

Social care funding reform

National Pensioners Convention Briefing

February 2013



Introduction

On 11 February 2013, Jeremy Hunt, the Secretary of State for Health made a long awaited announcement on the future funding arrangements for social care in England. The measures had been widely trawled throughout the media by the government a few days in advance, so there was very little new information when the announcement finally came. Much of the government's approach is based on the recommendations from the Dilnot Commission, but at this stage the funding arrangements only appear to deal with residential and not domiciliary care. This paper offers an outline of the main proposals, alongside an initial analysis of the issues raised and the next stages in the debate.

Summary of proposals

- From April 2017 the cost of care in residential/nursing homes will be capped at £75,000. This will not include general living costs (estimated to be around £12,000).
- The amount that will qualify towards the cap will be not necessarily be the amount an individual actually pays, but the amount the local authority assesses is necessary to meet their care needs. Every year an individual will be given details of their "Care Account" – the amount they have paid that is eligible to go towards the cap.
- To qualify for this cap an individual must have care needs that meet certain eligibility criteria. The details of these have yet to be announced, but it is likely that they will be based around the existing "substantial" and "critical" criteria used by local authorities to decide if someone can access services.
- Those with income and/or assets (including property) of more than £123,000 will have to pay the full £75,000 worth of care costs before they receive any state support. Those with between £17,500 (up from £14,250) and £123,000 (up from £23,250) will be means-tested and will have to pay a proportion of the £75,000. How this means-test will be calculated has yet to be published. Anyone with less than £17,500 will have all their care costs covered by the state. These limits will be
- From April 2015 there will be a national minimum threshold for eligibility to care services, so regardless of where an individual in England is living, they will be subject to the same assessment of their care needs.
- In addition, a universal deferred payment scheme will be introduced to enable individuals to receive care and have the costs paid from the sale of their property after they have died.

Funding the proposals

The government has estimated that the cost of this new plan will be around £1bn a year from 2017. They have suggested that this money could be found from two main sources:

- A freeze on inheritance tax allowance at £325,000 per individual until 2019. This is contrary to a pledge in the Conservative manifesto that it would increase the threshold to £1m.
- Additional National Insurance contributions from employers in both the public and private sector when the contracting-out rebate of the state second pension is abolished under plans contained in the White Paper on the single-tier pension.

Analysis

1. Means-testing and the care cap

- Extending the means-tested threshold up to £123,000 means that more people with less expensive property and limited savings will now be eligible for some assistance with their residential care costs. However, the actual number that will benefit in this way is extremely limited because many will have already been receiving support from their local authority anyway. The vast majority of people who own a house in most parts of England will have to fund the full £75,000 care costs and given that only 16% of people ever need this amount of care – the overwhelming majority will never exceed the cap and hence never receive any support from the government.
- The think-tank Demos has suggested that the government apply the cap to couples – rather than individuals to take into account the fact that in couples there is often one main earner, and their assets are not simply double that of an individual.
- Given that any new arrangements for funding would be introduced after April 2017, it is likely that only payments made for care costs from the date the change comes into force will count towards the £75,000 care cap. It is also unclear what would happen to someone who had already paid more than £75,000 in care fees who might feel they have already made their contribution.
- The government has indicated that both the care cap and the means-tested upper and lower thresholds will be regularly reviewed by the Secretary of State, but it is unclear which inflationary measure will be applied.

2. The role of private insurance

- The government has stressed the importance of the private insurance industry in coming forward to offer people ways of saving to cover the £75,000 care costs. However, the private insurance industry has reacted by saying it would not have a suitable range of products in place for at least a decade, and even then the coverage of a voluntary scheme is likely to be very patchy (eg. eight people need to pay in for one person to draw out).

3. Personal budgets

- The government intends to give people a legal entitlement to a personal budget (a statement of care costs) and pilot direct payments to care home residents. Given that two thirds of all residential home residents have dementia, this idea raises serious concerns.

4. Domiciliary care

- The rules and means-testing thresholds governing domiciliary care (care at home) are different to those for residential care. However, there has been no information as to whether the existing threshold of £23,250, over which individuals pay for all their home care, will also be increased. Unless changes are proposed, local authorities will still be able to means-test for these services and different councils will charge different rates – meaning that the postcode lottery which has been identified as one of the main failings of the current system will remain in place.

5. Dignity and Human Rights

- Those receiving care in their own home, even if they are funded by the local authority, are still excluded from the Human Rights Act. Along with those who are self-funded in residential care also being excluded from the Act; these are two areas where the government must close the legal loop hole as a matter of urgency.
- There has been no analysis as to whether the proposals will help ensure greater dignity in care. With the focus on cost – the important issue of how people are treated in their own home or in a residential/nursing home must not be overlooked. The application of the NPC's Dignity Code and the work being done to promote this across the health and care profession is therefore vital.

Statement by the NPC

The NPC received widespread media coverage on the day of the announcement and appeared in the Daily Express, Daily Mail, Daily Mirror, Daily Telegraph, Independent as well as on Radio 4 Today programme, BBC TV News, ITV News, Press Association, BBC website, BBC Radio 5 Live and numerous local radio stations.

A copy of the statement is printed below:

Social care plan lacks sufficient funding to make a difference to people's lives

Britain's biggest pensioner organisation, the National Pensioners Convention (NPC) has described the government's plan to reform social care funding as "about as credible as a Findus Lasagne" because it lacks sufficient funding to tackle the problems that pensioners face.

Dot Gibson, NPC general secretary said: "The social care system needs urgent and radical reform, but these proposals simply tinker at the edges. The current system is dogged by means-testing, a postcode lottery of charges, a rationing of services and poor standards and nothing in the plan looks like it will address any of these concerns. Setting a lifetime cap on care costs of £75,000 will help just 10% of those needing care, whilst the majority will be left to struggle on with a third rate service."

"The government needs to be much braver and bolder if it is really going to sort out the problems – otherwise in a few years' time we'll be back again having another look at the issue. Using inheritance tax or money saved from the state pension system simply won't raise enough to bring about the change that's needed. It's time we merged health and social care and had a truly integrated system which was funded through general taxation – like the NHS – rather than put all the responsibility on pensioners and their families. Getting older and needing care isn't a lifestyle

choice – so why should the cost of care not be shared by society as a whole? Frankly, the plan as it stands is about as credible as a Findus Lasagne.”

Next steps

- The government has announced that these proposals will be incorporated into the draft Care and Support Bill and will be subject to pre-legislative scrutiny. However, there is very little chance that legislation will be introduced before the general election in 2015. Given that the Labour party is now considering an integrated Health and Care Service, along the lines of the NHS, it is possible that the funding of care could become a major election issue.
- The NPC will continue to advocate for a tax-funded Health and Care service in line with the proposals published in *The Politics of Care* pamphlet. The Convention has calculated that an additional £10bn (around just 1% of total government spending) would be needed in order to support a National Health and Care Service and this additional revenue could be funded through a combination of savings from other areas of care expenditure, re-prioritising existing government expenditure and/or increasing taxation. If all the money were to be raised through taxation alone, someone earning £25,000 a year would be expected to pay an extra 75p a day. This figure would be even less if National Insurance and/or Inheritance Tax was used as well.
- Work will also continue in promoting the need to raise the standards of care, improved regulation and monitoring of care services, improve the training and terms and conditions of the workforce, provide greater support for family carers and see the NPC’s Dignity Code put into legislation.