

Equality Analysis

Standard template for DH staff

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Prepared by the Equality and Inclusion Team, Department of Health

Introduction

The general equality duty that is set out in the Equality Act 2010 requires public authorities, in the exercise of their functions, to have due regard to the need to:

- Eliminate unlawful discrimination, harassment and victimisation and other conduct prohibited by the Act.
- Advance equality of opportunity between people who share a protected characteristic and those who do not.
- Foster good relations between people who share a protected characteristic and those who do not.

The general equality duty does not specify how public authorities should analyse the effect of their existing and new policies and practices on equality, but doing so is an important part of complying with the general equality duty. It is up to each organisation to choose the most effective approach for them. This standard template is designed to help Department of Health staff members to comply with the general duty.

Please complete the template by following the instructions in each box. Should you have any queries or suggestions on this template, please contact the Equality and Inclusion Team on 020 7972 5936 or aie@dh.gsi.gov.uk

Equality analysis

Title: Use of earnings thresholds to determine entitlement to Help with Health Costs for those receiving Universal Credit from 1 November 2015

Relevant line in [DH Business Plan 2011-2015](#):

What are the intended outcomes of this work? *Include outline of objectives and function aims*

The Department for Work and Pensions have introduced a new benefit – Universal Credit (UC) - which will replace several existing benefits and tax credits ('legacy benefits') which provide recipients with entitlement ('passporting') to: free NHS prescriptions; NHS wigs and fabric supports and NHS dental treatment. Those passported are also entitled to NHS funded sight tests; vouchers towards the cost of glasses or contact lenses and help with travel costs incurred in receiving treatment on referral. These arrangements are known as Help with Health Costs (HwHC).

The legacy benefits which provide passporting to HwHC, and which will eventually be replaced by Universal Credit, are:

- Income-based JSA
- Income-related ESA
- Income Support
- Tax Credits (for those with a child and/or a disability and with income of £15,276 or less)

Universal Credit will also incorporate Housing Benefit – which is not a passporting benefit for HwHC.

Entitlement extends to both partners, where applicable, and any qualifying young person included in the UC award. A qualifying young person is someone aged under 20 who is still in full-time non-advanced education. For most HwHC there are automatic entitlements for children, and for those aged under 19 in full time education. The exception is for travel costs, where entitlement is limited to those on low income (or in a low income family) either in receipt of a qualifying passporting benefit/tax credits or through the NHS Low Income Scheme.

New arrangements therefore need to be put in place to provide for UC claimants to be passported to HwHC. As a short term measure, which is due to end on 31 October 2015, all UC recipients are passported to HwHC. However, the structure of UC is such that a greater volume of people will be on UC than we currently provide passported entitlement to under the legacy benefits – there will be an estimated 8.9million people in receipt of UC by the end of 2020, as compared to around 5.1 million passported via legacy benefits. This would equate to an additional cost to the NHS of £536.4 million per annum to passport all UC recipients.

It is accepted that all recipients will have had a means-tested assessment, and are recognised to be on low income and in need of some level of support from the state. However, the extent to which UC claimants are passported has to be considered in light of the challenging financial context, with very significant pressures on health budgets (the reduced income will mean the NHS cannot fund treatments and services that it is currently providing to patients) and public finances generally, and consequent advice from Her Majesty's Treasury that the impact of UC on passporting arrangements should be cost neutral for Departments. This means that passporting everyone on UC is not affordable, and that some mechanism therefore needs to be put in place to limit passporting to a proportion of UC claimants.

Options considered

A range of options were considered for the mechanism by which UC recipients would be passported to

HwHC. In doing so, the policy intention has been that the numbers passported should be broadly similar to those passported under the existing benefit arrangements, and thus cost neutral. And also to align to the existing arrangements within the constraints imposed by the different structure of UC so that where possible those who would meet the qualifying criteria via the existing passporting benefits will also qualify through UC. Other considerations were that any arrangements would not add to complexity, so must be simple for both patients and for practitioners, who have to administer HwHC entitlements, and must be deliverable within the design of UC.

The Social Security Advisory Committee (SSAC) was asked to look at the impact of UC on the various passported benefits, such as HwHC, Healthy Start, Free School Meals and Legal Aid. As part of their review the SSAC conducted a public consultation, set up focus groups and invited evidence from stakeholder groups. In particular, comments relating to HwHC were received from: Citizens Advice, Disability Alliance and Child Poverty Action Group and practitioner representative groups the Pharmaceutical Services Negotiating Committee; the Optical Confederation and the College of Optometrists and some local NHS bodies. The SSAC provided advice and options on how passported benefits might be targeted, acknowledging the cost constraints.

