

Chapter 5

Cost

Background

In addition to the significant personal burden and high mortality rates, patients with serious mental illnesses represent tremendous costs to the health care system. Total expenditures, including both psychiatric and medical care, for these individuals can reach \$25,000 per patient annually. The U.S. spends approximately 1% of its total GDP for the treatment of mental illnesses, with the majority being devoted to SMI (McGuire, 1991). The prevalence of schizophrenia in the population is about 1%, yet the economic cost for this disease is nearly \$45 billion annually (Wyatt & Henter, 1995). This figure is comparable to the dollars spent on depression, for which the prevalence is around 7-8%.

The Surgeon General's 1999 report on mental health estimated that the indirect costs of schizophrenia in 1990 were almost 15 billion dollars (Surgeon General's Office, 1999). These costs include lost productivity due to morbidity and mortality and the time family members spend caring for the patient.

In addition to psychiatric services, SMI patients use medical services more than the general population. A recent study (Mauskopf, David, Grainger, & Gibson, 1999) indicates that, depending on the diagnosis, the average annual expenditure per SMI patient exceeds \$26,000. Outpatient spending was nearly \$3000, with pharmacy costs approximately \$375.

Within VHA, the cost for patients with psychosis is approximately 16% of the VHA's total VERA allocation (\$18.7 billion for FY02).

We report on total costs, as well as the relative costs of psychiatric and medical care and of inpatient and outpatient care. We also report separately annual costs by cost center. Comparisons across VISNs and stations regarding expenditures on outpatient psychiatric care may inform questions of differential treatment capacities.

The Allocation Resource Center (ARC) in Braintree, Massachusetts, provided cost data for each patient by facility and cost center. The ARC calculates patient costs using data from the VA's Decision Support System (DSS). In prior years, ARC assessed patient costs on the basis of the Cost Distribution Report (CDR). Please see Appendix B for details.

- Total costs:
 - Total cost for patients with psychosis was close to \$3B.
 - Total costs for population down 4.2% to \$2.95 billion since last year with most of decrease coming from inpatient treatment, which declined sharply for third year.
 - SCH represented 47% of NPR patients and 52.4% of total costs
- Per patient costs:
 - Average spent per patient was \$14,370 with \$6,515 for OP care, \$4,849 for IP care, \$1,695 in pharmacy costs.
 - Per patient costs also dropped rather sharply to \$14,370 in FY02 (down 8.3%).

- Total cost per patient varied greatly between VISNs, from \$9,986 to \$21,462 with costs for outpatient, inpatient and pharmacy also showing similar ranges.
- Overall spending per patient was \$16,139 for SCH, \$12,050 for BP, and \$14,207 for Other Psychoses.
- Service location costs:
 - 32.3% of total costs were for psychiatric care.
 - After rising substantially in FY01, average outpatient costs also decreased 6.1% last year to \$6,515.
 - Despite rapid gains the past few year, pharmacy increase slowed to only 3.2% (mean = \$1,695).
 - Decline in the fraction of cost for psychiatric care continues, down to 32.3% in FY02 as compared to 41.0% in FY99.
 - Across VISNs the percentage of total costs attributed to psychiatry ranged from 23.1% to 39.6% and the portion due to pharmacy varied between 7.3% to 17.2%
 - SCH had higher IP costs than BP (\$5,536 vs. \$3,751)
 - SCH had approximately 20% higher pharmacy costs than BP.

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