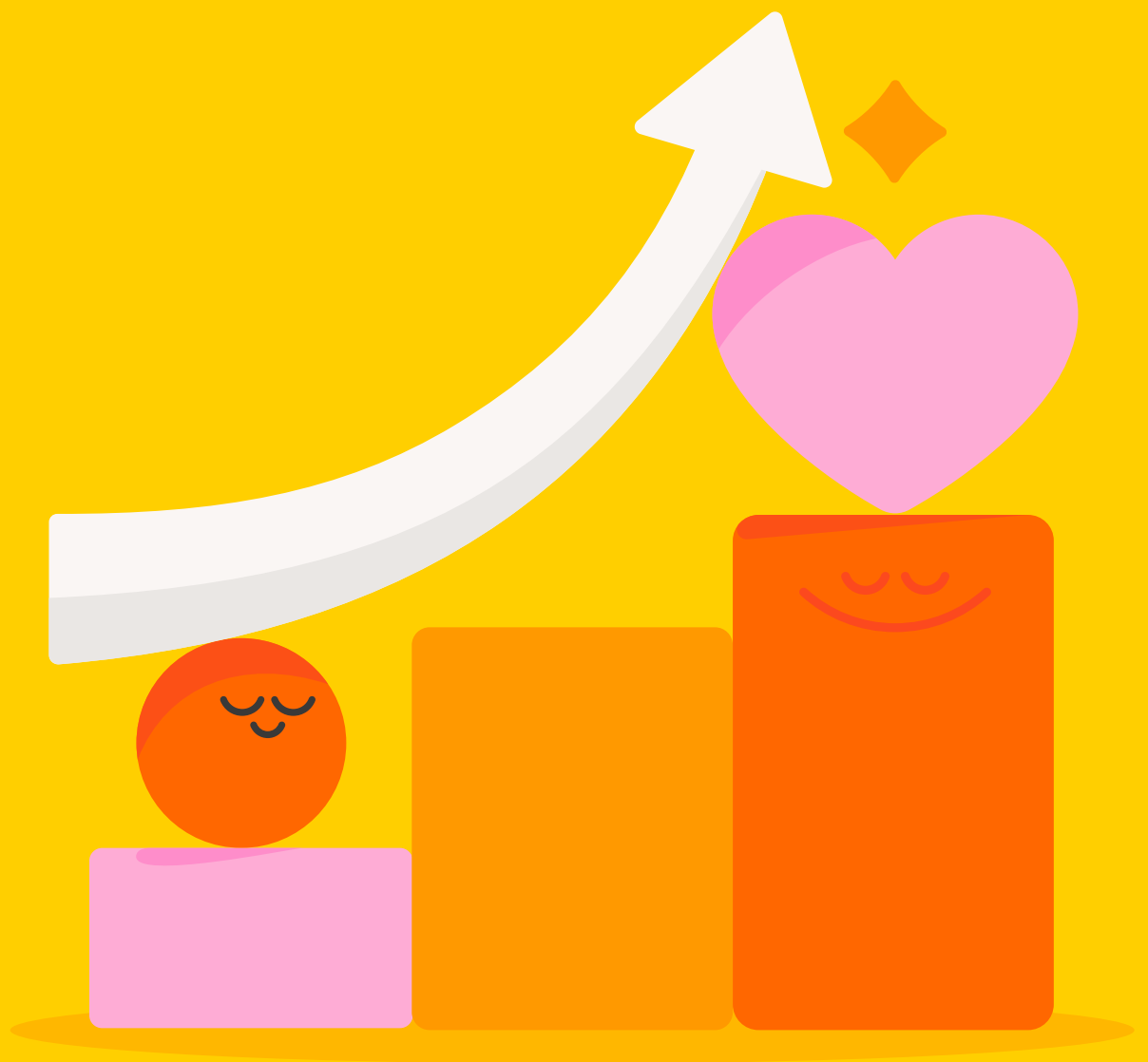


# The Business Case for Investing in Mental Health



By now, it's clear that supporting mental health and well-being is a workplace imperative. Mental health now costs the global economy \$1 trillion<sup>1</sup>, and in 2021, 76%<sup>2</sup> of US workers reported at least one mental health symptom.

