Reforming the funding of social care

Developments in England

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The current system is means tested…

DH Department of Health

How the system works for residential care*

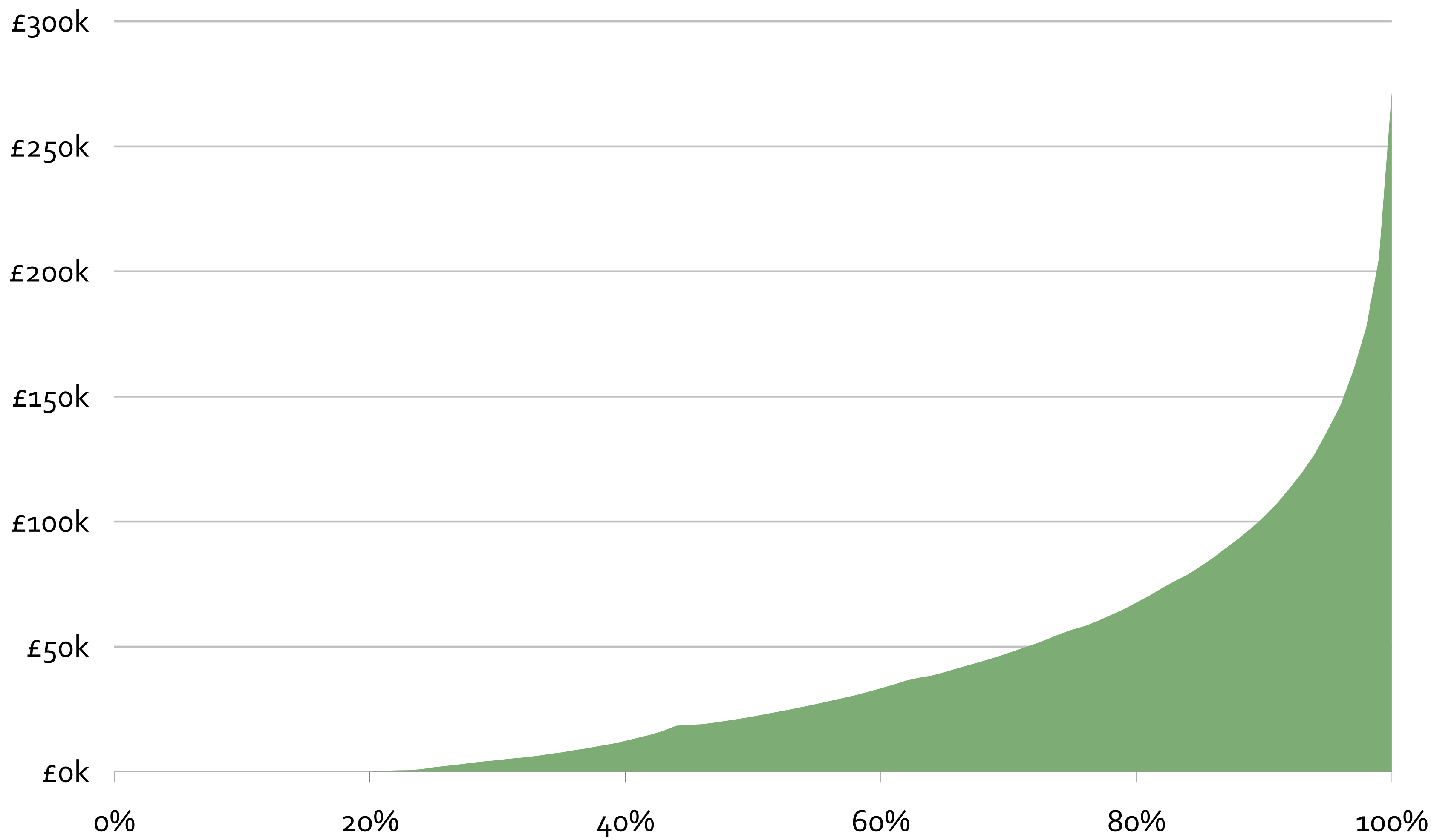
Assets (including house for residential care)	Individual contribution	State
Above £23,250	Income and assets as necessary	Nothing
£14,250 – £23,250	Income except £22 pw. 20% of assets over £14,250	Remaining costs (up to local authority rate)
£0 – £14,250	Income except £22 pw personal expenses allowance	Remaining costs (up to local authority rate)

