Department of Health

Title:	**Needs & Redistribution Technical Working Group**
Paper:	**NR TWG 16/14 – Approaches to estimating relative needs for Adult Social Care**
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POLICY DEVELOPMENT: NOT A STATEMENT OF GOVERNMENT POLICY

Introduction

This note discusses several different approaches to estimating relative needs for Adult Social Care, in the context of plans for Business Rates Retention. Part of this note may be generalisable to other local authority needs formulae, but it is specifically focused on Adult Social Care.

What broad approaches are there to relative needs for Adult Social Care?

There are two broad academic approaches to estimating Relative Needs Formulae, the **'utilisation'** approach (which uses past expenditure or utilisation data) and the **'normative'** (also known as epidemiological) approach. A simpler per capita approach is also discussed below.

The core of social care need is driven by the relative distribution or number of people meeting all three of the following criteria:
- A level of impairment that meets the eligibility rules
- A level of income/wealth that is low enough to meet the means test
- Limited informal care support, as Adult Social Care is 'carer sighted'

The **'utilisation'** and **'normative'** approaches typically cover these three factors. There are further potential adjustments for differences in wages/prices, in population sparsity, and in

the extent to which people are below the means test. These are considered later in this note.

The principle of the **'utilisation'** approach is that the relative patterns of overall need for social care, reflecting impairment, informal care support and income/wealth, can be identified from patterns of service use. Regression analysis is used to link utilisation or past expenditure with proxies for impairment, informal care support and income/wealth, and weight them appropriately. Generally, regressions have included explanatory factors that are outside of local authorities' control (such as the number of people reporting limiting conditions in the Census) and have not included factors that are arguably within local authority control, or are described by statistics produced by councils themselves. This avoids perceived perverse incentives. Whilst the approach uses past expenditure data, an individual council cannot gain an increased future allocation by increasing its spending today. This is because the formulae are based on predicted (not actual) expenditure for each local authority, and are estimated using data on smaller areas within a diverse sample of local authorities. The current RNF uses utilisation methods.

The **'normative'** approach would infer the need in each local authority by applying (best-practice) criteria that local authorities use to define need. It is more difficult to implement a normative approach in social care than (say) healthcare, as social care need is driven by people with a <u>combination</u> of impairment, informal care support and income/wealth, who are harder to count than (say) the prevalence of disease – there is no ideal data source. Without the weights provided by regression analysis, these different criteria therefore need to be weighted in some way, which could involve subjective decisions by a panel of experts. Reweighting could also potentially be used to estimate the number of people meeting the criteria. Surveys such as the English Longitudinal Study of Ageing (ELSA) have too small a sample to break them down by local authority. However, if there is enough data on people meeting the criteria in the ELSA sample to begin with, it could be 'reshaped' or 'reweighted' by using known characteristics of each local authority that are also present in the ELSA sample. This essentially gives 152 different samples, one for each LA. The reweighting approach is complex to calculate so its results may need to be approximated by a simpler linear formula (which is easy to calculate). A normative/epidemiological approach has not previously been used for the RNF, although some of the specific Care Act formulae (e.g. for self-funder assessments and for the extension to the means test) use an epidemiological method or a hybrid utilisation-epidemiological approach.

Both of these approaches should account for out-of-area placements where appropriate, e.g. by using older peoples' address before they entered residential care. Both approaches can also be scaled to account for future changes in populations. Further adjustments can be made for:

- **Variation in wages and prices**, e.g. carer wages and land prices (which make it more expensive to finance care homes). Both the Older People and Younger Adults components of the current RNF contain an Area Cost Adjustment. It is possible that the National Living Wage will result in less regional pay variation in future (as more people are paid the minimum or close to it).
- **Population sparsity**. Holding other things equal, it is more expensive to provide home care in a sparsely populated area as travel time and mileage costs are higher. The current Older Peoples' RNF contains a Sparsity Adjustment.
- **The extent to which eligible people are below the means test.** Holding other things equal, people meeting the means test in one area may have even less income/wealth than another, meaning that less can be raised in user charges, so the local authority must contribute more. The current Older Peoples' RNF contains a Low Income Adjustment.

Alternatively, simpler approaches could be used that disregard differences in impairment, informal care support and income/wealth, although these are undeniably related to need for social care given the duties placed on local authorities.

What data do we have (or could we obtain) to apply these methods?

