

HTP Summary Business Case

Foreword

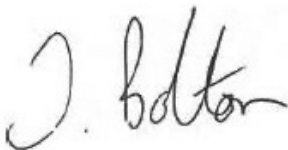
1.1 The Health Transformation Programme (HTP) is modernising health and disability benefit services to deliver better value for money and a better experience for claimants. The Programme is developing a new Health Assessment Service and transforming the Personal Independence Payment (PIP) service.

1.2 One of government's major projects; the nature and scale of the Programme's work is complex and ambitious. There are around 3.9 million working-age people currently receiving at least one of the principal health and disability benefits, including Employment and Support Allowance, Universal Credit and PIP. Every year, around two million people have a functional health assessment, which the Department uses to help it assess eligibility for these and other benefits. The Programme is developing its new services gradually and carefully as it ultimately seeks to reduce journey times, build trust in our services and the decisions we make, and improve work outcomes for claimants.

1.3 A Programme transforming services that make such a difference to so many people's lives will naturally be subject to scrutiny. We agree with the National Audit Office and the Public Accounts Committee that the Programme should be transparent, and while it is not standard practice to do so, we have committed to publishing this summary of the most recent HTP Business Case.

1.4 A Business Case is a document that supports the appraisal and evaluation of a government project. Each Business Case is developed according to "Green Book" guidance issued by HM Treasury, which sets out how to appraise policies, programmes and projects. It provides guidance on the design and use of monitoring and evaluation processes before, during and after implementation. A Business Case goes through a process of scrutiny before ultimately being approved by HM Treasury Ministers. The content of this Business Case was developed in late 2023, achieving departmental sign off in early 2024, before receiving HM Treasury approval on 16 August 2024. The Business Case demonstrates the positive benefits that the Programme aims to bring, both in terms of savings but also in improvements to the claimant experience.

1.5 This Business Case is based on the Programme delivery plan to 2029-30 as of August 2023. It represents a snapshot in time of the Programme. It was based on Government policy at that time and as such, may not be reflective of current or future policy. We will look to update the Business Case periodically to take into account any future changes or developments in policy.



Programme Overview

2.1 This Business Case demonstrates the Economic case for Health Transformation Programme (HTP) transformation; improving claimant experience, providing better value, and creating a platform through which future reforms can be delivered.

2.2 Transforming the full Personal Independence Payment journey

The Personal Independence Payment (PIP) service will deliver a simpler, more user-friendly service, designed around the needs of claimants. The service will provide more information and support to those who need it, including helping them decide whether PIP is right for them before they apply, and will provide information about alternative benefits and eligibility that may better fit individual's circumstances. There will be improvements in the applications process, including an online application option providing claimants with choice over how they interact. PIP transformation will also introduce an improved evidence gather tailored to claimant's circumstances and an improved decisions process, and payments process.

The Department is exploring a case management model: a personalised approach for claimants from initial contact and throughout the application, including signposting to other benefits and services, and closer collaboration between PIP case manager, health assessors, and Jobcentre Work Coaches so that our customers receive a more joined up service. This will help the Programme to better understand our claimants, tailor the service, and help build trust that their case is being progressed appropriately.

Simplifying and automating the PIP journey and tailoring how claimants are assessed will mean many customers get a decision on their claim much quicker. Communications and notifications will be simpler so that customers understand their application outcome decision and how the evidence they provided was used.

2.3 Development of a new model for delivering Health Assessments

The Programme is creating the Health Assessment Service (HAS) to replace the different services currently used to undertake functional health assessments across all benefits. The HAS will be enabled through new IT and processes.

HAS will be integrated with other systems, including the transformed PIP service, to create a seamless claimant experience. By improving how the Department and its providers gather evidence and by enabling the re-use of information, the new integrated service will provide DWP staff and health assessors with improved information. This will reduce the burden on customers to provide complex information and reduce the need for them to provide it more than once.

2.4 Delivering better employment outcomes for claimants with health barriers

The current system focuses on what people cannot do, rather than what they can. The HTP will be a key delivery vehicle for reform of health and disability benefits. At the time this Business Case was produced, it was assumed that HTP would deliver the reforms set out in the *Transforming Support: The Health and Disability White Paper*. This includes:

- Removing barriers in the design of the benefits system that can prevent people entering and remaining in employment.

