The ’Dilnot social care cap’: making sure it delivers for older people

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1. Introduction

Earlier this year the Government announced how, in broad terms, it intended to implement the recommendations of the Dilnot Commission for a social care cap[i]. Along with many other organisations that work with and for older people, Age UK warmly welcomed the Government's decision to act on the Dilnot proposals[ii], while expressing disappointment that the level of the cap was set at a less generous level than the Commission had recommended.

A lot of work was always going to be needed to translate the Dilnot Commission's policy recommendations successfully into practice. That work got seriously underway soon after the Government's announcement, led by the Department of Health, and Age UK is very pleased to be represented on a number of the working groups the Department has established to help decide how best to organise and run the new system. We want to do everything we can to ensure that older people get the greatest possible benefit from this important reform.

The Dilnot cap is due to come into force in just under three years' time – in April 2016. This sounds a long way off but it is widely agreed that there is a lot to do between now and then, if the new system is to be a success, right from the start, as must be our shared aim.

At this stage some of the important details concerning the cap remain unknown, in part because the Government has yet to take some important decisions, but also because it is still relatively early days in working out what is likely to happen when the approach the Government agreed in broad terms is put into practice in earnest.

This paper sets out Age UK's best assessment at this stage of what the new system may look like when it comes into force in 2016, particularly from the perspective of older people and their families. It does this by looking at the impact of the new system on a fictitious older person who develops a need for social care in later life – 'Mrs A' - compared to what happens now.

We hope this paper will provide some useful preliminary information about the new system for paying for social care, for older people and their families and for the many different organisations with an interest in how it will operate. We also think our analysis raises some important issues that need to be considered and responded to over the next few months, if the Dilnot social care cap is to be as successful and effective when it comes into effect in 2016 as Age UK wants it to be.

2. The journey towards reform

2.1 What the Dilnot Commission found:

In 2011 the Dilnot Commission published recommendations to reform the way individuals pay for their care and how government could provide better support.

The Commission concluded that the current system was 'not fit for purpose and needs urgent and lasting reform'. It identified three main problems:

1. The current system is confusing, unfair and unsustainable, meaning people are unable to plan ahead to meet their care needs. In particular the Commission was concerned that: there is a 'postcode lottery' as eligibility for care varies between different local authority areas; people are often unable to move home as 'care packages' are not portable between local authorities; and the process of obtaining care, including getting assessed, is complicated and lacks transparency.

2. People are unable to protect themselves against 'catastrophic' costs. Although the majority of people in later life do not face very high care bills a small number of older people are forced to pay out over £100,000. As there is no way to predict in advance who this will be and very few financial products available to help cover very high costs, care truly is a 'life lottery' within which:

    - 1 in 4 older people will spend very little on care
    - 2 in 4 will spend over £20,000
    - 1 in 4 will face costs over £50,000
    - 1 in 10 will face costs of over £100,000[iii].

3. The current state system offers a minimal safety net that is only accessible by people with very low savings and assets and/or who are on a low income:

    - For someone living in a care home the local authority will only provide financial support if they have savings and assets worth less than £23,250. The value of their property is included in the means test unless there is a spouse or partner living in it. If their savings and assets are below that amount they will receive a means tested subsidy, with the local authority only meeting the full costs when people have less than £14,250 left. Even then the local authority can charge people a contribution towards their care from their income, provided that contribution leaves people with at least £22.30 a week for personal expenses. In addition to charges some people also pay a 'top-up' to live in a care home that is more expensive than the local authority it prepared to pay for.

    - For someone receiving care in their own home each local authority can set its own charging regime. However in practice many use the same thresholds for savings as for residential care, meaning people with more than £23,250 in savings will usually have to pay for their home care, although in the case of domiciliary care this excludes the value of the property. Again the local authority can still charge someone with less than £14,250 in savings from their income. In the case of home care the local authority must leave people with the equivalent of pension credit plus 25% (which currently equates to £178.83 a week) so they can pay their general living costs.

2.2 What the Dilnot Commission recommended:

The Commission's key recommendations were:

1. A cap of £35,000 on an older person's lifetime contribution to their '*eligible care needs'* in order to protect people from catastrophic costs. This includes both the costs of care received either at home or living in a care home.

2. A separate £10,000 a year cap on contributions towards general living costs in a care home. As the £35,000 cap only applies to care costs (not someone's general living costs) the Commission recommended this cap on the amount someone could be asked to pay towards their living costs in a care home.

