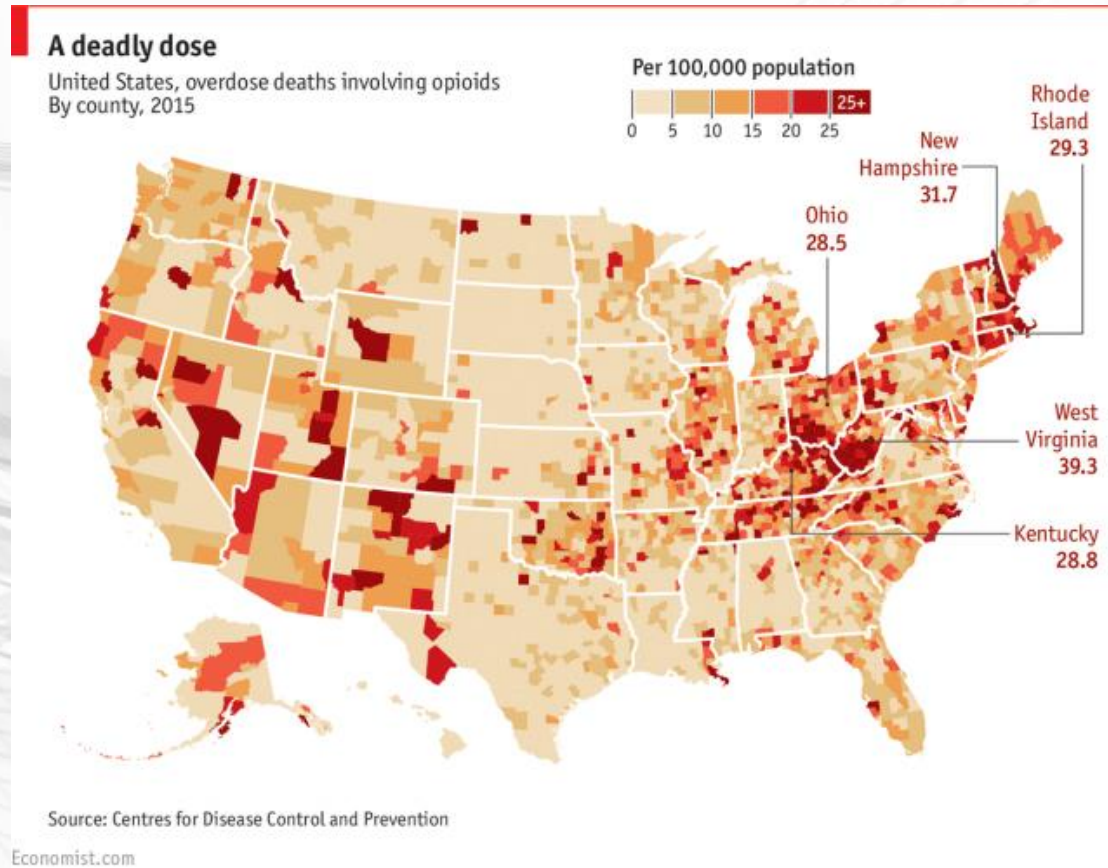


THE ECONOMIC IMPACTS OF THE OPIOID CRISIS

Background

- 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



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



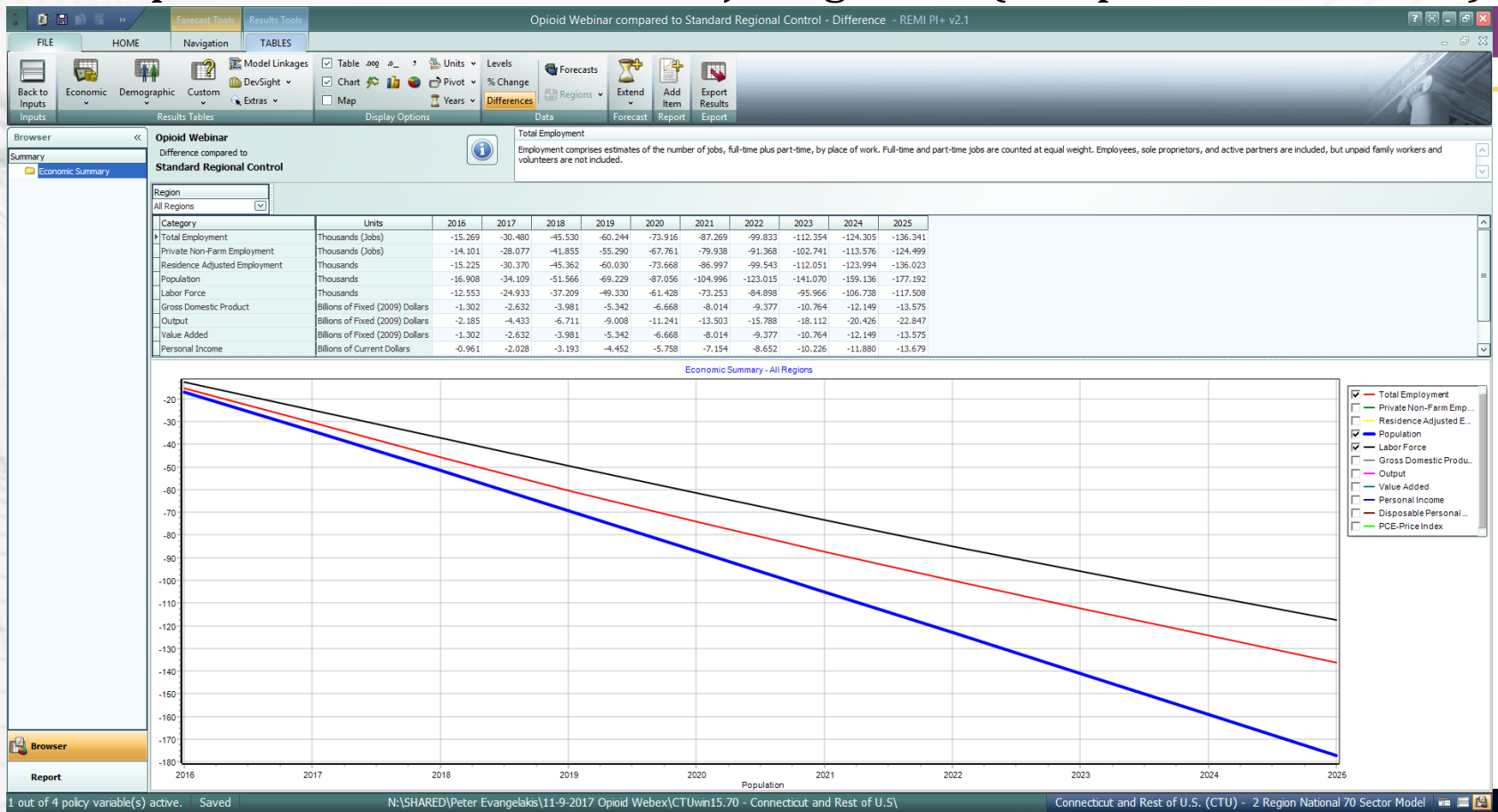
- National: Economic impacts of production losses
 - Survival rate (ages 25-64): -0.01pp
 - Labor force participation rate (ages 25-64): -0.5pp
 - Labor productivity: -0.2%
 - Non-compensation labor costs: +0.3%

- State: Economic & fiscal impacts
 - Incl. increased health care and criminal justice spending

National: Mortality



- Population slowdown lowers jobs growth (compounds over time)

