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# Social Care Working Party update: what will be the shape of long-term care insurance?

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# Content

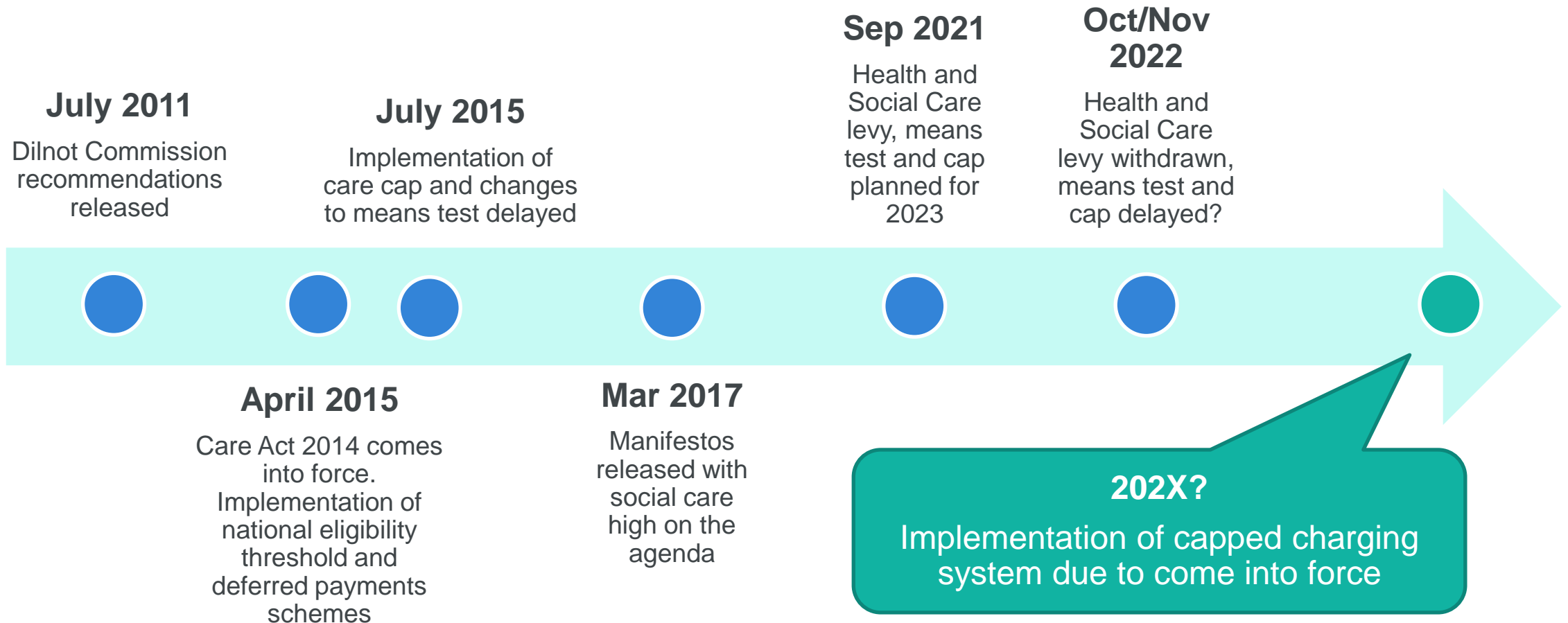
1. Intro to the working party and scope of research
2. What are the planned changes to the care system
3. The working party engagements:
  - Scotland's Alzheimer's Society consultation
  - Department of Health and Social Care consultation response
  - Association of Directors of Adult Social Services (ADASS)
  - The IFoA policy position on parties' manifesto
4. Bupa paper
5. Feasibility of using data to design long-term care insurance product

