October 26, 2017

ECONOMIC ASPECTS OF THE OPIOID CRISIS

KI12201701
Opioid Epidemic & The American Labor Force

Fast Facts & Figures

Opioids are a class of drugs that include the illegal drug heroin, synthetic opioids such as fentanyl, and pain relievers available legally by prescription, such as oxycodone, hydrocodone, codeine, morphine, and many others.\(^1\)

91 Americans die every day from an opioid overdose (includes prescription opioids and heroin).\(^2\)

One out of three opioid prescriptions is being abused.\(^3\)

Baby boomers are four times more likely to abuse opioids than Millennials.\(^4\)

Opioid abuse costs employers approximately $10 billion.\(^5\)

Opioid abusers cost employers nearly twice as much ($19,450) in healthcare expenses on average annually as non-abusers ($10,853).\(^6\)

Combined Effect of Opioid Prescription Rates and Change in Labor Force Participation Rate

Prime age Adults, Ages 25-54\(^7\)

Note: on change in state-level labor force participation is from CPS years 1999-2001 and 2014-2016 for prime age adults and county-level data on opioid levels is from CDC Vital Signs (QuintilesIMS). For each county, the combined effect is the average of the percentile rank of labor force participation change and the percentile rank of opioid prescription rate.

Based on data used in “Where Have All the Workers Gone? An Inquiry into the Decline of the U.S. Labor Force Participation Rate” by Alan Krueger. Brooking Papers on Economic Activity, Fall 2017.
Like much of the nation, North Carolina is in the grip of a growing opioid epidemic. It’s taking lives and destroying families, and it’s also taking a heavy toll on the state’s economy.

In its capacity as a convener of academic researchers, policymakers and business leaders, the Frank Hawkins Kenan Institute of Private Enterprise holds periodic roundtable discussions. These roundtables allow key stakeholders from across sectors to exchange views on issues of concern to the state of North Carolina and beyond.

The opioid epidemic is one such issue, and on October 26, 2017, the Kenan Institute held its “Roundtable on the Economic Aspects of the Opioid Crisis” in an effort to drive solutions to this complex challenge. Moderated by Kathleen Harris, the James Haar Distinguished Professor of Sociology at UNC, the gathering brought together elected officials, health care professionals, educators, researchers, representatives of the business community and others for discussion.

KEY TAKEAWAYS FROM THE EVENT INCLUDED:

- In the United States, 162 people die of an opioid overdose each day.
- The estimated total burden of the opioid crisis on the nation’s economy is at least $78.5 billion, and is likely much higher.
- Employers pay on average nearly twice as much in health care costs for an employee who misuses opioids than for one who doesn’t.
- In just two years, North Carolina’s Medicaid costs for hepatitis C have increased 2,004 percent, from $3.4 million to $85 million, due in large part to infection from shared syringes.
- Evidence-based treatment can be provided for as little as $6,000 a year per individual.

THE DEVASTATION

North Carolina Attorney General Josh Stein launched the evening’s discussion with some poignant observations. In his recent travels across the state, Stein has heard numerous first-hand accounts of opioids’ devastating force – of, in his words, “the human cost,
the emotional turmoil, that addiction imposes” on those who become “consumed with pursuing a morphine molecule” and their families.

He told the story of Caleb, a star high school pitcher in Greensboro, who, after having earned a college scholarship, injured his shoulder, had surgery and grew addicted to the painkillers he was prescribed. “He then turned to heroin,” Stein said, “and tragically overdosed.”

He also told of Ethan, a young man in Greenville, who, at age 12, began stealing the opioids prescribed to his mother after her knee surgery. By 15, he was addicted to heroin, and at 18 he was living in a Walmart parking lot. But at 20, Stein told the audience, the young man was in rehab. He’s now in long-term recovery and is studying to be a social worker so he can help others facing similar challenges.

There are tens of thousands of stories like Caleb’s, Stein said, and not nearly enough like Ethan’s.

“We’ve got so much work to do, which is why I’m excited about this panel,” Stein said, adding that working together, “we can solve this problem.”

SOBERING DATA
The opioid epidemic is rending the social fabric and leaving communities reeling from its effects. The economic costs are staggering.

Roundtable participant Curtis Florence is lead health economist for the Centers for Disease Control and Prevention’s National Center for Injury Prevention and Control. In 2013, Florence and his colleagues calculated the total annual burden of the opioid crisis on the nation’s economy to be $78.5 billion. This includes the increased costs of health care, substance-misuse treatment, the criminal justice system and lost productivity.

Florence cautioned that the epidemic has worsened considerably since then, and, moreover, the estimate relates only to prescription opioids, not heroin. Florence’s colleagues at the CDC recently released a report indicating that the mortality rate for illicit opioids has increased dramatically and is now higher than the rate for prescription opioid overdose, and the economic impact research is currently being updated.

