

Nicholas Reinecker
Opponent
House Appropriations

SB307
01/30/24
Rep. Waymaster

I am against this bill for the same reason I was against the Kansas Fights Addiction Act in the first place. The moneys received from opioid litigation should focus solely on disorderly opioid use abatement.

Another concern I have is the concept of patient brokering and how this practice could be enhanced in a for-profit arena as it pertains to the volume and value of clientele.

Also, urinalysis drug testing is a huge and growing industry and again in the for-profit model it could be easily abused, making urine almost literally, "liquid gold".

Seeking treatment is different than choosing treatment over jail. When a person is arrested for a controlled substance violation vs seeking treatment on their own, there are ethical issues to take into consideration. One of these is the cycling of individuals without opioid use concerns through billable individual or group therapy, risky Medication-Assisted Treatment, and drug testing that will cause trauma and harm.

Substances that are not controlled and against the law to possess are important factors to consider, as well. Beyond a D.U.I., domestic violence, or similar circumstances with unscheduled exempt substances like alcohol, tobacco, sugar, and/or caffeine, the possession/use of these substances does not lead to forced, coerced or intimidating government intervention for the use of these entities. This will allow the low-hanging fruit, controlled substances like natural cannabis, as well as synthetic opioids, to be exploited for their legal status to make money and raise insurance rates.

Thank You

<https://www.justice.gov/opa/pr/addiction-treatment-facility-operators-sentenced-112-million-addiction-treatment-fraud-scheme/>

Department of Justice
Office of Public Affairs
FOR IMMEDIATE RELEASE
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Addiction Treatment Facility Operators Sentenced in \$112 Million Addiction Treatment Fraud Scheme

Two brothers who operated multiple South Florida addiction treatment facilities were sentenced to prison Friday for a \$112 million addiction treatment fraud scheme that included paying kickbacks to patients through patient recruiters and receiving kickbacks from testing laboratories. “These substance abuse treatment facility operators, through brazen tactics driven by greed, took advantage of vulnerable patients seeking treatment,” said Assistant Attorney General Kenneth A. Polite Jr. of the Justice Department’s Criminal Division. “These sentences demonstrate the department’s unwavering commitment to protecting patients and prosecuting fraudulent substance abuse treatment facilities through our Sober Homes Initiative.” Jonathan Markovich, 37, and his brother, Daniel Markovich, 33, both of Bal Harbour, were sentenced in the Southern District of Florida to 188 months and 97 months in prison, respectively.

According to court documents and evidence presented at trial, the defendants conspired to unlawfully bill for approximately \$112 million of addiction treatment services that were medically unnecessary and/or never provided, which were procured through illegal kickbacks at two addiction treatment facilities, Second Chance Detox LLC, dba Compass Detox (Compass Detox), an inpatient detox and residential facility, and WAR Network LLC (WAR), a related outpatient treatment program. The defendants obtained patients through patient recruiters who offered illegal kickbacks to patients, including free airline tickets, illegal drugs, and cash payments. The defendants shuffled a core group of patients between Compass Detox and WAR in a cycle of admissions and re-admissions to fraudulently bill for as much as possible. Patient recruiters gave patients illegal drugs prior to admission to Compass Detox to ensure admittance for detox, which was the most expensive kind of addiction treatment offered by the defendants’ facilities. In addition, therapy sessions were billed for but not regularly provided or attended, and excessive, medically unnecessary urinalysis drug tests were ordered, billed for, and paid.

Compass Detox patients were given a so-called “Comfort Drink” to sedate them, and to keep them coming back. Patients were also given large and potentially harmful amounts of controlled substances, in addition to the “Comfort Drink,” to keep them compliant and docile, and to ensure they stayed at the facility.

“To manipulate and exploit patients seeking help in their most vulnerable state is unacceptable,” said Assistant Director Luis Quesada of the FBI’s Criminal Investigative Division. “These individuals orchestrated a scheme that sought profits over the well-being of patients, and they will be held accountable for their actions. With the help of our law enforcement partners, the FBI continues to investigate, bring down these criminal enterprises, and protect our citizens.”

