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Committee of Public Accounts

Penalty charge notices in healthcare

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Session 2017–19**

*Report, together with formal minutes
relating to the report*

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The Committee of Public Accounts

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Contacts

All correspondence should be addressed to the Clerk of the Committee of Public Accounts, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 5776; the Committee’s email address is pubacom@parliament.uk.

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Summary

Penalty charge notices (PCNs) are supposed to discourage people from claiming free prescriptions or dental treatment when they are not entitled to do so. But the current PCN process is a heavy-handed rush to judgement which penalises those who fail to navigate the overly-complex exemption criteria and neglects clear evidence of abuse by repeat offenders. It is not fit for purpose.

The Department and NHS England have been shockingly complacent about the fundamental problems with the PCN process, justifying their approach because most exemptions are claimed correctly and the system generates additional revenue for the NHS. But they seem to have lost sight of the fundamental importance of helping people claim what they are entitled to. The NHS Business Services Authority (NHSBSA) has not attempted to identify those who are entitled to an exemption but pay for treatment and the Department recognises that some people may not seek treatment because they are worried about getting a PCN. They are only now beginning to trial basic improvements. However, we remain highly sceptical about the speed with which these can be rolled out, particularly where they depend on new IT systems.

We fully support efforts to deter fraud and the pursuit of those who deliberately claim exemptions to which they are not entitled. However, we simply do not believe that the current system achieves this efficiently. The Department and NHS England need a fundamental reappraisal of how they can more effectively and humanely pursue these goals.

Introduction

Each year, around 1.1 billion prescription items are dispensed, and 39 million dental treatments undertaken. Some people are exempt from paying if they have a valid reason (for example they are under 16 or they receive certain benefits). In 2017–18 around 89% of prescription items dispensed and around 47% of dental treatments were claimed as exempt from charges. Those who claim a free prescription or dental treatment without a valid reason, whether fraudulently or in error, could be issued with a Penalty Charge Notice (PCN). A PCN has two components—the original cost of the prescription or dental treatment and a penalty charge of up to £100. The NHS estimates that it lost around £212 million in 2017–18 from people incorrectly claiming exemption from prescription and dental charges. The Department of Health & Social Care (the Department) is the policy owner for this area. NHS England is the service owner, and commissions the NHS Business Services Authority (NHSBSA) to administer the loss recovery service for prescriptions and dental treatments. NHSBSA also has a contract with Capita to issue a proportion of dental PCNs.

Since 2014, NHSBSA has managed the distribution of 5.6 million PCNs with a total value of £676 million. Of these £133 million (20%) were collected, £297 million (44%) were resolved without a penalty charge being paid; and £246 million (36%) remain outstanding.

Conclusions and recommendations

1. **Patients are finding it extremely difficult to understand whether or not they are entitled to free prescriptions or dental treatment.** Rules about entitlement to free prescriptions and dental treatment are unnecessarily convoluted, as illustrated by the Department's 24-page handbook to explain the single page prescription form. Exemptions from prescription and dental charges include age, maternity, receipt of certain means-tested benefits, low income, and long-term medical conditions in some cases, although we are told that this list of long-term conditions has not been updated for 50 years save the addition of cancer in 2009. A person's eligibility for exemption also varies between prescriptions and dental treatment. An already complex system has been further complicated by the roll-out of Universal Credit, which means entitlement can vary from month to month. There is currently no way of indicating receipt of Universal Credit on prescription forms, resulting in more confusion, and the Department for Work and Pensions (DWP) does not confirm eligibility when they write to claimants about their confirmed benefit entitlements. The Department of Health and Social Care acknowledges that it is a very complicated system and that some of the current processes can cause people distress. Only after ramping up its exemption checks and PCN regime did NHSBSA realise that patients were confused by the rules, implying that it had very little awareness or response before.

Recommendation: *The Department of Health and Social Care should set out how it will make exemptions more readily intelligible for all claimants, based on evidence of how users complete applications.*

The Department should work more closely with the Department for Work & Pensions to improve the information provided to benefit claimants about whether they are entitled to free prescriptions. Specifically, it should investigate the feasibility of DWP indicating whether claimants are entitled to free prescriptions or dental treatment in the letters it sends to claimants about eligibility for benefits.

2. **NHSBSA's presumption of guilt means penalty charge notices are issued too readily, particularly where vulnerable people are concerned.** Since 2014, around 1.7 million PCNs (30% of all PCNs issued) have been subsequently withdrawn because a valid exemption was confirmed to be in place following a challenge. Where NHSBSA cannot find supporting evidence for an exemption, it automatically issues a PCN to the patient, rather than giving them an opportunity to correct a mistake, provide evidence or pay the prescription or treatment charge. The Department plans to introduce an additional stage in the PCN process where an individual will be alerted to a possibly unjustified exemption claim before a PCN is issued, and therefore have the opportunity to challenge it before being charged up to a £100 penalty. We welcome this extra step but question why NHS England did not introduce it at the outset, given its success in Scotland and Northern Ireland. NHSBSA acknowledges that some of its processes can cause distress, and before sending out PCNs it filters out addresses which are known to be residential care homes. This is likely to cover only a small proportion of vulnerable people whom it should not be pursuing with fines.

Recommendation: *In six months' time, the Department should write to the Committee to establish when it plans to introduce the additional checking stage in the PCN process and the timeline for doing so.*

In the same letter, the Department should set out how this will reduce the proportion of PCNs that are later overturned and identify claimants who may be particularly vulnerable.

