



Department of
Health

An Roinn Sláinte

Máinnystrie O Poustie

www.health-ni.gov.uk

CONSULTATION

Changes required to the passporting of individuals to Help with Health Costs as a result of the introduction of Universal Credit



July 2017

Contents

Section	Title	Page
	Foreword	3
1.	Background	4
2.	Modelling and reviewing of the criteria for passporting	5
3.	Evaluation of the options	6
4.	Mitigation against impact of loss of entitlement	8
5.	Progression of changes to the welfare benefits system in Northern Ireland	9
6	Scope and timescale for this consultation	10
	Appendix: Statistical Analysis of Options	11-18

Foreword

The UK Government has embarked on a wide-ranging programme of welfare reform, with a range of changes having already commenced to the benefit system in the Northern Ireland.

The introduction of Universal Credit in September 2017 will necessitate this Department changing its eligibility criteria for providing help under the Department's Help with Health Costs Scheme. This consultation seeks your views on potential changes to the eligibility criteria for support provided under the scheme once Universal Credit is introduced.

The Department of Health is proposing to introduce an additional criterion to the Help with Health Costs Scheme based on receipt of Universal Credit and with an associated earnings threshold.

This consultation process is seeking views on the proposed additional eligibility criterion with the aim of ensuring those most in need receive this very important benefit. Until changes to the eligibility criteria are introduced, those receiving Universal Credit can continue to receive support through the Low Income Scheme.

Richard Pengelly

Permanent Secretary
Department of Health

21 July 2017

1. Background

- 1.1.** The UK Government has embarked on a wide-ranging programme of welfare reform. A number of changes have been made to the benefit system in Northern Ireland. These continued changes will see many of our working age benefits being abolished in their current form (including Income Support, income based Jobseekers Allowance and Housing Benefit) and replaced with a new Universal Credit (UC). Child Tax Credits and Working Tax Credits will also be eliminated under UC.
- 1.2.** Various Government Departments currently use the receipt of various welfare benefits as a proxy measure for low-income or disability when assessing eligibility for a range of other support, including exemption to certain health costs, free legal aid and free school meals. These collectively are known as passported benefits. For this Department a key welfare reform issue is how its passported benefits, such as exemption from dental and ophthalmic costs and the remission of costs for travelling to and from hospital on referral, will be delivered under UC. Exemption and remission from these costs is generically termed Help with Health Costs (HwHC).
- 1.3.** UC will be a new single system of means tested support for working-age people in and out of work. Support for housing costs, children and childcare costs will be integrated with additions for disabled people and carers. Consequently, as UC is rolled out in Northern Ireland it will be received by a greater number of people to those who currently qualify for help with HwHC, so it would not be feasible for the Department to simply extend eligibility to exemption to HwHC to all those on UC. The significant net increases to the eligible pool of applicants would place undoubted pressures on the Health and Social Care (HSC) budgets. Eligibility for providing HwHC, therefore, needs to be reconsidered.

2. Modelling and Reviewing of the criteria for Passporting

- 2.1.** The Department recognises that in reviewing the exemption criteria for HwHC it is important and necessary that we maintain, as closely as possible, the current caseload of recipients, balancing a desire to continue to protect the health of vulnerable members of society as intended without adding to pressures on HSC budgets. In other words it is essential that in determining the criteria for passporting to HwHC the Department considers the most effective way to target its resources in a cost neutral way and to support the people who need it most.
- 2.2.** It is not the Department's policy intention to restrict access to its passported benefits by narrowing the eligibility criteria for providing HwHC or to cut the HSC budget in this area. Because of the design of UC, it will not be possible to directly map across from those who are currently eligible for HwHC via the legacy benefits that UC will replace. However we choose to design the new eligibility criteria there will therefore be some people who were able to access to the HwHC scheme because of their receipt of benefits prior to the introduction of UC, who will not be able to access the scheme after the introduction of UC as they do not meet our new criteria. Likewise, there will be some people who will be able to access the HwHC scheme who were not previously eligible.
- 2.3.** The Department agrees with the UK Government's commitment to reduce the complexity of passported benefits, to support the work incentives provided for under UC but to also deliver any changes on a cost neutral basis. The Department therefore favours an approach which would broadly align with the current arrangements for providing HwHC via the legacy benefits which UC will eventually replace.

