

Integrating Cost Studies into Drug Research

As Member States begin their studies to measure the economic impact of drugs, we must address the need to make costing research integral to drug research as a whole. CICAD's program to Estimate the Human, Social and Economic Costs of Drugs in the Americas has been in progress for approximately a year and a half. The four pilot countries that took on the task of testing the CICAD costing methodology are showing concrete results. Along with the progress comes a series of lessons learned that will shape the direction of future cost studies carried out in the Americas.

What comprises the CICAD costing methodology?

Countries such as the Canada, the United States, New Zealand and others have carried out economic impact studies for years, and have been pivotal in establishing the standards for carrying out costing studies internationally. The Canadian Centre on Substance Abuse (CCSA), in collaboration with the World Health Organization, created a set of International Guidelines for carrying out Cost Studies. CICAD considers these guidelines to represent the "gold standard" to which basic cost studies should aspire. Nevertheless, most developing countries are unable to follow the guidelines as a whole because they lack the basic infrastructure to gather information that is taken for granted in larger countries.

In order to develop a methodology that corresponds to the international standards established by the CCSA working group, the CICAD research team has identified seventeen indicators that we believe represent the essential basic information from each of the social sectors most directly impacted by the drug problem.

These indicators are divided into two levels of difficulty¹. The first level represents primarily **direct cost information** that in most cases should be obtainable from basic, public registries.

1. Number of requests for treatment in public and private institutions
2. Number of deaths or severe injuries associated with consumption as a result of homicides, accidents, or suicides
3. Number of convictions and length of sentence for drug trafficking
4. Number of prisoners for committing offenses and crimes associated with consumption (as a cause or a consequence)
5. Consumption studies among the population in general, students, or workers

¹ The first edition of the Research Manual for the CICAD Program to Measure the Human, Social, and Economic Cost of Drugs in the Americas originally divided the indicators into three levels of difficulty. In response to the success the pilot countries had in obtaining most of these data, the indicators were later reorganized into two levels of difficulty.

6. Number of hospital admissions for consumption and length of stay
7. Number of arrests for possession and consumption; time of duration and number of persons involved in the action
8. Number of persons in treatment, type of treatment and duration of treatment.

The second level represents indicators that are more complex, and hence more difficult to obtain. The second level of difficulty also involves indicators on **indirect costs**, which will be developed based on the experience with the direct cost indicators. These include:

9. Destruction of physical assets
10. Follow-up of persons who have been in treatment (cost/effectiveness)
11. Methodology for calculating the loss of labor productivity
12. Economic costs of premature mortality
13. Economic costs of absenteeism
14. Social impact from the loss of goods (tangible and intangible)
15. Economic loss due to morbidity
16. Opportunity cost for consumption of psycho-active substances

Where are the pilot countries in their progress?

The costs program is running well. As of November 2003, three countries are ahead of schedule. Utilizing small focused studies to obtain missing information, these countries have produced estimates on the economic impact of drugs corresponding to the first six indicators. Costa Rica is carrying out a study among detainees in prison for drug-associated crime. The final report from this study, will show estimates of the economic burden of drug associated crime on the prison system, will be ready by the end of 2003.

Barbados prepared a simple and elegant study on the direct costs of drug use to the government. This included costs associated with prevention and treatment activities. In early 2004, Barbados plans to carry out two studies. The first will be a study similar to the study on arrestees in Costa Rica, which will estimate the economic burden on the prison system. The second study will utilize the CICAD SIDUC instrument to carry out a survey of emergency rooms in order to estimate the economic burden of drug use on the hospital system.

What type of obstacles have the pilot countries encountered along the way?

In most countries, the basic data to produce the estimates of direct costs already existed in the form of registries, public records and other information. The difficulty encountered by most of the pilot countries is that the information is not necessarily encountered in a format that makes it easy to produce cost estimates. The pilot countries invested human resources in compiling and validating the data from the different areas (treatment centers, government records, and so on). In some cases this investment was simple and straightforward, as in the case of Barbados, where the country was able to contract an individual who was responsible for compiling, and validating the information.

In the case of Mexico, the largest country, this required a greater amount of investment of human resources. Mexico needed to obtain cooperation from a variety of institutions, both within and outside the government. This was very time consuming, despite the fact that the information itself was available. The lesson learned highlights the need for cooperation among government agencies in order to secure the necessary information at each step of the process.

