

Summary: Intervention & Options

Department /Agency: UK Border Agency (an executive agency of the Home Office)	Title: Impact Assessment of proposed amendments to the Immigration Rules; refusing entry or extensions of stay to NHS debtors	
Stage: Consultation Stage	Version: 3.55	Date: 7 th December 2009
Related Publications: Consultation; Refusing entry or stay to NHS debtors. (ISBN: 978-1-84987-107-5)		

Available to view or download at: www.ukba.homeoffice.gov.uk

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

Health regulations across the UK specify those who may receive NHS treatment free of charge. In the main, secondary or elective care may attract a charge where a patient is not ordinarily resident in the UK or otherwise exempt. Initial research by the Department of Health found that over £5m was owed in debts to a sample number of hospitals by those not ordinarily resident in the UK. There is also evidence from health and immigration professionals that non residents are travelling to the UK in order to access NHS services. In many cases, these debts are left unpaid and the costs borne by the NHS.

What are the policy objectives and the intended effects?

It is proposed to amend the Immigration Rules to provide for refusal of entry or extensions of stay to non-EEA foreign nationals where they owe a debt above a prescribed amount to the NHS. Currently, the UK Border Agency and NHS do not share data as to these debtors. Having this information available will allow the Agency to make better informed decisions and assist the NHS in protecting vital national frontline services (£5m equates to the salary of 150 nurses in a year).

What policy options have been considered? Please justify any preferred option.

There are three options under consideration. The "Do Nothing" option would involve no changes to the Immigration Rules. There are currently no provisions in the Immigration Rules for visitors seeking free NHS treatment. New Health regulations were introduced in 2004 (England), however, it is apparent that there are small numbers of debtors who are determined to return to the UK repeatedly and have no intention of paying off their debts. The alternative Options involve UKBA and the NHS sharing data on these debtors and changing the Immigration Rules as described above. This is the preferred way forward, as these steps will help in protecting public resources, incentivise the payment of outstanding debts and encourage compliance with the Immigration Rules and Health Regulations. Option 2a involves a debt threshold of £500, and Option 2b considers a debt threshold of £1,000.

When will the policy be reviewed to establish the actual costs and benefits and the achievement of the desired effects? The policy will be reviewed post implementation with the Department of Health on a regular basis. A formal review may be commissioned a suitable period after implementation (12-24 months).

Ministerial Sign-off For consultation stage Impact Assessments:

I have read the Impact Assessment and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the leading options.

Signed by the responsible Minister:

.....Date:

Summary: Analysis & Evidence

Policy Option: 2a £500 Threshold	Description: Impact assessment of proposal to amend Immigration Rules to prevent re-entry or extensions of stays to NHS debtors with debts over a threshold of £500.
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C O S T S	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' (in present value terms over 5 years)
	One-off (Transition)	Yrs	
	£150,000	1	To Department of Health: £150,000 initial set up cost; £467,000 hosting and data transfer costs
	Average Annual Cost (excluding one-off)		To UKBA: costs of sharing data with DH £15,000; immediate removals from ports £1,098,000; potential enforced removals in-country £875,000; time costs of processing additional re-applications for leave to enter/remain £155,000
£ 558,000		5	Total Cost (PV) £ 2.76m
Other key non-monetised costs by 'main affected groups' Additional written guidance for UKBA staff.			

B E N E F I T S	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' (in present value terms over 5 years)
	One-off	Yrs	
	£ 0	1	To NHS: recovered debt £8.8m
	Average Annual Benefit (excluding one-off)		To UKBA: fees from out-of-country reapplications £42,000
£ 1.90m		5	Total Benefit (PV) £ 8.88m
Other key non-monetised benefits by 'main affected groups' Benefit to NHS of reduction in future debt due to deterrence; better data to UKBA allows for more informed assessment of immigration decisions.			

Key Assumptions/Sensitivities/Risks Potential costs and benefits depend on debt threshold, average debts above threshold, number of debtors encountered, proportion who pay back debt when encountered, and medium-long term behavioural changes – for example fewer intended debtors entering the UK. In absence of robust volume data, the central estimate is based on no behavioural changes: constant debtor volumes over 5 years.