3. An increase in the amount of financial support available to people paying for their place in a care home by raising the *upper threshold* of the means test to £100,000, but maintaining the lower threshold at £14,250. No change was recommended to the 'notional income rate', meaning someone is assumed to have £1 worth of income for every £250 of savings or assets they hold between £100,000 and £14,250 when they are subject to the means test.

4. Improved access to deferred payment schemes, whereby people who enter a care home can delay selling their home with the local authority covering '*reasonable'* care home fees and placing a charge against the property to recover their costs when it is finally sold.

5. An end to the 'postcode lottery' for care through introducing a national eligibility threshold for England (set at 'substantial' in the first instance) and allowing 'care packages' to be portable between local authority areas.

The Dilnot Commission's report calculated that, taken together, these measures would significantly reduce the amount of financial risk any individual would face and would mean no one would end up being forced to spend all their money on care. Under the current system, in a catastrophic cost scenario some unfortunate people stand to lose up to 90% of their savings and assets. The system the Commission proposed would reduce this figure to 30%, as long as their income was enough to cover their day to day living expenses.

2.3 How the Government responded:

Earlier this year the Government announced it would introduce a new system based on the proposals of the Dilnot Commission in 2016. However, the Government opted to set the cap on eligible care needs at £72,000 in 2016 (approximately £61,000 in today's prices), significantly higher than the £35,000 recommended by the Commission, even after allowing for inflation.

The Government announced it would increase the upper threshold of the residential care means test to £118,000 (approximately £100,000 in today's prices) and implement a £12,000 cap (worth approximately £10,000 in today's prices) on individual contributions towards general living costs.

The Government also committed to implementing a national eligibility threshold and national deferred payment scheme from 2015. As the regulations governing the new eligibility criteria will only be finalised after the passage of the Care Bill it remains

unclear what the new eligibility threshold will look like in practice. However the Spending Review published in June stated that the national threshold would be '*set at the level operated by the vast majority of local authorities in the current system*'[iv]. Most local authorities provide services to people assessed as having 'substantial' needs or above.

Taken together these measures undeniably do reduce individual risk, though not to the extent recommended by the Commission. In a catastrophic cost scenario a Department of Health analysis estimates some people will still stand to lose around 50% of their total savings and assets[v] - again, assuming their income was sufficient to carry on paying their day to day living costs (capped at £12,000 a year).

3. Case study example: Mrs A

3.1 Who is Mrs A?

In order to explain the changes that are due to come into effect on 1st April 2016 and how they may impact on people in later life we have created the hypothetical example of Mrs A.

Income and assets:

In terms of her income and assets Mrs A *broadly represents an 'average' older person*.

Mrs A:

- Lives on her own and has no dependents
- Owns a house worth £160,000 and has £20,000 of savings
- Receives a State Pension of £107.45 a week and a small occupational pension of £100 a week
- Receives Attendance Allowance at the lower rate of £51.85, which is considered as part of Mrs A's income in the home care calculation.

So a total income of £259.30 a week and total savings and assets of £180,000

(Please note that although we've attempted to be as accurate as possible the complexity of the process means the figures are subject to minor rounding errors).

Care needs:

However in terms of care needs Mrs A is amongst the *25% of people who will need a significant amount of care* in later life.

- She is initially assessed by the local authority as having 'substantial' needs and qualifies to receive care at home. The local authority estimates the cost to be £200 a week to pay for carers and other support it agrees is necessary to meet her needs.

- After two years her condition deteriorates and she is assessed as having 'critical' needs that can best be met living in a care home. She spends two years living in the care home at a current cost of £600 a week.

So the total care received is 104 weeks of care at home and 104 weeks living in a care home

3.2 The impact of the new system on Mrs A

In order to demonstrate the impact of the new system we have tried to compare what would happen to Mrs A today and in 2016 when the proposed system is due to be implemented.

However we know that many implementation details are still to be determined, so as a result it is not completely clear how all aspects of the new system would work. We have therefore reflected some of the potential variations in how the proposals could play out. In section 4 we explore in more detail what the options might mean and how policy should develop in order to support successful implementation.

To make the example as straightforward possible and relevant to people's circumstances today we have kept everything in 2013 prices. So for the purpose of this example the cap is £61,000 and the means test thresholds are set at £14,250 for the lower and £100,000 for the upper. Furthermore, for the sake of simplicity we have assumed that Mrs A does not incur other significant costs over the four year period (for example major home repairs) and is able to meet her day to day living costs from her remaining income after charges. In reality, of course, the financial impact of these reforms is more complicated and must take into account individual circumstances as well as the depletion of assets and savings over time.