# Social Care Working Party - introduction

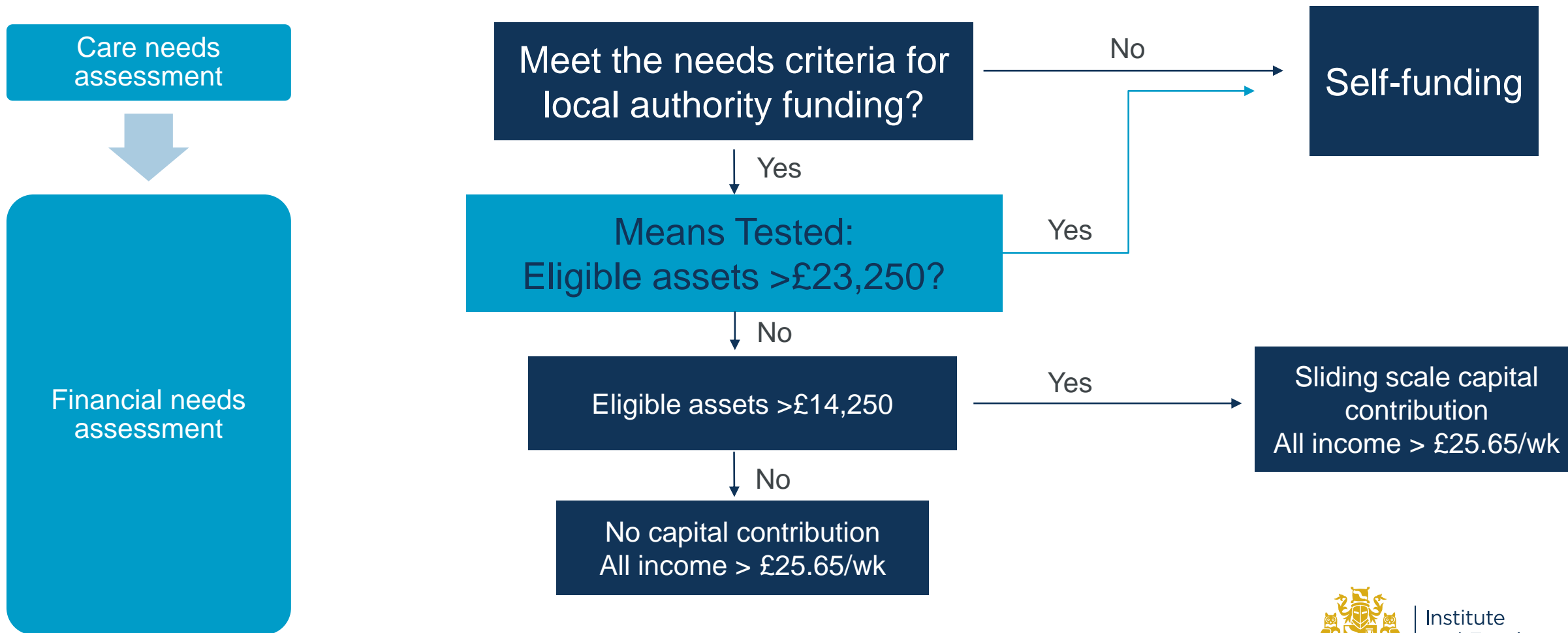
- Scope of working party
  - Engagement with different stakeholder to ensure that the Actuaries are part of the conversation in developing a solution
  - Data availability and feasibility of using the data to design products that could meet long-term care needs
- 7 members



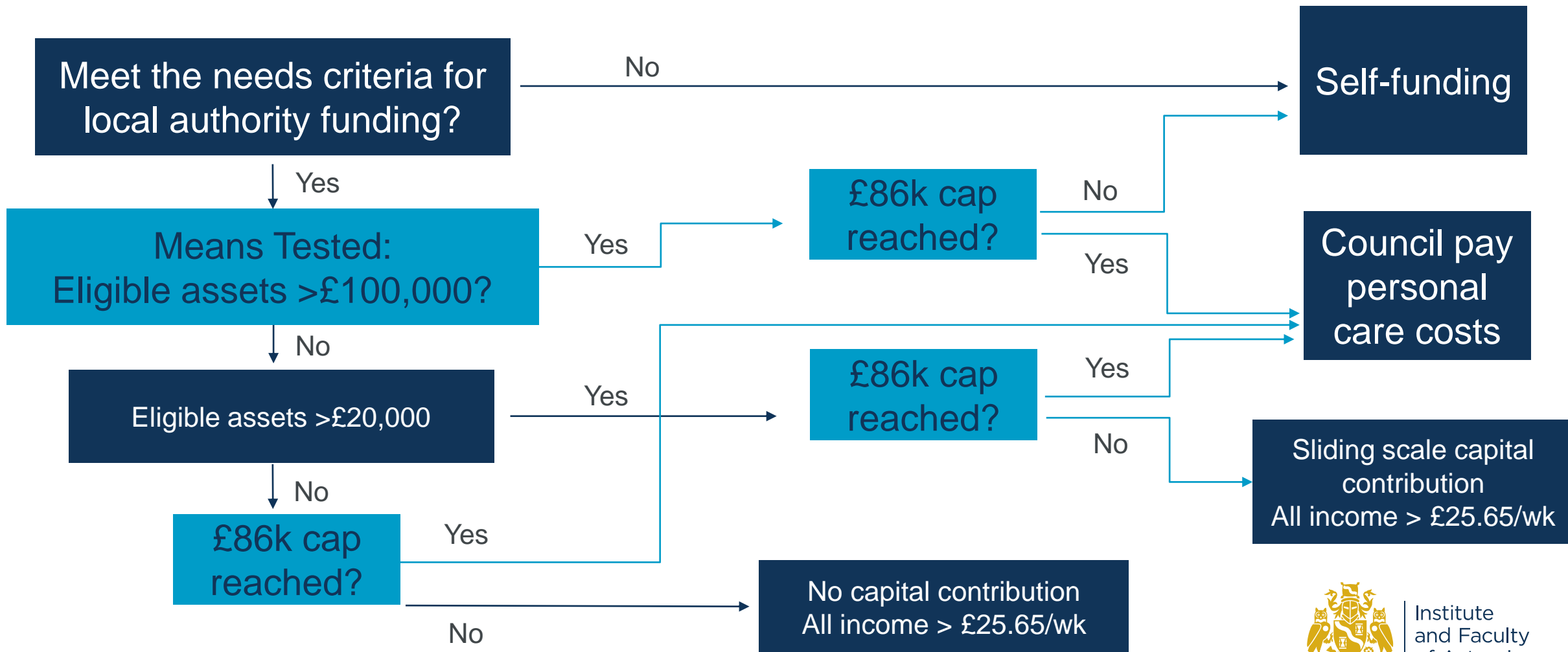
# The political timeline (so far)