Benefit buyers are in a challenging position — there's a new understanding of the growing need for mental health services in the aftermath of the pandemic, but the current economic environment leaves many with a tight benefits budget. With mental health spending increasing year over year, and every benefit dollar being scrutinized, it feels impossible to save money and deliver quality care.

With Headspace, you don't have to make that tradeoff. You can deliver high-quality mental healthcare to your employees — and do it at an affordable cost.

Keep reading to learn why *now is the time* to invest in a high-quality, cost-effective mental health solution, and create a customized business case for your organization.

# Ignoring workforce mental health is expensive

Understanding the costs of mental health at a business level isn't exactly straightforward. Some of the direct costs are more obvious, but under the surface there are hidden financial impacts that are harder to quantify.

## Direct Costs

Medical and Prescription spend on mental health services  
(e.g., therapy sessions, inpatient mental health care, antidepressant medications)

## Indirect Costs

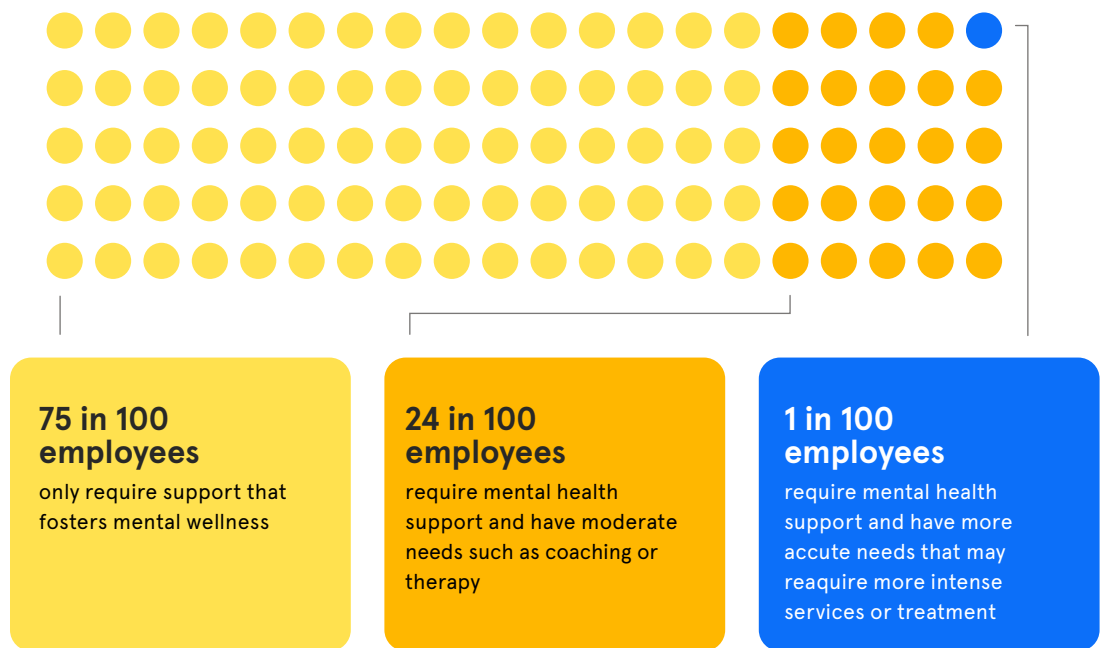
Medical and prescription spend on comorbidities (e.g., increased spend for someone with depression and diabetes)	Increased future spend due to a lack of early intervention	Lost productivity	High employee turnover	Talent attraction
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## Direct costs

### Medical and prescription costs on mental health services

The spend on mental health claims has been growing over the last decade, and it's not slowing down. Overall business spend on mental health services as a percentage of total spending jumped from 6.8% in 2013 to 8.2% in the first year of the pandemic.<sup>3</sup> And over the next decade, mental health is expected to be the largest driver of healthcare costs among millennials.<sup>4</sup>

On top of the increased demand for mental health services, a primary driver of spending is the immediate escalation to the highest level of care. Not everyone needs therapy. In fact, a recent McKinsey analysis found that only 25% of people actually need some level of clinical support. Despite this, therapy is usually the only option considered to address mental health issues. At around \$200 a session, therapy is expensive for both employees and employers.<sup>5</sup>



<sup>4</sup> "Using digital tech to support employees' mental health and resilience," [McKinsey](#), 2021.