[Editor’s note: In November, the President’s Council of Economic Advisors released the results of a study that calculated the costs of the opioid epidemic at more than $500 billion. The CEA’s method attributed much higher costs to fatalities caused by the crisis than shown in previous estimates, and included the costs of illicit opioids such as heroin. Regardless of the specific methodology used, there is no disputing the fact that the opioid crisis is resulting in tremendous societal costs in the United States.]
Employers pay on average nearly twice as much in health care costs for an employee who misuses opioids ($19,450) than for one who doesn’t ($10,853), for an estimated total cost of $8 billion a year.

Roundtable participant Tad Clodfelter, president and CEO of Raleigh-based SouthLight Healthcare, quoted a figure he recently heard: The number of Americans dying each day from opioid overdose rose from 144 in 2015 to 162 in 2016.

“That’s equivalent to a commercial jetliner going down every day,” Clodfelter noted, adding that if a jetliner was crashing every day, the public outcry would be resounding.

HERE AT HOME
North Carolina’s hospitals are overwhelmed by the epidemic, Attorney General Stein told the audience. Patients who arrive at a medical facility with a substance-misuse emergency are being held for an average of four days before a treatment bed can be found. One in 100 babies in the state are born experiencing drug withdrawal. They’re receiving an average of 19 days of treatment at $4,000 a day, Stein said. According to the CDC, the cost for this neonatal care across the nation in 2012 was $1.5 billion, a figure that has most likely risen substantially in the past few years.

The North Carolina criminal justice system, Stein continued, is straining under the weight

of this epidemic. “Sheriffs are telling me that 70 to 80 percent of the people in their jails are there because they committed a drug crime … or they engaged in a property crime to feed their addiction.” The North Carolina Department of Correction reports that nearly 100 percent of the women in the state prison system have substance-misuse issues.

“Jail is not a cost-effective way to deal with addiction,” Stein declared.

**IN THE WORKFORCE: A ‘BLEAK PICTURE’**
Perhaps the greatest economic cost of the opioid epidemic, Stein said, is borne by the private sector. Working-age men’s participation in the labor force is at the lowest point in 20 years. Stein said a link can be traced to opioid addiction.

“We’re seeing excess sick days, excess disability, diminished job productivity, lost productivity due to incarceration, lost productivity due to death,” he explained.

*Figure 2: Combined Effects of Opioid Prescription Rates and Change in Labor Force Participation Rate (Prime Age Adults, Ages 25-54)*

Stein told of recently meeting with community leaders in Wilkes County, who told him that Lowe’s, the home-improvement chain, pays a weekly bonus to employees who show up for work five consecutive days. In Rutherford County, he said, where community leaders are aggressively pursuing economic-development initiatives, employers are souring on expansion in the county because so many job applicants are failing drug tests.

“It’s a bleak picture,” Stein said, “because it’s a bleak situation.”
He urged the private sector to be more open to hiring people who have drug charges on their record. “It'll be a challenge,” he acknowledged, “to figure out what reasonable employment policies and practices should be.”

He further asked, beyond what’s available in their health insurance policies, “What can employers do to help their employees get access to treatment?” This is a critical role that the private sector can play, he said.

**TREATMENT WORKS**

“Where we are failing unequivocally,” Stein stressed, “as a state, as a nation and as counties, is in treating people with addiction.” Last year, he said, only one in 10 of those with a substance-misuse issue received proper treatment.

“Would you accept a health care system in which 90 percent of people with heart disease don’t get medical care? It would be untenable. It's outrageous. And yet that is what we tolerate when it comes to addiction and substance-use disorder.”

Treatment, for the proper duration, does in fact work, said roundtable participant Dr. Ashwin Patkar, medical director of Duke Addictions Programs at Duke University Medical Center.

But, Patkar emphasized, people must understand that addiction is a chronic disease, and that it must be treated accordingly. If appropriate expectations for the individual and the family are set, he said, outcomes can be as successful as with other chronic diseases, such as hypertension and diabetes. Seven days of detox is seldom effective, said Patkar, but insurance companies generally don’t provide sufficient coverage for extended treatment. This must be addressed.

Tad Clodfelter pointed out that evidence-based treatment – “good, solid, medication-assisted and behavioral health treatment” – can be provided for about $6,000 a year per individual, and it’s sustainable.

An audience member asked what is being done to help those who can’t afford the cost of treatment. Stein cited monies appropriated at both the federal and state levels, but noted that the U.S. Congress is proposing dramatic cuts to Medicaid, which is responsible for 40 percent of all treatment dollars.

**THERE ARE SOLUTIONS**

A number of solutions to the opioid crisis were discussed – efforts from both the public and private sectors.
State Representative Greg Murphy, a practicing physician, reported on measures the legislature has taken to beef up the controlled-substance reporting system. Murphy was responsible for what Stein called the most significant piece of legislation passed by the General Assembly this year, the Strengthen Opioid Misuse Prevention, or STOP, Act, which strengthens prescription oversight and places a five-day limit on initial prescriptions for many types of acute pain. The legislation also provides increased access to naloxone, a drug that reverses overdoses and saves lives.

There was also discussion of efforts to investigate the role that pharmaceutical and distribution companies have played, and continue to play, in prescription opioid misuse.

Jeanne Milliken Bonds, regional community development and community engagement team leader for the Federal Reserve Bank of Richmond, spoke about her organization’s efforts to respond to the crisis.

