

Title: Impact assessment of extending the 'period of absence' for UK residents Lead department or agency: Department of Health Other departments or agencies:	Impact Assessment (IA)
	IA No: 6041
	Date: 18/03/2011
	Stage: Final
	Source of intervention: Domestic
	Type of measure: Secondary legislation

Summary: Intervention and Options

What is the problem under consideration? Why is government intervention necessary?

People living in the UK for part of the year, while also spending significant periods of time abroad risk being judged as not ordinarily resident and so not entitled to free NHS treatment, although some exemptions do protect this group.

The current regulations allow current residents a regular absence from the UK of up to three months per year before they risk being chargeable for hospital treatment.

With people having increasingly mobile lifestyles, the time is right to review this regulation.

What are the policy objectives and the intended effects?

Policy objective:

- to better reflect current practice in the NHS and so improve equity,

Intended effects:

- to protect the health and well-being of relevant individuals, without exposing NHS resources to abuse.
 - relevant individuals will have enhanced freedom of movement.

What policy options have been considered, including any alternatives to regulation? Please justify preferred option (further details in Evidence Base)

- 1) Do nothing
- 2) Extend the absence period from 3 months p/a to 6 months p/a

Option 2 is the preferred option. This option allows for an increased freedom of movement, without encouraging the use of NHS Resources by individuals who spend very little time in England.

Will the policy be reviewed? It will be reviewed. If applicable, set review date: 5/2014

What is the basis for this review? Please select. If applicable, set sunset clause date: Month/Year

Are there arrangements in place that will allow a systematic collection of monitoring information for future policy review?

No

Ministerial Sign-off For final proposal stage Impact Assessments:

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) the benefits justify the costs.

Signed by the responsible Minister:

 Date: 17/3/2011

Summary: Analysis and Evidence

Policy Option 2

Description:

Impact assessment of extending the 'period of absence' for UK residents

Price Base Year 2010	PV Base Year 2010	Time Period Years 10	Net Benefit (Present Value (PV)) (£m)		
			Low: -64	High: -32	Best Estimate: -48

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	nil	4-7	53-81

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

Exchequer costs

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

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	nil	4	19

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

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

Key assumptions/sensitivities/risks

Discount rate (%) 3.5

Data has been largely unavailable and many estimates, ranges and assumptions have been used. The consultation document asked for any additional available data in respect of IAs and related equality impact assessments, which might inform future versions, but no appropriate new data were received. Please see the main body of the IA.

Direct impact on business (Equivalent Annual) £m):			In scope of OIOO?	Measure qualifies as
Costs: 0	Benefits: 0	Net: 0	No	NA

Enforcement, Implementation and Wider Impacts

What is the geographic coverage of the policy/option?			England			
From what date will the policy be implemented?			03/05/2011			
Which organisation(s) will enforce the policy?			DH			
What is the annual change in enforcement cost (£m)?			£nil			
Does enforcement comply with Hampton principles?			Yes			
Does implementation go beyond minimum EU requirements?			N/A			
What is the CO ₂ equivalent change in greenhouse gas emissions? (Million tonnes CO ₂ equivalent)			Traded: nil	Non-traded: nil		
Does the proposal have an impact on competition?			No			
What proportion (%) of Total PV costs/benefits is directly attributable to primary legislation, if applicable?			Costs: n/a	Benefits: n/a		
Distribution of annual cost (%) by organisation size (excl. Transition) (Constant Price)		Micro	< 20	Small	Medium	Large
Are any of these organisations exempt?		No	No	No	No	No

Specific Impact Tests: Checklist

Set out in the table below where information on any SITs undertaken as part of the analysis of the policy options can be found in the evidence base. For guidance on how to complete each test, double-click on the link for the guidance provided by the relevant department.

Please note this checklist is not intended to list each and every statutory consideration that departments should take into account when deciding which policy option to follow. It is the responsibility of departments to make sure that their duties are complied with.

