

Briefing note on the Report of the Commission on Funding of Care and Support

I. Context

People of all ages are living longer, which is something to celebrate. However, the current adult social care funding system in England is not fit for purpose and is in urgent need of reform.

The social care system in England currently provides care and support through a means-tested system delivered at the local level by local authorities. Very broadly, people with assets over £23,250 receive no financial state support and need to fund their own care.

Care costs can be high and are unpredictable – a quarter of people aged 65 today can expect to spend over £50,000 on care in their lifetime. Lifetime costs can be even higher for people who are born with a disability or who develop a care need earlier in life. At the moment, there is no way for people to protect themselves against the risk of high costs. The state doesn't step in until people have exhausted their own savings and assets, which can include their house. Private insurers won't cover people because of uncertainty about the final bill.

The current system is also confusing, unfair and unsustainable. Assessment processes are complex and opaque; eligibility varies depending on where you live and there is no portability if you move between local authorities. Provision of information and advice is poor, and services often fail to join up. All this means that people frequently do not have good experiences.

II. The Commission on Funding of Care and Support

The Commission on the Funding of Care and Support was asked by the Government to make recommendations on how to achieve an affordable and sustainable funding system or systems for care and support, for all adults in England. We published our report on 4th July 2011. A copy of our main report and supporting evidence and analysis can be found on the Commission's website: www.dilnotcommission.dh.gov.uk

In our report, we outline a new model of shared responsibility. Everyone who receives their care for free now, will continue to do so; and everyone else is protected from high costs – as they are in other areas of their lives. Our proposals will concentrate help on those with the greatest needs, give peace of mind to all and support people to plan and prepare for future care needs. Individuals with care needs, carers (both paid and unpaid), the financial services sector and the public and voluntary sectors, will all have a part to play. Together we can help people achieve the outcomes they want, offering choice and delivering services shaped around individuals and their families.

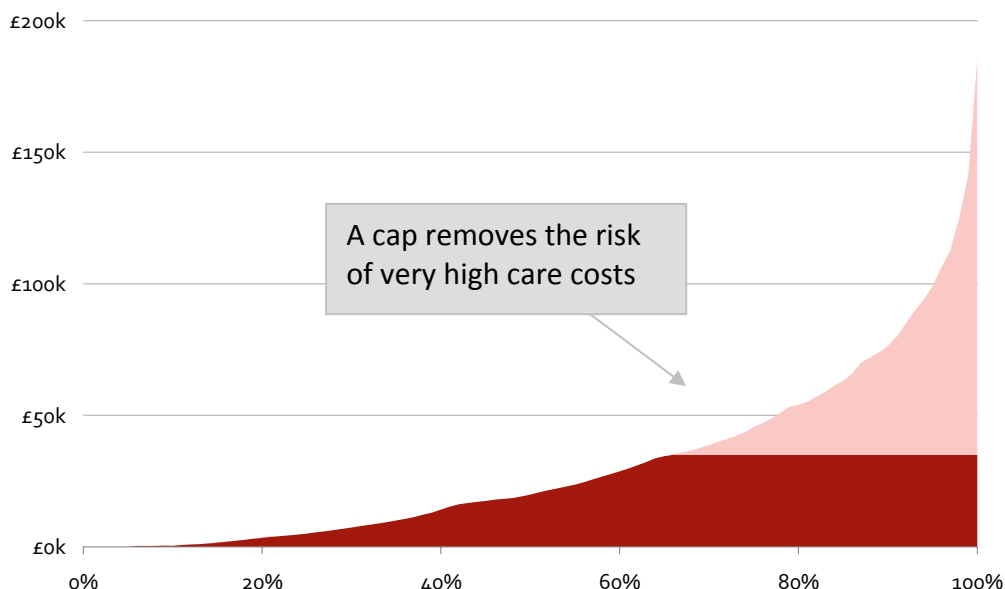
The Commission's core recommendations

1. To protect people from extreme care costs we recommend capping the lifetime contribution to adult social care costs that any individual needs to make at between £25,000 and £50,000. We believe £35,000 is an appropriate and fair contribution. If an individual's care costs exceed the cap, they would be eligible for full support from the state.

We believe this change should bring greater peace of mind and reduce anxiety, for both individuals and carers. We recommend that there is an improved deferred payments

scheme, and the reforms have the potential to open up a new space for the financial services sector. Both of these would help people make their personal contribution.