#### HOW TO ESTIMATE MEDICAL AND PRESCRIPTION COSTS ON MENTAL HEALTH SERVICES

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

OR [Contact Headspace](#) for a discovery conversation and estimate of current mental health spend based on your employee demographics (age, gender, geography).

## Indirect costs

### 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.<sup>7</sup> These comorbidities can be costly – a 2020 Milliman report found that average annual healthcare costs for people with mental health conditions are 2.8-6.2x higher than those without.<sup>8</sup>

#### HOW TO ESTIMATE MEDICAL AND PRESCRIPTION COSTS FOR COMORBIDITIES

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

### 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 larger issues that require clinical support, like inpatient care or ER visits. Eliminating unnecessary emergency care use for mental illness could save about \$4.6 billion annually.<sup>9</sup>

### Lost productivity

Employees battling mental health issues are more likely to miss work. When people are depressed, they miss an average of 31.4 days per year.<sup>10</sup> And it's not just absenteeism that increases. According to the American Psychiatric Association, employees with depression experience a 35% reduction in productivity.<sup>11</sup> This loss results in costs for companies – absenteeism due to depression costs \$4,900 per employee, while presenteeism costs \$4,550.<sup>12</sup>

#### HOW TO ESTIMATE LOST PRODUCTIVITY

Conduct a quarterly or bi-yearly employee pulse survey to understand how stress and mental health impacts daily life for your employee population.

- Ask 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 feeling burnt out.

## High turnover

Research has found that employees with mental health issues are more likely to leave their jobs. 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.<sup>13</sup> Replacing an employee is costly – on average, employers spend between \$4,000 and \$7,000 to replace employees.<sup>14</sup>

### HOW TO ESTIMATE YOUR TURNOVER RATE

Request an analysis from your Human Resource Information System vendor on year-over-year employee retention.

- Analyze the results by tenure. If people are leaving faster than the normal retention rate in your industry, your employees may be experiencing burnout.

Conduct exit surveys to understand whether burnout contributes to turnover.

## Talent attraction

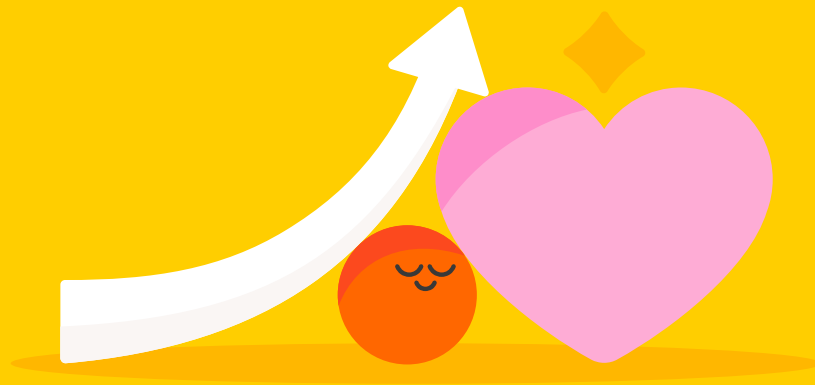
On the heels of the Great Resignation, employees are demanding more from their employers. A recent survey by the American Psychological Association found that 81% of individuals want a workplace that supports mental health.<sup>15</sup> In a competitive job market, a lack of investment in mental health means losing top candidates.

### HOW TO ESTIMATE TALENT ATTRACTION

Review your applicant tracking system to assess the # of hires made where mental health benefits were a key factor in their decision.

Conduct a survey among your recruiting team that asks how frequently mental health benefits are mentioned in candidate conversations.

Conduct exit surveys to understand why employees might be leaving for new jobs, and whether benefits are an influential factor.



# Why Headspace?

## A lower cost solution with big impact

Headspace meets employees where they are with a proactive, end-to-end system that supports people at the right level of care for their needs. Our differentiated solution results in direct savings, increased access to high-quality care, and downstream indirect savings.



