

**EXPLANATORY MEMORANDUM TO**  
**THE NATIONAL HEALTH SERVICE (CHARGES FOR DRUGS AND**  
**APPLIANCES) AMENDMENT (No.2) REGULATIONS 2007**

**2007 No. 1510**

1. This explanatory memorandum has been prepared by Department of Health and is laid before Parliament by Command of Her Majesty.

**2. Description**

2.1 These Regulations amend the National Health Service (Charges for Drugs and Appliances) Regulations 2000.

**3. Matters of special interest to the Joint Committee on Statutory Instruments**

3.1 None

**4. Legislative Background**

4.1 These regulations amend the National Health Service (Charges for Drugs and Appliances) Regulations 2000:

**Prescription Pre-payment Certificates (PPC)**

a) To allow the Secretary of State to grant a 12 month PPC which will be paid by bank direct debit facility in 10 monthly payments in addition to the current lump sum payment mechanism. The certificate will be issued after payment of the first of the ten monthly instalments. (Regulation 2 paragraph (1) and (6))

b) To replace the 4 month PPC with a 3 month PPC. (Regulation 2 paragraph (2))

c) To allow the Secretary of State to refuse to grant a subsequent 12 month PPC to be paid for by direct debit to a person who has previously failed without good reason to pay the full cost of a 12 month PPC by bank direct debit, and who has failed without good reason to return the PPC within 28 days of the date on which the Secretary of State requested its return. (Regulation 2 paragraph (5))

d) To allow a refund to be available in respect of complete months unexpired in all applications for a refund of the sum payable for the PPC (Regulation 2 paragraph (10)) except where the PPC holder dies, or is admitted to hospital and subsequently dies, within month 1 of the life of the PPC, where a refund of the full amount payable for the PPC which has already been paid will be available.

A person who purchased a 12 month PPC with a lump sum payment will be sent the appropriate refund payment, that is, one twelfth of the sum payable for each month

unexpired. The direct debit instalment payer will cancel the direct debit. If the direct debit is not cancelled, the calculation below will be used.

To ensure the refund of 10 monthly bank direct debit instalments reflects the 12 months for which the pre-payment certificate is valid the amount of any refund is the difference between amount payable in respect of complete months prior to the exempting event plus the amount payable for the month in which the exempting event occurred and the actual amount paid. (Regulation 2 paragraph (10)(ii))

e) To allow a refund to be claimed within 3 months of the relevant event which entitled the applicant to apply for a refund (or within 3 months of PPC expiry if the holder is in hospital). The 24 month limit will remain in the case of death of a PPC holder. (Regulation 2 paragraph (13))

### **Transitional Arrangements**

f) To allow for postal applications for 4 month PPCs received between 1 July and 1 November 2007 to be issued as if the new regulations had not come into force and for refunds of such certificates to be dealt with under the old arrangements. (Regulation 3 paragraph (2))

g) To allow refund arrangements for certificates which were applied for prior to 1 July 2007 to be dealt with under the old arrangements bar the refund of a 12 month PPC where the exemption event occurred more than one month after the date on which the certificate became valid. (Regulation 3 paragraph (2), (3), (4) and (5))

## **5. Extent**

5.1 This instrument applies to England.

## **6. European Convention on Human Rights**

6.1 As the instrument is subject to the negative resolution procedure and does not amend primary legislation, no statement is required.

## **7. Policy background**

7.1 The National Health Service (Charges for Drugs and Appliances) Regulations 2000 provide for NHS prescription charges to be recovered from patients for the supply of drugs or appliances.

7.2 In 1968 when prescription charges were re-introduced PPCs were introduced for 6 and 12 months to assist those who required a lot of prescription items but had to pay charges. They were of benefit if more than 12 items in 6 months or 22 items in 12 months were required. In 1980 the duration of PPCs changed from 6 months to 4 months, (to benefit those who required more than 6 items in 4 months) this reduced the initial cost outlay for the patient.

## **Prescription Pre-payment Certificates**

- a) As part of the response to the Health Select Committee Report the Government announced the introduction of direct debit to facilitate the purchase of a 12 month prescription pre-payment certificate (PPC). (Regulation 2 paragraph (1)). The direct debit facility has been introduced so that more people can have access to a 12 month PPC by spreading the cost of purchase.
- b) At the same time the government announced the replacement of the 4 month PPC with a 3 month PPC to reduce the initial outlay in cost for the patient. (Regulation 2 paragraph (2))
- c) It is necessary to provide powers to the Secretary of State to refuse to grant a 12 month PPC to those who have previously defaulted on direct debit payments to limit abuse of the system. (Regulation 2 paragraph (5))
- d) The introduction of proportional refund arrangements for 12 month will benefit the person who paid by lump sum as the old arrangements did not provide for a refund to be available in respect of exemption arising after month 4. This also ensures parity with the person who paid by bank direct debit instalment and can cancel their direct debit. Currently a refund is not available unless exemption starts within the first 4 months of a 12 month PPC, (except in the case of the death of the holder) but this will no longer be the case. (Regulation 2 paragraph (10))
- e) Currently, the refund of the sum payable for a PPC must be claimed within varying time limits. The amendment brings the refund arrangements for claiming refunds in line with that of refunds for other NHS charges. (Regulation 2 paragraph (13))

## **Transitional Arrangements**

- f) So as not to inconvenience applicants by returning the application all 4 month PPC applications received by post with the correct 4 month payment enclosed will be issued in accordance with the old regulations for a period of four months after the introduction of the new arrangements. The refund arrangements will be in accordance with the old regulations. (Regulation 3 paragraph (2))
- g) So that holders of 12 month PPCs are not financially disadvantaged irrespective of the date of purchase of the certificate, we have applied the most advantageous refund arrangements for persons whose PPC in some ways straddle the old and new systems. Therefore, for refund of a 12 month PPC which was granted under the old system where the exemption event occurred more than one month after the date on which the certificate became valid and where the refund application is made on or after 1<sup>st</sup> July 2007, the refund will be processed under the new regulations. The holder of a 12 month PPC which was granted under the old system where the exemption event occurred less than one month after the date on which the certificate became valid and where the refund application is made on or after 1<sup>st</sup> July 2007 will receive the entirety of the sum paid in accordance with the old regulations. (Regulation 3 paragraph (2), (3), (4) and (5))

## **8. Impact**

8.1 A Regulatory Impact Assessment has not been prepared for this instrument as it has no impact on business, charities or voluntary bodies.

8.2 The cost to the public will be reduced from £35.85 for a 4 month PPC to £26.85 for a 3 month prescription pre-payment certificate. The total cost of the 12 month PPC remains unchanged (£98.70 as of 1 April 2007).

8.3 Transitional arrangements have been planned which ensure that patients applying for a refund of a PPC will not be financially disadvantaged irrespective of the date of purchase or which type of payment method they used to purchase it.

## **9. Contact**

**Eleanor Shenton** at the Department of Health Tel: 020 7972 2923 or e-mail: [eleanor.shenton@dh.gsi.gov.uk](mailto:eleanor.shenton@dh.gsi.gov.uk) can answer any queries regarding the instrument.