

To: Councilmember Lisa Herbold, Chair, Public Safety & Human Services Committee
 Councilmember Sara Nelson
 From: Tanya Kim, Director, Human Services Department
 Date: May 8, 2023
 RE: Response to SLI HSD-605-A-001 – Regarding use of City Share of Opioid Settlement Dollars

This memo responds to Council Statement of Legislative Intent (SLI) [HSD-605-A-001](#) which requests that the Human Services Department (HSD) “collaborate on a plan to develop a Request for Qualifications (RFQ) process in HSD that would result in the award of funding to one or more facilities for addiction treatment, using a portion of Seattle’s anticipated \$14.1 million in proceeds from a settlement against opioid medication distributors.”

Background

In October of 2022, Washington State Attorney General Ferguson [announced](#) that the State would be receiving approximately \$518 million under a resolution with three companies found to have played roles in fueling the opioid epidemic. Of this total, approximately \$430 million will be directed toward combatting the opioid epidemic; half of the \$430 million will stay with the State, and the remaining half (approximately \$215 million) is being disbursed to local governments. The first year of disbursement was 2022, and the funds will be allocated over 18 years. All 125 eligible local governments, including King County and the City of Seattle, signed onto the resolution stemming from the State’s lawsuit.

Table 1 (below) estimates the total and annual distributions of settlement funds to the City, approximately 6.6% of local governments’ share. As the total funds fluctuate throughout the 18 years of disbursement, so do the City’s funds. Of note, for the first seven years of distribution, funds are removed from the total Local Government share for legal fees at 15%.

Table 1.

Funds Allotment ¹	Local Government Share	City of Seattle Share (Approximately 6.6%)	City of Seattle Net Distribution
Total Over 18 Years	\$215,125,000	\$14,205,000	\$13,444,000²
Annual Amount Years 1 - 7	\$9,190,000 - \$12,089,000	\$606,834 - \$798,240	\$515,820 - \$678,504²
Annual Amount Years 8 - 18	\$14,218,000 - \$11,951,000	\$938,827 - \$789,178	\$938,827 - \$789,178

King County will be receiving 13.9% of the total local government share, or a net of approximately \$28 million over the 18 years; and the other cities in the County, not including Seattle, will receive 5.8% of the Local Government share, or a net of approximately \$11.8 million over the 18 years.

¹ \$46 million additional funds were obtained from the State through taking Purdue to court instead of accepting the original settlement proposal – the State will be allocating these funds directly.

² Estimated amount minus 15% to Government Fee Fund Backstop for first 7 years of distribution.

Additionally, in April 2023, [Seattle City Attorney Davison signed an agreement](#) joining a nationwide settlement with companies that produced or sold opioids, which will provide approximately \$14 million to the City over the next 15 years. Depending on when the City begins receiving payments, these funds could potentially be combined with the settlement with opioid medication distributors as part of one spending plan.

Funding Implementation Guidance

The [2021-2022 Washington State Opioid and Overdose Response Plan](#) is an update to the 2018 Washington State Opioid Response. This plan was developed through an ongoing process with stakeholders that includes federal agencies, state agencies, tribal governments, local public health, first responders, advocacy groups, and clinical providers and health care organizations to implement plan activities and serves to:

- Describe the history and evolution of the opioid epidemic;
- Inform the use of federal, state, and local resources in response to substance use disorders and overdose deaths;
- Coordinate activities and avoid duplicative efforts across agencies;
- Support linkages with stakeholders across state agencies, local governments, health care organizations, academic institutions, civic and philanthropic organizations, and members of the public in general; and
- Guide the state efforts to work with tribal governments.

The Plan identifies five overarching goals with specific strategies to address the opioid crisis, overdose deaths, and other emerging drug use trends.

- Goal 1 – Prevent opioid and other drug misuse
- Goal 2 – Identify and treat opioid misuse and stimulant use disorder
- Goal 3 – Ensure and improve the health and wellness of people who use opioids and other drugs
- Goal 4 – Use data and information to detect opioid misuse, monitor drug user health effects, analyze population health, and evaluate interventions
- Goal 5 – Support individuals in recovery

Additionally, in the [One Washington Memorandum of Understanding Between Washington Municipalities](#) that local governments were asked to sign to confirm their agreement with the State's plan, the City of Seattle agreed to the following:

“As a condition of receiving a direct payment, each Participating Local Government that receives a direct payment agrees to undertake the following actions:

- 1. Developing a methodology for obtaining proposals for use of Opioid Funds*
- 2. Ensuring there is opportunity for community-based input on priorities for Opioid Fund programs and services*
- 3. Receiving and reviewing proposals for use of Opioid Funds for approved purposes*
- 4. Approving or denying proposals for use of Opioid Funds for Approved Purposes*

5. *Receiving funds from the Trustee for approved proposals and distributing the Opioid Funds to the recipient*
6. *Reporting to the OAC³ and making publicly available all decisions on Opioid Fund allocation applications, distributions and expenditures.”*

Community Stakeholder Engagement Process

As anticipated in the Washington State Opioid Response Plan, and in partnership with King County, the City has begun the process to gain input from the community regarding investment priorities. King County has hired Research with Expert Advisors on Drug Use (READU) at the University of Washington to partner with individuals with lived and living experience of substance use to gather stakeholder input on this process. READU has begun this work and is currently meeting with community stakeholders – this includes: advisory boards, tribes and Native service providers, advocacy organizations, treatment providers, medication for opioid use disorder providers, recovery organizations, student and youth organizations, and families impacted by substance use and overdose deaths.

