sarah.swain@mydaspr.co.uk
07932 656891

Publication: Moneywise
Publication Date: March 2015
Circulation: 17,023
Periodicity: Monthly

Plan ahead to pay for care home fees

Long-term care can cost £30,000 a year or more – check whether you qualify for financial help and what to do if you don't

›BY ROB GOODMAN

THE UK'S AGEING population is putting increasing pressure on a wide range of public services but it is also bringing problems much closer to home.

Illnesses such as dementia can put a tremendous amount of strain on a family and the decision to move a parent or a partner into a care home can be one of the most trying families face.

Britain could well be facing a care explosion, too. "Millions of baby boomers are currently reaching their 60s and will need care in the coming 20 years or so, yet the government has not planned for this huge, looming cost," says Dr Ros Altmann, the government's older workers champion. "Estimates suggest that around half the population over age 65

Mydas PR & Marketing
sarah.swain@mydaspr.co.uk
07932 656891

State funding: who qualifies for financial assistance?

If you have assets worth more than £23,250, you will need to pay the full costs of your care but if you have assets below £14,250, you will be entitled to full financial assistance. However, you must still contribute your income minus the weekly allowance of £23.90 for personal expenses.

If you have capital between £14,250 and £23,250, you will also pay a capital tariff of £1 per week for each £250 or part thereof between these two figures.

Source: Age UK

will need to spend at least £20,000 on later life care, and one in 10 will spend more than £100,000."

The cost implications for many people are clearly huge but they vary widely according to location and whether nursing care is also required. Ray Hart, director of care home fee negotiator Valuing Care, says that a typical care home package for 'self-funders' – those people who don't qualify for any financial help and account for 40% of all placements in residential homes across the country – comes to an eye-watering £30,000 annually (or £578 a week). It can be much more.

According to Hart, given the strained situations families find themselves in, relatives will often accept high fees as they think they are getting the best care for their loved one, without truly considering the cost over the long term.

"People can sometimes make a rash decision and not think about the cost at all – then the care home can name its price," he warns.

"In the absence of regulated pricing in the market, fees vary significantly between care homes and also between providers, so it's crucial for people to consider other ways in which they can pay less for their care.

"Valuing Care deals with a lot of cases – more than 50% – where the contract people sign sees them agree to an increase in annual costs, sometimes by as much as 7% a year," Hart says.

When you also consider that self-funders tend to pay between 10% and 20% more than those who have been placed in care by a local authority, thanks to councils' bulk-buying power – then it's clear that families need to try to be savvy. With that in mind, what help is available?

LOCAL AUTHORITY FUNDING

"Everyone is entitled to a social care assessment free of charge from their local authority, which will take into account the person's needs," Hart says.

This assessment aims to work out what sort of care package is required. Social services may not agree that your loved one needs to move to a care home but may recommend some sort of home care such as help to get your relative up in the morning or providing them with meals.

The local authority will then look at an individual's financial situation via a means test. Currently, if you have assets worth more than £23,250 (£23,750 in Wales, £26,000 in Scotland), you will need to pay the full costs of your care. If you have assets of between £14,250 and £23,250, you will have to contribute towards the cost of care on a sliding scale (see box, left). If you have assets of below £14,250, the government will pay the full cost of care but even then you must still contribute all your income (including most benefits) minus £23.90 a week for personal expenses (known as the Personal Expenses Allowance).

Most forms of capital, savings and income will be included in the test, including bank and building society accounts, stocks and shares and property, though the test ignores the value of your home if your partner is still living there. Any benefits you receive are also looked at, while with any jointly held capital you have – such as a

> "Sometimes people don't think about the cost at all – then the care home can name its price"

joint bank account – it will be assumed you hold an equal interest in it.

In certain cases, some individuals will be eligible to have their fees paid outright if they qualify for NHS Continuing Care (see case study on page 56), regardless of their financial situation. But local authorities can also agree to fund a proportion of the cost depending on an individual's circumstances.

Visit gov.uk/apply-needs-assessment-social-services for more information about arranging an assessment.

From April this year, as part of the Care Act, all local authorities in England will have to offer something called a deferred payment agreement if you have less than £23,250 in assets excluding property.

The council will pay for your fees for your lifetime as a loan but will place a legal charge on your property, which it reclaims when the house is sold when you die.

Lizzie Feltoe, policy adviser with charity Age UK, says that some local authorities already offer the service

Mydas
PR & Marketing

sarah.swain@mydaspr.co.uk
07932 656891

"I wish I'd challenged the authority over John's care"

If your family member has a complex and serious ongoing medical condition, they could qualify for NHS Continuing Care. This arrangement sees the NHS entirely fund a care package for someone whether they remain in their own property or move into a care home.

In late 2012, John Norman was diagnosed with pancreatic cancer. While in hospital, staff noticed he appeared confused and the following May was again admitted to hospital with a burst gastric ulcer. He was then diagnosed with limbic encephalitis, a virus that attacks the part of the brain that controls speech, memory and movement.

His wife, Marianne, was told that he had just a 50% chance of survival and was advised that she should start thinking about care home options.

Despite his condition, the couple were told that John's health issues were not serious enough to qualify for ongoing care, so through a combination of savings, John's private pension, and the sale of their motor home, the family were able to pay the £5,000-a-month fees. In total, Marianne believes she has spent around £80,000.

