



The Maintenance of Effort (MOE)

SSDP – VIII

Flo Stein

NCDMHDDSAS



WHAT IS THE PROBLEM?

- 45 CFR Part 96 SAPTBG Interim Final Rule
- Reauthorization provides an opportunity for SAMHSA/CSAT to meet with states regarding SAPTBG requirements
- The MOE is the one of the requirements on which states often disagree.



Then what is the question?

- Does the Maintenance of Effort requirement enhance or suppress spending for addiction prevention and treatment at the state level?



MOE Requirements are found in sections 1915(b) and 1930 of PHS Act

- Principle agency of the State is required to **maintain State expenditures** for authorized activities at the level that is no less than the average maintained by the State for the 2-year period prior to the year the for which the State is applying for a grant.
- The HHS Secretary can authorize **exclusion** of funds from MOE that are non-recurring or for a specific purpose.
- The Secretary may waive all or part of the MOE requirement if there are **extraordinary economic conditions** in the State.

The MOE Requirement as a Tool for Attaining Federal Policy Objectives

Ensures that SAPT funds are expended to increase services, which prevents supplanting of State and local funds with SAPT funds.

- Principle agency is not defined in statute. It is defined by SAMHSA in regulation as the Single State Authority (SSA).
- SSA is responsible for carrying out authorized activities for substance abuse prevention and treatment in the State.
- Agency budget for authorized activities is less likely to be affected during State budget re-structuring or realignment.



Why is this important today?

- Dr. Clark noted yesterday that 29 states are reporting pending budget shortfalls.
- The status of the state budget is not in our control but state reductions in state spending may result in the loss of SAPTG funds.
- We need to get ready. Either to defend what we have or prepare to minimize the loss.

WHAT HAPPENS WHEN THERE IS AN MOE SHORTFALL

- Only a few States have requested MOE **waiver** based on extraordinary economic conditions. A few States experienced a MOE shortfall but were unable to meet waiver criteria.
- SAMHSA can make a determination that the State **materially complied** with MOE requirements (did State maintain client service levels, review of State's expenditure history, and commitment to future funding) for shortfalls under 3%.



What to do:

- Monitor your MOE compliance
- Prepare data and documentation that would provide the Secretary with sufficient information to support a waiver.
- Work with your state project officer as soon as you realize there may be a problem.



SAMHSA Works with SSAs to Identify MOE Shortfalls

- MOE shortfalls identified via SSA through SAPT Block Grant application or via core technical review site visits
- SAMHSA staff will help SSAs identify the required financial and other documentation needed to justify the waiver or determination for material compliance.



SAMHSA Works with SSAs to Identify MOE Shortfalls

- Once a MOE shortfall is identified, the State must submit to the SAMHSA Administrator **a request for either an economic waiver based on extraordinary economic conditions or a determination that the State materially complied with the requirements of the MOE in accordance with statute and regulation.** The State must provide sufficient documentation in writing to justify their request.

WHO NEEDS TO KNOW ABOUT THE MOE REQUIREMENT ANYWAY?

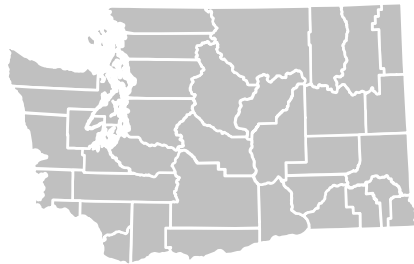
- Remember there may be no historical memory.
- Your own Division or Department.
- The State Budget Office.
- The Governor.
- The Attorney General
- The Legislature.
- Your state may decide that they have no choice.

Strategies for Prevention of Shortfalls

- NC presents the SAPTBG annually to the General Assembly reminding them of the requirements and the service benefits to the state.
- The state of Washington makes its case using cost offset studies to reduce the threat of funding reductions.
- The other presenters today will take about the opportunity to they created for services.

The MOE Conundrum: Obtaining Buy-in for Substance Abuse Treatment by Using Cost Offsets

The Washington State Experience



Doug Allen

Director, Division of Alcohol and Substance Abuse
State of Washington

August 21, 2008

Using Cost Offsets to Fund Chemical Dependency Treatment Expansion

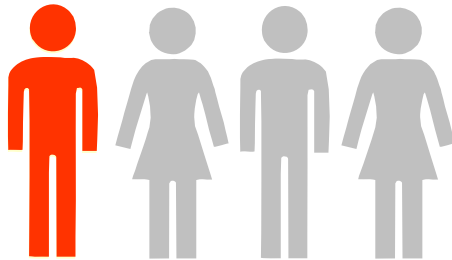
Overview

- **Problem – Resources: Costs to other systems**
- **Solution – Treatment reduces medical costs and crime**
- **Cost offsets defined**
- **Cost offsets – Where to look**
- **Measuring cost offsets**
- **Questions during the budget cycle**
- **Lessons learned**
- **Postscript on the Washington State Experience**