# What are the costs of long-term care and who pays - current?

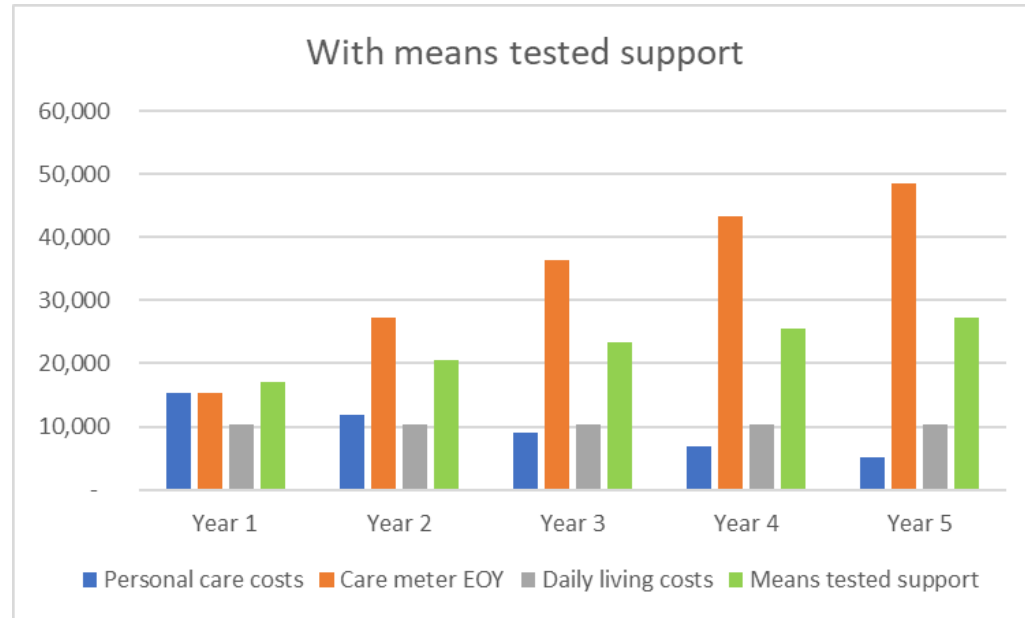
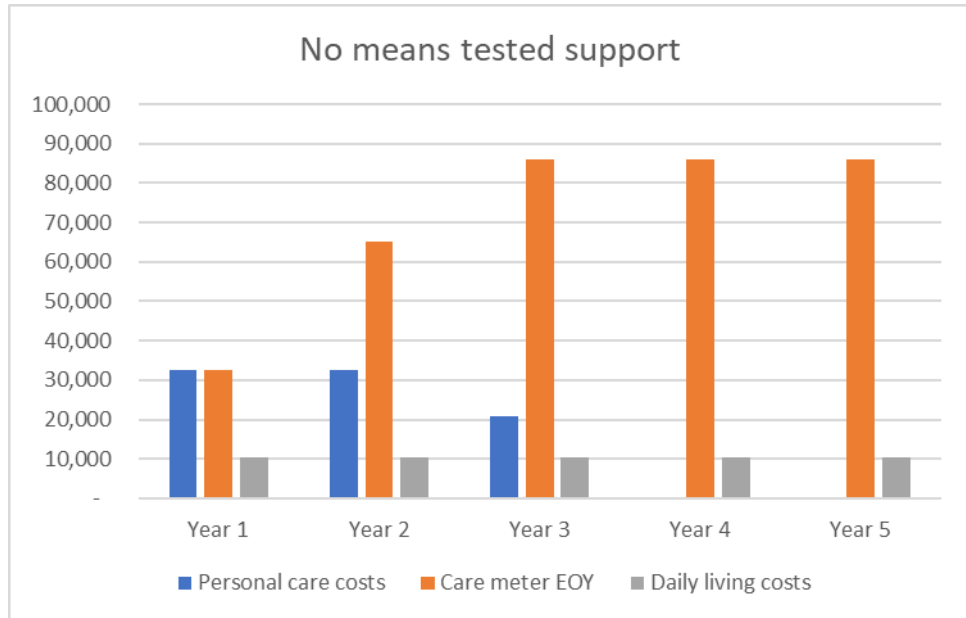


# What are the costs of long-term care and who pays - future?



# Care cap case studies

- A person enters residential care - fees of £42,952 p.a. and income of £10,436 p.a., inflation effects removed:
  - Case 1 - They have over £500k in assets => don't qualify for means tested support
  - Case 2 – They have £100k in assets => qualify for means tested support



# Care cap case studies (2)

- How is means test contribution calculated?