The family eventually got in touch with the Encephalitis Society and after explaining the situation, they were advised to challenge the decision over John's continuing care.

They were recommended solicitors Moore Batch, which successfully overturned the decision. Marianne is due to be reimbursed fees which she paid from June to November to 2014 – £30,000 – while she is currently awaiting a decision from a retrospective panel about the other outstanding fees.

Marianne said: "I wish I had challenged the decision earlier. In hindsight when John was denied this, I should have sought advice straightaway, as being able to secure NHS Continuing Care can make a huge difference to your finances and both yours and your loved one's future."

An estimated 30,000 to 40,000 people a year have to sell their property to cover care home fees

but it isn't "shouted about" as it's expensive for them to run. It is expected councils will use an interest rate recommended by the Department of Health of 2.65% on the loan and will be able to charge administration fees.

USING A PROPERTY

Unfortunately, there is no best way to fund the fees – it will depend on your individual finances and situation. Most people use a combination of their income and savings to pay for fees – and, indeed, sell their property, with an estimated 30,000 to 40,000 a year having to sell their home in order to cover the fees.

Feltoe says that the decision can be an emotional one as it's not a "neutral asset".

"It is quite hard. Families feel the decision is taken out of their hands," she says. "People feel it is unfair but if there is no one living in the home and it is effectively becoming part of a future inheritance, you can see the logic behind it."

Downsizing can also be an option for the partner of someone moving into care in order to cut down on everyday costs, while if the person is well enough to continue living in their home, then equity release – whereby the property owner can receive a lump sum and can continue to live in their home in exchange for letting the provider take a charge on the property to claw back its money on the death of the owner – is another avenue some families consider.

Some families are also choosing to purchase an immediate care annuity. Much like its pension counterpart, providers such as Friends Life and Just Retirement will guarantee your relative an income to pay their fees for the rest of their life in return for a lump sum. Each one is based on a person's age and health but, because individuals are likely to be old or poorly, generally they offer marginally better rates than pension annuities, though they might be closer in comparison to enhanced annuities.

They can also provide families with peace of mind – an annuity means you would avoid the possibility of your

Mydas
PR & Marketing

sarah.swain@mydaspr.co.uk
07932 656891

Claim the support that you need to continue living at home

If your relative is not so unwell to need to go into care but could do with some support around the home, then take a look at these tips, courtesy of Age UK, for how you help them stay independent in their property.

CLAIM ATTENDANCE ALLOWANCE

If you need someone to help you with personal care because you have an illness or disability, you may be entitled to a benefit called Attendance Allowance (£81.30 a week for the higher rate, £54.45 for the lower).

Attendance Allowance isn't means-tested, so you can claim it regardless of your income or savings and is to help people over 65 who have a disability or illness for at least six months to cover the costs of either personal care or someone to check on you.

APPLY FOR A GRANT

You could be eligible for a Disabled Facilities Grant if you need an adaptation that costs more than £1,000. For example, if you're having trouble using the stairs at home and need a stairlift.

If you need help with small home repairs, contact Age UK Advice on 0800 169 6565 to see if there's a handyperson scheme in your area.

relative having to be moved out of their care home if the local authority has to take on their costs due to the fact that you have run out of money.

There are also independent financial advisers (IFAs) who are specially qualified to deal with care home fees and can advise on a broad range of products from the whole care home market, while the local authority should always be a family's first port of call as it will be able to flag up local services that can also be of assistance.

THE FUTURE

In an effort to cut down on the number of people forced to sell their home, a new care cap will also be introduced in April. It is designed to prevent over 65s spending more than £72,000 on care. However, like most things when it comes to care, a complicated set of rules apply.

Only care costs are capped: it doesn't include 'bed and board'. This means people will still be liable to pay £230 a week (or £12,000 a year) out of their own pocket to cover those costs. Some experts estimate the true cap is likely to be closer to £140,000.

While the total care fees cap will be £72,000, the assets threshold (the amount of savings) at which people will receive at least some level of financial support from the government will increase from £23,250 to £118,250: but Feltoe, like many other care experts, says the reform doesn't go far enough and that people will have to be in care for a long time to feel the benefit.

"It is also calculated on what the local authority thinks you should be paying for care, not what you actually are," she says. "So if it thinks you should be spending £150 a week and you are spending £200, only £150 will go towards the cap. This is one of the areas of concern we have. We think the cap will only benefit around one in eight people."

Leading experts in the field of retirement planning and long-term care have also mooted the idea of a tax-efficient savings vehicle specifically designed to cover the costs of care – a Care Isa, if you like. "The government could introduce a separate annual allowance for Isas that are specifically earmarked to pay for care," says Altmann. "Launching such Care Isas would itself help people realise the need to save for care.

"Another possibility is for families to save collectively for the care needs of their loved ones. For example, parents, siblings or children might join together to build up a fund in case one of them needs care. Tax breaks to incentivise this kind of saving, perhaps allowing them to be passed on free of inheritance tax, would help."

As we've seen, care in the UK and how to fund it is one of the most important decisions you and your family can take. However you decide to pay, make sure you plan well ahead for the future and seek advice so you can rest easy that your loved one is in the most suitable home for them.