



# **Future of Care Funding Role of the Private Sector**

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## Care in Crisis

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- Worse than pensions crisis as population ages and care needs rise
- No money set aside privately, not enough publicly
- Can't just tell people to wait longer!
- No integration of Care with NHS – no incentives to save money on NHS
- Local authorities cutting spend from already inadequate levels
  - No ring-fencing of new money
- NHS is the most expensive option – and the safety net!
  - NHS will run out of resources

## What's gone wrong – funding of care?

- Policymakers focus later-life income on only pensions
- No private pre-funding for care (and billions in pensions is not enough)
  - No savings incentives for care
- Insurance can't deliver unlimited costs cover
- Public funding falling as demand rises
  - New money not being ring-fenced
- Stark means test: £23,250 – many use all their assets and fall back on state

## Vital elements to improve care funding - Challenge to Government

- Information and education – only 7% of self-funders get proper advice
- Tax incentives for care saving plans – workplace incentives?
  - Care ISAs
  - Care Annuities
  - Insurance (pricing?)
  - Family Care Plans
- Equity release

## Using the home

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- A house could be considered precautionary savings or insurance policy
- Asset is there, but not for care! - political problem
- 1 in 4 over 55s still has a mortgage,
  - Average mortgage £61,000, average house value £231,000
  - But would people then be slower to repay their mortgage?
- Local authority deferred payment plans

## Insurance

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- Immediate needs annuities – only 8,000 a year
- Standard annuities provide regular income but won't cover high care costs
- Long-term care insurance is a market failure
- Pooling risk makes sense
- Developing insurance could improve prevention
  - e.g. burglar alarms, locks for house insurance

## Conclusions

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- Two big challenges:
  - Delivery of care efficiently and cost-effectively
  - Funding care adequately in advance, not at point of need
- Partnership approach makes sense
- Role of private sector to help pre-funding
- Will it encourage new products for care? Not on its own
- You can argue with the detail but reform is essential – avoid long grass!!