CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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TO: Government Audit and Oversight Committee

FROM: Budget and Legislative Analyst

SUBJECT: October 17, 2023 Government Audit and Oversight Committee Meeting

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Item 1 File 24-0799	**Department:** Human Services Agency

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed ordinance would amend the Administrative Code and establish the Cash Not Drugs (CND) program, to be administer by the Human Services Agency (HSA), to provide County Adult Assistance Program (CAAP) recipients that are required to undergo substance use treatment up to $100/week if they pass weekly drug tests.

Key Points

- According to the Department of Public Health, there are approximately ten programs and contracts across the City that provide contingency management treatment. The average cost to administer a standalone contingency management program is $7,952 per person.
- Approximately 780 CAAP recipients will be eligible for the proposed program based on HSA estimates of the number of CAAP recipients per year that will be required to undergo substance use treatment.

Fiscal Impact

- The estimated annual cost of operating a contingency management program for 50 people would be $220,513 for a 12-week treatment and $411,075 for a 24-week treatment. The estimated annual cost of operating a program for 150 people would be $661,538 for a 12-week treatment and $1.2 million for a 24-week treatment. These costs are estimated based on existing contingency management program costs and adjusted for the program rules defined in the proposed ordinance.

Policy Consideration

- Medi-Cal may be a possible funding source for the proposed program. To utilize Medi-Cal funds, the program rules would need to align with the program structure outlined in the policy guidance from the Department of Health Care Services, which have a stricter program design than in the proposed ordinance.

Recommendation

- Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

MANDATE STATEMENT

City Charter Section 2.205 states that all legislative acts shall be by ordinance, approved by a majority of the members of the Board of Supervisors.

BACKGROUND

San Francisco's Human Services Agency provides cash aid and services to low-income adults through the County Adult Assistance Program (CAAP). This program generally serves adults age 65 and under with no dependent children. There were approximately 5,700 monthly CAAP recipients in Fiscal Year 2022-2023.[1] As estimated 30 percent of CAAP recipients have a substance use disorder.[2]

Proposition F

In March 2024, San Francisco voters passed Proposition F, which requires CAAP recipients to undergo substance use treatment if they have been identified as being dependent on illegal drugs and referred to treatment. If recipients do not comply with treatment, they will lose their benefits. This legislation becomes effective January 1, 2025.

Contingency Management

Contingency management is an evidence-based treatment that incentivizes recovery from drug use. Most commonly, this is a behavioral treatment for a substance use disorder which provides an incentive (e.g. gift cards) for a predetermined behavior change (e.g. providing a negative drug test if the goal is to stop using a substance). Robust evidence exists showing this approach to be effective at decreasing drug use among a wide range of substance use disorders.[3]

According to the Department of Public Health, there are approximately ten programs and contracts across the City that provide contingency management treatment. Most programs provide numerous substances use disorder treatment services in addition to contingency management. To estimate program cost for contingency management treatment, we evaluated the costs of two standalone contingency management programs, PROP and PROP 4 ALL. As shown by Exhibit 1 below, the cost of operating a standalone contingency management program ranges from $5,168 to $10,737 per person. These costs are reflective of 12-week programs that provided a maximum incentive amount of $330 per participant and required participants to test

[1] Figure from Proposition F ballot measure. More recent CAAP client load data can be found at the Safety Net Services Performance Scorecard: https://www.sf.gov/data/caap-active-caseload#city-performance-scorecards-

[2] The 30% estimate of CAAP clients with substance abuse disorder is based on a 28.9% match of CAAP clients and DPH diagnosis/treatment records from October 2022 to September 2023. Data included alcohol-related substance use disorder.

[3] AshaRani, P. V., Hombali, A., Seow, E., Ong, W. J., Tan, J. H., & Subramaniam, M. (2020). Non-pharmacological interventions for methamphetamine use disorder: a systematic review. *Drug and alcohol dependence*, *212*, 108060. https://doi.org/10.1016/j.drugalcdep.2020.108060; Brown, H. D., & DeFulio, A. (2020). Contingency management for the treatment of methamphetamine use disorder: A systematic review. *Drug and alcohol dependence*, *216*, 108307. https://doi.org/10.1016/j.drugalcdep.2020.108307; Ronsley, C., Nolan, S., Knight, R., Hayashi, K., Klimas, J., Walley, A., Wood, E., & Fairbairn, N. (2020). Treatment of stimulant use disorder: A systematic review of reviews. *PloS one*, *15*(6), e0234809. https://doi.org/10.1371/journal.pone.0234809

three times per week. The costs of the standalone contingency management programs are primarily for clinical staff and testing.

