

Title: Impact Assessment of Help with Health Costs passporting under Universal Credit IA No: DH3156 Lead department or agency: Department of Health Other departments or agencies: Department for Work and Pensions	Impact Assessment (IA)		
	Date: 01/10/2015		
	Stage: Final		
	Source of intervention: Domestic		
	Type of measure: Other		
Contact for enquiries: Stephen Lock 020 7972 5392 Gina Jones 020 7972 2954 Uma Moorthy 020 7972 5501			

Summary: Intervention and Options	RPC Opinion: Not Applicable
--	------------------------------------

Cost of Preferred (or more likely) Option			
Total Net Present Value	Business Net Present Value	Net cost to business per year (EANCB on 2009 prices)	In scope of One-In, Measure qualifies as Two-Out?
£1721m	£m	£m	No NA

What is the problem under consideration? Why is government intervention necessary?
DWP is leading an overhaul of the benefits system under which Universal Credit (UC) will replace a number of existing means-tested benefits, most of which DH use as the entitlement ('passporting') criteria for Help with Health Costs (HwHC). The population entitled to UC will be much greater than the number eligible for those benefits that we currently passport, so a much larger number of people could become eligible for HwHC if all UC claimants were passported. Given the financial challenges, and the need to prevent additional costs to the NHS, some criteria need to be put in place to limit access to passporting to specific groups of UC claimants.

What are the policy objectives and the intended effects?
DH's aim is to broadly align entitlement through UC with the current arrangements for providing entitlement to people via DWP benefits and Tax Credits, while avoiding additional costs to the NHS. This will be achieved by passporting UC recipients whose income falls below a given earnings threshold - the use of earnings thresholds is the agreed solution cross-Government for managing passporting volumes. DH proposes two earnings thresholds below which UC recipients would receive passported entitlement to HwHC - a lower threshold roughly equating to DWP benefits which passport to HwHC, and a higher threshold equating to the Tax Credit HwHC passporting criteria.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)
Option O: (Do Nothing) – all recipients of UC are passported onto HwHC
Option X: (align to current eligibility criteria) – passport a) those on UC with no children or disability whose net earnings are £500 or less per month, and b) those on UC with dependent children or disability whose net earnings are £1083 per month or less per month.
Option Y: (ensure total number of people passported remains the same) – passport a) those on UC with no children or disability whose net earnings are £435 or less per month, and b) those on UC with dependent children or disability whose net earnings are £935 or less per month. **This is the preferred option**
Option Z: (minimises the number of losers) – passport a) those on UC with no children or disability with zero net earnings and b) those on UC with dependent children or disability whose net earnings are £992 or less per month.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: March/2016					
Does implementation go beyond minimum EU requirements?			Yes / No / N/A		
Are any of these organisations in scope? If Micros not exempted set out reason in Evidence Base.	Micro No	< 20 No	Small No	Medium No	Large No
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: N/A		Non-traded: N/A

I have read the Impact Assessment and I am satisfied that (a) it represents a fair and reasonable view of the expected costs, benefits and impact of the policy, and (b) that the benefits justify the costs.

Signed by the responsible Minister:

Jane Ellison

Date: 01/10/2015

Summary: Analysis & Evidence

Policy Option X

Description: Passport health benefits to UC recipients a) without children and/or disability with net earnings of < £500 p.m and b) with children and/or disability of < £1083 p.m.

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2016	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £1310m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

This option puts in place monetary thresholds that allow eligibility for Help with Health Costs. This delivers financial savings compared to the counterfactual. Therefore these figures are included in the benefits section

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£520m	£395m	£1310m

Description and scale of key monetised benefits by 'main affected groups'

The monetised benefits are calculated as the savings in health costs for a reduced number of net gainers under this option compared to the do nothing option. The number of net gainers is reduced as a result of introducing an earnings threshold as an additional qualification criterion alongside being a recipient of Universal Credit.

Other key non-monetised benefits by 'main affected groups'

The impact assessment focuses on the financial impact of providing help with health costs. It does not monetise any changes in health of the people at the boundary of qualifying or not qualifying for help.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

All estimates presented in this IA are based on UC volumetrics supplied by DWP, based on the 2012-13 Family Resources Survey - note that the DWP data do not yet factor in the impact of the July 2015 Budget. Cost estimates are based on the assumption that HwHC claimants in the UC population exhibit the same characteristics and behaviours as HwHC claimants in the previous benefit system.

BUSINESS ASSESSMENT (Option X)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	NA

Summary: Analysis & Evidence

Policy Option Y

Description: Passport health benefits to UC recipients a) without children and/or disability with net earnings of < £435 p.m and b) with children and/or disability of < £935 p.m.

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2016	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £1721m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

This option puts in place monetary thresholds that allow eligibility for Help with Health Costs. This delivers financial savings compared to the counterfactual. Therefore these figures are included in the benefits section

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£682m	£519m	£1721m

Description and scale of key monetised benefits by 'main affected groups'

The monetised benefits are calculated as the savings in health costs for a reduced number of net gainers under this option compared to the do nothing option. The number of net gainers is reduced as a result of introducing an earnings threshold as an additional qualification criterion alongside being a recipient of Universal Credit.

Other key non-monetised benefits by 'main affected groups'

The impact assessment focuses on the financial impact of providing help with health costs. It does not monetise any changes in health of the people at the boundary of qualifying or not qualifying for help.

Key assumptions/sensitivities/risks

Discount rate (%) 3.5%

All estimates presented in this IA are based on UC volumetrics supplied by DWP, based on the 2012-13 Family Resources Survey - note that the DWP data do not yet factor in the impact of the July 2015 Budget. Cost estimates are based on the assumption that HwHC claimants in the UC population exhibit the same characteristics and behaviours as HwHC claimants in the previous benefit system.