Approaches considered by the Department but which were discarded, included:

- using a requirements based assessment, such as that used in the NHS Low Income Scheme (NHS LIS). This would be based on the initial UC assessment, but without the specific rules about treatment of earnings that are set out in UC (i.e. without a work allowance, or taper of earnings). However, this was rejected as it would in effect require DWP to do a parallel assessment for each case, to determine if a claimant would still meet the criteria for UC entitlement using “old” legacy benefit rules; this was not feasible, within the design of UC. It also did not support the work incentive objectives of UC, which was a further reason that DWP would not support this approach;
- excluding particular groups e.g. those who move into our criteria though UC because of housing costs (i.e. they would have received housing benefit in the legacy system, which was not a passporting benefit for HwHC). As with the previous option this would have required additional operational arrangements for DWP, as the housing costs once added into UC could not be disaggregated from the overall claim.
- setting a single earnings threshold for all UC claimants. It was considered that this would not target help fairly, as it would be inconsistent with the legacy arrangements;

Options that were explored further were:

- to passport all on UC. As outlined above, this would not be affordable;
- to exclude UC as a passporting benefit – in other words passport no-one on UC. This would require those who needed HwHC to apply via the NHS LIS. This would be a more bureaucratic and costly approach – it would require duplication of means test assessments compounded by the significant administrative costs for the NHS LIS. Also, as the NHS LIS entitlement would last for one year, and as such is not responsive to changes in circumstances, this would potentially be more costly than passporting, which responds to changes in circumstances. To reduce the duration of certificates in order to be more responsive to changes in circumstances would, however, increase the admin costs, and would, potentially, impact on other groups with more stable circumstances such as those over pension age or students who also use the NHS LIS, unless differential arrangements were introduced.
- To set threshold levels at different amounts, so as to still achieve cost neutrality but with impacts on different groups.

Following the publication of the SSAC report (Universal Credit: the impact on passported benefits, March 2012) earnings thresholds, based on monthly net earnings (that is, net of tax, National Insurance

and pension contributions) were agreed cross-Government as the preferred approach for managing passporting via UC.

Determining thresholds and threshold levels

For HwHC, to align broadly to the existing passporting arrangements, two thresholds would be required:

- A lower threshold, to align broadly to those who may have been passported via DWP benefits and which applies where:
 - a. The person has no child element included in their Universal Credit:
The person does not have a Limited Capability for Work (LCW) or Limited Capability for Work Related Activity(LCWRA) element of UC.
- An upper threshold, to align broadly to those who may have met our passporting criteria within Tax Credits and which applies where:
 - a. The person has a child; or
 - b. The person has LCW or LCWRA element; or
 - c. the person has both.

Existing rules for legacy DWP benefits do not map easily across to the rules for UC, as they are based on different rules and principles e.g. the taper of earnings within UC. Determining a threshold level which provides equivalence in UC requires consideration of erosion of entitlement in the current benefit system, where anyone getting the minimum amount of Income Support, Income-based JSA and Income-related ESA 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 converts to a monthly amount of £316.77 and the personal allowance rate for a couple both aged 18 or over converts to a monthly amount of £497.68.

*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.

Part of the design of UC is to support the work incentive, so that the rules about how earnings affect UC benefit are more encouraging, with work allowances (depending on certain characteristics of the claimant) and a deduction rate of 65%.

To cover the vast majority of those qualifying under DWP legacy benefits, the lower threshold would need to be set at around £500 pm. This would cover the maximum personal allowance amounts for a couple (though would not take account of possible disregards) in the legacy benefits and would exceed the maximum amount a single person could earn, including disregards. The upper threshold would need to be set at £1083 net pm, which is the net monthly earnings equivalent of the £15,276 gross annual income threshold in Tax Credits.

The structure of UC also has other implications for aligning entitlement to arrangements under legacy benefits. For example, housing benefit will be incorporated within UC, and so would fall into the passporting arrangements, whereas currently it is an entirely separate benefit and does not provide passported entitlement to HwHC. Additionally, someone who is 'signed off' sick (too ill to work) may be in receipt of contribution-based (rather than income-related) Employment and Support Allowance, which is not a passporting benefit. However, if they are deemed eligible for housing benefit they become eligible for UC.

Another key difference will lead to people losing entitlement. UC has a limit on the capital that someone

can hold and still be eligible. However, there is no such limit in tax credits, so people currently passported via tax credits may lose entitlement if they hold capital above the allowed level.

Taking account of the above, setting the thresholds at £500 and £1083 would mean that around 500,000 additional people would be passported, with an associated additional cost of £82.5 million. The NHS cannot absorb these additional costs without displacing other treatments or services, and therefore variations in the earnings threshold levels have been explored to achieve cost neutrality.

In considering the implications of the different thresholds, 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 have moved onto UC, and as a result of the level at which the threshold is set loses entitlement. Notional losers are those who are not on a legacy benefit but would have met the criteria to have HwHC under the legacy arrangements, had UC not been introduced.

Additionally, due to limitations in the data, it is not possible to disaggregate those who lose entitlement due to not qualifying for UC (for example, due to the capital limit) or the LCW or LCWRA element from those who lose because of the level at which the threshold is set.

The variations in thresholds* which have been considered are set out below, and form the basis for the analysis of the equality considerations.

- i. Set a lower threshold for entitlement to HwHC for those with no child or LCW or LCWRA element at £500 per month, and a higher threshold for those with a LCW or LCWRA at £1083 net per month.
- ii. Set a lower threshold for entitlement to HwHC for those with no child or LCW or LCWRA element at £435 per month, and a higher threshold for those with a LCW or LCWRA at £935 net per month.
- iii. Set a lower threshold for those with no child or LCW or LCWRA element at £0, and a higher threshold for those with a LCW or LCWRA at £992 net per month.

*Those who fall within the thresholds (i.e. have earnings at or below the relevant threshold) will have entitlement to HwHC.

To inform the assessment of the impact on those who lose (and gain) entitlement, the table below identifies the average annual costs someone is likely to face for those health service areas covered by HwHC. It also sets out potential high-end costs for someone who may have very high levels of need. If the household is made up of a couple then these potential costs could arise for both members (though children are exempt).

