

The Health and Healthcare Impacts of Rising Costs of Living

Integrated Care Board Meeting
7 September 2022

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Purpose of Paper	
<ul style="list-style-type: none"> To update the Board on the current and forecast Cost of Living issues To consider the potential health impacts of rises in the cost of living and how this might affect health and care demand To consider opportunities for the ICB to take action to mitigate the impacts of rising cost of living on the health of the South Yorkshire population 	
Key Issues / Points to Note	
<ul style="list-style-type: none"> 2022 has seen significant rises in the cost of living driven largely by rising energy costs and supply chain issues related to war in Ukraine, Brexit and the Covid pandemic. These rises are forecast to continue through 2023 with inflation expected to rise to more than 13% before gradually falling over the following 2 years. The Bank of England Monetary Policy Report predicts that alongside this rise in the cost of living that unemployment will rise from 3.7% currently to 6.3% by Q3 2025. Whilst inflation hits the whole population, those in the lowest income deciles are hardest hit due to the higher proportion of their income that is spent on food and energy costs. 	
Is your report for Approval / Consideration / Noting	
Report for Consideration/Discussion	
Recommendations / Action Required by the Board	
<p>It is recommended that the ICB</p> <ul style="list-style-type: none"> Consider the health and health and care demand impacts of the current and predicted rises in the cost of living. Consider the opportunities to mitigate the impacts of the rises in the cost of living on the health of South Yorkshire residents Consider the potential impacts on health and care service demand, how these can be monitored and any actions required to manage demand 	
Board Assurance Framework	

Not applicable.

Are there any Resource Implications (including Financial, Staffing etc)?

None at this stage

Have you carried out an Equality Impact Assessment and is it attached?

No

Have you involved patients, carers and the public in the preparation of the report?

No

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Background

The UK is currently seeing significant rises in the cost of living driven by rapidly rising energy costs coupled with supply chain issues and changes to the economy due to the impacts of the Covid pandemic, Brexit and war in Ukraine. This report provides the Board with an update on the current position and future forecasts for inflation and the cost of living and considers the likely health and healthcare demand impacts to support a discussion of the potential actions the Board can take to mitigate them.

The Rising Cost of Living

There are numerous factors impacting the cost of living at present, the largest of which being the rising cost of energy. The UK Energy Price Cap rose by 54% on the 1st April 2022 from £1277/year for an average household to £1971/year. This was on top of an above inflation rise of 12% on 1st October 2021 and coupled with stagnant wages has put household budgets under strain.

Government responded to the April price rise with a set of measures that have largely mitigated the price rises to date for the lowest income households (fig 1), but further pressures are expected as October's Price Cap rise comes into effect. Current forecasts are that this will be at least a further 70% rise taking the typical household bill over £3300/year with some predictions being closer to £4000/year which would be more than double the cost in October 2021. Further rises are predicted for January 2023 and April 2023.

These rising energy costs are driving inflation, with rates predicted to peak at over 18% for the average household by the end of the year. IFS data shows how inflation does not hit all households equally, with lower income households seeing higher inflation as more of their income goes towards housing and energy costs (fig 2).

Fig 1. Change in take home income with and without May 2022 government intervention measures.

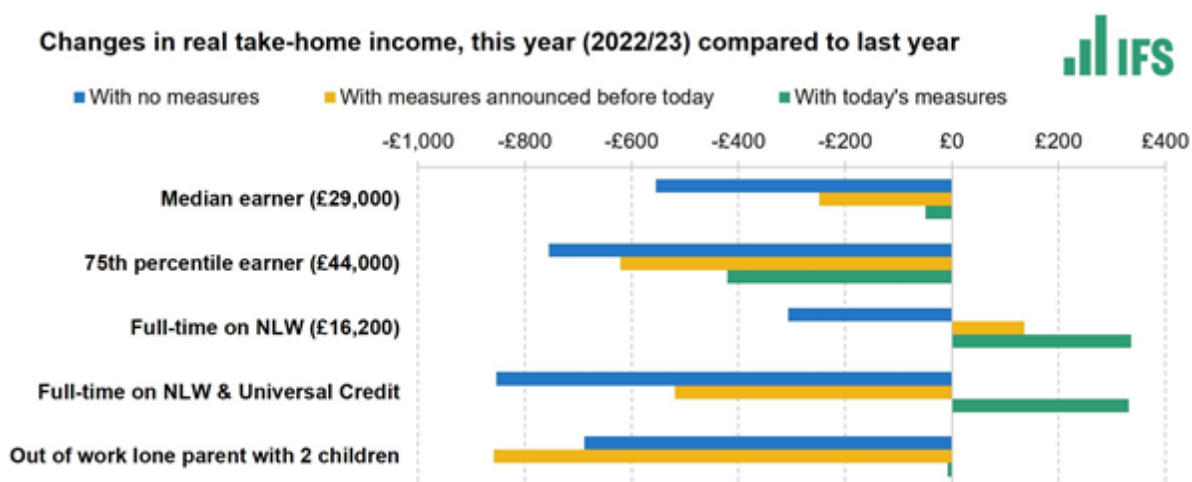
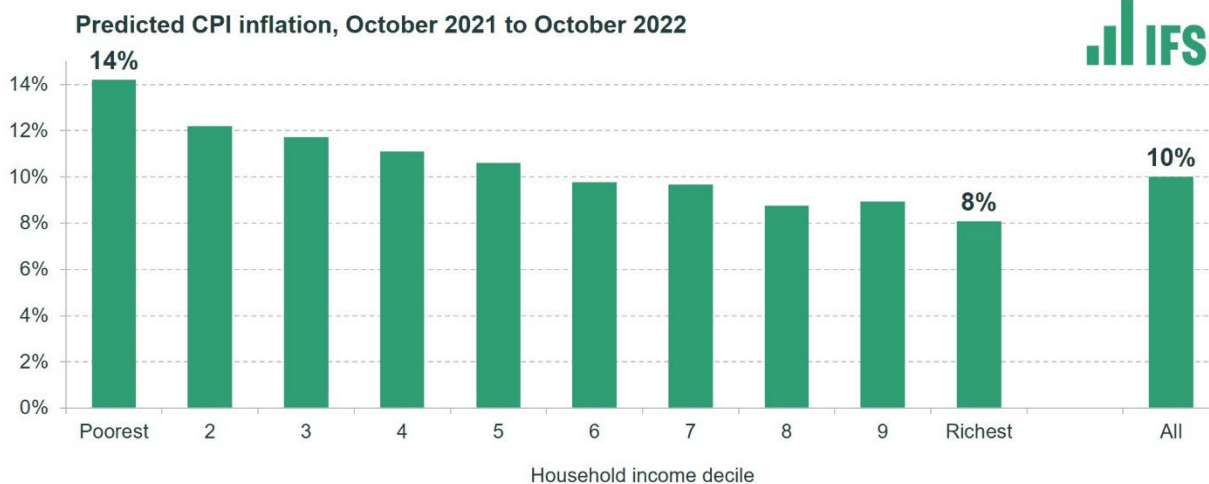