BUSINESS ASSESSMENT (Option Y)

Direct impact on business (Equivalent Annual) £m:			In scope of OITO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	N/A

Summary: Analysis & Evidence

Policy Option Z

Description: Passport health benefits to UC recipients a) without children and/or disability with net earnings of zero p.m and b) with children and/or disability of < £1000 p.m

FULL ECONOMIC ASSESSMENT

Price Base Year 2015	PV Base Year 2016	Time Period Years 5	Net Benefit (Present Value (PV)) (£m)		
			Low: Optional	High: Optional	Best Estimate: £1664m

COSTS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Cost (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate			

Description and scale of key monetised costs by 'main affected groups'

This option puts in place monetary thresholds that allow eligibility for Help with Health Costs. This delivers financial savings compared to the counterfactual. Therefore these figures are included in the benefits section

Other key non-monetised costs by 'main affected groups'

N/A

BENEFITS (£m)	Total Transition (Constant Price) Years	Average Annual (excl. Transition) (Constant Price)	Total Benefit (Present Value)
Low	Optional	Optional	Optional
High	Optional	Optional	Optional
Best Estimate	£666m	£499m	£1664m

Description and scale of key monetised benefits by 'main affected groups'

The monetised benefits are calculated as the savings in health costs for a reduced number of net gainers under this option compared to the do nothing option. The number of net gainers is reduced as a result of introducing an earnings threshold as an additional qualification criterion alongside being a recipient of Universal Credit.

Other key non-monetised benefits by 'main affected groups'

The impact assessment focuses on the financial impact of providing help with health costs. It does not monetise any changes in health of the people at the boundary of qualifying or not qualifying for help

Key assumptions/sensitivities/risks Discount rate (%) 3.5%

All estimates presented in this IA are based on UC volumetrics supplied by DWP, based on the 2012-13 Family Resources Survey - note that the DWP data do not yet factor in the impact of the July 2015 Budget. Cost estimates are based on the assumption that HwHC claimants in the UC population exhibit the same characteristics and behaviours as HwHC claimants in the previous benefit system

BUSINESS ASSESSMENT (Option 1)

Direct impact on business (Equivalent Annual) £m:			In scope of OIOO?	Measure qualifies as
Costs: N/A	Benefits: N/A	Net: N/A	No	N/A

Evidence Base (for summary sheets)

Problem under consideration

People in receipt of certain benefits from DWP have additionally been given access to a range of 'passported' benefits by other government departments. Help with Health Costs (HwHC) is one such passported benefit available from Department of Health (DH). Other passported benefits include Healthy Start, Free School Meals and Legal Aid.

HwHC covers:

- free NHS prescriptions;
- free NHS wigs and fabric supports;
- free NHS dental treatment;
- entitlement to sight tests funded by the NHS and to vouchers towards the cost of glasses or contact lenses; and
- help with the cost of travel to receive NHS treatment on referral.

People receiving the following benefits have historically been passported to HwHC by DH:

- Income-based JSA
- Income-related ESA
- Income Support
- Pension Credit Guarantee Credit
- Tax Credits (where someone has income not exceeding £15,276 (gross) and has a child and/or a disability).

However, Universal Credit (UC), which is currently being rolled out by DWP, will replace a number of benefits. These include most of those which currently provide passporting to HwHC, the so-called 'legacy benefits'.

The affected benefits are:

- Income-based JSA
- Income-related ESA
- Income Support
- Tax Credits
- Housing benefit

Interim arrangements for the introductory phase of UC were put in place whereby all UC claimants are passported to HwHC. However, with UC rolling out nationally, arrangements need to be reassessed.

Rationale for intervention

Because of the design of UC, a greater volume of people will receive UC than are currently passported to HwHC via 'legacy' benefits. For example, housing benefit, which is not currently passported, will be incorporated into UC.

Therefore passporting all UC claimants would increase the cost (by decreasing revenue) to the NHS.

In the current challenging financial climate, with significant pressures on NHS budgets, the Government has agreed that the impact of UC on passporting arrangements **should be cost neutral for Departments**. This means that we cannot afford to passport everyone on UC.

Policy objective

As the volumes of claimants moving into UC grow, a mechanism needs to be put in place to limit passporting to specific groups of UC claimants. The Social Security Advisory Committee (SSAC) was asked to look at the impact of UC on the range of passported benefits, including HwHC. They provided advice on how these might be targeted, acknowledging the cost constraints. Following the publication of the SSAC report (Universal Credit: the impact on passported benefits, March 2012

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/214611/ssac-rev-of-pass-bens.pdf) there was agreement across Government to use earnings thresholds, at least in the short to medium term, as the mechanism to identify eligibility for passporting of UC claimants.

In identifying the right level and structure for the earnings thresholds to be applied to HwHC, our intention has been to replicate as closely as possible the current arrangements, so that those groups who currently qualify for HwHC would continue to qualify for HwHC under UC. However, this has been considered within the cost constraints referenced above and within the constraints imposed by the structure of UC, which means that some people may gain entitlement (such as the incorporation of housing benefit, which does not currently provide passporting, within UC) and some may lose (for example, through the capital limit in UC), outwith any decisions on thresholds. The extent to which the work incentive is supported has also been a consideration.

Description of options considered (including do nothing)

To align broadly to the current system of passporting people to HwHC, we need to introduce two earnings thresholds, each of which affects a different group of people (note also that these groups do not overlap).

One of these, the **lower threshold**, broadly covers the group that would currently be passported via DWP benefits (e.g. income-based JSA and income-related ESA).

The other earnings threshold, the **higher threshold**, broadly covers claimants with children and/or a disability for those currently passported via Tax Credits. Note that under tax credits, 'disability' is determined by the inclusion of a disability element or severe disability element; under UC, this will be determined by the inclusion of a Limited Capability for Work (LCW) or a Limited Capability for Work Related Activity (LCWRA) element.

If we aimed to match the thresholds to the passporting arrangements through the 'legacy' benefits, the lower and upper earnings thresholds would need to be set at £500 pm, equivalent to net annual earnings of £6,000 pa, and at £1,083 pm, equivalent to net annual earnings of £13,000 pa respectively. This is because UC is based on monthly net earnings. The equivalent gross earnings levels would be £6,000 and £15,276 pa, respectively.

The lower threshold would reflect the effect of disregards and erosion of entitlement in the current benefit system, where everyone getting the minimum amount of Income Support (IS) /Job Seekers Allowance (Income-based) (JSA(IB)) and Employment Support Allowance (Income-related) (ESA(IR)) is passported:

- Recipients of the above benefits cannot work more than 16 hours per week and still qualify - earnings from less than 16 hours will erode benefit pound for pound. Partners may work up to 24 hours per week but earnings will erode benefit*.
- The personal allowance rate of benefit for a single person aged 25 and over is £3801.20 pa and the personal allowance rate of benefit for a couple both aged 18 or over is £5972.20 pa*.

