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Personal Social Services  
Research Unit

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# The new drugs for Alzheimer's Disease - are they cost-effective?

**Martin Knapp**

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The **PERSONAL SOCIAL SERVICES RESEARCH UNIT** undertakes social and health care research, supported mainly by the United Kingdom Department of Health, and focusing particularly on policy research and analysis of equity and efficiency in community care, long-term care and related areas—including services for elderly people, people with mental health problems and children in care. The PSSRU was established at the University of Kent at Canterbury in 1974, and from 1996 it has operated from three sites:

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## **THE NEW DRUGS FOR ALZHEIMER'S DISEASE: ARE THEY COST-EFFECTIVE?**

**Martin Knapp**

### **Trends and treatments**

The ageing of the world population has been a major achievement for medical science and the economic and social policies of the 20th century. But this success has brought its own challenges. The combined effect of a number of trends - in demography, geographical mobility and family and work patterns - has increased the need for long-term care. Different countries have responded in different ways. (In Britain the establishment of a Royal Commission - shortly to report - was an important step.)

The development of drugs which, their makers claim, can effectively tackle the symptoms of Alzheimer's disease has raised a new set of issues. The cholinesterase inhibitors, as these drugs are generically known, may be effective for people with mild or moderate Alzheimer's disease, slowing down cognitive decline, raising competence in the activities of daily living, and improving quality of life. If these clinical claims are valid, the burden on family and other carers could be reduced, the costs of community care services lowered, and admission to long-term care delayed.

It is no surprise that so much attention is being focused on those new drugs now licensed, and further drugs will be launched soon. But new drugs have economic implications which are by no means straightforward.

### **Costs**

Economists usually distinguish between the direct and indirect costs of an illness or disability. In the case of Alzheimer's disease the direct costs would include hospitalisation, residential care, home care, drugs, laboratory testing and education/training, as well as out-of-pocket expenses incurred by caregivers. The indirect costs are more intangible. They include an estimated cost of the care time and psychological stresses borne by caregivers, and premature mortality.

One of the difficulties in relation to the care of older people is that the direct costs are more easily measured. Consequently, the pivotal role of carers can get neglected, even though their input, if costed, easily outweighs the support offered by health and social care services.

Direct costs are borne by a mix of care organisations and professions, including local authority social services and housing departments, different parts of the NHS, voluntary organisations and others. Each of these bodies has to use its allocated resources efficiently. Unfortunately, the boundaries between them sometimes encourage narrow perspectives. Because, for example, NHS trusts and local authority service providers must demonstrate their own cost-effectiveness in meeting needs, it is getting harder each year to see how they might co-operate. The Government is of course very aware of this issue, but there are still

too many in-built constraints and disincentives in the care system preventing the achievement of the best *overall* solutions for people in need.

How does this relate to the Alzheimer's field? The new drugs require expenditure by one part of one organisation (pharmacy departments in NHS trusts) but may have their pay-offs elsewhere (local authority social services departments, people with Alzheimer's and their carers). The likely aggregate cost and benefit consequences of new treatments thus tell only part of the story, for there are many stakeholders in any health or social care system, each with their own constraints and objectives.

These are the problems of inter-agency boundaries and so-called perverse incentives. They are not unique to the care of older people, but they still need to be overcome if they are not to represent substantial hurdles in the way of better care.

### **Costs and values**

There remain uncertainties as to whether the new drugs are as effective as their manufacturers claim and as tens of thousands of people with Alzheimer's disease and their carers would hope. If improvement to health and quality of life *are* possible, new money will have to be found to allow NHS trusts to pay for them. But there is a good chance that these additional costs will be counter-balanced by savings elsewhere. And even if they are not, we sometimes have to remind ourselves and others that cost is not the only consideration in a humane society. Single-minded attention to the cost of a new treatment leaves us in danger of, like Oscar Wilde's cynic, knowing the price of everything but the value of nothing.