

A response to the Barker Commission on the Future of Health and Social Care in England

Who we are...

The Intergenerational Foundation (www.if.org.uk) is a think tank which researches fairness between the generations in the UK, in order to protect the interests of younger and future generations, who are at risk of being ignored by current policy-makers.

Our response...

The Intergenerational Foundation (IF) is grateful for being given the opportunity to contribute to the Barker Commission on the Future of Health and Social Care in England. IF is fully aware that attempting to redesign England's health and social care systems to deal with the challenges of our ageing population confronts us with many difficult questions for which there are no straightforward answers.

However, IF is in broad agreement with the Commission on two points: firstly, we agree that the current system is inadequate to deal with the health and social care needs of our ageing population, and failure to reform it will lead to worsening health and inequity for people of all ages; secondly, we agree that the solution proposed by the commission – “a single ring-fenced budget for health and social care, which is singly commissioned and within which entitlements are much more closely aligned” – is likely to deliver the best outcome for the users of health and social care services and society as a whole.

We would like to restrict our response to the Interim Report to making three broad points about the importance of ensuring intergenerational equity in the new system:

1. Intergenerational Equity

IF feels the debate needs to be expanded in that so far too little attention has been given to the issue of intergenerational equity. This is a significant omission, because the Commission's interim report itself includes figures which acknowledge the fact that publicly funding health and social care largely represents a transfer of resources from younger taxpayers to the older generation. Therefore, intergenerational fairness needs to be considered when making the difficult decisions about how much public support from the state individuals should be entitled to, and how much they should be expected to provide for themselves.

There is no doubt that older people are the biggest immediate beneficiaries of the NHS. The Interim Report reveals that the last time the relevant data was collected, in 2003/04, the over-65s accounted for 16% of the population but consumed 43% of the public money spent on hospital and community services; other evidence shows that in 2012/13 people who were over state pension age were responsible for almost half of all “finished consultant episodes” that were conducted on the NHS (p.11).

The Interim Report demonstrates that the current system for funding the NHS is especially inequitable in intergenerational terms. This is because – as Figure B1 (p.58) demonstrates – the contribution made towards funding the NHS by National Insurance contributions is nearly at an all-time high, while the

amount of funding generated by charges on service users is at more or less an all-time low. Therefore, younger workers are bearing a disproportionately heavy burden to fund the health system, while older patients are currently paying less in the form of direct charges than they would have done in previous decades (part of the explanation for this is the blanket exemption from prescription charge which is given to all over-60s).

Although public spending on social care is more evenly distributed by age – the Interim Report shows that slightly less than half is consumed by the under-65s (p.12) – this may partly reflect the fact that younger people with lifelong disabilities are less likely to have accumulated enough assets to make them ineligible for local authority-funded care than older people who have been able to live and work normally for most of their lives before they reach old age.

Roughly half of all care home residents have to meet the full cost of their care themselves, and there are likely to be millions of other older people with care needs who do not currently receive any support from professional carers, relying on volunteers and informal carers instead. The Interim Report estimates that total private spending on social care is currently valued at over £12 billion, while attempts to quantify the value of the services provided by informal carers have estimated that they could be worth as much as £119 billion (p.45). Therefore, reforms to the system which would bring the cost of providing old-age care for all those who do not currently receive any help from the state onto the public sector balance sheet would tip the balance of spending heavily in favour of older people – raising profound questions of intergenerational justice.

2. How should we fund the new health and social care system in a way which is fair to all generations?

From an intergenerational point of view, the key issue is finding a fair method of sharing the costs of paying for rising longevity between the individual and the state (i.e. between elderly patients and younger taxpayers). Some commentators might argue that the burden borne by younger taxpayers is unimportant because the health service is largely funded out of general taxation – so each generation of workers meets the cost of the previous generation's healthcare in the expectation that a subsequent generation will fund the same service for them. However, the rising cost of providing health and social care for the baby boomer generation means that, even if this arrangement proves to be sustainable, it is likely to leave today's working-age generation bearing a disproportionate burden compared to their counterparts in previous eras, who had a much smaller number of older people to fund services for.

