

Cost Benefit Analysis for Sub ordinate Legislation brought forward under Standing Order 29.2

Introduction

Patients who suffer from certain medical conditions are exempt from prescription charges. Exemptions from prescription and other NHS charges may also be available for other reasons such as low income. Currently, the same exemptions on the grounds of medical condition all apply throughout the UK. It, is however, open to the Welsh Assembly Government to make different provision.

Objective

To eradicate unnecessary financial barriers for people with life-long chronic illnesses to effectively manage their illness in the long term.

Current Situation

At present the following medical conditions will exempt patients from prescription charges:

- a permanent fistula (including caecostomy, colostomy, laryngostomy or ileostomy) requiring continuous surgical dressing or an appliance
- forms of hypoadrenalism (including Addison's disease) for which specific substitution therapy is essential
- diabetes insipidus and other forms of hypopituitarism
- diabetes mellitus except where treatment is by diet alone
- hypoparathyroidism
- myasthenia gravis
- myxoedema
- epilepsy requiring continuous anti-convulsive therapy
- a continuing physical disability which prevents the patient from leaving his residence without the help of another person.

This list of conditions was agreed in 1968 after discussions with the medical profession.

Alan Milburn MP, then a Health Minister, made a statement on this issue in May 1998:

The list of medical conditions exempt from prescription charges was agreed in 1968 following extensive discussions with the medical profession. These resulted in a limited list of readily identifiable, permanent, life-long conditions all of which require regular medication.¹

The Westminster government has since made clear on a number of occasions that it has no plans to look at this issue again.²

¹ HC Deb 5 May 1998 c350W

² eg HC Deb 12 March 2002 c81W; HC Deb 8 May 2001 c147W

In the recent Wanless report, Derek Wanless suggested that it would be appropriate at some point to reconsider the exemption system:

However, the present system of exemption for prescription charges is not logical, nor rooted in the principles of the NHS. If related issues are being considered in future, it is recommended that the opportunity should be taken to think through the rationale for the exemption policy.³

Rationale

The current list of medical conditions, whose sufferers are exempt from charges approved in 1968, was based on medical knowledge available at that time.

If the list covered all readily identifiable, permanent, life-long conditions all of which require regular medication then there would not be a problem of fairness and equity.

For example, children with cystic fibrosis were not expected to reach adulthood, consequently the condition was not listed.

Transplant surgery has progressed rapidly in the last 35 years. The operation is not the end of the treatment; patients have to take drugs for the rest of their lives.

Treatment for arthritis has progressed with a cocktail of drugs now offered to control the condition.

To quantify the benefits of people taking their full prescription at the correct rate is not easy. Clearly people's health is likely to be put at risk if they fail to take medication prescribed to control a chronic condition. This cannot be cost effective for overall NHS expenditure, since failure to afford medication could make the need for in-patient treatment more likely.

For example, information from a rheumatologist regarding one particular treatment:

Drug name: Prednisone

- A steroid (in tablet form) used to control inflammation in people with rheumatoid arthritis.
- Often used as an add-on treatment when other medication fails to control symptoms adequately - it is often used for people with severe RA symptoms.
- When taken in the long term, the drug suppresses the body's own ability to produce steroids. Therefore, if treatment is stopped suddenly (without a clinically managed gradual decline) a patient runs the risk of steroid depletion.

³ Derek Wanless, *Securing our future health: taking a long-term view: final report*, April 2002, p114

- Side effects of stopping a course of steroids suddenly can affect an individual's ability to tackle an infection - what should be a small medical problem can turn into a major one requiring hospital admission. Other possible side effects include falling blood pressure, loss of energy and fainting.

In a survey by the National Association of Citizens Advice Bureaux⁴, 37% of people with long term health problems failed to get all or part of their prescriptions dispensed due to the cost.

Costs

In costing the extension of exemption for prescription charges a number of assumptions have to be made.

1. All current prescriptions paid for on a pre-payment certificate would be exempt. This assumes that anyone who wishes to pay in this way would be on long term medication, although clearly a small minority would not be.
2. An assumption then has to be made regarding the number of prescriptions paid for on an item by item basis which would no longer be charged for. There are no statistics available for this, they are not collected.

However, a reasonable assumption would be 70% bearing in mind that 80% of all prescriptions are repeat, and a higher proportion of those will be paid for under the prepayment certificate scheme rather than per item.

On this basis:

Based on Figures for 2001/ 2002 in Wales	
Total number of Items dispensed	43,109,267
Total number of items paid for on a 'per item' basis	2,891,467
% of these items which would be covered by the proposals is estimated to be 70%	2,024,027
Receipts for these would normally be (x£6)	£12,144,161.40
Receipts from prepayment certificates	£4,018,000
TOTAL	£16,162,161

⁴ NACAB *Unhealthy Charges* July 2001

It is also reasonable to assume that there would be an increased take up of prescriptions if people with life-long chronic conditions were exempt from charges.

A nominal figure of a 10% increase has been included as shown on the table below.

Calculation of cost of extra demand	
No of items dispensed under prepayment certificate scheme	2,205,804
% of these items which would be covered by the proposals is estimated to be 70%	2,024,027
TOTAL NUMBER OF ITEMS	4,229,831
Assume a 10% increase on items dispensed	422,983
Cost at £9.90 (av cost per item) plus £1 dispensing fee	£4,610,516

Therefore, the total cost is estimated at £20.7 million