States of Jersey

Social Security Department

White Paper

Long-term care funding

12 November 2010

Purpose and type of consultation

The White Paper sets out the Minister for Social Security's preferred option for a new long-term care funding scheme.

Closing date Friday 7 January 2011

Summary

The Green Paper published earlier this year prompted responses from over 550 individuals as well as a number of organisations and interested parties. In light of their comments, the Minister for Social Security has acted on the clear desire to change the current largely means-tested system.

The responses have informed the firm proposals presented by the Minister in this White Paper. At their core is the payment of a long-term care benefit from a new ring-fenced fund, with contributions from employees, the self-employed and retired people. The document sets out the framework of the proposed scheme, which will provide the basis for law drafting that will commence shortly.

Your observations and comments are invited on any aspect of the proposals. In particular, the Minister welcomes comments on the two options presented for consideration under means testing – in short, whether all assets up to an asset limit of £500,000 should be disregarded or whether only the main residence should be excluded, with a capital disregard of £25,000 applied to all other assets.

Your submission Please note that consultation responses may be made public (sent to other interested parties on request, sent to the Scrutiny Office, quoted in a published report, reported in the media, published on www.gov.je, listed on a consultation summary etc).

Please delete the following as appropriate:
I agree that my comments may be made public and attributed to me
I agree that my comments may be made public but not attributed (i.e. anonymous)
I don't want my comments made public

Please send your comments, by Friday 7 January, to:

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The White Paper is available on the States website at:

www.gov.je/Government/Consultations/Pages/LongTermCareFunding

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White Paper

Long-term care funding – a new approach

Foreword by the Minister for Social Security

We are all living longer. This is a positive development, but it also creates challenges for the community in which we live. We must try to ensure as far as possible that we remove the worry about funding future care needs. My proposals are intended to help alleviate these worries.

When the Green Paper on long-term care funding was published earlier this year, I gave a commitment to return with a White Paper before the year end. I am pleased to say that I am now in a position to meet this undertaking.

My thinking on how best to proceed has been crystallised by the responses to the Green Paper. I am grateful that over 550 members of the public took the opportunity to respond directly by completing a questionnaire, while some stakeholders and other interested parties let their views be known through a mix of focus groups and presentations. The consultation indicated strongly that in the minds of respondents the burden of individual liability at the core of the current long-term care funding system is unsatisfactory. There was a clear desire for change.

Of course it is always easy to express discontent with current arrangements, but often it is much more difficult to agree on what should take their place. However, in this case, I was pleased to see that the consultation produced a consensus on the preferred way forward – in simple terms, it involves proposals to create a new long-term care benefit funded by additional Social Security contributions. This means that responsibility for covering the cost of long-term care is transferred from the individual to the community. The ring-fenced fund will meet a large part of the cost of care fees. It will remove the financial uncertainty and worry that many families currently face as a close family member moves into care.

The impact of the new scheme will be to reduce the cost of long-term care to individuals who have a reasonable level of assets and/or income at the time that they need care. The amount many people will have to pay themselves will be much less than under current arrangements and it means that the need to take a charge on the property to pay the fees will largely be a thing of the past.

Giving people choice in how they are cared for and where that care is delivered is a key underlying principle of this scheme and I understand and share the desire expressed by many who wish to remain in their own home for as long as possible. The scheme I am proposing will facilitate this.

My proposals will help meet a commitment given by the Council of Ministers in the States Strategic Plan to seek to manage the effects of an ageing population.

The work involved in introducing a new long-term care funding scheme should not be underestimated and I have set my officers a demanding timetable. The aim is for the long-term care benefit to be available during 2013.

In presenting the principal elements of a proposed new long-term care funding system, I am aware that some aspects are yet to be finalised. However, I do not wish to delay the White Paper on these grounds. The next milestone will be to debate primary legislation by July 2011, which will establish the legal framework of the scheme.

As always, I welcome comments from members of the public and interested parties on my proposals, particularly with regard to how they may work in practice. My Assistant Minister and I are seeking to introduce a new funding system that is affordable and is both relatively easy to understand and to access. Your comments and observations can help make these aims a reality.

In particular, this paper puts forward two suggestions for the treatment of assets under the means-testing support for the cost of the co-payment. I will make a final decision on this issue in the New Year, after receiving your feedback.

The challenges that an ageing population poses to the future funding of long-term care in Jersey – and elsewhere across the developed world – remain as real as ever and we cannot afford to delay our response to these events. These proposals move us closer to a workable and enduring solution.

Deputy Ian Gorst
Minister for Social Security

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Section 1

Executive summary

Jersey's ageing population means the demand for and cost of providing care is going to rise substantially. The number of young adults needing care is also likely to increase. The complexities of the current system and the continued decline of family support networks both add to the pressure for change.

A new long-term care benefit will be introduced that will meet a large part of the care fees. There will be different rates of benefit according to the level of care required. Individuals requiring care will pay a fixed co-payment towards day to day living costs. Those who do not have the means to meet the co-payment will receive Income Support. Individuals will be permitted to 'top-up' the benefit to pay for a more expensive room or facilities if they wish.

Access to the long-term care benefit will be based on an objective assessment of care needs and on meeting residency requirements. Subject to these qualifications, the only limit on access to care funding will be bed availability. Care needs will be assessed through a placement tool. There will be two residency requirements: at least ten years' continuous residence as an adult at anytime **and** one year's residence immediately before claiming the benefit. Special residence requirements will be in place for young adults and ministerial discretion will be applied in exceptional cases.

The long-term care benefit will apply to stays in a regulated care home where the home has entered into an agreement with the Social Security Department. The new scheme will apply to high-level care at home once the new Regulation of Care Law is approved. Individuals receiving care at home will need an approved care package. The benefit only covers long-term care on the Island.

A new ring-fenced fund will be established based on compulsory contributions from employees, the self-employed, and pensioners. There will be no earnings ceiling for these contributions. The initial contribution rate of around 1.5 per cent will be fixed for five years. This rate assumes that the contribution made by the States of approximately £30 million a year towards the cost of long-term care will continue. The benefit will be funded on a 'pay as you go' basis (today's contributions paying for those claiming the benefit today) with a small buffer built up to protect against temporary variations.