(*There are various disregards that might apply to certain earnings depending on circumstances, so that it is possible that someone could earn more than the amounts above and still retain entitlement).

The higher threshold would reflect the current Tax Credit income criteria.

However, due to the larger numbers of people in receipt of UC compared to the current 'legacy' benefits which provide passported entitlement to HwHC, thresholds at this level would result in increased costs to the NHS.

In light of this, we have considered the following options:

Option 0: Passport all recipients of UC onto HwHC.
This is the 'do-nothing' option.

Option X: passport

a) those in receipt of UC without children or a disability, expressed as a Limited Capability to Work/Limited Capability to Work Related Activity (LCW/LCWRA) element and whose net earnings do not exceed £500 per month, and

b) those in receipt of UC with a dependent child and/or LCW/LCWRA element, whose net earnings do not exceed £1,083 per month

Option Y: passport

a) those in receipt of UC without children or a LCW/LCWRA element whose net earnings do not exceed £435 per month, and

b) those in receipt of UC with a dependent child and/or LCW/LCWRA element, whose net earnings do not exceed £935 per month

Option Z: passport

a) those in receipt of UC without children or a LCW/LCWRA element whose net earnings are zero

b) those receiving UC who also have a dependent child and /or a LCW/LCWRA element, whose net earnings do not exceed £992 per month

Option X aligns closely to current eligibility criteria for those on means-tested DWP benefits as far as possible. However, as noted above, the larger numbers of people in receipt of UC compared to the current 'legacy' benefits which provide passported entitlement to HwHC means that Option X results in increased costs to the NHS.

Options Y and Z reflect two different approaches to setting thresholds, while ensuring that the same number of people have access to HwHC as the current arrangements and, therefore, that the system costs approximately the same amount. Of these:

- Option Y reduces the lower and higher thresholds by broadly the same amount (c. 13%) from the equivalent levels in the current 'legacy' benefits so that individuals at the lower and higher threshold are affected at proportionately similar rates. It results in a significant number of winners at both the lower and higher threshold. However, given the large number of people at the higher threshold, it creates a significant number of losers amongst the group of tax credit claimants with a child or disability;
- Option Z minimises the overall number of losers by limiting the amount of change to the higher threshold i.e. claimants with children and/or a disability, by reducing the lower threshold as far as possible instead. This minimises the number of losers in numerical terms, and also minimises the number of winners. However, setting the lower earnings threshold at, or close to, zero is likely to have a substantial negative impact on the small number of losers who have very low incomes, as they are unlikely to be able to afford the additional cost of prescriptions or other health costs.

Our recommended option is Option Y.

• **Monetised and non-monetised costs and benefits of each option (including administrative burden);**

We first consider the overall volume of individuals affected by the proposed options for passporting HwHC under Universal Credit, in terms of the total numbers eligible and also in terms of the number of 'gainers' and 'losers' under each option.

We define a "gainer" to be an individual who becomes newly eligible for passporting under the new system.

Conversely a "loser" is defined to be an individual who would have been passported under the previous system but who loses eligibility under the earnings thresholds imposed by the option considered.

We also count "**net gainers**" for each option, which is the number of 'gainers' less the number of 'losers'. A cost neutral option will show a zero number of net gainers.

As the rules for UC eligibility do not map directly onto existing benefits rules, we focus on the net impacts, i.e. net gainers and net costs, to isolate how UC will affect the NHS through HwHC

It should be noted that where data indicates there will be "losers" at a given level of threshold, the number shown can contain "real losers" as well as "notional losers".

- "Real losers" are those who previously received a legacy benefit and are now moved onto UC, but lose entitlement as a result of the level at which the threshold is set;

- “Notional losers” are those who would have met the criteria for HwHC under legacy arrangements had UC not been introduced. Some of those who lose entitlement do so because they do not qualify for UC, or because they do not qualify for the LCW/LCWRA element (but they would have qualified for a legacy benefit/disability element). It is not possible to disaggregate this group from the total in order to separately identify those who lose entitlement to HwHC as a result of the earnings threshold which was chosen.

Data

The data on the number of gainers and losers used to drive the modelling in the following section were supplied by DWP and estimated using their Policy Simulation Model, which is a static microsimulation model based on data from the 2012-2013 Family Resources Survey, updated to the relevant year’s prices, benefit rates and earnings levels.

The DWP data comprises gainer and loser estimates for a range of annual earnings thresholds between £0 and £16,500, in increments of £500, and are correct to +/- 5,000 individuals.

We considered a range of threshold combinations to identify the selected policy options. Where the chosen threshold did not match the threshold intervals supplied by DWP, we used linear interpolation to estimate the corresponding numbers of gainers and losers.

Transfer of benefits to Universal Credit

DWP advise that UC “steady state” will be achieved in 2019/20, when it will cover 7 million households.

Gainers and losers

The table below compares the estimated number of gainers and losers in 2020/21 which is final year covered by the impact assessment and after a “steady state”, under each of the policy options considered, has been reached.

Estimated volumes of gainers and losers at “steady state”					
	Option 0	Option X	Option Y	Option Z	
Lower eligibility threshold	Passport all in receipt of UC irrespective of Earnings	Passport those receiving UC whose net earnings are...			
		< £500 per month	< £435 per month	£0 per month	
	Retain eligibility	621,000	621,000	591,000	
	Gainers	1,550,000	353,000	289,000	
Losers	0	0	5,000	20,000	
All eligible	2,171,000	974,000	893,000	688,000	
Net gainers	1,550,000	353,000	284,000	97,000	
Higher eligibility threshold	Passport all in receipt of UC irrespective of Earnings	Passport those receiving UC who have a dependent child and/or disability and whose net earnings are...			
		< £1,083 per month	< £935 per month	< £992 per month	
	Retain eligibility	4,503,000	4,383,000	4,000,000	4,152,000
	Gainers	1,617,000	354,000	312,000	350,000
Losers	0	219,000	591,000	433,000	
All eligible	6,120,000	4,518,000	3,721,000	4,069,000	
Net gainers	1,617,000	135,000	-279,000	-83,000	
All eligible	8,291,000	5,492,000	4,614,000	4,757,000	
All gainers	3,167,000	707,000	601,000	467,000	
All losers	0	219,000	596,000	453,000	
Net gainers	3,167,000	488,000	5,000	14,000	

