POLICY BRIEFING

Fairer Care Funding: The Report of the Commission on Funding of Care and Support

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Overview

The Commission on Funding Care and Support was set up by the Government to make recommendations on how to achieve a fair, affordable and sustainable system for funding adult social care in England. It is proposing a partnership model in which costs are shared between the state and individuals who have sufficient means. The review makes the following main recommendations.

1. A cap on the lifetime contribution of individuals to their social care costs (residential or home care) – the review suggests a range between £25,000 and £50,000 and proposes £35,000. Once they have paid this amount, individuals would be eligible for full support from the state.

2. For residential care, the level of assets which people should be able to retain while being eligible for full state funding should increase from £23,250 to £100,000.

3. People with care and support needs from childhood cannot be expected to plan for their future care needs and should be eligible for free state support.

4. Universal disability benefits for people of all ages should continue, but the government should consider how to align benefits with the social care funding system and Attendance Allowance should be re-branded to clarify its purpose.

5. People should contribute a standard amount to cover their food and accommodation in residential care - £7,000 to £10,000 a year is proposed.

6. Eligibility criteria for service entitlement should be set on a national basis with an improved framework. In the short term the report suggests a national minimum threshold of ‘substantial’.

7. The Government should invest in an awareness campaign to inform people about the new system and encourage them to plan ahead.

8. The Government should develop a major new information and advice strategy to help people when care needs arise.

9. The report supports the Law Commission’s proposals to give carers new legal rights to services and to improve assessments.
10. The Government should review the scope for improving the integration of adult social care with other services in the wider care and support system, particularly health.

The Commission estimates that the additional funding required for its proposals would initially cost between £1.3 and £2.2 billion a year depending on the level of cap – with a cap of £35,000 it would cost £1.7 billion.

The Commission’s report endorses the role of local authorities in commissioning and delivering local services. A consistent theme is that current funding for adult social care is inadequate and that the Government should ensure that local authorities receive sufficient and sustainable funding. While the details need to be examined in more depth, there is much in the report to welcome, and the question now is whether there is political will to go forward and to find the additional funding. The previous timetable for social care reform was a White Paper this autumn with a Bill in spring 2012. The White Paper has now been put back to next spring with a Bill ‘at the earliest opportunity’. These issues and others are considered in more depth in the comments section of this briefing.

**Briefing in full**

**A model of shared responsibility – a clear national offer**

The report indicates that a quarter of 65 year olds can expect to pay nothing for care in older age, another quarter face care costs of over £50,000 and for one in ten this will be more than £100,000. However just who will end up needing care is, to a great extent, unpredictable leading to high levels of risk.

The Commission’s model can be regarded as a limited liability social insurance policy in which risks are partially pooled across the population through state funding, with an excess for people with means to pay. The Commission considered and rejected both full private insurance (no country in the world relies solely on this for funding due to the extent of risk) and full social insurance (provides full protection but expensive to the state and inflexible – countries using this tend to make cuts in response to financial pressure).

The Commission believes that a cap on an individual’s contribution and raising the means-testing threshold for residential care delivers a system that is both achievable and fair, offering protection to those with assets while also providing a safety net to people with low incomes. It indicates that no one going into residential care would have to spend more than 30% of their assets – currently it could be over 90%.

The Commission proposes that their model should cover both people of working age and older people, but because people tend to be able to accumulate assets later in life it suggests a tiered approach. People who enter adulthood with care and support
needs would have a ‘zero cap’ – they would not have to make a contribution. Up to the age of forty, most people have mortgage and child-rearing responsibilities and it would be unrealistic to expect them to plan for care so they would also have a zero cap. After the age of forty, the cap could increase by £10,000 per decade, with the full £35,000 contribution at age 65.

**How it would work in practice**

In the new system, people would require a social care assessment from the council. If they had eligible care needs the council would work out the cost. For some, the council would start paying for care immediately. Others would pay for their own care, but the local authority would work out at what point they would have spent enough to meet the cap and become eligible for funding. People would build up a record of contributions which they would take with them if they moved to another local authority area.

State funded care would be based on the cost of a local council’s care package, but people would be free to top up from their own resources should they wish to do so (this would not count towards the cap).

