



Department  
of Health

# Caring for our future

Consultation on reforming what  
and how people pay for their care  
and support

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# Contents

<b>The story so far</b>	<b>2</b>
<b>What we will change</b>	<b>5</b>
<b>Why we are consulting</b>	<b>8</b>
<b>Overview of the consultation themes</b>	<b>9</b>
<b>Case studies</b>	<b>14</b>
<b>Summary of the consultation questions</b>	<b>16</b>
<b>How you can respond</b>	<b>17</b>
<b>Next steps</b>	<b>18</b>

# The story so far

If adult care and support in England is going to respond to major demographic change and other challenges of the twenty-first century, it must help people to stay well and independent, rather than wait for them to reach crisis point.

The Care Bill currently going through Parliament will establish a new legal framework that puts the wellbeing of individuals at the heart of care and support services. This new Bill marks the biggest transformation to care and support law in over sixty years, and will replace more than a dozen pieces of incoherent legislation with a single modern law. It will prioritise the needs of people and put them more in control of their lives.

In February, the Government announced historic reforms to what and how people pay for their care, to give everyone more certainty and peace of mind over the costs of old age, or of living with a disability. We said we would reform the funding of care and support to ensure:

- everyone receives the care they need and more support goes to those in greatest need
- we end the unfairness of, and fear caused by, unlimited care costs
- people will be protected from having to sell their home in their lifetime to pay for care.

The reforms on how care costs should be shared between the state and individuals are one significant element of the wider transformation of care and support services detailed in the Care Bill. Our consultation document seeks views on the practical detail of

how these changes to the funding system should happen and be organised locally.

Successfully making these changes can only be done through partnership working and collaboration. Central Government, councils, care providers, the voluntary and community sector, financial services organisations, and individuals and carers will all play essential roles. We have engaged and worked with our partners throughout the development of this consultation, and will continue to do so as the changes are implemented.



## The current system of paying for care is unfair and unsustainable

The independent Commission on the Funding of Care and Support, chaired by the economist Sir Andrew Dilnot, identified there is currently no effective way for people to protect themselves from unlimited care costs. This makes it impossible for people to plan and make provision to pay for care with any certainty, and subsequently for them to always access the type of care and

support they want. As a result, people who could afford to save towards the costs of their care have little incentive to do so. Furthermore, a person with modest wealth and no savings may go on to lose everything they've worked for during their lives because financial support is only available to people with worth less than £23,250.

People are particularly affected if they need residential care. Currently, every year around 30,000–40,000 people with limited income or savings may need to sell their homes to pay for care.

This can leave people feeling worried, unprepared and powerless. It is likely this adversely affects their wellbeing in later life, their experiences of care and the decisions they make.

Evidence submitted to the Dilnot Commission expressed the view it was reasonable and fair that those who have wealth should fund their own care. However, it was not considered reasonable or fair for all of a person's wealth to be at risk.

The challenge is that these care needs are unpredictable: a quarter of us may need to spend very little (or nothing at all), but one in ten people in this country have more serious care needs and face care costs in excess of £100,000. Also, around 40% of the adult population are unaware that they would be responsible for any future care costs.

# What we will change

People have to pay for their care costs now, and will continue to do so in the future. However, our reforms will protect people from catastrophic costs, put them more in control of their lives and help to increase their quality of life.

**A cap will be introduced on the costs** that people have to pay to meet their eligible needs (from April 2016):

- The cap will be set at £72,000 in April 2016 for people of state pension age and over.
- The total cost of meeting a person's eligible needs – which could be paid by either the person, their local council or a combination of the two – will count towards the cap, rather than the person's financial contribution only.
- People of working age who develop care needs before retirement age will benefit from a cap that's lower than £72,000.
- People who turn 18 with eligible needs will receive free care and support to meet those needs.

**Financial support will be provided to more people** to help them with care home costs (from April 2016):

- This will help people with their care home costs if they have up to £118,000 (including the value of their home) rather than only those with up to £23,250, as happens currently.
- Where the value of someone's home is not counted, we intend to provide financial support with care costs to people who have up to around £27,000. This could help people who have a partner or dependent living in the home, and people who are receiving homecare.



**We will introduce the option to defer paying care home costs.** This will mean that people do not have to sell their home in their lifetime to pay for residential care (from April 2015).

