

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

IMPLEMENTATION OF APPROVED RATE OF LONG-TERM CARE CO-PAYMENT

The States are asked to decide:-

Whether, after consideration of the Policy Letter entitled “Implementation of approved rate of Long-term Care co-payment”, dated 8th February, 2021, they are of the opinion:-

1. To agree that the Long-term Care co-payment is increased from £229.37 to £242.06 per week from 5th July, 2021.
2. To direct the preparation of such legislation as may be necessary to give effect to the above decision.

The above Propositions have been submitted to Her Majesty’s Procureur for advice on any legal or constitutional implications in accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees.

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The Presiding Officer
States of Guernsey
Royal Court House
St Peter Port

8th February, 2021

Dear Sir

1. Executive summary

- 1.1. On 19th August, 2020, the States debated a Policy Letter from the Committee *for* Employment & Social Security ('the Committee') entitled 'Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme'¹ ('the August 2020 Policy Letter'). This set out a package of proposals intended to address some very significant challenges facing the Long-term Care Insurance Scheme in Guernsey.
- 1.2. One of these challenges was to address the financial sustainability of the care home sector, with the very real risk that several care homes would be forced to close if income was not increased. It was acknowledged that the minimum amount paid for a bed under the Long-term Care Insurance Scheme was too low to sustain the market. In order to address this, the States agreed that the grants paid from the Long-term Care Insurance Fund to care homes, and the co-payment paid by individuals towards the costs of their accommodation, daily living costs, and care, needed to increase. Following this debate, the weekly co-payment was increased by £20.00 per week from £209.37 to £229.37 with effect from 5th October, 2020.
- 1.3. The States also resolved to increase the co-payment further to £280.00 per week by January 2023. Having considered this timeframe, the Committee has set out in this Policy Letter a proposal for the next incremental increase in the rate of the co-payment towards that target of £280.00. The Committee

¹ Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme ([Billet d'État XVI of 2020, Article V](#)).

recommends increasing the co-payment to £242.06 per week from 5th July, 2021. This next step takes into account the financial challenges faced by the care home sector, while recognising the impact of the proposal on States' expenditure in the short-term.

- 1.4. This Policy Letter does not make recommendations beyond July, 2021. The Committee has deemed it more appropriate to consider medium-term proposals as part of the annual process of uprating benefit rates, which will take place in the autumn of 2021 and 2022.

2. Background

- 2.1. The Long-term Care Insurance Scheme ('the Scheme') was launched in 2003, and since this time, has supported islanders in need of residential or nursing care. The Scheme was intended to insure islanders against the risk that they would face significant personal costs if they needed care later in life; and to encourage investment in the private care market, which at the time, was considered to be supplying too few beds to meet demand. The Scheme is funded by the Long-term Care Insurance Fund ('the Fund'), which is financed from Social Security contributions and the Fund's investment income.
- 2.2. Eligibility for benefit is based on the following criteria:
- Residency test: an individual must have lived in the Bailiwick for at least five years in their life and the 12 months immediately prior to accessing Long-term Care;
 - Care needs: an individual must have been assessed as having Long-term Care needs by a Needs Assessment Panel, for either residential or nursing care
 - Accommodation: an individual must secure a bed in a registered nursing or residential home
 - Co-payment: an individual must make a minimum weekly contribution, known as the 'co-payment', towards the cost of their accommodation and care. This is a standard rate that applies to all residents in private long-term residential and nursing care. Anyone who cannot afford to pay the co-payment is assisted through Income Support. Some homes also charge additional fees or top-ups, which the individual is required to fund themselves.
- 2.3. In 2016, following consideration of the Supported Living and Ageing Well Strategy², the States resolved to agree in principle that the Fund should be

² Supported Living and Ageing Well Strategy ([Billet d'État III of 2016, Volume II, Article XIV](#)).

used to meet the costs of care and support only, and that individuals should pay for their accommodation and daily living costs.

- 2.4. The 2018 annual accounts for Guernsey and Alderney care homes were analysed using a recognised benchmarking toolkit³ devised by health and community care analysts LaingBuisson⁴, in conjunction with the Joseph Rowntree Foundation. This showed that the estimated cost of living expenses and accommodation would be £280.00 per week when inflated to 2020 values. The benchmark is constructed assuming homes need to make a market return on their investment in order for provision to be sustainable in the long-term, and for there to be an incentive for providers to invest in the market. Further information regarding the benchmarking results from the analysis of care home costs is provided in section 6 and Appendix 5 of the August 2020 Policy Letter.
- 2.5. The August 2020 Policy Letter explained that the Committee considered that, in order to ensure stability in the care home market and encourage investment, the total States rate (i.e. the sum of the benefit rate and the co-payment) should reflect the mid-point of the benchmark derived through the LaingBuisson analysis. The Committee sought, through the Propositions set out in the August 2020 Policy Letter, to achieve this over a two year period by increasing both the benefit level and the co-payment.
- 2.6. Given the financial pressure facing care homes and the real risk to some not-for-profit homes in particular, the Committee sought an immediate increase in the benefit rates and the rate of the co-payment. Following consideration of the August 2020 Policy Letter, the States resolved, amongst other things, to increase the Long-term Care benefit and co-payment to the weekly rates set out in Table 1 overleaf, with effect from 5th October, 2020. The States approved the draft Ordinance entitled the Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2020 to bring these new rates into effect.

³ The LaingBuisson toolkit is a market standard toolkit used for calculating a fair market price for care.

⁴ LaingBuisson is a leading healthcare business intelligence provider and is the chosen provider of independent sector health care market data to the UK Government's Office for National Statistics. In 2018, LaingBuisson was awarded the contract by the UK Department of Health and Social Care to review the NHS-funded Nursing Care Rate in England.

Table 1 – Weekly rates of the Long-term Care benefit and co-payment

Type of benefit or co-payment	Weekly rate from 5 th October 2020	Weekly rate prior to 5 th October 2020
Residential care benefit	£521.00	£463.89
Residential - dementia (Elderly mentally infirm)	£681.00	£611.24
Nursing care benefit	£940.00	£866.11
Residential care respite benefit	£750.37	£673.26
Residential - dementia (EMI) respite benefit	£910.37	£820.61
Nursing care respite benefit	£1,169.37	£1,075.45
Co-payment	£229.37	£209.37

- 2.7. The States noted that formula-led expenditure on Income Support would increase by £40,000 in 2020 as a result of the increase in the co-payment.
- 2.8. The States also agreed that the co-payment should be further increased, over a two year period, to £280.00 per week from January 2023, in line with estimates for the cost of providing ‘living and accommodation’ services indicated by the LaingBuisson analysis. Combined, these measures will bring the States rate above the benchmark floor in October 2020 and transition this to the benchmark mid-point by January 2023.
- 2.9. The August 2020 Policy Letter did not make a recommendation for how the co-payment would be increased to £280.00 per week over the two year period. This Policy Letter is recommending the next step towards the benchmark mid-point, to take effect from 5th July, 2021.

3. Next stage of the increase in the co-payment

- 3.1. The current rate of the co-payment is £229.37 per week. This is £50.63 short of the target rate of £280.00 per week. Given that the target date of January 2023 is almost two years away, the Committee has considered that it would be appropriate to increase the co-payment by roughly equal amounts every six months in January and July each year, until the target of £280.00 per week is reached in January 2023. This will require four incremental increases of £12.66 per week, plus inflation for the January increases.
- 3.2. Based on this, the rate of the co-payment would be £242.03 per week from July 2021. However, Long-term Care benefit rates need to be divisible by seven, as the benefit is calculated on a daily rate, which is paid weekly on a Monday. Therefore, the rate is adjusted to the nearest amount that is divisible by seven. The Committee therefore proposes that the rate of the co-payment is increased to £242.06 per week from 5th July, 2021.

- 3.3. The Committee is only proposing the phased increase for July 2021 in this Policy Letter, as an adjustment to the target weekly rate of £280.00 will need to be made to account for inflation, in accordance with the proposed uprating percentage for Long-term Care benefits for 2022 and 2023. Table 2 below shows the approximate increases to the weekly rate of the co-payment, prior to inflation being added, for illustration purposes only.

Table 2 – Approximate weekly co-payment rate to January 2023

Date rates will be effective from	Current, proposed and approximate future weekly co-payments (before inflation is applied)
Current co-payment	£229.37
5 th July 2021	£242.06
3 rd January 2022	£255.00
4 th July 2022	£267.00
2 nd January 2023	£280.00

4. Financial impact

- 4.1. Paragraphs 5.11 and 5.13 of the August 2020 Policy Letter noted that increasing the co-payment, so that individuals were responsible for meeting (in broad terms) their own living and accommodation costs would have knock-on effects on the Income Support Scheme and would transfer a portion of the 'saving' made by the Long-term Care Insurance Fund to General Revenue expenditure. It was noted that the percentage of pensioners who would qualify for Income Support to assist with the payment of their co-payment was expected to increase from 30% (2020 level, prior to the £20 increase in the co-payment which took effect from 5th October, 2020) to between 40% and 45%, thereby increasing the cost of providing Income Support.
- 4.2. Paragraph 5.14 of the August 2020 Policy Letter stated:
- “...Increasing the minimum co-payment from £209 to £280 a week would reduce the [Long-term Care Insurance] Fund expenditure in 2022 by an estimated £1.8m a year but could increase the cost of providing Income Support by between £0.7m and £1.1m a year (at 2020 prices).”
- 4.3. It is estimated that the proposed increase in the co-payment from 5th July, 2021 would add £70,000 to Income Support formula-led expenditure in 2021. The August 2020 Policy Letter noted that a number of people who will qualify for Income Support are likely to be homeowners who are asset rich, but cash poor. That Policy Letter included a proposal for an equity release scheme which would have enabled them to release a modest portion of the equity in their property to pay for their Long-term Care co-payment. This scheme

would have enabled such pensioners to avoid the need to apply for Income Support, and consequently, the cost to the taxpayer would have been less. That proposal was not approved by the former States.

- 4.4. It is important to note, however, that the net financial impact to the States of Guernsey of increasing the co-payment is positive. Expenditure from the Long-term Care Insurance Fund will reduce by significantly more than the amount that General Revenue expenditure will increase by.

5. Compliance with Rule 4 of the Rules of Procedure

- 5.1. In accordance with Rule 4(1) of the Rules of Procedure of the States of Deliberation and their Committees, the Propositions have been submitted to Her Majesty's Procureur for advice on any legal or constitutional implications.
- 5.2. In accordance with Rule 4(3), an estimate of the financial implications to the States of carrying this proposal into effect is set out in this Policy Letter.
- 5.3. In accordance with Rule 4(4) of the Rules of Procedure of the States of Deliberation and their Committees, it is confirmed that the Propositions have the unanimous support of the Committee.
- 5.4. In accordance with Rule 4(5), the Propositions relate to the Committee's mandated responsibilities for Long-term Care Insurance, and the Committee's purpose. The Committee has also considered the need to consult with other bodies. It was deemed that consultation was not necessary on this occasion because full consultation took place during the development of the policy proposals set out in the August 2020 Policy Letter.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
J A B Gollop

M R Thompson
Non-States Member

R J Le Brun
Non-States Member