P.2024/114

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

THE NEED TO STABILISE THE PRIVATE CARE HOME MARKET AND INCENTIVISE GROWTH TO MEET DEMAND

The States are asked to decide:

Whether, after consideration of the Policy Letter entitled 'The Need to Stabilise the Private Care Home Market and Incentivise Growth to Meet Demand', dated 19th December 2024, they are of the opinion:

1. To agree that there is an urgent need to stabilise the private care home market and to incentivise growth in order to meet the imminent and future projected demand.

2. To agree that the sum of the co-payment and the rates of care benefit (i.e. the standard rates) be increased to the mid-point of the LaingBuisson analysis, as set out in section 4 of the Policy Letter, with effect from 7th July 2025 (subject to annual uprating), conditional on States approval of the rates to apply from January and July of each year.

3. To agree that the co-payment be increased from £342.02 per week (rate to apply from 6th January 2025) to £514.00 per week (2025 terms) over a five-year phasing in period, as set out in Table 4.1 of the Policy Letter (subject to annual uprating); this being in line with the mid-point of the cost of providing 'living and accommodation' services indicated by the LaingBuisson analysis, conditional on States approval of the rates to apply from January and July of each year.

4. To note that it is estimated that the phased increase in the co-payment will increase income support formula-led expenditure by an estimated £0.1m in 2025, £0.6m in 2026, £1.0m in 2027, £1.4m in 2028, £1.7m in 2029 and £2.0m in 2030, as set out in Table 4.2.

5. To set the weekly long-term care benefit at the rates set out below, from 7th July 2025:

    a) £818.00 per week residential care benefit for persons resident in a residential home;

    b) £976.00 per week elderly mentally infirm (EMI) benefit for qualifying persons in a residential home; and

c) £1,332 per week nursing care benefit for persons resident in a nursing home or the Guernsey Cheshire Home.

6. To set the co-payment required to be made by the claimant of long-term care benefit, under the Long-term Care Insurance Scheme at £361.00 per week, from 7th July 2025.

7. To set the weekly respite care benefit at the rates set out below, from 7th July 2025:

a) £1,179.00 per week for persons receiving respite care in a residential home;

b) £1,337.00 per week elderly mentally infirm (EMI) rate for persons receiving respite care in a residential home; and

c) £1,693 per week for persons receiving respite care in a nursing home or the Guernsey Cheshire Home.

8. To agree a policy of Guernsey RPIX plus 1% for future uprating of care benefit, and the co-payment, under the Long-term Care Insurance Scheme, with effect from 5th January 2026.

9. To agree to amend one of the conditions of entitlement to long-term care benefit and respite care benefit relating to residency from five years' continuous residency at any time to 10 years' aggregate residency as an adult since 1st January 2003, when contributions were first payable to the Fund, as set out in section 6 of the Policy Letter, subject to periods of residency as a child being taken into account for those claiming benefit under age 28, and the transitional arrangements, as both set out in that section, and to give the Committee *for* Employment & Social Security the power to prescribe the transitional arrangements by Regulations.

10. To agree to amend the Long-term Care Insurance (Guernsey) Law, 2002 to make it a condition of entitlement to long-term care benefit (but not respite care benefit) that the person has paid, after making their claim for benefit, and subject to meeting the other eligibility criteria at that time, up to £10,000 of their standard care costs (i.e. excluding the co-payment and additional fees) ('the user care cost contribution'), unless exempt from this requirement, as determined through a financial assessment.

11. To agree the main parameters of the financial assessment in relation to the user care cost contribution, as set out in section 7 of the Policy Letter, and to give the Committee *for* Employment & Social Security the power to prescribe these parameters by Regulation, subject to approval by the States of any such

Regulations which make changes to the types of capital assets taken into account in the assessment.

12. To agree that anti-divestment provisions be included in the long-term care legislation, to address potential avoidance of payment of the user care cost contribution, as detailed in section 7 of the Policy Letter and to agree that the Committee *for* Employment and Social Security would have a power to prescribe such provisions by Regulations.

13. To direct the Policy & Resources Committee, as co-ordinator of SLAWS, to work with the Committee *for* Employment & Social Security and the Committee *for* Health & Social Care to bring proposals for a new Long-Term Care Model, as described in section 3 of the Policy Letter, and its long-term funding, to the States no later than the end of 2026 to address the fact that, in spite of the measures in Propositions 9 to 11, the current Long-Term Care Insurance Scheme and Care Model will remain unsustainable in the medium to longer term.

14. To direct the preparation of such legislation as may be necessary to give effect to the above decisions.

THE STATES OF DELIBERATION
of the
ISLAND OF GUERNSEY

COMMITTEE *FOR* EMPLOYMENT & SOCIAL SECURITY

THE NEED TO STABILISE THE PRIVATE CARE HOME MARKET AND INCENTIVISE GROWTH TO MEET DEMAND

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

19th December 2024

Dear Sir

1. Executive Summary

1.1. The Long-term Care Insurance Scheme ('the Scheme') was launched in 2003. Since this time, it has supported individuals in need of residential, Elderly Mentally Infirm ('EMI') (such as dementia) or nursing care.

1.2. The Scheme was intended to insure residents of Guernsey[1] and Alderney against the risk that they would face significant personal financial costs if they needed care and to encourage investment in the private care home market to meet growing demand. **It is estimated that one in three people will need to make a claim from the Scheme at some point in their lives based on its current scope.**

1.3. The Scheme is funded through the Long-term Care Insurance Fund ('the Fund'), which in turn is financed from social security contributions paid by employed, self-employed and non-employed persons[2] and investment returns generated by the Fund.

1.4. Appendix 1 provides further information in respect of the background to the Scheme and a summary of how it operates. A glossary of terms is provided at Appendix 2.

[1] References to Guernsey in this Policy Letter, also include references to Herm and Jethou.

[2] People are liable to pay social security contributions if they have earnings or income (as appropriate) above the lower earnings or income limit.

1.5. When the Scheme was launched in 2003, it was understood that it would need to be reviewed in 10 to 15 years' time due to the uncertainty associated with undertaking financial projections beyond that time horizon[3].

1.6. The Scheme has now been operating for over 20 years, and it faces a number of significant challenges which include:

- Demand for long-term care beds is increasing due to the ageing population – it is projected to increase by 50% in the next 15 years (from 700 beds in 2023, to approximately 1,050 beds in 2038);
- The standard rate[4] payable for a bed in a care home is not enough to cover the true cost of delivering private bed-based care. The true cost for delivering this care in 2023 terms is between £146 and £181 per week higher (depending on the level of care required) than the standard rate;
- The portion of the standard rate that is paid by individuals receiving care, through the co-payment, is not sufficient to cover their full accommodation and living expenses and requires an increase of between £63 and £247 per week (in 2023 terms) to reach the lower and higher benchmarks;
- The current uprating policy does not reflect the level of increase of the cost of bed-based care which has risen faster than Guernsey RPIX – costs have increased on average by more than 1% above inflation each year since the Scheme's inception in 2003;
- The Scheme may be seen as being too generous due to factors including a shorter residency requirement than Jersey and lack of means testing;
- The Scheme does not make provision for the delivery of care in an individual's own home, nor does it include a complex care benefit rate;
- There is a risk of intergenerational unfairness within the current scheme if no changes are made to ensure the Fund remains sustainable in the long-term; and
- If the necessary changes are agreed to stabilise and incentivise growth in the care home market to meet increasing demand, the Fund will not be financially sustainable in the long-term and further decisions will need to be made to address this early in the next term of government.

1.7. A number of these challenges were identified in 2020[5] and some are worsening at a rapid rate. For example, Figure 3.1 of the Policy Letter illustrates that **demand for bed-based long-term care will outstrip capacity from 2025**. This increase in demand is largely due to our ageing demographic.

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3 Long-term Care Insurance Scheme for Guernsey and Alderney (Billet d'État III of 2001, Article VII).

4 The 'standard rate' is made up of the long-term care benefit a person may receive from the Fund which covers the cost of their care, and a co-payment to be paid by the person receiving care to cover their accommodation and living costs.

5 Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article 5).

1.8. The projections show that a further 132 care beds will be required by 2030, which is equivalent to four average sized care homes. Sufficient time will be required to build, convert, or expand buildings to meet the projected demand. Equally, the cost of delivering long-term care is expensive and increasing annually by more than inflation. **In 2023, costs for bed-based care ranged from £60,000-£85,000 per annum, (depending on level of care required) taking all potential charges into account[6].**

1.9. The Policy & Resources Committee ('P&RC'), the Committee *for* Employment & Social Security ('the Committee') and the Committee *for* Health & Social Care ('HSC') were tasked to take forward the development of a new model of long-term care and its funding this term. However, given the complex and controversial nature of this matter it has not been possible to conclude this larger piece of work this term.

1.10. The analysis and findings of the work to date demonstrated an urgent need to support the care home sector and increase bed-based provision at the earliest opportunity. The pressures on the care home market, such as the global shortages of care workers and high cost of living on the island, have seen more care homes close in recent years than open, at a time when demand is increasing. Therefore, the Committee has developed the proposals set out in this Policy Letter with a view to stabilising and incentivising growth in the private care market.

1.11. It is expected that the future model of long-term care, including the remaining issues to be addressed around the provision of home care, the introduction of a complex care rate, and long-term funding of the Scheme, will be considered holistically further in 2026.

1.12. There have been no new entrants to the private care home market since 2017 and three have closed in recent years with a further one moving into public ownership. If support is not provided to the care home sector to reduce the risk of further care home closures and for it to meet the imminent projected demand, there is a real risk that HSC will have to meet any unmet demand if it can.

1.13. As noted above, HSC has, in the past, taken over responsibility for a private care home at risk of closure (St John's Residential Home), but it cannot be assumed this sets a precedent that would be repeated were another private care home be at risk of closure in future due to the increased pressure on public finances it would cause. Therefore, such scenarios will always need to be reviewed on a case-by-case basis.

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[6] Potential charges include the cost of providing care covered by the long-term care benefit, a person's co-payment towards their accommodation and living costs, as well as any additional charges.

1.14. The capacity on the Princess Elizabeth Hospital campus to meet additional demand for long-term care is extremely limited. If more people with long-term care needs had to be accommodated on the hospital campus it would place further pressure on the whole health and care system and would lead to delayed transfers of care from hospital and longer waiting lists for elective surgery due to reduced bed capacity within the hospital. This would result in significant additional costs to public finances as the total cost of care would be borne by HSC as no benefits are payable from the Fund in respect of individuals receiving care in a HSC setting. Also, **the costs of providing bed-based care on the hospital campus are around £35,000-£40,000 a year higher per person than private care** for various reasons but predominantly because operational overheads are higher. The whole health and social care system is battling increasing costs to provide vital services and being relied upon to provide more bed-based long-term care would further exacerbate the issue. Furthermore, it does not support the Government Work Plan objective of moving to a more sustainable model of health and social care across the whole system.

1.15. The Committee is limited within its mandate as to what levers it can propose be pulled to stabilise and incentivise growth within the private care home market, but it proposes to:

- increase the standard rates payable under the Scheme to equal the true cost of care provision, taking into account the fact that care homes need to make a market return on their investment in order for provision to be sustainable in the long-term;
- increase the co-payment, which is paid by the person receiving care, from £342.02 per week to £514 per week (2025 terms) over a five-year phasing-in period, to better reflect true accommodation and living costs (this is in line with States policy agreed in 2016[7]); and
- set the future uprating policy at Guernsey RPIX +1% as inflation for health and social care is often higher than general inflation. This will ensure the standard rates remains broadly in line with recent increases to incentivise future growth and investment in the private care home market. The uprating policy will be subject to a five yearly review.

1.16. Additional fees are charged by some care homes in respect of some beds to bridge the gap between the current standard rates and the true cost of providing care within their setting. The Committee expects that an increase in the standard rates will lead to an increase in the availability of standard rate beds as care home providers can expect to receive a reasonable return on those beds without the need to charge additional fees at current levels. Financial assistance can be provided through income support on a means-tested basis in respect of the co-payment, although additional fees are not covered through income support.

[7] The Supported Living and Ageing Well Strategy (Billet d'État III of 2016, Volume II).

1.17. The Committee recognised that these proposals will increase expenditure from the Fund and, therefore, is of the view that it would be irresponsible to put forward these proposals without considering a mechanism to reduce the financial impact on the Fund.

1.18. The Committee is not recommending further increases to social security contribution rates as the total amount payable by the working population, when considered in conjunction with income tax, is arguably becoming uncompetitive in comparison to other jurisdictions.

1.19. During the course of this political term alone, social security contributions have increased from 13.2% (combined) for Class 1 (employed persons) and 11% for Class 2 (self-employed persons) in 2020[8] to 14.4% (combined) for Class 1 and 12.2% for Class 2 in 2025.[9] In other words, social security contribution rates for employed and self-employed persons under pensionable age have increased by 1.2% in just five years.[10]

1.20. Instead of further increasing social security contribution rates, **the Committee is proposing the introduction of a user care cost contribution where a person in need of long-term bed-based care will be required to pay up to £10,000 towards the cost of their care, if they can afford to, before being eligible to receive long-term care benefit** (subject to also meeting the other eligibility criteria). For the avoidance of doubt, this amount does not include the co-payment. Depending on the level of care required, once the higher co-payment has been fully implemented, **this equates to the first nine to 15 weeks of a person's care (at 2025 rates). The average duration of bed-based care is between 12 months and 18 months, so benefit will be payable, on average, for the majority of a person's time in care.**

1.21. It is proposed that liability to pay the user care cost contribution will be determined by a financial assessment of capital assets and, if necessary, income. This means that those who can afford to make a contribution towards their care costs will be required to do so (i.e. user-pays).

1.22. It is proposed that £15,000 of capital assets would be disregarded. This is a per person disregard, so in the case of a couple where both members of the couple have made claims for LTC benefit, £30,000 of capital assets would be disregarded in the user care cost contribution financial assessment. **The entire value of a person's principal private residence would be disregarded in the financial**

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8 Contributory benefit and contribution rates for 2020 (Billet d'État XX of 2019, Article 3).

9 Contributory benefit and contribution rates for 2025 (Billet d'État XVIII of 2024, Article 4).

10 Class 3 (non-employed) social security contribution rates have increased from 10.4% for people under pension age and 3.4% for people over pension age in 2020 to 11.6% and 3.8% respectively in 2025.

assessment. In addition, the Committee is also proposing to introduce anti-divestment legislation to ensure the system is fair.

1.23. The introduction of a user care cost contribution means that there would be a reduction in outgoings from the Fund. While this will be a relatively small reduction, it is a step towards improving the Fund's financial position before any wider proposals are considered by the States in 2026. **Should the proposals outlined in sections 4 and 5 be approved, without the introduction of a user care cost contribution, it is projected that the Fund will be exhausted by 2058, which is 27 years earlier than currently projected. If the Committee's proposal to introduce a user care contribution is also approved and implemented, this would add between four and nine years to the lifetime of the Fund, but does not make it financially sustainable in the long-term.**

1.24. The Committee is also proposing to amend one of the residency conditions to be eligible for long-term care benefit from five-years' continuous residency in Guernsey or Alderney at any time to 10-years' aggregate residency as an adult since 1st January 2003 (when contributions were first payable to the Fund), subject to periods of residency as a child being taken into account for those claiming benefit under age 28 and transitional arrangements, as both outlined in section 6. This change is intended to address concerns that five years' residency in Guernsey or Alderney is too short a period to demonstrate a sufficient connection to the islands and potential to have paid contributions towards the Scheme to warrant entitlement to what is a very valuable benefit.

1.25. The Committee is of the view that urgent action needs to be taken to ensure the impact of growing demand for care does not fall solely to HSC, that the care home market is suitably supported to stabilise current provision and to incentivise growth of the sector to help meet this demand, and that the Fund is not exhausted too soon.

2. The Long-term Care Insurance Scheme

2.1 The Scheme was introduced in 2003 to assist people with the cost of receiving care in private nursing and residential homes. Prior to its introduction, individuals who required care in a residential setting faced potentially huge costs associated with paying for care. There was also concern that there were not enough private beds to meet the level of demand, so the Scheme was intended to incentivise growth, which it did.

2.2 Once introduced, the Scheme provided for the Fund to pay a substantial part of an individual's fees in the event that they needed residential or nursing care. The key aims of the Scheme were set out in a 2001 Policy Letter[11] and included:

- pooling the financial risk of needing care throughout the community to protect individuals from a potentially large cost through an insurance-based scheme;
- ensuring a range of available care provision, with an emphasis on choice and maintaining independence;
- making the funding system fair and affordable;
- maintaining flexibility for changes that would be inevitable in a scheme expected to be in place for many years; and
- promoting stability and growth in the private care home market.

2.3 Although much has changed in society and in health and social care provision since the Scheme was introduced, these aims remain paramount to the delivery of an arrangement that adequately meets the needs of the community. Unfortunately, the Scheme, in its current form, is no longer meeting these aims in full. There are a number of issues facing the Scheme that need to be addressed as a matter of urgency in order to ensure that residents of Guernsey and Alderney are able to access the care that they need now and in the future.

3. The Issues

3.1 The issues facing the Scheme are inter-related but can be summarised as follows:

Issue 1 - The **demand for long-term care beds is growing and has almost reached capacity.**

Issue 2 - The **standard rate payable for a bed in a care home is not sufficient to cover the true cost of delivering bed-based care**. As a result, it does not encourage the necessary level of investment to grow provision in order to meet the projected future demand for long-term care beds.

