

Executive summary

The Resolution Foundation and care for older people

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the well-being of low earners in today's mixed economy. We aim to deliver change in areas where this income group is currently disadvantaged by producing new research and engaging actively in the policy-making process.

Since the beginning of 2008, we have focused our efforts on the issue of long-term care for older people. This report is based on a programme of research and consultation with experts in the field, and workshops with groups of low earners. From our research we have drawn the following important conclusions:

a. The market for social care needs reform before levels of state funding can be determined.

Whilst much of the debate on social care is about funding, our research clearly demonstrates that there is much scope to improve how social care is delivered. Enabling the market for social care to work effectively is vital to improving outcomes for older people, and for delivering a vision of greater choice and personalisation. A new funding settlement remains critical in light of demographic change, but this must relate to a reformed delivery model.

b. The key reforms needed are:

- 1. A clear national framework:** this would enshrine a national minimum entitlement and bring clarity to the entire system by defining roles and responsibilities.
- 2. A new strategic role for local authorities to shape supply:** local authorities are best placed to provide strategic oversight of local markets, but this also requires joint working with neighbouring authorities and co-ordination at a regional and national level.
- 3. A care navigation service available to everyone:** a first stop shop at a national level, linked to local networks, would provide universal and integrated support.

c. These measures would improve outcomes for everyone, but particularly low earners.

Low earners are on the cliff-edge of means-tested eligibility – the majority are not eligible for free or subsidised care, and yet their relatively low incomes make care costs a significant financial burden. A national minimum entitlement, which includes access to advice and a care and well-being assessment, will go a long way to addressing the confusion and unfairness currently experienced by low earners.

The route to reform

This report describes seven elements of a new care architecture which would create a fairer and more efficient market.

A key consideration in developing our reform proposals has been that care is a “social good”. As such, the state has a responsibility to provide care (either directly or increasingly via financial contributions) to the most vulnerable in society, and those who cannot afford to buy it themselves. This has led us to conclude that in the future, care should be provided by a mixed “social market”. This can neither be managed like a public service, nor given the freedom to function as a purely private market (i.e. with levels of regulation and consumer protection afforded to other markets, but more or less free to develop according to market forces). We suggest that the route to reform is to develop the role of local authorities as primary ‘market shapers’ with strategic oversight of local care markets. Combined with a clear national framework which enshrines a new minimum care entitlement, and an infrastructure which facilitates better access to information, advice and advocacy, the market for care and support should then develop in a way that more effectively meets the needs of all older people and allows suppliers to predict and invest.

Our work has explored, but not in all cases resolved, which agents should be responsible for each element of the new architecture. For example, our model suggests a revised role for local authorities in providing effective strategic oversight of local care markets. However, what does this mean for other responsibilities of local authorities – should they still be gatekeepers to state funds and should they provide information and advice if they are also providers of care?

Resolution of many of these decisions hinges on whether, as a society, we prioritise local control and flexibility over national consistency, and we present in this report some of the principal trade-offs that must be considered when making such decisions.

Our previous work

In February 2008, the Foundation published *Lost: low earners and the elderly care market*. This report sought to explore low earners’ perceptions and experiences of long-term care. From this, we discovered that:

- Low earners experience the long-term care system as unfair and confusing.
- Nearly three quarters of low earners are unlikely to be eligible for state funding to pay for care, yet their low incomes will make the costs of care a significant financial burden.
- Low earners are often asset rich and income poor – but their assets are usually tied up in their home, so the resources they might use to pay for care are difficult to access in a flexible way.
- Low earners are more likely to be informal carers and to be part of the care workforce.