Assets	£100,000
Upper means test threshold (A)	£100,000
Lower means test threshold (B)	£20,000
Annual tariff income (C)	$16,698 = (A-B)/250 * (\text{Number of weeks in year})$
Income (D)	£10,436
Personal expense allowance (E)	£1,338
<b>Means test contribution</b>	<b>£25,795 = C+D-E</b>







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# Engagement with Stakeholders

24 June 2024

# PPI-ABI Social Care Roundtable

- 9 February 2023

## Some of the discussion points

- The reform supports the market by increasing awareness amongst the public that care is costly/ not NHS
- Government looking to insurance solutions to reduce government costs.
- Lack of clarity and LA variation on what is an eligible care need. Insured need clarity when the insurer will pay out.
- Insurers could introduce products in the market now without the reforms. The cap on care cost is useful for tail risk but introduces complexity/ intergenerational fairness issues.
- Creating demand is the important thing, then insurance solutions will follow.



# Articles and blogs



<https://www.theactuary.com/2023/04/08/uk-social-care-reforms-when-they-eventually-come-will-they-help-anyway>



<https://www.theactuary.com/2023/10/05/age-old-questions-six-countries-differing-approaches-social-care>



<https://blog.actuaries.org.uk/challenges-implementing-insurance-based-solution-meeting-cost-care-england/>



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# Meeting with NHS England – digitising social care

- 12 April 2023

## Meeting agenda

- Experience in how care needs assessments are carried out by social workers
- Experience of how financial needs assessments are performed
- Conflicts between the above two (i.e. not necessarily the same team and variance between Local Authorities)
- General overview of the digitising social care programme: outcomes, timelines, and barriers (e.g. workforce)



# Alzheimer's Society - Scotland

- January 2024
- Chaired by the Right Honourable Henry McLeish, former First Minister and Alzheimer Scotland Ambassador, the main purpose of this discussion is to explore two key areas of emerging policy and practice and to seek advice and views from experienced actuarial professionals on what Alzheimer Scotland should be considering in terms of potential policy recommendations.
  - The first area sits within our Long Term Care Commission, and we wish to consider the current and future potential for individuals to insure themselves against the risk of long-term care costs. Considering what barriers there might be to this, what future opportunities there are in this area and what type of policy recommendations would be beneficial.
  - The second area we wish to seek advice on are the implications for individual life assurance as a consequence of the advent of new blood-based biomarkers that offer the opportunity for individuals to receive a prodromal diagnosis of Alzheimer's Disease in advance of any symptoms developing.



# Alzheimer's Society – Scotland: our discussion points

- Considerations for traditional life cover
- Challenges with NHS and PMI
- Longevity risk management options
- Pre-funded LTC products for dementia-related care
- SCWP, ABI and Alzheimer's Scotland call about the impact of blood-based biomarker testing on access to insurance.
  - The ABI (Rebecca Ward, William Meredew) seem interested to support discuss this further.
  - There is an opportunity for the IFoA to collaborate with the ABI on this to try and develop a position that makes it clear for individuals if participation in a medical trial impacts access to insurance and/or insurance premiums.
  - Ideally, there would be clear guidance that subject to some financial limits – the results or information revealed as part of a medical trial cannot be used in the underwriting/pricing of insurance.
  - This is broader than just Alzheimer's – there are other conditions that could be impacted by this (I'm not sure what).



# Department of Health and Social Care (DHSC)

Currently the **Adult Social Care data** are published as a cross-sectional snapshot. This makes modelling transition rates in independence, different care need level, and care homes unattainable. Therefore, publishing data that isn't currently available that **enables actuarial modelling of transition rates and probabilities using multiple state models**.\*

The **ONS publishes national life tables** and mortality data, however these are not tailored to understand the **difference in mortality experience** between different groups as they transition between different social care need state. Would be helpful to have **actuarial tables** published that **enable multiple state modelling**, allowing for differences between care setting and funding status (self funder, state funded, mix funding). \*\*

\*Would need to be anonymised data collected on a cohort basis showing the progression of the cohort through the different levels of care need (e.g. healthy to moderate; moderate to medium; medium to high (own home); medium to high (care home);...transition from care need to death too)

\*\* assessment of potential impacts of preventative policy measures and/or the development of insurance products to help consumers make private provision. Similarly it could enable state provided insurance to be priced accurately.

## Summary



DHSC are seeking views on health and social care statistical outputs published by DHSC (including OHID), NHSBSA, UKHSA, ONS and NHS England.



This consultation closes at 11:59pm on 5 March 2024



Info: <https://www.gov.uk/government/consultations/health-and-social-care-statistical-outputs>



Response link: <https://consultations.dhsc.gov.uk/en/655c86986154bd088509c158>



# Association of Directors of Adult Social Services (ADASS)



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# Social care in party manifestos

## LibDem pre-manifesto For a Fair Deal (Autumn Conference 2023)

- Ensure no one has to sell their home to pay for care by introducing free personal care based on the model introduced by the Liberal Democrats in government in Scotland in 2002\*
- Hire more social care staff, provide training and advancement, and pay them a higher wage by introducing a Carer's Minimum Wage.
- Increase Carer's Allowance so that unpaid carers have the support they so desperately need.
- Introduce a statutory guarantee of regular respite breaks for unpaid carers

(\*Introduced during the Lib-Lab coalition in Scotland so both parties take credit)

## SNP

- Social care is devolved but the Party is expected to call for increase in health spending. Ahead of March's Spring Budget, the SNP called for a £15bn increase which would have generated an extra £1.5bn for the Scottish Government through the Barnett formula.