We have also used the current Fair Access to Care Services (FACS) criteria to describe needs and establish eligibility. Although the Government has committed to implementing a new assessment system in the future the regulations governing the system will not be finalised until 2014 following the passage of the Care Bill. We have also assumed that no formal care would be made available to Mrs A before reaching the point of having substantial needs. Although local authorities can set their own eligibility thresholds in the current system, the vast majority (87%) only provide care at 'substantial' level and above, so our assumption is in line with current mainstream practice. This is also the level recommended by the Dilnot Commission for an interim national threshold.

Home care

Mrs A is assessed by her local authority as having substantial needs.

As Mrs A needs home care only her savings and income would be taken into account in her means test and the value of the house would be disregarded.

Current system

Mrs A needs home care for two years at a cost of £200 per week (according to the local authority calculation), and as she has some savings and an income the local authority would undertake a financial assessment to work out how much she could contribute towards the cost. Based on an assessment of her income (how much she can afford to pay, while still being left with £178.30: the equivalent of Pension Credit + 25%) and her savings (assessed using the £1 of income for every £250 of savings tariff) she will pay £103.92 per week towards her care (£23 from her savings and £80.92 from her income). The local authority will pay £96.08 per week.

As Mrs A's contribution from her savings is means tested the amount she pays each week will gradually decrease as she spends her savings. This means that over the two years she receives care the £23 she initially pays from her assets will fall slightly each week (the contribution from her income will remain the same), and the amount the local authority pays will increase slightly to make up the difference. The depletion of Mrs A's assets is dependent on a number of factors, such as interest rates and inflation, but in order to keep things simple we assume Mrs A spends £23 per week from her savings for 104 weeks and that her income remains constant over this period. We have calculated the impact of falling assets over time and it only makes a very small difference to the depletion of Mrs A's assets overall.

New system in 2016

We assume the financial assessment and charges for domiciliary care will be broadly the same under the new system in 2016. However this is not certain as local authorities will still be able to set their own charging regimes for domiciliary care within the parameters of the guidance. As many local authorities already use the national residential care thresholds for savings we hope the new means test thresholds will apply.

However as Mrs A's income is above pension credit + 25% and her savings are below £23,250, her financial assessment for charges is likely to remain fairly constant.

Documentation from the Department of Health suggests that the full cost of home care will contribute towards the cap. Every week over the two years she receives home care Mrs A's 'meter' (her progress towards the £61,000 cap) will increase by £200, although she only has to pay £103.92 towards the cost.

This means that after being in the new system for two years her 'meter' will register £20,800 and Mrs A will have contributed £10,807.68 towards the cost of her care.

Residential care

Unfortunately, after two years Mrs A's condition deteriorates and she needs residential care for a further two years. Under both the current system and the new system her savings will have shrunk from £20,000 to £17,608 (because of the £23 per week charge against them).

We have assumed that Mrs A does not need nursing or specialist residential care and have based our analysis on the average cost of a care home place purchased by a self-funding resident. Laing and Buisson, the primary care market research organisation, estimate a fair market price for homes to be around £600 a week[vi], which broadly reflects the national average for self-funders.

Current system

On moving into residential care Mrs A would undergo a second financial assessment for residential care – including an assessment of her income, savings and assets – against the national means test thresholds. As she has moved into residential care and has no dependents the value of her house can be taken into account as part of this assessment.

Mrs A's total assets are £177,608 (£160,000 of housing assets and £17,608 left in savings), putting her over the £23,250 upper means test threshold for residential care. As a result she would have to meet the full costs of her own care at a cost of £600 a week. Over her 2 years in a care home Mrs A would therefore pay out £62,400.

Of this, we assume she uses all of her income to pay for the care home, except for £40 a week for other living expenses (this is slightly more than the allowance a local authority funded resident is left with, but we think this reflects a fairer amount than £23 considering it pays for things like hairdressing, toiletries, clothes and gifts for family). She would therefore spend £219.30 a week of her income on the care home fees (or £22,807.20 over 2 years). The remaining £39,592.80 must come from her savings and assets. As Mrs A only has £17,608 in savings, under the current system she would probably have to sell her home in order to pay the additional £21,984.80.

