



## Mental Health: Pay for Services or Pay a Greater Price

In the face of budget shortfalls, state and local governments are debating severe cuts in services for people with mental illnesses. Policy makers must understand that paying for the costs of treating mental illness is unavoidable. Our only decision is how we pay for it. **Society can either invest in community-based services and newer medications or pay a greater price** through increased hospital and primary care costs, greater reliance on correctional facilities, homelessness, other costs to society including lost productivity, and suicide.

### Hospital and Primary Care Costs

Funding for mental health services in real dollars is declining even though research demonstrates that mental health treatment is effective and beneficial for individuals and society as a whole. Investment in community-based mental health services directly lowers other healthcare costs. Conversely, cutting access to services and treatment increases overall costs.

- Comprehensive community-based mental health services for children and adolescents can cut public hospital admissions and lengths of stay and reduce average days of detention by approximately 40 percent.<sup>1</sup>
- Benefits gained from reducing pharmaceutical budgets by excluding effective drugs from coverage is usually more than offset by increases in spending on services elsewhere in the system (such as increased hospitalization and emergency room care).<sup>2</sup>
- A 30 percent cost reduction in mental health services at a large Connecticut corporation triggered a 37 percent increase in medical care use and sick leave by employees using mental health services, thus costing the corporation more money rather than less.<sup>3</sup>

### Corrections

In the absence of fully-funded services and treatment, many people with mental illnesses increasingly find themselves warehoused in our prisons, jails and juvenile justice systems.

- Florida's Partners in Crisis indicates that local jails in the state have become the largest public psychiatric hospitals, housing over 10,000 offenders with mental illnesses, many of whom are incarcerated for minor offenses.<sup>4</sup>
- Fifty to 75 percent of the children in juvenile justice facilities have at least one mental disorder. Many have multiple diagnoses and co-occurring substance abuse problems.<sup>5,6</sup>
- In 1996, the average cost of incarcerating an individual in a New York City jail was approximately \$63,000. In contrast, the cost of providing community-based housing to an individual in New York City was only \$12,000 per year or \$33 per day.<sup>8</sup>

<sup>1</sup> Coalition for Fairness in Mental Illness Coverage. Mental Illness Parity: Costs of Parity Coverage of Mental Illness. 1998.

<sup>2</sup> The Lewin Group. Health Plan Benefit Barriers to Access to Pharmaceutical Therapies for Behavioral Health. 1998.

<sup>3</sup> Rosenheck, R. A., & Druss, B., & Stolar, M., & Leslie, D., & Sledge, W. (1999) Effect of declining mental health service use on employees of a large corporation: General health costs and sick days when mental health spending was cutback at one large self-insured company. Journal of Health Affairs (18)5.

<sup>4</sup> Florida's Partners in Crisis, 2001.

<sup>5</sup> Abt Associates, Inc. Conditions of Confinement: Juvenile Detention and Corrections Facilities. Office of Juvenile Justice and Delinquency Prevention. 1994.

<sup>6</sup> Shelton, D., Fisher, P., Dulcan M. Report to the Maryland Juvenile Justice Advisory Council. 1998.

<sup>7</sup> Policy Design Team. Mental Health Needs of Youth in Virginia's Juvenile Detention Centers. Department of Criminal Justice Services. 1994.

<sup>8</sup> Kolbert, Elizabeth. "Housing Hope of Mentally Ill is Fading Away." New York Times, January 19, 1998: B1.

## Homelessness

In many American communities, the consequences of an underfunded mental health system can be seen in high levels of homelessness and poverty.

- On any given night, more than 600,000 people are homeless in the U.S., one-third of whom have a serious mental illness.<sup>9</sup>
- The National Coalition for the Homeless reports that “deinstitutionalization and the denial of services or premature and unplanned discharge brought about by managed care arrangements may be contributing to the continued presence of seriously mentally ill persons within the homeless population.”<sup>10</sup>

## Other Costs to Society Including Lost Productivity

According to the U.S. Surgeon General, one in five Americans experiences a mental health disorder each year. Sadly, less than a third of these adults and even fewer children receive any mental health services. The consequences of untreated mental illness are severe, resulting in job loss, disability, and economic and personal hardship.

- The total yearly cost for mental illness in both the private and public sectors in the U.S. is \$205 billion. Only \$92 billion comes from direct treatment costs, with \$105 billion due to lost productivity and \$8 billion resulting from crime and welfare costs. **The allocation for the cost of untreated and mistreated mental illness to American businesses, the government and families has grown to \$113 billion annually.**<sup>11</sup>
- Depression ranks among the top three workplace problems. Clinical depression alone costs the U.S. \$43.7 billion annually. This includes workplace costs for absenteeism and lost productivity (\$23.8 billion), direct costs for treatment and rehabilitation (\$12.4 billion), and lost earning due to depression-induced suicides (\$7.5 billion).<sup>12</sup>
- Health plans with the highest financial barriers to mental health services have higher rates of psychiatric Long Term Disability (LTD) claims, and companies with easier access to mental health services see a reduced incidence of LTD claims.<sup>13</sup>

## Suicide

At its worst, the consequences of a poorly funded system result in a tragic loss of life.

- Costs to society of suicide include medical, lost productivity and quality of life expenses. For example, in California, the medical costs of alcohol-attributable youth suicide are more than \$7.6 million; lost productivity, more than \$39 million; and quality of life, more than \$110 million.<sup>14</sup>
- More than 90 percent of people who commit suicide have a diagnosable mental disorder, commonly a depressive disorder or a substance abuse disorder. Nearly 20 percent of persons diagnosed with bipolar disorder and 15 percent of persons diagnosed with schizophrenia die by suicide.<sup>15</sup>

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<sup>9</sup> The Center for Mental Health Services, Homeless Programs branch. <http://www.mentalhealth.org/cmhs/Homelessness/default.asp>

<sup>10</sup> National Coalition for the Homeless. *Mental Illness and Homelessness*. Fact sheet #5, 1999. <http://www.nationalhomeless.org/mental.html>.

<sup>11</sup> Rice, D. P., & Miller, L. S. “Health economics and cost implications of anxiety and other mental disorders in the United States.” *British Journal of Psychiatry*, 173(34), 1998: 4-9.

<sup>12</sup> Greenberg, P.E. (1993) The economic burden of depression in 1990. *Journal of Clinical Psychiatry*, November issue.

<sup>13</sup> Salkever, D.S., & Goldman, H., & Purushothaman, M., & Shinogle, J. (2000) Disability management, employee health and fringe benefits, and long-term disability claims for mental disorders: An empirical exploration. *The Milbank Quarterly* 78(1), 79-114.

<sup>14</sup> Children's Safety Network (CSN) Economics and Insurance Resource Center. *Cost of Alcohol-Attributable Youth Suicide by State*. Pacific Institute for Research and Evaluation. Maryland, 1999. <http://www.csneirc.org/pubs/youthetoh/etoh-suicide.htm>.

<sup>15</sup> The Center for Mental Health Services. National Strategy for Suicide Prevention branch. *Mental Illness and Suicide - Facts*. [www.mentalhealth.org/suicideprevention/suicidefacts.asp](http://www.mentalhealth.org/suicideprevention/suicidefacts.asp).