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Older couples and long-term care: the financial implications of one spouse entering private or voluntary residential or nursing home care

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ABSTRACT
A minority of older people who move into long-term institutional care are married and have spouses who continue living in the community. The financial complexities and consequences for a couple in this situation deserve to be more widely recognised. Data from the Family Expenditure Survey on the incomes of older married couples are used to examine the financial implications for couples of one spouse entering residential or nursing home care, taking into account local authority procedures for assessing residents' contributions to charges and Income Support rules as they apply to both spouses. We look in particular at the consequences of alternative ways couples might share their incomes, and alternative treatments of such sharing by local authorities and the Department of Social Security. We demonstrate that wives remaining at home are more likely to have low incomes and have recourse to means-tested state benefits if their husbands enter residential care than husbands who remain at home when their wives enter care. Local authorities are likely to be able to require larger contributions to their care costs from husbands than wives. On average, wives whose husbands enter residential care are best off financially when their combined income and savings are shared equally, but this leaves husbands with the least money to contribute to their care costs. If it is the wife who enters care the situation is reversed.

KEY WORDS – Older people, couples, long-term care, incomes.

Introduction

A common research finding is that frail older people generally want to stay in their own homes rather than move into sheltered housing, with relatives or into a care home (Gurney and Means 1993; Langan *et al.* 1996). The positive concept of 'home' contrasts with the negative image of residential care. Residential care in the UK has always

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been seen as a provision of last resort (Means and Smith 1985). In contrast to many other countries, such as the USA, Australia, Germany and Holland, the predominant cultural attitude to residential care in this country is a negative one (Oldman *et al.* 1998). People with difficulties in coping with daily living at home, however, are likely to have more positive views of residential care than those without such problems. A study of a sample of older people with both physical and mental difficulties at the margins of residential care in three local authority areas concluded that the idea of residential care was less abhorrent to them than might have been imagined (Allen *et al.* 1992). Although over half (55 per cent) said they would not consider moving into a care home, as many as 33 per cent said they would and 12 per cent were not sure. Those in the 85–89 age group were the most likely to be positive about such a move.

Studies on both sides of the Atlantic have drawn attention to the role of older spouses in providing care for a dependent partner in the community (Soldo and Myllyluoma 1983; Fisher 1994; Wright 1995; 1998). The role of elderly spouses whether husbands or wives in caring for those in the community with a severe disability has often been underestimated. A re-analysis of the 1985 General Household Survey (GHS) in the UK calculated that elderly spouses provided care for 51 per cent of severely disabled elderly people in the country as a whole (Arber and Ginn 1990). Elderly spouses also provide much of the care for dementia sufferers in the community. A National Institution for Social Work study of confused older people living in three local authority areas reported that 41 per cent were cared for at home by a husband or wife (Levin *et al.* 1989).

Much spouse care-giving continues at home in the community until the husband or wife being cared for dies or is admitted to a hospital or a hospice for the last few weeks or days of life. The care-giving burden, however, is too great for some spouses at home and the husband or wife concerned is admitted to a care home. Although older people who are widowed or single or lack children are more likely to be admitted to long-term care, approximately one in ten residents in residential or nursing homes are married (see Tables 1a and 1b). Although some will have spouses also in an institutional setting, most will be married to spouses still living at home in the community. When a resident is married to a spouse living in the community and wants state funding there are complex financial issues. Couples find it difficult to understand the means-testing rules and to gauge either the short or the long-term implications of one of them entering long-term care.

The purpose of this paper is to review these complexities and to

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demonstrate the potential financial impact on the spouse remaining at home when his or her partner enters long-term care. In the absence of empirical data on the financial resources of a national sample of couples in this situation, data from the UK Family Expenditure Survey (FES) on the incomes and capital assets of older couples is used to explore the financial implications of either a husband or a wife moving into independent sector residential or nursing home care. The first part of the paper presents the demographic context and the intricacies of the UK means-testing rules for married people entering long-term care homes. In the second part of the paper the potential effect of one spouse entering a care home on an older married couple's income is modelled.

Demographic context

The elderly population has been undergoing significant change as greater numbers of people survive into their 80s and 90s. Between 1971 and 1991 the size of the UK population aged 80 and over rose from 1,285,000 to 2,151,000, an increase of 67 per cent (Office of Population Censuses and Surveys (OPCS) population estimates reported in Askham *et al.* 1992: Table A). Further expansion of 33 per cent of people in this age group is forecast between 1991 an 2020. By 2040 there are expected to be twice as many people aged 80 as there were in 1991 (Government Actuary's mid-1994 based projections). Because of the vulnerability of people in this age group these demographic changes have wide-reaching social policy implications. People of this age are more likely than those who are younger to suffer greater physical or mental ill-health, and to need support from family members and from the statutory health and social services. A measure of this vulnerability is the proportion of very elderly people who move into institutional care. Although a relatively low proportion (1 per cent) of people aged 65–74 is estimated to live in a long-stay hospital or care home, the figure currently rises to 25 per cent for those aged 85 or more (Laing and Buisson 1997, figures refer to mid 1996). If the same proportion of this age group is admitted to long-term care in the future, a major, and expensive, expansion of residential and nursing home care places can be anticipated.

Women outnumber men in the oldest age groups in the general population because, on average, they live longer. Amongst people aged 80 and over, there are approximately 2.3 women to every man (OPCS estimates reported in Jarvis *et al.* 1996: Table A.2). Women generally marry men older than themselves and tend to outlive their husbands. So

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although most men who marry have a wife who can care for them in the last phase of life, this is generally not the case for women. They are more likely than men to become widowed and face the last stage of life without a spouse's support. The likelihood of becoming a long-stay resident in a care home is, therefore, greater for women than for men. Using 1995/6 admission rates it has been calculated that the risk of entering long-stay care for a man is 16 per cent at birth rising to 19.6 per cent at the age of 65 (Bebbington *et al.* 1996). Life time risks for a woman are higher; 32.2 per cent at birth rising to 36.4 per cent at age 65. Women also tend to enter care homes at a later stage in the ageing process than men, and the average age of men at admission is less than that of women. As a whole, older women whatever their marital status outnumber older men in communal establishments by more than 3:1 (Tables 1a and b).