Fig 2. Predicted CPI Inflation Oct 2021 to Oct 2022 by household income



Whilst it is expected that government will announce further measures to mitigate the energy cap rise that will come into effect from 1st October 2022 it is unlikely that this will fully mitigate the overall impacts on the cost of living and household inflation. The IFS data shows that the impacts will fall unequally, which will have a significant impact in South Yorkshire where we know that over a third of the population live in the two most deprived population deciles nationally and are already suffering from relative poverty.

Health and healthcare impacts of the cost of living

The physical and mental health impacts of poverty are well known and well understood. Absolute poverty, where income is insufficient to meet material needs, means that people go without the food, warmth and shelter required for good health and also suffer through stress and loss of dignity resulting in further challenge to both mental and physical health.

Evidence shows that living in relative poverty also has deleterious impacts on health. Whilst basic needs may be being met, Marmot argues that a lack of ability to fully participate and take one's place in society without shame reduced agency and feelings of self-worth. This lack of full participation in society in turn shrinks family and social networks and raises stress responses that damage both mental and physical health.

Relative poverty also limits choices. In the last recession, whilst there was an overall decline in total calorie consumption there was also a shift to consumption of less nutritional foods with inflation being higher on fruit and vegetables than simple carbohydrates and processed foods. Similarly, inflation on alcohol has remained static while other costs have risen, making alcohol relatively cheaper in comparison.

Choices in terms of health seeking behaviours are also likely to be affected, e.g. decisions to make use of co-payment services including prescriptions, dental and optician care or to spend on health and fitness activities. The stress of living in poverty also takes away capacity to engage with treatment and care as time is given over to worry, seeking additional income and efforts to secure food, warmth and shelter as a priority. Carers are also likely to see their time available to care reduced with some needing to return to employment to increase incomes. All of these factors create direct and indirect impacts on family health leading to deterioration and ultimately later presentation with more complex needs.

Health services themselves are also going to be hit by inflation. The rising cost of energy will impact the sustainability of some statutory and voluntary sector services, as will increasing wage demands. For many lower paid health and care staff there will be a greater impetus to

seek higher paid employment, creating recruitment and retention issues and causing gaps in services.

It is impossible to model how demand for services will change as the cost of living rises impact our communities, but we know that poor nutrition, lack of warmth and financial worries are all likely to exacerbate existing conditions, cause deterioration in population health and increase the need for care. As discussed above, not all of that need will result in elective care demand as people prioritise meeting basic needs over having those care needs met. For the same reasons we may start to see rising rates of DNAs to appointments. This is then likely to lead to more urgent care demand with later presentation and greater complexity being seen.

The role of the NHS in mitigating and responding to cost of living rises

Whilst many of the issues underlying the cost of living increases are outside of the NHS remit and sphere of influence it is important for the ICB to consider what the role of the NHS can be in mitigating the impacts of the current situation.

Firstly, ensuring that staff have an awareness of the impacts that the rising cost of living will have on our communities is in itself important. Showing compassion and understanding are important aspects of care delivery and should not be under-estimated in their role to maintain patient engagement with care and services.

Ensuring this awareness and understanding is also important to underpin thinking around how care delivery is structured. Understanding the impact of travel costs, time off work and the need to balance earning and meeting basic needs on access to care is important, as is how services respond to missed appointments.

Similarly, it is important that within pathways of care that is an ability to assess financial stress and wider social need and to be able to respond with non-clinical interventions where they exist. The ability to access financial, benefits and housing advice, carers support and respite and befriending and loneliness interventions can be key to mitigating the detrimental effects of poverty and maintaining engagement with treatment and care. Frontline staff knowing what non-clinical support services are available and how to support access to them is important here, as is ensuring that these services exist locally and are sustainable themselves.

The NHS also has a role as an Anchor Institution within local communities. Many NHS staff will themselves be suffering the effects of the cost of living increases. Staff wellbeing and support programmes will be as important as services for patients. NHS organisations also influence their communities indirectly through their commissioning and procurement power and should consider the social value that can be achieved through that as well as the financial value.

Summary

Rising cost of living is going to impact all communities within South Yorkshire, and some more than others. This will exacerbate known health inequalities and see changes in demand for and use of services. The same factors will also impact on health and care staff and have the potential to create and worsen existing workforce pressures.

While the core drivers of the cost of living are outside the sphere of influence of the ICB, consideration should be given to how it will impact our population and the opportunities we have to mitigate those impacts.