However, in order to meet the cost of her care home place without selling her home Mrs A *may* be able to access a deferred payment from her local authority. The authority would meet upfront costs and recover the money when the property is eventually sold. However in practice not all local authorities offer this as an option.

New system in 2016

Under the new system Mrs A will still undergo a second financial assessment against the national criteria, which as now will take into account the value of her property. The new national means test thresholds (£100,000 upper and £14,250 lower) will apply but because Mrs A has savings and assets worth more than £100,000 on top of her weekly income she will still need to cover the full cost of her residential care fees.

Eligible care costs will count towards the cap on lifetime spending on care. We expect eligible care costs to be defined as the 'usual rate' the local authority assesses is required to meet someone's care needs (in other words what they would pay if they commissioned the care home directly), minus the £10,000 annual (or about £192 weekly) capped contribution towards living costs.

The difficulty in determining what Mrs A may end up having to pay is that there is currently a substantial difference between what local authorities are able to pay for a care home place (£480 a week on average) compared to a self-funding individual (£600 a week on average). This difference in the cost of care is not the result of people like Mrs A choosing to purchase a 'luxury' care home package, it is simply the difference between the care costs the council pays and the realistic cost to the individual for an 'average care home'.

It is not yet certain whether people in Mrs A's position will be able to take advantage of the council's capacity to negotiate a better rate from a care home or not for the purposes of their 'meter' towards the cap. It is also uncertain what the impact would be on the overall care home market, and therefore what both self-funders and local authorities might be obliged to pay.

We explore the two options below, modelling what would happen in the event Mrs A pays the self-funder rate and the usual rate to try to demonstrate the potential financial impact of the proposed new system:

Option 1 – If Mrs A is obliged to pay the 'self-funder' rate

Mrs A enters a care home and pays £600 a week for her place on a self-funder rate as she is arranging her own care and is unable to obtain appropriate care more cheaply in her area. Although Mrs A is paying £600 per week, if the local authority were funding her care directly they would probably only be prepared to pay a rate of £480 per week, including living costs. Excluding living costs, this amounts to £288 a week in care costs (£480 total – £192 capped contribution to living costs = £288 a week care costs). Therefore this is the amount that will start to go towards Mrs A's 'meter', not the full £600 a week cost of the care home.

If we exclude the £192 a week capped contribution towards her living costs, Mrs A is still paying £408 per week for her care. This leaves a difference of £120 between what Mrs A is actually paying and the local authority usual rate that counts towards the care cap (£408 Mrs A's cost – £288 care costs council prepared to pay = £120).

Under the new system, if Mrs A is obliged to pay the current self-funder rate, after two years in residential care she will have spent £62,400 in total. Of this £29,952 is on the care component of her fee (£288 a week), which will contribute to her meter; £20,000 on living costs (£192.31 a week) which are subject to an annual cap; and £12,448 (just under £120 a week) on 'top-ups' that do not count towards the cap.

Option 2 – If the local authority purchases Mrs A's care at their 'usual rate'

According to the clauses set out in the Care Bill Mrs A should be able to ask the local authority to arrange residential care on her behalf even if she is funding her own care, which should be priced at the local authority rate.

This means that although Mrs A can only find residential care at £600 per week, the local authority will have a duty to find Mrs A a care home that meets her needs within the usual rate. This should not involve forcing Mrs A to go to any care home that will

accept their usual rate regardless of whether it suits her personal, social and care needs (this applies to people protected by the cap as well as means tested support).

If the local authority can find Mrs A a care home at £480, she will pay £192 a week in living expenses and £288 a week in care costs. There is also likely to be a local authority management fee. Under the new system, after two years in residential care Mrs A will have spent just under £50,000 in total. Of this £29,952 is on the care component of her fee (£288 a week) and will count towards her meter and £20,000 on living costs (£192.31 a week) that will not count towards her meter.

However it is very uncertain whether the local authority would be able to provide care at this rate for both local authority funded and self-funding residents. Currently local authorities are able to leverage their purchasing power to obtain lower rates from providers while self-funders, in a weaker purchasing position, often pay substantially more for the same room in the same care home. Evidence suggests self-funders therefore effectively cross-subsidise local authority clients. There are currently around 175,000 self-funders in residential care who pay an average of around £600 per week, compared to around 199,000 local authority funded residents costing the average council rate of around £480.

Either way…..

