

RESEARCH BRIEF

The Persistent Benefits of Providing Chemical Dependency Treatment to Low-Income Adults

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Report to the Division of Behavioral Health and Recovery (DBHR), David Dickinson, MA, Director;
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THE DIVISION OF BEHAVIORAL HEALTH AND RECOVERY (DBHR) provides chemical dependency (CD) treatment to low-income adults in Washington State who do not qualify for Medicaid. This research brief summarizes a report that examines the impact of receiving CD treatment in fiscal year (FY) 2003 on earnings, medical costs, and arrests over the subsequent five year period (FY 2004-2008). We analyze the impact of treatment for a population of low-income, non-Medicaid adults compared to a similar population of adults who received detoxification services or were enrolled in ADATSA in FY 2003 but who did not receive CD treatment between FY 2002 and 2008.

Key Findings

- **Low-income adults who receive CD treatment earn more.** In the first year after CD treatment, average earnings were \$1,494 higher per client for treated low-income clients compared to those who did not get treatment but likely needed it. A pattern of higher earnings for the treated group was sustained over the five year study period.
- **Low-income adults who receive CD treatment experience lower medical costs.** Among the subset of clients in the study population who became eligible for DSHS medical coverage in FY 2004, average annual medical costs in FY 2004 were \$2,274 lower per treated client compared to those who did not get treatment. Lower medical costs were still observed four years later.
- **Treated low-income adults have fewer arrests.** The change in the average annual number of arrests from FY 2002 to 2004 translates into 21 arrests avoided for every 100 clients who received CD treatment. Even by FY 2008, receipt of CD treatment is associated with fewer arrests.

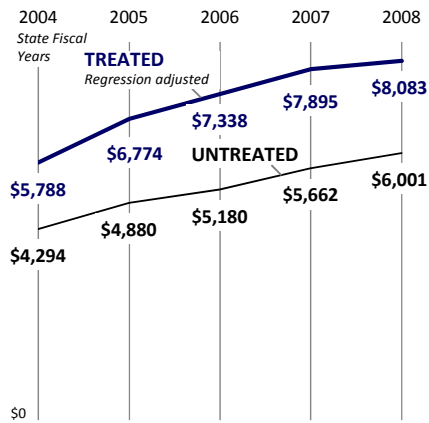
In the broader context, these findings have the potential to guide decision-making in difficult times. The current economic downturn is forcing many states to make tough choices about which services and programs to cut and which ones to keep. This analysis demonstrates that the value of providing chemical dependency treatment to low-income adults persists even five years after treatment. It is likely that much, if not all, of the cost to the state of providing CD treatment to this population is offset by 1) increased earnings and the associated contributions to the state general fund,¹ 2) reduced medical costs among those who enroll in Medicaid, and 3) reduced costs associated with fewer arrests.²

¹ OFM estimates that individuals in Washington State contribute approximately 6 percent of their personal income to the state general fund.

² The average cost of an arrest to public agencies has been estimated to be \$1,000. See Roman, et al. (2007). "Impact and Cost-Benefit Analysis of the Maryland Reentry Partnership Initiative," Washington, DC: The Urban Institute Justice Policy Center, p.28.

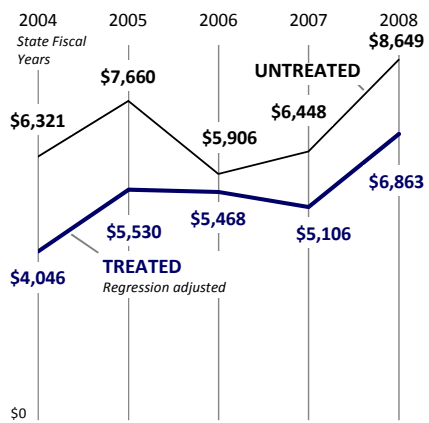


FINDING 1 | Earnings for treated low-income adult clients are significantly higher



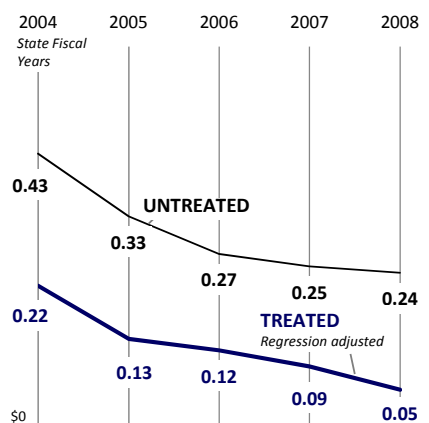
We analyzed Employment Security Department (ESD) Unemployment Insurance wage data and found that, on average, annual earnings were \$1,494 higher per person in the first year after treatment (FY 2004) and \$2,081 more by FY 2008 relative to their untreated counterparts. The estimated difference in earnings between the two groups in each year from FY 2004 to 2008 is based on regression analyses that control for baseline earnings, prior arrests, basic demographics (gender, race/ethnicity, and age), and whether or not an individual received detoxification services in FY 2002. Clients with no reported earnings were included in the calculation of average annual earnings.

FINDING 2 | Medical costs for treated low-income adult clients are significantly lower



In the first year following treatment, annual Medicaid medical costs declined substantially among those who had DSHS fee-for-service (FFS) medical coverage for at least one month in that year. Based on a regression model controlling for basic demographics, baseline earnings, and whether or not an individual received detoxification in FY 2002, average annual medical costs in FY 2004 were \$2,274 lower per person for low-income adults receiving CD treatment compared to individuals who did not receive CD treatment between FY 2002 and FY 2008 but likely needed it.³ Reduced medical costs were still observed five years after the index year; however, estimated cost differences for FY 2006 through FY 2008 were not statistically significant at standard confidence levels.

FINDING 3 | Arrests among low-income adult clients are significantly lower



In the year following the index year, individuals who received CD treatment experienced a reduction in arrests that translates into 21 arrests avoided per 100 low-income clients treated for chemical dependency. This reduction persisted and was statistically significant for the next four fiscal years (FY05-FY08). These estimated reductions in arrests are based on regression analyses that controlled for baseline earnings, basic demographics, and whether or not an individual received detoxification services in FY 2002. This analysis was based on a difference-in-difference approach that analyzed changes in arrest rates before and after the index year.

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Copies of this paper may be obtained at www.dshs.wa.gov/rda/ or by calling the DSHS Research and Data Analysis Division at 360.902.0701. Please request REPORT NUMBER 4.80

³ We do not control for prior months of Medicaid eligibility and prior health status because the nature of our study population (non-Medicaid at baseline) is such that this information is not available to us by design.