

# Free personal care: how to eliminate catastrophic costs



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## **Executive summary**

Our social care system is in crisis, and chronic underfunding is taking its toll on older people. With weekly costs for residential care running into many hundreds or thousands of pounds, too many older people are losing their hard earned savings, and their homes, to pay for vital care and support.

In 2018, Independent Age called for the introduction of **free personal care** with the publication of our report 'A taxing question: how to pay for free personal care'. We believe that free personal care is a fairer, more transparent system that is affordable, and would benefit far more older people than the current system does.

One of the benefits of introducing free personal care would be its very positive effect on catastrophic lifetime costs experienced by older people.

The high cost of care in England comes as a shock to many older people who only discover that it is not free at the point of use, like the NHS, when they require personal care. With high weekly costs, amounting to more than £30,000 per year on average, individuals can watch their savings and assets rapidly disappear to pay for this vital support.

Currently, approximately 143,000 older people face 'catastrophic lifetime costs' of £100,000 or more - that's more than one third of those in residential care.

Free personal care would eliminate 'catastrophic care costs' for everyone, whether they are receiving domiciliary care or are in residential care. Simply put, no one would pay for their care; avoiding tens of thousands of pounds, or even hundreds of thousands in charges at a time when they need support, not financial worries. Free personal care would also remove the unfairness in our health and social care systems, whereby someone who has a long term health condition, like cancer, gets all of their treatment free at the point of use, while someone else, who develops dementia, will be subject to a means test and may end up spending huge amounts on care for the remainder of their life.

The term 'care costs' is often used to describe the overall costs an individual faces when moving into a care home. For this report we will be using the following terms;



The costs of receiving personal care such as help to wash, to get out of bed and to dress etc.



Hotel costs: The costs of non-care related elements of residential care. These include bed, board and lodging.

Lifetime costs: The overall cost of receiving care including both care costs and hotel costs.

### But care costs are not the whole story

Care costs:

Older people in residential care in England don't just pay for their personal care. They must also pay 'hotel costs', which can be around two thirds of the total cost of staying in a care home. It is possible, with a lengthy stay in a care home, for hotel costs to exceed £100,000.

It is crucial that any reforms to the social care system also protect older people from catastrophic hotel costs.

## Caps won't work

Proposals to introduce a 'cap' on costs will fail the majority of older people in two ways. First, if the cap is set at too high a level, many older people in residential care will not live long enough to reach it. Second, most of the proposed caps take no account of hotel costs and therefore leave many older people at risk of catastrophic hotel costs.

Of the various caps proposed during the ongoing debate about the future of the social care system, none benefit the majority of care home residents:

£100,000approximately 5% of older people in residential care£72,000approximately 12% of older people in residential care£35,000approximately 36% of older people in residential care	Care cap set at	Who would benefit
	£100,000	approximately 5% of older people in residential care
£35,000 approximately 36% of older people in residential care	£72,000	approximately 12% of older people in residential care
	£35,000	approximately 36% of older people in residential care

Even an inclusive cap set at £100,000, which includes both personal care and hotel costs, would only benefit 34% of care home residents.

## Free personal care prevents catastrophic hotel costs

With free personal care, which could be introduced at a similar cost (to the Government) to a cap on care costs, only 16,000 of the 421,000 older people in residential care would be vulnerable to catastrophic hotel costs; 4% (adjusted for wealth). In this circumstance, a safeguard is required to specifically protect these 16,000 people, rather than a costly cap, applied to everyone, which would help too few people in residential care.

We believe that free personal care is the radical reform that our social care system urgently needs. It will be fairer, more transparent, and easier to understand than our current system. It will allow older people to stay in their homes for longer, reducing the cost and need for residential care, and will support family carers to spend more time providing emotional support. It will also support the integration of health and social care, and reduce the cost of delayed transfers of care, and the need for NHS Continuing Care. Crucially, it will remove one of the biggest fears for older people who require care: losing their savings and homes to pay for it.

Independent Age sets out three steps for the Government to ensure that no older person in care suffers catastrophic costs;

- 1. Introduce free personal care for all older people who need it.
- 2. Define catastrophic costs (care costs and hotel costs) as 50% of an individual's wealth.
- 3. Introduce a safeguard to protect individuals from catastrophic costs.

## Introduction

In 2018, Independent Age launched our call for the introduction of free personal care for all older people who need it.

With free personal care, older people will receive care free at the point of use, like the NHS. We believe that the introduction of free personal care will have significant benefits for both the public and the government, including:

- Markedly reducing unmet need
- Supporting more people to get care in their own home, reducing the need for more costly residential care
- Eliminating catastrophic costs for individuals and their families
- Creating parity between the support for different long term conditions
- Allowing family carers to provide more emotional support
- Reducing pressure on the NHS, and promoting integration between health and social care

It would also clearly demonstrate that we are a society that values and supports the dignity and independence of people in later life.