40% of people in residential care are self funders

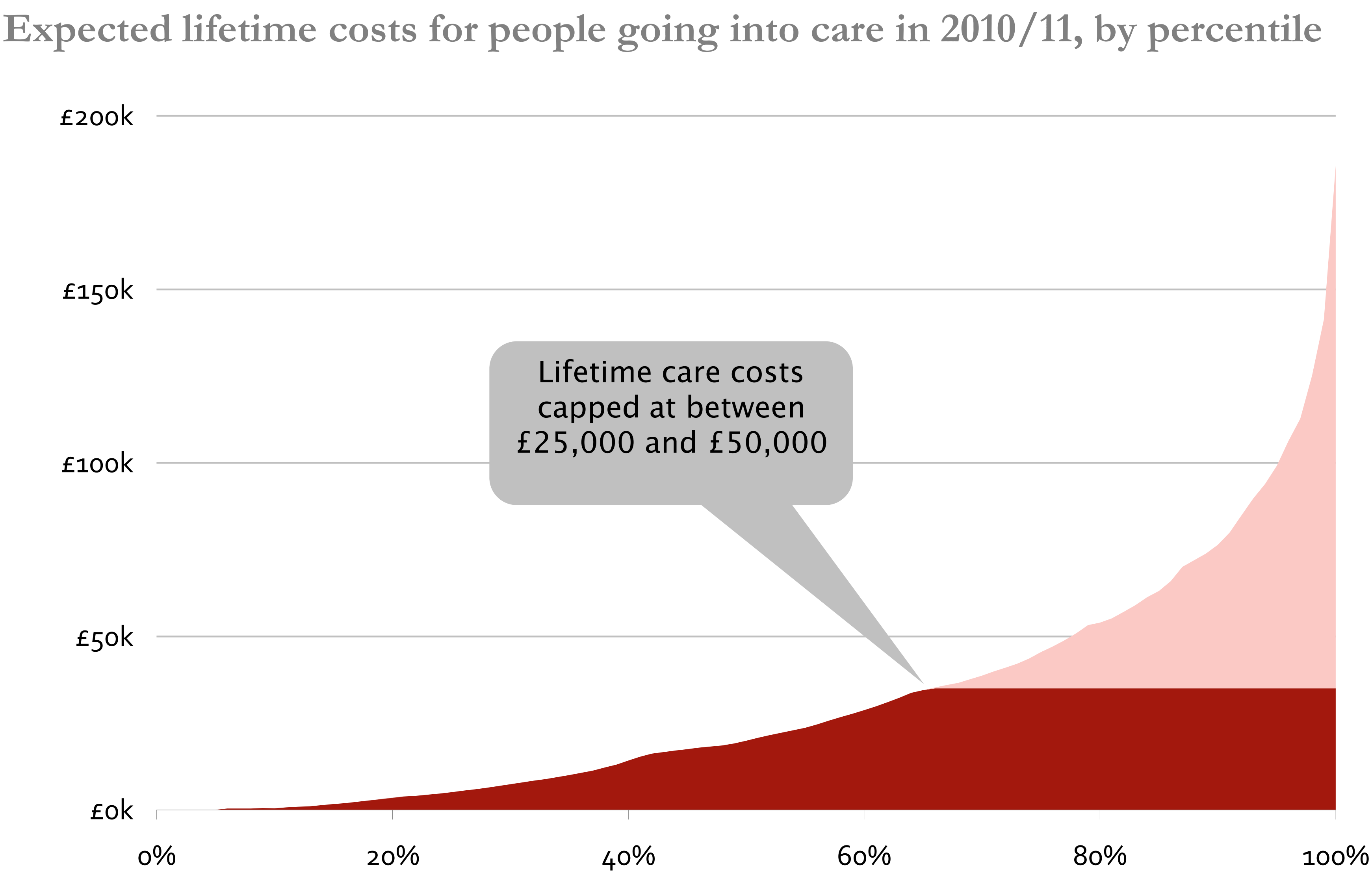
*The system is similar for home care, but housing wealth is excluded and local authorities have some discretion over charges

