

## Department of Planning and Budget 2014 Fiscal Impact Statement

**1. Bill Number:** HB 642

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

**2. Patron:** Campbell, Jeffrey 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 must require drug testing, which is to be performed by a company competitively procured by the Department of Social Services. Any person who fails or refuses to participate in a screening or testing 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 or treatment requirements and be reinstated to eligibility for TANF benefits.

**6. Budget Amendment Necessary:** Yes

**7. Fiscal Impact Estimates:** Preliminary

**Expenditure Impact:**

<i>Fiscal Year</i>	<i>Dollars*</i>	<i>Fund</i>
2014	-	-
2015	\$117,322 \$293,953	General Nongeneral
2016	\$140,958 \$112,023	General Nongeneral
2017	\$140,958 \$112,023	General Nongeneral
2018	\$140,958 \$112,023	General Nongeneral
2019	\$140,958 \$112,023	General Nongeneral
2020	\$140,958 \$112,023	General Nongeneral

\*Expenditure impact does not include a required local match of \$39,171 each year. In addition, assumes that all eligible expenses are offset with TANF dollars if anticipated to be available.

- 8. Fiscal Implications:** It is estimated that the proposed legislation would introduce additional costs associated with providing substance abuse screenings, drug testing, and drug treatment of VIEW participants. The administrative effort required to process and screen participants 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 examined: the additional amount of time for local workers to process new VIEW participants as well as the on-going effort to screen program participants; the cost of drug screening and testing; the cost of drug treatment; and the impact on the TANF program.

**Assumptions:**

- Thirty-nine percent of those receiving TANF will participate in VIEW. Based on data in the Virginia Independence Program Monthly Report for October 2013, there were 30,190 TANF cases, of which 11,863 (39 percent) were enrolled in VIEW.
- Local departments would utilize a commonly accepted screening tool, such as the Substance Abuse Subtle Screening Inventory (SASSI) to determine if there is reason to require a drug test. It is estimated that such a tool would require 5 to 15 minutes to administer and 5 to 10 minutes to score. Therefore, it is assumed that at least 15 minutes would be needed for a worker to administer and review the screening for each participant.
- Each locality would require a SASSI screening start-up kit (estimated at \$139 per kit) the first year and pay \$1.85 per test for the necessary testing materials.
- Ten percent of the VIEW participants screened by local workers will be referred for drug testing. The number of participants who would actually be referred is unknown, so a conservative assumption of ten percent was used.
- The proposed bill requires drug testing to be performed by a company competitively procured by the Department to provide drug testing services on a statewide basis. The average cost of a formal drug test is estimated at \$50.
- The potential number of individuals referred for drug testing who test positive for illegal drugs 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 2012 was 9.2 percent. Based on this, it is assumed that the VIEW population (11,863 individuals) reflects the overall population and would also have an 9.2 percent rate of drug use.
- Fifty percent of those testing positive will agree to enter into a drug treatment program.
- Drug treatment services will be covered by Medicaid for VIEW participants.
- Eighty percent of those initially 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.
- Ten percent of those initially deemed ineligible for TANF assistance payments due to non-compliance or a positive drug test will later choose to comply and enter a drug treatment program. This would allow them to be reinstated into the TANF program based on the provisions of this bill.

**Analysis:**

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 2015</b>	<b>FY 2016</b>
Initial and Periodic Screenings	303,388	292,258
Drug Testing	106,850	106,850
Drug Treatment	234,644	281,916
TANF Assistance Payments	(194,436)	(388,872)
<b>Total Costs</b>	<b>450,446</b>	<b>292,152</b>

#### Initial and Periodic Screenings

Local departments are reimbursed by the state based on the actual cost of delivering required services. These costs are then allocated to the appropriate source of funding (i.e. general, federal, etc). There is no way to determine how the increased costs associated with this bill will be distributed across local departments of social services. However, it is necessary to acknowledge the impact of any additional responsibilities being placed on local departments and workers. While a specific local impact of a single bill may seem insignificant, this statement accounts for all added costs as the cumulative effect of many requirements on local departments cannot be overlooked. Therefore, this statement uses the above assumptions, as to the added time required to meet the bill's provisions, and historical workload data to estimate the fiscal implications at the state level. This statewide estimate of increased costs would be allocated to localities based on actual annual experience.

