

FLETCHER GROUP ECONOMIC CALCULATOR

RESULTS REPORT

PREPARED FOR: MICHIGAN ASSOCIATION
OF RECOVERY RESIDENCES

MAY 2024

RECOMMENDED CITATION: ASHWORTH M, JOHNSON D, MEYER G, THOMPSON R. FLETCHER GROUP ECONOMIC CALCULATOR. FLETCHER GROUP, INC.; 2023.

<https://www.fletchergroup.org/2023/10/02/economic-calculator/>

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INTRODUCTION

Substance use disorder (SUD) is a pressing issue in the state of Michigan, with the rate of drug overdose deaths increasing from 24.4 per 100,000 residents in 2016 to over 31.5 deaths per 100,000 residents in 2021, a 29% increase in 5 years.¹ An estimated 17% of Michigan residents ages 12 and older met the criteria for a drug or alcohol use disorder in 2021, many of whom did not receive treatment for their SUD.²

SUD imposes significant costs on society via healthcare costs, criminal justice costs, lost productivity costs, family and generational impacts, and emotional costs. The total economic cost of SUD in the U.S. in 2019 was estimated to be approximately \$3.7 trillion when including direct costs related to healthcare, criminal justice, productivity, public assistance administration, research and prevention, and indirect costs related to quality of life lost.³ A recent analysis of the economic impact of opioid use disorder in Michigan found that opioid use disorder and associated fatal opioid overdoses cost the state of Michigan \$41.4 billion in 2017.⁴ As such, expanded recovery support services for individuals with SUD have the potential to yield significant economic benefits.

An important recovery support service for individuals with SUD is recovery housing, a housing model that provides safe, healthy, family-like substance free living environments for those seeking recovery from SUD.^{5,6} Recovery housing has been found to be associated with improved recovery related outcomes including reduced substance use, criminal justice involvement, anxiety, depression, and homelessness, and increased employment and income.⁷⁻⁹ Although the exact number of recovery residences in the United States (U.S.) is unknown, latest estimates suggest there are approximately 10,000 recovery residences in the U.S., 286 of which are certified by the Michigan Association of Recovery Residences (MARR).¹⁰

Cost-benefit analyses are important to demonstrate the value of treatment services, address community opposition and stigma, and to demonstrate local impacts at the state level to secure funding and state support. In this report, we examine the economic costs and benefits associated with MARR-certified recovery housing organizations using the Fletcher Group Economic Calculator. Specifically, we look at the economic impact of a representative MARR-certified recovery housing organization as well as the cumulative economic impact of all MARR-certified organizations.

METHODS

In this report, we provide results from the Fletcher Group Economic Calculator, a customizable cost-benefit analysis tool for recovery support services.¹¹ The cost-benefit analysis tool includes several benefits and costs associated with recovery support services with a focus on those that

can be reliably quantified and estimated. The tool focuses on benefits associated with reduced healthcare, criminal justice, and productivity costs, as well as benefits associated with reduced morbidity and premature mortality. In terms of costs, the tool focuses on the operating costs and start-up or capital costs of the recovery organization.

Inputs into the model include the organization's annual operating cost, start-up costs, success rate, number of residents annually, and the state and county the organization is located in. Operating costs are defined as the costs associated with operations of the recovery housing organization and do not include other services or support provided by affiliated agencies, not other healthcare service costs. Start-up or capital costs are defined as the costs associated with items that maintain some residual value after the organization ceases operation and can include things land, building, vehicles, or equipment. We defined the success rate of the organization as the percentage of individuals served by the organization each year that enter long-term recovery after accessing the organization's services.

A complication of conducting cost-benefit analyses of recovery support services is modelling of the recovery process itself. SUD recovery is not typically a linear process where a treatment intervention occurs, and a person enters recovery for the rest of their life. SUD is a chronic, relapsing disease and studies report an average of five attempts to achieve long-term recovery.¹² Further, once long-term recovery is achieved, there may be a delay before the benefits of recovery start accruing. Research assessing different aspects of recovery across time, including recovery capital, quality of life, and psychological distress, found that many recovery indicators take between 2 and 5 years to reach levels equal to individuals without SUD.¹³ As such, we include a discount parameter to model the time-lag of recovery benefits and discuss how results may change as a result of this time lag of benefits. A full description of our methodology may be found here: [Fletcher Group Economic Calculator Methods Report](#).¹¹

Data to inform this state-level report was collected via a cross-sectional financial landscape survey conducted by the Fletcher Group Rural Center of Excellence and MARR. Of the 30 study participants, a total of 13 (43%) opted to receive the cost-benefit report, an incentive offered for time taken to complete the survey. In the following report, we present the results from two different analyses. First, we present the economic impacts of an average MARR-certified recovery house based on the data provided. Second, we calculate the total economic impact of all MARR-certified recovery housing in the state.