3. **NHSBSA has implemented the PCN policy without evaluating the impact of PCNs on claimants seeking treatment.** NHSBSA continues to stress that 97% of non-age-related exemption claims are correct, using this to justify the PCN process. However, it has not attempted to identify those who are entitled to an exemption but pay for treatment. The Department also recognises that some people may not seek treatment because they are worried about getting a PCN. NHSBSA's advertising campaigns focus on the consequences of incorrectly claiming an exemption rather than making those who are entitled to an exemption aware that they do not need to pay. We believe that this kind of threatening approach is unhelpful and we are concerned that it could have a negative impact on people who are legitimately entitled to exemption. The British Dental Association tells us that last year it saw a 23% fall in the number of people on low incomes seeking treatment and is concerned that the threat of fines may have discouraged people from going to the dentist. Failure to seek treatment when needed is only likely to push up longer-term costs to the NHS.

Recommendation: *The Department should actively seek information from the NHS and from other government departments about the consequences of prescription charges and the PCN process. It should provide to the Committee a breakdown of: people not seeking the treatment they need for fear of incurring fines, patients not claiming the exemption to which they are entitled and admissions to hospital as a result.*

4. **We are highly sceptical that real-time exemption checks will be rolled out soon.** The Department admits that the system is complex and needs improving, and plans to introduce a real-time exemption check in pharmacies, which would enable pharmacists and patients to quickly check whether they are entitled. While real-time checking might resolve many of the problems people currently face, we are concerned that the Department does not have a start date and, therefore, that such a system is still a long way off. The exemption checks it is now trialling are limited to just four pharmacies who share the same IT system and do not include benefit-related exemptions nor eligibility for free dental treatment. Extending the trials to the ten other IT systems run by pharmacists and incorporating a real-time link to data from the Department for Work & Pensions are likely to present major hurdles. Ultimately, we have no confidence that this system will be rolled out later this year, as the Department told us.

Recommendation: *NHS England and NHSBSA should pursue real-time checking as a priority, and should write to us with the results of the pilots, confirming a timetable for implementation and the cost of the real-time checking project.*

5. **Where there is clear evidence that people are persistently committing fraud by making false claims, NHSBSA has failed to take effective action.** The Department

claims that the best outcome from the PCN system is the prevention of fraud, but NHSBSA is doing very little to pursue those who repeatedly claim free treatment without an exemption. Nearly 115,000 people have received five or more PCNs for prescriptions, over 1,600 have received 20 or more—yet only five cases have been referred to the Crown Prosecution Service. Only one has been heard in court. The Department has so far failed to approve a prescriptions debt collection process for NHSBSA, leaving it unable to pursue such outstanding debts owed. Yet the system is inconsistent: at the same time, NHSBSA is over-zealous in pursuing people who have made mistakes once. Many people are fined immediately for mistakes that could easily have been corrected, had they been given the opportunity.

Recommendation: *By December 2019, NHSBSA should evaluate the cost-effectiveness of spending more time and resources pursuing repeat offenders and write to us with the result of this work. In doing so, it should tell us the number of such cases that are being actively pursued.*

6. **The PCN process, as it stands, is not working efficiently or effectively.** We therefore call on the Department to substantially overhaul the system, so that those who are rightfully entitled to free prescriptions and dental treatment get the exemption they deserve. Since ramping up exemption checking in 2014, NHSBSA has issued 5.6 million PCNs, but has only collected 20% of their value. The Department argues that its approach is justifiable because it spends 31 pence per £1 collected managing the process. However, it has not calculated costs to the wider health system, where patients—for fear of being fined—do not seek the treatment they need and end up in hospital. Nor does that calculation take account of people paying for prescriptions when they are entitled to an exemption, or paying fines which they could have challenged or which could have been avoided by clearer guidance being available to them in the first place. Last year the PCN process generated a net yield of £25 million for the NHS, a pitiful sum compared to the annual cost of prescriptions which is around £9 billion. We do not dispute that it is right to try and deter fraud and recover costs mistakenly paid by the NHS, but the current system is not fit for purpose.

Recommendation: *Having acknowledged that the PCN process needs improving, NHS England and NHSBSA should write to us in a year's time to explain how they have made the process more humane and cost-effective.*

1 Impact of penalty charge notices on patients

1. On the basis of a report by the Comptroller and Auditor General, we took evidence from the Department of Health (the Department), NHS England, and the NHS Business Services Authority (NHSBSA) on Penalty Charge Notices (PCNs) in healthcare.¹ We also took evidence from the British Dental Association, from Parkinson's UK (representing the Prescription Charges Coalition) and from Mencap.

2. Each year, around 1.1 billion prescription items are dispensed and 39 million dental treatments undertaken. In 2019–20, each item on a prescription costs £9.00 and dental treatments are charged in three bands (£22.70, £62.10, £269.30), depending on the treatment. Some people are exempt from paying if they have a valid reason (for example they are under 16 or they receive certain benefits). In 2017–18 around 89% of prescription items dispensed and around 47% of dental treatments were claimed as exempt from charges. Those who claim a free prescription or dental treatment without a valid reason, whether fraudulently or in error, could be issued with a PCN. PCNs are sent to those who have claimed a free prescription or dental treatment when they were not entitled to do so; or to those who have a valid exemption but which could not be confirmed at the time of checking. A PCN has two components—the original cost of the prescription or dental treatment and a penalty charge of up to £100.²

3. The Department of Health & Social Care (the Department) is the policy owner for this area. NHS England is the service owner, and commissions the NHS Business Services Authority (NHSBSA) to administer the loss recovery service for prescriptions and dental treatments. The Department for Work & Pensions has a role in checking the data supplied by NHSBSA against its benefits database to confirm whether a customer was in receipt of a benefit at the time of the claim for a free prescription or dental treatment. NHSBSA also has a contract with Capita to issue a proportion of dental PCNs.³

