



Cass Business School
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New research calls for private sector funding schemes for long-term care

New research into the potential for private sector funding of long-term adult care shows that very few people can afford to pay independently for such care from income alone and new sources of funding are urgently required to meet this financial gap.

The research from Professor Les Mayhew at Cass Business School, London, investigates a variety of products that would suit a range of needs and financial circumstances. These include a form of equity release from the value in people's homes that would not require them to lose them, 'top up insurance' to bridge the gap between income and care costs, and disability linked annuities (DLAs).

DLAs operate like a pension but provide enhanced payments when a person becomes disabled and needs care. DLAs could operate within public as well as private pension schemes and so everyone with a pension would have the chance to participate. Existing financial products such as immediate needs annuities are also described in the paper.

Although these products may not cover all possible risks and therefore all needs, they would bring much needed new money into the long term care system and lift some of the future burden from the tax payer as the population ages.

With large numbers of people living on very low incomes and with limited housing wealth to pay for care not everybody would be able to afford or make use of these products. To meet this need the concept of 'Long Term Care' (LTC) bonds is proposed which would be attractive to many including those on low incomes and could be purchased over the counter.

These would work like premium bonds and pay prizes each month, but would only be cashable at the point of need. Unspent bonds would pass to a person's estate and could potentially pay for funeral costs.

Professor Mayhew said: "Taken together the products would extend choice and provide something to meet most people's circumstances. Since all of the products would work within the grain of existing products and systems, the costs of implementation would not be as high as for a completely new system based on greater state intervention."

The Department of Health is today expected to publish a green paper setting out proposals for reforming adult social care. Currently the UK spends about £19 billion on adult social care of which around a third is privately funded and two thirds publicly funded. The cost of informal care provided between families and friends is estimated to be worth £58 billion a year making a total of £77 billion.

By 2030 the UK population aged 80+ will increase by 33% to 3.7m by 2020. Increases in the population on this scale will significantly increase the number of people requiring care. How future costs will be shared between individuals, families and the state is one of the key questions facing the UK today.

"It is important to have a different option on the table before we go headlong into setting up a complex and bureaucratic state run system", said Professor Mayhew. "Whatever happens following the publication of this Green Paper, it will take years to set up a new system and could run into endless teething problems.

"There is a window of opportunity for alternatives to be tested and for the private sector to be given their chance. The options identified in this research could meet a wide range of needs and give back personal responsibility".

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Notes to editors:

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