Price Base Year 2009	Time Period Years 5	Net Benefit Range (NPV) -£150,000 to £20.2m	NET BENEFIT (NPV Best estimate) £ 6.12m
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What is the geographic coverage of the policy/option?		United Kingdom	
On what date will the policy be implemented?		Spring 2010	
Which organisation(s) will enforce the policy?		UK Border Agency	
What is the total annual cost of enforcement for these organisations?		£ 0 additional cost	
Does enforcement comply with Hampton principles?		Yes	
Will implementation go beyond minimum EU requirements?		Yes	
What is the value of the proposed offsetting measure per year?		£ N/A	
What is the value of changes in greenhouse gas emissions?		£ N/A	
Will the proposal have a significant impact on competition?		No	
Annual cost (£-£) per organisation (excluding one-off)	Micro 0	Small 0	Medium 0
Are any of these organisations exempt?	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) NB relates to firms only		Decrease
Increase of £ 0	Decrease of £ 0	Net Impact £ 0

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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Summary: Analysis & Evidence

Policy Option: 2b £1,000 Threshold	Description: Impact assessment of proposal to amend Immigration Rules to prevent re-entry or extensions of stays to NHS debtors with debts over a threshold of £1,000.
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C O S T S	ANNUAL COSTS		Description and scale of key monetised costs by 'main affected groups' (in present value terms over 5 years) To Department of Health: £150,000 initial set up cost; £467,000 hosting and data transfer costs To UKBA: costs of sharing data with DH £15,000; immediate removals from ports £879,000; potential enforced removals in-country £700,000; time costs of processing additional re-applications for leave to enter/remain £124,000
	One-off (Transition)	Yrs	
	£150,000	1	
	Average Annual Cost (excluding one-off)		Total Cost (PV) £ 2.33m
£ 467,000	5		
Other key non-monetised costs by 'main affected groups' Additional written guidance for UKBA staff.			

B E N E F I T S	ANNUAL BENEFITS		Description and scale of key monetised benefits by 'main affected groups' (in present value terms over 5 years) To NHS: recovered debt £8.4m To UKBA: fees from out-of-country reapplications £34,000
	One-off	Yrs	
	£ 0	1	
	Average Annual Benefit (excluding one-off)		Total Benefit (PV) £ 8.40m
£ 1.80m	5		
Other key non-monetised benefits by 'main affected groups' Benefit to NHS of reduction in future debt due to deterrence; better data to UKBA allows for more informed assessment of immigration decisions.			

Key Assumptions/Sensitivities/Risks Potential costs and benefits depend on debt threshold, average debts above threshold, number of debtors encountered, proportion who pay back debt when encountered, and medium-long term behavioural changes – for example fewer intended debtors entering the UK. In absence of robust volume data, the central estimate is based on no behavioural changes: constant debtor volumes over 5 years.

Price Base Year 2009	Time Period Years 5	Net Benefit Range (NPV) £122,000 to £19.3m	NET BENEFIT (NPV Best estimate) £ 6.07m
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What is the geographic coverage of the policy/option?		United Kingdom	
On what date will the policy be implemented?		Spring 2010	
Which organisation(s) will enforce the policy?		UK Border Agency	
What is the total annual cost of enforcement for these organisations?		£ 0 additional cost	
Does enforcement comply with Hampton principles?		Yes	
Will implementation go beyond minimum EU requirements?		Yes	
What is the value of the proposed offsetting measure per year?		£ N/A	
What is the value of changes in greenhouse gas emissions?		£ N/A	
Will the proposal have a significant impact on competition?		No	
Annual cost (£-£) per organisation (excluding one-off)	Micro 0	Small 0	Medium 0
Are any of these organisations exempt?	N/A	N/A	N/A

Impact on Admin Burdens Baseline (2005 Prices) NB relates to firms only		Decrease
Increase of £ 0	Decrease of £ 0	Net Impact £ 0

Key:	Annual costs and benefits: Constant Prices	(Net) Present Value
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RATIONALE AND OBJECTIVES

The UK Border Agency Business Plan for 2009/2012 set out a number of key objectives and commitments for the Agency over the next three years. The Agency's three strategic objectives are to:

- Protect our border and our national interests;
- Tackle border tax fraud, smuggling and immigration crime; and
- Implement fast and fair decisions

The proposal to change the Immigration Rules to allow for refusal of applications to those seeking to re-enter or extend their stay in the UK will assist in protecting our public services from misuse and assist in tackling fraud. Initial research by the Department of Health in England found outstanding debts of over £5m owed by non-resident patients to a small sample of hospitals (approx 16% of hospitals in England). Growing evidence from health professionals and immigration staff has identified that there is a relatively small number of non-resident patients who appear determined to access NHS services and are not paying charges they owe. In some instances, people are visiting the UK primarily to seek free medical treatment. There is also evidence, for instance, that some women travel here in the late stages of pregnancy in order to secure maternity care.