The benefit will be available to all eligible claimants from day one of the scheme, including those already in care on that day. To achieve this, there will be some transitional funding. Individual contributions will be non-refundable. The scheme will be administered by the Social Security Department.

The co-payment will be means tested. Two options are presented in this paper and a firm decision will be taken following this final round of public consultation. Under both options, individuals will contribute their regular income towards the co-payment.

In Option 1, a total capital disregard of £500,000 will be applied to the combined value of the main residence, savings and investments. Any assets above this level will be taken into account. It will be possible to defer co-payment charges by taking out a bond held against the value of the main residence and redeemed when the property next changes hands.

In Option 2, the capital value of the main residence is totally excluded. However, if the main property is empty, it must be used to provide a rental income to help meet the cost of the co-payment. A capital disregard of £25,000 is then applied to all other assets, including other property, savings and investments. Any assets above £25,000 must be used to meet co-payment charges before means-tested assistance is provided.

It is the intention that the new long-term care benefit will be available in 2013.

Section 2

Long-term care funding – the pressures for change

Jersey's ageing population means the demand for and cost of providing care is going to rise substantially. The number of young adults needing care is also likely to increase. The complexities of the current system and the continued decline of family support networks both add to the pressure for change.

There are a number of reasons for introducing a new scheme to fund long-term care. The Green Paper published earlier this year covered this area in some detail, but it is worth summarising the pressures that have prompted these formal proposals. In a few words, the cost of long-term care, particularly care for the elderly, is set to increase dramatically and without some changes it is not clear how this will continue to be funded.

Increasing long term care costs
The States currently funds long-term care to the tune of approximately £30 million a year, with individuals paying an additional £25 million. Under the present funding arrangements, it cannot afford to continue to meet these fast rising costs. The total cost of care is likely to double from £55 million a year at the moment to at least £110 million by 2026 (at 2009 prices). Without raising additional revenue, there is little prospect of the States being able to meet its share of these increasing costs.

Other funding pressures
There are other major pressures on States funding at present. States departments will see reduced budgets for the next three years and tax rises have been proposed. As well as these short-term pressures, areas funded by Social Security contributions will be subject to additional costs driven by the ageing demographic. Within the next ten years it will be necessary to review the funding of the States old-age pension, to consider the age at which pensions are payable and to acknowledge the increasing cost of healthcare for an older population. Choices will need to be made between further increases in contribution rates and restrictions in benefit levels.

Jersey's ageing population
In common with many developed countries, Jersey's population is ageing. It is likely that the number of people needing care will at least double in the next 20 years and continue to rise after that. This in itself would not necessarily be a cause for concern, but when the proportion of elderly people in the population is increasing relative to those of working age potential difficulties emerge – not least financial. Latest estimates are that care costs will double in real terms (not including inflation) by 2026. This occurs at a time when there will be many fewer working age people paying taxes. So at a time when the amount of money needed is rising, the pot of money – as presently constituted – to fund the necessary care is diminishing. A good indicator of the pressures we face is the pensioner support ratio (PSR) – the number of pensioners

relative to the number of contributors. In 2006, the PSR was estimated to be 4.4 (ie 4.4 people of working age to each pensioner); in 2066 it is predicted to be 1.8. [1]

Estimated growth in Jersey population 2006–2036

Resident population (Jersey)[2]	**2006**	**2016**	**2026**	**2036**
0-15 years old	15,717	14,545	13,902	14,264
Adults aged 16-64	60,079	59,112	57,747	54,101
All adults aged over 65	13,597	18,036	23,373	28,563
Adults aged over 80	3,567	4,754	7,128	10,024

Of course, ageing affects people in different ways at different times. Older people are a diverse group and old age does not automatically equate with accompanying illness and dependency. Some people in their 80s and 90s live independently in the community, while others in their 60s or 70s require help. There is no single point at which a person becomes dependent. However, approximately one in four 65-year-olds can expect to enter residential care later in their lives.[3] And the increase in the number of older people means that in absolute terms the number requiring care will increase and therefore costs will rise.

Current care provision in Jersey
The Green Paper published earlier this year described the different types of care provision available in the Island and made informed estimates of current funding arrangements. In summary, the total annual cost of long-term care in Jersey is estimated to be in the region of £55million, with Health and Social Services funding £16million (largely the cost of nursing care and grants to group homes for younger adults with special needs), Social Security funding £14million (principally through elements of Income Support) and private individuals funding their own care to the tune of £25million.

With a growing recognition of the financial pressures on the island caused by the ageing population, a review of long-term care funding ensures that the growth in costs can be met into the future.

[1] Report by the Government Actuary's Department on the condition of the Jersey Social Security Fund as at 31December 2006, p.3

[2] Stats Unit Population model, assuming net immigration of 150 households per annum
[3] Shaping the future of care together, July 2009 [UK Green Paper], p.88

Complexity of current arrangements
Another pressure for change is the complexity of the current system with different funding streams available for different types of care and provided by different States departments. At the moment, some aspects of nursing care and community-based care in Jersey are either provided free or are heavily subsidised. Other types of personal and residential care are not available free. These funding mechanisms have been developed over many years to address specific needs at the time. Unfortunately the net result now provides inconsistent support. Some people with high needs pay for most of their own care; others with similar needs pay less. It could be argued that the system is no longer fit for purpose.

Analysis of annual funding of long-term care costs - 2009

Care type	HSSD provision of free or subsidised care (including some accommodation costs) (£ million)	SSD means-tested (Income Support) assistance with care and accommodation costs (£ million)	Client payments towards means-tested/ subsidised provision (£ million)	Private clients meeting their full care and accommodation costs (£ million)	Total (£ million)
Nursing care home 65+	8.1	1.6	3.0	8.2	20.9
Residential care home 65+	-	7.2	1.4	11.2	19.8
Under 65 care homes	5.3	4.1	0.3	0.2	9.9
Community care – all ages	2.7	0.5	0.7	0.5	4.4
Total	16.1	13.4	5.4	20.1	55.0

Growth in number of young adults needing long-term care
Long-term care is not just about providing care for older people. A growing population of younger adults with disabilities is likely to have increasing care requirements. For example, a few decades ago, children born with Down's syndrome in the UK would expect to live into their mid 20s; now they can live into their 50s. [4] Locally, the Community Living Strategy for adults with special needs (learning disabilities and autistic spectrum disorders) identified 34 additional individuals likely to need care services over the five-year period 2006-2011.

