

Department of Planning and Budget 2018 Fiscal Impact Statement

1. Bill Number: HB1242

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

2. Patron: Cline

3. Committee: Health, Welfare and Institutions

4. Title: Substance abuse screening and assessment of public assistance applicants and recipients.

5. Summary: Requires local departments of social services to screen each 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 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 TANF payments for a period of one year unless, in the case of a positive test result, such person enters into a drug treatment program.

6. Budget Amendment Necessary: Yes.

7. Fiscal Impact Estimates:

Expenditure Impact:

| <i>Fiscal Year</i> | <i>Dollars</i> | <i>Positions</i> | <i>Fund</i> |
|--------------------|----------------|------------------|-------------|
| 2018 | - | - | - |
| 2019 | \$90,248 | - | General |
| | \$619,541 | - | Nongeneral |
| 2020 | \$90,248 | - | General |
| | (\$188,259) | - | Nongeneral |
| 2021 | \$90,248 | - | General |
| | (\$188,259) | - | Nongeneral |
| 2022 | \$90,248 | - | General |
| | (\$188,259) | - | Nongeneral |
| 2023 | \$90,248 | - | General |
| | (\$188,259) | - | Nongeneral |
| 2024 | \$90,248 | - | General |
| | (\$188,259) | - | Nongeneral |

*Expenditure impact does not include a required local match of \$21,766 each year. In addition, it 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-five percent of those receiving TANF will participate in VIEW. Based on Virginia Case Management System (VaCMS) there were an average of 16,543 TANF cases during the first six months of FY 2018, of which 5,790 (35 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 STASSI 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 18 or older in 2016 was 18.2 percent. Based on this, it is assumed that the VIEW population (5,790 individuals) reflects the overall population and would also have an 18.2 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.

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 2019 | FY 2020 |
|---------------------------------|----------------|-----------------|
| Initial and Periodic Screenings | 170,559 | 159,909 |
| Drug Testing | 57,650 | 57,650 |
| Drug Treatment | 180,495 | 180,495 |
| TANF Assistance Payments | (237,150) | (474,300) |
| VaCMS Modifications | 560,000 | 0 |
| Total Costs | 731,554 | (76,246) |

*Includes \$21,766 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 was an average of 1,367 new applicants approved for TANF each month from July – December 2017. It is estimated that 478 of these (1,367 applicants x 35 percent) would participate in VIEW and thus be screened each month. At 15 minutes per screening, it will take 120 hours per month to initially screen new applicants, or 1,440 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 the first six months of FY 2018, 5,790 individuals would be periodically re-screened each year. At 15 minutes per screening, it will take 1,448 hours per year to perform the periodic re-screenings of participants for a total annual hourly increase of 2,888 hours (1,440 hours + 1,448 hours).

The department reports that the average annual cost of employing (salary, benefits, nonpersonal services, etc.) a local case worker is \$71,806. 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 \$60,676. Assuming 1,500 annual productive hours per full-time employee, the state reimburses localities \$40.45 per hour for local case workers. Therefore, the state cost of requiring 2,888 additional hours of work would be \$116,820 each year reimbursed by the state. The local share would be \$21,766, for a total annual cost of \$138,586.

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 ($\135×120 localities) in the first year. A questionnaire costing \$1.85 is required for each screening. The 25 questionnaires included in each start-up kit reduce the need to buy 3,000 (25×120) additional questionnaires the first year. The total cost for the start-up kits and questionnaires in the first year is \$31,973 ($\$16,200$ for start-up kits + $(8,526 - 3,000$ questionnaires) $\times \$1.85$). The total cost for questionnaires in subsequent years is \$21,323 ($11,526 \times \1.85).