There were 2,032 new applicants approved for TANF in October 2013. It is estimated that 792 of these (2,032 applicants x 39 percent) would participate in VIEW and thus be screened each month. At 15 minutes per screening, it will take 198 hours per month to initially screen new applicants, or 2,377 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 2013, 11,863 individuals would be periodically re-screened each year. At 15 minutes per screening, it will take 2,966 hours per year to perform the periodic re-screenings of participants for a total annual hourly increase of 5,343 hours (2,377 hours + 2,966 hours).

The department reports that the average annual cost of employing (salary, benefits, nonpersonal services, etc.) a local case worker is \$70,946. Local governments are required to cover 15.5 percent of these expenses, so the state share of the estimated local case worker cost would be \$59,949. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$39.97 per hour for local case workers. Therefore, the state cost of requiring 5,343 additional hours of work would be \$213,547 each year. The statewide local share would be \$39,171.

In addition, each locality will need to purchase a \$139 start-up kit which includes a screening user guide, manual, scoring key and 25 questionnaires. This would cost an additional \$16,680 ( $\$139 \times 120$  localities) in the first year. A questionnaire costing \$1.85 each is required for each screening. The 25 questionnaires included in each start-up kit reduce the need to buy 3,000 ( $25 \times 120$ ) additional questionnaires the first year. The total cost for the start-up kits and questionnaires in the first year is \$50,670 (\$16,680 for start-up kits +  $(21,373 - 3,000 \text{ questionnaires}) \times \$1.85$ ). The total cost for questionnaires in subsequent years is \$39,540 ( $21,373 \times \$1.85$ ).

Total costs for the local staff and screening supplies are \$303,388 ( $\$252,719 + \$50,670$ ) the first year and \$292,258 ( $\$252,719 + \$39,540$ ) each year thereafter.

### Drug Testing

It is assumed that there will also be a cost to the state for those individuals who require a formal drug test. Clinical urine toxicology tests could range from \$25 up to \$100, depending on what specific drugs and how many drugs for which a urine sample is tested. An average cost of \$50 is assumed. It should be noted that the cost estimates are impacted by the fact that TANF benefits are considered to be entitlements. It is assumed that the data gathered in the drug test would have to be treated as legal evidence and procedures followed that would meet standards for chain of evidentiary custody. If ten percent or 2,137 of the total screened population underwent drug testing at a cost of \$50 per person, the total cost would be \$106,850 annually. While the bill does not explicitly state that the Department of Social Services will pay for drug testing; it is assumed that this expense would be covered by state dollars similar to other costs in the proposal. However, should the participant be expected to pay for drug testing, the cost of this bill would decrease.

### Drug Treatment

Again, the potential number of VIEW participants that might test positive for illegal drug use cannot be reasonably determined. If 9.2 percent of the VIEW population is assumed to use drugs, similar to the national average, then it is estimated that of the 2,137 participants referred for testing (10 percent); 1,091 VIEW participants ( $11,863 \text{ VIEW participants as of October 2013} \times .092$ ) would ultimately test positive. Assuming fifty percent or 546 of those testing positive would agree to enter a drug treatment program, they would 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 109 ( $546 \times .20$ ) individuals. DMAS analyzed claims data for FY 2012 to determine the annual costs to Medicaid of a drug treatment program for an individual. Using an average annual Medicaid drug treatment cost of \$1,330 per case, the additional program cost for those opting for drug treatment is estimated to be \$144,970 ( $109 \times \$1,330$ ) annually. In addition, there would be a case management expense of \$389 a year for each participant entering a drug treatment

program. Additional drug treatment case management expenses are estimated at \$42,401 (109 x 389) annually; making the total treatment cost for this population \$187,371.

It is further assumed that ten percent 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 55 (546 x .10) individuals who opt to be reinstated in the TANF program at an estimated cost of \$94,545 (55 \*(1,330 + 389) annually. It is assumed that this only half of this cost will be incurred in the first year.

Based on these assumptions, the total estimated annual cost for drug treatment and case management is estimated to be \$234,644 in the first year and \$281,916 each year thereafter. 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 \$432,432 (546 x 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 \$216,216 in the first year and \$432,432 each year thereafter.