After a seven-week trial in November 2021, both defendants were convicted of conspiracy to commit health care fraud and wire fraud. Jonathan Markovich was convicted of eight counts of health care fraud and Daniel Markovich was convicted of two counts of health care fraud. They were also both convicted of conspiracy to pay and receive kickbacks and two counts of paying and receiving kickbacks. Jonathan Markovich was separately convicted of conspiring to commit money laundering, two counts of concealment money laundering, and six counts of laundering at least \$10,000 in proceeds of unlawful activities. He was also convicted of two counts of bank fraud related to fraudulently obtaining PPP loans for both Compass Detox and WAR during the COVID-19 pandemic.

<https://www.cbsnews.com/news/drug-treatment-rehab-private-equity-profits/>

Some addiction treatment centers turn big profits by scaling back care

By Renuka Rayasam, Blake Farmer

January 30, 2023 / 5:00 AM EST / Kaiser Health New

Near the end of his scheduled three-month stay at a rehab center outside Austin, Texas, Daniel McKegney was forced to tell his father in North Carolina that he needed more time and more money, he recently recalled.

His father had already received bills from BRC Recovery totaling about \$150,000 to cover McKegney’s treatment for addiction to the powerful opioid [fentanyl](#), according to insurance statements shared with KHN. But McKegney, 20, said he found the program “suffocating” and wasn’t happy with his care.

He was advised against the long-term use of Suboxone, a medication often recommended to treat [opioid](#) addiction, because BRC does not consider it to be a form of abstinence. After an initial five-day detox period last April, McKegney's care plan mostly included a weekly therapy session and 12-step group meetings, which are available for free around the country.

McKegney said a BRC staffer recommended he stay a fourth month and even sat in on the call to his dad.

"They used my life and [my] father's love for me to pull another 20 grand out of him," said McKegney, who told KHN he began using fentanyl again after the costly stay.

BRC did not respond to specific concerns raised by McKegney. But in an emailed statement, Mandy Baker, president and chief clinical officer of BRC Healthcare, said that many of the complaints patients and former employees shared with KHN are "no longer accurate" or were related to COVID safety measures.

But addiction researchers and private equity watchdogs said models like the one used by BRC — charging high patient fees without guaranteeing access to evidence-based care — are common throughout the country's addiction treatment industry.

The model and growing demand are why addiction treatment has become increasingly attractive to private equity firms looking for big returns. And they're [banking on forecasts](#) that predict the market will grow by \$10 billion — doubling in size — by the end of the decade as [drug overdose](#) and [alcohol-induced death rates](#) mount.

"There is a lot of money to be made," said Eileen O'Grady, research and campaign director at the Private Equity Stakeholder Project, a watchdog nonprofit that tracks private equity investment in health care, housing, and other industries. "But it's not necessarily dovetailing with high-quality treatment."

In 2021, 127 mergers and acquisitions took place in the behavioral health sector, which includes treatment for substance use disorders, a rebound after several years of decline, [according to investment banking firm Capstone Partners](#). Private equity investment drove much of the activity in an industry that is highly fragmented and rapidly growing, and has historically had few guardrails to ensure patients are getting appropriate care.

BRC Recovery, a private equity-backed addiction treatment company, bought Nashville Recovery Center in 2021. Private equity investment has driven much of the recent activity in substance abuse treatment, an industry that is highly fragmented and has historically had few guardrails to ensure patients are getting appropriate care. Blake Farmer for KHN

Roughly [14,000 treatment centers](#) dot the country. They've proliferated as [addiction rates](#) rise and as health insurance plans are required to offer better coverage of drug and alcohol treatment. The treatment options vary widely and are not always consistent with [those recommended](#) by the

federal Substance Abuse and Mental Health Services Administration. While efforts to standardize treatment advance, industry critics say private equity groups are investing in centers with unproven practices and cutting services that, while unprofitable, might support long-term recovery.

Baker said the company treats people who have been unsuccessful in other facilities and does so with input from both clients and their families.

Private equity skimps on the known standards

Centers that discourage or prohibit the use of [FDA-approved medications](#) for the treatment of substance use disorder are plentiful, but in doing so they do not align with the American Society of Addiction Medicine's guidelines on how to manage opioid use disorder over the long term.

Suboxone, for example, combines the [pain reliever buprenorphine](#) and the opioid-reversal medication naloxone. The drug blocks an overdose while also reducing a patient's cravings and withdrawal symptoms.

