
NEWS RELEASE

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NEW REPORT IS THE FIRST TO QUANTIFY ECONOMIC IMPACT OF INPATIENT PSYCHIATRIC FACILITIES

(Washington, D.C., March 9, 2010)...Beyond the clinical contributions they make to improving the lives of individuals experiencing the most severe mental and addictive disorders, inpatient psychiatric facilities nationwide add substantially to the economic well-being of the United States, according to a report from Dobson DaVanzo & Associates, LLC, conducted for the National Association of Psychiatric Health Systems (NAPHS). This is the first such study to explore the total economic contributions of both psychiatric hospitals (including nongovernmental psychiatric hospitals, psychiatric units in general hospitals, and state hospitals) and residential treatment centers. *The Economic Impact of Inpatient Psychiatric Facilities: A National and State-level Analysis* is available at www.naphs.org.

The study makes two key points. First, inpatient behavioral health facilities play a critical role in serving individuals with severe and debilitating diseases. "Taken together, the findings of this report indicate that 24-hour behavioral health services are fundamental community services providing a specific level of care, which is not otherwise available," said the researchers. "These services are required by many individuals with complex mental and addictive disorders, especially under crisis conditions." Second, inpatient behavioral health providers contribute significantly to the economic well being of the country.

"In an era where demand for mental health and addictions services is increasing, investing in inpatient behavioral health care is a win-win situation for those who so desperately need this care and for the economy where job creation is a top priority," said NAPHS President/CEO Mark Covall in releasing the study.

"As organizations that serve some of the most vulnerable and at-risk populations, we are proud that our work has a ripple effect that extends far beyond the walls of our facilities," added NAPHS Board Chair Kevin P. Sheehan. Mr. Sheehan is chairman, CEO, and president of Youth and Family Centered Services in Austin, TX. "In fact, this study shows that residential treatment centers and psychiatric hospitals have a powerful impact on the overall economy, with a multiplier of 2.97 at the national level." Typically, multipliers for other industries range in size from 1.5 to just under 3.0, according to the report.

Key findings are:

- **All inpatient psychiatric facilities** nationwide have combined **total direct expenditures of \$20.6 billion** and **directly employ approximately 223,000 people**.
- The \$20.6 billion in direct expenditures for inpatient psychiatric facilities (which represents approximately one percent of U.S. healthcare expenditures) **translates to a total economic impact of \$61.2 billion** on the U.S. economy. That is, **for every dollar spent by inpatient psychiatric facilities, the national economy realizes \$2.97**.
- The **direct employment** of approximately 223,000 jobs for inpatient psychiatric facilities **translates to a total employment impact of more than 477,000 jobs**. That is, **for every job created by inpatient psychiatric facilities, 2.14 jobs are created in the national labor market**.
- **Every Medicaid dollar spent in each state is matched by the federal government and creates a "super multiplier."** For example, each Medicaid dollar spent on inpatient psychiatric hospitals,¹ with a match of 50 percent in a state with a base multiplier of 2.00, has a "super multiplier" of 4.00, creating \$4.00 in the state economy. Although data were not available to conduct a state-level analysis of residential treatment centers, the "super multiplier" effect for residential treatment center expenditures would likely be comparable.

¹ Inpatient psychiatric hospitals include non-governmental inpatient psychiatric hospitals, general hospital inpatient psychiatric subunits, and state psychiatric hospitals.

The researchers used a proprietary economic model known as IMPLAN to estimate the economic contribution of more than 2,250 inpatient psychiatric facilities to the entire U.S. economy and, for psychiatric hospitals, to state economies.

ABOUT NAPHS

NAPHS advocates for behavioral health and represents provider systems that are committed to the delivery of responsive, accountable, and clinically effective prevention, treatment, and care for children, adolescents, adults, and older adults with mental and substance use disorders. Its members are behavioral healthcare provider organizations that own or manage more than 600 specialty psychiatric hospitals, general hospital psychiatric and addiction treatment units and behavioral healthcare divisions, residential treatment facilities, youth services organizations, and extensive outpatient networks. The association was founded in 1933.

ABOUT DOBSON | DaVANZO

Dobson DaVanzo & Associates, LLC, (Dobson | DaVanzo) is a health care economics consulting firm based in the Washington, DC, metropolitan area. The work of the principals has influenced numerous public policy decisions and appears in legislation and regulation. The organization's litigation support efforts have helped courts, plaintiffs, and defendants understand the economic value of various health care issues. Dobson | DaVanzo researchers have provided testimony to the Centers for Medicare and Medicaid Services (CMS), the Medicare Payment Advisory Commission (MedPAC), and the U.S. Treasury, as well as before members of Congress, state legislatures, and numerous stakeholder groups.

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