Issue 3 - The **co-payment is not sufficient to cover the full accommodation and living expenses** associated with residing in a care home.

Issue 4 - The future **cost of long-term care is likely to increase at a faster rate than the current uprating policy provides for.**

[11] Long-term Care Insurance Scheme for Guernsey and Alderney (Billet d'État III of 2001, Article VII).

Issue 5 - The **residency criteria to be eligible for a benefit under the Scheme may be seen as being too generous.**

Issue 6 - The Scheme **does not make provision for the delivery of care in an individual's own home, nor does it include a complex care benefit rate.**

Issue 7 - The Fund is **not financially sustainable and its position will worsen if the standard rates are increased and future uprating policy is changed in order to stabilise and incentivise growth in the care home market**.

Issue 8 - **There is a risk of intergenerational unfairness within the current Scheme.**

3.2 Many of these issues were acknowledged and to some extent addressed by the former States' Assembly following consideration of a 2020 Policy Letter entitled 'Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme'[12] ('the 2020 Policy Letter'). However, many of the issues are of a long-term nature and need to be considered alongside other things such as:

- The future affordability of the long-term care model;
- Limitations in supporting people to live independently for longer due to homecare not being included within the Scheme;
- Resilience of the current model;
- How long-term care provision impacts the aims of the Sustainable Health and Care Portfolio (one of government's three strategic portfolios) and the Partnership of Purpose[13] to adapt current delivery models to mitigate increasing demand for long-term care, minimise service risk for the population and transform health and care services to meet future needs.

3.3 There are also a number of wider contextual issues that need to be considered including:

- The World Health Organisation (WHO) has forecast the demand for health workers will increase to 80 million worldwide with a net shortage of around 15 million by 2030[14] which means that Guernsey and Alderney

12 Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article 5).

13 A Partnership of Purpose: Transforming Bailiwick Health and Care (Billet d'État XXIV of 2017, Article 12).

14 Global Health Workforce Labor Market Projections for 2030 | Human Resources for Health | Full Text (biomedcentral.com).

will continue to compete with other jurisdictions for care workers. This puts additional pressure on care providers to offer attractive and competitive packages;
- There is a shortage of appropriate and affordable accommodation for care workers who are recruited from outside of the Bailiwick;
- Difficulty in recruiting and retaining essential non-care workers such as kitchen staff and cleaners;
- The States' financial constraints limiting its ability to invest in care provision; and
- The high cost of construction and land in Guernsey making it harder for private care providers to grow their businesses if the standard rates do not include a fair profit margin.

3.4 As a result, development of a new model of community long-term care that addresses these issues has been a priority under the Government Work Plan since 2022. Work was progressed through the Supported Living and Ageing Well Strategy ('SLAWS') by the Committee, HSC and P&RC, ('the three Committees'). In February 2023, the three Committees agreed that the new model should achieve the following outcomes:

i. The provision of person-centred, dignified care;
ii. Ability for people to live independently, healthily and safely for as long as possible;
iii. Financial sustainability of the Fund;
iv. Improved intergenerational fairness;
v. Affordable, quality care now and in the future; and
vi. Resilience in the provision of long-term care, i.e. the ability to meet the projected future demand.

3.5 Overall, 17 different workstreams were identified and progressed with a view to achieving these outcomes. These included upskilling islanders to address the care worker shortage, legal frameworks to protect consumers, and working more closely with the private care sector. A summary of this work has been published in the 2024 Findings Report[15].

3.6 Following changes in the membership of the P&RC in late 2023, and given the financial implications of any new proposed model of care, it was agreed by a majority of members of the three Committees at that time (noting that the context has now changed) to consider the new long-term care model recommendations holistically alongside the expected tax review early in the next political term.

[15] Findings Report: https://gov.gg/CHttpHandler.ashx?id=183658&p=0

3.7 Nevertheless, recognising the pressing need to stabilise current provision and incentivise growth in the private care home market to meet increasing demand, the Committee is of the view that some changes need to be made urgently to address the issues with long-term care as far as possible within the existing scope of the Scheme.

3.8 This is because without securing current provision and incentivising growth in the private care market, there is a real risk that HSC will be relied on to meet any unmet demand which would place further pressure on the whole health and care system. The additional pressure could result in more delayed discharges from hospital, much longer waiting lists for surgery due to lack of bed capacity, and significant additional costs to individuals and the public finances.

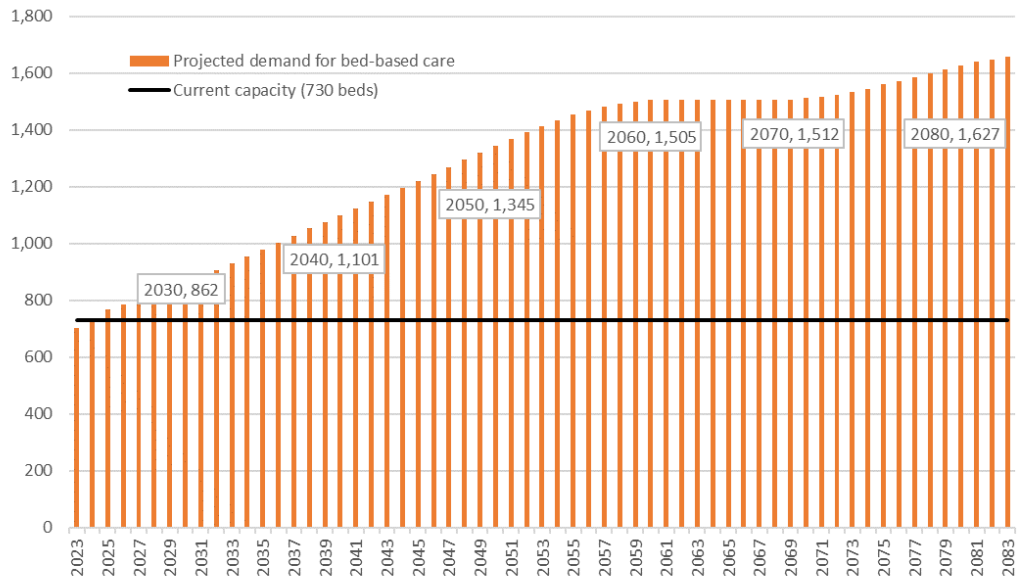
3.9 In summary, this means that not all of the issues identified in paragraph 3.1 are addressed in full under these proposals. Specifically, Issue 6 in relation to the Scheme not including the provision of care in an individual's own home nor a complex care benefit rate, and Issue 7 regarding the long-term sustainability of the Fund will instead be considered early in the next political term. It is recommended that future policy must support both the need to maintain a financially sustainable system and promote the supply of care services needed to meet the sustained increase in modelled demand.

Issue 1: The demand for care beds is growing

3.10 It is well known that the population is ageing in most of the developed world. Older people are generally the biggest users of health and care services, so an older population means an increasing demand for these services. In Guernsey and Alderney, demand for long-term residential and nursing bed-based care is likely to **increase by 50% in the next 15 years** (from 700 beds in 2023, to around 1,050 beds in 2038). While the proportion of the population accessing long-term care each year is relatively small (1.6% of the total population in 2023), the expected growth in demand for care beds is still significant. It is estimated that one in three people will need to make a claim from the Scheme at some point in their lives based on its current scope.

3.11 The projected increase in the number of highly dependent adults is expected to drive a significant increase in the demand for long-term care beds, as shown in Figure 3.1 overleaf.

Figure 3.1 - Projected demand for bed-based long-term care



3.12 Figure 3.1 also illustrates that demand for bed-based long-term care is projected to outstrip capacity as soon as 2025. In just six years' time, a further 132 care beds will be required. This is **equivalent to four average sized care homes, each with 33 beds, being made available by 2030**. With the lead-in time required for the build, conversion or expansion of premises, as well as recruitment of appropriate staff, it is clear there is an urgent need for the introduction of measures to incentivise growth in the private care home market as soon as possible.

3.13 Most of the existing bed-based care providers are private, family-owned businesses. While there has been some growth in bed numbers within existing care homes, there have been no new entrants to the private care home market for some time, with the last being Greenacres which opened in 2017. In fact, three homes have closed in recent years and one has moved to public ownership to ensure its care services were not lost.

3.14 While anyone who meets the relevant criteria is eligible to receive care benefit under the Scheme, Figures 3.2 and 3.3 overleaf clearly show that most recipients are older adults, with the majority being over the age of 85.

Figure 3.2 – Number of long-term care beneficiaries in each age band[16]

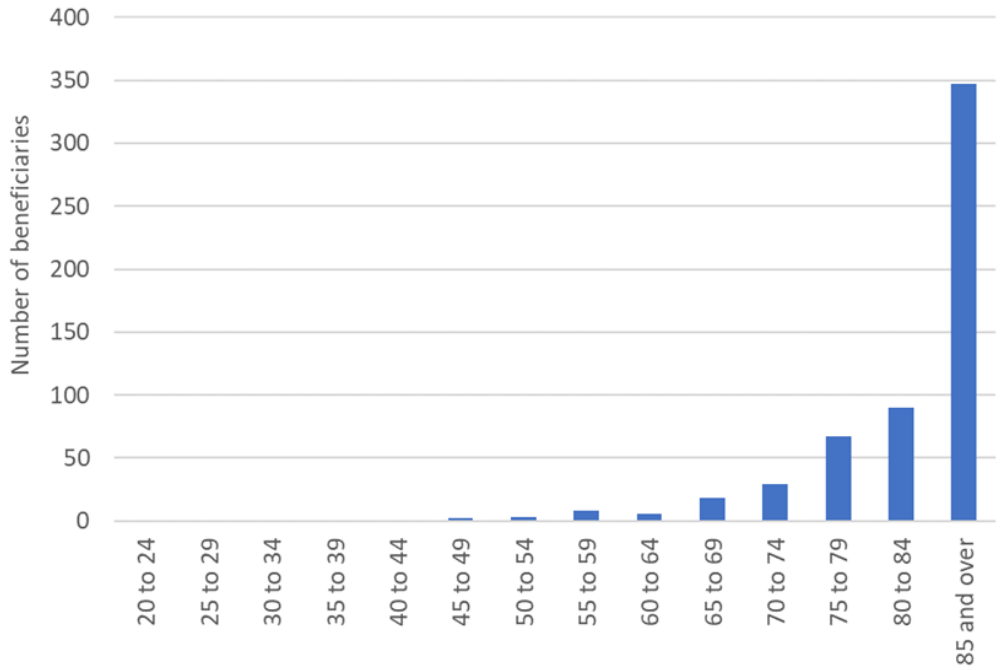
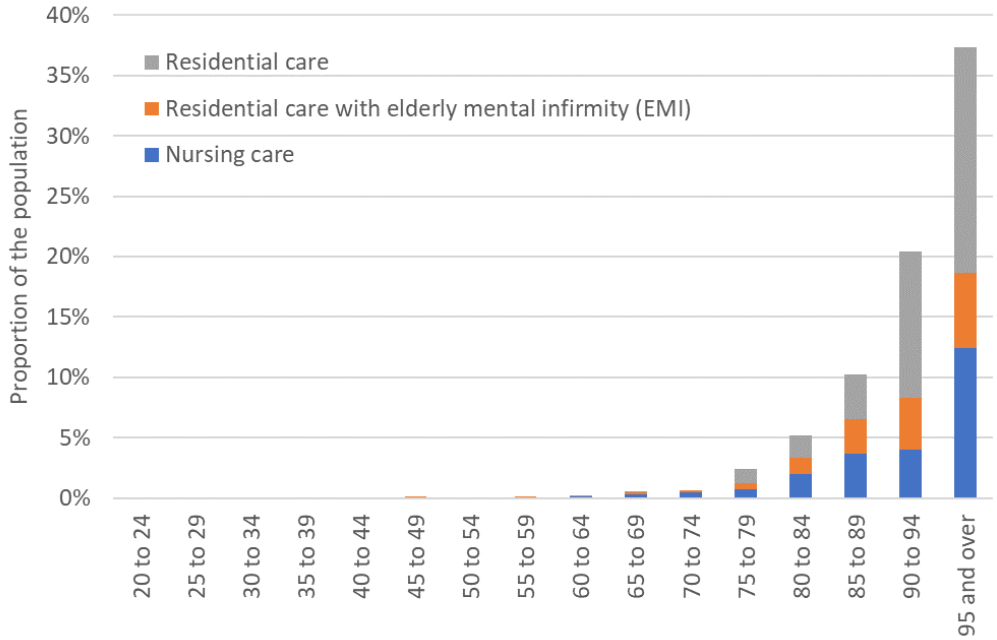


Figure 3.3 – Proportion of the population receiving LTC benefit in each age band[17]



3.15 Figure 3.3 provides an estimate of the proportion of the population in each age band who receive a LTC benefit. In reality, there will also be some individuals receiving care in residential or nursing homes who are paying for their own care

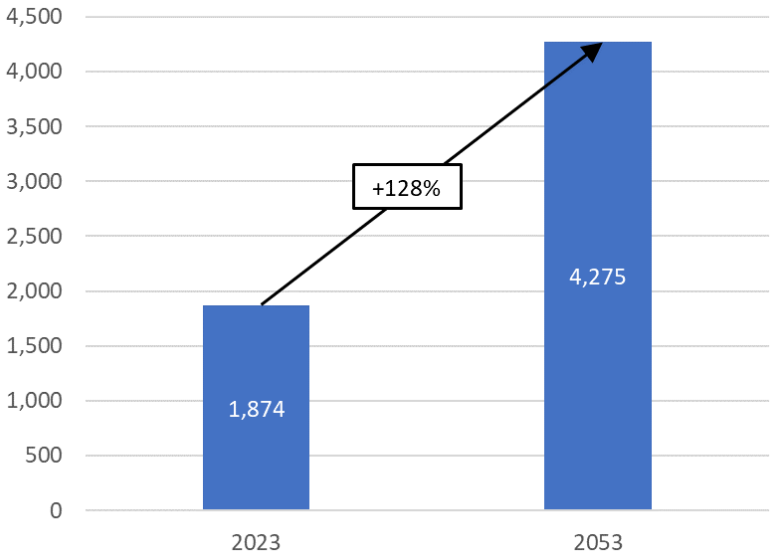
16 As at 19 August 2023.

17 2023 data.

in full (for example, if they do not meet the eligibility criteria for LTC benefit). In October 2023, 23 people receiving private bed-based care were self-funded. Similarly, anyone receiving long-term care in the long-stay wards on the PEH site or in Le Mignot Memorial Hospital in Alderney are not eligible to receive a benefit from the Fund. Therefore, the actual proportions of people receiving long-term bed-based care are likely to be slightly higher than shown in Figure 3.3.

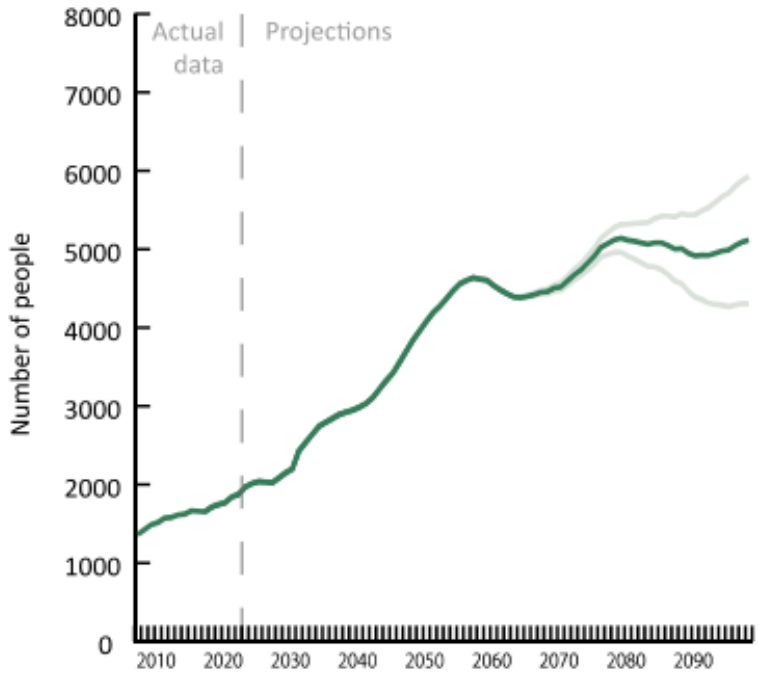
3.16 As shown in Figure 3.4 below, the **number of people in Guernsey aged 85 and over is projected to increase by 128%** over the 30-year period between 2023 and 2053. This is the main driving force behind the projected increase in demand for bed-based long-term care illustrated in Figure 3.1 above.

Figure 3.4 - Projected population aged 85 and over in 2053



3.17 Figure 3.5 overleaf shows how the number of people aged 85 and above has changed since 2010, and also provides the longer-term projected change in the size of this age group until 2100. The rapid increase shown in Figure 3.4 above is likely to continue until around 2058. A slight dip is expected after this but the total number of people in this age group is projected to remain at over 4,000 for the remainder of the projection period.

Figure 3.5 – Projected population aged 85 and over by 2100



Issue 2: The standard rate payable for a bed in a care home is not enough to cover the true cost of delivering bed-based care. As a result, it does not encourage the necessary level of investment to grow provision in order to meet the projected future demand for long-term care beds.

