ALLIANZ RESEARCH

MENTAL HEALTH: RAISING AWARENESS AND CALLING TO ACTION

20 January 2022

Michaela Grimm
Senior Economist
michaela.grimm@allianz.com

Arne Holzhausen
Head of Insurance, Wealth and Trend Research
arne.holzhausen@allianz.com

The analytical work in this paper is based in part on the recent joint study by the CRO Forum to which Allianz was one of the main contributors: Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper.

Executive Summary

- *The Covid-19 pandemic brought a hidden endemic condition into the light: The share of people who report mental health problems has increased markedly, with the prevalence more than doubling in many countries.*
- *Even before Covid-19, depressive and anxiety disorders were among the 10 leading single causes for disability worldwide, with huge economic costs: In the US alone, lost earnings due to serious mental illness amount to around EUR170bn every year and the World Health Organization estimates that the global economy loses about EUR875bn per year in productivity due to depression and anxiety disorders.*
- *Now, as a mental health crisis of even bigger dimensions looms, a concerted, two-pronged public private approach – leveraging data-driven and more standardized diagnosis and treatment as well as strenghtening prevention – is required to alleviate the social and economic impacts – and help the patients concerned.*

Covid-19 has more than doubled the prevalence of mental health[1] problems such as depression and anxiety in many countries, bringing to light a hidden endemic condition. Mental health is influenced by a multitude of biological, psychological and social factors, which are often intertwined. Biological determinants include, for example, a genetic predisposition, substance abuse, brain injury, chronic illness or vitamin deficiencies. Psychological determinants comprise childhood traumas, behaviors or current coping methods. And social determinants include socio-economic, socio-environmental, socio-demographic and lifestyle factors, like unemployment, cultural expectations, age diet or sleeping habits[2] (see Figure 1).

[1] Mental health is defined by the World Health Organization "a state of well-being in which an individual realizes his or her own abilities, can cope with the normal stress of life, can work productively and is able to make a contribution to his or her community." See WHO (2018): Mental health: strengthening our response, published 30 March 2018, https://www.who.int/news-room/fact-sheets/detail/mental-health-strengthening-our-response, accessed 13.01.2022. Mental disorders are present in all age groups, including autism, depressive and anxiety disorders, and Alzheimer's disease.

[2] See CRO Forum (2021). Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper, p. 10.

Figure 1: Risk factors and determinants of mental health

Source: CRO Forum (2021). Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper, p.9.

Before the outbreak of Covid-19, the prevalence of mental disorders was rather stable: In 2019, around 970.1mn people worldwide suffered from mental illness, with anxiety and depressive disorders being the most common forms[3]. Depressive and anxiety disorders have been among the 10 leading single causes for disability worldwide for decades, with depressive disorders being the most important cause for disability after back and neck pain before the Covid-19 pandemic.[4]. Together with schizophrenia, they accounted for 11% of all years of healthy life lost due to disability globally.[5] In general, women are more prone to suffer from anxiety and depressive disorders than men: In 2019, the age-standardized prevalence of anxiety disorders worldwide was 2.9% for men and 4.7% for women, while the respective figures for depressive disorders were 2.7% and 4.2%.[6]

However, the Covid-19 pandemic changed the picture. The prevalence of mental health issues has increased markedly, not only among health care workers, but also among the general population. In the latest Global Risk Report by the Word Economic Forum, mental health deterioration is ranked number four out of 37 risks that worsened the most since the start of the Covid-19 crisis.[7]

[3] See GBD 2019 Mental Disorders Collaborators (2022): Global, regional, and national burden of 12 mental disorders in 204 countries and territories, 1990-2019: a systematic analysis for the Global Burden of Disease Study 2019, in: Lancet Psychiatry 2022, published online January 10, 2022, https//doi.org/10.1016/S2215-0366(21)00395-3, accessed 12.01.2022.

