

## Technical Bulletin

### Care and Support Funding Reform

18 February 2013

This Bulletin provides an overview of the 11 February [policy statement](#) and associated announcements on reforms to the funding of care and support in England (also known as social care or long-term care).

#### Overview and Background

The Dilnot Commission, an independent review of funding for care and support commissioned in 2010, published its [recommendations](#) in July 2011. In July 2012 the Government published the [Care and Support White Paper](#), a draft Care and Support Bill and associated factsheets, together with a progress report on funding reform in which it accepted some of the Dilnot Commission's main recommendations, including the principles of financial protection through capped costs and an extended means test.

The 11 February announcements reiterate the Government's support for that funding model, confirming that from April 2017 there will be:

- A lifetime cap on care costs set at £75,000 per person in 2017/18.
- A change to the means test under which financial support is provided for the costs of residential care. This is referred to in the policy statement as the extended means test. Financial support will be available for those with savings of less than £123,000 in 2017/18, with a greater level of support for those with the fewest assets.

The 11 February policy statement outlines various behavioural and associated impacts that it is hoped can be expected as a result of the relative certainty the reforms will provide. These include the scope for a wider range of financial services products to be developed to meet individuals' needs; individuals making contact with local authorities at an earlier stage and thereby making informed choices about their care; and increased planning by individuals so that care is received when it is initially needed.

#### The Cap

The £75,000 cap will be applied to costs incurred to meet the "eligible care and support" needs (to be defined in regulations) for an individual over state pension age. The cap will be based on the care costs themselves not the individual's contribution to those costs. Therefore an individual who receives means-tested support for social care would have an effective cap lower than £75,000.

The cap will be set at a lower level for those of working age who need care, and will be set at zero for those who have eligible care and support needs when they reach age 18.

The intention is for the level of the cap to be set out in regulations rather than primary legislation, giving flexibility to:

- Amend the cap over time.
- Specify different levels for different age groups by reference to the age at which an individual first has eligible care and support needs.

Legislation will provide for the cap to be automatically uprated each year. The appropriate index is yet to be decided. The accumulated costs that count towards the cap (the so called “Care Account” which local authorities will maintain) will also be indexed in parallel.

- Local authorities will be obliged to provide an individual's care needs without charge once their Care Account reaches the cap. If an individual wishes to elect for more expensive care than is considered necessary to meet their eligible needs, they will be able to choose to do so, but will have to pay the additional amount.
- A contribution towards general living costs will remain payable. For those in residential care this will amount to around £12,000 in 2017/18. Those in domiciliary care (otherwise known as homecare) will remain responsible for non-care expenses such as utilities and rent. In either case the individual will remain responsible for meeting the cost of any additional services.

### **The Extended Means Test**

This test will apply for adults in residential care. The two thresholds for means tested support will be increased as follows:

- The upper capital threshold for means tested support will be increased from its current value of £23,250 to £123,000 in 2017/18; and
- The lower capital threshold will be indexed from its current value of £14,250 (estimated to be £17,500 in 2017/18).

Subject to an assessment which will also take account of an individual's income, those with assets between the two thresholds will receive support based on a sliding scale.

### **Costs and Funding**

Implementing the cap and extended means test will have a cost to Government estimated to be £1 billion a year by the end of the next Parliament. These costs will be met over the course of the next Parliament in part by freezing the inheritance tax threshold at £325,000 for a further three years from 2015/16. The remainder will be met from revenue from increased national insurance contributions arising as a result of the cessation of contracting-out, which will occur in parallel with the introduction of the single-tier pension. (See our separate [Technical Bulletin](#) on the State Pension White Paper for more detail on these proposals.)

The policy statement also clarifies that reviews will ensure that the scheme remains affordable and sustainable.

If you would like to discuss any of these issues in more detail or have any other questions please get in touch with your usual GAD contact.