

Summary of Report “Costs and Benefits of Investing in Mental Health Services in Michigan”

Commissioned by the Michigan Association of Community Mental Health Boards



Community Mental Health Service Programs provide mental health services for Michigan residents across the state. Most persons with mental illness use this public system since many private insurance plans do not adequately cover mental health services and many residents cannot afford these services on their own. In recent years, a reduction in funding from the state government’s General Fund has resulted in fewer Michigan residents receiving mental health care services. There is a segment of the population who would benefit from services and are currently not receiving them. Specifically, those on waiting lists for services, those who have a long-standing un-met need, and residents who have historically received mental health care services but are no longer receiving them due to budget cuts. The Michigan Association of Community Health Boards retained Anderson Economic Group to conduct an independent analysis of the costs and benefits of providing mental health services to all Michigan residents who need them. The full report, “The Costs and Benefits of Investing in Mental Health Services in Michigan,” is available at www.AndersonEconomicGroup.com.

Study Design

Using data from FY 2009 from the Michigan Department of Community Health, AEG constructed a baseline of the state’s expenditures for mental health services for adults and children. AEG grouped these services into four categories depending on the severity of the illness of the person receiving the service. These categories, in order of increasing severity, are: 1) moderate early intervention, 2) severe moderate, 3) high severe, and 4) emergency. Once services and number of people receiving services were allocated to these categories, AEG calculated the average cost per person for each severity category. Using this information, AEG analyzed two policy changes that would increase access to and funding for services:

1. *Policy Scenario 1:* Funds access to services for people on waiting lists and those who were previously eligible for services before budget cuts.
2. *Policy Scenario 2:* Funds access to services for people that would be served in Policy Scenario 1 and all other Michigan residents in need of mental health services (long-standing un-met need).

Key Findings

1. The State Government Currently Spends 20 Times More on Emergency Mentally Ill Adult Cases Than Less Severe Cases.

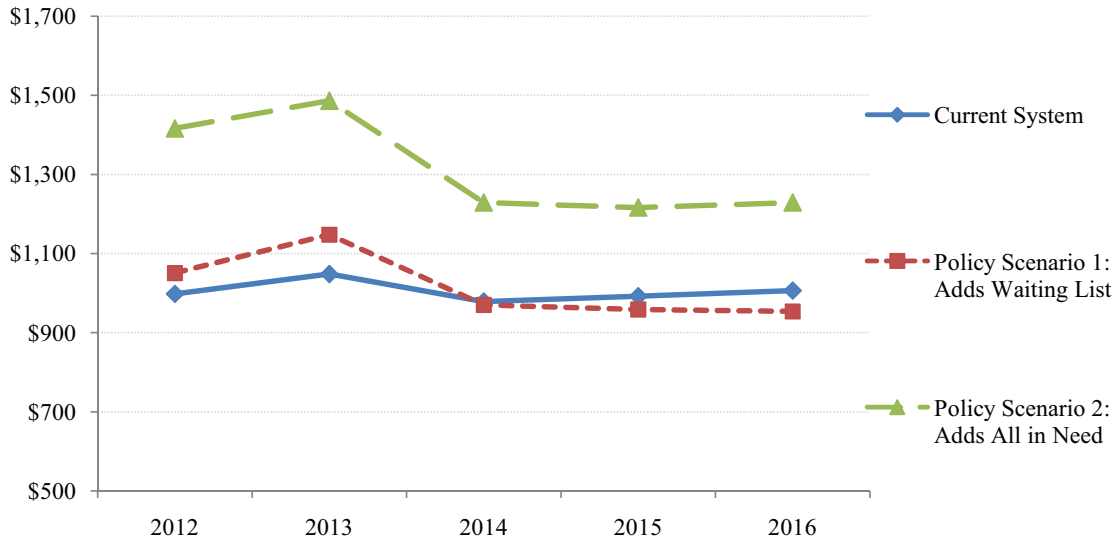
- The state government is obligated under the Mental Health Code to provide emergency mental health services. The average annual cost to provide emergency services to an adult in 2009 was \$13,037 compared to \$626 spent on adults with moderate early intervention conditions.

2. Investing in Early Intervention and Moderate Cases Before They Become Severe Saves the State Money.

- Treating consumers at the earliest possible stage of their mental illness reduces state cost. Emergency treatment cannot always be averted, but the likelihood of requiring emergency treatment when early intervention is provided is greatly reduced.
- By improving access to less costly services, the state saves money even as it treats more consumers.
- Policy Scenario 1 that serves the 20,000 residents on waiting lists or not receiving services due to budget cuts is more expensive than the current system in the first two years, but saves the state \$52 million annually by 2016. See Figure 1.

- Policy Scenario 2 serves an additional 237,000 people compared to the current system (more than doubling the population served). Serving more people increases the state’s costs, but only by an additional 25% of the state’s current budget by 2016. See Figure 1.

FIGURE 1. State Cost of Current System and Policy Scenario 1 and 2 (in millions)



Analysis: Anderson Economic Group, LLC

3. The State is Able to Spend 25% More to Double the Number Served.

- Adding an additional 237,000 people to the community mental health system (Policy Scenario 2) would increase the state’s cost by \$419 million in 2014.
- Health care reform under current law will result in more federal funding for these individuals due to an expansion of Medicaid eligibility in 2014. State cost falls to around \$222 million by 2016.
- Increasing the state’s budget by approximately 25% allows for over twice as many people to be served. Each additional dollar of state spending results in 9 additional persons with mental illness to receiving treatment.

4. Better Access to Mental Health Services Reduces Other Governmental Costs

- Expanding funding for and access to mental health services reduces government costs for other services provided to this population.
- One important cost is corrections. AEG estimates annual savings of between \$5-\$8 million due to fewer numbers of persons with mental illness in jail or prison.
- Other social service expenditures would also decline, such as lower emergency room usage among this population and a reduced need for specialized services in schools to treat children with mental illness.

About the Study’s Author

Anderson Economic Group is a research and consulting firm specializing in economics, public policy, finance, business valuation, and industry analysis. The firm has offices in East Lansing, Michigan and Chicago, Illinois. Visit www.AndersonEconomicGroup.com for the complete report.