3.18 The standard rates payable under the Scheme are made up of two parts:

i) A set amount paid by the individual receiving long-term care. This is known as the co-payment, and is the same for everyone, irrespective of the type of care they need (i.e. residential, EMI or nursing care). (People receiving respite care do not have to pay the co-payment). If an individual cannot afford to pay the co-payment in full, then they can claim financial assistance through income support.

ii) A set amount paid by the Fund. This is known as the LTC benefit rate and varies depending on the type of care needed.

3.19 The introduction of the Scheme in 2003 meant that care homes could expect to receive a minimum rate for each type of care bed they provided, subject to it being in use. There are currently three types of care bed for which different standard rates are payable:

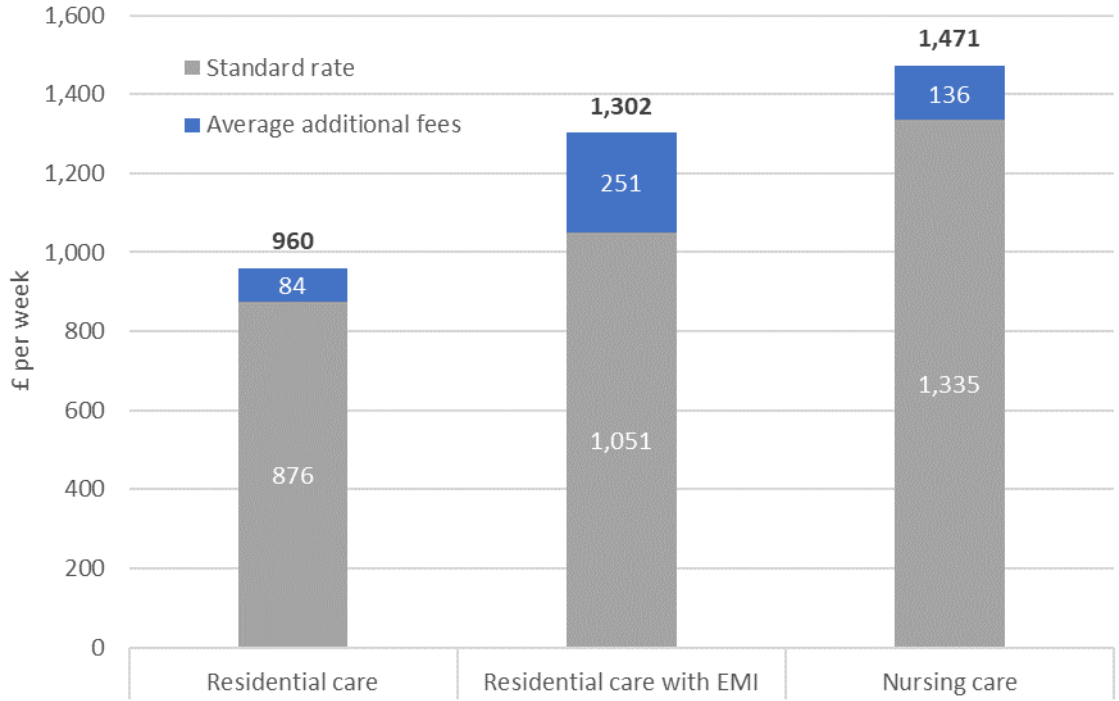
- Residential care beds;
- Residential care beds for the elderly mentally infirm (EMI); and
- Nursing care beds

3.20 When introduced, the standard rates were intended to be of an amount that would cover the cost of bed-based care at the required level. Alongside which care homes are able to charge individuals additional fees at their discretion. Originally, it was anticipated that these additional fees would be used by care homes where additional and/or higher quality facilities or services were provided. While additional fees are still largely applied for this purpose, there are some instances where additional fees have been applied to assist care homes with their overall profitability due to the standard rates not covering the true cost of delivering bed-based long-term care. Analysis shows that, in 2023, some level of additional fee was charged in respect of 60% of all care home beds.

3.21 It is important to note that these additional fees are payable by the individual. They are not paid from the Fund and individuals cannot receive financial support from the States to assist with meeting additional fees. If an individual cannot afford the additional fees, they must wait for a standard rate bed to become available.

3.22 Figure 3.6 below shows the 2023 standard rates for each of the three care types provided for under the Scheme, together with the average additional fees charged by care homes in that year.

Figure 3.6 – Average weekly care home fees in 2023



3.23 The average additional fee for a residential care bed was £84 a week. For residential beds that include EMI care, the average additional fee was £251 a week and for nursing care beds it was £136 a week. These are the average amounts across all care beds of each type.

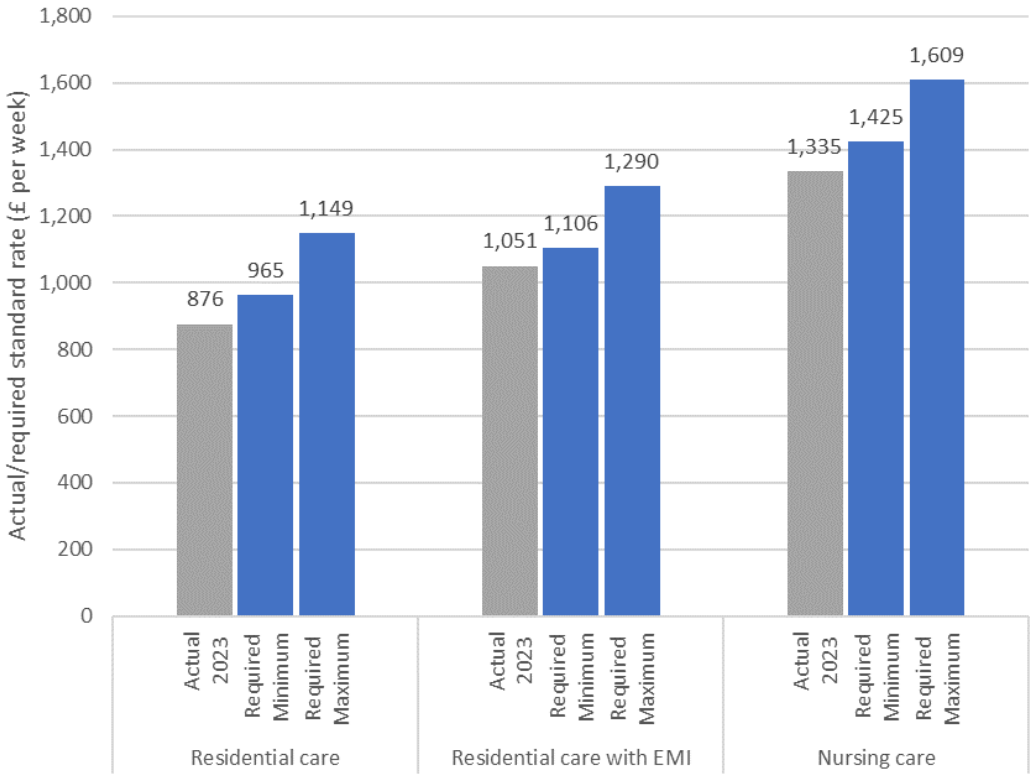
3.24 To assess whether standard rates were sufficient to cover the cost of the provision of bed-based long-term care in Guernsey, a benchmarking exercise was carried out using an industry standard toolkit produced by LaingBuisson[18]. Both UK care providers and care commissioners commonly use this toolkit to understand the true costs of the provision of long-term care. These true costs assume that care 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 to invest in the market.

3.25 To inform the analysis operational data was provided by 17 of the 21 care homes in Guernsey and Alderney, covering areas such as bed numbers, vacancy rates, pay rates and care hours provided per bed. Cost and revenue data from annual published accounts was also used in the analysis.

3.26 The LaingBuisson analysis resulted in the production of a benchmark range for care home costs and fees for each of the three bed-types, including a lower and upper limit to reflect the variation in the size, age and efficiency of different care homes. The analysis determined that the standard rates were insufficient to meet even the lower limit of the calculated benchmark for all bed types, as shown in Figure 3.7 overleaf.

18 LaingBuisson Care Cost Benchmark Toolkit - 12th Edition.

Figure 3.7 – Standard rate v LaingBuisson benchmark range in 2023



3.27 A similar benchmarking exercise carried out in 2018 also showed a shortfall in the standard rate relative to the lower limit, and resulted in a significant increase in the standard rate payable from 2020. At that time, the States agreed[19] to set the standard rates payable at the mid-point of the benchmark (i.e. halfway between the lower and the upper limits), and that an increase in the co-payment should be phased in over a period of two years. This meant that by 2023, the total weekly standard rates had increased as follows (in 2020 terms):

- Residential care standard rate increased from £673.26 to £801.00
- Residential EMI care standard rate increased from £820.61 to £961.00
- Nursing care standard rate increased from £1,075.48 to £1,220.00

3.28 These rates have been increased annually by Guernsey RPIX, resulting in the standard rates set out in Figure 3.7 above.

3.29 There are many possible reasons why a further shortfall in the required standard rates has arisen since the previous benchmarking exercise, but analysis suggests that the main drivers are:

- An increase in the cost of employing staff, particularly care staff;

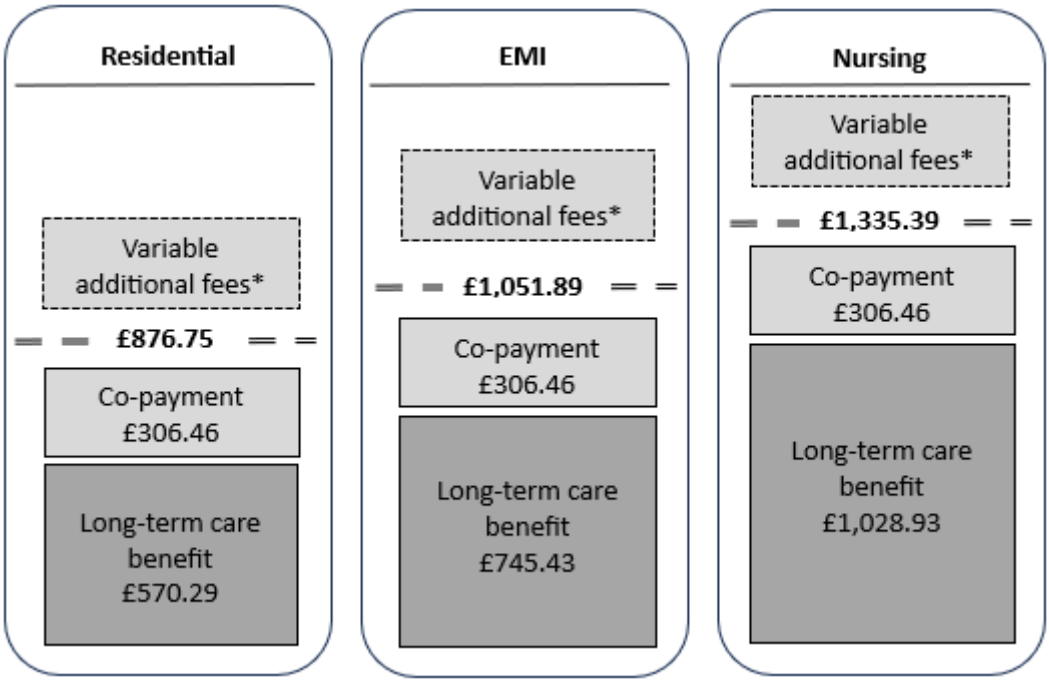
[19] Resolution 7 in relation to Billet d'État XVI of 2020.

- An increase in the average amount of care needed by those occupying residential care beds. Some care homes have attributed this to the greater complexity of care needs.
- An increase in the capital value of care homes due to higher development land and building costs; and
- Increases in other non-pay costs, such as food and premises maintenance.

Issue 3: The co-payment paid by individuals receiving care is not sufficient to cover the accommodation and living costs associated with residing in a care home.

3.30 Figure 3.8 below illustrates rates of the co-payment and LTC benefit during 2023 for each of the three care types provided for under the Scheme. It also shows who is responsible for paying each of the different parts of a person's total care home fees.

Figure 3.8 – Responsibility for weekly care home fees in respect of people who qualify for long-term care benefit – 2023 rates[20]



Key:

= = =	*Standard rate (i.e. benefit rate + co-payment)*
	Payable by the individual (income support can provide financial assistance with the co-payment, but not additional fees)
	Payable from the Long-term Care Insurance Fund
*	*Additional fees payable in respect of some beds*

[20] The Long-term Care Insurance (Guernsey) (Rates) Ordinance, 2023.

3.31 The 2023 LaingBuisson benchmarking analysis has provided a breakdown of the lower and upper limits between the costs of 'care and support' and the costs of 'accommodation and living'. Figures 3.9 to 3.11 below and overleaf show this breakdown for each bed type and compares it with the actual rates payable in 2023.

Figure 3.9 – 2023 Cost of Residential Care

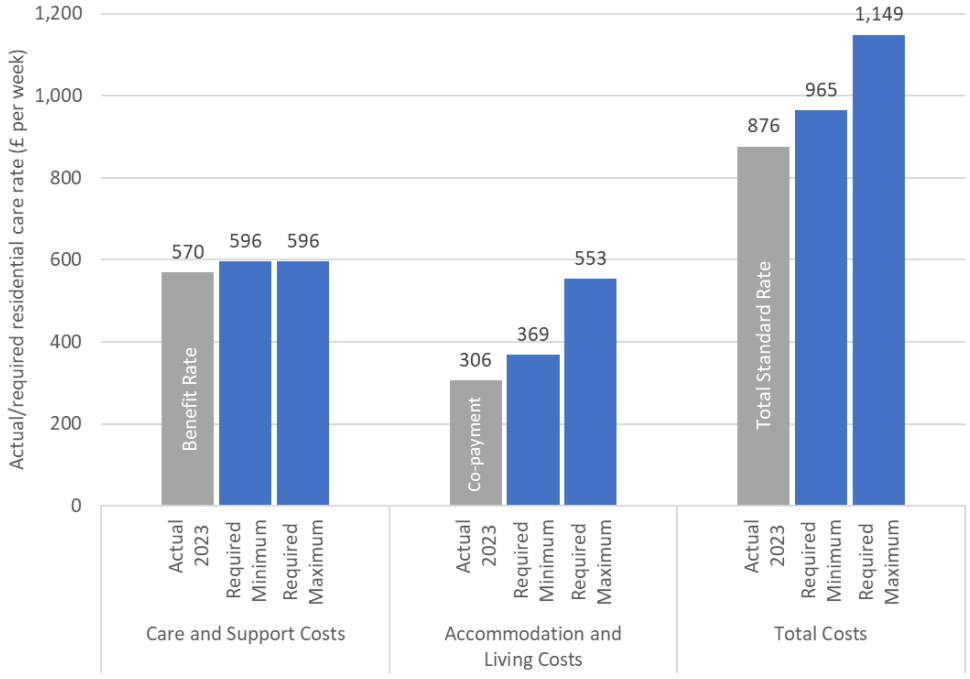


Figure 3.10 – 2023 Cost of Residential EMI Care

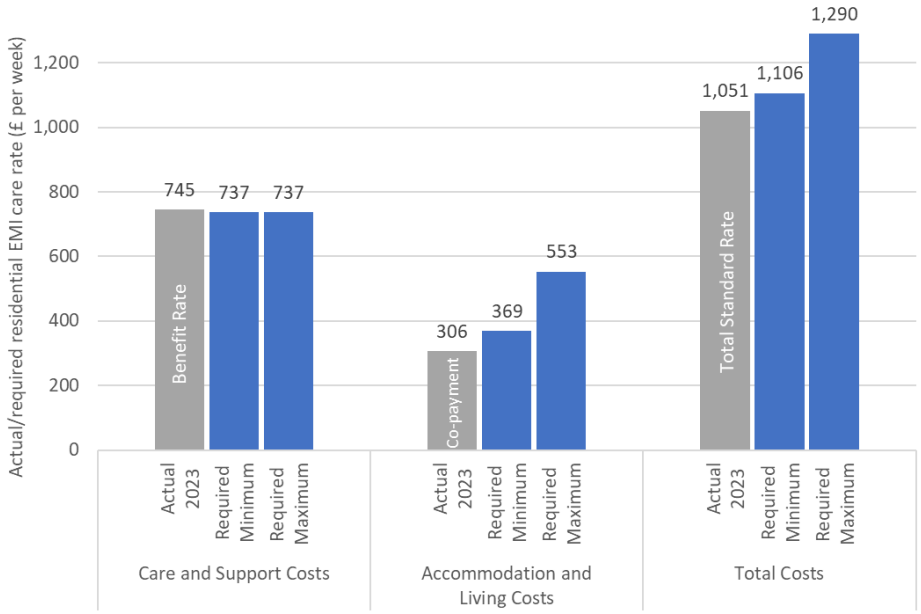
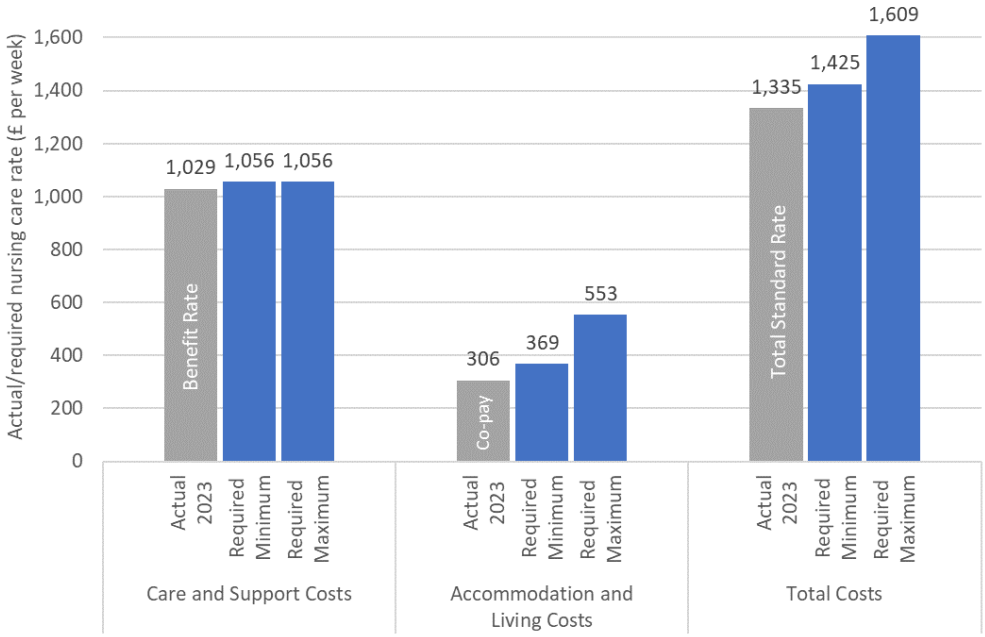


Figure 3.11 – 2023 Cost of Nursing Care



3.32 Figures 3.9 to 3.11 illustrate that for all three care types, there is no range in respect of the cost of care and support, but there is a range in the cost of accommodation and living. As previously noted, the reason for the LaingBuisson benchmark providing a range is to reflect the differences in the age and quality of accommodation in different care homes.

