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Leading Health Economist, William Laing proposes novel solution to long-term care cost sharing

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William Laing has today published his 'Personal Asset Protection Guarantee' (PAPG) White Paper. Under this proposal individuals are guaranteed to keep about three-quarters of their personal assets in the event of their needing residential care in their old age.

The White Paper deals with the question of how the cost of long term care should be divided between the state and those individuals (mainly property owners) with care needs who have the resources to pay for themselves. The PAPG proposes a novel mechanism which defines individuals' eligibility for council support for residential care in terms of the percentage of each individual's assets which has been spent down since being assessed as needing care.

William Laing argues that the PAPG will be more efficient and equitable as well as easier to understand than the combination of threshold extension and care cost cap. It will also offer peace of mind to all property owners (who account for more than 70% of the older population at risk of entry to a care home), not just those in 'spending down' sight of any feasible threshold such as the £100,000 mooted by the Government at the time of the June election.

Other benefits of the PAPG proposal include lower assessment, care management and administrative costs since it will not require the monitoring of individuals' care costs. It also means there is less risk of 'payor shift' creating instability in the commercial care home sector in less affluent areas of the country.

William Laing said:

"For two decades successive governments have struggled to arrive at a comprehensive new settlement for sharing long-term care costs between individuals and the state. In that time, the forecast ageing population has become a reality. People need a straightforward and effective mechanism which allows them to plan for their long-term care without worrying this will become a burden for their families, either before or after their death. Insurers need to be encouraged that there are real opportunities to build long term care insurance products around whatever scheme is put forward by government. And government needs a scheme which is inexpensive to administer and monitor.

"The novel approach that I am proposing in the PAPG offers all of these possibilities. It requires the value of an individual's assets to be assessed by their local council at the time they are found to need care and the individual will be guaranteed that once a certain percentage of their assets have been spent down, they will be eligible for support from the council, subject to income related user charges. My calculations indicate that a PAPG that allows individuals to keep 73% of their assets would cost the state the same as an asset threshold of £100,000 and a lifetime care cost cap of £72,000."

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Notes to Editors

About LaingBuisson

LaingBuisson, the leading health and social care market intelligence provider, has been serving clients for over 30 years, providing insights, data and analysis on market structures, policy and strategy. We are the chosen provider of independent sector healthcare market data to the UK Office for National Statistics (ONS) and work with providers, commissioners, payors, manufacturers, investors, regulators and advisors. We help our clients to understand their markets, make informed decisions and deliver better outcomes through market intelligence, consulting and data solutions.

For more information, please visit our website at www.laingbuisson.com.

About William Laing

William is the founder of LaingBuisson, a well-known healthcare economist and a leading commentator on healthcare and social care. His views are often quoted in the media and he is frequently invited to speak at conferences and to participate in think tanks and policy initiatives.

Before founding LaingBuisson in 1976, William worked for the Association of the British Pharmaceutical Industry and the Office of Health Economics where he was Deputy Director.

William has a BSc Econ from the London School of Economics.

William Laing will be part of a panel responding to Andrew Dilnot's keynote speech at the inaugural Royal London Annual Lecture, 'Where now for Social Care Funding?' which takes place on Thursday 12 October. He will speak about the Personal Asset Protection Guarantee in his response.

About the Personal Asset Protection Guarantee (PAPG)

The concept of the PAPG can be outlined as follows:

- The baseline for the value of each individual's assets is crystallised at the time when that individual seeks an assessment from their local council and is found to need care, followed by an assessment of means (no difference in principle from the current regime).

- The individual is guaranteed that once X% of their baseline assets have been spent down (other than through inappropriate divestment, which is already defined in CRAG rules) they will be eligible for financial support from the council in the usual way, subject to income related user charges.

- The individual may seek a further assessment at any time (as now). If care is still needed and assets have been depleted by X% or more, the individual will be eligible for council support (note that the council will have a record of the prior value of any property at the time of the initial assessment, which will make any re-valuation easier).

The full report can be viewed here: https://www.laingbuisson.com/wp-content/uploads/2017/10/LaingBuisson_PAPG_Oct2017.pdf

Payor shift

The term 'payor shift' is used to represent the share of care home residents (excluding those qualifying for NHS funded continuing healthcare) who would otherwise have been private payers but would become eligible for council support following an extension of the asset threshold (to £100,000 from the current, 2017, upper threshold level of £23,250).