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*Executive Director*  
Howard B. Shapiro, PhD

**Statement of  
State Associations of Addiction Services  
to the  
Medicaid Commission  
U.S. Department of Health and Human Services  
November 16, 2006**

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Good afternoon. My name is Howard Shapiro, Executive Director of State Associations of Addiction Services. SAAS is the national organization of state provider associations representing treatment and prevention programs for substance use disorders. These community-based programs serve individuals and families who rely on public federal and state funding for addiction services.

Earlier this week we submitted a letter to the Commission co-chairs, highlighting the opportunity that you have to recommend actions that can have significant dividends in terms of reduced addiction and lower costs for Medicaid and other health care programs. SAAS appreciates this opportunity to provide additional comments.

We suggest an additional component to your strategy to achieve Medicaid savings over the long term: an investment in treatment for alcohol and drug abuse and dependence. *SAAS urges the Commission to develop recommendations to the President and Congress that incentivize the states to provide a full continuum of substance use treatment services.*

There have been perhaps more studies on the effectiveness and cost/benefit of treatment for substance use disorders than for many other illnesses. Evidence strongly suggests that treatment is effective in terms of reducing the incidence of disease, reducing health care costs, and reducing crime and the costs of crime, child welfare services, and other social services.

For example, a study published in January 2006 in *Health Services Research* covered 43 treatment providers in 13 California counties. The researchers calculated that the average cost of treatment was \$1,583 per patient and that the financial benefit of that treatment totaled \$11,487 – a 7:1 ratio of benefit to cost. There were reductions in health care costs, large

savings in the costs of incarceration, and significantly increased earnings for individuals who were treated.

Because this Commission's focus is Medicaid, we want to call your attention particularly to research that has been conducted in Washington State on the Medicaid "cost offsets" produced by alcohol and drug treatment – that is, the costs avoided for future health care treatment for individuals who were treated for substance use disorders compared to those not treated. The Washington State Division on Alcohol and Substance Abuse looked at 16,000 Supplemental Security Income (SSI) clients, about half of whom received treatment and half did not. They measured the Medicaid costs after substance use treatment for emergency room services, mental health care, and nursing home services.

The net cost offset in Washington was \$267 per patient per month – that is, the savings after subtracting the cost of treatment, which was about \$157 per patient per month. That translates to \$3,204 per year per patient or \$23 million in Medicaid savings per year for the 7,100 treated patients in the study. There was an even higher net cost offset for methamphetamine patients and for patients staying in treatment longer and for those completing treatment. There was a 35 percent reduction in average monthly Medicaid emergency room costs for individuals who were treated. There was also, by the way, a 43 percent reduction in arrests for those completing treatment.

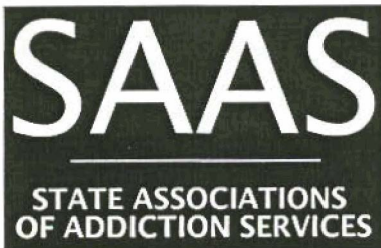
The "bottom line" of this story is that the Washington State Legislature, convinced by the cost offset studies and the real potential for Medicaid savings, shifted \$51 million from the Medicaid medical and nursing home budgets to alcohol and drug treatment in their biennial budget. The legislature expects to realize net savings in Medicaid of \$64 million over a two-year period.

Most states cover some outpatient treatment for substance use disorders, but federal Medicaid law is written in such a way as to preclude coverage for residential rehabilitation and halfway houses. A change in law would provide the federal matching incentive for states to invest in all levels of treatment services, match level of care to the needs of patients, and achieve the kind of savings that Washington State has documented. SAAS urges the Commission to recommend that Congress authorize coverage of the full continuum of treatment services for substance use disorders.

Finally, we would raise a note of caution: The Commission's recommendations for flexibility in benefit design and eligibility can have very negative implications for a stigmatized illness. We hope that you will address this issue and include language in your recommendations indicating that such flexibility should not be used to discriminate against patients with particular diseases.

In our letter to the Commission, we noted that 21 million people in 2005 who were classified as needing treatment for substance abuse or dependence did not receive treatment at a specialty facility. The nation will not close this treatment gap without additional resources. The federal Substance Abuse and Prevention Block Grant provides less than \$2 billion. Employer coverage has declined to a point where it provides only 13 percent of the total spent on alcohol and drug treatment – in sharp contrast to employer coverage for other health care. Increasing Medicaid coverage is perhaps the best strategy we have for expanding treatment. With a recommendation for coverage of the full continuum of treatment services, this Commission would help move the nation to a new commitment of resources to battle the epidemic of addiction and, at the same time, achieve its goals of long-term savings in Medicaid.

Thank you very much for the opportunity to appear before you.



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Howard B. Shapiro, PhD

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November 13, 2006

The Honorable Don Sundquist, Chair  
The Honorable Angus S. King, Jr., Vice Chair  
Medicaid Commission  
Department of Health and Human Services  
200 Independence Avenue, S.W., Suite 450G  
Washington, D.C. 20201

Dear Governors Sundquist and King:

America is in the middle of a drug and alcohol epidemic – an epidemic we are battling with totally inadequate resources. The Medicaid Commission has the opportunity to move us forward by recommending Medicaid coverage that will return significant dividends in terms of reduced addiction and *lower costs* for Medicaid, other health care programs, the criminal justice system, and many other social services. We therefore urge the Commission to submit a Medicaid package to the President and to Congress that incentivizes a full continuum of alcohol and drug addiction services in the states.

State Associations of Addiction Services is the national organization of state provider associations representing treatment and prevention programs for addictive disorders. Providers are on the front lines in responding to increased numbers of overdoses, drug and alcohol related deaths, and crime driven by the drug epidemic. As you know, many of our cities and rural communities are overwhelmed by heroin/fentanyl, cocaine/crack, oxycontin and methamphetamine; many jails are over capacity.

Everyday, we are losing children and many young adults to addictions. Alcohol and other drug problems devastate one in four families. People with untreated addictions drive up the costs of health care and social services for themselves and others through accidents, birth defects with lifetime consequences, a wide array of related health problems, and domestic violence and child abuse. It is estimated that 80-90 percent of crime in the United States is related to alcohol and drug addiction. (Drug Use Forecasting: Annual Report on Adult & Juvenile Arrestees, National Institute of Justice, 1995)

Untreated alcohol and drug problems cost the nation over \$246 billion a year. Yet despite these preventable costs, the Substance Abuse and Mental Health Services Administration (SAMHSA) reports that 21 million people in 2005 who were classified as needing treatment for substance dependence or abuse did not receive treatment at a specialty facility.

SAAS recommends that the Medicaid Commission seize the opportunity to move this nation to a new commitment of resources to prevent and treat addiction. Medicaid is an essential mechanism, yet many states provide little or no coverage, despite evidence that treatment is highly effective and cost beneficial. Treatment can yield savings of \$7-12 for every dollar spent on appropriate treatment. The Commission's recommendations for greatly expanded Medicaid coverage and resources would be a courageous move that not only addresses the drug and alcohol epidemic but will produce real and substantial savings for states and the federal government.

We are looking forward to your leadership.

Sincerely,

A handwritten signature in cursive script that reads "Howard B. Shapiro". The signature is written in black ink and is positioned above the printed name and title.

Howard B. Shapiro, PhD  
Executive Director