The Daily Dish

Mental Health and the Labor Market

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In 2008, then-President George W. Bush signed the Mental Health Parity and Addiction Equity Act (MHPAEA), which mandated that insurance provisions such as deductibles, co-pays, and treatment limitations be equivalent for physical and mental health care. In September, the Biden Administration proposed new rules to implement MHPAEA, arguing that insurers were not complying with the law and threatening fines if such noncompliance continued. Unsurprisingly, the insurers protested that they were being made scapegoats, and pointed to workforce shortages as the primary restraint on mental health care.

Mental health issues have been put in the spotlight by the spike in reported cases during the pandemic. But a new study by Isabella Hindley demonstrates that mental health issues have been important for quite some time, and may have a noticeable impact on the performance of the economy. In particular, cumulatively, nearly 2.5 million individuals diagnosed with a severe mental illness (SMI) were absent from the U.S. labor force due to disability between 2014–2020. Hindley estimates that "just over 1 million individuals would otherwise have been employed were it not for their disability, and their absence translates into a cumulative loss of approximately 1.9 billion work hours and $136 billion in real output."

But how can we get these individuals back to work? "Assuming access to appropriate mental health treatment and a feasible rate of recovery, this study finds that 11–42 percent of these individuals could have been employed between 2014–2020; this recovery would have increased work hours by approximately 207–793 million and economic output by $15–$57 billion." Of course, one could also go for the mental health home run. Hindley estimates that if *every* adult with SMI were able to be treated and returned to the labor force, the impact would be five times larger.

In short, mental health is far more than a regulatory food fight. It is important for individuals' well-being. But as a complement to that improvement, it will have beneficial economic impacts.

It almost goes without saying that these estimates are useful for gauging the order of magnitude of the impacts but are far from precise. In particular, as recovery is unlikely without access to mental health treatment, Hindley focuses on the data for individuals with SMI who have access to and are pursuing state-level mental health treatment – a group that makes up approximately 18 percent of the total U.S. adult population with SMI. Extrapolating the success of treatment to the larger population is a very uncertain exercise.

The days when policy could visibly support physical health and ignore mental health treatment appear to be over. Unfortunately, the "parity" debate is often framed as all the physical health treatment one could imagine and all the mental health treatment one could undergo. A more mature debate will have arrived when parity is accompanied by the realization that there are limits to both private and taxpayer resources to be devoted to health. And it will be an even better day when policymakers ensure that individuals can purchase their preferred mix of physical and mental health coverage, instead of dictating it and overriding needs and preferences.