## Conservative

- The Government postponed the introduction of a cap on social care costs to October 2025. A National Audit Office report last year revealed that the DHSC had disbanded the programme board responsible for the reform; stakeholders said the department would have to have started preparing councils in the summer of 2023 for implementation by October 2025.

## Labour

- Wes Streeting said Labour has "got to set out the plan for the funding of social care" but declined to give a cast iron commitment that it will be in the party's general election manifesto.
- The shadow health secretary was asked repeatedly if Labour will set out in its manifesto a detailed plan for how social care should be paid for.
- He told the BBC Radio 4 Today programme: "We will certainly have more to say about that in the not too distant future..."
- Asked again if it will be in the manifesto, he said: "We will have social care in our manifesto."
- Asked again on the specific funding issue, Mr Streeting said: "In direct answer to your question, I think you just set out plainly there why we failed over more than a decade now, yes, we have got to set out the plan for the funding of social care...I would hope that the next Labour government won't just provide an answer to the immediate crisis in social care but will set out a long-term direction for investment and reform that can command consensus across the divide and can last for generations, as we did on the NHS in 1948."



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# IFoA policy position

Social care position notes/briefing note – policymakers need to take action on social care policy and implement sustainable change.

- Governments should do more to educate the wider public on social care costs both to the individual and the state. This enables individuals to budget appropriately and to have a more informed voice in future models of social care funding;
- A range of different funding mechanisms could be appropriate for the UK
- Of critical importance is the need to take action on social care policy and implement sustainable change after more than a decade of policy stagnation and constant delay in implementing policy changes.



# Bupa paper

- This paper analyses the duration of care and the mortality of residents of Bupa care homes in Britain over the period 2016 to 2019. By presenting mortality rates and care durations for various resident profiles.
- The paper is organised as follows:
  - Description the data used in the analysis,
  - Analysis of the duration or length of stay for those residents who died over the period 2016-2019
  - Analysis of the mortality experience of Bupa residents over the same period.