4. NHSBSA has three main aims in relation to charges for prescriptions and dental treatment:

- to recover costs erroneously paid by the NHS;
- to deter and reduce fraud; and
- to ensure people are better informed about their eligibility to claim free prescriptions and dental treatment.⁴

5. Since 2014, NHSBSA has managed the distribution of 5.6 million PCNs with a total value of £676 million. Of these £133 million (20%) were collected, £297 million (44%) were resolved without a penalty charge being paid; and £246 million (36%) remain outstanding. The NHS estimates that it lost around £212 million in 2017–18 from people incorrectly claiming exemption from prescription and dental charges. However rules around entitlement are very complicated, leading to genuine mistakes and confusion for

1 C&AG's Report, *Investigation into penalty charge notices in healthcare*, Session 2017–19, HC 2141, 14 May 2019

2 C&AG's Report, paras 1, 2 (page 5), para 1 (page 7)

3 C&AG's Report, para 3 (page 5)

4 C&AG's Report, para 1 (page 5)

many people.⁵

Complexity of the entitlement rules

6. Rules around entitlement to free prescriptions and dental treatment are set by the Department and can be difficult to understand. Entitlement depends on age, maternity, certain long-term medical conditions, receipt of means-tested benefits and low income, as illustrated in Figure 1 below. The Department's 'easy-read' guide to free prescriptions is 24 pages long.⁶ But this and other online guidance is not accessible by all.⁷ To further complicate matters, because of the separate development of the NHS dental service, rules around entitlement to free dental treatment differ from those for free prescriptions.⁸

7. We heard from Parkinson's UK that the prescription charge exemption list for certain medical conditions (for England) had not been updated for 50 years, apart from the addition of cancer in 2009. This means many long-term conditions are excluded. Fifty years ago, people suffering from conditions such as sickle cell anaemia and cystic fibrosis were not expected to live very long. Thanks to changes in medical technology since then, patients are living longer, but this is not reflected in the prescription charge exemption list.⁹

5 C&AG's Report, paras 1 and 3 (page 7) and para 8 (page 9)

6 NHS Business Services Authority, [Are you signing for free prescriptions?: Easy Read](#), May 2018

7 Qq 6, 118

8 C&AG's Report, para 1.4

9 Q 32

Figure 1: Exemptions from the cost of prescriptions and dental treatment

Exemptions from the cost of prescriptions and dental treatment

There are some differences between the eligibility rules for free prescriptions and for free dental treatment

Exemption type	Exemption category	Responsibility for checking	Eligibility for free prescriptions	Eligibility for free dental treatment
Age-related	Child (under 16)	NHS Business Services Authority	Eligible	Eligible
	Young person (16–18)		Eligible in some cases ¹	Eligible in some cases ²
	Aged over 60		Eligible	Not eligible
Maternity and medical	Expectant mother	NHS Business Services Authority	Eligible ³	Eligible ³
	Has had a baby in the last 12 months		Eligible ³	Eligible ³
	Specific medical conditions		Eligible ⁴	Not eligible
Means-tested	Income Support	Department for Work & Pensions	Eligible ⁵	Eligible ⁵
	Income-based Jobseeker's Allowance		Eligible ⁵	Eligible ⁵
	Income-related Employment and Support Allowance		Eligible ⁵	Eligible ⁵
	Pension credit guarantee credit		Eligible ⁵	Eligible ⁵
	Universal Credit		Eligible in some cases ^{5,6}	Eligible in some cases ^{5,6}
	Child tax credits	NHS Business Services Authority	Eligible in some cases ⁷	Eligible in some cases ⁷
	Working tax credits with a disability element		Eligible in some cases ⁷	Eligible in some cases ⁷
	Other low income		Eligible in some cases ^{8,9}	Eligible in some cases ^{8,9}
NHS hospitals	NHS hospital inpatients	No checks	Eligible	Eligible in some cases ¹⁰
	NHS hospital outpatients	NHS Business Services Authority	Eligible in some cases ¹¹	Eligible in some cases ¹²
Other	People receiving War Pension Scheme payments with an accepted disability	No checks	Eligible in some cases ¹³	Not eligible

Notes

- 1 Eligible if in full-time education.
- 2 Eligible if aged: a) under 18, or b) under 19 and in full-time education.
- 3 A maternity exemption certificate is required.
- 4 A medical exemption certificate is required. These are issued on application and are only available for a limited range of conditions.
- 5 The partners (including civil partners) and dependants under the age of 20 of people qualifying for these benefits are also eligible.
- 6 People are eligible if they had net earnings of a) £435 or less in their last assessed period (usually a month); or b) £935 or less in their last assessed period and their Universal Credit included an element for a child; or they or their partner had limited capability for work or limited capability for work and work-related activity.
- 7 People are eligible if they have income for tax credit purposes of £15,276 or less and apply for an NHS tax credit exemption certificate. Claimants can be in receipt of Child Tax Credits, Working Tax Credits with a disability element or both.
- 8 Depending on a person's circumstances, they can receive full help or partial help. They can apply for the scheme as long as their assets don't exceed £23,250 where they live permanently in a care home or £16,000 where they don't. The assessment takes into account council tax and housing costs, so people can get help with health costs even if their income is too high for a means-tested benefit. People need to apply for an NHS certificate to qualify.
- 9 People are not exempt where they receive Incapacity Benefit, contribution-based Employment and Support Allowance, contribution-based Jobseeker's Allowance, Disability Living Allowance, Council Tax Reduction, Housing Benefit or Pension Credit Savings Credit, when paid on their own. They may nevertheless qualify under the NHSBSA's low-income scheme.
- 10 Eligible if treatment is carried out by the hospital dentist.
- 11 NHS hospital outpatients are eligible for free prescriptions if they qualify for one of the other listed exemptions. Claims for these exemptions would be checked by NHSBSA where medication is prescribed using a prescription form.
- 12 NHS hospital dental service outpatients may have to pay for dentures or bridges.
- 13 A War Pension exemption certificate is required and the prescription is for the claimant's accepted disability.