...as % of all eligible

38.2%

8.9%

0.1%

0.3%

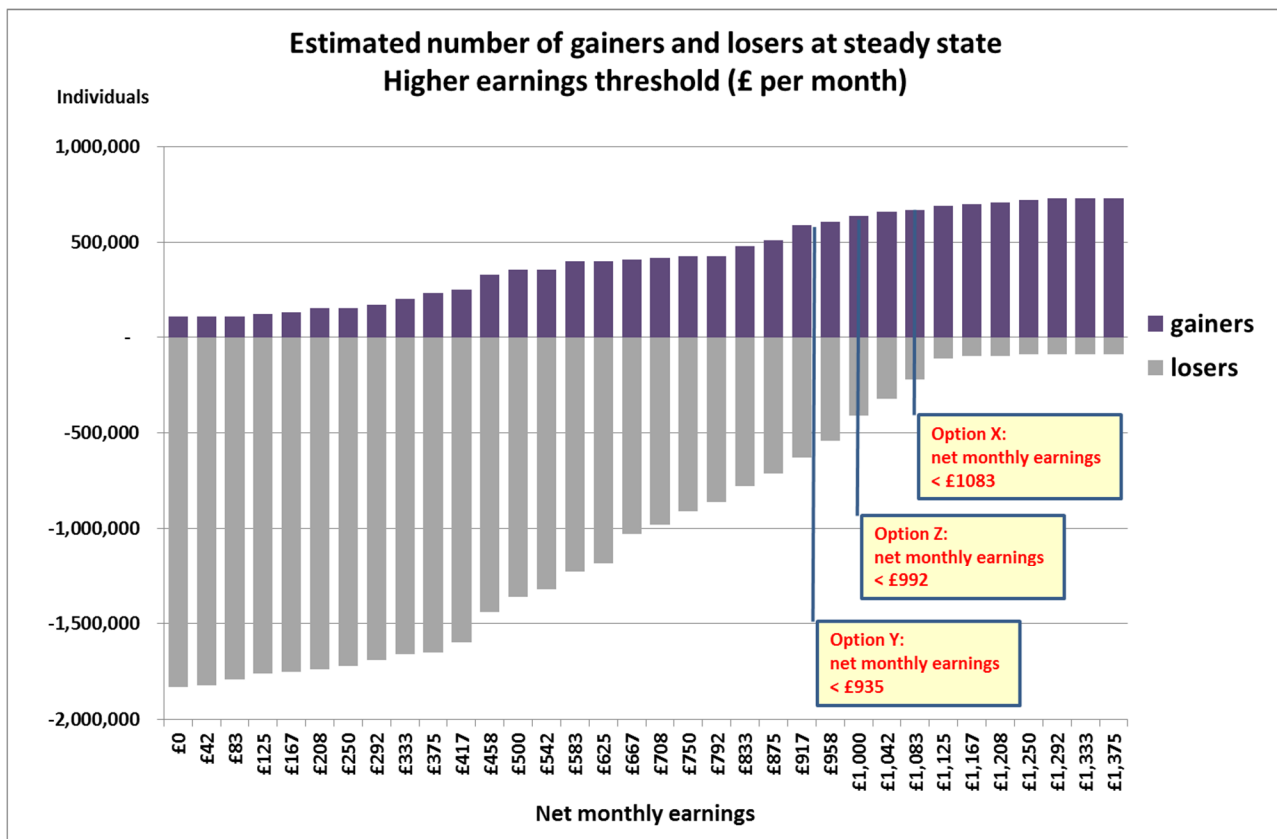
Source: DWP Policy Simulation model and UC volumetrics

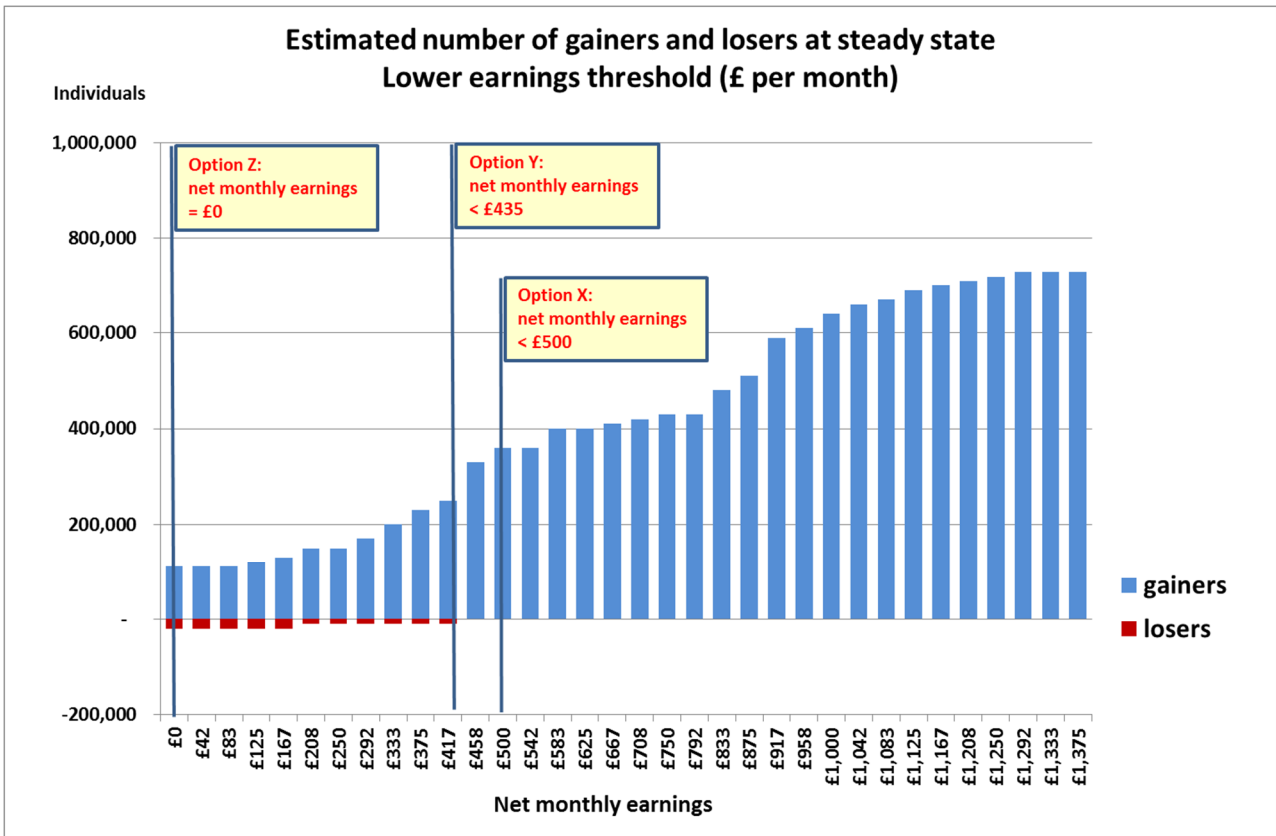
Under Option 0 (do nothing i.e. extend passporting to all UC claimants), all 8.29m of the estimated UC recipients at steady state will become eligible for passporting. At steady state, it is estimated that this will include 0.5m Housing Benefit claimants and 'floaters-on', who are not currently passported, and a further 2.75m claimants who would not qualify for passporting under current means-tested DWP benefits rules. These last are excluded under Option X, which broadly reflects the impact of the means-tested DWP benefits rules, and extends passporting to the 0.5m Housing Benefit claimants and 'floaters-on'.