3.33 Furthermore, for all three care types, the LTC benefit rate is largely in line with the benchmark fee for the costs of care and support. In fact, the actual LTC benefit rate for residential EMI is marginally higher than the LaingBuisson benchmark. What is apparent is that **the co-payment falls significantly below the lower limit of the LaingBuisson benchmark for accommodation and living costs**.

Issue 4: The future cost of providing long-term care is likely to increase at a faster rate than allowed for in the current uprating policy.

3.34 The LaingBuisson analysis undertaken in 2023 has shown that the cost of bed-based care has increased by more than Guernsey RPIX since 2018.

3.35 Table 3.1 overleaf shows the benchmark mid-point (which corresponds to a well-appointed home which is neither a recent new build (i.e. benchmark maximum), nor an older converted property that meets only minimum standards (i.e. benchmark minimum)) in 2018 and 2023. Over the five years from 2018 to 2023, the benchmark mid-point has increased by 30% for nursing and EMI beds, and 38% for residential beds. These increases were significantly above the increase in core inflation (Guernsey RPIX) over the same period, which was 22%.

Table 3.1 – Increase in benchmark weekly fee versus the movement in prices (RPIX) from 2018 to 2023

Bed type	Benchmark standard rate – mid-point			Guernsey RPIX
	2018	2023	Percentage increase	
Residential	£768	£1,056	38%	22%
Residential EMI	£921	£1,197	30%	22%
Nursing	£1,169	£1,516	30%	22%

3.36 The same picture emerged from the equivalent analysis undertaken in 2018, which necessitated the need for an immediate increase in care benefit rates in October 2020 and a phased increase in the rate of the co-payment from October 2020 to January 2023.

3.37 The Committee is of the view that it would be preferable for the uprating policy in respect of care benefit to better reflect the actual rate at which care home costs are likely to increase, rather than uprating rates by Guernsey RPIX only, rates falling short of the true cost of care provision for a period of a few years, and then having to significantly increase rates to catch up following a benchmarking exercise. This would provide private care homes with reassurance that the States supports the sector and wishes to encourage growth to meet the projected demand.

Issue 5: The residency criteria to be eligible for a benefit under the Scheme may be seen as being too generous

3.38 Currently, to be eligible for benefit under the Scheme the individual receiving care must have been resident and present in Guernsey or Alderney for a continuous period of five years at any point during their lifetime. The individual must also have been resident for at least 12-months immediately before the date of their claim. This 12-month period can fall within, or be in addition to, the five-year residency requirement.

3.39 This means that a person who was resident in Guernsey or Alderney for a period of five years before the Scheme was launched would be eligible to receive a benefit if they then reside in Guernsey or Alderney for a further 12-months prior to making a claim. It also means that a person moving to Guernsey or Alderney may be eligible for care benefit, subject to being assessed as having the required level of care needs, five years (or more) after moving to Guernsey. It is not necessary to have paid any contributions to the Scheme to be eligible for benefit. This was an important founding principle of the Scheme – to pool the risk of requiring long-term care across the population as a whole.

3.40 The Population Management (Guernsey) Law, 2016[21] ('the Population Management Law') enables immediate family members of Local Market householders (i.e. a person who can live independently, in their own right in Guernsey and can accommodate people) to live as part of their household in Guernsey by virtue of a Family Member Resident Permit. (The rules for relatives of Open Market householders are different and are outlined in Appendix 3). Section 80 of the Population Management Law defines immediate family who can apply for these permits as a person's spouse, partner, parent, father-in-law and mother-in-law, as well as their child (including an adopted or step-child) and grandchild.[22]

3.41 This situation could also arise in Alderney. Although there is no population management legislation in Alderney, a person can accommodate family members as part of their household, subject to that person having an employment permit, for most types of employment, if working. This means that relatives of people living in Guernsey or Alderney can come to the Islands with the relevant permit and then become eligible for a benefit under the Scheme after a minimum of five years, subject to meeting the other eligibility criteria.

3.42 Concern has been expressed that five years' residency in Guernsey or Alderney is too short a period to demonstrate a sufficient connection to the islands and potential to have paid contributions towards the Scheme to warrant entitlement to what is a very valuable benefit. By way of comparison, the residency condition in Jersey, for their equivalent Scheme, is double that of Guernsey in that a person must have lived in Jersey continuously as an adult for 10 years including, or in addition to, one year immediately prior to claiming benefit.[23] If the person receiving care is under 28 years old they must have lived in Jersey for a continuous 10-year period at any age and one year immediately prior to claiming benefit. Even if an individual meets the 10-year residency requirement in Jersey, they are not eligible to receive a benefit immediately as they are required to meet their own care costs for a pre-determined period (provided they have the means to do so) before becoming eligible for a benefit from the Jersey Scheme.

3.43 Similarly, although there are no residency requirements in England, individuals are expected to pay their own costs indefinitely where they have the means to do so. The current arrangement in Guernsey and Alderney, whereby individuals only need to be resident for a continuous period of five years, at any time, to receive care benefit, may be seen as being generous in comparison.

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21 The Population Management (Guernsey) Law, 2016.

22 Section 78 of the Population Management Law sets out related definitions which include step and adopted parents in the definition of parent and step-grandchildren in the definition of grandchild.

23 States of Jersey, who can apply for the long-term care scheme.

Issue 6: The Scheme does not make provision for the delivery of care in an individual's own home nor does it provide a complex care benefit rate

3.44 The States has twice (in 2016[24] and in 2020[25]) agreed in principle that the scope of the Scheme should be extended to cover the delivery of long-term care in an individual's own home. This formed a part of the work being progressed through SLAWS. The purpose of this change being to ensure sufficient growth in private homecare provision to help meet projected demand, as increasing the availability of homecare, as well as bed-based care, spreads the delivery of long-term care across multiple providers which is seen as the most appropriate way to sustainably manage the increase in demand for long-term care.

3.45 Most homecare services are currently delivered by HSC and are free of charge to the user. The care delivered covers end of life nursing, social care, home help and sitting services and, in aggregate, is estimated to cost approximately £4.3m in 2024. Although limited, some private businesses (including some off-Island providers) also provide some homecare services. It is understood that the use of such services is low, largely as there is no public funding support to the user.

3.46 In 2020[26] the States also agreed in principle to introduce a higher rate of benefit for complex cases to address the fact that it could be difficult to find suitable placements for people who had complex care needs due to the level of care required exceeding what private and third sector providers may have been able to provide within their standard charging framework. This means that people with complex care needs are either cared for within HSC settings, such as the Lighthouse Wards (at an estimated cost to the States of £125,000 per person per annum[27]), when they could be cared for in a care home, or, if they are admitted by a care home the additional associated costs of care over and above the standard rate for nursing care are either charged to the user or absorbed by the care home. This arrangement is not the fairest or most affordable way to meet and fund complex care.

3.47 Expansion of the Scheme to include the provision of homecare services and a new complex care benefit rate will add to the financial challenges facing the Fund by around £4.6m a year in 2023 terms.

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24 The Supported Living and Ageing Well Strategy (Billet d'État III of 2016, Volume II).

25 Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article 5).

26 Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article 5).

27 This figure is the average cost of care for those individuals with complex care needs who are resident in one of the Lighthouse Wards. The majority of individuals resident in the Lighthouse wards do not have complex care needs.

3.48 Given that the inclusion of homecare and a complex care benefit rate within the scope of the Scheme will form part of the future model of long-term care and its funding which will be considered further next political term, Issue 6 is not considered further in this Policy Letter.

Issue 7: The Scheme is not financially sustainable and its position will worsen if the standard rates are increased and future uprating policy is changed in order to stabilise and incentivise growth in the care home market

3.49 Care benefit is paid from the Fund. The Fund is financed through social security contributions paid by all persons who have earnings or income above the relevant lower earnings/income limit, and from the investment income on the reserves of the Fund.

3.50 It was acknowledged at its inception that the Scheme would not be financially sustainable in the long-term at the initial contribution rate of 1.4%. The development of an insurance scheme involves making financial projections well into the future and the 2001 Policy Letter[28] noted the difficulty in making such long-term financial projections due to a number of variable factors. These included the number of older people, health expectancy, the availability of informal carers, future medical advances and the expectations of service users. It was noted that:

> "There is some confidence in the financial projections for the next 10 to 15 years, but thereafter the future is increasingly unknowable."

3.51 The strategy for the Fund was to have a front-loaded contribution rate which was expected to remain appropriate for around 15 years, provided that there was no fundamental change in the range of benefits. This strategy involved the accumulation of reserves in the short-term to provide an investment income to supplement future contribution income.

3.52 The initial contribution rate was reduced from 1.4% to 1.3% in 2010 to offset the impact of a substantial increase to the upper earnings limit for employed, self-employed and non-employed people. The net effect of this change was to keep the monetary value of contributions to the Fund the same.

3.53 In 2017, almost 15 years after the Scheme was established, contributions for all contributors needed to be increased by 0.5%, to 1.8%. This followed an actuarial review of the Fund covering the five-year period from 1st January 2010 to 31st December 2014 which indicated that if no mitigating action were taken, the Fund

[28] Long-term Care Insurance Scheme for Guernsey and Alderney (Billet d'État III of 2001, Article VII).

would be exhausted by 2031. The 0.5% increase in contribution rates was projected to extend the life of the Fund by a further 16 years to 2047.[29]

3.54 In October 2021, the States were asked to give in principle approval for a phased increase to the contribution rates to the Fund.[30] Increases of 0.1% per annum for each of four consecutive years was approved with the aim of ensuring the long-term financial sustainability of the Fund. The first increase was applied in January 2022. The fourth and final increase is due to be applied in January 2025. This will take the contribution rate to the Fund to 2.2% for employed and self-employed persons. The rate for non-employed persons will be 2.3% for people under pensionable age and 2.5% for people over pensionable age with effect from 1st January 2025.

3.55 Addressing the issues identified in this Policy Letter comes at a cost to the Fund, and the following sections will set out the extent of this cost. The three Committees agreed by a majority that the long-term approach to funding these costs, together with the costs of expanding the Scheme under any new model of long-term care, should be considered alongside the expected tax review early in the next political term. However, the Committee is of the view that it would be imprudent to put forward proposals that will reduce the financial sustainability of the Fund without also considering a mechanism through which some of the costs incurred can, in part, be mitigated.

3.56 The Committee is strongly of the view contributions to the Fund should not be further increased. It believes this policy, which the States has now employed twice in relation to this Fund in addition to measures to increase the upper limit on contributions very significantly, has been pursued to its endpoint and, taken together with already approved increases in contribution rates to put the Guernsey Insurance Fund on a sustainable financial footing, would risk creating a wholly unfair burden on the working population. Figure 3.12 overleaf shows how total contribution rates have increased since 2003, together with the approved (in principle) increases up to 2031.

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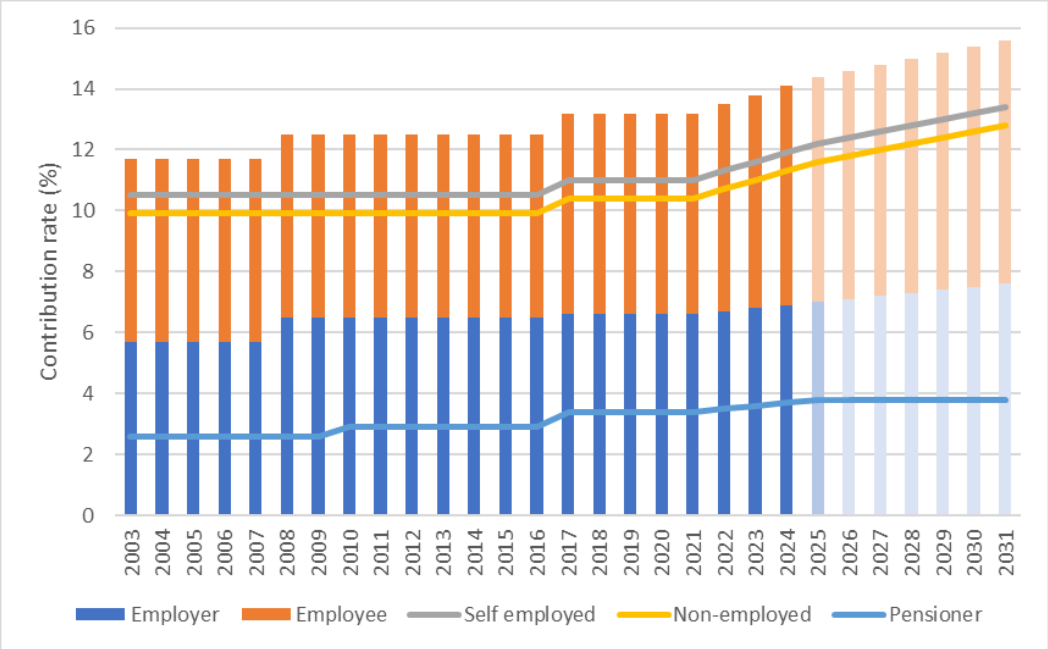
29 The Supported Living and Ageing Well Strategy (Billet d'État III of 2016, Volume II, Article 14). and Benefit and Contribution Rates for 2017 (Billet d'État XXVII of 2016, Article IV).

30 The Supported Living and Ageing Well Strategy (Billet d'État XX of 2021, Article 5).

Figure 3.12 – Contribution rate history



3.57 Instead of increasing contribution rates further, the Committee proposes that those actually receiving care, and who can clearly afford to make a greater contribution to the costs involved, should do so, firstly, by meeting their full accommodation and living expenses through a higher co-payment, and secondly, by making a modest contribution towards their care costs before benefit becomes payable. These proposals are explained in much greater detail in sections 4 and 7 of this Policy Letter.

Issue 8: There is a risk of intergenerational unfairness with the existing Scheme

3.58 Unless action is taken, there is a risk the Fund will be exhausted before some of today's working population need long-term care, despite having paid into the Scheme throughout their working lives. At the same time, there are many recipients of care benefit currently who have not paid any contributions into the Fund. While eligibility is intentionally not determined by a person's contribution record, this situation risks a level of intergenerational unfairness, with younger workers today, contributing towards benefits supporting their grandparents and parents, with no surety that the same level of benefit will be available to them when they need it.

3.59 The recently published Findings Report[31] outlined three hypothetical case studies (Figure 3.13 overleaf) to illustrate the risk of intergenerational unfairness if the Fund becomes exhausted.

31 Findings Report – Working Towards a New Model for Community long-term Care.

Figure 3.13 – Case studies from the Findings Report

Alice

Alice starts work aged 20 in 1958. She works for 45 years earning an average wage. She retires in 2003 aged 65, the same year that the Scheme is introduced. Her total income in retirement is below the threshold for contributions so she contributes nothing to the Scheme while in retirement.

In 2023, when Alice is 85, she requires long-term care in a residential home at a cost of £570 a week. She requires care for 72 weeks, totalling around £41,000 (in 2023 terms), which is paid from the Scheme.

Ben

Ben starts work aged 20 in 1988, also earning an average wage. He starts paying into the Scheme when it is launched in 2003, when he is 35. He works until age 67 and 8 months (his State Pension age) and so contributes to the Scheme for 32 years and 8 months. During this time, he pays a total of £23,500 (in 2023 terms) into the Scheme.

In 2053, when Ben is 85, he requires long-term care in a residential home at a cost of £570 a week (in 2023 terms). He requires care for 72 weeks, totalling around £41,000 (in 2023 terms) which is paid from the Scheme.

Johnny

Johnny starts work aged 20 in 2023, also earning an average wage. He starts paying into the Scheme immediately. He works until age 70 (his State Pension age) and so contributes to the Scheme for 50 years. During this time he pays a total of £44,900 (in 2023 terms) into it.

In 2088, when Johnny is 85, he requires long-term care in a residential home at a cost of £570 a week (in 2023 terms). Unfortunately, the Scheme's fund becomes exhausted in 2085, so there are no funds available to pay for Johnny's care costs. These costs will need to be met by Johnny (if he has the means) or by his applying to the States for income support, assuming no changes are made to existing income support assistance.