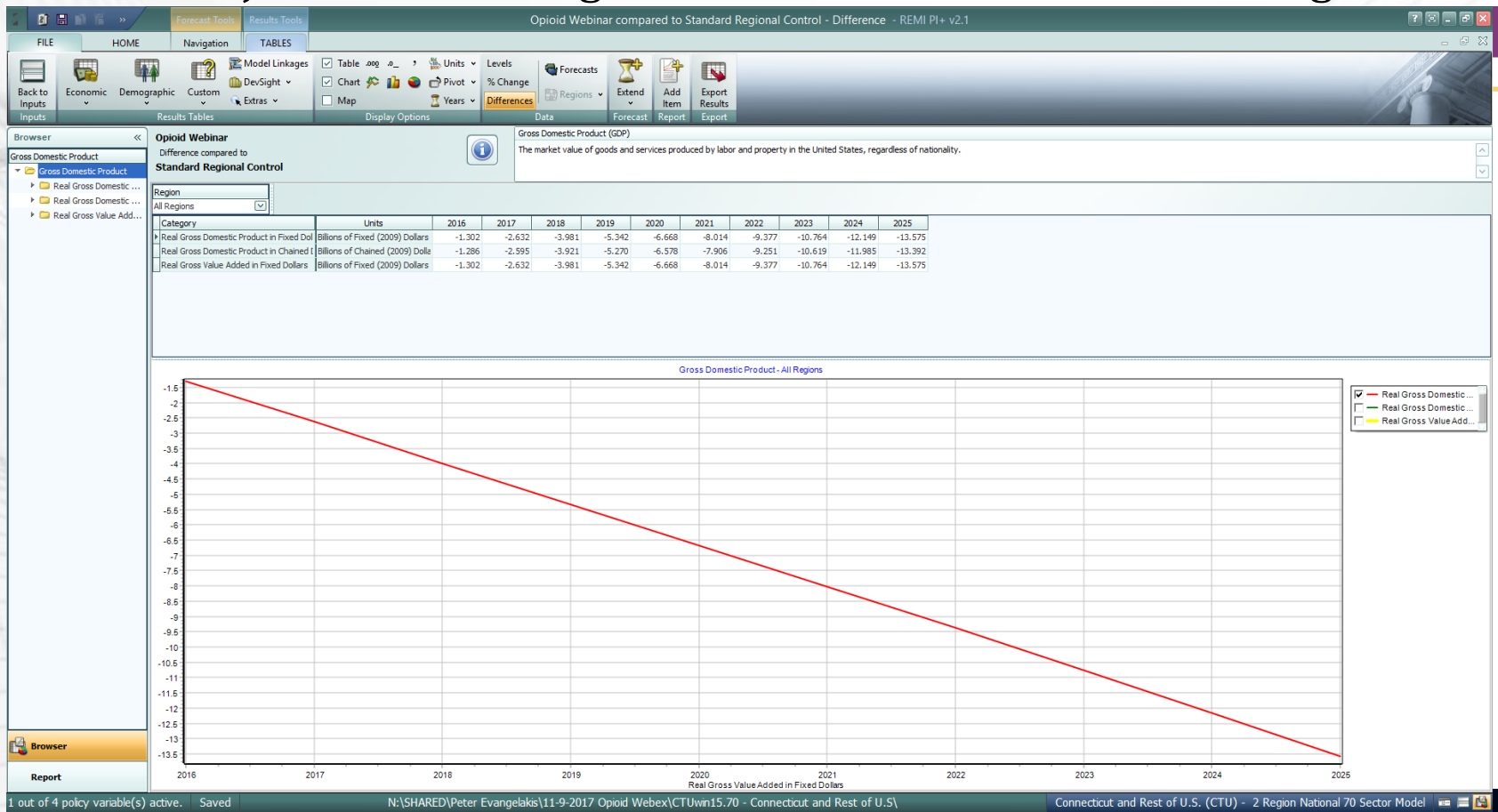


what does REMI say? sm

National: Mortality



- Lower job and income growth contributes to slower GDP growth