In "ENFORCING THE DEAL: OUR PLANS FOR ENFORCING THE IMMIGRATION LAWS IN THE UNITED KINGDOM'S COMMUNITIES"

<http://www.ukba.homeoffice.gov.uk/sitecontent/documents/managingourborders/enforcementstrategy/>), the UK Border Agency outlined its strategy to work in partnership with the respective Departments of Health and NHS across the UK, in order to ensure that those not entitled to free NHS treatment paid for these services. Subsequent work at some of our main ports of entry has demonstrated the potential savings that can be accrued. Officers at Gatwick Airport were able to identify over 1000 suspected NHS debtors over a two year period and it is believed that their actions in identifying such debtors led to over £500k recovered by the NHS (these figures are indicative only).

In taking forward the proposed rules change, the UK Border Agency and Department of Health in England has agreed, in principle, to the sharing of data on NHS debtors. This impact assessment covers the costs in England in implementing the proposed change in the immigration rules. Similar agreements in principle have been secured with the devolved authorities. A revised impact assessment will be made after the initial arrangements for similar models in each of the UK countries have been agreed. It is not envisaged that there will be any significant further costs to the UK Border Agency. Making this data available to Border staff will allow for NHS debtors to be identified when they apply for visas at our missions abroad, when they arrive into the UK and where they apply for an extension of stay. The data will also allow the NHS and UK Border Agency to gather information as to areas where there is evidence of systematic abuse of NHS services and further assist in tackling possible fraudulent activity.

APPRAISAL

This Impact Assessment compares three options. Option 1 is “Do Nothing”: to make no changes to the Immigration Rules to specify refusal of entry or extensions of stay to those with a debt to the NHS above a prescribed threshold. The debt threshold is one of the subjects of this consultation. Option 2a, outlined above, involves changing the Rules to allow for refusal of entry or extensions to those with an NHS debt above £500. Option 2b is identical to Option 2a, but involves a debt threshold of £1,000. In both Options 2a and 2b, the proposed change would take the form of an additional factor criteria to an existing Immigration Rule (para 320) that allows for refusals of visas, entry and extensions on a number of “general” grounds (that is pertaining mainly to past behaviour, conduct or character).

Option 1 is used as the baseline, and the costs and benefits of the other options **above** Do Nothing are considered below. The Department of Health is also taking forward an impact assessment relating to the wider scope of their proposed changes to charging regulations.

The majority of the costs and benefits for Options 2a and 2b are heavily dependent on the volumes of debtors encountered at UKBA checkpoints, the proportion of people who repay their debt when encountered, costs of removals, and on behavioural changes as a result of the policy. One of the main aims is deterrence. If fewer people come to the UK with an intention of utilising the NHS without paying, the volumes of people encountered will fall. The operating costs and removals costs associated with the policy would fall, as would the future debt incurred. The amount of debt recovered would also fall if those who have existing debts do not return to the UK; however, this would also mean that no further debts were accrued and there would be less abuse of the NHS services.

The volume of debtors encountered by UKBA will depend on the debt threshold, and hence will vary between Option 2a and 2b. Data on likely volumes is currently limited, as is information on the likely impact of deterrence on volumes of debtors encountered. As such, the central estimates of costs and benefits reported on the Summary pages assume a constant flow of debtors over the 5 years of the Impact Assessment. In line with the uncertainty around volumes, the analysis below first considers the unit costs of Option 2a and 2b compared to Do Nothing, and then compares the total costs and benefits when constant debtor flows are assumed. Options 2a and 2b differ only in the volumes of people affected and the average debt, and as such have the same unit costs.

In order to highlight the potential scale of costs and benefits involved in Option 2a and 2b, we have carried out sensitivity analysis using a range of assumptions, based on estimates from the Department of Health in England and initiatives in Gatwick Airport. These initiatives were set up to identify passengers who intend to make use of NHS services to which they are not entitled. The resultant impact assessment and sensitivity analysis is based upon evidence of volumes in England.

