The Health Foundation's supplementary submission to the Health & Social Care Select Committee's inquiry on *Social care: funding and workforce*

September 2020

About the Health Foundation

The Health Foundation is an independent charity committed to bringing about better health and health care for people in the UK. Our aim is a healthier population, supported by high quality health care that can be equitably accessed. We learn what works to make people's lives healthier and improve the health care system. From giving grants to those working at the front line, to carrying out research and policy analysis, we shine a light on how to make successful change happen.

Supplementary submission

This is a supplementary submission to the Health & Social Care Select Committee's inquiry on *social care: funding and workforce*, in response to requests for further evidence from the Committee. This follows our first written submission to the inquiry on 9th June 2020, oral evidence provided by Anita Charlesworth on 9th June 2020, and written supplementary evidence submitted on 25th June 2020[1].

This further supplementary evidence covers:

- Previously published and new estimates of the adult social care funding gap. These are scenarios A–G summarised on pages 1–2, with a detailed methodology set out in Annex A.

- Evidence on the additional policies needed, alongside additional funding, to improve quality and access to social care, and issues including workforce turnover and vacancy rates.

Consistent with our previous evidence to this inquiry, this supplementary analysis highlights the longstanding funding and workforce challenges facing the adult social care system, which

[1] Social care: funding and workforce. Written submissions to the inquiry. Social care: funding and workforce. Written submissions. https://www.health.org.uk/news-and-comment/consultation-responses/social-care-funding-and-workforce-inquiry-response

are currently being compounded by the COVID-19 pandemic. The case for additional funding and reform is compelling and urgent.

Funding scenarios for adult social care

1) Previously modelled scenarios[2]

In June 2020, the Health Foundation published updated estimates of the adult social care funding gap. These estimates illustrate the additional funding required by 2023/24, over and above Health Foundation projections of £20.4bn spending in the base case. The base case represents our estimates of the funding councils could have available for adult social care services up to 2023/24, if no additional funding is provided, based on current national spending plans, local authority spending patterns and estimates of the revenue raising power of local government. This does not account for any one-off funding provided to deal with the COVID-19 pandemic, or any additional costs that may result in the medium or short term.

The additional funding required to meet the funding gap, if delivered, could be used to meet policy objectives such as improved access and quality of care, and improved pay, terms and working conditions of staff. Policy initiatives and reforms are needed to achieve these objectives, as well as additional funding provided by central government.

As described in Annex A, the methodology for calculating the estimated funding gap under Scenarios A–D can be found in a recently published analysis. All estimates are of the additional funding needed in 2023/24, compared to current projections of spending in 2023/24 (see base case description above).

A. Meet demand – in this scenario the additional funding provided keeps up with increases in demand from an ageing population. This would maintain eligibility for publicly funded social care at current levels of asset and needs thresholds. This would cost around **£2.1bn a year by 2023/24.**

All of the estimates of the funding gap that follow (scenarios B–G) include the estimated £2.1bn for meeting demand (scenario A):

B. Increase pay – providing additional funding to increase the pay of the adult social care workforce. This would allow for pay settlements or annual increases in line with previous NHS settlements (see Annex A for more detail). This should improve retention and recruitment, helping to address the vacancy rate which has risen from around 5.5% to 7.8% over the last 6 years, equivalent to 122,000 vacant posts at any one time. This would cost around **£3.9bn a year by 2023/24.**

[2] All funding gap estimates are presented in 2020/21 prices. More detail on scenarios A to D can be found at https://www.health.org.uk/news-and-comment/charts-and-infographics/social-care-funding-gap

C. **Recover peak spending levels –** this scenario sees a return to the peak-level spending seen in 2010/11. This would cost around **£10.0bn a year by 2023/24.**

D. **Recover peak spending levels and increase pay** – in addition to returning to peak spending levels detailed above, this would provide additional funding to increase pay. This would cost around **£12.2bn a year by 2023/24**.[3]

2) <u>New scenarios modelled for this submission (see Annex A for detail)</u>

Scenarios E–G were modelled at the request of the Committee. As mentioned above, all of the following estimates include £2.1bn for meeting demand (scenario A).