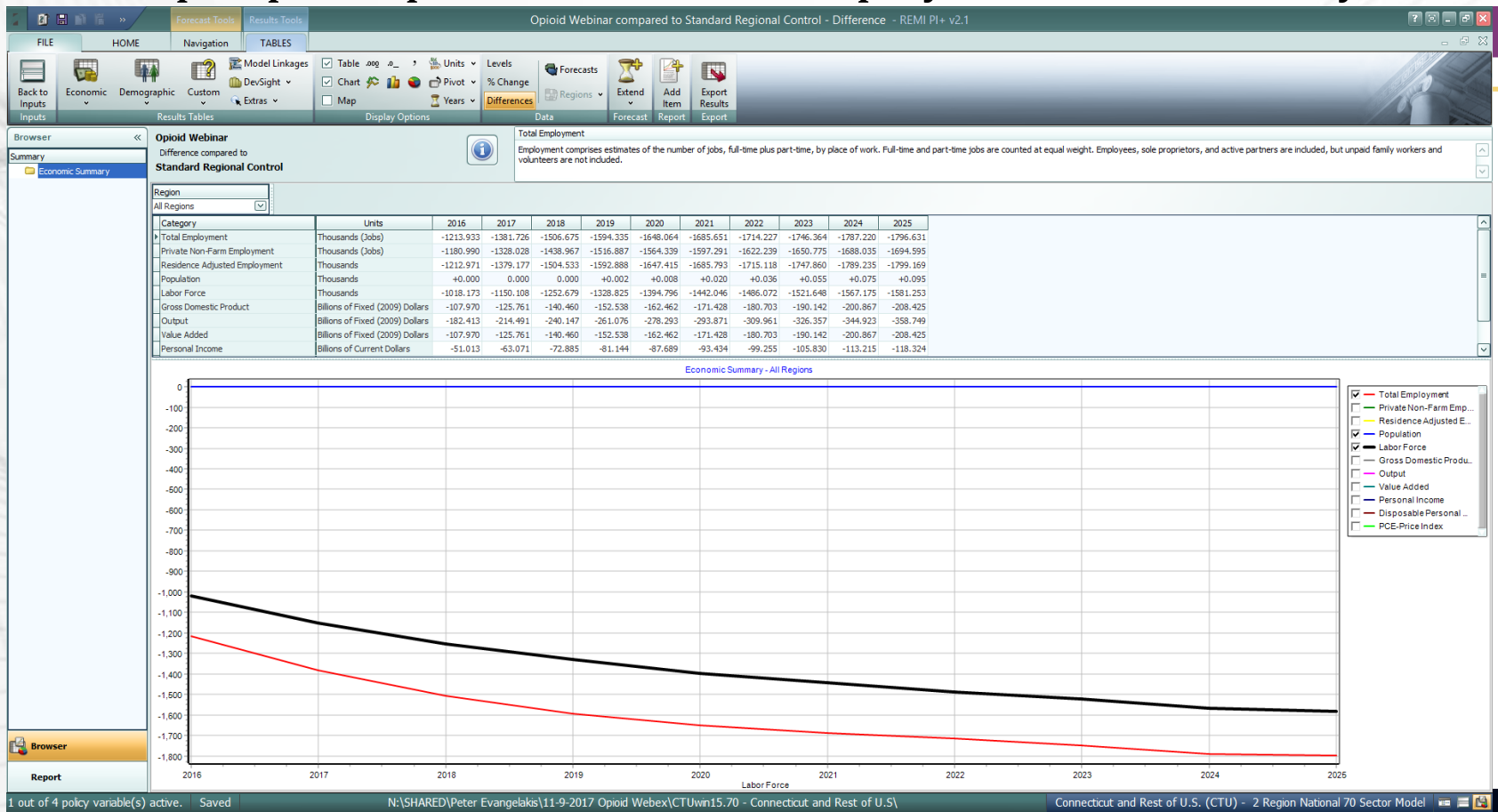


what does REMI say? sm

National: Labor Force



- Drop in participation rate drives employment down directly