Married long-term care residents

Annual official statistics lack information about the marital status and gender of long-term care residents. The 1991 Census is the most up-to-date source of information on older married people in what is termed communal establishments. Although communal establishments include hostels and prisons, as well as hospital and care home, 97 per cent of all older residents aged 65 years and over in communal establishments were in some form of long-term hospital or care home (OPCS 1993: Table 3). Communal establishment figures, therefore, provide a reasonable guide to the marital states of older people in care homes. They show that just under 50,000 married older men and women were resident in communal establishments in 1991 (Tables 1a and b). Fifty-two per cent of the married residents were women and 48 per cent men. As the number of women entering long-term care is so much higher than the number of men, the number of married female residents is slightly higher than the number of married male residents. Even so, an older woman entering long-term care is less likely than a man to have a spouse remaining in the community. In all age groups over the age of 65, the proportions of men who were married were considerably higher than those for women.

Paying for residential and nursing home care

The current system of paying for long-term care in the UK is complicated. Three main sources of state funding for residential and nursing home care exist; the National Health Service (NHS), Income

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TABLE 1a. *Numbers of older married and non-married women resident in communal establishments, Great Britain, 1991*

	Age group: 65–69	70–74	75–79	80–84	85–89	90+	All aged 65+
Resident (excl. staff) in communal establishments							
number of married residents	2,003	3,266	5,312	6,948	5,125	2,493	25,147
numbers of non-married residents	12,369	20,742	42,920	76,403	87,324	70,386	310,144
total number of residents	14,372	24,008	48,232	83,351	92,449	72,879	335,291
% of all residents who were married	13.9	13.6	11.0	8.3	5.5	3.4	7.5
Total population							
% who were resident in communal establishments	1.0	1.9	4.4	10.3	21.1	38.6	6.4
% who were married	59	46	32	20	11	5	38
% of married who were resident in communal establishments	0.2	0.6	1.5	4.3	10.5	25.1	1.2

Source: 1991 Census of Population, derived from OPCS (1993): Table 2.

TABLE 1b. *Numbers of older married and non-married men resident in communal establishments, Great Britain, 1991*

	Age group: 65–69	70–74	75–79	80–84	85–89	90+	All aged 65+
Resident (excl. staff) in communal establishments							
numbers of married residents	2,354	3,370	5,371	6,389	4,418	1,737	23,639
numbers of non-married residents	11,731	12,241	15,906	18,803	15,623	9,289	83,593
total number of residents	14,085	15,611	21,277	25,192	20,041	11,026	107,232
% of all residents who were married	16.7	21.6	25.2	25.4	22.0	15.8	22.0
Total population							
% resident in communal establishments	1.2	1.6	3.0	6.2	12.5	25.1	3.0
% married in total population	79	76	69	59	47	30	72
% of married who were resident in communal establishments	0.2	0.5	1.1	2.6	5.9	13.2	0.9

Source: 1991 Census of Population, derived from OPCS (1993): Table 2.

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Support (paid by the Department of Social Security) and Local Authority funding. Both Income Support and Local Authority funding are means tested. People with income and/or capital above specified levels have to meet their costs in full, unless their care is provided through the NHS.

The NHS

The NHS has long-standing contracts for placements with both voluntary and for-profit providers of nursing homes. A recent Laing and Buisson market survey of residential care and nursing homes estimates that 8 per cent of nursing home residents have their fees met by the NHS (Laing and Buisson 1997: Table 7.6). Unlike other residents in nursing homes, such people are not means-tested because the NHS is prevented by law from charging patients whether in NHS or contracted out facilities. One of the anomalies of the UK system is that this group of people often occupy the same nursing homes as people who have to meet the full costs of their care.

Income Support

People who entered long-term private or voluntary residential or nursing home care before 1 April 1993 have a preserved right under the pre-existing system to help from the state with meeting fees. If their capital is below a specified level (raised from £8,000 to £16,000 from April 1996) and their income is less than the level of their homes' fees (subject to certain limits) Income Support will bring their income up to a specified national limit. They are also entitled to an allowance to cover personal expenses (£14.10 a week in the financial year beginning April 1997). They are then responsible for paying their own fees (which may be higher than the specified Income Support limits). Although the number of people with these preserved rights is in decline, there were still 104,000 people in this category in May 1998 (DSS 1998: Tables 8.6 and 8.7).

New arrangements came into force for people entering a care home after 1 April 1993. If they wish to receive state-funding, either in the present or in the future, a local authority must assess the need for such care. They will be entitled to Income Support if their capital is less than £16,000 and their income is less than the specified Income Support level prescribed for someone living in the community. A flat rate residential allowance (£62 a week in London and £56 elsewhere, from April 1997) is also payable. A local authority will take responsibility for meeting care-home fees no higher than an agreed baseline. Individual

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local authorities each set baseline fees that they are prepared to meet for the different levels of care for the individuals for whom they accept financial responsibility. These baselines operate in a variety of ways; some are ceilings, some are ranges and some single rates (Kenny 1997). Enormous variation exists between local authority baseline fees in different parts of the country (Kenny: Table 9).

If people choose a care home with a fee higher than the specified local authority baseline, the difference has to be met by other means such as a contribution from a relative or a charity. The local authority determines the resident's contribution to the specified baseline. This is 100 per cent of the fees for those with capital in excess of £16,000. For others, the contribution depends on both income and capital and is set so as to leave the resident with income equal to at least the personal expenses allowance.

Rules governing the treatment of married couples

Against this background the implications of the technical intricacies of Income Support rules and local authority charging procedures are of more than academic interest. In the case of married couples, the rules embody a mixture of assumptions about mutual liability and income sharing on the one hand, and financial independence on the other, which, as we shall see, can have curious consequences. Four aspects of a married couple's income and savings are particularly significant when one of them enters a long-term care home.