"It is inconceivable to me that an addiction treatment provider purporting to address opioid use disorder would not offer medications," said Robert Lubran, a former federal official and chairman of the board at the Danya Institute, a nonprofit that supports states and treatment providers.

Residential inpatient facilities, where patients stay for weeks or months, have a role in addiction treatment but are often overused, said Brendan Saloner, an associate professor of health policy and management at Johns Hopkins Bloomberg School of Public Health.

Many patients return to drug and alcohol use after staying in inpatient settings, but [studies show](#) that the use of medications can decrease the relapse rate for certain addictions. McKegney said he now regularly takes Suboxone.

"The last three years of my life were hell," he said.

Along with access to medications, high-quality addiction treatment usually requires long-term care, according to [Shatterproof, a nonprofit](#) focused on improving addiction treatment. And, ideally, treatment is customized to the patient. While the "Twelve Steps" program developed by Alcoholics Anonymous may help some patients, others might need different behavioral health therapies.

But, when looking for investments, private equity groups focus on profit, not necessarily how well the program is designed, said Laura Katz Olson, a political science professor at Lehigh University who wrote a book about [private equity's investment in American health care](#).

With health care companies, investors often cut services and trim staff costs by using fewer and less trained workers, she said. Commonly, private equity companies buy "a place that does really excellent work, and then cut it down to bare bones," Olson said. During his stay, McKegney said,

outings to see movies or go to a lake abruptly stopped, food went from poke bowls and pork tenderloin to chili that tasted like "dish soap," and staff turnover was high.

Nearly three years ago, BRC landed backing from [NewSpring Capital and Veronis Suhler Stevenson](#), two private equity firms with broad portfolios. Their holdings include a payroll processor, a bridal wear designer, and a doughnut franchise. With the fresh funds, BRC started an expansion push and [bought several Tennessee treatment facilities](#).

NewSpring Capital and Veronis Suhler Stevenson did not respond to emails and phone calls from KHN.

High prices and low overhead = big business

Before the sale to BRC, Nashville Recovery Center co-founder Ryan Cain said, roughly 80% of the center's offerings were free. Anyone could drop by for 12-step meetings, to meet a sponsor, or just play pool. But the new owners focused on a new high-end sober living program that cost thousands of dollars per month and relied on staffers who were in recovery themselves.

"You have a perfect breeding ground to be able to take advantage of a lot of really good-hearted, well-intentioned people," said former Nashville Recovery Center staffer Mitzi Dawn, who is in recovery and now works at another treatment facility. Dawn hosted a "Sing and Share" that was canceled soon after the takeover.

Mitzi Dawn was on staff at Nashville Recovery Center and left after the center was acquired by BRC Recovery and her popular "Sing and Share" event was canceled. She says she worried about her colleagues, since most are in recovery as she is. Blake Farmer for KHN

In 2021, Nanci Milam, 48, emptied her 401(k) retirement fund to go through the sober living program and tackle her alcohol addiction. She had been sober for only six months when she was hired as a house manager, overseeing some of the same residents she had gone through the program with. She had to handle other residents' medications, which she said she could have abused. Milam said she was fortunate to maintain sobriety.

"I think it served their need. And I was ambitious. But it should not have happened," said Milam, adding that she left because the company hadn't helped her start her certification as a drug counselor as promised.

A licensing violation reported to Tennessee regulators in late 2021 involved a staffer who was later fired for having sex with a resident in a storage area. And KHN obtained a copy of a 911 call placed in August 2022 — after a resident drank half a bottle of mouthwash — during which a staffer admitted there was no nurse on-site, which some other states require.

Removing the burden from consumers

The regulations of treatment providers largely focus on health and safety rather than clinical guidelines. Only a handful of states, including [New York](#) and Massachusetts, require that licensed addiction treatment centers offer medication for opioid use disorder and follow other best practices.

"We have a huge issue in the field where licensing standards don't comport with what we know to be the most effective quality-of-care standards," said Michael Botticelli, former director of the Office of National Drug Control Policy during the Obama administration and a member of a clinical advisory board for private equity-backed Behavioral Health Group. Some organizations, including Shatterproof, [guide patients](#) toward appropriate care. The federal and state governments [largely direct public funds](#) to centers that meet clinical quality-of-care standards.

