

What Would It Cost To Abolish Social Care Charges In Scotland?

Introduction

Scotland Against the Care Tax is a campaigning coalition which is seeking the end of local authority community care charges in Scotland. Such charges are made to provide home and day care, mainly to disabled adults, although some child and elderly care may also be chargeable. It is our contention that these charges are a highly inefficient tax that have a number of hidden consequences that are often overlooked in discussions over what it would cost to end.



This paper is a speculative exploration of what these additional consequences might be. We believe that the actual cash amount raised is only the first part of the calculation. In addition there are the high costs of collection, the cost of emergency care for those who decline preventative services because of the level of charges, and the lost income from those who cannot work. We also believe that the costs of abolition needs to take into account any extra demand for social care that might arise if more people request social care once there is no charge.

Our calculations suggest that the actual cost of abolishing care charges is actually less than half of the amount taken off disabled people – only £22 million instead of the £50 million charged to disabled people.

But a second element to the calculation suggests that there might be net gain if we take into account the wider changes as a result of abolishing care charges. With more people going to work and additional spending by disabled people, there could be a net gain of £5million per year.

Summary of Calculations

In identifying the costs related to social care charging we need to be aware of a number of factors that will together lead to a final total.

	Steps	
1	The actual income collected by local authorities from care charging	£49,214,000
2	Less the actual costs of carrying out financial assessments, collecting care charges and pursuing those who choose not to pay charges.	-£20,873,000
3	Plus the costs of additional take up of services now that there is no financial charge	£ 9,796,000
4	Less the costs of additional support required because people had opted out of low level services because of the costs and their health or condition subsequently deteriorated.	-£16,289,000
5	Real cost of abolishing social care charges	<u>£21,848,000</u>

This figure £21.8 million is the amount that would need to be made available to public authorities to compensate them for the loss of income from Care Charges but by increasing the uptake of low level care, support and other preventative services, two additional sources of income will benefit the Scottish Government if new devolved powers over Income Tax and VAT are delivered to it.

1. The Scottish Household Survey puts the figure for the number of carers in Scotland at the level of 657,000. Of this 46% had given up work to care, 22% had reduced working hours, 17% had taken a less qualified job or turned down a promotion to care and 10% had retired early to care¹. If only 1% of this number were able to take up employment as a result of a change to the care charging system then the additional income tax and National Insurance payments would be in excess of £20 million.
2. On abolition of care charges for non residential care, the amount paid in care charges would revert back to the individuals. They would then be able to spend this money on a range of consumer goods and utilities, most of which would attract VAT. A more detailed analysis of this is needed as these goods attract a range of VAT rates but a rough calculation would suggest that an average of 10% VAT would be paid on the £50 million leading to an additional gain to the exchequer (or Scottish Government) of £4-5 million.

If these two sources were to generate this additional income then there might be an actual gain to the net level of Scottish public finances by the abolition of care charges.

We accept that a suggestion that a net gain to the Scottish public finances of £5 million due to the abolition of care charges is counterintuitive and that these are very rough and ready calculations. They are sourced however from publicly available information and some assumptions have been drawn to arrive at our conclusions. We do not have access to the statisticians and economists that the Scottish Government can call on. We hope that eventually those who are responsible for the Care Tax will carry out a proper investigation of what the actual costs and benefits might be.

Qualifications to our paper

We are happy to present the following paper as an initial exploration of these issues and look forward to those better qualified than us, reviewing and producing a more comprehensive body of work.

We are happy for others to examine our figures and to produce more reliable ones. However we are confident that we have identified the main areas where costs occur and have made realistic assumptions. Care charging is not simply an easy gain for councils short of money. There are important social consequences that arise from using charging as a disincentive to take up services. These costs may fall on other public bodies which currently councils can ignore.

Within the NHS and local authorities, among other public bodies, the cost benefit analysis is difficult to calculate. Joint Integration Boards need to pay more attention needs to some of these. However all the costs and benefits are of interest to the Scottish Government and we present this paper for their interest.

¹ Carers UK, Caring & Family Finances Inquiry, UK Report, February 2014

Item 1 – The income raised from Care Charges

The actual income raised by local authorities from Adults over the age of 16 for non residential social care charges is recorded in the Scottish Local Government Finance Statistics in the LFR03 document. The latest information available is for the financial year 2012-13.

1. Home Care	£24,955,000
2. Day Care	£5,558,000
3. Direct Payments	£10,948,000
4. Supported Employment	£557,000
5. Supply of equipment and adaptations	£1,990,000
6. Other services	£5,206,000
Total income raised	£49,214,000

This also includes income from non-means tested services such as Meals on Wheels and Community Alarms. These are included either in the Home Care or Other Services totals.

The Direct Payments figure is almost wholly Glasgow, which counts all its personalisation budgets as a direct payment and includes home care and day care elements within it.

