



The Hidden Costs of Poor Employee Mental Health

Five Considerations for Choosing a Valuable Mental Healthcare Offering



Poor employee mental health has a financial impact on employers that goes beyond medical claims costs alone. While many organizations look only to the medical and medication spend on mental healthcare as an indicator of cost, in reality, there are a number of indirect cost sources for supporting employees with poor mental health.

By proactively supporting employees with mental healthcare that offers a spectrum of services — like on-demand guided care and behavioral health coaching to therapy, psychiatry, and work-life services — employers can find substantial cost savings while improving the health and happiness of their employees.

The Indirect Costs of Mental Health for Employers

1. Medical and prescription costs for comorbidities

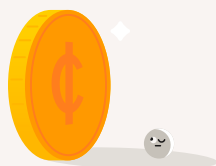
Mental health issues and chronic conditions often coexist. For example, people with diabetes are 2-3x more likely to have depression than people without diabetes.¹ These comorbidities are costly. A 2020 Milliman report found that average annual healthcare costs for those with mental health conditions are 2.8-6.2 times higher than those without a mental health condition.²

HOW YOU CAN ESTIMATE MEDICAL AND PRESCRIPTION COSTS FOR COMORBIDITIES

Request a detailed claims analysis from your medical insurance plan that calculates the cost of claims where a mental health condition is the secondary diagnosis.

2. Increased future spend due to a lack of early intervention

We rarely take the same preventive measures for our mental health that we take for our physical health. As a result, small mental health challenges can escalate into large issues that require costly care, including inpatient care and ER visits.

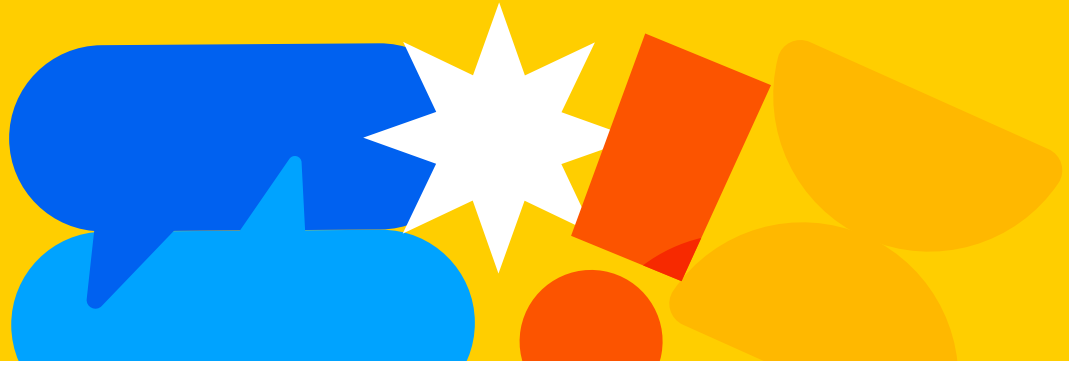


In the U.S., eliminating unnecessary emergency care use for mental illness could save about **\$4.6 billion annually.**³

¹ "Diabetes and Mental Health," [Centers for Disease Control and Prevention](#), 2022

² Potential economic impact of integrated medical-behavioral healthcare: Updated projections for 2017, [Milliman](#), 2018

³ "Preventable ED Use Costs \$8.3 Billion Annually: Analysis," [Healthcare Financial Management Association](#), 2019



3. Lost productivity

It's not just absenteeism that increases with depression. According to the American Psychiatric Association, employees with unresolved depression experience a **35% reduction in productivity**.⁴ This loss in productivity results in costs for companies.

HOW YOU CAN ESTIMATE PRODUCTIVITY LOSS

- Conduct a quarterly or bi-yearly employee pulse survey to understand how stress and mental health impacts daily working for your employee population.
- Include questions asking employees how much they agree or disagree with statements like "My company enables me to balance work and personal life" or "My workload is sustainable."
- Analyze the rate of participation in "optional" meetings. Attendance in these meetings tends to fall off when employees are experiencing burnout.

4. High turnover

According to a study published in the Harvard Business Review, **half of millennials and 75% of Gen Zers** have left a job due to mental health reasons.⁵ Training and onboarding new employees can be costly. Organizations can reduce these costs by supporting employee mental health proactively.

HOW YOU CAN ESTIMATE HIGH TURNOVER

- Request an analysis from your HRIS vendor on year-over-year employee retention.
- Analyze the results by tenure. If many employees are leaving faster than the normal retention rate in your industry, your employees may be experiencing burnout.
- Conduct exit surveys to understand whether burnout is contributing to employee turnover.

⁴ "What Employers Need to Know About Mental Health in the Workplace," [McClellan Hospital](#), 2022

⁵ "Mental Health at Work", [Mind Share Partners](#), 2019

5. Talent attraction

A recent survey by the American Psychological Association found that **81% of individuals** are looking for workplaces that support mental health.⁶ In a competitive job market, a lack of investment in mental health can mean losing top candidates.

HOW YOU CAN ESTIMATE TALENT ATTRACTION

- Review your applicant tracking system to assess the number of hires made where mental health benefits were a key factor to the decision.
- Conduct a survey among your recruiting team that asks how frequently mental health benefits are mentioned in initial conversations with candidates.
- Conduct exit surveys to understand why employees might be leaving for new jobs and whether benefits are an influential factor.

As you can see, mental health costs are complex and can include many hidden, indirect costs alongside the direct costs of increased medical claims spending. Headspace's comprehensive care offering can address all key sources of cost.

Our care model offsets unnecessary mental health spend and drives increased utilization by getting members to the right care for their needs. Our actuary-backed model and claims analysis shows that for an example employer, Headspace can increase mental health utilization by 250% while reducing mental health spend by more than \$2,000 per member per year.

In addition to saving money in the long run, we save money up front through our cost-effective pricing that ensures predictable spend. Unlike competitors who charge for coaching on a utilization basis, we include coaching in our Per Employee Per Month fee. With Headspace's care model that improves symptoms for 70–80% of members with coaching alone, you spend less on unpredictable and often unnecessary utilization.

Additionally, we drive improvements in productivity that result in real savings. Our results from a published study showed that members engaging in care with a coach and/or clinician on average experienced an increase of 3 healthy and productive days, which can translate to >\$1,000 in potential productivity savings per employee.⁷

Interested in learning how your organization could see the return on investment from supporting employee mental health? Headspace and Accorded, a third party actuarial firm, can partner with your company to calculate the ROI from investing in a comprehensive mental health solution.

Contact us here to learn more.

⁶ "Workers appreciate and seek mental health support in the workplace," *APA*, 2022

⁷ Shih E, Aylward B, Kunkle S, Graziani G. "Health-Related Quality of Life Among Members Using an On Demand Behavioral Health Platform: Pilot Observational Study." *JMIR*, 2022.

