

PROFESSIONAL NEWSLETTER – ISSUE 4

GREEN PAPER ON LONG-TERM CARE 'THE DEVIL IS IN THE DETAIL'

In 2008 the Government launched a 'once in a generation review' of how social care is provided and funded and ran a six month engagement process with the public, services users and social care staff. The result was the publication of a Green Paper, 'Shaping the Future of Care Together', on 14 July 2009 and invites consultation on reforming the delivery of social care, and on a number of options for reforming the current funding system.

Key concerns

Social care services provide support for those who need help with everyday activities of daily living such as washing, dressing and eating because of old age, learning or physical/sensory disabilities or long-term illness. The current system was set up in the 1940's when life expectancy was much lower than it is today and over the years has developed into a system which the Government views as being unfair to those who do not qualify for support; is too complex; is overly focused on high-level needs rather than prevention; and creates wide regional variations in services. The public view the funding of care as being expensive and unfair, particularly where the family savings have to be used and the home sold to fund care which they see as being the responsibility of the state.

Sound financial and legal advice is still a priority if asset protection and long-term care is of concern to clients.

Improving the delivery of social care

The Government has a 'vision' to build the first National Care Service (an equivalent to the NHS) in England and sets out six elements that anyone using the service should be able to expect:

- Access to prevention services
- A national assessment
- A joined-up service
- Appropriate information and advice
- Personalised care and support
- Fair funding

Although this is claimed to be a 'vision', much of what is said in the Green Paper consolidates what already exists or should exist. The six elements are mainly framed as policy aspirations and are not accompanied by particular policy proposals or systems for change

The Government also proposes establishing an independent organisation to give advice on best value for social care. This would be similar to the National Institute for Health and Clinical Excellence (NICE) for health care.

Funding options

The Green paper states that everyone who qualifies for care and support from the state will get some help meeting the cost of care and support needs. However, there was no discussion as to eligibility. The care and support costs do not include accommodation as it is expected that people should pay for their own food and lodging, even if they were not in a care home.

The Green Paper indicates that any future funding system must be 'fair, simple and affordable'. Two options were looked at and immediately discarded: individuals paying for care with no state contribution was ruled out as many would not be able to afford to pay for their care, and full state funding through taxation was dismissed on the grounds that it would place an unfair financial burden on the working population.

Three options have been proposed to fund the National Care Service:

- **Partnership**

In this system, everyone who qualified for care and support would be entitled to have a set proportion, for example a quarter or a third, of their basic care and support paid for by the state. People who are less well-off would have more care paid for, for example, two thirds, while the least well-off people would continue to get all their care for free.

For example, a 65 year old with average care costs during retirement of £30,000 would have to contribute £20,000 - £22,500 with the state paying the remainder.

Issues:

1. The cost of funding the partnership system would be through general taxation. The affordability of the state contribution is not discussed in any detail in the Green Paper and detailed costings are not provided. However, it is suggested that some funding might be drawn from integrating Attendance Allowance into the state contribution.
2. People who have really high care costs and own their own homes or have savings might still have to pay very high contributions if, for example, they went into a care home for a long period of time.

- **Insurance**

With this system, everyone would be entitled to have a share of their care and support costs met, just as in the Partnership model. But this system will go further to help people cover the additional costs of their care and support through insurance, if they wanted to. The state could play different roles to enable this.

It could work more closely with the private insurance market, so that people could receive a certain level of income should they need care. Or the state could create its own insurance scheme. If people decided to pay into the scheme, they would get all their basic care and support free if they needed it.

People could pay in several different ways, before or after retirement or after their death if they preferred. The Green Paper suggests that people might need to pay around £20,000 to £25,000 to be protected under a scheme of this sort, compared with the

average cost of care for a 65 year old, which is £30,000. It is further suggested that this system would work for people over retirement age

Issues:

1. As it would be voluntary, the premium would be more expensive as fewer people would be prepared to buy into such a system.
2. It will not be available to people born with care and support needs, and not financially eligible for full costs under the state contribution (Partnership system), as it is based on insuring against future risks.

- **Comprehensive**

In this system, everyone over retirement age would pay a means-tested amount into a compulsory state insurance scheme, and in return their care and support would be fully funded. The Green Paper suggests that the means-testing could be adjusted so that most people would pay a set amount making it clear about how much they will need to contribute, with only those on very low income or with little savings or assets paying less or nothing. Payments could be paid in several different ways, in instalments or as a lump sum, before or after retirement, or after their death if they preferred. Once the contribution had been paid, they would get their care free when they needed it.

It is indicated that individuals will need to pay around £17,000 - £20,000 to be protected under a scheme of this sort, compared with the average cost of care for a 65-year-old which is £30,000

Issues:

1. The system will only be available to people over retirement age.
2. It is stated that a 'large proportion' of funding this system will come from general taxation. However, what this might cost, and whether this is affordable, is not set out in the Green Paper.
3. This system, if adopted, will provide a further incentive for people to gift their home and other assets outright or into trust before they reach retirement age with a view to avoid paying care charges.

General observations

- **Government's favoured system**

The Green Paper indicates that the Government favours the Partnership system, in which there is a basic tax-funded contribution by the state, possibly coupled with voluntary or compulsory contributions from individuals, through an insurance system - the 'Comprehensive' approach

- **Accommodation charges excluded**

None of the options outlined above include accommodation costs, on the grounds that these apply to everyone irrespective of care and support needs. This could still mean

that people may have to sell their homes to fund care fees. To assist in covering the costs of board and lodging in residential care, which is estimated to be in the region of £12,000 a year, the Green Paper proposes a 'universal deferred payment' scheme, which will enable these costs to be paid after death. There is a similar scheme already in place under the Health and Social Care Act 2001 and offered by some local authorities known as the Deferred Payment Scheme.

- **Equity release**

The Green Paper does not specifically deal with the issue of using capital tied up in property to fund care. The equity release trade body, SHIP, has stated that with people over 65 having unmortgaged housing wealth approaching £700 billion, it believes that means can be found to safely bring this to bear on at least part of the challenge and that The Government should consider all retirement options, including equity release. In July SHIP launched a national debate and published a discussion paper 'Facing the future' available at www.ship-ltd.org/freedownloads

What next?

A copy of the Green Paper can be obtained from the Department of Health at: www.dh.gov.uk/en/Publicationsandstatistics/Publications/PublicationsPolicyandGuidance/DH_102338

The consultation will last until 13 November 2009. During this time the Government will be running a series of events for stakeholders and members of the public where the issues can be discussed in detail. Details of the events are on the Department of Health website.

When you have read the Green Paper you can email your comments to careandsupport@dh.gsi.gov.uk or write to the Care and Support Team, Room 149, Richmond House, 79 Whitehall, London SW1A 2NS

A White Paper on care and support is promised in 2010, however there is no indication as to whether this will be before or after the General Election. If the Government is not re-elected and a Conservative government formed, some of the proposals that emerged following the publication of the Royal Commission on Long Term Care in July 1999 may be taken on board.

Symponia

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