- Give people confidence to try work so those who are able to can progress in or towards work, without the worry of being reassessed or losing their benefits.
- Provide support, for as long as needed, regardless of people's employment status.

It was assumed that the Department would deliver this by:

- Legislating to remove the existing Work Capability Assessment so that in future there would be only one health and disability assessment – the PIP assessment.
- Removal of the existing Universal Credit (UC) limited capability for work and work-related activity (LCWRA) element and replace it with a new UC health element. This means that there would be no need to be found to have limited capability for work and limited capability to prepare for work to get additional income-related support for a disability or health condition.
- Introducing more personalised levels of conditionality and employment support.

This HTP Business Case version shows the impact that these reforms may have on the outcomes of the Programme if they were delivered. A copy of the White Paper can be found here: [Transforming Support: The Health and Disability White Paper - GOV.UK](#).

2.5 The Programme's approach to developing its new services

The new services represent a major change to how the Department manages functional health assessments and how it supports those who are applying for PIP. In recognition of the complexities, and the need to protect vulnerable claimants, the Programme is developing the new services gradually and carefully, at a small scale initially, in safe and controlled live operational environments, before expanding.

The Programme is initially developing HAS in the Health Transformation Area (HTA) where we are exploring, adapting and learning from new ideas and processes. The HTA provides the space to develop and build our services safely, before carefully and gradually growing the service.

The 'New PIP Service Office' builds on the learning from the HTA and is key to end-to-end PIP service transformation. This office will be the first location where we will have fully implemented the first iteration of the PIP end-to-end service. The New PIP Service Office is developing the outcomes from the HTA in a live, front-line Disability Services environment. The office will help test and scale the new processes to improve services nationwide.

The Programme is testing an online PIP application service within limited postcode areas. The option to complete the PIP2 health information gather online is also offered to the majority of people using the telephony application. It will continue to develop the online application processes, whilst also fully evaluating the impact of this initial service offer.

The Programme has procured new health assessment provider contracts (September 2024). These contracts represent an important step in delivering ambitious longer-term reforms. They replace the previous Health and Disability Assessment Services and PIP assessments with joint services under a single contract within geographic areas. The contracts ensure continuity of service and provide the foundation for the new HAS, providing the flexibility to introduce and test HAS at scale before we roll it out nationally, from 2029.

The Future Health Commercial Strategy will be built to align with the long-term roadmap set out in this Business Case, which includes how we transform during FAS and what we intend to build and establish to succeed these contracts.

2.6 Key Business Case estimates

- This Business Case demonstrates that the HTP represents value for money with a forecast Net Present Social Value of £1.5bn excluding potential benefits associated with any White Paper reforms,
- It will deliver around £1.6bn in real terms Departmental Expenditure Limit (DEL) savings, of which £162m (unadjusted) are cash releasing, driven by efficiencies such as the on-line PIP application.
- On current forecast, the Programme will break even by 2027/28.
- The total investment and recurrent costs to deliver these savings is £610m (including VAT, inflation, and excluding depreciation).

Economic case

3.1 Key Findings

- It is estimated that the Programme will generate a Net Present Social Value (NSPV) of £1.5bn in real, discounted value from 2023/24 to 2036/37. However, this could vary between a range of £1.3bn (low) to £1.6bn (high).

3.2 Societal Benefits

The Economic case describes the economic and social costs and benefits. The NPSV is the sum of discounted societal benefits, less the sum of its discounted societal costs as set out in HM Treasury's Green Book. The benefits identified as being generated by Health Transformation Programme (HTP) are:

- Societal benefits using estimated market prices
- Sustainability
- Reductions in operating cost/Departmental Expenditure Limit (DEL)

Given the high degree of uncertainty present in benefits estimation the Programme has explored the potential impact of multiple effects from technical, economic, and political uncertainties, and from budgetary and schedule overruns.

If it were implemented, The *Transforming Support: The Health and Disability White Paper* published in March 2023 (White Paper) may also bring potential employment benefits into scope of the Programme. Given the stage of policy development at the time of developing the Business Case, any potential impacts from those reforms have been presented separately in this summary.

