

# Long-term care in Jersey

## How should we pay?



**A public consultation  
on the funding of  
long-term care in Jersey**

States   
of Jersey

**Social Security Department**

Centre for work, pensions and benefits

# Summary document

This is a summary of the main consultation paper published by the Minister for Social Security. If you would like a copy of the full document please visit [www.gov.je](http://www.gov.je) or contact the Department on 445505. Copies are also available from Social Security in La Motte Street, Cyril Le Marquand House, the public library and parish halls.

The consultation is running from January to March 2010.

Once you have completed the questionnaire, please detach it from the middle of this document and return it by 31 March to:

**Long-Term Care Consultation**  
**Social Security Department**  
**PO Box 55**  
**Philip Le Feuvre House**  
**La Motte Street**  
**St. Helier**  
**JE4 8PE**

This summary is also available at [www.gov.je](http://www.gov.je) where the questionnaire can be completed online.

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**”**

## What is long-term care?

People who require long-term care need help with the ordinary activities of everyday life - washing, dressing, organising their day. People of all ages can need long-term care. Although most are elderly, some younger people may also require this kind of help.

This paper focuses on adults whose long-term care needs mean that they would be eligible for a place in a residential or nursing care home. It also includes people with such needs who remain in their own home.

## How long do people need long-term care for?

Most older people may need care for a year or so; for some it will be longer.

For people with a disability, the care could be required for their lifetime.



## What kind of long-term care is available in Jersey?

There are more than 1,000 people aged 65 or over living in local care homes. These homes are run by the States, parishes, charities and commercial organisations. There are also four homes for younger people and some much smaller units where people with learning disabilities and other special needs live. Some people receive care in their own homes.

## How much does it cost?

Living in a care home can cost between £500 and £1,400 a week.

The cost is made up of everyday housing/living costs and the cost of providing care. In this paper we have taken the everyday housing/living costs to be £267 a week. This is just an estimate at this stage, based on UK calculations. A local cost will need to be calculated.

The total amount spent on long-term care in Jersey at the moment is around £55 million a year. The States spends £30 million providing care services and helping Islanders with the cost of care fees. It is estimated that individuals spend another £25 million paying for care themselves.

## **Why is long-term care funding an issue at the moment?**

People are living longer. The number of people aged over 80 in Jersey will double between 2006 and 2026 and will continue to rise for another 20 years. Long-term care is expensive and we need to decide how this extra cost will be met for all Islanders in the future.

The States is already paying £30 million a year towards the cost of long-term care and this amount is going up each year. This will put pressure on States budgets.

The total cost of providing care is likely, at the very least, to double by 2026 to about £110 million a year (at 2009 prices) and continue to rise to about £155 million by 2036.

Making changes to the way we pay for long-term care is likely to need a new law which will take two or three years to implement.

## **Are there any other reasons for changing the system now?**

Most of the money spent by the States at the moment is to help people who cannot afford to pay for all their care themselves. Some people who own their own homes feel that the value of their homes should not be used to pay towards the cost of their care. They would like to see some help for everyone who needs long-term care, not just those who are less well-off.

The current system of funding long-term care has grown up over the years. There are different ways to get help from the States with the cost of long-term care. Most people don't understand how the system works and only find out about it when they need to help a relative move into care. The States needs to have a simple, fair, yet affordable system so that people can get help quickly and easily when they need it.

## What are the choices?

We are looking at four possible options to pay for long-term care in the future:

1. Keep the current system - Health and Social Services gives some care free; Social Security helps with other costs for people who can't afford to pay
2. Charge for all long-term care services, including those provided by Health and Social Services, and only give help to people who can't afford to pay, using a single means-tested system
3. Provide all long-term care services free at the point of delivery

4. Introduce a new long-term care benefit that covers some care costs for everyone needing care, with people paying the cost of their everyday housing/living costs if they live in a care home; give extra (means-tested) help to people who can't afford to pay this.

Changing the system does not change the overall cost of the care, but it will change the amount that the States will need to collect from people to pay towards long-term care. The costs of the four options are shown in the table below.

These options have been chosen to encourage debate. If you have other proposals, then please give details on the back page of the questionnaire.