Under Option Z, we estimate 14,000 net gainers. The recommended option, Option Y, more closely approaches cost-neutrality with an estimated 5,000 net gainers.

The number of gainers under Option Y (the recommended option) is 601,000, which falls between the number of gainers created by Options X and Z, but Option Y also creates an estimated 596,000 losers, i.e. more than Option X or Option Z. Most of these (80%) are claimants receiving Working Tax Credit and Child Tax Credit at the higher eligibility threshold. This would have a negative impact on those within this group, who either have responsibility for a child (or children) and/or have a disability.

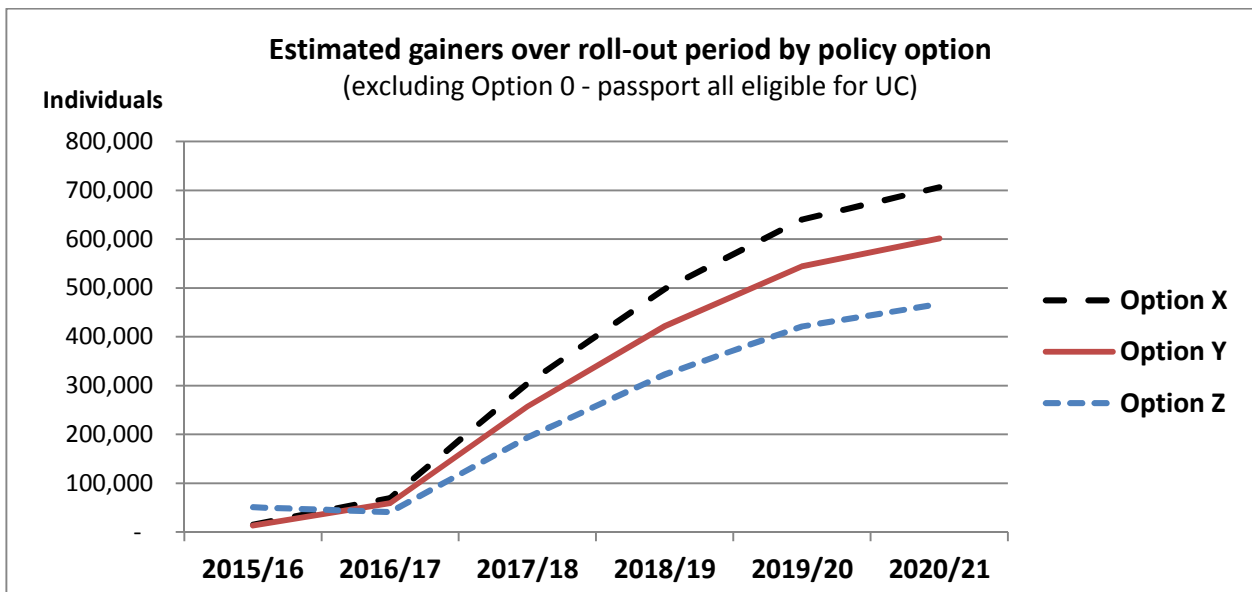
The graphs below examine the sensitivity of the numbers of gainers and losers to earnings thresholds, and locate the thresholds selected for the policy options within the range of earnings that were reviewed.