Does your policy option/proposal have an impact on...?	Impact	Page ref within IA
Statutory equality duties¹ Statutory Equality Duties Impact Test guidance	Yes	11
Economic impacts		
Competition Competition Assessment Impact Test guidance	No	
Small firms Small Firms Impact Test guidance	No	
Environmental impacts		
Greenhouse gas assessment Greenhouse Gas Assessment Impact Test guidance	No	
Wider environmental issues Wider Environmental Issues Impact Test guidance	No	
Social impacts		
Health and well-being Health and Well-being Impact Test guidance	No	
Human rights Human Rights Impact Test guidance	No	
Justice system Justice Impact Test guidance	No	
Rural proofing Rural Proofing Impact Test guidance	No	
Sustainable development Sustainable Development Impact Test guidance	No	

¹ Public bodies including Whitehall departments are required to consider the impact of their policies and measures on race, disability and gender. It is intended to extend this consideration requirement under the Equality Act 2010 to cover age, sexual orientation, religion or belief and gender reassignment from April 2011 (to Great Britain only). The Toolkit provides advice on statutory equality duties for public authorities with a remit in Northern Ireland.

Evidence Base (for summary sheets) – Notes

Use this space to set out the relevant references, evidence, analysis and detailed narrative from which you have generated your policy options or proposal. Please fill in **References** section.

References

Include the links to relevant legislation and publications, such as public impact assessments of earlier stages (e.g. Consultation, Final, Enactment) and those of the matching IN or OUTs measures.

No.	Legislation or publication
1	http://www.dh.gov.uk/prod_consum_dh/groups/dh_digitalassets/@dh/@en/documents/digitalasset/dh_113266.pdf
2	
3	
4	

+ Add another row

Evidence Base

Ensure that the information in this section provides clear evidence of the information provided in the summary pages of this form (recommended maximum of 30 pages). Complete the **Annual profile of monetised costs and benefits** (transition and recurring) below over the life of the preferred policy (use the spreadsheet attached if the period is longer than 10 years).

The spreadsheet also contains an emission changes table that you will need to fill in if your measure has an impact on greenhouse gas emissions.

Annual profile of monetised costs and benefits* - (£m) constant prices

	Y ₀	Y ₁	Y ₂	Y ₃	Y ₄	Y ₅	Y ₆	Y ₇	Y ₈	Y ₉
Transition costs										
Annual recurring cost										
Total annual costs										
Transition benefits										
Annual recurring benefits										
Total annual benefits										

* For non-monetised benefits please see summary pages and main evidence base section



Microsoft Office
Excel Worksheet

Evidence Base (for summary sheets)

The problem to be addressed and the reason for intervention

1. People living in the UK for part of the year, while also spending significant periods of time abroad risk being judged as not ordinarily resident and so not entitled to free NHS treatment, although some exemptions do protect this group.
2. The current regulations include a specific disregard of any period of temporary absence of not more than three months for the purposes of calculating a period of residence - in effect, this allows current UK residents a regular period of absence from the UK of up to three months per year before they risk being chargeable for hospital treatment.
3. A survey to ascertain the number of residents who are currently identified and charged for absences of 3-6 months was conducted by DH among a sample of trusts. This showed that most trusts take a lenient approach and do not apply charges creating inconsistency and perceived unfairness.
4. With people having increasingly mobile lifestyles, the time is right to review this regulation. Increasing the permitted period of absence from three to six months would be consistent with current exemptions for state pensioners. At the same time, six months is a short enough disregard to distinguish between genuine residents who spend the majority (at least half) of the year in the UK, and citizens who now choose to reside in another country for most or all of the year, returning only for short visits, including specifically to access NHS healthcare.

What are the policy objectives and the intended effects?

5. Policy objective:
 - To better reflect current practice in the NHS and so improve equity.
6. Intended effects:
 - To protect the health and well-being of relevant individuals, without exposing NHS resources to abuse.
 - Relevant individuals will have enhanced freedom of movement.

Identification of Options to consider

7. Option 1 - 'do nothing' is included for comparison.
8. Option 2 - to increase the absence exemption from 3 months to 6 months.
9. It is assumed that any absence exemption beyond 6 months would allow NHS resources to be exploited by people who live in England for a short period of time each year purely to access free health care.
10. Option 2 is the preferred option. This option would be implemented by amendments to existing regulations and so would be mandatory for all providers of NHS secondary care.
11. For both options, costs fall on the NHS budget, and benefits fall on relevant individuals. The costs and benefits are highlighted separately for each option.

Do Nothing (option 1)

12. The do nothing option would maintain the current policy: individuals who live outside of England for more than 3 months per annum do not have a specific exemption from charges for NHS secondary care, although there is some protection for particular groups, such as UK pensioners.