…leaving individuals exposed to high risk

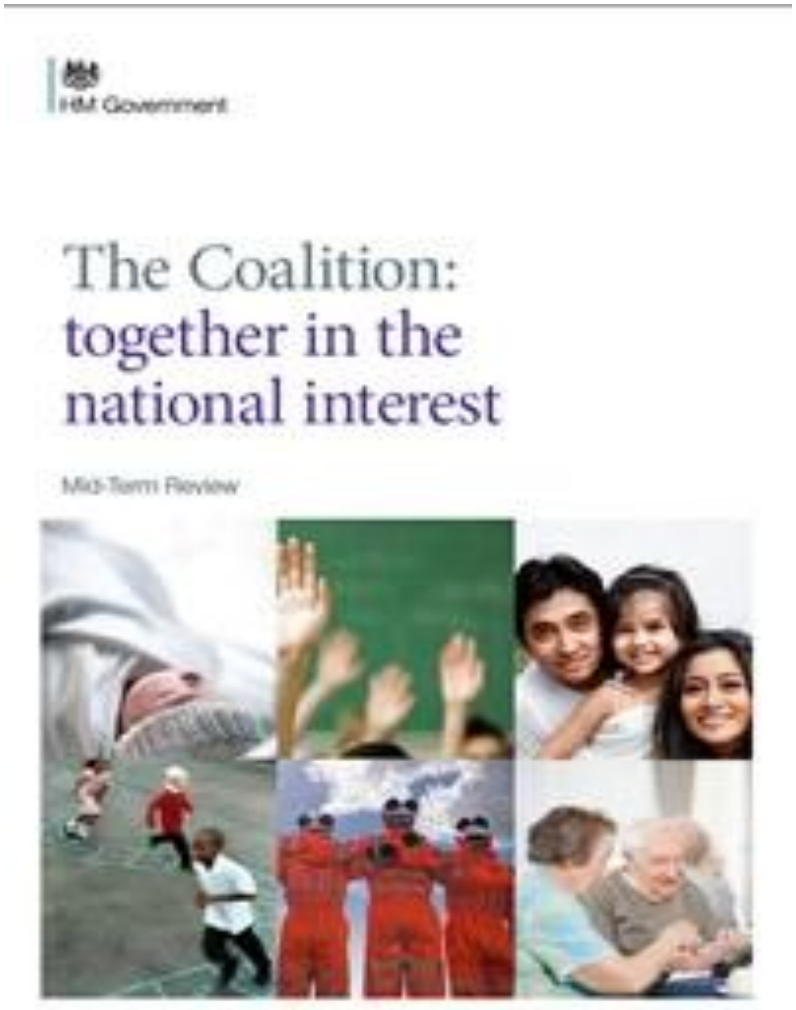
Expected future lifetime cost of care for people aged 65 in 2009/10



Dilnot Commission (July 2011) recommended a cap on lifetime care costs



The Government has agreed the principles for funding reform and has said it will bring forward detailed proposals “in the coming weeks”



- On the 7th January, the Prime Minister confirmed the Government's commitment to bring forward detailed proposals to cap the potentially huge costs of long term care.
- The Government agrees with the principles of the Dilnot Commission’s model, that financial protection through capped costs and an extended means test would be the right basis for any new funding model.

How the capped cost model would work

£

People who spend more than the local authority rate will have to "top up" before and after the cap.

Care costs up to the local authority rate are counted towards the cap. In addition to this, some people will get means–tested support.