Item 2 - The costs of collection of care charges

If Care Charging were abolished then there would be no costs associated with collection, nor would existing staff have to spend time on related bureaucratic processes.

Some tax collection processes are relatively efficient where the cost of collecting the tax is very small.

- The OECD report that in 2011 the cost of collection on Income Tax, VAT and other national taxes is 0.83% - 83 pence for every £100 raised.²
- Figures from an Audit Scotland report in the Collection of the Council Tax in Scotland suggest that the cost of collection was 4%³.

However the cost of collecting the Care Tax may be up to 40 times as high as collecting income tax and 10 times as high as collecting Council Tax.

The Audit Commission in England reported in 2000 that between 20-40% of income from charges is spent on administration costs.⁴ While this was based on a survey of a relatively small number of

² http://www.keepeek.com/Digital-Asset-Management/oced/taxation/tax-administration-2013_9789264200814-en#page182

³ http://www.audit-scotland.gov.uk/docs/local/pre1999/nr_9802_council_tax_collection.pdf

⁴ Carpenter, M. (2000): Charging with care: how councils charge for home care. London: The Audit Commission

Item 3 – Additional demand if there was no care charging

We know that many people choose not to apply for social care services because they are worried about the costs and there are reports of significant numbers of people who are offered social care support but turn down services when they are informed about the level of charges that they have to pay. No research has been done on the numbers affected.

It is likely to be those who require low levels of support, those who are accessing support for the first time and those able to rely on family care. These three groups are the ones that are most likely to be able to continue to manage without support.

For example we have reports of 12 service users from one day service for older people exiting in a 4 month period after the introduction of a £15 per day charge for the service. By so doing, these 12 service users will be in danger of increased loneliness, leading to increased physical and mental ill-health

It is likely that many of the people that choose not to use services would come back and take them up again if these services had charges removed. This will be an extra cost that needs to be accounted for.

Without any records or research to see how many exit at this point we will need to make some reasoned assumptions.

There are three areas of extra demand

1. Those who decline a service after being told the level of charges
2. Those who exit services on introduction or raising of charges
3. Those who don't come forward at all because of charges

1. While no figures are collected in Scotland to help us gauge how many decline social care services because of charges, this happens in England and we can use this to gain an idea about the likely change in Scotland. In England in 2013 there were 597,085 completed assessments. Of these, 10,910 (2.8%) assessments were concluded with the client declining an offer of service.⁷

While there may be varied reasons for a client declining a service, such as the level of service being deemed inadequate or the wrong type of service being offered, we believe the principle cause for a client declining the offer of service will be charging for a service. No information on actual payments is provided until the end of the assessment. We have used an assumption that 2% of those assessed for support decline the offer of a service because they are asked for a high financial contribution.

In Scotland we estimate 99,400 community care assessments took place (based on a series of FOIs from G Rouk). Using the percentage derived from the English statistics we estimate that there are about 2,000 people in Scotland who would decline services at the point of first contact on the grounds of social care charging.

⁷ <http://www.hscic.gov.uk/catalogue/PUB14397/comm-care-stat-act-eng-2013-14-prov-anxe.xls> (August 2014)

2. Many others may decline a service after a period of time when charges are introduced or increased. This will be particularly acute for “low level” services for which there are no immediate consequences of loss of service.

A 2008 survey “Charging into Poverty?” by the Coalition on Charging in England looked at the impact homecare service charges have on disabled people, older people and carers.⁸

They found that:

- 80% of individual respondents who no longer use care services said charges played a part in the decision to end using services.
- A fifth (22%) of people currently using services suggested they would also stop if charges rise.

In Scotland there is evidence this happens too. In 2010, Falkirk introduced care charges for the first time for home care, day care and other services. They deliberately capped the maximum charge at £23.90, the lowest in Scotland. Yet from 2010 to 2013, there was a 6% fall in clients in home care. Figures for day care are not routinely kept for all client groups, but using figures collected by ESAY, a national learning disability statistical agency, for the same period we can see the equivalent of a 5% drop in day centre use for adults with learning disabilities. The Falkirk example is likely to be at the low end of service exit given that most councils set no maximum cap on the level of care charges.

Again, in 2013, Shetland’s Council reversed its previous policy of not charging for non- residential care services and introduced a wide range of charges. Evidence from a carer’s group suggests that of 600 users of community alarms, 57 (9.5%) stopped using the service following the introduction of a small weekly charge. While some of these service users will have died or moved into residential care, they would normally have been replaced by new clients coming forward. The NET decline is a worrying trend.

There are currently 110,000 users of community alarms in Scotland and a 10% reduction would lead to 11,000 people having declined a service because of the charge. Given the 20% rise in care charges over the last 3 years we expect such figures to be realistic.