The Programme's societal benefits mainly arise from the introduction of the Personal Independence Payment (PIP) on-line application process and from the Intelligent Routing (IR) of applications which save claimant time, and positively impacting claimant wellbeing.

Claimant time may be saved from a reduction in the time claimants spend being assessed, the reduction of face-to-face assessments, and reduced travel time to and from assessment centres. Digital Self-Serve, IR, and Case Manager Review (CMR) are the main drivers of these changes.

Intelligent Routing (IR) will use the appropriate data and evidence to identify new PIP claims that do not require a Healthcare Professional-led health assessment and will forward these cases onto a Case Manager who will perform a paper-based review (PBR) of the application. As a result, the time claimants spend being assessed is reduced.

It is expected that the online application process will also positively impact claimant wellbeing by reducing the average PIP end-to-end journey time via a more efficient service. As a claimant's journey time decreases, they spend less time anxiously waiting for a decision that can impact their finances, thus wellbeing increases.

Sustainability benefits accrue where carbon dioxide or greenhouse gas emissions are reduced. There are several areas of positive impact including:

- Postage, Paper, and Packaging (PPP) usage
- PPP delivery to/from claimants
- Claimant travel to/from assessment centre
- Fewer telephony PIP1 registrations, telephony assessments, and telephony enquiry line calls

Currently, just less PPP usage has been estimated to have a significant, quantifiable societal benefit. The other benefits listed have a limited but positive impact and thus are not quantified in the benefits of the Business Case.

It is not always possible to quantify all potential benefits in a Business Case and further work will be required to develop a better understanding of the totality of impacts, for example divestment of supplier estate is a potential future opportunity with further work required before the benefit can be estimated.

Reductions in operating cost/DEL benefits will be covered in further detail in the Finance section of this document. It is, however, expected that the Programme will generate £1.6bn of real, undiscounted benefits.

At the time the Business Case was developed, in line with the delivery plan at that time, the Programme is estimated to achieve a total NPSV of £1.5bn and a Benefit Cost Ratio of 4.1.

3.3 Potential White Paper Employment Impacts

The White Paper published in March 2023 set a vision to create a better experience of applying for and receiving benefits, as well as removal of barriers that can prevent people entering and remaining in employment.

At the time this Business Case was developed there was work to do to develop the policy and better understand the impacts of the proposals. This Business Case Summary considers how different scenarios, based on numbers of claimants with Limited Capability for Work (LCW) and work-related activity (LCWRA) moving into work as a result of improved incentives and support, may change the benefits delivered by the Programme. These are indicative examples only to illustrate the potential scale of the impact.

While not captured in the central estimate of the Programme's NPSV presented in this summary, analysis has been conducted to estimate potential scenarios for the additional employment impact of the reforms. These scenarios are based on supporting more claimants with LCW and LCWRA into work.

Presented below are the estimates for the societal benefits and NPSV that could result from employment impacts of 1% to 3% of the pre-reform LCW and LCWRA caseloads:

- If 1% additional employment of UC LCW and LCWRA caseload were achieved, it would equate to an additional £2.8bn of real, discounted societal benefits being generated from 2026/27 to 2036/37. Once aggregated with further societal benefits and offset against costs, this would result in a real, discounted NPSV of £4.3bn.
- If 3% additional employment of UC LCW and LCWRA caseload were achieved, it would equate to an additional £8.4bn of real, discounted societal benefits being generated from 2026/27 to 2036/37. Once aggregated with further societal benefits and offset against costs, this would result in a real, discounted NPSV of £9.9bn.

To note – There will be costs associated with the reforms set out in the White Paper which have not been included in this Business Case as they were not developed at the time.

3.4 Risk analysis

Assessing value for money requires exploring the uncertainty present in the NPSV estimations. This Business Case does so via sensitivity analysis and optimism bias.

Sensitivity analysis

As suggested in the Green Book, Monte Carlo simulation was used for switching value analysis in the Programme's Economic case; the main benefit of the technique is that it allows for a probability of occurrence to be mapped to potential outcomes.

