



**National
Mental
Health
Association**

LABOR DAY 2001 REPORT

**Untreated and Mistreated Mental Illness and
Substance Abuse Costs U.S. \$113 Billion a Year**

*The 'Dollars and Sense' Case for Increased Investments
in Mental Health and Substance Abuse*

**A Message to
American Business
and Government Leadership**

Executive Summary

The cost of untreated and mistreated mental illness and addictive disorders to American businesses, governments and families has grown to \$113 billion annually.

The lack of investments in mental health and substance abuse services causes tremendous and needless personal suffering, and diminishes the quality of community and family life in this country. It also impacts vocational functioning.

In contrast, the estimated cost-benefit ratio for investments in comprehensive, worker-friendly, community-based mental health and substance abuse practices and services range from a two — to a ten — times saving for taxpayers and businesses.

Direct spending on mental health services is now estimated at \$92 billion annually. Based on the various studies detailed in this report, a 5.5 percent (or \$5 billion) increase in investment in treatment for people with mental illness in the United States could, at a minimum, reduce costs to the American economy for untreated or mistreated mental illness and addictive disorders by \$10 billion. At the higher end of economic return, but still within the realm of reason, the same \$5 billion dollar increase in accessible, high quality behavioral health services would cut the \$113 billion dollar loss in half, a \$56.5 billion savings to the American economy.

The lack of investments in mental health and substance abuse services are all too evident in the human suffering in America's inner cities, prisons, juvenile justice facilities, and emergency rooms at almost any general hospital.

Although the damage done, economically and in human terms, crosses the lines of most major social institutions in the United States, there is a logical place to look for assertive responsibility and action. American businesses, state legislatures and the U.S. Congress should do what is in their power to reduce the needless waste of dollars and lives.

Employers should support equitable and high quality mental health and substance abuse coverage for their workforce and families. Federal, state and local governments should act on the significant investments made in research into the effective prevention and treatment of mental illness and substance abuse disorders. To date, this has not been done. In fact, investment in mental health care has been decreasing.

In addition to saving billions of dollars across the U.S. economy, this report makes the case that the very social fabric of American society would change for the better, if mental health and illness were addressed fairly and rationally by American business and government.

The findings in this report are based on a review of new survey research and analysis of current socio-economic reports.

Society's Unmet Needs

In his landmark 1999 report on mental health, the U.S. Surgeon General reported that during a given year 20 percent of the population is affected by a mental illness.

The vast majority of individuals with mental illness and addictive disorders do not receive adequate care. The Surgeon General reported that less than a third of adults and even fewer children receive any mental health services. According to a 2001 NMHA public opinion survey, fewer than one out of five individuals reporting the symptoms of depression and anxiety disorder seek treatment.¹

The adverse negative economic impact of this lack of treatment is evidenced in a number of studies. Either because of better data collection or because of increasing problems, cost estimates during the past ten years of untreated and mistreated mental illness in America nearly tripled.

In 1990, economists speculated that depression in the workplace cost the US economy \$43.7 billion, including \$31.3 billion for indirect costs.²

By 1994, the estimated cost of untreated and mistreated mental illness and addictive disorders was \$79 billion, according to a study by Dr. Dorothy P. Rice of the University of California, San Francisco, and Leonard S. Miller of the University of California.³

In August 2001, Dr. Rice confirmed that her ongoing studies show that the total yearly cost for mental illness and addictive disorders in both the private and public sector in the U.S. is \$205 billion. Less than half of that amount (\$92 billion) is for direct treatment costs. The rest -- \$113 billion -- is due to lost productivity (\$105 billion) and crime and welfare costs (\$8 billion).⁴

Lost Productivity

It's apparent from these studies that untreated and mistreated mental illness and addictive disorders lead to lost business productivity. The U.S. National Comorbidity Survey in 1997 determined that in the civilian workforce there was a total of one billion lost days of productivity due to mental illness.

According to a study by the International Labor Organization in 2000, clinical depression in the United States "has become one of the most common illnesses, affecting one in ten working age adults each year resulting in a loss of approximately 200 million working days each year."

In a study of 6,239 employees of three corporations, the "odds of missed work due to health problems were twice as high for employees with depressive symptoms as for those without depressive symptoms in both 1993 and 1995. The odds of decreased effectiveness at work in 1995 was seven times as high. Among individuals with depressive symptoms in 1993, a report of one or more problems with clinical care in 1993

predicted a 34 percent increase in the odds of persistent symptoms and a 66 percent increased odds of decreased effectiveness at work in 1995.”⁵

Diminished Quality of Life

These estimates are supported by the results of a NMHA survey in January 2001. According to the survey the unemployment rate among American adults with depression is 23%, compared to 6% of the general population. Of men between the ages of 21 and 49 with depression, the unemployment rate is 30%—four times that of the national average for that age group.⁶

Savings from Greater Investment

In contrast to the costs of untreated and mistreated mental illness and addictive disorders, there is growing evidence that prevention and early, community-based treatment programs are significantly cost-effective for business and government.