[4] UK Green Paper, p.38

Decline of family support networks
Continuing societal changes are affecting the demand for externally-provided care – and this is true in Jersey as much as elsewhere. Traditionally, many families have provided informal care to their relatives. Grown-up children often lived close to their parents and extended family networks were common. Nowadays, smaller family sizes and a much more mobile workforce mean that many people do not live close to relatives and the opportunities for informal care are reduced. Jersey has one of the highest female participation rates in the western world. In such circumstances it is hard for the woman (it usually is the woman) to combine both extensive caring and work responsibilities. If these general trends continue, there will be a greater need for more formal, paid care which will add to future costs.

Guernsey long-term care insurance scheme
A long-term care insurance scheme is already operating in Guernsey. While there are differences between the islands, the arrangements on our sister island have helped to inform the proposals set out in this White Paper. The main points of the Guernsey scheme are outlined in Appendix 2.

What do we mean by long-term care?
This White Paper covers the long-term care funding applicable to adults who are deemed to have at least a certain level of personal care needs. They need long-term help with the activities of daily living (washing, dressing etc) and their care needs are such that they would be eligible for a place in a care home – although this care could be delivered in their own home through community-based care packages, subject to this being deemed safe and cost-effective by accountable healthcare professionals.

The White Paper does not consider those who have more limited care needs. However, if community support is built up over the next few years, the question of whether the funding system should be extended to cover people with such needs could be considered.

Section 3

The new long-term care benefit

A new long-term care benefit will be introduced that will meet a large part of the care fees. There will be different rates of benefit according to the level of care required. Individuals requiring care will pay a fixed co-payment towards day to day living costs. Those who do not have the means to meet the co-payment can apply for assistance through Income Support. Individuals will be permitted to 'top-up' the benefit to pay for a more expensive room or facilities if they wish.

Central to the funding proposals in this White Paper is the introduction of a new long-term care benefit (LTCB). This approach is effectively 'option 4' in the funding options set out in the Green Paper. Over 60 per cent of respondents to the consultation thought this option either 'highly acceptable' or 'acceptable' – the highest positive score of the four options.

> The four options presented for consideration in the long-term care Green Paper were:
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> Option 1 – Keep the current system (a variety of funding methods; many individuals meet full cost of own care)
> Option 2 – Charge for all long-term care services and introduce a consistent means test
> Option 3 – Provide all long-term care services free at the point of use
> Option 4 – Introduce a new benefit that covers some care costs for everyone needing care, with people meeting their everyday housing and living costs

Subject to meeting certain eligibility criteria (see Section 5), the LTCB will be paid to all individuals who qualify, regardless of income or assets. This reflects a desire for the risk attached to long-term care funding to be spread across the population generally, rather than borne solely by the individual requiring care. Payment of the benefit will not guarantee access to a placement in any particular care home and will depend on beds being available.

Co-payment
The benefit will meet much of the cost of care in a care home. It will be coupled to a co-payment that will be subject to means testing. The co-payment recognises the day to day living costs that we all face – wherever we live.

Together, the benefit and the co-payment will be sufficient to fund care and residence in a standard room in a regulated care home. Financial assistance will be available through Income Support for those whose financial situation is such that they cannot pay the full co-payment. This will require a full declaration of all income and assets. The co-payment will be payable to the care home.

Some individual liability
Retaining an individual contribution (the co-payment) helps limit the amount of money that has to be raised for the fund and it means that those who can afford it will contribute towards the cost of their everyday living expenses while in care. There is no particular reason why the public should subsidise costs such as food and heating (that we all need to pay for) for someone living in a care home if they have sufficient income to meet these costs themselves. (Further discussion of means testing is in Section 7.)

Exact fee levels still to be agreed
There are a number of important issues that remain to be resolved in regard to the long-term care benefit – particularly the number of levels of care benefit and their value and the exact split between the care benefit and the co-payment.

Decisions about the number of levels of long-term care benefit and their value relate to the type of care that individuals require. For example, the fees for someone requiring nursing care – which by definition requires the knowledge and skills of a qualified registered nurse – will be more expensive than the fees for a stay in residential care where the provision of personal care – care that assists with the normal activities of daily life, for example personal toilet, eating and drinking – is required and can be provided by a care assistant.

The current funding system sees States support based around three fee levels: residential care; higher dependency residential care; and nursing care. Further work will determine the number of fee rates to be used for the LTCB. From initial discussions it is likely that additional fee levels may be needed to cover specialist areas such as EMI (elderly mentally ill) – dementia care, for example – so that they relate more closely to the range of care required.

The intention is that fee levels should be clear and easily understood, offer value for money and be considered fair by the public. There is also a recognition that fees will need to be set at levels that will maintain and encourage healthy private and voluntary sector provision, with a range of facilities available at the standard rate. In reality, as now, it is likely that there will be a mix of pricing policies in the care homes.

The value of the LTCB will vary according to the level of care required, but the co-payment will *remain constant*. So no matter what type of care is required, the co-payment will be at a single standard rate.

Determining the level of the co-payment
The co-payment recognises the accommodation and everyday living costs that we all face, but which are being met by the care home in the case of someone in long-term care. The Green Paper published earlier this year quoted the figure used in the UK Green Paper of £267 a week, while pointing out that the equivalent cost in Jersey was likely to be somewhat higher. [5]

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[5] This figure - £266.70 a week to be exact – is taken from 'Analysing the costs and benefits of social care funding arrangements in England: technical report' by Julien Forder and Jose-Luis Fernandez PSSRU Discussion Paper 2644, July 2009. This report outlines the analytical work that was commissioned by the Department of Health to feed into the development of a UK Green Paper.

Setting the level of the co-payment is not an exact science and there are a number of considerations that have to be taken into account.

A low co-payment means that more of the cost of care is met from the dedicated fund and requires a higher contribution rate; however, this would minimise the number of people needing additional means-tested support. Most people would be able to afford the co-payment, but this also means that many people who could afford to pay a higher co-payment would not be paying towards expenses that they could easily afford to pay for themselves.

A higher co-payment would mean a lower overall contribution rate, but more people would need to apply for means-tested assistance. A high co-payment would also collect the highest contribution from those that could afford to pay towards their own living costs.