E. **Increase care provision –** to increase budgets by 10% would cost around **£4.4bn a year by 2023/24**. This could be used to increase the amount of care people already receive or expanding care to more people (Annex A Table 1 provides estimates).

F. **Provide local authorities with additional funding to pay higher costs for care packages –** for example to cover higher hourly rates for providing domiciliary care, or higher weekly rates for providing residential and nursing care.[4] This is in addition to meeting the growth in demand (as in scenario A) and the funding required would be around **£5.5bn a year by 2023/24.**

G. **Increase care provision and provide funding for higher costs for care packages –** this is a combination of scenarios A, E and F, which would cost around **£7.7bn a year by 2023/24**.

The additional funding under each scenario is summarised in the table below.

Table 1: Funding gap estimates under different scenarios

Scenario	The Funding Gap – Total additional funding required per year by 2023/24
A – Meet demand	£2.1bn
All the following scenarios include the estimated £2.1bn for meeting demand (scenario A)[5]	
B – Increase pay	£3.9bn

[3] Recovering peak spending levels and increasing pay have a compound effect, so the total estimated costs of this scenario are higher than the total estimated costs of either increasing pay (scenario B) or recovering peak spending levels (scenario C)

[4] These are Health Foundation estimates based on our assessment and understanding of the UK Home Care Association minimum costs of domiciliary care. The cost estimates for residential / nursing care are sourced from the Competition and Markets Authority investigation into the care home market. Under this scenario funding could be used to increase pay for staff, cover overheads and increase profits for care providers.

[5] Scenario B is £2.1bn to meet demand and £1.8bn to increase pay; scenario C is £2.1bn to meet demand and £7.9bn for recovering peak spending levels etc.

C – Recover peak spending levels	£10.0bn
D – Recover peak spending levels and increase pay	£12.2bn
E – Increase care provision	£4.4bn
F – Provide local authorities with additional funding to pay higher costs for care packages	£5.5bn
G – Increase care provision and provide funding for higher costs for care packages	£7.7bn

All estimates are in 2020/21 prices. These estimates illustrate the additional funding required by 2023/24 (over and above Health Foundation projections of £20.4bn spending in the base case, i.e. if no additional funding is made available). This does not account for any one-off funding provided to deal with the COVID-19 pandemic or any additional costs that may result in the medium or short-term.

3) Impact of scenarios and recommendations

Additional funding is urgently needed to improve access to care and stabilise and sustain the current means-tested system.[6] This funding can help achieve the objectives set out in the Care Act (2014). The outcomes, which are important to service users, their families, the workforce, and the functioning of the care market can be described as follows[7]:

- **Access to care services -** including formal care packages and prevention. The exact level of unmet need in the population is challenging to determine and there are varying estimates[8]. Engagement as part of the Care Act identified the importance of preventative activities.[9]

- **Workforce resilience -** including numbers, pay and improved terms and conditions. The workforce challenges are wide ranging and there is some evidence of the link between workforce shortages, turnover and quality of care.[10] Additional funding has

[6] https://www.health.org.uk/news-and-comment/blogs/what-should-be-done-to-fix-the-crisis-in-social-care

[7] Extensive stakeholder engagement was undertaken to inform the development of the Care Act. See "Caring For Our Future: reforming care and support - summary of responses to engagement" https://www.gov.uk/government/publications/caring-for-our-future-reforming-care-and-support

[8] See for example Age UK https://www.ageuk.org.uk/latest-press/articles/2019/november/the-number-of-older-people-with-some-unmet-need-for-care-now-stands-at-1.5-million/

[9] See, for example Age UK estimates of unmet need for Adult Social care and IPSOS MORI research https://www.ipsos.com/ipsos-mori/en-uk/unmet-social-care-needs-and-well-being

[10] See Health Foundation submission to Health and Social Care Select Committee inquiry – Social Care Funding and Workforce (June 2020) https://www.health.org.uk/news-and-comment/consultation-responses/social-care-funding-and-workforce-inquiry-response

the potential to support increased pay, increased recruitment and improved terms and conditions for staff.

