

The State of Addiction Treatment 2021

A Comprehensive Overview of COVID-19's Impact on Commercial Addiction Treatment



Executive Summary

When the COVID-19 pandemic was declared, addiction treatment centers had to fundamentally change how they cared for patients overnight. Treatment leaders had three choices: (a) acquire telehealth technology and learn how to effectively treat patients virtually; (b) respond to rapidly-changing quarantine, safety and sanitation recommendations while continuing to provide in-person treatment; or (c) shut down. Large numbers of centers chose each of these paths, and many implemented two or all three of these options simultaneously for different programs.

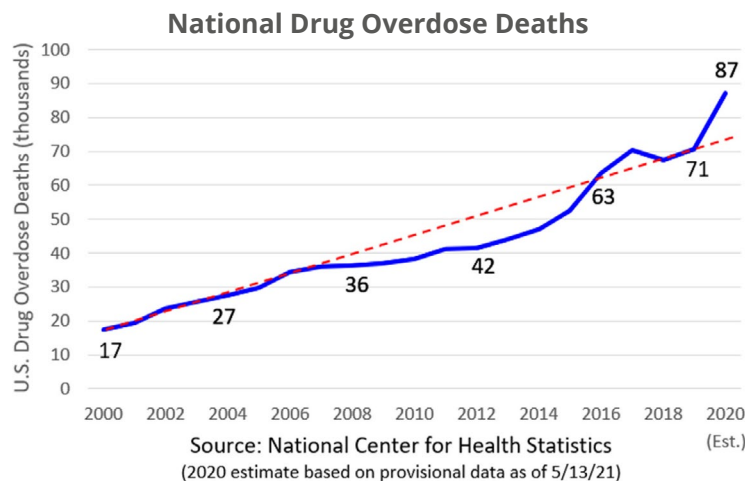


“The second quarter of 2020 was the most stressful period I can remember in the 30 years I’ve been in this industry”

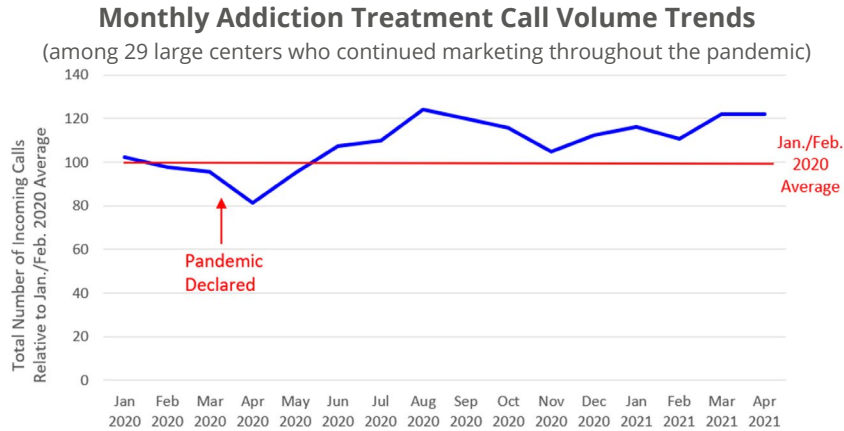
**Dr. Brian Samford, Executive Director
The Arbor Behavioral Healthcare, Austin, TX**

Meanwhile, Americans started experiencing overwhelming levels of mental distress due to fears about catching the novel coronavirus, astronomical job losses, lockdown-induced isolation, sudden 24/7 child care responsibilities, and multiple incredibly-polarizing national events. As levels of mental illness skyrocketed, many responded by drinking more alcohol and/or abusing drugs. Meanwhile, the recovery support systems many individuals in long-term recovery relied on shut down.

Simultaneously, drug cartels dealing with supply-chain issues started to shift heroin production from opium poppy to extremely-potent synthetic opioids like fentanyl and carfentanyl. Drug overdose deaths, which had showed signs of plateauing in 2018 and 2019, rapidly increased:



As a result, the number of people needing addiction treatment started increasing rapidly shortly after the pandemic was declared and has remained 10-20% higher than pre-pandemic levels since.



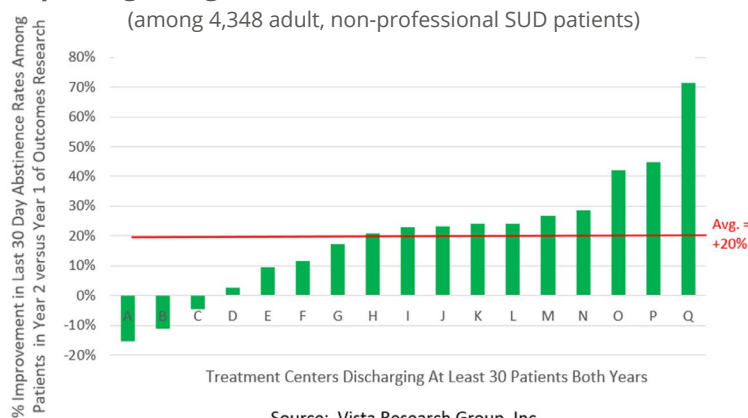
Source: Dreamscape Marketing

Today, as the country starts to reopen, addiction treatment leaders are confronted with the monumental task of figuring out how to best structure their business for the “new normal”.

While providers have been working flat-out to treat increasing numbers of desperately-ill patients, new regulations have been proposed and/or enacted, marketing strategies have changed in effectiveness, and mergers and acquisitions have continued to reshape the field.

Leaders also need to be aware that a growing number of their competitors are using post-treatment outcomes research to prove and continually improve the effectiveness of their treatment in order to attract more patients and negotiate more effectively with payers. With research showing that success rates improve by an average of 20% in the second year a center is doing outcomes research, programs which are not yet following up with patients after treatment risk being left behind:

Year to Year Improvement in the Percentage of Patients Reporting Being Abstinent at Six Months Post-Treatment



Harry Nelson, Dexter Braff, Ben Dittman, Dan Gemp and myself have created this report with the hope that it helps addiction treatment leaders make informed decisions about how to position their center to thrive in 2021 and beyond.

Joanna Conti / June 8, 2021

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Why Addictions Soared During the Pandemic

By Joanna Conti

By completely disrupting everyday life, essentially overnight, the toll of the COVID-19 pandemic has been extreme. Since many individuals responded to pandemic-related stresses by using more alcohol and/or drugs, people at risk of or already struggling with substance use disorder have been hit particularly hard.