Benefits

13. There are no assumed incremental benefits.

Risks

14. No risks envisaged.

Costs

15. The incremental costs are £nil.

Extending the absence exemption from 3 to 6 months (Option 2)

16. The costs and benefits have been assessed over a 10 year period to be in line with the default period. The policy itself has no specified time limit.

Benefits

Table 1: Total undiscounted benefits

2010/11 £m	2011/12 £m	2012/13 & thereafter £m
0	3	4

The policy is assumed to start in mid 2011 and is then pro rata'd.

16. We have identified only one quantifiable benefit to individuals: the cost that they currently pay for NHS or alternative treatment, which will no longer be payable under the new policy.

17. Please see a summary calculation below::

	Description	Value p/a
	Estimated number of individuals out of the country between 3 and 6 months who are charged for NHS treatment	378
<i>Multiplied by</i>	DH estimated average cost per patient per annum	£10,000
Total	Total annual current cost of treating all individuals who travel outside of the UK between 3 and 6 months p/a	£3,780,000

18. We assume that none of the people affected currently forego treatment completely and rather obtain treatment privately. Therefore, additional QALYs are not included as a benefit. We also assume that the cost of alternative provision is the same as NHS treatment costs.

19. There is assumed to be no write off of charges, as these individuals are likely to have insurance, and / or are likely to be easily chased up.
20. The total number of patients affected is based on a sample of NHS acute hospitals. An estimate has been derived from this data, which suggests that across the NHS approximately 378 people per annum would be affected by the change, before considering any increased uptake. This number is particularly small as the survey also confirmed that many hospital Trusts may prefer to consider identified people as still ordinarily resident and so do not impose charges. A minority however do determine that charges should be applied.

Costs

Table 2: Costs to the NHS

	2010/11 £000	2011/12 £000	2012/13 & thereafter £000
Direct costs on NHS budget	0	3 - 5	4 - 6
Total undiscounted costs including opportunity costs	0	8 -12	10- 16

Notes

1. Undiscounted **opportunity costs** to the NHS budget are calculated in line with the Exchequer approach:
2. All costs are current 10/11 costs.
3. The cost is assumed to start in mid 2011 and is pro rata'd.

21. The costs are estimates of the total cost of providing free NHS secondary care to those who previously did not receive it, and would be eligible under the new policy. This includes both those who currently use the NHS, and those who currently have healthcare arrangements outside of the NHS.

22. The costs consist of two components: loss of charging revenue to the NHS; increase in uptake of individuals who currently have alternative healthcare arrangements.

28.23. All costs impact on the NHS budget, and as such opportunity costs are applied to all costs (i.e by multiplying costs by 2.4) This process of applying opportunity costs takes into account that the next best alternative use of NHS resources gives a benefit of £2.40 for every £1 spent.

Loss of charging revenue to the NHS

24. This is the cost that individuals currently pay for NHS or alternative treatment, which will no longer be payable under the new policy. The methodology and value is exactly the same as that highlighted for the corresponding benefit in the benefits section: the cost to the NHS is a benefit to relevant individuals in society. This cost is multiplied by 2.4 to account for opportunity costs, but the corresponding benefit is not.

Increase in uptake of individuals who currently have alternative healthcare arrangements.

25. We have also assumed an increased demand due to the change in policy of up to 5% per annum, although this is speculative. The higher figure in Table 2 is based on this assumption, and the lower figure based on the assumption of increased demand being 1%.

The summary calculation is below:

	Description	Value p/a
	Number of individuals who travel between 3 and 6 moths and seek NHS treatment	5,716
<i>Multiplied by</i>	Percentage assumed uptake	1% 5%
<i>Multiplied by</i>	DH Estimated cost per person for treatment	£10,000
Total		£571,582 £2,857,909

Risks

26. The analysis is based on the number of patients who are currently being charged for NHS services and would otherwise be exempt. However, some people in this group will have health insurance or otherwise pay for healthcare without using the NHS. If this group choose to use NHS services and not private healthcare, there would be an increase in the benefits to individuals. An estimate of the additional cost to the NHS is included below.
27. There is a significant uncertainty around the data we have drawn from our sample of NHS acute hospitals. However there are very few alternative data sources, and those that are available are of poor quality. Thus, our estimates are the best approach available to us now.