- **Provider sustainability -** the stability and sustainability of organisations that provide care – such as care and nursing homes – regularly receive media attention. This is because large-scale home closures would cause significant disruption for individuals and their families. Additional funding is important to achieve sustainability; this is clear in the Competition and Markets Authority's conclusion that: 'the current model of service provision cannot be sustained without additional public funding; the parts of the industry that supply primarily LA-funded residents are unlikely to be sustainable at the current rates LAs pay. Significant reforms are needed to enable the sector to grow to meet the expected substantial increase in care needs.'[11]

- **Quality of care** – quality of care matters to service users and stakeholder groups.[12] Contributing factors could include the cleanliness of a care or nursing home, whether people are treated with dignity and respect, and what variety of activities are available to people living in residential homes. A recent survey by Healthwatch found that people want services to meet individual needs and to be safe.[13] According to the Association of Directors of Adult Social Services, the impact of financial savings is wide-ranging.[14]

Achieving these outcomes requires additional reforms to the structure of the adult social care system, alongside extra funding provided by central government. Examples of the additional reforms required are outlined below.

- **As part of any settlement, government and local authority representatives should agree on mechanisms to ensure any new funding made available is added to existing adult social care budgets, e.g. through ringfencing.** Local authorities are currently free to set their own adult social care budgets, and these are not ringfenced. Adult social care funding competes for funds with other locally provided services. These other services are likely to be under significant pressure, both due to long-term reductions in local authority budgets and the pressures resulting from the COVID-19 pandemic. For example, if government provided an additional £7.7bn to local authorities through grant funding (as under scenario G) there are no mechanisms to ensure that this would be added to current spending on adult social care, so that the total would reach £26bn by 2023/24.

- **Government should review the evidence for central interventions to sustain the care market, for example a national care price or standard rate for care as in Scotland.[15] Local authority representatives could propose mechanisms for how higher prices and increased care access could be achieved.** Local authorities

[11] https://www.gov.uk/government/publications/care-homes-market-study-summary-of-final-report/care-homes-market-study-summary-of-final-report
[12] See evidence from reference at footnote 4
[13] Health Watch Briefing (2018) "What do people want from Social Care?" https://www.healthwatch.co.uk/report/2018-09-18/what-do-people-want-social-care
[14] See figure 13, https://www.adass.org.uk/media/7295/adass-budget-survey-report-2019_final.pdf
[15] https://www.careinfoscotland.scot/topics/care-homes/paying-care-home-fees/standard-rates/

commission services from independent providers. Local authorities develop contracts, set prices and determine the amount of care they wish to purchase for their local communities. This heavily influences the behaviour and sustainability of independent care providers. Local decision making ensures services meet the needs of local populations. However, there are no central mechanisms to ensure higher prices are paid or more care is commissioned.

- **Government should assess the potential costs and impacts of a national minimum care wage or sectoral wage boards. Local authorities and adult social care (ASC) providers should propose mechanisms to ensure additional funding leads to more employees and better pay. This could, for example, be achieved through nationally mandated model contracts with guidance on pay, developed by the sector.** The ASC workforce is largely employed by independent providers who determine pay and terms and conditions. Without additional government intervention the structure of the market means there is no guarantee that if local authorities pay higher prices or commission more care this will translate into more staff employed or higher wages.

- **The criteria used by CQC for rating providers should be reviewed,** examining whether more weight should be put on the pay, terms and conditions and training of staff, turnover rates and proportion of staff with appropriate training.

- The government should follow the **Low Pay Commission's recommendations** and take more responsibility for delivering the National Living Wage in social care.

Table 2: Illustrative outcomes achievable under different funding scenarios[16]

Scenario	Outcome			
	Access to care services, including formal care packages and prevention	**Workforce numbers and / or pay**	**Provider Sustainability**	**Quality of care**
A. Meet Demand	Maintain	No impact / ambiguous	No impact / ambiguous	Maintain
B – Increase pay	Maintain	Improve	No impact	Potential to improve
C – Recover peak spending levels	Potential to increase	Potential to improve	Potential to improve	Potential to improve

[16] The potential to achieve these outcomes will depend on how any additional funding is used and the wider reforms put in place to accompany any additional funding. This table helps illustrate what could be achieved under each scenario.