We discuss the advantages and disadvantages of four approaches to estimating relative need.
- **The existing utilisation-based Adult Social Care Relative Needs Formulae**, which were consulted on in 2005 for implementation in 2006/7.[1] There are currently separate formulae for Younger Adults (aged 18-64) and Older People (aged 65+). The full list of variables used in the formulae is presented in ANNEX A.
- **A fixed amount per capita 18-64 and 65+**. This could be combined with some of the adjustments in the existing formula (e.g. the Area Cost Adjustment).
- **The new (currently unpublished) RNF produced as part of the Review of Adult Social Care Needs Formulae**. This review was begun by LG Futures (a consultancy) and the Personal Social Services Research Unit (PSSRU) in 2013. This research has produced a number of formulae for different elements of the Care Act, including

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[1]

http://webarchive.nationalarchives.gov.uk/20140505104649/http://www.local.communities.gov.uk/finance/0607/consult/chapter7.pdf as linked from
http://webarchive.nationalarchives.gov.uk/20140505104649/http://www.local.communities.gov.uk/finance/0607/consult/index.htm

those consulted on in Summer 2014[2], as well as a new utilisation-based version of the Relative Needs Formula. The research is currently undergoing peer review.

- **A new, reweighting-based RNF**. This approach has been used in the Review for some of the Care Act formulae (including the Early Assessments formula consulted on in Summer 2014), but not for the RNF itself.

The following table sets out the broad advantages and disadvantages of each approach.

Approach	Advantages	Disadvantages
The existing ASC RNF	- The existing ASC RNF would provide continuity.	- The formula is now rather old – it was estimated in 2005 and contains data from the 2001 Census. - The formula used a smaller sample, larger areas and less sophisticated statistical techniques than is now possible. - Counties and London Boroughs have argued that the existing RNF disadvantages them. - It can be argued that the formulae are driven by councils' past expenditure on social care, although the method tries to sterilise this effect out for any one LA.
A fixed amount per capita 18-64 and 65+.	- This method would be simple to calculate and transparent to apply.	- This approach does not account for the fact that social care is a means tested service – areas with more people meeting the means test will

Approach	Advantages	Disadvantages
		need more support. • Similarly it does not account for variation in impairment levels or informal care support.
The new (unpublished) RNF produced as part of the Review of Adult Social Care Needs Formulae *The research is currently undergoing peer review.*	• This is a high quality implementation of the utilisation approach, using a significantly more detailed dataset than the current RNF (53 councils vs circa 20 before, and LSOA areas instead of wards give a sample 10 times larger). It uses Census 2011 data as well as utilisation data from 2012/13.	• It can be argued that the formulae are driven by councils' past expenditure on social care, although the method tries to sterilise this effect out for any one LA. Its use of very small areas and a more diverse sample helps achieve this.
A new, reweighting-based RNF	• Theoretically appealing, in that it approximates the number of people meeting the eligibility criteria.	• This approach has not been used before for the main RNF. There are a number of difficulties: eligibility criteria can only be approximated, samples of people meeting all criteria may be small, it is difficult to weight the different eligibility criteria, and the ELSA survey does not generally follow people into residential care. • The approach is too complex for non-specialists to calculate, so a regression-based approximation would likely be needed.

Findings on the relationship between RNF allocation per capita (presuming that the RNF were used to allocate all expenditure) and actual expenditure per capita:

- There is a statistically significant correlation between New RNF allocation per capita[3] and 2015-16 expenditure per capita, but it is not strong (R-squared around 8%, so current expenditure explains 8% of the variation in the new RNF). The same correlation using the current RNF is around 12%.

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[3] Using 2015-16 expenditure as the quantum

Questions for discussion

- What are your views on the different approaches outlined above for measuring need for Adult Social Care?
  - Do you think the approach used by the RNF formulas is appropriate given its use of historic expenditure?
  - A fixed amount per capita would move away from past expenditure but wouldn't take account of variation in income, degree of impairment etc. Is a simpler approach worth the loss in sensitivity?
  - Are there other approaches that you would like to discuss?

ANNEX A – Indicators used in the existing Adult Social Care Relative Needs Formula

List of need indicators used in the older people RNF:

- Projected household and supported residents aged 65 and over

- Household and supported residents aged 65 or over

- Household and supported residents aged 90 or over

- Proportion of older people living in one person households

- Proportion of older people in rented accommodation

- Proportion of older people on income support / income based jobseeker's allowance / guarantee element of pension credit

- Proportion of older people receiving attendance allowance

- Area cost adjustment

- Sparsity adjustment for people aged 65 and over

List of need indicators used in the younger adults RNF:

- Projected population aged 18 to 64

- Proportion of households with no family

- Proportion of residents in routine / semi routine occupations

- Proportion of residents who have never worked / long term unemployed

- Proportion of people aged 18 to 64 receiving disability living allowance

- Area cost adjustment