The cost-benefit ratios for early treatment and prevention programs range from 1:2 to 1:10, meaning that a \$1 investment yields a \$2 to \$10 savings. For example, the cost savings to American communities and businesses by providing early treatment and support for one high-risk youth is between \$1.7 and \$2.3 million, more than five times the estimated cost of early treatment.⁷

A new study of 142 individuals over the past 18 years confirmed this finding concluding that the cost to society from at-risk youth with behavior problems is ten times greater than those who were not at-risk or who had received early and continued treatment.⁸

The cost of providing the most expensive mental health treatment services—hospital services, acute residential services and other 24-hour care programs—was five times less in 2000 for The Village Integrated Service Agency in Los Angeles County than it was for the California state’s public system.

The U.S. Surgeon General in 1999 determined that community-based systems of care for children reduce reinstitutionalizations after discharge from residential settings and out-of-state placement of children, and improve other individual outcomes such as the number of behavior problems and satisfaction with services.

State and federal governments spend roughly \$20 billion per year on cash transfers to poor non-elderly adults and children. They spend roughly the same amount for food stamps for such families. A conservative estimate is that 25 percent of people on welfare are depressed. If half of them could be treated successfully, and of that percentage two-thirds could return to productive work, at least part-time, factoring treatment costs, that could still reduce welfare costs by as much as 8 percent—a savings of roughly \$3.5 billion per year.⁹

Using these findings, NMHA estimates that a 5 percent increase in the \$92 billion now spent on direct mental health care by both the public and private sector could reduce the costs of untreated and mistreated mental illness in the American economy by between \$10 and \$56 billion.

Treatment Works

The tragedy of untreated and mistreated mental illness and addictive disorders, in both human terms and in costs to society, is that treatment works. The National Institute of Mental Health (NIMH) found that the treatment success rate for schizophrenia is 60 percent, and more than 80 percent of people with depression can be treated successfully with medications, psychotherapy, or a combination of both. In comparison the treatment success rate for heart disease ranges from 41 to 52 percent.¹⁰

Similarly, a 2001 survey by NMHA asked consumers of mental health services to grade the severity of their symptoms before and after treatment. With the number 10 being the most severe, the mean level of severity before treatment was 8.5, and the mean level after treatment was 3.6.¹¹

Declining Investment

Despite the alarming trend in the increased cost of untreated and mistreated mental illness and substance abuse disorders, and the evidence that increased investment in mental health services can cut the economic losses by anywhere between 10 to 50 percent, federal and state governments have been cutting mental health programs.

From 1987 to 1997, according to the U.S. Department of Health and Human Services, mental health treatment's share of overall federal health care expenditures dropped from 8.8 percent to 7.8 percent. The share of mental health care spending dropped by 13 percent at the state level from 2.09 percent of total health care expenditures in 1981 to 1.81 percent in 1997.¹²

Beginning in the 1950s, the states began to close down the large institutions which for more than a century were used to house and treat individuals with mental illness under often horrible conditions. The promise at the time that the funds saved from shutting down these institutions would be put into community care programs. In reality the real purchasing power of state funding for mental health care, adjusted for inflation, dropped from \$16.5 billion in 1955 to \$11.5 billion in 1997.¹³

Lingering fears, misunderstandings and stigma of mental illness are at the foundation of the discriminatory barriers that inhibit proper treatment for mental illness. NMHA's 2001 survey asked American adults if depression is a "disease or a state of mind that a person can snap out of?" Fifty-five percent said it was a disease, and 31 percent said it was a "state of mind that a person can snap out of."¹⁴ (In 1991, another poll asked the same question, and found that only 38 percent said depression was a disease, while 49 percent said it was a "state of mind.")¹⁵

While the American people increasingly understand depression and other mental illnesses are real, common, and treatable, our business and government leaders have not put these beliefs—facts—into policy and practice.

Conclusion

As Americans return to work and school after summer break, and governments begin their appropriations work this year, the National Mental Health Association calls on business, and local, state, and federal governments to make real commitments to end discrimination and stigma, and to invest in community-based mental health services.

Something new and different has to happen in our mental health policy and practices.

Call to Action

For American Business

Employers who have not paid attention to the mental health needs of their workforce in health insurance need to change how workers are covered for mental health and substance abuse treatment. Coverage for mental illness should be on par with their investment in physical healthcare coverage. In addition, many employers throughout the country need to improve workplace practices that still discriminate against people who have mental disorders or substance abuse treatment needs. The cost-benefit on these kinds of investments would clearly bolster a company's bottom line.

For Federal and State Elected Officials

The U.S. Congress and state legislatures need to ensure fair health insurance practices by passing legislation that ends discrimination against people with mental health needs in insurance policies.

Elected officials at all levels of government need to address the economics of mental health and substance abuse with a new rigor. There needs to be increased funding for community-based mental health services with an emphasis on early intervention and prevention programs. Congress, in particular, should make mental health a funding priority as it takes up vital appropriations in the weeks ahead.

There is understandable debate about cost-benefit projections across every sector of American enterprise. But a \$113 billion dollar price tag that includes widespread health and quality of life problems across American society demands a new level of commitment to understand and act on the reality that is in front of us.

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