3.60 The case studies illustrate how Alice, despite not having contributed anything to the Scheme, receives a full benefit for as long as required. By contrast, Johnny, who pays a total of £44,900 into the Scheme, does not receive anything from the Fund as it is exhausted by the time he requires long-term care.

3.61 The introduction of a small user pays contribution will go some way to mitigate this risk, but it is only a short-term measure. Other ways to mitigate this risk will be considered as part of the holistic review in 2026.

4. Establishing the appropriate benefit and co-payment rates

4.1 In order to address Issue 3, the Committee proposes that the level of the co-payment made by individuals is increased to the mid-point of the LaingBuisson benchmark for accommodation and living expenses. It is established States' policy that the co-payment should fully fund accommodation and living expenses, but this has never been fully implemented. In 2023 terms (when the analysis was undertaken), this represented an increase from £306.46 a week to £460.00 a week. When uprated to 2025 terms, this is an increase from £342.02 per week (rate to apply from 6th January 2025) to £514.00 per week.

4.2 In order to address Issue 2, the Committee proposes that the LTC benefit rates payable from the Fund are adjusted to equal the benchmark for the costs of care and support.

4.3 Figures 4.1 to 4.3 overleaf show how these proposals will affect the rates of the co-payment, LTC benefit and the standard rate payable under the Scheme for each of the three care types (see the green bars for the proposed rates). This is illustrated in 2023 terms for consistency with the LaingBuisson benchmarks. For all three care types, the proposal would result in a total standard rate that is halfway between the minimum and maximum benchmark figures.

Figure 4.1 – Current residential care benefit and co-payment rates (grey bars), minimum and maximum benchmarks (blue bars) and proposed increase in the benefit, co-payment and standard rate for residential care (green bars) in 2023 terms – subject to necessary uprating to 2025 terms

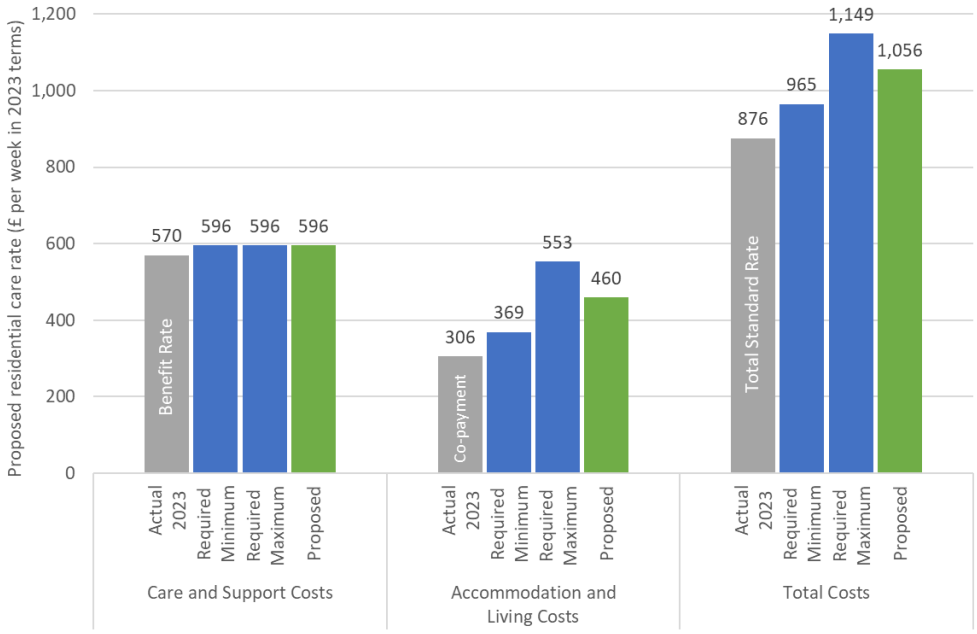


Figure 4.2 – Current residential EMI care benefit and co-payment rates (grey bars), minimum and maximum benchmarks (blue bars) and proposed increase in the benefit, co-payment and standard rate for residential EMI care (green bars) in 2023 terms – subject to necessary uprating to 2025 terms

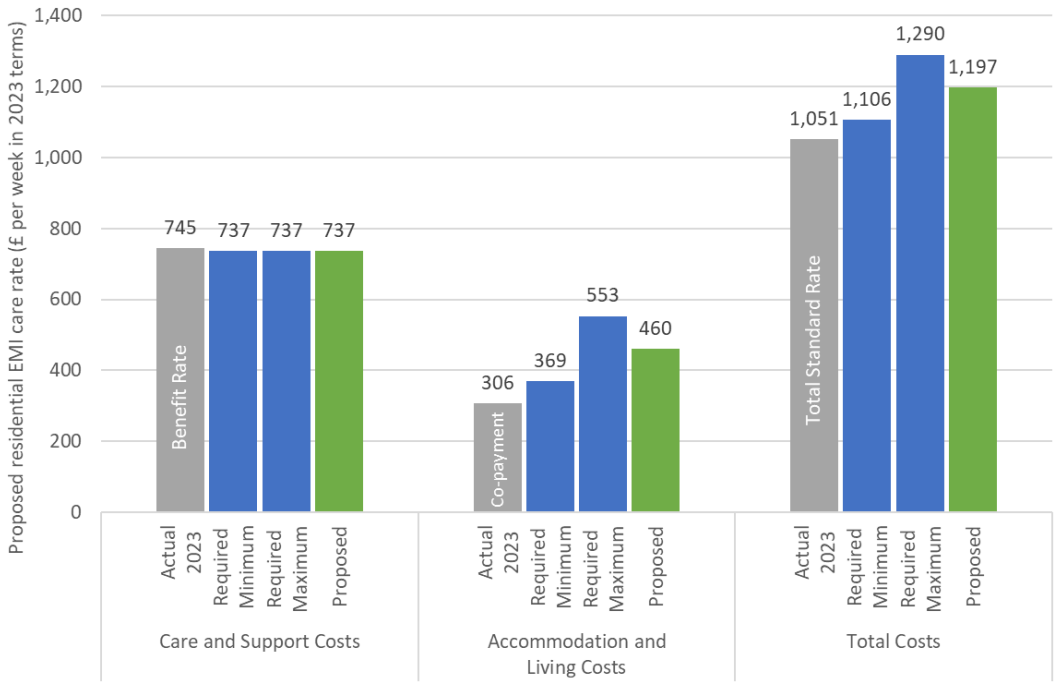
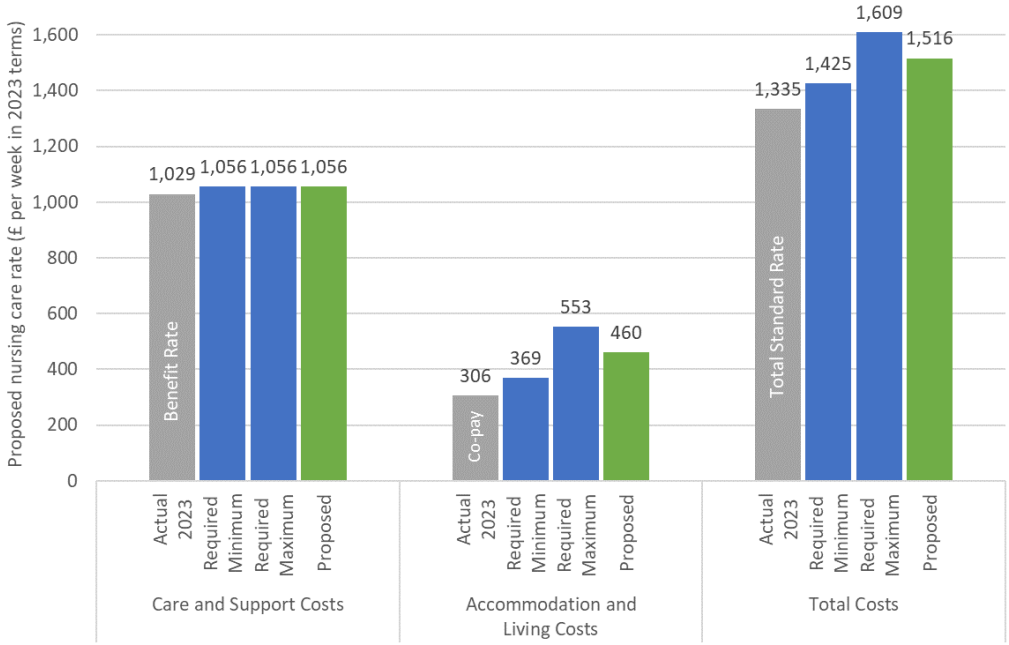


Figure 4.3 – Current nursing care benefit and co-payment rates (grey bars), minimum and maximum benchmarks (blue bars) and proposed increase in the benefit, co-payment and standard rate for nursing care (green bars) in 2023 terms – subject to necessary uprating to 2025 terms



4.4 The Committee acknowledges that the proposed increase in the co-payment of £153.54 a week in 2023 terms (or £171.98 in 2025 terms) is a very significant increase for individuals, noting that anyone who does not have the resources to pay their co-payment in full can apply for financial assistance through income support.

4.5 Even so, the Committee considers it inappropriate to implement such a significant increase in the co-payment in one go. Therefore, a phased approach is recommended, with smaller increases being implemented at six-monthly intervals over a five-year period, with the first uplift being applied from 7th July 2025, as outlined in the second column of Table 4.1 on page 35. Please note that the results of the LaingBuisson analysis set out in Figures 4.1 to 4.3 are in 2023 terms. In Table 4.1, these rates have been uplifted to 2025 terms.

4.6 While a phased approach in respect of the increase in the co-payment will provide a period of adjustment for people required to pay the co-payment, it does mean that, unless the rates of care benefit are correspondingly uplifted, care homes would receive below the mid-point of the LaingBuisson analysis throughout the phasing-in period. Therefore, the Committee proposes to temporarily increase the rates of LTC benefit during the phasing period, as outlined in the third, fourth and fifth columns of Table 4.1, so that the total standard rates from 7th July 2025 onwards are in line with the mid-point of the

LaingBuisson benchmark, as set out in the sixth, seventh and eighth columns of Table 4.1.

4.7 To illustrate this, Figure 4.4 shows how the proposed phased approach would operate in practice in the case of the standard rate payable for a residential care bed. From 7th July 2025, care homes would see an increase of just over £200 per week in the standard rate they receive for each occupied residential care bed, made up of an increase of approximately £19 in the co-payment paid by individuals and an increase of approximately £181 in the LTC benefit rate payable from the Fund. Thereafter, the rate of the co-payment would increase every six months with a corresponding reduction in the rate of LTC benefit rate, until the end of the phasing in period when the co-payment will have reached a level that reflects the actual cost of accommodation and living expenses in a care home. The same approach would be adopted in respect of the rates for residential EMI care and nursing care.

Figure 4.4 – Transition to the higher co-payment for residential care (2025 terms)

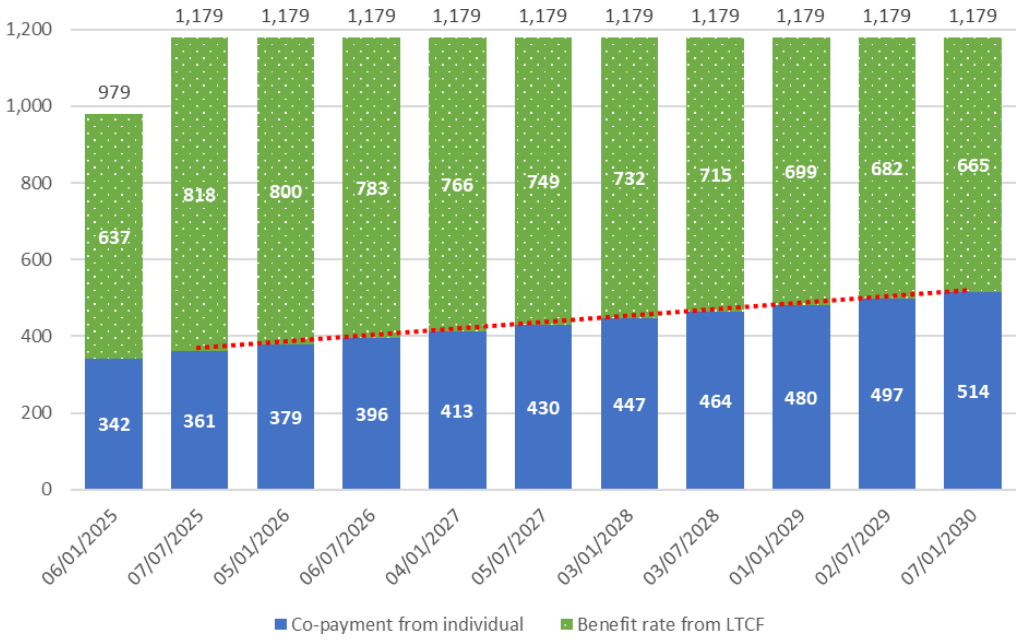


Table 4.1 – Transitional co-payment and care benefit rates (in 2025 terms)

Weekly rates (£)	Co-payment (£)	Long-term care benefit rate (£)			Total standard rate / respite care benefit rate (£)		
		Residential	Residential EMI	Nursing	Residential	Residential EMI	Nursing
Actual Jan 2023	306.46	570.29	745.43	1,028.93	876.75	1,051.89	1,335.39
Actual Jan 2024	327.32	609.07	796.11	1,098.93	936.39	1,123.43	1,426.25
Actual Jan 2025[32]	342.02	636.51	831.95	1,148.35	978.53	1,173.97	1,490.37
07/07/25 to 04/01/26	361.00	818.00	976.00	1,332.00	1,179.00	1,337.00	1,693.00
05/01/26 to 05/07/26	379.00	800.00	958.00	1,314.00	1,179.00	1,337.00	1,693.00
06/07/26 to 03/01/27	396.00	783.00	941.00	1,297.00	1,179.00	1,337.00	1,693.00
04/01/27 to 04/07/27	413.00	766.00	924.00	1,280.00	1,179.00	1,337.00	1,693.00
05/07/27 to 02/01/28	430.00	749.00	907.00	1,263.00	1,179.00	1,337.00	1,693.00
03/01/28 to 02/07/28	447.00	732.00	890.00	1,246.00	1,179.00	1,337.00	1,693.00
03/07/28 to 31/12/28	464.00	715.00	873.00	1,229.00	1,179.00	1,337.00	1,693.00
01/01/29 to 01/07/29	480.00	699.00	857.00	1,213.00	1,179.00	1,337.00	1,693.00
02/07/29 to 06/01/30	497.00	682.00	840.00	1,196.00	1,179.00	1,337.00	1,693.00
07/01/30…	514.00	665.00	823.00	1,179.00	1,179.00	1,337.00	1,693.00

[32] Contributory Benefit and Contribution Rates for 2025 (Billet d'État XVIII of 2024, Article IV).

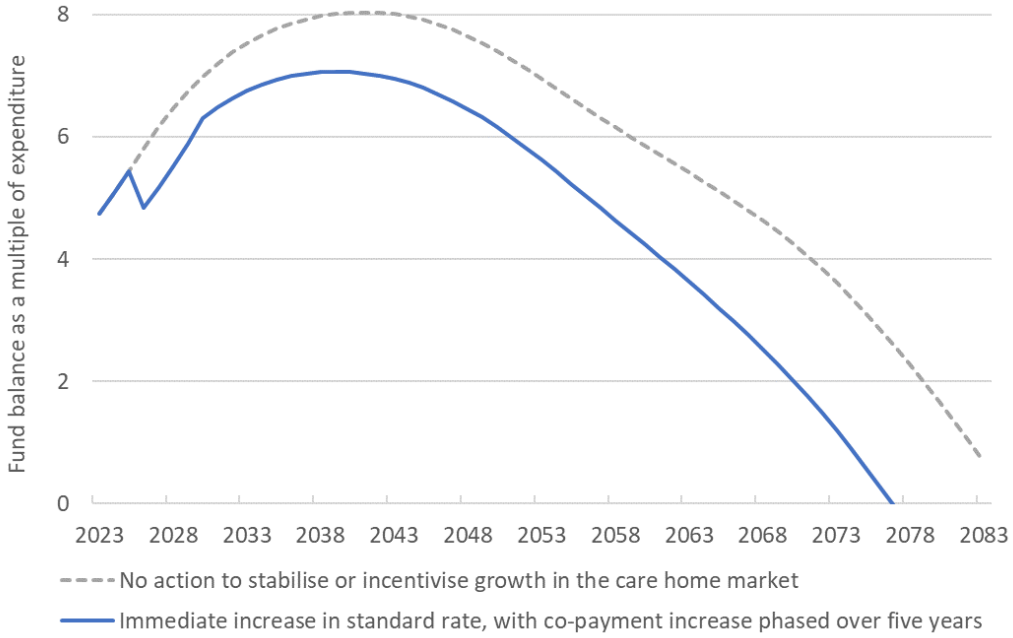
4.8 In practice, the co-payment and care benefit rates that would apply from January 2026 onwards will be increased annually in accordance with the percentage uplift proposed by the Committee, subject to approval by the States.

4.9 While it is a condition of entitlement to LTC benefit (payable to people in permanent long-term care) that the recipient pays a weekly co-payment, this condition does not apply in respect of entitlement to respite benefit. A maximum of four weeks of respite benefit is available per annum under the Scheme to people who have a specific level of care need who normally receive care at home from an informal carer. Respite care benefit is equal to the full standard rate (i.e. the sum of the co-payment and the LTC benefit) for the required care type, as shown in Table 4.1. Individuals receiving respite care benefit do not have to pay the co-payment as they remain responsible for accommodation and living expenses at home.