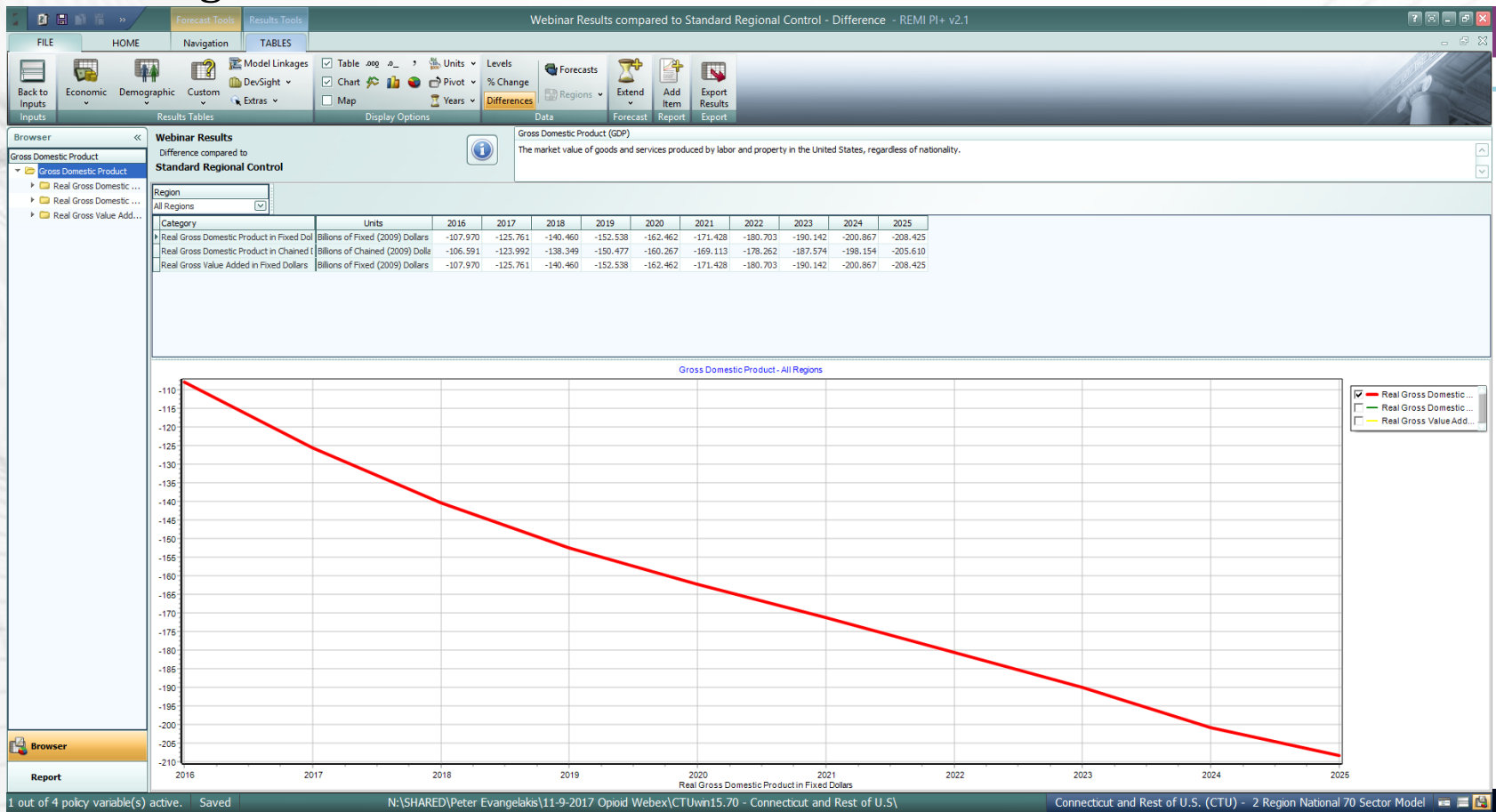


what does REMI say? sm

National: Labor Force



□ GDP growth slowdown

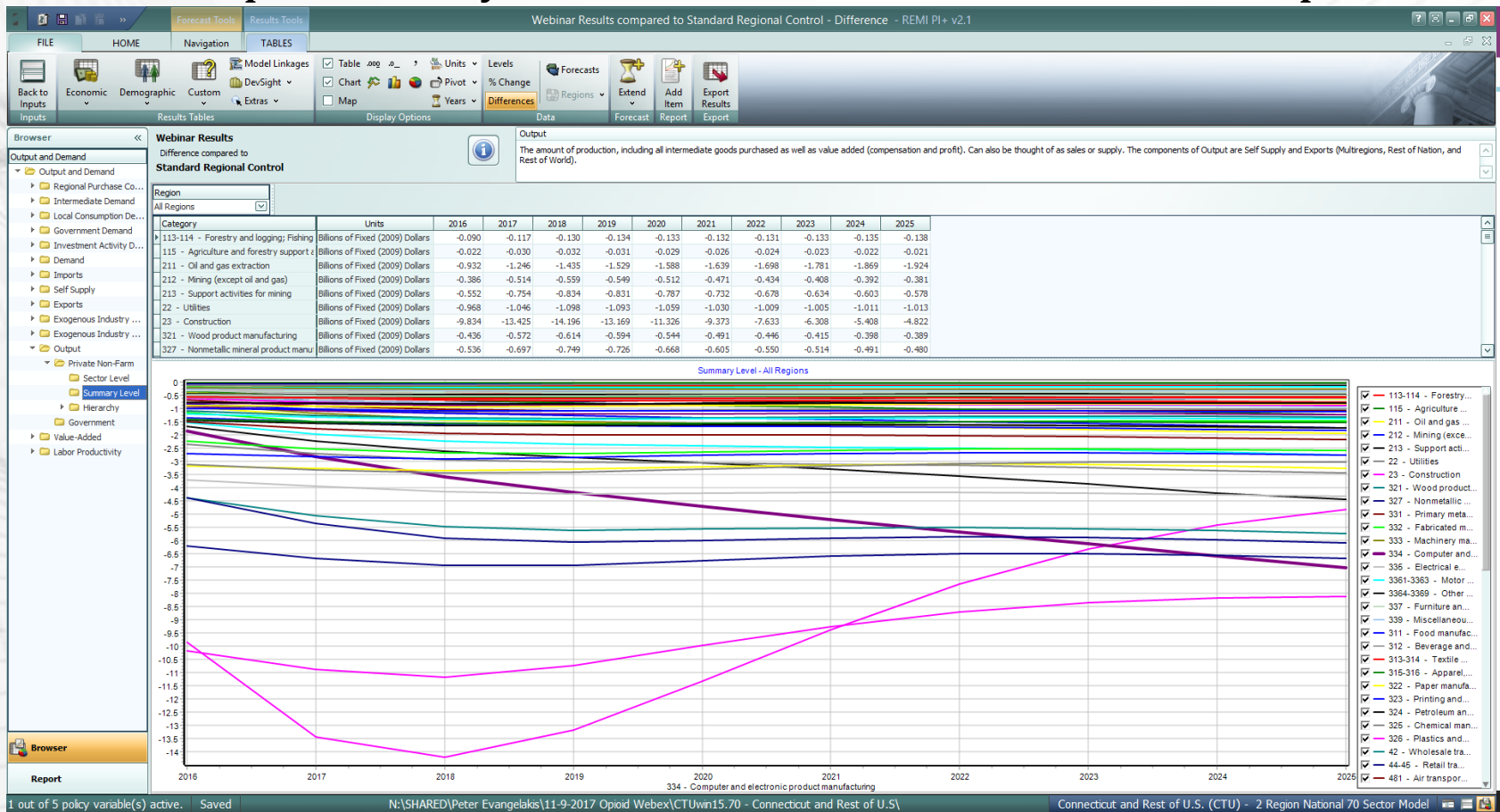


