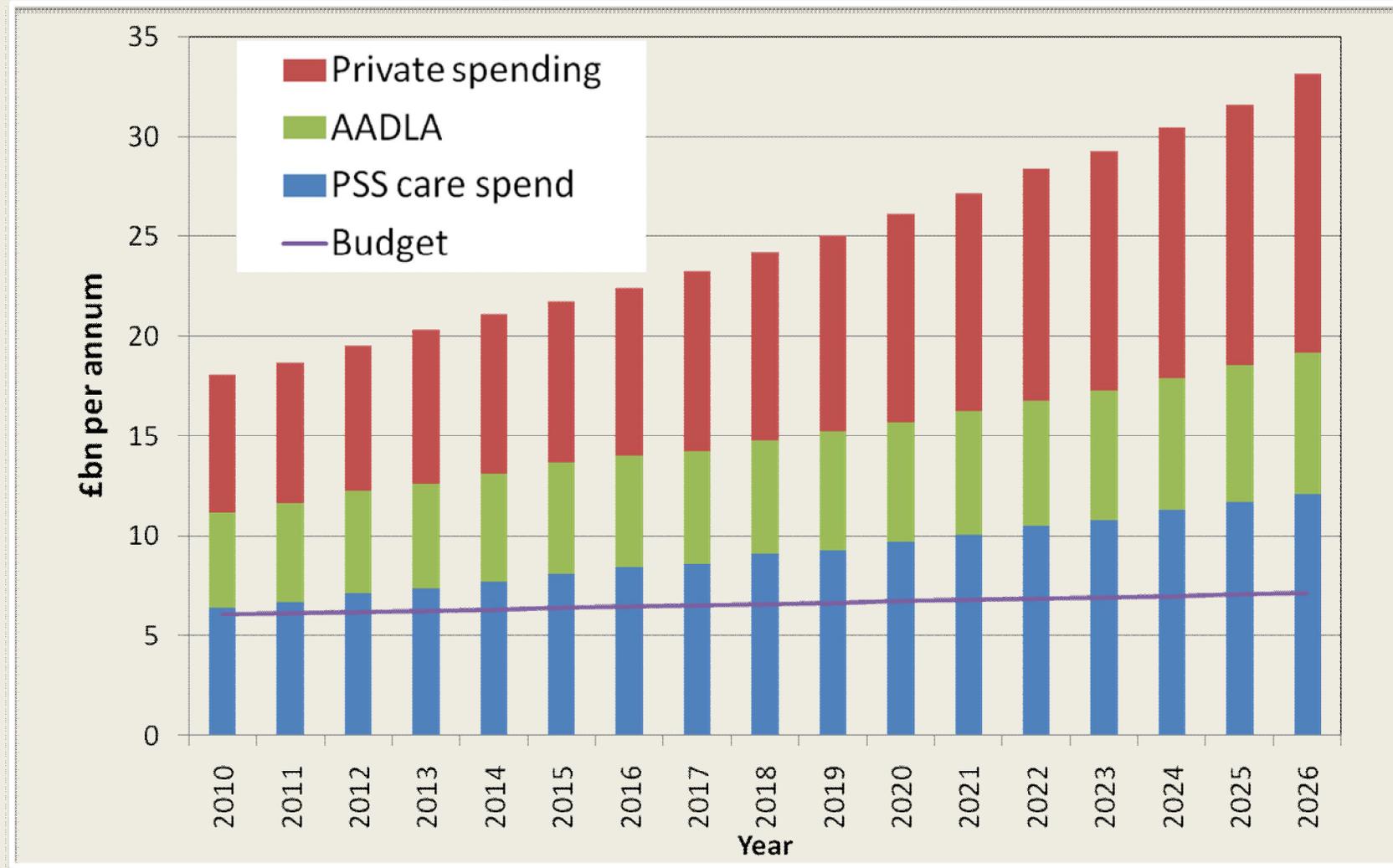
