

## Department of Planning and Budget 2012 Fiscal Impact Statement

**1. Bill Number:** SB 6

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

**2. Patron:** Martin, Stephen H.**3. Committee:** Finance**4. Title:** VIEW; substance abuse screening and assessment of public assistance applicants and recipients

**5. Summary:** The substitute proposal 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. The amended substitute removes language that requires the formal substance abuse assessment be performed by a “substance abuse treatment practitioner licensed by the Department of Health Professions.” 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; however, an individual has one opportunity during the subsequent 12-month period to comply with the screening, assessment, or treatment requirements and be reinstated to eligibility for TANF benefits. In such cases, the individual seeking reinstatement of benefits must bear the cost of any drug testing. The provisions of this bill will not become effective unless there is an appropriation of general fund for its purposes.

**6. Budget Amendment Necessary:** Yes**7. Fiscal Impact Estimates:** Preliminary**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Fund</i>
2012	-	-
2013	\$654,023 \$116,280	General Fund Nongeneral Funds
2014	\$372,863 \$116,280	General Fund Nongeneral Funds
2015	\$372,683 \$116,280	General Fund Nongeneral Funds
2016	\$372,683 \$116,280	General Fund Nongeneral Funds
2017	\$372,683 \$116,280	General Fund Nongeneral Funds

2018	\$372,683	General Fund
	\$116,280	Nongeneral 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, on average, 30 minutes to explain, 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.
- Since the bill no longer requires the assessment to be conducted by a licensed substance abuse treatment practitioner, the potential exists for the department to contract with professional vendors for the required services. Based on estimates provided by two private drug treatment facilities in the Richmond area, the average cost of a drug assessment and test is assumed to be \$90. It is further assumed that such providers would be available statewide at a similar cost.
- The initial formal screening and 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

<b>Cost Description</b>	<b>FY 13</b>	<b>FY 14</b>
Staffing Costs	647,539	601,072
Assessment and Testing	232,470	232,470
Drug Treatment	232,560	232,560
TANF Assistance Payments	(241,897)	(483,793)
<b>Total Costs</b>	<b>870,672</b>	<b>582,309</b>
<b>General Fund</b>	<b>654,023</b>	<b>372,863</b>
<b>Federal</b>	<b>116,280</b>	<b>116,280</b>
<b>Local</b>	<b>100,369</b>	<b>93,166</b>
<b>Total</b>	<b>870,672</b>	<b>582,309</b>

#### 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 applicants plus 14,457 annual participants) each year. Using the average productive hours per worker of 1,500 hours, the equivalent of 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.

#### Formal Screening and Drug Testing

It is assumed that there will also be a cost to the state for those individuals who require a formal substance abuse assessment and drug test. However, since the amended bill does not require a credentialed individual to perform the drug assessment and test, the use of private drug treatment facilities can be considered. As such, the cost of drug assessment and testing assumed in this statement is considerably lower than in previous versions associated with the introduced and substitute bills. The Department of Social Services contacted two private drug treatment facilities in the Richmond area and estimated that the average cost for a drug assessment and test is \$90. If ten percent or 2,583 of the total screened population underwent the formal assessment and drug testing at a cost of \$90 per person, the total cost will be \$232,470 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.

It is further assumed that five percent (an original assumption of ten percent has been discounted to account for the cost of testing that must be borne by individuals seeking reinstatement) of those who were previously deemed ineligible for TANF assistance payments as a result of testing positive for illegal drug use and failure to comply with a drug treatment program would subsequently comply with the drug treatment requirements to be reinstated in the TANF program. As such, additional drug treatment and case management costs would be incurred for thirteen ( $643 \times .20 \times .05$ ) individuals who opt to be reinstated in the TANF program at an estimated cost of \$11,970 ( $7 \times (\$1,319 + \$391)$ ) annually.

The total estimated annual cost for drug treatment and case management is estimated to be \$232,560. 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 ( $643 \times 792$ ) 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.

As indicated above, it is assumed that five percent (an original assumption of ten percent has been discounted to account for the cost of testing that must be borne by individuals seeking reinstatement) of those who were previously deemed ineligible for TANF assistance payments

as a result of testing positive for illegal drug use and failure to comply with a drug treatment program would subsequently comply with the drug treatment requirements and be reinstated in the TANF program. It is estimated that those reinstated would receive benefits for an average of six months annually. Benefits for those reinstated are estimated at \$12,731 in the first year and \$25,463 each year thereafter. As such, TANF benefits are estimated to decrease by a net of \$241,897 in the first year, and \$483,793 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 \$870,672 in FY 2013 and \$582,309 in FY 2014 and each year thereafter. Of these amounts, general fund will be needed to cover \$654,023 in FY 2013 and \$372,863 in each year thereafter. A local match of \$100,369 in the first year and \$93,166 in subsequent years is also assumed. If the required general funds for this legislation are not appropriated, this bill will not be enacted.

**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:** 2/15/12

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