Average and high level costs for those who lose entitlement to HwHC

	Charges	Exceptionally high level of need - potential costs	Average potential costs
Dental	Band 1 = £18.50 Band 2 = £51.30 Band 3 = £222.50	£445	£55.80
Optical – Sight test	Sight test fee £21.31	£448.11	£70.50

Optical – Glasses	Voucher values range from £38.70 up to £213.40		
Prescriptions	Single charge = £8.20 3 month PPC = £29.10 12 month PPC = £104.00	£104.00	£104.00
Wigs (as this is likely to be a one off costs this has been assumed to occur only once but in the relevant year)	Stock modacrylic wig = £67.75 Partial wig – human hair = £179.45 Full made-to-order wig human hair = £262.45	£262.45	Not known
Fabric Supports	Abdominal support = £41.50 Spinal support = £41.50 Surgical bra = £27.45	£110.45	Not known
Total		£1,370.11	£230.30
Data on claims made in respect of the cost of travel to receive treatment and wigs and fabric supports is not collected centrally. Therefore it is not possible to estimate the possible costs to an individual or family if they lose entitlement to HwHC.			

However, it should be noted that an individual might be otherwise exempt from prescription charges (for example because they have a specified medical condition, they are pregnant or have had a child in the previous 12 months, or they are aged 60 or over), dental charges (because they are pregnant or have had a child in the previous 12 months) or be entitled to an NHS funded sight tests (because they have, or are in a risk group for, certain medical conditions or they are aged 60 or over). So the cost to a given individual from losing (or benefit from gaining) entitlement might be less.

Additionally, these estimated costs are annual, whilst the earnings thresholds for Universal Credit are based on monthly earnings which is reactive to changes, or variations, in earnings. It is possible that a person who loses entitlement because their earnings are above the threshold in a given month may qualify in other months if there is a reduction in their earnings.

Consideration of protection for those who lose entitlement

For those who were entitled through receipt of tax credits and who lose as a result of the UC thresholds, some level of transitional protection will be provided through their tax credit exemption certificate. Issued to all tax credit claimants who meet the passporting criteria, the certificates are issued for up to 7 months, so individuals should have up to 6 months of continuing eligibility.

For those who lose entitlement, the NHS Low Income Scheme is open to all, and dependent on a means test may provide full, or partial, help to cover the cost of NHS charges. Help may also be available via the range of exemptions that are in place for the charge areas, such as the medical

exemptions for prescriptions.

Increase/decrease in household income due to Universal Credit

For those families who lose entitlement to HwHC because of the level at which thresholds are set, some may, in certain instances, be better off in cash terms under UC. The UC Impact assessment¹ indicates that overall 37% of households will be better off in cash terms in UC rather than under the legacy benefits, 34% will be worse off and 29% will remain the same. (See paras 51-54 of the UC IA for impact of UC on those with protected characteristics).

“It is estimated that around 3.1 million households will have higher entitlement as a result of Universal Credit, with around 75 per cent of these households in the bottom two quintiles of the income distribution. The average gain for this group is estimated to be £168 per month. Around 1.9 million households see an increase in entitlement of more than £100 per month.

A package of transitional protection will ensure that there will be no cash losses for any households that are actively moved to Universal Credit from legacy benefits or tax credits where their circumstances remain the same.

In the longer-term approximately 2.8 million households will have notionally lower entitlement than they otherwise would have done as a result of Universal Credit, although the majority of these will have a reduction of less than £100 per month. The average reduction in entitlement for this group is estimated to be £137 per month. The average impact of Universal Credit across all households is estimated to be an increase in entitlement of £16 per month.”

Extracted from the DWP Impact Assessment.

The Family Test

We do not believe there to be any impacts on: family formation; family transition; the ability for family members to play a full role in the family; or on families before, during or after separation. There may be an indirect positive impact on families most at risk of deterioration of relationship quality or breakdown, where they gain entitlement to HwHC, where financial pressures are a factor and where help with health costs eases that pressure. Similarly, there may be an indirect negative impact on those couples who lose entitlement to HwHC as a result of the level at which the threshold was set, where the increase in financial burden from having to meet health costs adds to pressures on that relationship.

More detail on the implications of UC, the approaches considered and the cost impacts can be found in the HwHC Impact Assessment.

Who will be affected? *e.g. staff, patients, service users etc*

Patients in receipt of UC from 1 November 2015, who would otherwise have to pay NHS charges (e.g. prescription or dental charges) or incur costs in receiving NHS treatment (e.g. travel costs or the cost of glasses).

Evidence *The Government's commitment to transparency requires public bodies to be open about the information on which they base their decisions and the results. You must understand your responsibilities under the transparency agenda before completing this section of the assessment. For more information, see the current [DH Transparency Plan](#).*

¹ Universal Credit Impact Assessment

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/220177/universal-credit-wr2011-ia.pdf

What evidence have you considered? *List the main sources of data, research and other sources of evidence (including full references) reviewed to determine impact on each equality group (protected characteristic). This can include national research, surveys, reports, research interviews, focus groups, pilot activity evaluations etc. If there are gaps in evidence, state what you will do to close them in the Action Plan on the last page of this template.*

UC data

The data used in this analysis is provided by DWP and is modelled using the DWP Policy Simulation Model and information from the Family Resources Survey (FRS). This provides forecast modelling of the effect of different thresholds for entitlement to HwHC both in “Steady State” (i.e. once all claims move to UC) and during the transition period. Figures are rounded to the nearest 10,000 and cannot be further disaggregated. The most recent data set was provided July 2015.

