



Robert Wood Johnson  
Foundation

# Treatment of Chemical Dependency May Reduce Medical Utilization and Costs

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## Research Highlight

### POLICY PERSPECTIVE

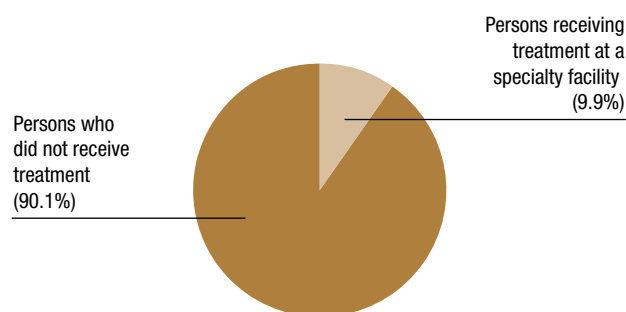
CHEMICALLY DEPENDENT INDIVIDUALS MOST FREQUENTLY CITE LACK OF INSURANCE COVERAGE OR COST AS THE REASON FOR NOT RECEIVING TREATMENT. ADDRESSING THIS BARRIER COULD ACTUALLY RESULT IN COST SAVINGS SINCE TREATMENT FOR SUBSTANCE ABUSE DISORDERS MAY LEAD TO LOWER MEDICAL COSTS AND UTILIZATION. THE UNMET NEED FOR CHEMICAL DEPENDENCY TREATMENT IS IMMENSE (90 PERCENT OF THOSE IN NEED DIDN'T RECEIVE TREATMENT IN 2004) AND COULD ACTUALLY BE INFLATING MEDICAL COSTS AND UTILIZATION. STATES (AND MANAGED CARE PROGRAMS) GRAPPLING WITH RISING MEDICAID EXPENDITURES SHOULD CONSIDER MEASURES TO INCREASE ACCESS TO AND UTILIZATION OF TREATMENT PROGRAMS.

### The Problem

In 2004, more than 20 million people needed treatment for chemical dependency, while less than 10 percent received it. That same year, over one million teens and adults who needed and wanted treatment for a substance abuse problem went untreated. More than one-third of these individuals reported cost or insurance barriers as impediments to receiving treatment.<sup>1</sup>

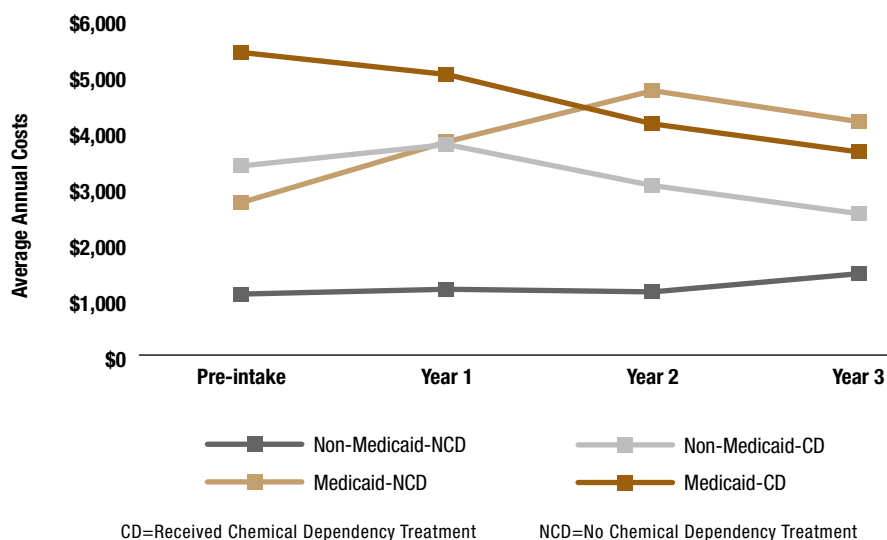
New research confirms previous studies in finding that significantly higher costs and use of medical services are associated with substance abuse disorders and that costs decline with treatment. The study, “*Medicaid Chemical Dependency Patients in a Commercial Health Plan*,” was conducted by Lawrence Walter, Lynn Ackerson and Steven Allen and funded by the Robert Wood Johnson Foundation. The authors find that the initially higher medical utilization and costs decline significantly after entry to chemical dependency treatment programs for both Medicaid and non-Medicaid patients. It is unlikely that observed cost reductions are driven by a shift from more expensive care (e.g., emergency room visits) to outpatient care because both inpatient and outpatient visits also declined.

#### Treatment of Persons Aged 12 or Older Who Needed Treatment for an Alcohol or Illicit Drug Use Problem in 2004<sup>1</sup>



Source: “Overview of Findings from the 2004 National Survey on Drug Use and Health” revisions as of 9/8/2005, from Department of Health and Human Services

## Medical Costs by Patient Type<sup>2</sup>



### The Facts

Patients' medical costs decreased by 30 percent on average between the year prior to treatment intake and the third year following intake.<sup>2</sup> Both Medicaid and non-Medicaid patients showed average declines of 30 percent in medical costs from the baseline period to the third year following treatment initiation.

Cost trends reflect declines in the use of hospital days, emergency department visits and outpatient visits. Both the Medicaid and non-Medicaid patients demonstrated declines in all types of visits, while a comparison group (that did not show evidence of chemical dependency problems) experienced no such declines.

Between 2003 and 2004, cost or lack of insurance was the most common reason for not receiving treatment. Among those who made an unsuccessful effort to get treatment, over 40 percent reported cost or insurance barriers as the reason for not receiving care.<sup>1</sup>

—Lauren Necochea

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<sup>1</sup> Source: "Overview of Findings from the 2004 National Survey on Drug Use and Health" revisions as of 9/8/2005, from Department of Health and Human Services.

<sup>2</sup> Medical costs excluding those directly related to treatment.