

EXPLANATORY MEMORANDUM TO
THE PERSONAL INJURIES (NHS CHARGES) (AMOUNTS) AMENDMENT
REGULATIONS 2016

2016 No. 153

1. Introduction

- 1.1 This explanatory memorandum has been prepared by the Department of Health and is laid before Parliament by Command of Her Majesty.
- 1.2 This memorandum contains information for the Joint Committee on Statutory Instruments.

2. Purpose of the instrument

- 2.1 The purpose of the instrument is to increase the charges recoverable from persons who pay compensation to a person for an injury in cases where that injured person receives National Health Service hospital treatment or ambulance services.

3. Matters of special interest to Parliament

Matters of special interest to the Joint Committee on Statutory Instruments

- 3.1 This instrument increases the charges recoverable by virtue of regulations made under Part 3 of the Health and Social Care (Community Health and Standards) Act 2003 (“the 2003 Act”), and the Committee’s attention is drawn to the information in paragraph 7 as to how the increases have been calculated.

Other matters of interest to the House of Commons

- 3.2 This entire instrument applies only to England and Wales.
- 3.3 As this instrument is subject to the negative procedure and has not been prayed against, consideration as to whether there are other matters of interest to the House of Commons does not arise at this stage.

4. Legislative Context

- 4.1 Hospitals have been able to recover the cost of treating victims of road traffic accidents for more than 70 years. The arrangements for this were streamlined and modernised though the provisions of the Road Traffic (NHS Charges) Act 1999.
- 4.2 The Law Commission for England and Wales consulted in 1996 on whether the process of recovery of NHS costs should take place in all cases where people claim and receive personal injury compensation for injuries that require NHS hospital treatment. The majority of respondents were in favour.
- 4.3 Part 3 of the 2003 Act therefore made provision for the establishment of such a scheme, known as the NHS Injury Costs Recovery (ICR) Scheme. The Regulations governing the operation of the expanded scheme came into force on 29 January 2007. There are three sets of Regulations (the last of which were consolidated and re-made in 2015):

- Personal Injuries (NHS Charges) (General) and Road Traffic (NHS Charges) (Amendment) Regulations 2006;
- Personal Injuries (NHS Charges) (Reviews and Appeals) and Road Traffic (NHS Charges) (Reviews and Appeals) (Amendment) Regulations 2006;
- Personal Injuries (NHS Charges) (Amounts) Regulations 2015.

4.4 The amounts recoverable under the ICR scheme from 1st April each year are specified in the table in Schedule 1 to (as referred to in regulation 2 of) the Personal Injuries (NHS Charges) (Amounts) Regulations 2015 (“the principal Regulations”). This instrument increases the amounts recoverable in respect of injuries occurring on or after 1st April 2016.

5. Extent and Territorial Application

5.1 This instrument extends to England and Wales. Welsh Ministers have been consulted as required by section 195(3) of the 2003 Act and are content.

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6. European Convention on Human Rights

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

7. Policy background

What is being done and why

7.1 The principal Regulations make provision, amongst other things, for the calculation of NHS charges under the ICR scheme. The table in Schedule 1 to (as referred to in regulation 2 of) the principal Regulations provides for a simple set of tariffs which apply to injuries which occurred on or after 1st April in any given year (apart from 2007 where the relevant date is 29th January 2007) but prior to the following 1st April, and each year an increased tariff is specified as applying for that particular year from 1st April. The current tariffs, for the year starting on 1st April 2015, are a single one-off payment where hospital treatment is provided without admission (out-patient treatment) of £647; a daily rate for each day or part day of treatment with admission to hospital, excluding the day of discharge (in-patient treatment) of £796; and £195 per ambulance journey. The maximum amount recoverable in relation to any one injury (the cap on charges) is set at £47,569.

7.2 The Department of Health undertook a full consultation in summer 2006 on all the draft Regulations governing operation of the ICR scheme. This included seeking agreement to continue the practice established under the old Road Traffic Act recovery scheme of automatically uprating the level of charges on 1st April every year in line with Hospital and Community Health Services inflation. The proposal was agreed by the majority of respondents.

7.3 HCHS inflation is based on expenditure specific to the hospital sector and is calculated by combining the indices for NHS pay and price inflation using an approximate weighting of 58.3/41.7. The latest estimate for HCHS inflation is 2.69% for 2015/16.