This Sensitivity Analysis can be found on page 10. The figures it contains relate only to England, as they are based on DH data which does not include information on NHS debt incurred in Scotland, Wales and Northern Ireland.

Key Monetised Costs

Cost to UKBA of sharing data with the NHS.

The technical costs of sharing data are relatively insignificant as existing systems can be integrated electronically. The technology utilised by both the NHS and UK Border Agency allows for a straightforward transfer of data in a form that the Agency can readily use. It is assumed that the technical costs of sharing data are not higher under Options 2a and 2b than under Do Nothing.

However, there will be some wage costs to UKBA of transferring the data, as there will be a need for regular processing or transferring of data. For both Options 2a and 2b, this is assumed to take one person half an hour per day, valued at the overtime rate of £10 per hour. The total cost is hence **£1,300 per year**.

There may also be additional costs to UKBA of reviewing data to ensure that only non-EEA foreign nationals with outstanding debts are included. As a rough estimate, this is assumed to take 5 people one working week, valued at £10 per hour per person. The total cost is hence **£1,800 per year** for Option 2a or 2b.

Existing technology will be used so as to provide the safeguards in preventing the inappropriate or unlawful use of this data and the data will be supplied through a central point of contact at the NHS in a format agreed by both parties. The data the Agency will share will relate to personal identifiers only, the fact that a debt exists and the relevant Health Authority details.

Cost to the Department of Health and the NHS of sharing data with UKBA.

There will be some cost implications for the Department of Health in England and some NHS bodies in preparing and transferring data to the UK Border Agency. Under current proposals, NHS debtors (for England) identified by the UK Border Agency will be referred to the NHS in England who already operate 24 hour telephone lines and electronic access. The NHS will be able to take payments electronically. Whilst it is envisaged that more patients will be referred to the NHS by the UK Border Agency, the NHS is already involved in collecting debt and employing search agencies at cost. However, the Department of Health in England estimate that they will face an initial IT set-up cost, estimated at **£150,000** in the first year for Options 2a or 2b. Their ongoing hosting and data transfer costs are estimated at **£100,000 per year** for Options 2a or 2b.

There may be costs to the devolved health authorities in setting up similar models of data sharing. A revised impact assessment will be carried out after agreements have been reached as to the models to be used in each of the UK countries.

Cost to UKBA of higher operating costs at ports.

Additional refusals of entry will entail higher operating costs at ports, as some non-visa nationals will be apprehended at port. Some will decide to pay their NHS debt, using the existing direct 24-hour NHS helpline (for England), but some will return to their country of origin.

Evidence from the officers at ports, however, shows that in most cases the incidence of NHS debt often leads to discovery of other infringements of the Immigration Rules (providing evidence of a hidden intention to a visit, proof of other financial irregularities or casting doubt upon the passenger's ability to maintain and accommodate themselves through their own means). For example, there may be evidence of benefit fraud or illegal working. It is envisaged that this strong pattern will be replicated across other cases encountered and that many will be refused entry on a number of grounds.

The unit cost of removing a person directly from a port ranges from around £500 to £1,000. The £500 is a rough estimate of the cost of a single flight from the UK¹, and £1,000 includes an estimate of overnight detention and processing costs². The central estimate is accordingly taken as £750.

There will be no change to enforcement budgets in response to this Rules change, but cases will be prioritised for removal according to the UKBA Harm Matrix. The direct enforcement cost is hence £0, as shown on page 2, but the estimated unit cost is the opportunity cost of removing one NHS debtor from a port.

Cost to UKBA of increased in-country removals.

The identification of NHS debt, and thereby of other infringements of the Immigration Rules, in-country may result in an increase in forced removals of those within country applying for leave to remain. The NAO (2005) estimate the cost of an enforced removal to be £12,500 (up-rated to 2009 prices using the Treasury GDP Deflator). For each Option, and in the Sensitivity Analysis, in-country removals were assumed to be 30% of those apprehended at LTR stage who refuse to pay their debts³.

Time cost to UKBA of processing re-applications for leave to enter and remain.

Applicants who apply for leave to enter from outside the UK, or those applying for leave to remain in the UK, will need to re-apply should their case be refused on the grounds of NHS debt. This will entail an additional processing cost for UKBA for those who choose to pay their debts and reapply.

¹ Internal estimate based on Civil Aviation Authority statistics.

² Internal estimate.

