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Assessing the impacts of the amendment

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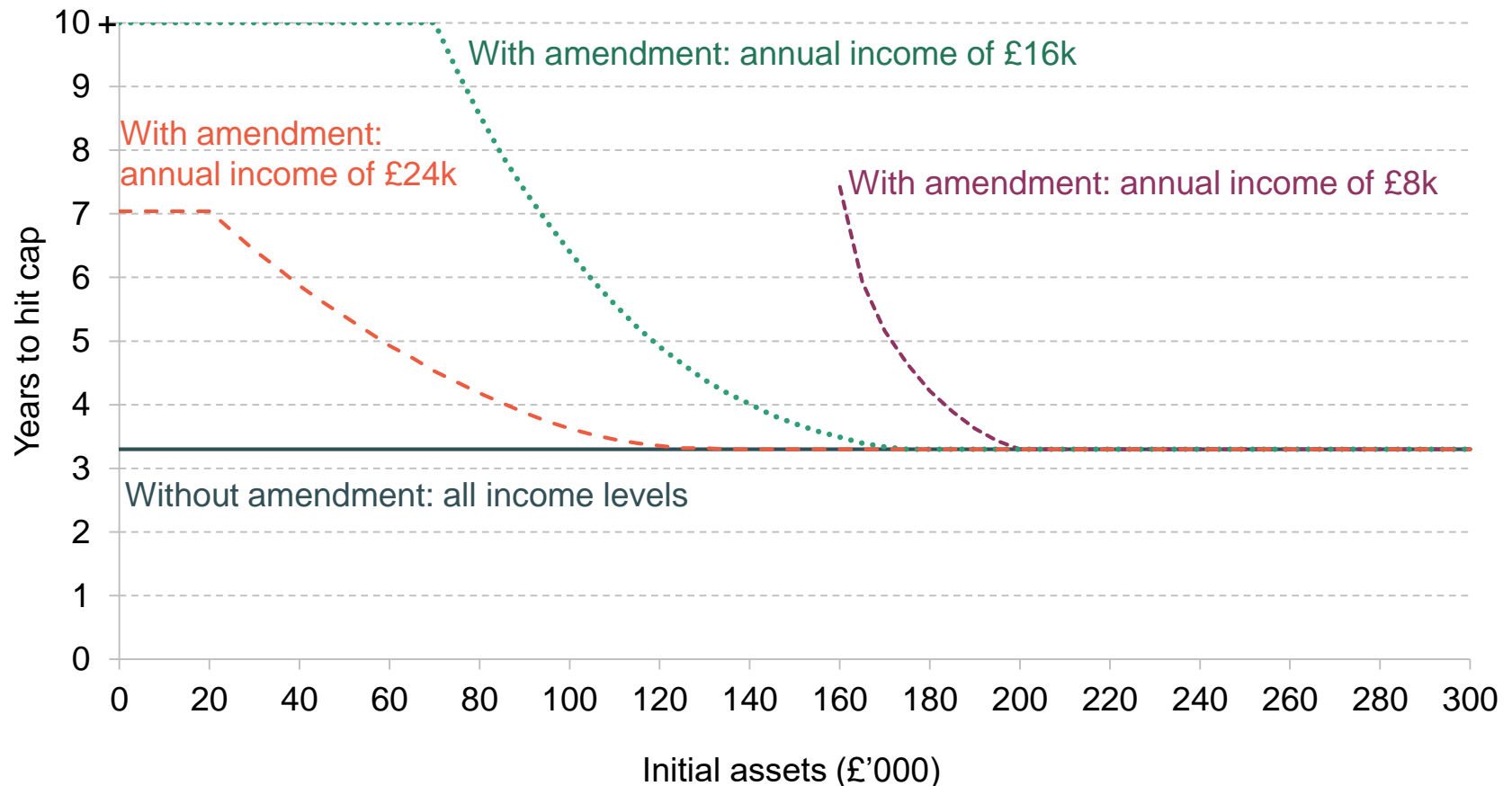
Assessing the impact of the proposed amendment

