

COALITION FOR WHOLE HEALTH

ACCESS TO QUALITY ADDICTION/MENTAL HEALTH SERVICES IS COST-EFFECTIVE

Untreated Mental Health and Substance Use Disorders Are Costly to the Health System and Society

Mental health and substance use disorders cost American employers an estimated \$17 billion annually in absenteeism and lost productivity.ⁱ The estimated annual costs of illicit drug use are over \$11 billion in health costs, \$61 billion in crime-related costs, and \$120 billion in productivity – for a total of \$193 billion.ⁱⁱ This is comparable to the annual direct and indirect costs of diabetes, an estimated \$174 billion per year.ⁱⁱⁱ

Mental health disorders are often associated with other chronic medical conditions, and can significantly increase the cost and difficulty of treating those other conditions. For example, studies have found depression in one-quarter of patients with diabetes, a rate twice as high as in the general population.^{iv} For people with diabetes, depression is associated with poorer adherence to medication and dietary guidelines, and overall medical costs for diabetes patients with co-occurring depression are significantly higher than for those without depression.^v

Many of the costs of mental health and substance use disorders fall on the Medicare and Medicaid systems. A 2009 study found that 52% of individuals with both Medicare and Medicaid coverage had a psychiatric condition.^{vi} In March 2011, the first report from the Medicaid and CHIP Payment and Access Commission (MACPAC) found that Medicaid accounts for one quarter of all mental health and substance use disorder treatment spending. In seminal works on hospital readmission rates in both the Medicare and Medicaid population, Jencks et al found co-occurring schizophrenia and substance use problems is one of the highest predictors of readmission in both populations.^{vii}

Mental Health and Substance Use Disorders Can be Prevented and Treated Cost-Effectively

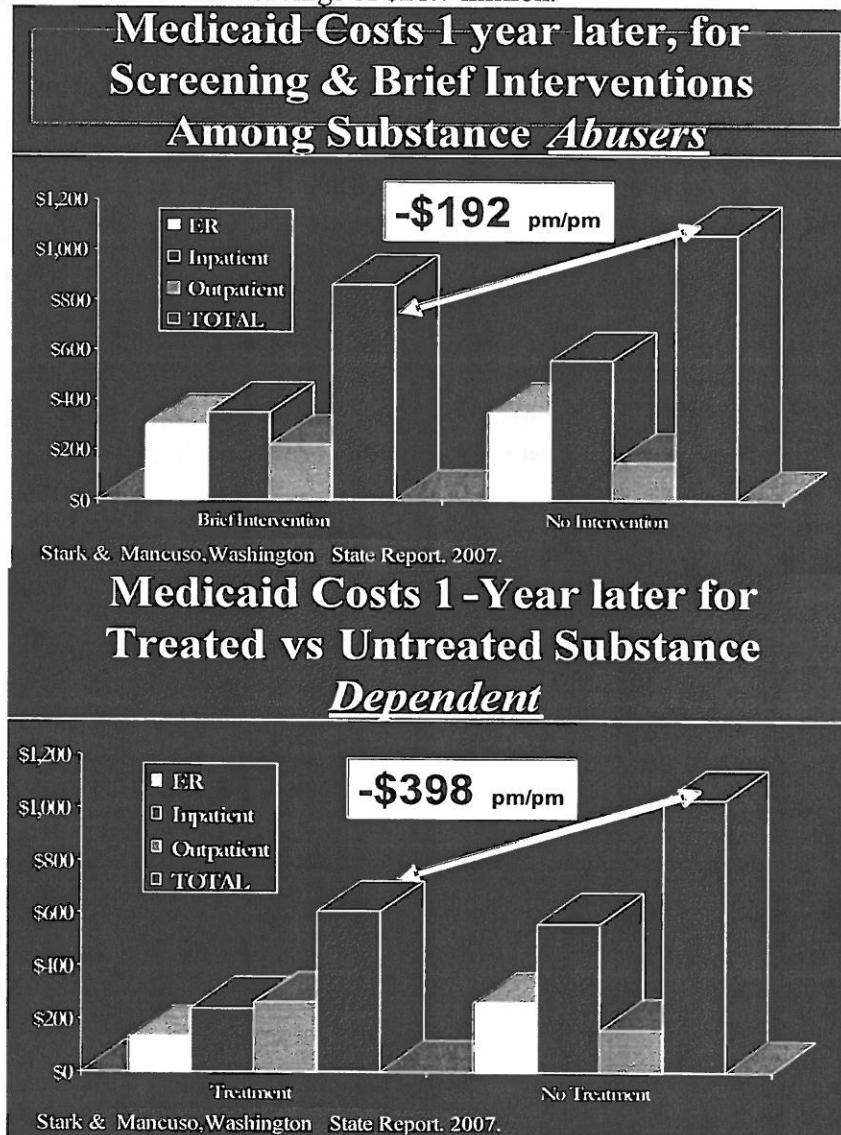
Research indicates that in addition to effectively treating addiction, substance use disorder services can lower overall costs to the healthcare system and to society, including costs due to crime, and the criminal justice system.^{viii} When implementing parity for mental health and substance use benefits in the federal employee health benefit (FEHB) system, the U.S. Office of Personnel Management stated:

Research has convinced us that the FEHB Program can expand mental health and substance abuse benefits cost effectively. We believe that this is important because adequate mental health and substance abuse benefits coverage has been shown to improve patient health, provide patients with greater financial protection against unseen costs, and to reduce work place absences and employee disabilities.^{ix}

Findings of Cost-Effectiveness and Cost-savings Exist across a Range of Mental Health and Substance Abuse Prevention and Treatment Interventions

For example:

- Realizing savings through school-based prevention programs:** According to SAMHSA's Center for Substance Abuse Prevention, effective school-based substance abuse prevention programs could save an estimated \$18 for every \$1 invested. Savings would be seen in educational costs, medical care, productivity, and other areas.^x
- Reducing overall healthcare costs through Medicaid treatment expansions:** In Washington State, targeted expansions of substance abuse treatment for the Medicaid population resulted in increased access as well as significant savings in other healthcare costs. For fiscal year 2008, treatment expansion expenditures of approximately \$17 million resulted in an estimated \$16.8 million in medical savings and \$4.9 million in nursing home savings – a total healthcare savings of \$21.7 million.^{xi}



Reducing healthcare costs for family members:

- Family members of an individual with untreated addiction use 5 times more health care services than other individuals.^{xii} Health care and other cost savings can be achieved by treating not only the individual, but also his/her family members. A study found that successful alcohol or other drug treatment for individuals was associated with reduced subsequent medical costs for family members.^{xiii}
- ***Reducing healthcare costs through recovery support services:*** A longitudinal study assessed the impact of recovery coach services on parents with children in Illinois's foster care system. It found that parents assigned to both regular substance abuse treatment and recovery coach services were more likely to enter, participate in, and complete treatment than parents assigned only to regular substance abuse treatment. The Department of Children and Family Services saved \$5.6 million, in part due to fewer and shorter foster care placements, and faster family reunification.^{xiv}
- ***Reducing healthcare costs through care coordination:*** Innovative coordination between a primary care provider, care coordination staff, and psychiatric consultants can significantly improve mental health while reducing costs. In one study, middle-aged and older adults who received such "collaborative care" for depression had significantly reduced healthcare costs compared to those in usual care, with a \$522 initial investment yielding cost savings of \$3,363 per patient.^{xv} Studies of collaborative care for patients with comorbid depression and diabetes, and of those with severe anxiety, found similar savings.^{xvi}
- ***Reducing costs through intensive case management.*** A study of a Connecticut initiative targeted at high utilizers of behavioral health care services found that intensive case management, combined with enhanced access to care, medication-assisted therapy, increased housing and employment, and basic needs and recovery supports, resulted in 24% decrease in average cost per person compared to usual services.^{xvii}
- ***Reducing medical costs with effective outpatient treatment:*** A study of overall medical costs for men receiving outpatient chemical dependency treatment found that compared to 18 months before starting treatment, 18 months later, total medical costs declined by 26%, inpatient healthcare costs declined by 35%, and emergency room costs declined by 39%.^{xviii}

It is important to note that efforts to trim healthcare costs by limiting access to mental health and substance abuse benefits can result in negative fiscal outcomes. One study looked at what happened when a large corporation instituted cost-containment mechanisms that sharply decreased utilization of outpatient mental health services. While there were some savings due to lower use of outpatient mental health services, these savings were entirely offset by increased use of other health services by the same patients, and by increased use of sick days.^{xix}

Policy makers can greatly improve public health and save billions of dollars by ensuring that eligible enrollees have access to the full continuum of mental health and substance use disorder services. The evidence is clear that mental health and substance use disorders can be effectively prevented and treated, and millions of Americans are in recovery from these diseases.

