



Projections of long term care expenditure

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This Note summarises the latest projections of expenditure on long-term care services for older people in England to 2041 derived from the University of Kent's Personal Social Services Research Unit (PSSRU) model.¹ The model has previously been used to provide projections for the Royal Commission on Long Term Care,² the Department of Health and the Joseph Rowntree Foundation.³

Under the central base case, the key findings of the PSSRU report are that:

- The numbers of functionally disabled older people in England are projected to double from approximately 2.3 million in 2003 to approximately 4.6 million in 2041;
- To keep pace with these demographic pressures, assuming unchanged rates of functional disability, residential and nursing home places would need to expand by around 115% and numbers of hours of home care by around 100%;
- The numbers of staff working in social care for older people would need to increase by around 110% between 2002 and 2041 to provide this increased level of services;
- Long term care expenditure would need to rise by around 325% in real terms between 2002 and 2041 to meet demographic pressures and allow for real rises in care costs of 2% per year for both social care and health care; and
- Long term care expenditure would need to increase from 1.4% of GDP in 2002 to 2.6% in 2041 to meet demographic pressures, assuming annual increases in GDP in line with HM Treasury assumptions.

¹ PSSRU, *Future demand for long-term care, 2002 to 2041: Projections of demand for older people in England*, 2006: <http://www.pssru.ac.uk/pdf/dp2330.pdf>

² Royal Commission on Long Term Care (1999), *With Respect to Old Age: Long Term Care – Rights and Responsibilities*, March 1999: <http://www.royal-commission-elderly.gov.uk/>

³ Joseph Rowntree Foundation, *Future demand for long-term care in the UK: A summary of projections of long-term care finance for older people to 2051*, September 2004: <http://www.jrf.org.uk/knowledge/findings/socialcare/944.asp>

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A. Central case assumptions

The PSSRU model does not forecast future policies or future patterns of care, but makes projections based on specific assumptions about future trends in key factors influencing demand for care. The base case projections take account of expected changes in factors external to long term care policy, such as demographic trends, but hold constant policy related factors, such as patterns of care and the funding system.

The key assumptions of the central case are:

- The number of people by age, gender and marital status changes in line with the Government Actuary's Department 2004-based population projections and 2003-based marital status projections (GAD, 2005);
- The ratio of single people living alone to single people living with their children or with others, and of married people living with partner only to married people living with partner and others, remains constant;
- Rates of functional disability by age and gender remain unchanged, as reported in the 2001 General Household Survey (GHS) for Great Britain;
- Home-ownership rates change in line with projections produced by the University of Essex;
- The proportions of older people receiving informal care, formal community care services, residential care services and disability benefits remain constant for each sub-group by age, functional disability and other needs-related characteristics;
- Health and social care unit costs rise by 2% per year in real terms (but non-staff revenue costs are assumed to remain constant in real terms). Real GDP rises in line with HM Treasury assumptions; and
- The supply of formal care will adjust to match demand, and demand will be no more constrained by supply in the future than in 2002, the base year.

B. Central case projections

The appended Table 1 details the base case projections. It shows that numbers of older people are projected to increase by 80%, from 7.9 million in 2002 to 14.2 million in 2041. Over the same period, numbers of older people with some disability are projected to double, from 2.3 million to 4.6 million.

The model projects that numbers of disabled older people receiving informal care in households will increase by 95%, from 1.7 million to 3.3 million. Numbers of users of non-residential services are also projected to rise by 95%, from 1.5 million to 3.0 million. Numbers of people in institutions are projected to increase by 115%, from 0.3 million to 0.7 million.

Total long-term care expenditure is projected to rise from £13.0 billion in 2002 to £55.6 billion in 2041 – an increase of 325%. Chart 1 shows that this represents an increase from 1.4% of GDP to 2.6% of GDP. Public expenditure is projected to rise from 0.9% of GDP to 1.6% of GDP. Private expenditure is projected to rise from 0.5% of GDP to 1.0% of GDP.

