

OCTOBER 15, 2023

How Are Opioid Settlement Funds Being Spent?

EXECUTIVE SUMMARY

- In July 2022, 52 states and territories, along with many local governments, entered into a **\$26 billion multijurisdictional agreement** with major pharmaceutical distributors and a pharmaceutical manufacturer to settle claims arising from their opioid business practices.
- This multistate opioid settlement followed earlier ones reached with the now-infamous Purdue Pharm, as well as with McKinsey Consulting, Mallinckrodt, and Insys. This was followed by settlements with two more opioid manufacturers. The result was a multi-state enforcement effort by Attorneys General that is the **second largest in U.S. history**, exceeded only by the Tobacco Master Settlement Agreement.
- State Attorneys General who participated in these suits and settlements were quick to **herald them as a major success**, with more than \$26 billion in settlement funds and future monitoring and restricting future opioid deliveries.
- States are required to spend at least 85% of the money on **“opioid-related programs”**.
- The Allen Research Endowment believes there is a **wide interpretation of that standard and little oversight**. A root cause is that little has been done to educate policymakers. As a result, we believe some opioid settlement funds are being misused.
- About \$3 billion of opioid settlement proceeds have already been sent to states, counties, and cities. About \$50 billion more is expected in the **coming decade and beyond**.

Below is a case study on how opioid settlement funds are being used in Greene County, Tennessee.

CASE STUDY: GREENE COUNTY, TENNESSEE

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- Over the past two years, rural Greene County in northeastern Tennessee has collected more than \$2.7 million from regional and national settlements from opioid manufacturers and distributors. But instead of helping people harmed by addiction, county officials are finding **other ways to spend it**.
- \$2.4 million has been allocated toward **paying off the county’s debt**. Another \$1 million arriving over more than a decade into a capital projects fund. In March, they appropriated \$50,000 from that fund to buy a “**litter crew vehicle**” — a pickup truck to drive inmates to collect trash along county roads.
- “It’s astounding,” said Nancy Schneck, a retired nurse who has seen addiction infiltrate the community, where employers **avoid drug testing** for fear of losing too many employees and mental health crises and homelessness are rampant. She wants to see the money go toward **mental health** and **addiction treatment**.
- Why can’t county leaders “see treating some people and maybe getting them out of this cycle **might be advantageous?**” she said. In 2021, the latest year for which comparable data is available, Greene County’s rate of drug overdose deaths **topped state and national figures**.



Greene County, Tennessee, is directing some of its opioid settlement money into the county’s capital projects fund.

In March 2023, \$50,000 from that fund was appropriated to buy a “litter crew vehicle,” a pickup truck used to drive inmates assigned to collect trash by the side of the road.

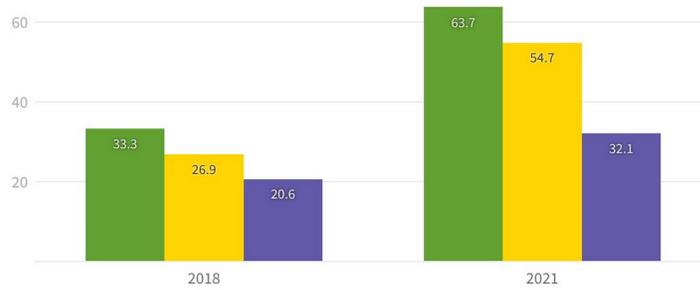
- “There is no good excuse to sit on the funds or put them into a general fund,” said Tricia Christensen, policy director for the nonprofit Community Education Group. The organization is tracking settlement spending across Appalachia, which Christensen called the epidemic’s ground zero. “These dollars **should be used to support people** who have been most impacted by the overdose crisis.”

Greene County's Overdose Death Rate Eclipsed State and National Averages

An increasingly deadly drug supply led overdose death rates to rise nationwide in 2021, but Greene County saw an especially steep increase.

Deaths per 100,000 residents:

■ Greene County ■ Tennessee ■ U.S.



Note: Overdose deaths from all drugs, not just opioids, are represented. Rates are not age-adjusted.

Source: CDC WONDER

Credit: Aneri Pattani/KFF Health News

- Nationally, there has been **little oversight** of the settlement dollars. President Joe Biden’s administration pledged to ensure the funds went toward tackling the addiction crisis, but has taken little action.
- Accountability at the state level varies.

In Tennessee, 15% of the state’s opioid settlement funds are controlled by the legislature and another 15% by local governments. Those two buckets have **few restrictions**.

The other 70% is controlled by an Opioid Abatement Council, which has more rigorous standards. The council, which must give 35% of its funds to local governments, recently distributed more than \$31 million to counties. The council required the funds be spent on a list of approved interventions, such as building recovery housing and increasing addiction treatment for uninsured people.

- “I can guarantee we’re going to bird-dog” those funds, said Stephen Loyd, chair of the council and a physician in recovery from opioid addiction. If counties use them for unapproved purposes, the counties **will not receive future payouts**, he said.

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- In such cases, the public **can hold officials accountable**, Loyd said. “If you don’t like the way the money is being spent, you have the ability to vote.”

The Allen Research Endowment believes this solution **will have little to no effect**, and there needs to be **stronger controls and penalties in place**.

- Both men point counties to an online recovery ecosystem index, where leaders can see how their area’s resources for recovery compare with those of others.

In Greene County, for example, the index indicates there are **no recovery residences** and the number of treatment facilities and mental health providers per 100,000 residents is **below state and national averages**.

- Some Greene County residents want to see opioid settlement funds go to **local initiatives** that are already operating on the ground. The Greene County Anti-Drug Coalition, for instance, hosts presentations to educate young people and their parents on the risks of drug use.
- “If we can do **prevention work with kids**, we can change the trajectory of their lives as adults,” said Wendy Peay, secretary of the anti-drug coalition and executive director of United Way of Greene County.

The coalition has asked the county for settlement funds - but has **not received any yet**.

- Nearby in Carter County, a new residential treatment facility is taking shape at the site of a former prison. At least seven counties, cities, and towns in the region have committed a combined \$10 million in opioid settlement funds to support it, said Stacy Street, a criminal court judge who came up with the idea.
- Greene County is among the few local governments - that **did not contribute** to the new residential treatment facility.

It will be part of the region’s drug recovery court system, in which people with addiction who have committed crimes are diverted to intensive treatment instead of prison.

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- Currently there are no long-term residential facilities in the area for such patients, Street said. Too often, people in his court receive treatment during the **day but return home at night** to “the same sandbox, playing with the same sand-mates,” increasing their risk of relapse.
- Street said the new facility will not offer medications to treat opioid addiction — the gold standard of medical care — because of security concerns. But some patients may be taken to receive them off campus.
- Morrison, the Greene County mayor, said he worried about contributing to the facility because it is a recurring cost, and the settlement funds will stop flowing in 2038.
- “There’s been great pressure put on local entities like Greene County to try to solve this problem with this limited amount of funding,” he said, when “the federal government, which has the ability to print money to solve these problems - is not in this business.”
- The county is **still deciding** how to spend nearly \$334,000 of settlement funds it recently received from the state’s Opioid Abatement Council. Morrison said they’re considering using it for the anti-drug coalition’s education efforts and the county drug court.

Given the guidelines from the abatement council, these funds **can’t be used to pay old debts**.

SOURCES: ANERI PATTANI/KFF HEALTH, ALLEN RESEARCH ENDOWMENT, INC.

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