

Dilnot Report Discussion

By David O'Connor

Introduction

The commission on the Funding of Adult Care has reported and among the recommendations for a fairer funding system for social care are:

- An individual's lifetime contributions towards social care costs, which are currently unlimited, should be capped at £35,000. After the cap is reached, individuals would be eligible for full state support.
- The £35,000 limit of personal liability is irrespective of where care is received and does not include accommodation costs. People should contribute a national standard amount to cover general living costs, such as food and accommodation, in residential care. This should be set at a maximum of £10,000 per annum.
- The means-tested threshold, above which people are liable for full care costs, should be increased from the current £23,250 to £100,000.
- National eligibility criteria and portable assessments with an objective assessment scale whereby everyone above a 'substantial' care need threshold is supported should be introduced to ensure greater consistency.
- A new social care statute should place duties on local authorities to provide information, advice and assistance services in their area, and to stimulate and shape the market for services.
- The Government should work in collaboration with the Financial Services Authority and other partners to develop greater support for those seeking information on financial planning for older age.

Under the proposed system everybody who gets free support from the state now will continue to do so, and everybody else would be better off. Putting a limit on the maximum costs will allow them to plan ahead for how they wish to meet these costs. This combination of a cap and the higher means tested threshold would ensure that no-one going into residential care would have to spend more than 30% of their assets on their care costs.

The cost cap should allow the Financial Services industry time to develop affordable products while shielding individuals from potentially financial catastrophic costs. These products would be aimed at individuals whose assets lie above the means tested threshold. These individuals would have the option of seeking insurance solutions to source funds to pay for the initial period of care before state funding kicks in, and to pay for their accommodation costs throughout their time in care.



Potential impact

It would seem that whenever a Government doesn't know how to handle a specific situation or political hot potato they establish a commission, Royal or otherwise. Most people in the UK agree that the funding of adult social care needs to be adapted and overhauled. The previous Government unveiled a white paper, instigated the Big Care Debate and launched the details for a National Care Service –

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this actually appeared to be a step in the right direction, but its proposers lost the general election and the shiny new transformation was condemned to the waste bin.

Instead of continuing with the National Care Service, the coalition, wanting to make its own mark, asked Andrew Dilnot to revisit the subject (again). Having digested the content, we are left with just two main criteria that affect the elderly in care. But, unlike the Sutherland report that looked at ideals, Dilnot actually talks money, albeit only a range of figures, 1) a suggested cap on care at between £35,000 – £50,000 and 2) a change to the means test threshold to around £100,000.

The cap on care is open to various interpretations, in essence it means that self-funders will be liable to cover the first few years of their care, but what isn't made clear is at what monetary value the "care element" will be set. There is a huge diversity in the costs of care; it isn't unusual for premium care homes to charge 3 times more than a standard one. The figures used in Dilnot's case study (Alice), suggest a figure of £18,000 for her care, with Alice contributing the rest from her pension and other allowances. (Remember the cap is only on care, not accommodation, food, room facilities, hotel type services, activities and outings etc.).

It is not surprising to calculate that the full weekly cost of Alice's fees are very similar to the current support offered by the Local Authority, but a long way from the actual costs of a better to premium care home, suggesting a ceiling of £10,000 per annum for these types of

services is again only aiming at the basic standard of care home. This means in reality that even if the proposals are accepted at the stated higher levels, a self-funder today in a good care home will still be a self-funder in 2014 and beyond.

That said, and looking at the positives, the changes will mean that:

1. More people/families facing the need for care (post 2014) will be able to budget and plan ahead more clearly. The various methods of creating an indefinite income will become more attractive and affordable for more people.
2. Younger people aged 60+ will be able, and encouraged, to take responsibility for planning ahead; known ground rules will enable the financial services industry to develop and make available

new, more practical ways of insuring for the future. These new products should move away from the older, now defunct ADL (activities of daily living) claim criteria and instead could use medical confirmation linked to care home residency and introduce a deferred system similar to the time frame of the care cap.

Both of the above assume that people are seeking advice from appropriately trained and skilled financial advisers, thankfully Dilnot has recognised the importance of this, and has recommended a more "joined up thinking" liaison between the Government and the FSA. This is great news, but to really take advantage of the wealth of experience out there, both parties must utilise the skill sets and knowledge of the advisers actually advising families now.

Conclusion

What is vitally important to acknowledge is that the families of people in care now **should not** put off planning for the continued funding of their relatives care fees. Before anything changes the proposals have to be accepted (which they probably won't be at the levels suggested), the White Paper published (Easter 2012) and whatever the new rules are, they won't hit the statute books until 2014 at the earliest, meaning that it will be 2016/17 before anyone will have exhausted their cap. If we have a change of Government in the meantime, who knows what will happen...

Hence we recommend that most people should continue to plan for long term care and not rely on help from the Government which may or may not actually be forthcoming.

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