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EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT REPORT

Accompanying the document

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on digitalising the coordination of social security systems, laying down a framework for the European Social Security Pass (ESSPASS) and amending Regulations (EC) No 883/2004, (EC) No 987/2009 and (EU) No 2018/1724

{COM(2026) 980 final} - {SEC(2026) 980 final} - {SWD(2026) 981 final} - {SWD(2026) 982 final}

A. Need for EU action

What is the problem being addressed?

The initiative addresses the existing barriers for individuals to swiftly prove their social security rights and insurance status and for social security institutions, labour inspectorates, and healthcare providers to efficiently and securely verify this information across Europe. It also responds to the challenges faced by businesses to seamlessly comply with requirements when sending employees to temporarily work abroad.

The problem arises from a reliance on procedures for requesting, issuing and verifying portable documents and the European Health Insurance Card (EHIC) which are still largely paper- based, a limited cross-border interoperability and standardisation in documents' format and verification methods, and processes that do not sufficiently accommodate the needs of individuals and businesses. This leads to inefficiencies, unnecessary procedural complexity, increased costs, time losses, errors and fraud, potentially creating problems to easily access social security benefits and healthcare services in other Member States.

What is this initiative expected to achieve?

The initiative aims to facilitate the exercise of social security rights across borders and improve the application and enforcement of EU social security coordination rules. Action at the EU level is expected to make rights more transparent and accessible, reducing fraudulent and exploitative practices. It is also intended to assist businesses, making it easier for them to carry out activities across borders, and to support national authorities by simplifying processes and enhancing cooperation. The initiative aligns with broader EU objectives aimed at simplifying administrative processes, streamlining access to services through digitalisation and improving individuals' awareness and control over data. It will help accelerate the digitalisation of public services - which is a key objective of the Europe's Digital Decade - ultimately contributing to a better competitiveness of the EU economy.

What is the added value of action at EU level?

Action at the EU level delivers significant added value by providing seamless cross-border verification of social security rights and insurance status. This will improve conditions for workers relocating within the EU and support the free movement of people for study, travel, residency, or business purposes. Given the cross-border nature of the identified issues, only EU-level intervention, rather than individual Member State efforts, can effectively solve these challenges. An action at EU level will ensure alignment with other EU digital initiatives, such as the Single Digital Gateway Regulation and the European Digital Identity framework, ensuring the necessary efficiency and synergies and contributing to creating a coherent EU digital landscape. EU-level action prevents fragmentation that could arise if Member States develop disparate systems, leading to suboptimal outcomes and potentially higher costs to remedy.

B. Policy options

What legislative and non-legislative policy options have been considered? Is there a preferred choice? Why?

The European Social Security Pass (ESSPASS) initiative aims to encompass all portable documents and the European Health Insurance Card (EHIC), implementing a phased approach beginning with the portable document A1, which attests the social security legislation applicable in cross-border situations, and the EHIC, for which technical feasibility and relevance have been demonstrated through pilot activities.

Three policy options have been assessed, building on outcomes from these pilot activities and stakeholder insights.

Policy Option 1 establishes a solution enhancing the existing format of portable documents and the EHIC and enabling their verification across borders. This involves issuing the documents in a standardised format with security features, which can be either printed or stored electronically.

Policy Option 2 introduces a solution for the issuance and instant verification of portable documents and the EHIC, relying on the EUDI framework. Individuals and businesses will be able to securely store these documents as standardised electronic attestations of attributes within their EUDI Wallets. If they cannot or prefer not to use the EUDI Wallet, non-enhanced physical documents will remain available.

Policy Option 3 establishes a solution encompassing the main elements as those of policy option 2. However, individuals who cannot or prefer not to use EUDI Wallets, will be able to request the issuance of enhanced verifiable documents, that can potentially be printed (as in policy option 1).

Policy option 3 is the preferred choice as it is the most effective in achieving the objectives, the most efficient in terms of costs and benefits, and ensures the highest level of coherence with other EU policies. It fully adheres to the core e-government principles: i) digital by default, ii) once-only principle, iii) interoperability by design, iv) user-centricity, v) inclusiveness and accessibility, vi) trustworthiness and security, vii) cross-border by default.

Given the cross-border nature of the problem, the need to prevent regulatory fragmentation, and to ensure a rapid implementation, as requested by major stakeholders, a Regulation is considered a suitable, proportionate, and effective instrument for achieving the initiative's objectives, aligning with the identified legal basis. Such Regulation will encompass digitalisation initiatives implementing social security coordination rules and rely on a committee to assist the Commission in exercising its implementation powers.