As indicated above, it is assumed that ten percent (55 individuals) 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 in the first year. Benefits for those reinstated are estimated at \$21,780 in the first year and \$43,560 each year thereafter. As such, TANF benefits are estimated to decrease by a net of \$194,436 in the first year, and \$388,872 each year thereafter.

TANF dollars can be used to support the costs of screenings and drug tests; therefore it is assumed that the savings generated by this proposal will be netted against the legislation's costs. In addition, the TANF block grant is expected to have a one-time balance in FY 2016. The anticipated balance is sufficient to cover the remaining eligible (Medicaid costs cannot be covered) FY 2015 - FY 2016 costs of this legislation. The general fund need in item 7 includes the anticipated TANF offsets to the general fund.

## Summary Table

<b>General Assumptions</b>	
VIEW Participation Rate	39%
Minutes Required to Screen VIEW Participant (SASSI Estimate)	15
Percent of Screenings Referred for Drug Testing	10%
Average Cost of Formal Drug Test	\$50
Rate of Drug Use in VIEW Population	9.2%
Percent of Individuals Entering Drug Treatment	50%
Percent of Drug Treatment Population With New Medicaid Cost	20%
Percent of VIEW Participants Who Subsequently Test Positive	1%
<b>Initial and Periodic Screenings</b>	
Monthly Number of approved TANF Applications (October 2013)	2,032
Number Initial Screenings Per Month (Applicants x Rate)	792
Monthly Staff Hours Required to Perform Initial Screenings	198
Annual Staff Hours Required to Perform Initial Screenings	2,377
Annual Number of Periodic Re-Screenings	11,863
Annual Staff Hours Required to Perform Periodic Re-Screenings	2,966
Annual Number of Screenings (Initial and Periodic) Required	21,373
Total Staff Hours for Screenings (Initial + Periodic)	5,343
Drug Screening Start-Up Kits Including 25 Questionnaires	139
Number of Localities	120
First Year Cost of Start-Up Kits	16,680
Questionnaire Per Screening Cost	1.85
Total Cost of Questionnaires	39,540
<b>Estimated Cost of Local Staffing and Supplies for Initial and Periodic Screenings (First Year)</b>	<b>\$303,388</b>
<b>Estimated Cost of Local Staffing for Initial and Periodic Screenings (Each Year)</b>	<b>\$292,258</b>
<b>Drug Testing</b>	
Drug Test Cost	\$50
Number of Drug Tests (10% of Screened Population)	2,137
<b>Estimated Cost of Drug Testing (Each Year)</b>	<b>\$106,850</b>
<b>Drug Treatment</b>	
Number of VIEW Participants Who Use Drugs (11,863 x 9.2%)	1,091
Number of Individuals Who Test Positive That Enter Drug Treatment (Assumed at 50%)	546
Number of Individuals New to the Medicaid Drug Treatment Program (Assumed at 20%)	109
Average Annual Medicaid Drug Treatment and Case Management Cost	\$1,719
Estimated Cost of Drug Treatment Initial Compliance Population (Assumed at 50%)	\$187,371
Number Who Subsequently Comply (10 Percent)	55
Cost of Subsequent Drug Treatment (Second Year Amount)	\$94,545
<b>Estimated Cost of Drug Treatment (First Year)</b>	<b>\$234,644</b>
<b>Estimated Cost of Drug Treatment (Second Year and On-going)</b>	<b>\$281,916</b>
<b>TANF Assistance Payments</b>	
Average Annual TANF Assistance Payment for One Person	\$792

Number of Individuals Who Test Positive and Do Not Enter Drug Treatment (Assumed at 50%)	546
Estimated Annual Decrease in TANF Payments	(\$432,432)
Number of Individuals Subsequently Complying (Assumed at 10%)	55
Estimated Annual Cost of Subsequent Compliance TANF Assistance Payments	\$43,560
<b>Estimated First Year Impact on TANF Assistance Payments</b>	<b>(\$194,436)</b>
<b>Estimated On-going Impact on TANF Assistance Payments</b>	<b>(\$388,872)</b>

**9. Specific Agency or Political Subdivisions Affected:**

Department of Social Services  
Local Department of Social Services  
Department of Medical Assistance Services

**10. Technical Amendment Necessary:** No

**11. Other Comments:** None

**Date:** 1/15/14