D – Recover peak spending levels and increase pay	Potential to increase	Potential to Improve	Potential to improve	Potential to improve
E – Increase care provision	Increase	Potential to increase	No or little impact	No or little impact
F – Provide local authorities with additional funding to pay higher costs for care packages	Maintain	Potential to increase	Potential to improve	Potential to improve
G – Increase care provision and provide funding costs for care packages	Increase	Potential to increase	Potential to improve	Potential to improve

Annex A – Methodology for calculating funding gap estimates

What this annex covers

The methodology for calculating the estimated funding gap under scenarios A–D can be found in a recently published analysis. In response to questions from the Health and Social Care Select Committee (HSCSC) this annex provides some additional information on the estimates behind scenario B – Increase pay – which are not included in the original publication.

This annex also sets out the detailed methodology for the new scenarios – E–G – which are presented in the main text and were developed in response to a request from the Committee.

Background

These estimates illustrate the additional funding required by 2023/24 (over and above Health Foundation projections of £20.4bn spending in the base case, i.e. if no additional funding is made available). This additional funding could be used to meet policy objectives which include improved access and quality of care, and improved pay, terms and working conditions of staff. Further policy initiatives and reforms are needed to achieve these objectives, as well as additional funding provided by central government. These policy initiatives are detailed in the main text.

As with our recently published analysis, we provide estimates in 2020/21 prices. We have taken into account the commitments made in the March 2020 budget, of additional adult social care funding. We have not factored in the additional one-off funding provided to deal with cost pressures associated with COVID-19 this year. We also have not included in the estimates of the costs associated with the longer-impact of COVID-19 as these are currently too uncertain to quantify. We have described the costs instead in Box 1 of our recent work (they include the potential impacts on local authority budgets, future demand for services, and the number of people eligible for state-funded care).[17] These funding estimates are therefore likely to be a minimum requirement and any additional medium and long-term implications of COVID-19 may require additional funding.

Additional information on Scenario B – increase pay[18]

Scenario B – Increase pay – assumes care workers' pay increases match the NHS pay deal for 2017–20 and continues to increase by similar proportions up to 2023/24. This would mean that the median nominal hourly pay rate for care workers would increase from just less

[17] Some of the government's COVID-19 funding initiatives are outlined in other recent Health Foundation research (this shows, for instance, that of £3.2bn of non-ringfenced funding allocated by central government to local authorities to tackle COVID-19 pressures, £1.25 had been spent by June, including £500m spent on social care).

[18] Provided in response to a question from the Health & Social Care Select Committee's inquiry on *social care: funding and workforce*

than £8 in 2018/19 to £10.81 in 2023/24 (an increase of 36%, which would ensure the median care worker's earnings were above the National Living Wage[19]). As noted in the main text above, additional policies, guidance and enforcement would be required to ensure that all care staff were paid at or above the National Living Wage.

New scenarios

The new social care funding gap scenarios which the Health Foundation has modelled are:

E. Increasing care provision

F. Provide local authorities with additional funding to pay higher costs for care packages – for example to cover higher hourly rates for providing domiciliary care, or higher weekly rates for providing residential and nursing care (referred to in this Annex as "unit costs").[20]

G. Increasing both care provision and the funding available to pay for care packages

Table 1 provides a summary of our estimates of the funding gap[21] relative to estimated baseline increases in spending power up to 2023/24:

- For the scenarios E and G, where care provision increases, we also provide estimates of the increased number of people accessing long term care and the gap in funding per additional person accessing long term care relative to the 'meet demand' scenario (which entailed a funding gap of £2.1bn).

- In the scenario F, where unit costs increase and meet expected demand growth without increasing care provision, the number of people estimated to be accessing long term care is the same as that in the 'meet demand' scenario.

Table 3 and Table 4 in the Appendix provide estimates of the yearly increases in adult social care funding in the three scenarios and the yearly increases in the number of people accessing long term care in scenarios E and G.

[19] See tables 4.1 and 4.2 of supplementary evidence to the Health Select Committee: https://www.health.org.uk/news-and-comment/consultation-responses/social-care-funding-and-workforce-inquiry-response

[20] The term 'unit costs' essentially refers to the costs of providing care per service user (i.e. 'micro' level costs).

