

NHFA Warns Public to Prepare Themselves for Long-Term Care Costs

A Joseph Rowntree Report issued today 'Future Costs of Long Term Care for Older People'¹ predicts care spending to rise by 315% in real terms by 2051 to meet demographic pressures and rising costs. This assumption based on dependency rates, patterns of care and current funding arrangements remain unchanged. But will they?

The NHFA warns people to be prepared for the fact that the majority of this cost will not fall on the public purse but on the individual. Ownership of property and savings will take the majority of older people above the means test threshold for paying for care.

The majority of older people are owner-occupiers. In 2001, among people aged 50 to 64 living in private households in Great Britain, 80 per cent were owner-occupiers. This compares with 72 per cent of people aged 65 to 84 and 61 per cent of people aged 85 and over.²

Property ownership trends over the last 20 years have changed dramatically due to the number of schemes that aim to provide low-cost home ownership, such as the right to buy. Owner Occupied dwellings have increased by 43 percent over the last 20 years from 12.2 percent of the housing stock to 17.4 percent whilst properties rented from local authorities have fallen by 45 per cent from 6.1 percent to 3.4 per cent over the same period.³

In 2003 the chance of living in a long-stay hospital or care home for the 85 plus was 21.4%⁴

Taking all these statistics together people should face the inevitable fact that although they have been encouraged to become owner-occupiers they must also look upon their properties to fund long-term care if needed. There are no longer any insurance companies providing pre-funded Long Term Care Insurance so planning ahead can only be through savings and the possible purchase of immediate need care fee payment plans.

Philip Spiers, Director at NHFA says "The picture doesn't look rosy if you take into account other factors like the alarming drop in care home capacity which can only force prices up if following normal market trends. But all is not lost if older people or their families seek advice if the need arises to maximise State assistance and benefits and consider appropriate options for meeting care costs."

Case Study - John, aged 82 a widower was enjoying an active retirement including a pint in his local pub until sadly he contracted Motor Neurones Disease. Determined to stay at home he arranged to live on the ground floor and finance various home adaptations. His homecare costs amounted to £35,000 per annum which could only be partly met from income leaving a sizeable shortfall of £18,000.

The NHFA Solution - John was advised to claim attendance allowance a non-taxable, non-means tested benefit providing currently £58.80 per week towards care costs. To fund the remaining shortfall of £15,000 per annum he chose an immediate need care fee payment plan which provided this income for as long as he needed it, increasing by 5% annually at a cost of £48,000 funded from his savings.

Eighteen months later his health further deteriorated and he had to move into a local nursing home. No extra outlay was needed because the tax free care plan income with his NHS nursing contribution was adequate to meet the cost. His house was later sold and the proceeds invested for growth into a range of government gilts and commercial property funds.

At this point in time John had spent over £42,000 on his care costs but his remaining assets have the potential to continue growing steadily to provide the inheritance he so wished to leave his sons

This case study illustrates that care costs can be met and a substantial amount of the Estate preserved with appropriate advice. *This is an actual case study the name has been changed to protect confidentiality.*

Sample Immediate Need Care Fee Payment Plan Prices

Gender (M or F)	F	M	M	F
Date of Birth	25/01/1910	11/08/1920	01/01/1915	14/04/1908
Plan Income PCM (£) escalating by 5% pa	750	971	900	953
Health Impairment	Heart Disease	Dementia	Dementia & Stroke	Dementia & Stroke
ADL Failures				
Dressing	✓	✓	✓	✓
Bathing	✓	✓	✓	✓
Feeding		✓	✓	
Toileting	✓		✓	✓
Mobility	✓	✓	✓	✓
Cognitive impairment		✓	✓	✓
Company Offers (£)				
PPP	37.444	40504	22.914	42.412
NU/AGE CONCERN	37.152	71132	41.643	43.955
PAFS	32.804	65897	28.556	47.154
GE LIFE	49.061	72182	40.246	33.452

Source NHFA Care Fees Advice 0800 99 88 33 www.nhfa.co.uk

NHFA advice and information is free and available to all regardless of means and combines financial advice with the complexities of local authority charging and assessment procedures, health authority responsibilities, DWP benefits and legal matters. The aim of the NHFA is to enable older people meet the cost of their chosen care for life whilst also preserving their original capital, independence, dignity and right of choice.

Copies of the NHFA Long Term Care Guide and detailed information sheets can be obtained from NHFA, St Leonards House, Mill Street, Eynsham, Oxford, OX29 4JX.

Care Advice Line 0800 99 88 33 www.nhfa.co.uk

Notes for Editors

The following statistics were drawn upon to form the opinion given above.

1. Joseph Rowntree Report - <http://www.jrf.org.uk/knowledge/findings/socialcare/944.asp>
2. National Statistics Focus on Older People (Housing) –
<http://www.statistics.gov.uk/cci/nugget.asp?id=877>
3. National Statistics Stocks of Dwellings by Tenure –
<http://www.statistics.gov.uk/StatBase/ssdataset.asp?vlnk=7320&Pos=4&ColRank=2&Rank=272T>
4. Ibid, table 1.2 (Risk of living in a care home or long stay hospital by age, UK 2003