what does REMI say? sm

National: Productivity



- Lower productivity increases business costs, lowers competitiveness

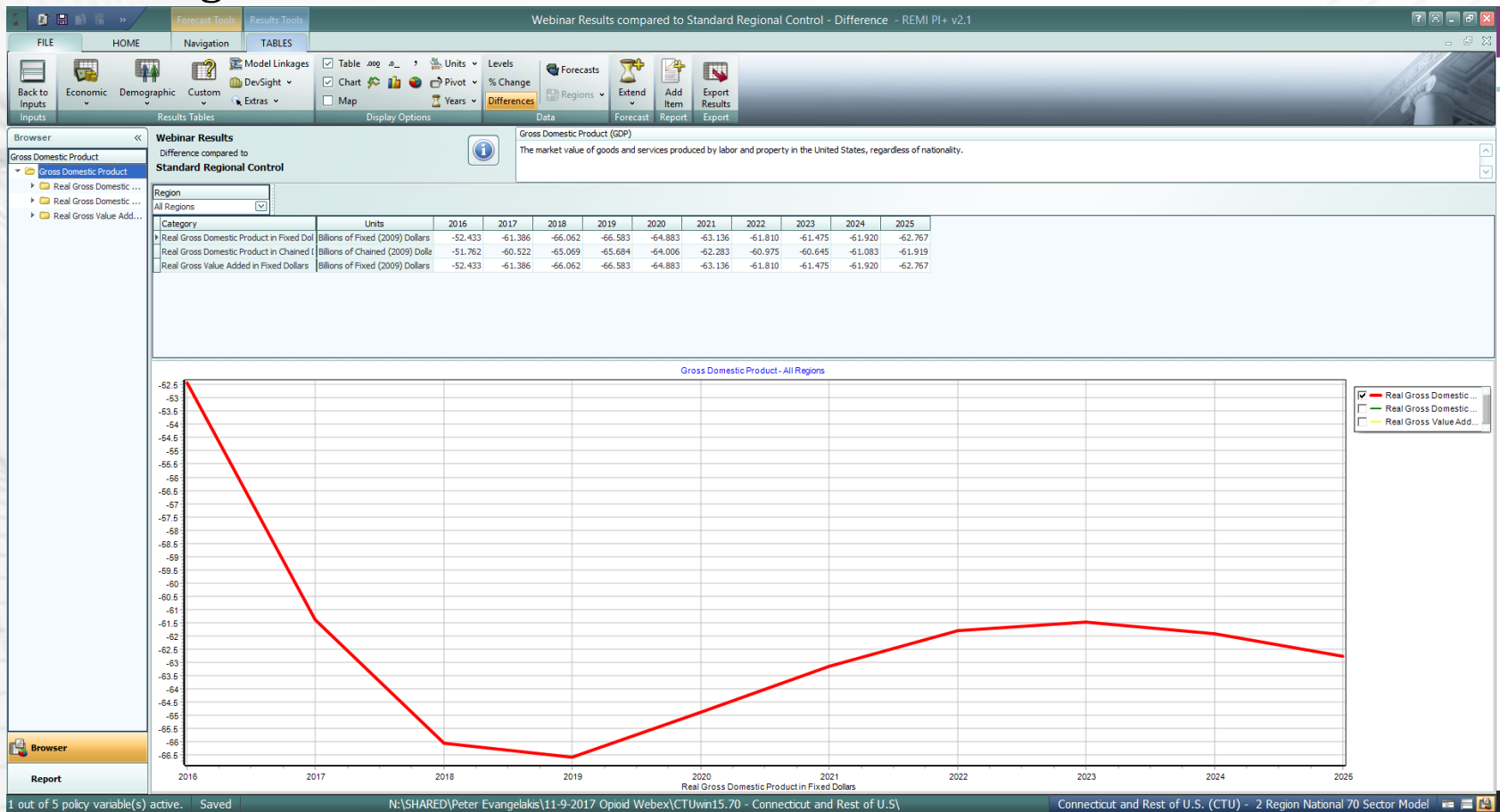