Total costs for the local staff and screening supplies are \$170,559 ($\$138,586 + \$31,973$) the first year and \$159,909 ($\$138,586 + \$21,323$) 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 1,153 of the total screened population underwent drug testing at a cost of \$50 per person, the total cost would be \$57,650 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 18.2 percent of the VIEW population is assumed to use drugs, similar to the national average, then it is estimated that of the 1,153 participants referred for testing (10 percent); 1,054 VIEW participants ($5,790 \times .182$) would ultimately test positive. Assuming fifty percent or 527 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 105 (527 x .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 \$139,650 (105 x \$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 \$40,845 (105 x 389) annually; making the total treatment cost for this population \$180,495.

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 \$75 per month or \$900 annually, it is estimated that expenditures for TANF benefits would decrease by \$474,300 (527 x 900) 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 \$237,150 in the first year and \$474,300 each year thereafter.

Virginia Case Management System Changes

Updates to the Virginia Case Management System (VaCMS) will be needed to indicate screening results, make a referral to a testing service, sanction for the failing of the drug test, and to set a period of ineligibility. In order to make these systems changes, \$500,000 is needed for vendor development costs and \$60,000 for internal contractor expenses for a total expense of \$560,000. This funding will be needed in the first year only and can be funded out of TANF block grant balances.

Based on the introduced budget, the TANF block grant is expected to have balances over the biennium that are sufficient to cover the cost of this legislation (Medicaid costs cannot be covered). While a TANF surplus may be available in future years, this balance cannot be assumed. Moreover, it should be noted that this statement estimates the fiscal impact of this bill versus the introduced budget; it does not account for other legislative proposals that impact TANF funds. To the extent that the obligations created by this bill (and others) exceed the pool of available TANF funds, general fund appropriation would be necessary to fulfill these requirements.

Summary Table

| General Assumptions | |
|-------------------------------------------------------------------------------------------------------|--------------------|
| VIEW Participation Rate | 35% |
| 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 | 18.2% |
| 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 and Periodic Screenings | |
| Monthly Number of approved TANF Applications (Jul-Dec 2017) | 1,367 |
| Number Initial Screenings Per Month (Applicants x Rate) | 478 |
| Monthly Staff Hours Required to Perform Initial Screenings | 120 |
| Annual Staff Hours Required to Perform Initial Screenings | 1,440 |
| Annual Number of Periodic Re-Screenings | 5,790 |
| Annual Staff Hours Required to Perform Periodic Re-Screenings | 1,448 |
| Annual Number of Screenings (Initial and Periodic) Required | 11,526 |
| Total Staff Hours for Screenings (Initial + Periodic) | 2,888 |
| 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 | 15,773 |
| Estimated Cost of Local Staffing and Supplies for Initial and Periodic Screenings (First Year) | \$170,559 |
| Estimated Cost of Local Staffing for Initial and Periodic Screenings (Each Year) | \$159,909 |
| Drug Testing | |
| Drug Test Cost | \$50 |
| Number of Drug Tests (10% of Screened Population) | 1,153 |
| Estimated Cost of Drug Testing (Each Year) | \$57,650 |
| Drug Treatment | |
| Number of VIEW Participants Who Use Drugs (11,531 x 18.2%) | 2,098 |
| Number of Individuals Who Test Positive That Enter Drug Treatment (Assumed at 50%) | 1,049 |
| Number of Individuals New to the Medicaid Drug Treatment Program (Assumed at 20%) | 105 |
| Average Annual Medicaid Drug Treatment and Case Management Cost | \$1,719 |
| Estimated Cost of Drug Treatment Compliance Population | \$180,495 |
| TANF Assistance Payments | |
| Average Annual TANF Assistance Payment for One Person | \$900 |
| Number of Individuals Who Test Positive and Do Not Enter Drug Treatment (Assumed at 50%) | 527 |
| Estimated First Year Impact on TANF Assistance Payments | (\$237,150) |
| Estimated On-going Impact on TANF Assistance Payments | (\$474,300) |

| | |
|----------------------------------------------------|------------------|
| |) |
| Virginia Case Management System | |
| Vendor Development | \$500,000 |
| Internal Contractors | \$60,000 |
| Total VaCMS Modifications – First Year Only | \$560,000 |

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

10. Technical Amendment Necessary: No

11. Other Comments: None