More People Began Drinking Heavily

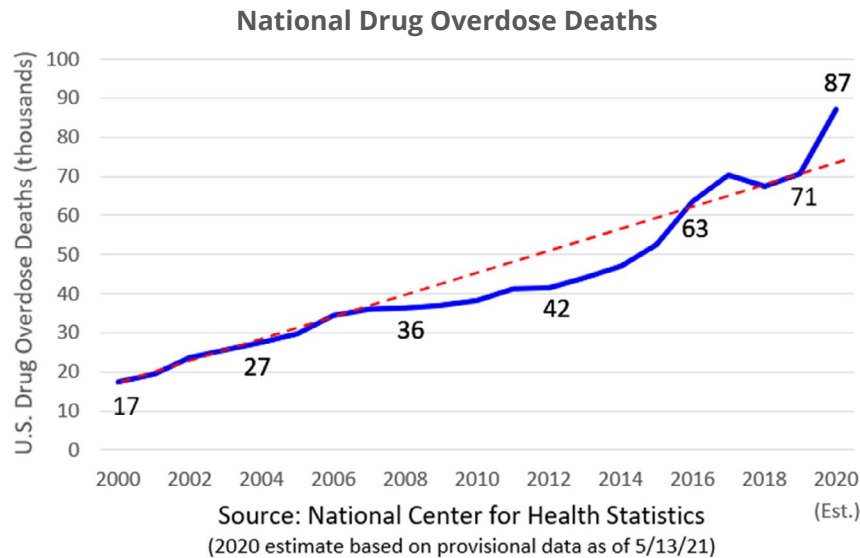
Retail alcohol sales increased by 54% in the first week of the pandemic and [remained higher throughout the following year](#). Zoom happy hours proliferated along with drinking memes like “quarantini”.

While both men and women reported more days of alcohol consumption and more days of heavy drinking (defined as 4 or more drinks within a couple of hours for women and 5+ for men) in a RAND Corp. study of 1,540 nationally-representative adults, the increases were particularly stunning among women. In May-June 2020, [women reported consuming alcohol on 17% more days and having 44% more heavy drinking days than they had one year earlier](#).



Drug Overdose Deaths Hit Record Levels

Preliminary data from 2020 indicates that the number of drug overdose deaths may have increased 23% versus 2019. If so, this would be the biggest year-to-year increase in fatal drug overdoses in the last 20 years, reversing encouraging signs in 2018 and 2019 that overdose deaths were starting to plateau:



People Struggling with Addiction Were Strongly Affected

The pandemic was particularly detrimental to people already struggling with or at risk of developing substance use disorder for multiple reasons. Not only do many people use drugs or alcohol in an ineffective attempt to cover up feelings of depression, anxiety, or mental distress, but the support systems many relied on to keep their substance use under control disappeared. Making matters even worse, illicit drugs became more lethal as drug cartels shifted from importing opium poppy to manufacturing potent synthetic opioids. This chapter discusses each of these factors in detail.

COVID Caused Unprecedented Levels of Mental Distress

On top of the overwhelming fear many felt about getting sick and possibly dying, the forced isolation, the unprecedented loss of jobs, parents' sudden 24/7 child care responsibilities and existential issues that threatened to rip the United States apart combined to place inordinate stress on large portions of the American population. Comments from patients in treatment during the pandemic explain why each of these factors were so debilitating:

1. Fear of Getting COVID-19

The rapidly-increasing hospitalization and death rates combined with the many unknowns caused many people to become petrified about catching the coronavirus:

“Paranoid I’m going to get sick / impending doom feeling”

“Can’t see my mom in the nursing home”

“Extreme stress at work regarding changes made... Anxiety hit every time I watch the news or found out my husband went to the store again”

“I lost several family members the week before I arrived here and I have no clue how many more may have been affected by COVID-19”

“My anxiety is very severe lately, my meds simply aren’t helping at all”

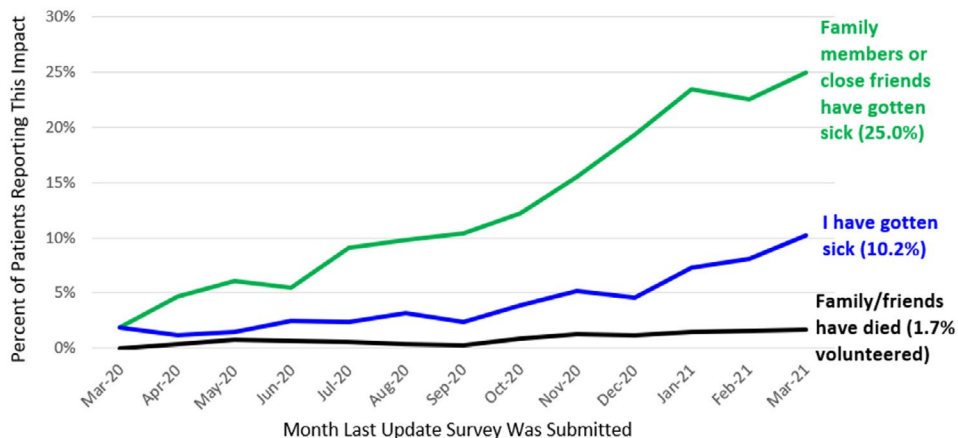
“Being a nurse, I witnessed many deaths in my workplace. It was difficult to watch people die alone. Family allowed in were told not to hug or kiss the dying parent. This was heart wrenching to watch”

“Anxiety daily and increase in cleanliness borderline obsessive”

Echoing national trends, 10% of patients in SUD treatment at a center in the Vista Research Network reported having been sick with COVID-19 themselves and 25% had family members or close friends catch COVID-19 by the end of March 2021.

Health-Related COVID-19 Impacts Reported by Patients on One or More Update Surveys During Treatment

(among 13,077 patients submitting an average of 4.1 surveys each, by month in which last update survey was submitted)



Source: Vista Research Group, Inc.

2. The Impact of Isolation

As workplaces, gyms and most other outside activities closed, day-to-day routines were totally upended and people became isolated at home. Isolation can be particularly dangerous for individuals wrestling with addiction, which is often described as a “disease of isolation”:

“I am not working and at home all day feeling isolated and lonely which triggered my alcohol and drug binge”

“The impact of my usual activities being cut off and the enforced isolation is what drove me to pick up drinking again, which is how I ended up in treatment”

“Since there was shelter in place, I began drinking way more heavily and took Valium to calm my nerves”

“No daily structure, feelings of loneliness, and sadness and isolation caused me to drink more”

“It’s impacted my depression, I was super isolated and I isolated myself a lot more than usual which slid me into a depressive landslide”

“I was happy to be confined in my house so I could drink”

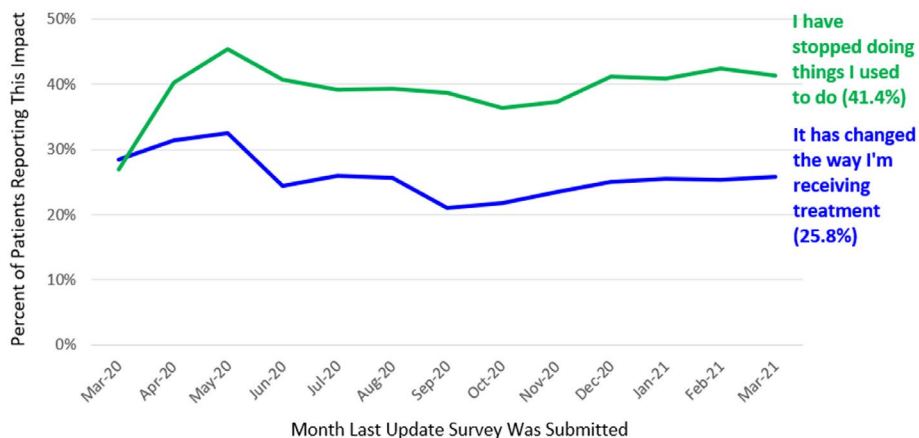
“Made me a caveman and helped my alcohol addiction get out of control”

“This has made me so depressed. While not an excuse, I turned to alcohol and in a very severe way because I could no longer function without interacting with people or being gainfully employed”

“Have had to work from home (live alone) since March as a teacher. It’s been extremely difficult and isolating”

Lifestyle-Related COVID-19 Impacts Reported by Patients on One or More Update Surveys During Treatment

(among 13,077 patients submitting an average of 4.1 surveys each, by month in which last update survey was submitted)



Source: Vista Research Group, Inc.