People might have a number of times in their life when they need care (e.g. following an accident). All episodes should count towards the cap regardless of when they occur and whether they relate to same underlying condition.

The Commission proposes that there should be a national standard contribution to living costs for those in residential care (in the region of £7,000 to £10,000 based on a judgment about what people might expect to pay for daily living costs). A fixed amount is needed to make the system fair and simple and to ensure that it is not possible to charge more for care but claim it is for general living expenses.

The personal expenses allowance for people in residential care should continue. It is currently £22.60p per week, but the Commission encourages the Government to consider the case for increasing this in future.

**How individuals can pay their contribution**

The Commission has ruled out prescriptive approaches such as compulsory insurance. Instead, individuals and families will need to consider how best to meet their contribution. This is likely to be through income, savings, property and other assets or through emerging financial products. Currently there is a lack of products offering insurance for adult social care – due to both lack of demand and uncertainty of risk for companies. However, the Commission has had lengthy discussion with the financial services industry and expects that the certainty provided by its model will encourage the sector to develop products, perhaps linking social care to critical illness or life insurance cover, or annuities linked to pensions. The report recommends that the government should set up a working group involving local government, financial sector representatives and third sector providers to progress this.
Currently local authorities are able to offer deferred payments so that payment for residential care would come from an individual’s estate following their death. Provision for this is patchy and where it exists can be costly to councils who are unable to charge interest. This is an important option for paying the contribution, and the Commission recommends that offering deferred payment should be mandatory but that councils should be able to charge interest.

A new awareness campaign about adult social care would be needed to inform people about the new system. Information and advice about adult social care is generally poor. There should be a new national website with information and signposting, and local authorities should be required to provide consistent local advice and information on a range of topics listed in the report. The Law Commission’s proposal for a statutory duty on local authorities to provide information should be implemented.

The Commission indicates that its reforms should not result in anyone losing disability benefits. A universal disability benefit for older people – Attendance Allowance – should continue to be available for support and care needs such as early intervention. However the purpose of Attendance Allowance is unclear and it needs to be re-badged by the Government so that more people understand its role. Also, Government should consider how to align the assessment for disability benefits with the adult social care system to streamline and simplify the process of assessment.

Local authorities and care and support services

The report describes problems with Fair Access to Care Services (FACS) in some detail. Basically, this framework has led to huge, unacceptable variations in how people with similar needs are treated in different areas. The Commission recommends that Government should work with social care experts to develop a new, objective eligibility framework with a nationally set threshold which allows assessments to be portable across local authority boundaries. In the short term, it recommends that the minimum threshold should be set nationally at substantial. This means that support in the means tested system would also start at this level.

Although a national threshold is proposed, the Commission emphasises the important role of local authorities in planning, providing, commissioning and arranging services that meet the needs of local populations (e.g. Inner London will have different needs from Cumbria). They would continue to use local prices to set the cost of care packages. As well as services subject to FACS, they should also provide a range of services to support their local population regardless of means such as community meals, telecare and information services.

The report considers in more detail how carers can be better supported. Building on the Law Commission recommendations, it recommends that a carer’s assessment should take place at the same time as that of the person being cared for, although separately so that people can speak freely. This avoids the carer’s assessment
taking place weeks later and ‘nothing coming of it’. Carers’ assessments should also be portable across council boundaries.

The report briefly mentions that its measures are consistent with the personalisation agenda. It endorses free reablement services, early intervention and prevention, and says that it is broadly supportive of the Palliative Care Funding Reviews proposals for free end of life care. A thread running through the report is that by knowing the limits of their financial risk, people are more likely to plan for the future and invest in personal support such as assistive technology and extra care housing.

The Commission stresses the importance of aligning funding streams, particularly with health. It suggests that the government should consider how a new national eligibility framework for social care would sit alongside the assessment for NHS continuing health care. It urges the government to consider how the whole care and support system can be reformed and better integrated in the forthcoming White Paper on adult social care.

**Funding and paying for reform**

On funding, the Commission states that the adult social care funding system has been neglected for a long time and is inadequately resourced. In the last four years demand has outstripped expenditure by around 9%, and funding has not kept pace with that of the NHS; in the last 15 years NHS funding has increased by around 110%, while social care has increased by 70%. Insufficient funding may have adversely affected the quality of care. The Commission stresses that the Government must devote greater resources to the adult social care system and enable local authorities to manage existing pressures as well as new requirements resulting from reforms. Central funding allocated to local areas must be spent on what it is intended for.