Either way, under the new system Mrs A should be able to take advantage of the new national deferred payment scheme; the significance of this is that it would mean she probably would not have to sell her home during her lifetime – something which many older people feel strongly about and therefore a welcome provision in the Care and Support Bill. Under the new national deferred payment scheme all local authorities will cover *'reasonable'* care home fees up front for people with insufficient savings to pay charges, and will recover their funds once a property is sold. However as local authorities will be able to charge interest and management fees it remains to be seen whether this would really offer good value to someone like Mrs A. It is also worth noting other criteria may apply that restrict access to lending.

A comparison between Mrs A's total contribution now and under the new system

Current system

The total cost of Mrs A's care over four years would amount to £83,200. This means she is one of the 25% of older people who have care needs costing in excess of £50,000 in their lifetime.

Mrs A would pay £73,207.68 out of her own pocket for her care over FOUR years (made up of£103.92 a week for two years for her home care and then £600 a week for two years for her residential care).

The council would have paid a further £9,992.32 towards her home care costs.

We have assumed Mrs A spent:

- £80.92 a week from her income and £23 a week from her savings on care at home
- £219.30 a week from her income (i.e. her full income except for £40 a week personal expenses) and £380.70 from her savings/assets when in residential care

This would mean she spent £31,222.88 from her income and a further £41,984.80 of her assets.

Mrs A had £180,000 in savings and assets before she needed care. <u>After FOUR years she is left with £138,015.20.</u>

New system in 2016 – option 1 (pays a self-funder rate)

If Mrs A was obliged to pay the 'self-funder' rate for her residential care (£600 a week) then the cost of her care, both to her and the local authority, would be the same.

The total cost of Mrs A's care over four years would still amount to £83,200.

Mrs A would still pay out a total of £73,207.68 for her care over four years.

The council would still have paid a further £9,992.32 towards her home care costs.

If we use the same assumptions as above about how Mrs A uses her income and assets to pay for care then she will have spent £31,222.88 from her income and a further £41,984.80 of her assets.

Mrs A had £180,000 in savings and assets before she needed care. <u>After FOUR years she is left with £138,015.20</u>.

Mrs A would have <u>accumulated about £51,000 of eligible care contributions</u> towards the £61,000 cap – made up of £29,952 (the care component of her residential care fee for 2 years) and £20,800 (the cost of home care for 2 years)**.**

She would not have fallen below the £100,000 upper means test threshold for residential care, so would not qualify for any means tested support from the local authority.

As a result the 'cap on care costs' announced by the Government will have no impact on Mrs A. She will pay precisely the same amount as she would have done under the system as it is today.

New system in 2016 – option 2 (pays the usual rate)

However as we outline above, Mrs A may be able to use provisions set out in the Care Bill to get the local authority to arrange her care with the aim of securing a care home place at the 'usual rate'.

If Mrs A were able to secure care at a 'usual rate' of £480 a week, this would reduce her care home spend from £62,400 to £49,920 over two years. The total cost of her care would drop to £70,720.

Mrs A would pay a total of £60,727.68 out of her pocket on care (made up of £103.92 a week for two years for her home care and then £480 a week for two years for her residential care).

If we use the same assumptions as above about how Mrs A uses her income and assets to pay for care then she will have spent £31,222.88 from her income and a further £29,504.80 of her assets.

Mrs A had £180,000 in assets before she needed care, and spent £29,504.80 of her assets. <u>After four years she is left with £150,495.20</u>.

Mrs A would have <u>accumulated about £51,000 of eligible care contributions</u> towards the £61,000 cap – made up of £29,952 (the care component of her residential care fee for 2 years) and £20,800 (the cost of home care for 2 years)**.**

She would not have fallen below the £100,000 upper means test threshold for residential care, so would not qualify for any means tested support from the local authority.

It is important to note though that the local authority could charge a management fee on top and, for reasons outlined in section 4, the rates local authorities pay would be likely to rise significantly as well, so in reality the cost to Mrs A would probably be greater (i.e. somewhere in the range between £480 and £600 a week).

<u>If Mrs A needed care for another year…</u>

If Mrs A stayed in a care home for another year, this would have a more significant impact on her overall financial position.

Current System

Under the current system Mrs A would remain responsible for meeting the full costs of her care until she becomes eligible for financial assistance.

Mrs A would continue to pay £600 per week for a further year at a cost of £31,200. This would increase the total cost of her care over FIVE years to £114,400.

To meet this she would pay out an extra £11,403.60 from her income and £19,796.40 from her assets. This would make Mrs A's total contribution to her care £104,407.68.