But access to treatment is limited, and desperate patients and their families often don't know where to turn. State or federal regulators aren't policing claims from rehab facilities, like the ["99% success rate"](#) touted by BRC.

"We cannot put the burden on patients and their families" to navigate the system, said Johns Hopkins' Saloner. "My heart really breaks for people who have thrown thousands of their dollars at programs that are bogus."

When her niece was ready for inpatient rehab in summer 2020, Marina said that sending her to BRC was a "knee-jerk reaction." Marina, a physician in Southern California, requested to be identified only by her middle name to protect the privacy of her niece, who suffers from alcohol addiction.

She had researched the facility three years earlier but didn't investigate deeper because she was worried her niece would change her mind. BRC advertised success stories [on the television show "Dr. Phil"](#) and [posted affirmations](#) on [social media](#).

Marina agreed to BRC's upfront cost of \$30,000 a month for a three-month stay in Texas, which she paid for out-of-pocket because her niece lacked insurance. She allowed KHN to review some of her niece's pharmacy and treatment bills.

Marina said she paid for a fourth month, but said ultimately the program didn't help her niece, who remains "horribly sick." She said her niece felt constant guilt and shame at rehab. Marina thought there was inadequate medical oversight, and said the program "nickel and dimed" her for additional services, like physicians' visits, that she thought would be included.

"It almost doesn't matter if you are educated and intelligent," Marina said. "When it's your loved one, you are just desperate."

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operating programs at [KFF](#) (Kaiser Family Foundation). KFF is an endowed nonprofit organization providing information on health issues to the nation.

<https://www.healthday.com/health-news/child-health/addiction-treatment-for-teens-in-crisis-is-often-hard-to-find>

Addiction Treatment for Teens in Crisis Is Often Hard to Find

By [HealthDay](#)

|Jan. 9, 2024, at 7:58 a.m.

Addiction Treatment for Teens in Crisis Is Often Hard to Find

By Ernie Mundell HealthDay Reporter

Jan. 9, 2024 (HealthDay News) -- A 'secret shopper' study finds that for many American families, accessing inpatient treatment for a teen battling addiction can be next to impossible.

“If you are a family in crisis and you have a kid for whom outpatient treatment is not an option, you hope to be able to call the closest residential facility to you and have access to timely, safe, affordable care for your child,” said study lead author [Dr. Caroline King](#), from Oregon Health & Science University (OSHU), in Portland.

Unfortunately, “this study shows that affordable, timely and effective treatment is severely lacking for the most vulnerable kids in our population,” she said in a university news release.

King conducted the study as a medical student at OHSU. She's now an emergency medicine resident in the Yale School of Medicine.

As an influx of opioids such as fentanyl continues, there's been a steep rise in overdoses and deaths among young Americans. That makes the need for effective residential treatment programs more urgent than ever.

But how available are these programs? To find out, King's group posed as "secret shoppers" -- people purporting to be the aunts and uncles of a 16-year-old who'd recently survived a fentanyl overdose. They reached out to 160 residential treatment centers across the United States, asking about admission availability and costs.

The results were disheartening: About half of the facilities said there was a waiting list to get in, and the average wait time was almost one month, a long time for a child in crisis.

Costs were an issue, too: If a placement was available, almost half of facilities required full or partial payment up front, with costs averaging \$878 per day, the study found.

The average quoted cost for a one-month stay: \$26,000.

Residential treatment centers that were run on a for-profit basis were more likely to have space available, but their costs were about triple the amount charged by non-profit facilities, King's team found.

When told by the secret shopper that cost might be an issue, facilities often suggested folks secure a loan, take out a second mortgage on their home or put all the charges on a credit card.

All of this leads families to stark choices when a child is in crisis.

The study was published Jan. 8 in the journal [Health Affairs](#).

“When your kid is in a crisis and needs treatment, it can be terrifying to know where to turn,” said senior study author [Ryan Cook](#), a research and training scientist for addiction medicine at OHSU.

“Many parents or family members will look first for residential care and find the experience profoundly disheartening,” he said.

SOURCE: Oregon Health & Science University, news release, Jan. 8, 2024

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