³ This 30% is in line with the proportion of failed asylum seekers removed in the 2007 cohort (source: *Control of Immigration Statistics 2008*). However, this included voluntary departures, and is not necessarily representative of the proportion of NHS debtors who would be forcibly removed upon failing to obtain LTR.

The majority of those encountered in the Gatwick initiatives entered the UK as a visitor. The average cost of processing an application for a short term visitor visa⁴ is £101. As these visitors form the largest proportion of those ineligible for free NHS access, this is a good estimate of the appropriate figure for handling out-of-country reapplications. Accordingly, the most appropriate figure for handling in-country reapplications is the published unit cost of processing an application for a Non-Student Leave to Remain (Postal)⁵: £392.

Cost to foreign nationals of re-applying for leave to remain.

Foreign nationals in the UK who have to re-apply for leave to remain face both a time cost of reapplication, and an additional fee. We do not include in Impact Assessments the time cost to individuals of regulation. We do include the fee, which is a transfer to UKBA. The fee of £465 for Non-Student Leave to Remain (Postal) is the unit cost to each foreign national who reapplies. The higher the volume of people caught at LTR, and the higher the proportion who decide to reapply, the larger is this transfer.

Key Non-Monetised Cost

Cost to UKBA of providing guidance to staff.

Whilst there will be a need for additional written guidance for staff, they are already familiar with the provisions within paragraph 320 and extending the criteria to cover NHS debt fits and complements existing rules comfortably. It is assumed that there would be no additional training cost of the Rules change.

This policy should not lead to higher operating costs for immigration caseworkers in UKBA as all officers involved in making immigration decisions are required to make routine security checks on all applications. However, this policy adds the legal ability to recover NHS debt and remove non-compliers.

Key Monetised Benefits

Recovered NHS debt.

Our intention is to achieve significant savings to the NHS in recovered debt. Limited experience at our Ports has demonstrated the clear potential for significant cost recovery by the NHS; however, it is not clear whether other Ports would encounter the debtors of the same scale or volumes seen in at Gatwick. It is also difficult to assess the potential impact the rules change may have “upstream”. That is, as potential travellers become aware of the rules change, there may be changes to behaviour on their part. This could lead to some travellers seeking to access NHS services by fraudulent means and, conversely, to a drop in overall numbers of debtors as the majority come to understand that failure to pay NHS debts will lead to an immigration sanction; this is the primary policy intention behind the proposed rule change. The respective Departments of Health and NHS will be better able to quantify the debt recovered as a result of the rules change in the medium to long term.

⁴ Source: *Charging for Immigration and Nationality Services 2009-10*, UKBA.

⁵ Source: *Charging for Immigration and Nationality Services 2009-10*, UKBA.

Data from the Department of Health in England suggests that with a debt threshold of £500, the average debt above the threshold is around £3,800. With a debt threshold of £1,000, the average debt above the threshold is around £4,500. However, the volume of people encountered above the threshold will be lower with the £1,000 threshold. The amount of debt recovered not only depends on the average debt above the threshold and the volume of people encountered by UKBA, but also on how repayment behaviour varies with a person's debt. It is implicitly assumed that the probability of repayment is uniform across the debt distribution, but this may not be the case. We take the central estimate of debt repayment as 50%, based on anecdotal evidence from UKBA.

Benefit to UKBA of fees from re-applications.

Those who reapply for Leave to Enter or Leave to Remain after paying their NHS debts will incur an application fee. Internal re-applications are a transfer to UKBA, with a Non-Student Leave to Remain (Postal) fee of £465 per person⁶ in 2009-10. External re-applications are a benefit to UKBA, at the Short Term Visitor fee of £67 per person⁷ in 2009-10.

Key Non-Monetised Benefits

Reduced immigration crime and future NHS debt.

The clear signal that the UK Border Agency is policing firm borders may influence the behaviour of those who may be contemplating coming to the UK through irregular means. As outlined above, this signal should also reduce those travelling to the UK to access NHS services by fraudulent or other means. The identification of NHS debt may also act as a trigger for identification of other immigration regularities, meaning that such people will be denied entry or leave to remain in the UK. This will help protect resources for vital frontline services, and help protect our services and communities.

Better data for UKBA.

For the UK Border Agency, the additional data on NHS debts will allow for more informed assessments of immigration applications, a better understanding of where risks to our community and public services are arising and, in many cases, act as an impetus for further investigation given the potential for further financial or immigration irregularities.

