Public expenditures on illicit drugs in Germany 2006

Dr. Stephanie Flöter, DBDD
Sarah Mostardt, Lehrstuhl für Medizinmanagement, Universität Duisburg-Essen

Dr. Tim Pfeiffer-Gerschel, DBDD
Dr. Dr. Anja Neumann, Lehrstuhl für Medizinmanagement, Universität Duisburg-Essen
Prof. Dr. Jürgen Wasem, Lehrstuhl für Medizinmanagement, Universität Duisburg-Essen

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Agenda

• Introduction
• Methods & Results:
  – Expenditures of the Government
  – Expenditures of the Social insurance funds
• Summary of results
• Conclusions & Outlook
Introduction:

Why estimate public expenditures on illicit drugs?

- Economic aspects of political measures become more and more important.
- An evaluation of the cost-effectiveness of measures is not possible and meaningful without a sound basis.
- An estimation of public expenditures for tackling with illicit drugs represents an important intermediate stage in economic evaluation.
Introduction:

History

• **1995**: study of Hartwig & Pies
  → **€ 1.9 billion** (drug-related crime: police, law courts, prisons; counselling and treatment; prevention and research; substitution crops)
  → only „hard drugs“ (mainly heroin)

• **2002**: DBDD Selected issue „Public expenditure in the area of drug demand reduction“
  → **€ 343 million**
  → only drug demand reduction

• **2007**: DBDD Selected issue 2007 „Drug-related public expenditures“
  → only fragmentary report of some labelled expenditures (Federal Ministry of Health, Pension funds, ...)

• **2008**: Start of here presented project, funded by the Federal Ministry of Health, in order to get a more comprehensive and up to date overview of public spending on illicit drugs
Introduction:
Scope & Definitions

• **Direct** expenditures (no indirect expenditures or social costs)

• **Public** expenditures (no private expenditures)
  – „General government sector“ according to ESA95 comprises four sub-sectors:
    • Central government
    • State government
    • Local government
    • Social security funds („This includes autonomous pension funds if they are obligatory by law or by regulation [. . .] It also includes schemes established by government to fund health care and social benefits where there are separate institutional units administering the contributions and benefits“)

• **Labelled and non-labelled** expenditures
Introduction:
Structure of data collection

Total
Public expenditures

Government

State level („Länder“)
Local level („Kommunen“)
Central level („Bund“)

Social insurance funds

Statutory health insurance
Social pension insurance
Public accident insurance
Methods & Results:

Total Public expenditures

Government

Central level („Bund“)  State level („Länder“)  Local level („Kommunen“)

Social insurance funds

Statutory health insurance  Social pension insurance  Public accident insurance

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Methods:

Government

Steps undertaken:

- Analysis of publicly available budget documents 2006 (by key words; only central and state level)
  - only very few labelled expenditures
- Written requests to relevant ministries, institutions and key informants (snowball sampling procedure)
- Search for secondary data (e.g. Federal Statistical Office, Federal Criminal Police Office, published studies) and development of estimation procedures
  - Police services
  - Law courts
  - Prisons
  - Hospital treatment order („Maßregelvollzug“)
  - Communal outpatient counselling and treatment
Results:

**Government**

- **Federal level („Bund“)**
  - 48.1 million €
    - (budget & expert information from Federal Ministries of Health, Finance, Education & Research, Family, Justice, Development & Economic Cooperation)

- **State level („Länder“)**
  - 45.9 – 73.1 million €
    - (estimation „drug budgets“ of the 16 Länder)
  - 159.9 million €
    - (estimation hospital treatment order §64 StGB)
  - 1,680 – 2,170 million €
    - (estimation police)
  - 1,200 million €
    - (estimation law courts)
  - 486.3 - 849.5 million €
    - (estimation prisons)

- **Local level („Kommunen“)**
  - 51.6 million €
    - (estimation outpatient addiction treatment)

**Total:** ~ 3.6 – 4.5 billion €
Methods & Results:
Social insurance funds

Total Public expenditures

Government
- Central level („Bund“)
- State level („Länder“)
- Local level („Kommunen“)