Mrs A had £180,000 in assets before she needed care, and spent £61,781.20 of her assets. <u>After FIVE years she is left with £118,218.80</u>.

New system in 2016: Option 1 – Mrs A is obliged to pay the 'self-funder' rate

Mrs A would continue to pay the full cost of her care (£600 per week) for a further 35 weeks before reaching the cap.

The full cost of Mrs A's care would remain £114,400 over FIVE years. However during those 35 weeks Mrs A would only spend a further £21,000 before the cap came into effect and she was eligible for some financial support.

The additional £21,000 would include £10,080 (35 weeks x £288) worth of eligible care costs counting towards the cap and £10,920 worth of living expenses and 'top-ups'.

After she has reached the cap the local authority would step in and take over Mrs A's care costs at the local authority rate of £288 a week, contributing a total of £4,896 for the final 17 weeks of the year. Mrs A would continue to pay the living costs (£192 a week) and the 'top-up' (£120 a week).

As a result Mrs A would spend a further £5,304 during the 17 weeks after she has reached the 'cap'. Of this £3,264 would be as a result of continuing to pay for living costs and £2,040 would be to 'top-up' her care costs.

Mrs A would spend a total of £26,304 over the course of the year. To meet these costs she would spend a further £11,403.60 out of her income and £14,900.40 from her savings and assets.

This would increase Mrs A's TOTAL out of pocket contribution to £99,511.68 over FIVE years.

Mrs A had £180,000 in assets before she needed care, and spent £56,885.20 of her assets. <u>After FIVE years she is left with £123,114.80</u>.

It is important to note that although the local authority has begun to contribute towards the cost of her care, Mrs A's income is insufficient to cover both her £192 a week capped contribution towards living costs and the £120 a week 'top-up'. As a result she would be forced to continue dipping into her savings and assets to meet the costs of her care.

New system in 2016: Option 2 – the local authority purchase Mrs A's care at the usual rate

Mrs A would continue to pay the full cost of her care at the usual rate (£480 per week) for a further 35 weeks before reaching the cap.

The full cost of Mrs A's care would be £95,680 over FIVE years. However during those 35 weeks Mrs A would only spend a further £16,800 before the cap came into effect.

The additional £16,800 would include £10,080 (35 weeks x £288) worth of eligible care costs counting towards the cap and £6,720 (35 weeks x £192) worth of living expenses.

After she has reached the cap the local authority would step in and take over Mrs A's care costs at the local authority rate of £288, contributing a total of £4,896 for the final 17 weeks of the year. Mrs A would continue to pay the living costs (£192 a week).

Mrs A would spend a further £3,264 during the 17 weeks after she has reached the 'cap' as a result of the £192 a week capped contribution towards living costs.

In total Mrs A would spend a total of £20,064 over the course of the year. To meet these costs she would spend a further £11,403.60 out of her income and £8,660.40 from her savings and assets.

This would increase Mrs A's TOTAL out of pocket contribution to £80,791.58 over FIVE years.

Mrs A had £180,000 in assets before she needed care, and spent £38,165.52 of her assets. After FIVE years she is left with £141,834.48.

It is also worth noting that as the local authority has now taking over paying the cost of Mrs A's care, and she has sufficient income to meet the £192 a week capped contribution to her living costs, Mrs A should not have to dip into her savings and assets any further to meet care expenses.

3.3 Summary of Mrs A's care costs

	Current System	New system - option 1	New system - option 2
Mrs A's spend on home care	£10,384	£10,384	£10,384
Mrs A's spend on residential care	£62,400	£42,400	£29,952
Mrs A's spend on living costs while in residential care	N/A	£20,000	£20,000
Mrs A's total spend on FOUR years	**£73,207.68**	**£73,207.68**	**£60,727.68**
Council spend on home care	£9992.32	£9992.32	£9992.32
Council spend on residential care	£0.00	£0.00	£0.00
Mrs A's contribution towards the cap	**N/A**	**£51,000**	**£51,000**
Mrs A's spend on one more year in residential care	£31,200	£26,304	£20,064
Number of additional weeks to reach the cap	**N/A**	**35**	**35**
Mrs A's total spend on FIVE years	**£104,407.68**	**£99,511.68**	**£80,791.68**
Council spend on care after reaching the cap	N/A	£4896	£4896

4. Conclusions

A number of policy and practice implications arise from this modelling of the impact of the reforms.

