

### Third-party top-ups: the care-home owner's dilemma

As a care-home owner (and formerly manager) of many years standing, I have thought long and hard about ways to maintain the viability of my care-home now that state funding is so far below the actual costs of running the home. Historically, before the Care Standards Act and the National Minimum Wage, costs could legally be kept low enough to just about run a home to a pretty basic standard which allowed state funding to be held down. Nowadays, average resident dependency is increasing; and better trained, higher paid staff in greater numbers are necessary to run a good quality home – which should be the only standard acceptable.

I deplore the necessity for homes up and down the country to have to find ways to raise the extra income needed but know from personal experience as well as local and national research that government funding falls significantly short of that which is needed, ie a 'fair price for care'. In my own area the local authority price is estimated to be about £38 per bed per week<sup>1</sup> short of the real costs involved, and this would be even more if I did not live in an economically-deprived area with historically low wages. Our own local research was calculated using standardized loan repayments. (Homes which have paid off their mortgages are in a better operational position – but a home in this position is not viable for sale as a going concern when owners retire, as the income from state fees alone is insufficient for bank lending.)

So what choices do I have? I could refuse to take people who are funded by the state, and I could then charge 'a fair price for care' across the board. This is an option being increasingly considered by home owners who risk bankruptcy on local authority fee levels.

Another option could be to reduce staff numbers and/or wages (the biggest cost) until the books balanced. However, if you accept that it is not possible to run a quality care-home today on reduced staffing numbers then this is not an option – nor would the home meet the new national minimum standards of regulation. Reducing the hourly rate is not possible: the national minimum wage and national insurance increases have raised the wages bill considerably, and for the sort of work that care staff do, even this is well below the level staff deserve. Owners of very small homes often put in huge numbers of hours themselves – over 100 hours per week is not unusual – in order to save on staff costs.

That really only leaves two possibilities. One is to levy the shortfall on the families of state-funded service users – but in this country, unlike some of our European counterparts, this is not a social responsibility enshrined in law, and may not be achievable. The second way to cover the total costs of the home is to increase substantially the fee charged to the private fee-paying resident in order to cross-subsidise the state-funded ones.

I regularly hear people deplore the charging of top-ups from families and others, and find a lack of willingness properly to consider what cross-subsidy actually means. I believe that cross-subsidies constitute a form of financial abuse, or exploitation, of the private fee-payer, unless a very transparent system is in place and individuals enabled to understand and agree this additional cost.

I was once a manager of a very big luxury home (over 100 beds), where most of those who were recipients of cross-subsidies were largely people whose funds had run out. They were few in number (less than 10%) and had themselves previously made a contribution to the cross-subsidy of others, and in their turn they were now beneficiaries of the internal system. They

<sup>1</sup> 2005 figures

were also the residents who had no family able to meet the full fee with a top-up. There was therefore a barely-noticeable shortfall being passed on to others, but in the full knowledge that if their own funds should run out, their occupancy in the home was secure.

However, the system in smaller homes and in homes that do not (or because of their location cannot) set out to attract a solely private fee-payer, is that a sizeable percentage of individuals contribute to the homes' overall shortfall which then has to be found from sometimes very limited numbers of private payers. This means that the higher fees paid by the private payers are far in excess of a 'fair price for care' as they could be paying for at least two others. Where the average state-funded numbers are at 70 per cent of the total (the national average), the extra amount charged onto the remaining 30 per cent is extreme.

My care home is in Cornwall, where average incomes and GDP are well below the national average, despite a few wealthy pockets. We have slightly higher than national average numbers of home-owners. I regularly come across examples of frail working class widows in their 80s or 90s who have scrubbed floors (for example) for most of their lives and in retirement have lived only on a state pension. They live in small one up/one down terraced miners' cottages (which they actually own) with a toilet downstairs or still, in a few cases, outside. Under the present rules, this house has to be sold to pay for their care. It seems to me the height of abuse to rely on people like this to take *further* financial responsibility for supplementing the state-funding of others. Private payers are not always rich! Nowadays, even these houses sell for over £100,000; but the proceeds of a sale may not last for their remaining life in long-term care. The money will clearly last a much shorter time if it also has to pay for others. When the money runs out and they are no longer able to pay their own fees there is always the possibility that they will have to move – and this could be because their own money has been utilised for others! Such a move can often lead to an earlier death.