- 1. How does the amendment affect people with a given level of assets and income?**
 - Realised impact depends on what care journey they face, if any
 - Changes in 'peace of mind' benefit could be relevant to all

- 2. How does the amendment affect older people in different groups?**
 - By position in the income and wealth distribution
 - By region of England

The amendment would mean that recipients of means-tested support take longer to hit the cap or never hit it

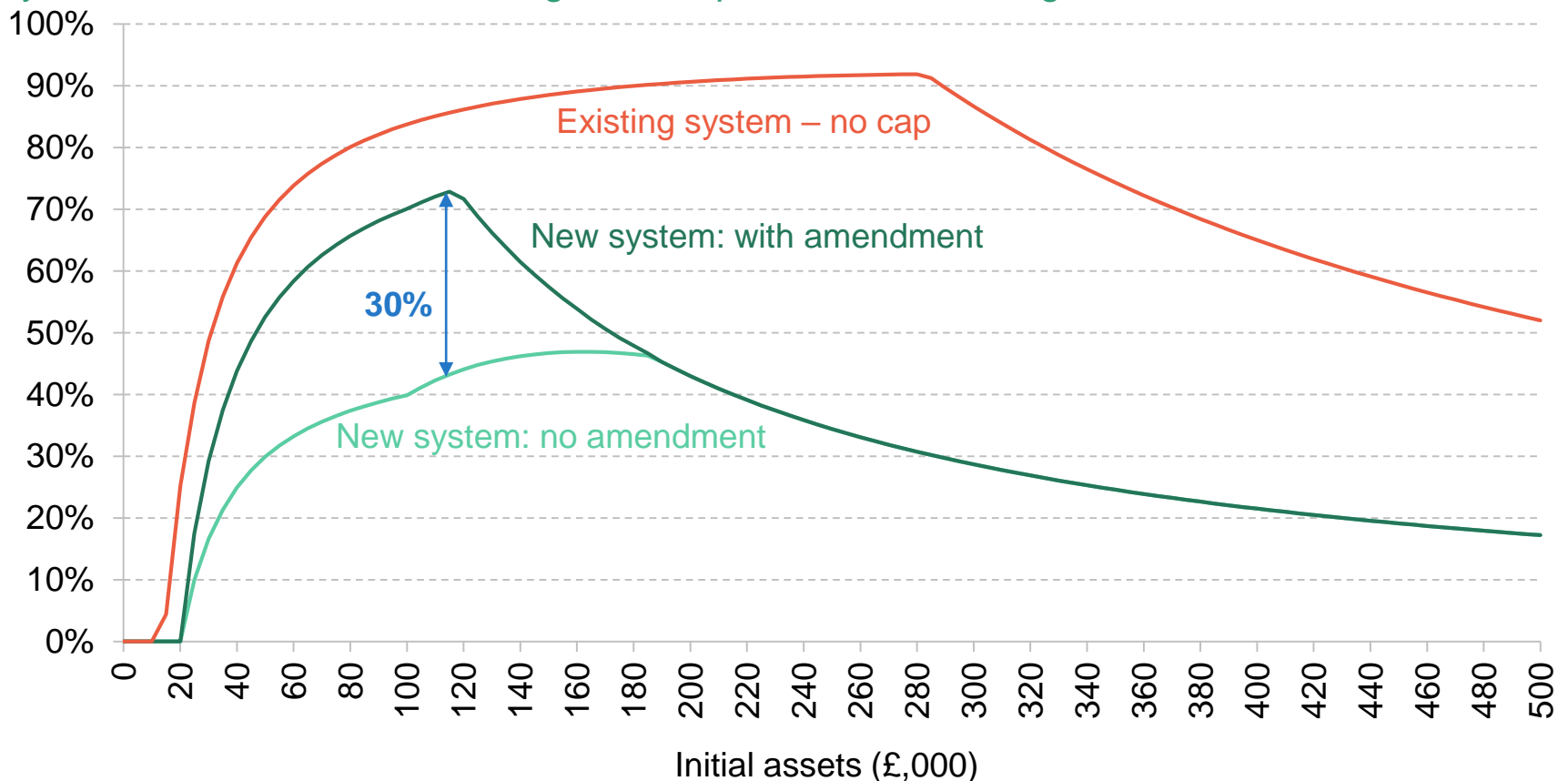
Number of years to hit the cap given residential care costing £700 per week