Cost of the options		
Current annual cost of each option	States funding (£ million)	Private funding (£ million)
<b>Option 1</b> - Keep the current system.	30	25
<b>Option 2</b> - Charge for all long-term care services and introduce a consistent means test to help people who cannot afford the full cost.	27	28
<b>Option 3</b> - Provide all long-term care services free at the point of delivery.	55	0
<b>Option 4</b> - Introduce a new long-term care benefit that covers care costs for everyone needing care, with people paying the cost of their everyday housing/living costs if they live in a care home. This estimate is based on people paying £267 per week towards these costs; means-tested support will be available for those who cannot afford this.	45	10

## What is the difference between a means-tested benefit and a long-term care benefit?

Means-tested benefits provide financial support to people based on their ability to pay, taking into account their pensions, income, savings and other assets.

A long-term care benefit would be available to anyone who needed a high level of care. It would be paid at the same rate regardless of the income or assets of the claimant. The benefit would normally be paid from a special ring-fenced fund, set up using contributions.

## Who should pay towards long-term care costs?

As most of the people needing long-term care are elderly, some countries have asked older people as well as working age people to contribute to long-term care funding. As the proportion of older people increases in the population, the value of the contributions they make will rise. If older people do not help towards meeting the cost, the contributions made by working age people will need to rise even more quickly to keep up with the increasing cost.

## How can the States raise more money to pay for long-term care?

- Income Tax - increasing the rate of personal income tax by 1p raises £7 million a year
- GST - increasing GST by one percentage point raises £14 million a year
- Social Security contributions from people aged under 65 - increasing Social Security contributions by one percentage point raises about £14 million a year
- Social Security contributions from people aged under 65 **and over 65** - increasing Social Security contributions by one percentage point for people under 65 and introducing a rate of 1% for people aged over 65 raises just under £16 million a year. (People aged 65 and above do not pay Social Security contributions at the moment in Jersey, but elsewhere - including Guernsey - older people pay towards their long-term care in this way.)
- One-off payment from people on their 65th birthday - the UK government has suggested that everyone should pay a lump sum (about £20,000 in England) when they reach 65 towards the cost of their long-term care (although this would not cover their everyday housing/living costs if they need care in a care home). The figure for Jersey will need to be calculated.

## How much does each option cost?

The two tables below show the **extra** contribution or tax that would be needed for each option today and by 2026. **It is assumed that the current States spending of £30 million continues to be used towards care costs.**

**The tables only show the cost of using one method to raise the extra money needed.** It is also possible to use a mixture - for example, raise some money through GST and the rest through Social Security contributions.

Additional tax/contribution levels that would be required <b>today</b> for each option				
	<b>Option 1</b> Current system	<b>Option 2</b> All means test	<b>Option 3</b> Free care	<b>Option 4</b> Combined system
Total amount required by the States (£ million)	30	27	55	45

Additional amount required by the States (£ million)	-	-	25	15
Increase in personal income tax; or	-	-	3.6%	2.1%
Increase in GST; or	-	-	1.8%	1.1%
Increase in Social Security (under 65s only); or	-	-	1.8%	1.1%
Increase in Social Security (all adults)	-	-	1.6%	1.0%

**Additional tax/contribution levels that would be required by 2026 for each option**

	<b>Option 1 Current system</b>	<b>Option 2 All means test</b>	<b>Option 3 Free care</b>	<b>Option 4 Combined system</b>
Total amount required by the States (£ million)	60	54	110	90
Additional amount required by the States (£ million)	30	24	80	60
Increase in personal income tax; or	4.3%	3.4%	11.4%	8.6%
Increase in GST; or	2.1%	1.7%	5.7%	4.3%
Increase in Social Security (under 65s only); or	2.3%	1.8%	6.0%	4.5%
Increase in Social Security (all adults)	1.9%	1.5%	4.9%	3.7%

Even if it is decided to have a fully means-tested system, the States will need to raise extra money within the next ten years or so.

The tables show that as the cost of care rises, the contribution and tax rates rise. Whichever scheme is chosen, the initial rate will be set to cover the costs for the first five to ten years. Rates will then be adjusted to cover the next five to ten years and so on.

These rates will continue to rise until at least 2036. For example, using Social Security contributions from all adults, the rate may need to increase from 3.7% in 2026 to 6.0% in 2036.

## **Before I agree to pay more towards the cost of long-term care, what about other taxes? Will they be going up anyway?**

Having more older people as a proportion of the population in Jersey is likely to mean an increase in taxes and contributions as there will be fewer people of working age to pay for States spending.