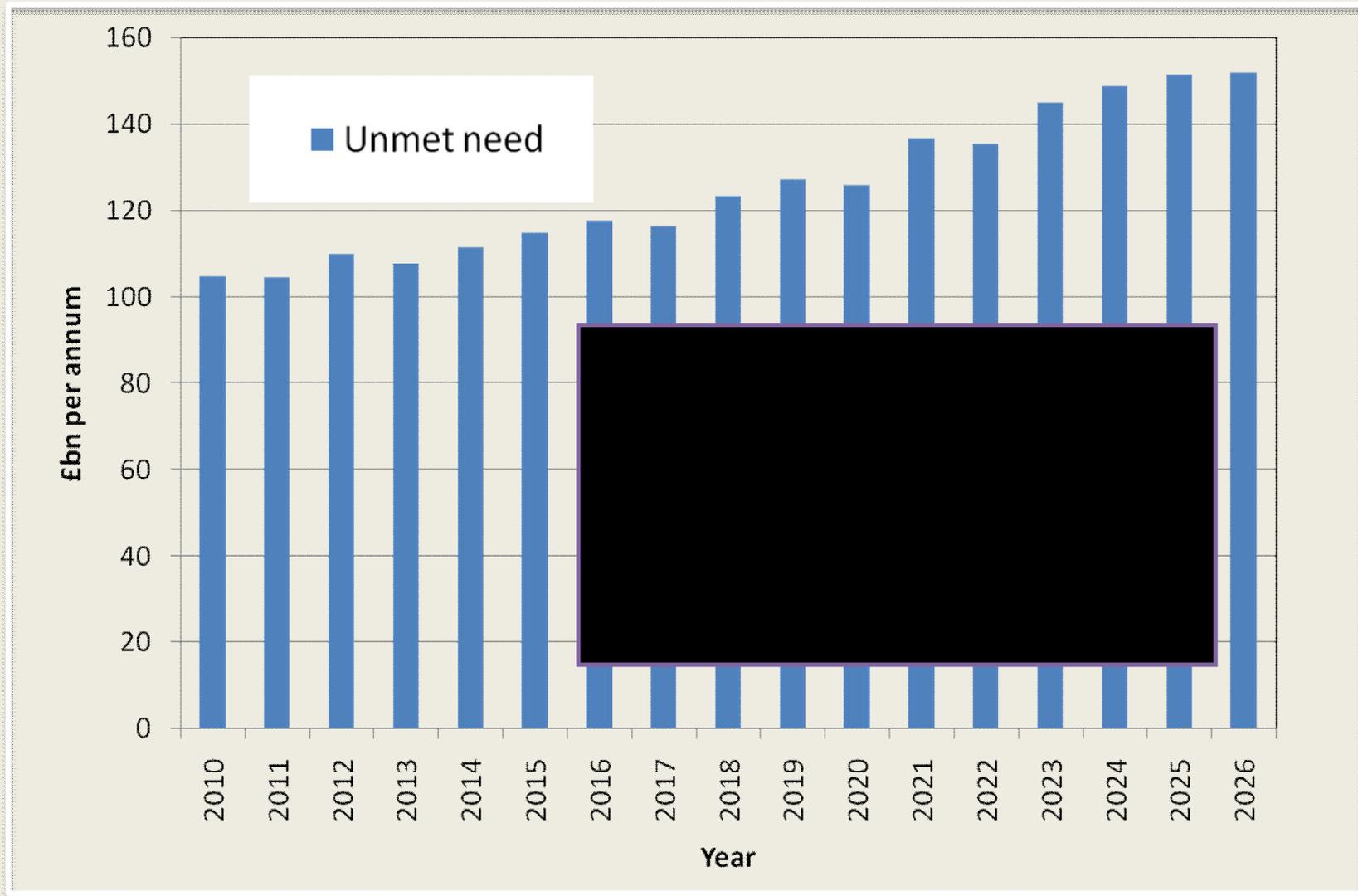


