

4 December 2015

The Hon Sussan Ley MP
Minister for Health, Aged Care, and Sport

Via: phiconsultations2015-16@health.gov.au

Dear Minister

Alzheimer's Australia submission to Private Health Insurance Consultations 2015-16

Thank you for the opportunity to provide a submission to this important consultation process.

Alzheimer's Australia is the peak body providing support and advocacy for people with dementia and their families and carers in Australia. Dementia is the second leading cause of death in Australia¹, and there is no cure.

The care and support of people with dementia is one of the largest healthcare challenges facing Australia. It is estimated that there are now more than 342,800 Australians living with dementia, and over a million people involved in their care; and that by 2050 there will be nearly 900,000 people with dementia.² Each week there are 1,800 new cases of dementia in Australia, and this is expected to increase to 7,400 new cases each week by 2050.³

In addition to its profound social impact, dementia has an enormous impact on the health and aged care system, with the cost of dementia to these sectors calculated to be at least \$4.9 billion per annum⁴. Dementia will become the third greatest source of health and residential aged care spending within two decades, with the costs to these sectors alone reaching around 1% of GDP.⁵

Alzheimer's Australia welcomes this investigation by the Australian Government of how private health insurance may be improved to deliver better value for money for consumers, by building a stronger and more sustainable private health system.

The review process should take into account the fundamental drivers of the decline in affordability and uptake of private health insurance. Major factors clearly include the ageing of the Australian

¹ Australian Bureau of Statistics (2015) *Causes of Death, Australia, 2013: Cat no. 3303.0*

² Australian Institute of Health and Welfare (2015) <http://www.aihw.gov.au/dementia/>. Accessed 4 Nov 2015

³ Access Economics (2009) *Keeping Dementia Front of Mind: Incidence and Prevalence 2009-2050*. Report for Alzheimer's Australia.

⁴ Australian Institute of Health and Welfare (2012) *Dementia in Australia*.

⁵ Australian Institute of Health and Welfare (2012). *Dementia in Australia*. Cat. no. AGE 70. Canberra: AIHW.

Alzheimer's Australia

AMA House, Level 1, 42 Macquarie Street, Barton ACT 2600

Postal Address: PO Box 4194, Kingston ACT 2604

T: 02 6278 8900

Alzheimer's Australia ABN 79625582771

population, increasing rates of chronic disease, and the increased range and costs of available medical and surgical treatments. These drivers are here to stay. Any attempt to “fix” the private health insurance system by circumventing rather than adapting to these factors is likely to result in a less equitable system where vulnerable people such as those with dementia have poorer access to quality healthcare. The review needs to examine the fundamental rationale for private health insurance and look for ways to make the system more sustainable – such as by addressing inefficiencies and waste in the healthcare system to achieve more value for money.

Alzheimer’s Australia offers the following comments in response to the consultation process.

It is critical to focus on maintaining equity in Australia’s healthcare system

There is evidence that current policy settings, including incentives encouraging people to take up and maintain private health insurance, are contributing to a two-tier health system where the nearly 50% of Australians with private hospital cover have better access to more timely treatment, even for serious conditions such as cancer. All Australians should have timely access to quality healthcare based on need rather than on capacity to pay. All policy decisions in relation to private health insurance should be based on this fundamental principle.

People with dementia and other complex chronic conditions must be supported to get the care they need

Many of us will be diagnosed with dementia over the years ahead, or will have loved ones faced with the diagnosis. As our population ages, and as more of us survive the diseases of mid-life, more of us – both in terms of raw numbers, and as a proportion of the population – will experience dementia. The Framingham Study has found that for those of us who reach the age of 65 without having developed dementia, the risk we have of developing dementia in our remaining lifespan is 20% for women and 17% for men (the higher lifetime risk for women is mainly due to women’s longer life expectancy).⁶ We all need to know that if we or our loved ones are diagnosed with dementia, we will have good access to the care and services we need.

As the incidence of dementia is correlated with advancing age, and dementia is often co-morbid with other conditions, people with dementia, both those living at home and those living in residential care facilities, are frequent users of hospitals and other healthcare services.

Older people are high users of general practice services and one in every four people with dementia requires hospital services each year. This is twice the rate for people of the same age who do not have dementia.⁷

In any changes to the private health insurance system, the needs of people with dementia must be taken into account, and supports and protections must be in place to ensure people with dementia have access to services that meet their needs.

⁶ Sehadri S, Belser A, Kelly-Hayes M, Kase CS, Au R, Kannel WB et al, The lifetime risk of stroke: Estimates from the Framingham Study. *Stroke*, 2006; 37 (2):345-50; cited in Alzheimer’s Association (USA) *2013 Alzheimer’s Disease Facts and Figures* p 19. www.alz.org/downloads/facts_figures_2013.pdf

⁷ Alzheimer’s Australia (June 2014), Paper 40: *Dementia care in the acute hospital setting: Issues and strategies*, pp 4-6.

The costs of private health insurance are too high for many older people

While older people and those with dementia are high users of health services and need good access, for many of these people, the costs of private health insurance are too high for this to be a feasible option. For older people on pensions or modest private incomes whose budgets are already constrained, premiums can be prohibitively expensive.

In addition, there are often very large out-of-pocket gap payments for those utilising private health insurance. These high costs need to be addressed if private health insurance is to remain sustainable as an option for a large segment of the community.

