

Department of Planning and Budget 2012 Fiscal Impact Statement

1. Bill Number: HB 249

House of Origin ☒ Introduced ☐ Substitute ☐ Engrossed
 Second House ☐ In Committee ☐ Substitute ☐ Enrolled

2. Patron: Cline, Benjamin L.

3. Committee: Health, Welfare and Institutions

4. Title: VIEW; substance abuse screening and assessment of public assistance applicants and recipients

5. Summary: The proposed legislation requires local departments of social services to screen each Virginia Initiative for Employment not Welfare (VIEW) program participant to determine whether probable cause exists to believe the participant is engaged in the use of illegal substances. The bill provides that when a screening indicates reasonable cause to believe a participant is using illegal substances, the local department of social services shall require a formal substance abuse assessment of the participant, which may include drug testing. Any person who fails or refuses to participate in a screening or assessment without good cause or who tests positive for the use of illegal substances shall be ineligible to receive TANF payments for a period of one year, unless he enters into and complies with the requirements of a drug treatment program.

6. Budget Amendment Necessary: Yes

7. Fiscal Impact Estimates:

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	-	-
2013	\$1,293,972 \$110,295	General Fund Federal Funds
2014	\$1,000,080 \$110,295	General Fund Federal Funds
2015	\$1,000,080 \$110,295	General Fund Federal Funds
2016	\$1,000,080 \$110,295	General Fund Federal Funds
2017	\$1,000,080 \$110,295	General Fund Federal Funds
2018	\$1,000,080 \$110,295	General Fund Federal Funds

*Expenditure impact does not include a required local match of \$100,369 in the first year and \$93,166 in subsequent years is also assumed.

- 8. Fiscal Implications:** It is estimated that the proposed legislation would introduce additional costs associated with providing substance abuse screenings, assessments, drug testing, and drug treatment of VIEW applicants and participants. The administrative effort required to process and screen applications will increase the local staff workload. For this analysis it is assumed that when applicants apply for TANF, it would be determined whether they are required to participate in VIEW, and they would then be screened for substance abuse. To assess the fiscal impact of this bill, the following was determined: workload associated with processing new applications as well as the on-going effort to screen program participants; the cost of drug testing; the cost of drug treatment; and the impact on the TANF program.

Assumptions:

- Forty-two percent of those receiving TANF will participate in VIEW. Based on data in the Virginia Independence Program Monthly Report for October 2011, there were 34,421 TANF cases, of which 14,457 (42 percent) were enrolled in VIEW.
- It will take 30 minutes to administer and review the screening for each applicant/participant.
- Ten percent of the individuals screened will be referred for formal assessment and/or drug testing. The number of applicants and recipients that would actually be referred for formal assessment is unknown, so a conservative approach of assuming ten percent was used.
- Fifty percent of those tested will test positive and will agree to enter into a drug treatment program.
- Per the Department of Behavioral Health and Developmental Services (DBHDS), the cost of a formal drug assessment/test is estimated at \$345. There could be an additional expense if there is a dispute over test results. Due to the level of expertise needed to collect, evaluate, and determine evidence of illegal drug use the department will contract with local Community Service Boards (CSB) or other professional vendors to perform the formal assessments, and the drug tests.
- The drug testing expenses will be paid for by the Department of Social Services.
- Drug treatment services will be covered by Medicaid for VIEW participants.
- Eighty percent of those opting for drug treatment to maintain their TANF benefits are assumed to already be receiving drug treatment services covered by Medicaid. As such, the cost of drug treatment for the remaining 20 percent is assumed to be an additional cost as a result of the bill.

When a person applies for TANF assistance, the individual must go through several steps to determine eligibility beginning with the submission of an application for benefits. If a person is determined eligible for TANF, then he or she is referred for VIEW participation unless ruled exempt from VIEW. The individual is then contacted by a local department of social services VIEW worker to come to the agency for the VIEW initial assessment which evaluates the person's job skills, abilities, education, and barriers to employment. Drug screening would take place at this initial assessment. The cost estimate for this bill using the above assumptions is summarized below. A detailed analysis of each component of the cost follows.