Summary Measure of Net Benefit and Equality Impacts

28. The net benefit (PV) is calculated by subtracting the total present value of opportunity costs from the total present value of benefits.
29. The net benefit value is located on the 'Analysis: Summary and Evidence' sheet.
30. The net benefit shows whether the benefits provided by the policy give an overall social cost or overall social benefit.

An Equality Impact Assessment Screening is discussed in a later section.

Net Benefit Range

32. Given the lack of robustness and certainty around the data, it is prudent to take the best and worst case net benefit scenarios as the Net Benefit Range.

The preferred option

33. The preferred option is option 2. To 'do nothing' would not reduce inequalities or address the changing travel trends.

34. There is a negative net benefit for option 2 However that does not take into account the reduction in inequalities which is likely to result from the policy.

Specific Impact Tests

Specific Impact Test	Significant Impact?
Competition	No
Small firms	No
Legal Aid	No
Sustainable Development	No
Health	Discussed above. Health Impact Assessment not required
Carbon and Greenhouse gas	No
Other Environment	No
Race	See 'Equality Screening' below
Disability	See 'Equality Screening' below
Gender	See 'Equality Screening' below
Age	See 'Equality Screening' below
Religion	See 'Equality Screening' below
Sexual Orientation	See 'Equality Screening' below
Human Rights	No
Rural Proofing	No

Equality Screening

35. There is no foreseeable differential impact due to disability, gender, sexual orientation, or religion or belief. The proposal improves equality between those of different ages by bringing the general exemption in line with that available to UK state pensioners who can reside for up to six months of the year in EEA countries without losing any entitlement to continued free NHS healthcare. There may also be a positive impact on minority ethnic groups who may be more likely to have family overseas and so spend extended periods outside the UK, although there is no evidence available to support this conjecture.

36. A full EqIA was not completed. The screening assessment is based on limited but robust data. The department will undertake an equality assessment of current regulations and guidance and conduct a full equality assessment as part of its intended wider review of charges to overseas visitors.

Conclusion

37. The preferred option is option 2. Option 1 does not address the problem. The consultation ran from 26 February to 30 June 2010 and the majority agreed with the question of whether option 2 should be implemented. We will therefore amend the charging regulations to bring option 2 into force.

Annexes

Annex 1 should be used to set out the Post Implementation Review Plan as detailed below. Further annexes may be added where the Specific Impact Tests yield information relevant to an overall understanding of policy options.

Annex 1: Post Implementation Review (PIR) Plan

A PIR should be undertaken, usually three to five years after implementation of the policy, but exceptionally a longer period may be more appropriate. If the policy is subject to a sunset clause, the review should be carried out sufficiently early that any renewal or amendment to legislation can be enacted before the expiry date. A PIR should examine the extent to which the implemented regulations have achieved their objectives, assess their costs and benefits and identify whether they are having any unintended consequences. Please set out the PIR Plan as detailed below. If there is no plan to do a PIR please provide reasons below.

<p>Basis of the review: [The basis of the review could be statutory (forming part of the legislation), i.e. a sunset clause or a duty to review, or there could be a political commitment to review (PIR)]; We will review for good policy practice reasons.</p>
<p>Review objective: [Is it intended as a proportionate check that regulation is operating as expected to tackle the problem of concern?; or as a wider exploration of the policy approach taken?; or as a link from policy objective to outcome?] This will be reviewed initially as part of a further review on the charging regime for overseas visitors to check that the policy intent is working.</p>
<p>Review approach and rationale: [e.g. describe here the review approach (in-depth evaluation, scope review of monitoring data, scan of stakeholder views, etc.) and the rationale that made choosing such an approach] This will be reviewed initially as part of a further review on the charging regime for overseas visitors to check that the policy intent is working.</p>
<p>Baseline: [The current (baseline) position against which the change introduced by the legislation can be measured] supported failed asylum seekers are charged for NHS hospital treatment</p>
<p>Success criteria: [Criteria showing achievement of the policy objectives as set out in the final impact assessment; criteria for modifying or replacing the policy if it does not achieve its objectives] supported failed asylum seekers are not charged for NHS hospital treatment.</p>
<p>Monitoring information arrangements: [Provide further details of the planned/existing arrangements in place that will allow a systematic collection of monitoring information for future policy review]</p>
<p>Reasons for not planning a review: [If there is no plan to do a PIR please provide reasons here]</p>

Add annexes here.