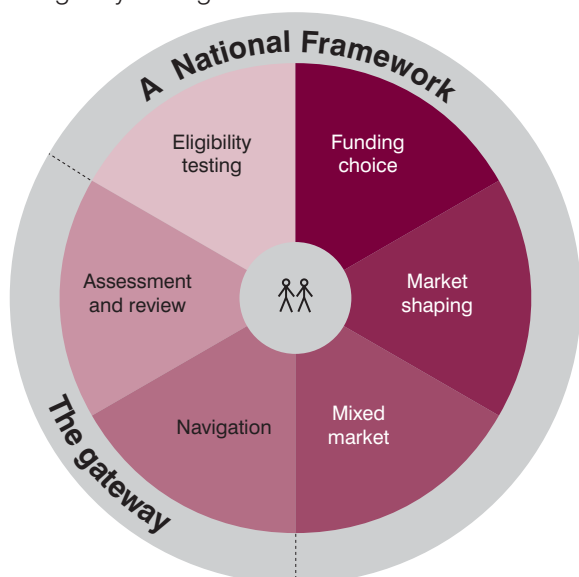
In April, we published A to Z: mapping long-term care markets. This report mapped the current care market and assessed how well it functioned. It concluded that the care market was actually a collection of local mixed markets, operating as a collection of parts rather than a unified whole. This report also uncovered a number of weaknesses:

- The system is very complex and serious information asymmetries occur – meaning the consumer of care is in a very weak position.
- There is poor communication between supply and demand. Consumers find it difficult to express their needs to providers and intermediary processes (such as local authority purchasing decisions) can obscure the “market signals” for providers to respond to.
- Even if providers did have clear market signals, they have limited ability to respond to demands due to factors such as cost, regulatory and contractual constraints.
- There are a number of market distortions in local care markets, often created by the dominant purchasing position of local authorities.

Findings from our latest research

Since then, the Foundation has undertaken a programme of research to develop an architecture for a fairer and more efficient care market, capable of delivering better outcomes for older people, their carers and families. Key elements are:

- A national framework
- Funding choices
- A navigation service
- A mixed market
- Market ‘shapers’
- Assessment and review
- Eligibility testing



i. A National Framework

A National Framework, to provide clarity for the entire system, is vital. The framework would include:

- A new universal minimum entitlement for older people and their carers;
- A national regulatory framework;
- Clear delegation of the key functions of the care system to appropriate agents;
- Clarity over the roles and responsibilities of the state, the individual and their family; and
- A national set of eligibility criteria for state contributions to an older person’s care costs.

A national minimum entitlement for all those over 65 and their carers will include: regular care and wellbeing assessments; access to a navigation service; and a minimum package of ‘care and support’ for those who need it.

ii. Funding Choices

A long-term funding settlement is needed to define what will be funded collectively and what should be paid directly by individuals themselves:

- Growing demand requires increases in funding from both collective and individual sources.
- A mixed market of state-sponsored and private funding mechanisms that co-exist and complement each other could best meet individuals’ needs, resources and attitudes.

It is also clear that different vehicles will be needed for different generations – a mix of products for the current, largely asset-rich, older population and products for younger cohorts, who have more time to plan but may not have the housing wealth of previous generations.

A number of immediate reforms could be taken forward which help people access sources of private finance, in particular helping the current older population access housing wealth.

iii. Assessment and review

A care and well-being assessment will be part of a national minimum entitlement for everyone over 65 and their carers. Divorced from questions of eligibility to state funding, it will be a comprehensive assessment of a person’s health, care, social, learning and other needs related to their wellbeing:

- People will be approached at key life-stages and encouraged to have regular assessments.
- They will emphasise prevention but also be used at the point of needing care.

iv. A navigation service

Central to meeting people's needs is a service which integrates a range of support (information, advice and advocacy) on a range of issues (care, health, housing, finance and entitlements) to help people navigate the care system:

- This will take the form of a "first stop shop" at local and national level.
- It will build upon existing capacity.
- Support will be provided via the internet, telephone, face to face and home visits and outreach.

Combined with the care and wellbeing assessment, this will form the gateway to the care market.

v. A mixed market of care and support services

The diverse needs and preferences of older people, their carers and families can most effectively be met through a mixed market of care:

- A range of large and small, private, third sector and public providers offering a broad range of services.

A well functioning care market will deliver choice and personalisation, key drivers of the Government's current reform programme and of a future vision.

vi. Market 'shapers'

As care is a "social good", there is a vital role for market "shapers" – agents who can ensure the mixed market delivers a choice of good quality and affordable care to all who need it.