The data provided by DWP is based on legacy benefit data and information collected about the levels of earnings reported in the FRS. Assumptions have been made about the characteristics of the groups included in the data. For example, a person getting ESA is assumed to be “disabled” as this would be an indicator (or flag) for qualifying for the higher threshold for HwHC. However, those with a short-term medical condition will also get ESA and may not consider themselves to be in the disabled group.

Conversely, many people not receiving a “disability” related entitlement will have long-term conditions and may consider themselves to be in the disabled characteristic group. We are not able to identify them, either within the data or in UC generally, if the UC criteria do not identify them.

Disability *Consider and detail (including the source of any evidence) on attitudinal, physical and social barriers.*

In the legacy benefit arrangements “disability” is covered in two ways within those benefits which passport to HwHC:

- those getting income related Employment and Support Allowance (ESA)(i.e. those who are too ill to work or to work full time) who are automatically passported to HwHC; and
- those who get working tax credits with a “disability element” included in the tax credit award (either paid on its own or with child tax credit). This group are able to work more hours a week (than allowed within ESA) but meet additional criteria set within tax credits, such as being in receipt of Disability Living Allowance, for example.

Under UC only those who have undertaken a “work capability assessment” will be eligible for a “disability” element in their UC (this will either be a “limited capability for work” (LCW) or a “limited capability for work related activity” (LCWRA) element). The work capability assessment takes place after 13 weeks of being signed off sick, and during these 13 weeks there is no LCW or LCWRA element in place. Therefore, this group will be subject to the lower threshold during the first 13 weeks of their UC claim.

It is possible that many people with disability will not be identified by the criteria described above within UC. This is a similar position with the legacy benefits system. Therefore impacts of the lower thresholds could still affect those with disability.

Option i) Lower threshold - £500pm; Upper threshold - £1083pm

This option broadly replicates the current arrangements – however it is not cost neutral.

With a lower threshold set at £500 pm, DWP UC data indicates that there will be no people (including those with a disability) losing entitlement to HwHC from this group. However, around 360,000 people gain entitlement. The most significant numbers of gainers are those who would have received housing benefit but no legacy HwHC qualifying benefit, or those that “float” onto UC entitlement i.e. those who would not have claimed/qualified under the legacy benefits system. These could be people on very low incomes who would not qualify for working tax credits. Any of these groups could include those with disabilities.

With a higher threshold set at £1083 pm, DWP data indicates that there would be around 220,000

people losing entitlement to HwHC from this group. These people lose entitlement to HwHC as a result of not qualifying for UC and not due to the threshold, which broadly represents the current tax credit threshold. This might be, for example, because of the capital limit in UC (there is no capital limit in tax credits). The data indicates that around 10,000 from the working tax credit with disability element group would lose. There would also be a further 140,000 who lose from the working tax credit and child tax credit combined group.

However, a threshold at this level would also mean that around 360,000 people would gain entitlement. Those that gain entitlement at this threshold come from the income based Employment and Support Allowance group (130,000), and the housing benefit group (150,000) with a further 50,000 people who “float” into entitlement (where they would not have claimed/qualified under legacy arrangements) (some of these may be contribution based ESA recipients). 30,000 gain entitlement to HwHC from the tax credits group, possibly because they would have had “income” in excess of the tax credit threshold but “earnings” below the UC threshold.

Option ii) Lower threshold - £435pm; Upper threshold - £935pm

This option achieves cost neutrality at steady state – i.e. when all benefit recipients are on UC and protects those that are on the very bottom of the income scale.

With a lower threshold set at £435 pm, DWP data indicates that around 5,600 people will lose entitlement to HwHC from this group. This will affect those with earnings above £435pm and whose allowance and any disregards would have allowed them to retain entitlement to a legacy passporting benefit. Those who lose entitlement from setting the threshold at this level are from the JSA group, and are childless, non-disabled (in benefit terms) and likely to be in a couple.

However, around 285,000 people would gain entitlement. Those who gain at this threshold mostly come from the housing benefit group (113,200) or those who “float” on to entitlement (122,000). Some of these may be contribution based ESA recipients (and therefore may be disabled). A further 20,000 gain entitlement from the JSA group, 20,000 from the ESA group (who, again, may be disabled) and 20,000 from the WTC and CTC combined group.

With a higher threshold set at £935 pm, there will be 590,400 people who lose entitlement to HwHC. As noted above, some will lose because they will not qualify for UC, not because of the threshold level. It will also include those with earnings greater than this threshold (£935) compared to the net monthly equivalent for the tax credit threshold used for the legacy benefit arrangements (£1083). 20,000 people will lose entitlement from the working tax credit with disability element group, whilst a further 10,000 from the ESA group and 85,600 from the child tax credit group (some of whom may be contribution based ESA recipients) will also lose. Another 479,000 will lose from the working tax credit and child tax credit combined group.

However, this threshold would also mean that 318,800 people gain entitlement to HwHC, which will be either by virtue of having a LCW or LCWRA or child element in UC. 124,400 of these are from the ESA group, with 118,800 from the housing benefit group, and 44,400 “float” onto entitlement (again, some of these may be contribution based ESA recipients). A further 30,000 gain entitlement from the tax credit groups, possibly because of the difference between “income” and “earnings” or because UC is expected to increase take up of benefits.

