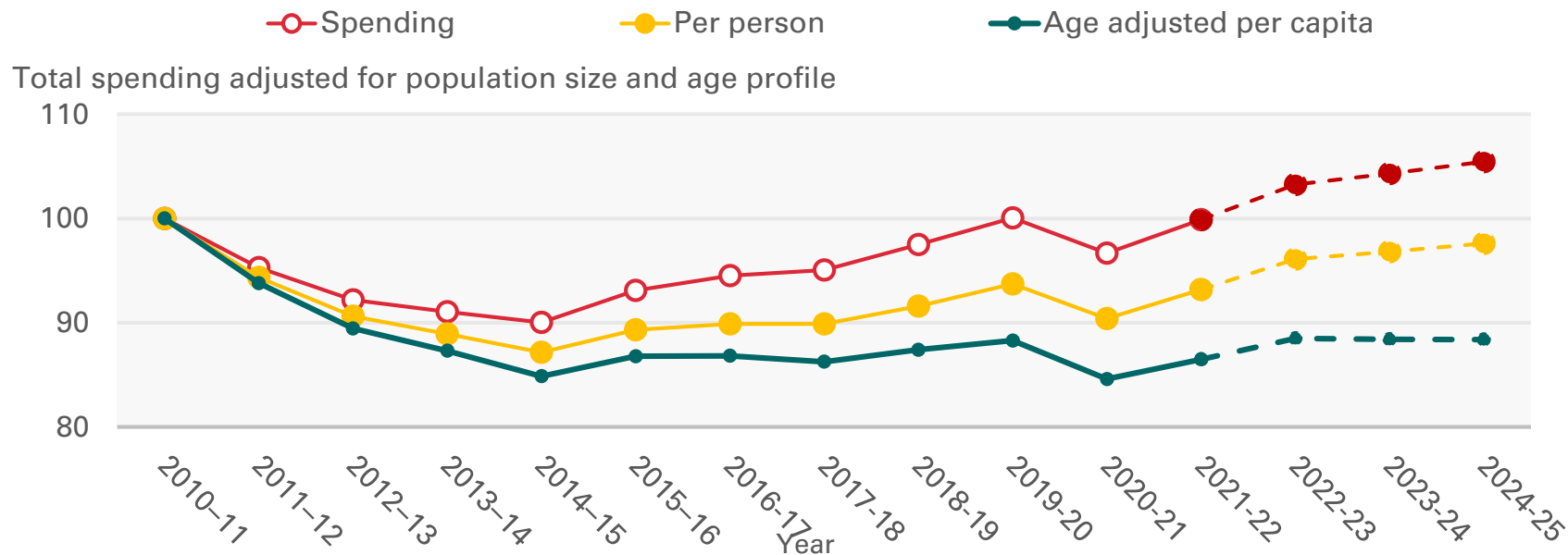


Does the cap fit?

Analysing the government's proposed amendment to the English social care charging system