The co-payment must not be set artificially low such that it becomes attractive for people (who qualify through the placement tool) to enter a care home on financial grounds alone. This could be the case if the contribution to accommodation and living expenses in a care home is lower than the cost that the individual would pay for these services in their own home.

In Guernsey, the weekly co-payment is £165.62, but the design of its scheme is different and does not include the cost of care at home. Therefore the concern about inadvertently creating a financial incentive to move to a care home on cost grounds alone does not apply in Guernsey.

The level of the co-payment must also take into account the income levels of older people. Some of this group have additional income above and beyond the Jersey Social Security pension – perhaps from occupational pensions or from savings and investments. The recently released Income Distribution Survey will provide useful data in this respect.

Overall, a balance has to be struck, among other things, between the financial interests and capabilities of pensioners (who are most likely to take up the LTCB) and the financial pressures facing the working population. Many of the latter will be paying into the fund for many years, but will never access funding as they will not require care.

A co-payment of, say, £300 a week, would be much lower than the amount many people are paying now for care – some individuals are bearing the full cost of nursing care themselves, which could be up to £1,200 a week.

Those whose income is insufficient to meet the co-payment in full will be assisted through Income Support. They will contribute their regular income towards the co-payment, retaining an agreed amount (£30.73 a week in 2010 under the current

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Separately, Professor Forder is the Health, Social Security and Housing Scrutiny Panel's expert in respect of long-term care funding.

system) as a personal allowance to ensure they have some money to use as they wish – for example, on hairdressing, new clothes, personal toiletries.

Ability to make top-up payments

The combined LTCB and co-payment will be sufficient to fund a standard room in a variety of local care homes. However, under the new scheme there will also be scope for individuals requiring care to 'top up' this amount. In doing so, they might want to pay for higher-quality accommodation such as a superior room or a room with a view, or perhaps additional services. This arrangement will allow those with additional resources to put the LTCB towards a more expensive care package.

The top-up payment will be a contractual arrangement between the individual (or a third party) and the home – much like the contract between self-payers and a care home now. Care homes will be expected to take all reasonable efforts to ensure that anyone who opts for a top-up payment has the financial means to sustain it, so that the situation does not arise where their funds are exhausted and the individual can no longer afford the co-payment – which then has to be picked up through Income Support placing a burden on the taxpayer.

Under these proposals, the intention is to encourage an open market in care homes, so that individuals who meet the criteria to qualify for the LTCB have the freedom to choose where they want to receive care, subject to the home being registered and licensed to provide the appropriate level of care (eg nursing care) required. Of course, the care home would have to have vacancies and be willing to take the individual.

Safeguarding the position of those who have high-value care packages

In society there will always be some people who need large amounts of specialist long-term care. An example could be someone who is paralysed following an accident and needs 24-hour nursing care for the rest of their lives. These packages are tailored to the needs of the individual and the cost will vary considerably. This care can be very expensive and while individuals will be able to access the long-term care benefit (and make the co-payment if they can), the costs beyond the combined LTCB and co-payment will continue to be met by Health and Social Services and be funded from a completely separate budget held and administered by H&SS.

Section 4

Funding arrangements

A new ring-fenced fund will be established based on compulsory contributions from employees, the self-employed, and pensioners. There will be no earnings ceiling for the contributions. The initial contribution rate of around 1.5 per cent will be fixed for five years. This rate assumes that the contribution made by the States of approximately £30 million a year towards the cost of long-term care will continue. The benefit will be funded on a 'pay as you go' basis (today's contributions paying for those claiming the benefit today) with a small buffer built up to protect against temporary variations.

The benefit will be available to all eligible claimants from day one of the scheme, including those already in care on that day. To achieve this there will need to be some transitional funding. Individual contributions will be non-refundable. The scheme will be administered by the Social Security Department.

Regular compulsory contributions

Funding long-term care through regular compulsory contributions (similar to social security contributions) was the option suggested in the consultation as being 'highly acceptable' or 'acceptable' by the largest proportion of people – over 70 per cent. This scored more highly than the other options – increasing GST or income tax or a one-off compulsory contribution. It is appropriate that the long-term care benefit should be funded by levying additional compulsory social security contributions. Everyone could potentially take up the benefit – although many of us may be glad if we never have to – so it seems fair that all should help fund it.

The contributions will be retained in a ring-fenced fund which will only be used to fund long-term care.

Contribution rate

The proposals from the fiscal strategy review will extend social security contributions to all earnings above the current earnings ceiling. Collecting contributions at all levels has the effect that, in absolute terms, higher earners will be paying more into the long-term care fund. These individuals are currently more likely to fund their own care. They are net gainers from the shift from individual liability to risk sharing across the population, which this new scheme introduces. Removing the ceiling will have no effect on workers earning below it.

From the outset, the intention is to set the contribution rate at a level which will sustain the fund for at least five years without further increases. Current estimates suggest that a contribution rate of just under 1.5 per cent would be required over the initial five-year period. This will need to increase in the decades that follow as the disparity between the number of older people requiring care and the number of younger people working is felt. This contribution rate assumes that current levels of States funding continue. If this is not the case, then the contribution rate will need to be higher.

In the short term, there will need to be some transitional funding so that the benefit is available to all eligible claimants from day one of the scheme.

Planning for a scheme such as this involves making financial projections well into the future and this is particularly challenging when considering what might happen with long-term care. There are many variable factors ranging from the number of older people, health expectancy, the availability of informal carers, medical advances and the expectations of service users. There is an inevitable degree of uncertainty as projections of future demand for and expenditure on care and support are inevitably sensitive to the assumptions on which they are based. Projections should be regarded as estimates: they are based on assumptions about trends in drivers of demand, such as future needs, and are conditional on these assumptions.

Important that pensioners contribute to the long-term care fund

It is proposed that the dedicated long-term care fund will include contributions from pensioners. At present, Jersey does not collect social security contributions from people over pension age. While, overall, the responses to the Green Paper were marginally against the idea of raising contributions from pensioners, a small majority of those pensioners who responded did support the idea.

In simple terms, if retired people do not contribute to the fund it will mean that people of working age will have to pay more. This would be particularly onerous at a time when the working age population is shrinking in relation to the retired population. If contributions are required from people over pension age, the percentage contribution rate will be lower and the increases required in future years will be less sharp.