Source: National Audit Office review of NHS documents and website information, such as www.nhs.uk/using-the-nhs/help-with-health-costs/get-help-with-prescription-costs/

10

8. Entitlement to free prescriptions and dental treatment also varies between different types of benefits. Benefits fall into two categories, means-tested and non-means-tested. For those who have already undergone a rigorous application process with the Department for Work & Pensions, for example for disability living allowance, it might be easy to mistakenly assume that they are also entitled to free prescriptions or dental treatment.¹¹ Instead, entitlement is based on income-related benefits.¹² There have been significant changes to the benefits system in recent years and this means it is confusing for claimants to understand even which benefit they are receiving, let alone whether this then entitles them to free prescriptions or dental treatment.¹³ For patients who receive Universal Credit, some are eligible for free treatment and others are not. Eligibility can vary from month to month depending on income and self-employed claimants may not know what their income will be.¹⁴ Letters from the Department for Work & Pensions confirming eligibility for benefits do not inform claimants whether they are entitled to free prescriptions or dental treatment.¹⁵ Although the current Universal Credit online statement advises claimants they “may be able to get help with health costs”.¹⁶

9. Further confusion is caused by the lack of a Universal Credit option on prescription forms. The Department has still not changed its paperwork to accommodate the new benefit, which was first introduced in 2013.¹⁷ The Department claims that no one has received a PCN as a result, but it has not attempted to find out whether Universal Credit

10 C&AG's Report, Figure 2

11 Q 29

12 Q 94

13 Q 2

14 Q 9; C&AG's Report, para 3.3

15 Q 6

16 Letter from the Department for Health and Social Care, 17 July 2019

17 C&AG's Report, para 3.3

claimants are simply paying the prescription charge rather than risking being fined.¹⁸ We heard examples of Universal Credit claimants who were advised to tick the box for income-based jobseeker's allowance and were subsequently fined.¹⁹

10. The Department acknowledged that “it is a very complicated system and that some of [its] current processes can cause people distress” but emphasised that the Government is not considering changes to entitlement.²⁰ NHS England told us it would expect pharmacists to help guide patients in filling out the prescription form and working out whether they are entitled to free prescriptions.²¹ But we heard from the British Dental Association that it can be extremely challenging and time-consuming for medical professionals to obtain the information necessary to help their patients fill out the form.²²

11. In 2014 NHS England commissioned NHSBSA to increase its exemption-checking activity significantly. We asked why it had ramped up checks on prescription exemptions without first trying to increase awareness of the entitlement rules. NHSBSA told us that it had identified through its user research that people were confused. It had proposed to NHS England to divert some of the money recovered from PCNs towards making people aware of the process through an advertising campaign. NHSBSA was unable to explain why this was established only after the increase in prescription exemption checks.²³

Presumption of guilt

12. The complicated rules around entitlement to free prescriptions and dental treatment are difficult to understand even for first-language English speakers with no cognitive impairment. Parkinson's UK told us how difficult it was for those who face extra barriers due to ill health.²⁴ This complexity is leading to honest mistakes in prescription exemption forms, for which claimants are being immediately fined. We heard several examples of patients who had made minor mistakes and subsequently received PCNs, for example where they had ticked the wrong box because their circumstances were changing, become confused about the differences between prescriptions and dental treatment or where their prepayment certificates had expired during a stay in hospital.²⁵

13. NHS England's current PCN process automatically fines people who incorrectly claim entitlement to free prescriptions or dental treatment. In Scotland and Northern Ireland there is an additional stage in the process, where patients first receive a letter informing them that they may have made a mistake and inviting them to prove their exemption or pay the original prescription fee they owe. Only subsequently is a fine issued, where necessary. Interestingly, the initial letter generates much more income than the fines.²⁶ NHS England told us it was also planning to introduce a new stage in its process. This will allow people to correct a mistake before being issued with a PCN. NHSBSA confirmed that this additional stage would be implemented in the coming months but did

18 Q 60

19 Q 201

20 Qq 43, 44, 54

21 Qq 119–123

22 Q 2

23 Qq 58, 59

24 Q 2

25 Qq 14, 50, 54, 56

26 Q 12; British Dental Association ([PCN0002](#)), para 27

not commit to a date.²⁷

14. Of the 5.6 million PCNs issued since 2014, 1.7 million (30%) were later cancelled because a valid exemption was found to be in place. We are concerned about the distress caused, particularly to vulnerable people, by receiving a penalty charge notice at all, even more so if it is incorrect. NHSBSA is unable to prevent all vulnerable people from receiving a PCN and instead relies on individuals or their representatives challenging the fine.²⁸ We heard examples of PCNs being issued to refugees where a change of address had rendered their exemption certificates invalid. Many of these people are reliant on agencies to speak up for them.²⁹ The prospect of up to a £100 fine, with a surcharge of up to £50 if unpaid, can be very distressing for those who are already facing difficult circumstances.³⁰