Charles Tallack, The Health Foundation

Social care funding

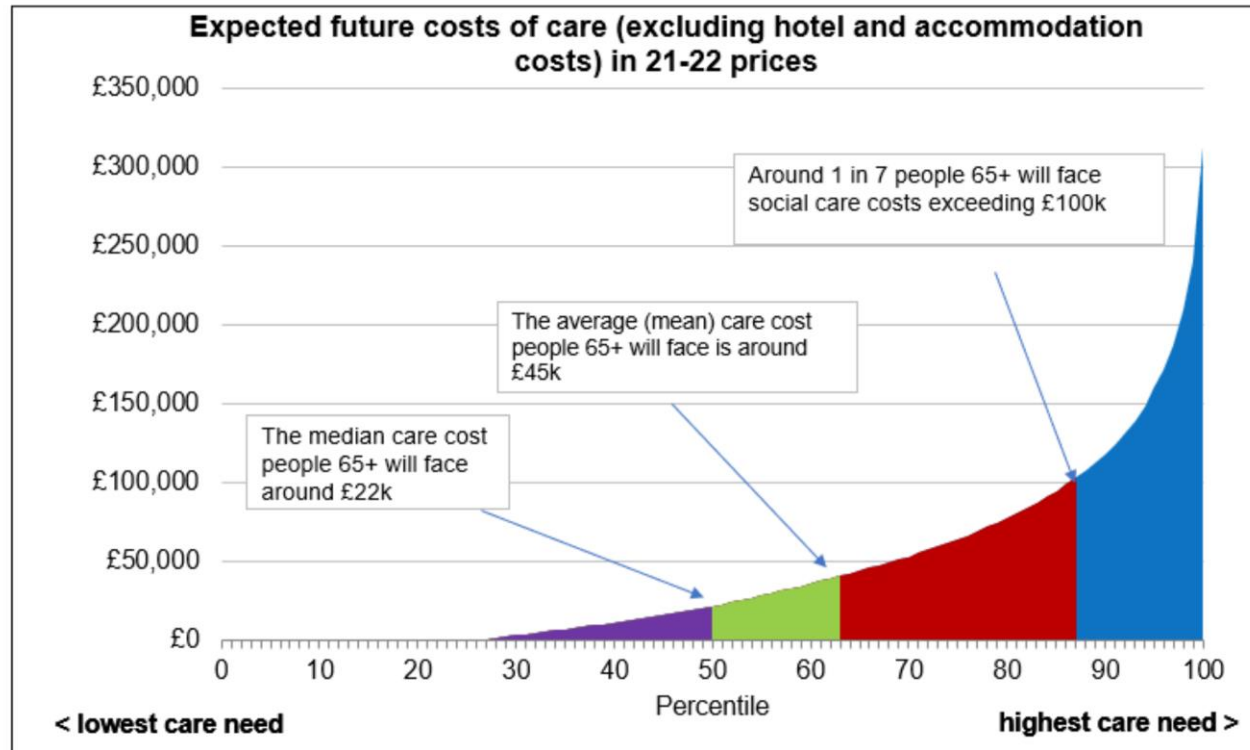


Source: REAL Centre analysis of NHS Digital, Adult Social Care Activity and Finance 2021/22, and ONS population statistics

“Note: This analysis reflects the commitment to additional adult social care funding made available at Spending Review 2021 to the end of this parliament. It excludes estimated 'one-off' increases in funding to deal with the COVID-19 pandemic in 2020/21. It does not account for the Health and Social Care Levy, any further one-off funding that may be provided to deal with the COVID-19 pandemic or any additional costs that may result in the medium or short-term. The analysis assumes that projected increases in local government spending power on adult social care match projected increases in overall local government core spending power (excluding the Health and Social Care Levy). It does not make any assumptions about efficiency savings in any scenario.”