1. *A spouse is a liable relative*

Under Section 42 of the 1948 National Assistance Act, the spouse remaining at home in the community can be required by a local authority to make a contribution to a partner's care costs. This liability is related to the contract of marriage. An unmarried partner, on the other hand, has no legal obligation to pay for a partner's care. Local authorities asking a husband or wife to contribute, however, do not have the power to means-test the spouse remaining at home. They can ask a spouse about his or her income and assets but they cannot insist that the spouse give these details (Age Concern 1998). Declaration of income and assets is voluntary. If no voluntary agreement can be reached, a local authority may make a complaint to a magistrate's court which would have the power to decide how much a liable relative should pay (West 1997). Although some local authorities have devised their own means-tests to work out how much a liable relative might be

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asked to pay, there are no national rules (Age Concern 1998). There is scope for misunderstanding liable relatives rules within local authorities. Evidence exists of misunderstandings of the legal position with respect to community support services. Although only the resources of the person getting a service in the community should be taken into account, carers and other members of the household have often been asked to pay charges (Bronsbury 1995).

2. *Occupational and/or personal pensions are taken into account*

The treatment of occupational and/or personal pensions, in particular, has attracted criticism. Before April 1996, someone entering care and wanting state funding was generally required to put all of his or her pension towards the cost of that care. Yet it remains the case, especially among very old people, that a husband is much more likely than a wife to receive an occupational pension. That pension would often have been an important source of their joint income. When a husband entered long-term care, the income available to a wife remaining at home often fell substantially. New rules, effective from April 1996, addressed this problem by introducing an occupational pensions disregard. Half of the occupational pension of a married resident can now be disregarded when calculating his or her contribution towards the fees on condition that at least half is passed to the spouse remaining at home (Department of Health (DOH) 1996). No account is taken of this transfer in assessing the resident's entitlement to Income Support; the whole of the resident's private pension will be counted in assessing his or her entitlement to Income Support. However, it does reduce any Income Support to which the spouse remaining at home may be entitled. Local authorities have the power to withdraw the disregard if there is evidence that the resident is not passing it on to the spouse (DOH 1995). Since April 1997 the disregard also applies to personal pensions and retirement annuities (Benefits Agency 1997). It ceases on divorce, or if the spouse remaining at home enters residential care or dies.

3. *A state retirement pension is unaffected*

The position concerning state pensions is of particular interest. A married woman receives her own basic state pension, separately from her husband, even if, as is common, it is based on his National Insurance Contributions. However, where it is based on her husband's contributions, her pension is restricted to 60 per cent of the amount her husband receives. This does not change if her husband enters residential

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care, unless she divorces him in which case she becomes entitled to a full-rate pension paid to a single person. Thus a married woman whose husband enters residential care will typically be left with well under 50 per cent of their combined state pension income.

4. *Decisions about sharing income and savings*

Current rules regarding income sharing, or dividing joint savings within couples when one partner enters a long-term care home, are of great concern to the couples affected. Although a couple with joint savings are entitled to divide them into two unequal parts to avoid the spouse in a care home from being assessed as having half the couple's total savings, it is uncertain how often this right is realised and put into practice. There is a complex choice concerning whether and how much income a resident should pass to his or her spouse. A transfer may not be beneficial if it reduces or eliminates that spouse's entitlement to Income Support. The decision to share income also affects the financial burden on local authorities and the Department of Social Security (which meets the cost of Income Support payments). Under present rules, the transfer of half of a resident's private or occupational pension income to his or her spouse can only reduce the burden on the Department of Social Security since any Income Support to which the giver is entitled is unaffected, while that of the recipient is reduced. It increases the burden on local authorities to the extent of the disregard. It is in this context that we turn now to examine the respective incomes of older husbands and wives to assess the implications of these rules.

The financial consequences of an admission to a care home for older married couples

The financial consequences for older couples of one partner entering care depend on the level and sources of the incomes of each partner. No comprehensive source of information on the incomes of individuals who live in long-term residential care exists. The OPCS survey of Disabled Adults Living in Communal Establishments, carried out in 1986 attempted, not very successfully, to collect income data for respondents (Martin *et al.* 1989) but not for their spouses. Information relating to older couples currently living in the community can only be an imperfect guide to the incomes of couples where one partner has entered care or may do so in the future. For example, the underlying health condition leading to admission to long-term care may be related

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to income. In its turn inadequate income may affect a person's ability to cope with looking after an ailing spouse, for example by restricting the scope of purchasing respite care. Nonetheless, in the absence of better data, an analysis of data drawn from the Family Expenditure Survey (FES), although it does not cover people in long-term residential care, is informative.[1] Since the probability of entering residential care rises steeply with age we are particularly interested in the incomes of the oldest married couples. FES sample sizes for such couples are not large, so three years' data from the 1991, 1992 and 1993 surveys have been combined.

Marital states of older people in the general population

Table 2 shows the marital states of older people according to age group and gender, in the combined 1991–1993 FES sample. The proportions of men and women who are widowed rise steadily with age but are higher for women than men at all ages.[2] This reflects the greater longevity of women and their tendency to marry men older than themselves. Both factors contribute to the strong likelihood that they will outlive their husbands. This tendency of women to marry men older than themselves also contributes to a significant gender difference in the oldest age groups: a much higher proportion of the men than the women are still married. Forty-five per cent of men aged 85 years and over are married compared with just 11 per cent of women in that age group. As we have argued earlier, one implication of this is that men who enter long-term care are more likely than women to have a spouse remaining in the community (Tables 1a and 1b). The proportion of women who have never been married is highest in the oldest age groups (Table 2). Although this could occur if survival rates were higher for single women than for those who had married, trends in marriage patterns are in fact the main reason, and the proportions of elderly never-married women are set to decline (Hancock *et al.* 1995).

As the sample sizes for married people in the two oldest age groups are small, the two groups are combined in the results which follow. Cohabitees are included with married people since their numbers are currently small even though liable relatives legislation does not apply to them. Occupational and private pension disregards apply only to legally married couples. As mentioned earlier, cohabiting couples are treated as a unit for Income Support when living in the community.

