

# Intergenerational Fairness Forum Sustainable Social Care Funding

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# CURRENT SYSTEM FAILING

- Burden on younger generations
- No funding set aside at local, national and individual levels
- Babyboomers don't know how bad the system is
- Nobody has prepared for care in advance
- No risk pooling – means-test + double penalty for self-funders
- Strain on NHS 'safety net' as funding for prevention disappears

# CARE SYSTEM NOT UNDERSTOOD

- 1.4million people have unmet needs
- System is unfair, unpredictable, underfunded, falling standards
- Artificial distinction: health vs. care Millionaire with cancer vs. widow with dementia
- NHS vs. local authorities (dates back to Poor Laws)
- Leaves risk of younger generations picking up bills in future

# NO SILVER BULLET

- Insurance solutions – risk pooling vs. burden on small groups
- Savings solutions – more private funding
- If all the burden falls on taxpayers or those in need, the system can't be sustainable
- Younger people may have time to prepare – national insurance?
- Delivery improvements – integrate health and care
- New narrative: not about old people, about families, loved ones

# CARE – TWO STAGES

- **Short term: Existing pensioners pose largest near-term risk**
- Issues of fairness within and between generations
- Babyboomers could use savings, pensions, housing, charge estate
- **Long-term: National Insurance solution**
- Spread cost across population by incorporating into NI
- New savings incentives to build up care fund

# SAVINGS-BASED SOLUTIONS

- Baby boomers do have savings
- Average ISAs of over 65s value over £40,000 each
- New incentives for care saving
- Care ISAs - IHT free if unused (e.g. up to £100,000 pp)
- Tax-free pension withdrawals
- Workplace Savings or Insurance Plans, Vouchers for Eldercare
- Equity Release

# INSURANCE RISK-POOLING SOLUTIONS?

- Welfare State didn't cover care costs of aging population
- Adapt National insurance beyond pensions and health
- Most pay something, reduces individual burden in case of need
- Charge on estates?
- Life insurance pays out early for care
- Private care insurance can help prevention – e.g. house insurer demands locks, smoke alarm, burglar alarm

# CONCLUSIONS

- We haven't prepared for aging population: next crisis after pensions
- Integrate health and care for fairer system – prevention + support
- Fund care in advance, not just at point of need
- Future national insurance reform
- Care savings Incentives
- 21<sup>st</sup> Century Welfare State adapted to rising longevity