Option iii) Lower threshold - £0pm; Upper threshold - £992pm

This option also achieves cost neutrality. It also minimises the number of “losers” of HwHC entitlement; however, the zero threshold has a negative impact on those with very low incomes.

With a lower threshold set at £0 pm, DWP data indicates that around 20,000 people from the JSA group will lose entitlement to HwHC. As those on JSA are unlikely to be disabled, there would be no

expected losers with a disability. This threshold will affect those with earnings greater than £0 and whose allowance and any disregards would have allowed them to retain entitlement to a legacy passporting benefit.

However, a further 110,000 people would gain entitlement to HwHC. 70,000 of these are from the housing benefit group (which again could include contribution based ESA recipients) and 20,000 from the ESA group. There are a further 10,000 from each of the JSA, working tax credits and “floaters on to UC” groups.

With an upper threshold set at £992 pm, DWP data indicates there will be around 436,000 losers of HwHC entitlement. The data indicates that 10,000 would lose entitlement from the ESA group and a further 20,000 from the WTC with disability element group. In addition, around 336,000 would lose from the combined CTC and WTC group and 70,000 from the CTC only group. As noted above, this will include some who will not qualify for UC, and so lose entitlement to HwHC regardless of where the threshold is set. It will also include those with earnings greater than this threshold (£992) compared to the net monthly equivalent for the tax credit threshold used for the legacy benefit arrangements (£1083).

This level of higher threshold would also mean that 346,000 people gain entitlement to HwHC, which will be either by virtue of having a LCW or LCWRA or child element in UC. 130,000 of these are from the income related ESA group, with 146,000 from the housing benefit group and 50,000 “float” onto entitlement (some of these may be contribution based ESA recipients).

Impact of Proposed Options

As outlined in the introductory section of this analysis, the impact of any loss of passporting to HwHC is variable depending on someone’s need for the relevant healthcare services. It is likely that those with a disability will have higher health needs than average (estimated at £230pa), and whilst they are unlikely to need the highest level of care for each aspect of HwHC, it is possible that they could face costs of up to around £1,370 (though it is not impossible that someone who was not disabled might need this level of care) if they lose entitlement. It may also be possible, though again unlikely, that a partner may have similar levels of need, leading to household costs of £2,740. However, as noted above, there are service specific exemptions (such as the exemptions from prescription charges for those with a specified condition) that the affected individual may qualify for which would mitigate the costs, or they may get full or partial help from the NHS Low Income Scheme. The benefits for those who gain would be at a similar level.

For option ii) and iii) there are no obvious losers with a disability at the lower threshold, and similar number of gainers. At the higher threshold, the number both gaining and losing is again similar for both options.

For someone losing out at the higher threshold, this will present a significant portion of their earnings. For example, in Option ii), someone/a household would lose out if they earned over £935pm, equivalent to £11,220pa. So a household on £936pm with very high levels of need could face healthcare costs of up to around 25% of their net earnings. Given other demands on their income, such as the basic necessities of housing, electricity, food and clothing, this would present a significant negative impact on their overall standard of living. This is an illustrative scenario which is unlikely to apply to the majority of people affected. For option ii) this could potentially affect the 20,000 losers from the WTC with disability group lose entitlement and a further 10,000 for the ESA group. Under option iii) 10,000 people from the ESA group and 20,000 people from the WTC with disability element group could be affected.

For those that do lose entitlement, full or partial help with health costs may be available via the NHS Low Income Scheme, which is based on a means tested assessment. Help may also be available from service specific exemptions, such as the medical condition exemptions from the prescription charge.

It should be noted that as UC is paid and assessed on a monthly basis, annual assessments of impacts may not be representative. For example, it is possible that a person/household on the very lowest income may earn nothing in some months, and in those months they would qualify for HwHC.

Changes to “Disability” criteria

There are differences in the way that “disability” is determined/indicated in the UC system compared to the legacy benefit system, in particular in comparison to the tax credits “disability element”. Some from the “disabled” group passported to entitlement to HwHC under the legacy benefit system may not meet the criteria to receive a LCW or LCWRA in UC, and will therefore not be identified as being disabled (in other words there is no “flag” that provides access to the higher threshold). Some of those who lose entitlement to a disability element as a consequence may not qualify for UC, in which case they will be unable to access HwHC via the UC arrangements. This group may still qualify for HwHC though the NHS Low Income Scheme.

Once someone has undertaken the work capability assessment and is awarded a LCW or LCWRA element they will be subject to the higher threshold for HwHC, as the LCW or LCWRA element acts as an indicator or “flag” for “disability” (as defined in the benefit system).

Sex *Consider and detail (including the source of any evidence) on men and women (potential to link to carers below).*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options listed, for this group.

Race *Consider and detail (including the source of any evidence) on difference ethnic groups, nationalities, Roma gypsies, Irish travellers, language barriers.*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options listed, for this group.