Social care: Pressures on cost

England, 2007 prices, care only



Poor outcomes...



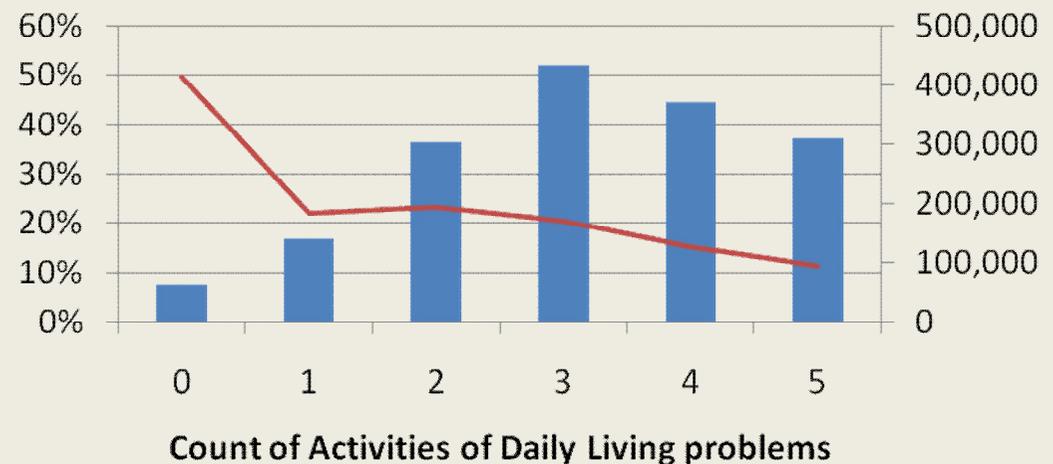
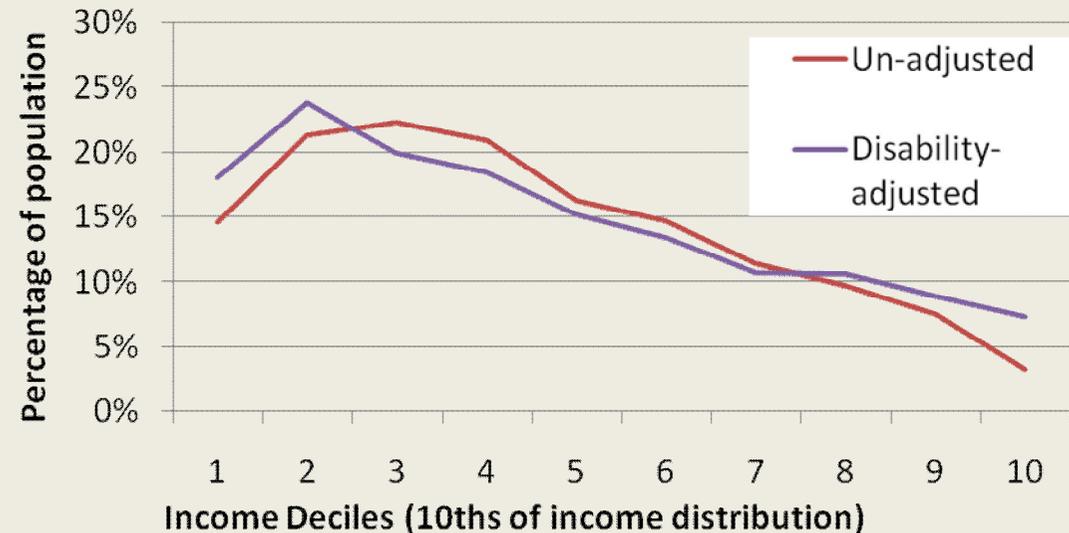
Current 'Means-tested' system

- Public support for people with assets less than £23000:
 - £6.1bn public spend on care
- People over threshold pay full cost themselves
- People under threshold charged 'at point of need'
 - Charge = income – (small) personal allowance
 - £22 p.w. pa in care homes
- Half of spending on care is 'out-of-pocket'
 - Some people face very high care costs
- Attendance Allowance & Disability Living Allowance
 - Universal benefits, based on (different) needs-test
 - a key component of the system...

Attendance Allowance

- £3.7bn spend (2009/10)
- Disability test
- Universal: 1.25m recipients
- Well targeted?
 - Low to middle income people more likely to use
 - People with high needs

Source: Analysis of BHPS



Challenges for reform

- Dealing with cost pressures...
 - Unit costs
 - Demographics
- ... But also improving outcomes:
 - Better quality of support
 - Reducing unmet need
 - Balancing spend-down
 - Addressing unfairness

Solutions?

- Improve how current resources are used
 - e.g. Personalisation, reablement...
- More money:
 - More tax funding!
 - People paying more at the point of need
 - Specific (social) insurance contributions
 - Reforming AA and care system: better alignment, efficiency savings?
- Better sharing of the financial risks
 - Helping more people with the costs of care at the point of need

Green Paper...

- Partnership model
 - With or without voluntary insurance add-on
- Comprehensive
 - Mandatory social insurance system
 - Less point-of-need payments
- Reforming AA – some hints in the GP!
 - Wanless:
 - Means-testing AA
 - Stricter needs test?