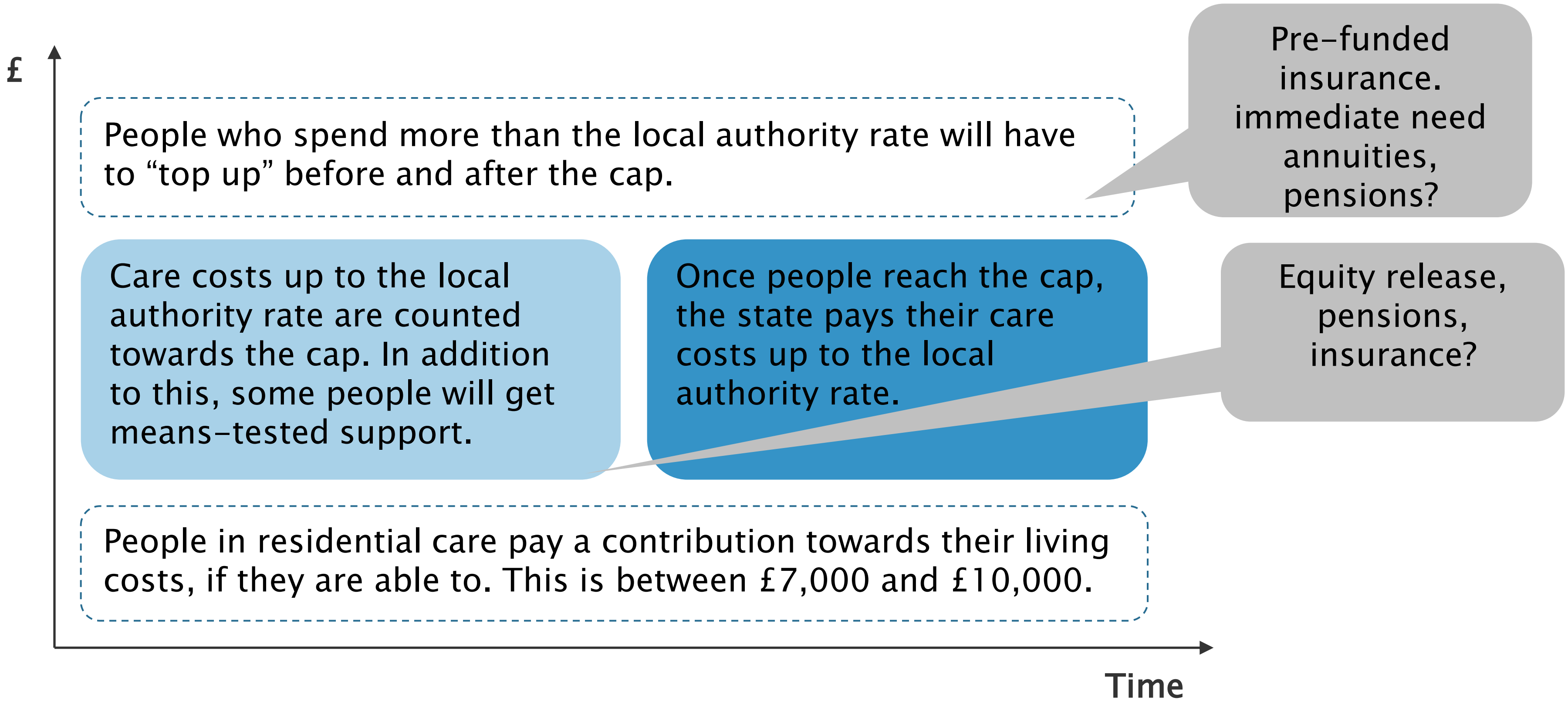
Once people reach the cap, the state pays their care costs up to the local authority rate.

People in residential care pay a contribution towards their living costs, if they are able to. This is between £7,000 and £10,000.