Residents in care are not normally, for example, allowed to give away any of their money when the house is sold. They are not allowed to use it for major expense that is not related to their own care needs without being charged with "committing waste" (that is, deliberately giving away their money in order to become eligible for state funding sooner than would otherwise be the case). But it appears that they *are* required to use it to pay for the support of unnamed, unknown others through their own fees which have been artificially increased for this purpose. The cross-subsidy system is heavily relied on by central and local governments alike and, since it means that for many older people their own funds will run out at a greater rate than would otherwise be the case, as well as leading to a possible increase in morbidity it is also, surely, "committing waste" on a massive scale – but this is colluded with by those same governments. It is often said that we pay more than once in many areas of society – we pay for a state education system but have the right to pay again to educate our children privately. The same applies with health. However, I cannot think of another area like long-term care where we pay again for others, without having a choice and often without knowing anything about it.

Whether we like it or not, we all accept that we contribute through general taxation and are then means-tested for our own long-term care. We should not expect a very limited number of people at a very vulnerable time of their lives to be further charged to pay for the care of others. And in which other system is this 'taxation' so unregulated, unmonitored and uncontrolled? Governments, by failing to pay a fair price for care, stick their collective heads in the sand and rely on (indeed, require!) home-owners to raise this extra 'taxation' and to distribute it to others on demand. And this burden of paying for the vulnerable poor is falling on a very small proportion of society, at a time of high vulnerability themselves.

At least where the sums required to run the home are raised from third-party top-ups, fees are completely transparent and are utilised only for the family member needing the long-term care; everyone in the home pays only a 'fair price for care' on a level basis – ie the long-term care costs the same, varying only according to levels of need, regardless of who pays. Homes operating a system of top-ups have lower fees (for the private payer) than homes operating a cross-subsidy. Conversely, of course, they will be more expensive for the state-funded client, hence the need for the third party.

Social workers routinely expect homes to operate two levels of fees. Thus they allow and expect private payers to subsidise the state. Departments for Adult Social Care are given 'star ratings' for keeping their budgets low. But there should be no need for two tiers of fees in homes. Nationally applicable means-testing protects the needy and should be the only mechanism for redistribution of wealth. There should not be a hidden, further redistribution on entry to long-term care.

With cross-subsidies, no checks can be made as to the use of their money by the service user without asking for confidential financial information about the funding sources of all the other residents in the home. They cannot check what their money is being used for.

It is not unheard of for social workers, many of whom disapprove of family contributions, to refuse to place people in homes where top-ups are sought, thus forcing the home into operating a cross subsidy (I have personal experience of this).

Even when accepted, homes will still have to find ways to cover the shortfall of those lesser numbers of service users with either no family, or families in financial distress themselves. They may decide 'no top-up, no placement', because they do not accept cross-subsidies from others. They may be knowledgeable and forceful enough to persuade the state to pick up the difference – but risk the state moving the resident to another home where the difference will be paid for by the service user in the next bed. Where the home owner refuses to allow the resident to be moved and backs down on the fee, they are then forced into beginning to apply cross-subsidies to their other residents.

As costs continue to rise at a higher rate than funded increases, the cost of top-ups is increasing, and is rapidly ceasing to be an option as fewer families are able to fund the rising top-ups from their own income – which often coincides with their own children entering university, and often as they themselves become pensioners. Thus, financial exploitation of vulnerable older people by cross-subsidy becomes a state-enforced necessity.

Somewhere, this shortfall has to be met; the way it is met MUST become regulated to prevent this institutional abuse being perpetrated by the state. The way we pay for care in this country MUST be debated nationally through the democratic process. Whether we like the outcome or not, it has to be better than the statutory abuse we accept today.

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