⁶ Source: *Charging for Immigration and Nationality Services 2009-10*, UKBA.

⁷ Source: *Charging for Immigration and Nationality Services 2009-10*, UKBA.

Central Estimates: Total Costs and Benefits of Options 2a and 2b over Do Nothing

Data from the Department of Health in England suggests around 3,600 people in one year incur unpaid NHS debts over £1,000, and around 4,500 people have outstanding NHS debts over £500. For the purposes of this IA, and to avoid overly speculative assumptions on behavioural changes, we assume that this is constant across all 5 years, but if the policy is effective, this should fall over time.

Some of these outstanding debts will already be recovered under Do Nothing. Based on anecdotal evidence from the Department of Health in England, we make a central estimate of 33% recovery under Do Nothing. In addition, only a proportion of debtors will apply to enter or remain in the UK and hence be encountered at UKBA checkpoints. Again, we make a central estimate of 33% passing through UKBA checkpoints. These figures are both largely speculative, although based on discussion with the Department of Health, and a range is included in the Sensitivity Analysis to highlight the potential range of volumes. These assumptions imply around 1000 debtors per year passing through UKBA checkpoints under Option 2a, and around 800 per year under Option 2b.

In addition to the assumptions above, we also need to estimate how those encountered will be split across UKBA checkpoints. This requires assumptions around the breakdown of applicants into in-country, at port, and at visa post. We assume that 10% of the total encountered would be in-country. This is largely based on heroic assumptions. We assume that 70% of the remainder would be at port, and 30% at visa post. This is on the basis of approximately 70% of non-EEA visitor journeys to the UK being from non-visa national countries in 2008, implying that any debtors from these countries would be encountered at port.

Using the volumes above, the tables below show the additional total monetised costs and benefits of Options 2a and 2b above Option 1, Do Nothing.

CENTRAL ESTIMATES	Option 2a: £500 Threshold	Option 2b: £1,000 Threshold
<u>Monetised Costs (Present Value over 5 Years)</u>		
<i>To Department of Health</i>		
Set-up cost	£150,000	£150,000
Hosting and data transfer costs	£467,000	£467,000
<i>To UKBA</i>		
Sharing data with DH	£15,000	£15,000
Immediate removals from ports	£1,098,000	£879,000
Potential enforced removals in-country	£875,000	£700,000
Time costs of processing additional reapplications for LTE and LTR	£155,000	£124,000
Total Monetised Costs	£2.76m (over 5 years)	£2.33m (over 5 years)
<u>Monetised Benefits (Present Value over 5 years)</u>		
<i>To NHS: Recovered debt</i>	£8.8m	£8.4m
<i>To UKBA: Fees from out-of-country reapplications</i>	£42,000	£34,000
Total Monetised Benefits	£8.88m (over 5 years)	£8.40m (over 5 years)
<u>NPV over 5 years</u>	<u>£6.12m (over 5 years)</u>	<u>£6.07m (over 5 years)</u>

Under the above assumptions Option 2a, the £500 threshold, involves larger costs and benefits than the £1,000 threshold, Option 2b. It also yields a slightly higher net present value over 5 years. However, this result is heavily assumption-driven, and may not hold under a different distribution of repayment probabilities across the distribution of debts.

Sensitivity Analysis

To highlight the scale of potential costs and benefits which might arise under different assumptions, this section presents a high-cost, low-recovery scenario and a low-cost, high recovery scenario for Options 2a and 2b.

We vary some of the key factors which determine overall costs and benefits, in line with best estimates from UKBA, DH and existing initiatives. These factors are:

- The proportion of debt that would be collected under Do Nothing and the proportion of debtors who apply for leave to enter or remain in the UK: thereby the volume of debtors encountered at UKBA checkpoints.
- The proportion of people who repay their debts when encountered by UKBA, and thereby the amount of debt recovered and the removal costs of those who do not comply.
- The cost of an immediate removal, as outlined on page 6.

The table below shows the assumptions made for each of these factors, and the costs and benefits estimated to arise as a result.