Married people in their 80s and 90s are not typical of married couples in general. Given the increased risk of widowhood at these ages, those who are still married are more likely to have spouses considerably

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TABLE 2. *Marital status of older men and women living in private households, UK, 1991–1993*

Marital status	65–69	70–74	75–79	80–84	85+
	Age group:				
Men			%		
married/cohabiting	79	76	70	56	42
single	6	6	7	6	4
widowed	11	14	21	36	51
div/sep	4	3	2	1	3
Total	100	100	100	100	100
Sample size	1,244	985	637	365	182
Women					
married/cohabiting	61	49	34	20	11
single	6	6	7	10	13
widowed	28	41	56	68	75
div/sep	5	4	3	2	2
Total	100	100	100	100	100
Sample size	1,364	1,237	994	590	361

Source: FES, 1991–1993.

TABLE 3. *Age gap between partners, older married men living in private households, UK, 1991–93*

Age gap	65–69	70–74	75–79	80+
	Age group			
Men older by		%		
6+ years	21	23	28	35
5 years	6	8	9	7
4 years	9	8	8	6
3 years	11	10	8	10
2 years	11	12	11	15
1 year	14	12	10	7
Same age	9	10	9	10
Men younger by				
1 year	7	6	5	5
2 years	3	3	3	1
3 years	2	2	2	2
4 years	2	2	2	< 1
5 years	1	1	1	1
6+ years	3	2	2	1
Total	100	100	100	100
Sample size	978	748	448	283

Source: FES, 1991–1993.

younger than themselves. Thirty five per cent of men aged 80 years and over are at least 6 years older than their wives (Table 3).[3] Among those aged 65–69 years, the corresponding proportion is 21 per cent. Only 18 per cent are younger than their wives by at least one year. The contrast

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TABLE 4. *Age gap between partners, older married women living in private households, UK, 1991–1993*

Age gap	Age group 65–69	70–74	75–79	80+
Women older by		%		
6+ years	3	5	6	13
5 years	1	2	2	4
4 years	2	3	4	6
3 years	2	3	4	8
2 years	5	5	5	5
1 year	8	10	7	10
Same age	11	13	12	19
Women younger by				
1 year	16	12	14	9
2 years	12	12	14	14
3 years	10	8	9	6
4 years	8	7	7	1
5 years	7	6	4	3
6+ years	14	15	12	2
Total	100	100	100	100
Sample size	826	606	337	156

Source: FES, 1991–1993.

for women is even more striking (Table 4). Just 3 per cent of married women aged 65 to 69 are six or more years older than their husbands and two-thirds are younger than their husbands by at least one year. A higher proportion of married women aged 80 and over are six or more years older than their husbands (13 per cent) and only 35 per cent are younger than their husbands by at least one year. These age differences have a bearing on the pattern of occupational or private pension receipt among older married couples.

Receipt of private pension income

Substantial growth in the proportion of employees covered by an occupational pension scheme took place in the 1960s (Government Actuaries Department, 1994) and, for women, continued into the 1970s and 80s. As a result, combined with their greater labour force participation, younger female pensioners are more likely than their older counterparts to have some income from an occupational pension. Receipt of personal pensions and their forerunners, retirement annuities, remain relatively small as yet. Since the 50 per cent disregard applies to both occupational and private pensions, we generally combine the two sources under the term 'private pension' in the following analysis.

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Table 5 shows the proportion of older married men and women who have private pension income according to whether or not their partners have such income. Underlying these figures are well-known patterns of occupational pension receipt (for example, Ginn and Arber 1994; Groves 1992). However, the figures are presented in such a way as to enable us to picture the consequences for the person remaining at home when a spouse becomes resident in a long-term care home. The table is shown from the perspective of a partner who, it should be assumed, remains at home. This partner is classified according to the age of the spouse who should be assumed to become a resident, since it is the latter's age which influences the likelihood of being a husband or wife living in the community with a spouse in residential care. Age is a key dimension in private pension receipt. Twenty three per cent of men married to women aged between 65 and 69 are married to women who have a private pension, but this is the case for only 5 per cent of men married to women aged 80 and over. In total, 19 per cent of men married to a woman aged 65–69 have private pension income themselves and have wives who have private pensions. The equivalent proportion for men whose wives are aged 80 and over is only 4 per cent.

A second important dimension is gender. Financial consequences for a woman remaining at home are very different from those for a man. Of those women married to men aged 80 and over, 63 per cent have husbands with a private pension, but only 12 per cent also have a pension of their own. It should be borne in mind that mere receipt of a private pension is not necessarily a good guide to its significance in the total income of an older couple. Many occupational pensions are small (Hancock and Weir 1994).

Levels of private pension receipt

Table 6 shows the average weekly amounts, in 1997–8 prices, of private and state pensions and total personal net incomes received by older married men and women, along with the corresponding amounts for their spouses.[4] In all cases these are averages over the whole of the relevant age-group including those who have zero income from the source in question. The average total income of men is more than twice that of their wives and falls steadily with the age of their wives. This is largely due to the smaller average occupational pensions of older men compared with the more recently retired. The average income from occupational pensions of men is between nine and 17 times that of their wives. The proportionate difference is greatest, but the absolute difference smallest, for couples where the wife is aged 80 and over. The

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TABLE 5. *Receipt of private pensions, older married men and women living in private households, by age of partner*

	Age group of spouse: 65–69	70–74	75–79	80+
Men		%		
Wife has priv. pen (total)	23	21	14	5
man has priv. pen	19	17	12	4
man does not have priv. pen	4	4	2	1
Wife does not have priv. pen (total)	77	80	86	95
man has priv. pen	51	56	56	58
man does not have priv. pen	26	24	30	37
Man has priv. pen (total)	70	72	68	62
Man does not have priv. pen (total)	30	28	32	38
Women				
Husband has priv. pen (total)	75	74	70	63
woman has priv. pen	19	16	17	12
woman does not have priv. pen	56	57	53	51
Husband does not have priv. pen (total)	25	26	30	37
woman has priv. pen	4	3	3	3
woman does not have priv. pen	21	23	27	35
Woman has priv. pen (total)	23	20	20	15
Woman does not have priv. pen (total)	77	80	80	85

Source: FES, 1991–1993.
For sample sizes see Tables 3 and 4.
Percentages are subject to rounding error.

small average amounts of occupational pensions of wives reflect the high proportion with no such income at all. The lower half of the table shows the equivalent picture from the perspective of women. Because people do not necessarily marry partners in their own age group, the upper and lower halves of the table are not mirror images. Many women, for example, married to men aged 65–69 are under the age of 65 and their average total income, at £75.10, is a little higher than that of wives in the 65–69 age group (£63.40). However, the conclusion is the same. A woman whose husband enters residential or nursing home care will be far worse off than a husband whose wife is admitted to care if all the resident's income has to be used to meet the care home's fees.

Simulating the financial consequences of an admission to a care home

To explore further the likely financial consequences of one partner entering residential care, we simulate a move into residential care for each older married person in our FES sample and ask what the consequences would be for the income of the partner who remains at home. Since one consequence could be a change in each partner's entitlement to Income Support, some simplified simulations of Income

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Table 6. *Average weekly amounts of private pensions, state pensions and total personal income, older married men and women living in private households, by age of partner £s per week, 1997–98 prices*

	Age group of spouse			
	65–69	70–74	75–79	80+
Men				
Own occupational pension	60.70	55.20	46.70	39.60
Own personal pension	2.70	2.80	2.10	1.60
Own state pension	58.80	66.60	65.30	63.10
Own total personal income	171.40	156.40	150.20	130.70
Wife's occupational pension	6.60	6.20	4.70	2.30
Wife's personal pension	0.80	0.80	0.20	0.20
Wife's state pension	35.50	40.40	40.30	40.50
Wife's total personal income	63.40	66.20	62.30	61.20
Women				
Own occupational pension	8.40	6.10	5.60	6.40
Own personal pension	0.90	0.50	1.00	0.10
Own state pension	30.00	37.70	40.00	41.40
Own total personal income	75.10	68.50	68.50	67.50
Husband's occupational pension	59.00	58.90	53.30	37.90
Husband's personal pension	4.90	2.00	2.50	1.90
Husband's state pension	63.90	71.40	66.40	64.30
Husband's total personal income	165.60	157.10	151.50	127.10

Source: FES, 1991–1993.
For sample sizes see Tables 3 and 4.

Support rules under alternative income sharing assumptions are necessary. The approach to the simulation is necessarily somewhat approximate and partial.[5] Further details are given in the Appendix. The results of the simulations are an estimate of net income, including any entitlement to Income Support, for the spouse remaining at home. Whether the partner in a care home appears to be entitled to any Income Support is also calculated and, if so, the resulting net income.

Throughout, income includes all private and state sources of income other than recorded Income Support, net of tax, plus our estimate of entitlement to Income Support. To avoid the added complexities of simulating Housing Benefit the simulations do not include this benefit or Income Support assistance with any mortgage interest payments. Although housing costs and benefits are important factors in assessing the welfare of older people, this simplification is unlikely to change the conclusions which flow from our analysis.

The following simulations are carried out. First, the combined income of husband and wife is estimated for each older couple in the sample, replacing recorded receipt of Income Support with our simulated entitlement. To compare this income level with the income

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level which would pertain for the spouse remaining at home if his or her partner enters care, we convert it to a 'per equivalent adult' basis by dividing by 1.6. This is the ratio of the married couple's pension to that for a single person, which, presumably, embodies some official view about how much an older couple needs to live on, compared with a single person. We then explore what the income of each spouse would be if the other were to enter residential care, under six different assumptions about income sharing, summarised in Box 1. The first assumes no income or capital sharing at all, and corresponds more or less to the situation prior to April 1996, ignoring any voluntary or enforced contribution from the spouse remaining at home. The second incorporates the rule change effective from April 1996 and extended to personal pensions in April 1997: half of the private pension of the spouse entering care is transferred to the spouse remaining at home. A variant on this assumes that both spouses' private pensions are shared equally between them. We also look separately at the effect of equal sharing of the state pension. A further simulation assumes that both state and private pensions are shared equally. In each of these first five simulations we assume that capital is not shared at all. However, our final income-sharing regime assumes equal sharing of all sources of income and savings. Wherever there is some mutual income sharing between husbands and wives we proceed as follows. The spouse who has the higher amount of the relevant income (private pension, state pension, both or total income depending on which is being shared) is assumed to transfer to the other spouse, one-half of the amount by which it is greater than the latter's corresponding income. Where it is the resident who transfers money to the spouse remaining in the community, the local authority is assumed to disregard the amount transferred in determining the resident's contribution to care costs. Since the amount transferred may be less than one-half of the resident's total amount of the income in question, this is in contrast to the existing rules, where a transfer of less than one-half attracts no disregard. As now, any entitlement of the resident to Income Support is not affected by a transfer to a spouse remaining at home. If it is the spouse remaining at home who has the higher income, the transfer is assumed to be from him or her to the spouse in residential or nursing home care and, after allowing for any consequent reduction in the resident's Income Support entitlement, it would increase the contribution of the resident to the costs of his or her care. No attempt is made to identify the optimal transfer arrangements for individual couples. We restrict attention to men and women married to spouses aged 75–79 or 80 and over.

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Box 1: Alternative income-sharing assumptions made for simulations:

1. No income or capital shared between partners. (Corresponds approximately to situation prior to April 1996.)
2. Half of any private pension income of spouse entering care transferred to spouse at home. (Incorporates rule change effective from April 1996.)
3. Both spouses' private pension income shared equally.
4. Equal sharing of state pensions but no sharing of private pensions.
5. State and private pension shared equally. (3. +4.)
6. All sources of income (including non-pension income) and capital shared equally.

