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House Bill 4118 (Substitute S-1 as reported by the Committee of the Whole)

Sponsor: Representative Jeff Farrington

House Committee: Families, Children, and Seniors

Senate Committee: Families, Seniors and Human Services

### **CONTENT**

The bill would amend the Social Welfare Act to provide for a pilot program for suspicion-based substance abuse testing and screening as a condition of Family Independence Program (FIP) eligibility. The bill would do the following:

- Require the Department of Human Services (DHS) to establish and administer the program for FIP applicants and recipients.
- Require the DHS to conduct a screening and testing pilot program in three or more counties, subject to State appropriation.
- Appropriate \$500,000 to the DHS in fiscal year 2013-14 to implement and administer the pilot program.
- Require the DHS to screen FIP applicants and recipients for suspicion of substance abuse using an empirically validated screening tool, upon initial application and at annual redetermination.
- Require an applicant or recipient to take a substance abuse test if his or her screening results gave the DHS a reasonable suspicion to believe the person had used a controlled substance in violation of State law.
- Provide that an applicant or recipient would be ineligible for assistance if he or she refused to take a substance abuse test, but could reapply after six months; and require the person to test negative for use of a controlled substance in violation of State law, in order to receive assistance if he or she reapplied.
- Require the DHS to pay the cost of testing if the applicant tested negative for use of a controlled substance in violation of State law.

The bill is tie-barred to Senate Bill 275, which is tie-barred to the House bill. As passed by the Senate, Senate Bill 275 (S-1) would amend the Act to do the following with respect to the pilot program:

- Require the DHS to refer an applicant or recipient to Department-designated community mental health (CMH) entities, and continue to provide assistance, the first time he or she tested positive for use of a controlled substance in violation of State law.
- Require the DHS to terminate FIP assistance if the individual failed to participate in treatment offered by the CMH entities, or failed submit to required periodic substance abuse testing required by them.
- Provide that the second or subsequent time an applicant or recipient tested positive, he or she would be ineligible for FIP assistance; and provide that if the individual reapplied, he or she could not test positive for the use of a controlled substance in violation of State law, to order receive FIP assistance.
- Allow the DHS refer the applicant or recipient to CMH entities for substance abuse treatment.
- Provide that a dependent child would remain eligible for FIP assistance if his or her parent became ineligible; require an appropriate protective payee to be designated to

- receive benefits on the child's behalf; and allow the parent to designate another individual to receive the benefits on the child's behalf.
- Require the DHS or any applicable health plan to pay for treatment, if an individual were referred to and participated in treatment under the bill.
- Require the pilot program to terminate on March 31, 2015.
- Require the DHS to report to the Legislature regarding the program by April 30, 2015.

Proposed MCL 400.57y

Legislative Analyst: Suzanne Lowe

## **FISCAL IMPACT**

The bill would appropriate \$500,000 to the DHS for it to establish a substance abuse screening and testing pilot program for FIP assistance, which would be phased in over a period of three years, beginning in FY 2013-14.

The annual net costs/savings of implementing a statewide program would depend on several unknown factors. Based on the experiences of other states in setting up similar programs, the costs to implement a drug testing program statewide could range between \$700,000 and \$3.4 million Gross. This estimate includes an empirically valid screening tool and the costs of the drug tests.

Caseload savings could be possible, but would depend on the implementation of the empirically valid testing tool, as well as the percentage of recipients who tested positive for drugs and successfully completed a substance abuse treatment program. Savings due to caseload reductions could reach \$3.7 million Gross on annual basis.

Estimated Percentage of Cash Assistance Recipients Who Use Illegal Drugs. The percentage of welfare recipients who use illegal drugs is similar to – only slightly higher than – to the percentage of drug users among the general population. In 2011, the U.S. Department of Health and Human Services (HHS) issued a report on drug use among welfare recipients that consolidated data from several studies. According to the HHS, most of these studies found that between 5.0% and 10.0% of welfare recipients abuse illegal drugs. Similarly, in 1999, a Michigan pilot program found that 10.3% of FIP recipients tested positive for illicit drug use. Florida's 1999, suspicion-based pilot program found that a total of 5.1% of welfare applicants and recipients tested positive for illegal drug use over an 18-month period. If a program in Michigan followed the model of the pilot program that was introduced in Florida in 1999, it is possible that as many as 5.0% of the total FIP caseload would be identified as drug users.