Age *Consider and detail (including the source of any evidence) across age ranges on old and younger people. This can include safeguarding, consent and child welfare.*

UC will apply to the working age population. Currently, there are exemptions in place in respect of NHS prescription charges and sight test fees for those aged 60 or over (so that an individual who has not yet reached state pension age will still be able to get these free regardless of benefit entitlement). All children aged under 16, and those aged 16 – 18 in full time education are exempt from NHS prescription charges; charges for NHS wigs and fabric supports and NHS dental charges. They are also entitled to NHS funded sight tests and vouchers towards the costs of glasses or contact lenses.

We believe that there is no differential impact of setting thresholds for those getting UC at the proposed levels for this group. The existing exemptions on the basis of age detailed above, will remain in place even if an individual gains or loses entitlement to other HwHC because of the effects of thresholds in UC.

Gender reassignment (including transgender) *Consider and detail (including the source of any evidence) on transgender and transsexual people. This can include issues such as privacy of data and harassment.*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options considered, for this group.

Sexual orientation *Consider and detail (including the source of any evidence) on heterosexual people as well as lesbian, gay and bi-sexual people.*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the

proposed levels, or for any of the alternative options considered, for this group.

Religion or belief *Consider and detail (including the source of any evidence) on people with different religions, beliefs or no belief.*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options considered, for this group.

Pregnancy and maternity *Consider and detail (including the source of any evidence) on working arrangements, part-time working, infant caring responsibilities.*

For each of the three options:

- Option i) – Lower threshold - £500pm; Upper threshold - £1083pm
- Option ii) Lower threshold - £435pm; Upper threshold - £935pm
- Option iii) Lower threshold - £0pm; Upper threshold - £992pm

The overarching figures for who will lose and gain entitlement to HwHC are as per the Disability section above. However it should be noted that any of the groups identified as winners or losers could include pregnant women.

Impact of Proposed Options

In considering the impact of these options on pregnancy and maternity, it should be noted that the group that is eligible for the higher threshold will include anyone with a child for whom they receive child benefit. This covers children of all ages up to 19 (or 20 in certain circumstances), if they remain in full time non-advanced education, and also covers families made up of lone parents of either sex, or couples. Pregnant women who do not already have a child included in their benefit claim will be subject to the lower earnings threshold for HwHC (unless they get a LCW/LCWRA element).

Women who are pregnant or who have had a child in the previous 12 months are entitled to free NHS prescriptions and NHS dental treatment by virtue of their pregnancy, so are protected to a significant extent should they lose passported entitlement.

As outlined in the introductory section of this analysis, the impact of any loss of passporting to HwHC is variable depending on someone's need for the relevant healthcare services. The potential "average" costs for a pregnant woman or woman who gave birth in the previous 12 months would be around £70.50 (in respect of optical costs – she would be exempt from dental charges and prescription charges). In the unlikely event that a pregnant woman or woman who gave birth in the previous 12 months had a very high level of health needs (which include the need for wigs or fabric supports or frequent, and or significant travel costs² to receive treatment on referral), they could face costs of up to £821. It may also be possible, that a partner may have extremely high health needs leading to household costs of £2,191 (this is an illustrative scenario which is unlikely to apply to the majority of people affected).

Pregnant women who do not already have a child included in their benefit claim will be subject to the lower earnings threshold for entitlement to HwHC. For option ii) there will be a positive impact (i.e. they will gain entitlement to HwHC) of setting the lower threshold at £435 compared to the legacy provision, where an individual has earnings greater than £403 (the allowed earnings under the legacy benefits) but less than £435. However, there will be a disadvantage for pregnant women who are part of a couple as under the legacy benefit arrangements they would be entitled to HwHC with earnings up to c£580pm. However, as only 5,600 people lose entitlement from the lower threshold, there are likely to be very few pregnant women affected.

A pregnant woman would lose out under Option iii) if she (or her partner where relevant) earned more

² Data on the Healthcare Travel Costs Scheme are not collected centrally, so it is not possible to estimate potential costs that might arise.

than £0, and so would need to rely almost entirely on their benefit payments to cover the cost of healthcare, which is likely to leave them unable to afford the basic necessities, e.g. UC includes housing costs, so a person might fall into arrears with their housing payments if they divert money to pay for HwHC, or some may not take up treatment where the cost is a burden potentially leading to detrimental health outcomes.

For the upper threshold, the impact is reversed. Option ii) has a negative impact for pregnant women who already have a child in their benefit claim where their earnings are less than £1083 pm and higher than £935 pm. For Option iii) the negative impact will be less, as it will only affect those whose earnings are between £1083 pm and £992 pm.

As with disability, where someone does lose entitlement, full or partial help with health costs may be available via the NHS Low Income Scheme, which is based on a means tested assessment. Help may also be available from service specific exemptions, such as the medical condition exemptions from the prescription charge.

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options listed, in respect of working arrangements. It is likely that the need to undertake part-time work (rather than full time) or infant caring responsibilities would reduce household earnings and possibly as a result lead to qualifying for HwHC, where that would not otherwise have been the case..

Carers *Consider and detail (including the source of any evidence) on part-time working, shift-patterns, general caring responsibilities.*

We do not consider there to be any differential impact of setting thresholds for those getting UC at the proposed levels, or for any of the alternative options listed, for this group.

Other identified groups *Consider and detail and include the source of any evidence on different socio-economic groups, area inequality, income, resident status (migrants) and other groups experiencing disadvantage and barriers to access.*

Variations in the threshold levels would have an impact on those from lower socio-economic groups. Reducing the lower earnings threshold, though not affecting significant numbers of people (reducing to zero would affect 20,000 people), would have a significant negative impact, in that this group might, in a worst case scenario, need to use a significant proportion of their benefit payments to cover their health costs.

