

STATEMENT TO BE MADE BY THE MINISTER FOR SOCIAL SECURITY
ON TUESDAY 18th JUNE 2013

New Long-Term Care Benefit

In May last year I issued a ministerial statement on the timetable for the introduction of the long-term care benefit. Today, I am very pleased to announce that substantial progress has been made on the development of the new benefit over the last 12 months and I can confirm that I will be lodging a proposition next month for debate in September setting out the full details of the scheme. Subject to the approval of States Members, I will be introducing the new benefit from 1 July 2014, with contributions being collected from 1 January 2014.

As members are aware, the Island faces a substantial increase in both the number and proportion of older residents over the next 30 years. Care costs are predicted to more than double by 2044. The younger generation just starting out on their working lives will bear a significant burden in terms of supporting not only the long-term care costs, but also the health costs and the pensions of the baby boom generation as they reach the age of 80 and beyond.

The original long-term care proposals outlined in 2011 would have led to a contribution rate of approximately 4.6% by 2044 and I do not believe that it is acceptable for the current generation to knowingly impose such a heavy burden on our children and grandchildren. Over the last 12 months detailed research has been undertaken to identify a benefit scheme that will provide significant assistance to homeowners and those facing very high care costs, whilst at the same time setting the long-term contribution rate at an acceptable level.

I believe that my current proposals achieve this balance and share the responsibility for care costs fairly between individuals who are receiving care and the general population who will provide the funding for the long-term care fund.

A ring-fenced long-term care fund will collect contributions from across the community and provide benefits to support the costs of those of us who need long-term care.

As suggested in my previous statement, long-term care contributions will be levied on both earned and unearned income and the Jersey Taxes Office, acting as the agent of Social Security, will use existing methods to collect the contributions. In future, anyone who pays income tax will also make a contribution to the ring-fenced long-term care fund.

My proposals will limit the maximum amount that anyone will have to pay for their long term care to £50,000, putting to an end the current uncertainty and concern generated for homeowners and their families when faced with unknown and potentially very significant care costs.

Once the cap of £50,000 is reached, the ongoing care costs will be met from the new ring fenced fund.

People receiving care in a care home will make a separate co-payment of £300 per week towards their accommodation and living costs throughout their time in care.

The proposed scheme will also protect home owners. The value of the family home up to the average value of a two bedroomed house – currently £391,000 - will be excluded from any assessment, as well as at least £25,000 of other savings. Individuals with larger properties will be

able to register a charge against their property in respect of the £50,000 care cap. A similar exemption will apply to the savings of people who do not own their own home.

By sharing the cost of care in this way, the contribution rate in 2044 is reduced by nearly 40% from the original estimate of 4.6% down to 2.8%.

In the short term, rather than the 1.5% contribution rate previously suggested, I will be proposing an initial LTC rate of 1%. However, as existing income tax allowances, thresholds and marginal rates will be used in the calculation, the effective rate for most LTC contributors will be well below the headline rate of 1%.

It is my intention that this 1% rate will remain fixed for at least five years.

Sharing the cost of care in this way has several major advantages:

- the scheme can be introduced in 2014, knowing that the long-term costs are affordable;
- individuals and their families will no longer need to worry about how they would meet potential care costs of hundreds of thousands of pounds;
- people will be able to plan for their future care costs, by setting aside this fixed amount; and
- all standard care fees in excess of £50,000 will be met by the long-term care fund.

Lower income claimants will continue to receive support to cover the cost of both their care fees and their living costs on a means-tested basis.

The new benefit will be available to individuals receiving care in their own home and the details of the scheme are being designed to encourage care at home, as far as possible.

Over the next year, whilst these arrangements are being put in place, the existing income support residential care scheme will continue and anyone worried about the cost of care fees should approach the Department for advice.