As the proportion of pensioners in the population increases in years to come, the amount raised by working age adults decreases. This means that the contributions raised from pensioners will become increasingly important over this period. For example, if contributions to fund long-term care are only made by those under pension age, the rate required by 2026 (with contributions ceiling removed) will be in the order of 3.4%. However, if pensioners contribute too, then the rate is limited to 2.7%. As well as making the burden more manageable for all, inter-generational fairness makes the case for a pensioner contribution a compelling one – especially at the time of introducing the scheme when the first beneficiaries of the LTCB, in the main, will be pensioners who have not had to pay into the fund.

Pensioner contribution based on income

The contribution from people over pension age will be based on their income (as opposed to their earnings as they are not likely to be working). Generally, older people will have fairly stable incomes so basing contributions on the previous year's income as recorded in their tax assessment (as is likely to be the case) should not pose particular problems. Of course, not all pensioners are financially well-off and it is proposed that there will be a minimum income level below which contributions will not be collected. This could be linked to the income tax threshold for pensioners or it could be set independently. Additional work needs to be done in this area, including the tax treatment of husband and wives.

Pensioner contributions under Guernsey's scheme
By way of illustration, the Guernsey long-term care scheme collected £2.0million (12 per cent of its contributions) in 2009 from those aged over 65. Approximately one-third of Guernsey pensioners have sufficient income to contribute to the scheme (the lower income limit is £14,560 a year) and in 2009 they each paid in an average of just under £10 a week.

On the basis that contributions from Jersey pensioners would increase contributions by the same proportion as seen in Guernsey, a 1.5 per cent contribution rate would raise an estimated £3.3 million a year in Jersey from this group. An initial analysis of Jersey income tax data from 2007 confirms that the Guernsey figures are likely to provide a reasonable estimate for the income that could be raised in Jersey.

Based on the estimate of pensioners currently providing 12 per cent of contributions, the growth in pensioner numbers means that by 2026 pensioners would be providing 20 per cent of contributions. This would rise to 24 per cent of total contributions by 2036.

No employer contributions
Employers will not pay contributions to the long-term care fund. As research for the Guernsey scheme stated: '…there is no justification for requiring employers to contribute to the scheme. This is because, unlike other social insurance benefits, there is no direct link between a person's employment and his or her need for long-term care, particularly if that need arises many years after retirement.'

States departmental funding should be committed to the fund
At present, approximately £30 million of funding towards long-term care is provided annually through the Health and Social Services and Social Security departments. The proposal is that this level of contribution will continue and will be paid into the long-term care fund. If this States funding did not continue, then it would mean more would have to be raised in contributions from employees and pensioners. Potentially, it could mean a doubling of the initial rate.

Administration handled by the Social Security department
Ring-fencing the fund so the monies collected are used for the purposes intended is a key aspect of the funding arrangement. As in Guernsey, the separately identified long-term care fund controlled by the Social Security department will have its own financial statements, auditors and actuarial review.

Using Social Security contributions as the vehicle for raising the necessary funds for the new scheme is a practical solution. The Social Security department's role includes the collection of contributions and the payment and administration of benefits, so adding the long-term care benefit to its portfolio of services would avoid the need to create a new bureaucracy to deal with all these aspects of the scheme. It has experience of residential care funding through Income Support and is used to dealing with means-testing arrangements. The payment should be relatively easy to collect and, as with the current health insurance element of Social Security contributions, to direct to the appropriate fund.

Pump-priming the fund
It is proposed that anyone who meets the eligibility criteria will be able to receive the LTCB from day one of the new scheme.[6] This will include those who are already in care on that day. The consequence of this is that from day one of the new benefit being available there will be a substantial cost to be met from the fund in respect of care fees.

To meet this initial cost, some transitional funding will be required. Once the benefit starts to be paid, the contributions received each quarter will be available to meet the liabilities of the following quarter.

Contributions non-refundable
The dedicated social security contributions into the long-term care fund will not be refundable and there will not be any provision to opt out. Contributors will be paying for current beneficiaries (a "pay as you go" scheme) and will not be building up personal funds within the scheme, so there could not be any withdrawal of such funds when leaving the island. Those who choose to insure themselves against the risk of having to pay long-term care costs will not be able to opt out of compulsory contributions. Even if there was a raft of established and competitive private insurance products that focused on long-term care, such provision might not be maintained by the individual or the cover might prove inadequate and therefore not meet the full cost of care or might become exhausted if the care was required for a prolonged period.

[6] The existing fee arrangements will continue to apply until the day on which the scheme comes into force, so any existing payments due to the States up to that point – for example, when a charge has been applied against a property – will have to be honoured under the original terms.

Section 5

Eligibility conditions

Access to the long-term care benefit will be based on an objective assessment of care needs and on meeting residency requirements. Subject to these qualifications, the only limit on access to the care benefit will be bed availability. Care needs will be assessed through a placement tool. There will be two residency requirements: at least ten years' continuous residence as an adult at anytime and one year's residence immediately before claiming the benefit. Special residence requirements will be in place for young adults and ministerial discretion will be available in exceptional cases.

The long-term care benefit will apply to stays in a regulated care home where the home has entered into an agreement with the Social Security department over LTCB funding. The benefit will apply at home where the individual has an approved package of care. The benefit only covers long-term care on the Island.

It is important that the new long-term care funding scheme is built on consensus and has the confidence and support of the public. This will be heavily influenced by the knowledge that the money in the ring-fenced fund is being directed to those for whom it was intended. This will be achieved through a fair and effective way of assessing an individual's personal care needs and the reassurance that those who receive the LTCB possess the necessary residency qualifications. These safeguards will discourage 'health tourists' with no commitment or economic link to the Island seeking to take advantage of the new arrangements.

Assessing individual care needs

To qualify for the LTCB, an individual's care needs must be assessed. This has to be done in a fair and consistent way. The arrangements currently in place to assess eligibility for support through Income Support are well established. A document known as 'a placement tool' is used to summarise the variety of assessments that are undertaken. A scoring system then identifies the care setting that is most appropriate to meeting the needs of the user. The process requires the involvement and judgement of appropriately qualified and experienced professionals such as social workers, nurses and, when appropriate, doctors, occupational therapists, physiotherapists, psychiatrists and specialist nurses. Where the individual's needs are extremely complex then a full case conference may be required (and, as described above, ultimately the nature of their care needs may require additional funding for a tailored care package from Health and Social Services). If through the placement tool an individual's needs are assessed as requiring a level of personal care at least equal to that provided in a residential care home, then they will be eligible to apply for the LTCB.