3. Job Loss and Financial Worries

17.3 million American workers were laid off in March and April 2020 as the restaurant, entertainment, retail shopping and travel industries shut down. While some workers were recalled in the late spring and summer, there were still 10 million fewer jobs in November 2020 than in February.

"Temporarily laid off from my job; no money to take care of my bills or myself"

"I lost my job; it made me isolate and drink heavy amounts of vodka"

"Just lost all my clients and struggling financially"

"I lost my brother who passed away because of his job shutting down due to the corona virus; we went on a binge"

"3 family members have lost their jobs and there is a chance I will be furloughed"

"Business took a massive hit, may have to close down"

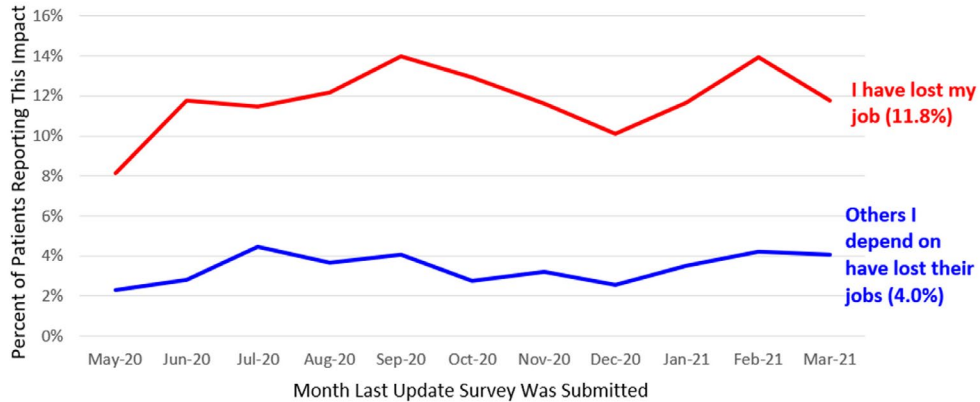
"Lots of money stress from medical bills [due to getting sick from COVID]"

"EXTREME demand and stress at work impacted all my relationships at home, with friends and at work"



Employment-Related COVID-19 Impacts Reported by Patients on One or More Update Surveys During Treatment

(among 11,553 patients submitting an average of 4.3 surveys each, by month in which last update survey was submitted)

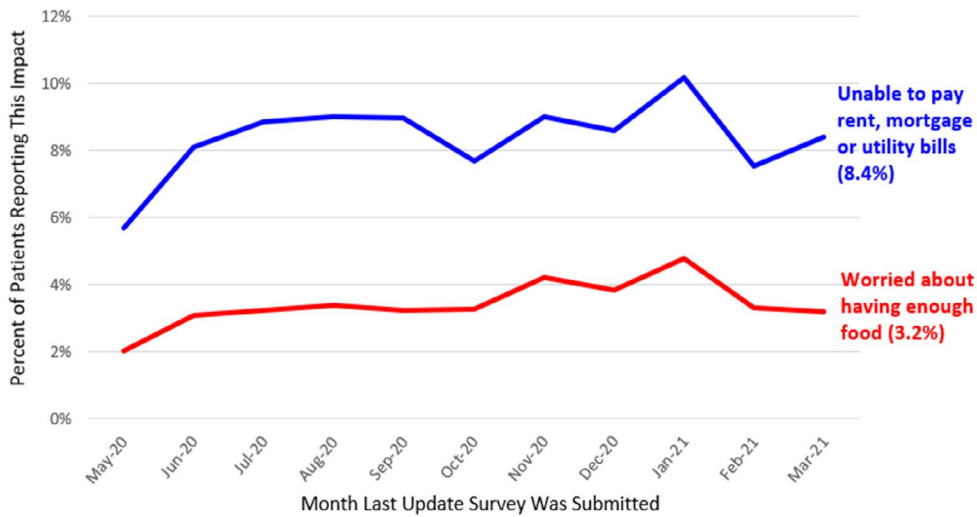


Source: Vista Research Group, Inc.

These job losses resulted in some families becoming unsure about how they were going to feed family members or pay for their house or apartment:

Financial COVID-19 Impacts Reported by Patients on One or More Update Surveys During Treatment

(among 11,533 patients submitting an average of 4.3 surveys each, by month in which last update survey was submitted)



Source: Vista Research Group, Inc.



4. Child Care Disappeared

As schools and day care centers shut down, working parents were suddenly expected to care 24/7 for their children while still working full-time, including helping their school-age children master virtual learning. [Over 5 million American mothers dropped out of the workforce to care for their children](#) as a result of these impossible expectations, and 1.3 million of these mothers remain out of work today.

"My two children are homeschooling, my husband works from home leaving very little time or space for a moment to myself"

"When I had COVID-19, it wasn't that bad physically. But the isolation and caring for my young children was very stressful during quarantine"

"I am very, very worried about the mental wellbeing of my kids due to virtual learning"

"School closure and nonessential business closings due to coronavirus have caused major inconvenience to my daily routine because of having to stress about the homeschooling of my child"

"Husband works from home. Son is doing face time school education and needs monitoring as he is moderately autistic"

"Working from home FT was stressful with 5 people in the house - 2 kids with virtual learning and my partner running business out of home"



5. Polarized Population

These factors, combined with the murder of George Floyd and the resulting Black Lives Matter protests along with an incredibly polarized, viciously-fought Presidential election, resulted in unprecedented levels of anger and distrust across the U.S. population.

"I have no words to describe how guilty the Republican Party is in completely f***ing up the wealthiest nation on earth"

"It's bullshit and the Democrats are playing political games making it seem 10x worse than it actually is"

"We all know the virus has affected Black, Hispanic and Latino communities the hardest. As a Black woman, I worry that other clients who do not fall into these demographics do not think this virus is anything for them to worry about. I would like to see the mask policy enforced more heavily inside the facility"

"The masks suck. We as a culture have over reacted to this particular ailment"

"The Wuhan virus was a deliberate act of war by China against the USA and the world"

"It is troubling what is happening. Bad science with crazy changes and misinformation, hard to say it is not political"

