

# CITY A.M.

## **General Election 2017: Forget the outrage, Prime Minister Theresa May should not have U-turned on social care**

Ryan Bourne

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When is a U-turn not a U-turn? When it's made by strong and stable Prime Minister Theresa May, of course, who insisted yesterday that her sudden pledge to cap the amount of money people will pay towards their social care was in no way a change of tack.

The Tory leader put on an impressive show of defiance, but is fooling no one. While the move is understandable, and will ease political pressure on her campaign, it is a shame she didn't stick to her guns.

The original manifesto proposal was a reasonable conservative compromise to the UK's social care dilemma, and a simple evolution of what has been the case for years.

Right now, individuals who move into a residential home finance their social care costs themselves by depleting their assets down to a floor of £23,250. Below that, the state pays.

But after the publication of a report by Andrew Dilnot in 2011, there has been well-orchestrated pressure to shift the burden of financing away from individuals to taxpayers. Campaigners wail about old people "losing their homes" as cover for the self-entitled demands of those set to inherit.

Dilnot's solution to this perceived problem was to impose a total lifetime social care cost cap of £35,000 per individual. Once your social care costs exceed that, taxpayers would pay. The government had planned a somewhat higher £72,000 cap starting in 2020. But the major financial implication of capping at all was taxpayer protection of the "children's" inheritances, particularly those of the very wealthy, who tend to stay in social care for longest.

In last week's manifesto, the Conservatives rightly abandoned this overhaul, sticking with the "safety net" approach, rather than broader taxpayer insurance. They would equalize the means tests for residential and home-based social care, increase the generosity of the asset floor to £100,000 (from £23,250) and enable all to defer payment until death.

This looked like a fair (but still generous) compromise. It would maintain a significant safety net for an individual requiring social care, and his or her family. For the taxpayer, it prevents an expensive new commitment to an unfunded liability, important given demographic trends. And it entrenches the idea the first port of call for paying for care should not be the state, but individuals themselves.

Given most potential inheritees will themselves tend to be older with large assets and numerous options, including paying for care out of their income, renting out the parent's home or using equity release, this is reasonable.

One can see why the left-wing nationalists – who want to grow the NHS by integrating social care – would object, but what are the conservative gripes, aside from naked self-interest?

Some say it is unjust because outcomes are determined by luck or chance. Have a heart attack or cancer, your family gets to keep the full estate. Suffer dementia for years and then pass away, and the assets are depleted to £100,000, eroding the inheritance.

But life itself is a lottery. Many factors which contribute to wealth accumulation owe something to luck. Homeowners have been lucky, for example, that policymakers have imposed tight planning laws that drive up house prices. Government cannot correct for all instances of luck and should not try.

Another objection is that this approach discourages saving. Some believe it will encourage people to spend, dish out their wealth through gifts earlier in life, engage in behaviour that will make quick death more likely, whilst those who do “the right thing” will be penalised.

Certainly there are some perverse incentives, but the instances of those living it up and then falling back on the taxpayer are the price you pay for a safety net. The alternatives are no safety net whatsoever or a hugely expensive nationalisation of care funding.

The policy was not perfectly constructed, but its motivations were rational, coherent, pro-individual freedom and fiscally sensible. While the wish and hope of having more money to inherit is understandable, it is not the taxpayer's job to provide it, and the Prime Minister should not have bowed to pressure.

*Ryan Bourne occupies the R Evan Scharf Chair in the Public Understanding of Economics at the Cato Institute in Washington DC.*