[21] The funding gap is additional money that local authorities would need to spend on adult social care, over and above any funding already announced by central government and not accounting for any COVID-19 impacts, and assuming local authorities would otherwise continue to protect adult social care budgets as they have done over the last 10 years.

Table 1: Summary of the estimated adult social care funding gap and the number of service users in the three new scenarios

Scenario	Adult social care funding gap (£bn) relative to baseline increase in spending power up to 2023/24 Uses 2020/21 prices* and 2018/19 as a base year (Column 1)	Increase in the estimated number of people accessing long term care (2018/19 – 2023/24) relative to the 'meet demand' scenario (Column 2)	Funding gap (£) per additional person accessing long term care up to 2023/24 relative to the 'meet demand' scenario Uses 2020/21 prices* and 2018/19 as a base year (Column 1 divided by Column 2)
A – Meeting expected demand growth (previous analysis)	£2.1bn	n/a	n/a
E – Meeting expected demand growth and increasing care provision	£4.4bn	100,000	£43,000
F – Meeting expected demand growth and increasing the funding available for care packages	£5.5bn	0**	n/a
G – Meeting expected demand growth and increasing both care provision and the funding available for care packages	£7.7bn	100,000	£75,000

Source: Health Foundation analysis of publicly available data from NHS Digital, the Personal Social Services Research Unit, the UK Home Care Association and the Competition and Markets Authority * We use the latest Office for Budget Responsibility Economic and Fiscal Outlook estimates of price deflators (March 2020) ** This is 0 as the number of people estimated to be accessing long term care in this scenario is the same as that in the 'meet demand' scenario

Below, we explain our calculations for each scenario in greater detail.

E – Increasing care provision

Scenario Description

Under this scenario, funding would rise to meet the expected growth in demand from an ageing population and to increase the number of care packages by a certain proportion to expand access to long term care and meet any unmet need in the population. The level of unmet need is challenging to quantify so we have set the increase in care packages to 10% to demonstrate the additional funding required in this scenario.

Meeting the expected growth in demand up to 2023/24 would cost around £2.1bn (scenario A). In scenario E, we estimate that if we were to increase care provision by 10% in addition to meeting the expected growth in demand up to 2023/24, the costs would amount to around **£4.4bn** (in 2020/21 prices).

In this scenario, we estimate that the number of people using long term care would rise by nearly 180,000, from around 926,000 in 2018/19 to 1.1m in 2023/24. **Relative to the 'meet demand' scenario (scenario A), we estimate that around 100,000 additional people will receive long term care, at a cost of close to £43,000 per person.**

Modelling approach

1. We use our estimate of aggregate adult social care expenditure in 2018/19 from the 'meet demand' scenario, scenario A (£18.9bn in 2020/21 prices) as a benchmark. Increasing this figure by 10% yields a funding estimate of £20.8bn in 2018/19.

2. We use PSSRU projections of the increases in social care expenditure to estimate growth in the 2018/19 estimate of £20.8bn annually up to 2023/24. This yields a funding estimate of £24.7bn in 2023/24.

3. Relative to baseline projections of growth in social care spending (based on previously announced funding from central government, local authority spending patterns and estimates of the revenue raising powers of local government), this yields a funding gap of around **£4.4bn** in 2020/21 prices.

4. We use NHS Digital data on the number of people who accessed long term care support in 2018/19 to estimate the increase in the number of service users in this scenario. The data suggest that around 850,000 people accessed long term support in 2018/19. We increase this number by 10% and use PSSRU projections of increases in the number of social care service users to estimate that relative to the 'meet demand' scenario (scenario A), around **100,000** additional people will receive long term care between 2018/19–2023/24. This implies a cost of nearly **£43,000 per additional service user**.

F – Providing local authorities with additional funding to pay higher costs for care packages

Scenario description

Under this scenario, funding would rise to meet the expected growth in demand from an ageing population and to cover increased costs of care packages in domiciliary care and residential and nursing care. We use cost estimates provided by the UK Home Care Association (UKHCA) and the Competition and Markets Authority (CMA) to undertake this analysis.

