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THE ROYAL BOROUGH OF KENSINGTON AND CHELSEA

HEALTH, ENVIRONMENTAL HEALTH AND ADULT SOCIAL CARE SCRUTINY COMMITTEE -
13 MARCH 2013

REPORT BY THE TRI-BOROUGH EXECUTIVE DIRECTOR OF ADULT SOCIAL CARE

REFORM OF FUNDING FOR CARE AND SUPPORT

The Government has announced some details regarding the new funding model for adult social care which is based on the recommendations of the Commission on the Funding of Care and Support. This report provides a summary and short commentary of the recent announcements.

FOR INFORMATION

1. INTRODUCTION

1.1 The Commission on the Funding of Care and Support published its recommendations in July 2011.

1.2 The Commission found that because care needs are unpredictable, individuals and families are unable to know what care costs they might face in the future. A quarter of people may need to spend very little, but one in ten people will have more serious care needs and will face care costs in excess of £100,000.

1.3 The Commission highlighted that there was no effective way for people to protect themselves from the unlimited costs that could arise under the current regime.

1.4 The Government believes that the new system will provide more certainty for individuals and will define a clear and fair partnership between individuals and the Government, with shared responsibility for care costs.

1.5 Some of the proposed changes will require primary legislation which is planned to be introduced as part of the Care and Support bill.

2. PROPOSED CHANGES

2.1 On 11 February 2013, the Government announced the following changes would be made to the funding regime in April 2017:

- A cap of £75,000 will be placed on the costs an adult has to pay to meet their eligible care and support needs (whether received in their own home or in a residential care home);

- For those with eligible care and support needs at the age of 18, the cap will be set at zero;

- For those of working age with eligible care and support needs a cap lower than £75,000 will be set (level to be determined) and

- For adults in residential care, the upper capital threshold for means tested support will be increased to £123,000 from April 2017. It is currently £23,250.

2.2 The cap will provide financial protection towards meeting the costs of eligible needs for care and support. Individuals will remain responsible for a contribution towards general living costs. For example people receiving care in their own homes will remain responsible for non-care expenses such as utilities and rent, while in residential care they will pay a contribution of around £12,000 (2017/18 prices) to help meet expenses associated with room and board.

2.3 The Commission also recommended the introduction of a deferred payment regime which will be introduced from April 2015. This will ensure that people in residential care homes will not have to sell their home in their lifetime to pay for their care.

2.4 Some people may want to organise their own care and pay for it themselves, without any extra support from the local authority. The intention is that the legislation will ensure this option remains available to individuals.

3. MONITORING EXPENDITURE AGAINST THE CAP

3.1 It is the cost of meeting an individual's eligible care needs rather than their financial contribution that is capped. An individual could therefore pay less than £75,000 in financial contributions before they reach the cap.

3.2 The cost of an individual's eligible care will need to be monitored over time, to record their total accumulated costs and demonstrate progress towards the cap. Where care costs change over time, for instance as a result of uprating for indexation, the total of their accumulated costs will need to be amended accordingly, so that they are not disadvantaged.

3.3 National eligibility criteria for care are to be introduced. Local authorities will be able to provide care at lower levels of need (for example the Royal Borough is one of the few authorities to still meet moderate care needs), but this lower level of care will not count towards the cap.

3.4 Individuals may wish to purchase more expensive or additional services to those determined by the local authority. However, the amount that counts towards the cap will be the assessed amount to meet their eligible needs.

3.5 Local authorities will be required to maintain a Care Account which will record the total costs accumulated over time. Individuals will be provided annually with a written statement setting out their position regarding their accumulated care and the funding cap.

4. IMPLICATIONS FOR LOCAL AUTHORITIES

4.1 The costs of supporting users in their own homes are unlikely to rise significantly before 2019, as care counting towards the cap will only start in April 2017.

4.2 There is likely to be an increase in the number of care and financial assessments. For example, service users who currently make and finance their own arrangements (self funders) will have an incentive to approach the local authority for an assessment.

4.3 Administrative processes will need to be established to maintain the Care Accounts.

4.4 The Royal Borough has a number of residents who currently make their own arrangements to enter residential care outside of the borough. These cases often remain unknown to Adult Social Care. Under the new reforms, many of these cases are likely to approach the Royal Borough in order to benefit from the cap. Once the cap is reached the responsibility for care would remain with the Royal Borough even if the former resident was living in a residential care home outside the borough.

4.5 It is possible that some individuals may delay their uptake of care, pending implementation of the new arrangements in 2017.

4.6 The new regime can also provide the potential for both financial incentives and disincentives for people to remain in their own home rather than enter residential care. Two examples which illustrate these incentives are provided in Appendix A.

5. FINANCING THE CHANGES

5.1 The Commission recognised that implementing the cap and extended the means test would have cost implications. The Government anticipates that such costs could be approximately £1bn a year by the end of the next Parliament.

5.2 Locally, cost pressures would arise from the loss of client contributions, an increase in the number of assessments and requirements to administer the care accounts.

5.3 The most significant implication is likely to be the loss of income from service user's financial contributions. However, in a high proportion of residential care cases, services users' current contributions would still be required to meet their accommodation costs. Further work needs to be undertaken to model the potential financial implications.

5.4 It is anticipated that funding will be made available nationally to meet the estimated additional costs arising. However, how this funding is distributed could disadvantage some authorities. No indication of the distribution methodology has been provided.

6. FINANCIAL, LEGAL AND EQUALITIES IMPLICATIONS

6.1 The Tri-Borough Director of Finance, Adult Social Care comments that the financial comments are set out in the report.

6.2 There are no legal implications except the system with its different permutations of choices for service users will undoubtedly be the source of disputes that may lead to legal challenges.

6.3 The changes to the charging arrangements will arise from Central Government policy announcements rather than decisions being taken locally. Further detail is awaited and analysis of their implications on both service users and Council finances will be undertaken later in the year.

FOR INFORMATION

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Background papers used in the preparation of this report:
None

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APPENDIX A

EXAMPLES OF FINANCIAL INCENTIVES THAT COULD ARISE UNDER THE NEW REGIME

Example A

Mr A has no liquid capital, and a low income, but lives in a home valued at £1,000,000.

He has a choice of entering a residential home costing £750 per week or remaining at home with a care package of £800 per week.

If Mr A enters the care home he will be required to meet the full cost until his total care costs equal £75,000.

If Mr A remains at home he will not be required to contribute towards the cost of his care as the value of his home is ignored and his income is low. However the cost of his care counts toward the cap.

If Mr A remains at home for 2 years he will have reached the cap, and would then be able to go into a care home without being required to make any care contributions.

He is therefore financially incentivised to remain at home.

Example B

Mr B has £50,000 in the bank, and an income of £300 per week.

He has a choice of entering a residential home costing £750 per week or remaining at home with a care package of £800 per week.

The Royal Borough’s capital limit for domiciliary care is £25,000.

If Mr B remains at home he is required to pay £800 per week until his savings drop below £25,000.

If Mr B goes into care home he is required to pay £130 per week from capital plus £270 from income which totals £400 per week.

He is therefore financially incentivised to go into a care home.

The Royal Borough could increase its capital threshold for domiciliary care to remove this incentive, but this would have further financial implications.