

March 2001

Long Term Care Insurance Consultation Document

We read with interest your proposals outlined in the document *Long Term Care Insurance* and are pleased to respond. It is not our intention to respond to the specific questions the consultation document raises. However, we do have some general points that we would like the Treasury department to consider.

Our 1996 Inquiry *Meeting the costs of continuing care* ([Foundations 1](#)) chaired by Sir Peter Barclay, recommended a **compulsory** national care insurance scheme set up at arms length from government and paid for within clearly defined upper and lower limits. Our view is that through compulsion and by pooling risk, this remains the most **equitable** and sensible way forward to meet the costs of long term care needs. I am pleased to enclose a copy of our report and recommendations for your information.

Of the four options outlined for Long Term Care Insurance in your document, we are of the view that the following two are the most viable:

Model 1 – State regulation of current market provided through a National Care Agency

Our view is that regulation would make the long term care insurance market more attractive, and would go a long way in terms of increasing public confidence and offering real choices. We would see this as being advantageous for both the consumer and provider.

Model 2 – Government regulates and authorises agreed insurance providers

Whilst not experts on the best forms of regulation, we would see the involvement of the FSA as being a sensible way forward. However, as a part of our own Inquiry, we did listen, and continue to do so, to the views of older people, and understand their anxieties about selling their own homes to meet long term care costs, and the availability of sufficient care to meet their needs. It is therefore vital that the FSA take a consumer focussed approach to regulation that goes beyond the financial viability of the insurance providers.

The Foundation's work in this field indicates the need for more **resources** to pay for long term care. Whilst we recognise that the government has gone some way to meet these costs by the introduction of free nursing care. We remain **firmly** of the view that without **additional funds** from the state, present and future long term care provision will continue to be inadequate to meet the needs of our ageing society.

We see long term care insurance, as an attractive and relatively cost effective way of people contributing to these costs. However, without **compulsion**, this will remain a **choice** made by individuals that will be left as late as possible, and therefore we believe is not a viable option.

JRF are of the view that in the longer term there needs to be full regulation of long term care insurance, coupled with authorisation of qualified providers. The benefits of such a compulsory scheme would be to spread the risk to the largest pool of people, and would avoid cherry picking and 'adverse selection'.

Overall JRF are broadly supportive of the proposals outlined in the Long Term Care Insurance consultation document.

However, our research in this area indicates that there is a much larger, systemic issue at stake which relates to the role of the State in creating the right context for meeting the needs of older people in the 21st century.

I have enclosed the Inquiry report and would be delighted to share our knowledge in this field with you or discuss any other points you may wish to raise.