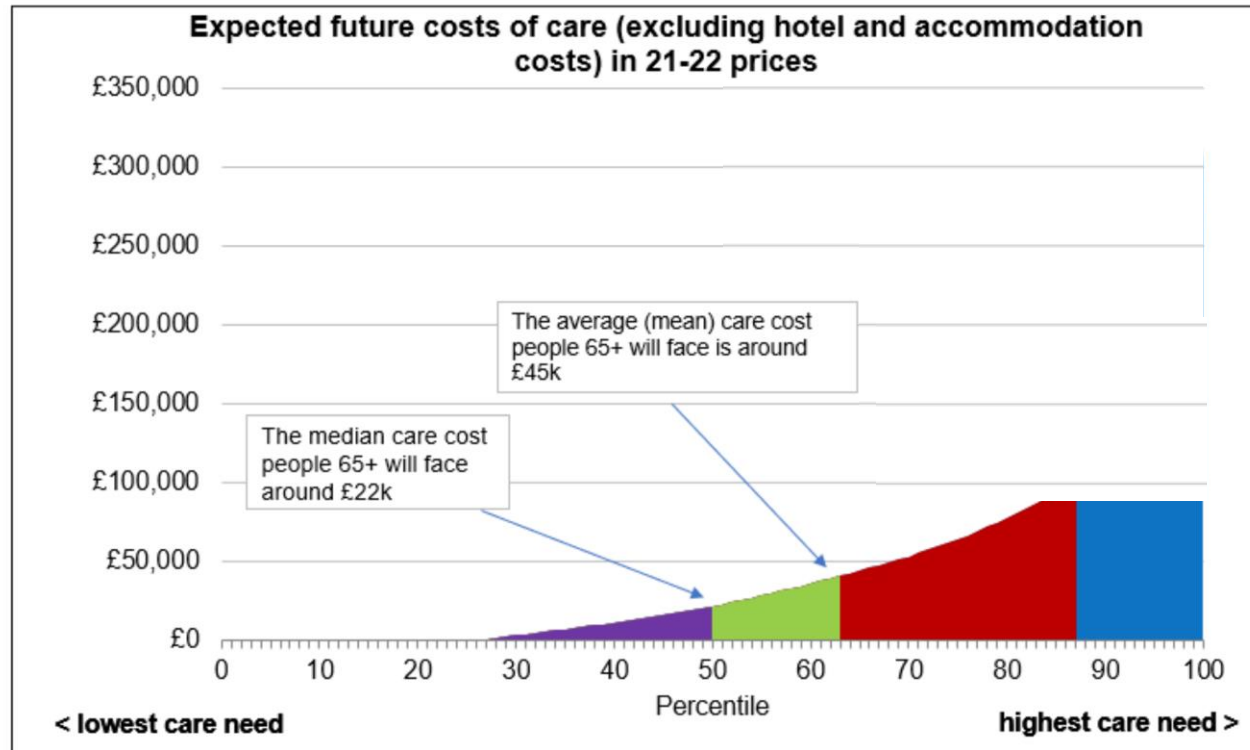
Uncertainty over future care costs

Figure 1: Expected future lifetime costs of care for people aged 65 in 2010-11, by percentile (2010-11) in 21-22 prices – DHSC analysis based on CPEC modelling



Uncertainty over future care costs

Figure 1: Expected future lifetime costs of care for people aged 65 in 2010-11, by percentile (2010-11) in 21-22 prices – DHSC analysis based on CPEC modelling



Policy evolution of the cap

	Dilnot Commission	Care Act 2014	2021 proposals
Key parameters and date of introduction	<p>£25–50k cap (central recommendation £35k). £100k upper capital limit. £14,250 lower capital limit. £190 per week daily living costs.</p> <p>All parameters for system introduced in 2011.</p>	<p>£72k cap in April 2016. £118k upper capital limit for those in residential care only. £17k lower capital limit. £230 per week daily living costs.</p>	<p>£86k cap in Oct 2023. £100k upper capital limit for residential and domiciliary care. £20k lower capital limit. £200 per week daily living costs.</p>

