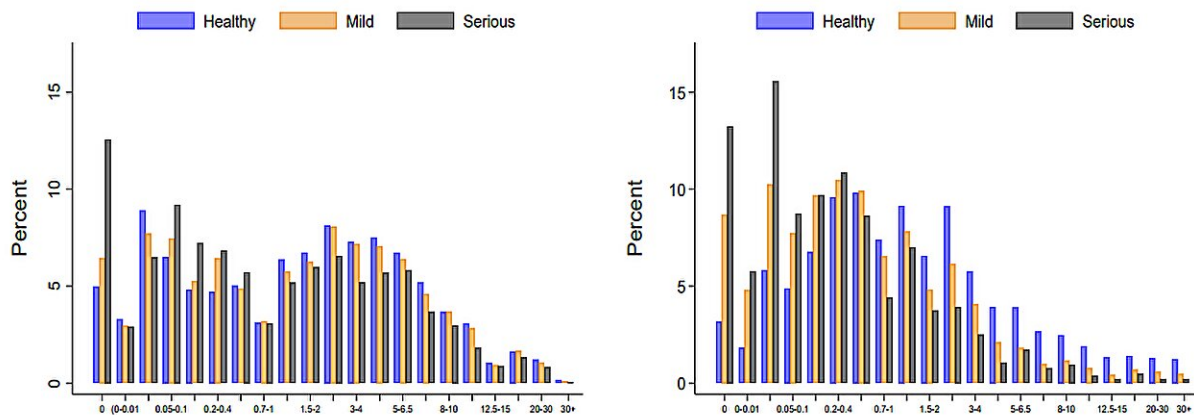


Novel study quantifies immense economic costs of mental illness in the US

April 23 2024, by Mike Cummings



Distribution of savings by mental health status in the model (left panel) and in the data (right panel). The height of the bars captures the fraction of individuals holding a particular amount of savings within each mental health status—healthy (blue), mild illness (orange), and serious illness (black). Credit: DOI: 10.3386/w32354

Mental illness costs the U.S. economy \$282 billion annually, which is equivalent to the average economic recession, according to a new study co-authored by Yale economist Aleh Tsyvinski.

The first-of-its-kind study integrates psychiatric scholarship with economic modeling to better understand the macroeconomic effects of mental illness in the United States.

The [study](#) was prepared as a working paper of the National Bureau of Research, a private nonprofit U.S. organization that includes researchers from leading U.S. universities, economics professional organizations, and the business and labor communities.

The \$282 billion estimate—which amounts to about 1.7% of the country's aggregate consumption—is about 30% larger than previous approximations of mental illness's overall cost in [epidemiological studies](#).

While those earlier studies focused on income loss relating to mental illness and the costs of mental health treatment, the new study also accounted for a host of additional adverse economic outcomes associated with mental illness, including the fact that people with mental illness consume less, invest less in a house, stocks and other risky assets, and may choose less-demanding jobs, Tsyvinski said.

"In this paper, we develop the first integrated model of macroeconomics and mental health building on classic and modern psychiatric theories," said Tsyvinski, the Arthur M. Okun Professor of Economics in Yale's Faculty of Arts and Sciences and professor of global affairs in the Yale Jackson School of Global Affairs.

"We show that mental illness alters people's consumption, savings, portfolio choices, as well as the country's labor supply, generating enormous annual costs to our economy."

Nationwide, more than 20% of adults live with mental illness and about 5.5% experience serious mental illness, according to the U.S. Substance Abuse and Mental Health Services Administration.

For the study, Tsyvinski and co-authors Boaz Abramson, of Columbia Business School, and Job Boerma, of the University of Wisconsin-

Madison, analyzed the potential effects of policies aimed at improving treatment of mental illness. They found that expanding the availability of [mental health services](#)—by eliminating the shortage of mental health professionals, among other means—would reduce mental illness by 3.1% and bring societal benefits equivalent to 1.1% of aggregate consumption.

Providing mental health services to everyone between the ages of 16 and 25 experiencing mental illness would reap [societal benefits](#) equal to 1.7% of aggregate consumption, according to the study.

At the same time, their analysis found that lowering the out-of-pocket cost of mental health services does not substantially reduce the share of people with mental illness and provides only minor economic gains. The researchers suggest that the monetary costs of mental health services are relatively low, meaning that reducing costs does not lead to greater uptake in treatment nor does it significantly reduce instances of mental illness.

The researchers model mental illness as a state of negative thinking and a state of rumination—the uncontrollable and repetitive preoccupation with negative thoughts—that is reinforced through behavior. In that model, they say, individuals experiencing mental illness are pessimistic about their future productivity, risky investments, and the evolution of their mental health. They also lose time while ruminating. As a result, they work, consume, and invest less while also foregoing treatment, which reinforces their mental illness.

The study typifies the cross-disciplinary approach to economic questions of major policy and societal importance that is a hallmark of the scholarship produced by Yale's Department of Economics over more than 50 years—including Yale economist William Nordhaus's pioneering work combining economic modeling with climate science to predict the costs of climate change.

"Economics and psychiatry have developed over 50 years, but they don't speak to each other very much," he said. "Here, we've put them in conversation in a way that enlightens both and provides us a stronger sense of the societal costs of [mental illness](#) as well as what can be gained through policies that seek to expand and improve mental health care."

More information: Boaz Abramson et al, Macroeconomics of Mental Health (2024). [DOI: 10.3386/w32354](https://doi.org/10.3386/w32354)

Provided by Yale University

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