Our call for free personal care was supported by the publication of our report 'A taxing question: how to pay for free personal care'. The report identified how much money would be generated by a number of different policy options available to the government to fill the ever-widening social care funding gap in England. The analysis also calculated how far these policies would fund potential social care reforms - free personal care and the care cap.

This report builds on that research and focuses on one of the significant benefits of free personal care, namely, how it can eliminate catastrophic costs for all older people receiving care. In so doing, our analysis also highlights how various proposals to cap the costs of care would leave the majority of older people at risk of catastrophic costs, while costing the government not much less than free personal care.

## What are care costs?

Unlike the NHS, social care is not currently provided free at the point of use.

The average weekly cost of care is high; costs mount up very quickly and can result in individuals exhausting their savings and assets to pay for it.

The average weekly cost of residential care is £615. This amounts to more than £30,000 a year; LaingBuisson, 2018

For those people that require residential care, these costs can be split into two groups; care costs and hotel costs.

Care costs refer to the personal care an individual receives to help them with standard activities of daily living. These might include help washing, getting dressed or preparing a meal.

Hotel costs refer to non-care related elements of receiving residential social care. These might include the costs of bedding, food, building upkeep etc.

Analysis of the Scottish model of free personal care indicates that the care element accounts for 36.7% of overall costs, while hotel costs make up the remaining 63.3%.

## What do we mean when we talk about catastrophic costs?

Let's start by looking at lifetime costs. Lifetime costs are the total amount paid for an individual's care over the full period of time they require care (usually several years). Lifetime costs include both care and hotel costs. For a 3 year stay in a care home, lifetime costs are around £95,000.

### When do lifetime costs become catastrophic?

There is no set definition of 'catastrophic costs' when it comes to care. Often 'catastrophic costs' are defined in relation to setting a care cap (e.g. a care cap of £100,000) suggesting that costs of over £100,000 are catastrophic.

But whether costs are 'catastrophic' really depends on how much money an individual has before they begin paying for care.

Let's say Susan has assets of £800,000. If she needs to pay £100,000 for her care, she is spending 12.5% of her total wealth on her care. David has assets of £130,000. If he needs to pay £100,000 for his care, he is spending 77% of his total wealth on care – more than six times as much proportionately as Susan.

So having a single figure to define catastrophic costs doesn't work. Independent Age wants catastrophic costs to be defined as a proportion of overall wealth. We believe that no one should have to spend more than 50% of their total wealth on care.

# An overview of costs and caps and their limited impact

	CAP:			£35,000	All			£72,000		£10	0,000			
	Time residing in a care home before benefiting from a cap	3 years			inclusive			6.1 years		8.5	8.5 years			
	% of residents the cap would affect	<b>36</b> % of residents			Just over <b>34</b> % of		12 <sup>%</sup> of residents		ļ	Less than 5% of residents				
		Average length of stay is 2 years		residents										
		Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12	
ŤŤŤ	Number of people living in residential care per years length of stay	421,000	202,080	147,350	101,040	75,780	54,730	50,000*	35,000*	25,000*	12,000*	7,000*	2,000*	
££	Cumulative care costs by end of year to which a cap would be applied	£11,752	£23,504	£35,256	£47,008	£58,760	£70,512	£82,264	£94,016	£105,768	£117,520	£129,272	£141.024	
E£	Cumulative hotel costs by end of year to which a care cap would not be applied	£20,228	£40,456	£60,684	£80,912	£101,140	£121,369	£141,599	£161,830	£182,062	£202,295	£222,529	£242,764	
	Cumulative costs by end of year paid by individuals with a £100,000 care cap	£31,980	£63,960	£95,940	£127,920	£159,900	£191,880	£223,680	£255,840	£282,052	£302,280	£322,508	£342,736	
	Individuals are still required to pay significant costs – care costs of up to £100,000 would still be paid by the individual, and hotel costs do not stop when a care cap is reached.											e individual,		
	* Estimated figures									lated figures				

## Free personal care fits

## It benefits people receiving care at home

Free personal care will make all personal care costs free. This means that individuals receiving care at home (domiciliary care) will face no costs at all, as they are not required to pay hotel costs. For these people, the risk of catastrophic costs will be completely eliminated.

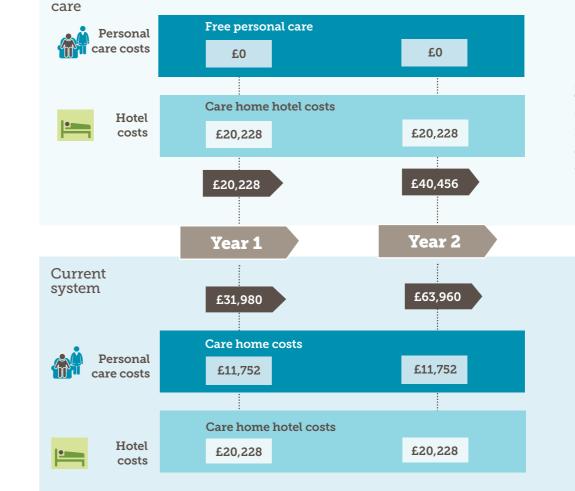
Research in Scotland has shown that since the introduction of free personal care, the number of people receiving care in their own home has increased.