ECONOMIC IMPACTS OF A REPRESENTATIVE RECOVERY HOUSING ORGANIZATION IN MICHIGAN

In this section, we discuss the economic impacts of a representative MARR-recovery housing organization in Michigan. The characteristics of a representative recovery housing organization

were determined by taking the median of the operating costs, start-up costs, number of residents served, and success rate of the 13 recovery housing operators who provided data. Table 1 provides an overview of the recovery housing organization’s characteristics which serve as inputs into the economic model.

TABLE 1. REPRESENTATIVE MARR-CERTIFIED RECOVERY HOUSING ORGANIZATION CHARACTERISTICS

Annual Operating Cost	\$115,000
Start-Up Cost	\$100,000
State	Michigan
Success Rate	35%
Number of Residents Served Annually	30

First, we present the economic impact of a representative MARR-certified organization across 15 years with no time lag of benefits (Table 2).

TABLE 2. ECONOMIC IMPACT OF A REPRESENTATIVE MARR-CERTIFIED RECOVERY HOUSING ORGANIZATION OVER 15 YEARS WITH NO TIME LAG OF BENEFITS

Variable	Output
<i>Total Residents Served</i>	450
<i>Total Benefits</i>	\$112,142,882
<i>Total Costs</i>	\$1,406,981
<i>Net Benefits</i>	\$110,735,901
<i>Avoided Criminal Justice Costs</i>	\$2,838,783
<i>Avoided Healthcare Costs</i>	\$3,430,952
<i>Avoided Productivity Costs</i>	\$10,012,475
<i>Reduced Premature Mortality/Morbidity</i>	\$95,860,672
<i>Total Return on Investment</i>	\$78.70

Over the course of 15 years, a representative MARR-certified organization in Michigan serves approximately 450 residents. The total present value of economic benefits is approximately \$112 million. Of these benefits, approximately 3% are due to avoided criminal justice costs (\$2.8 million), 3% are due to avoided healthcare costs (\$3.4 million), 9% are due to avoided productivity costs (\$10 million), and 85% are due to other benefits in the form of reduced

premature mortality and morbidity (\$95.9 million). The present value of total costs is approximately \$1.4 million. The present value of the net benefits (i.e., the total benefits minus the total costs) is approximately \$110.7 million over 15 years. The total return on investment of the organization over the course of 15 years is \$78.70 dollars per dollar invested.

Next, we show how our results from the model will change based on more conservative modelling of the recovery process.

TABLE 3. ECONOMIC IMPACT OF A REPRESENTATIVE MARR-CERTIFIED RECOVERY HOUSING ORGANIZATION OVER 15 YEARS ACROSS DIFFERENT MODELS OF RECOVERY

Variable	No Lag	2-Year Lag	5-Year Lag
<i>Total Benefits</i>	\$112,142,882	\$104,523,429	\$77,279,257
<i>Total Costs</i>	\$1,406,981	\$1,406,981	\$1,406,981
<i>Net Benefits</i>	\$110,735,901	\$103,116,447	\$75,872,275
<i>Avoided Criminal Justice Costs</i>	\$2,838,783	\$2,645,904	\$1,956,246
<i>Avoided Healthcare Costs</i>	\$3,430,952	\$3,197,838	\$2,364,318
<i>Avoided Productivity Costs</i>	\$10,012,475	\$9,332,186	\$6,899,739
<i>Reduced Premature Mortality/Morbidity</i>	\$95,860,672	\$89,347,500	\$66,058,954
<i>Total Return on Investment</i>	\$78.70	\$73.29	\$53.93