15. The Department told us that NHSBSA does a lot of work with vulnerable people both to try and avoid them receiving a PCN and to assist them in circumstances where they do.³¹ But we also heard that NHSBSA does not have access to individual health records in order to identify whether a patient may be vulnerable prior to issuing a PCN. The only check that NHSBSA carries out beforehand is finding individuals whose address matches a registered care home. It automatically filters these people out from its checks. NHSBSA's staff are trained to identify those who may be vulnerable, and they are able to remove the penalty charge in such cases, but this relies on the individual getting in touch with NHSBSA to challenge the fine.³²

Wider impact

16. The focus of the NHSBSA's advertising campaign in 2018 was on warning people to check before claiming an exemption or risk a penalty charge. This was the only national advertising campaign undertaken by NHSBSA. Rather than helping inform patients about the entitlement rules, its strapline was "Don't run the risk".³³ Parkinson's UK, the British Dental Association and Mencap are concerned about the impact of this threatening approach on patients and on the wider health system. If the risk of being fined excludes people from the treatment they need, patients may end up in hospital or visiting doctors more frequently. This could ultimately cost the NHS more.³⁴ The British Dental Association observed a 23% fall in the number of people on low incomes seeking treatment since 2013–14. It is concerned that those who cannot afford dental charges and are unsure about their exemption status have chosen not to seek dental treatment.³⁵

17. The Department acknowledged that there was a risk but told us it had seen no evidence of people choosing not to seek treatment because of PCNs.³⁶ For example, the Department and NHS England were not aware of any work done to calculate the additional costs of

27 Qq 50, 55

28 C&AG's Report, para 3 (page 7), para 2.10

29 Qq 201, 202

30 Qq 18, 30

31 Q 54

32 Qq 133, 137, 141, 142

33 Q 6; C&AG's Report, para 3.8, British Dental Association ([PCN0002](#)), para 33; NHS Health Costs, "[Not sure if you're entitled to #freedentaltreatment? If you claim incorrectly you could be fined #dontruntherisk](#)", published 27 June 2019, accessed 6 September 2019

34 Qq 2, 13, 30

35 British Dental Association ([PCN0002](#)), para 27

36 Q 61, 69, 70

patients ending up in hospital as a result of not seeking the dental treatment they need.³⁷ NHSBSA told us that it had carried out three equality impact assessments to ensure it is complying with public sector equality duty responsibilities, which resulted in changes to its website for accessibility and PCN process design.³⁸

18. NHSBSA emphasised that 97% of non-age-related exemptions are claimed correctly and told us this illustrates that patients do understand the rules.³⁹ One of NHSBSA's performance metrics is the number of checks it must undertake to find an unsubstantiated claim for exemption. In 2014–15 when it started the prescription checking service, NHSBSA issued a PCN for every four checks it undertook. In 2018–19 NHSBSA checked 20 forms for each PCN it issued.⁴⁰ NHSBSA told us this is evidence that the deterrent effect of PCNs and its advertising campaign are working. The Department admitted that it was unable to tell whether this change is simply due to people not seeking the treatment they need or simply paying the prescription charge for fear of being fined.⁴¹ It accepted that it needs to do more to improve the PCN system and make it easier to understand.⁴²

37 Q 198

38 Q 177

39 Q 128

40 C&AG's Report, para 3.9

41 Q 111

42 Q 70

2 Effectiveness of the penalty charge notice process

Real-time checks

19. NHSBSA currently has no direct access to the Department for Work & Pensions' (DWP's) data. In order to match exemptions with details of benefits claimants, it sends three batches of data per week (two for prescriptions and one for dental exemptions) so that DWP can check claims against its database. There is a limit to the number of checks DWP can carry out (300,000 prescriptions and 100,000 dental treatments per week). DWP is currently building an automated process to share real-time data instead. In February 2019, it expected this to take four to six months, plus a further two months for integration. In parallel, NHSBSA is piloting real-time exemption checking in pharmacies, to allow pharmacists to find out immediately whether their patient needs to pay for prescriptions.⁴³

20. The Department told us that it plans to include benefit-related exemptions in its real-time exemption checking facility by November 2019 and it hopes to include Universal Credit from early 2020. However, NHSBSA is dependent on DWP to allow it live access to benefit databases.⁴⁴ Universal Credit creates additional problems for real-time checking because a person's eligibility can change so frequently. There is a risk that claimants only know retrospectively whether they are eligible for an exemption.⁴⁵

21. The scope of NHSBSA's current real-time checking pilot is very limited. It is being trialled on a single IT system in four pharmacies and is limited to health-related exemptions. NHS England told us the pilot was going well and NHSBSA promised to write to us with its evaluation, as it expands the pilot to 1,000 pharmacies on the same system later this year.⁴⁶ Pharmacies use a variety of IT systems and the one trialled in the pilot only has a 10% market share in England. Depending on the outcome of the pilots, NHS Digital plans to work with the other pharmacy-supplier systems to expand real-time exemption checking further.⁴⁷ But the Department would not commit to a deadline for the full roll-out of real-time exemption checks.⁴⁸

22. The Department has not yet decided whether to extend real-time checking to dentistry. It told us that it chose to prioritise prescriptions because of the relative volumes of exemption claims. In the interim, patients still need a way of finding out what they are entitled to.⁴⁹ NHSBSA is attempting to address this by rolling out an online exemption check tool for patients in England, covering both prescription and dental treatment. NHSBSA told us the tool takes only three minutes to complete but admitted that it does not yet include Universal Credit data and is still in a testing stage.⁵⁰