ⁱ Hertz RP et al., "The impact of mental disorders on work," *Pfizer Outcomes Research* Publication No P0002981 (2002).

ⁱⁱ U.S. Department of Justice, "The Economic Impact of Illicit Drug Use on American Society" Product No. 2011-Q0317-002 (2011) (online at www.justice.gov/ndic/pubs44/44731/44731p.pdf).

ⁱⁱⁱ National Institutes of Health, National Institute of Diabetes and Digestive and Kidney Diseases, "National Diabetes Statistics, 2007 (online at <http://diabetes.niddk.nih.gov/dm/pubs/statistics/>).

^{iv} Lustman and Clouse, "Depression in diabetic patients: the relationship between mood and glyceimic control" *Journal of Diabetes and its Complications* (2005)

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^v *Id.*

^{vi} Kronick RG, Bella M, Gilmer TP. The faces of Medicaid III: Refining the portrait of people with multiple chronic conditions. Center for Health Care Strategies, Inc., October 2009.

^{vii} Jenks, S.F., et al, "Rehospitalizations among Patients in the Medicare Fee-for-Service Program," *The New England Journal of Medicine*, 360 (2009): 1418-28.

^{viii} National Institutes of Health, National Institute on Drug Abuse, "Principles of Drug Addiction Treatment: A Research-Based Guide (Second Edition)" (2009) (<http://www.nida.nih.gov/pdf/podat/podat.pdf>).

^{ix} U.S. Office of Personnel Management, "Mental Health and Substance Abuse Parity Frequently Asked Questions" (2002) (online at www.opm.gov/insure/archive/health/consumers/parity/faq.asp).

^x Substance Abuse and Mental Health Services Administration, Center for Substance Abuse Prevention, "Substance Abuse Prevention Dollars and Cents: A Cost-Benefit Analysis" (2009).

^{xi} John Taylor et al, Washington State Department of Social & Health Services, "Using Cost Offsets to Fund Chemical Dependency Treatment Expansion: The Washington State Experience" (June 2009) (online at <http://www.nasadad.org/resources/Brief%20DASA%20June%202009-v2.ppt>).

^{xii} Ray G.T., Mertens J., and Weisner C. (2007) The excess medical costs and health problems of family members of persons diagnosed with alcohol or drug problems. *Medical Care* 45(2): 116 – 122.

^{xiii} Weisner, C., Parthasarathy, S., Moore, C. and Mertens, J. R. (2010), Individuals receiving addiction treatment: are medical costs of their family members reduced?. *Addiction*, 105: 1226–1234. doi: 10.1111/j.1360-0443.2010.02947.x.

^{xiv} Joseph P. Ryan, "Illinois Alcohol and Other Drug Abuse (AODA) Waiver Demonstration Final Evaluation Report" (Jan. 2006) (online at

www.cfr.illinois.edu/publications/rp_20060101_IllinoisAODAWaiverDemonstrationFinalEvaluationReport.pdf).

^{xv} Unutzer et al., "Long-term Cost Effects of Collaborative Care for Late-life Depression," *The American Journal of Managed Care* Vol. 14, No. 2 (Feb. 2008) (online at http://www.ajmc.com/media/pdf/AJMC_08feb_Unutzer_95to100.pdf).

^{xvi} *Id.*

^{xvii} Thomas A. Kirk, "Connecticut's Journey to a Statewide Recovery-Oriented Health-care System: Strategies, Successes, and Challenges," in J.F. Kelly and W.L. White (eds.), *Addiction Recovery Management: Theory, Research and Practice, Current Clinical Psychiatry* (2011)

^{xviii} Parthasarathy et al, "Association of outpatient alcohol and drug treatment with health care utilization and cost: revisiting the offset hypothesis," *Journal of Studies on Alcohol* (Jan. 2001): 89-97.

^{xix} Rosenheck et al, "Effect of Declining Mental Health Service Use on Employees of a Large Corporation," *Health Affairs* Vol. 18 No. 5 (Sept/Oct 1999).