Who supports which option?

Policy option 3 is the most favoured among the various stakeholder groups, including national authorities, businesses, trade unions, and individuals. There is broad consensus on the need to rely on the EUDI framework and Wallets while offering alternatives for those who choose not to use EUDI Wallets, in the form of enhanced documents that can be verified and of which the validity can be revoked even when printed.

Member States acknowledge the necessity of EU action and agree that a binding initiative is suitable for addressing the identified issues. The European Parliament also called for a legislative proposal for a fast, large-scale deployment of ESSPASS in a 2021 Resolution.

C. Impacts of the preferred option

What are the benefits of the preferred option?

The preferred option reduces reliance on paper-based processes through standardised, simplified procedures for issuing and verifying portable documents and the EHIC across borders. This facilitates widespread document recognition within the EU, providing choices in data storage and presentation.

The implementation is assessed to bring significant benefits for individuals, national authorities, labour inspectorates, healthcare providers and businesses. Among these advantages are reduced verification times: a few seconds for EUDI Wallet documents and about one minute for non-Wallet document, compared to the current duration of 5 to 16 minutes for portable document A1 and 2 to 5 minutes for EHIC. For portable document A1, this translates in cost savings between 24 to 72 million euro for verifiers (e.g. labour inspectorates) and 21 to 64 million euro for businesses over 12 years. For the EHIC, healthcare providers' savings are estimated between 23 and 69 million euro.

Documents digitally signed with a qualified signature and instant verification will significantly enhance security, making forgery almost impossible compared to the current situation. The potential cost savings resulting from reduced fraud are estimated up to 157 million euros for the portable document A1 and 120 million euro for the EHIC over 12 years. The preferred option is also anticipated to reduce plastic usage by up to 1,482 tonnes. This should result in cost savings of up to 161 million euro over the same period.

Social benefits include increased transparency and fairness in working conditions by ensuring workers receive their portable documents A1 directly, facilitating a clearer understanding of their entitlements and reducing fraud. The option enhances coordination of social security systems, easing access to benefits and healthcare, and fosters trust, fairness, and data protection by giving users control, minimising data exposure, and ensuring GDPR-compliant handling of personal data. The preferred option supports competitiveness by simplifying procedures for companies operating across borders and advancements in digitalisation and innovation, promoting inclusivity and accessibility without widening the digital divide.

Utilising EUDI Wallets to store and share widely circulated documents like the EHIC will greatly accelerate the adoption of these Wallets, fostering a broader digital economy ecosystem, and laying the foundation for future integration of additional documents pertinent to labour mobility through sector-specific legislation.

What are the costs of the preferred option?

The preferred option includes upfront investments and annual maintenance costs, primarily borne by national public administrations, which include ministries, social security institutions, labour inspectors, and by healthcare providers. Individuals and businesses are expected to face minimal expenses, mainly related to smartphone use for the already foreseen EUDI Wallets.

Overall, total one-off EU costs (over a period of 3 years) are estimated to be between 186 and 218 million euros, with cumulative recurrent costs amounting to 278 million euro the following 12 years (23.2 million euro annually). This reflects the infrastructure and integration efforts required, balanced by projected long-term efficiencies and cost savings.

How will enterprises and SMEs be affected?

The initiative will positively impact businesses within the single market, particularly those that temporarily post workers abroad, or employ workers active in two or more Member States. By facilitating verification, setting deadlines for issuing portable documents, bringing convergence in information requirements across Member States, it will simplify compliance processes and improve efficiency. This will shorten waiting periods and reduce repeated information submissions. SMEs, constituting 99% of EU businesses, typically face greater challenges in meeting regulatory requirements due to their limited administrative capacity. They are therefore expected to benefit more than larger companies, especially in sectors like construction and services where posting and activities in two or more Member States are more common.

Will there be significant impacts on national budgets and administrations?

National budgets will incur costs due to the implementation and maintenance of the digital solution. However, public institutions and health care providers will benefit in the longer-term from cost savings, increased efficiency, trust and transparency. The initiative builds on ongoing efforts by Member States to implement other relevant initiatives, notably the Single Digital Gateway Regulation and the EUDI framework, making it cost-efficient.

D. Follow-up

When will the policy be reviewed?

In line with the Better Regulation Guidelines, the Commission will evaluate the initiative no sooner than seven years after it enters into force, in cooperation with the Member States and after consulting the stakeholders concerned.