

Department of Planning and Budget 2015 Fiscal Impact Statement

1. **Bill Number:** HB 2147

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. **Patron:** Cline, Benjamin L.

3. **Committee:** Health, Welfare and Institutions

4. **Title:** VIEW Program; screening and assessment for use of illegal substances

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 drugs. The bill provides that when a screening indicates reasonable cause to believe a participant is using illegal drugs, the Department of Social Services (DSS) shall require 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 drugs shall be ineligible to receive Temporary Assistance for Needy Families (TANF) payments for a period of one year.

6. **Budget Amendment Necessary:** Yes

7. **Fiscal Impact Estimates:** Preliminary

Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars*</i>	<i>Fund</i>
2015	-	-
2016	\$109,698	General
	\$223,023	Nongeneral
2017	\$109,698	General
	\$223,023	Nongeneral
2018	\$109,698	General
	\$223,023	Nongeneral
2019	\$109,698	General
	\$223,023	Nongeneral
2020	\$109,698	General
	\$223,023	Nongeneral
2021	\$109,698	General
	\$223,023	Nongeneral

*Expenditure impact does not include a required local match of \$31,732 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-eight percent of those receiving TANF will participate in VIEW. Based on data in the Virginia Independence Program Monthly Report for November 2014, there were 26,582 TANF cases, of which 10,047 (38 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 \$135 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 2013 was 9.4 percent. Based on this, it is assumed that the VIEW population (10,047 individuals) reflects the overall population and would also have a 9.4 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.

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

Cost Description	FY 2016	FY 2017
Initial and Periodic Screenings	246,869	236,219
Drug Testing	85,100	85,100
Drug Treatment	219,396	219,396
TANF Assistance Payments	(186,912)	(373,824)
Total Costs	364,453	166,891

*Includes \$31,732 of required local match.

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 1,530 new applicants approved for TANF in November 2014. It is estimated that 581 of these (1,530 applicants x 38 percent) would participate in VIEW and thus be screened each month. At 15 minutes per screening, it will take 145 hours per month to initially screen new applicants, or 1,744 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 November 2014, 10,047 individuals would be periodically re-screened each year. At 15 minutes per screening, it will take 2,512 hours per year to perform the periodic re-screenings of participants for a total annual hourly increase of 4,256 hours (1,744 hours + 2,512 hours).

The department reports that the average annual cost of employing (salary, benefits, nonpersonal services, etc.) a local case worker is \$72,155. 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 \$60,971. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$40.65 per hour for local case workers. Therefore, the state cost of requiring 1,744 additional hours of work would be \$172,993 each year. The statewide local share would be \$31,732.

In addition, each locality will need to purchase a \$135 start-up kit which includes a screening user guide, manual, scoring key and 25 questionnaires. This would cost an additional \$16,200 ($\135×120 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 (25×120) additional questionnaires the first year. The total cost for the start-up kits and questionnaires in the first year is \$42,144 (\$16,200 for start-up kits + $(17,024 - 3,000 \text{ questionnaires}) \times \1.85). The total cost for questionnaires in subsequent years is \$31,494 ($17,024 \times \1.85).

Total costs for the local staff and screening supplies are \$246,869 ($\$204,725 + \$42,144$) the first year and \$236,219 ($\$204,725 + \$31,494$) 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 1,702 of the total screened population underwent drug testing at a cost of \$50 per person, the total cost would be \$85,100 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 9.4 percent of the VIEW population is assumed to use drugs, similar to the national average, then it is estimated that of the 1,702 participants referred for testing (10 percent); 944 VIEW participants ($10,047 \text{ VIEW participants as of November 2014} \times .094$) would ultimately test positive. Assuming fifty percent or 472 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 94 ($472 \times .20$) individuals. DMAS analyzed claims data for FY 2013 to determine the annual costs to Medicaid of a drug treatment program for an individual. Using an average annual Medicaid drug treatment cost of \$1,967 per case, the additional program cost for those opting for drug treatment is estimated to be \$184,898 ($94 \times \$1,967$) annually. In addition, there would be a

case management expense of \$367 a year for each participant entering a drug treatment program. Additional drug treatment case management expenses are estimated at \$34,498 (94 x 367) annually; making the total treatment cost for this population \$219,396 (\$184,898 + \$34,498). 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 \$373,824 (472 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 \$186,912 in the first year and \$373,824 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 2016 costs of this legislation. The general fund need in item 7 includes the anticipated TANF offsets to the general fund.

Summary Table

General Assumptions	
VIEW Participation Rate	38%
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	9.4%
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%
Initial and Periodic Screenings	
Monthly Number of approved TANF Applications (November 2014)	1,530
Number Initial Screenings Per Month (Applicants x Rate)	581
Monthly Staff Hours Required to Perform Initial Screenings	145
Annual Staff Hours Required to Perform Initial Screenings	1,744
Annual Number of Periodic Re-Screenings	10,047
Annual Staff Hours Required to Perform Periodic Re-Screenings	2,512
Annual Number of Screenings (Initial and Periodic) Required	17,024
Total Staff Hours for Screenings (Initial + Periodic)	4,256
Drug Screening Start-Up Kits Including 25 Questionnaires	135
Number of Localities	120

First Year Cost of Start-Up Kits	16,200
Questionnaire Per Screening Cost	1.85
Total Cost of Questionnaires	31,494
Estimated Cost of Local Staffing and Supplies for Initial and Periodic Screenings (First Year)	\$246,869
Estimated Cost of Local Staffing for Initial and Periodic Screenings (Each Year)	\$236,219
Drug Testing	
Drug Test Cost	\$50
Number of Drug Tests (10% of Screened Population)	1,702
Estimated Cost of Drug Testing (Each Year)	\$85,100
Drug Treatment	
Number of VIEW Participants Who Use Drugs (10,047 x 9.4%)	944
Number of Individuals Who Test Positive That Enter Drug Treatment (Assumed at 50%)	472
Number of Individuals New to the Medicaid Drug Treatment Program (Assumed at 20%)	94
Average Annual Medicaid Drug Treatment and Case Management Cost	\$2,334
Estimated Cost of Drug Treatment Compliance Population (Assumed at 50%)	\$219,396
TANF Assistance Payments	
Average Annual TANF Assistance Payment for One Person	\$792
Number of Individuals Who Test Positive and Do Not Enter Drug Treatment (Assumed at 50%)	472
Estimated Annual Decrease in TANF Payments	(\$373,824)
Estimated First Year Impact on TANF Assistance Payments	(\$186,912)
Estimated On-going Impact on TANF Assistance Payments	(\$373,824)

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: 1/22/15