



Economic Benefits of Treating Substance Abuse Outweigh Costs

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Research Highlight

POLICY PERSPECTIVE

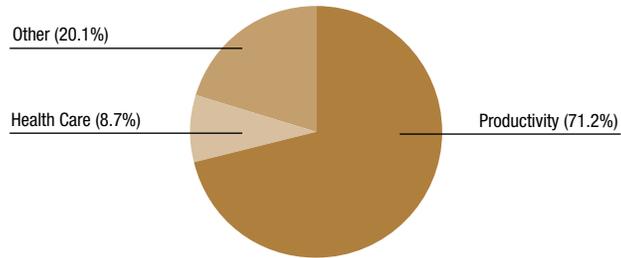
POLICY-MAKERS MAY PERCEIVE THE COST OF PROVIDING SUBSTANCE ABUSE TREATMENT TO BE PROHIBITIVELY HIGH—ESPECIALLY BECAUSE ONLY 10 PERCENT OF THE CURRENT TREATMENT NEED IS BEING MET. HOWEVER, MAKING TREATMENT MORE READILY AVAILABLE MAY ACTUALLY RESULT IN COST SAVINGS DUE TO REDUCED CRIME AND INCREASED WORK PRODUCTIVITY. HEALTH CARE COSTS MAY ALSO DECREASE, PARTICULARLY THOSE RELATED TO EMERGENCY ROOM VISITS.

AS THE AUTHORS CONCLUDE, “EVEN WITHOUT CONSIDERING THE DIRECT VALUE TO CLIENTS OF IMPROVED HEALTH AND QUALITY OF LIFE, ALLOCATING TAXPAYER DOLLARS TO SUBSTANCE ABUSE TREATMENT MAY BE A WISE INVESTMENT.”

The Problem

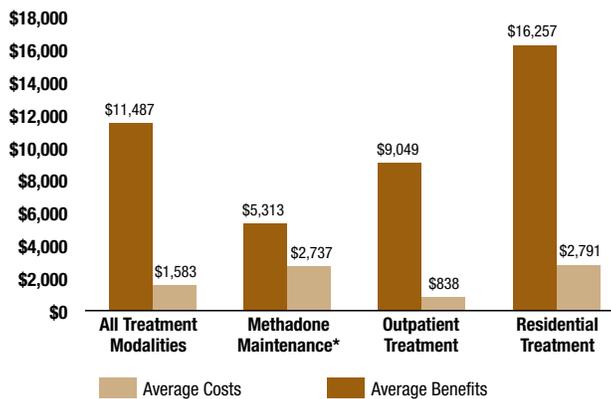
In 2002, the Office of National Drug Control Policy estimated the economic cost of illicit drug abuse at more than \$180 billion, making drug abuse one of the most costly health problems in the U.S.^{1,2} Lost productivity is the largest component of the economic cost.³

Distribution of Cost of Drug Abuse by Major Cost Components¹ (2002)



New research by Ettner et al. confirms previous studies in finding that treatment for substance abuse is associated with net benefits.⁴ Findings from the study, “Benefit-Cost in the California Treatment Outcome Project: Does Substance Abuse Treatment ‘Pay for Itself?’” funded in part by the Robert Wood Johnson Foundation, suggest that every dollar invested in substance abuse treatment yields \$7 worth of economic benefits to society. The study considered the effects of treatment on medical care, mental health services, criminal activity, employment earnings and government transfer payments (e.g., welfare payments).

Cost-Benefit Analysis of Substance Abuse Treatment for 9-Month Follow-up Period



* Result for methadone maintenance was not statistically significant.

The Facts

From a societal perspective, every dollar invested in substance abuse treatment yields \$7 in benefits. On average, treatment costs \$1,600 and is associated with \$11,500 in benefits during a 9-month follow-up period to treatment initiation. The net benefits are primarily due to reduced costs of crime and increased employment earnings. The total costs related to crime and incarceration decreased by \$7,500 per person treated, while employment earnings increased by \$3,400.

Treatment is associated with a \$200 reduction in costs for emergency room visits. Costs for inpatient hospital visits and mental health services also decreased, but these results were not statistically significant.

Benefits of treatment outweigh costs for both outpatient and residential treatment settings. The type of treatment necessary varies with the needs of the individual patient and all treatment modalities studied had higher benefits than costs. Outpatient treatment has an 11:1 ratio of benefits to cost, while residential treatment has a 6:1 ratio. The benefit-cost ratio for methadone maintenance programs was not statistically significant, possibly due to small sample size.

—Lauren Necochea

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1 Source: Office of National Drug Control Policy (2004). *The Economic Costs of Drug Abuse in the United States, 1992-2002*. Washington, D.C.: Executive Office of the President (Publication No. 207303).

2 This estimate excludes the costs associated with abuse of or dependence on legal substances such as alcohol, tobacco or prescription medications.

3 Productivity costs are followed by “other” costs (made up largely of the costs associated with the criminal justice system and crime victim costs and including some costs of administering the social welfare system) and then health care costs.

4 Ettner SL, Huang D, Evans E, Ash DR, Hardy M, Jourabchi M and Hser YI. 2005. “Benefit–Cost in the California Treatment Outcome Project: Does Substance Abuse Treatment ‘Pay for Itself;?’” *Health Services Research*. DOI: 10.1111/j.1475-6773.2005.00466.x, available at <http://www.blackwell-synergy.com/toc/hsr/0/0>.