Intimately tied to political cooperation is the issue of leadership within the system. When the head of Mexico's anti-drug commission left unexpectedly, the commission's lines of communication with other institutions supplying them with information broke down. This was because the political cooperation they had achieved was directly related to the leadership of the drug commission and not integral to the cost project itself. Reestablishing contacts and re-opening lines of cooperation created some obstacles to Mexico's completing their work on time, although they did manage to meet their goals for 2003.

Through experience, some countries learned of the need to begin the costing study by focusing on the most basic information before moving on to more complex research. One country prepared a highly interesting study on social costs. However, the study itself was expensive and complex. Although the country carried out the study to its fruition, they were unable to focus on basic data needed to respond to the level 1 indicators. As a result, although the country obtained information interesting and useful to the cost program, and of use to that country's particular interest in social costs, they fell behind overall in their costing work, and were unable to complete the basic level indicators on schedule.

The CICAD program is not meant simply to carry out a single cost study that will remain static in time, but rather to supply each country with those basic building blocks that comprise a complete cost study so that they may apply those tools over time and develop cost estimates as an integral part of their drug research system. Failure to build the basic infrastructure, either by not establishing leadership or by not developing the basic tools, can be fatal to a cost study, indeed to any project.

What do the Countries Gain from Costing Studies?

When it comes to international programs and policies, costing studies form the basis of infrastructure building. Recently, institutions such as the World Bank have been criticized for enabling poor countries to maintain their status quo rather than build themselves into stronger countries, because those institutions' programs simply amount to "handouts" that are unsustainable over time.

The CICAD Cost Program arose out the Multilateral Evaluation Mechanism which was implemented by CICAD/OAS in 1999 and provides the OAS Member States with a forum to evaluate each other on their progress in the drug war. The CICAD Cost Program was first proposed through this mechanism as a means of providing the Member States with a **sustainable** means of measuring the economic and social impact that the drug problem is imposing on their societies.

Sustainability of programs is the *sine qua non* of development. The Cost Program allows Member States not only to produce data that informs policy and strategy creation,

but also to put in place the building blocks necessary for sustainable research and information-gathering in the long term.

An excellent example of the usefulness of costing studies to long term strategy development comes from the experience in Washington, D.C. In May 2001, Mayor Anthony Williams established the “Inter-agency Task Force on Substance Abuse Prevention, Treatment and Control” (the Task Force), which was commissioned to oversee Washington D.C.’s drug abuse policies and formulate the drug abuse reduction strategy.

The early findings of the Task Force’s study were that although efforts such as law enforcement do not have specific dollar amounts attached to them that are readily identifiable in the agency’s budget as pertaining to drugs, a significant portion of their activities are often related to drug control. The study concluded that overall Washington DC spent approximately 136 million dollars on programs to reduce substance abuse in the District (4% of the total DC budget for 2001). However, once federal funds for law enforcement, prisons and other treatment and prevention programs were taken into account, the Task Force realized that **direct** expenditures for drug related activities actually surpassed 360 million dollars in 2001. On top of this, services that are **indirectly** related to the drug problem are taken into account this figure jumps even further. For example, the Task Force estimated that as much as 70% of child protection cases are a consequence of drug abuse in the family. The cost of managing these cases increases the drug cost estimated by an additional 118 million dollars per year, above and beyond the 360 million in direct costs.

These costs are taken up in most cases by state and federal government, and in the end are borne by the general population. The Task Force recognized the importance of understanding the economic burden that the drug problem places on society, directly and indirectly, and has made costing studies an integral part of their strategy. This has been essential in helping them to target their goals and actions to address the drug issue in as many areas as possible. Without the basic research to point out the investments, returns, and gaps in the strategy, such targeting would not be possible.

Many governments generate occasional reports or irregular studies on the cost and benefit of specific programs. However, in order to be able to create a comprehensive plan to address the drug problem and its effect on their societies, the Member States must recognize that the utility of costing studies will be fully realized only when it becomes an integral part of their drug strategies’ structure. The countries themselves stand to gain or lose the most according to the efforts they place in the building of their own research infrastructure, and its sustainability.