

Department of Planning and Budget 2017 Fiscal Impact Statement

1. **Bill Number:** HB1435

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:** Head

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

4. **Title:** VIEW; pilot program for substance abuse screening and assessment.

5. **Summary:** Department of Social Services; pilot program for substance abuse screening and assessment for VIEW; report. Requires the Department of Social Services to develop a pilot program for screening and assessing participants in the Virginia Initiative for Employment not Welfare (VIEW) program for use of illegal substances. The bill requires the Department to provide an interim report on implementation of the pilot program to the Governor and the General Assembly no later than December 1, 2017, and a final report on the results of the pilot program to the Governor and the General Assembly no later than December 1, 2018.

6. **Budget Amendment Necessary:** Yes.

7. **Fiscal Impact Estimates:** Preliminary. See Item 8.

7a. Expenditure Impact:

<i>Fiscal Year</i>	<i>Dollars</i>	<i>Positions</i>	<i>Fund</i>
2017	-	-	-
2018	\$80,360	-	General
	\$202,863		Nongeneral
2019	\$27,122	-	General
	\$36,877		Nongeneral
2020		-	-
2021		-	-
2022		-	-
2023		-	-

*Expenditure impact does not include a required local match of \$26,702 in FY 2018 and \$9,095 in FY 2019. 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. The cost estimate for this bill is summarized below. A detailed analysis of each component of the cost follows.

Summary of Costs

Cost Description	FY 2018 Total	General Fund	Nongeneral Fund	FY 2019 Total	General Fund	Nongeneral Fund
Initial and Periodic Screenings*	\$181,071	-	\$181,071	\$58,225	-	\$58,225
Drug Testing	\$27,400	-	\$27,400	\$9,850	-	\$9,850
Drug Treatment	\$160,720	\$80,360	\$80,360	\$54,243	\$27,121.50	\$27,121.50
TANF Assistance Payments (pilot program savings)	(\$85,968)	-	(\$85,968)	(\$58,320)	-	(\$58,320)
Total Costs	\$283,223	\$80,360	\$202,863	\$63,998	\$27,121.50	\$36,876.50

*Does not include required local match amounts of \$26,702 in FY 2018 and \$9,095 in FY 2019.

Assumptions:

- Thirty-five percent of those receiving TANF will participate in VIEW. Based on data in the Virginia Independence Program Monthly Report for June 2016, there were 21,991 TANF cases, of which 7,790 (35.4 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 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 2014 was 10.2 percent. Based on this, it is assumed that the VIEW population (7,790 individuals) reflects the overall population and would also have a 10.2 percent rate of drug use.
- Fifty percent of those testing positive will agree to enter into a drug treatment program.

- Seventy-five percent of individuals who test positive and do not enter into a drug treatment program will reapply for TANF benefits in six months.
- 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.
- Individuals who have tested positive and choose not to enter treatment will be excluded from receiving TANF payments for six months, even if the six-month period extends beyond the end of the pilot program.
- The pilot program will begin on July 1, 2017.
- The pilot program will end on November 1, 2018.
- The final report on the results of the pilot will be provided to the Governor and General Assembly on December 1, 2018.

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.

Initial, Periodic, and Re-Applicant Screenings

There were 1,364 new applicants approved for TANF in June 2016. It is estimated that 483 of these (1,364 applicants x 35.4 percent) would participate in VIEW and thus be screened each month. At 15 minutes per screening, it will take approximately 120.75 hours per month to initially screen new applicants, or 1,449 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 June 2016, 7,790 individuals would be periodically re-screened each year. At 15 minutes per screening, it will take 1,948 hours per year to perform the periodic re-screenings. Furthermore, it is assumed that 75 percent of VIEW applicants who test positive for drugs and do not enter a treatment program will reapply for TANF benefits in six months. At 15 minutes per screening, these applicants will increase the number of hours to screen by 37 in the first year (.25 hours x 398 applicants x .5 years x 75 percent) and 13 in the second year (.25 hours x 199 applicants x .34 years x 75 percent). Assuming the pilot program will operate for a full 12-months in the first year and a full four-month time period in the second year equates to 148 applicants and 37 additional screening hours in FY 2018 and 51 applicants and 13 additional screening hours in FY 2019.

The total hourly increase due to new applications, reapplications for existing recipients, and rescreening of those who tested positive for drugs but did not enter a treatment program is 3,434 hours (1,449 hours + 1,948 hours + 37 hours) the first year and 1,168 hours ((1,449

hours + 1,948 hours) x .34 years + 13 hours) the second year since the pilot program is assumed to end November 1, 2018. This equates to 13,736 screenings the first year and 4,672 screenings the second year.

The Department reports that the average annual cost of employing (salary, benefits, non-personnel services, etc.) a local case worker is \$75,227. 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 \$63,567. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$42.38 per hour for local case workers. Therefore, the state cost of requiring 3,434 additional hours of work in FY 2018 and 1,168 hours of work in FY 2019 would be \$145,568 and \$49,582 respectively. The statewide local share would be \$26,702 in FY 2018 and \$9,095 in FY 2019.

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 ($\135×120 localities) in the first year. A questionnaire costing \$1.85 each is required for each screening. The 25 questionnaires included in each start-up kit reduce the need to buy questionnaires by 3,000 (25×120) the first year. The total cost for the start-up kits and questionnaires in the first year is \$35,503 ($\$16,200$ for start-up kits + $(13,434 - 3,000 \text{ questionnaires}) \times \1.85). The total cost for questionnaires in FY 2019 is \$8,643 ($4,672 \times \1.85).