Exhibit 1: Annual Operating Costs of Existing Standalone Contingency Management Programs

	PROP	PROP 4 ALL
Employee Salaries and Benefits	$137,094	$782,253
Operating Expenses	$65,136	$151,390
Indirect Expenses	$30,336	$140,045
Total	**$232,566**	**$1,073,688**
Participant Capacity	45	100
Cost Per Person Per Year	**$5,168**	**$10,737**

Source: DPH

Note: Positive Reinforcement Opportunity Project (PROP) and PROP 4 ALL are two standalone contingency management programs administered by the San Franciso AIDS Foundation in partnership with the Department of Public Health. Both programs aimed to reduce the use of methamphetamine, opioids, and other substances.

DETAILS OF PROPOSED LEGISLATION

The proposed ordinance would amend the Administrative Code to establish a contingency management program as one option for CAAP recipients who must participate in substance use treatment to maintain CAAP eligibility, as mandated by Proposition F. This proposed program, called Cash Not Drugs, would be a 3-year pilot that gives eligible CAAP recipients with a substance use disorder up to $100 per week incentive for cessation of substance use as demonstrated by a negative urine toxicology test. The program would be managed and funded by the Human Services Agency (HSA) in collaboration with the Department of Public Health (DPH).

Estimating Program Eligibility

Section 20.20-3(c)(1) of the proposed ordinance gives HSA authority to limit program eligibility, including capping participation, which would be voluntary. HSA estimates approximately 780 clients per year will be subject to proposition F requirements, after adjusting for exempt CAAP clients, natural drop off rates, screening accuracy, and illegal versus legal substance use disorder estimates.

Implementation

HSA would work with necessary departments to prepare an implementation plan. Prior to implementing the plan, HSA is required to provide a copy of the plan to the mayor and to the Board of Supervisors. HSA is required to submit annual reports.

Drug Test

Section 20.20-3(c)(2) of the proposed ordinance requires participants to provide one negative drug test per week to maintain eligibility.

Incentive Payments

Section 20.20-3(d)(3) of the proposed ordinance gives HSA the authority to provide payments of up to $100 per week for program participants.

Annual Reporting

Section 20.20-5 of the proposed ordinance requires HSA to submit annual reports to the Board of Supervisors and the Mayor to evaluate the program's effectiveness. HSA is authorized to collaborate with a third party to prepare these reports.

FISCAL IMPACT

Exhibit 2 presents a cost estimate of the Cash Not Drugs program. To create the estimate, we accounted for a capped incentive amount of $599 per participant and weekly drug test requirements.[4] Based on treatment periods of existing programs, we have included cost estimates for a 12-week and 24-week treatment period.[5] Because it is likely that not all estimated 780 eligible CAAP clients would participate in this program and due to HSA's ability to limit enrollment, the estimate reflects costs for 50 and 150 clients per year. Estimates in Exhibit 2 below incorporate cost of existing contingency management programs noted in Exhibit 1, adjusted for the lower testing intensity required by the proposed ordinance (once per week instead of three times per week of existing programs).

Exhibit 2: Estimate of Annual Program Costs

	12-Week Treatment		24-Week Treatment	
	50 Clients	150 Clients	50 Clients	150 Clients
Operating costs	$190,563	$571,688	$381,125	$1,143,376
Incentive costs	$29,950	$89,850	$29,950	$89,850
Total	**$220,513**	**$ 661,538**	**$411,075**	**$1,233,226**

Source: Budget & Legislative Analyst

In addition, we estimate $100,000 in annual program evaluation costs as required by Section 20.20-5 of the proposed ordinance.

Funding Strategy

The proposed ordinance amends Section 10.100-77(d) of the Administrative Code to authorize funds from the HSH Fund to be utilized for the Cash Not Drugs Pilot Program.[6] According to the Department of Homelessness and Supportive Housing (HSH), there are no funds available in the current budget to support this ordinance and HSH is not projecting a revenue increase in the near-term.

