THE ECONOMIC IMPACTS OF THE OPIOID CRISIS

Presented by Peter Evangelakis, Ph.D.
Nearly 2 million Americans abused or were dependent on prescription opioids in 2014

91 Americans die every day from overdoses
- Rate has risen 4x since 1999

Unequal geographic burden
- New England, Appalachia, Southwest hit the hardest

Source: Centre for Disease Control and Prevention, Economist.com

what does REMI say?sm
Costly Economic Burden

- Medical Costs
  - Treatment for conditions caused by opioid abuse
  - Substance abuse treatment (e.g., rehab)

- Criminal Justice Costs
  - Spending on drug crime enforcement, etc.

- Production Losses
  - Increased mortality rate
  - Decreased participation rate
  - Decreased on-the-job productivity
  - Increased non-compensation costs
Workforce Impacts

- Nearly all men aged 24-54 were in the labor force in the 50’s and 60’s, currently it is 88.5%
- Alan Krueger study: nearly half of the 1.8 million workers who were out of the labor force for “other” reasons had taken an opioid the day before being surveyed
  - “Over the last 15 years, the spread of prescription opioid medication could account for possibly 20 percent of the decline in labor force participation.”
Impacts in the Workplace

- Employees become less productive
  - Unable to focus or stay awake
  - Missing work more frequently

- They also impose additional costs on businesses
  - Many business conducting drug screenings
  - Increase in turnover / additional training
  - Increase in accidents & worker compensation claims
Outline of Analysis

- National: Economic impacts of production losses
  - Survival rate (ages 25-64): -0.01pp
  - Labor force participation rate (ages 25-64): -0.5pp
  - Labor productivity: -0.2%
  - Non-compensation labor costs: +0.3%

- State: Economic & fiscal impacts
  - Incl. increased health care and criminal justice spending
Population slowdown lowers jobs growth (compounds over time)
Lower job and income growth contributes to slower GDP growth.
National: Labor Force

- Drop in participation rate drives employment down directly.
GDP growth slowdown
Lower productivity increases business costs, lowers competitiveness.
what does REMI say? sm

GDP growth slowdown
Higher labor costs raise production costs, lower GDP growth
State: Increased Costs

- Revenues shrink as a result of the decreased tax base
  - Decreased personal income → lower income tax revenue
  - Decreased consumption → lower sales tax revenue

- Average increase in health care and criminal justice costs to states of over $300 million **in addition**

- Where does the money come from in the budget?
  - Increase in taxes: further hurts the economy
  - Cut spending elsewhere: what gets cut?
    - Potential short- and long-run impacts (e.g., education)
Conclusions

- Opioid crisis shrinks the economy in several ways
  - Impacts both the citizenry and government budgets
  - Increased costs to governments further squeeze budgets, force hard choices

- Unfortunately, many more costs...
  - Harvard Med School: Cost of overdose deaths in MA from 2010 – 2016 was $40 Billion
  - Impacts on quality of life, loss of loved ones
  - Psychological and economic impacts on children