Using Monte Carlo simulation, it was estimated that the maximum and minimum NPSV values of £1.6bn and £1.3bn in real, discounted terms had roughly a 0.1% chance of occurrence each, with the most likely outcome being +1% to -1% of the expected £1.5bn NPSV (19.1%).

Optimism bias

Optimism bias assesses the impact of delays to completion time and cost increases on a Programme's NPSV. The Programme considered a range of scenarios; in the most extreme option considered, timelines increasing by 54% and costs by 99%, led to a 93% reduction in Programme NPSV to £0.1bn.

Digital investment DEL costs (specifically specialist or difficult-to-obtain digital resources including contingent labour and specialist DWP staff) are deemed to be especially susceptible to optimism bias. Based on Green Book factors applied to existing costs and considering how these might extend delivery, these costs are expected to exceed the central estimate of £125.4m by 29.2%, costing an additional £36.7m. This has been included in the Programme Costs.

The Financial Case

4.1 Key Findings

- £162m Savings to the Departmental Expenditure Limit (DEL)
- £610m Future Whole Life Gross Costs excluding depreciation (DEL)

To calculate the Department's funding requirement over time, the Financial case identifies those costs and benefits which have an impact on Total Managed Expenditure (TME) i.e. it includes DEL cash releasing savings, VAT, inflation, depreciation and, where relevant, Annually Managed Expenditure (AME) savings. It does not include wider societal benefits or non-cash releasing DEL savings.

For this reason, the values below will differ from those quoted in the economic case.

The total funding requirement for the life of the Programme from April 2023 is £658m.

Should AME savings, associated with the proposals set out in '*Transforming Support: The Health and Disability White Paper*' published in March 2023, be included (here we present the 3% scenario), the TME funding requirement reduces to £491m.

4.2 Savings to the Departmental Budget (DEL)

DEL cash releasing savings amount to £162m. Of this, £35m results from reduction associated with Personal Independence Payment (PIP) Mandatory Reconsiderations and Appeals, reduced postage/scanning costs, less manual booking and lower travel expenses. £127m of IT savings relate to legacy IT systems no longer being required following the introduction of the new Health Assessment Service (HAS).

4.3 Savings to the Welfare Budget (AME) – dependent on White Paper

As above, this Summary considers the impact of reforms set out in the White Paper based on possible scenarios, were it to be implemented.

If, for example a 3% scenario of additional employment of Universal Credit (UC) Limited Capability for Work (LCW) and Work-Related Activity (LCWRA) caseload were achieved, the Business Case estimates an initial £167m in AME savings across 2026/27 and 2027/28.

As UC claimants earn more in employment, their UC benefit payment decreases; thus, this relationship is estimated to generate discounted AME savings over the course of the business case. AME impacts for future years, along with any additional AME benefits not yet quantified will be modelled as more data becomes available.

4.4 Whole Life costs of the Business Case.

A total of £152m (excluding depreciation) has been spent from 2018 to March 2023 in the following areas

- HAS and PIP IT development and maintenance costs.
- Programme Staff, professional support and other Programme costs.
- HTA Phase 1.
- Network remediation.

	Historic spend from 2018 to March 2023	Future costs	Total
Investment Costs Breakdown	£m	£m	£m
IT costs	85	163	248
Programme Costs	54	95	148
HAS development	9	150	158
Other investment costs	3	46	49
Investment Costs Total	150	453	603
Running Costs Breakdown	£m	£m	£m
Operational impacts		73	73
IT costs	1	84	85
Running Costs Total	1	157	158
	£m	£m	£m
Total Investment and Running Costs	152	610	761
Depreciation	4	210	214
DEL Cash releasing savings		-162	
Net funding requirement		658	
potential AME savings linked to White Paper impacts		-167	
Net funding requirement inc AME		491	

4.5 Key investment areas

- IT costs covering the continued build of the HAS Digital system and developing a full PIP end to end solution utilising a mix of DWP Staff, Contingent Labour resource and an Agile Digital Services supplier contract.
- Programme staff costs, support from specialist DWP areas and professional (legal) fees.
- HAS Development
 - Health Transformation Area phase 1 includes Health Care Professionals and DWP staff costs.
 - Health Transformation Area phase 2 – engaging external suppliers to develop HAS.
- Other costs include network remediation, HMRC surge team and G4S Online Identity Verification optimism bias (linked to potential shift in IT costs) and evaluation costs.