**People in care homes will remain responsible for their living costs** if they can afford to pay them. These reflect the types of costs that people would have to meet if they were living in their own home – such as food, energy bills and accommodation. We are introducing a personal contribution to living costs of around £12,000 a year from (April 2016) and this will not count towards the cap.

**The most financial support will be targeted at those who need it most:**

- A combination of this council contribution towards care costs and the increase in financial support will mean **many people will not have to pay the full cap amount themselves.**
- The most financial support will still go to those with the greatest care needs and the least wealth.

## Before and after the cap

How long and how much people will need to pay before they reach the cap will be dependent on their individual circumstances.

However, this table gives an indication of how much people with modest wealth in residential care might pay now and after our reforms have been implemented:

Initial assets	An individual's contribution to care costs before reaching the cap	
	Current	£72k cap
£250,000	£177,000	£72,000
£200,000	£173,000	£72,000
£150,000	£127,000	£67,000
£100,000	£79,000	£45,000
£70,000	£50,000	£30,000
£50,000	£31,000	£17,000
£40,000	£21,000	£12,000
£17,000 or less	£0	£0

DH analysis: Based on assumed residential care costs of around £625 per week, with contribution to daily living costs of £230 per week. Individual has income to cover daily living costs and contributes from assets towards their care costs.

# Why we are consulting

Nationally reforming what and how people pay for their care will involve significant changes to how local authorities operate currently. We are keen to hear people's views to help us deliver a care and support system that is sustainable and fairer for everyone. This consultation seeks views on how changes to the funding system should be organised locally. It will inform the development of detailed policy, and – subject to the successful passage of the Care Bill – regulations and guidance.

In summary, the consultation covers:

- the best way to provide people with information and advice, including on how to pay for care and support
- how people will have their care and support needs and eligibility for support assessed by local councils
- how the capped cost system should work for people of different ages who develop eligible needs before retirement age
- what counts towards the cap, how the cap amount will be adjusted over time, how it will affect both older and working age adults, and how it will take account of daily living costs
- how people can access the extended financial support
- how deferred payment arrangements and financial services products can help people pay for their care. Financial products could include, for example, specific types of insurance, or extended pension options
- how deferred payment agreements should be managed and administered so people's homes are protected from being sold during their lifetimes
- how to ensure a smooth transition when people's care costs reach the level of the cap.
- the process for providing redress and resolving complaints.

# Overview of the consultation themes



## Staying independent for longer – planning and prevention

- The care and support system will focus on promoting people's wellbeing and independence, keeping them safe and connected to their communities, and delaying or reducing needs for care and support wherever possible.
- The Government will work with councils, the voluntary and community sectors and financial services industry, to help people understand how care and support works and what they are likely to need to pay for their care and support in the future.
- Councils will provide good information and advice at the right time to support and incentivise people to plan, and to help them postpone or prevent the need for care services.
- Local authorities will have greater contact with people who pay for their own care. People will have greater opportunities to access local authority support in planning and postponing care needs, if they want it. People can choose not to take advantage of the cap on care costs if they wish.
- There will be greater clarity on the full range of care and support available in their neighbourhood, community, or from the local authority, complementing help from personal networks and family.
- Local authorities, civil society and the financial services sector will all play a crucial role in ensuring people have access to good quality, independent financial advice.



## Assessment of the care and support you need

- Assessments should be tailored to people’s needs – and they should not be bureaucratic.
- The increased number of people needing assessments will be managed by a combination of early assessments up to six months before introduction of the cap in April 2016, and the use of a range of options for providing assessments.
- Assessments will help people identify their care and support needs, what support may be available to meet their needs, and what type of care is right for them.
- Assessments could be part of a joint assessment conducted with other organisations, such as the NHS, to provide greater clarity and consistency on the care and support people can expect from their local authority, NHS, or both, regardless of where they live. Assessments of the person needing care may be combined or aligned with carers’ assessments.
- Assessments will determine whether people have eligible needs set by the national minimum eligibility criteria and therefore if their care costs count towards the cap.
- A financial assessment of a person’s income and capital (savings, other assets and in some cases your property) will determine whether they qualify for financial support from the local authority towards the costs of care before reaching the cap and access to the deferred payment scheme.
- An adult can decline a financial assessment, and continue to organise their care and pay for it themselves.