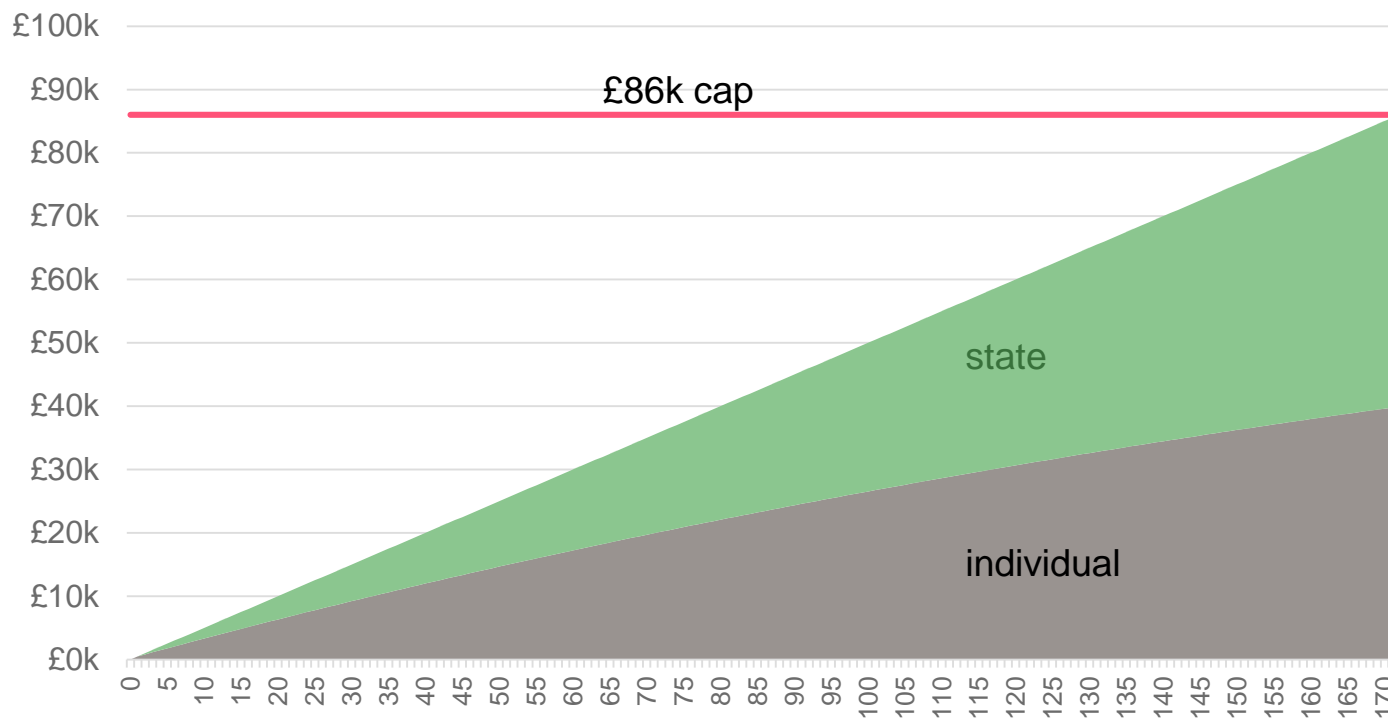
Head to head comparison

	Dilnot Commission	Care Act 2014	2021 proposals
Value of parameters in Oct 2023 prices			
Value of cap	£36–71k, £50k central	£86k ●	£86k ●
Upper capital limit for residential care	£143k	£141k ↔	£100k ●
Upper capital limit for domiciliary and community care	£33k	£27k ↔	£100k ●
Lower capital limit	£20k	£20k ↔	£20k ↔
Daily living costs	£270 per week	£270 per week ↔	£200 per week ●
Younger adults	Zero cap for those born with care needs or developing needs up to age 40. Cap rising between 40 and 65.	Zero cap for people born with care needs or developing needs up to age 25. Above age 25, cap as for older people. ●	The system would be the same for younger adults and older people. ● ●

Source: Authors' calculations using Commission on Funding of Care and Support (2011), DH (2013), DHSC (2022a) and average weekly earnings, 2011 to 2021 (from the Office for National Statistics).

And proposed changes to cap metering

Accumulated care spend by source of contribution,
by week (care costs £500 pw)



2016: Total cost to the local authority of meeting a eligible needs will count towards the cap

2021: Only the amount that the individual contributes towards eligible costs will count towards the cap

Assumes individual with assets of £100k entering residential care with care costs of £500 per week