## Direct Savings

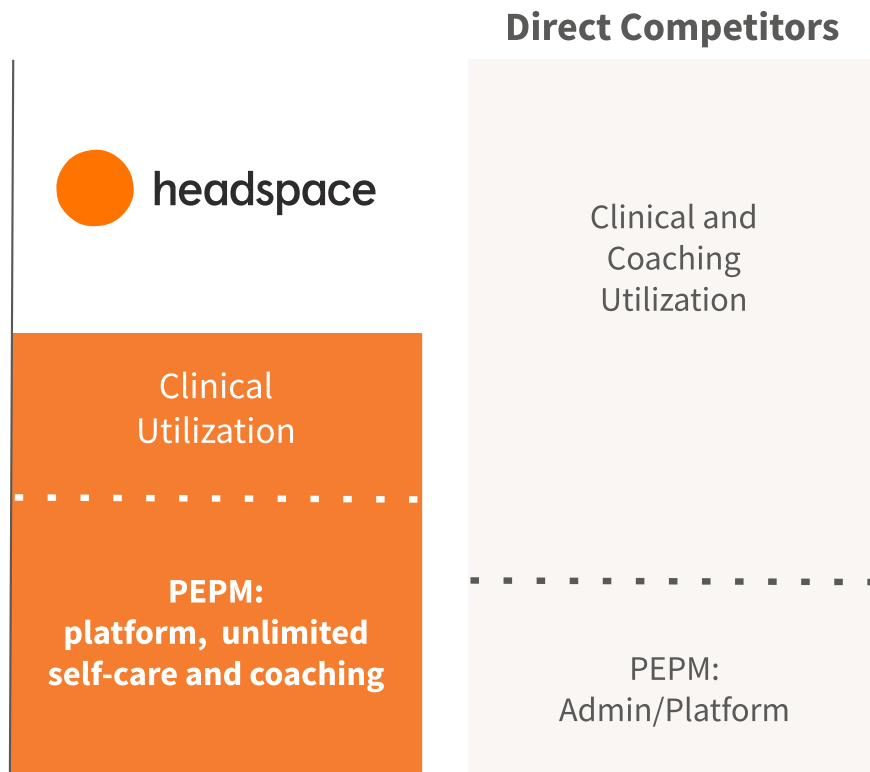
### Lower total costs

Compared to other digital mental health solutions, Headspace is the most cost-effective mental health solution on the market.

Our proactive, stepped-care model meets members with different levels of care instead of immediately directing everyone to therapy. To ensure the right level of care for every member, our model relies on a world-class provider team, robust clinical processes, and innovative technology, proven through extensive research to deliver outcomes.

Our pricing model reflects our mission to deliver proactive, appropriate care. We include unlimited coaching and self-guided care in our flat PEPM fee, and a majority (75-80%) of members are supported through these services alone. This means that the majority of your team gets access to mental healthcare for a predictable, low cost. For the smaller group of members that need clinical care, our evidence-based care approach delivers the right number of sessions for their unique needs, and steps them back down to coaching and self-guided care when they're ready.

What does this mean for you? More members receiving evidence-based care, lower variable costs, and lower total costs.



### Offsetting unnecessary mental health spend

Headspace’s team-based care model ensures that members get the right level of care. By shifting unnecessary therapy and psychiatry visits to high-quality coaching and self-guided care, Headspace helps businesses save.

To project savings, we developed a business case model with Accorded, a third party actuarial firm. The model relies on inputs from peer-reviewed outcomes data, book of business engagement data, and claims data for 25M+ members from the Merative® MarketScan® Commercial Claims Database.

### This business case model estimates spending and access three ways:

- 01 ————— How much an employer is currently spending on medical and prescription claims
- 02 ————— How much an employer would spend in their current delivery model if they were meeting their utilization goals
- 03 ————— How much an employer would spend meeting their utilization goals with Headspace

