

**14<sup>th</sup> May 2013**

**For immediate release**

## **CAMERON'S THREE CON TRICK ON ELDERLY CARE**

David Cameron is not being straight with elderly people and their families about the Government's plans for social care, Labour said today. A new analysis shows the proposals in the Queens Speech which come into force in 2016:

### **1. Won't stop people from having to sell their homes to pay for care**

Under the deferred payment scheme, councils loan people money to cover their care costs, which has to be paid back by selling the family home after the elderly person has died. The Government's new scheme means families will face losing even more of their homes than they do now, because they will be charged interest on the loan, unlike the current system.

### **2. Won't cap the costs elderly people actually pay for their residential care**

The £72,000 'cap' on care costs being introduced the Government will be based on the standard rate local councils pay for residential care in their area, which is on average £480 a week. 125,000 pensioners who fully fund their care face weekly bills that are on average £50 - £140 more, and far higher in some areas. This extra amount will still have to be paid by elderly people and won't count towards the 'cap'. In addition, most elderly people in care homes will die long before they ever reach the 'cap'.

### **3. Won't mean pensioners get their care for free if they have income or assets worth up to £123,000 - and pensioners on average incomes will miss out on any extra help**

Elderly people will still only get free care if they have income or assets under the lower means-tested limit, which isn't being increased and will be £17,500 in 2017. Pensioners with income or assets between £17,500 and £123,000, the new increased upper means-tested limit, will get a sliding scale of support from councils as they do now. But due to the way this sliding scale works, pensioners on average incomes with modest second pensions won't get any council support, even with the new increased upper means-tested limit.

Liz Kendall, Labour's Shadow Minister for Care and Older People said

"The Government's new scheme is incredibly complex, and David Cameron should be straight with people about what it really means in practice.

"Instead, Ministers are telling people they won't have to sell their homes to pay for their care, and that their costs will be capped at £72,000. This simply isn't the case.

"And they have failed to spell out that the way they are changing the means-test won't help pensioners on average incomes who've worked hard and saved all their lives.

"The growing care crisis is one of the biggest challenges we face as a country. Older people and their families deserve to be told the facts so they can properly plan for the future, and not have the Government attempt to pull the wool over their eyes."

## **Ends**

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## **EXPLANATORY NOTE**

### **1. Government proposals won't stop people from having to sell their homes to pay for care**

- Currently, local authorities in England can offer a 'deferred payment scheme' to all individuals paying for their own residential care.
- Under these schemes, councils offer to pay for a person's care home fees in the form of an interest-free loan. This loan is then repaid to the council when the person's home has been sold.
- Many loans are made for relatively short periods, while families go about selling their relative's home.
- It is up to the discretion of councils as to whether to offer the scheme, and not all do.
- Under the Government's plans, all councils will in future have a duty to offer deferred payment schemes to families paying for their own residential care, rather than it being discretionary.
- Councils will also be able to charge interest on these loans, which means that the total amount families have to pay back from the proceeds of selling their relative's home will be higher.
- So while more families in future may choose to take up deferred payment schemes and delay selling their relative's home until after they have died, the homes will still have to be sold to pay for care, and interest costs for the loan will also have to be repaid.

## Quotes

*Another problem that can discourage saving is the fact that in so many cases people's homes are taken away to pay their care bills. The family that has saved is asked to pay for care; the family that has not saved gets all this for free.*

*I do not believe that is fair. This Queen's Speech makes an historic move to put a cap on individual contributions to pay for social care. Combined with changes in the insurance market, that should mean that no one has to sell their home to pay for care—a major breakthrough in this vital market.*

**David Cameron, Queen's Speech 8 May 2013, Hansard Column 25**

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130508/debtext/130508-0001.htm#13050835000295>

*If we announce tomorrow, as I want to do, a system that means that for the first time, something that's eluded governments for many, many years, which is that people can be confident their homes are safe, and that if they have huge social care costs because of the nightmare of someone having dementia or something, then I think that we are protecting people's inheritance. Our commitment is to introduce a policy that means that people don't have to sell their homes.*

**Jeremy Hunt, The Andrew Marr Show, 10th February 2013**

<http://www.bbc.co.uk/news/uk-politics-21400820>

*The point of what we are doing is to protect people's inheritance. The worst thing that can happen is that at the most vulnerable moment in your life you lose the thing you have worked hard for – your own house. We are trying to be one of the first countries in the world where people do not end up having to sell their house.*

**Jeremy Hunt, the Guardian, 11 February 2013**

<http://www.guardian.co.uk/society/2013/feb/10/inheritance-tax-freeze-social-care>

## **2. Government proposals won't be a cap on the costs elderly people actually pay for their residential care**

- Across England, there are 295,000 older people living in residential care, of whom 170,000 have their fees paid by councils, and 125,000 pay for their fees themselves. (Source: Department of Health, 'Progress Report on Care Funding Reform', 2012)
- However, the average fees paid by councils for places in care homes are different, and most self-funders pay more than the average council rate.
- According to the Chartered Institute of Public Finance and Accountancy, the average amount paid by councils for residential care is in England is:

North East	£463
North West	£444

Yorkshire and Humber	£430
East Midlands	£408
West Midlands	£461
East of England	£487
London	£607
South East	£502
South West	£517
England	£477

- According to social care market research specialists Laing & Buisson, councils on average pay approximately £50 - £140 less than the 'fair market price'. (Source: Laing & Buisson, Councils rely on a 'hidden tax' on older care home residents, 2013).
- These extra costs will not be counted towards the cap, so older people and their families could think they have hit the cap when they haven't.
- In addition, when someone reaches the Government's £72,000 cap, the council will only contribute their standard fee level, not the actual fees paid by self-funders. This means self-funders will have to go on paying for part of their fees themselves, even after they have reached the cap.
- Furthermore, very few people will ever reach the 'cap'. The average length of stay in Bupa care homes (whose residents are broadly representative of care home residents across England) is 801 days ie 114 weeks and half of residents die by 462 days ie 66 weeks. (Source: Forder, J and Fernandez, J-L (2011) Length of stay in care homes, Report commissioned by Bupa Care Services, PSSRU Discussion Paper 2769, Canterbury: PSSRU)
- However, with councils paying £477 for places in care homes, and subtracting the £230 a week the Government will require individuals to contribute as 'living costs' (nb this is far higher than the £135 - £192 a week Andrew Dilnot recommended), it will take around 280 weeks for self-funders to reach the 'cap'. (Source: DH Policy statement on care and support funding reform and legislative requirements)

## Quotes

*This Queen's Speech makes an historic move to put a cap on individual contributions to pay for social care.*

**David Cameron, Queen's Speech 8 May 2013, Hansard Column 25**

<http://www.publications.parliament.uk/pa/cm201314/cmhansrd/cm130508/debtext/130508-0001.htm#13050835000295>

*...this week's move to cap social care costs, while of course not solving the whole problem, was important. By creating a cap on what people will be charged, we can create an insurance market so that everyone can try to protect themselves against*

*the long-term costs of social care.*

**David Cameron, Hansard 13 Feb 2013 Column 856**

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130213/debtext/130213-0001.htm#13021368001405>

*We propose to introduce a cap on an individual's financial contributions towards the cost of care and a significant increase in the level of assets a person may hold and still receive some degree of support from the state ... Everyone will benefit from the peace of mind that a cap will bring.*

**Jeremy Hunt, Hansard 11 Feb 2013 Column 592**

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130211/debtext/130211-0002.htm#13021116000202>

*The cap is not saying that we expect people to pay £75,000 towards their care costs. We are saying that that is the maximum anyone will have to pay.*

**Jeremy Hunt, Hansard 11 Feb 2013 Column 593**

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130211/debtext/130211-0002.htm#13021116000202>

### **3. Government proposals won't mean pensioners get their care for free if they have income or assets worth up to £123,000 - and pensioners on average incomes will miss out on any extra help**

- There are two means tested thresholds: a lower and an upper limit. People only get their care entirely paid for by their council if they have income or assets below the lower limit. The Government is not changing the lower limit, which will be £17,500 in 2017. The Government is raising the upper limit from £23,000 now to £123,000 in 2016.
- Individuals who run down their savings and wealth to £123,000 by paying for their care homes fees will become entitled to be means tested, on the basis of which they may receive some contribution towards their care home fees from the council.
- As they do now, councils will calculate how much financial support to provide after taking account of a person's actual income and a 'notional' income of £1 for every £250 of their remaining capital between the lower and upper limit.
- With a lower limit of £17,500 and an upper limit of £123,000 councils will calculate this 'notional' income on £105,500 which equates to £422 a week.
- The average pensioner income is £220 a week. Under the means test, this person will be treated by the council as if they had a total income of £642 per week ie £422 + £220

- Because this notional income is far above the average amount that councils pay for residential care – around £477 - the average pensioner in this situation will receive no support from their council.

*From April 2017, the threshold will be increased so that those with assets worth £123,000 or less, equivalent to Dilnot's recommended level, will all receive some degree of financial support for their care costs. (...) This will, for the first time, provide financial protection for those with modest wealth, while ensuring that the poorest continue to have all or the majority of their costs paid.*

**Jeremy Hunt; Hansard 11 Feb 2013 Column 593**

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130211/debtext/130211-0002.htm#13021116000202>

*For many people with dementia, the most significant thing will be the increase from £23,000 to £123,000 in the threshold at which they get state support. That is a big step forward.*

**Jeremy Hunt, Hansard: 11 Feb 2013 Column 600**

<http://www.publications.parliament.uk/pa/cm201213/cmhansrd/cm130211/debtext/130211-0002.htm#13021116000202>