Using Cost Offsets to Fund Chemical Dependency Treatment Expansion

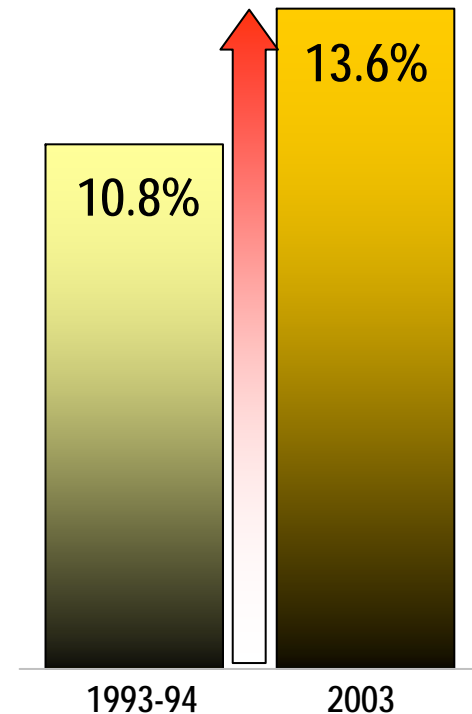
Problem – Resources: Costs to Other Systems

- ▲ For the past 10 years, we've been treating only 1 in 4 Adults on Medicaid known to have an alcohol or drug problem



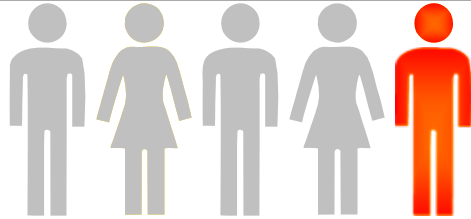
The Consequences:

- ▲ Need for alcohol/drug treatment has increased in the low income adult population



Consequences: The bill keeps going up

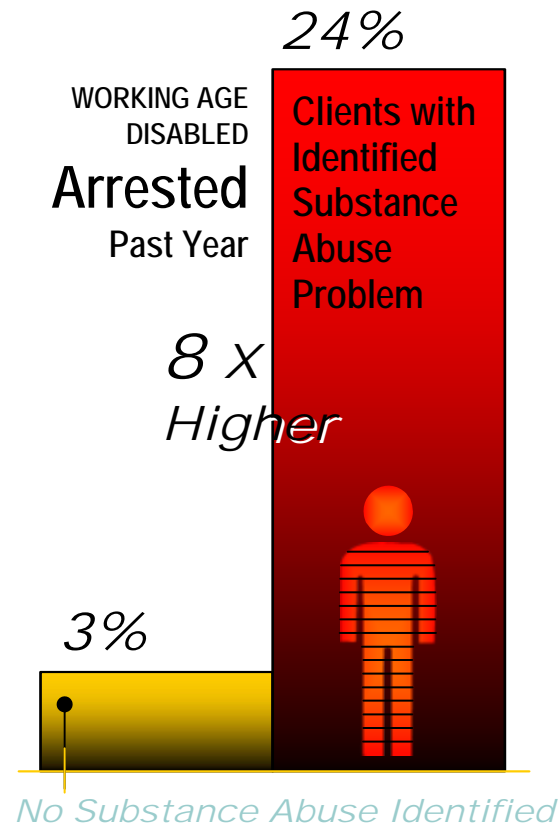
Substance Abuse Problems



1 in 5 working age disabled clients – 28,000 people – have a substance abuse problem indicated by:

- ▲ Diagnosis of substance abuse, dependence, or psychosis in medical claims
- ▲ Drug-related arrest
- ▲ Received services from the Division of Alcohol and Substance Abuse

▲ Substance abusing clients have **alarming** arrest rates



Consequences: The bill keeps going up

Every year the arrested individuals add an estimated \$84 million in criminal justice and victim costs.



Criminal Justice costs include:

- Police, sheriff
 - Local jail
- Courts, prosecution
 - Corrections
- Community supervision

Victim costs include:

- Monetary costs
- Quality of life

Solution - Treatment Reduces Medical Costs and Crime

AOD Treatment Reduces Crime in Our Communities

*Treatment . . . Reduces
the risk of an **arrest** by*

- 16%



*Treatment . . . Reduces
the risk of a **felony
conviction** by*

- 34%

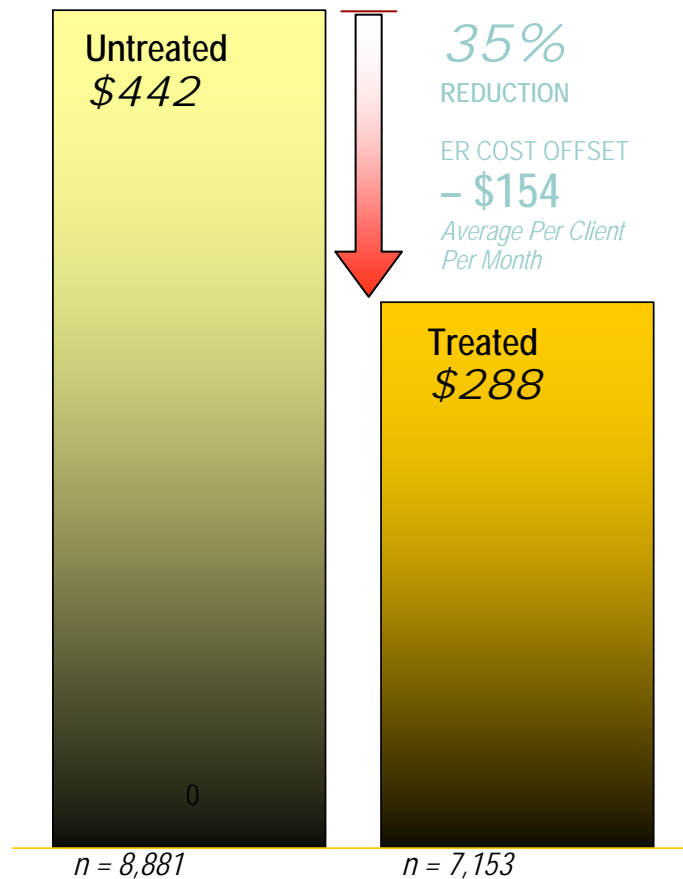


Solution - Treatment Reduces Medical Costs and Crime

*AOD Treatment Reduces
Emergency Room Costs*

Treatment Effect

Per Person Per Month



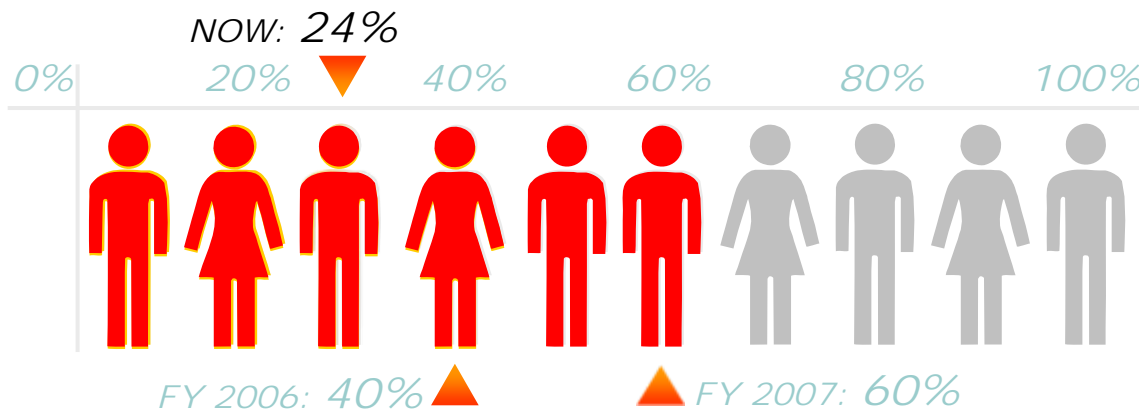
- ▲ Our research shows the number of visits to the ER are reduced as well.
- ▲ And we have evidence of savings in other medical and social services costs.

Solution - Treatment Reduces Medical Costs and Crime

GOAL: Reduce the burden of substance abuse on our criminal justice, medical and social service systems.

Q: Who's covered?

▲ Medicaid and GA-Unemployable adults



Q: The Cost?

▲ \$53 million for treatment expansion, paid for by savings in other areas of the DSHS budget – primarily reductions in medical and long-term care.



Proposed Changes to MOE Requirement in SAMHSA's Reauthorization

- The established criteria for **extraordinary economic conditions** is a reduction of at least 1.5 percent in a State's total tax revenue, plus an increase of at least 1 percent in the unemployment rate or a decline of at least 1.5 percent in employment levels.



Proposed Changes to MOE Requirement in SAMHSA's Reauthorization

- Are the extraordinary economic conditions criteria too high a standard? Should there be an analysis of multiyear tax revenues and employment data? Must State meet both tests (tax revenues and employment/unemployment)?



Preventing “Ratcheting Down”

- The potential for “ratcheting down” of the MOE requirement is a negative consequence of waivers and findings of material compliance. While partial waivers and changes in the criteria for economic conditions have the potential for limiting “ratcheting down,” only a statutory change can prevent it. Therefore, it may be desirable to propose a legislative change that requires States that have received waivers or findings of material compliance to calculate their MOE requirement for future years using the amount that they should have expended under the MOE requirement rather than the amount that they actually expended. This change would prevent “ratcheting down” while allowing reasonable waivers and findings of material compliance.