variously called for LTC to be free at the point of use (perhaps with small user co-payments); a cap on individual lifetime payments; and a significant rise in the assets threshold above which people are ineligible for publicly-funded care⁵⁸. Proposals for funding reform have included funding from general taxation, possibly with separate, earmarked LTC contributions and/or a single budget ring-fenced or hypothecated for LTC; an integrated budget for health and social care; increased contributions from inheritance tax⁵⁹; and a contributory, pre-funded Later Life Care Fund⁶⁰. There has also been interest in the major LTC reforms introduced in Germany⁶¹ and

⁵⁶ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392.

⁵⁷ <https://www.theguardian.com/uk-news/2019/aug/01/promising-to-fix-social-care-could-cost-boris-johnson-dearly>

⁵⁸ Health Foundation and Kings Fund (2018) *A Fork in the Road; Next Steps for Social Care Funding Reform*, London, Kings Fund.

⁵⁹ House of Commons Health and Social Care and Housing, Communities and Local Government Committees (2018) *Long term funding of adult social care* First Joint Report of the Health and Social Care and Housing, Communities and Local Government Committees of Session 2017-19 Ninth Report of the Health and Social Care Committee Seventh Report of the Housing, Communities and Local Government Committee HC 768.

⁶⁰ House of Lords Economic Affairs Committee (2019) *Social Care Funding; Time to end a National Scandal*, Seventh Report of Session 2017-19 HL 392; Health Foundation (2019) *What should be done to fix the crisis in social care?* London, Health Foundation; Reform (2017) *Social Care: a Pre-Funded Solution*, London, Reform.

⁶¹ Nuffield Trust (2019) *What Can England Learn from the Long-Term Care Scheme in Germany?* London, Nuffield Trust.

Japan⁶², with the underlying principles of universality, transparency and sustainability receiving particular commendation.

There has been unprecedented discussion and debate in policy circles, particularly in England. What is lacking is political leadership, on the part of all political parties.

4 Main opportunities for addressing LTC challenges

Reform priorities are two-fold:

- To make good budget cuts and restore levels and quality of services to 2010-11 levels. Addressing demand pressures, increasing wages to levels comparable with NHS workers and restoring access to 2010-11 baselines would cost an estimated £12.5bn investment by 2023-24 (England only)⁶³.
- To devise a fairer and more sustainable form of funding and delivering LTC for the future. Again the reform pressures are particularly acute in England.

While there have been multiple opportunities to mitigate the crisis in LTC and introduce sustainable long-term reforms, these have not been grasped. Policy responses have been short-term and ad hoc. Brexit and more recently Covid-19 have eclipsed all other policy initiatives. Indeed, the consequences of Brexit seem likely to worsen the crisis. Following the UK's withdrawal from the EU, the UK government has published proposals to control immigration; borders will be closed to un-skilled workers and migrants to the UK must have a job offer with a salary threshold of £25,600/€29,138 (though a lower salary floor will be acceptable in special cases where there is a labour shortage, such as nursing)⁶⁴. EU nationals currently constitute 104,000 of those working in LTC across the UK and the number is rising. Most work in London and SE England and many provide 24-hour live-in care for older people who would otherwise be unable to continue living in their own homes. The UK's post-Brexit immigration proposals therefore risk worsening the LTC workforce crisis and further increasing demand for residential care.

On a slightly more positive note, the Covid-19 crisis has highlighted how fragmented and marginalised LTC is, particularly the residential care sector where the incidence of and deaths from the virus have been under reported. There have been growing demands for LTC workers in both residential and domiciliary settings to have the same priority as NHS staff for protective clothing and testing. It is possible that this visibility, and the public support that LTC workers have received, could extend beyond the pandemic and constitute further pressures for reform. On the other hand, the long-term economic impact of the pandemic may close down expensive reform options for decades to come.

⁶² Nuffield Trust (2019) *What can England learn from the long-term care system in Japan?* London, Nuffield Trust.

⁶³ Health Foundation (2019) *What should be done to fix the crisis in social care?* London, Health Foundation.

⁶⁴ *The Guardian* 19 February 2020.

