

Research proposes a new approach to social care means testing in the UK

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The government's confused and complex method of means testing for social care should be replaced by a fairer and simplified approach, according to a new study from Cass Business School.

The Cass research proposes a new approach in which a person's savings and income would be treated on an equivalent basis. Capital limits would also be scrapped and replaced by personal limits based on a person's wealth. Under the new method there would be no need for a cap on care costs.

The new approach suggests financially rewarding people for saving towards their care. Ideas to do this include new accredited savings vehicles which would be disregarded for means testing purposes and the introduction of 'care saving accounts' which could help to bring new money into the system. This would be in the knowledge that savings or additional income would not be used as an excuse for reducing state support as is presently the case.

Professor Les Mayhew, author of the paper and a Professor of Statistics at Cass Business School, said:

"Due to the postponement by government over introducing the new proposals until 2020, it has provided a window of opportunity to review the proposed means testing formula and cap on care costs. Given the current backdrop of fears over future funding and cost of an ageing population, it is sensible to consider whether there is a better way.

"We reviewed the current and proposed approaches to providing financial support for social care and found that we need a 'third' way of treating income and assets more logically and fairly and in doing so it replaces a complex jumble of limits and thresholds. Although technical details are similar, our approach is easier to grasp with fewer administrative costs, ultimately benefiting pensioners and people in social care."

With the number of UK citizens aged over 75 doubling to 10 million by 2040 and with 1.3 million people already receiving social care services in England alone, the demand for long-term care is expected to increase significantly in coming decades. As a result social care funding remains a key public policy challenge.

Currently responsibility for providing care is split between the individual and the state with the state acting as a provider of last resort. Eligibility under the present system for state support depends on one's assets and income. If a user has assets over £23,250 they are assessed as being able to meet the full cost of their care but if they are below £14,250 they are protected. For capital between these two limits a contribution of £1 per week for every £250 of capital is required.

Under the government's new proposal, which was first set out in the 2014 Care Act but postponed due to fears over the cost, the proposed system will be based on the concept of a 'personal budget' which is a statement of the amount of money needed to meet a user's eligible social care needs.

Once the needs assessment is complete a financial assessment is made, known as a 'means test', to see if a user is eligible for state financial support. From this point on, each service user's account will rise in line with the assessed user's personal budget until a cap is reached after which the state pays all future care costs. After due consideration, the

Government set the 'life-time cap' at £72,000. The limit does not cover daily living costs which could more than double the outlay.

The new proposed system by Cass academics aims to:

- Create a means test that can be used both for domiciliary and institutional care with equal clarity
- Make the system fairer and more transparent e.g. by removing 'cliff edges' which cause perverse behaviours such as the deliberate disposal of assets
- Treat people with similar personal wealth, but which is split differently in terms of income and assets, equitably and fairly
- Simplify the rules so that anybody could reasonably be expected to undertake their own assessment with minimal financial expertise or by using resources on the internet
- Bring new money into the system, primarily privately from individuals and not from the state, by providing the appropriate incentives to save

It also suggests that the proposed life-time cap care costs could also be unnecessary since the preferred formula contains a mechanism that automatically limits asset depletion.

Professor Les Mayhew said:

"One is a common perception that care costs, like healthcare, are provided for free and so it is a waste of money to save for something the Government will pay for anyway. This belief is reinforced because for people who do save they may find that their support is taken away on a pound for pound basis depending on their income and assets. A wider consequence of this effect is that the flow of much needed new money into the social care system is arguably undermined as a result.

"As a result, our alternative system offers a new way in which people are not penalised and forced to dispose of assets, and that income and assets are split differently enabling people to be treated more fairly. We also think that the introduction of new 'care saving accounts' could help introduce more new money into the system, thereby reducing the stress on the state."

Baroness Sally Greengross OBE, Chief Executive of the International Longevity Centre – UK (ILC-UK) and Vice Chair of the All-Party Parliamentary Group on Choice at the End of Life, said:

"With the number of UK citizens aged over 75 doubling to 10 million by 2040 and with 1.3 million people already receiving social care services in England alone, the demand for long-term care is expected to increase significantly in coming decades.

"The ILC-UK welcomes this contribution to the urgent and ongoing debate around how to support our pressurised adult social care sector, so that it can support our rapidly ageing society. At a time the CQC has described as a 'tipping point' for the [social care](#) sector, the suggestions contained in this report make an important contribution to a debate that can no longer be postponed."

More information: The report is available online:
www.city.ac.uk/_data/assets/p...dult-social-care.pdf

Provided by City University London

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