[4] See World Health Organization (2020): Global Health Estimates 2019 Summary Tables: Global YLDs by Cause, Age and Sex, 2000-2019, Geneva 2020, https://www.who.int/data/gho/data/themes/mortality-and-global-health-estimates, accessed 12.01.2022.

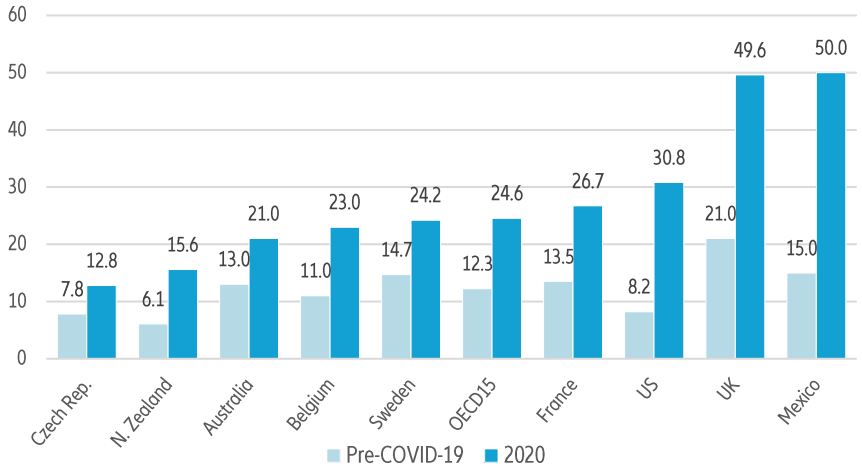
[5] See World Health Organization (2020): Global Health Estimates 2019 Summary Tables: Global YLDs by Cause, Age and Sex, 2000-2019, Geneva 2020, https://www.who.int/data/gho/data/themes/mortality-and-global-health-estimates, accessed 12.01.2022.

[6] See GBD 2019 Mental Disorders Collaborators (2022): Global, regional, and national burden of 12 mental disorders in 204 countries and territories, 1990-2019: a systematic analysis for the Global Burden of Disease Study 2019, in: Lancet Psychiatry 2022, published online January 10, 2022, https//doi.org/10.1016/S2215-0366(21)00395-3, accessed 12.01.2022.

[7] See World Economic Forum (2022): The Global Risks Report 2022. 17th edition, Geneva 2022, wef.ch/risks22, accessed 17.01.2022.

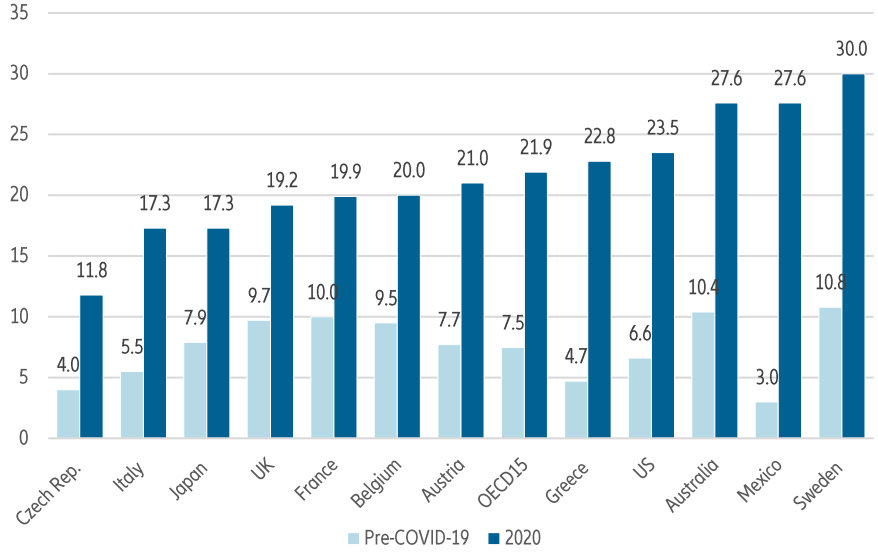
Studies suggest that the global prevalence of depression increased to 28% and that of anxiety to 26.9% in 2020.[8] Based on national surveys, the OECD has reported that the anxiety and depressive disorder prevalence ratios in some countries have more than doubled compared to pre-Covid-19 levels[9] (see Figures 2 and 3).