A placement tool to record the care needs assessment for the over 65s has been successfully introduced into the current system. The process will continue to be audited to check that those professionals undertaking the assessments are producing consistent and fair results. A dedicated placement tool for the under 65s is currently under development.

No rationing of access
In some jurisdictions, assistance with care costs is deliberately controlled – either by limiting the funds available in advance or by limiting access to care places. Under this scheme, the intention is that neither of these approaches will be used. In effect, the only limit will be the number of beds that are available. So long as the projections of the demand for care are broadly correct, then the size of the fund should be sufficient to finance all eligible claimants. However, if the projections are wide of the mark and demand heavily outstrips supply then additional sums may have to be raised from the public, the level of the care benefit reduced or limits placed on access to the benefit.

Residency requirements

To qualify for the long-term care benefit, an individual will have to meet residency conditions. The intention is to deter so called 'heath tourists' and to discourage people moving to the Island in the hope that they can then claim the benefit immediately. Particular concerns have been expressed over people bringing their elderly relatives to the Island with, some suggest, the prime intention of moving them into care locally. These individuals will, in most cases, have no previous links to the Island and are unlikely to have paid tax or social security here.

There are two elements to the residency requirement:

- at least ten years' continuous residency (as an adult) on the Island at some time **and**
- 12 months' residence immediately before claiming the benefit.

So someone who had lived for ten years continuously as an adult in the Island previously but had then left the Island would qualify for the LTCB after they had been back on the Island for a year.

For people with ten years or more continuous residency immediately before claiming, then the one year waiting period is counted within the ten years.

Ten years may seem particularly strict, given that the qualifying period for eligibility for Income Support, for example, is five years. However, the LTCB is a contributory benefit and the proposal means that, in effect, most potential recipients will, through working or retirement, have contributed to the fund for a minimum of ten years during the course of their lives. Residence in the Island as a child will not count.

Of course, if people are 'self-funders' and have sold a property on the mainland to finance their stay in a care home, they have every right to continue to be there. However, this stay will not be subsidised by the contributors to the long-term care fund until these individuals have ten years' continuous residency.

The Minister may, on occasion, exercise discretion over application of these residency rules in exceptional cases. There will be special arrangements for young adults.

Scheme will not extend to care outside Jersey

The LTCB will only cover care provided on the Island (excluding those Jersey residents with special care packages who must have care off-island and whose care is funded largely outside this proposed scheme). The care will have to be in a registered Jersey care home that has signed up to the Social Security Department's contract to provide services under this scheme. Alternatively, the care will have to be provided under an approved care package in the individual's home.

Section 6

Plans for care at home

The new scheme will apply to high-level care at home once the new Regulation of Care Law is approved.

There is an overwhelming desire on the part of older people to stay in their home and retain their independence for as long as possible. There is a recognition that this should be supported subject to it being safe and cost effective for them to do so and the scheme will facilitate this. Demand for such domiciliary care (ie care in your own home) is likely to increase in the future and there will need to be an expansion of the services available to meet this demand.

The long-term care benefit will apply to the funding of care at home where an individual's care needs are assessed as being such that they would otherwise qualify for entry into a care home. The individual will also need an assessment of their home situation and an agreed care package that can be funded at a level no greater than the value of the appropriate LTCB. The benefit may well be provided in the form of vouchers to give people the freedom to choose the suppliers they prefer to deliver their assessed package of care.

Revised Regulation of Care Law on the way
There is currently no regulation of suppliers in the domiciliary care sector. This is being addressed and a revised Regulation of Care Law is currently being drafted, which will include appropriate regulation of domiciliary care providers. An independent commission is likely to be tasked with the day to day regulation of both institutional and domiciliary care services.

The timetable for the development of the new law currently suggests that the domiciliary care sector regulations will be available during 2013. This work is being led by Health and Social Services. The Regulation of Care Law and the long-term care benefit law are being developed in parallel and it is possible that the LTCB will be available before the domiciliary care regulations are enacted. This will be allowed for in the LTCB law and once appropriate regulations are available the LTCB will be extended to domiciliary care.

Encouraging a diverse and healthy local care market
The intention is to encourage the development of a wide and diverse range of high-quality services and providers that will allow people to stay in their homes for as long as possible, while promoting competition and ensuring there is some choice for individuals.

The market for regulated home care services needs to develop in Jersey and this will not happen overnight. Families making decisions about care choices will need clear guidance on the range of options that are available during the first year or so of the new benefit. The LTCB will be extended to home care when the necessary legislation and regulations are in place.

Section 7

Means testing

The co-payment will be means tested. Two options are presented in this paper and a final decision will be taken following this final round of public consultation. In both options, individuals will contribute their regular income towards the co-payment, retaining a weekly allowance for personal purchases.

In Option 1, a total capital disregard of £500,000 will be applied to the combined value of the main residence, savings and investments. Those with assets above this level will not qualify for assistance with the co-payment. However, they will be able to defer co-payment charges by taking out a bond held against the value of the main residence, redeemed when the property next changes hands.

In Option 2, the capital value of the main residence is totally excluded. However, if the main property is empty, it must be used to provide a rental income to help meet the cost of the co-payment. A capital disregard of £25,000 is then applied to all other assets, including other property, savings and investments.   Any assets above £25,000 must be used to meet co-payment charges before means-tested assistance is provided.

The Green Paper explored the issue of means testing in the context of a complete review of the current funding system.   However, it did not specifically address the way in which means testing should be applied to each of the four main options.

This paper now sets out a clear policy proposal for a long-term care benefit accompanied by a fixed co-payment. It is appropriate that the detail of means testing under this system should be subject to further consultation. In particular, the treatment of the main residence is of major interest to many local residents. Two options are presented to create the basis for a further discussion in this specific area.

When considering means testing, it should be noted that the introduction of the LTCB ensures that:

- the cost of care to the individual is a fixed amount per week, regardless of their care needs
- the cost borne by the individual is much less than the total cost of their care.

These two factors immediately remove much of the financial uncertainty that individuals currently face. The LTCB guarantees that whatever their care needs in the future, they will only need to contribute a set amount to that care (the co-payment) and this amount will be substantially less than the actual cost of the care package.

