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The last thing Britain needs is a new universal entitlement for the elderly

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Overcompensating" is common in politics.

When MPs see electoral damage from a policy, they can react by reaching for a seemingly popular, yet misguided, alternative. That is surely the context for new Conservative thinking on funding elderly social care.

The party's 2017 manifesto proposed changes to the current "asset floor" system that produced a political firestorm, arguably costing them a majority in the election. Care users were to fund their own residential or domiciliary care by drawing down wealth, until their assets depleted to £100,000. Below that, government spending would finance basic care. This proposal was more generous than the current system for many (an asset floor of £23,250 operates for residential care today), equitable across care types, and with a bill deferrable to end of life. But commentators and the opposition, playing on ignorance of the status quo, dubbed it a "dementia tax." The idea sank.

Now some Tories are pivoting to a different but worse proposal. Theresa May ally Damian Green recommends a new "universal care entitlement" (UCE), modelled on the state pension. Individuals would be encouraged to finance add-ons and provide funds for better-than-standard care. But today's means-tested system would be replaced by central government financing basic care for all who need it. That represents a significant shift in funding responsibility from individuals to taxpayers.

With a rapidly ageing population, now is the worst possible time for introducing another entitlement for the elderly. On current policies, government spending on health, pensions and care is projected to rise from 14.2pc of GDP now to 23.9pc of GDP over five decades. An open-ended commitment on social care, where costs are highly sensitive to productivity and caseloads, transfers substantial further demographic risk on to the public balance sheet.

This risk is made worse because the cost of Green's UCE looks grossly underestimated. Back in 2011, the Dilnot Commission estimated a cap on private lifetime social care spending at £35,000 would cost taxpayers £2.8bn a year by 2020-21. Yet Green reckons his universal entitlement will cost just £2.5bn, despite displacing more private funding and further adding the cost of room and board. Even if phased in such a way that the entitlement only applied to new users, commitments would grow above the Dilnot level in time.

The idea that this "state pension model" would deliver a settled consensus seems unlikely too. Care homes today cross-subsidise local authority patients with higher private fees. Yet if state-funded patients became the norm, the opportunity to do this diminishes. Government payments effectively then become price controls that would need to rise substantially to ensure care home viability. One can already envisage campaigns for step-change increases in funding, as we saw with the state-pension triple-lock. It doesn't take much imagination to foresee a Labour party making hay of care homes demanding higher fees to ensure profits either. With the government price controls creating shortages in some areas and tales of care homes charging extras for "luxuries" that many consider necessities, regulation, particularly over staffing, will proliferate. The sector would become a sitting duck, one scandal away from a Labour nationalisation.

None of this is to deny, of course, the country's long-term care challenges. Deficit reduction, by squeezing local authority budgets, has imposed severe pressure on an industry facing rising staffing costs due to the National Living Wage. More support may be necessary. Green is right too that shifting funding to central government would overcome the current incentives for councils to block new residential care homes. Today, those in long-term care are purely a cost to local authorities, meaning new homes bring higher council spending demands.

But as ever in this policy area, those challenges, of ensuring quality, choice and more home-living options, are placed behind the question of "who should fund care?" The answer – "government first" – is based on a challengeable assumption: that it is unjust for old people to use their own assets to pay for their own care.

This view is widely held among the public too, but it's unclear why. Each annual cohort that passes 65 has approximately £163bn in non-pension assets. Total homeowner equity among over-65s is £1.56 trillion. The proceeds from selling the average house paid for just 3.7 years of care in 1971. By 2008, this had increased to 8.8 years. Care costs, in other words, are a tiny fraction of today's pensioners' wealth.

What's more, the primary purpose of long-term saving is to address old age needs. Yet somehow a view has become entrenched that assets should be sacrosanct from care needs and that "children" have a right to inherit all their parents have saved. This sense of entitlement is more questionable, as care homes have increasingly replaced "children" making sacrifices to care for their own parents at home.

Increasing longevity means the "children" these days are themselves usually around retirement age, with pensions, often good incomes, property, and sometimes financial assets.

Their desire for potential inheritances to be protected is understandable. The public policy imperative to do so, given the otherwise larger tax squeeze on working age folk, is less clear.

Yes, the current means-tested system brings an element of luck that a government might see as unconscionable. But there are many ways governments could enforce or encourage long-term care saving, from mandatory personalised savings accounts right through to increasing asset floors substantially for those who've made provisions.

The universal model proposed by Green though goes much further than necessary to mitigate that problem. It would be a costly and intrusive new commitment based on the questionable judgment to protect inheritances. The 2017 election has a lot to answer for.

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