People in receipt of UC are, by definition, on a “low income”, and the UC assessment is a means-test. In setting thresholds to determine entitlement to HwHC at the proposed levels those with earnings above the relevant threshold (in any of the options – although option i) broadly replicates the current offer) will not qualify for help with health costs and will therefore have to meet any relevant treatment costs from their own resources, including the amount of earnings in excess of the threshold limit. The potential costs for this group are as set out in the table “Average and high level costs for those who lose entitlement to HwHC” in the first section of this document.

The impact of option i) is that largely those who would previously have met the criteria would continue to qualify for HwHC, except where the structure of UC (for example, the capital limits) meant that they did not qualify. The impact of option ii) and iii) is that those with income in excess of the threshold set will not qualify for HwHC and would have to cover the costs of any NHS charges or relevant health costs from their income. Some may not take up treatment where the cost is a burden potentially leading to detrimental health outcomes, and possibly greater cost to the NHS as a result, for example from requiring acute hospital admission.

Those who lose entitlement may still benefit from other exemptions, such as the medical condition based exemption for prescriptions or the maternity exemption from prescriptions and dental charges. People may also benefit from the NHS Low Income Scheme. The Low Income Scheme is based on Income Support regulations, and is available to anyone (for example those over pension age, students and those on low incomes) and provides income related help with health costs for those who do not qualify via passported benefits.

Engagement and involvement

Was this work subject to the requirements of the cross-government [Code of Practice on Consultation](#)? (Y/N)

The Social Security Advisory Committee (SSAC) were asked to review the impact of UC on passported benefits. Their review included a public consultation, focus groups and a call for evidence from interested organisations. The resulting report “Universal Credit: the impact on passported benefits” was published in March 2012.³

How have you engaged stakeholders in gathering evidence or testing the evidence available?

See the SSAC report. As part of their review the SSAC conducted a public consultation, set up focus groups and invited evidence from stakeholder groups. In particular, comments relating to HwHC were received from: Citizens Advice, Disability Alliance and Child Poverty Action Group and practitioner representative groups the Pharmaceutical Services Negotiating Committee; the Optical Confederation and the College of Optometrists and some local NHS bodies. The SSAC provided advice and options on how passported benefits might be targeted, acknowledging the cost constraints.

How have you engaged stakeholders in testing the policy or programme proposals?

See above

For each engagement activity, please state who was involved, how and when they were engaged, and the key outputs:

In the earlier phases of UC development and preparation for “Pathfinder” we informed the PSNC, the BDA and the Optical Confederation of the developments on UC, and gave them the opportunity to provide initial views. These groups represent practitioners who deal with patients at the point they claim HwHC. We have also had discussions with CAB and the Prescription Charges Coalition.

Summary of Analysis

Considering the evidence and engagement activity you listed above, please summarise the impact of your work. Consider whether the evidence shows potential for differential impact, if so state whether adverse or positive and for which groups. How you will mitigate any negative impacts. How you will include certain protected groups in services or expand their participation in public life.

The analysis shows that the identified options would have the following impact:

Option i) Thresholds set at £500 pm and £1083 pm

- This option ensures that those currently passported by legacy benefits are essentially covered within UC, within the constraints imposed by the structure of UC. The data identifies around 10,000 people with disability who will lose entitlement and 140,000 people with children.

³ “Universal Credit: the impact on passported benefits”

- There will be people gaining entitlement to HwHC (around 360,000), which are likely to include those with disability as well as pregnant women or new mothers.
- This option would create an additional cost of around £82 million, which would displace funding for other NHS services and is not, therefore, considered affordable.

Option ii) Thresholds set at £435 pm and £935 pm

- This option reduces the lower and higher thresholds by broadly the same amount from the equivalent levels in the current 'legacy' benefits and therefore balances the impact.
- There will be losers as a consequence of these thresholds in addition to those arising from the structure of UC. 5,600 will lose out at the lower threshold, and will not be disabled or have children, though some may possibly be pregnant. Around 590,000 people will lose at the upper threshold, of which around 30,000 are likely to be disabled, and around 560,000 will have children.
- There will also be gainers with these thresholds. Around 285,000 will gain at the lower threshold of which around 20,000 are likely to be disabled and 20,000 will have children, and some may be pregnant women. An additional 319,000 would gain at the upper threshold. Around 124,000 will have a disability and 30,000 will have children. Pregnant women or new mothers may also be among those who gain.
- This option will be cost neutral, so is affordable.

Option iii) Thresholds set at £0 pm and £992 pm

- This option minimises the number of losers limiting any change to the higher threshold and, instead, reducing the lower threshold as far as possible.
- There will be losers as a consequence of these thresholds, in addition to those caused by the structure of UC. The lower threshold will create around 20,000 losers who will not be disabled but may be pregnant women. Around 436,000 people will lose at the upper threshold. Around 30,000 of these are likely to have a disability, and 400,000 will have a child and may include pregnant women or new mothers.
- There will also be gainers with these thresholds. Around 110,000 people will gain at the lower threshold, with 20,000 of these likely to have a disability. Some may also be pregnant women. At the higher threshold, around 346,000 will gain entitlement, of which 130,000 are likely to have a disability and 30,000 will have children, which may include new mothers.
- This option will be cost neutral, so if affordable.
- Whilst setting the lower threshold at £0 leads to small numbers of losers, these are people with the very lowest level of earnings and, and therefore the loss of entitlement to HwHC is likely to have a substantial negative impact as they are unlikely to be able to afford the additional cost of prescriptions or other health costs with attendant implications for their overall health.

