



# Beyond Treatment

## How Clubhouses for People Living with Serious Mental Illness Transform Lives and Save Money

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## Executive Summary

*This report contributes to the much-needed mental health reform efforts taking place at the national, state, and local levels by demonstrating how community-based social support for people living with serious mental illness can transform lives and save money, especially when including the full array of public and social costs. It does so by focusing on one form of social support — the evidence-based practice known as clubhouses, which research shows improves quality of life. It provides data and analysis that shows such a form of therapeutic intervention can save more than \$11,000 a person; when extrapolated to the current 60,000 people attending clubhouses (known as members), that amounts to a national savings of almost \$700 million annually. This figure could be far higher if more of the 15 million people in the U.S. living with serious mental illness had access to these programs. In addition, by providing an approach that accounts for the full spectrum of social costs, this report provides a much-needed alternative starting point for policymakers to evaluate the economic impacts of different therapeutic interventions.*

The United States spends an estimated \$280 billion annually on health care, with 60 percent of those dollars funding services for people with a serious<sup>1</sup> mental illness — one severe enough to substantially disrupt or limit their lives (White House 2022).<sup>2</sup> Yet even this number overlooks secondary costs to society that rise exponentially when individuals with a serious mental illness lack the non-clinical treatment and community-based social support needed to manage their mental illness and bolster their ability to thrive. Beyond the direct toll on these individuals, the annual costs to society not incorporated in traditional accounting include an estimated \$193 billion in lost wages and \$24 billion in disability benefits (Substance Abuse and Mental Health Services Administration 2021). Other unaccounted-for costs include those associated with repeated emergency room visits and the use of law enforcement as a default resort for an individual in crisis.

Accurate cost estimates would not only incorporate such secondary costs but go a step further to compare the full costs and benefits of a particular program or type of service for people with a serious mental illness with the costs society (and individuals) are likely to incur in its absence. This is precisely the information government and the private sector need to make informed decisions about how to effectively allocate limited resources. The economic model and initial findings described in this paper represent an important step in that direction.

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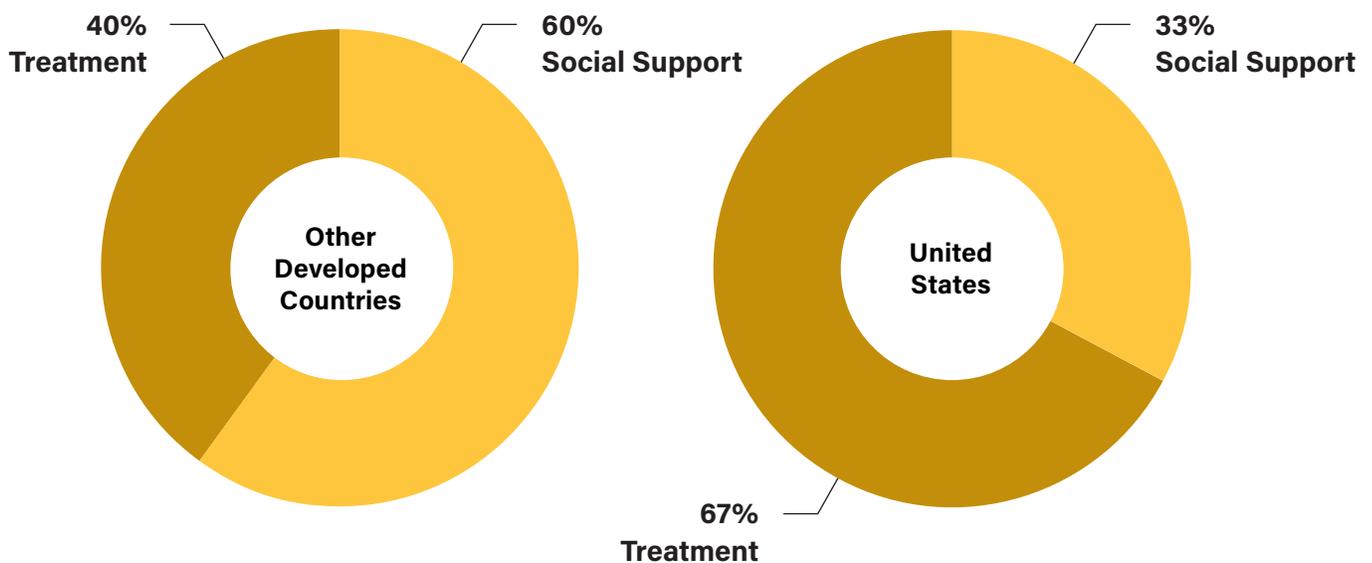
1 The National Institutes of Health defines serious mental illness as “a mental, behavioral, or emotional disorder resulting in serious functional impairment, which substantially interferes with or limits one or more major life activities.”

2 Recent classification changes that exclude housing and food costs for non-institutionalized individuals artificially suppress the actual cost of mental health services.

