THE IMPACT OF INADEQUATE MENTAL HEALTH CARE IN MICHIGAN

Council of State Governments
Michigan Policy Summit on Emerging Trends in Mental Health
Lansing, Michigan
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Judith Kovach, PhD
Executive Director, Michigan Psychological Association
How is Society Impacted?

- Economic Costs
  - Tax dollars
  - Indirect costs to the economy
- Social Costs
  - Failure to meet needs of vulnerable citizens
  - Stigma and discrimination
- Medical Costs
Tax Burden of Untreated Mental Illness

• Use of public resources for people who would be productive citizens with adequate treatment
• Cost shift: costs of treating persons with serious mental illness shift to the public sector and the taxpayer.
  - Absence of Parity legislation puts unfair burden on public mental health system.
  - Inappropriate use of criminal and juvenile justice systems
Cost Shifts of Untreated Mental Health Problems

• Public Mental Health System: NC study 2005:
  - 42% of adults went into public MH system because private insurance ran out, costing $54,000,000

• Corrections: MI study 1999:
  - After deinstitutionalization, dramatic increase in incarcerated people with mental illness diagnosis
  - 34% jail population has a diagnosable mental illness

• Juvenile Justice: MI Mental Health Juvenile Justice Screening Assessment and Diversion Project
  - 61% males, 74% females have mental health needs
Untreated Mental Illness:
A Significant Disability Issue

Inst. Health and Productivity Management

• M.I. ranks 1\textsuperscript{st} as a leading health reason for work site performance loss
• M.I. ranks 2\textsuperscript{nd} as a leading health cause for absenteeism and STD

WHO Global Burden of Disease Study

• Major depression is the leading cause of disability worldwide
U.S.: Burden of Mental Illness on Health and Productivity

- >15% of overall burden of disease from all causes

- Larger percentage than all forms of cancer

- Second only to cardiovascular conditions
# Direct Medical Costs: Mental Health v All Health Care

Expenditures in Billions

<table>
<thead>
<tr>
<th></th>
<th>M H Care</th>
<th>All Health Care</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Private</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Client Out-of-Pocket</td>
<td>$11</td>
<td>$171</td>
<td>6%</td>
</tr>
<tr>
<td>Private Insurance</td>
<td>$17</td>
<td>$292</td>
<td>6%</td>
</tr>
<tr>
<td>Other Private</td>
<td>$ 2</td>
<td>$ 32</td>
<td>5%</td>
</tr>
<tr>
<td>Total Private</td>
<td>$30</td>
<td>$495</td>
<td>6%</td>
</tr>
<tr>
<td><strong>Public</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicare</td>
<td>$10</td>
<td>$198</td>
<td>5%</td>
</tr>
<tr>
<td>Medicaid</td>
<td>$13</td>
<td>$140</td>
<td>9%</td>
</tr>
<tr>
<td>Other Federal Gov</td>
<td>$ 1</td>
<td>$ 41</td>
<td>3%</td>
</tr>
<tr>
<td>State/Local Gov</td>
<td>$12</td>
<td>$ 69</td>
<td>18%</td>
</tr>
<tr>
<td>Total Public</td>
<td>$36</td>
<td>$447</td>
<td>8%</td>
</tr>
<tr>
<td>Total Expenditures</td>
<td>$66</td>
<td>$943</td>
<td>7%</td>
</tr>
</tbody>
</table>

Source: Mark et al., 1998 (Revised)
Untreated Mental Illness: Billions in Non-Medical Costs to Business and Industry

- AMA: annual direct business cost (LPT) of untreated depression = $44 billion
- Of 11 million individuals with depression; 7.8 million (71%) are employed
June 2008 Data: Economic Burden of Serious Mental Illness
Thomas Insel, M.D.
Executive Director, NIMH

Components of the Economic Burden of SMI
Excluding Incarceration, Homelessness, Comorbid Conditions and Early Mortality:

<table>
<thead>
<tr>
<th>Type of Cost</th>
<th>Cost</th>
</tr>
</thead>
<tbody>
<tr>
<td>Health care expenditures</td>
<td>$100 billion</td>
</tr>
<tr>
<td>Loss of earnings</td>
<td>193 billion</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>24 billion</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$317 BILLION</strong></td>
</tr>
</tbody>
</table>
The Cost of Untreated Substance Use Disorders

- Cost to society of illicit drug abuse = $181 billion.
- Combining illicit drug abuse with alcohol and tobacco costs = >$500 billion.
- For every dollar spent on addiction treatment, there is a $4 - $7 reduction in costs of drug related crime.
- Outpatient treatment: total saving can exceed costs by ratio of 12:1.
Treatment Inadequacy and Substance Use Disorders