43 C&AG's Report, paras 2.9, 3.7

44 Qq 74, 75

45 Q 86

46 Qq 172, 124

47 Q 128

48 Q 168

49 Q 7, 76, 77

50 Q 79; C&AG's Report para 3.7

Little action on fraud

23. The PCN process aims to recover costs mistakenly paid by NHS England and to prevent people from intentionally committing fraud by making false claims about their entitlement to free prescriptions and dental care.⁵¹ The Department told us that prevention of fraud is the best outcome.⁵² The NHS Counter Fraud Authority estimated that NHSBSA's work led to an estimated reduction of £49 million in prescription fraud between 2012–13 and 2016–17. NHSBSA has recently started doing more to pursue repeat offenders who make no attempt to engage. It invites selected repeat offenders to an interview under caution at a police station and then, where appropriate, refers the case to the Crown Prosecution Service (CPS). Between September 2014 and March 2019, 114,725 people received five or more PCNs, including over 1,600 people who received more than 20. Yet so far only five cases have been referred to CPS, and only one heard in court.⁵³ NHSBSA was unable to comment on the individual cases referred to the CPS. It explained that it was up to the CPS to decide how many of the cases should be heard in court.⁵⁴

24. Until recently NHSBSA had no way of pursuing outstanding debts relating to unpaid prescription charges and PCNs. NHSBSA began a debt collection process for outstanding PCNs it had issued for dental charges in January 2019. Until then, NHSBSA relied on its contract with Capita. Capita could pursue debts related to dental charges, using its debt collector Akinika. NHSBSA has made a proposal to NHS England and the Department for dealing with repeat offenders, which includes working with a debt collector, but the Department has still not given NHSBSA approval to collect debts for prescription-related PCNs, which limits its efficacy and ability to deter fraud. The Department told us that the proposal was currently being considered and it hoped to make a decision “very shortly.”⁵⁵ NHSBSA assured us that its proposed debt collection agencies would follow very tight processes and that they would certainly not involve any bailiff activity. It plans to use a debt-collection organisation part-owned by the Cabinet Office which already works with several government departments. We heard that NHS England has neither written off nor capitalised any outstanding PCN debts on its balance sheet; it is therefore not clear how these debts have been accounted for.⁵⁶

25. The Department claims it is trying to be fair both to those who are entitled to free prescriptions and dental treatment and to ensure those who are not entitled pay their way. But the readiness with which NHSBSA fines those who make one-off mistakes seems disproportionate in light of its current failure to pursue fraudsters.⁵⁷ Fraud in prescription exemptions, though individually low-level, still adds up to an estimated £162 million a year.⁵⁸ The Department acknowledged that it needs to deal with the small pockets of fraud it finds if it wants to see big reductions to the overall fraud figure. But it claimed that the system of wider checks is what deterred fraud, rather than the number of prosecutions.⁵⁹

51 C&AG's Report, para 2.12

52 Q 91

53 C&AG's Report, paras 2.12–14

54 Qq 186, 188

55 Qq 154–156; C&AG's Report, paras 2.15, 2.16

56 Qq 157, 195

57 Qq 92, 154

58 C&AG's Report, para 2.11

59 Qq 91, 182

Inefficient and ineffective process

26. We questioned how cost-effective the PCN process was, given only 20% of the value of PCNs issued had ever been recovered. In 2017–18 NHSBSA spent £11.2 million managing the PCN process, equivalent to 31 pence per £1 recovered.⁶⁰ It used this figure to justify its approach, but it has not included the costs incurred by the wider health system or to patients, including:

- Patients ending up in hospital as a result of failing to seek the treatment they need, because they are worried about getting a PCN;⁶¹ and
- Patients receiving and paying PCNs when they could have successfully challenged them based on an existing exemption.⁶²

27. The Department told us that under the previous policy, very few checks were carried out, and justified the current PCN process because it is bringing in cash for the NHS as well as deterring fraud.⁶³ NHSBSA told us that NHS England is making a reasonable yield from the PCN process, in addition to the £49 million of estimated fraud that it has deterred.⁶⁴ But the net yield last year (2017–18) was just £25 million, compared to the annual cost of prescriptions which is around £9 billion.⁶⁵

60 C&AG's Report, Key Facts (page 4)

61 Q 198

62 Q 81

63 Q 109

64 Q 197

65 Qq 89, 90, 196; NHS Digital, [Prescription Cost Analysis – England, 2018](#), Mar 2019

Formal minutes

Monday 9 September 2019

Members present:

Meg Hillier, in the Chair

Sir Geoffrey Clifton-Brown Nigel Mills
Caroline Flint Gareth Snell

Draft Report (*Penalty charge notices in healthcare*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 27 read and agreed to.

Introduction agreed to.

Conclusions and recommendations agreed to.

Summary agreed to.

Resolved, That the Report be the One hundred and fifteenth of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

[Adjourned till Wednesday 16 October at 2:00pm]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Monday 1 July 2019

Dr Charlotte Waite, Chair, England Community, Dental Services Committee, British Dental Association, **Laura Cockram**, Head of Policy and Campaigning, Parkinson's UK and Prescription Charges Coalition, and **Dan Scorer**, Head of Policy and Public Affairs, Mencap

[Q1–33](#)

Sir Chris Wormald, Permanent Secretary, Department of Health and Social Care, **Julian Kelly**, Chief Financial Officer, **Keith Ridge**, Chief Pharmaceutical Officer, NHS England, and **Brendan Brown**, Director of Citizen Services, NHS Business Services Authority

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Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

PCN numbers are generated by the evidence processing system and so may not be complete.