Rationale for different approaches

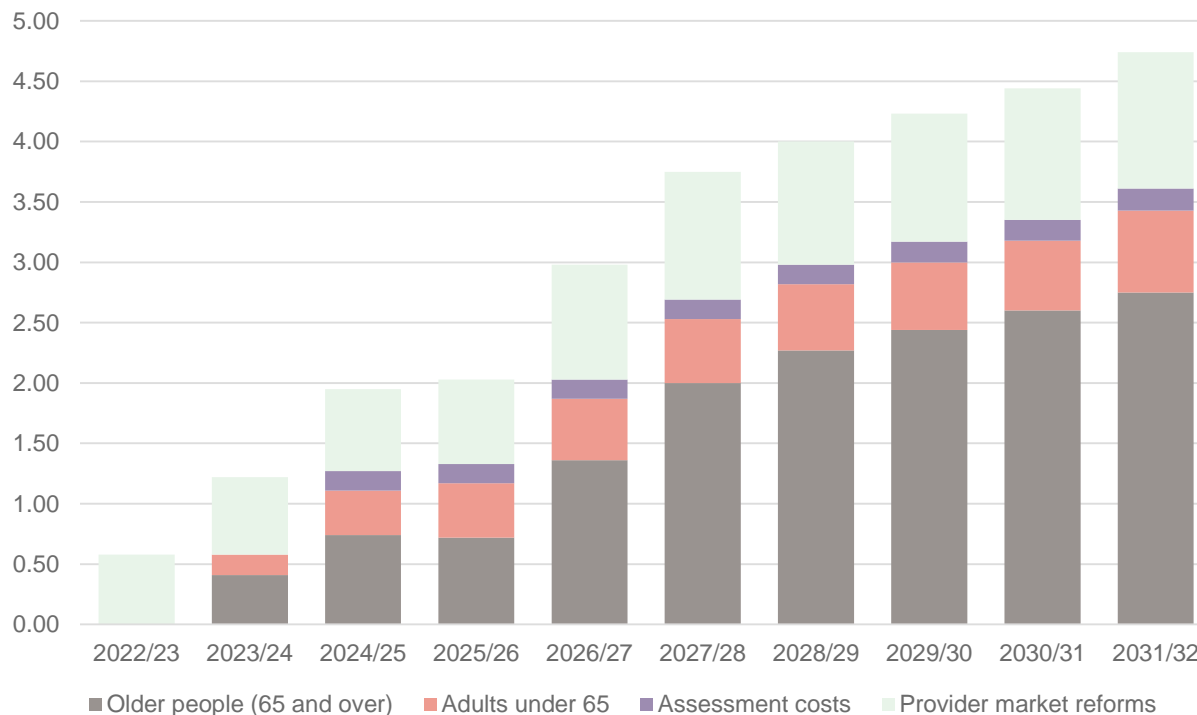
Dilnot Commission: All notional spend should be metered, regardless of who actually pays. If only the individual's out-of-pocket spend is metered, then an individual who is receiving support under the means-tested system would, if they continue to need care for long enough, ultimately make the same contribution as a wealthier person with similar needs. The net effect of the means-tested system would therefore be that they contribute more slowly, rather than contributing less overall, so excluding state contributions from the meter would make the system unfair for those on low incomes.

2016 plans: The total cost to the local authority of meeting a people's eligible needs will count towards the cap, rather than their financial contribution. This means that people meter towards the cap at the same rate irrespective of the state support they are receiving.

2021 proposals: Government will introduce an amendment to the Care Act 2014 to the way that people within the means test progress towards the cap. This will ensure that only the amount that the individual contributes towards these costs will count towards the cap on care costs, and people do not reach the cap at an artificially faster rate than what they contribute.

January 2022 DHSC Impact Assessment

Costs of social care charging reforms, by year, 2021/22 prices



IA didn't cover impact of the *amendment*

DESCRIPTION OF OPTIONS CONSIDERED	14
Option 1: Do nothing (the current system)	14
Option 2: A capped cost model with an extended means test implemented in October 2023.....	14

The House is expected to take report stage of the Health and Care Bill on Monday and Tuesday next week, and that is likely to entail a decision by the House on amendments to the Care Act 2014 to implement the reforms announced yesterday. Given the potential impact on household assets against the original announcement in September, I would therefore ask that the Treasury (in cooperation with other departments) provide distributional and costings analyses of the impact of these reforms against a base case with no change to the Care Act 2014 but implementation of the other reforms.

Letter from Rt Hon Mel Stride MP, Chair Treasury Committee to Rishi Sunak, 18 November 2021