

Combating America's Behavioral Health Crisis: A Herculean Effort

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DIRE STRAITS – WHERE ARE WE, AND HOW DID WE GET HERE?

Behavioral healthcare in the United States is in a state of crisis – a crisis that takes on many forms, both visible and unseen. It has gained greater recognition since the start of the COVID-19 pandemic in 2020, and both the challenge and the call to action to develop innovative solutions are stronger than ever. In May 2023, U.S. Surgeon General Dr. Vivek Murthy declared: “Our epidemic of loneliness and isolation has been an underappreciated public health crisis that has harmed individual and societal health. Our relationships are a source of healing and well-being hiding in plain sight – one that can help us live healthier, more fulfilled, and more productive lives.”¹

Behavioral health is at the core of much of our physical health experience, and the physical health consequences of poor or insufficient social connection are



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- US SURGEON GENERAL VIVEK MURTHY

astounding: a 29% increased risk of heart disease, a 32% increased risk of stroke, and a 50% increased risk of developing dementia for older adults. Lacking social connection increases risk of premature death by more than 60%.¹

Not only are the consequences significant, but access to care is limited. Despite a decade-old landmark parity law that sought to make such behavioral healthcare coverage on par with broader

medical care, patients remain highly likely to go out-of-network with their health insurers for mental healthcare. Patients went out-of-network 3.5x more often for a behavioral health visit compared with a medical or surgical visit, according to claims and enrollment data for over 22 million people from 2019-2021. The rate was 8.9x higher for visits to psychiatrists. Even for in-network care, health insurers on average reimbursed medical and surgical care at rates 22% higher than behavioral health visits.²

The crisis has been amplified by many familiar sources: a significant period of limited in-person interactions brought on by the COVID-19 pandemic, which remains strong in a world of Zoom and Teams dominated meetings that promote ‘isolated connection’; tech devices’ annexation of our time, fostering distraction and short-term gratification; an increasing level of access to an increasing number of harmful substances that are abused (such as fentanyl); environments in work and life that demand fast productivity and less time to focus on mindfulness. The list goes on.

Behavioral health takes many forms that demand corresponding care:

- **Substance Use Disorder:** 17% or 49 million people ages 12+ had a substance use disorder in 2022, and of that population, just 7 million (15% of those with a SUD) actually received treatment. That population of 49 million afflicted Americans in 2022 reflects a 20%+ increase since 2020, and that population has only grown since.³ 100,000+ people are dying from drug overdoses every year.⁴
- **Eating Disorder:** 9% or 29 million Americans will have an eating disorder in their lifetime. 10,000+ deaths each year are a direct result of an eating disorder (~1 every 52 minutes).⁵



- **Intellectual & Developmental Disabilities:** 7+ million Americans have an intellectual and / or developmental disability. 30+ million Americans are directly affected by someone with an intellectual & developmental disability.⁶
- **General Mental Health:** 23% or 59 million U.S. adults are impacted by mental illness (as of 2022), a substantial increase from the 18% of the adult population afflicted in 2015. Only half of adults impacted received treatment. The population impacted by mental illness is growing at an average of 5%+ each year.⁷ Think about this relative to the U.S. overall expected population growth rate, expected to be 0.6% per year on average between 2024 and 2034.⁸ If the level of growth of Americans afflicted continues at its current rate, it will take less than 20 years for half of the population to be impacted by a mental illness.

Not only are these illnesses frightening on their own, but they are also often intertwined. In 2022, 22 million adults had both a substance use disorder and a mental illness. Nearly half of young adults ages 18-25 had either a mental illness or a substance use disorder.⁴ Up to 50% of individuals with eating disorders use alcohol or illicit drugs – 5x higher than the general population.⁹

With the proliferation of these illnesses in recent years, it is undeniable that American behavioral health is in a state of crisis.