With the co-payment likely to be in the region of £267 to £300 a week, many people will be able to find all or a large proportion of this sum from their regular income and/or by making limited drawings on their cash savings. They will have no need to look to use the value tied up in their main residence. At the moment, some individuals are required to find a much larger weekly sum – well beyond many people's income and savings – and therefore the value of their home is more likely to come into the equation.

The design of a means-tested system needs to consider all forms of income and all forms of assets of the household. This is to ensure that the system does not allow people to transfer their overall wealth into one form or another to manipulate the benefits system and to maximise the amount of benefit that they receive. For example, if property assets are excluded from an assessment but other forms of investment are included, individuals might act to keep assets in the form of property to minimise their assessable assets.

With reference to elderly people who may need care in the future, the particular concern is that they might retain the ownership of a large property to protect its value for inheritance purposes, rather than trade down to a smaller property, even though in terms of their health this might be the most appropriate action to take and would enable them to maintain their independence for longer.

On the other hand, the issue of property inheritance is a key factor for many people, and the States Strategic Plan includes the aim of increasing home ownership among local residents. Marginal tax allowances provide States support for homeowners in the purchase of their property.

Option 1

Individuals with total assets worth less than £500,000 will be able to seek assistance if their regular income does not cover the full cost of the co-payment. Assets up to a value of £500,000 will be disregarded, although incomes derived from those assets will be included in the assessment of income. The limit of £500,000 will apply to the total value of any property that is owned plus any savings or investments.

Where someone does have assets in excess of £500,000, including their main residence, and they are unable to fund the co-payment, they will be able to apply for a loan from the States, subject to a charge being placed on the main residence. This would be redeemable when the property next changed hands. The charge would bear interest, which would be set at a level to cover the cost of the borrowing to be borne by the States.

Someone owning a small property will have the value of this taken into account along with any savings they have up to the total disregard of £500,000. Any savings beyond this would be taken into account. A tenant who had savings or investments would be able to offset these against the £500,000 limit.

Option 2

This option differentiates between the main residence and other assets. The capital value of the main residence is excluded totally from the asset calculation. A capital disregard of £25,000 is applied to all other assets, including other property, savings and investments. Any assets above this limit must be used to meet co-payment charges in full, before any means-tested assistance is provided

When these other assets fall below £25,000, the individual can apply for assistance with the cost of the co-payment. However, if the individual has retained the ownership of their principal residence which is now empty, then the family must take reasonable steps to rent the property out to create a rental income to go towards the cost of the co-payment If a partner or long-term carer remains living in the principal residence there will be no need to seek a rental income.

Conclusion

Once again, it has to be stressed that means testing will only apply if the individual seeks assistance with the co-payment. Many people will be able to meet the co-payment from their pension income or by dipping into their savings. Therefore, the number of homeowners who will need this assistance is likely to be small.

The great majority of people who will continue to need means-tested support will be tenants with relatively low incomes. They will be unaffected by the introduction of the new benefit as they already receive means-tested support. However, under the new scheme they will be making payments to the fund through additional social security contributions made during their working lives.

Those receiving means-tested assistance will contribute their regular income towards the co-payment, retaining an agreed amount (£30.73 a week in 2010 under the current system) as a personal allowance to ensure they have some money to use as they wish.

The asset limits of £500,000 and £25,000 are included in the options as possible values. Following further consultation on this issue, full details of the means-testing regime will be finalised and published in early 2011.

Section 8

Summary of high-level issues to be resolved

- investigate future trends, including the demand for care, the type of care, the typical length of stay in care
- agree the number of levels of care benefit and their value
- confirm the value of the co-payment
- draw up contracts for use with the care homes and individuals
- establish a ring-fenced long-term care fund, with appropriate controls
- confirm contribution rate
- confirm income level at which pensioners start contributing
- implement the administrative requirements of the scheme, including the IT arrangements and staffing
- develop a supplier base to provide services and choice for people who prefer to be cared for at home
- identify payment mechanism for care at home

Indicative timetable	
2010 Nov-Dec	Receive comments on White Paper
2011 Jan-May	Develop details of scheme; Law drafting
June	Lodge primary legislation
July	Debate primary legislation
Aug-March 2012	Regulations and other details finalised. Law drafting
2012 Jan-June	IT and admin development
March	Register law in Royal Court
April	Lodge Regulations
May	Debate Regulations
June-Dec	Complete IT and admin
2013 Jan-March	Scheme comes into operation

Useful documents
The Green Paper on long-term care funding (published in January 2010) and the Response Summary (published in June 2010) are both available at www.gov.je/government/consultations

Responding to this consultation
If you would like to comment on any aspect of this White Paper, please send your comments by **Friday 7 January 2011** to:

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Appendix 1

Summary results from the Green Paper consultation

(Reproduced from the Response Summary to the funding of long-term care Green Paper)

Who responded?

- nearly half of the 552 respondents were in the age band 45-64 (according to the 2001 Census, 31 per cent of the adult population are in this age group)
- over 87% of respondents had lived here for at least 20 years (according to the Jersey Annual Social Survey 2009, around two-thirds of the population – aged 16 and over – have lived in Jersey for 20 years or more)
- over 70% of respondents were homeowners (the 2001 Census shows 57 per cent of households are in owner-occupied accommodation)

Under each of these criteria, the respondents to the consultation were overrepresented compared to their presence in the population at large. This is perhaps not surprising as they are the groups who are most likely to have views about long-term care given their age (they or their parents may require it). And those who have lived here for some time are more likely to own their own house, which means they may well be more inclined to respond and to comment, for example, on whether the value of the main property should be considered in any new scheme.