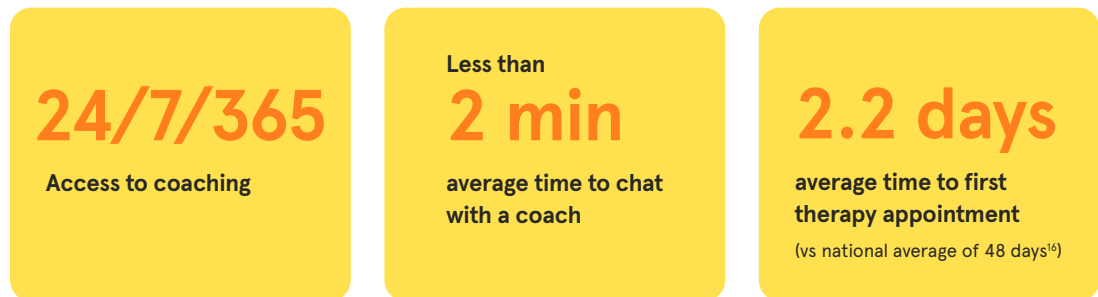
The model demonstrates how Headspace increases access to care while also reducing the per patient mental healthcare spend. For example, in one case, an employer would increase mental health utilization by 250%, while reducing mental health spend by 3%.

## Access to engaging and high-quality care

### Improved access

Gone are the days of long wait times for mental healthcare. Headspace brings together multiple modalities of care to ensure timely access for all members. Unlimited coaching and self-guided care allow subclinical members to get support anytime, while therapy and psychiatry deliver care to people with more acute needs.

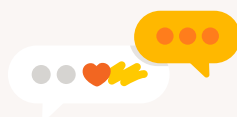
With our model, more members get access to the right care at the right time.



### Better engagement

Members know and love Headspace – we’re the only mental health and well-being brand that garners instant recognition. Our solutions have been downloaded by 100 million+ people worldwide, and our 70+ NPS score validates the love people have for our product.

Our well-known and loved brand reduces the stigma associated with mental healthcare and gets people engaged. Our brand, alongside engagement tools that empower clients to promote our services, does the heavy lifting of getting people in the door. From there, our world-class app experience and expert care team gives members the flexibility to step up or down across the continuum of care as their mental health needs change. Our continuous care model means members are supported every step of their unique journey.



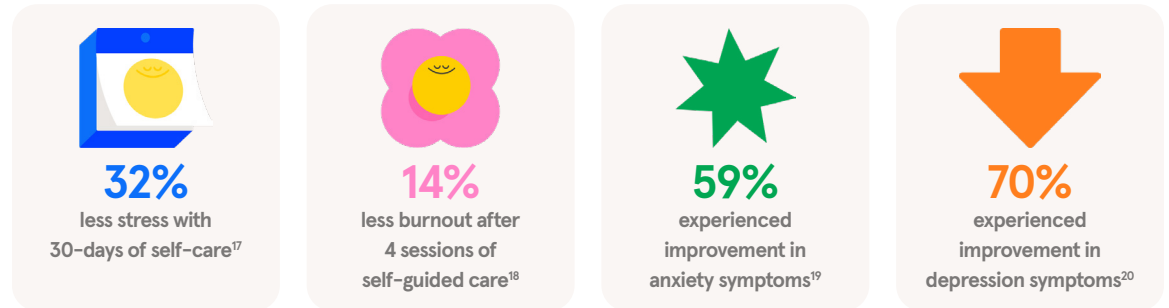
**“Headspace has been a consistent source of support for our employees and our business through times of change and uncertainty. Wag! is proud to offer support for mental health and well-being to assist our employees through different life stresses and challenges. Employees thrive personally and professionally with Headspace by their side.”**

– Wag! Benefits Buyer



## Better outcomes

In 50+ studies published in leading peer-reviewed journals, Headspace is shown to drive outcomes like reduced stress, improved focus, increased resilience, and reduced burnout. Our product consistently delivers positive outcomes in a number of subclinical and clinical areas.



## Indirect Savings

### Reducing future spend

In addition to shifting expensive therapy claims to lower cost coaching, employers see downstream financial impact because of the preventive nature of our product. With easy access to coaching, mindfulness, and self-guided care, more of your team can build emotional strength and resilience, reducing the number of people needing more costly mental health services. According to a joint analysis by the National Academies of Science, Engineering and Medicine, every \$1 invested in mental health prevention services yields \$2 to \$10 in savings.<sup>21</sup>

### Increased productivity

Improved mental health outcomes means happier, healthier employees. Our results from a [published study](#) show that, on average, members working with a coach and/or clinician felt an increase of 3 healthy and productive days after 30 days. To assess this increase in productivity, we utilized the health-related quality of life (HRQoL) tool from the CDC's "Healthy Days" measurement. "Healthy Days" estimates the number of recent days when a person's physical and mental health was "good" using a set of four assessment questions.

