



## Washington State Mental Health Services: Cost Offsets and Client Outcomes Fact Sheet

Washington State  
Department of Social  
and Health Services

Research and Data  
Analysis Division

Sharon Estee, Ph.D.  
David Mancuso, Ph.D.

December 2003

With funding and  
support from:

Health and Rehabilitative  
Services Administration

Tim Brown, Ph.D.,  
Assistant Secretary

Mental Health Division

Karl Brimmer, Director  
Judy Hall, Ph.D.,  
Research Coordinator

The Washington State Mental Health Services Cost Offset and Client Outcome Study<sup>1</sup> examined Medicaid claims, mental health treatment, and mortality data for aged, blind, or disabled clients who had a mental illness diagnosis in their medical records at some point between July 1998 and June 2002. The study examined the effects of publicly funded mental health care on medical costs and mortality.<sup>2</sup>

Adult aged, blind, or disabled clients on Medicaid who received publicly funded mental health treatment had **lower subsequent medical costs** and a **reduced risk of death** compared to clients diagnosed with mental illness who did not receive mental health treatment.<sup>3</sup>

- **Costs for clients receiving outpatient mental health treatment were lowered by about \$105 per member per month (pmpm) in the first follow-up year and \$126 pmpm in the second year**, compared to clients with mental illness who did not receive mental health treatment.<sup>4</sup> These savings offset 41 to 50 percent of the cost for providing the outpatient mental health care.
- **Outpatient therapy and psychotropic medication was found to be more effective in reducing medical care costs than medication alone.** Clients receiving both therapy and medication experienced significant cost savings of \$144 and \$176 pmpm in the first and second follow-up years, respectively, compared to clients who received neither outpatient therapy nor psychotropic medication. These savings offset 52 to 64 percent of the cost for providing outpatient mental health care. In contrast, savings were lower and not statistically significant (\$41 and \$75 pmpm) for clients receiving psychotropic medication alone.
- **Clients with psychotic disorders who received inpatient or intensive outpatient mental health treatment had lower subsequent medical costs than clients with psychotic disorders who remained untreated.** Medical costs were reduced by \$135 to \$205 pmpm in the first follow up year for clients diagnosed with psychosis, and were reduced \$216 to \$298 pmpm in

<sup>1</sup> The technical report is available electronically at <http://www1.dshs.wa.gov/rda/research/3/29.shtm>

<sup>2</sup> Includes services under the DSHS Mental Health Division.

<sup>3</sup> Clients on Medicaid exclude those who were simultaneously eligible for Medicare.

<sup>4</sup> Medical cost effects were estimated using a regression model comparing the change in medical costs for those who received mental health outpatient treatment to the change in medical costs for clients with similar mental illness diagnoses who did not receive treatment. This is the conditional difference-in-differences approach described in Heckman J, Smith J, Ichimura H, Todd P, 1997, "Characterizing Selection Bias Using Experimental Data," *National Bureau for Economic Research Working Paper No. 6699*.

the first follow-up year for the subset of psychotic clients who also had another mental illness. The medical savings for this subset of clients offset the costs to provide their mental health treatment by 13 to 19 percent.

- **Medical cost savings varied by the type of mental illness.** The most significant savings were among clients with alcohol or drug-related disorders (\$291 pmpm), psychosis (\$175 pmpm), or bipolar disorders (\$161 pmpm).
- **Clients who received moderate amounts of treatment (between four and 40 hours in a year) experienced the greatest savings: \$138 and \$162 pmpm** in the first and second follow-up years, respectively. Savings in both follow-up years were lower and not statistically significant among clients who received less than four hours of treatment in a year (\$83 and \$88 pmpm) or more than 40 hours of treatment in a year (\$52 and \$70 pmpm).
- **The odds of dying were 23 percent lower in a two-year period for Medicaid clients who received outpatient mental health treatment** than the odds for clients with similar mental illnesses who did not get treatment.

Similar positive outcomes were observed for publicly funded mental health treatment provided to clients eligible for medical coverage through the state-funded General Assistance-Unemployable (GA-U) program:

- **GA-U clients who received outpatient mental health treatment had lower medical costs than untreated GA-U clients with mental health disorders.** Medical costs were reduced by \$174 to \$255 pmpm in the first follow-up year. The medical savings offset 97 to 142 percent of the cost of the mental health care for GA-U clients, depending on the year of treatment.
- **The odds of dying were 29 percent lower in a two-year period for GA-U clients who received treatment for their mental illness** than the odds for clients with similar mental illness diagnoses who did not get treatment.

## Policy Implications

Providing outpatient mental health treatment to aged, blind, and disabled clients in the Medicaid or GA-U programs reduced their subsequent medical costs, partially offsetting the cost of outpatient mental health therapy. Furthermore, giving clients outpatient mental health treatment produced greater cost savings than providing psychotropic medication alone. Providing inpatient or intensive outpatient mental health care to clients with psychotic disorders resulted in lower medical costs for these clients.

For a copy of the technical report go to <http://www1.dshs.wa.gov/rda/research/3/29.shtm> or contact:  
Sharon Estee, Ph.D., DSHS Research and Data Analysis at (360) 902-7655, e-mail: [esteestl@dshs.wa.gov](mailto:esteestl@dshs.wa.gov) or  
David Mancuso, Ph.D., DSHS Research and Data Analysis at (360) 902-7557, e-mail: [mancudc@dshs.wa.gov](mailto:mancudc@dshs.wa.gov)  
*Prepared for the Department of Social and Health Services Mental Health Division*

