

## Government policy announcements on long term care

### Summary

On 11 July, the Government published its much anticipated White Paper on how it intends to reform long term care. Alongside the White Paper the Government also released a Progress Report outlining its thinking on the proposals to reform the funding of care first set out by the Dilnot Commission a year ago. In short, the Government is:

- Yet to decide whether or not to introduce a cap on care costs in line with the Commission's proposals.
- No decision on funding will be made until the next comprehensive spending review (2013/14).

The Government will make a number of changes to other aspects of long term care including:

- Introduction of a National Eligibility Threshold by 2015 to end the current "postcode lottery" on eligibility for state support.
- Universal roll out of deferred payments schemes by 2015 so that people will not have to pay for care using their home until after death.
- Improved information on care and support, and personal care budgets to give individuals more control.

The proposals should help to clarify and improve many aspects of long term care in England, but the proposals have been criticised because they lack a commitment to address the key area of funding.

Link to White Paper: <http://www.dh.gov.uk/health/2012/07/careandsupportwhitepaper/>

Link to Progress Report: <http://www.dh.gov.uk/health/2012/07/scfunding/>

### Background

In July 2011 the Dilnot Commission – a group of experts set up by Government to look at improving arrangements for funding long term care and support – reported their key findings. They argued that the system as it currently stands is unfair, illustrated by the fact that those with only modest wealth, risk losing everything as a consequence of entering the social care system. In response the Commission recommended:

- Capping care costs at £35K-£50k. Dilnot argued that this could provide incentives for insurance to cover the cost of care up to the cap.
- An extended means test raising the upper limit at which people get state support to £100k.
- Nationwide needs assessment framework to ensure consistency and portability of assessment.
- Roll out of deferred payments scheme so that people do not have to pay for their care until after they die.

Following the Dilnot Commission's Final Report, the Government committed itself to publishing a White Paper which would outline any policy decisions made in the context of this independent review. It quickly became apparent that funding the proposals was going to be an issue – the cap would cost approximately £1.7bn per annum on top of what the Government had already pledged in funding to the care sector.

## White Paper

The White Paper commits the Government to a number of reforms including:

- Introducing a **National Eligibility Threshold** by 2015: This proposal seeks to end the current post-code lottery where people's entitlement for care can differ depending on where they live. The Threshold, to be introduced in 2015 should help ensure that there is a more level playing field.
- Universal roll out of **Deferred Payments Schemes** by 2015: Allows people to defer paying for care until after death. Will mean that people do not have to sell their home whilst they are in care. Such schemes are already offered by some local authorities but not others - the Government intends to ensure that they are offered by all. Local authorities will be allowed to charge an interest on the loans they provide though the amount has not yet been decided.
- **Information and control:** The Government has committed itself to ensuring that people have clear, practical information and advice on the care system and a way to report bad care. People who receive state support will be in charge of their budget with the aim of improving individuals' control of their care.
- **Working Group:** The Government will set up an expert working group with the financial services sector, local authorities and the care sector to support development of the information offer. "The group will explore how the sector as a whole can contribute, and make links with pensions, benefits, wider services and specialist financial advice to ensure the offer is comprehensive".

The White Paper does not, however, commit the Government to reforming the funding of care in line with the Dilnot reforms. The Government's views on funding were relegated to a **Progress Report** that was published alongside the White Paper.

## Progress Report

### A cap on care costs?

The Progress Report notes that the Government is committed in principle to capping care costs as Dilnot suggested but says, "*given the size of the structural deficit we are unable to commit to introducing the new system at this stage*". The Government have therefore deferred a decision on funding until the next comprehensive spending review – likely 2013/2014 which would mean that the proposals would not be implemented until after the next General Election.

There is also speculation that, should the Government implement the reforms, the cap on care costs which Dilnot recommended should be around £35-50k, will be increased to around £75K-£100K.

### How might increased funding be paid for?

The Government agrees with the principle that those benefitting from the reforms – i.e. the retired and elderly, should have to pay for it. One approach that the Government are considering is "opt in". This is where someone would pay a lump sum to be covered by the capped cost scheme. Though this does not meet the Dilnot principle of universality where everyone's risks are pooled, this may be attractive to Government given that it will limit costs to the exchequer.

## Next steps

**July 2012:** Draft Bill to introduce national eligibility threshold and deferred payments

**Autumn 2012:** Working Group between Government, financial services and the care sector set up.

**Winter 2012:** Government to publish integration framework how reforms to NHS might improve relationship with care sector.

**2013:** Introduction of Care and Support Bill

**2013/2014:** Government to decide on funding and whether to implement Dilnot.

**April 2015:** Introduction of National Eligibility Threshold and national roll out of deferred payments schemes.

## Reaction

Reaction to the Government's proposals have been mixed. Whilst many think that the proposed reforms will be beneficial, there is widespread disappointment that the Government has not committed itself to reforming funding in line with the largely supported recommendations set out by the Dilnot Commission:

### **Andrew Dilnot, Chair of the Dilnot Commission**

"I wish they would get to the point of taking the decision because every day that passes is a day when private providers feel that they do not have enough information to plan future provision of care, and individuals are left in the same position they have been in for years - of simply hoping that this doesn't happen to them"

### **Andy Burnham, Shadow Health Secretary**

"The government is failing to face up to England's care crisis. Older and vulnerable people are seeing support withdrawn and increased charges for care. Councils are in danger of being overwhelmed and the NHS simply won't be able to function if things are left as they are"

### **Stephen Gay, director of life, savings and protection at the Association of British Insurers:**

"We are deeply disappointed to see social care funding reform yet again left in the government's pending tray. Governments past and present have for four parliamentary terms consistently failed to make a firm commitment to tackling the care crisis, at the expense of not just those needing care, but their families, carers and wider communities.

"These frustrating delays have left people in constant limbo, unable to plan ahead and facing up to funding their care when it is too late, with this burden inevitably falling on the NHS and local communities crippled under stretched budgets.

### **Vince Smith-Hughes, retirement expert at Prudential:**

"People realise that living longer may mean they will need a higher income as they get older, but few of them have made the connection between the risk of ill-health, and needing money to pay for healthcare.

"Just 20% of people retiring this year have set aside money for any long-term care needs and this drops to 16% among those aged 65-plus. Less than half of this year's retirees have planned for the fact that they may need more income in retirement as they get older."

### **Mike Shaw managing director of Hedley Asset Management:**

"This scheme will help in the specific cases where equity release is not available. But in my view a really useful measure would be to enable people to use part of the money on loan from local authorities to pay for independent financial advice.

"An adviser would be able to assess the impact of the move on estate planning whether it is more or less efficient than equity release or long-term care insurance for example. A government backed scheme promoting long-term care insurance would also be very welcome. The market for this has almost completely died off in recent years."

## Key Links

Government White Paper: <http://www.dh.gov.uk/health/2012/07/careandsupportwhitepaper/>

Progress Report: <http://www.dh.gov.uk/health/2012/07/scfunding/>

Dilnot Commission Final Report and other documents: <http://www.dilnotcommission.dh.gov.uk/our-report/>

CII special report on the future of long term care funding:

[http://www.cii.co.uk/media/852939/CII\\_Special\\_Report\\_on\\_Long\\_Term\\_Care\\_Final\\_Web\\_Version.pdf](http://www.cii.co.uk/media/852939/CII_Special_Report_on_Long_Term_Care_Final_Web_Version.pdf)

Conference held by CII with Andrew Dilnot and Andy Burnham amongst others:

<http://www.cii.co.uk/knowledge/life-pensions/articles/funding-long-term-care-1/17808>