AN UNACCEPTABLE COST TO SOCIETY

The behavioral health crisis has frightening implications for the U.S. healthcare system and economy as a whole. 65+ million annual ER visits are related to mental illness,

up 55%+ over the last 10 years. Eliminating unnecessary emergency room use for mental illness could save ~\$4.6 billion annually.¹⁰

Economic Impact of Mental Health^{10,11}

>65 million

Annual ER visits related to mental health

~\$4.6 billion

Annual savings from eliminating unnecessary mental health ER visits

\$47.6 billion

Annual lost productivity from unplanned mental health absence

Beyond the healthcare system itself, there is a burden on America's economic productivity from absent labor due to mental illness. Workers with fair or poor mental health are estimated to have nearly 12 days of unplanned absences annually compared with 2.5 days for all other workers. This missed work costs the economy \$47.6 billion annually in lost productivity.¹¹ Covering the cost of mental health, which drives so many other comorbidities, represents a disproportionate cost burden to other areas of care. A May 2024 Sentry injured worker well-being report found that insurance claim cases showing evidence of behavioral health issues made up less than 3% of nearly 540,000 workers' compensation claims submitted to Sentry between 2012 and 2019, but accounted for 35% of all costs.¹² Eating disorders are also estimated to have an economic cost of nearly \$65 billion.⁵ The annual economic impact of substance misuse is estimated to be \$249 billion for alcohol misuse and \$193 billion for illicit drug use.¹³



While these economic impacts are substantial, there is a burden on families and communities that cannot truly be quantified. More than 320,000 children lost a parent to drug overdose between 2011 and 2021.¹⁴ Suicide is the third highest cause of death in the U.S. (<54 years old) with 1.3+ million attempts annually.¹⁵ The lives lost as a result of behavioral health conditions cannot be ignored and demonstrate the severity of this crisis – an ongoing battle that historically has been underrecognized or felt unwinnable.

General Dr. Murthy also noted the following: "I have seen more investment in the last three years in mental health – from the perspective of expanding access to services and investments in prevention – than I've seen in nearly 30 years that I've been in public health."¹⁶

"There's just such an urgent patient need for new treatment options...and that will always be top of mind."

- Amy Emerson, Lykos CEO

ADDRESSING THE MENTAL HEALTH CRISIS¹⁵

LACK OF ACCESS TO CARE IS KEY CONTRIBUTOR

**More than
51 million**

Adults in the US with a mental health condition

1 in 5

American adults suffer from a psychiatric disorder

6 in 10

Of those diagnosed with a psychiatric disorder did not receive mental health treatment

CRG is dedicated to focusing on these challenges and providing the necessary capital to healthcare businesses that are driving solutions forward. CRG's portfolio company CleanSlate supports medication assisted treatment for opioid and alcohol addiction, serving over 20,000 patients annually across 10 states. Through its 350+ healthcare providers, CRG's portfolio company Family Care Center (FCC) has utilized medication management, talk therapy, and innovative treatments like transcranial magnetic stimulation (TMS) to treat tens of thousands of patients across four states.

So, what are we doing about it?

INNOVATION IN BEHAVIORAL HEALTH – THE PATH FORWARD

Americans now view this crisis as a top threat to public health, which has brought new urgency and new ideas to the table. "I think we're trying new stuff. The places where I would expect some opportunities for better outcomes are around the way we handle mental health crises – we're putting in more money, we're putting in more technology, we're doing it in new ways," said Richard Frank, director of the Brookings Institution's Center on Health Policy, in a May 2024 panel. U.S. Surgeon



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- RICHARD FRANK, DIRECTOR OF THE BROOKINGS INSTITUTION'S CENTER ON HEALTH POLICY

By enhancing outcomes and access to key behavioral healthcare, while also providing services at a materially lower cost than alternative treatments, these businesses

are driving critical solutions forward. New and revamped programs to enhance access continue to emerge. In June 2024, a Medicaid experiment at community clinics expanded to 10 new states to bolster sustainable funding and help facilities that serve low-income patients by providing mental health and substance use treatment. This marks the first time that new states have been added to the Medicaid demonstration since 2017, when it launched in eight states. The program is providing necessary support to clinics serving roughly three million people and reflects a focus on renewed creativity in funding the delivery of necessary care.¹⁷ Other programs, such as the \$1 billion 988 Suicide & Crisis Lifeline initiative, first established in 2022, have experienced challenges with their rollout; however, they are receiving a renewed push to refine their approach and improve access to care.¹⁸ There are also reinvigorated efforts from the Surgeon General to add restrictions and warning labels about the potential harms that the ~5 hours of social media use daily has on teens' mental health, stating: "We have the resources and tools to make social media safe for our kids. Now is the time to summon the will to act."¹⁹