4.10 Increasing the rates of care benefit as proposed will accelerate the rate at which the balance of the Fund reduces. Figure 4.5 overleaf shows the projected impact of the proposed increases in the rates of care benefit on the financial position of the Fund over a 60-year period. For comparison purposes, the dotted line shows how the financial position of the Fund is expected to progress over the same period if no action is taken to stabilise and incentivise growth in the care home market. These projections are based on an interim actuarial review of the financial position of the Fund which was undertaken as at 31st December 2022. The next full actuarial review of the Fund is due as at 31st December 2024 and will take into account the policy decisions made by the States following consideration of the proposals set out in this Policy Letter.

4.11 It is projected that increasing the rates of care benefit would, in isolation, bring forward the Fund's exhaustion date by approximately eight years, from around 2085 to 2077.

Figure 4.5 – Projected financial position of the Fund with increased standard rates



4.12 Increasing the co-payment significantly means that more long-term care benefit recipients are likely to require financial assistance through income support. Furthermore, those already claiming income support to assist them with their co-payment would require an increase in the amount of financial assistance they receive.

4.13 The total annual cost of providing income support to people in long-term care was around £1.2m in 2023 (£1.3m in 2025 terms). In any event, this is projected to increase gradually over time due to the increasing demand for long term care services. Table 4.2 below shows the projected increase in the cost of providing income support to long-term care beneficiaries, split between that which is driven by increasing demand, and that which is driven by the proposed higher co-payment over the five-year phasing in period.

Table 4.2 – Increase in the cost of providing income support to recipients of LTC benefit (in 2025 terms)

Increase in cost of income support	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m
Due to increasing demand	0.1	0.2	0.3	0.3	0.3	0.4
Due to higher co-payment	0.1	0.6	1.0	1.4	1.7	2.0
Total increase	**0.2**	**0.8**	**1.3**	**1.7**	**2.0**	**2.4**

4.14 Overall, the cost of providing income support to long-term care beneficiaries is estimated to increase by around £2.4m to £3.7m (in 2025 terms) at the end of the five-year phasing in period, £0.4m due to increasing demand (which would happen anyway) and £2.0m due to the higher co-payment.

4.15 The alternative to increasing the co-payment is for the shortfall in the current standard rates per bed (benefit and co-payment) relative to the required benchmark fees to be met in full by increasing the rates of LTC benefit payable from the Fund, while keeping the co-payment unchanged. Table 4.3 below shows the projected increased annual cost to the Fund of adopting this approach and compares this with the increase cost to income support (excluding the demand driven element) set out in Table 4.2.

Table 4.3 – Increase in cost to the Fund and the States of applying higher benefit rates instead of a higher co-payment (in 2025 terms)

Increase in cost	2025 £m	2026 £m	2027 £m	2028 £m	2029 £m	2030 £m
To the Fund of increasing benefit rates	0.4	1.7	2.8	4.1	5.4	6.5
To income support of increasing the co-payment	0.1	0.6	1.0	1.4	1.7	2.0
Net higher cost to the States of increasing benefit rates	**0.3**	**1.1**	**1.8**	**2.7**	**3.7**	**4.5**

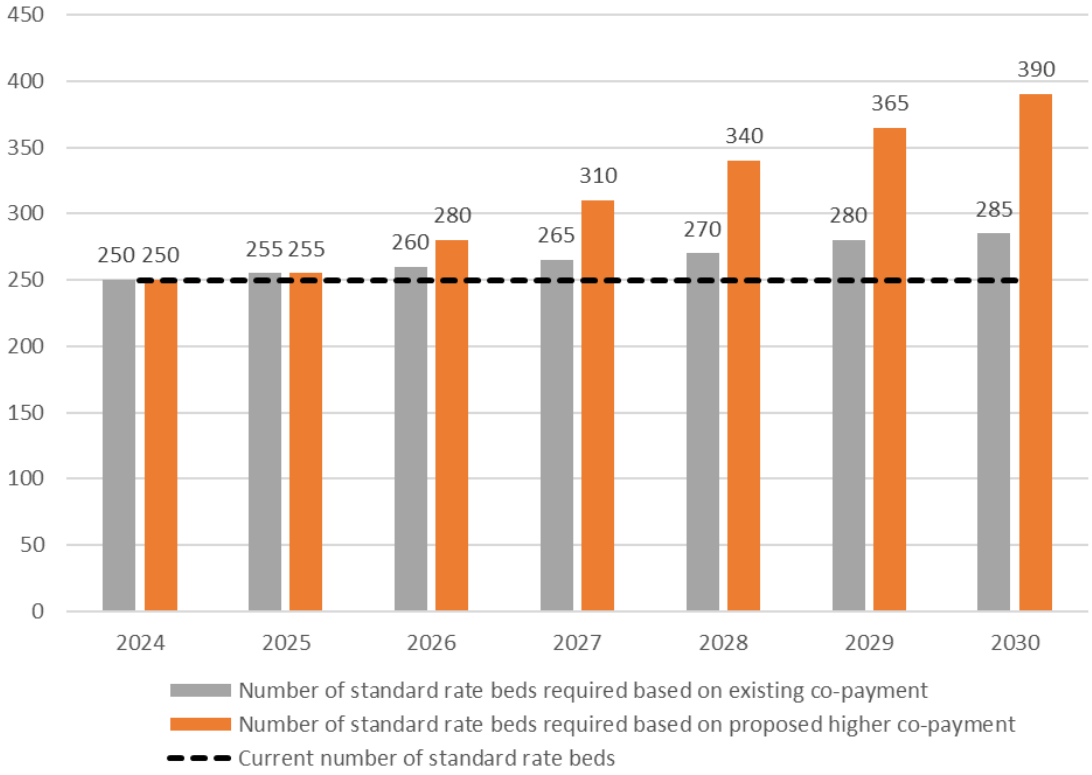
4.16 Table 4.3 illustrates that the overall cost to the States would be significantly higher, up to an additional £4.5m a year by 2030, if the Fund were used to meet the shortfall in the current standard rates relative to the required benchmark fees. This is because the higher benefit rates would apply to everyone receiving care benefit, whereas the increase to income support would only apply to those without the financial means to meet the higher co-payment themselves.

4.17 In addition to the increased income support costs, a higher co-payment means that more beds will be required at the standard rate (i.e. without any additional fees being charged), as individuals will have less capacity to pay additional fees once the higher co-payment is in force.

4.18 Figure 4.6 overleaf shows how the number of standard rate beds provided by care homes would need to increase as a result of increasing the co-payment (see orange bars), compared to how the number would need to increase just to meet the expected increased demand for care if the co-payment were not increased

(see grey bars). This has been based on an estimate of the proportion of long-term care recipients who do not have the means to pay anything more than the co-payment.

Figure 4.6 – Projected number of standard rate beds required



4.19 The number of standard rate beds required is projected to increase by around 35 by 2030 if no action is taken to stabilise and incentivise growth in the care home market. This is due to the projected increase in demand arising from the increasing number of people over the age of 85. An additional 105 standard rate beds are expected to be required by 2030 if the rate of the co-payment is increased as proposed.

4.20 It is anticipated that increasing the standard rates with effect from 7th July 2025 will ensure that care homes can make a reasonable return on their investment, thereby stabilising the private care home market and incentivising growth to meet increasing demand. Discussions with care homeowners and managers suggest to the Committee that it is not an unreasonable expectation that increasing the standard rates payable will reduce the need for additional fees to be charged, which would be a positive outcome for care recipients, especially given that the co-payment will increase over time if the Committee's proposals are approved by the States.

5. Future uprating policy

5.1 The current policy is to uprate LTC benefit and the co-payment by Guernsey RPIX (as at 30th June of each year) on an annual basis. However, as noted under Issue 4, the actual cost of providing bed-based care has been increasing at a rate significantly higher than Guernsey RPIX. Analysis of the standard rates payable in 2003, when the Scheme was established, compared to the rates proposed in this Policy Letter, which are based on the results of the LaingBuisson benchmarking analysis, suggests that costs have increased on average per annum by more than 1% above Guernsey RPIX. Therefore, to better align the standard rates with the corresponding costs of operating a care home, the Committee is proposing that the guideline uprating policy for LTC benefit rates and the co-payment be Guernsey RPIX plus 1%, subject to benchmarking up or down every five years. The actual rates applied will continue to require States approval on an annual basis.

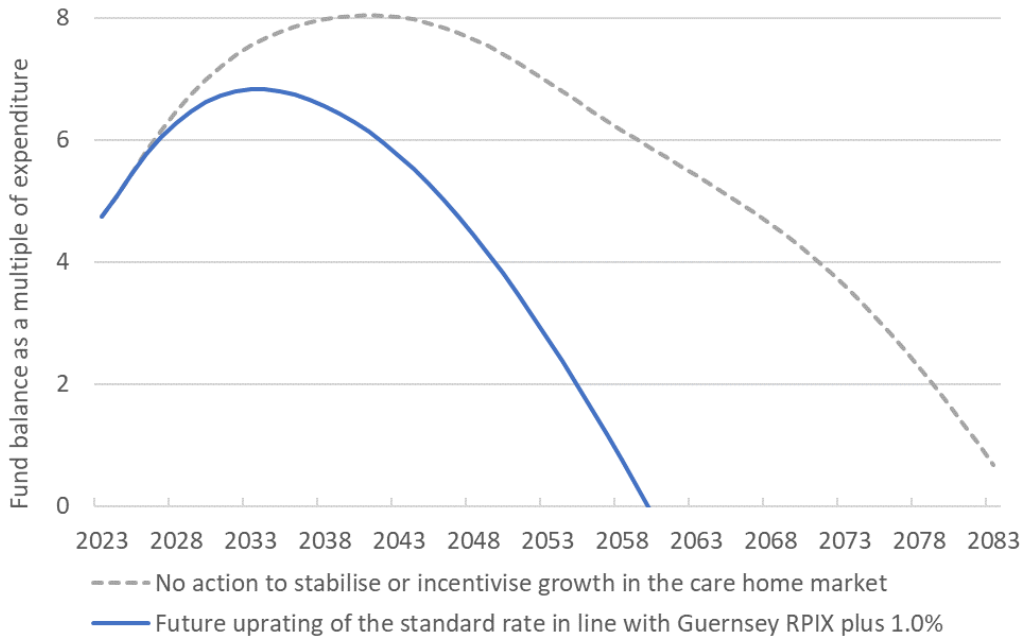
5.2 The Committee anticipates that applying a 1% above inflation uprating policy will reduce the extent to which step-changes are needed following future benchmark reviews. As a reminder, a significant increase in the rates was agreed by the States in 2020 following the LaingBuisson analysis undertaken in 2018, with a further significant increase recommended in this Policy Letter following the LaingBuisson analysis carried out in 2023. However, this policy assumes that the costs of providing bed-based long-term care will continue to increase, on average, at the same rate as they have since 2003. This may not be the case. So, if there is evidence of significant pressure on the cost of delivering long-term care services, the benchmarking exercise will be undertaken sooner, as agreed by the States in 2020.[33]

5.3 This policy change recognises that it is essential that care home operators consistently make a reasonable return on their investment in order for provision to be sustainable in the long-term and for there to be an incentive to invest in and grow the market to meet increasing demand.

5.4 However, increasing the guideline uprating policy to RPIX plus 1% will accelerate the rate at which the reserves of the Fund are depleted. It is projected that, in isolation, this change in policy would bring forward the Fund's exhaustion date by approximately 25 years, from around 2085 to 2060, as illustrated in Figure 5.1 overleaf.

[33] Supported Living and Ageing Well Strategy: Extending the Life of the Long-term Care Insurance Scheme (Billet d'État XVI of 2020, Article 5).

Figure 5.1 – Projected financial position of the Fund with higher guideline uprating policy



5.5 To mitigate the impact on the Fund of increasing the rates of care benefit and applying a more generous uprating policy, the Committee is proposing changes to one of the residency conditions and the introduction of a user care cost contribution.

6. Residency Conditions

6.1 The Long-term Care Insurance (Guernsey) Law, 2002[34] ('the Law') provides that a person is entitled to benefit under the Law if, among other conditions, they:

"3. (2) (a) [...]

(b) are ordinarily resident and present in Guernsey[35];

(c) have at any time been ordinarily resident and present in Guernsey for a continuous period of five years; and

(d) have, immediately before the date in respect of which benefit is claimed, been ordinarily resident and present in Guernsey for a period of not less than twelve months...."

34 The Long-term Care Insurance (Guernsey) Law, 2002.

35 All references to 'Guernsey' in section 3(2) of the Law, also include Alderney.

6.2 As explained in paragraphs 3.38 to 3.43, the five-year residency condition could be viewed as being too generous (Issue 5) – that is that five years' residency in Guernsey or Alderney is too short a period to demonstrate a sufficient connection to the islands and potential to have paid contributions towards the Scheme to warrant entitlement to what is a very valuable benefit. At 2025 rates, residential care benefit amounts to approximately £33,100 per person per annum and nursing care benefit amounts to approximately £59,700 per person per annum. If the proposals set out in section 4 are approved by the States, the annual cost per beneficiary will increase. Of course, it is the high cost of long-term care that led to the introduction of the Scheme in the first place, so the high cost per beneficiary is inherent in its design.

6.3 To address this issue, the Committee proposes that the five-year continuous residency condition, as set out in section 3(2)(c) of the Law, be replaced with a new test requiring a person to have been ordinarily resident in Guernsey or Alderney, as an adult[36], for an aggregate period of at least 10 years since 1st January 2003 when contributions were first payable to the Fund. This proposal includes four changes to the test:

i) The minimum period of residence in Guernsey or Alderney is increased from five years to 10 years;
ii) The 10-year period can be made up of shorter periods (although not of less than one year) aggregated, rather than having to be continuous as under the current test;
iii) The 10-year period must be completed as an adult, unless the person claiming care benefit is under the age of 28 in which case residency during childhood would be taken into account; and
iv) Only periods of residency in Guernsey or Alderney since 1st January 2003, when contributions were first payable to the Fund, are relevant for determining whether the test is met, rather than residency periods 'at any time' as under the current test.

6.4 The Committee considers that 10 years' residency as an adult demonstrates a sufficient connection to the islands and a long enough potential contributory period to warrant entitlement to care benefit should a person require bed-based care. The Committee considers it important that this contributory period be completed in adulthood, when a person is liable to make contributions to the Fund, provided that they have earnings and/or income above the relevant thresholds. Otherwise, people may live in Guernsey or Alderney for 10 years during their childhood, leave before or during adulthood, return to Guernsey in later life and qualify for care benefit (subject to also meeting the other eligibility criteria) after just one year of residence, potentially having made no or minimal contributions to the Fund.

[36] Aged 18 and above.

6.5 In the rare instances that a person who has not attained the age of 28 requires bed-based long-term care, the Committee acknowledges that it would not be possible to meet the proposed new residency condition. It is proposed that, in any such cases, a person's residency record prior to attaining the age of 18 may also be regarded when determining eligibility for care benefit.

6.6 The Long-term Care Insurance (Guernsey) Regulations, 2003[37] set out the length or nature of absences which can be disregarded when determining whether someone is considered 'ordinarily resident' in Guernsey or Alderney. Under these Regulations, a period of absence of less than 13 weeks shall be disregarded when calculating a person's residency record, provided that the absence is both preceded and followed by periods of presence of 13 weeks or more[38]. Further, absences from Guernsey (or Alderney) to undertake full-time education, medical treatment, service in H.M. Forces, or, in some circumstances, employment outside Guernsey or Alderney for a Guernsey employer, are not regarded when determining whether someone is considered to be absent.[39] However, if a person is absent from Guernsey or Alderney for reasons other than these, and for a period of longer than 13 weeks, they are considered not to be ordinarily resident. Under the current five-year residency condition, any such absences would break a continuous period of residency and any previous residency accrued would not be regarded when determining eligibility for care benefit. By contrast, the proposed change from continuous to aggregate residency recognises that it is not unusual for people to leave the island for a period of time and return at a later date.

6.7 Put differently, under the current residency condition, a person who lived in Guernsey or Alderney for five or more years prior to 2003, and who left the Island before the introduction of the Scheme and the requirement to contribute towards it, may return to Guernsey (or Alderney) and, subject to being assessed as having care needs at the required level and securing a bed in a care home, be eligible to receive care benefit after a minimum period of twelve months of continuous residency immediately prior to making their claim. The proposed new residency condition would mean that in this hypothetical scenario, the person would instead be required to be resident in Guernsey or Alderney for at least 10 years in aggregate as an adult since 1st January 2003, including at least twelve months of continuous residency immediately prior to making their claim, in order to be eligible to receive LTC benefit.

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37 The Long-term Care Insurance (Guernsey) Regulations, 2003.