Time

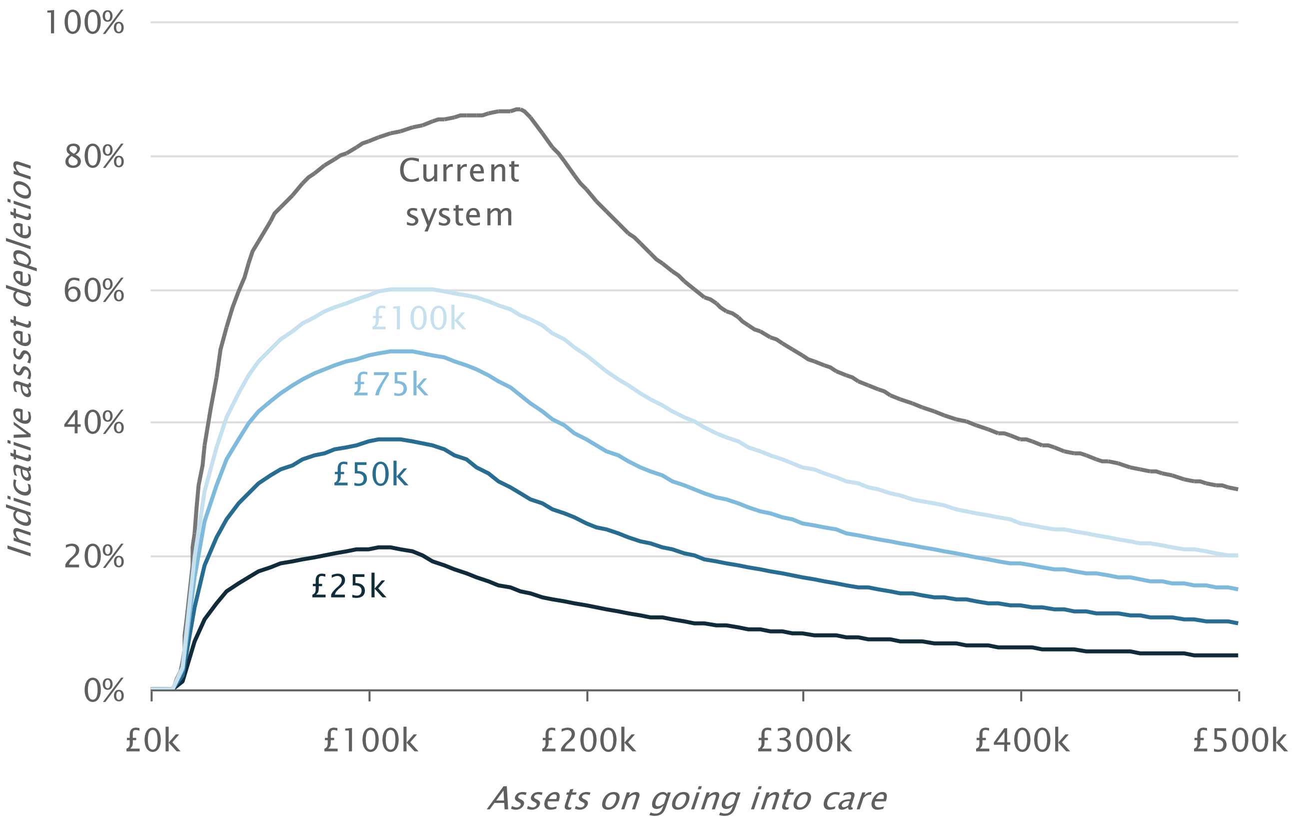
Cap of £50,000 will be reached after ~3 years in residential care

The opportunity for financial services



Impact of capped cost model

Indicative proportion of assets depleted under the current system and different levels of cap for someone with very high residential care costs, by initial level of assets on going into care