As the Commission has previously acknowledged, there is also a strong argument that today's older generation should meet a larger share of the costs of their own longevity because they are set to enjoy both unprecedented life expectancy and much higher levels of affluence than any previous retired cohort (p.58). Average pensioner incomes have grown much faster than average earnings over the past two decades, and many pensioners have benefited from the enormous growth in asset wealth (especially house prices) which has taken place in recent years. There is also a strong and widely-acknowledged relationship between wealth and average life expectancy in the UK, which means that passing too much of the burden of paying for our ageing population on to the general taxpayer would be socially regressive.

The Intergenerational Foundation does not have a detailed proposal for how a new funding system should work. However, we would like to argue strongly that the fairest guiding principle for

determining entitlements to services under the new system should be **need**, rather than age or any other personal characteristics. This means we believe that all health and social care should be free at the point of use to the greatest possible extent for those on low incomes, while we would also advocate the withdrawal of purely age-related entitlements which exist within the current system, such as the exemption from paying prescription charges which is currently extended to everyone above the age of 60. The Interim Report estimates that restricting this entitlement to those receiving the pension credit could save £1.5 billion a year (p.46); so removing all such blanket entitlements which are needs-blind would also generate some additional revenue.

Conversely, we do not see any overwhelming reason why those with the greatest ability to pay for either health care or social care should have their wealth protected by the state, as this goes against every principle of redistributive justice. However it may be preferable for the state to fund someone's immediate needs in the short term in return for reclaiming the money from their estate after they have passed away, in order to reduce the emotional distress involved and to prevent people from being rushed into making important financial decisions. The universal deferred payment scheme proposed by Andrew Dilnot would be a possible model for achieving this.

3. How can we protect future generations?

IF is also concerned with protecting future generations, who cannot argue their own case in the here and now, from being burdened with the negative outcomes of decisions which we make today. A particular area of our work focuses on government pension liabilities, which are largely unfunded – meaning no money is being put aside to pay for them – as it is expected that our children and grandchildren will be willing to pick up the bill for us instead.

This issue is relevant to the Barker Commission's work because the realisation of the Commission's vision of a joint health and social care system is likely to involve creating a merged organisation which will have a vast number of employees. The Interim Report estimates that the NHS and social care services currently employ around 3 million paid workers between them (p.20), so a combined service would presumably require a similar figure, even if the need for some jobs could be eliminated by the merger.

Under the present arrangements there is a crucial difference between the pension arrangements of people employed in the health and social care sectors. The NHS pension scheme, like most other public sector pension schemes, is currently unfunded and has liabilities that are officially estimated at over £284 billion¹ – over twice the total amount the government spends on health and social care in a given year – which no money has been put aside to cover. By contrast, most workers in the social care sector are local authority employees, which means that they belong to their local branch of the Local Government Pension Scheme; unlike all the other major public sector pension schemes this is funded and has total assets of roughly £180 billion.²

The creation of a major new public sector health and social care institution would present a golden opportunity to reform the current pension arrangements of workers in the healthcare sector, which are iniquitous to future generations, by creating a new public sector pension scheme along similar

¹ Record, Neil [The £600 Billion Question](#) London: Intergenerational Foundation

² Johnson, Michael ["We do not need 80% of active management"](#) *Centre for Policy Studies Blog* 12 May 2014

lines to the Local Government Pension Scheme that would be fully-funded from the very beginning. This, in turn, would be likely to exert pressure on other branches of the public sector to replace their unfunded pension arrangements with actual funds, creating a virtuous circle for younger and future generations.

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For more information about the Intergenerational Foundation and its work, please visit www.if.org.uk or contact Liz Emerson, Co-Founder, at liz@intergenerational.org.uk.