ITEM No. 3

REPORT NO 411/97

ANGUS COUNCIL

SOCIAL WORK COMMITTEE.. 15 APRIL 1997

PAYING FOR LONG-TERM CARE: CONSULTATION ON DRAFT BILL

REPORT BY THE DIRECTOR OF SOCIAL WORK

ABSTRACT

This report comments on the Draft Community Care (Residential Charges) Bill issued by the Scottish Office.

1 RECOMMENDATION

It is recommended that the Social Work committee note the contents of this report and agree it as a basis for comment to the Scottish Office.

2 INTRODUCTION

The Scottish Office has issued for consultation the Draft Community Care (Residential Charges) Bill along with a copy of the policy statement 'A New Partnership for Care in Old Age'. Although the draft Bill is set out in terms of England and Wales it is intended that it will extend to Scotland and Northern Ireland

3 BACKGROUND

In May 1996 the Government issued policy proposals in the White Paper 'A Partnership for Care in Old Age'. The central policy objectives contained in the White Paper are to:

- establish a partnership scheme between Central Government and those wishing to protect their capital from the means test for residential care (applied to savings above £10,000);
- regulate the selling and marketing of long-term care insurance under the Financial Services Act 1986;
- allow residents to pay from resources disregarded from the means test, for more expensive residential sector care than authorities would otherwise provide.

The Bill proposes that the Government will provide an extra £1.50 of protection from the means test for every £1 invested by an individual in either an insurance or immediate needs partnership policy.

4 PROPOSAL

The Joseph Rowntree Trust in a social policy research paper has asserted that where the boundaries are drawn between collectively financed social security and individually financed private provision affects the lives of everyone and the allocation of a large fraction of the national income. Long-term care insurance (LTC) - insurance against care costs in old age was one of three case studies chosen where private insurance is already supplementing state provision. The others were mortgage payment protection and permanent health insurance.

The central questions posed were:

- Do the policies currently available represent good value for money?
- What are the distributional differences between tax funding and premium funding? Who would be the gainers and losers from a shift to private provision?
- Do problems predicted by the economic theory of insurance occur in practice? If so, how do insurers cope, and does this create gaps in cover?
- From these case studies, what can be said about the potential for the private sector to take on other areas of provision which have traditionally been seen as the realm of social security?

The report concluded that long-term care appears to be a most unsuitable risk to be covered privately except for a small relatively wealthy, healthy group. Even as a way of reducing public spending reliance on private insurance in this area looks a dubious proposition, as much of the 'downside risk' would remain with the state, while the considerable costs of private cover would tighten the general tax constraint on Government.

Other commentators have suggested that the Bill raises more questions than answers and that it marks the beginning of what is likely to be a prolonged debate. It is according to research findings not what the public wants as the majority would prefer a compulsory scheme. The partnership insurance proposal would be hard to police and indeed many people believe it is acceptable for assets to be given away to qualify for state support.

Most care organisations believe that the next government will have to come up with far broader proposals than the partnership plan. The high support for compulsion could generate calls for the extension of the national insurance or tax system to cover long-term care.

Under the proposals made in the current Bill it is estimated by Lifetime, a market leader in private care cover, that only about 750,000 pensioners with assets worth between £40,000 and £70,000 should consider making a purchase. People with larger assets would be better off with an unlimited policy that would protect all their assets.

The scheme may also create a perverse incentive to enter residential care as very few people would receive government assistance for paying for care provided at home.

The costs of premiums to older people would also be an issue and would, it has been estimated, range from £6,000 to £10,000 if taken out by people who are already in retirement.

5 FINANCIAL IMPLICATIONS

There are no financial implications for Angus Council arising directly from this report.

6 CONSULTATION

The Chief Executive, the Director of Law and Administration and the Director of Finance have been consulted in the preparation of this report.

7 CONCLUSION

The Government wishes to help people pass on assets to the next generation and prevent homes being sold to pay for long-term care. The proposed partnership scheme would make insurance more 'affordable' but would still be a considerable outlay for most people. The scope of this proposed partnership is too narrow to address what most interested parties regard as the crucial issues in defining the boundaries between collectively financed social security and individually financed private provision.

1 April 1997

W B Robertson
Director of Social Work

NOTE

The undernoted background papers, as defined by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) were relied on to a material extent in preparing the above report.

Paying for Long-term Care - A Consultation Draft of a Community Care (Residential Charges) Bill - HMSO

Private Welfare Insurance and Social Security - Social Policy Research III - Joseph Rowntree Foundation