We begin from the perspective of women married to older men (Tables 7a and 7b). Under every income sharing option, such women would on average experience a fall in their equivalent weekly income, if their husbands moved into long-term care. Left to rely solely on their own incomes, and even allowing for entitlement to Income Support, we estimate that the average equivalent income of women married to men aged 75–79 would fall from £140 a week to £87 (column (a)), or by 38 per cent. For women married to men aged 80 and over the fall is less (30 per cent), partly because their average income is lower to start with, and partly because of the higher Income Support rates which apply at these ages. Eighteen per cent of cases where a women is married to a man aged 75–79 appear to be entitled to Income Support as a couple (column (b)). Where the husband is aged 80 or more the equivalent proportion reaches 27 per cent. If the husband were to enter care, the proportion of wives who would be entitled to Income Support, on the basis of their income alone, is estimated to increase to 64 per cent and 71 per cent respectively. The average entitlements would be around £30 a week in both cases (column (c)).

Among husbands aged 80 and over, 18 per cent have estimated savings above the £16,000 threshold (column (d)) and so would be required to meet the costs of care in full. Their average income, assuming no income sharing, is around £220 a week (column (f)), implying that many of them would have to run down their savings to meet care home fees. Among husbands aged 75–79 the proportion with savings above £16,000 is a little higher at 21 per cent and the average income of this 21 per cent is also higher at £277 (no income sharing) but still not large in relation to residential and nursing home fees. Column (e) of Tables 7a and b presents our estimates of the proportions of husbands entitled to Income Support on moving into care. With no income sharing these are almost three-fifths (aged 75–79) and two-thirds (aged 80+). Among husbands with savings below the £16,000

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Table 7a. *Implications of different assumptions about income sharing for the financial impact on older married women of their husbands moving into residential care, husbands aged 75–79*

	mean equiv. income of couple/wife (£pw) (a)	% of couples/wives entitled to IS (b)	mean IS for those wives entitled to IS (£pw) (c)	% where husband's savings ≥ £16,000 (d)	% where husband entitled to IS (e)	mean income of husband where savings ≥ £16,000 (£pw) (f)	mean income of husband where savings < £16,000 (£pw) (g)
Couple living together	140.30	18	8.90	n.a.	n.a.	n.a.	n.a.
Incomes of wife and husband if husband enters care:							
no income sharing	87.00	64	29.00	21	59	276.60	151.60
own + $\frac{1}{2}$ spouse's private pension	108.60	50	24.40	21	59	221.40	130.80
spouses' private pensions shared equally	105.50	51	24.00	21	59	227.00	132.70
spouses' state pensions shared equally	91.80	60	16.30	21	59	263.80	137.80
spouses' private & state pensions shared equally	112.40	42	14.10	21	59	214.10	119.30
spouses' total incomes & savings shared equally	114.30	38	14.50	21	58	205.20	117.80

Source: Analysis of FES, 1991–1993.
For sample sizes see tables 3 and 4.
n.a.: not applicable.
Incomes are in 1997–98 prices.

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TABLE 7b. *Implications of different assumptions about income sharing for the financial impact on older married women of their husbands moving into residential care, husbands aged 80 and over*

	mean equiv. income of couple/ wife (£pw) (a)	% of couples/ wives entitled to IS (b)	mean IS for those wives entitled to IS (£pw) (c)	% where husband's savings ⩾ £16,000 (d)	% where husband entitled to IS (e)	mean income of husband where savings ⩾ £16,000 (£pw) (f)	mean income of husband where savings < £16,000 (£pw) (g)
Couple living together	125.20	27	17.20	n.a.	n.a.	n.a.	n.a.
Incomes of wife and husband if husband enters care							
no income sharing	89.00	71	30.20	18	67	219.70	146.30
own + ½ spouse's private pension	102.50	60	25.00	18	67	179.70	130.90
spouses' private pensions shared equally	99.30	60	25.30	18	67	189.90	132.70
spouses' state pensions shared equally	92.10	67	19.50	18	67	209.30	134.50
spouses' private & state pensions shared equally	104.10	51	16.70	18	67	179.50	120.60
spouses' total incomes & savings shared equally	104.10	51	18.10	18	68	180.40	117.80

Source: Analysis of FES, 1991–1993.
For sample sizes see Tables 3 and 4.
n.a.: not applicable.
Incomes are in 1997–98 prices.

threshold (including those whose incomes take them outside the scope of Income Support), income would average £146 a week on entering care (column (g)) and assuming no income sharing. After leaving them with the 1997–8 personal allowance of £14.10, this implies an average contribution to their care costs of about £132 a week. The private pension disregard mitigates the effect on wives remaining at home. Average equivalent incomes fall less and the proportions entitled to Income Support are 51 per cent (women married to men aged 75–79) and 60 per cent (women whose husbands are aged 80 and over). There is no effect on the proportions of husbands entitled to Income Support because the transfer from husband to wife does not affect his Income Support entitlement. But its effect on his net income can be seen because the transfer is taken into account in calculating the income available to him to put towards a care home's fees (columns (f) and (g)). Where the husband is aged 80 and over and has savings greater than £16,000, average income falls to £180 a week rather than £220, implying a need to run down savings faster. Where his savings are below £16,000, the effect of transferring half his private pension income to his wife is to reduce the weekly income he can contribute to the cost of his care, before deduction of the personal expenses allowance from £146 to £131 on average. The effect is similar, but larger in absolute terms, for husbands in the younger age group because their larger private pensions imply larger transfers to their wives. Equal sharing of private pensions, rather than the private pension disregard is only slightly less beneficial to wives remaining at home. So few of them have significant private pensions of their own that the two scenarios are very similar in practice. The main difference between equal sharing of private pensions and the private pension disregard is found where the husband has savings greater than £16,000. Among such couples, it seems, wives are more likely to have some private pension income so that, on average, there is a smaller transfer from husband to wife. Even so, the income such men would be able to put towards care fees would be lower in this scenario than when there is no sharing at all.

Mutual sharing of the state pension also leaves wives remaining at home better off on average than if there is no income sharing, but by less than when private pensions are shared. Conversely, the effect on husbands of such a sharing arrangement, is to leave them with less income to contribute to the cost of their care than when there is no income sharing but more than when private pensions are shared. In the case of women married to men aged 75–79, their average income is highest, and dependency on Income Support is lowest, when all income

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and capital is assumed to be shared equally. Even under this assumption, their average equivalent income is lower than when living as couples. This is largely a result of the loss of economies of scale which are implicit in the equivalisation of income; the scale of the fall in income will be sensitive to the assumed equivalence scale. Among women married to men aged 80+, equal sharing of all income and capital has very similar consequences on average to those when both state and private pensions are shared equally. This suggests that in such couples, non-pension sources of income are typically very small. As for women married to men in the younger age group, those married to men aged 80 and over are better off and less dependent on Income Support the more sources of income are shared.