Figure 2: Prevalence of (symptoms of) anxiety before Covid-19 and in 2020



Source: OECD (2021): Tackling the mental health impact of the COVID-19-crisis: An integrated, whole-of-society response.

Figure 3: Prevalence of depression or symptoms of depression before Covid-19 and in 2020



Source: OECD (2021): Tackling the mental health impact of the COVID-19-crisis: An integrated, whole-of-society response.

[8] See Nochaiwong, Surapon et al. (2021): Global prevalence of mental health issues among the general population during the coronavirus disease-2019 pandemic: a systematic review and meta-analysis, in: Scientific Reports, 2021, no. 11, 10173, https://doi.org//10.1038/s41598, accessed 29.07.2021.

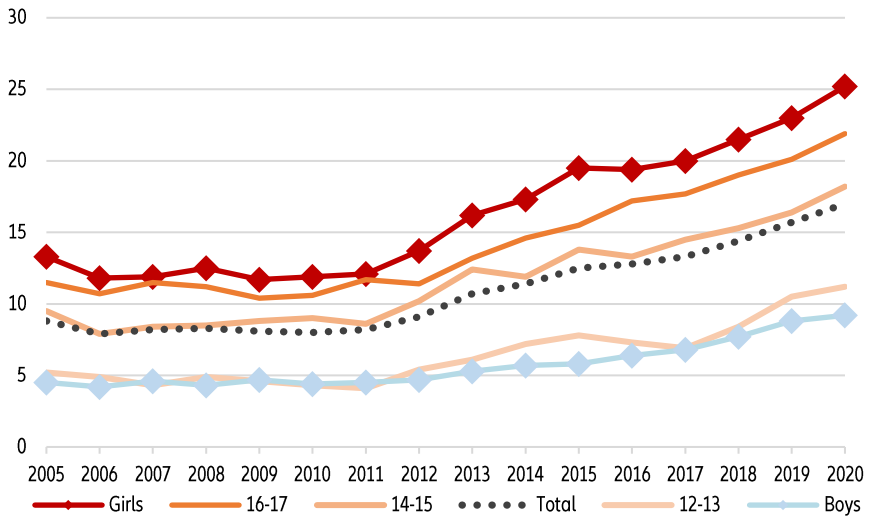
[9] See OECD (2021): Tackling the mental health impact of the COVID-19-crisis: An integrated, whole-of-society response, Paris 2021.

So far, OECD and national figures do not hint at a marked decline of the elevated prevalence levels, quite the contrary. It is very likely that elevated levels are set to remain as the pandemic has presumably just brought a hidden endemic situation into the light. Developments in the US underline the assumption that this trend might consolidate in the future.

Recent data from the US Substance Abuse and Mental Health Services Administration (SAMHSA) show an alarming trend among teenagers that started well before the onset of Covid-19: In the US, the share of teenagers aged between 12 and 17 suffering from a major depressive episode has more than doubled within the previous decade: from 8.0% in 2010 to 17.0% in 2020. In 2020, the prevalence ranged from 11.2% in the youngest sub-age group, the 12- to 13-years-olds, to 21.9% in the age group 16 to 17. Among the 14-to 15-years-olds the share was 18.2%. What is striking is the marked difference between males and females: Only 9.2% of boys aged between 12 and 17 reported suffering from a major depressive episode in 2020, compared to 25.2% of the girls. However, in both groups, the share has also more than doubled since 2010. The reasons could include less personal, face-to-face social interaction and the negative effects of the (over-) use of social media, as well as sleep disorders and increased peer pressure (which could explain why more girls than boys are susceptible).[10]

Studies found that those with adolescent-onset depression are twice as likely to have major depressive episodes in their adult life as those without (see Figure 4). This suggests that the spike in mental health issues during the Covid-19 pandemic is not a one-off situation, but that high prevalence is likely to stay with us for the coming years or even decades.