The report provides a number of breakdowns of the additional cost of implementing the proposals based on various combinations of levels of cap, living costs and other factors. Some of the costs relate to the burdens on local authorities such as an increase in assessments. It suggests that costs may be less than it sets out due to a range of issues including less ‘gaming’ the system to avoid giving up assets.

In terms of paying for the reforms, the report indicates that the Government has three options to consider, taking into account the impact on different income and generational groups:

- additional revenue through general taxation
- reprioritising existing expenditure
- a specific tax increase (to be paid at least in part by those benefiting directly from reforms – those over state pension age).

**Future options**

The commission also suggests that there are further changes to address current inconsistencies which could be considered once a cap was in place:
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- creating a level playing field by taking housing assets into account in home care (would require a universal deferred payments scheme)
- a taper in the means test to encourage people to save.
- individuals receiving NHS continuing healthcare to pay general living costs.

Government response so far

In a Statement to Parliament, Andrew Lansley welcomed the report and confirmed the Government would progress the recommendations as a priority. However, he also warned that the cost of reform would have to be considered alongside other priorities, and pointed to the wider range of options in the report such as setting the cap at £50k. The Government’s response will appear in a White Paper which will now be published next spring. There will now be a period of engagement with stakeholders and with the Labour Party who have agreed to join discussions. The Secretary of State set out six tests that any reform would have to meet.

- promoting closer integration of health and social care
- promoting increased personalisation, choice and quality
- supporting greater prevention and early intervention
- promoting a viable insurance market for care and a more diverse and responsive care market.
- achieving a consensus that additional resources for care should be targeted at capping costs for individuals.
- ensuring a fair and appropriate method of financing the costs.

Further information may become available when the Minister of State for Care Services Paul Burstow addresses the All Party Parliamentary Group for Local Government on Wednesday.

Comment

The Dilnot Commission has produced an elegant solution to a long-standing problem which enables individuals to contribute to care funding but with a clear and limited risk. Overall, it has been welcomed by individuals and organisations involved in adult social care, although some measures, such as setting minimum national eligibility at substantial, are not favoured by all.

As to whether the public will support the proposals, this is not clear. Although the Commission indicates that everyone who gets free support from the state will continue to do so and that everyone else will be better off, there was a significant response to the Commission’s consultation from those who believe that social care should be free. A recent survey by the charity Anchor found that 44% of people believe the state should fund care and only 11% thought it should be split between the state and the individual. In a speech at a Kings Fund event before the report was

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launched, Care Services Minister Paul Burstow indicated that the public response to the report by the public would at best be ‘lukewarm’ and could be influenced by media reporting. (In the day after publication, one paper headlined ‘Retire THEN pay a care home tax’ in an article including the information ‘State funding would cover ‘bog standard’ care homes only - decent quality care will require top-ups from individuals’.)

At this stage it is difficult to predict what will become of the proposals. The additional funding required will involve difficult financial decisions for the Government, while the proposals have the potential for public controversy. All party consensus for a final solution, which will become a legacy issue, is essential. It is a well-known phenomenon that previous reviews on this subject can disappear without trace. This time, however, the issue has had a particularly high profile and there may be the will to put pressure decision-makers to take action. This is vital for individuals with care needs who have assets who will be in limbo until a solution is found. For local authorities it is also crucial – funding levels for adult social care mean that most will continue to struggle to meet social care needs until matters are resolved. The Commission has highlighted adult social care’s position within overall expenditure – ‘an affordable one four-hundredth of total public spending (£700 billion)’. It also sets it within the context of spending on older people – of the £140 billion spent, 35% goes to the NHS, 59% to benefits and 6% to adult social care.

While the delay in the White Paper, and, as yet, no firm date for the Bill, are concerning, it is right that there is a consultation period on the proposals, to try and raise public awareness and to examine details in the report in more depth. In the meantime, councils may wish to consider the proposals in LGiU’s report Independent Ageing: Council support for self funders which makes suggestions for how councils can take action to gain clarity about the financial impact of self-funders moving to council funding in their areas, and to signpost people to independent information about financial products to help with funding care in older age.

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