Proposition F established the CAAP Treatment Fund, which will be composed of aid savings from recipients who are discontinued due to noncompliance with Proposition F. According to HSA, the

[4] The $599 maximum reflects the cap offered by programs participating in Medi-Cal's contingency management pilot program. According to HSA, this figure is a suitable estimate that accounts for various factors HSA would need to consider when determining the incentive amount, including ensuring the incentive does not affect income eligibility for other public benefit programs, the incentive range of existing contingency management programs, and programmatic restrictions aimed at maximizing Medi-Cal funding.

[5] Treatment periods vary. For example, PROP and PROP 4 ALL are both 12-week programs. Medi-Cal's pilot contingency management programs are 24-month programs.

[6] The HSH Fund accounts for cash benefits to low-income residents that is used to fund homeless services.

CAAP Treatment Fund will receive an estimated $400k in FY 2025. HSA projects this fund will be insufficient to cover all Proposition F costs.[7] As a result, HSA anticipates that there will be no excess funding to support the proposed program, which would therefore likely require support from the General Fund. Homelessness Gross Receipts Tax Revenue and Opioid Settlement Funds could also be used to fund the proposed pilot program.

POLICY CONSIDERATION

Type of Substance Use Disorder

Contingency management can be used as a standalone treatment or combined with other treatments to enhance its effectiveness. It has proven effective as a standalone treatment for stimulant use disorder. Conversely, contingency management is particularly effective for opioid use disorder when paired with medication-assisted treatment.[8] HSA should take these factors into account when recruiting program participants to ensure the most effective treatment approach is provided. Adding supplemental treatment services to the Cash not Drugs contingency management program would increase program costs.

Size of Incentive Payment

Section 20.20-3(d)(3) of the proposed ordinance sets the Cash Not Drugs program's incentive payments at up to $100 per week.

For budgetary considerations, the Board of Supervisors and/or the Human Services Agency may want to consider more modest incentive payments than the proposed maximum of $100 per week per participant. As of this writing, CAAP benefits are up to $109 per month for homeless recipients and $712 per month for housed recipients. With a $100 weekly incentive, an individual's monthly income would increase significantly—by nearly 400% for those experiencing homelessness. This significant increase in income would make CAAP recipients' ineligible for other public benefits, such as CalFresh, which many CAAP clients also receive.

Other contingency management programs, such as PROP and PROP 4 ALL, offered more modest payments that averaged to $27.50 per week.[9] Research shows that higher incentives increase the effectiveness of contingency management.[10] Therefore, it is important to balance incentive levels to both maximize program success and manage program costs.

Medi-Cal Funding

Medi-Cal may be a possible funding source for the proposed program. Medi-Cal typically funds 50-90 percent of eligible program costs. California became the first state to receive federal approval to offer contingency management as a Medicaid benefit through its Recovery Incentives

[7] HSA projects total costs related to Proposition F in FY 24-25 to be approximately $632,888. HAS projects these costs to be funded with CAAP Treatment Funds ($393,971) and General Funds ($238,917).

[8] Proctor SL. Rewarding recovery: the time is now for contingency management for opioid use disorder. Ann Med. 2022 Dec.

[9] Administered in FY 2023-2024, PROP and PROP4ALL were 12-week contingency management programs that capped the cost per participant per year at $330.

[10] Lussier JP, Heil SH, Mongeon JA, Badger GJ, Higgins ST. A meta-analysis of voucher-based reinforcement therapy for substance use disorders. Addiction. 2006 Feb.

Program pilot.[11] To utilize Medi-Cal funds, the program rules would need to align with the program structure outlined in the policy guidance from the Department of Health Care Services.[12] Key modifications include:

- Restricting eligibility to individuals with a Stimulant Use Disorder
- Limiting eligibility to Medi-Cal beneficiaries
- Mandating that participants drug test twice a week
- Require that the treatment provider be operated by a Drug Medi-Cal Organized Delivery System certified provider
- Ensuring participants are provided continued care for six months or more following the completion of contingency management treatment

These additional requirements would increase the cost of the contingency management programs, offset by reimbursements from Medi-Cal. Federal funding for the Recovery Incentives Program is due to expire in December 2026. While DPH indicates that federal funding may continue based on further good results of the demonstration and federal approval, it has not been extended beyond that date. Therefore, Medi-Cal funds are not guaranteed for the duration of the proposed three-year program.

RECOMMENDATION

Approval of the proposed ordinance is a policy matter for the Board of Supervisors.

[11] DMC-ODS Contingency Management (ca.gov)

[12] https://www.dhcs.ca.gov/Documents/BHIN-24-031-Updated-Guidance-for-the-RI-Program.pdf