How to pay for long-term care

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How to pay for long-term care Photo: Howard MacWilliam
By Emma Simon 11:21AM BST 02 Apr 2010

Last week's White Paper on funding care for the elderly failed to answer one key question: what about those that need care today?

Regardless of who wins the next election, and whether we end up with a compulsory tax to pay for a National Care Service or a voluntary insurance scheme, neither scheme looks set to be up and running until at least 2015.

Further consultations, royal commissions and a "staged" approach to reforming the care system are more likely to be the order of the day. But this does not help the estimated 140 people who go into the "self-funded" care system every day – nor the thousands who will need nursing care or help with everyday activities, such as washing or dressing themselves, over the next few years.

Financial help for those needing long-term care is limited as local authorities not only assess an individual's health needs, but also their ability to pay. With councils short of cash, help is often restricted to those on the lowest incomes with the most severe health needs.

In what has been described as "the meanest of means tests", those with assets of more than £23,000 – which in most cases will include the value of their home – are given no help at all with care costs.

The "self-funders" may receive a weekly contribution towards nursing costs, depending on their health needs, but will have to pay for accommodation costs and personal care costs in full. Given that it now costs more to keep your granny in an "average" care home for a year than it does to educate a child at Eton, the cost of looking after elderly relatives is causing a huge financial problem for millions of families.

Chris Horlick, the managing director of long-term care at the insurance company Partnership, said: "A place in a nursing home now costs an average of £36,000 a year. But these averages can be deceptive. If you live in the South East and are looking for a decent nursing home, it could easily cost £50,000 or more." A place at Eton for a year currently costs just under £29,000.

It is not surprising that many thousands of elderly people are forced to sell the family home to meet these care costs. One of the main problems facing families caught in this position, is where they can get proper advice on the options and help available. For most people their first port of call is the local authority, or NHS Trust. Neither have a particularly good record of providing clear information on the complex and labyrinthine care system. To make matters worse, many families find they are trying to wade through a financial and legal quagmire at the same time as dealing with a serious family illness and emotional upheaval. As a result, many fail to claim the help to which they are entitled. But there are steps that many families can take to protect their assets and secure the best care for a loved one. The following information should provide a good starting point:

SEEK ADVICE

Arm yourself with information at an early stage, so you can full consider all options. As Stephen Lowe, a policy adviser at Age Concern, said: "Older people all too often have to make a major life decision at very short notice following a crisis, such as a bad fall or stay in hospital." Where possible, seek help from a qualified adviser who can weigh up the pros and cons of the various options outlined below and evaluate your individual circumstances.

GET YOUR NEEDS ASSESSED BY SOCIAL SERVICES

Older people are entitled to an assessment – do not let social services fob you off by saying your needs are not "high enough" or you have too much money. You might not qualify for help after the assessment, but it will still give you the chance to discuss ongoing health needs with an expert.

Mr Lowe added: "Don't assume an assessment means you will end up in a care home. Alternatives are often arranged, which could involve making adaptations to your current property, receiving help in the home or moving to more sheltered accommodation, rather than full nursing care".

People retain the right to have their needs reassessed at any point, should their condition change.

KEEP YOUR HOME OUT OF THE COUNCIL'S CLUTCHES

Although those with assets of more than £23,000 are expected to meet care costs in full, there are certain situations in which the value of the home will be disregarded. If you fall into one of these categories, make sure the council is assessing your ability to pay properly. The value of your home should not be taken into account if a surviving spouse or partner lives there, or another relative aged 60 or over, so if a daughter, or sister has moved in as a carer this could help reduce future care costs. In addition, it should also be disregarded if care needs are classified as "temporary". If the value of any other assets, apart from your home, are worth less than £23,000 then you should not have to pay for care costs for the first 12 weeks.

Many couples do not realise that they may be able to take the home out of the care equation altogether by altering the way in which it is owned. Most couples buy a property as "joint tenants", which means on the death of either, their share is automatically transferred to the other. But for a small fee you can change the ownership to "tenants-in-common", which gives either party the right to bequeath their share to whomever they like. If on the death of the first spouse their half of the home is passed to the children, or into a trust, then it is possible that the whole home may be disregarded should the surviving spouse need nursing care at a later stage.