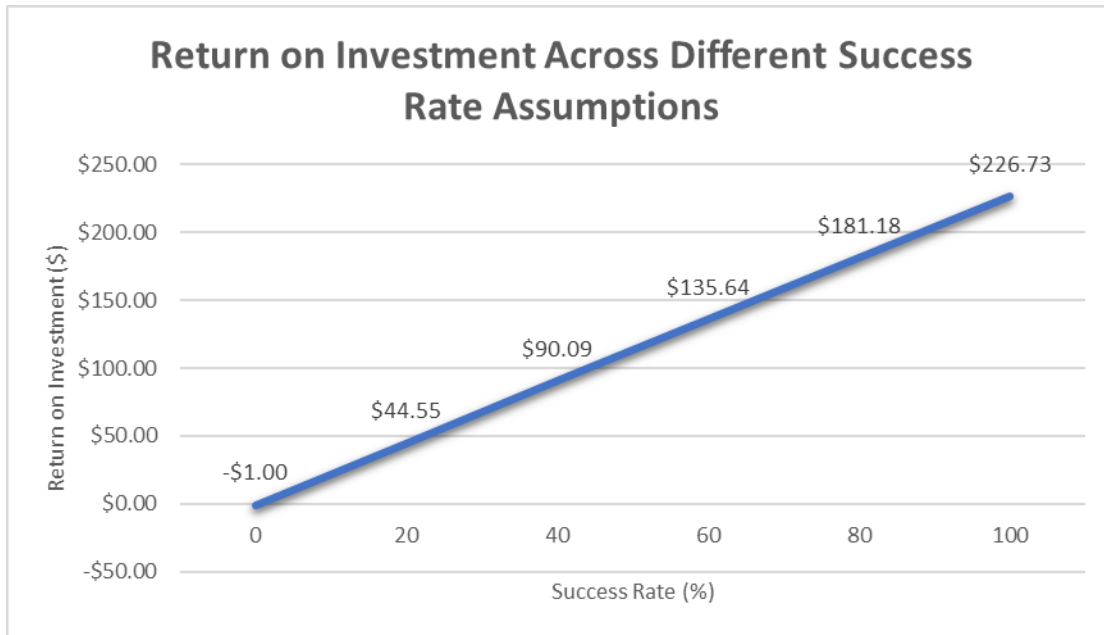
Accounting for the lag in benefits that may be associated with recovery decreases the net benefits of the organization by approximately 7% under the two-year time lag assumption or approximately 31% under the 5-year time lag assumption. However, even under the most conservative modelling of recovery involving a 5-year time lag of benefits, the net benefits of the organization are positive at \$76 million and the return on investment is \$54 per dollar invested.

As the success rate of the organization can be the most difficult to estimate accurately and is often most important to funders, we also calculate the present value of net benefits and total return on investment for different success rates (Table 4). In this analysis, we use the baseline recovery model that does not incorporate any lag in benefits.

TABLE 4. NET BENEFITS AND TOTAL RETURN ON INVESTMENT FOR A REPRESENTATIVE RECOVERY HOUSING ORGANIZATION OVER 15 YEARS ACROSS DIFFERENT SUCCESS RATE ASSUMPTIONS

Success Rate (%)	Net Benefits	Total Return on Investment
0	-\$1,406,981	-\$1.00
20	\$62,674,670	\$44.55
40	\$126,756,300	\$90.09
60	\$190,838,000	\$135.64
80	\$254,919,600	\$181.18
100	\$319,001,300	\$226.73

FIGURE 1. RETURN ON INVESTMENT FOR A REPRESENTATIVE RECOVERY HOUSING ORGANIZATION OVER 15 YEARS ACROSS DIFFERENT SUCCESS RATE ASSUMPTIONS



We find that even with an individual organization’s success rate as low as 20%, the present value of net benefits is positive at \$63 million over 15 years. As the success rate of the organization increases, the net benefits increase, with net benefits reaching a maximum of approximately \$319 million over 15 years when the success rate of the organization is 100%.

ECONOMIC IMPACT OF ALL MARR-CERTIFIED RECOVERY HOUSING ORGANIZATIONS

In this section, we present the total economic impact of all MARR-certified recovery housing organizations (N = 64).¹⁰ Specifically, we use estimates of the operating costs and start-up costs provided by the 13 MARR-certified organizations and assume that the 51 MARR-certified organizations that did not provide data have median operating and start-up costs. Across all MARR-certified recovery housing organizations, the total amount spent on operating costs annually is \$15,337,000 and the total amount spent on start-up costs is \$7,890,000. Across all MARR-certified recovery housing organizations, 3,589 residents are served annually.