2.4. Several scenarios have been modelled on behalf of the Department that could be adopted for the future delivery of its HwHC scheme. An analysis of the models profiled is attached at the **Appendix** of this consultation. These options largely mirror those developed by DoH in England but have been adapted through a Policy Simulation Model to reflect the Northern Ireland population and the particular benefits delivered here. The scenarios modelled were based on two options:

- **Option 1** – Having eligibility for the Department’s passported benefits based solely on the household income of those in receipt of UC; and
- **Option 2** – Having eligibility for the Department’s passported benefits based on 2 earnings thresholds (higher and lower) for those in receipt of UC, with a higher threshold for those receiving payments under UC for a disability and/or for a child / children.

3. Evaluation of the options

3.1. Option 1 identifies an overall household income threshold of between £12k and £13k as being the most cost neutral and representing the closest match to the current recipient caseload. An overall household earnings threshold would be the simplest to operate from an administrative perspective. However, an overall income threshold would be all inclusive and would not differentiate or provide separate protection for those receiving the additional child and disability allowances that will be payable under UC.

3.2. Option 2 aligns more closely with the current system of eligibility to HwHC in that it is closer to the current recipient caseload and recognises the additional costs associated with living with a disability or raising children without adding to the pressures on HSC budgets. It does this by

using two earnings thresholds for UC, each of which affects a different group of people (who do not overlap).

3.3. In option 2 a lower threshold (£435 per month) would be introduced to reflect broadly the arrangements for those who currently qualify for HwHC based on receipt of Income Support, income-based Jobseekers Allowance and income-related Employment and Support Allowance, and a higher threshold would be introduced (£935 per month) to reflect broadly the current arrangements for those who would qualify for HwHC based on receipt of qualifying tax credits, namely those with children and/or a disability. This option would be similar to the thresholds already introduced by the DoH in England and Wales.

3.4. In comparison to option 1, option 2 would be more administratively complex to deliver but could be considered the most equitable given that separate provisions and considerations are being given to those with, and to those without, children and disabilities. Implementation of option 2 would also ensure that we are consistent and unified with the approaches currently being taken in England and Wales thus ensuring that the long standing policy of parity in respect to UK entitlement to HwHC continues to be maintained.

4. Mitigation against impact on loss of entitlement

4.1. As previously stated, because of the design of UC, it is not possible to directly map across the same people who qualify for HwHC under current arrangements to ensure they qualify under any new arrangements following the introduction of UC. For example, those likely to gain entitlement under either of the aforementioned options are most likely to be those currently receiving housing benefit without one of the other legacy benefits (and who are therefore not currently automatically entitled to the Departments passported benefits). Conversely, there will

be those under these options who are likely to lose entitlement, most likely those who currently qualify via tax credits and will likely lose out due to the capital limit in UC.

4.2. However, the Department has scope to consider the needs of individuals who would lose automatic entitlement to its passported benefits through the Low Income Scheme. This scheme already exists and currently provides a safety net for patients who do not automatically receive help with the cost of their healthcare, but who have a low income and could face difficulty in meeting the cost of their health service treatment.

4.3. The scheme is means tested and successful applicants receive a certificate that entitles them to either full or partial remission from the cost of dental treatment, sight tests or travelling to hospital for a 12 month period. The scheme will have to be amended and updated to reflect the introduction of UC and ensure that there is no overlap between the two cohorts or group of recipients but would in the interim provide an opportunity to protect the limited number of households who would lose entitlement to HwHC following the introduction of UC.

5. Progression of changes to the welfare benefits system in Northern Ireland

5.1. Successor eligibility criteria for this Department's passported benefits need to be in place to ensure that the support provided under the Health Costs Scheme continues as UC rolls out in Northern Ireland. In the meantime, and until new eligibility criteria is introduced via changes to regulations, those receiving Universal Credit in Northern Ireland can receive this support under the Low Income Scheme.

5.2. Full roll-out of UC here will take some years. Some people currently eligible through their claiming of income-related benefit under the

current welfare system will therefore continue to receive those benefits for several years and so the current entitlement criteria for passporting will still need to be available to those claimants. During this period the Department intends to ensure that the relevant regulations and Low Income Scheme will offer the necessary protection to both cohorts of benefit recipients.

- 5.3.** Officials are continuing to liaise with the Department for Communities and the Department for Work and Pensions in England on the approach to establishing the eligibility of individuals in a way that counters fraud but which does not place an undue burden on dentists and optometrists.

