The Economics and Financing of Care for Dependent Older People in Ireland

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The locus of responsibility for the care of older people is a key indicator in relation to levels of public spending on long term care across countries. Surveys of European citizens show large differences in public preferences in relation to responsibility for long-term care across countries (Eurobarometer, 2007). Citizens in Nordic countries tend to favour the state as the main provider of care, while Southern European countries believe that care is largely a family matter. There is limited data on public preferences for spending on long term care in Ireland. Recently, the Citizens Assembly in Ireland (2017) considered this issue and 60 per cent of the Members voted that it is the family/older person who should be primarily responsible for providing required care for older people, but the State should have at least some responsibility (Citizens Assembly, 2017). One third of voters believed that the state should bear the primary responsibility for care, with the family/older person having at least some responsibility. Interestingly, 87 per cent of Assembly members recommended an increase in public resources allocated for the care of older people, particularly in relation to home care services.

The latter vote is perhaps not surprising, given that spending on services and supports for older people in Ireland declined sharply on a per capita basis during the recession years. This decline was driven by a combination of cuts to nominal budgets arising from public expenditure constraints and annual increases in the number of older people, particularly in the last few years. Table 1 shows a 25 per cent decline in per capita spending from 2009 to 2017 (Dept. of Health, 2015; HSE, 2017a). While this decline relates to the overall population of older people, it does indicate that spending fell from €3,514 per person in 2009 to an estimated €2,648 in 2017.

Table 1: Spending on Older Peoples Services 2009 to 2017

	2009	2010	2011	2012	2013	2014	2015	2016	2017
Older People's Services (€b)	1.739	1.684	1.433	1.366	1.366	1.468	1.569	1.679	1.705
Per Capita over 65 (€)	3,514	3,299	2,720	2,509	2,429	2,528	2,612	2,688	2,648

One of the enduring criticisms of government policy for dependent older people in Ireland, for decades now, is the imbalance in public spending between residential care and community-based care. For example, the government is spending more than twice as much on residential care than on community-based care for people with dementia (O'Shea and Pierse, 2017). Historically, even when public resources were relatively plentiful, investment in community-based care was poor. When budgets for older people have to be curtailed, as happened in recent times, there is limited scope as to where these cuts can fall, due to two major constraints: the need to continue providing services that are mandated or have a legislative basis (as you can be brought to account if they are not provided); and the high level of fixed pay costs in the system. The only statutory scheme we have in place at present to care for older people is the Nursing Home Support Scheme (NHSS), so there is an element of protection in the residential care sector compared to home care provision, where there is no statutory protection. This is why home care is often one of the first budgets to get cut in times of adversity, even though most people realise that this is counter-productive in the long-term.

There is an urgent need for significant investment in community-based care in Ireland to allow dependent older people to live at home for as long as possible and practicable. Home care provision is currently weak relative to need and is distributed unevenly across the country. The result is that family carers bear most of the care burden and financial cost of providing care to older people living at home in the community. For example, of the €2 billion costs associated with dementia in the country, almost half are borne directly by informal carers. If families were to stop caring, the care system, as currently structured, would collapse. When older people are asked what they want in relation to home care, their answer is a system that allows them to live well in their own familiar environment. They want better and timely information, choice, personalised care, integrated care and more practical supports for family carers. So what needs to change to deliver the community-based system of care that people want? The first thing to acknowledge is that the development of a new system is not going to be cheap. Providing good quality care that is tailored to the individual needs of older people will be expensive, requiring significant expansion, co-ordination, integration and regulation. Home carers will also have to be better trained and paid more to attract people into the profession. So solving the problem is going to cost money.

Therefore, while expanding rights to community–based care is a necessary condition for progress, it is not sufficient condition. We also need to address the funding issue. Funding for long term care has historically come from general taxation. However, funding long-term care from this source has not delivered the funds necessary to support an optimal community-based response for dependent older people. General taxation has many advantages in that it is democratically accountable, universal, yields large amounts of money and it tends to be progressive, which means that the rich pay proportionately more than the less well off in society. But dependent older people seem to continually lose out in the allocation of scarce public resources collected through general taxation, particularly when it comes to funding community-based care. And even when resources do trickle down to dependent older people, automatic entitlement is unusual and cost sharing is the rule rather than the exception.

An alternative option for funding the care needs of people with dementia is long-term care social insurance. Under a social insurance system, individuals would pay into a fund over the life cycle, in return for automatic entitlement should they need benefits at some time in the future. The Government can pay the premiums of those not in the labour market and inability to pay would not deny access to any new national scheme. A designated social insurance fund would allow for a more protected, community-based funding model than currently exists. It would also encourage transparency in priority-setting and service delivery. It would likely be more consumer oriented and consumer responsive than a general taxation system. Social insurance organised through the labour market would, however, draw from a smaller contributory pool than the general taxation system. Germany is an example of a select number of countries that fund long-term care through social insurance.

Back in 2002, when this was last examined in detail for Ireland, Mercer favoured a social insurance approach to funding long-stay care in this country arguing that a new social scheme would generate additional resources and would establish a clear link between contribution and benefit (Brown, 2016). The key advantages of introducing a long-term care social insurance contribution noted by Mercer were: the ability of social insurance to support a standardised needs assessment; the creation of a bias in favour of home care; the separation of financing and service delivery; the end to the welfare stigma associated with means tests; and the provision of long-term stability to the financing regime. Cost would obviously be an issue and they acknowledged that there could be potential adverse effects on overall economic competitiveness from raising PRSI rates.

The inter-departmental *Report of the Long-term Care Working Group* (Dept. of Health and Children, 2006) subsequently shied away from a social insurance model for Ireland, concluding that a co-payment scheme for nursing home residents based on ability to pay, taking both income and assets into account (NHSS), was the optimal approach to funding residential care. The question of whether social insurance is now an option to support an enhanced statutory-based home care system for older people in this country, or, more broadly could be used to support both home care and residential care, remains an interesting and important policy question for Ireland. The cost of any new and enhanced personalised system of care is likely to be significant, therefore, if we want to develop high quality services and supports for older people we must find new sources of funding. General taxation has not succeeded in generating sufficient resources for home care, where demand continues to exceed supply. The problem will get worse as population ageing increases. Discussion on an appropriate funding model for long-term care in Ireland is urgently required if we really want to change the care system for dependent older people in the country. Rights without resources will not solve the current problems of home care in Ireland.