“The health of the nation’s economy is directly tied to the health of individuals in communities,” Bonds said. Her office works with financial institutions in low- and moderate-income regions, “communities that are already disproportionately affected by lower education, less opportunity for mobility [and] more distress.”

Bonds said the three financial institution regulators have provided guidance with respect to the Community Reinvestment Act pertaining to workforce development. Community Development professionals are working with financial institutions and communities on possibilities for investment in workforce and healthy communities. “We’re looking at ways we can use that investment to create solutions, and bring in other community finance tools – whether it’s impact investing, donor-advised funds through community foundations – and pull that together to support training,” as well as treatment.

Kenan Institute Director Greg Brown expressed hope that as we emerge from challenging economic times and are nearing full employment, there will be heightened interest and activity from the private sector in advancing such solutions.

EMBRACING THE CHALLENGE

The opioid crisis, Attorney General Stein said in a post-roundtable interview, “is affecting the whole state – from the mountains to the Piedmont to the coast – and it’s affecting everybody. It doesn’t discriminate. People with addiction are white, black, rich, poor, old, young, urban, rural, Democrat and Republican. This isn’t a partisan issue; this is an everybody issue. The costs to the taxpayer, the costs to our health care system – they’re immense.”
“We’re not treating the people that we need to treat,” Rep. Murphy said. “These aren’t bad people. These are people who have an addiction problem, but it’s a chemical problem. And we cannot marginalize them because of this issue. We need to take care of them.”

Keynote speaker (see below) and roundtable participant Dr. Anne Case, a Princeton University economist, noted that the regions of the country that are hardest hit by the opioid epidemic are those with fewer economic opportunities and, on average, lower levels of education.

She suggested that we should look at what the Europeans are doing. They, too, are facing a shifting economic landscape, “yet their people aren’t dying of drug overdoses at the same rate.”

“I think we need to take lessons where we can,” Case said.

“I really applaud the Kenan Institute for convening this roundtable today,” Stein said, because no single sector is going to solve this crisis. It’s going to take an all-hands effort to “successfully deal with and overcome a challenge that is as complex and deep-rooted as the opioid crisis.”

KEYNOTE ADDRESS: ANNE CASE
Anne Case, the Alexander Stewart 1886 Professor of Economics and Public Affairs, Emeritus at Princeton University, was the evening’s keynote speaker. Along with her husband and Princeton colleague Sir Angus Deaton, the 2015 Nobel laureate in economics, Dr. Case has conducted groundbreaking investigations into increased death rates among non-Hispanic middle-aged Americans.

Throughout the 20th century, Case said, the U.S. experienced a “century of good news,” as the mortality rate dropped dramatically.
But from 1999 to 2013, life expectancy began to fall for non-Hispanic middle-aged whites, most particularly for those without a college degree. It was the first decline in several decades. In 2015, the drug overdose rate for non-Hispanic whites was almost three and a half times what it was in 1999. In 2015, adults between the ages of 45 and 54 had the highest rate of drug overdose deaths of any age group.

Case and Deaton see the opioid crisis in the larger context of “deaths of despair”: suicide, alcoholism and substance misuse. The opioid epidemic, Case said, has accelerated a previously existing crisis, one that was already on the rise before the Great Recession.

“It’s happening to both men and women, but there’s this amazing distinction between men and women with a college degree and those without a college degree,” Case said. Those without are particularly susceptible to deaths of despair. For those with a bachelor’s degree or higher, the rate of these deaths is rising, but just barely.

Education, Case stressed, appears to be a much more predominant factor for opioid misuse than gender, race or ethnicity.

In the early 1970s, “having a high school degree meant you could get a job where there was a ladder up,” Case said in an interview earlier in the day, “You got on-the-job training, you had a job with benefits. You could get married – someone wanted to marry you, because they saw that you were promising middle-class life.

“Those jobs are gone; those jobs aren’t coming back.”

As a result, Case said, despair sets in. “What I see is two Americas,” Case told her audience. “I see a group that didn’t go to college, and then I see a group that did go to college. To us, this is really stunningly different.”

Those without at least a bachelor’s degree are “less likely to be at work,” Case said. “They’re also less likely to get married.” Fewer than 20 percent of people born in 1950 were not married by age 30; that’s more than doubled for those born in 1980.

“We think the evidence is going to show us, over time, that the cancer is in the labor market,” Case said of these deaths of despair. Those with less than a college education are unable to land the job that would allow them to climb the corporate and social ladders.
The Frank Hawkins Kenan Institute of Private Enterprise is a nonpartisan business policy think tank affiliated with the University of North Carolina Kenan-Flagler Business School. Founded in 1985, the nonprofit institute facilitates collaboration between the private, public and nonprofit sectors to build a greater understanding of how entrepreneurship, economic development and global commerce can work for the public good. It leverages best-in-class research to develop market-based solutions to today’s most complex economic challenges; in doing so, the Kenan Institute aims to better the lives of people in North Carolina, across the country and around the world. For more information, please visit kenaninstitute.unc.edu.