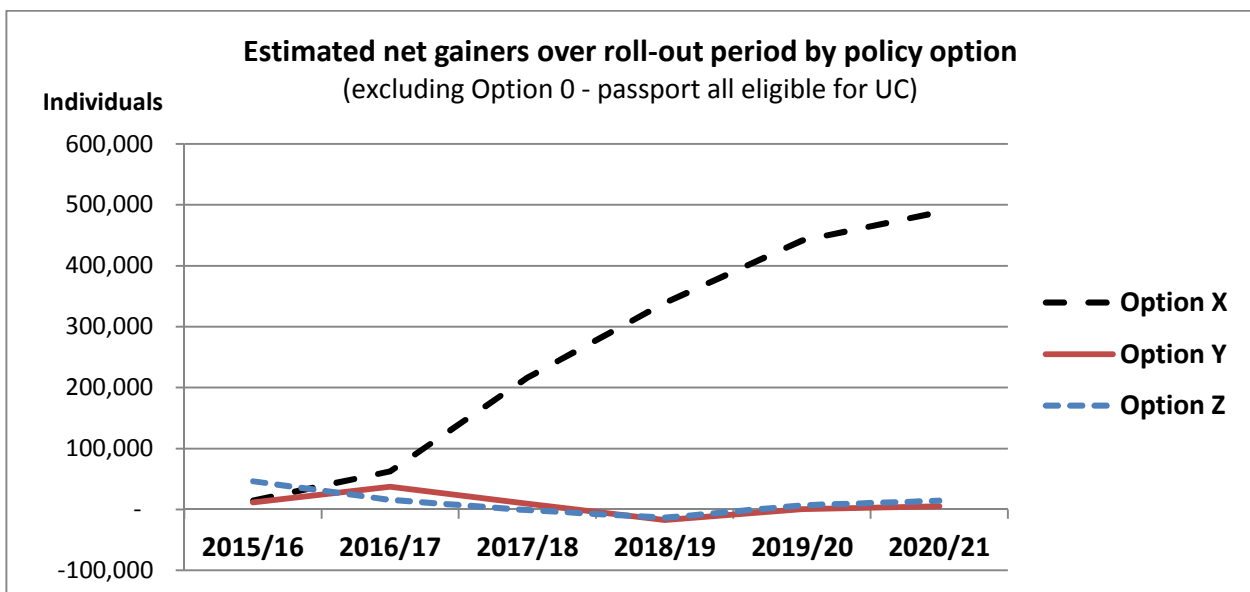
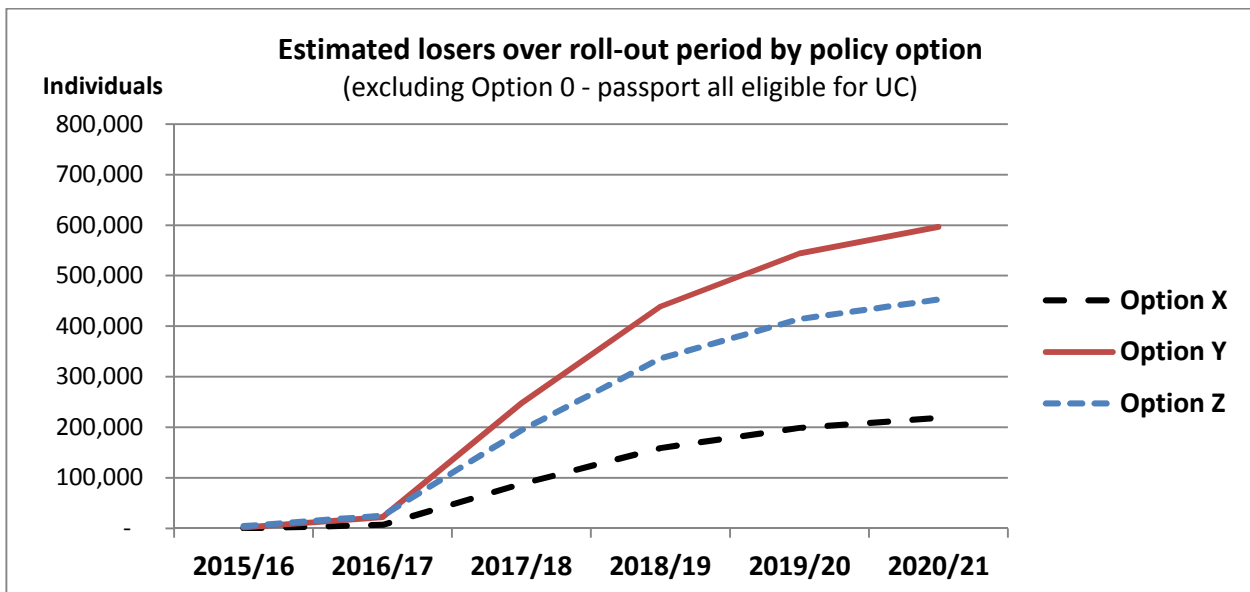




Source: DWP Policy Simulation model

Evolution of gainer/loser profile under given options





Source: DWP Policy Simulation model volumetrics

Unit costs applied to calculate costs of options considered

The table below summarises the information on the value of the passported benefits to an individual on UC, and conversely, the revenue foregone by the NHS (or, in respect of eye care costs, the cost to the NHS) as a result of passporting a claimant.

Per capita costs of passported health benefits	Cost at steady state (2020/21)
Average annual eye care cost per person	£14.72
Average annual dental cost per charge payer	£39.63
Average annual prescription cost per person	£110.70
Total average annual per-capita cost of health passporting	£168.67

Although HwHC also provides free NHS wigs and fabric supports and help with the cost of travel to receive NHS treatment on referral, data on the costs of this are not collected centrally. It is therefore not possible to incorporate these elements within the assessment of average costs.

Where possible, the cost estimate was calculated using data relevant to the benefit- or tax-credit- eligible population. See Annex A for further details of the calculations.

Total costs at steady state

By multiplying the number of net gainers at steady state under each option with the average annual per capita cost above, we obtain the corresponding total costs of passporting under UC **at steady state**. We note that Option Y delivers both the lowest annual cost as well as the lowest additional cost of the four options considered

Estimated annual costs of passporting by option at “steady state”				
	Option 0	Option X	Option Y	Option Z
Lower eligibility threshold	Passport all in receipt of UC irrespective of Earnings	Passport those receiving UC whose net earnings are...		
		< £500 per month	< £435 per month	£0 per month
Net gainers	1,550,000	353,000	289,000	117,000
Cost of passporting net gainers	£255.8m	£58.2m	£47.6m	£19.3m
Higher eligibility threshold		Passport those receiving UC who have a dependent child and/or disability and whose net earnings are...		
		< £1,083 per month	< £935 per month	< £992 per month
Net gainers	1,617,000	135,000	-279,000	-83,000
Cost of passporting net gainers	£266.8m	£22.2m	-£46,0m	-£13.7m
Total net gainers	3,167,000	488,000	5,000	14,000
Total cost of passporting net gainers	£522.7m	£80.5m	£0.8m	£2.3m
All eligible	8,291,000	5,492,000	4,614,000	4,757,000
Total cost of passporting all eligible	£1,368m	£906.4m	£761.5m	£785.1m
<i>...% of Option 0 cost</i>	<i>100%</i>	<i>66%</i>	<i>56%</i>	<i>57%</i>