Source: Figure 3.1 of Sturrock and Tallack (2022)

This reduces protection against catastrophic costs for those with moderate assets and income

Care cost spend as a percentage of initial assets, under 'worst case' scenario of 10 years in residential care costing of £700 per week, assuming annual income of £11,800



Source: Figure 3.2 of Sturrock and Tallack (2022)

This reduces protection against catastrophic costs for those with moderate assets and income

Care cost spend as a percentage of initial assets, under 'worst case' scenario of 10 years in residential care at a cost of £700 per week

(a) Without amendment

Annual income (£,000)	Wealth (£,000)				
	50	75	100	150	250
8	53%	63%	65%	66%	50%
12	30%	37%	40%	47%	34%
15	30%	37%	40%	44%	30%
20	30%	37%	40%	39%	24%
25	30%	37%	38%	28%	17%

(b) With amendment

Annual income (£,000)	Wealth (£,000)				
	50	75	100	150	250
8	53%	64%	70%	77%	50%
12	53%	64%	70%	57%	34%
15	53%	64%	63%	49%	30%
20	48%	51%	49%	39%	24%
25	39%	42%	40%	28%	17%

(c) Difference, as a percentage of initial assets

Annual income (£,000)	Wealth (£,000)				
	50	75	100	150	250
8	0%	1%	5%	12%	0%
12	23%	28%	30%	10%	0%
15	23%	28%	23%	5%	0%
20	18%	15%	9%	1%	0%
25	9%	6%	2%	0%	0%

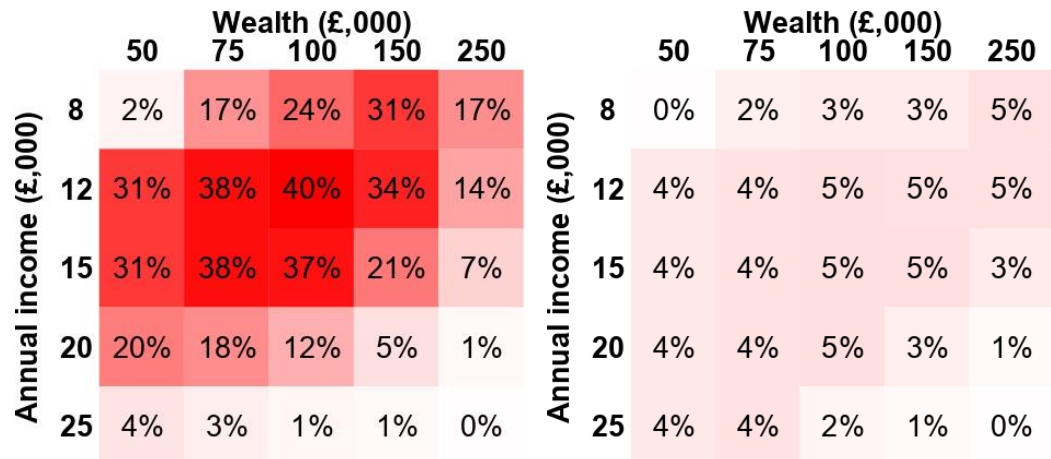
Source: Figure 3.3 of Sturrock and Tallack (2022)

Care cost spend as a percentage of initial assets, under a range of care scenarios



(c) 5 years' medium-intensity domiciliary care followed by 5 years' residential care

(d) 2½ years' medium-intensity domiciliary care followed by 2½ years' residential care



Source: Figure 3.3 of Sturrock and Tallack (2022)



How does the amendment affect older people in different groups?