- 1 British Dental Association ([PCN0002](#))
- 2 Healthwatch Kirklees ([PCN0006](#))
- 3 Pharmaceutical Services Negotiating Committee ([PCN0005](#))
- 4 Royal Mencap Society ([PCN0004](#))
- 5 Royal Pharmaceutical Society ([PCN0003](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	Tackling online VAT fraud and error	HC 312 (Cm 9549)
Second Report	Brexit and the future of Customs	HC 401 (Cm 9565)
Third Report	Hinkley Point C	HC 393 (Cm 9565)
Fourth Report	Clinical correspondence handling at NHS Shared Business Services	HC 396 (Cm 9575)
Fifth Report	Managing the costs of clinical negligence in hospital trusts	HC 397 (Cm 9575)
Sixth Report	The growing threat of online fraud	HC 399 (Cm 9575)
Seventh Report	Brexit and the UK border	HC 558 (Cm 9575)
Eighth Report	Mental health in prisons	HC 400 (Cm 9575) (Cm 9596)
Ninth Report	Sheffield to Rotherham tram-trains	HC 453 (Cm 9575)
Tenth Report	High Speed 2 Annual Report and Accounts	HC 454 (Cm 9575)
Eleventh Report	Homeless households	HC 462 (Cm 9575) (Cm 9618)
Twelfth Report	HMRC's Performance in 2016–17	HC 456 (Cm 9596)
Thirteenth Report	NHS continuing healthcare funding	HC 455 (Cm 9596)
Fourteenth Report	Delivering Carrier Strike	HC 394 (Cm 9596)
Fifteenth Report	Offender-monitoring tags	HC 458 (Cm 9596)
Sixteenth Report	Government borrowing and the Whole of Government Accounts	HC 463 (Cm 9596)
Seventeenth Report	Retaining and developing the teaching workforce	HC 460 (Cm 9596)
Eighteenth Report	Exiting the European Union	HC 467 (Cm 9596)

Nineteenth Report	Excess Votes 2016–17	HC 806 (Cm 9596)
Twentieth Report	Update on the Thameslink Programme	HC 466 (Cm 9618)
Twenty-First Report	The Nuclear Decommissioning Authority’s Magnox	HC 461 (Cm 9618)
Twenty-Second Report	The monitoring, inspection and funding of Learndirect Ltd.	HC 875 (Cm 9618)
Twenty-Third Report	Alternative Higher Education Providers	HC 736 (Cm 9618)
Twenty-Fourth Report	Care Quality Commission: regulating health and social care	HC 468 (Cm 9618)
Twenty-Fifth Report	The sale of the Green Investment Bank	HC 468 (Cm 9618)
Twenty-Sixth Report	Governance and departmental oversight of the Greater Cambridge Greater Peterborough Local Enterprise Partnership	HC 896 (Cm 9618)
Twenty-Seventh Report	Government contracts for Community Rehabilitation Companies	HC 897 (Cm 9618)
Twenty-Eighth Report	Ministry of Defence: Acquisition and support of defence equipment	HC 724 (Cm 9618)
Twenty-Ninth Report	Sustainability and transformation in the NHS	HC 793 (Cm 9618)
Thirtieth Report	Academy schools’ finances	HC 760 (Cm 9618)
Thirty-First Report	The future of the National Lottery	HC 898 (Cm 9643)
Thirty-Second Report	Cyber-attack on the NHS	HC 787 (Cm 9643)
Thirty-Third Report	Research and Development funding across government	HC 668 (Cm 9643)
Thirty-Fourth Report	Exiting the European Union: The Department for Business, Energy and Industrial Strategy	HC 687 (Cm 9643)
Thirty-Fifth Report	Rail franchising in the UK	HC 689 (Cm 9643)
Thirty-Sixth Report	Reducing modern slavery	HC 886 (Cm 9643)
Thirty-Seventh Report	Exiting the European Union: The Department for Environment, Food & Rural Affairs and the Department for International Trade	HC 699 (Cm 9643)
Thirty-Eighth Report	The adult social care workforce in England	HC 690 (Cm 9667)
Thirty-Ninth Report	The Defence Equipment Plan 2017–2027	HC 880 (Cm 9667)
Fortieth Report	Renewable Heat Incentive in Great Britain	HC 696 (Cm 9667)

Forty-First Report	Government risk assessments relating to Carillion	HC 1045 (Cm 9667)
Forty-Second Report	Modernising the Disclosure and Barring Service	HC 695 (Cm 9667)
Forty-Third Report	Clinical correspondence handling in the NHS	HC 929 (Cm 9702)
Forty-Fourth Report	Reducing emergency admissions	HC 795 (Cm 9702)
Forty-Fifth Report	The higher education market	HC 693 (Cm 9702)
Forty-Sixth Report	Private Finance Initiatives	HC 894 (Cm 9702)
Forty-Seventh Report	Delivering STEM skills for the economy	HC 691 (Cm 9702)
Forty-Eighth Report	Exiting the EU: The financial settlement	HC 973 (Cm 9702)
Forty-Ninth Report	Progress in tackling online VAT fraud	HC 1304 (Cm 9702)
Fiftieth Report	Financial sustainability of local authorities	HC 970 (Cm 9702)
Fifty-First Report	BBC commercial activities	HC 670 (Cm 9702)
Fifty-Second Report	Converting schools to academies	HC 697 (Cm 9702)
Fifty-Third Report	Ministry of Defence's contract with Annington Property Limited	HC 974 (Cm 9702)
Fifty-Fourth Report	Visit to Washington DC	HC 1404 (Cm 9702)
Fifty-Fifth Report	Employment and Support Allowance	HC 975 (Cm 9702)
Fifty-Sixth Report	Transforming courts and tribunals	HC 976 (Cm 9702)
Fifty-Seventh Report	Supporting Primary Care Services: NHS England's contract with Capita	HC 698 (Cm 9702)
Fifty-Eighth Report	Strategic Suppliers	HC 1031 (Cm 9702)
Fifty-Ninth Report	Skill shortages in the Armed Forces	HC 1027 (9740)
Sixtieth Report	Ofsted's inspection of schools	HC1029 (Cm 9740)
Sixty-First Report	Ministry of Defence nuclear programme	HC 1028 (Cm 9740)
Sixty-Second Report	Price increases for generic medications	HC 1184 (Cm 9740)