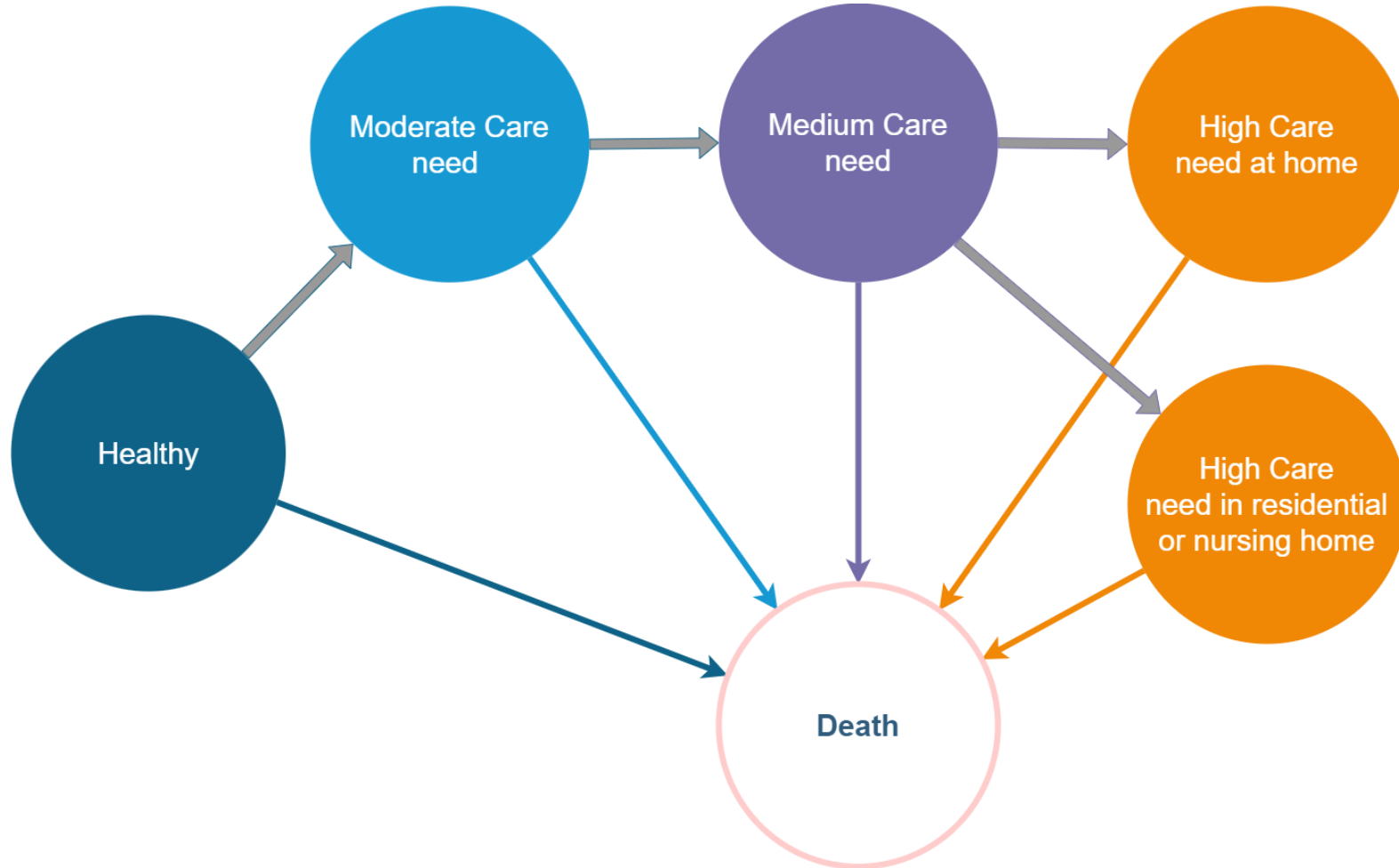


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# Designing Long-term care insurance product

Is it feasible?

# Multi-state model

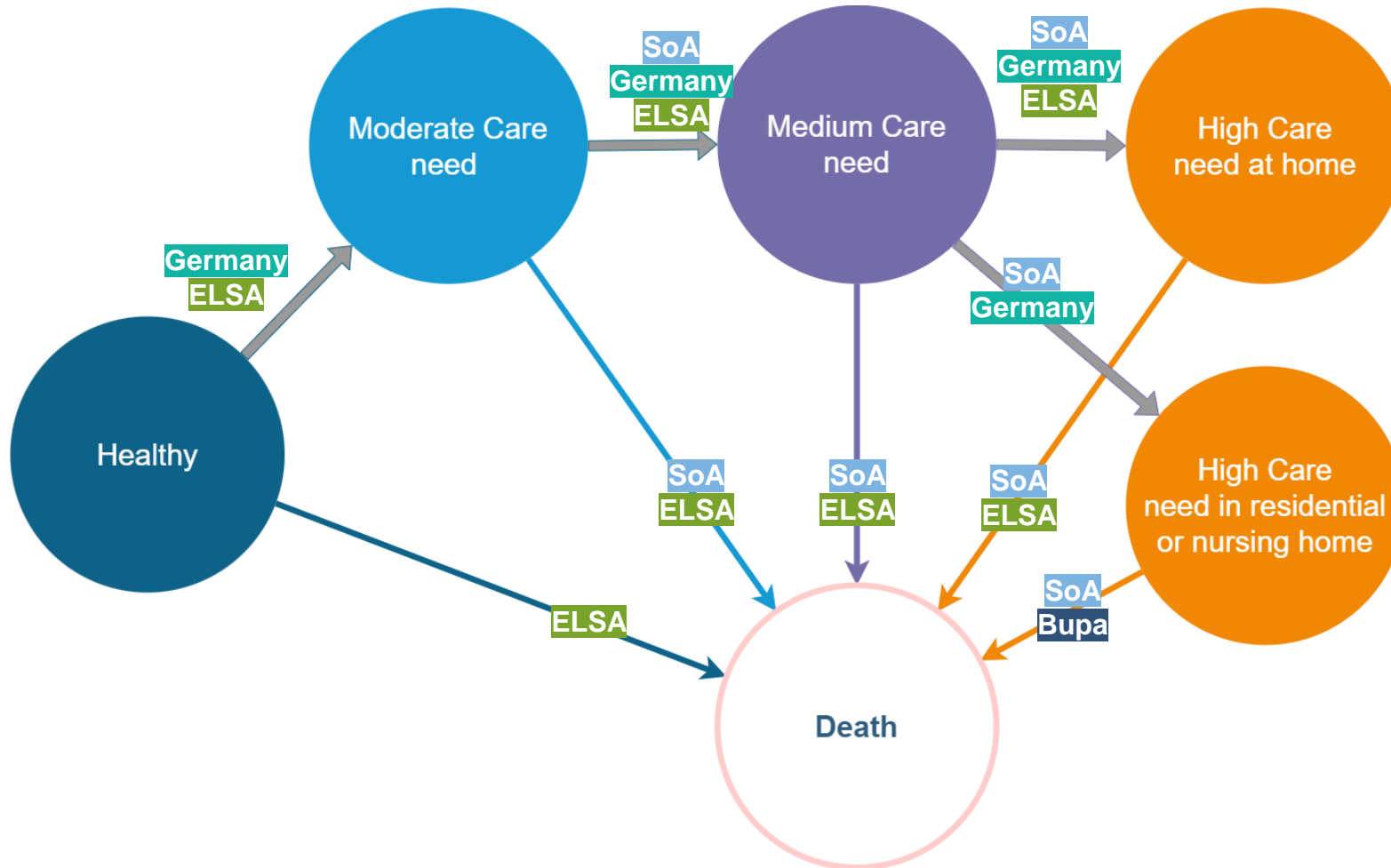


# Data sources

- Society of Actuaries
- Germany
- English Longitudinal Study of Ageing (ELSA)
- Bupa paper