6. Scope and timescale for this consultation

- 6.1.** This consultation concerns the passported benefits 'owned' by this Department in respect to the HwHC scheme namely the entitlement to free dental and ophthalmic care and the remission of the costs of travelling to hospitals on referral. It does not cover the broader welfare changes, the passported benefits of any other Government Department, entitlements owned by the private sector, the voluntary sector or local authorities.
- 6.2.** The Department is seeking your views on the eligibility criteria options identified at 2.4 for passporting individuals to HwHC under UC. Your views will be sought through the questions detailed in the attached response questionnaire.
- 6.3.** The consultation period will commence on 24 July 2017 and end on 15 September 2017. This document can be made available in alternative formats on request.

Please respond in writing to:

General Dental and Ophthalmic Services Branch
Department of Health
Room D3, Castle Buildings
Stormont Estate, Belfast,
BT4 3SQ

Or by E-mail to: gdoscorrespondence@health-ni.gov.uk If you have any queries please get in contact via the E-Mail address above or by telephoning 028 9052 0014.

Appendix: Statistical Analysis of Options

Health Passported Benefits and the shift to Universal Credit

Introduction

1. Claimants who are currently entitled to out-of-work means tested benefits or tax credits can also be eligible for a range of other support, including free school meals and health benefits such as free optical/dental care; these are known as passported benefits.
2. The introduction of Universal Credit (UC) brings radical changes to the benefits system. It is a new single system of means tested support for working-age people in and out of work. Support for housing costs, children and childcare costs will be integrated with additional allowances for disabled people and carers. As a result some existing means-tested benefits will no longer exist, including:
 - Income Support (IS)
 - Income-based Jobseeker's Allowance (JSAIB)
 - Income-related Employment Support Allowance (ESAIR)
 - Housing Benefit (HB)
 - Child Tax Credit (CTC)
 - Working Tax Credit (WTC).
3. Generally, eligibility to full Help with Health Costs is currently dependent on the receipt of one of these benefits (except in instances where Housing Benefit is being paid on its own), and therefore the Departments eligibility criteria will need to be reconsidered following the introduction of UC. This paper presents analysis on the Help with Health Costs service, administered by the Department of Health in order to inform the selection of eligibility criteria for the continuation of the Scheme under UC.

Modelling

4. The current method of passporting relies on the following qualifying benefits that deem the applicant and/or their partner eligible:
 - Income Support;
 - Income Related Employment Support Allowance;
 - Income Based Job Seekers Allowance;
 - Pension Credit Guarantee Credit;

- CTC and WTC and has an annual taxable income not exceeding an amount as determined by the Department (£16,063, 2018/19 price);
 - WTC with a disability element and has an annual taxable income not exceeding an amount as determined by the Department (£16,063, 2018/19 price);
 - CTC and not eligible for WTC and has an annual taxable income not exceeding an amount as determined by the Department (£16,063, 2018/19 price).
5. Once UC is fully rolled out, the **Department of Health** loses the ability to use existing income-related benefits as a passport for a household's entitlement. As UC will be a single benefit award it is not possible to pick out the individual components that make up the award. However, statisticians have the capacity to model different options for the eligible population using a Northern Ireland version of the Department for Work and Pensions (DWP) Policy Simulation Model (PSM).
 6. The PSM is based on the most recent Family Resource Survey and simulates the Tax and Benefit system at a Benefit Unit level. The model allows the Department of Health to make changes to the rules and criteria of the current benefit system and monitor the effects this has on eligibility for Help with Health Costs. The model can be used to estimate the change in the eligible population for Help with Health Costs once UC has been introduced and can model policy options.
 7. A flag was created to mark out those eligible for Help with Health Costs under UC. All benefit units in receipt of UC or the Guarantee Element of Pension Credit were included. A flag was also created to mark those eligible in the current system which includes all the individuals that meet the criteria in paragraph 4. The number of individuals who met the eligibility criteria for Help with Health Costs in the PSM for the current system was **342,000**¹. Under UC this figure would rise to **446,000** providing for an increase in eligibility of approximately **105,000** individuals.
 8. The policy and economic assumptions for the 2018/19 tax year have been used as the year of steady state analysis in the PSM. All impacts are provided in the steady state; that is once UC has been fully implemented and Transitional Protection has been fully exhausted. The entire caseload has been modelled as

¹ Figures rounded to nearest 1000- Population estimates of 10,000 or less are based on a sample of households of approximately less than 30 sample cases. These estimates would therefore be subject to a high degree of sampling variation. They have been included in this report for the purpose of analytical clarity.

switched to UC in this year and policy changes with effects beyond 2018/19 have been simulated in order for the analysis to be reflective of steady state.