4.1 Setting up and running the new system

As has been shown in the previous sections, working out the overall impact on a person's income and assets of the Dilnot reforms is complex and challenging, because of the interaction of the means test and the cap and the various rules that must be applied in different circumstances.

Local authorities, who will administer the new system, must be fully prepared and equipped to do a good job. In particular, the staff who will be responsible for running the new system will need excellent training, delivered well in advance of the new scheme going live. Data systems may need modifying or more fundamentally redesigning because of the need to track people's progress towards the cap. There should be time for 'dummy runs' to identify and fix any teasing troubles before the new system comes fully on stream. Staff will also need access to on-going advice and support, especially in the first year or two of operation.

We were pleased to see that the Government allocated an additional £335 million to local authorities to support implementation of funding reform in the June Spending Review. Government must continue to work closely with local authorities to provide the wider support they will need.

4.2 Launching the new system

Over 1 million older people use social care services every year and there are many more outside the system either paying privately or going without the help they need. This raises a significant issue for the launch of the new system.

In 2015 the Government should, subject to passage of the Care Bill, introduce a new national eligibility threshold. Although the Government's stated intention is broadly to maintain the current level of care provided by the majority of local authorities, the introduction of new criteria is likely to encourage people to come forward either to be assessed for the first time or to be reassessed.

In 2016, when the cap first comes into effect, we expect to see an even more pronounced effect. Councils will need to ensure all current care recipients are entered into the new system so their progress towards the cap can be accurately recorded, and so they can receive any new entitlements to financial support if they fall within the extended upper means test threshold. In addition, older people who have been paying privately for care will want to be assessed in order to begin their 'meter' towards the cap.

Managing the resultant workload will be a major challenge for councils. There is also a risk that because of the expected volume, the assessment process will be over-

simplified, in a way that would be disadvantageous to older people. This would be incompatible with the aims of the Care Bill. It is crucial for the integrity of the new system that what is finally agreed and put in place in terms of assessment is fair, accessible to older people (so not only online) and robust.

4.3 Communicating the new system to the public and providing on-going information and advice

Most older people and their families know very little about social care before they first encounter the system, typically at a time of crisis such as a fall leading to an unplanned hospital admission. Organisations like Age UK can help to explain the new system and we are committed to playing our part in this, but the lead must come from Government. They must develop and implement an effective communications plan. This is all the more necessary because of the complexity of the new arrangements, which makes this a major communications challenge.

One of the reasons why it is so important that the new system is properly understood is that this is essential if the Government's aim of encouraging the public to plan for their future social care needs is to be fulfilled.

The communications task is to deliver much more than a one-off campaign: there will also be a need for on-going, authoritative but accessible independent information and advice, especially in the light of the new, welcome duties on councils in the Care Bill to ensure information and advice are available to all older people and their families, not only those for whom the State is funding their care.

A wide range of channels and mechanisms will be needed and while online methods will be crucial, they cannot be relied on alone since many older people do not have access to the internet. Moreover, there is bound to be a significant need for some face to face advice and support for older people and their families.

These reforms must also make sure that people who need enhanced support to navigate the system are able to access appropriate advocacy services. Age UK has called for access to advocacy to be made available to anyone who needs it as part of our work on the Care Bill. This view is also shared by the Care and Support Alliance of which Age UK is a member, and which brings more than sixty organisations together in support of a fair settlement for adult social care.

4.4 The treatment of 'the usual rate' element of care purchasing within the new system

As has been explained earlier in this paper, it is likely to be strongly in the financial interests of older people who, following assessment, are categorised as needing to fund their own residential care, to ask the local authority to organise it on their behalf (for a management fee). The right to ask the council to do this is a provision in the Care Bill and it should enable self-funders to benefit from the lower care home fees that councils, with their significant purchasing power, can usually negotiate with providers.

This provision is a central element of the Care Bill and it reflects Government's very welcome intention of bringing self-funders 'in from the cold' when it comes to planning and organising their own care. At present most self-funders struggle to find the advice and support they need; this is one of several provisions in the Bill that, taken together, should significantly improve their position.

Older people and their families will want clear assurances that they will be able to exercise choice and control if the local authority commissions care on their behalf. They will want to know that they will still be given a choice of care homes that meet their personal, social and care needs. They will also want to be confident that all the homes on offer at the 'usual rate' meet high standards for quality and safety. Age UK believes that where people do choose a home that costs more than the local authority usual rate (sometimes called a 'top-up'), councils and providers should have to make clear what 'extras' they are getting for their money, and no older person should be forced to have to pay more just to get decent quality care.