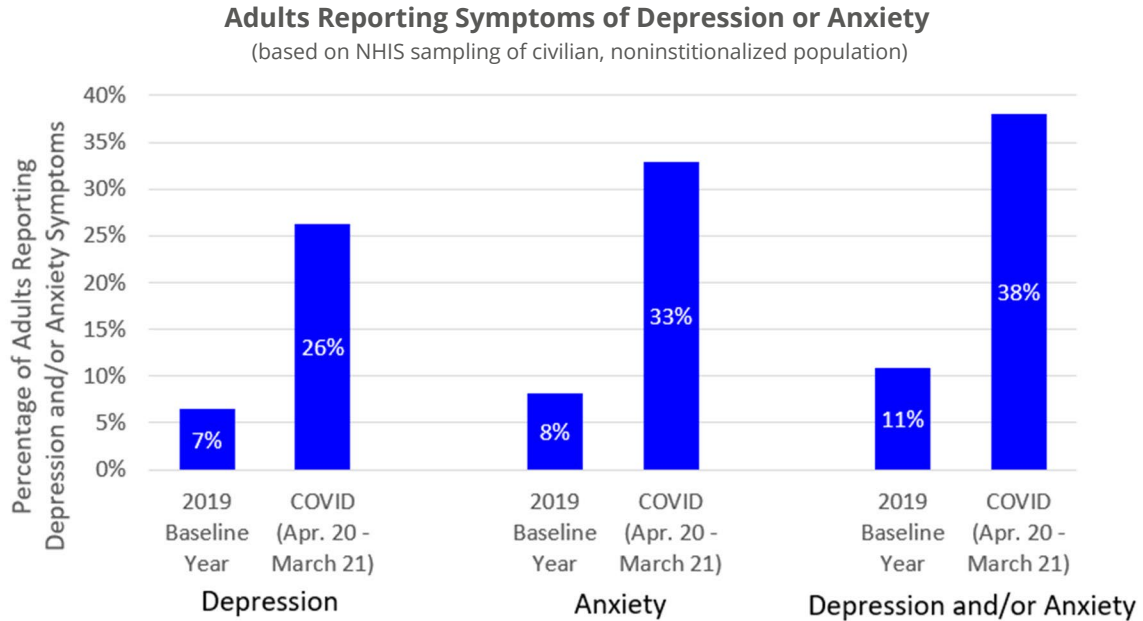
"Its fake. The government used it as a distraction to other things they were doing"

"It's not real... its the regular flu... The government wanted to create a mass hysteria.. Think about how much money they made just off of masks alone...???"



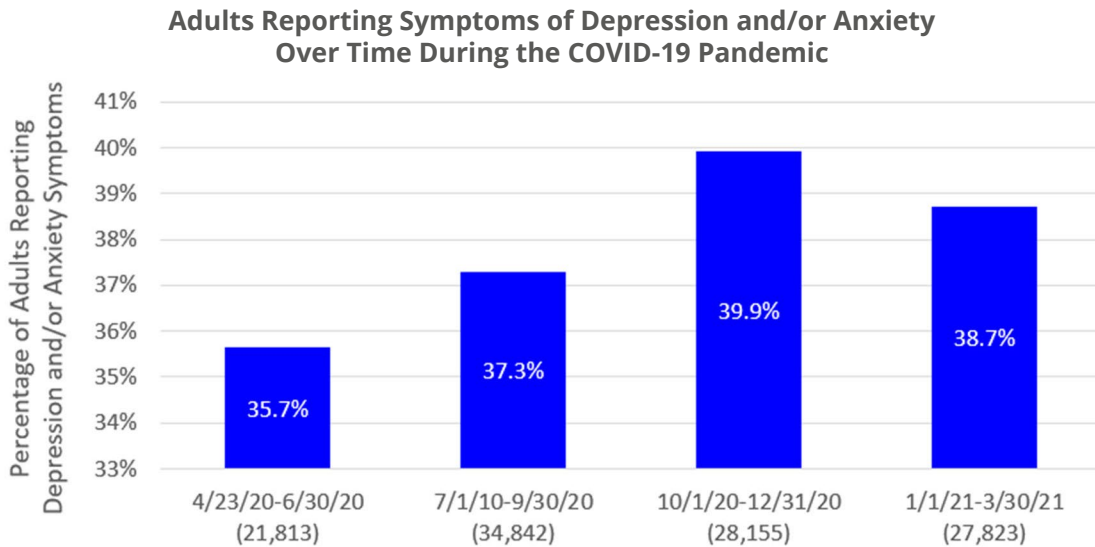
Mental Illness Rates Almost Quadrupled

Unsurprisingly, levels of depression and anxiety skyrocketed during the COVID-19 pandemic:



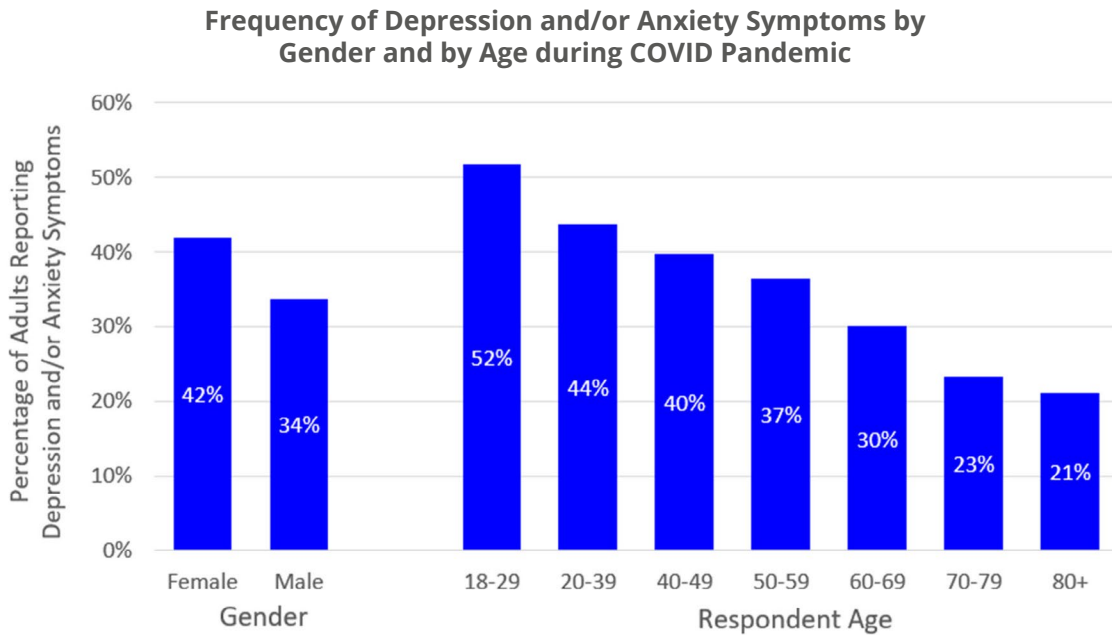
Source: National Center for Health Statistics - 2019 National Health Interview Survey (~28,800) & 2020/21 Household Pulse Survey (112,632)

The percentage of adults reporting symptoms of depression and/or anxiety increased steadily throughout 2020 before declining somewhat during the first quarter of 2021:



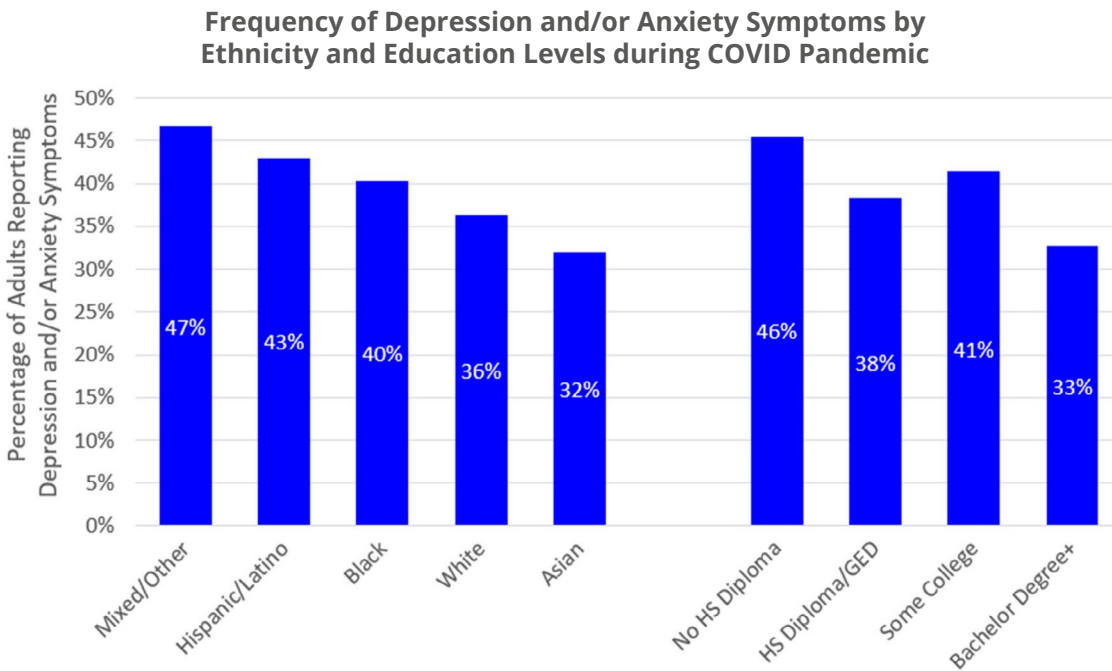
Source: National Center for Health Statistics Household Pulse Survey

Symptoms of depression and/or anxiety were more commonly reported by women and younger adults:



Source: National Center for Health Statistics Household Pulse Survey (4/23/20 to 3/30/21)

Depression and/or anxiety symptoms were also reported more frequently by Black, Hispanic or mixed-race Americans and by Americans without a Bachelor’s degree:



Source: National Center for Health Statistics Household Pulse Survey (4/23/20 to 3/30/21)

Recovery Supports Disappeared

As if the confluence of all of these extreme stressors was not enough, individuals in recovery also had to deal with the disappearance of the in-person recovery support meetings and the face-to-face mentoring that many people relied on to help them remain sober. While some support meetings moved online, many complained that online meetings felt more impersonal. Additionally, as harassers began “zoom-bombing” public online support meetings, many meetings closed down or moved to invitation-only.

“AA meetings were my primary source in treating my addiction. When they were cancelled, it was catastrophic to me”

“Going from regular meetings where there were bonds and physical embraces with other fellow addicts to the zoom meetings made me feel more isolated and depressed”

“I relapsed due to boredom and not working my program”

“COVID-19 has screwed up everything healthy I was doing for myself and was part of the reason for my relapse”

“Community is the lifeline of my recovery... no community is soul crushing”

Without their support systems, many people in long-term recovery relapsed and had to return to treatment:

“I had 4.5 years sober prior to being laid off due to COVID and losing my long term girlfriend. I was a leader in AA and active member of [my church]”

“Prior to my relapse, I had just over 12 years sustained recovery”

“Was sober for six years prior to now. Corona quarantine got me”

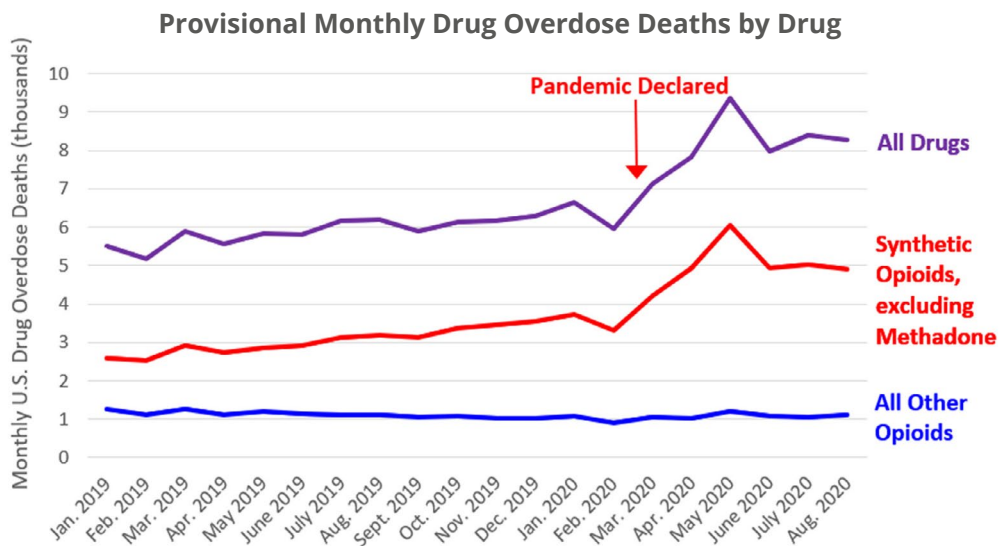
“After 10+ years of sobriety and a strong recovery program, including working [at SUD treatment centers], I lost track of myself and what was important to me when COVID hit. I am looking to understand/uncover underlying issues that made me so vulnerable to the consequences of COVID”

“Was sober almost 8 years”

“I was sober for 4.5 years. I don't understand how I could relapse so bad. I want to get back to work badly”

Drugs Became Far More Potent

Meanwhile, as it became increasingly difficult to import heroin and other drugs into the country, the drug cartels responded by transitioning to manufacturing synthetic opioids such as fentanyl and carfentanil. Because these drugs are 25 to 5,000 times more powerful than heroin, their overdose potential is far higher. In fact, the provisional drug overdose data from the CDC indicates that 62% of all drug overdose deaths from April to August 2020 involved a synthetic opioid other than methadone:



Source: "[The Spike in Drug Overdose Deaths During the COVID-19 Pandemic](#)", The Commonwealth Fund, 3/25/21



Resulting Changes in Patients Entering SUD Treatment

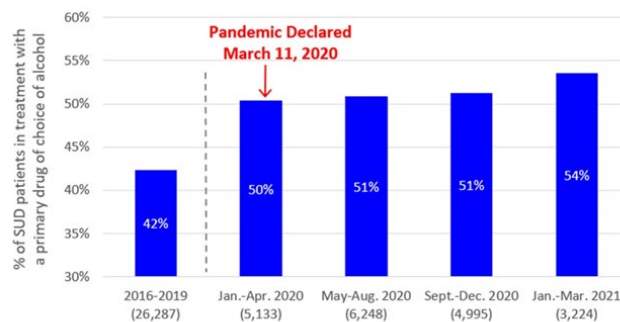
Not surprisingly, the makeup of patients attending addiction treatment changed as a result of the pandemic.