- Local authorities should have a very different role in the future, acting as market shapers and providing strategic oversight of their local care markets.
- This will also require joint working with other local authorities and other market shapers will also have an important role to play – key among these are the care regulator, regional and sub-regional bodies.
- To fulfil this role, local authorities will also provide a strategic oversight of the interaction between care services and other related markets and services (such as housing and health, etc.) at local level.

vii. Eligibility testing

In a separate process to the "care and wellbeing assessment", older people will have their needs and means tested for eligibility to state funding. The care and wellbeing assessment will form the basis of the needs test in this process. Local variation of entitlement based on need ought to be replaced by a national benchmark to compliment the national means testing benchmarks, so that older people with similar needs will have them met, regardless of where they live:

- An entitlement based on national needs and means eligibility criteria, set out in the National Framework.
- This can be compatible with maintaining local budgets if councils set their own monetary values for different levels of eligibility (increasingly in a transparent way in the form of personal budgets).

How will these reforms create a fairer and more efficient care market?

There will be clear demand signals as people have more resources to spend, and better information and advice to become confident "care consumers":

- The range of individual funding products available will ensure people can access adequate resources to buy the services they want.
- The care and wellbeing assessment and navigation service will give people a better understanding of their needs, as well as information and advice on the services available to meet those needs and how to access them.
- The National Framework will raise awareness of the need to prepare for care costs, and provide greater clarity regarding what they are entitled to from the state.

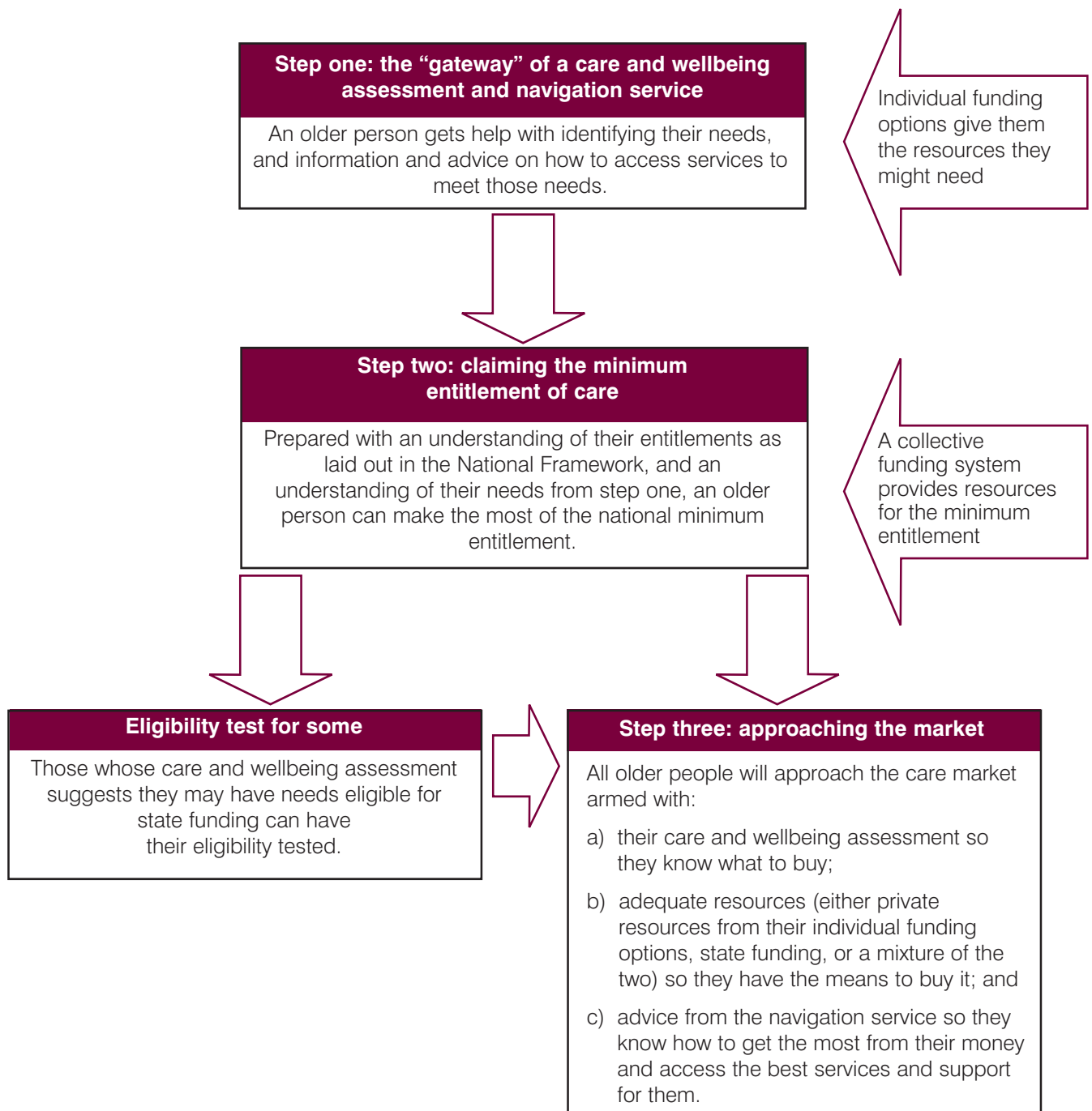
There will be healthy supply, able to plan and invest in response to more predictable demand:

- "Care consumers" are better able to express their needs and preferences, and give better quality feedback to care providers.
- A mixed market of care and support services will be best able to respond to this feedback, and ensure a diverse range of needs and preferences can be met.
- Market shapers will work behind the scenes to facilitate and encourage this market, help providers to respond to consumer feedback, and to offer flexible, affordable and good quality services.

How will this help low earners?

- The central importance of a **navigation service** addresses low earners' strong concerns about the complexity of the system, and their low awareness of where to go for help and advice.
- The range of private and state sponsored **individual funding options** can help low earners access their housing wealth – as many are asset rich and income poor.
- A **mixed market for care services** (supported by **market shaping**) if the most effective way of delivering choice and good quality at affordable prices, vital for low earners as their purchasing power is likely to be low.
- A **National Framework**, including a minimum entitlement, can address low earners' specific concerns regarding the "unfairness" of the system with its lack of clarity regarding entitlements and responsibilities of the individual and the family.
- A **minimum entitlement and national eligibility criteria** will help low earners predict whether they will have to contribute to their care costs and prepare accordingly.

How will an individual experience this new market?



Four elements of the architecture in more depth

The Resolution Foundation chose to explore four elements of a new care system in more depth. We selected those areas where we felt an issue had been under-explored or could benefit from greater coordination of existing research.

Project one – navigating the care system

Older people, their families and carers find navigating the care system very difficult. Many do not know where to turn for help, and risk making poor care choices. The aim of this

project was to consider how people need help navigating the care system now and in the future, whether the existing support available is sufficient to meet these needs, and consider the options for developing a more integrated navigation framework.

We found many people’s navigation needs were not being met, but that there are a variety of forms a more effective “navigation system” could take to address this:

1. A new independent information, advice and advocacy service, which could variously take the form of:
 - a) a national “first stop shop”
 - b) a local “first stop shop”
 - c) some combination of the two
2. A service managed by local authorities:
 - a) taking the role of a local “first stop shop”
 - b) commissioning a “first stop shop” from local providers
 - c) providing brokerage in-house
3. A specialist brokerage market to develop alongside either option

Our research illustrates how the most effective approach would be a national first stop shop combined with a network of local first stop shops commissioned by the local authority.

Project two – innovation and efficiency in care

One of the weaknesses in the care market is that care providers are unable to be sufficiently flexible and innovative to respond to people’s needs, meet future challenges, and deliver efficiency gains.

This project sought to identify the obstacles to strategic innovation and efficiency in the sector, and suggest how they might be overcome. A number of factors were identified, falling into four broad categories:

1. Regulation and inspection
2. Local authority commissioning behaviour
3. Investors’ behaviour
4. Internal organisational constraints

Solutions to overcome these obstacles included:

- Outcomes based and average time purchasing of care
- Outcome based and quality of life regulation
- Sharing market intelligence with providers
- Joint working with voluntary organisations to provide wrap-around support

Project three – local market shaping

This project explored the concept of “market shaping” within the context of care for older people. Care is a social good, and therefore the mixed market of care has to be treated as a “social market”. Within this context, the Foundation has identified an important role for a market “shaper” – an agent or agents who can ensure the care market delivers a choice of good quality and affordable care to all who need it.