Considering the impact on the protected characteristics and , and in recognition of the more significant impact on the lower threshold group from Option iii), we consider that taking forward Option ii) is the most appropriate approach as it seeks to prevent the exclusion of very low income groups from healthcare.

Now consider and detail below how the proposals impact on elimination of discrimination, harassment and victimisation, advance the equality of opportunity and promote good relations between groups.

Eliminate discrimination, harassment and victimisation *Where there is evidence, address each protected characteristic (age, disability, gender, gender reassignment, pregnancy and maternity, race, religion or belief, sexual orientation).*

We do not believe the proposed changes provide any opportunity to eliminate discrimination, harassment and victimisation in relation to the protected characteristics.

Advance equality of opportunity *Where there is evidence, address each protected characteristic (age, disability,*

gender, gender reassignment, pregnancy and maternity, race, religion or belief, sexual orientation).

Equality duty aims

In respect of having due regard to the need to remove or minimise disadvantages where someone is in one of the protected characteristics groups, the proposed higher threshold ((£935 net per month) for providing entitlement to HwHC for those getting UC is directed at those with a child/disability element, where health related costs might be a greater burden.

Setting the threshold at a level that is lower than the current tax credit threshold for HwHC, due to cost constraints, has a negative impact on those with earnings greater than the proposed threshold but less than the previous tax credit threshold. As above, in recognition of the more significant impact on the lower threshold group, but also of the need to limit the gainers from those groups that have not traditionally been passported, we believe that it is proportionate to pursue Option ii).

Promote good relations between groups *Where there is evidence, address each protected characteristic (age, disability, gender, gender reassignment, pregnancy and maternity, race, religion or belief, sexual orientation).*

Equality duty aims

We do not believe the proposed changes provide any opportunity to promote good relations between people sharing a protected characteristic and those who do not.

What is the overall impact? *Consider whether there are different levels of access experienced, needs or experiences, whether there are barriers to engagement, are there regional variations and what is the combined impact?*

Health costs are a devolved matter. In some instances the DAs have different charging arrangements, for example all the DAs have abolished NHS prescription charges and there are differences in the structure and extent of other NHS charges (than in England). For passported entitlement for HwHC the DAs have previously chosen to take a similar approach as England. They may decide to follow a similar approach in respect of UC, however it is for their Ministers to decide.

We would expect any regional variation in the impact of introducing thresholds for UC for HwHC in England to be a reflection of existing variations in social and income deprivation.

Addressing the impact on equalities *Please give an outline of what broad action you or any other bodies are taking to address any inequalities identified through the evidence.*

The intended overall impact is to provide entitlement to broadly the same numbers and, where possible within the structure of Universal Credit, the same groups of people as currently qualify for passported entitlement to HwHC.

Access to HwHC for those who meet the thresholds criteria will be dependent on the individual's awareness of their entitlement. The UC Award Notice will contain clear information about the criteria. Communications work will also be undertaken to publicise the arrangements for HwHC and the UC thresholds, which will be both public/patient facing and directly targeted at relevant professionals (pharmacists/dentists/opticians etc.).

Action planning for improvement *Please give an outline of the key actions based on any gaps, challenges and opportunities you have identified. Actions to improve the policy/programmes need to be summarised (An action plan template is appended for specific action planning). Include here any general action to address specific equality issues and data gaps that need to be addressed through consultation or further research.*

The implications of the summer 2015 budget on benefit eligibility, and consequently on passporting for HwHC, still need to be assessed. The impacts of these announcements on passported benefits, including HwHC, has yet to be modelled by HMRC and DWP. This will be undertaken over the coming months and any necessary changes to threshold levels considered in time for implementation in April 2016.

We will consider how best to communicate any changes to the public and to professionals.

Please give an outline of your next steps based on the challenges and opportunities you have identified. *Include here any or all of the following, based on your assessment*

- *Plans already under way or in development to address the **challenges** and **priorities** identified.*
- *Arrangements for continued engagement of stakeholders.*
- *Arrangements for continued monitoring and evaluating the policy for its impact on different groups as the policy is implemented (or pilot activity progresses)*
- *Arrangements for embedding findings of the assessment within the wider system, OGDs, other agencies, local service providers and regulatory bodies*
- *Arrangements for publishing the assessment and ensuring relevant colleagues are informed of the results*
- *Arrangements for making information accessible to staff, patients, service users and the public*
- *Arrangements to make sure the assessment contributes to reviews of DH strategic equality objectives.*

Work on monitoring and assessing the longer term direction of passported benefits will continue through the DWP hosted cross – government working group. DH will continue to liaise with DWP and other Departments to monitor the impacts of threshold in UC. In particular it has not yet been possible to assess the implications of announcements (relating to tax credits and UC) made in the July 2015 budget. This will be undertaken in time to inform potential changes to thresholds in April 2016.

For the record

Name of person who carried out this assessment:

Stephen Lock and Gina Jones

Date assessment completed:

29 September 2015

Name of responsible Director/Director General:

Liz Woodeson

Date assessment was signed:

29 September 2015