The picture is virtually reversed if we look at it from the perspective of a husband remaining at home when his wife enters care (Tables 8a and 8b). Assuming no income sharing, husbands remaining at home when their wives enter care are actually better off, in financial terms, than when they have to support their wives at home. In practice, of course, such men could be asked to contribute to the cost of their wives' care. The right to half of his wife's private pension if she enters care is of small value to a husband remaining at home. It increases average incomes by only a small amount and has no effect on the proportion entitled to Income Support. Under every income sharing regime we estimate that a high proportion – between 74 per cent and 84 per cent – of wives would be entitled to receive Income Support if they were assessed as needing residential or nursing care. This proportion is lowest, however, under complete income and capital sharing. Much smaller proportions of husbands remaining at home would be entitled to Income Support on their wives entering care than vice versa. The proportions appear virtually invariant to the income sharing arrangements. This is because only receipts of income from a spouse, and not transfers to a spouse affect Income Support entitlement. Under the mutual income sharing arrangements we have looked at, most husbands are givers rather than receivers.

Under each of the sharing options, where a husband is estimated to be entitled to Income Support – either as the spouse remaining at home or as a resident in long-term care – his wife is usually also entitled to Income Support. For example, under the system effective from April 1997, we estimate that in all the cases where a husband remains at home and is entitled to some Income Support, his wife would also be entitled to Income Support as a resident in a care home. The converse is less true, at least where the husband is the spouse who remains at home. Three-quarters of husbands married to women aged 75–79 and

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TABLE 8a. *Implications of different assumptions about income sharing for the financial impact on older married men of their wives moving into residential care, wives aged 75–79*

	mean equiv. income of couple/ husband (£pw) (a)	% of couples/ husbands entitled to IS (b)	mean IS for those husbands entitled to IS (£pw) (c)	% where wife's savings ≥ £16,000 (d)	% where wife entitled to IS (e)	mean income of wife where savings ≥ £16,000 (£pw) (f)	mean income of wife where savings < £16,000 (£pw) (g)
Couple living together	134.70	20	13.30	n.a.	n.a.	n.a.	n.a.
Incomes of husband and wife if wife enters care:							
no income sharing	152.60	24	9.90	16	83	123.10	130.50
own + ½ spouse's private pension	155.00	24	9.80	16	83	118.10	128.50
spouses' private pensions shared equally	130.60	24	9.80	16	80	179.90	131.20
spouses' state pensions shared equally	139.90	24	9.50	16	83	137.50	130.00
spouses' private & state pensions shared equally	117.90	24	9.40	16	77	194.20	131.80
spouses' total incomes & savings shared equally	107.20	24	9.20	19	74	219.10	132.00

Source: Analysis of FES, 1991–1993.
For sample sizes see Tables 3 and 4.
n.a.: not applicable.
Incomes are in 1997–8 prices.

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Table 8b. *Implications of different assumptions about income sharing for the financial impact on older married men of their wives moving into residential care, wives aged 80 and over*

	mean equiv. income of couple/husband (£pw) (a)	% of couples/husbands entitled to IS (b)	mean IS for those husbands entitled to IS (£pw) (c)	% where wife's savings ⩾ £16,000 (d)	% where wife entitled to IS (e)	mean income of wife where savings ⩾ £16,000 (£pw) (f)	mean income of wife where savings < £16,000 (£pw) (g)
Couple living together	123.30	28	18.20	n.a.	n.a.	n.a.	n.a.
Incomes of husband and wife if wife enters care							
no income sharing	135.20	31	14.30	16	84	~	134.50
Own + ½ spouse's private pension	136.40	31	14.20	16	84	~	134.30
spouses' private pensions shared equally	115.80	31	14.20	16	82	~	134.90
spouses' state pensions shared equally	123.70	31	14.00	16	84	~	134.20
spouses' private & state pensions shared equally	104.40	31	13.90	16	82	~	135.10
spouses' total incomes & savings shared equally	97.80	31	14.10	18	80	~	136.10

Source: Analysis of FES, 1991–1993.
For sample sizes see Tables 3 and 4.
n.a.: not applicable.
~ sample size too small for reliable estimate.
Incomes are in 1997–98 prices.

two-thirds of those whose wives are aged 80 or more, would not be entitled to Income Support, but in both cases more than three-quarters of wives would be entitled to Income Support on entering long-term care. In the future, these disparities between husbands and wives may diminish as more women benefit from private pensions in their own right, but it is unlikely that they will disappear altogether.

In summary, women married to men aged 75 and over would on average experience a fall in their equivalent income under all the income sharing alternatives examined, even taking into account any Income Support to which they would become entitled. If there is no income sharing at all, about two-thirds of such women would be entitled to Income Support averaging £30 a week. Mutual sharing of state pension income leaves wives remaining at home better off than with no sharing, but by less than when private pensions are shared. Their average income is highest, and their dependency on Income Support lowest, when all income and capital is shared equally. But this, of course, is the situation where the husband entering care would have least income to contribute to his care costs. It is therefore not to the advantage of local authorities trying to recoup some of the costs of providing care to elderly married men, to encourage them to share their financial resources with their wives. The implications where it is the husband who remains at home when his wife enters a care home are almost the exact opposite. Husbands are on average better off financially, with no income sharing when their wives enter care. Wives are more likely than husbands to be entitled to Income Support if they are assessed as needing residential care. We estimate that between 74 per cent and 84 per cent of wives would be entitled to Income Support on entering care, depending on how income and capital is shared, compared with between 60 per cent and 68 per cent for husbands.