The United States spends most of its health care resources for serious mental illness on clinical treatment (such as medication and therapy), with a fraction allocated to fund the community-based social supports people also need to manage their mental illness. These are policy choices. Other developed nations allocate resources differently: Australia and Denmark, for example, each spend two-thirds on community-based support and a third on clinical treatment (Squires and Anderson 2015). *see figure 1.*

Higher health care and justice-related costs in the United States partly drive the distribution of resources. However, it is equally true — and much less recognized — that American policymakers and the public that elects them do not appreciate the critical role community-based social support plays in the recovery process for people living with serious mental illness. The associated lack of investment in such programs contributes to escalating criminal-legal system and health care costs.

**Figure 1. Relative funding for social support vs. treatment: United States compared to other developed countries**



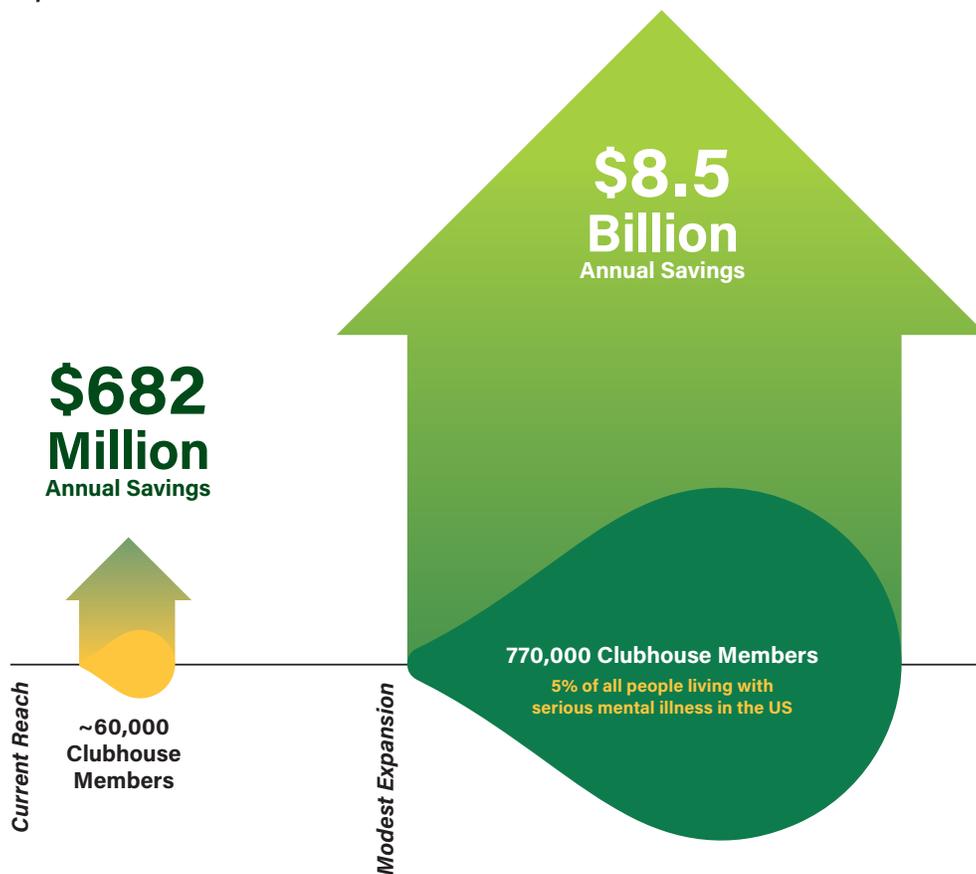
Prior research shows that an investment in social support for people living with serious mental illness may reduce spending on clinical care (Richard G. Frank and Sherry A. Glied, 2019). However, until now, little has been done to quantify the impact of social support on spending across some of the most common drivers of cost — mental and physical health care at all levels, the criminal-legal system, and public benefits — as well as the productivity costs represented by lost wages.

This paper illustrates the level and type of savings that would be possible using a leading model of community-based social support: the clubhouse model of psychosocial rehabilitation. It shows that this model saves a total of \$11,374 a year for every individual receiving clubhouse services

— known as a “member.” Moreover, savings are likely to double when people with schizophrenia — who have 28 percent higher hospitalization costs than the average person with serious mental illness — have access to a clubhouse.

The roughly 60,000 people currently participating in clubhouses each year already yield an estimated savings of *at least* \$682 million annually. Expanding clubhouses to serve even 5% of the 15.4 million Americans living with serious mental illness (Substance Abuse and Mental Health Services Administration 2023) would significantly improve the life trajectories of those 770,000 people in ways that would create savings to society of more than \$8.5 billion a year. *see figure 2.*

**Figure 2. The potential economic benefit of clubhouses**



To unlock these savings, policymakers in government and decision-makers in the private sector should directly support or incentivize the expansion of clubhouses and other forms of community-based social support that save money by transforming lives. Specifically, health care reimbursement systems must embrace a value-based payment model that recognizes social support as a critical component of cost-effective mental health care and make decisions about what programs to fund based on a cost-benefit analysis that encompasses the many different costs society incurs when people with serious mental illness lack social support.

We look forward to working with the broad network of researchers, philanthropists, providers, people with lived experience and other advocates, and public leaders to expand and refine this work.