• 2004: 22.5 million Americans needed treatment for substance abuse/addiction; 3.8 million received treatment

• Only eleven states with parity laws include substance abuse treatment

• Total cost for treatment of addictive disorders = 1% of $943 billion total annual U.S. health care

• 2006 Mental Health America Survey: 74% believe insurance should cover substance abuse treatment
Human Costs

• Mortality: people with serious mental illness have an average life span 25 years shorter
• Increased rates of incarceration, homelessness, unemployment, school drop-outs
• Pain and suffering of family members; economic loss of caregivers
Medical Cost Offset

• Medical cost offset: decreased utilization of medical services as the result of mental health intervention
• Relationship between mental and physical health: documented and beyond debate
• Numerous studies: 75-90% of PCP visits are stress/depression related.
Medical Cost Offset Studies

• Columbia Medical Plan: people with untreated MH problems increased medical utilization by 61%
• Aetna: Medical costs declined from $242 to $162 per person after introduction of MH benefits
• AmJPsychiatry: 4 yr study -8100 people. Those with non-chronic MH problems reduced medical utilization by 7.2%; those who did not receive treatment increased medical utilization by 9.5% over 24 months (cumulative difference=16.9%
What Can Be Done?

• Nationally, the entire health care system needs to be fixed
• Costs of untreated mental illness can be reduced now
• Address the moral issue:
  Disparate insurance coverage for mental illness is wrong and discriminatory

  Surgeon General: Stigma is the "excuse for inaction and discrimination that is inexcusably outmoded in 1999."
Mental Health Parity: Part of the Solution

- Insurance coverage of mental illness that is comparable to coverage of other medical conditions
- Elimination of insurance practices that discriminate against people with mental illness
- Providing health insurance coverage based on medical, scientific and actuarial data, not stigma and misinformation
Why is parity legislation needed?

- Health insurance discrimination contributes to stigma that prevents people from seeking treatment
- Cost risks are spread across a large pool of covered lives
- Avoid problem of adverse selection
- People who need coverage do not ask for it
Parity Addresses the Cost Issues

• Reduces government costs
  - Reduces cost shifts to the public sector
• Addresses social costs of untreated mental health problems
  - Reduces stigma
• Reduces costs of untreated mental health problems to business and industry
  - Treatment works!
• Provides medical cost offsets
“…Through the introduction of appropriate care management, [large employers covered under ERISA] were able to provide generous MH and SA benefits, contain, and, in some cases, reduce costs”

“…employers provide generous MH and SA benefits because…doing so is essential to the corporate bottom line.”
CBO Parity Cost Analyses

• 1996: Estimated premium cost increase = 4.0%
• 2006: Gross premium increase = 0.9% with a net increase in total premiums of 0.4%
• S. 558 Estimated premium cost increase = 0.4%
Actual Premium Changes: States with Parity Laws

Experience of Statewide Implementation

- Maine: 1996 implementation
  <1.0% increase in total cost of health benefits
- Vermont: 1998 implementation
  BCBSVT – 0% impact on rates
- Pennsylvania: 1998 implementation
  2001: impact = 0.43% of total health care premium
States  Actual Changes in Total Mental Health Costs

Examples:

• North Carolina: 1992 implementation for state employees: 38% drop in MH costs
• Texas: 1992 implementation for state employees: 48% drop in MH costs
• Ohio: 1990 implementation for state employees: 75% drop in in-patient days; 40% drop in out-patient visits
• Alaska: 1993 implementation for state employees: 64% drop in MH costs after 5 years

No state reported increased total costs for mental health.
Actuarial Analysis: Michigan
PricewaterhouseCoopers

• 1998: maximum gross cost = 3.3%
• 2003: maximum gross cost = 2.0%
• 2003: Insurance premium impact of <1.3% on employers
• 2005: Insurance premium impact of <1.0%
Federal Employees Health Benefit Plan

• Implementation of MH and SA parity in 2001 covering 8.5 million lives

• 2006 cost analysis: implementation of parity can improve insurance protection without increasing total costs

New England Journal of Medicine, March 2006
MI PARTNERS FOR PARITY
POLL 2000

• 88% of voters randomly polled said mental disorders should be treated the same as other medical conditions

• 83% favored state legislation to create such equity

• 77.2% would be willing to pay an additional 1 – 1 ½ % in premium cost to achieve parity in mental health benefits
“It goes without saying that the excess cost of untreated...mental illness in the disability system, in prisons, and on the streets are part of the mental health care crisis. We are spending too much on mental illness in all the wrong places. And the consequences for consumers are worse than the costs for taxpayers.

Michael Hogan, Chair
President’s New Freedom Comm.
2002
“Of all the forms of inequality, injustice in health care is the most shocking and the most inhumane.”

Martin Luther King, Jr.