# Comparison of data sources



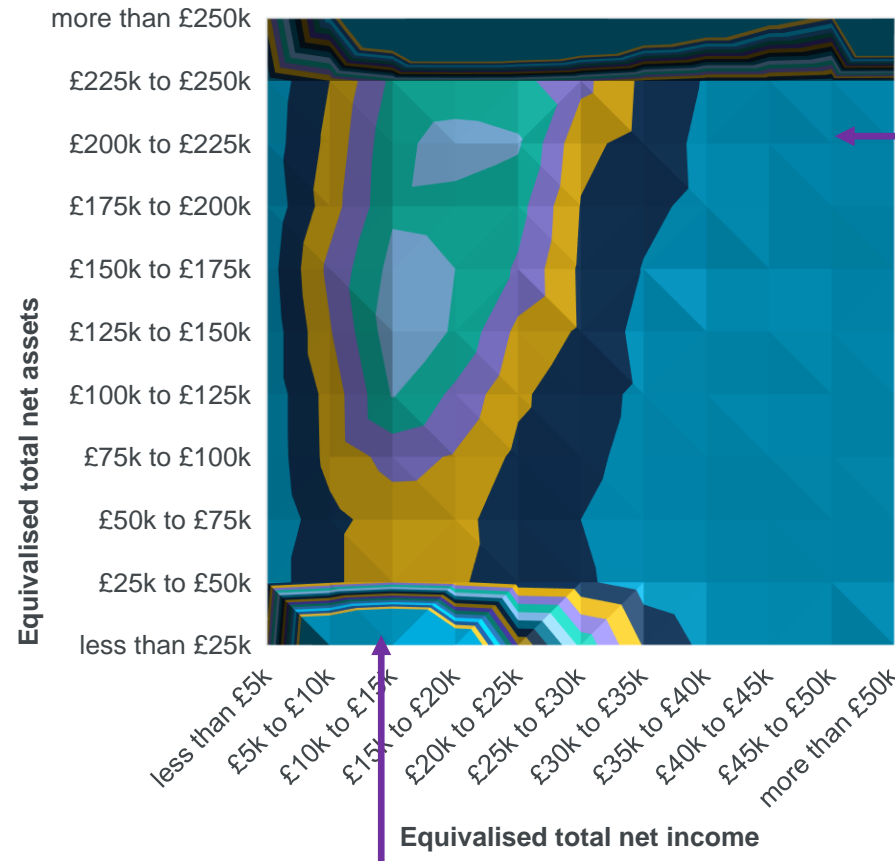
	Age	Gender	Marital status
SoA	✓	✓	✓
Germany	✓	✗	✗
ELSA	✓	✓	✓
Bupa	✓	✓	✗

- ✓ Transition rates are available in all states
- ✓ Transition rates are available in all states except death
- ✓ No age groups for healthy to moderate care
- ✗ No data available



# Population dynamics

## Assets-Income contour map for Age 65+



Median assets of £250,000 for those 65+ reducing to £200,000 for those age 85+

- Polarised results driven by home ownership
- Relatively high proportion of asset-rich homeowners
- Total net income clustered around £15k-£23k p.a.

