

NHS and care costs

I do not understand how hypothecating a small part of National Insurance revenue for the NHS and social care works. Assuming the government presses ahead with an increase in National Insurance for next year alongside a dividend tax levy the bulk of the NHS and social care will still be paid for out of general taxation. The government is talking about 8% of the Health and social care budget for the UK being paid for from the levy. Each year presumably there would need to be an additional analysis of how much revenue the extra NI/Care levy would collect alongside a bid for total funds needed to pay for the services concerned, with the danger that the forecast of additional revenues was wrong. Potentially the care sector could get less than planned. I guess then the amount would be topped up out of general taxation, further undermining the case for a small element of pledged tax revenue.

In the past the Treasury has always stood out against a specific tax financing a specific service for good reasons. This time they are assisting a muddle. How can we believe that the extra money going to the NHS from the NI increase will only be temporary? How can we be sure that chosen amount of extra NI will be the right amount for future social care needs? Past evidence suggests these public services always need more than planned. If 1.25% extra on NI would offer a permanent fix someone would have tried it by now.

The government should start with a wide ranging analysis of current social care, then proceed to what extra costs the state should accept. Paying for it is best settled when you know how big the bill will be and what you would get for it. Budgets are meant to be about priorities. If social care needs more maybe some less urgent or desirable expenditures should be discontinued. The Paper issued yesterday tells us to await a White Paper in the autumn on reforming social care, and on the integration of social care with the NHS. These might give us better insight into how much money the government will actually need to offer to the providers. The Paper does not provide the detail of how much people can claim under means tested arrangements to cover social care costs where they have £20,000 to £100,000 of assets. The lifetime cap on care costs is set at £86,000 whatever the person's wealth.