

PRODUCTIVITY COMMISSION: AGEING IMPACTS STUDY SUBMISSION BY ALZHEIMER'S AUSTRALIA

Background

Over the last eighteen months Alzheimer's Australia has commissioned work on the economic and social impact of dementia. We believe this work will be helpful to the Productivity Commission in undertaking their new research study – Implication of the Ageing of Australia's Population. These publications include:

- Dementia Research: a Vision for Australia.¹
- Delaying the Onset of Alzheimer's Disease: Projections and Issues.²
- The Dementia Epidemic: Economic Impact and Positive Solutions for Australia.³
- A submission to the National Research Priorities Task Force: Research Priorities: Dementia.⁴

A copy of each publication is attached.

The Evidence

The analysis done by Alzheimer's Australia and Access Economics supports the view that the impact of dementia on the public health and care system will be dramatic. This is because of the growth in numbers of people with dementia, the cost of their care and the disability burden.

In terms of the basic demography the established facts are that:

- There are currently over 170,000 people with a diagnosis of dementia and it is the common view that this is an underestimate. Dementia impacts on nearly 1 million Australian family carers. It is projected by 2040 that 500,000 people will have a diagnosis of dementia.
- By 2016 dementia will be the number one cause of disability burden in Australia ahead of every other chronic disease.
- About half of those with a diagnosis of dementia currently live in the community, the other half being in residential aged care.
- There is some evidence that the risk of dementia can be reduced but more evidence is needed and there is no cure in the foreseeable future.
- The pathology of dementia starts early in life but it is not known why some people develop dementia while others do not. While some 30% of those aged 85 will have a diagnosis of dementia it is also the case that 70% do not.

¹ <http://www.alzheimers.org.au/content.cfm?infopageid=1731>

² <http://www.alzheimers.org.au/content.cfm?infopageid=1731>

³ <http://www.alzheimers.org.au/upload/dementia%20research%20priorities.doc>

⁴ <http://www.alzheimers.org.au/upload/dementia%20research%20priorities.doc>

In terms of the economic impacts the work of Access Economics suggests that:

- The direct health costs of dementia in 2002 were \$3.2 billion, the major part of which is residential care costs (\$2.9 billion). By the end of this decade Access Economics estimates that these costs will nearly double.
- The real indirect costs of dementia are dominated by carer costs (\$1.7 billion) valued at replacement cost, together with the lost earnings and mortality burden of people with dementia (\$364 million) and the cost of aids and home modifications (\$120 million).
- Transfer costs in terms of tax forgone each year amounts to \$592 million for people with dementia, their families and carers. Carer payments represent another \$324 million, while additional welfare payments total \$52 million.
- In summary the total cost of dementia care in Australia in 2002 was \$6.6 billion and by mid century dementia costs may exceed 3% of GDP from nearly 1% today.

The Access Economics analysis does not consider the additional cost to business of dementia. A 2002 US study estimated that Alzheimer's disease cost businesses more than \$36 billion in carer absenteeism, productivity losses and other employment related costs.⁵

Questions to be addressed

We suggest that there are four key questions that the Productivity Commission might examine from an economic standpoint in carrying this study:

1. The anticipated cost of dementia care and its impact on the public health system to the middle of this century.

Comment: it is inevitable that direct and indirect costs will escalate because we can be certain that the numbers of people with a diagnosis of dementia will increase and because the duration of care is likely to increase also with the expectation of longer life. The work of Access Economics suggests that the future costs of dementia care will be a major issue in public health policy.

2. An analysis of the extent to which good quality care may reduce the public and private economic and social cost of dementia.

Comment: There is a body of evidence that well designed care can produce significant benefits.⁶ The interim evaluation of the Alzheimer's Australia Living With Memory Loss program supports the hypothesis that early intervention and assistance to families and carers in problem solving can reduce depression and stress on the part of both the person with dementia and family

⁵ Full report can be accessed from <http://www.alz.org/Media/newsreleases/2002/062702cost.asp>

⁶ *The Dementia Epidemic: Economic Impact and Positive Solutions for Australia* pp73-74, May 2003

carer.⁷ The available evidence suggests that good treatment and care may have some impact in delaying entry to residential care with consequent cost savings.⁸ In developing public policy it is important that decisions are better informed about the economic benefits of community care.

3. The investment that might be justified in dementia research to reduce the extent of the problem through reducing the number and impact of new cases of dementia through prevention and early intervention.

Comment: In respect of research on the Government's own figures it seems that some \$6 million is made available in grants for dementia research. A figure of \$50 million a year to invest in dementia research as proposed by Access Economics would not seem unreasonable given the potential for cost savings to the health system.⁹ The modeling done by Access Economics in respect of interventions that might delay the onset of Alzheimer's disease suggest very large savings indeed. In summary, if a delay of five years in the onset of Alzheimer's disease could be achieved there would be 50% less new cases and very significant savings in health costs.¹⁰ There is now the evidence to suggest that science will find the answers if the investment in research is made.

4. Whether the current balance of care provision is unduly skewed towards residential care. At the present time some 77% of the aged care budget of the Department of Health and Ageing is spent on residential care.

Comment: The underlying premise of public policy in aged care is that consumers prefer to stay at home and that is the stated emphasis of Government policy. In practice, aged care is dominated by residential care. The key question in policy terms is the balance that should be struck between resource utilisation between community services and residential care. Other important issues are the extent to which residential care can be further focussed on those with complex medical needs or severe behavioural and psychological symptoms of dementia and the impact this will have on the aged care workforce.

In terms of both the quality of life of the individual and health economics the probability is that a greater investment in community care could be justified. While there has been some welcome acceleration in community care expenditure and the growth of community care packages since 1996 the

⁷ Interim Report of the *Evaluation of the Early Stage Dementia and Support and Respite Project*, Dr Michael Bird, Tanya Caldwell and Alisa Korten Feb 2004. Final report due end 2004.

⁸ Lopez et al, *Cholinesterase inhibitor treatment alters natural history of Alzheimer's Disease*, Journal of Neurology, Neurosurgery and Psychiatry, 72:310-314

⁹ *The Dementia Epidemic: Economic Impact and Positive Solutions for Australia* p 82, May 2003

¹⁰ *Delaying the Onset of Alzheimer's Disease: Projections and Issues*, Access Economics, August 2004.

evolution since the first wave of aged care reforms in 1985 in this area has been disappointingly slow.

Alzheimer's Australia supports the position of the National Aged Care Alliance that the review of the aged care planning arrangements cannot be left until 2007 – 08 as proposed in the Government's decisions on the Pricing Review but should be undertaken now because:

- There is an imperative to reassess unmet need for high care and the balance of residential to community care;
- Consider a supply formula to better meet demand on the basis of age and other social and economic variables;
- Means of integrating the planning of community care and residential care needs urgent consideration;
- There should be greater transparency in how planning arrangements are responding to the needs of special groups.

Recommendation

Alzheimer's Australia recommends that the Productivity Commission:

1. Take the four issues identified into consideration in the study
2. Draw on the information and reports referred to in this submission in carrying forward their work to consider the four issues.

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