Source: DWP Policy Simulation model and UC volumetrics

Costs to business

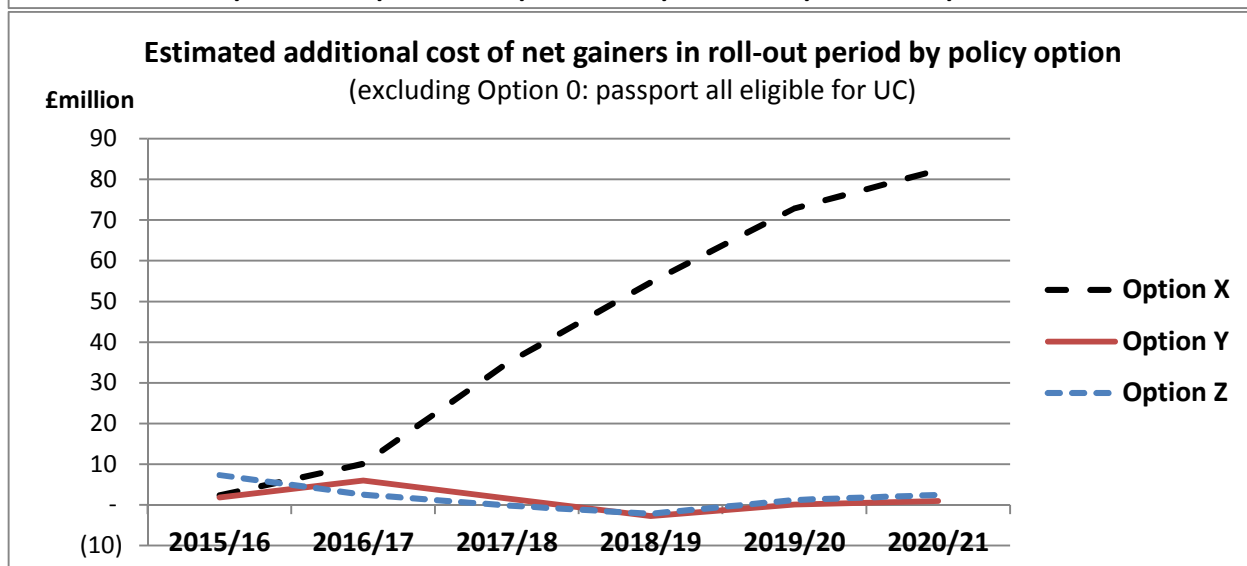
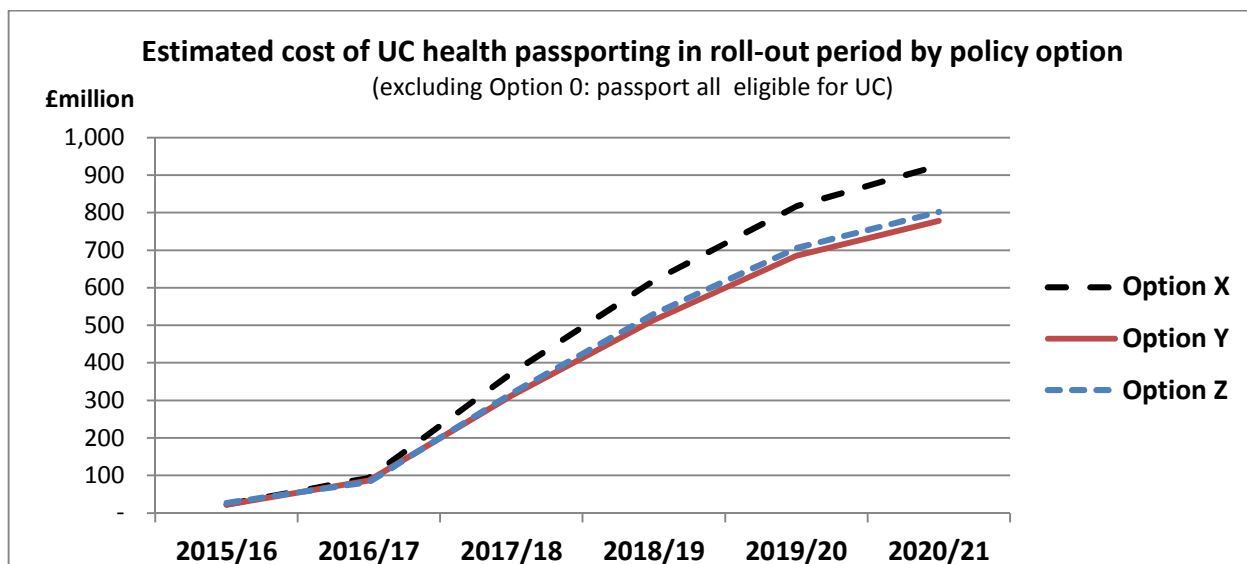
It is expected that the new rules for identifying eligibility for passported benefits will not generate additional administrative costs to business. This is because pharmacies, dentists, opticians and other service providers administer the current arrangements, including asking for sight of, and interpreting, benefit award notices. The introduction of earnings thresholds for recipients of UC will require these businesses to note the change of arrangements, and amend their checks accordingly. To support this change, we will provide full supporting information for practitioners, explaining the basis of the thresholds and where to find the relevant information on the award notice, via the usual routes e.g. the Drug Tariff bulletin, NHS Choices and professional bulletins.

Costs to civil society organisations

There are no requirements and costs imposed on civil society organisations as a result of this change.

Evolution of total costs for each of the policy options considered

The charts below show the evolution of costs of the three options under consideration first in absolute terms and then relative to current situation where recipients of Help with Health Costs are passported through legacy benefits.



The tables below show the costs for each from 2016/17 to 2020/21. The first table has the cost of providing help to net gainers as this is the additional cost to government. These costs are generated by multiplying the number of net gainers by the annual costs shown in the appendix.

Option		2016/17	2017/18	2018/19	2019/20	2020/21
O	Net gainers	271,100	1,347,300	2,262,400	2,874,400	3,167,400
	Cost	£43.3m	£216.4m	£365.4m	£474.4m	£534.3m
X	Net gainers	63,000	216,500	339,100	441,700	488,300
	Cost	£10.1m	£34.8m	£54.8m	£72.9m	£82.3m
Y	Net gainers	37,500	9,500	-17,200	400	5,300
	Cost	£5.9m	£1.5m	-£2.8m	£0.07m	£0.89m
Z	Net gainers	16,100	-700	-13,600	7,300	14,500
	Cost	£2.6m	-£0.12m	-£2.2m	£1.2m	£2.4m

The next table has the cost of all eligible individuals. The number of eligible people varies between options X, Y and Z not only as a result of the profiles of net gainers, but also because the number of retained individuals changes with the threshold levels.