Potential Savings Calculations. There are several possible scenarios in terms of projecting ongoing, annual savings estimates for a statewide program. The State could realize approximately \$3.7 million Gross/\$743,800 GF/GP in caseload savings. The FIP program is funded with approximately 20.0% GF/GP and 80.0% Federal funding.

Michigan's projected monthly FIP caseload in FY 2013-14 is 44,400 and the projected average monthly payment is \$394.81. The average number of child-only FIP cases from January 2012 to June 2012 was 13,000, making the total projected number of cases that could be affected by a drug testing policy approximately 31,400. For every case that was removed from assistance for three months, the State would save approximately \$1,200. For every case removed from assistance for 12 months, the State would save approximately \$4,700.

If the DHS were able to identify 5.0% of FIP clients as drug users, this group would be referred to substance abuse treatment and would be able to remain on assistance assuming that they otherwise maintained their eligibility requirements. The National Institute of Health estimates that between 40.0% and 60.0% of those treated for illegal drug use will relapse. If 2.5% of those who are referred to treatment again tested positive, the State would realize approximately \$3.7 million gross (\$743,800 GF/GP) in caseload savings for 12 months. In a scenario in which costs reached the higher end of the scale at \$3.4 million, the State would have to remove approximately 2.5%

of the current FIP caseload and new applicants from assistance for 12 months, in order essentially to break even.

Cost Calculations. The cost estimate of \$700,000 to \$3.4 million is based on information from the 1999 Florida pilot program and the 2012 Missouri program.

The 1999 pilot program in Florida estimated a cost of \$30 for each drug test and a cost of \$90 per test once staff costs and other program costs were added. These costs include both the drug test itself and administrative overhead, including the use of SASSI, an empirically validated screening tool. The baseline administrative costs are estimated at approximately \$60 per screened applicant. Treatment costs were not included. Adjusted for inflation, the total costs would increase to \$120, with \$40 going toward the drug test itself. If all applicants/recipients of FIP assistance received the formal, empirically validated screening tool, the baseline administrative costs of \$80 would be applied to each case (approximately 31,400 in FY 2013-14). The total baseline costs – excluding the costs of the drug test itself – would be approximately \$2.5 million.

The State of Missouri also provides an example for cost comparison. Missouri's suspicion-based program was projected to cost up to \$2.6 million in FY 2012-13. The estimate includes the costs of increased staffing needs, administrative hearings, drug treatment, changes to electronic applications, and hiring contractors to administer the drug tests. Of this total, approximately \$1.9 million was set aside for substance abuse treatment and \$700,000 for administrative costs.

The costs to the State of Michigan to cover false positive drug tests would total approximately \$213,500 Gross. In the Florida pilot program, the screening tool referred 22.4% of the welfare caseload to take a drug test. Less than a quarter of those who were referred by the screening tool actually tested positive for drugs (or 5.1% of the total caseload and new applicants). If this 17% difference were applied to the adult FIP caseload, approximately 5,300 cases would be referred to take a test and would test negative.

Most FIP recipients would be eligible for drug treatment services through Medicaid. A small percentage of FIP recipients might not have Medicaid coverage, however. Outpatient and residential treatment costs range between approximately \$700 and \$2,400 per person. The Department of Community Health currently prioritizes treatment for welfare recipients. It is not known whether the referral of FIP clients would result in increased costs and caseloads in the CMH entities, or whether an influx of FIP recipients merely would reduce the number of treatment slots that are available to other clients.

Additional Unknown Factors. Potential annual savings and additional costs would be based on several unknown factors, some of which would be determined by departmental policy and others of which would be based on the actions of FIP clients. Some of the key undetermined factors as follows: (1) Implementation of the screening tool and drug test. Factors include the accuracy of the tool, whether additional staff would have to be hired to administer the tool, and whether the drug tests were timed correctly so that they could detect an illegal substance. (2) The number of people who refused to take a test and became ineligible for FIP. The results of Florida's 1999 pilot project showed that 21.0% of applicants and recipients refused to take the screening and therefore were not eligible for assistance. Arizona also found that a significant number of applicants declined to participate in the initial screening tool. If these precedents are a good indicator of what could be expected to take place in Michigan, the FIP caseload would be reduced significantly on the front end.

The bill would have no fiscal impact on local units of government.

Date Completed: 3-19-14

Fiscal Analyst: Frances Carley

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This analysis was prepared by nonpartisan Senate staff for use by the Senate in its deliberations and does not constitute an official statement of legislative intent.