How should we reform? Key questions

- Who should pay?
 - Working population or older population
 - Those in need, or all people against the risk of need
 - Rich or poor: how re-distributive
- When should people pay?
 - In advance e.g. a lump-sum payment – means-tested?
 - Or payment from estate e.g. Inheritance tax style care duty?
- Who should be covered...

Who should be covered?

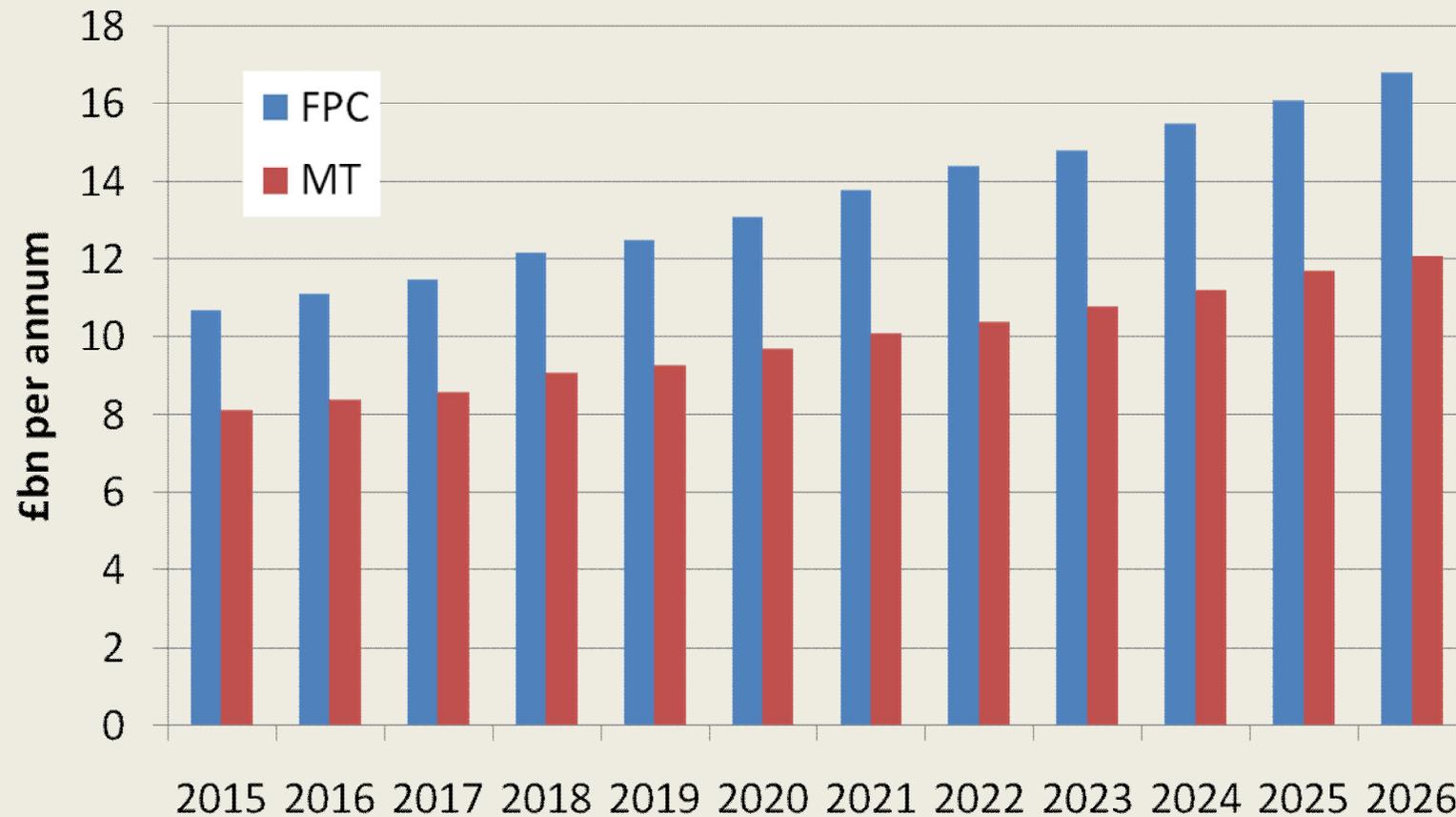
- Current system:
 - *Progressive* – a safety need system; only the poorest are helped
- Partnership model:
 - *Progressive universal* – all people covered but high income people pay more
- Comprehensive model
 - *Universal* at the point of need (no-one pays)... But premium payment is means-tested (progressive).
- Free personal care model
 - Also universal, but funds raised through a progressive tax system

Going universal...