Figure 4: Major depressive episode in past year among teenagers, aged 12 to 17 (percentage)



Source: SAMHSA, Center for Behavioral Health Statistics and Quality, National Survey on Drug Use and Health, 2004-2019, and Quarters 1 and 4, 2020.

[10] See Twenge, Jean M. et al. (2019): Age, period, and cohort trends in mood disorder indicators and suicide-related outcomes in nationally representative dataset, 2005-2017 in: American Psychological Association (editor): Journal of Abnormal Psychology, (2019), vol. 128, no. 3, p. 186.

Therefore, mental health disorders, and especially depression, might become an even bigger cost and economic factor in the future, as it is not only the sum governments and private health providers spend for the treatment of mental illness, but also economic losses due to the decreased productivity of people suffering from mental disorders. Already today, in the US alone, lost earnings due to serious mental illness amount to around EUR170bn every year,[11] while the World Health Organization estimates that the annual global economy loses add up EUR875bn per year in productivity due to depression and anxiety disorders.[12]

In Germany, the number of days of absence from work due to mental illness has been increasing for several years. Despite the fact that in 2020 mental illness as a cause for sick leave only accounted for around 7% of all cases, it caused the second-highest total number of days of absence from work due to illness after musculoskeletal diseases: A patient suffering from mental illness was on average absent from work for 38.8 days, i.e. almost two months, while an employee suffering from a musculoskeletal disease was absent for 20.1 days.[13] Even worse: Depression-related suicides are estimated to cost Japan's economy around EUR10bn per year, with direct medical costs accounting for less than 15% of this amount.[14]

In this context, a concerted, two-pronged public-private approach is needed. Tackling mental health risks does not end with treating one single cause as they are closely related with other emerging trends.[15] Take the increasing aging of society, for example, which is set to lead to a higher share of family members, mostly women, who are providing care for the elderly. The physical and psychological strains of providing care for a family member are often underestimated, but the feeling of being overburdened or overworked is a risk factor to contract a mental illness. The same holds true for the more sedentary lifestyle and social isolation that often comes along with age. Further risk factors are technological developments such as automation or digitization or increasing economic instability, which might lead to rising unemployment rates and losses of income within some population groups – major risk factors for depression Increasing inequality, climate change and pollution can have the same effects (see Figure 5).

11 See Centers for Disease Control and Prevention (2022): Mental Health Myths.
12 See WHO (2019): 10 facts on mental health, 10 facts on mental health (who.int), accessed 13.01.2022.
13 See DAK Gesundheitsreport 2021, Hamburg 2021, p. 16f, https://www.dak.de/dak/bundesthemen/gesundheitsreport-2021-2515300.html#/, accessed 11.01.2022. Barmer Ersatzkasse, whose members are slightly older than the population average reported an average of 50.7 days absent from work, see Barmer Gesundheitsreport 2021, Berlin 2021, p 56, accessed 14.01.2022 https://www.barmer.de/blob/361520/aaafa3405427f0b05d34a7f20fd904d1/data/barmer-gesundheitsreport-2021.pdf, accessed.
14 CRO Forum (2021). Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper, p. 27.
15 See CRO Forum (2021). Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper, p. 18f.

Figure 5: Mental health interconnectedness with major trends and emerging risks

Source: CRO Forum (2021). Mental Health. The hidden crisis, Emerging Risk Initiative Position Paper, p.18.