The process is receiving input on the following areas:

- The Long and Short-Term Goals for Improving Services for People Who Use Opioids
- The Principles and Priorities for Funding Services for People Who Use Opioids
- The Who, What, When, Where, Why, and How Funds Should Be Distributed
- The Hopes, Dreams, and Outcomes of Funding

Funding Process Development

The City has three options regarding the distribution of its funds:

1. We can pool all our funds with the County for procurement;
2. We can pool some of our funds with the County for procurement; or
3. We can choose to use our funds outside of the County’s procurement process.

In any scenario, we would still need to consider the input that was received from the community stakeholder engagement process on the principles for guiding spending as well as work in close coordination with the County and the Sound Cities jurisdictions.

If the City fully or partially pools funds with the County, we would work collaboratively to develop a draft Spending Plan. This draft Spending Plan will include the specifics of a procurement (e.g., Request for Qualifications or Request for Proposal) process(es) for the distribution of funds that will begin later this year.

If the City chooses to develop a Spending Plan independent from the County’s Spending Plan, this would not include County’s funding allocation.

³ Prior to any distribution of Opioid Funds within the Allocation Region, the Participating Local Governments must establish an Opioid Abatement Council (OAC) to oversee Opioid Fund allocation, distribution, expenditures, and dispute resolution. The OAC may be a preexisting regional body or may be a new body created for purposes of executing the obligations of this MOU.

Timeline

The anticipated timeline leading up to a Spending Plan:

- May 2023 – READU will report to the County, City of Seattle and the Sound Cities on feedback received from the community stakeholder engagement process.
- Summer 2023 – The County and the City will develop a draft Spending Plan(s).
- Fall 2023 – Proposed Spending Plan finalized

Funding of Treatment Services

Substance use disorder services fall into four broad categories:

1. Prevention and Education: Raising awareness and knowledge of adverse effects of substances and substance use and promoting screening practices in a variety of settings;
2. Contemplation and Engagement Services: Mobile and site-based harm reduction services such as; syringe exchange and naloxone distribution, and drug user health services such as; supervised use, post-use observation, counseling and medical services;
3. Treatment Services: Mobile and site-based care, including; detoxification, medications for opioid use disorder treatment, outpatient treatment, and residential treatment; and
4. Recovery Support Services: Residential and outpatient-based care that supports abstinence and/or non-drug use including peer support services.

Treatment services for substance use disorders, for the most part, are covered for those with health insurance due to the 2008 Federal Mental Health Parity and Addiction Equity Act. In 2016, these parity requirements were expanded to apply to all Medicaid recipients. As Washington State has expanded Medicaid under the Affordable Care Act (ACA), the gap in coverage for treatment services mainly applies to those who are uninsured. Uninsurance in King County has a [disparate impact on people of color](#).

To fill in current gaps in treatment services, the King County [Mental Illness and Drug Dependency \(MIDD\) Behavioral Health Sales Tax Fund](#) assists in providing financial support for treatment services for the uninsured. The MIDD sales tax collection is approved through 2025. In addition, the City of Seattle General Fund helps support methadone and buprenorphine access services. Based on numerous studies, medication for opioid use disorder (MOUD) treatment is the most efficacious option.⁴

In 2022, through HSD’s Public Health-Seattle King County contract, \$660,000 was allocated to:

- Provide assessments, counseling and facilitated referrals for individuals using the Public Health’s needle exchange program;
- Cover the cost of methadone and other medication assisted treatment for those who are not eligible for health insurance or, assisting with co-pays and deductibles for those who do have health insurance; and

⁴ [A comparison of adherence, outcomes, and costs among opioid use disorder Medicaid patients treated with buprenorphine and methadone: A view from the payer perspective - PubMed \(nih.gov\)](#)

- Support other services, such as transportation, mobile treatment, and social work services to facilitate access to, and retention in, medication for opioid use disorder care.

Funding facilities specifically providing addiction treatment, as defined in the SLI, through a procurement process, while possible, may be limited in its scope. This is due to the high rate of health insured people in Seattle (more than 94%); other funding sources for these services, such as the King County Mental Illness and Drug Dependency tax; and pending expansion of coverage at the State level through the [Health Care Authority coverage plan for the uninsured](#).

One of the identified current gaps in services is facilities that can provide assessment, triage, and stabilization for individuals who are experiencing an acute response to an opioid, including overdose. Our hospital emergency rooms are often neither necessary nor desired in these situations. The recent King County [Crisis Care Centers Levy Ballot Measure](#) was placed before the voters for this reason. Discussions and other funding continue to be sought to target post-overdose stabilization center(s) as options for our emergency responders to refer someone to in need of observation and where initiation of detoxification and/or medication-based treatment can begin.

Contingency Management (CM) treatment for opioid use disorder is another potential avenue for support. CM, a form of behavior modification, has been around for decades. It has been primarily used for other substance use disorders such as addiction to methamphetamines and alcohol. The Washington State Health Care Authority A awarded a grant to a team comprised of the City of Seattle, Plymouth Housing, Washington State University, and the University of Notre Dame a for a non-clinic-based CM pilot program involving individuals with substance use disorder(s) including opioids.

Summary

The collaborative community stakeholder engagement process is currently underway, in partnership with King County, and it will inform the development of a spending plan later this year for the allocation of funds. While this funding provides an opportunity to address current gaps in services and/or treatment, the relatively small distribution of funds over a lengthy period will have a limited immediate impact.