- More people covered, less unmet need, less spend-down, fairer
- But much higher cost to be met by the scheme
 - Demand for support will increase - mostly a good thing, but will worry the Treasury!
 - Is it affordable?
 - Affordability problem is compounded if people feel they are (mandatorily) 'over-insured'?
- Might reduce the postcode lottery, but will likely take some control away from local government
- A Comp model does not necessarily benefit the rich. If premiums are means-tested then over a lifetime, rich may be no better off
- **Affordability is key: how much are we talking about?**

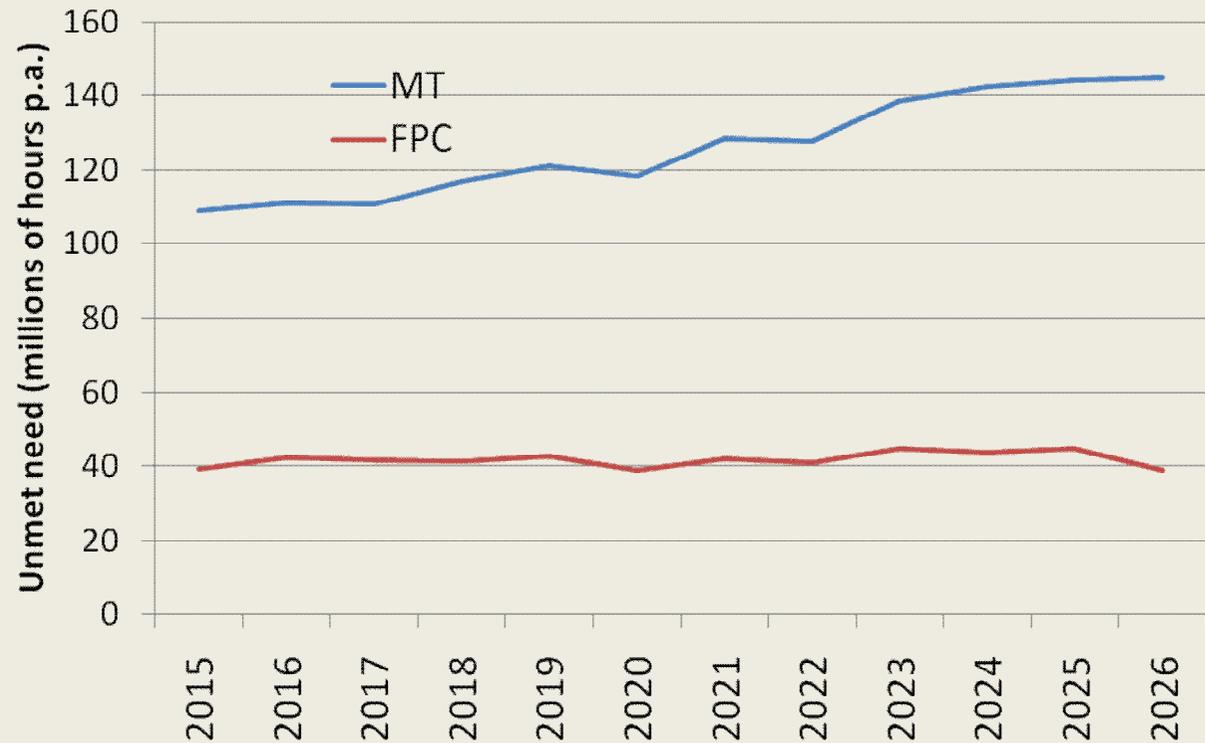
Public costs – Free personal care

England, 2007 prices,
Current packages of care with 70% of average
package defined as 'personal'



Implications of FPC...

- Reduced unmet need
- Reduced spend-down



Some closing thoughts

- The case for change seems to be made
 - All parties with policies in the run up to the election
 - A White Paper before 6 May?
- Extending coverage
- An earmarked contribution may be the way to go.
- Important questions about AA
 - No-one wants to take AA away from people (even hypothetically)
 - ... But (future) financial pressures may force our hand