The very nature of mental health risks, i.e., the complexity of underlying causes, the problems of correct diagnosis and the difficulties in risk-assessment, pose a huge challenge for the insurance industry. Pricing and underwriting as well as claims handling do often not follow clear guidelines as consistent data are missing and quantifiable links between certain lifestyles and mental health are non-existent. Furthermore, the personal mental health history is often not disclosed for fears of discrimination. The consequence: The whole customer journey involves a (high) level of personal judgement and the industry may more often than not reject customers with low risk levels or accept customers with a higher risk than expected. In Australia, for example, this situation forced the regulator to intervene as rising mental health claims (in particular in disability insurance), coupled with comprehensive and liberal policy conditions, started to threaten the very viability of the insurance product.

Shifting to a more data-driven process could help – but it is easier said than done. Clear guidelines how to interact with clients and full transparency about the coverage – the in- or exclusion of certain mental health conditions – would be a good start. For some conditions (e.g., schizophrenia), dedicated rating scales already exist; such quantitative benchmarks should be further developed and become more widespread. The same applies for treatment: More standardization is needed: for example, the adoption of the Standard for Clinicians' Interview in Psychiatry (SCIP) could help eliminate biased decisions. Private insurers can use their levers to push for these improvements. But it goes without saying that such initiatives are best conducted in close cooperation with the regulators (who define the standards in the first place).

In addition to improving the diagnosis and treatment of mental health, the monetary aspect is just as big a challenge. According to WHO figures[16], countries currently spend only slightly more than 2% of their health care expenditure on mental health; even in rich countries, this share is only slightly higher at 3.8%. Against the backdrop of rising prevalence and the increasing number of countries that assume mental health treatment costs in their public health systems – France and India have recently taken steps in this direction – related expenditures are bound to increase (significantly) in the future.

Prevention will therefore become ever more important: As with other diseases, the earlier symptoms of mental health conditions are recognized and targeted treatment is initiated, the lower the costs – and the less suffering for the patients. Primary health care plays a special role here, i.e. the extent to which mental health is integrated into general health care (for example by family doctors). And here there is still a lot of catching up to do. While more than half of the WHO countries now cover mental health treatment by specialists in their public health systems, only about a quarter have integrated mental health satisfactorily into general health care, for example through appropriate training of non-specialists or in the form of the possibility of pharmacological interventions at the primary care level.

Further efforts are needed to close this gap – not least on the part of private insurers. The design of insurance solutions – be it affordable and broad coverage or mental health add-ons – can help, as can appropriate training to increase awareness, including among the insurers' own employees. Another field is the use of tech- or digital-based solutions enabling self-help. The idea of insurers using apps and incentives to encourage their customers to adopt healthier lifestyles can also be applied to mental health: Mental resilience can be trained and offers insurers a further opportunity to deepen customer relationships. Within the framework of clear policies for dealing with mental health and in close cooperation with the public sector, insurers can play their part in helping society to weather the mental health crisis.

16 See WHO (2020), Mental Health Atlas.

These assessments are, as always, subject to the disclaimer provided below.

FORWARD-LOOKING STATEMENTS

The statements contained herein may include prospects, statements of future expectations and other forward-looking statements that are based on management's current views and assumptions and involve known and unknown risks and uncertainties. Actual results, performance or events may differ materially from those expressed or implied in such forward-looking statements.
Such deviations may arise due to, without limitation, (i) changes of the general economic conditions and competitive situation, particularly in the Allianz Group's core business and core markets, (ii) performance of financial markets (particularly market volatility, liquidity and credit events), (iii) frequency and severity of insured loss events, including from natural catastrophes, and the development of loss expenses, (iv) mortality and morbidity levels and trends, (v) persistency levels, (vi) particularly in the banking business, the extent of credit defaults, (vii) interest rate levels, (viii) currency exchange rates including the EUR/USD exchange rate, (ix) changes in laws and regulations, including tax regulations, (x) the impact of acquisitions, including related integration issues, and reorganization measures, and (xi) general competitive factors, in each case on a local, regional, national and/or global basis. Many of these factors may be more likely to occur, or more pronounced, as a result of terrorist activities and their consequences.

NO DUTY TO UPDATE

The company assumes no obligation to update any information or forward-looking statement contained herein, save for any information required to be disclosed by law.