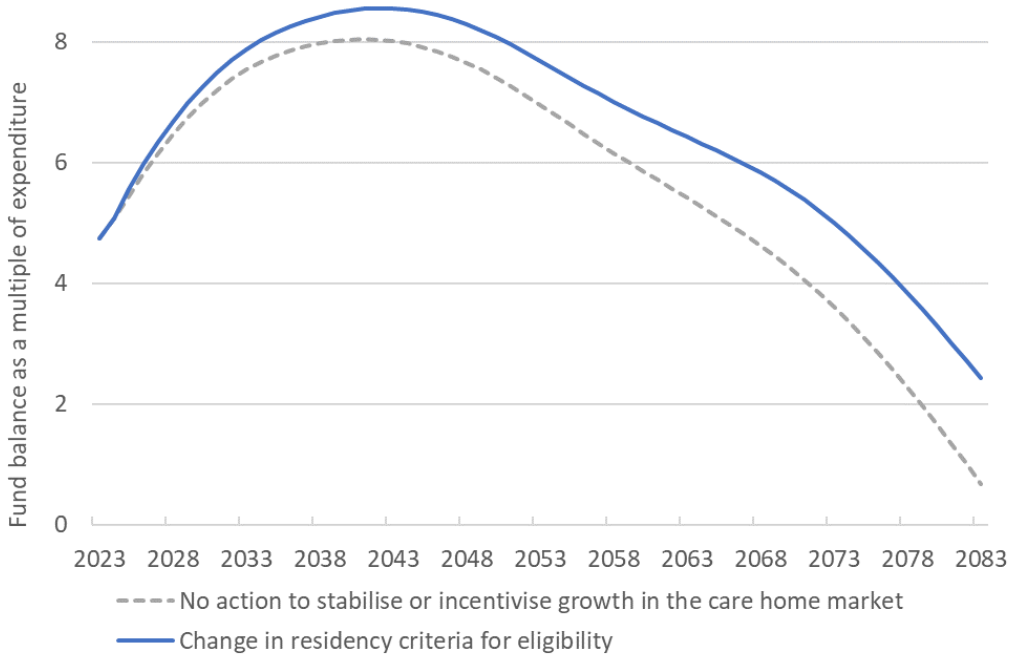
38 In other words, a person may be absent from Guernsey or Alderney for a period of less than 13 weeks and still be regarded as ordinarily resident. It is worth noting that the Long-term Care Insurance (Guernsey) Regulations, 2003, also prescribe that a period of presence of less than 26 weeks in an aggregate of 52 weeks should be disregarded (i.e. not counted as a period of residence).

39 For clarity, it is not proposed that these provisions be amended subject to any consequential amendments required as a result of the proposed changes.

6.8 For the avoidance of doubt, the proposed new residency condition would apply to people requiring both LTC benefit and respite care benefit. The residency record of the person requiring respite care (as opposed to that of the person who typically cares for them) is considered when assessing eligibility for respite care benefit.

6.9 Increasing the residency requirement to be eligible for LTC benefit and respite care benefit will have a small positive impact on the financial position of the Fund as it will lead to a small reduction in the number of eligible persons. Figure 6.1 below illustrates the impact on the Fund of this policy change in isolation.

Figure 6.1 - Projected financial position of the Fund with proposed new residency condition



6.10 In practice, the vast majority of people receiving bed-based long-term care have been resident in Guernsey or Alderney for in excess of 20 years so the financial impact of changing the residency condition as proposed is fairly small.

6.11 It is important to note that, in the rare cases that a person does not meet the residency condition(s) for care benefit, the proposed changes will not mean that any such person will be denied the care they require. Rather, if they are ineligible for care benefit and do not have the funds to meet the costs of their care themselves, they may instead be eligible to claim income support to assist them to meet their care costs.

Transitional arrangements

6.12 Although many of the people who would meet the current residency conditions to receive care benefit would also meet the proposed new residency conditions right away, the Committee acknowledges that the proposed change would have a significant negative impact on some people's eligibility for care benefit.

6.13 In particular, individuals who have only recently attained five years' continuous residence in Guernsey may reasonably expect that they would be eligible to receive care benefit if they were to need bed-based care in the near future. The proposed new residency condition, if implemented without phased or transitional measures, may result in those individuals very suddenly becoming ineligible to receive care benefit with little time to make any alternative financial arrangements to cover their potential future care costs.

6.14 The Committee does not consider this to be fair and therefore proposes that, if the proposed new residency condition is approved, any person who meets the current residency conditions on the day before the change takes effect would remain eligible to receive care benefit, provided that they meet the other eligibility criteria and remain ordinarily resident in Guernsey or Alderney prior to requiring care.

6.15 For clarity, under these proposals, a person who meets the current residency conditions immediately before the proposed new residency condition comes into force would be deemed to have met the new condition if, for example, they required long-term care in less than five years' time. If they require long-term care five or more years after the new residency condition takes effect, and they have remained ordinarily resident in Guernsey for at least five further years during that period (including one-year immediately prior to making their claim), they would have satisfied the new residency condition and would not need to rely on the transitional provisions.

6.16 For the avoidance of doubt, the requirement to remain ordinarily resident does not mean that a person cannot leave Guernsey or Alderney for short periods (for example, for travel) but rather that Guernsey or Alderney must remain their ordinary place of residence either until they require care or until they meet the new residency condition. As stated in paragraph 6.6, a person may be absent from Guernsey or Alderney for up to 13 weeks and still be considered to be ordinarily resident for the purposes of entitlement to care benefit.

6.17 In order to provide notice of this change, the Committee considers it appropriate that the new residency condition for care benefit, including the transitional provisions, be brought into effect one year after the necessary legislation has been approved by the States. In practice, this means that people who have lived in Guernsey for a continuous period of four years on the day before the legislation

is approved by the States, will, subject to remaining ordinarily resident in Guernsey for the next year, fall within the protections afforded by the transitional arrangements proposed by the Committee.

6.18 While the Committee is confident that the proposed transitional arrangements will accommodate the circumstances of the vast majority of the people they are intended to protect, it nonetheless acknowledges that technical issues or unforeseen circumstances might arise when implementing the proposed new residency condition. It is therefore proposed that the Committee be given the power to prescribe the transitional arrangements by Regulations.

7. Introduction of a user care cost contribution

7.1 As set out earlier, increasing the standard rates payable and increasing the uprating policy to Guernsey RPIX plus 1% will have a negative impact on the financial sustainability of the Fund. This impact is offset to a small extent by the proposed change to the residency condition to be eligible for care benefit. If approved by the States, the aggregate impact of the proposals set out in sections 4 to 6 of this Policy Letter is to bring the Fund's exhaustion date forward by 27 years. Therefore, if nothing is done to either increase the amount of income to, or reduce the amount of expenditure from, the Fund, then it is expected to be exhausted by 2058.

7.2 While the long-term sustainability of the Fund needs to be examined by the next States Assembly early in the next term, the Committee is of the view that it would be irresponsible to propose policy changes which will increase expenditure without also proposing a measure to at least partially address the sustainability issues that arise. Accordingly, the Committee is proposing the introduction of a user care cost contribution to reduce LTC benefit outgoings to some extent.

7.3 The Committee is proposing to make it a condition of entitlement to long-term care benefit that the person has paid, after making their claim for benefit, and subject to meeting the other eligibility criteria at that time, up to £10,000 of their care costs, unless exempt from this requirement. A financial assessment would be carried out to determine if a person was liable to pay this 'user care cost contribution' or was exempt from this requirement. It is proposed that for the purposes of the assessment, the **entire value of a person's principal private residence would be excluded**, but the majority of their other capital assets would be included, as well as their weekly income if they have capital assets of less than £25,000, subject to specified exceptions.

7.4 For the avoidance of doubt, the user care cost contribution relates to the cost of care only and would be payable in addition to the regular weekly co-payment which covers accommodation and living expenses, and any additional fees which may be charged at the care home's discretion.

7.5 Crucially, this contribution to care fees would only be payable by those who require this type of care, and only upon entering a bed-based setting on a permanent basis. Furthermore, it would not be payable by anyone receiving bed-based respite care under the Scheme.

7.6 To put this amount into context, once the proposed increases to the standard rates have been fully implemented, an individual with the financial means to make the full £10,000 user care cost contribution will effectively need to meet their own care costs for around 15 weeks if receiving residential care, around 12 weeks if receiving residential EMI care, and around 9 weeks if receiving nursing care. This is based on the rates of LTC benefit that will be in force once the transition to the higher co-payment is complete (in 2025 terms). The average duration of bed-based care is 12 to 18 months, so benefit will be payable, on average, for the majority of a person's time in care.

7.7 The Committee is proposing that the types of income and capital assets to be regarded or disregarded for the purposes of the financial assessment be aligned, where appropriate, with income support legislation[40], noting that certain modifications may be necessary to fit the requirements of this financial assessment.

7.8 An asset disregard of £15,000 per person is proposed, meaning that a person will be assessed as liable to pay a user care cost contribution should they have capital assets of over £15,000. The proposed asset disregard is in line with the current income support capital limit for a single householder and it is proposed that these limits should be aligned going forwards[41]. Anyone with capital assets valued at £25,000 or more will be required to pay the full £10,000 user care cost contribution.

7.9 In cases where an individual does not have capital assets of £25,000 or more, it is proposed that they would be required to use some of their weekly income (i.e. the amount in excess of an income threshold) towards their care cost contribution. The income threshold would be set at an amount equal to the income support requirement rate for people living in local residential and nursing care homes (i.e. the value of the co-payment plus the value of the relevant income support personal allowance). In 2025 terms, this would be £390.88 per week (w.e.f. 3 January 2025)[42]. This means that the income threshold will increase as the value of the co-payment and personal allowance increase. By

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40 Further details can be found in Part III of the third schedule of The Income Support (Implementation) Ordinance, 1971.

41 Income support is not payable if a person's capital exceeds the relevant limit.

42 This example does not reflect proposals to increase the co-payment, as outlined in section 4. If these proposals are approved, the weekly income threshold would reflect the increasing value of the co-payment.

January 2030, at the end of the five-year phasing in period for the higher co-payment, the income threshold would be £562.86 per week (in 2025 terms).

7.10 Anyone with capital assets of less than £25,000 and a weekly income above the income threshold will be required to contribute towards their care costs until they have paid the full £10,000 care cost contribution. Anyone with capital assets of less than £25,000 and a weekly income below the income threshold will be required to pay a reduced care cost contribution equal to the amount of capital they have in excess of £15,000.

7.11 The proposed £15,000 asset disregard is per person, so in the case of a couple where both members of the couple have made claims for LTC benefit, £30,000 of capital assets would be disregarded in the user care cost contribution financial assessment.

7.12 Should a member of a couple require bed-based care, it is proposed that, for the purposes of the financial assessment, a 50% share of assets held jointly by the couple is apportioned to the person requiring care. It is further proposed that any assets belonging wholly to one member of the couple are attributed to that member of the couple only.

7.13 Although the Committee does not anticipate that many people will take measures to avoid paying the user care cost contribution given its relatively low value, as a safeguard against this possibility it is proposed that anti-divestment provisions are included in the legislation to act as a deterrent and to address the likely small number of instances in which someone might intentionally deprive themselves of assets in order to avoid paying the user care cost contribution, or to pay a reduced amount. These provisions should provide that divestment will not be deemed to have occurred if it is clear that a person's motivation was not to obtain or increase care benefit. This is comparable to provisions adopted in other jurisdictions, for example in Jersey and England.

7.14 The Committee acknowledges that implementing the proposed user care cost contribution and associated financial assessment may be an administratively complex process as the majority of sources of income and capital will need to be considered, including assets held through companies and other vehicles, and it may be necessary to be responsive to unforeseen circumstances. It is therefore proposed that the Committee has the power to provide for the detail of the definitions of the assessment of capital and income (including anti-divestment provisions) by Regulations of the Committee, subject to the principles of disregarding the entire value of the principal private residence and the proposed capital and income thresholds for the user care cost contribution outlined above.

7.15 It is also proposed that the Committee would also have a power to amend the above principles and the level of user care cost contribution by Regulations. It is envisaged that the value of the user care cost contribution would not be uprated on an annual basis. Rather, the Committee would review its value from time to time, potentially in conjunction with the five-yearly actuarial reviews of the Fund, and/or when the benchmarking of benefit rates is undertaken. This would provide more stability for individuals who may become liable for the contribution and would enable a neater rounded figure to be adopted with effect from each review. A similar approach is currently adopted when reviewing the income support capital limits. Furthermore, it would give time for the changes to the Scheme, including the phasing in of the higher co-payment, to 'bed-in' and the long-term funding approach to be considered.

7.16 To provide for scrutiny by the Assembly it is proposed that any changes to the types of capital assets taken into account in the financial assessment would require approval by the States. This would ensure that any changes to the policy of excluding the value of a person's principal private residence would require a Resolution of the States. It is noted that the assessment provisions are also set out in regulations or orders in Jersey and in UK jurisdictions.

7.17 It is worth noting that administering the user care cost contribution, including the financial assessment process, would require changes to be made to the benefits computer system. It would also require additional staff resource to administer the process. In both cases, it is not possible at this stage to provide an accurate estimate of the cost arising from these requirements. If the States approves Proposition 10, a detailed specification for the necessary IT changes will be prepared which will enable the job to be priced. It is estimated that the additional staffing resource necessary to administer the financial assessment process may cost in the region of £100,000 to £150,000 per annum. It is noted that any costs involved with the implementation and ongoing administration of the user care cost contribution will be met from the Fund, as is permitted under the Law.

7.18 If approved, it is anticipated that the user care cost contribution would not be implemented before January 2027 at the earliest, due to the legislative, procedural and administrative changes that will need to be made.

7.19 Arguably, the amount of the proposed user care cost contribution is moderate in comparison to similar contributions in other jurisdictions. For example, in Jersey, a single person may be asked to pay up to £72,570 towards their care, and a couple up to £108,860. While Jersey has a much higher asset disregard of £419,000, this is because the value of a person's principal private residence is taken into account. The £419,000 is comprised of a notional property value of £394,000 and a cash and other assets value of £25,000.[43]

[43] Jersey Audit Office r.72-2022.pdf (gov.je).

7.20 In England, people are expected to pay their full residential care costs unless the value of their assets is below £23,250 (which includes the value of a person's principal private residence) in which case they can apply for means-tested assistance from their local council.[44] If a person's capital is below £14,250 they contribute only what they can afford from their income. However, there is no limit on the amount that an individual is expected to pay towards their care costs if they have the means to meet those costs.

7.21 In Scotland, individuals must pay for their full residential care costs unless the value of their assets is below £35,000. If the value of their capital assets is between £21,500 and £35,000, they must pay a contribution of £1 for every £250 of capital between £25,000 and £35,000. In Wales, the figure for paying full care costs is higher, being set at £50,000 of capital assets. However, in both cases the value of the principal private residence is included in the financial assessment, except in certain circumstances (such as when one member of a couple requires bed-based care and the other member still lives at home). In both jurisdictions, individuals are also required to contribute if their income (e.g. pension and benefits) is above certain amounts subject to specified disregards.

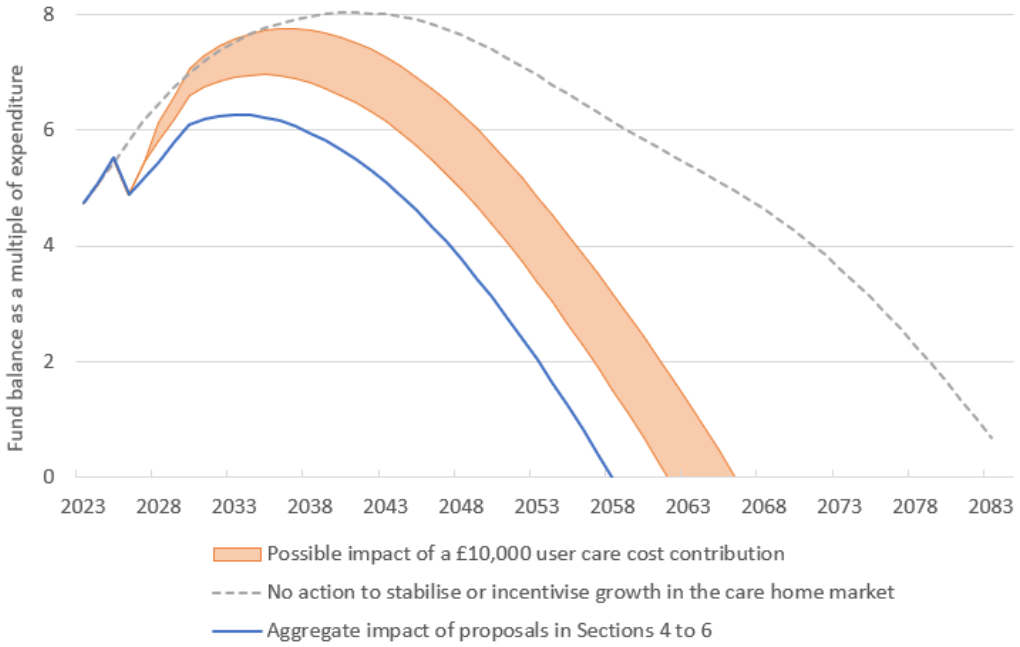
7.22 Despite being set at a comparatively low level, the proposed £10,000 user care cost contribution would have a positive impact on increasing the longevity of the Fund if implemented as it would reduce the amount paid out in LTC benefit.

7.23 It is impossible to model with any degree of certainty the capital assets that individuals requiring long-term care might have available. Unlike income, information on the value of assets held by individuals is not collected by the States. As such, the impact of introducing a user care cost contribution of £10,000 has had to be estimated using UK statistics to predict the value of individuals' capital assets based on their income. This very approximate approach has been adopted to indicate the potential impact that a user care cost contribution might have on the future projection of the Fund, illustrated by the orange band in Figure 7.1 overleaf.

7.24 Figure 7.1 also shows the aggregate projected impact of the policy proposals set out in sections 4 to 6 of this Policy Letter on the financial position of the Fund over a 60-year period if no user care cost contribution is implemented (the blue line). For comparison purposes, the dotted line shows how the financial position of the Fund is expected to progress over the same period if none of the proposals are approved.

