Department of Health

FACTSHEET 6

The Care Bill – reforming what and how people pay for their care and support

"For the first time, individual liabilities will be limited, protecting people against the worst aspects of the current care lottery. The increase in the upper threshold for means-tested support to £123,000[1] is also a boost for those with modest resources who are most heavily penalised under the current system. The combined effect of the cap and a higher means test threshold will see more people receive public funding."

King's Fund

[1]*figure based upon April 2017 implementation date equivalent to £118,000 in April 2016.*

This factsheet describes how the Bill establishes the new capped costs system and deferred payment agreements. Together, these will end the unfairness and fear caused by unlimited care costs, and will mean that people should not have to sell their home in their lifetime to pay for their care home costs.

What are the funding reforms?

People pay for their care costs now, and will continue to do so in the future. These measures aim to give everyone the peace of mind that they will get the care they need, and that they will be protected from unlimited costs if they develop very serious care needs – such as dementia or other conditions that mean they need many hours of care a day.

The Government has committed to making the changes recommended by an independent commission, led by the economist Andrew Dilnot, in 2011. From April 2016, subject to the passage of the Care Bill, the Government will introduce a cap on care costs and will provide new financial protection for those with modest wealth.

The cap on care costs will reassure many people, by protecting them from catastrophic care costs if they have the most serious needs. It is intended that the cap will be £72,000 when it is introduced in April 2016.

The Government will also provide new financial help to those with modest wealth. This will ensure that people with the least money get the most support. Currently, only people with less than £23,250 in assets (such as savings or property) and low incomes receive help from the state with their residential care costs. Our changes will mean that people with around £118,000 worth of assets or less, will start to receive financial support if they need to go to a care home. The amount that the Government will pay towards someone's care home costs will depend on what assets a person has.

These changes clarify the responsibilities of the State and of individuals.

Individuals will be responsible for their care costs, as assessed by the local authority, up to the £72,000 cap if they can afford it. They will also be responsible for:

- any ‘extra’ care costs (for example, if they choose a more expensive care option)
- any support that is not covered in the care and support package, such as cleaners and gardeners employed by the individual
- a contribution to general living costs if they are in a care home, if they can afford it. (General living costs reflect the costs that people would have to meet if they were living in their own home – such as for food, energy bills and accommodation. People will be expected to pay around £12,000 a year towards their general living costs if they can afford it.).

The State will be responsible for:

- any further reasonable care costs once an individual reaches the £72,000 cap
- financial help to people with their care and/or general living costs, if they have less than around £17,000 in assets, and if they do not have enough income to cover their care costs.

Why does the Government need to change the law?

There is currently no safety net to protect people from losing almost everything they have saved up and worked for in their lifetime. 16% of older people will have care costs of more than £72,000, whilst one in five people will have no care costs at all. People who have £150,000 risk having to pay up to £120,000 towards their care and support. No-one knows what their future care costs may be, so these changes will give everyone peace of mind.

What does the Bill do?

The Bill will allow the establishment of a cap on care costs, which is intended will be £72,000 from April 2016 for people of state pension age and over. The cap will be lower for people of working age and will be zero for people who have care needs when they turn 18. The cap amount will be adjusted annually.

People will be able to have their needs assessed by their local authority. If they are found to have eligible care needs and they qualify for local authority support, they will be given a **personal budget** which shows the costs of meeting that person’s needs. If they are found to have eligible needs but do not receive local authority support (for financial reasons or from choice) and they fund their own care, they will be given an **independent personal budget**. This will be equivalent to what the local authority would pay for that person’s care and support. Both the personal budget and the independent personal budget will show the rate at which people progress towards the cap.

Everyone with eligible care needs will have an account that will show the total cost of meeting their needs (as set out in the personal budget or independent personal budget) over time. The **care account** will show how someone is progressing towards the costs cap. Once a person reaches the cap, the local authority will have to pay any further costs of meeting the person’s eligible needs. The local authority will assess what these costs are. If individuals choose to receive care that is more expensive, then they will need to pay the difference. People will still be required to contribute towards their general living costs, if they are in a care home.

The Bill also requires the Secretary of State to review the capped cost system every five years. This review will decide whether the level of the cap needs to be changed. It will also look at whether other things, such as how much people must pay towards general living costs, are right.

Deferred Payment Agreements

The Government is also making an existing scheme called 'Deferred Payment Agreements' more widely available from 2015. People who own their own home will be able to make an arrangement whereby they do not have to sell their home, during their lifetime, to pay their care home costs. Instead, the local authority will pay the costs, and recover the money that the person owes, plus interest, at a later date.

This right can be offered in certain circumstances where an adult owns their home. Local authorities will be able to charge interest on these payment arrangements for the first time, so that they can cover their own costs of offering such agreements.

FURTHER INFORMATION

- See **factsheet 3** on assessments and eligibility.
- See **factsheet 4** on charging and financial assessment