Meeting the expected growth in demand up to 2023/24 would cost around £2.1bn (scenario A). In this second new scenario, the funding required would be around **£5.5bn per year** in 2023/24 (in 2020/21 prices).

While we consider increases in costs of care packages in this scenario, we do not allow for increases in care provision beyond the level required to keep pace with expected demand growth (unlike in scenario E). As a result, **relative to scenario A, we do not expect any additional people to receive long term care up to 2023/24 in this scenario**.

Modelling approach

In this scenario, we begin by estimating the gap between:

a) local authority spending on domiciliary care and residential and nursing care fees; and

b) the funding estimated by the UKHCA and the CMA to be required to cover the costs of care provision in domiciliary care and residential and nursing care.

Having estimated this cost gap, we analyse the extent to which government spending on adult social care would have to increase by up to 2023/24 to address the gap, in addition to keeping pace with projected demand increases.

Domiciliary care

- For the domiciliary care (home care) sector, we use the UK Home Care Association estimates of the 'homecare deficit' as a measure of the gap between the hourly weighted average price paid by local authorities in England for domiciliary care, and the hourly rate that would cover domiciliary care provider operating costs (the UKHCA 'Minimum Price for Homecare') at the statutory National Living Wage (NLW).

- We have calculated the cost gap for each year (Table 2) using the UKHCA data available for 2018/19, 2019/20 and 2020/21. We have used the UKHCA's most recent estimates of the hourly weighted average price paid by councils for domiciliary care (it is worth emphasising that this is an average and that some councils actually pay less, while others pay more than the average). This analysis suggests that the unit cost gap in domiciliary care was 11% in 2018/19 and increased to 15% in 2019/20, rising further

to 22% in 2020/21. For consistency with the rest of our analysis, we do not include estimates of the additional impact of COVID-19 in the 2020/21 unit cost gap.[22]

Table 2: The estimated unit cost gap for the domiciliary care sector in England

Year	Hourly weighted average price paid by LAs in England for domiciliary care (£) (Column 1)	UKHCA Minimum Price for Homecare (£) (Column 2)	Estimated gap in domiciliary care unit costs (%) (Column 2 – Column 1) / Column 1
2018/19	16.19	18.01	11%
2019/20	16.43	18.93	15%
2020/21	16.96	20.73*	22%

Source: The UK Home Care Association estimated the Minimum Price for Homecare in 2020/21 to be £20.69, however after aggregating the estimates for each category of costs (eg gross pay, travel costs, profits etc), we arrive at a rounded estimate of £20.73.

Residential and nursing care

- For residential and nursing care, we use the CMA's market study of care homes (2016). The CMA estimated that the (UK wide) differential between the total costs of residential and nursing care provision and the fees paid by local authorities to care homes was around £1bn ('the total gap between LA fees and the total costs for those LA-funded residents across the UK is in the range of £0.9-1.1 billion').

- The CMA further estimated that this differential amounted to between 10%–15% of the total costs of residential and nursing homes. **We have therefore used the midpoint of this range (12.5%) as an estimate of the unit cost gap for the residential and nursing care sector.**

- We should caveat that the CMA's estimate applies to 2016. To the best of our knowledge, unlike the UKHCA estimates, the CMA estimate has not since been updated, so we have used the 2016 estimate for the period 2018/19–2020/21. Further, it is important to note that the CMA's estimates of care homes' total costs include both capital costs and operating costs, while the UKHCA's domiciliary care costs (referred to above) only cover operating costs. Further, unlike the UKHCA's Minimum Price for Homecare, the CMA's cost calculations do not necessarily fully cover the National

[22] The UKHCA recently estimated that domiciliary care providers face increased costs of around £3.95 per hour due to COVID-19, on account of PPE purchases and cover for staff absence through shielding and self-isolation. For consistency with the rest of our analysis, these costs are not included in our unit cost gap calculations.

Living Wage, although the CMA noted that the National Living Wage had increased cost pressures for care homes and was an important component of overall costs.

Social care funding gap

Having obtained the cost gap estimates for the domiciliary care and residential and nursing care sectors, we proceed to calculate the funding gap for social care:

- We use our estimate of aggregate adult social care expenditure in 2018/19 from the 'meet demand' scenario, scenario A (£18.9bn in 2020/21 prices) as a benchmark.