This increase in productivity represents a potential savings of \$1,200 per employee, based on an average wage of \$50/hour.<sup>22</sup>

# The care your team deserves

Headspace helps businesses meet the rising costs of mental health care, and create a healthier, happier place to work.



With Headspace, benefits buyers don't have to make any trade-offs. They can deliver life-changing benefits in a financially resilient way.

## Get a personalized business case

Most employers recognize the importance of mental health, and genuinely want to make an impact for their employees. However, they don't always know where to start. **Headspace helps you build the case internally.**

**REACH OUT TO US FOR A CUSTOMIZED BUSINESS CASE. WITH A DISCOVERY CONVERSATION AND A CENSUS FILE, WE CAN HELP YOU**

Calculate your estimated current spend on mental healthcare

Project direct and indirect potential savings by partnering with Headspace

Articulate why Headspace is the best solution for your organization and how we compare to other potential options

Understand the access, engagement, and outcomes impact, and demonstrate the cost of waiting to make the switch

Ready to learn more?

Contact us [here](#).



# Appendix

- <sup>1</sup> "Mental Health Matters," [The Lancet Global Health](#), 2020
- <sup>2</sup> "U.S. Surgeon General Releases New Framework for Mental Health & Well-Being in the Workplace," [U.S Department of Health & Human Services](#), 2022
- <sup>3</sup> "What Is Driving Increased Spending on Mental Health Care Services?," [Employee Benefit Research Institute](#), 2022
- <sup>4</sup> "The Economic Consequences of Millennial Health," [Moody's Analytics](#), 2019
- <sup>5</sup> "How Much Does Therapy Cost?," [Forbes](#), 2022
- <sup>6</sup> "Using digital tech to support employees' mental health and resilience," [McKinsey](#), 2021.
- <sup>7</sup> "Diabetes and Mental Health," [Centers for Disease Control and Prevention](#), 2022
- <sup>8</sup> Potential economic impact of integrated medical-behavioral healthcare: Updated projections for 2017, [Milliman](#), 2018
- <sup>9</sup> "Preventable ED Use Costs \$8.3 Billion Annually: Analysis," [Healthcare Financial Management Association](#), 2019
- <sup>10</sup> "What Employers Need to Know About Mental Health in the Workplace," [McClellan Hospital](#), 2022
- <sup>11</sup> "What Employers Need to Know About Mental Health in the Workplace," [McClellan Hospital](#), 2022
- <sup>12</sup> One Mind at Work, Tufts Medical Center, 2018
- <sup>13</sup> "Mental Health at Work", [Mind Share Partners](#), 2019
- <sup>14</sup> One Mind at Work, Tufts Medical Center, 2018
- <sup>15</sup> "Workers appreciate and seek mental health support in the workplace", [American Psychological Association](#), 2022
- <sup>16</sup> Certified Community Behavioral Health Clinics Providing Expanded Access to Mental Health, Substance Use Care During COVID-19 Pandemic, [National Council for Mental Wellbeing](#), 2021
- <sup>17</sup> "The efficacy of a brief app-based mindfulness intervention on psychosocial outcomes in healthy adults: A pilot randomised controlled trial," [PLOS](#), 2018
- <sup>18</sup> "Mindfulness for Novice Pediatric Nurses: Smartphone Application Versus Traditional Intervention," [Journal of Pediatric Nursing](#), 2017
- <sup>19</sup> "Association Between Care Utilization and Anxiety Outcomes in an On-Demand Mental Health System: Retrospective Observational Study," [JMIR](#), 2020
- <sup>20</sup> "[Association Between Care Modality and Depression Symptoms](#)," 2021

# Appendix

<sup>21</sup> "Fact Sheet: The cost benefits of early intervention in mental illness,"  
[Steinberg Institute](#), 2022

<sup>22</sup> "Occupational Employment and Wage Statistics,"  
[U.S. BUREAU OF LABOR STATISTICS](#), 2021