## Paying for care

- There will be greater clarity over what people must contribute towards the costs of meeting their eligible needs, and the level of financial support offered will be fairer and more consistent across England.
- People with modest wealth will qualify for financial support if their capital including the value of their home is less than £118,000 and they are receiving residential care.
- From April 2016, people above state pension age will have a cap set at £72,000 and those below will have a lower cap. People who have eligible needs when they turn 18 will receive free care to meet their needs. The level of the cap will be set based on the age of the person at the point at which they are assessed as having eligible needs.
- The contribution to daily living costs in residential care (set at around £12,000 per annum in April 2016) will not be included in a person's cap.
- We will protect people from having to sell their home in their lifetime to pay for their residential care by introducing a universal deferred payments scheme.
- Local authorities will have discretion to introduce reasonable safeguards to ensure deferred payment agreements can be repaid whilst maintaining independence, choice and control.
- We will set a national interest rate, chargeable by local authorities for deferred payment agreements to cover the costs of lending.
- We seek views on what more should be done to create the right environment for financial products to flourish and what financial services options will be important in helping different groups pay for their care.



## Meeting eligible needs

- Everyone with eligible care needs will have a personal budget or independent personal budget that will set out how much it would cost the local authority to meet a person’s eligible needs and how much is counting towards the cap.
- The total amount the council calculates it would cost to meet these eligible needs will count towards the cap, regardless of whether the individual solely pays the costs themselves, or whether payment is split between them and their local council.
- Everyone with eligible needs will have a care account that will show their total accrued costs that count towards the cap.
- We will support people to plan and prepare by helping them to predict when they may reach the cap, even as needs or circumstances change. Councils will provide an update of people’s care account at least annually, or at the reasonable request of the individual.
- We will ensure continuity of care over time and between local authorities. Care accounts will be updated by a local authority until requested by another local authority.
- We will ensure the arrangements for resolving complaints and providing redress are effective.



## When the cap on care costs is reached

- Once people have reached the cap, we want to see a smooth transition to them having their eligible care costs paid by their local council, which avoids any unnecessary disruption to care. People will be aware of when they have reached the cap.
- People should have a clear understanding of what care and support package the local authority would provide after they have reached the cap, and what their contribution would be if they continued to receive the same services.
- We will seek to maintain continuity of care, individual choice and independence by giving people greater choice over types of care and support and to top up from their own resources if they choose to do so.
- Financial advice will help to reduce risks to local authorities, care providers and service users from greater flexibility and use of top-ups. We seek views on what more is needed to manage these risks.





# Case studies

**Mr A, aged 70, develops dementia and moves into a care home.**

His assets are over £118,000, so he does not qualify for local authority support.

<i>He Has</i>	
Assets	Income
£300,000	£390pw <small>(from his pension and AA*)</small>

In addition to his pension, he receives attendance allowance (AA)\* at the higher rate of around £90 per week.

The local authority calculates that his needs can be met in a local care home at a cost of £650 per week. However he chooses to pay an additional £150 per week to move into a different care home of his choice.

<i>He contributes</i>		
<b>Care costs</b> (which count towards the cap) £420 per week	<b>Daily living costs</b> £230	<b>Top up</b> £150

**He reaches the cap after 3 years and 4 months, after which:**

The local authority pays £420 per week to meet his needs. He remains responsible for his daily living costs and his £150 top up.

<i>Local authority contributes</i>	<i>He contributes</i>	
<b>Care costs</b> (which count towards the cap) £420 per week	<b>Daily living costs</b> £230	<b>Top up</b> £150

**Mr A remains in the care home for one more year, after which his remaining assets are around £210,000.**

\*Attendance Allowance (AA) is a non means-tested benefit for severely disabled people aged 65 or over who need help with personal care

**Mrs B, age 80, develops arthritis and needs care and support in her own home.**

The value of her assets excluding her home is £20,000. Her home is worth £200,000 but this is not considered within the calculation of her assets because she is receiving care in her own home.

Her income is £260 per week, including lower rate attendance allowance (AA)\* worth around £60 per week.

<i>She has</i>	
Assets	Income
£20,000 <small>(exc. her home)</small>	£260pw <small>(from her pension and AA*)</small>

The local authority calculates that her needs can be met at a cost of £100 per week.

She has a financial assessment to determine how much she can afford to pay. As a result, she contributes £62 a week.

<i>Local authority contribution</i>	<i>She contributes</i>
Care costs £38 per week	Care costs £62 per week

After 3 years her care needs increase and she moves into a care home. At this point her progress towards the cap is £16,000. This is the total amount paid by Mrs B and the local authority by that point.