Social insurance funds
- Statutory health insurance
- Social pension insurance
- Public accident insurance

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Methods: Pension funds

• Sending a standardized questionnaire to contact persons of the pension funds

• The questionnaire includes 6 questions:
  – payment for medical rehabilitation (inpatient)
  – payment for medical rehabilitation (outpatient)
  – expenses for participation in working life
  – pension because of reduction in earning capacity
  – pilot projects
  – other expenses concerning illegal drugs
Methods:
Statutory health insurance (SHI)

- Conducting a written survey using a standardized questionnaire with the 40 largest statutory health insurance organizations

- 40 largest funds:
  - Insured people: 59 million
  - 84% of the SHI total
  - Extrapolation of expenses to the total SHI

- Questionnaire includes 13 questions, e.g.:
  - Expenses for prevention
  - Expenses for drugs such as methadone and others
  - Expenses for hospital treatment
  - etc.
Results:
Social insurance funds

Social Insurance Funds

- Statutory Health Insurance
  - 1,396 million €

- Social Pension Funds
  - 112.3 million € (outpatient medical rehabilitation)
  - 0.4 million € (inpatient medical rehabilitation)
  - 4.0 million € (expenses for participation in working life)
  - 55.1 million € (pensions due to reduction in earning capacity)
  - = 171.8 million €

- Public Accident Insurance
  - estimating of costs not possible

Total: ~ 1.6 billion €

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Public expenditures on illicit drugs
### Overview of expenditures

<table>
<thead>
<tr>
<th>Sub-sector</th>
<th>Expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal level</td>
<td>48.1 million €</td>
</tr>
<tr>
<td>State level</td>
<td>3,572.1 – 4,452.5 million €</td>
</tr>
<tr>
<td>Local level</td>
<td>51.6 million €</td>
</tr>
<tr>
<td>Pension funds</td>
<td>171.8 million €</td>
</tr>
<tr>
<td>Health insurance</td>
<td>1,396.4 million €</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>~ 5.2 – 6.1 billion €</td>
</tr>
</tbody>
</table>

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Public expenditures on illicit drugs
Public expenditures according to function (COFOG)

- **01 General public services**
  - Min. estimation: 40
  - Max. estimation: 3,400

- **03 Public order & safety**
  - Min. estimation: 4,400
  - Max. estimation: 1,800

- **07 Health & 10 Social protection**
  - Min. estimation: 1,900
  - Max. estimation: 1,900

**COFOG**

- min. estimation
- max. estimation

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Overall public expenditure for COFOG function „Public order & safety“

Drug-related expenditure for COFOG function „Public order & safety“
Overall public expenditure for COFOG function „Health“

Drug-related expenditure for COFOG function „Health“

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Public expenditures on illicit drugs
Other ways...

- GDP 2006: 2,362.44 billion €
- Drug-related expenditures = 0.22% - 0.26% of GDP
- Inhabitants 2006: 82,314,900
- Drug-related expenditures = ~63 - 74 € per inhabitant
Conclusion

• Limitations
  – Some degree of uncertainty regarding the overall result because of
    • heterogeneous data quality
    • missing data in some fields (functions: education, youth and social welfare...; sector: local level)
    • some estimations based on large assumptions
    • BUT: conservative estimation!
  – Cave: results give no information on adequate spending or actual benefit

• Strengths
  – Most extensive and comprehensive compilation of public expenditures in Germany to date
  – Contributes to a more objective discussion on costs
  – First step in direction of future economic evaluations
Outlook / Open questions

- Possibilities of filling existing gaps (esp. in the local government sector)?
- Better ways to deal with incompleteness of data?
- How to execute such an estimation on a regular basis?
  (very much time and effort necessary to gather all data)
Thank you for your attention!

Correspondence to:

Dr. Stephanie Flöter

DBDD – Deutsche Beobachtungsstelle für Drogen und Drogensucht
c/o IFT Institut für Therapieforschung
Parzivalstr. 25
D - 80804 München
Tel.: +49 (0) 89 360 804 45
E-Mail: floeter@ift.de