

Older People in Care Homes Penalised if Self-Funding

Older People forced to sell their homes to pay for care are being penalised by rising care costs and having to use the proceeds from their former homes to prop-up a failing care system.

Key findings from NHFA analysis of data over the last five years shows:

- Whilst inflation has increased by just 17%¹ nursing home fees have increased by a staggering 60%² over the same period.
- The average shortfall in income required to meet nursing home fees is £17,540 per annum³, an increase of 83%.
- The capital required on deposit to fund this shortfall is £555,063⁴ an increase of 92%
- The Commission for Social Care and Inspection (CSCI) in its report 'A Fair Contract With Older People'⁵ found that:

Of councils surveyed four out of 10 councils provided less support to older people funding their own care;

Twenty-two out of 38 (58%) of care homes charged self-funding people more for their care than those funded by the council and;

People who are expected to pay for their own care are particularly disadvantaged by a lack of information, support and advice at every stage in making a decision about going into a care home.

Professionals acknowledged that they found the funding system confusing, particularly given different contributions from the council, the NHS and third parties.

Philip Spiers Managing Director of NHFA Care Fees Advice says "We totally agree with CSCI's findings and the evidence from our analysis of recent data and calls taken on our advice line supports the fact that older people funding their own care are getting a raw deal. Not only are they paying more to cross subsidise the State they are not getting the advice and support they need when at their most vulnerable

Very few people seek specialist advice when paying for their care and are not only missing out on State funding and support but also the specialist financial products⁶ that can be utilised to ease the financial burden forced upon them making the whole situation that much more tolerable."

Notes for Editors

1. NHFA Care Advice Line is free and available to all regardless of means and encompasses advice on State funding and support, choosing care and the options for meeting the cost. Freephone 0800 99 88 33 Website www.nhfa.co.uk
2. The following tables illustrate the % change in relevant data between 2002 and 2007

	2002	2007	% Change
Increase in RPI ¹	770.6	820.6	+ 17%
Average residents income per year ²	7,178	9812	+ 37%
Average Deposit Interest Rate ⁴	2.56%	3.16%	+ 0.6%
Nursing Homes			
Average Nursing Home Fees ²	20,436	32,604	+ 60%
Average residents income per year ²	7,178	9812	+ 37%
Average Shortfall in income ⁷	9,618	17,540	+ 83%
Capital required to fund shortfall	288,359	555,063	+ 92%
Residential Care Homes			
Average Residential Care Fees ²	14,560	23,140	+ 58%
Average residents income per year ³	7,178	9812	+ 37%
Average Shortfall in income	7,382	13,328	+ 81%
Capital required to fund shortfall	288,359	421,772	+ 46%

3. Immediate Need Care Fee Payment Plans

Sample Immediate Need Care Plan Prices			
Gender (M or F)	F	F	M
Date of Birth dd/mm/yy	22/01/20	23/2/10	5/1/13
Plan Income Per Calendar Month (£) increasing at 5% pa compound	980	2640	1850
Medical Condition	Dementia and Stroke	Stroke	Heart
Activity of Daily Living Failures			
Dressing	yes	yes	yes
Bathing	yes	yes	-
Feeding	yes	yes	yes
Toileting	yes	yes	yes
Mobility	yes	yes	yes
Cognitive	yes	-	yes
Company Offers - Income escalating @ 5% PA compound (£)			
AXA PPP	43,536	105,661	77135
Partnership Assurance	58,783	104,651	72843
Tomorrow	80,523	94,152	86063
These figures will vary according to individual circumstances. Source: Insurance company quotes compiled by NHFA Care Advice.			

Immediate Care Plans (ICPs) can provide tax free, increasing payments for as long as someone needs care. Their price is subject to medical underwriting and, as the table above indicates can vary tremendously between providers, the more impaired the life the lower the cost. Normally requiring just part of a property's sale proceeds to purchase ICPs can potentially cap the cost of care to the cost of the

plan as well as providing the security and reassurance of a regular income regardless of any fluctuations in interest rates or stock markets.

4. With Inflation standing at about 3.1% and a typical savings rate of about 3.16% net means that in “real terms” anyone who has placed property proceeds on deposit is getting a meagre positive return on their money of 0.06% a year.
5. Sources of Data: ¹ RPI – Office for National Statistics 09/02 to 09/07, ² Laing and Buisson Survey of Care Home Fees UK averages, ³ NHFA analysis of client incomes, ⁴ Interest Rates - Money Facts, ⁵ CSCI report ‘A Fair Contract With Older People’ can be found at www.csci.gov.uk ⁶ Specialist financial products for meeting care costs include ‘Immediate Need Care Fee Payment Plans – Sample premium table below. ⁷ Average shortfall in income takes into account NHS Nursing Care Contribution of £101 per week.

For Immediate Release 4th January 2008

Contacts:

Philip Spiers – T: 01865 733000
(Managing director) M: 07989 383 422
E: philipspiers@nhfa.co.uk

Irene Borland – T: 01865 733000
(Advice Line Manager) E: ireneborland@nhfa.co.uk