9. All figures provided based on the Policy Simulation Model are estimates and will be subject to sampling and modelling error. Any estimates less than 10,000 are based on a very small sample size.

Policy Options

10. There were therefore two main policy options modelled which are now under the consideration of the Department of Health. These options being as follows:

- **Option 1** - Eligibility for passported benefits based solely on household income of those in receipt of UC; and
- **Option 2** – Adopting the approach taken in Department of Health (DoH) in England and having eligibility for the Departments passported benefits based on 2 earning thresholds for those in receipt of UC.

11. With regard to Option 2, DoH in England has set two specific assessment thresholds for those in receipt of UC. These thresholds are as follows:

- *Threshold 1* – A relevant UC recipient being a person who is receiving UC, either as a single person or as a member of a couple, without the child element, the Limited Capability to Work (LCW) element or the Limited Capability to Work Related Activity (LCWRA) element and either has no earned income or has earned income of **£435** or less in the monthly assessment period; and
- *Threshold 2* - A relevant UC recipient being a person who is receiving UC, either as a single person or as a member of a couple, with the child element, the LCW element or the LCWRA element and either has no earned income or has earned income of **£935** or less in the monthly assessment period.

12. For the current system of benefits payments are made on an individual basis and therefore eligibility can be determined on an individual basis. However under UC payment is made to the household. Therefore if a household satisfies the conditions for whatever scheme is chosen to passport people to Help with Health Costs under UC then both members of a couple in the household will be eligible. As the PSM provides analysis for UC on a household level, statisticians have grossed up the values to include both members of the household where there is a partner in the household. Therefore all figures in this analysis report are on an individual basis.

13. The approach for the modelling of these options is outlined below.

Option 1 Eligibility for Passported Benefits based solely on household income of those in receipt of UC

14. The UC award notice will contain the benefit unit's net earnings as opposed to gross earnings therefore all earnings figures used are net amounts.

15. The selection of an appropriate earnings threshold should allow the identification of the most cost-effective, or cost-neutral, earnings threshold to use to minimise the fiscal impact of UC on their department.

16. However, choosing an earnings threshold will not guarantee that the same people are passported in the future as in the current system. Even in a cost neutral solution, there may be households that lose their entitlement to Passported Benefits. As the UC award notice may be used to check eligibility, consideration should be given to the fact that the UC award will be updated each month depending on the claimants earnings, which can potentially fluctuate over time.

17. Due to the earnings threshold under UC being the determining factor, the 'current' eligible caseload (342,000) for option 1 remains the same.

18. Five thresholds were examined that would provide the closest match to a break even situation i.e. where the current population would match the UC population (see table 1 for full breakdown).

	Earnings Threshold	No of adults eligible	Remaining eligible places from baseline
All UC adults whose earnings threshold gives us caseload numbers most similar to the current caseload	£10,000	322,000	20,000
	£11,000	325,000	17,000
	£12,000	337,000	5,000
	£13,000	347,000	-5,000
	£14,000	365,000	-23,000

*Table 1: Help with Health Costs/ population for different earnings thresholds
Source: DWP Policy Simulation Model (based on FRS 2013/14 take up adjusted figures).
Figures rounded to nearest 1000.*

19. From table 1, the earnings thresholds that provide the closest match to a break even population are £12,000 and £13,000. Analysis was then undertaken to determine what makes up the winners and losers for this population.

20. At the £12,000 threshold it is estimated that there are approximately **22,000** newly entitled individuals and approximately **27,000** lost entitlements to Help with Health Costs.

21. Of the 22,000 newly entitled individuals:

- **17,000** are those in receipt of HB only which is not currently a criteria for eligibility but will be encompassed under the UC award payment.
- The remaining individuals will be:
 - i. those who are currently under 25 who are working and don't receive WTC but under UC will be able to obtain a top up to the hours that they work;
 - ii. those who are over 25 but are working too few hours to be eligible for WTC (however under UC any number of hours worked will entitle the claimant to receive a top up); or those who are in receipt of CTC but have taxable income over £16,190, however they are in receipt of UC and have net earnings of less than £12,000 therefore become eligible;
 - iii. those currently in receipt of WTC and not in receipt of either CTC or the WTC Disabled Element. Under the current eligibility rules WTC plus one of these other two criteria are needed to qualify, however as they are in receipt of UC they are eligible; and
 - iv. those who are in receipt of CTC but have taxable income over £16,190, however they are in receipt of UC and have net earnings of less than £12,000 therefore become eligible.

