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Conservative Manifesto: A Reduced Role For Private Payers in Social Care?

The publication of the Conservative manifesto last week highlighted a trend that followers of health and care policy making have seen for the last 6 months – the rise of adult social care on the political agenda. This is set to continue due to:

- A rising awareness of the public that social care services are not free, as NHS services are
- Key voting segments being increasingly exposed to patchy and inconsistent care
- NHS financial strain, in part caused by the lack of adequate social care coverage

The political response to these issues first came through the promise of increased funding for adult social care announced in the 2017 Budget, and now through the proposals set out in last week's Conservative manifesto.

The proposals are complex and implementation will be slow, however, the impact on all providers of care services is significant. Notably, it disrupts the balance of payers in the market potentially converting private payers into government-backed payers and reducing the overall size of the pure private market.

Proposed Reform

Current System

Unlike the NHS, the social care system is not free at the point of need, access to government funded services (administered through Local Authorities - LAs) is both means and needs tested. Currently, LAs have a duty to carry out a needs test for any individual appearing to need care. An individual must meet three conditions to be considered as needing social care:

- Needs arise from or are related to a physical or mental impairment or illness
- As a result, the individual is unable to achieve at least 2 specified outcomes (these include being able to dress, preparing and eating meals, maintaining personal hygiene, house cleaning...)
- This is likely to have a significant impact on the individual's wellbeing

Once it has been established that an individual needs care, a means assessment takes place. To be eligible for LA funded social care, an individual must have less than £23,250k in assets and savings. Where individuals are receiving homecare services, the value of their house is not taken into account. Where individuals are moving into a care home permanently, the value of their house will be taken into account. Individuals who do not qualify for LA support become private payers.

Proposed Reforms Set Out in the Manifesto

The reforms proposed in the manifesto are complex, and not all the details are currently available – we expect these to be set out in the Green Paper on social care funding later this year. The three key facets of the reform are as follows:

- The value of an individual’s home will be included in the calculation of their assets’, which will be used to determine an individual’s eligibility for LA funding for both homecare and care homes (previously it was only included for care homes)
- Individuals with assets worth more than £100k will be expected to pay for the cost of their care until they have £100k in assets remaining (new capital floor), at which point the Government will pay for their care
- Government-backed deferred payments will be offered to individuals with assets worth more than £100k to help them with the upfront cost of their care, so they do not have to sell their home in their lifetime. The deferred payments will be repaid from their estate upon death

Issues Yet to Be Bottomed Out

Policy Variables

There are two key policy variables that will define the shape of the reform: changes to the means test and potential changes to the needs test.

The new proposed means test sets the capital floor at £100k:

- Individuals below this floor will have the cost of their care covered by LAs, as they do in the current system
 - In most cases, LAs pay directly for services
 - Individuals may also receive direct payments or personal budgets to pay directly for the services
- Individuals above this floor will have the possibility to use the new deferred payment system for their care – several questions arise here, including:
 - Purchaser: individuals could either receive cash to pay for the services they use or LAs could purchase services on the individual’s behalf (benefits in kind)
 - Eligibility criteria: it is unclear whether savings will be taken into account – for example, individuals with significant savings might not be eligible for deferred payments
 - Choice of provider: the cost of the provider of care will influence how quickly an individual reaches the £100k floor. The Government could try to influence what rates are acceptable for individuals looking to benefit from the capital floor

The Conservative manifesto does not suggest any changes to the needs test. Criteria are currently set nationally but used to be set locally, which led to variation in access to services as some LAs set the criteria higher than others. Assuming that the criteria continues to be set nationally, it may be reviewed as part of the reform. Individuals eligible for social care under the existing criteria have very high needs, restricting access to care.

Policy Implementation

Reforming the social care system is complex. The Care Act 2014 was the biggest change to the system since its creation in the 1940's. The proposed reform would be another major change, which will require some consultation and will likely be lively debated in Parliament. Once passed, a number of secondary legislation pieces will be needed. As such, the reform is likely to take a few years until it comes into force. There are a number of key questions around implementation, including:







- How the new means test will apply to existing recipients of care
 - In particular, individuals currently receiving homecare who are asset rich but have small savings may become liable for the cost of their care
- Whether LAs or central Government will pay for the upfront cost of deferred payments

Reform Impact

Impact on Individual Access

In the current system there is broadly three groups of people accessing services (set out in graphic 1). Currently, individuals in the first group are not covered by the LA funded social care system for homecare or care homes. Individuals in the second group are covered by the LA funded system for homecare but not care homes. Individuals in the third group are covered by LA funded social care for all services.

Graphic 1: financial profile of service users

2017	 £230k	 £25k	 £230k	 £10k	 £0	 £0
Homecare	Private Pay		LA Funded		LA Funded	
Care Homes	Private Pay		Private Pay		LA Funded	
	Winners		Potential Losers			

When the reformed system is implemented, individuals in the first group will win – £100k of their assets will be protected from care costs, at the moment they are liable for the entire cost of care. Individuals in the second group will lose out from the reforms, as they will have to pick up the initial






cost of their homecare, which in the current system is covered by LAs. The impact on individuals in the final group will be limited.

Impact on the Market

Overall it is possible that these reforms will increase the number of individuals accessing and paying (through one form or another) for care over and above baseline growth driven by demographic pressures. Currently, individuals who pay privately for homecare and care homes often delay accessing services until a point at which intervention is impossible to avoid, or informal care is insufficient. Whilst the new reforms do not make the care free, they lower the barriers to accessing services, with the government fronting the cost. However, this potential increase in the number of users may be offset by individuals in the second group exiting the formal market for homecare as they now bear the burden of payment – albeit retrospectively.

The key impact of the reform on the market is that it disrupts the balance of payers in the market potentially converting private payers into government-backed payers – individuals using deferred payments. Whilst currently the social care services are funded by private individuals and LAs, they may now be funded by private individuals, LAs and individuals using deferred payments. This new type of payer will be formed of individuals who used to be covered by LA funding, new payers entering the market from group 1 (in graphic 1) and individuals who used to be ‘low end’ private pay (graphic 2). This shift, however, relies on individuals receiving deferred payments as cash, rather than as services. Should the Government decide to structure the deferred payment as a benefit in kind (purchased by the LA), an alternative scenario would be that the size of the LA market would grow significantly. However, the precise implementation of the reform plays out the impact on providers of LA and privately funded services will be significant.

Graphic 2: Payer shifts post reform

2017		Policy Variables/Policy Implementation	Post Reform Scenario		
LA	Private		LA (<£100k)	Deferred Payment	Private
		<ul style="list-style-type: none"> • Cash v benefits in kind • Rack rates covered • Capital floor • Treatment of individuals <£100k • Needs test • Timeline • Existing v new recipients • National funding v LA funding 			
Number of individuals in the market = X			Number of individuals in the market = >X		

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