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- US Surgeon General Vivek Murthy

Innovative behavioral health businesses continue to drive progress in the face of roadblocks that emerge as new innovations are tried and tested. In June 2024, FDA advisors met to review a new drug application from Lykos Therapeutics, which

oversaw the clinical trials of what could become the first psychedelic-based (MDMA) treatment approved in the U.S. for veterans with post-traumatic stress disorder, along with numerous applications towards broader mental health conditions.²⁰



DR. CHUCK WEBER, FOUNDER OF FAMILY CARE CENTER, PROVIDING TMS THERAPY TO A PATIENT

While the FDA advisory panel concluded that publicly available evidence for MDMA-assisted therapy is currently insufficient and it is difficult to determine how frequently benefits and harms are misreported, Lykos is looking towards the next FDA milestone as an opportunity to gather even more information.²¹ Lykos' CEO, Amy Emerson, commented: "There's just such an urgent patient need for new treatment options, and we really use that as our guiding light as we develop MDMA-assisted therapy. All along, we've been really committed to safety, and that will always be top of mind." There is growing interest and support to explore the use of psychedelics as therapeutics. Along with MDMA, drugs like ketamine and psilocybin mushrooms are being studied in clinical trials to treat a variety of mental health disorders. The Lykos treatment is the first to reach this point in the review process.²¹

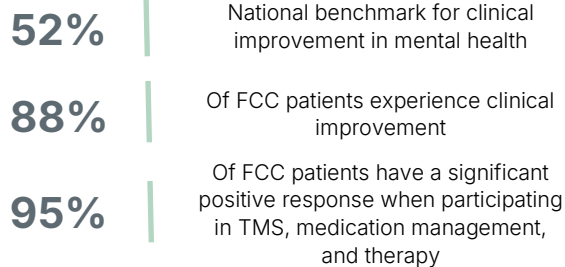
While creative treatments continue to break new ground, CRG intends to double down on its support for growing, innovative companies that make a material difference in care delivery and patient outcomes in the



behavioral health sector. Family Care Center's innovation in TMS treatments is setting a new bar for quality in patient outcomes. TMS is a noninvasive form of brain stimulation in which a changing magnetic field is used to induce an electric current at a specific area of the brain through electromagnetic induction. The treatment was originally FDA approved in 2008 and has recently gained significant traction with providers, patients and payors in its use in addressing a number of mental health conditions. FCC uses TMS to augment the care of patients with treatment resistant depression and OCD.

prescribing providers collaborate, 91% experience a significant improvement in their depressive symptoms. When patients participate in TMS, medication management, and therapy, a clinically significant positive response occurs 95% of the time.²² FCC is setting the gold standard in driving results and making a difference in patients' lives who suffer from mental illness.

EFFICACY OF MENTAL HEALTH TREATMENT²²



FCC's focus on providing multidisciplinary clinical services has proven particularly powerful in improving mental health outcomes. In fact, FCC patients with depression experienced a clinically significant improvement more frequently than similar practices according to a national benchmark report. The standard for measuring mental health outcomes is in the form of PHQ-9 scoring, and the national benchmark is 52% clinical improvement from treatment. FCC patients who participate in any single service alone (talk therapy, medication management, or TMS) have experienced clinical improvement 88% of the time. When therapists and

CONCLUSION

The behavioral health crisis is ever present across the United States. The severity and prevalence of these illnesses faced by Americans have brought about extreme supply-demand imbalances for care and have established a dynamic \$175 billion addressable market for services to help meet patients' evolving needs.²³

The size of this market continues to grow at an alarming pace, with more of the untreated population suffering from behavioral health conditions gaining recognition and encouragement to seek out treatment. Through its targeted behavioral health thesis and active investments, CRG aims to do its part in helping reduce unacceptable cost to the overall system, close key gaps in delivering necessary care, and support innovative treatment solutions that improve patient outcomes.

"Victory is not won in miles but in inches. Win a little now, hold your ground, and later win a little more."
- Louis L'Amour

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