### It benefits people in residential care

Free personal care also means that more than a third (36.7%) of the costs individuals currently face in residential care will be eliminated, significantly reducing the financial burden of living in a care home.

### Benefits to the individual of free personal care versus current system





Free personal

### Only 4% of people would be vulnerable to catastrophic hotel costs

Analysis shows that just 4% of the older population currently living in a care home would be vulnerable to catastrophic costs under a free personal care system.

Under the current system up to 143,000 people are faced with the prospect of spending more than £100,000 for their care.

Under a free personal care system, the number facing costs of more than £100,000 is 80,000.

Of these 80,000, only 16,000 would have costs which could be/are considered catastrophic (would use more than 50% of their wealth).

Independent Age believes the government must introduce a safeguard to prevent these individuals from being liable for catastrophic costs.



## £40,456

Cost to the individual for a 2 year stay in a care home

## £63,960

Cost to the individual for a 2 year stay in a care home

## None of the caps fit

The policy proposal of a cap on care costs has been widely speculated about within the sector and it is expected to feature in the much awaited adult social care green paper.

However, analysis shows that a cap on care costs would be inefficient, and even at its lowest level would deliver poor value for taxpayers' money.

Under a cap system (apart from an all-inclusive cap), everyone would have to continue to pay hotel costs, even after their care costs are capped.

### 1. £100,000 cap on care costs

- Only affects 5% of people in residential care
- Only relevant after 8.5 years in care
- Still ignores catastrophic hotel costs

### 2. £72,000 cap on care costs

- Only affects 12% of people in residential care
- Only relevant after 6.1 years in care
- Still ignores catastrophic hotel costs

### 3. £35,000 cap on care costs

- Only affects 36% of people in residential care
- Only relevant after 3 years in care
- Still ignores catastrophic hotel costs

### 4. £100,000 all-inclusive cap

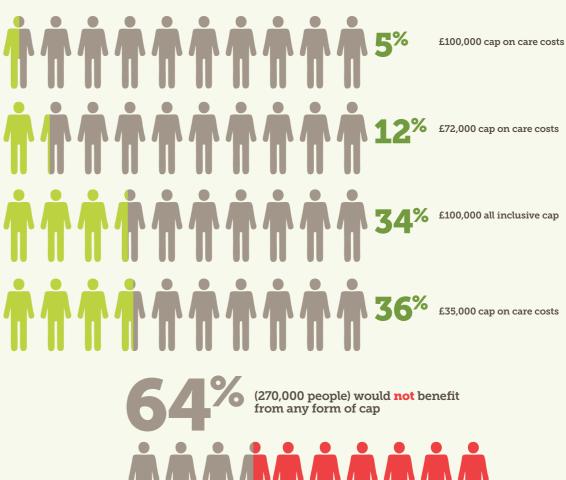
- Only affects 34% of people in residential care
- Only relevant after 3.1 years in care

With the public having waited since before the millennium for social care reform, it is essential that the Government's plans benefit all of those in need of care and not just a select few.

It is clear that no level of cap can adequately do this and it is only under a free personal care system that every older person can benefit from a universal right to social care.

### Number of people affected by a cap







## Conclusion

'Catastrophic costs' may not be a term used by many older people, but we know that many have an ever-present fear of losing their life savings or homes to pay for their care.

A litmus test for the effectiveness of any reforms to the social care system must be that older people and their families are protected from such catastrophic costs in the future.

However, the prevailing definition of catastrophic costs - £100,000 - does not take into account the relative impact of these costs on older people with different levels of wealth.



This must be addressed, and steps taken to ensure that those with modest wealth are not disproportionately affected by accumulating charges for care and support.

In calculating catastrophic costs, hotel costs – the costs of accommodation and lodging in residential care – must not be ignored. As long as they are, catastrophic costs will not be adequately addressed and prevented, and any cap on care costs will fail the majority of older people.

It is our belief that free personal care is the most effective option to address many of the ills of our current social care system, including catastrophic costs. We know that free personal care has the support of the public, of many national and local politicians, and urgently needs the support of our government.

## A way forward

The following steps set out a pathway for the government to ensuring that no older person in care suffers catastrophic costs:

- 1. Introduce free personal care for all older people who need it.
- 2. Define catastrophic costs (personal care and hotel costs) as 50% of an individual's wealth.
- 3. Introduce a safeguard to protect those individuals at risk of catastrophic costs.

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Whatever happens as we get older, we all want to remain independent and live life on our own terms.





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