<u>SENSITIVITY ANALYSIS</u>	<u>Option 2a: £500 Threshold</u>		<u>Option 2b: £1,000 Threshold</u>	
	<u>High-cost, low-recovery</u>	<u>Low-cost, high-recovery</u>	<u>High-cost, low-recovery</u>	<u>Low-cost, high-recovery</u>
Proportion of debtors apprehended under Do Nothing:	50%	25%	50%	25%
Proportion of debtors who apply for LTE or LTR at UKBA checkpoints:	25%	50%	25%	50%
Proportion who repay debt:	25%	75%	25%	75%
Cost of immediate return at port:	£1,000	£500	£1,000	£500
Total Monetised Costs (Present Value over 5 years):	£2.7m	£2.4m	£2.3m	£2.0m
Total Monetised Benefits (Present Value over 5 years):	£2.5m	£22.6m	£2.4m	£21.4m
<u>NPV over 5 years:</u>	- £150,000	£20.2m	£122,000	£19.3m

One major driver of the costs and benefits of the policy is the proportion of people who pay their debts when encountered. The higher the proportion of people who pay their debts, the greater are the potential benefits in terms of debt recovery, and the lower are the removal costs. A person's willingness to repay the debt will depend on the size of that debt and whether he/she has any desire to return to the UK. The highest estimated debt repayment is 75%, and the estimated worst case scenario is 25% repayment, which would result in the largest removal costs at port and in-country.

It should be noted that high removal costs and low average debts could result in negative NPV, as debt recovery may not cover removal costs for those who do not repay. For example, with a £500 threshold and average above-threshold debts of £3,800, and other assumptions as in the central estimate, about 21% of people would have to repay their debt in order for the policy to break even in terms of the monetised costs and benefits included above. With a threshold of £1,000 and average above-threshold debts of £4,500, and other assumptions as in the central estimate, around 19% of people would have to repay when encountered in order for the policy to break even in terms of monetised costs and benefits⁸. It is difficult to estimate potential future savings to the NHS with the data available at present, as passengers come to understand that inappropriate use of the NHS services will attract a sanction, fewer will attempt to do so.

⁸ These estimates hold as long as the breakdown of debtors encountered into port, visa post and in-country is as in this IA.

MONITORING & EVALUATION

The UK Border Agency will work closely with the Department of Health to develop appropriate measures to monitor and evaluate the impact of the new immigration rule if introduced. After 12 months, the UK Border Agency and DH will take stock of the composition of the case group where data about NHS debtors has been shared by DH with the UK Border Agency, and will examine both whether the incidence of un-cleared NHS debt owed by overseas visitors subject to immigration control has changed and whether the rate at which overseas visitors clear their debts has also changed. Further discussion will take place with DH and NHS on other additional methods for measuring potential impact of the new rule.

FEEDBACK

Feedback on amending the Immigration Rules will be obtained through the consultation process. This will include feedback on the appropriate threshold for NHS debts.

SUMMARY

Changing the Immigration Rules to account for NHS debts could bring considerable benefits to the UK, but could lead to higher operational and opportunity costs of enforcement. With a debt threshold of £500, the current best estimate of the net present value over 5 years is a net benefit of £6.12m over Do Nothing, based on no behavioural changes over time. With a debt threshold of £1,000, the current best estimate is a net benefit of £6.07m over Do Nothing, also based on no behavioural changes over time. It should be noted that the more successful is the policy, the greater would be the deterrence effect, and hence the volume of debts incurred and recovered should fall over time.

Sensitivity analysis was used to vary the volumes apprehended, the proportion of those repaying from 25% to 75%, and the costs of immediate return from £500 to £1,000. This indicates that the possible NPV with a £500 threshold ranges from a net cost of £150,000 over 5 years, to a net benefit of £20.2m over 5 years. With a £1,000 threshold, the corresponding range is from £122,000 to £19.3m over 5 years. It should be stressed that these figures are indicative only. In the event of better data on volumes in future, more accurate estimates should be possible.

Specific Impact Tests: Checklist

Use the table below to demonstrate how broadly you have considered the potential impacts of your policy options.

Ensure that the results of any tests that impact on the cost-benefit analysis are contained within the main evidence base; other results may be annexed.

Type of testing undertaken	<i>Results in Evidence Base?</i>	<i>Results annexed?</i>
Competition Assessment	No	No
Small Firms Impact Test	No	No
Legal Aid	No	No
Sustainable Development	No	No
Carbon Assessment	No	No
Other Environment	No	No
Health Impact Assessment	No	No
Race Equality	No	No
Disability Equality	No	No
Gender Equality	No	No
Human Rights	No	No
Rural Proofing	No	No