[44] Care and support statutory guidance - GOV.UK (www.gov.uk).

Figure 7.1 – Projected financial position of the Fund with £10,000 user care cost contribution



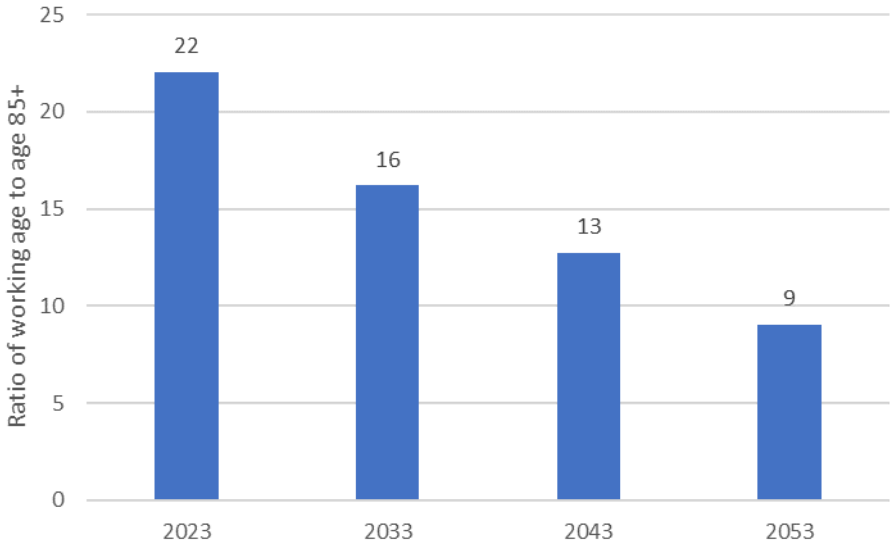
7.25 It is estimated that around 50% of the population over age 65 will be able to afford the full £10,000 user care cost contribution. However, as already demonstrated, most of those receiving long-term care are actually over age 85 and so may have assets of a lower value than the average pensioner, having spent some during their retirement. With this in mind, the orange band in Figure 7.1 shows the projected financial position of the Fund assuming that between 25% and 50% of those people requiring bed-based long-term care have sufficient resources to pay the £10,000 user care cost contribution. On this basis, the introduction of the contribution is expected to add between four and nine years to the lifetime of the Fund, reducing expenditure from the Fund by between £1.8m and £3.5m a year (in 2025 terms).

7.26 The Committee has also considered increasing contribution rates as an alternative way of extending the longevity of the Fund. If the proposals in sections 4 to 6 are implemented without a user care cost contribution, the Class 1 contribution rate would need to be increased by an estimated 0.8% from 2026, making the total contribution rate to the Long-term Care Insurance Fund 3.0%, in order to make the Fund sustainable in the long-term. To have the same impact as the proposed £10,000 user care cost contribution, the Class 1 contribution rate would need to increase by between 0.1% and 0.25%, bringing the total contribution rate to between 2.3% to 2.45%.

7.27 By comparison, the long-term care contribution rate in Jersey is a maximum of 1.5%, although it is acknowledged that most people do not pay this maximum rate.[45] Rather than relying on contribution income, as is currently the case in Guernsey, Jersey has adopted more of a user-pays policy, which is why the contribution rate is lower and the user care cost contribution is higher.

7.28 Like many jurisdictions, Guernsey has an ageing population. This means that the working age population is decreasing while the population aged 85 and over is increasing, as illustrated in Figure 7.2 below.

Figure 7.2 – Ratio of working age population to population aged 85 and over



7.29 Figure 7.2 shows the projected ratio of the working age population to the population aged over 85 years old from 2023 to 2053. In 2023, there were around 22 people of working age for every person aged over 85. By 2053, this is projected to reduce to just 9 people of working age for every person over age 85. This significant decrease in the number of people of working age, whose contributions help finance the benefits payable from the Fund, means it is not feasible or fair to continue to rely on increasing contribution rates to cover these costs. The Committee believes it is important to diversify how the Fund is financed or to reduce expenditure from the Fund.

7.30 Introducing a user care cost contribution also takes a step towards reducing the risk of generational unfairness (Issue 8) as users who are receiving care in the near future would be paying more towards their own care costs, whereas an increase in contribution rates would place the burden of funding bed-based care

[45] How long-term care is funded (gov.je).

primarily on the working age population, with the ongoing risk that the Fund may be exhausted before they themselves require care.

7.31 While the wider financial model for the Scheme will be looked at next term, introducing a user care cost contribution improves the financial position of the Fund without putting more of a burden on the working age population.

8. Statement of Support and Compliance with Rule 4

8.1 Rule 4 of the Rules of Procedure of the States of Deliberation and their Committees sets out the information which must be included in, or appended to, motions laid before the States.

8.2 In accordance with Rule 4(1):

a) The Propositions contribute to the States' objectives and policy plans by making steps towards discharging the outstanding resolutions of the Supported Living and Ageing Well Strategy within the Committee's mandate before the wider strategy is considered by the three Committees during the next political term in light of developing tax policy. It also contributes towards the Sustainable Health and Care Services Strategic Portfolio agreed under the Government Work Plan.

b) In preparing the Propositions, consultation has been undertaken with the P&RC and HSC. Wider public consultation on the principles of the new model and its funding took place through focus groups in late 2023. Consultation with States Members, Alderney's Policy & Finance Committee and third sector and private sector organisations involved in health, care, disability, ageing and generational issues also took place in 2023, on work to develop the new model for long-term care and its funding, which included many of the same principles and policy options as set out in this Policy Letter. The Guernsey Care Home Managers' Association were consulted on the details of both the full model proposals and the proposals set out in this Policy Letter.

c) The Propositions have been submitted to His Majesty's Procureur for advice on any legal or constitutional implications.

d) There are additional financial implications to the States of Guernsey due to increasing the standard rates and the uprating policy, as outlined in sections 4 and 5, but mitigations have been presented through the proposed changes to the residency condition outlined in section 6 and the introduction of a user care cost contribution outlined in section 7. Estimates of the financial implications to General Revenue of increasing the co-payment are outlined in Table 4.2. This shows an estimated increase in income support expenditure of £0.2m in 2025, increasing annually to £2.4m by 2030, with £0.4m being

due to increasing demand (which would happen anyway) and £2.0m due to the higher co-payment. Should the private care market be stabilised and incentivised to grow to meet demand, the additional cost to income support and expenditure from the Fund should offset higher costs that may otherwise be incurred by HSC to meet unmet demand. As outlined in paragraph 1.14, the cost of HSC of providing bed-based long-term care is between £35,000 and £40,000 more per bed than in a private care setting, and those costs are all funded from General Revenue as care benefit is only available to users of private bed-based care.

8.3 In accordance with Rule 4(2):

a) it is confirmed that the Propositions engage the mandate of the Committee with respect to Long-term Care Insurance.

b) it is confirmed that each of the Propositions have the unanimous support of the Committee.

Yours faithfully

P J Roffey
President

H L de Sausmarez
Vice-President

T L Bury
S J Falla
L C Queripel

M R Thompson
Non-States Member

R J Le Brun
Non-States Member

APPENDIX 1

Background to the Long-term Care Insurance Scheme

1. In the 1990s there was much concern surrounding the funding of Long-term Care. Analysis indicated that over the next 40 years the number of people over 65 years of age would increase substantially while the number of working age people would remain fairly static. This growth had obvious implications for the provision and funding of health and social care and raised questions as to who would provide beds for the increase in elderly people and who and how would they be paid for. It was recognised that the arrangements for funding Long-term Care at the time were unsatisfactory and did not offer an adequate model to cope with the future demand.

2. Persons needing long-term residential or nursing care at that time faced potentially huge costs resulting in their lifetime savings including the capital value of their home disappearing rapidly to pay their fees. For those unable to meet their fees in Guernsey there were three different means tested funding schemes depending on the type of accommodation they occupied. The Board of Health and the States Housing Authority administered schemes for public sector accommodation and the Social Security Authority administered the scheme in respect of private sector residential and nursing homes. The States of Alderney operated a fourth scheme.

3. All the schemes were funded through General Revenue but had developed piecemeal over time. They were considered inadequate and unfair. The main difference between the schemes was how the capital and resources were treated and this was the main source of unfairness. In particular, the Board of Health assessment ignored the capital value of property owned, but not lived in, while the Social Security assessment treated property in the same way as money in the bank with a notional income attached to the capital value. The Housing Authority means-test also took account of the capital value of a person's house but applied a very high assumed notional income from the asset. While the Board of Health assessment was most favourable to the individual, it was the costliest for the taxpayer. It created an incentive for individuals with capital to enter Board of Health accommodation and caused bed blocking on wards as people resisted being moved to private sector homes. It was a commonly held belief at the time that 'if you go into care the States will take your house'. This was not true but people in Board of Health accommodation were at much less risk of losing their life savings than individuals in other types of residential care. This situation remained unchanged despite a States resolution in 1988 for one uniform assessment for fees.

4. In 1988 the Social Security Authority was directed by States resolution, to report back on ways to implement a standard means-tested assessment based on the provisions of the Supplementary Benefit (Guernsey) Law, 1971, to replace the Board of Health and Housing Authority Schemes[46]. Other policy matters took precedence over this piece of work and, with the passage of time, it was evident that dealing solely with the problem of conflicting assessments would not address the broader issues of future funding and provision of services for an ageing population. A working party was set up to look at public and private sector services in Guernsey and Alderney for both long and short–term care. It also considered the balance between institutional and community care services and the expansion of sheltered housing and how these services would need to expand and be funded over the next twenty years.

5. Following the working party investigation the Social Security Authority believed that although supplementary benefit was a possible solution, a Long-term Care insurance scheme, broadly similar to the specialist health insurance scheme, would be a better option. An insurance scheme, would spread the costs of Long-term Care across the community and should avoid the need for the capitalisation of assets, including property, to pay for a residential or nursing care bed. In a 1999 Policy Letter[47], the Social Security Authority recommended to the States:

    a. That development of the means-tested supplementary benefit based model as the approach to assessment of fees for Long-term Care should be discontinued;
    b. That the preferred approach to funding Long-term Care should be an insurance based scheme.

6. The States approved these recommendations in-principle. The working party continued to work to address the questions that had been raised during the debate. Particular attention was given to how to control demand and cost, and how to ensure provision and quality.

7. In 2001, the Social Security Authority presented their Long-term Care Policy Letter[48] with the developed proposals, which were approved and legislation prepared. The Long-term Care Insurance (Guernsey) Law, 2002 came into effect in 2003 with an initial contribution rate of 1.4% being payable from January 2003 and paid to the Long-term Care Insurance Fund. Benefit payments commenced in April 2003.

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46 Benefit payable to persons residing in a hospital or home (Billet d'État XX of 1988, Article XX).

48 Long-term Care Insurance Scheme for Guernsey and Alderney (Billet d'État XIX of 1999, Article XVI).

48 Long-term Care Insurance Scheme for Guernsey and Alderney (Billet d'État III of 2001, Article VII).

8. The main eligibility requirements were simple; the beneficiary would need to be aged 18 years or over and have been ordinarily resident in Guernsey for five years immediately before claiming benefit or for five years at any time in the past, but resident for one year immediately before claiming benefit. They would also need to have been assessed as needing Long-term Care in residential accommodation by the Needs Assessment Panel, taken up a place in a nursing or residential home and make a contribution towards the fees. The benefit rate was set to cover the agreed care home fees minus the beneficiary's contribution, known as the co-payment; the co-payment was the same for all beneficiaries and was linked to the full Guernsey Old Age Pension minus a pocket money allowance. Where the beneficiary had insufficient income to pay the co-payment, assistance would be available through means tested supplementary benefit.

9. When introduced LTC benefit was paid at two rates, a lower rate for residential homes and a higher rate for nursing homes. In 2009 following the opening of a specialist unit for the elderly mentally infirm a third, intermediate, rate of benefit was introduced reflecting the additional needs and care required for people with dementia.

10. The co-payment was intended to be the care recipient's contribution towards their accommodation and living costs. Long-term care benefit was intended to cover the recipient's cost of care. Together, these payments constitute the 'standard rate'. These rates are increased each year, subject to States approval of rates proposed by the Committee.

11. At the time the scheme was introduced, a small number of care homes had fees which exceeded the standard rate. Any fees above the standard rate would be paid by the individual resident in addition to the co-payment. No means-tested assistance would be provided for fees in excess of the standard rate.

12. The Scheme was funded by compulsory social security contributions paid by employed, self-employed and non-employed persons, including those over pensionable age, together with a States grant from General Revenue. The amount of the States grant was equal to 12% of total contribution income. Contribution income and the States grant were paid into the Fund. The General Revenue grant to the Fund reduced to zero with effect from 1st January 2007. Since this time, the Scheme has been entirely funded by contribution and investment income.

APPENDIX 2

Glossary of Terms

Additional fees: Care costs in excess of standard care costs (or, put differently, in excess of LTCB rates).

Care benefit: Refers to both LTC benefit (paid in respect of people living in a care home on a long-term or permanent basis) and respite care benefit (paid in respect of people receiving short-term residential or nursing care for respite purposes). Respite care benefit may be paid for up to four weeks in any 12-month period, provided a person has a Needs Assessment Panel certificate. Specific references to LTC benefit or respite care benefit should be taken to mean the referenced benefit only

Care homes: An institution in which care and accommodation are provided together for people who have complex or demanding long-term care needs.

Community care: All types of care (short- and long-term) that are not delivered in a hospital or medical setting, including homecare and care delivered in care homes.[49]

Community Long-term care ('Community LTC'): Community LTC is all types of care that are long-term or permanent in nature, and which are not delivered in a hospital or medical setting. Community LTC can be provided by informal carers, private, public and third sector groups, and can include forms of care such as homecare, personal care, nursing care, care delivered in care homes, and more.

Co-payment: The co-payment is a weekly contribution towards a person's living and accommodation costs that they must pay to the care home in which they live as a condition of entitlement to receipt of long-term care benefit**.**

Homecare: All types of care, such as personal care or specialist nursing care, delivered in an individual's own home or normal place of residence such as an extra care housing unit, which is rented or owned by the resident as their private home.

Long-term care: The broad range of personal, social, and medical services that assist people who have functional or cognitive limitations in their ability to perform self-care and other activities.

[49] In its broadest definition, community care includes public health, GPs, dentistry, community pharmacy, and so on.

Long-term Care Insurance Scheme: Launched in 2003, the LTCS supports islanders in need of residential or nursing care and was intended to insure islanders against the risk that they would face significant personal costs if they needed care and encourage investment in the private care market.

Long-term Care Insurance Fund: The Long-term Care Insurance Fund funds the Scheme and is in turn financed from Social Security contributions and the Fund's investment income.

Long-term Care benefit ('LTC benefit'): A weekly benefit paid towards the cost of living in a private care home in Guernsey on a long-term or permanent basis, subject to meeting certain residency conditions as set out in this Policy Letter.

Needs Assessment: an assessment, by an appropriately trained assessor, of a person's needs for care and support (including transition assessment), or a carers assessment of needs for support. The assessment should be person-centred and strengths-based with a focus on identified areas of wellbeing.

Needs Assessment Panel: multidisciplinary panel of health and social care professionals employed by the States of Guernsey to review applications for LTC benefit and respite care benefit certificate.

Nursing care: Specialist care or support delivered by specially trained and qualified nurses to manage complex health needs, including support with managing *inter alia*:

- Continence;
- Tissue viability;
- Diabetes;
- Symptom control;
- End of life care;
- Medication management including non-medical prescribing;
- Acute care at home (rapid response);
- Total Parenteral Nutrition (a method of feeding that bypasses the gastrointestinal tract when a person's digestive system does not work); and
- Intravenous therapy (administration of fluids, medications, and nutrients directly into a person's vein).

Standard care costs: Care costs equivalent to LTC benefit. This does not include accommodation costs, living expenses, or additional care costs (often referred to as 'top-up fees' or 'additional fees').

Standard rate: The sum of the co-payment and LTC benefit. A 'standard rate bed' referred to in this Policy Letter costs the standard rate.

User care cost contribution: The user payment towards standard care costs, excluding the co-payment and any additional fees.

APPENDIX 3

Extract from the States of Guernsey Population Management Discretionary Resident Permit Policies - For Open Market Residents document

If a person has been resident in Guernsey for at least the whole of the proceeding 10 years and who, in the opinion of the Needs Assessment Panel, should be accommodated in a residential or nursing home, they can generally expect to be granted a Permit so that they can live in a registered residential or nursing home. The person might be asked to provide information to demonstrate that they need ongoing additional support (Reference DR34).

If a person's only near relative is a long-term lawful resident of Guernsey, provided that the person is aged over 75; is in need of residential care (confirmation from a medical professional required); and will fund his/her own care, they can generally expect to be granted a Permit so that they can live in a registered residential or nursing home. The person might be asked to provide information to demonstrate that they need ongoing additional support (Reference DR 35).

If a person:

- has been resident for at least the whole of the preceding 10 years; and
- who, in the opinion of a medical professional, needs care and support; and
- has an immediate family member, who is a householder and lives in Local Market housing; and
- that immediate family member will provide care and support for them, they can generally expect to be granted a Permit so that they can live with that Local Market family member.

The person might be asked to provide information to demonstrate that they need ongoing additional support (Reference DR42).