



## Legislative Fiscal Bureau

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May 6, 2014

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Health Services: Tuberculosis Incident Response and Opioid Treatment Program  
Funding -- Agenda Item VII

### REQUEST

The Department of Health Services (DHS) requests a transfer of funding from the Committee's supplemental appropriation for the following purposes: (a) \$579,900 GPR in FY 2014-15 for the costs of responding to a tuberculosis (TB) incident in Sheboygan County, under provisions of 2013 Act 20; and (b) \$2,016,000 GPR (\$611,900 in 2013-14, and \$1,404,100 in 2014-15) to fund opioid treatment services, under provisions of 2013 Act 195. Both these transfers would be made from funds originally budgeted in the Committee's supplemental appropriation for the Sheboygan County TB incident response.

### BACKGROUND

**Sheboygan Tuberculosis Incident.** In 2013, an individual in Sheboygan County was diagnosed with multi-drug resistant (MDR) TB, with an additional 10 cases of active drug-susceptible TB diagnosed by May, 2013. This incident exceeded the average number of TB cases normally seen by Sheboygan County (zero to three cases of drug-susceptible TB per year), requiring additional resources to respond to and contain the spread of this incident.

DHS initially assumed that 12 active cases (nine of which would be MDR TB) and 50 latent cases of TB would eventually be identified, and that biennial MDR TB drug costs would equal \$250,000 per active case. Based on those assumptions, 2013 Act 20 budgeted \$4,667,900 GPR in the Committee's supplemental appropriation to respond to this incident. Actual costs of responding to the TB incident have been lower than projected under Act 20, mainly due to a lower-than-projected number of active MDR TB cases. Currently, there are 12 active cases (one of which is MDR TB) and 39 latent cases.

Act 20 allowed DHS to request the release of these funds under 14-day passive review by the Committee for TB incident costs incurred in 2013-14, and under s. 13.10 of the statutes for costs incurred in 2014-15. To date, the Committee has approved the release of \$580,500 GPR through passive review. Table 1 shows the approved and pending requests to the Committee for TB response costs.

**TABLE 1**

**DHS Requests for TB Incident Response Costs**

	<u>Amount</u>
<b>Approved Requests Under Passive Review</b>	
For April through September 2013 Costs*	\$394,500
For October through December 2013 Costs**	186,000
<b>Pending Request Under s. 13.10</b>	
For Actual and Projected January 2014 through July 2015 Costs **	<u>579,900</u>
<b>Total</b>	<b>\$1,160,400</b>

\*Submitted October, 2013

\*\* Submitted April, 2014

Barring an unexpected change in the course of the TB incident, DHS expects that this pending s. 13.10 request for the transfer of \$579,900 GPR will be the final request needed to respond to the Sheboygan County TB incident.

**Opioid Treatment Centers.** 2013 Act 195 requires DHS to create two or three regional opioid treatment centers to provide treatment to individuals seeking treatment for addiction to heroin or other opioids. These programs may not offer methadone treatment, but must offer medication-assisted treatment (MAT) with medications such as suboxone. DHS must obtain and review proposals for opioid treatment programs under its request-for-proposal (RFP) procedures.

In the fiscal note attached to that legislation, DHS estimated that it could provide services to 240 uninsured individuals at an annual cost of \$2,016,000 GPR (additional individuals could receive treatment funded by other sources, such as the state's Medicaid program or private insurance). The DHS cost estimate included two components:

- First, all 240 individuals would receive MAT with suboxone and a range of medical and counseling services. While the course of treatment would vary, DHS estimates that this treatment would cost \$8,000 annually per individual, for a total annual cost of \$1,920,000.

- Second, for a subset of the individuals receiving MAT, a short-term residential stay would be required prior to beginning outpatient treatment in order to perform a medical detoxification and increase the likelihood of the individual achieving long-term sobriety. DHS

estimates that 20% of total participants (48 individuals) would receive these residential services to deal with severe symptoms of withdrawal. DHS estimates that these stays would average 10 days, and cost \$2,000 per stay, in addition to the ongoing costs of MAT and counseling described above, for a total annual cost of \$96,000.