7.4 Consequently, the charges (rounded to the nearest whole pound) for treatment or services in respect of injuries occurring on or after 1st April 2016 will increase as follows:

Hospital treatment without admission (out-patient) from £647 to £665;
Treatment with admission to hospital (in-patient) from £796 to £817;
Ambulance journey from £195 to £201. The maximum amount that can be recovered in relation to any one injury (the cap on charges) from £47,569 to £48,849.

7.5 We estimate that the increase in the tariffs will provide additional income to NHS hospitals of £5.1m per year (based on the difference between the current charges and the increased charges provided for by these Regulations applied to the latest (2015) activity data). As this cash increase is in line with HCHS inflation, it will simply maintain the real-terms value of current income.

(Note: the £5.1m figure includes ambulance journeys)

8. Consultation outcome

8.1 It was not necessary to consult on the instrument. There was a positive response to the Law Commission's consultation in 1996 which included the proposal to uprate the level of charges in line with HCHS inflation each year. The support for this practice to continue was also confirmed in the outcome of the Department of Health's public consultation in 2006 on the draft Regulations governing the ICR scheme.

9. Guidance

9.1 It is not considered necessary to issue guidance on the amendments set out in these Regulations. The uplift in the tariff is a routine event that does not require any additional explanation.

9.2 We propose to write separately to the Association of British Insurers and the Motor Insurance Bureau who are already aware of the likely scale of increases.

10. Impact

10.1 The impact on business, charities or voluntary bodies is very minor as set out in the paragraphs below.

10.2 A full Impact Assessment (IA) has not been prepared for this instrument, as the impact on business, charities or voluntary bodies is negligible. There is no expansion or reduction in the level of regulatory activity as a consequence of this instrument. The scheme is already in place, there is no change in policy and the uplift to the tariff (being based on HCHS inflation) was agreed with the insurance industry as part of the consultation process in 2006. This process for uprating the tariff of charges is a longstanding annual event that simply maintains the real-terms values of the funds recovered for the NHS.

10.3 The bulk of the NHS charges are covered by insurance, and will be paid by insurers in addition to the personal compensation payment which the injured person will have secured. It is possible that insurers will choose to pass the increased costs on to their customers through increased insurance premiums.

10.4 Any impact on premiums due to this uplift is likely to be negligible. The £5.1m additional income for the NHS can be broken down as £3.37m for road traffic accidents and £1.74m for non-road traffic accidents.

- 10.5 If we assume the £3.37m for road traffic accidents is spread evenly among all holders of compulsory motor insurance, then the average cost per policy could rise by 0.03% or around 22p per policy. These figures are calculated using 2014 estimates for net motor premiums of £10.42bn and estimated average annual expenditure per household buying motor insurance of £646 based on information provided by the Association of British Insurers.
- 10.6 The remaining £1.74m is likely to be a cost pressure on public liability and employer insurance. If this cost was transferred to the population, for e.g. by lower wages - to cover the increase in employer insurance contributions, and increased tax – to cover the public liability insurance, it would cost around 6p per person.
- 10.7 In 2014/15, the Compensation Recovery Unit (CRU, part of the DWP) received a total of £2.76m to administer the scheme on behalf of the Secretary of State for Health (for England and Wales) and the Scottish Ministers (for Scotland). During the same period, the CRU recovered around £208m for NHS hospitals. Costs are therefore 1.32% of recoveries. This tariff increase does not increase the cost of administering the scheme as a facility to increase the level of charges has already been built into the IT system. There are therefore no additional costs to the Exchequer arising from the tariff increase.
- 10.8 Nor are there any additional administration costs for the compensators as the governing legislation requires them to report all incidences of personal injury compensation.

11. Regulating small business

- 11.1 The legislation applies to activities that are undertaken by small businesses but as the impact on business including small firms employing up to 50 people as explained in paragraph 10.1 to 10.6 above.

12. Monitoring & review

- 12.1 The change in the tariff is an agreed annual event that seeks to maintain the levels of funds recovered in real terms. The tariff is reviewed and adjusted annually using the latest available data.

13. Contact

- 13.1 Karl Payne at the Department of Health Telephone: 0113 2545380 or e-mail: karl.payne@dh.gsi.gov.uk can answer any queries regarding the instrument.