Median income of £20,000 for those 65+, reducing to £15,000 for those age 85+

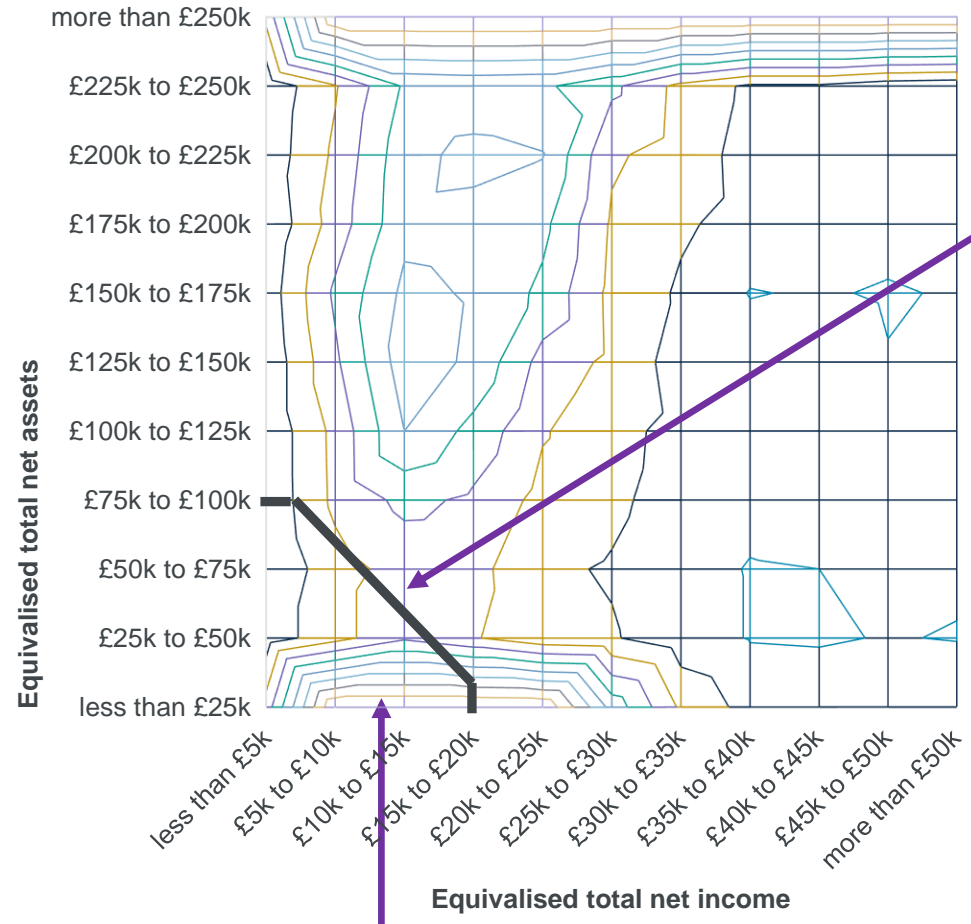


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# Means-test

## Assets-Income contour map for Age 65+



Proposed means-test boundary

- Means-test financial assessment usually covers: earnings, pensions, benefits, savings and property

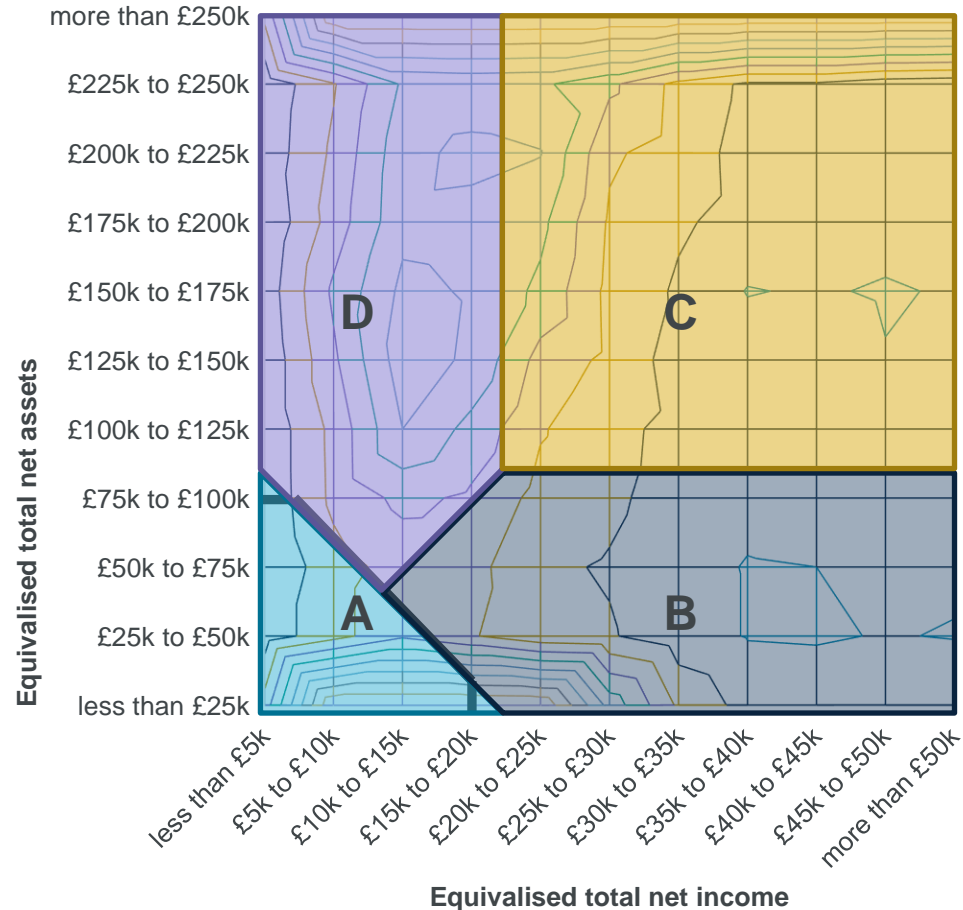
17% of older people qualify for means-tested financial support



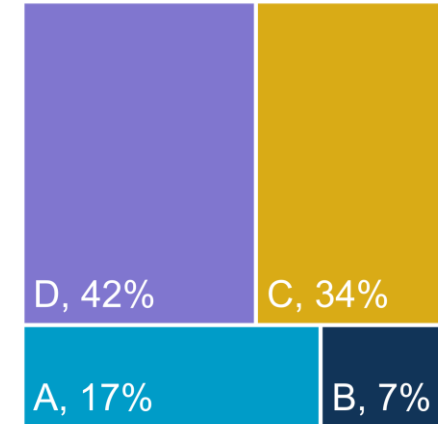
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# Market segments

## Assets-Income contour map for Age 65+



Proportion of the population in each group



- A. Do nothing
- B. Actively look for financial product, with regular payments
- C. self funding or a single premium product
- D. Housing equity



# Source of funding



Rent your home



Deferred Payment Scheme with local authorities



Pension income



Downsizing



Capital



# Questions

# Comments

Expressions of individual views by members of the Institute and Faculty of Actuaries and its staff are encouraged.

The views expressed in this presentation are those of the presenter.



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