22. Of the 27,000 lost entitlement individuals:

- **24,000** are those who are on tax credits and have a taxable income under £16,063 (2018/19 price) therefore currently eligible but although they are in receipt of UC they have earnings over £12,000.
- The remaining individuals lose entitlement to Help with Health Costs as they were previously on a passporting benefit but are not entitled to UC. These were all claimants who would have previously been claiming WTC (see paragraph 26).

23. At the £13,000 threshold it is estimated that there are approximately **26,000** newly entitled individuals, and approximately **21,000** lost entitlements to Help with Health Costs.

24. Of the 26,000 newly entitled individuals:

- **19,000** are those in receipt of HB which is not currently a criteria for eligibility but will be encompassed under the UC award payment.
- The remaining individuals will be:
 - i. those who are in receipt of CTC but have taxable income over £16,063, however they are in receipt of UC and have earnings of less than £13,000 therefore become eligible;
 - ii. those who are currently under 25 who are working and don't receive WTC but under UC will be able to obtain a top up to the hours that they work;
 - iii. those currently in receipt of WTC and not in receipt of either CTC or the WTC Disabled Element. Under the current eligibility rules WTC plus one of these other two criteria are needed to qualify, however as they are in receipt of UC they are eligible; and
 - iv. those who are over 25 but are working too few hours to be eligible for WTC; however under UC any number of hours worked will entitle the claimant to receive a top up.

25. Of the 21,000 lost entitlement individuals:

- **19,000** are those who are on tax credits and have a taxable income under £16,063 (therefore currently eligible) but although they are in receipt of UC they have earnings over £13,000.
- The remaining individuals lose entitlement to Help with Health Costs as they were previously on a passporting benefit but are not entitled to UC. These were all claimants who would have previously been claiming WTC (see paragraph 26).

Option 2 – Adopting the approach taken in DoH in England

26. The next method looked at was adopting the approach taken by DoH England. DoH England has set two specific assessment thresholds for those in receipt of UC. These thresholds are as follows:

- *Threshold 1* – A relevant UC recipient being a person who is receiving UC, either as a single person or as a member of a couple, without the child element, the LCW element or the LCWRA element and either has no earned income or has earned income of **£435** or less in the assessment period; and
- *Threshold 2* - A relevant UC recipient being a person who is receiving UC, either as a single person or as a member of a couple, with the child element, the LCW element or the LCWRA element and either has no earned income or has earned income of **£935** or less in the assessment period.

27. Due to the earnings threshold under UC being the modifier, the 'current' caseload (342,000) for option 2 again remains the same. Using the two new thresholds it is estimated that there are approximately **321,000** individuals eligible to Help with Health Costs. Of the 321,000:

- **142,000** individuals are eligible under threshold 1; and
- **179,000** individuals are eligible under threshold 2.

28. It is estimated that there are approximately **12,000** newly entitled individuals and approximately **32,000** lost entitlements under option 2.

29. Of the 12,000 newly entitled individuals:

- **Up to 10,000** are those in receipt of HB only which is not currently a criteria for eligibility but will be encompassed under the UC award payment.
- The remaining individuals will be:
 - i. those who are currently under 25 who are working and don't receive WTC but under UC will be able to obtain a top up to the hours that they work; and
 - ii. those who are in receipt of CTC but have taxable income over £16,063, however they are in receipt of UC and have the child element and have net earnings under £11,220 (£935 per month/assessment period) therefore become eligible.

30. Of the 32,000 lost entitlement individuals:

- **29,000** are those who are on tax credits and have a taxable income under £16,063 therefore currently eligible but although they are in receipt of UC and have children or the LCW element or the LCWRA element they have net earnings over £11,220 (£935 per month/assessment period) therefore become ineligible.
- The remaining individuals lose entitlement as they were previously on a passporting benefit but are not entitled to UC. The majority of these were claimants who would have previously been claiming WTC.