Social Security contributions to pay for old age pensions will need to go up in the next few years. Total contribution rates are likely to rise by three percentage points by 2026 and by nearly six percentage points by 2036 just to pay for the Social Security pension at that time. The States may also introduce a new charge for sewage and we may have to pay more to cover rising health costs.

## **Is a long-term care fund/benefit necessary?**

If a long-term care benefit is introduced, many people who need care will not pay as much when they need the care because the States will be using the fund to help meet the cost.

It is expected that after the age of 65, about one in four people will need long-term care in a care home at some point in their life.

You may think taxes and contributions are high enough and do not want to pay any more. You may prefer to take a chance that you will not need expensive care when you are older, or that you will deal with the problem should it arise. If the States does not collect contributions, then no-one would pay before they need care. If you never need care, you would not pay anything specifically towards care costs.

If the States gives no help, anyone who needs care would face a much larger bill to meet all the costs themselves. If you own a property or have savings you would need to put these towards paying for your care. You could use private insurance to protect yourself, but not many companies offer this kind of policy at the moment. If you are on a low income, you may feel that the States will look after you, so you do not see any need to pay more.

If the States does not set aside money in a special fund, then it will still have to raise extra money to support more people who cannot afford to pay for their own care as the number of older people increases. If there is not enough money raised in taxes, the level of care that can be afforded may fall.

## **Are there any other options?**

There are many different ways to fund long-term care. For example, if a smaller fund is set up, a long-term care benefit could cover just some of the cost of being looked after. People could be asked to pay the first £100 per week of their care costs, as well as their everyday housing/living costs, with the long-term care benefit meeting the rest of their care costs.

## **What does this mean for homeowners?**

At the moment, homeowners who need care in a care home can get an interest-free loan from the States to help with care fees. They do not need to sell their home, but they are asked to agree to repay the cost of their care fees from the value of their property when it next changes hands. In the future, if some or all of the care fees are being covered by the long-term care benefit, then many people will be able to afford to pay the everyday housing/living costs from their pension or savings and they will not need a loan.

There will always be some people who do not have enough pension income to cover their costs, even if the States is making a contribution. These people will be helped through a means-tested benefit.

The means test could exclude savings of about £20,000, so that people would always be left with savings or other assets up to that value however much their care cost. Alternatively, a much higher amount, say £300,000, could be excluded. A homeowner would then always be left with at least £300,000 if their property was worth more than this.

As now, any new scheme could include an option for a homeowner to receive help without selling their property at the time that they need care.

These are some of the issues that you will be asked about in the questionnaire.

## **Who would qualify for help with long-term care costs?**

There will be a standard test to check the level of care someone needs.

A new scheme for helping with the costs of care could be limited to people who have lived in Jersey for a certain number of years. This could be immediately before they need care or it could cover anyone who has lived in Jersey in the past for a set number of years, moved away and then returned.

If there are contributions into a special fund, then help could be restricted to people who have made contributions for a minimum amount of time.

The benefit could also be restricted to people receiving care in Jersey.

## **Will a new scheme help people who are looked after in their own home?**

Yes. If someone has care needs that would qualify them to go into a care home, then they could also be helped with the cost of care if they chose to stay in their own home.

It may not be possible to introduce this straight away. Currently, there are no laws to regulate this type of care in the home and the States will need to bring in a new law to cover this area. It is important that care services provided in people's homes are able to cover all their needs and are of a good standard. As soon as this is done, any new system will be extended to cover the cost of certain levels of care provided in the community.

## **What happens next?**

The aim of this paper is to stimulate debate about the funding of long-term care and to encourage people to comment and put forward their own suggestions. After the consultation has finished, the Minister will consider all the views and ideas that have been submitted. He will then publish a White Paper setting out definite proposals for the States to consider. This is likely to be towards the end of 2010.

## **Where can I get more information about long-term care funding?**

This document is a summary of the detailed consultation Green Paper. The full paper can be downloaded from [www.gov.je](http://www.gov.je) and copies can be collected from the Social Security Department, Cyril Le Marquand House, the public library or from parish halls. Information about the consultation and details of public meetings will also be available at [www.gov.je](http://www.gov.je)

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The closing date for responses to the Green Paper is 31 March 2010.



## Social Security Department

Centre for work, pensions and benefits

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