Sixty-Third Report	Interface between health and social care	HC 1376 (Cm 9740)
Sixty-Fourth Report	Universal Credit	HC 1375 (Cp 18)
Sixty-Fifth Report	Nuclear Decommissioning Authority	HC 1375 (Cp 18)
Sixty-Sixth Report	HMRC's performance in 2017–18	HC 1526 (Cp 18)
Sixty-Seventh Report	Financial Sustainability of police forces in England and Wales	HC 1513 (Cp 18)
Sixty-Eighth Report	Defra's progress towards Brexit	HC 1514 (CP 18)
Sixty-Ninth Report	Sale of student loans	HC 1527 (Cp 56)
Seventieth Report	Department for Transport's implementation of Brexit	HC 1657 (Cp 56)
Seventy-First Report	Department for Health and Social Care accounts	HC 1515 (Cp 56)
Seventy-Second Report	Mental health services for children and young people	HC 1593 (Cp 79)
Seventy-Third Report	Academy accounts and performance	HC 1597 (Cp 79)
Seventy-Fourth Report	Whole of Government accounts	HC 464 (Cp 79)
Seventy-Fifth Report	Pre-appointment hearing: preferred candidate for Comptroller and Auditor General	HC 1883 (Cp 79)
Seventy-Sixth Report	Local Government Spending	HC 1775 (Cp 79)
Seventy-Seventh Report	Defence Equipment Plan 2018–28	HC 1519 (Cp 79)
Seventy-Eighth Report	Improving Government planning and spending	HC 1596 (Cp 97)
Seventy-Ninth Report	Excess Votes 2017–18	HC 1931 (Cp 97)
Eightieth Report	Capita's contracts with the Ministry of Defence	HC 1736 (Cp 97)
Eighty-First Report	Rail management and timetabling	HC 1793 (Cp 97)
Eighty-Second Report	Windrush generation and the Home Office	HC 1518 (Cp 113)
Eighty-Third Report	Clinical Commissioning Groups	HC 1740 (Cp 97)
Eighty-Fourth Report	Bank of England's central services	HC 1739 (Cp 97)

Eighty-Fifth Report	Auditing local government	HC 1738 (Cp 97)
Eighty-Sixth Report	Brexit and the UK border: further progress review	HC 1942 (Cp 113)
Eighty-Seventh Report	Renewing the EastEnders set	HC 1737 (Cp 113)
Eighty-Eighth Report	Transforming children's services	HC 1741 (Cp 113)
Eighty-Ninth Report	Public cost of decommissioning oil and gas infrastructure	HC 1742 (Cp 113)
Ninetieth Report	BBC and personal service companies	HC 1522 (Cp 113)
Ninety-First Report	NHS financial sustainability: progress review	HC 1743 (Cp 113)
Ninety-Second Report	Crossrail: progress review	HC 2004 (Cp 113)
Ninety-Third Report	Disclosure and Barring Service: progress review	HC 2006 (Cp151)
Ninety-Fourth Report	Transforming rehabilitation: progress review	HC 1747 (Cp151)
Ninety-Fifth Report	Accessing public services through the Government's Verify digital system	HC 1748
Ninety-Sixth Report	Adult health screening	HC 1746 (Cp151)
Ninety-Seventh Report	Local Government Governance and Accountability	HC 2077 (Cp151)
Ninety-Eighth Report	The apprenticeships programme: progress review	HC 1749 (Cp151)
Ninety-Ninth Report	Cyber security in the UK	HC 1745
One-Hundredth Report	NHS waiting times for elective and cancer treatment	HC 1750
One Hundred and First Report	Submarine defueling and dismantling	HC 2041
One Hundred and Second Report	Military Homes	HC 2136
One Hundred and Third Report	Planning and the broken housing market	HC 1744
One Hundred and Fourth Report	Transport infrastructure in the South West	HC 1753
One Hundred and Fifth Report	Local enterprise partnerships: progress review	HC 1754
One Hundred and Sixth Report	Eurotunnel	HC 2460

One Hundred and Seventh Report	Consumer protection	HC 1752
One Hundred and Eighth Report	Emergency Services Network: progress review	HC 1755
One Hundred and Ninth Report	Completing Crossrail	HC 2127
One Hundred and Tenth Report	Sale of public land	HC 2040
One Hundred and Eleventh Report	Funding for Scotland, Wales and Northern Ireland	HC 1751
One Hundred and Twelfth Report	Brexit Consultancy Costs	HC 2342
One Hundred and Thirteenth Report	Network Rail's sale of railway arches	HC 2230
One Hundred and Fourteenth Report	Help to Buy: Equity loan scheme	HC 2046
First Special Report	Chair of the Public Accounts Committee's Second Annual Report	HC 347
Second Special Report	Third Annual Report of the Chair of the Committee of Public Accounts	HC 1399
Third Special Report	Fourth Annual Report of the Chair of the Committee of Public Accounts	HC 2370