3. The introduction of Free Personal Care gives us a prior example to estimate the additional demand that may be generated by ending care charges. Upon introduction there was a rapid increase in the uptake of Free Personal Care but actually a small fall in overall numbers taking Home Care. The numbers claiming Free Personal Care rose from 32,870 in 2003 to 46,740 in 2013 but there was an overall fall of 7,300 in home care clients. Inside these figures was a significant fall in the number of people in the 65-84 age bracket getting home care and a rise in the number over 85 by 6%.

This is close to figures arrived at in early research prior to the introduction of Free Personal Care. Stearns and Butterworth⁹ found that the level of reported unmet need for personal care was no more than 10% and that this would be a useful figure for assessing cost.

⁸ <http://www.disabilityalliance.org/sites/default/files/pdf/chargingintopoverty.pdf>

⁹ Demand for, and utilisation of, personal-care services for the elderly, Sally C. Stearns and Suzanne Butterworth, <http://www.scotland.gov.uk/Resource/Doc/158066/0042752.pdf>

We believe that the reason the increase did not get as high as the originally estimated 10% is that parallel to the introduction of Free Personal Care there had been a tightening of overall eligibility criteria allowing councils to restrict the number entitled to get social care. A strict application of eligibility criteria has increasingly set the bar for those accessing social care at the substantial and critical risk levels. This limits the number of people who are allowed to access services.

If this change had not taken place then it is possible that there would have been an overall rise in the number of clients by 10%. For the purposes of this exercise we will therefore use a figure of 10% for the level of unmet need in services that are currently chargeable.

Total Additional Demand

Under 65s - For the purpose of this exercise we will assume that the ending of social care charges would see a further 10% of users under the age of 65 apply for additional services in the first couple of years. We believe that local authorities will develop new systems to restrict uptake of social care services that will limit further improvements in uptake of care following this period.

Over 65s - We assume that there would be no additional uptake of home care for over 65s as increasingly there is a transfer of care hours already into the Free Personal Care category. We think non-means tested services like community alarms and telecare will see a 10% increase in line with predictions from the Free Personal Care experience.

What would it cost if these people took up services after the abolition of charging?

The first group are those under 65, who will be low level direct support service users whose service is about an average of 3.5 hours per week. There are 33,000 under 65 users of home care, housing support or direct payments. For the purposes of this calculation, an additional 3,300 clients will seek services.

We are assuming that these people will have a range of needs but most will have a low level of need that is currently met or managed by themselves, family or neighbours. For this group we are assuming an average of one half hour of support a day. Some will have less, others more.

The costs for this would be 3.5 hours per week at £12.50 per hour for 3,300 clients making a total of £7,508,000.

Over 65s - The second group are those who do not need direct support but rely on a limited emergency call system such as community alarms or telecare. The costs are more limited. A number of councils have moved towards an "economic" charge for this service at about £4.00 per week.

The costs for this group would be £4 per week for 11,000 clients making a total of £2,288,000

Assuming that there are no adjustments to the eligibility criteria by local authorities, the abolition of care services could see an additional £9.796 million in social care services required.

Item 4 - additional costs if things go wrong for people declining a service.

However people who decline formal support because of charges do not stop needing it, instead they either find other ways of getting it or simply go without. Some of those who do not get formal support will manage while others will see their health or condition deteriorate and require emergency or urgent support later on. These costs are currently borne by both the local authority and NHS in emergency or urgent and therefore often inappropriate placements.

Over 65s - The most critical area for the purpose of this exercise are those who do not take up community alarms or telecare. This service is designed to support those at risk of falls through getting a fast response in the event of a fall. Those connected to the social work department through the provision of service are more likely to be involved in falls prevention clinics.

Results from the West Lothian "Opening Doors for Older People telecare scheme," which was by far the largest in the UK, showed that users remained longer in the community and reduced bed blocking in hospitals to 2.14 per 1,000 population compared to the national average of 3.48 per 1,000 population.¹⁰

Among people aged 64 and older living in the community, 28 to 35 per cent experience a fall each year. The frequency of falls increases with age, with 32 to 42 per cent of those aged 70 and older having a fall each year¹¹.

Scottish Government research looked at 44,000 people who received a telecare service as a result of the national Telecare Development Programme between 2006 and 2011. They found that telecare supported 2,500 (5%) hospital discharges and avoided 8,700 (20%) emergency admissions to hospital and over 3,800 (8%) admissions to care homes over the five years of the project life.¹²

Our figures above suggested that 10%, or 11,000 people, were not currently using community alarms that could benefit from them. Based on the research from the Telecare Development Programme for Scotland we suggest that charging for telecare would have an opposite effect but with smaller effective rates.