This project identified the tools available for a “market shaper” to ensure sufficient volume, diversity, quality and affordability of supply. These include:

1. Comprehensive market analysis
2. Commissioning
3. Purchasing
4. Sharing information with providers
5. Providing services in-house
6. Shaping on a larger scale
7. Overcoming barriers to market entry and growth
8. Improving the health of demand

The local authority seems well-placed to be the primary market ‘shaper’, in providing strategic oversight of local care markets. However, national government sets the regulatory framework, national policy direction and funds specific priorities, all of which strongly influence the shape of care markets. Regional or sub-regional strategies will also play an important role in shaping a more effective “scale” of care market.

Project four – funding care for older people

A future funding settlement for care will require increased contributions from both the government and the individual. Yet the current funding system is both unfair and inefficient: it incentivises more costly remedial care; leads to premature use of residential care as people are unable to access their assets; implies older people bear the entire risk of needing care; and creates a two-tier pricing system which penalises self funders.

The aim of this project was to identify and assess a range of individual and collective funding options that can enable people to meet potential long-term care costs and the government to raise resources to invest into the system.

Key conclusions include:

- There is no one size fits all funding vehicle: there needs to be a range of private and state funding mechanisms that co-exist and complement each other to enable individuals with different care needs, resources, attitudes to risk and inclinations to plan for long-term care in a way that suits them.
- There need to be a range of state-sponsored “decumulation” products to help people access their housing assets in later life, complementing the range of schemes currently available to help people accumulate assets in their working lives (e.g. shared ownership).
- It is also clear that different vehicles will be needed for different generations – a mix of products for the current, largely asset-rich, older population and products for younger cohorts, who have more time to plan but may not have the housing wealth of previous generations.
- Overall, a central problem in take-up of products is a lack of awareness of the need to plan or even pay for care. Demand needs to be stimulated through awareness-raising and availability of guidance and advice.

Conclusions and next steps

The Foundation's research has shown that the only care architecture that will deliver over time is market based. This is the most effective way of addressing the particular concerns of low earners, brought about due to their vulnerable position in the market. It is also the best way to deliver the government's vision for a care and support system which improves the outcomes for everyone, whilst remaining financially sustainable.

The Foundation's research demonstrates that much can be done to improve how the current system works and achieve better outcomes for older people within existing resource constraints, and steps can be taken immediately:

- 1) Local authorities can grasp the challenge of market shaping, utilising the range of tools identified by the Foundation to improve volume, diversity, quality and affordability in local markets, without the need for significant investment.
- 2) A number of steps can be taken by local authorities, national government and the new regulator (CQC) to help support the care sector to be more innovative and provide more flexible services, ahead of any allocation of additional resources.
- 3) A new, consistent model for a "first stop shop" navigation service at local level can be developed, given that resources from the £520 million Transformation Fund have already been passed to local authorities for, among other things, improving their advice and information delivery.
- 4) Individual funding options can be discussed between the government and the financial services industry, developing new private and state sponsored products in advance of a new funding settlement.

However, a long-term and sustainable vision for social care will only be achieved if some key challenges are addressed:

- 1) **Agree a funding settlement:** define what will be publicly funded or subsidised, and what remains the responsibility of the individual.
- 2) **Clarify what will be included in the national minimum entitlement:** progress towards universal care and wellbeing assessments and access to a navigation service can be made in the shorter term, but the package of care and support within this entitlement can only be determined in the light of the resources available (depending on a new funding settlement, above).
- 3) **Delegate roles and responsibilities:** of all strategic and delivery agents. This will require decisions to be made regarding the balance of responsibility between national and local government.

The creation of a fairer and more efficient care market can help ensure that the system as a whole is "investment ready" – i.e., capable of using any increase in (government and private) investment to maximum effect. It is vital, therefore, that immediate steps are taken to improve the operation of the care market within existing resource constraints, to pave the way for a future funding settlement which can achieve the longer term transformation of the care and support system.

During the course of 2009, the Foundation will consider these challenging issues and shape our thinking regarding the development of a new care market.