- We increase the £18.9bn figure by a factor derived from the unit cost gaps for domiciliary care and residential and nursing care (as outlined above), and the proportion of overall gross current expenditure on long term care in England in 2018/19 which each sector accounted for relative to the other sector (based on available NHS Digital data). Specifically, we calculate aggregate social care expenditure in 2018/19 in this scenario to be £21.2bn.

> ***Aggregate expenditure in 2018/19 =***
>
> *Expenditure in the 'meet demand' scenario (scenario A) in 2018/19*
>
> +
>
> *(Estimated unit cost gap for domiciliary care in 2018/19 based on UKHCA data) * (Proportion of 2018/19 long term care expenditure on community domiciliary care and residential and nursing care which is accounted for by community domiciliary care) * (Expenditure in the 'meet demand' scenario (scenario A) in 2018/19)*
>
> +
>
> *(Estimated unit cost gap for residential and nursing care in 2018/19 based on CMA 2016 findings) * (Proportion of 2018/19 long term care expenditure on community domiciliary care and residential and nursing care which is accounted for by residential and nursing care) * (Expenditure in the 'meet demand' scenario (scenario A) in 2018/19)*

- Along similar lines, using the cost gap estimates for 2019/20 and 2020/21, we estimate aggregate expenditure on social care in those years to be £22.2bn and £23.4bn.

- Next, we use PSSRU projections of the increases in social care expenditure to estimate growth in the 2020/21 estimate of £23.4bn annually up to 2023/24. This yields a funding estimate of £25.8bn in 2023/24.

- Relative to baseline projections of growth in social care spending (founded upon current trends in national spending plans, local authority spending patterns and

estimates of the revenue raising powers of local government), this yields a funding gap of around **£5.5bn** in 2020/21 prices.

- While we consider unit cost increases in this scenario, we do not allow for increases in care provision beyond the level required to keep pace with expected demand growth (unlike in scenario E). As a result, **relative to the 'meet demand' scenario (scenario A), we do not expect any additional people to receive long term care up to 2023/24 in this scenario**.

G – Increasing care provision and providing funding for higher costs for care packages

Scenario description

This scenario entails a combination of scenarios E and F. Under this scenario, funding would rise to meet the expected growth in demand from an ageing population and:

- To increase the number of care packages by a certain proportion (which we have currently set at 10%), as in scenario E; and

- To cover higher unit costs of care provision in domiciliary care (home care) and residential and nursing care. As in scenario F, we use cost estimates provided by the UK Home Care Association (UKHCA) and the Competition and Markets Authority (CMA).

Our previous analysis suggested that merely meeting the expected growth in demand up to 2023/24 (the 'meet demand' scenario – scenario A) would cost around £2.1bn. In this third new scenario, we estimate that if we were to increase care provision by 10% *and* to cover the UKHCA and CMA estimated unit costs of providing domiciliary care and residential and nursing care, in addition to meeting the expected growth in demand up to 2023/24, the costs would amount to around **£7.7bn** (in 2020/21 prices).

As in Scenario E, we estimate that the number of people using long term care would rise by nearly 180,000, from around 926,000 in 2018/19 to 1.1m in 2023/24. **Relative to the 'meet demand' scenario (scenario A), we estimate that around 100,000 additional people will receive long term care in this third new scenario, at a cost of around £75,000 per person.**

Modelling approach

- We use our estimate of aggregate adult social care expenditure in 2018/19 from the 'meet demand' scenario, scenario A (£18.9bn in 2020/21 prices) as a benchmark.