Statistical Annex

UK/England		
	Indicator	Source
Demographics		
Population (projection) in millions, 2018 data baseline	66.6 (UK 2019)	https://ec.europa.eu/eurostat/databrowser/view/tps00001/default/table?lang=en
Old-age dependency ratio, 2018 data baseline	28.9 (UK 2019)	https://ec.europa.eu/eurostat/databrowser/view/tps00198/default/table?lang=en
Population 65+ (in millions), 2019 data	12.4 (UK 2019)	https://www.ons.gov.uk/peoplepopulationandcommunity/populationandmigration/populationprojections/datasets/tablea11_principalprojectionuksummary
Share of 65+ in population	13.4 (UK 2019)	https://ec.europa.eu/eurostat/databrowser/view/tps00010/default/table?lang=en
Share of 75+ in population		
Share of 80+ in population	5.0 (UK 2019)	https://ec.europa.eu/eurostat/databrowser/view/tps00010/default/table?lang=en
Life expectancy at the age of 65, 2017 data	Women: 21.1 (England 2015-17) Men: 18.8 (England 2015-17)	Age UK (2019) <i>Briefing: Health and Care of Older People in England 2019</i> , London, AgeUK
Healthy life years at 65	Women: 9.8 (England, 2015-17) Men: 9.9 (England, 2015-17)	Age UK (2019) <i>Briefing: Health and Care of Older People in England 2019</i> , London, AgeUK

People in need of LTC		
Number of dependents in millions, 2016 data		
Share of dependents		
Percentage of people 65+ with at least one severe difficulty in personal care activities and/or household activities	3.5million (2016 baseline, England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/
Percentage of people 75+ with at least one severe difficulty in personal care activities and/or household activities, 2014	1.7 million (2016 baseline, England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/
Access to LTC		
Percentage of people 65+ who have a lack of assistance with need for help with personal care activities with severe activity limitations, 2014	53% of 65+ needing help with 3+ ADLs receive no formal or informal help (England 2016-17)	Age UK (2019) <i>Briefing: Health and Care of Older People in England 2019</i> , London, AgeUK
Percentage of people 75+ who have a lack of assistance with need for help with personal care activities with severe activity limitations, 2014		
Percentage of people 65+ who have a lack of assistance with need for help with household activities with severe activity limitations, 2014		
Percentage of people 75+ who have a lack of assistance with need for help with household activities with severe activity limitations, 2014		
Number of people receiving care in an institution, 2016, 65+	157,000 publicly funded 150,000 privately funded (2015, England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/
Number of people receiving care at home, 2016, 65+	249,000 (2015, England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/
Number of people receiving cash benefits, 2016		Ageing report 2018
% of pop. receiving formal LTC in-kind /or cash benefits		Ageing report 2018
% of dependents receiving formal LTC in-kind and /or cash benefits		Ageing report 2018

Percentage of people 65+ who used home care services for personal needs in the past 12 months	hlth_ehis_am7e	
Percentage of people 75+ who used home care services for personal needs in the past 12 months	hlth_ehis_am7e	
Households (in need of LTC) using or not professional homecare services by reason, Financial	1.32m applications from older people but 51.2% not met (England, 2017-18)	Reason for refusals not given. Age UK (2019) <i>Briefing: Health and Care of Older People 2019</i> , London, Age UK
Households (in need of LTC) using or not professional homecare services by reason, no services available	1.32m applications from older people but 51.2% not met (England, 2017-18)	Reason for refusals not given. Age UK (2019) <i>Briefing: Health and Care of Older People 2019</i> , London, Age UK
Long-term care beds in nursing and residential care facilities per 100,000 inhabitants	hlth_rs_bdsns	
LTC Workforce		
Number of LTC workers per 100 individuals 65+		OECD NB figures not available for individual countries.
Share of Persons providing informal care	17%/6,506m (UK, 2011)	Carers UK (2019) Facts about Carers. Policy Briefing http://www.carersuk.org/images/Facts_about_Carers_2019.pdf
Frequency of persons providing informal care (more than 20h)	775,000 provide 20-49 hours/1.4 million provide 50 hours+ care (UK, 2011)	Carers UK (2019) Facts about Carers. Policy Briefing http://www.carersuk.org/images/Facts_about_Carers_2019.pdf
Number of informal carers from STUDY		
Expenditure, current and projections (AWG scenario and risk scenario)		
Public spending LTC for older people net of user co-payments	£7.2 billion/0.4% GDP (England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/
Private expenditure LTC for older people	£6.3billion (England)	R Wittenberg, B. Hu, R. Hancock (2018) <i>Projections of Demand and Expenditure on Adult Social Care 2015 to 2040</i> , PSSRU Discussion Paper 2944/2 November 2018 https://www.pssru.ac.uk/publications/pub-5421/

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