At this stage we don't know what the effect on the care market would be of thousands of older people who are self-funders asking the local authority to commission care on their behalf, but a significant impact seems inevitable. The ability of care home providers to cross-subsidise lower council care home fees with higher fees for self-funders would seem certain to be affected, as would be the care market too.

There are three key considerations:

1. *Resilience of the care market*: Care home providers argue that a history of underfunding has left them operating on the margins of viability and although there are a small number of large care home chains, small providers, operating just one or two care homes, still make up a large part of the market. We currently have no real idea how resilient the care market would be to large numbers of self-funders asking the council to find them care at a considerably cheaper rate than they are currently paying. At worst this could result in a significant number of care homes going out of business and/or quality standards being seriously compromised. At best providers would seem to be likely to lose some money as self-funders ask the council to negotiate a better rate. Over time more self-funders expecting councils to find them a care home at the 'usual rate' would seem likely to exert a general long term downward pressure on care home fees.

2. *Impact on local authority budgets*: At the same time as a downward pressure on care home fees, there seems likely to be an upward pressure on the council 'usual rate', which would in turn place pressure on council budgets that we know are already hugely over-stretched. It has long been believed that self-funders effectively cross-subsidise local authority residents in many care homes and we know many families pay to top up the rate paid by the local authority. The Care Bill requires all local authorities to find care at the 'usual rate' for anyone who makes a request. It seems unlikely that care homes would simply be able to lower their fees to the local authority usual rate for new and existing self-funding clients.

Instead there would probably need to be a new equilibrium between the current 'average' self-funder and the local authority 'usual rate'.

3. *Capacity of care home market to meet 'usual rate' demand*: If there is a surge in the numbers of self-funders who ask the local authority to find them care there is a concern that there will simply not be enough care homes beds available at the local authority 'usual rate' to meet demand. If this happens it would mean local authorities would struggle to meet their duties under the Care Bill. This could result in legal challenges from older people if they believed local authorities were unable to find them appropriate care.

These issues highlight some of the pressures that the implementation of funding reform seems likely to place on the care market. The outcomes are uncertain at this stage but whatever happens, Age UK hopes older people who self-fund will ultimately benefit by being able to purchase care at, or closer to, the local authority 'usual rate'. Certainly, we are clear that it would be deeply unfair if older people and their families ended up shouldering additional financial burdens as an unintended consequence of the implementation of the reforms. The public needs reassurance that this will not be allowed to happen.

Age UK therefore believes the Government must now do some sophisticated financial modelling of different treatments of the 'usual rate', to inform the development of policies and guidance that have as their principal objectives the protection of older people and their families from unanticipated rises in care home fees, and ensuring that the care market can make a successful transition to the new system.

At the heart of this technical but ultimately crucial issue there lies the simple fact that social care has been underfunded for a very long time and, despite some welcome additional public investment recently, it remains underfunded. It is because there is too little money in the system that the impact of different treatments of 'the usual rate' on the finances of individuals, on local authority budgets and on the viability of care homes, is potentially so significant.

Care needs to be sustainable, affordable and of good quality, and it is the responsibility of Government to work with local authorities to ensure that after the Dilnot reforms are implemented the new system that is in place can provide this.

4.5 The significance of the new eligibility criteria; only those who meet them will benefit from these reforms

Finally it is worth repeating that older people will only have the opportunity to benefit from the 'Dilnot cap' and the associated means-test at all if their assessed needs are sufficient to qualify them for entry to the new scheme.

On 28th June the Government published the draft regulations relating to their proposed new national eligibility criteria. Although the draft regulations have moved away from the Fair Access to Care criteria bandings (i.e. low, moderate, substantial

and critical) the Government has said that it intends that the new national threshold should be set at roughly the equivalent of 'substantial' in the arrangements that apply now.

This is the same level of eligibility criteria recommended by the Dilnot Commission, but that was in the context of a cap set at £35,000. Age UK believes that 'substantial' is too high for these eligibility criteria because when taken together with a £72,000 cap, they mean that too many older people will be unable to gain entry to the new scheme. Age UK will therefore continue to try to persuade the Government to change its mind and adopt more generous eligibility criteria – the equivalent of 'moderate' in today's arrangements – before the final decisions are taken about this in spring 2014.

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