Many people have made a life-long contribution to a private health fund, sometimes with minimal usage after child birth years. There is a level of unfairness that costs could be increased at a time when they most need the safety net of a private health fund.

Changes to community rating rules would punish the most vulnerable

The review poses the question of whether the community rating system should be relaxed to allow for differential premiums based on factors such as smoking status, age, gender, health status, and other risk factors.

Such a move would be punitive to the most vulnerable, including older people, and people with dementia and other chronic diseases. Clearly, premiums for people in these categories could be expected to rise significantly given their high usage of healthcare services, meaning many would be excluded from the private health system.

Shifting more costs back to older people via an expectation that people should “save for their later years” is unreasonable given the contribution older people have made to our nation throughout their lifetimes including through the taxation system, and the already high costs that many face in accessing services such as residential aged care.

There are risks in extending coverage to general practice and specialist visits

General practice is the first point of contact for people with dementia, and the primary healthcare system is responsible for the bulk of their ongoing medical management and care throughout the 5-15 years of the dementia journey. 94% of Australians indicate that they would see their GP if they were worried about their memory⁸, and appropriate assessment, referral and management of these individuals from the first point of contact is essential to achieve optimal health outcomes. Health economics analyses also suggest savings to health and aged care budgets from early diagnosis of dementia, and quality medical care.⁹ With 70% of people with dementia now choosing to remain living at home¹⁰, it is critical that people with dementia have good access to general practice services, as well as access to appropriate allied health and specialist services (eg

⁸ Market research conducted for Alzheimer's Australia by Newspoll. September, 2004.

⁹ World Alzheimer's Report. *The Benefits of Early Diagnosis and Intervention*. Alzheimer's Disease International, September, 2011.

¹⁰ Australian Institute of Health and Welfare (2012) *Dementia in Australia*.

geriatric, psychogeriatric, neurology, psychiatry and clinical neuropsychology services, in addition to specialist services required for co-morbid conditions).

Given that private health insurance coverage of hospital services has contributed to differential access to care based on insurance status, extending coverage to out-of-hospital care such as GP and specialist services has potential to further entrench this inequity of access. Insured patients would be highly likely to receive preferred status, with faster access particularly where demand exceeds supply; and insured patients would also potentially be offered higher service levels.

It is well recognised that good access to primary healthcare is critical to the health status of the population, and helps keep people well and out of hospital. Any measures that erode access to primary healthcare, particularly for the most vulnerable, will have retrograde effects on public health and wellbeing and will result in higher levels of avoidable hospitalisations, driving up overall costs to the healthcare system.

Extending private health insurance coverage to general practice and hospital services also has potential to result in heavy rises in premiums and to make insurance offerings even more complex, undermining the intent of the Government's reform process.

There are opportunities for innovation and improvement

Private health insurers have a strong interest in programs that reduce preventable hospital admissions, and are increasingly investing in new models for management of chronic conditions. As private health insurers have financial incentives to keep members out of hospital, they are well positioned to develop innovative programs to support their members with chronic and complex conditions in the community, including dementia. Several health insurers have well developed approaches and models for addressing the needs of their insured members with dementia.¹¹

There may be opportunities for Government to partner with private health insurers in the development of innovative models for service delivery for people with chronic disease (eg bundled payments, multi-disciplinary team care models), or to purchase such programs for non-insured populations, with appropriate quality and safety assurance in place. It will be important to ensure that all people with dementia, with or without private health insurance, have access to best practice models of dementia care.

People with dementia deserve quality palliative care which provides a person-centred, holistic, and supported approach. Many people with dementia struggle to get access to appropriate palliative care that responds to their needs and respects their wishes.¹² There may potentially be value in services such as community palliative care being covered by private health insurance, provided that this also improves rather than impedes access for uninsured people with dementia.

Preventive measures such as healthy diet and physical activity can reduce risk and help to slow the progression of dementia. Alzheimer's Australia supports access by people with dementia and their carers to allied health professionals such as dietitians and exercise physiologists, and again the inclusion of such services in private health insurance policies is supported providing that this

¹¹ For example, Bupa's approach is outlined at: <http://bupaagedcare.com.au/our-approach/Dementia-Hub/Dementia-Best-Practice>

¹² Palliative Care Australia and Alzheimer's Australia, *Palliative Care and Dementia – Position Statement*.

does not impede access for the uninsured. Private health insurance could also support access to innovative and evidence-based preventative health programs such as the Alzheimer's Australia *Your Brain Matters* program.

People with cognitive impairment need support to make decisions about private health insurance

As noted in the Department of Health's Consumer Fact Sheet for this consultation process, there are currently 34 private health insurers registered in Australia, offering more than 45,000 policies. This is a difficult landscape for all consumers to navigate, but even more so for people with dementia and other forms of cognitive impairment. Support and protections are needed for people with cognitive impairment to ensure that they can make informed and appropriate decisions about private health insurance. Private health insurers have a responsibility to ensure all customers, including those with dementia and their carers, provide informed financial consent when they sign up for a policy.

Thank you once again for the opportunity to contribute to this important consultation process.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Carol Bennett', is positioned below the 'Yours sincerely' text.

Carol Bennett
Chief Executive Officer
Alzheimer's Australia