## ANALYSIS

This section provides information on the projected unexpended TB incident response funds, and discusses alternatives regarding the DHS requests for the Committee's consideration

**TB Response Fund Balance.** As described above, the costs of responding to the Sheboygan County TB incident have been lower than originally anticipated in the 2013-15 biennial budget, and the Legislature has utilized the projected unexpended balances for other purposes. The attachment to this memorandum provides the current unexpended TB response funds, and the prospective balance if all pending transfers are approved. The pending and approved transfers include the following:

- *TB Response Costs (\$1.2 million).* The total cost of responding to the TB incident is currently expected to equal \$1.2 million. This includes \$580,500 in approved transfers for costs incurred in calendar year 2013, and the pending transfer of \$579,900 for remaining costs that DHS expects will be incurred over the course of the 2013-15 biennium (the request under this agenda item). This is expected to be the total amount needed to respond to the TB incident in this biennium.
- *Shot Spotter Program (\$0.2 million).* 2013 Act 263 transferred \$175,000 in 2014-15 to support the Shot Spotter program, a crime prevention program in the City of Milwaukee.
- *Opioid Treatment Centers (\$2.0 million).* The pending request under this agenda item would provide \$2,016,000 to provide MAT and other services to individuals at regional opioid treatment centers, as described above.

Act 20 originally budgeted \$2,508,900 in 2013-14, and \$2,159,000 in 2014-15 for the Sheboygan County incident response in the Committee's supplemental appropriation. After all approved transfers, the currently available balance equals \$1,928,400 in 2013-14 and \$1,984,000 in 2014-15. If the pending transfers before the Committee were approved, total unexpended funds would equal \$1,316,500 in 2013-14, and \$0 in 2014-15.

**TB Response Request.** DHS is requesting the transfer of \$579,900 GPR in 2014-15 from the Committee's supplemental appropriation to fund remaining TB incident response costs. This amount would be released from the Committee's GPR supplemental appropriation [s. 20.865(4)(a)] and allocated to the DHS appropriation that supports the state's TB program [s. 20.435(1)(e)].

Act 20 required Sheboygan County to submit documentation of its costs to DHS before it could receive the supplemental funds. The County has complied with that requirement, and has provided the summary of expected County costs to DHS. The \$579,900 in the request equals the

difference between expected costs to the Sheboygan County Public Health Department and County tax levy and other revenues that will offset those costs. Sheboygan County will need to submit additional documentation of actual costs before DHS will release funds from the state's TB program appropriation to the County.

The Committee could approve the request to release \$579,900 GPR from the Committee's supplemental appropriation [Alternative A1]. This would provide DHS and Sheboygan County with sufficient funds to support the anticipated cost of responding to the TB incident for the remainder of the 2013-15 biennium.

Given that future costs associated with completing the response to the TB incident are uncertain, the Committee could also transfer a larger amount than requested in order to provide DHS and Sheboygan County with additional "contingency" funding if total costs exceed the current estimates [Alternative A2]. Providing an additional 5% of anticipated remaining costs (\$29,000 GPR) would allow DHS to manage any minor increase in TB response costs without submitting a request to the Committee or funding costs from its current budget authority (while a larger overrun, potentially due to a change in course of the TB incident, may require a request). In addition, given that the Legislature and Committee may wish to use unspent TB response funds for other purposes, this would ensure that an amount would be set aside for any small increases in costs. As the TB program appropriation would receive these funds as a biennial appropriation, any unspent funds would lapse to the general fund at the end of the biennium.

**Opioid Treatment Center Request.** DHS anticipates establishing three regional opioid treatment centers in rural, underserved regions of the state. The requested funding would support MAT, counseling, and any necessary residential services for 240 individuals. If the Committee approves the funding transfer, DHS plans to issue an RFP in July, and enter into contracts with the qualifying entities in September. Services would become available at these regional treatment centers in January, 2015.