Conclusions

Although married people are far less likely than those who are single or widowed to enter long-term residential or nursing care, the numbers of married people in institutional settings are far from negligible – around 50,000 in Great Britain in 1991. The financial complexities and consequences for a couple in this situation deserve more recognition. Despite women substantially outnumbering men in these settings as a whole, there are approximately equal numbers of married men and married women. Correspondingly, there are likely to be similar numbers of women and men living in the community who have a

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spouse in long-term care.[6] Rules governing the financial arrangements where one partner is in or may enter long-term care are important for older married men and women; for the partner who enters care and for the partner who remains in the community; and for local authorities and for the Department of Social Security.

The simulations presented above are not perfect. We have not been able to simulate the full complexity of the Income Support rules and have ignored certain difficult issues which arise in practice. However, the simulations do demonstrate the scope for anomalies within the existing system of paying for residential care. The financial implications for all concerned are very different if it is a wife rather than a husband who enters care. Our analysis highlights the muddled treatment of couples in the tax and benefit system more generally. The UK income tax system has moved towards independent treatment of husbands and wives. Income Support for those living in the community continues to assess couples, legally married or not, jointly. Income Support for those where one spouse enters care permanently, reverts essentially to an individual assessment. Local authorities' charges for those assessed as needing residential care are intended to mirror Income Support rules but unlike the Department of Social Security, local authorities have some discretion, for example to vary the personal expenses allowance.

Older couples face difficult choices about income sharing if one of them enters residential care, a decision which itself is usually traumatic and emotionally difficult. Not only is it difficult for them to gauge the short-run implications of their decisions, the consequences in the longer run are even more uncertain. In the calculations above, we have not for example, taken into account the effect of running down savings to pay for care, or on the income generated by such savings. Reaching an optimal decision would require assumptions about each partner's life expectancy, the rate at which savings will be depleted, the future level of care-home fees and of all sources of income. It is asking a lot to expect older couples to be able to make such assessments, or indeed to expect local authority or Department of Social Security staff to be able to provide them with adequate advice.

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West. Material from the Family Expenditure Survey, made available by the Office for National Statistics and the Data Archive is crown copyright and has been used with permission. The authors alone are responsible for analyses and interpretation.

Appendix: further details of the simulation of entitlement to Income Support

The basis of these simulations is the net income of each partner, excluding any recorded receipts of Income Support, and an estimate of each partner's savings. (Note that this does not include the value of any equity tied up in the home, since where a spouse remains at home such equity is not taken into account in assessing Income Support or contributions to the cost of care.) The FES records only partial details of the value of each partner's savings. It does, however, provide details of income from savings which can be used to infer an approximate level of savings for each partner. Estimates of savings are based largely on recorded investment income although some use is made of the information on asset holdings. Simulations are made using 1997–98 rates of Income Support, converting both income and savings to average 1997–98 prices.

For each older couple in the sample we carry out three forms of assessment for Income Support. The first assesses their entitlement as a couple living together in the community, the second assumes that the husband enters long-term residential or nursing care and the wife remains at home, and vice versa for the third. In the second and third assessments, we assess the separate entitlements of the man and the woman, using ordinary or residential care rules as appropriate. Full take-up of Income Support is assumed, although dislike of means-tested benefits is widespread among older people (see, for example, Finch and Elam 1995). In practice, at least a third of pensioners do not take up their entitlement to Income Support (Department of Social Security (DSS) 1997: Table 3.2).

West (1997) sets out the rules of Income Support as they apply to older people. A full simulation of these rules using the FES would be extremely complicated (see Wilson 1995). Instead, we model a simplified version of the rules. Entitlement to Income Support is the difference between 'needs' and 'resources'. Needs are determined by a basic allowance (higher for couples than for single people) and a series of premiums related to age and other characteristics (*e.g.* disability). In addition, someone entering a private or voluntary residential or

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nursing home attracts the residential allowance. Resources consist of income and capital assets. Disregards apply to certain forms of income. Income from capital below a lower threshold is disregarded completely, capital between this limit and an upper threshold is assumed to generate 'tariff' income of £1 a week for each £250 above the lower threshold, and if capital is above the upper threshold there is no entitlement to Income Support. These thresholds are now higher for people living in residential homes than for people living in the community. Where a single person enters long-term care, the value of his or her house can be taken into account. However, where a spouse remains living in the house, its capital value is disregarded. In assessing needs we calculate the basic allowance plus age-related premiums. For the couple's assessment we add the appropriate carer's premium(s) if one or both spouse(s), receive Invalid Care Allowance. We ignore disability-related premiums since these are complicated to model, and are generally paid instead of the age-related premium. When we model entitlements to Income Support separately for husbands and wives under the hypothesis that one partner enters care, we assume that the Invalid Care Allowance ceases (on the assumption that it was previously received in respect of the person entering care), and hence the carer premium does not apply. The partner hypothesised to enter care is allocated a residential allowance. Capital disregards and tariff income are modelled in accordance with the rules. Earnings disregards are applied (as in the hours-of-work test). Attendance Allowance and the mobility component of Disability Living Allowance are disregarded. If the partner entering care receives either of these last two benefits, they are assumed to cease on entering long-term care (since they will normally cease after four weeks (West 1997) unless the person is required to meet the full costs of their care). Any earnings received by the partner going into care are also assumed to cease.

NOTES

1 The FES is an on-going survey of UK households which collects details of the expenditures and incomes of all members of a nationally representative sample of private households. Each year around 7,000 households containing 14,000 adults are interviewed.

2 We might expect differences if the non-household population were included. However 1991 Census figures for proportions of the total population who are married in each age and gender group are only very slightly different from those presented here.

3 Again, inclusion of the non-household population could affect the comparison but there is no source which permits a comparison of the ages of husbands and wives where one is living in an institutional setting. It seems unlikely that the general point would be invalidated by inclusion of the non-household population.

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4 Income is net of tax and other deductions and is converted to average 1997–98 prices according to past movements in the retail price index (RPI) and an assumed increase of 2.5 per cent for 1997–98 over the previous financial year.
5 For more thorough and comprehensive tax-benefit simulation techniques using FES data see, for example, Redmond *et al.* (1998) and Giles and McCrae (1995).
6 In some cases, both partners may be living in a residential setting.

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