Her assets (not including her home) have reduced to £18,500

As Mrs B is in now in residential care her home is now considered as part of her assets – so her total assets are now considered to be £218,500.

As Mrs B has assets over £118,000 she does not qualify for means tested local authority support.

She receives higher rate attendance allowance\* of £90 per week.

<i>She has</i>	
Assets	Income
£218,500	£290pw <small>(from her pension and AA*)</small>

She enters a care home at the local authority rate of £630 per week. For the first 12 weeks she pays around £180 per week as the value of her home is not considered in determining how much she can afford to pay. (This is a benefit that all new care home residents are entitled to.)

After 12 weeks, the value of her home is considered in determining how much she can afford to pay, and she becomes responsible for meeting her costs of £630 per week. Mrs B uses a deferred payment to cover these costs.

<i>She contributes</i>	
Care costs (which count towards the cap) £400 per week	Daily living costs £230

**Mrs B reaches the cap after 2 years and 10 months in the care home.**

**After which:**

The local authority pays £400 per week to meet her needs.

She remains responsible for her weekly daily living costs.

She is no longer eligible for attendance allowance as the local authority contribution is meeting her care needs

<i>Local authority contribution</i>	<i>She contributes</i>
Care costs (which count towards the cap) £400 per week	Daily living costs £230

**She remains in the care home for one more year after which her remaining assets are around £167,000.** (This does not consider any potential interest on the deferred payment agreement.)

\*Attendance Allowance (AA) is a non means-tested benefit for severely disabled people aged 65 or over who need help with personal care

# Summary of the consultation questions

- 1) Assessment of the care you need
  - How should assessments work for people who pay for care out of their own money?
- 2) Paying for care
  - How could we make sure people understand the rules that decide how much money they may get from their local council to pay for their care?
- 3) Meeting your eligible needs
  - How should your local council work out how much it pays to meet your needs?
- 4) When the cap is reached
  - How could we make sure you continue to get the care you need when you reach the cap?
- 5) Making it happen
  - How should the Government, local councils, the care sector and financial services providers work together to help ensure that people are aware of and prepared for the reforms?

**You can view the full list of consultation questions in the full consultation document available at: <https://www.gov.uk/government/consultations/caring-for-our-future-implementing-funding-reform>**

# How you can respond

- Review the consultation document and respond online at: <https://www.gov.uk/government/consultations/caring-for-our-future-implementing-funding-reform>
- Respond directly to the mailbox: [funding-reform@dh.gsi.gov.uk](mailto:funding-reform@dh.gsi.gov.uk)
- Send your written response to:

Caring for our future – Implementing funding reform,  
Department of Health,  
Area 313B, Richmond House,  
79 Whitehall,  
London SW1A 2NS

The consultation will run until 25 October 2013.



# Next steps

The Government is committed to working closely with the care and support sector to reform the funding of care and support. This has been demonstrated through our engagement with partners and the collaborative approach we have taken to developing this consultation.

We will continue to engage throughout the consultation process, up to April 2016 and beyond. We will bring together key representatives from organisations with either a specific responsibility to deliver the transformation in how care is paid for, a significant role in the leadership of the system, or which represent people who are receiving care and support, carers or care and support providers who will be affected.

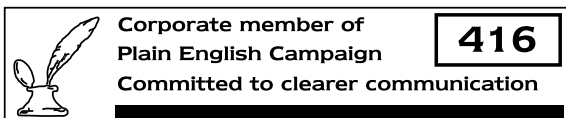
Local councils will have a specific role to play. They will deliver these reforms on the ground and determine their success. The Department of Health, the Local Government Association (LGA) and the Association of Directors of Adult Social Services (ADASS) have established a partnership and made a commitment to work together on a joint programme to inform and implement reform to adult care and support.

Annex A in the full consultation document outlines further detail on the timeline for implementation and some of the big operational issues the implementation programme will address. This covers a range of areas:

- managing the additional demands for new assessments around the introduction of the cap

- changes to charging regulations in lead up to the introduction of the new legal framework in the Care Bill in 2015, the cap in 2016 and wider welfare reforms
- allocation of funding of the reforms in 2015 and beyond
- new demands on the workforce delivering care and support covering both capacity and capability issues
- new requirements on care and support information systems and financial systems
- raising awareness of how care and support is provided and protection provided by the state
- understanding how the care and support market could change in response to greater transparency over the prices of care
- revised scope of the residential care programme to reflect the commitment to roll out the new right to direct payments for a person receiving residential care.





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