The financial implications for NHS Highland of the UK Welfare Reform Act

A written submission by Margaret Somerville, Director of Public Health, NHS Highland to the Scottish Government Finance Committee in preparation for the Committee's Evidence Session on 20th June 2012.

Introduction:

This written submission outlines the impacts of the Welfare Reform Act on the health of people in the Highlands and Argyll and Bute and the healthcare services NHS Highland provides for them.

The changes which are of particular concern include the proposed changes to Disability Living Allowance (DLA) and to Housing Benefits (HB). We are also concerned about increased conditionality and assumptions about the availability of work against an economic backdrop characterised by high levels of unemployment and a paucity of realistic job opportunities.

People living in our remote and rural areas are likely to be particularly affected by some of the changes.

Several of the changes will reduce income either directly through, for example, the 20% reduction the government intends to achieve in relation to DLA and revised mechanisms for calculating HB, or indirectly, through increased conditionality and new occupancy requirements around socially rented housing. We acknowledge the Department of Work and Pensions' (DWP) calculation that Universal Credit is likely to result in either no change or a slight increase in income for the majority of claimants, but DWP has confirmed to us that the baseline for this calculation assumes that prior benefit reductions within the Act will already have taken place.

Direct effect of the measures introduced in the Welfare Reform Act are:

- Further reducing incomes for those who are already on low incomes – mean incomes are lower in Highland than the rest of Scotland and the UK. Everyday requirements cost 10% – 20% more in rural than urban areas.
- Increasing income inequalities between the richest and the poorest in society.
- Inducing and increasing housing insecurity through difficulty in paying rent and the requirement on people to match household configuration to occupancy requiring, potentially, a series of house moves as family dynamics change.

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Further effects will be determined by how people react and may include:

- Increasing use of inadequate housing, which is known to have a major impact on health ☞ to Mary Taylor

- Reduction in diet quality, particularly in relation to increases in consumption of cheap, high-fat, high-sugar foods accompanied by a reduction in consumption of fresh fruit and vegetables.

- Increased levels of fuel poverty in an area where winter temperatures are already significantly lower than the national average.

- Changes to health risk behaviours such as smoking which the evidence suggests may increase or remain constant, alcohol use which may decrease due to lower spending capacity and unprotected sex which may increase due to the effects of inequalities

Likely health impacts of the changes:

An extensive review of the literature carried out by NHS Highland demonstrates that Illnesses in adults and children requiring inpatient care are likely to increase as a

consequence of the health impacts of the Welfare Reform Act. These include mental, cardiovascular and respiratory illnesses resulting from low income, income inequalities, housing difficulties and fuel poverty and specific additional obesity-related illnesses such as diabetes, arthritis and cancer arising from poorer nutrition.

Likely service impacts:

As GPs constitute the direct interface between the public and the NHS, we anticipate significant increases in numbers visiting GPs or contacting NHS 24., in line with predicted increases in ill health

GPs are paid to provide a service, regardless of the frequency of visits but a step-change in consultations could result in the need for more GPs, more admin support and to greater stress for GPs and their staff. Additional consultations will bring consequent costs associated with increased prescribing and diagnostic testing. This will increase pressures on and financial impact in other parts of the service.

We also anticipate increases in population mobility as a result of the changes to Housing Benefit. In Highland people who attempt to meet occupancy requirements may have to move a considerable distance due to the remote nature of much of the area. This will reduce continuity of care resulting in reductions in access to necessary healthcare.

Indirect financial impacts on NHS Highland services:

Personal Independence Payment at standard or enhanced level will provide a gateway to benefits for carers. As fewer people are likely to receive disability benefits, it is also likely that fewer will receive carers' benefits. As people become less able to self-manage, the NHS is likely to require to provide increased levels of rehabilitative and therapeutic services.

The proposed occupancy requirements within Housing Benefit may also significantly reduce the number of familial carers due to the distances people are likely to have to move to meet occupancy requirements. Relocation may also be an issue for the NHS as employers, where staff are in receipt of Housing Benefit. The availability of unpaid carers is thought to save NHS Highland considerable sums in, for example, the avoidance of emergency hospital admissions.

The extent to which the financial impacts have been factored into future budget planning.

Though NHS Highland considers it likely that there will be significant financial impacts arising from the measures proposed within the Welfare Reform Act (and associated prior changes), these cannot currently be quantified because of a range of uncertainties.

- Much of the detail of the way in which welfare reform will operate is not yet available and will be contained in secondary legislation
- It is not clear how people will react to the changes. For example, where a family is under-occupying their socially rented house, will they move, take in a lodger or cut back on other elements of spend.
- While we know there are clearly defined health detriments involved in the areas outlined above, there is little or no quantification of this within the literature. We do not know whether reducing income by £20 per week for 5000 people will cause one more case of cardiovascular disease or ten. There is a current lack of knowledge as to how these detriments can be mitigated.

We are concerned that the Welfare Reform Act represents a significant but unquantifiable area of financial risk for NHS Highland.