

Analysis of House Bill 05-1015

for the Health District of Northern Larimer County Board of Directors

February 16, 2005

Bill Title: Concerning Substance Abuse Treatment Under the “Colorado Medical Assistance Act”

Sponsors: House: Romanoff; Senate: Johnson

Committees: House HHS

History: Introduced 1/12/05

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Overview

According to the Substance Abuse and Mental Health Services Administration (SAMHSA), approximately 19.5 million Americans, or 8.2% of the population, used illicit drugs regularly in 2003. Additionally, the number of individuals needing treatment for an illicit drug problem during 2003 was 7.3 million, of which 6.2 million persons did not receive needed treatment for an illicit drug problem.¹ Widespread economic costs, both to individuals and institutions, are associated with substance abuse and addiction, including: expenditures for drug abuse and medical treatments; loss of productivity; premature death; impairment; incarceration; crime careers; victim losses; and direct expenditure increases in the criminal justice and social services systems. Given these costs, citizens maintain a fundamental demand for both private and governmental mechanisms for financing drug abuse treatment.²

This is particularly true with regard to state expenditures. For example, in 1998, of a total of \$620 billion in expenditures among the states, \$81.3 billion, or 13.1% was spent in relation to substance abuse and addiction. In 1998, Colorado fell slightly below the national average, with 12.4% of the state budget dedicated to substance abuse.³ Highlighting the necessity for government intervention, W.S. Cartwright and P.L. Solano explain in their article, “The Economics of Public Health: Financing Drug Abuse Treatment Services” (2003) that, “given substantial external costs (imposed by the drug abuser or user on other persons in society), a public sector response is justifiable because of market failure, and a well-designed financial policy for drug abuse treatment services could prove very productive for society.”⁴ Underscoring this observation, evidence has found substance abuse treatment to be highly cost effective. Cost savings, in relation to health, welfare and criminal justice systems, have been demonstrated in several studies conducted in other states, with savings ranging from \$5 to \$7 for every \$1 spent on treatment.⁵ Conversely, lack of treatment is associated with substantial costs. For example, in Washington State, the operational costs of incarcerating drug offenders were \$89.1 million in SFY 2003, excluding costs associated with other substance abuse offenders, victim losses, and expenses to law enforcement, courts and local jails in dealing with these offenders.⁶ Illustrating this point, in 2003, 19.7% of offenders in Washington State prisons were drug offenders; the Washington Department of Corrections estimated that 60-80% of inmates are in need of substance abuse treatment.⁷ Likewise, according to the Final

¹ Office of Applied Studies, SAMHSA, Department of Health and Human Services, *National Survey on Drug Use and Health: Results* (2003).

² WS Cartwright and PL Solano, “The Economics of Public Health: Financing Drug Abuse Treatment Services” in *Health Policy*, Volume 66, No. 3 (February 2003)

³ National Center on Addiction and Substance Abuse at Columbia University, “Shoveling Up: The Impact of Substance Abuse on State Budgets” (January 2001)

⁴ Cartwright and Solano, p. 248.

⁵ James C. May, “2004 Annual Report and Comprehensive Interagency State Plan for Substance Abuse Services”, *Substance Abuse Services Council*, Commonwealth of Virginia (2004)

⁶ Department of Social and Health Services, “Tobacco, Alcohol and Other Drug Abuse Trends in Washington State” (2004)

⁷ Ibid

Report of the Colorado Mental Health and Substance Abuse Summit, 77% of prison inmates in Colorado were identified as needing substance abuse treatment at intake.⁸

Federally, substance abuse treatment is an optional service under Medicaid. Colorado only provides substance abuse services under Medicaid for medical detoxification in hospitals when necessary (about \$300,000) and for pregnant women (about \$2M). HB05-1015 adds outpatient substance abuse treatment as a covered service under Medicaid and mandates that the state auditor report to the legislative audit committee on whether or not the provision of these services decreases the overall cost of Medicaid. In the event that the legislative audit committee finds that expansion of services increases the cost to the program, the provision will be repealed.

Why is this issue important to the Health District?

Substance abuse creates a major health burden in the Health District as well as a major financial burden to the community. Access to substance abuse treatment is a key component of the Community Mental Health and Substance Abuse Partnership and is a critical component of the Health District’s mission to improve access to healthcare. As well, funding for substance abuse treatment is a stated priority for the Partnership’s policy and legislation subcommittee.

Summation of Arguments: HB05-1015	
Support	Oppose
<ul style="list-style-type: none"> • There is substantial evidence indicating that for every dollar expended for substance abuse prevention, there are substantial savings. • Based on this research, the expansion of substance abuse prevention services under Medicaid is estimated to pay for itself over a two-year period. • Additional savings in other Medicaid programs (for example, Indian Health Services) may release GF dollars to fund the initial expenditure for the expansion. • The projected impact of the expansion is not limited to one area of Colorado government; costs and burdens will likely decrease in the areas of criminal justice, health care, and human services. • Substance abuse has been linked with a variety of health ailments and diseases. For example, smoking and drinking (or both) have been linked to certain types of cancers.⁹ As a result, individuals who successfully complete substance abuse treatment are likely to experience health improvements. 	<ul style="list-style-type: none"> • In spite of projected savings, the expansion of substance abuse services under Medicaid would require an up-front expenditure. • Given the tight fiscal climate in Colorado, it may not be feasible to expand Medicaid services in one area at the expense of reducing funding for other programs. • Despite evidence to the contrary, some still consider substance abuse to be a private problem and a “victimless” crime, in that the direct harm and costs imposed by such abuse primarily affect the user; thus, they believe the costs associated with treatment remain a private rather than public problem.

Staff Recommendations: The Board voted to strongly support HB05-1015 on February 22, 2005.

⁸ The year for this data was not listed. Colorado Mental Health and Substance Abuse Summit, “Envision a Healthy Colorado: Criminal Justice” (2002)

⁹ National Center on Addiction and Substance Abuse at Columbia University, “Shoveling Up: The Impact of Substance Abuse on State Budgets” (January 2001)

About this Analysis

This analysis was prepared by Health District of Northern Larimer County staff to assist the Health District Board of Directors in determining whether to take an official stand on various health-related issues. Analyses are based on bills or issues at the time of their consideration by the Board and are accurate to the best of staff knowledge, but are limited by both space and time available for analysis in quick-moving legislative sessions. It is suggested that people check to see whether a bill has changed during the course of a legislative session by visiting the Colorado General Assembly web page at www.state.co.us/gov_dir/stateleg.html. To see whether the Health District Board of Directors took a position on this or other policy issues, please visit www.healthdistrict.org/policy.

About the Health District

The Health District is a special district of the northern two-thirds of Larimer County, Colorado, supported by local property tax dollars and governed by a publicly elected five-member board. The Health District provides medical, mental health, dental, preventive and health planning services to the communities it serves. Their mission is to improve the health of the community.

For more information about this policy position or the Health District, please contact Katherine Young, at kyoung@healthdistrict.org, or (970) 224-5209.