Table 5 provides an overview of the total economic benefits, costs, and return on investment of all MARR-certified houses across 15 years.

TABLE 5. ECONOMIC IMPACT OF ALL MARR-CERTIFIED RECOVERY HOUSING ORGANIZATIONS OVER 15 YEARS

<i>Variable</i>	<i>Output</i>
<i>Total Residents Served</i>	53,835
<i>Total Benefits</i>	\$13,362,771,006
<i>Total Costs</i>	\$185,966,511
<i>Net Benefits</i>	\$13,176,804,494
<i>Return on Investment</i>	\$70.86

Over the course of 15 years, MARR-certified recovery housing organizations serve approximately 53,835 residents. The total present value of economic benefits for all organizations is approximately \$13.36 billion. The present value of total costs is approximately \$185.97 million. The present value of the net benefits (i.e., the total benefits minus the total costs) is approximately \$13.18 billion over 15 years. The total return on investment of the organizations over the course of 15 years is \$71 dollars per dollar invested.

Next, we show how our results from the model will change based on more conservative modelling of the recovery process.

TABLE 6. ECONOMIC IMPACT OF ALL MARR-CERTIFIED RECOVERY HOUSING ORGANIZATIONS OVER 15 YEARS ACROSS DIFFERENT MODELS OF RECOVERY

Variable	No Lag	2-Year Lag	5-Year Lag
<i>Total Benefits</i>	\$13,362,771,006	\$12,454,848,793	\$9,208,475,716
<i>Total Costs</i>	\$185,966,511	\$185,966,511	\$185,966,511
<i>Net Benefits</i>	\$13,176,804,494	\$12,268,882,282	\$9,022,509,205
<i>Return on Investment</i>	\$70.86	\$65.97	\$48.52

Accounting for the lag in benefits that may be associated with recovery decreases the net benefits of the organizations by approximately 7% under the two-year time lag assumption or approximately 32% under the 5-year time lag assumption. However, even under the most conservative modelling of recovery involving a 5-year time lag of benefits, the net benefits of the organizations are positive at \$9.21 billion and the return on investment is \$49 per dollar invested.

CONCLUSION

In this report, we examine the economic costs and benefits associated with MARR-certified recovery housing organizations including the economic impacts of a representative MARR-certified organization and the cumulative impact of all MARR-certified organizations. We find that there are significant economic benefits associated with recovery housing in Michigan, with a representative MARR-certified recovery housing organization yielding an estimated \$76 million in net economic benefits over the course of 15 years under the most conservative modelling of recovery. Further, we find that all MARR-certified recovery housing organizations yield approximately \$9.21 billion in net economic benefits over 15 years under the most conservative modelling of recovery.

The methods within this report have a few limitations to consider. First, the Fletcher Group Economic Calculator does not capture all the costs or benefits associated with recovery. Our model does not account for the generational impacts of SUD, nor the impact SUD can have on children whose caregivers have a SUD. Further, we do not account for all the public assistance and prevention costs that are associated with SUD. On the cost side, we do not account for the lost utility individuals may face from withdrawing from different substances. Our model focused on the largest, most reliably quantified costs and benefits associated with recovery support services for which data is available, to provide an estimate of the economic costs and benefits. Second, our estimations are based on a relatively limited sample of data, with only 13 of the 64

total MARR-certified recovery housing organizations providing their economic characteristics. As such, our data and recovery housing organization characteristics may not be truly representative of an average MARR-certified organization. Similarly, our total estimated impact of MARR-certified organizations may be biased due to the unrepresentative nature of our data.

Despite limitations, ensuring that the supply of recovery support services, such as quality recovery residences are available to residents in Michigan with SUD is imperative to reduce the morbidity and mortality associated with SUD. Recovery housing is a critical resource in responding to health-related social need that may have duplicative impacts if accessed – representing a potential door to accessing other recovery supports. Future work should aim to engage a more representative group of recovery housing operators on the importance of measuring the impacts of the service they provide and its potential associated cost-savings.

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