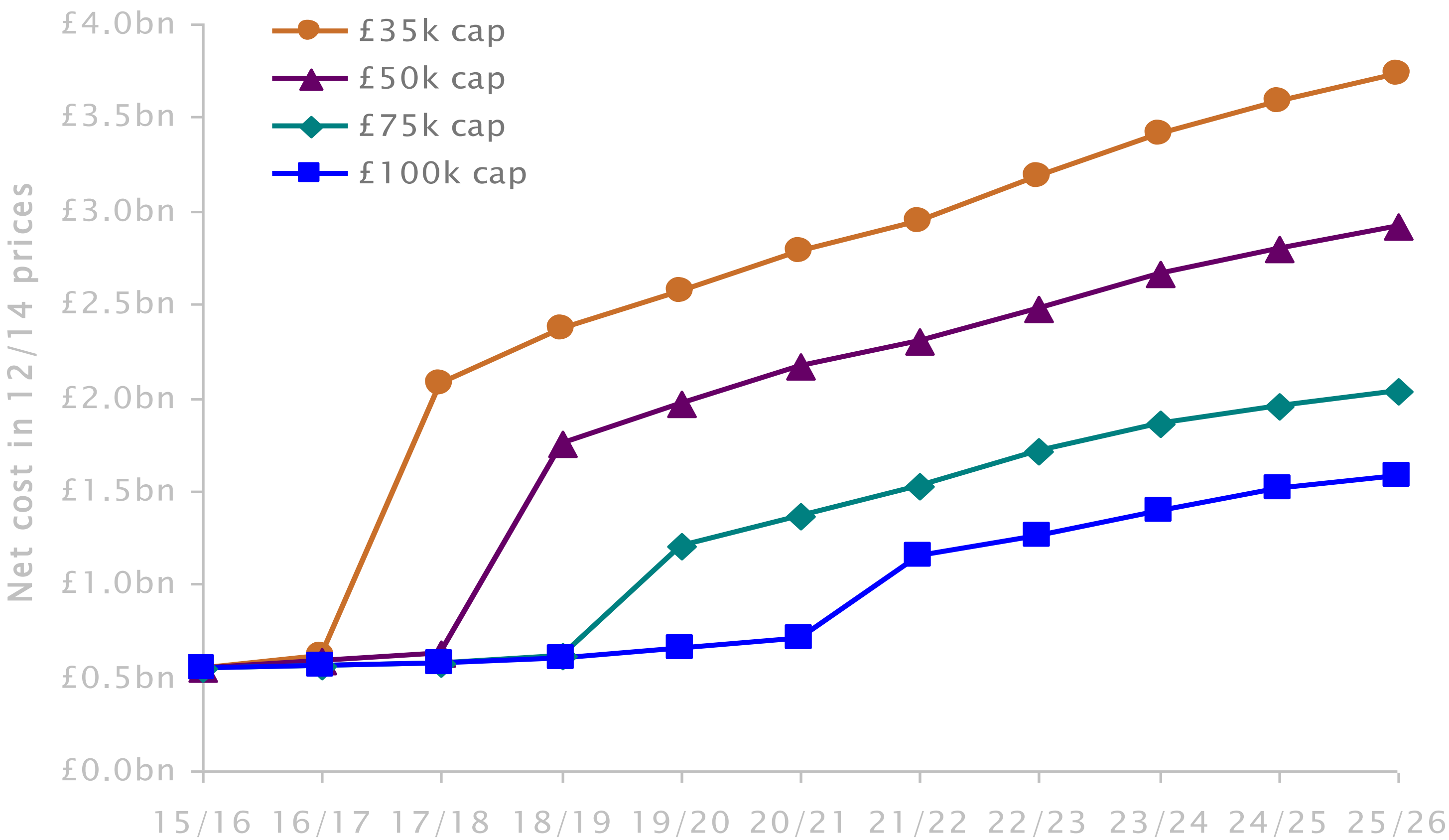
The current system means that some people of moderate wealth can end up using over 80% of their assets paying for care

A cap limits the amount that they could lose

The lower the cap, the greater the level of protection

Source: Department of Health analysis

Costs



Starting in 15/16 and counting progress to cap from this point reduces cost means costs are lower in the first few years.

As people reach the cap and receive state support the costs rise.

Costs continue to increase as the population ages and as care costs rise.

The cost of the reform for different variants of the Commission's proposals in 2010/11 prices with no retrospective counting of the costs of care and parameters uprated in line with the state pension. Costs of the reform shown in constant 2012/13 prices. Costs include the cap, extended means test (£100k), contribution to living costs (£10k), reform for working age adults and administration costs for LAs. Source: Progress Report