- We increase the £18.9bn figure by 10% (as an estimate of increased care provision, following scenario E) *and* by a factor derived from the unit cost gaps for domiciliary, residential and nursing care, and the proportion of overall gross current expenditure on long term care in England in 2018/19 which each sector accounted for relative to the other sector (based on available NHS Digital data), as discussed in scenario F. Specifically, we calculate aggregate social care expenditure in 2018/19 in this scenario to be £23.1bn:

Aggregate expenditure in 2018/19 =

Expenditure in the 'meet demand' scenario (scenario A) in 2018/19

+

*10% * (Expenditure in the 'meet demand' scenario (scenario A) in 2018/19)*

+

*(Estimated unit cost gap for domiciliary care in 2018/19 based on UKHCA data) * (Proportion of 2018/19 long term care expenditure on community domiciliary care and residential and nursing care which is accounted for by community domiciliary care) * (Expenditure in the 'meet demand' scenario (scenario A) in 2018/19)*

+

*(Estimated unit cost gap for residential and nursing care in 2018/19 based on CMA 2016 findings) * (Proportion of 2018/19 long term care expenditure on community domiciliary care and residential and nursing care which is accounted for by residential and nursing care) * (Expenditure in the 'meet demand' scenario (scenario A) in 2018/19)*

- Along similar lines, we estimate aggregate expenditure on social care in 2019/20 and 2020/21 to be £24.1bn and £25.4bn.

- Next, we use PSSRU projections of the increases in social care expenditure to estimate growth in the 2020/21 estimate of £25.4bn annually up to 2023/24. This yields a funding estimate of £28.1bn in 2023/24.

- Relative to baseline projections of growth in social care spending (founded upon current trends in national spending plans, local authority spending patterns and estimates of the revenue raising powers of local government), this yields a funding gap of around **£7.7bn** in 2020/21 prices.

- As in Scenario E, we use NHS Digital data to estimate the increase in the number of service users in this scenario. The data suggests that around 850,000 people accessed long term support in 2018/19. Following the unit cost gap analysis above, we increase this number in line with the cost gap estimates for domiciliary care and residential and nursing care, accounting for each sector's relative expenditure share relative to the other. We then use PSSRU projections of increases in the number of social care service users to estimate that relative to the 'meet demand' scenario (scenario A), around 100,000 additional people will receive long term care in this scenario between 2018/19 and 2023/24. This implies a cost of around **£75,000 per additional service user**.

Appendix

Table 3: Estimated annual funding required for adult social care in the three new scenarios E–G, 2018/19 – 2023/24 (£bn, 2020/21 prices*)

Year	Baseline projections of increases in adult social care spending power	Meeting expected demand growth and increasing care provision (Scenario E)	Meeting expected demand growth and increasing the unit costs of care (Scenario F)	Meeting expected demand growth and increasing both care provision and the unit costs of care (Scenario G)
2018/19	18.6	20.8	21.2	23.1
2019/20	19.3	21.6	22.2	24.1
2020/21	20.1	22.4	23.4	25.4
2021/22	20.2	23.1	24.2	26.3
2022/23	20.3	23.9	25.0	27.1
2023/24	20.4	24.7	25.8	28.1
Estimated social care funding gap (relative to baseline increase in spending power up to 2023/24)**	**n/a**	**4.4**	**5.5**	**7.7**

Source: Health Foundation analysis of publicly available data from NHS Digital, the PSSRU, the UKHCA and the CMA * We use the latest OBR Economic and Fiscal Outlook estimates of price deflators (March 2020) ** Figures are rounded to the nearest £bn with one decimal point

Table 4: Estimated change in the number of people accessing long term care in the three new scenarios E–G, 2018/19 – 2023/24*

Year	Meeting expected demand growth (Scenario A)	Meeting expected demand growth and increasing care provision (Scenario E)	Meeting expected demand growth and increasing the unit costs of care (Scenario F)	Meeting expected demand growth and increasing both care provision and the unit costs of care (Scenario G)
2018/19	842,000	926,000	842,000	926,000
2019/20	874,000	961,000	874,000	961,000
2020/21	907,000	998,000	907,000	998,000
2021/22	938,000	1,031,000	938,000	1,031,000
2022/23	969,000	1,066,000	969,000	1,066,000
2023/24	1,002,000	1,102,000	1,002,000	1,102,000
Additional number of people accessing long term care (relative to the 'meet demand' scenario)	**n/a**	**100,000**	**0**	**100,000**
Funding gap (£) per additional person accessing long term care**	**n/a**	**£43,000**	**n/a**	**£75,000**

Source: Health Foundation analysis of publicly available data from NHS Digital and the PSSRU

* Numbers are rounded to the nearest '000 ** Figures are rounded to the nearest £000