- 220 emergency admissions (5 weeks at £4,600 per week = £5,060,000)
- 110 delayed discharges (12 weeks at £1,800 per week = £2,376,000)
- 176 admissions to care homes (52 weeks at £600 per week = £5,491,000)

The English figures, quoted above, on numbers declining service following assessment indicate that 70% of those who do this are over 65. They will decline a range of services as well as telecare. However for the purposes of this paper we will assume that it is the same group and use the estimates of the costs above of declining telecare as a proxy for a more detailed examination of the costs of declining a range of services.

¹⁰ Audit Commission, Implementing Telecare, <http://www3.imperial.ac.uk/pls/portallive/docs/1/40871.PDF>

¹¹ K Horton, Falls in older people: The place of telemonitoring in rehabilitation, Journal of Rehabilitation Research & Development, Volume 45, Number 8, 2008, Pages 1183–1194.

¹² The Scottish Government, A National Telehealth and Telecare Delivery Plan for Scotland to 2015, <http://www.scotland.gov.uk/Resource/0041/00411586.pdf>

Ending social care charges on all social care services for older people would lead to a total saving to local authorities and the NHS of £12.927 million

Under 65s

The English figures quoted above suggest that 30% of those who decline services were in the 18-64 age group and would require differing responses from health and social care services.

Many of those declining services would similarly manage by managing informal support or ignoring increasing challenges in the short term.

In Scotland in 2013 there were 33,000 people under the age of 65 receiving home care, direct payments or housing support. Using the 10% figure that we arrived at above that would mean 3,300 people with a range of issues declining a service due to care charging.

For this group we think there are two indicators for additional costs due to failure of people taking up low cost preventative services.

1. Admission to Residential Care

For all adult groups, this would be related to emergency admissions to care home places following a crisis which could have been prevented by having a low level service in place that was stepped up.

There were 1,431 non-respite admissions for adult groups into care homes in 2013. We take a conservative estimate that just 5% (72) of these were people who refused to take or apply for a service because of the costs associated with it. At an average cost of £800 per week for adult care homes this **would come to £2,995,200 per year.**

2. Admission to Short Term Health Care

For people with mental health issues a key indicator would be related to emergency admissions to NHS mental health units. The Mental Welfare Commission found that intensive home treatment reduced the use of inpatient beds, with fewer admissions and shorter spells in hospital where admission had been necessary. 52% said IHT services helped them to stay out of hospital and 26% said that support with IHT services had contributed towards a shorter hospital stay.¹³ The inverse is also likely to be true. If clients decline low level support then it is likely that they will either require “intensive home treatment” or a period of hospitalisation.

For many people who decline social care services because of charges, the immediate challenge is not a long term breakdown in care but short term problems that require a period of hospitalisation; this may be generated by physical conditions such as UTIs or mental health challenges.

Assuming that 2% (a conservative estimate) of the 3,300 people had a subsequent problem that required short term admission to health care - 22 with mental health issues - 28 with a physical disability – 16 with a learning disability – we can make an estimate of the likely cost of this.

¹³ http://www.mwscot.org.uk/media/124340/intensive_home_treatment_visit_report_2012.pdf

Figures for Northern Ireland suggest that the average length of short term stay in a mental health unit is 46.7 days per stay.¹⁴ At a cost of £260 per night¹⁵ and with 22 people affected per year this would come to £269,000.

For people with physical disability, the average length of stay could be based on the average stay for “Rehabilitation Medicine” which is 38 days. At a cost of £260 per night and with 28 people affected per year this would come to £277,000.

Figures for Scotland suggest that the average length of stay in hospital for a person with a learning disability was 87 days.¹⁶ At a cost of £260 per night and with 16 people affected per year this would come to £362,000.

This means a total for preventative short term admission to hospital of **£907,000**.

These two figures estimate that the current additional cost of younger adults who decline social care service but subsequently need intensive short term support costs is £3.902 million.

The total for both groups of adults is £16.289 million per year.

Conclusion

Scotland Against the Care Tax believes that social care should move from creating dependent clients to sustaining citizenship and empowering people to take an active part in the life of their community. We believe that abolishing charges for non-residential community care is an important step in doing this.

This paper looks at how this critical issue for disabled people in Scotland can be addressed. We have demonstrated that there are significant costs to the current policy of charging disabled and older people for social care that undermines the desire for a more socially just Scotland.

Our calculations show that the cost of abolishing care charges is significantly less than previously believed. It is even possible that there may be a net gain to the Scottish public sector finances if care charges were ended.

Nonetheless, we would want to make it clear. No matter what the costs are for abolishing this unfair and unjust charge, abolished it should be.

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¹⁴ Northern Ireland Hospital Statistics: Mental Health And Learning Disability (2012/13), http://www.dhsspsni.gov.uk/mhld_annual_report_2012-13.pdf

¹⁵ <http://www.holyrood.com/2013/09/working-as-one-2/>

¹⁶ <http://www.isdscotland.org/Health-Topics/Hospital-Care/Inpatient-and-Day-Case-Activity/>