The Committee could approve the request for transfer of these funds for opioid treatment [Alternative B1]. DHS estimates that this would provide sufficient funds for a full year of treatment for 240 individuals at the newly-created regional opioid treatment centers. As the Committee is not bound by the amount specified in the request submitted by DHS for opioid treatment services, it could approve a greater or lesser amount of funding. The Committee could decide to provide more funding, which would allow the opioid treatment centers to provide services to more than 240 individuals annually. Likewise, if the Committee wants to use the unexpended TB funds on other activities and provides a lesser amount than requested, fewer than 240 uninsured individuals would be able to receive treatment on an ongoing basis.

Given the timing of the RFP, and the anticipation that services will not be available until January, 2015, the Committee could decide to provide a half-year of funding in 2014-15 [Alternative B2]. The DHS cost estimate is based on annualized treatment costs, particularly that suboxone and counseling would cost \$8,000 per individual per year. With services projected to start in 2015, the prorated cost of providing services to 240 individuals in the 2013-15 biennium would equal \$1,056,000 (this amount assumes drug and counseling costs of \$4,000 per individual

in 2014-15 for 240 individuals, but maintains the DHS assumption that 48 individuals would require short-term residential services). To ensure that a full annualized amount of funding is available for these grants beginning in 2014-15, the Committee could direct the Department of Administration, in developing the 2015-17 biennial budget, to establish the adjusted base funding level available for these grants equal to the amount specified in the request (\$2,016,000 GPR).

The Committee could reject the request [Alternative B3], although this would negate the intent of 2013 Act 195 to make heroin and other opioid treatment available in underserved areas of the state.

## **ALTERNATIVES**

### **A. Sheboygan County TB Response**

1. Approve the request to transfer, on a one-time basis, \$579,900 GPR in 2014-15 from the Joint Committee on Finance's supplemental appropriation [s. 20.865(4)(a)] to the DHS appropriation for the state's TB program [s. 20.435(1)(e)] in 2014-15 to fund the projected costs of responding to a TB incident in Sheboygan County.

2. Modify the request by transferring, on a one-time basis, \$608,900 GPR in 2014-15 from the Joint Committee on Finance's supplemental appropriation [s. 20.865(4)(a)] to the DHS appropriation for the state's TB program [s. 20.435(1)(e)] in 2014-15 to fund the projected costs of responding to a TB incident in Sheboygan County, including additional funds equal to 5% of anticipated remaining costs.

### **B. Opioid Treatment Centers**

1. Approve the request to transfer \$2,016,000 GPR (\$611,900 in 2013-14 and \$1,404,100 in 2014-15) from the Joint Committee on Finance's supplemental appropriation [s. 20.865(4)(a)] to the DHS appropriation for community programs in the Division of Mental Health and Substance Abuse Services [s. 20.435(5)(bc)] in 2014-15 to fund services provided at regional opioid treatment centers.

2. Modify the request and transfer \$1,056,000 GPR in 2014-15 from the Joint Committee on Finance's supplemental appropriation [s. 20.865(4)(a)] to the DHS appropriation for community programs in the Division of Mental Health and Substance Abuse Services [s. 20.435(5)(bc)] in 2014-15 to fund six months of services provided at regional opioid treatment centers. In addition, direct the Department of Administration, in developing the 2015-17 biennial budget, to establish the adjusted base funding level available for these grants equal to the amount specified in this request (\$2,016,000 GPR).

3. Deny the request.

Prepared by: Sam Austin  
Attachment

**ATTACHMENT**

**Act 20 Tuberculosis Incident Response Funding Balance**

	<u>2013-14</u>	<u>2014-15</u>
2013 Act 20 Budgeted Amount	\$2,508,900	\$2,159,000
<b>Approved Transfers</b>		
TB Response - April to September 2013	-\$394,500	\$0
TB Response - October to December 2013	-186,000	0
Shot Spotter Program (2013 Act 263)	<u>0</u>	<u>-175,000</u>
Balance, After Approved Transfers	\$1,928,400	\$1,984,000
<b>Pending Transfers</b>		
TB Response - January 2014 to July 2015	\$0	-\$579,900
Opioid Treatment (2013 Act 195)	<u>-611,900</u>	<u>-1,404,100</u>
Balance, If Pending Transfers Approved	\$1,316,500	\$0