More People Entered Treatment for Alcohol Addiction

As drinking exploded during the pandemic, more people needed treatment for alcohol addiction:

Percentage of All SUD Patients in Treatment for Alcohol Use Disorder

(at SUD centers which are part of the Vista Research Network)

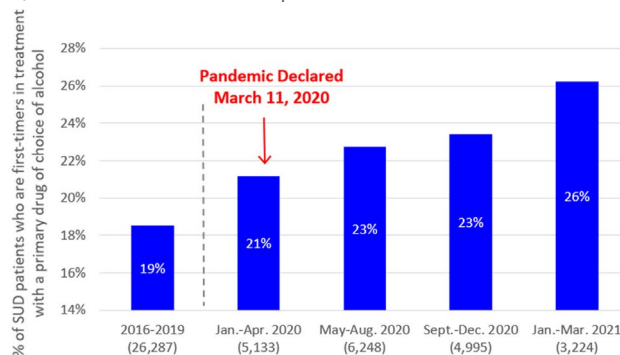


Source: Vista Research Group, Inc.

This increase was particularly dramatic among people who had never needed to enter treatment before:

Percentage of ALL SUD Patients Who Entered Treatment for the First Time for Alcohol Use Disorder

(at SUD centers which are part of the Vista Research Network)

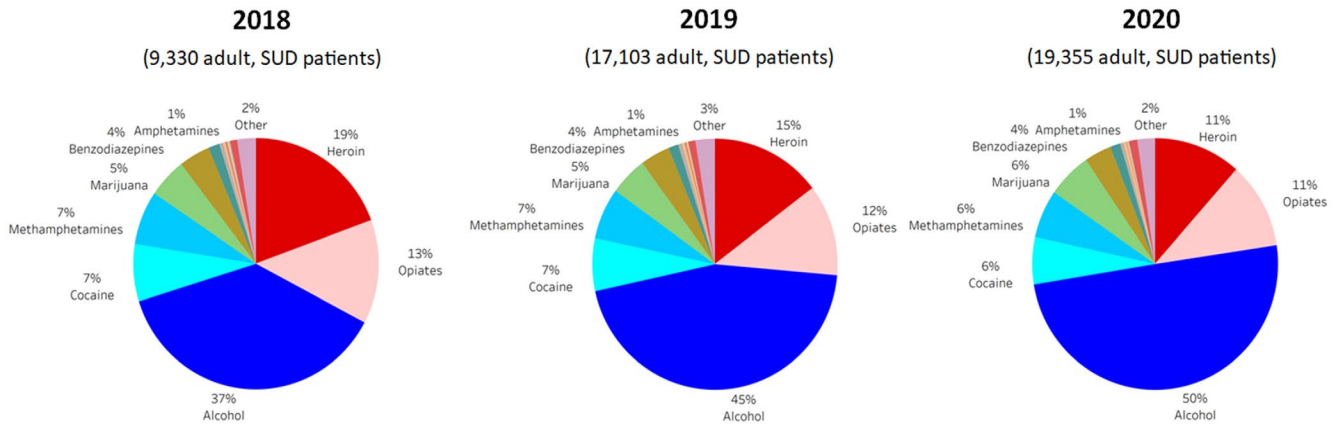


Source: Vista Research Group, Inc.

About two-thirds (65.7%) of these first-timers said that they'd been drinking problematically for at least the last three years, and 25.2% reported having done so for more than 10 years when they entered treatment. Not surprisingly, the median 40 year age of first-timers entering AUD treatment between May 1, 2020 and March 31, 2021 was substantially above the 34 year median age of first-timers entering SUD treatment in the Vista Research Network during the last five years.

This contributed to an already-observable shift in the primary drug of choice preference among patients in SUD treatment at centers in the Vista Research Network. As more individuals with heroin or opiate addiction start medication-assisted treatment (see [“Where Have All the Heroin Users Gone?”](#)), the percentage of patients in treatment for alcohol use disorder at Vista’s primarily abstinence-based centers has increased from 37% in 2018 to 50% in 2020:

PRIMARY DRUG OF CHOICE TRENDS



Source: Vista Research Group, Inc.

COVID's Impact on Patients Attending SUD Treatment

By Joanna Conti

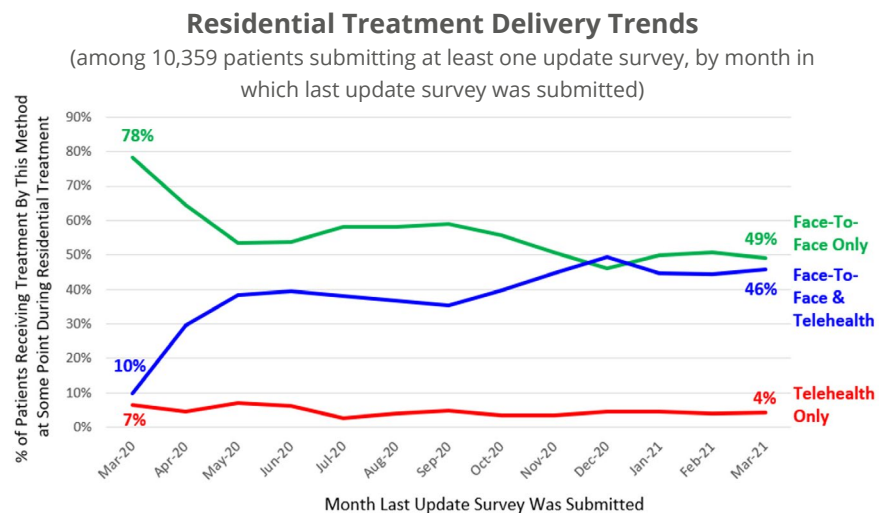
Of course, COVID's impact on individuals didn't end once they entered addiction treatment. As will be covered in more detail in later chapters, treatment centers were forced to change a lot of their procedures in order to keep patients and staff safe during the pandemic.

Patients using medication-assisted treatment faced particular challenges during the pandemic. In the early days, some patients had to wait for medications due to difficulties arranging medical appointments or communicating with providers. Fortunately, protocols now allow many patients to pick up 14- to 28-day supplies of methadone or buprenorphine, dramatically reducing the burden of getting their medication.

The change that had the biggest impact on patients in abstinence-based treatment was a widespread shift from in-person treatment to holding individual and group therapy sessions via video or phone.

The Move to Telehealth Treatment

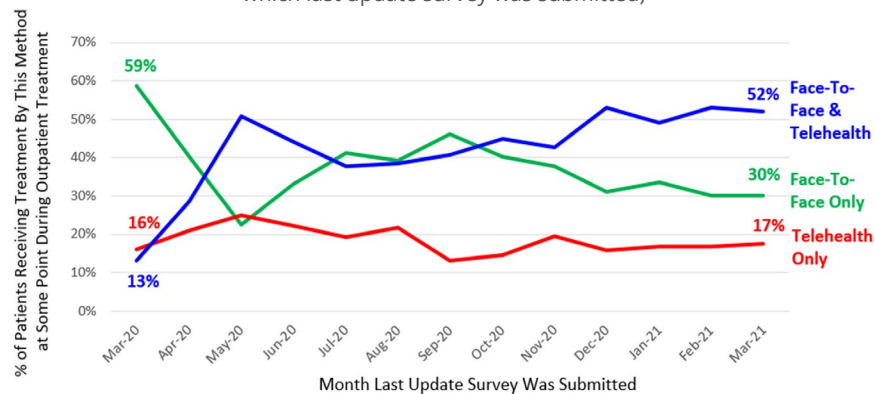
Most addiction facilities moved some, if not all, of their treatment to telehealth in the early days of the pandemic. If the treatment centers that are part of the Vista Research Network are representative, this move happened extremely quickly and in both residential and outpatient settings.