Total costs for the local staff and screening supplies are \$207,773 ($\$172,270 + \$35,503$) the first year and \$67,320 ($\$58,677 + \$8,643$) the second year.

Drug Testing

It is assumed that there also will 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 1,343 of the total screened population in FY 2018 underwent drug testing at a cost of \$50 per person, the cost would be \$67,150. However, the bill states that drug tests with positive results will be paid for by the VIEW participant and that drug tests with negative results will be paid for by the Department.

If 10.2 percent of the VIEW population is assumed to use drugs, similar to the national average, then it is estimated that of the 1,343 participants in FY 2018 and 467 participants in FY 2019 referred for testing (10 percent); 795 VIEW participants ($7,790 \text{ VIEW participants as of June 2016} \times 10.2 \text{ percent}$) would ultimately test positive in FY 2018 and 34 percent of that or 270 participants in FY 2019. Therefore, the Department would fund 548 ($1,343 - 795$) negative drug tests in FY 2018 and 197 ($467 - 270$) tests in FY 2019 for total costs of \$27,400 ($548 \times \50) and \$9,850 ($197 \times \50) respectively.

VIEW participants:	<i>FY 2018</i>	<i>FY 2019</i>
referred for testing (10%)	1343	467
testing positive (participant funds)	795	270
testing negative (DSS funds)	548	197

Drug Treatment

As stated above, 795 VIEW participants are estimated to test positive for drugs in FY 2018 and 270 in FY 2019. It is assumed that 398 or fifty percent in FY 2018 and 135 or 34 percent in FY 2019, of those testing positive would agree to enter a drug treatment program to retain their benefits. 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 80 (398 x 20 percent) individuals in the first year and 27 individuals in the second year ((398 x 34 percent) x 20 percent). DMAS analyzed claims data for FY 2015 to determine the annual costs to Medicaid of a drug treatment program for an individual. Using an average annual Medicaid drug treatment cost of \$1,675 per case, the additional program cost for those opting for drug treatment is estimated to be \$134,000 (80 x \$1,675) the first year and \$45,225 (27 x \$1,675) the second year. In addition, there would be a case management expense of \$334 a year for each participant entering a drug treatment program. Additional drug treatment case management expenses are estimated at \$26,720 (80 x 334) the first year and \$9,018 (27 x 334) the second year; making the total treatment cost for this population \$160,720 (\$134,000 + \$26,720) the first year and \$54,243 (\$45,225 + \$9,018) the second year. 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 \$72 per month or \$864 annually, it is estimated that expenditures for TANF benefits would decrease by \$85,968 (398 x 864 x .5 years x 50 percent) the first year and \$58,320 (135 x 864 x .5 years) the second year for those who test positive for illegal drug use and do not comply with a drug treatment program. The legislation allows for individuals to reapply for benefits after six months, so the loss in benefits is only assumed for a six-month time period; and for purposes of this analysis, a further gradual (50 percent) decrease in benefits is assumed in the first year.

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 sufficient balances in FY 2018 and FY 2019 to cover the remaining eligible FY 2018 and FY 2019 costs of this legislation

(Medicaid costs cannot be covered). The general fund need in item 7 includes the anticipated TANF offsets to the general fund.

Summary Table

General Assumptions	
VIEW Participation Rate	35.4%
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	10.2%
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%
Initial, Periodic, and Re-Applicant Screenings	
Monthly Number of approved TANF Applications (June 2016)	1,364
Number Initial Screenings Per Month (Applicants x Rate)	483
Monthly Staff Hours Required to Perform Initial Screenings	120.75
Annual Staff Hours Required to Perform Initial Screenings	1,449
Annual Number of Periodic Re-Screenings	7,790
Annual Staff Hours Required to Perform Periodic Re-Screenings	1,948
Annual Number of Re-Application Screenings	148
Annual Staff Hours Required to Perform Re-Application Screenings	37
Annual Number of Screenings (Initial, Periodic, and Re-Application) Required	13,736
Annual Total Staff Hours for Screenings (Initial, Periodic, and Re-Application)	3,434
Cost of 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
Estimated Cost of Local Staffing and Supplies for Screenings (First Year)	\$208,376
Estimated Cost of Local Staffing and Supplies for Screenings (Second Year)	\$99,991
Drug Testing	
Drug Test Cost	\$50
Number of Negative Drug Tests (First Year)	548
Number of Negative Drug Tests (Second Year)	197
Estimated Cost of Drug Testing (First Year)	\$27,400
Estimated Cost of Drug Testing (Second Year)	\$9,850
Drug Treatment	
Number of VIEW Participants Who Use Drugs (7,790 x 10.2%)	795
Annual Number of Individuals Who Test Positive That Enter Drug Treatment (Assumed at 50%)	398
Annual Number of Individuals New to the Medicaid Drug Treatment Program (Assumed at 20%)	80
Average Annual Medicaid Drug Treatment and Case Management Cost	\$2,009

Estimated Cost of Drug Treatment Compliance Population (Assumed at 50%) (First Year)	\$160,720
Estimated Cost of Drug Treatment Compliance Population (Assumed at 50%) (Second Year)	\$54,243
TANF Assistance Payments	
Average Annual TANF Assistance Payment for One Person	\$864
Annual Number of Individuals Who Test Positive and Do Not Enter Drug Treatment (Assumed at 50%)	398
Estimated First Year Impact on TANF Assistance Payments	(\$85,968)
Estimated Second Year Impact on TANF Assistance Payments	(\$58,320)

9. Specific Agency or Political Subdivisions Affected: Department of Social Services, local Departments of Social Services, Department of Medical Assistance Services

10. Technical Amendment Necessary:

11. Other Comments: