# Britain's social care system remains far from 'fixed'

*The UK government released a new White Paper on the reform of adult social care at the beginning of December. The paper outlines the government's strategy for 'fixing social care', but as* **Bernard Casey** *explains, the strategy fails to overcome the problem of means-testing. He also makes comparisons with Germany, where, despite a Long-Term Care Insurance Scheme operating since the mid-1990s, means-testing has persisted there, too.*

In September, the UK government announced it had "fix[ed] the crisis in social care once and for all" by introducing a new, dedicated levy on labour incomes. This would raise some £11.4bn per year. At the start of December, it released a *White Paper on Adult Social Care Reform* that laid out more details. Over the next three years, an additional £5.4bn would be allocated to the sector. In fact, all this did was confirm pre-existing fears that most of the levy would go towards meeting the backlog that had developed in the health sector and that very little would go to care. The £5.4bn constitutes but 16 per cent what the levy would raise in the years in question.

**Means-testing in the UK**

Even before the publication of the White Paper in December, further details of care funding were announced. One of the most widely voiced criticisms of current arrangements has been that people going into care might find themselves having to sell their homes to pay for the services they have received.

Care costs are means-tested, and capital is a critical component of the test. For over a decade, proposals had been made about how such a depletion of assets might be mitigated. In 2011, a government-appointed commission had suggested capping own expenditure for people aged 65 and over at a maximum of £35,000 (around £53,000 at today's prices). The current government had committed itself to a maximum of £86,000.

However, in late November, it also made clear that any spending made on the person receiving care that is paid for out of public funds would not be counted towards meeting that cap. This was in direct contradiction to all earlier proposals, and it was widely criticised for being heavily regressive. When the proposals went before parliament, a considerable number of the government's supporters abstained and some even voted against – reducing a government majority of about 80 to only 26.

The spending from public funds is, to a large extent, made up of means-tested payments. Had there been no change in what was to be counted, annual expenditure on preserving the cap would have been £2.1bn per year and not the £1.2bn currently forecast. Of course, the Prime Minister was able to claim that "nobody needing care should be forced to sell their home to pay for it", but less publicly, he added that "no one will be forced to sell a home they or their spouse is living in as it will not be counted as an asset". This, however, was the *status quo ante*. It was the selling of homes at all that some of the public, and particularly the "red top" press, found so objectionable.

**Means-testing in Germany**

In a previous blog discussing the health and social care levy, I drew attention to systems in other countries that also financed social care via an hypothecated tax/contribution. Reference was made to the long-term care insurance (LTCI) scheme in Germany. What is notable about that scheme is that a primary reason for its introduction was to remove means-testing from care provision. Before its introduction in 1995, social assistance helping to pay for care had consumed as much as one third of social assistance budgets – the responsibility of individual local authorities. The object was not merely to shift the burden away from the latter but also to remove the "shame" that older people faced when they needed to pay for care services.

This shame related not only to older people having to go to the social assistance office, but also the fact that the assistance office was obliged to approach close family members to ask them to contribute to any assistance. In Germany, as in many other continental European countries where Bismarckian and Napoleonic "social codes" exist, adult children have an obligation to support their adult parents, and so too do these parents' brothers and sisters. Admittedly, at least in the case of Germany, the income and capital tests applied in cases of upward reference are less severe than they are in cases of downward reference, which operate when an adult child makes a non-care-related claim for social assistance. Nonetheless, older people did not want to be seen to be going to their children for help – or being forced to by the social assistance authorities.

The introduction of the LTCI scheme had a relatively immediate effect. Between 1994 and 2000, the share of publicly financed/obligated care costs fell from 100 to 15 per cent. However, it then then stayed there. There were at least two reasons for this. First, the LTCI scheme covered care costs primarily associated with physical conditions. Very explicitly, it did not cover cognitive deficits such as are the consequences of dementia. Dementia sufferers could access LTCI assistance only if they could also show a qualifying physical condition, and then only on the basis of that condition.

Second, payments from the scheme were frozen in value. This was despite the fact that costs – in particular costs in care homes – were rising considerably faster than prices overall. Such costs were associated with labour and, in the case of care homes, building costs. They also led to increases in “hotel costs” – the costs of food and accommodation – and these the LTCI scheme did not finance at all. On top of this, to the extent that local governments were often fiscally constrained, they had an increasing incentive to exercise their rights to claim from family members and, if necessary, to go to court to do so.

Arrangements to include the coverage of dementia were first made in 2016. Arrangements to enhance benefits levels were first made in 2008 and automatic indexation first came in 2015. Associated with these changes, contribution rates were increased. Between 2016 and the present, these rates were lifted, in two steps, by 0.5 percentage points. Since the initial introduction of the scheme, they have been raised by a full percentage point.

These changes in the LTCI scheme have had some impact. The share of total, publicly financed/obligated costs met by social assistance had remained relatively stable until the mid-2010s. Thereafter, it fell. By 2019, it had reached around nine per cent – a drop of five to six percentage points.

**Lessons for the UK**

The lesson from Germany is that purging social assistance from a social care system costs money. This is what the UK government has yet to show it is willing to do. So far, its fixing of the problem has been done on the cheap. Effectively, it has failed in the claims that were made for the fix. The problem is that it steadfastly refuses to admit this.

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*Note: This article gives the views of the author, not the position of EUROPP – European Politics and Policy or the London School of Economics. Featured image credit: Dominik Lange on Unsplash*

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