



## 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...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)

*This factsheet describes how the cap on care costs system and the extension to means-tested financial support for care costs will work from April 2016. These reforms will end the unfairness and fear caused by unlimited care costs and provide more people with financial support from the State towards the costs of their care and support.*

#### **Why are we changing the law?**

Unlike health, care is not free at the point of use. Everyone has to contribute something towards their care costs now and this will continue in the future.

The current system is unfair. Only people with assets of less than £23,250 and low incomes receive any help from the State with their care and support costs. People who develop severe care and support needs that need to be met over many years may stand to lose almost everything they have worked hard and saved for during their lives before they can get any financial support from the State.

We know that 1 in 8 of us will be unlucky enough to face the highest costs but no-one knows which of us that will be. These reforms will give everyone the peace of mind that they will be protected if they are unlucky enough to develop severe care and support needs.

#### **What are the funding reforms?**

The reforms aim to give everyone the peace of mind that they will be protected from catastrophic care costs by means of a **cap on care costs** that will

limit the amount people have to pay towards their eligible care and support. There will also be an **extension to means-tested financial support** which will work in conjunction with the cap to ensure that people retain more of their assets, and that more people will receive help with the costs of their care from the State.

#### **What do the Act and Regulations do?**

The Care Act establishes the legal framework for the reforms. Regulations made under the Act will come into effect in April 2016 to implement the funding reforms outlined in this factsheet.

#### **Cap on care costs**

From April 2016, adults up to the age of 25 will have a zero cap for life. Everyone else will have a cap of £72,000. In addition, the amount that people of working age outside a care home are left with after charges will be increased year on year until it is equalised with the level for older people. This is known as the Minimum Income Guarantee.

#### **How the cap on care costs works**

##### **(a) Progressing towards the cap**

Progress will be based on the costs of meeting a person’s eligible care and support needs less any contribution to daily living costs (see below) for people in a care home. These will be set out in a person’s **personal budget** if they are receiving local authority support, or if they are meeting the costs themselves, their **independent personal budget**

(IPB). An IPB reflects the amount it would cost the local authority to meet a person's eligible care and support needs if it was required to do so.

### **(b) Daily Living Costs**

Wherever we live, we face the same basic costs for things such as rent, food and utilities, irrespective of whether we have a care and support need. As such, these costs will not count towards the cap. To ensure fairness between people receiving care in different settings, a person in a care home will continue to contribute towards these costs. As it is often difficult to separate the costs of care and support costs and daily living costs for a person in a care home, a notional amount for daily living costs will be set in the regulations at £230 per week.

### **(c) Keeping track**

Everyone will have a Care Account that will be held by the local authority to record their progress towards the cap.. It will set out the rate at which a person is progressing and how much they have accrued towards the total. Local authorities will send statements at least annually.

### **(d) Reaching the cap**

When a person reaches the cap the local authority will have to meet the person's eligible care and support needs. Everyone will continue to be responsible for their daily living costs after they reach the cap.

### **Extension to means-tested financial support**

The amount that the State will pay towards someone's care and support costs will continue to be means tested dependent on the person's assets and income.

From April 2016, the upper and lower capital limits for means tested support will be increased so that more people will become eligible for local authority financial support.

### **(a) New upper capital limits**

Where a person is in a care home and the value of their property is taken into account when working out what they can afford to pay, they will be eligible for local authority financial support if they have assets of £118,000 or less (increased from the current upper capital limit of £23,250).

People in care homes whose property is disregarded (for example because their spouse remains living there) and people who receive care in any setting outside a care home will be eligible for local authority financial support when their assets are £27,000 or less (increased from current upper capital limit of £23,250).

### **(b) New lower capital limit**

Anyone with assets of £17,000 or less (increased from the current lower capital limit of £14,250) will be required to contribute only from their income only and not their assets.

### **Extending choice of accommodation**

People who receive local authority financial support and whose care and support needs have been determined to be best met in a care home may choose more expensive accommodation than the amount set in their personal budget..

The additional costs associated with such choices (known as "top-up" payments) must be met by the person themselves ("first party top ups") or a third party such as a family member or friend, under a written agreement with the local authority. Currently, there are restrictions on the circumstances in which people themselves can make top-up payments.

In order to facilitate choice, the regulations will lift the restrictions on first party top-ups in April 2016. However, the decision to make top up payments will remain completely optional and will, as now, be subject to the person making the payments being willing and able to do so and a written agreement with the local authority.

### **How do I comment on the proposals?**

We have published draft regulations to implement the funding reforms described in this fact sheet and draft guidance for local authorities that sets out how they should carry out their responsibilities in this regard.

More information is available at:  
[www.careact2016.dh.gov.uk](http://www.careact2016.dh.gov.uk)