Type of system

- over three-fifths of respondents supported the idea of a new benefit covering some care costs for everyone needing care, with people paying their own everyday housing and living costs if they live in a care home
- only a quarter of people supported a system that had means testing as its prime focus
- there was support for the States paying more towards the cost of long-term care with over half of respondents agreeing to this; only ten per cent thought the States should pay less

Funding method

- the preferred funding mechanism was regular compulsory contributions (similar to Social Security contributions); this was supported by over 70 per cent of respondents; support for tax-funded options (increasing income tax or GST) was at only half this level
- over half of respondents were prepared to pay between one and three per cent in additional compulsory contributions; only one in eight was not prepared to pay anything

- a small majority thought contributions should be limited to working age adults, although two-fifths of respondents thought those of pension age should make a contribution
- over three-fifths were prepared to pay towards a benefit that covered the cost of the care and most people preferred a standard contribution rate whatever the total cost of this care

Attitude towards savings and the main residence

- there was support for the idea that people requiring means-tested support should use at least some of the value of their savings and investments towards long-term care; the most popular option was to allow people to *keep* between £40,000 and £50,000 in savings or, alternatively, 50 per cent of whatever they had
- over 60 per cent of respondents opposed the idea of part of the value of the main property being used when calculating means-tested support; however, approaching 30 per cent took the contrary view and thought that the house should be included
- if it was necessary to release value from the main property, a States-provided loan was the most popular option, but was still only acceptable to four in ten respondents

Who should qualify for a long-term care benefit?

- over 60 per cent of respondents thought that any long-term care benefit should cover all adults with long-term care needs (as opposed to just those above pension age)
- approaching three-quarters of respondents thought that any long-term care benefit should only be available to people receiving care in Jersey
- there was strong support for the idea that any long-term care benefit should be available to people who have been living in Jersey immediately before making the application – with up to five years' residence the most common response, with ten years not far behind
- half of respondents agreed that people should also be able to qualify if they had lived in Jersey in the past – ten years was suggested as the appropriate qualification in this case
- just under half of respondents supported the idea that those who had not lived in Jersey for the minimum amount of time could still qualify for the benefit so long as they had made contributions towards the benefit, with a period of ten years the most favoured option

Appendix 2

The Guernsey Long-term Care Insurance Scheme (LTCI)

(This is an updated version of the document that appeared in the long-term care funding Green Paper.)

Guernsey's scheme for funding long-term residential care is funded by a social insurance levy, paid by the employed and non-employed – whether of working age or over 65. This funds a weekly benefit towards the cost of the fees in a private residential or private nursing home.

The long-term care scheme replaced a myriad of means-tested systems that were considered unsatisfactory and followed the introduction of a Specialist Health Insurance Scheme that involved the collection of contributions from people over 65 as well as the working population. Therefore the Insurance Fund concept was by no means an alien one to the people of Guernsey.

To qualify for the long-term care benefit, individuals have to be assessed as being in need of care that could be provided in a private residential care or private nursing home. This care-needs assessment is carried out by a healthcare professional. They pass their findings to the Needs Assessment Panel at the Health and Social Services Department. The Panel decides on the type of care best suited to the individual's needs and issues a certificate. There is an appeals mechanism.

In practice, the Needs Assessment Panel allocations are made largely according to what bed provision is available at the time. The funding is always available through the LTCI scheme, but bed places sometimes are not. If allocation is not possible, then needs continue to be met in the community until a bed becomes available.

To be eligible for the scheme, the individual has to have, at any time, lived in Guernsey or Alderney for a continuous period of five years and lived on the islands for at least 12 months immediately prior to claiming long-term care benefit.

Once an individual is assessed as needing care, the rate paid by the States of Guernsey (effective 4 January 2010) is £367.15 a week in a private residential home and £685.44 a week in a private nursing home. The sum the individual has to pay to the care home out of their own funds – the weekly co-payment – is £165.62. If an individual does not have the wherewithal to pay (even if they own their own home) then assistance is available through Supplementary Benefit.

If an individual agrees to take a room for which the charge is more than the value of the co-payment plus the maximum benefit paid under the scheme, then the extra must be paid from their own funds or by a third party.

The benefit does not cover institutional placements owned by the States – Guernsey provides both residential and nursing care places through States-owned facilities.

If the person is living in a home run by the States, the person just pays the weekly co-payment – they do not need to claim long-term care benefit.

The Guernsey scheme does not cover the cost of home care, but it does cover clients of any age, not just older people. Guernsey is developing an Integrated Care and Support Strategy for Older People. That strategy may well lead to extension of the coverage of the long-term care insurance scheme, for example, to include sheltered housing or care at home. The Social Security Department notes that: '…if fundamental changes to the nature of the long-term care insurance scheme result from States approval of a new strategy for older people, then there will certainly be a requirement for an increase in the contribution rate for long-term care.'

Until January 2010, there was a common contribution rate of 1.4% of earnings/income, up to the upper income limit. Employees, the self-employed, non-employed under 65 and non-employed over 65 all contribute to the fund. Employers do not contribute.

Following the adoption of plans to equalise the upper earnings limit for employees with that already in place for employers (£115,128 in 2009 terms) over the next five years, some changes to the contribution rate have been made.

The contribution income that will flow from this change is intended to reinforce the Guernsey Insurance Fund – not the health service fund or the long-term care fund. Therefore the contribution from employees and self-employed to the long-term care fund has been reduced from 1.4% to 1.3%.

The contribution to the long-term care fund by the non-employed under 65 has remained at 1.4% as the level of contribution (following the increase in the upper earnings limit) was offset by the introduction of an allowance on income.

The overall contribution rate for non-employed people over 65 increased in January 2010 from 2.6% of income to 2.9%. Of this, their contribution to the long-term care fund rose from 1.4% to 1.6%. However, this too was accompanied by the introduction of an allowance on income (of £6,290 a year at 2010 prices).

Previously anyone in this category with an income of up to and including £14,559 was not required to make a contribution and this remains the case. However, concerns were expressed that it was unfair that someone who had income just above this level (say £14,560) had to make a contribution on the full amount of their income. To remedy this, from January 2010 an allowance of income was applied which meant that for those with an income above the lower earnings limit, they now only have a tax liability on the balance above the allowance (£6,290). So, for example, 2.9% of £8,270 (£14,560 - £6,290) = £4.61 a week (compared to the £7.28 a week that would have been paid under the previous arrangement).

The combined effect for non-employed people over 65 is to bring in approximately the same amount of contributions to the fund from them, but the lower income contributors will pay less and the higher income contributors will pay more. In fact, people in this group with income below £50,000 a year will pay less than previously.

In 2009, £16.9million was paid into the fund from contributors. With benefit and administration expenditure of £14m for the year, the fund had an operating surplus of £2.87m. This reflected the original strategy of accumulating reserves to provide an investment income to supplement future contribution rates.