Summary of Costs

Cost Description	FY 13	FY 14
Staffing Costs	647,539	601,072
Drug Testing	891,135	891,135
Drug Treatment	220,590	220,590
TANF Assistance Payments	(254,628)	(509,256)
Total Costs	1,504,636	1,203,541
General Fund	1,293,972	1,000,080
Federal	110,295	110,295
Local	100,369	93,166
Total	1,504,636	1,203,541

Staffing Costs

There were 2,256 new applicants approved for TANF in October 2011. It is estimated that 948 of these (2,256 applicants x 42 percent) would participate in VIEW and thus be screened each month. At 30 minutes per screening, it will take 474 hours per month to screen new applicants, or 5,688 hours per year. In addition, periodic screenings are required for all VIEW participants, no more than once every six months. Since participation in VIEW cannot exceed two years, it is assumed that each participant would be screened annually. Based on the total number of VIEW participants in October 2011, 14,457 individuals would be screened each year. At 30 minutes per screening, it will take 7,228 hours per year to screen participants.

Based on the above assumptions, the proposal would require local departments of social services to complete approximately 25,833 screenings (11,376 new applicant screenings plus 14,457 annual screenings) each year. Using the average productive hours per worker of 1,500 hours, approximately nine additional staff would be needed. Based on an average annual salary of \$43,448 for Self-Sufficiency Specialists, the total cost for additional local staff is estimated at \$647,539 in the first year and \$601,072 each year thereafter. This includes annual operating costs of \$7,715 per worker for items such as supplies, telephone, rent, and personal computer costs as well as one-time cubicle costs of \$5,163 per worker in the first year. This includes a local match of \$100,369 the first year and \$93,166 each year thereafter.

Drug Testing

It is assumed that there will also be a cost for those individuals that require a formal substance abuse assessment. If ten percent or 2,583 of the total screened population underwent drug testing at a cost of \$345 per person, the total cost would be \$891,135 annually.

Drug Treatment

The potential number of VIEW participants that might test positive for illegal drug use cannot be reasonably determined. The National Survey on Drug Use and Health (NSDUH) has reported that the overall rate of illicit drug use among persons age 12 or older in 2010 was 8.9 percent. Based on this, it is assumed that 8.9 percent of VIEW participants would test positive. As such, it is assumed that 1,287 VIEW participants ($14,457 \text{ VIEW participants as of October 2011} \times .089$) would test positive; fifty percent or 643 of those testing positive would agree to enter a drug treatment program and, therefore, remain eligible for assistance. Drug treatment services are currently covered by Medicaid for eligible participants. Medicaid is administered by the Department of Medical Assistance Services (DMAS). An additional Medicaid drug treatment expense would be incurred for those qualifying VIEW participants who opt for drug treatment services and are not currently receiving this service through Medicaid.

It is conservatively estimated that twenty percent of those opting for drug treatment to retain their TANF assistance payments are not currently receiving drug treatment services covered by Medicaid. Based on this, additional drug treatment costs would be incurred for 129 ($643 \times .20$) individuals. The Department of Medicaid Assistance Services (DMAS) analyzed claims data for FY 2011 to determine the annual costs to Medicaid of a drug treatment program for an individual. Using the average annual Medicaid drug treatment cost of \$1,319 per case, the additional program cost for those opting for drug treatment is estimated to be \$170,151 ($129 \times \$1,319$) annually. In addition, there would be a case management expense of \$391 a year for each participant entering a drug treatment program. Additional drug treatment case management expenses are estimated at \$50,439 ($129 \times \391) annually.

The total estimated annual cost for drug treatment and case management is estimated to be \$220,590. Fifty percent of the drug treatment program costs are covered by federal Medicaid funds with the remaining 50 percent being covered by general fund dollars.

TANF Assistance Payments

Given the average increase in the TANF assistance payment for one additional person of \$66 per month or \$792 annually, it is estimated that expenditures for TANF benefits would decrease by \$509,256 (643×792) annually for those who test positive for illegal drug use and do not comply with a drug treatment program. For purposes of this analysis, a gradual (50 percent) decrease in benefits is assumed in the first year. As such, TANF benefits would decrease by \$254,628 in the first year and \$509,256 each year thereafter. It is assumed that the TANF savings will be netted against the TANF general fund costs, thereby reducing the overall general fund cost of this bill.

The total fiscal impact of this bill is estimated at \$1,504,636 in FY 2013 and \$1,203,541 in FY 2014 and each year thereafter. Of these amounts, general fund will be needed to cover \$1,293,972 in FY 2013 and \$1,000,080 in each year thereafter. A local match of \$100,369 in the first year and \$93,166 in subsequent years is also assumed.

9. Specific Agency or Political Subdivisions Affected:

Department of Social Services

Department of Medical Assistance Services

Department of Behavioral Health and Developmental Services

Department of Health Professionals

10. Technical Amendment Necessary: No

11. Other Comments: None

Date: 1/23/12

Document: G:\2012 Fiscal Year\Efis\HB249.doc