what does REMI say? sm

National: Productivity



□ GDP growth slowdown

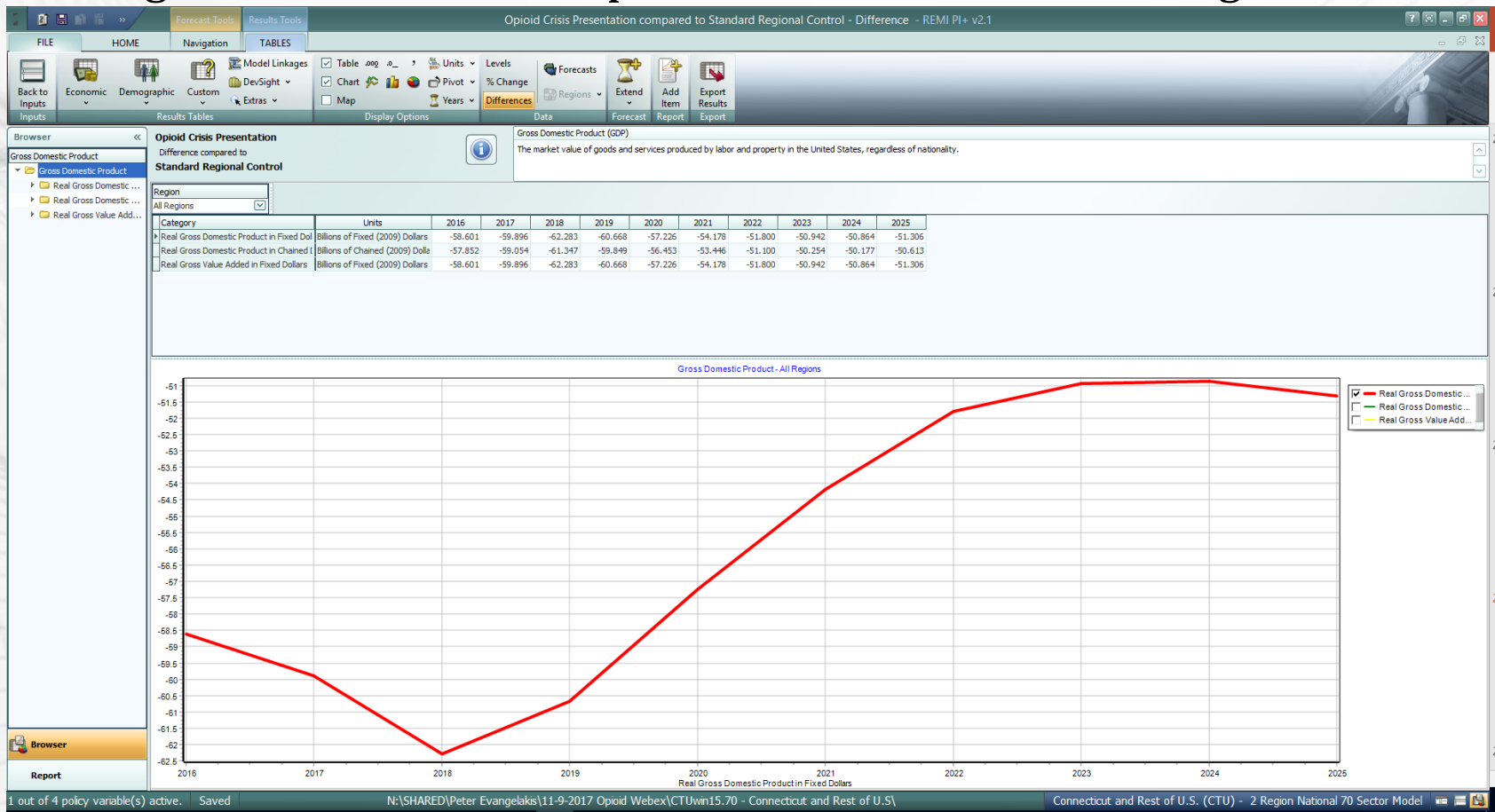


what does REMI say? sm

National: Labor Costs



- Higher labor costs raise production costs, lower GDP growth



what does REMI say? sm

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