Alex Edmans, of Saga, explained: "The current guidelines state that councils are supposed to look at the market value of the home. It could be argued that this is nil if half is owned by a third party that is unwilling or unable to buy out the other owner and has no wish to sell their stake." She stressed, however, that these are guidelines and there is no guarantee the local authority will interpret the rule this way. But even if this fails to take the home completely out of the equation, at worst just half its value will be taken into consideration when assessing your ability to pay.

But do not fall into the trap of simply giving your home away to your children. The local authority has the right to grab assets that have been deliberately disposed of to avoid paying care fees. However, the tenants-in-common wrinkle does not fall under these rules because the gift is only made on death.

Many people want to preserve the value of the family home, to ensure they leave an inheritance, but Mr Horlick cautions those considering such actions that this reduces their ability to choose the type of care they receive and where they stay. In some cases, the standard of care may be higher for "self-funders" compared to those who fall back on local authority care.

REQUEST A DEFERRED PAYMENT PLAN

If your assets, excluding your property, are worth less than £23,000, the local authority cannot force you to sell your home. Instead, you can request that a charge is put on the property to be repaid on your death. This then allows the property to be rented – which may help subsidise care costs. It also allows your estate to benefit from any future property rises. Ms Edmans said: "This does give some families more flexibility. Your dependants could then take out a mortgage on the property after your death to pay the charges if they want to keep the home, or pay this bill from other assets."

BUY AN IMMEDIATE NEEDS ANNUITY

Rather than simply sell the home and use the proceeds to pay care fees, it is worth investigating whether this money should be used to buy an annuity, which pays a fixed income for life.

This can provide a degree of certainty for those moving into care, as they know their fees will be guaranteed to be paid for life; their money will not "run out" and they will not have to move into a local authority-run home later. There is also the reassurance that whatever is left from the sale of the home, once the annuity has been bought, can be left to the next generation.

Of course, the downside is that if the person dies shortly after going into nursing care, this is likely to be a more costly option than simply paying the fees direct. But many families are willing to take this risk for the peace of mind of knowing care fees will be met indefinitely. Figures indicate that one in 10 people in a nursing home live for more than eight years.

There are a number of specialist providers that offer these annuities, including Partnership and Axa PPP. Anyone applying for an annuity will undergo a medical and the exact charge for the annuity will depend on their current health, age and gender. Costs can be significantly reduced if those going into care agree to pay just the first year's care costs.

According to Partnership, the cost of buying an immediate care needs annuity, for an 85-year-old woman suffering the early stages of dementia, would be about £85,000. This would pay an annual income of £16,443. In this example, the person would have to live for just over five years for the annuity to pay for itself.

CLAIM THE CORRECT BENEFITS

Even those who have to pay towards their care costs could still be entitled to higher state benefits. Make sure any relative in care is claiming attendance allowance. This is not means-tested and from this month pays a weekly tax-free amount of either £47.80 or £71.40, depending on your level of need. This higher payment is made to those who need care during the day and at night.

If you are receiving care in a nursing home, you should also be eligible for the registered nursing care contribution, paid at £108.70 a week in England. This is paid direct to the home and offsets the cost of your care.

In Scotland, those needing nursing care will also be paid a contribution towards personal care costs (do not assume they are free north of the border). However, those in Scotland do not claim attendance allowance as well.

INVEST IN A LIFE-INSURANCE BOND

If you have money tied up in any investment plan that has an element of life insurance, and this will include endowments, with-profits bonds and insurance bonds – then this should be excluded by your local authority when calculating your ability to pay care fees.

However, if two weeks before you go into care you sell your investment portfolio and put it all in an insurance plan, then this is likely to fall foul of the council's "deliberate deprivation" rules. However, if you have held these plans for several years before needing care this capital is likely to be disregarded from any means test.

ASK FOR NHS CARE

If care needs are overwhelmingly medical and deemed "complex and unstable" you may qualify for NHS-funded continuing care, which means all bills are met in full, including residential costs. But the strict eligibility criteria mean few people qualify, and even those who do are reassessed regularly. If their condition stabilises, care costs will revert to local authority control, which means patients will be assessed for an ability to pay again. But if a condition worsens, ask for a reassessment for continuing care.