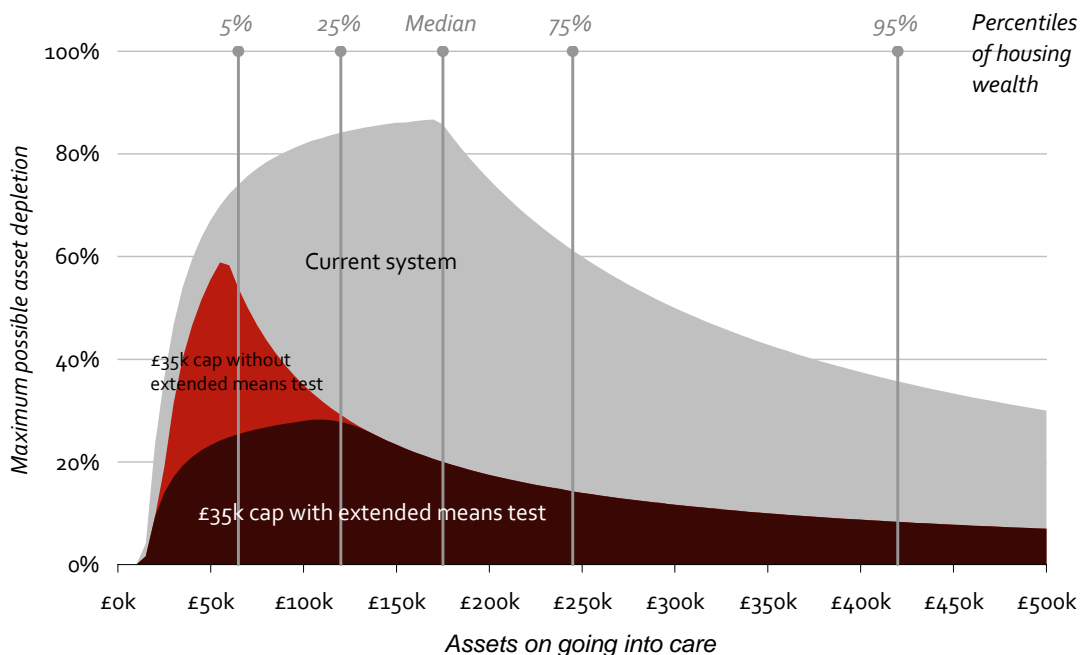
Expected lifetime costs for people going into care in 2010/11, by percentile



2. We know that not everyone will be able to afford to make their personal contribution, and those currently just outside the eligibility for means tested help are not adequately protected. To address this, we recommend that means-tested support should continue for those of lower means, and the asset threshold for those in residential care beyond which no means tested help is given should increase from £23,250 to £100,000.

Taken together, the cap and the increase in the threshold for state support in residential care, would mean that those with lower incomes and wealth receive greater protection.

Maximum possible asset depletion for people with £150k residential care costs



3. People born with a care and support need or who develop one in early life cannot be expected to have planned in the same way as older people. We recommend that those who enter adulthood already having a care and support need should immediately be eligible for free state support to meet their care needs, rather than being subjected to a means-test.
4. Universal disability benefits for people of all ages should continue as now. We recommend better alignment of benefits with the reformed social care funding system and that AA should be re-branded to clarify its purpose.
5. To ensure parity across different settings, we recommend that people should contribute a standard, fixed, amount to their general living costs, such as food and accommodation, in residential care. We believe that a figure in the range of £7,000 to £10,000 a year is appropriate.
6. We recommend that eligibility criteria for service entitlement should be set on a standardised national basis to improve consistency and fairness across England and that there should be portability of assessments. In the short term, we think it is reasonable for a minimum eligibility threshold to be set nationally at 'substantial' under the current system. The Government should also urgently develop a more objective eligibility and assessment framework.
7. To encourage people to plan ahead for their later life we recommend that the Government invests in an awareness campaign. This should inform people of the new system and the importance of planning ahead. This campaign could be linked into the wider work to encourage pension savings.
8. We also believe the Government should develop a major new information and advice strategy to help when care needs arise. It is critical that the public has access to better, easy-to-understand and reliable information and advice about services and funding sources. We recommend this be produced in partnership with charities, local government and the financial services sector. As proposed by the Law Commission, a statutory duty should be placed on local authorities to provide information, advice and assistance services in their areas.
9. We believe carers should be better supported by improved assessments, which take place alongside the assessment of the person being cared for and which aim to ensure that the impact on the carer is manageable and sustainable. We support the proposals set out by the Law Commission to give carers new legal rights to services and improve carers' assessments.
10. In reforming the funding of social care, the Government should review the scope for improving the integration of adult social care with other services in the wider care and support system.