How does the amendment affect older people in different groups?

- We use data on the wealth and income and household circumstances of the 65+ population from the *English Longitudinal Study of Ageing*
- Thought experiment: What if everyone were to start a particular care journey tomorrow? How much of their wealth would be depleted?
 - Not a likely scenario – intended to illustrate who is (un)protected
- How protected are those with different wealth and income quintiles and from different parts of the country?

Levels of income and wealth in the elderly population

Selected percentiles of annual income per person for the 65+ population

Population	Annual income per person			
	20 th percentile	40 th percentile	60 th percentile	80 th percentile
All 65+	£11,200	£14,700	£18,700	£25,400
65+ and at least one ADL problem	£10,800	£13,900	£17,300	£22,500

Selected percentiles of wealth per person for the 65+ population

Population	Wealth per person			
	20 th percentile	40 th percentile	60 th percentile	80 th percentile
All 65+	£83,000	£183,000	£298,000	£482,000
65+ and at least one ADL problem	£10,000	£113,000	£219,000	£380,000

Source: Tables 3.1 and 3.2 of Sturrock and Tallack (2022)

Those in the second wealth quintile would see the biggest reduction in protection against catastrophic costs

Care cost spend as a percentage of initial assets, under 'worst case' scenario of 10 years in residential care, by income and wealth quintile of the 65+ population

(a) Without amendment

		Per-person wealth quintile				
		Bottom	2	3	4	Top
Equivalent income quintile	Bottom	11%	61%	48%	28%	17%
	2	12%	51%	38%	23%	14%
	3	15%	45%	33%	20%	10%
	4	16%	42%	28%	17%	9%
	Top	17%	31%	17%	12%	4%

(b) With amendment

		Per-person wealth quintile				
		Bottom	2	3	4	Top
Equivalent income quintile	Bottom	11%	70%	51%	29%	17%
	2	16%	63%	40%	24%	14%
	3	21%	57%	35%	21%	11%
	4	22%	50%	29%	17%	9%
	Top	20%	35%	18%	12%	4%

(c) Difference, as a percentage of initial assets

		Per-person wealth quintile				
		Bottom	2	3	4	Top
Equivalent income quintile	Bottom	1%	9%	2%	1%	0%
	2	3%	12%	2%	1%	0%
	3	6%	12%	2%	1%	0%
	4	6%	8%	1%	0%	0%
	Top	3%	5%	0%	0%	0%

Source: Figure 3.8 of Sturrock and Tallack (2022)

Those in the second wealth quintile are most affected across a range of scenarios

