

I. INTRODUCTION

A. Purpose of this Report

This report presents current and trend estimates of the economic costs of drug abuse in the United States. It was produced for The Office of National Drug Control Policy (ONDCP), which asked The Lewin Group to develop estimates up through calendar year 2002. The most recent previous estimates were for 2000 (ONDCP, 2001). This report is based on and extends the estimates for 2000, incorporating much of the earlier methodology, analysis, and data.

This report also provides estimates for 1992 through 2002 that use consistent methodology and data to the maximum extent possible. These estimates allow general trends in the overall and component costs of drug abuse to be assessed. While some of the cost components have been re-estimated, others have been trended or projected forward based on epidemiological and cost factors. For the majority of components, the most recent data available is from 2001. Also, this study has primarily used the epidemiological factors between drug abuse and particular consequences developed in Harwood et al. (1998).

The methodology has followed guidelines developed by the U.S. Public Health Service for cost of illness studies. These guidelines have been applied in earlier studies of drug abuse in the U.S. (e.g., for 1992, 1985, 1980, and 1977), and to cost of illness studies for virtually all of the major medical problems. Accordingly, these estimates can be compared meaningfully to estimates for e.g., cancer, stroke, heart disease, diabetes, alcohol abuse and mental illness. The National Institute of Health compiles and publishes these estimates in a report to Congress and on the Internet (<http://osp.od.nih.gov/ecostudies/COIreportweb.htm>).

While the “human capital” methodology employed in this analysis is the most frequently applied approach in health cost of illness studies, there are other approaches that could be used to develop estimates of the cost of drug abuse, such as “willingness to pay” (Miller et al., 1998) or the “demographic” approach (Collins and Lapsey, 2002). These alternative methods examine different facets of the economic impacts of drug abuse, and yield estimates that are not methodologically comparable to studies of other health problems in the United States. Analysts must consider which approach is most appropriate for the particular issue they are assessing. For example, the costs of pain, suffering, anxiety, and other intangible impacts of drug abuse are not included in this study. Similarly, this study does not attempt to tabulate the amount spent by drug users on illegal drugs although a portion of what users spend is indirectly included in the estimated cost of crime careers.⁶

Finally, this report provides a detailed description of the data sources, methods and assumptions used to calculate the estimates and projections of the societal costs of drug abuse in the United States for 1992 through 2002. The present estimates have either obtained current data (as recent as 2001) or have used data to adjust for expected changes in incidence or prevalence, population,

⁶ For information on what drug users spend on illegal drugs, consult the 2002 ONDCP report [What American Users Spend on Illegal Drugs 1998-2000](#).

and prices up to 2002. We believe that these estimates are indicative of the direction and magnitude of changes in drug abuse costs between 1992 and 2002. In the near future it will be necessary to carefully re-examine the evolving scientific literature on several issues that were beyond the scope of this study including the relationship between drug abuse and health, morbidity, mortality and crime.

B. Scope of this Report

This study estimates the economic value of many consequences associated with drug abuse. Types of consequences include health problems and health care utilization, effects on productivity, and other costs including crime and social welfare. In this report, we use the phrase “drug abuse” to refer to consequences of illicit use of drugs, as well as societal costs pertaining to the enforcement of drug laws. Illicit drugs include e.g., marijuana, cocaine, heroin, amphetamines, methamphetamines and illicit (non-prescribed) use of legal psychoactive medications and substances such as analgesics, sedatives and solvents. This study does not address costs related to abuse of or dependence on legal substances that may be termed drugs such as alcohol, tobacco, or prescription medications. While the abuse of these substances also has significant societal costs these costs are not addressed in this study.

This study did not collect primary data, but rather conducted analyses of secondary data sources. Furthermore, this study did not fully re-estimate the value of each cost component. When a cost component could be fully re-estimated based on simple tabulations of data from a published source, the value of the component was re-estimated. However, when the information necessary to fully re-estimate a component value was not readily available from a published source, we identified trend factors based on published statistics whose values are expected to parallel changes in the value of the components and applied these trend factors to the original estimates. The specific data items as well as sources for the data are identified in this document.

The basic approach taken to calculate the updates presented in this report was to divide the 1992 estimates from Harwood et al. (1998) into 32 components. Then, we assessed whether the value of each component could be re-estimated through straightforward tabulation of published data. When this was the case, we gathered the necessary data (which can be found in this document) and re-estimated the component. We were able to re-estimate values for 22 of the 32 components, and these are identified in the report. For the remaining 10 components, either the data necessary to develop new estimates was not available, or it would have required too much time and too many resources to re-estimate the component within the time to do this study. Therefore, trend factors based on published statistics whose values are expected to parallel changes in the value of the components were estimated and applied to the original estimates to calculate the updated estimates.

This study subdivides the estimates of the costs of drug abuse into health care, productivity losses, and other effects (including crime costs). There are other ways of disaggregating the cost estimates that may be of interest to policy makers that were not attempted in this study. These include the following:

- The societal cost of particular illegal drugs (e.g., heroin, cocaine, or marijuana);

- The effect of different modes of drug consumption (e.g., injection, smoking or oral); and
- The implications of different potencies or levels of use of the drugs under consideration.

The results of this study were not designed to address specific policies to control drug abuse or the alternatives of drug prohibition versus legalization. The purpose of this study is to identify and quantify particular negative consequences of the abuse of illicit drugs. These data may inform or more likely motivate the evaluation of particular policies. However, this study has not undertaken specific policy evaluations.

C. Overview of This Report

Following the guidance for cost-of-illness studies adopted by the Public Health Service (Hodgson and Meiners 1979, 1982), this report is organized to differentiate health costs from non-health costs and the value of goods and services from the value of lost productive potential. The remaining chapters are organized as follows:

- Chapter II reviews the previous literature and provides an overview of the analytic methods that are used in this study.
- Chapter III describes in detail the data and estimation methods used to derive each of our cost of illness component estimates. This chapter is divided into several major sections, one for each major cost component. The major cost components are: health care costs, productivity losses, and the cost of other effects. The final section discusses the reliability of the estimates.
- Chapter IV summarizes and presents the costs estimates from 1992 through 2002 in current year dollars, presenting them in the major cost categories: health, productivity, “other” impacts, crime-related, direct and indirect.
- Chapter V presents further analyses. This includes comparisons of the economic cost of drug abuse with cost data on other health problems in the United States as well as several cost estimates for other nations. Also, the trends in costs from 1992 through 2002 are presented. Final thoughts are provided about the estimates.