



FACTSHEET 6

The Care Act – reforming how people pay for their care and support

“For the first time, individual liabilities will be limited, protecting people against the worst aspects of the current care lottery. The increase in the upper threshold for means-tested support to £123,000¹ is also a boost for those with modest resources who are most heavily penalised under the current system. The combined effect of the cap and a higher means test threshold will see more people receive public funding” (King’s Fund)

1: figure based upon April 2017 implementation date equivalent to £118,000 in April 2016.

This factsheet describes how the Act establishes the new capped costs system from April 2016. This will end the unfairness and fear caused by unlimited care costs, and will mean that people with more modest assets receive more support from the State

What are the funding reforms?

People pay for their care costs now and will continue to do so in the future. These measures aim to give everyone the peace of mind that they will get the care they need and that they will be protected from unlimited costs if they develop very serious care needs – such as dementia or other conditions that mean they need many hours of care a day.

From April 2016, the Care Act will introduce a cap on care costs and will provide new financial protection for those with modest wealth.

The **cap on care costs** will reassure many people by providing protection from catastrophic care costs if they have the most serious needs. It is intended that the cap will be £72,000 when it is introduced in April 2016.

The Government will also provide new financial help to those with modest wealth. This will ensure that people with the least money get the most

support. Currently, only people with less than £23,250 in assets and low incomes receive help from the State with their care and support costs. Our changes will mean that people with around £118,000 worth of assets (savings or property), or less, will start to receive financial support if they need to go to a care home. The amount that the Government will pay towards someone’s care and support costs will depend on what assets a person has.

People will be responsible for their care costs as assessed by the local authority, up to the £72,000 cap if they can afford it. They will also be responsible for:

- any ‘extra’ care costs (for example, if they choose a more expensive care option);
- any support that is not covered in the care and support package, such as cleaners and gardeners employed by the individual;
- a contribution to general living costs if they are in a care home and if they can afford it. “General living costs” reflect the costs that people would have to meet if they were living in their own home – such as for food, energy bills and accommodation. This will be set at around £12,000 per year.

The State will be responsible for:

- any further costs of meeting their eligible needs once a person reaches the cap (based on the costs which the local authority would expect to pay for that type of care).
- financial help to people with their care and/or general living costs, if they have less than around £17,000 in assets, and if they do not have enough income to cover their care costs.

Why do we need to change the law?

There is currently no safety net to protect people from losing almost everything they have saved up and worked for in their lifetime. We know that 16% of older people will have care costs of more than £72,000, whilst one in five people will have no care costs at all. No-one knows what their future care costs may be, so these changes will give everyone peace of mind.

What does the Act do?

The Act establishes a cap on care costs. This is a limit on the costs of meeting eligible needs which a person has to pay.

It is intended that this cap will be £72,000 from April 2016 for people of state pension age and over. The cap will be lower for people of working age and will be zero for people who have care needs when they turn 18. The cap amount will be adjusted annually.

People must have their needs assessed by their local authority, as usual. If they are found to have eligible needs and they qualify for local authority support, they will be given a **personal budget** that shows the costs of meeting that person's needs. Those costs will then be what counts towards the cap.

If a person is found to have eligible needs but do not receive local authority support (for financial reasons or from choice) they will be given an **independent personal budget**. This will be equivalent to what the local authority would pay for that person's care and support, if it were meeting their needs.

Both the personal budget and the independent personal budget will be the rate at which people progress towards the cap.

Everyone with eligible needs will also have a **care account** that will show the total cost of meeting those needs over time. The account will show how someone is progressing towards the costs cap.

Once a person reaches the cap, the local authority will have to pay any further costs of meeting the person's eligible needs. The local authority will assess what these costs are. If individuals choose to receive care that is more expensive then they will be able to pay the difference. People will still be required to contribute towards their general living costs.