4.6 Ongoing running costs

- Operational impacts include potential Service Centre costs and likely contract risk premiums for the new HAS suppliers.
- IT running costs cover both the HAS and PIP systems and mainly include Digital Teams along with some hosting and license costs.

Annex A – HTP Service Vision

By 2029, our service will be more customer-focused, leveraging technology and tailored support to improve the customer experience. We will simplify the benefits claim process, providing clear information from start to finish including online options for greater flexibility.

Key Features	What will the new service be?
<p>1. <u>Claim process:</u> Application process</p>	<p>Customers can apply online as a quicker, easier and more tailored option, capturing customer preferences upfront. We will retain and improve our non-digital channels for those unable to apply electronically.</p> <p>Uploading medical evidence or proving identity can be completed online as part of the application process, with non-digital options available where online isn't possible.</p> <p>We'll improve how we capture a person's health information by changing how we ask questions to better understand how conditions affect them, including reflecting how their condition changes.</p>
<p>Case Routing</p>	<p>We'll use data to direct customers onto the right journey at the earliest point with the goal of getting them to the right outcome in the fastest, simplest way. This could include either directing cases to a full health assessment, or where possible, making decisions without needing a full health assessment.</p> <p>Routing includes directing cases to an agent or team who will deliver the right level of support throughout the customer's claim.</p>
<p>Case Management</p>	<p>The new PIP service will be underpinned by a Case Management model approach, that will offer the right level of support needed based on the individual's circumstances. The model recognises that different customers need varying levels and different types of support at different times and enables customers to have direct points of contact while their claim is being processed.</p> <p>Our Case Management model includes closer working and better links between Case Managers, Healthcare Professionals and Universal Credit Work Coaches to provide holistic support and to create a more joined up and aligned experience for customers</p>
<p>Capturing health information</p>	<p>We will also aim to use data to improve how we target what health information we ask customers to provide including seeking opportunities to gather some health information directly from various sources, including the NHS, with the person's consent.</p>

Key Features	What will the new service be?
Data Re-use	We will remove the need for customers to repeat information, using what we already know to pre-populate the system where appropriate. Allowing customers to review information we hold and see what we're using to make decisions at all points of the experience will improve transparency.
Decision and Support	Decisions will be clear and comprehensive, allowing customers to discuss the decision with a case manager before it is issued to ensure they understand how we made the decision.
Employment & Health	We will move to a more holistic experience across work and health, with better integration and alignment between health and employment processes to support customers into work. This will offer the opportunity for customers to discuss barriers to work with a health professional. The information we gather could be useful to help support customers back into work if shared with Universal Credit colleagues.
Mandatory Reconsiderations and Appeals	Decisions will be clear and explained. If the person disagrees, they can challenge decisions online, with improvements to the system helping to target where they don't agree so we can better understand and support them. Mandatory Reconsiderations can be submitted online.
<u>2. Service Delivery Channels:</u> Online Self-Service	Online self-service will allow customers to answer simple enquiries themselves, allowing them to track applications, receive automated updates instantly, and know what will happen next. Customers will better understand the need to inform DWP of any changes in circumstances, and it will be easier to do online with 24/7 access. Customers can choose the best channel and can move between channels where needed.
<u>3. Technology and Data utilisation</u>	We will replace the existing PIP system with a new end to end service, automating manual tasks to free up staff time to spend on high value tasks. We will have structured data that enables us to inform: a) how we administer the service – to get the best outcomes for customers b) how we manage operations – to get the best performance/efficiency from our staff and, c) how we make strategic decisions – to improve the service and departmental outcomes.
<u>4. Integration and Partnerships:</u>	We will use a joined-up approach to assess benefit entitlement and things that might be barriers to getting into work, supporting people in work and those at risk of dropping out. DWP's relationship with delivery partners will be flexible to respond to the changing needs of the customers, fostering strong partnerships with healthcare providers to ensure comprehensive support.