Funding for adult social care

We recommend a shared responsibility model – where individuals and the state both make a contribution. We estimate that our recommended changes to the funding system (based on £35k cap) would cost the state around £1.7bn¹.

It is for the Government to take decisions on the level of funding of the means tested system (the current system). We have made clear our view that the current system has been underfunded in the past. It has failed to keep pace with demographic change, especially for older people services but also for working-age. We believe that over time there have been more people not receiving all the care and support they need and the demands being placed on carers has been increasing.

III. Key facts

Risks and costs of needing care

The risk at age 65 of needing residential care during future lifetime is 1 in 5 for men and 1 in 3 for women. The mean expected future lifetime cost of care at age 65 is £25,000 for a man compared with £44,000 for a woman.

Average cost of future lifetime care for older people in 2009/10:

- 1 in 4 will spend very little on formal social care
- 1 in 2 will spend more than £20,000
- 1 in 4 will spend more than £50,000
- 1 in 10 will spend more than £100,000

Effects of our proposals

A third of those becoming eligible for care - and a quarter of all those aged 65 – will hit a cap of £35,000.

Under the current system, someone with an 8-year stay in residential care with median income and assets could lose almost 90% of their assets (or 70% with a 5 year stay); under our proposals no-one would lose more than 30% paying for their care, no matter how high their needs. The table below shows the maximum spend on care that individuals would be subject to depending on their wealth:

Initial level of wealth	Maximum individual spend on care
£40,000	£9,000
£50,000	£12,000
£70,000	£18,000
£100,000	£28,000
£150,000	£35,000

¹ Public expenditure cost (in 2010/11 prices) were our recommended changes fully implemented in 2010/11

IV. Case studies

1) An older property owner – residential care only

Alice lived alone in her own home worth £175,000 (*average (median) house price in England Q1 2011*). She needed to go into a residential care home when she was 83 for the last 5 years of her life. *Under the current system* - she would have to pay for all her care and living costs in full until she died. In total, she would spend over £90,000 from her housing wealth. She would **lose over half of her housing wealth**. *Under our reformed system* - Alice would need to contribute £35,000 towards her care. She would do this in 2 years, and from then on, the state would pay her care costs of £18,500 per year (she would pay just for her general living costs out of her pension income). She would **lose 20% of her housing wealth (keeping 80%)**.

2) An older property owner – benefitting from the cap and the increase in the upper threshold for means-tested support

Aisha had a house worth £75,000 (*around the average (median) house price in Burnley / lower quartile house price in the North East*). From age 78, she required some care at home costing £100 per week (£5,000 a year). Her condition worsened and, aged 80, she moved into a residential care home for the final 3 years of her life.

Under the current system: when receiving care at home - her care would be part funded by the state as her weekly income of £215 plus her £3,000 savings would not be enough to pay for it all and still leave her with enough to live on. When she moved into the care home – she would have to use up all her savings and sell her house worth £75,000 to fund her care, paying the full £28,500 per year. She would receive no state support. She would spend £55,000 from her assets, **losing 70% of her housing wealth**.

Under our reformed system: when receiving care at home – her contribution, and that of the state, would provide £10,000 towards her cap. When she moved into the care home - her housing assets would be taken into account in the means-test. However, her house value would fall below the new upper asset threshold of £100,000. This means the state would continue to contribute around £6,500 per year. She would pay around £12,000 per year (along with a contribution from her income for general living costs). She would reach the cap after a year and a half in residential care, and for the remaining year and a half, get her care for free and only contribute towards her general living costs out of her income. She would contribute £15,000 in total. **She would lose 20% of her housing wealth**.

3) Younger care user - someone born with a learning disability

Emma was born with a learning disability. From the age of 18 she lived independently in supported housing until she died aged 52. When she was 35, she inherited her parents' house worth £150,000 (*average (median) house price in Cheshire*).

Under the current system – when she inherited the money she would be means tested and would have to start paying for all of her care and support, on top of her living costs. It would run low by the time she was in her mid-40s, leaving her to fall back onto the state with few additional resources left. **She would lose nearly 90% of the money she inherited paying for care**. *Under our reformed system*, as she turned 18 years of age with an eligible care need, she would be entitled to free care for the whole of her life. She would continue to pay her living costs partly herself and partly through her disability benefits, still leaving her with half

of her assets to use throughout the rest of her life in whatever way she wanted to improve her overall well-being. **She would lose none of the money she inherited paying for care.**