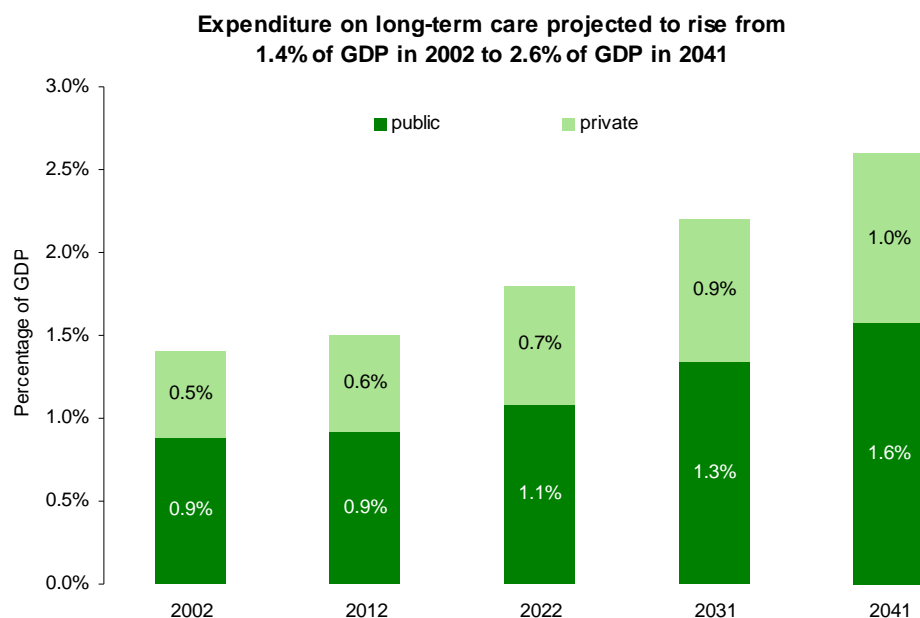


Chart 1: Projected expenditure on long-term care in England as a percentage of GDP: 2002-2042

Source: PSSRU, *Future demand for long-term care, 2002 to 2041: Projections of demand for older people in England, 2006*

C. Sensitivity analysis

As discussed, the PSSRU report details projections based on specific assumptions. Changes to any of these assumptions therefore produce different projections. The full report explores the potential impact of a number of different scenarios, and finds that:

- Future long-term care demand is sensitive to the projected numbers of older people: under variant GAD population projections projected expenditure would be around 0.3% of GDP above or below the base case projection for 2041;
- Future demand is also sensitive to trends in disability rates: under a compression of morbidity scenario projected expenditure would be 1.90% of GDP in 2041, compared with 2.63% under constant disability rates;
- Future long-term care expenditure is highly sensitive to assumed rises in unit costs of care: under a variant that assumes that there will be a 0.5% greater increase in unit costs than the HM Treasury assumes will be the rise in average earnings, projected expenditure would be 3.16% of GDP in 2041;
- A decline in the availability of informal care could have a substantial impact on demand for formal services depending on the size of the decline and the extent to which residential care was required to substitute for informal care;

- A policy of increasing support to the most heavily burdened carers by providing domiciliary services on a 'carer-blind' basis would result in projected expenditure 0.1% of GDP above that estimated for the base case; and
- A policy of providing an entitlement to an average package of home care for all moderately/severely disabled older people would benefit considerable numbers of disabled older people but would have substantial financial consequences. Expenditure would increase to 3.25% of GDP in 2041, as compared to 2.63% under the base case.

D. Annex

Table 1: Projected numbers of older people, service recipients and expenditure under base case assumptions: England 2002 to 2041

	2002	2012	2022	2031	2041	Growth 2002 2041
Numbers of older people (aged 65 or more) (000s)	7,890	9,040	10,790	12,790	14,160	80%
Numbers of people aged 85 or more (000s)	960	1,220	1,580	2,140	2,770	190%
Numbers of older people (000s)						
with some disability	2,340	2,670	3,270	3,990	4,640	100%
severely disabled	580	670	830	1,020	1,190	105%
Numbers of disabled people with (000s)						
informal care (in households)	1,710	1,950	2,380	2,900	3,340	95%
informal care from spouse/partner (in households)	640	740	900	1,180	1,340	110%
informal care from (adult) child (in households)	670	750	920	1,050	1,230	83%
Numbers of users of (000s)						
local authority home helps services	340	380	470	580	680	100%
community nursing services	430	490	600	760	890	110%
private domestic help	820	960	1,180	1,420	1,630	100%
any non-residential service ¹	1,520	1,730	2,130	2,550	2,960	95%
Numbers of people in (000s)						
residential care homes	200	230	280	3,960	440	115%
nursing homes	120	140	170	220	260	115%
institutions	340	390	480	600	730	115%
Long-term care expenditure (£billion)						
public	8.2	10.9	15.9	23.5	33.7	310%
private ²	4.8	6.9	10.4	15.1	21.8	350%
total	13.0	17.8	26.4	38.6	55.6	325%
Long-term care expenditure as a percentage of GDP						
public	0.9%	0.9%	1.1%	1.3%	1.6%	80%
private	0.5%	0.6%	0.7%	0.9%	1.0%	100%
total	1.4%	1.5%	1.8%	2.2%	2.6%	90%

Note: ¹ Local authority home care, district nursing, day centre care, meals of private domestic help.

² Includes user fees for local authority arranged services and out-of-pocket payments for privately purchased services.

Source: PSSRU, *Future demand for long-term care, 2002 to 2041: Projections of demand for older people in England*, 2006, p14