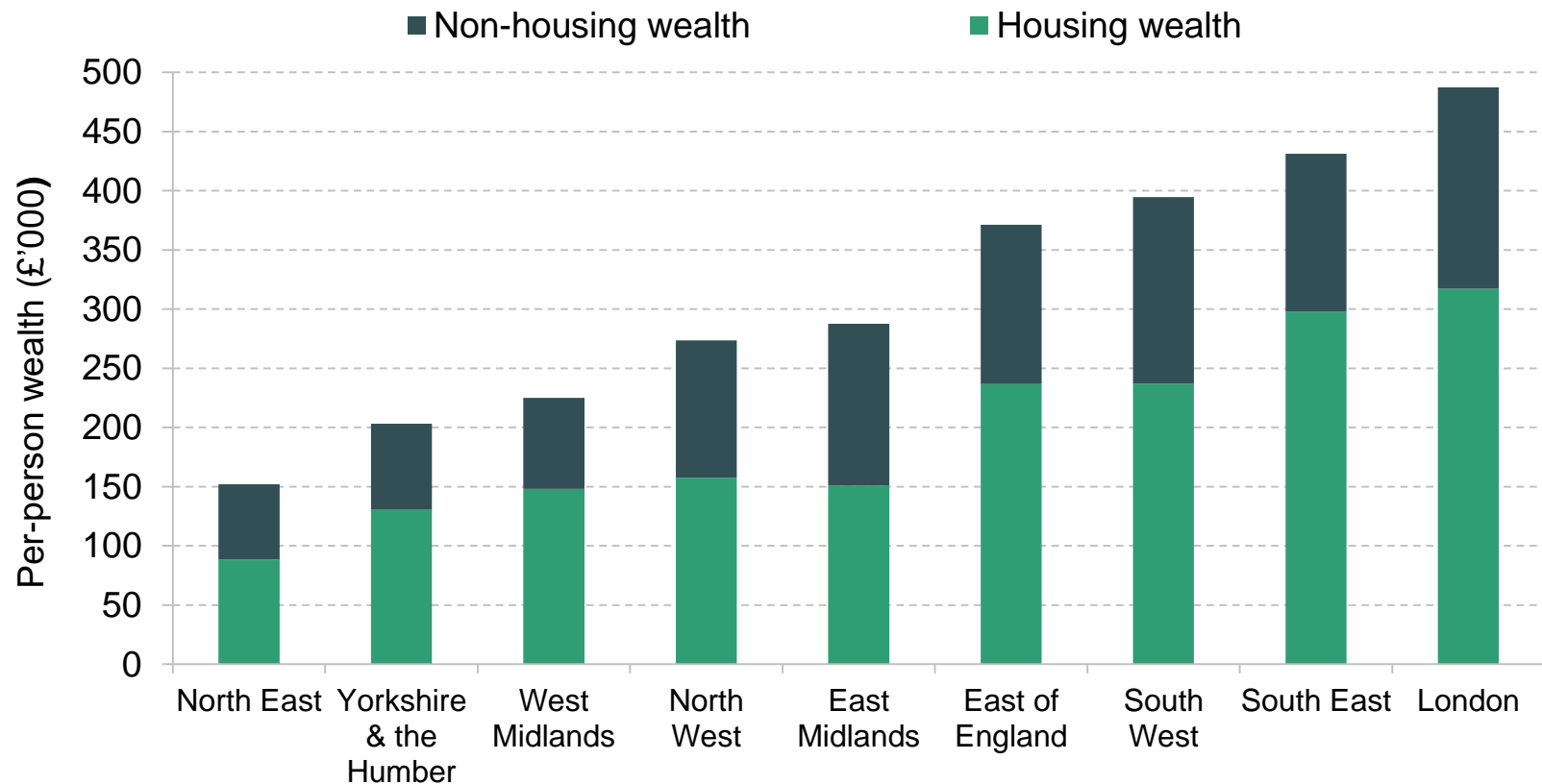
Increase in average depletion rate of assets for those aged 65 and older, as a result of the amendment, by initial wealth quintile, for a range of care journeys



Source: Figure 3.9 of Sturrock and Tallack (2022)