Source: Vista Research Group, Inc.

Outpatient Treatment Delivery Trends

(among 3,601 patients submitting at least one update survey, by month in which last update survey was submitted)



Source: Vista Research Group, Inc.

Unfortunately, many patients felt that virtual meetings were more impersonal and provided less fellowship with others. Additionally, it was harder for new group members to integrate into the group and there were many technological challenges, particularly in the beginning.

"I very much need to be at inperson groups. This telehealth stuff has been very hard for me. Especially when people are in the group and they never reveal their faces."

"Going from regular meetings where there were bonds and physical embraces with other fellow addicts to the zoom meetings made me feel more isolated and depressed."

"Zoom sucks"

"It really put a damper on my recovery. I didn't like the zoom meetings; it wasn't like in person."

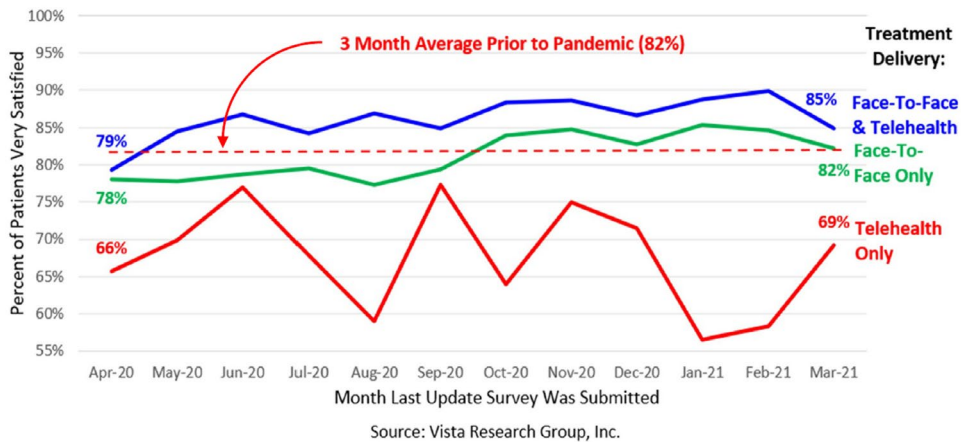
"The Zoom sessions are still challenging because we can't hear everything people say. Some of the sessions feel like a waste of time"

"Zoom meeting are great in a pinch; however I don't get the same benefits as I would from an in person meeting"

Satisfaction with treatment declined across the board in the early days of the pandemic, with the biggest drop reported by patients receiving all of their treatment virtually:

Patients Reporting Being “Very Satisfied” with Treatment On At Least One Survey – Residential Treatment

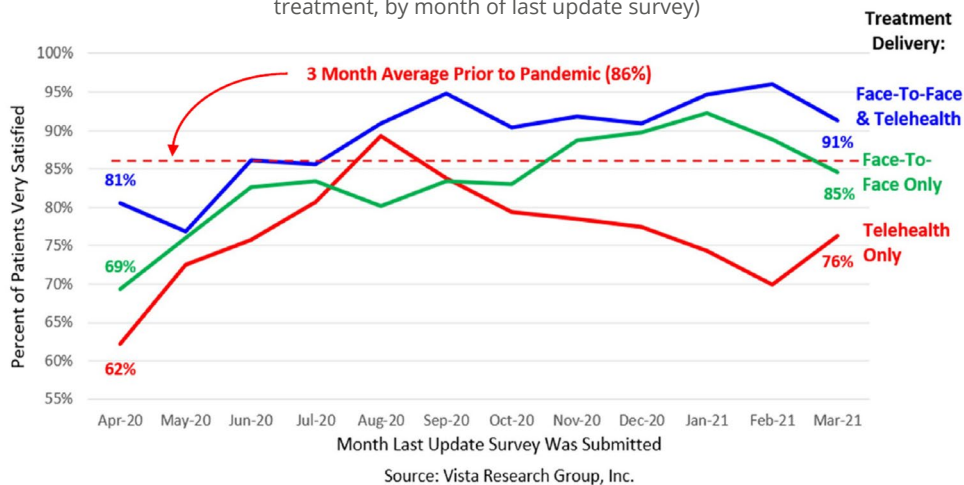
(among 10,270 patients submitting at least one update survey while in residential treatment, by month of last update survey)



These initial treatment satisfaction declines were particularly acute among patients in outpatient treatment:

Patients Reporting Being “Very Satisfied” with Treatment On At Least One Survey – Outpatient Treatment

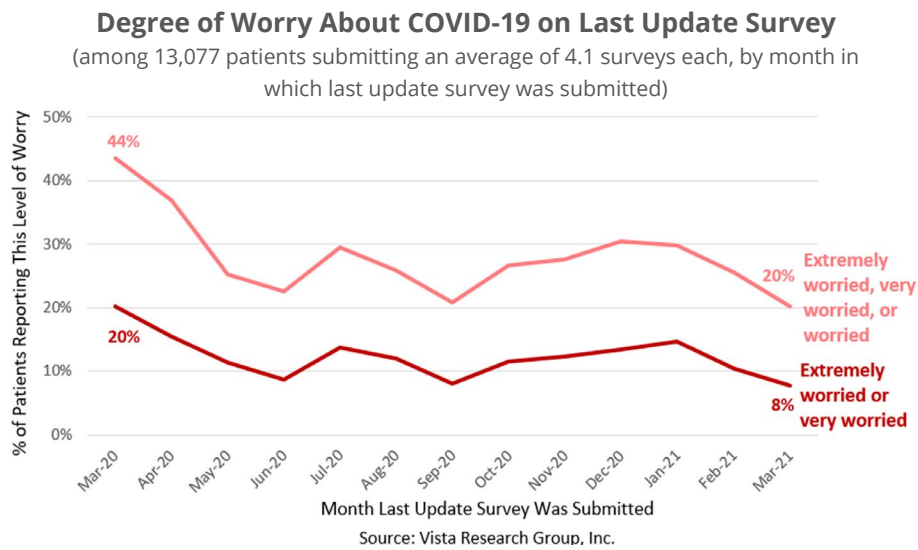
(among 3,553 patients submitting at least one update survey while in outpatient treatment, by month of last update survey)



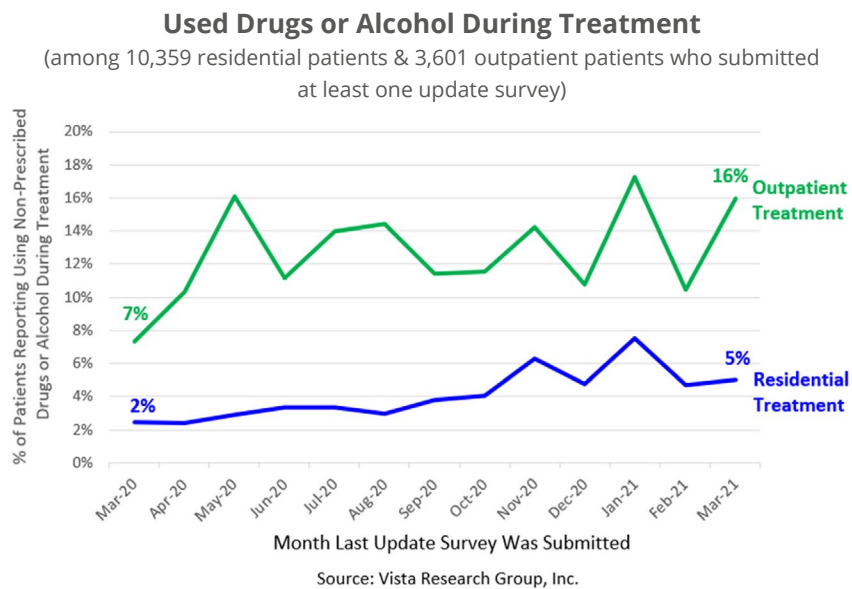
Satisfaction rates among patients receiving only telehealth treatment have remained substantially below those of patients receiving at least some in-person treatment throughout the pandemic. Interestingly, patients receiving a combination of face-to-face and telehealth treatment have consistently reported a higher level of treatment satisfaction than patients being treated in-person only.

