Systemwide Adoption Of Behavioral Health & Primary Care Integration Estimated To Save $26 Billion Annually

- November 10, 2014
- Originally posted on November 7, 2014 by *OPEN MINDS*

Integrating medical and behavioral health care for individuals with co-morbid chronic medical conditions and mental health or addiction disorders could generate annual savings of $26 billion, according to an analysis of 2012 costs by researchers with Milliman. The estimated savings represents roughly 1.5% of the total $1.7 trillion in total United States health spending in 2012.

The authors defined 'integrated care' as care management approach using a team of professionals including physicians, psychiatrists, psychologists, and other health care professionals to deliver health care to the target cohort. They projected the $26 billion in savings from using this integrated care management model for individuals with commercial, Medicare, and Medicaid coverage with both chronic medical conditions and a behavioral health condition.

Currently, about 14% of people covered by insurance (commercial, Medicare, or Medicaid) receive treatment for behavioral health disorders. This subgroup accounts for more than 30% of total health care spending, an estimated $525 billion of the total $1.7 trillion spent annually. In 2012, per member per month (PMPM) health care costs for individuals with behavioral health disorders averaged $1,085, about three times higher than the $397 PMPM costs for people without a diagnosed behavioral health disorder. This difference in PMPM included an average of $416 more for medical costs and $93 more for prescription drugs to treat medical conditions, as well as $97 more for behavioral facility and professional costs, and $82 more for prescription drugs to treat behavioral health conditions.

All-Payer Average PMPM Health Care Costs By Presence Of Behavioral Conditions, 2012

	No MH/SUD	MH/SUD
Member Months	2,993 million	494 million
Medical: facility and professional charges for non-behavioral services	$335	$751
Behavioral: facility and professional charges for behavioral services to treat a diagnosed mental illness or addiction disorder	$3	$100

Medical Rx to treat non-behavioral conditions	$55	$148
Behavioral Rx to treat a diagnosed mental illness or addiction disorder	$4	$86
Total (sum of average costs)	$397	$1,085

The higher medical care costs for people with behavioral health disorders totaled an estimated $293 billion across all three payers: commercial health plan costs were $162 billion higher; Medicare costs were $30 billion higher; and Medicaid costs were $100 billion higher. Studies of integrated care initiatives in commercial and Medicare populations have indicated that the initiatives generated savings ranging from 5% to 10%; initiatives for Medicaid populations indicated savings ranging from 5% to 7%. After applying the savings projections to the higher costs for each payer, the summed savings estimates of all three payers totaled to $26.3 billion at the low end to $48.2 billion at the high end. At the low end of the range, the aggregate projected savings of $26.3 billion represented 9% of the total $293 billion in higher costs of care for individuals with behavioral health disorders. At the high end of the range, the aggregate projected savings of $48.2 billion represented 16% of the total $293 billion in higher costs of care for individuals with behavioral health disorders. The potential savings of $26.3 billion through integrated care for people with co-morbid medical and behavioral health conditions represents roughly 1.5% of the total $1.7 trillion in total United States health spending.

These calculations were presented in “Economic Impact of Integrated Medical-Behavioral Healthcare: Implications For Psychiatry” by Stephen P. Melek, FSA, MAAA; Douglas T. Norris, FSA, MAAA, Ph.D.; and Jordan Paulus, FSA, MAAA of Milliman, Inc. in an analysis conducted for the American Psychiatric Association. The researchers analyzed commercial health insurance, Medicare, and Medicaid data for more than 20 million individuals to identify patterns in utilization and costs from 2009 through 2010. They compared costs and utilization for people without co-morbid behavioral health disorders to costs and utilization for three behavioral health sub-groups if the data source had sufficient detail about treatment received for serious and persistent mental illness (SPMI), mental health disorders but not SPMI, and addiction disorders. Medicaid data lacked subgroups for SPMI and addiction. Within each group, the researchers analyzed the presence and impact of chronic medical conditions.

2012 PMPM Averages By Payer For Total Cost Of Care Provided To Individuals With Chronic Medical Conditions, With & Without Comorbid Behavioral Health Conditions (The PMPM Includes Medical, Behavioral & Pharmacy Costs)

No MH/SUD	MH/SUD (Medicaid Only, Did Not Split Out By Diagnosis)	SPMI	Non-SPMI MH	SUD

Commercial, Any Of 18 Chronic Medical Conditions	$695	N/A	$1,690	$1,271	$1,577
Example condition: Diabetes With Complications	$1,821	N/A	$3,366	$2,681	$3,678
Medicare, Any Of 15 Chronic Medical Conditions	$971	N/A	$1,701	$1,561	$1,744
Example condition: Diabetes With Complications	$1,740	N/A	$2,964	$2,755	$3,085
Medicaid, All Population	$382	$1,301	N/A	N/A	N/A
Example condition: Diabetes (With & Without Complications)	$1,066	$2,368	N/A	N/A	N/A

For the analysis, the researchers compared PMPM costs of individuals with and without behavioral health disorders who were also treated for common chronic medical conditions. They found that PMPM costs were higher for individuals with behavioral health disorders. The higher costs were referred to as the "value opportunity" for integrated care. The researchers analyzed the differences in costs of care, by payer, for common chronic medical conditions to determine the value opportunity of each.

The researchers assumed that the PMPM cost of treatment for any given chronic condition for individuals without co-morbid behavioral health disorders represented the baseline minimum cost of care for a given medical condition and that the higher costs of individuals with behavioral health disorders over the baseline could be reduced if integrated care were available. They also assumed that the percentage of estimated savings reported by studies of integrated care initiatives could be achieved on a larger scale and for a wider variety of medical conditions.

They noted that some conditions represented better opportunities for potential savings, either per person or population-wide. Across all three payers, chronic kidney disease, chronic obstructive pulmonary disease, hypertension, and circulatory conditions had the greatest potential for savings on a per -patient basis. High incidence conditions such as arthritis and asthma had the greatest potential through the entire population. Regarding co-morbid behavioral conditions, the commercial and Medicare data indicated that integrated care for individuals diagnosed with SPMI had the greatest

potential for savings on a per-patient basis. However, non-SPMI conditions are more prevalent, and represent an opportunity for potential savings through the entire population.

The full text of "Economic Impact of Integrated Medical-Behavioral Healthcare: Implications For Psychiatry" can be viewed and downloaded online at www.psych.org/practice/professional-interests/integrated-care/integrated-care-reconnecting-the-brain-and-the-body (accessed July 2, 2014).

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