Levels of wealth vary dramatically across regions

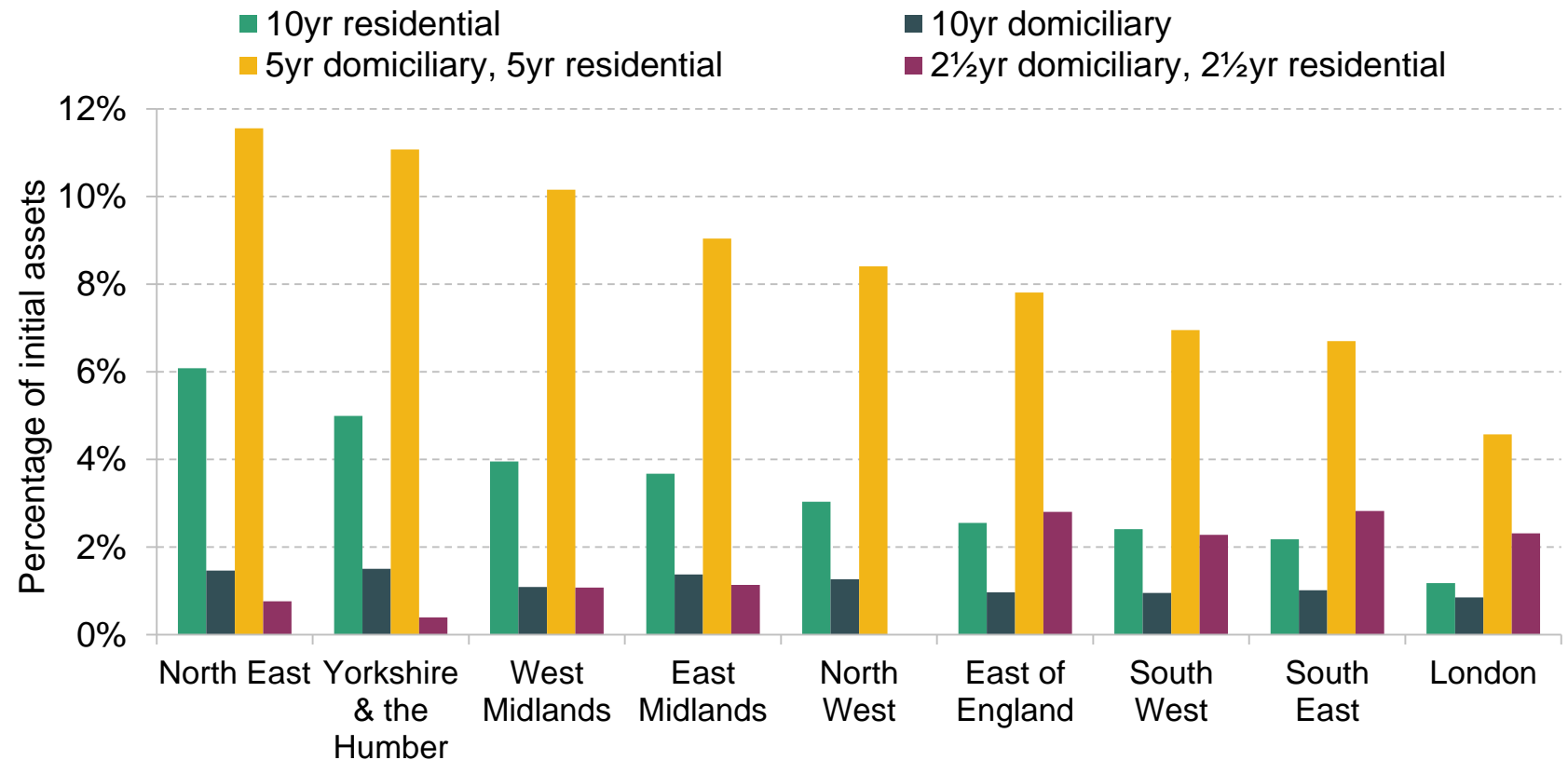
Average levels of housing and non-housing wealth per person by English region, for those aged 65 and older



Source: Figure 3.14 of Sturrock and Tallack (2022)

Consequently, the effects of the amendment would vary regionally too

Increase in average depletion rate of assets for those aged 65 and older, as a result of the amendment, by English region, for a range of care journeys



Source: Figure 3.15 of Sturrock and Tallack (2022)

Summary

- The new care cost cap and expansion of means-tested support will substantially increase protection against care cost risk at older ages
 - All will be more protected, even with the proposed amendment
- However, the government's proposed amendment would reduce the degree of protection against long and costly care journeys for those with moderate income and assets
 - Those in 2nd wealth quintile (£83k to £183k) most affected
 - Even those with >£186k in total assets can be affected if receiving domiciliary followed by residential care
- Wealth differences across regions mean that those in the North-East, Yorkshire and the Humber, and the Midlands would be more affected than those in the South of England

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