Option		2016/17	2017/18	2018/19	2019/20	2020/21
O	All eligible	797,454	3,500,121	5,844,016	7,496,405	8,291,316
	Cost	£127m	£562m	£943m	£1,237m	£1,398m
X	All eligible	585,562	2,319,287	3,831,696	4,953,666	5,491,649
	Cost	£93m	£372m	£618m	£817m	£926m
Y	All eligible	544,447	1,946,169	3,183,603	4,152,512	4,614,451
	Cost	£86m	£312m	£514m	£685m	£778m

Z	All eligible	519,328	1,985,113	3,282,946	4,280,135	4,757,531
	Cost	£82m	£318m	£530m	£706m	£802m

The table below shows the difference in cost of implementing options X, Y or Z compared to option O (do nothing – passport everything). Again it shows the evolution of costs from implementation to steady state

Option		2016/17	2017/18	2018/19	2019/20	2020/21	Total
X	Saving	£33.8m	£189.7m	£324.9m	£419.6m	£472.2m	£1,440m
	Present Value	£33.8m	£183.3m	£303.3m	£378.5m	£411.5m	£1,310m
Y	Saving	£40.4m	£249.6m	£429.6m	£551.9m	£620.1m	£1,892m
	Present Value	£40.4m	£241.2m	£401.1m	£497.7m	£540.4m	£1,721m
Z	Saving	£44.4m	£243.4m	£413.6m	£530.8m	£596.0m	£1,828m
	Present Value	£44.4m	£235.1m	£386.1m	£478.7m	£519.4m	£1,664m

All options X, Y and Z demonstrate a net savings compared to the do nothing option. The cumulative savings over the 5 years ranges from £1.440bn to £1.892bn. Options Y and Z offer similar levels of overall savings. However, in year savings does vary from one year to another as a result of the different evolution path of people becoming eligible with the income thresholds of the different options. For example, fewer people become eligible in 2016/17 under option Z (so delivering a higher saving) compared to option Y, but option Z then starting to cost more from 2017/89 onwards.

Equality issues

A separate and detailed equality analysis has been published.

ANNEX A – Estimation of per capita passporting costs for eye care, dental care and prescription charges

EYECARE PRICES	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Steady state
Cost per NHS Sight test	£20.90	£21.10	£21.32	£21.53	£21.75	£21.97	£22.19	£22.19
Annual cost per person	£4.39	£4.43	£4.48	£4.52	£4.57	£4.61	£4.66	£4.66
Cost of Optical Voucher	£47.86	£47.86	£48.34	£48.83	£49.31	£49.81	£50.31	£50.31
Annual cost per person	£9.57	£9.57	£9.67	£9.77	£9.86	£9.96	£10.06	£10.06
Total annual eye care cost per person	£13.96	£14.00	£14.15	£14.29	£14.43	£14.57	£14.72	£14.72

Sight test assumptions

- 21%** = estimated % who attend for sight tests each year period
- 40%** = estimated % of caseload using optical vouchers

Sight tests

- Number of NHS sight tests for the tax credit group in 2011/12 (no. of tax credit certificates in same year, taking account of certificate holders' partners) = 21%
- The cost per sight test is based on the reimbursement to opticians per NHS Sight Test i.e. 2014/15 prices = £21.10.

Optical Vouchers

- For this estimate, 20% of the tax-credit population received an optical voucher in 2011/12, similar to the sight test proportion; data were taken from the HSCIC General Ophthalmic Services Activity publication for table of optical voucher type by exemption category
<http://www.hscic.gov.uk/searchcatalogue?productid=15062&topics=1%2fPrimary+care+services%2fEye+care+services&sort=Relevance&size=10&page=1#top>
- Based on a 2 yearly recommended frequency of attendance we assumed that 40% of the tax credit population use optical vouchers (in line with recommended sight test frequency).
- We estimated the average voucher value, based on the volume for each voucher type multiplied by the voucher's value of all the benefit groups (IS, ESA, TC, and ESA) to be £48.52 for 2014/15.

DENTAL PRICES	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Steady state
Price per UDA	£18.00	£18.50	£18.80	£19.14	£19.48	£19.83	£20.19	£20.19
Annual dental cost per charge payer	£35.33	£36.31	£36.90	£37.56	£38.24	£38.93	£39.63	£39.63

Dental assumptions

- 70.1%** = attendance rate for dental treatment per year
- 2.8** = estimated UDAs per year for charge payer

Dental charges

- Average UDAs per patient per year for charge payers (based on data request made to the NHS BSA, on annual patient seen, FP17s and UDAs by patient type) = 2.8 UDAs - based on FP17 data held centrally by the BSA Dental Services
- Adult Dental Health Survey results show that 70.1% of patients attend their dentist within a year.
- Multiplied by Patient Charge Rate per Unit of Dental Activity (£18.50 in 2014/15) we get an estimated annual charge cost per patient of £36.31 in 2013/14.

PRESCRIPTION PRICES	2013/14	2014/15	2015/16	2016/17	2017/18	2018/19	2019/20	Steady state
Average annual Px items age 24-64	12.8	12.8	12.8	12.8	12.8	12.8	12.8	12.8
Fee per item	£7.85	£8.05	£8.25	£8.40	£8.40	£8.40	£8.61	£8.83
3m PPC	£29.10	£29.65	£30.20	£30.75	£31.30	£31.30	£32.08	£32.88
12 m PPC	£104.00	£105.95	£107.95	£110.00	£112.05	£112.05	£114.85	£117.72
mean annual cost per PPC	£110.20	£112.28	£114.38	£116.50	£118.63	£118.63	£121.59	£124.63
Total annual prescription cost per person	£100.90	£103.44	£105.98	£107.91	£108.00	£108.00	£110.70	£113.46

Px charge assumptions

12.8	= average annual number of prescription items per head of population aged 24-64
4.3%	= proportion of prescriptions that are dispensed on pre-payment certificates

Prescription charges

- All assumptions below based on Prescriptions Dispensed in the Community: England 2003-13 <http://www.hscic.gov.uk/catalogue/PUB14414>
- The average number of prescription items per head of population in 2013 is 19.1; after applying ASTRO-PU weightings, we calculate the average annual number of prescription items per head of population aged 24-64 to be 12.8 N.B. this may underestimate no of Px items due to possibly higher rate of illness among population receiving benefits
- Proportion of prescriptions that are dispensed on pre-payment certificates in 2013 was 4.3%
- The mean annual cost of a PPC = average of the annualised cost of the 3-month and 12-month PPCs

Note that the above estimates are not adjusted to account for the (small) number of individuals who might already be exempt from charges for other reasons i.e. individuals who have exemption from prescription charges through Medex or Matex, or because they are aged 60+, exempt from dental charges through Matex or who are entitled to an NHS funded sight test because of certain medical conditions or age 60+.

To maintain consistent formatting, apply Styles from the toolbar. The **Paste Without Format** toolbar button can be used to paste text from other documents in the current style here.