Key Features	What will the new service be?
<u>5. Flexibility and Accessibility</u>	The service will be flexible, accommodating changes in a person's condition or circumstances efficiently. It will also improve accessibility, making it easier for people to understand and interact with the service.
<u>6. Organisational Structure</u>	Our organisational design will support the transformed service by being focused upon the case management model and with better coordination and integration between health and employment services

Annex B – Abbreviations

Abbreviations used in the Business Case Summary	
Abbreviation	Description
AfP	Apply for PIP
AME	Annually Managed Expenditure
BCR	Benefit Cost Ratio
CO2	Carbon Dioxide
CM	Case Manager
DEL	Departmental Expenditure Limits
DWP	Department for Work and Pensions
E2E	End-to-end
FAS	Functional Assessment Service
GHG	Greenhouse Gas
HAS	Health Assessment Service
HCP	Healthcare Professional
HMT	His Majesty's Treasury
HTP	Health Transformation Area
IR	Intelligent Routing
IT	Information Technology
JEGS	Job Evaluation and Grading Scheme
LCW	Limited Capability for Work
LCWRA	Limited Capability for work- and work-related activity
NPSV	Net Present Social Value
PBR	Paper Based Review
PIP	Personal independence payment
PPP	Postage Paper and Packaging
SOBC	Strategic Outline Business Case
UC	Universal Credit
WCA	Work Capability Assessment

Annex C – Glossary: terms used in the Business Case summary

Annually Managed Expenditure (AME)

Costs and savings in this area relate to welfare spend, i.e. benefit payments to claimants. This is demand led and separate from the Departmental budget; the Departmental Expenditure Limit (DEL) budget. AME savings are not included in the estimate of societal benefits to them being a transfer of payment.

Departmental Expenditure Limit (DEL)

Costs and savings in this area relate to the Department for Work and Pensions budget which is set at the spending review and is used for running the Department's services such as Health Transformation Programme and Operations.

Functional Assessment Service (FAS)

Health and disability benefit assessment contracts for the period 2024 to 2029. These new contracts will provide the foundation for the new Health Assessment Service, replacing the current multi-provider model with contracts that bring together all functional health assessment services within a geographic area under a single provider. They will ensure continuity of service and the flexibility to introduce the new Health Assessment Service gradually, before we roll it out nationally, from 2029.

Health Assessment Service (HAS)

A new service which will replace the different services the Department and its assessment providers use to undertake health assessments across all benefits, including new IT and processes.

The new Health Assessment Service will be fully integrated with other systems, including the transformed PIP service, with the aim of creating a much-improved experience for people who apply for support.

The new service is being developed on a small scale initially, before being gradually tested and expanded via the FAS contracts. It will then be rolled out nationally from 2029.

Health Transformation Area (HTA)

The Health Transformation Area is the safe and controlled environment where we are exploring, adapting and learning from new ideas and processes. It provides the space to develop and build our services safely, before carefully and gradually growing the service. There are two Health Transformation Area (HTA) sites: Tresco House (London) and Handsworth (Birmingham).

Monte Carlo simulation (MCS)

Monte Carlo Simulation is an analytical tool often used in sensitivity and risk analysis. MCS benefits from being able to provide a probability of occurrence to a range of outcomes, rather than just the magnitude of outcomes themselves.

Net Present Social Value (NPSV)

The value of all benefits, less all costs, in each year when discounted can be summed to provide the Net Present Social Value of a proposal. Discounting is done to compare the balance of costs and benefits across the proposal's lifetime in a like-for-like manner.

Discounting

Discounting is the process that allows costs and benefits arising in the future to be compared to costs and benefits arising today. Discounting converts costs and benefits into present values by allowing for society's preference for now compared with the future, in line with the Treasury's Green Book guidance on economic appraisal (2022).

Personal Independence Payment (PIP)

PIP contributes towards the extra costs experienced by those with a long-term health condition or disability. It can be paid at one of 8 rates depending on an individual's ability to carry out a series of key everyday activities.

Work Capability Assessment (WCA)

The WCA establishes whether or not a person claiming Employment and Support Allowance (ESA) and/or Universal Credit (UC) has limited capability for work (LCW) and, if they do, whether or not they also have limited capability for work-related activity (LCWRA).