Increased Stress Led to Higher Substance Use During Treatment

COVID-related worry and stressors didn't go away, of course, just because people were in treatment. While the degree of concern patients felt about COVID-19 never again reached the level reported at the beginning of the pandemic, patient worries peaked in the early summer and again around the holidays as death rates accelerated.



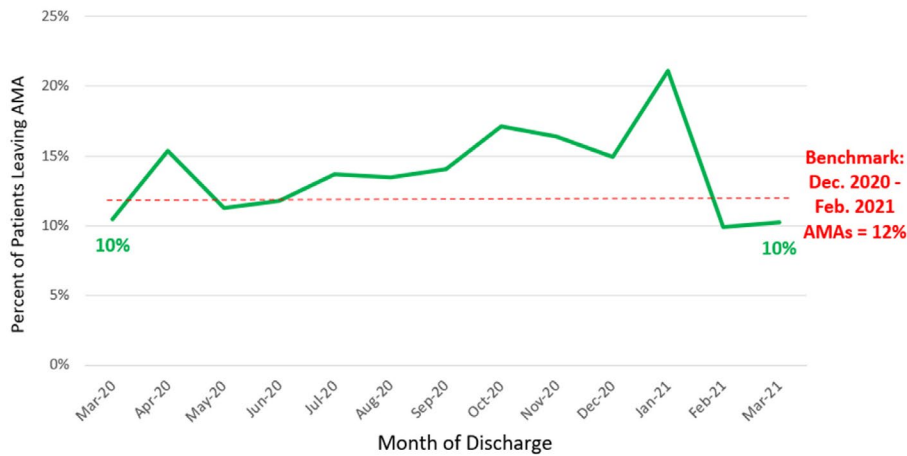
Perhaps not surprisingly, some patients reacted to the stress they were feeling by using non-prescribed drugs or alcohol during treatment. While usage was particularly pronounced among patients in outpatient treatment, more patients in residential treatment also reported using during the pandemic:



More Patients Left Outpatient Treatment Against Medical Advice

As more patients used drugs or alcohol during outpatient treatment, the percentage of patients leaving AMA increased:

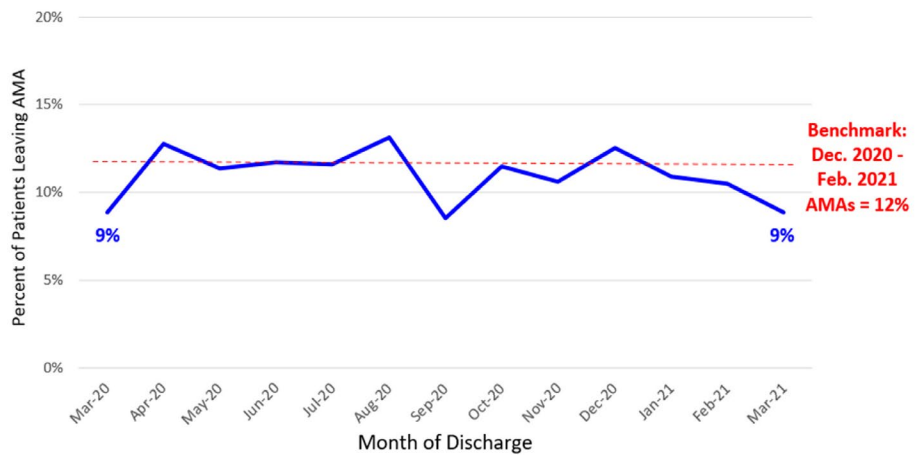
Outpatient Patients Leaving Treatment Against Medical Advice
(among 2,198 patients leaving outpatient treatment)



Source: Vista Research Group, Inc.

However, perhaps because fewer patients in residential treatment used drugs or alcohol, residential AMA rates did not substantially increase during the pandemic:

Residential Patients Leaving Treatment Against Medical Advice
(among 5,634 patients leaving residential treatment)



Source: Vista Research Group, Inc.

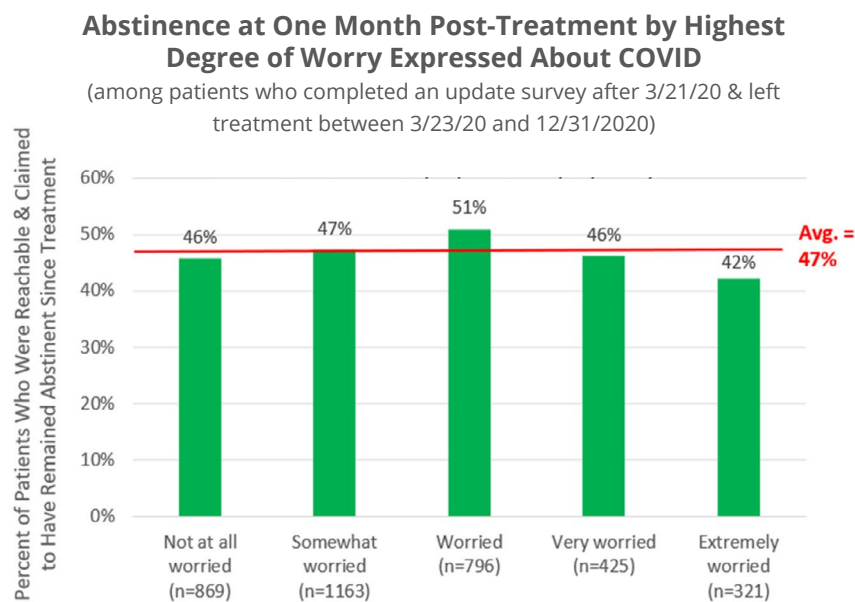


COVID's Impact on Post-Treatment Abstinence Rates

Interestingly, post-treatment abstinence rates among Vista Research Network members have not declined as one might expect as a result of the pandemic. As [the final chapter in this report](#) explains, this is because abstinence rates for the vast majority of centers tracking their post-treatment outcomes are improving over time.

What we can determine from the data, however, is that the likelihood that patients will remain abstinent after treatment correlates with how worried they were about COVID when they left treatment and how their family had been personally affected by the pandemic.

For example, a higher percentage of the patients who left treatment extremely worried about COVID relapsed shortly thereafter:



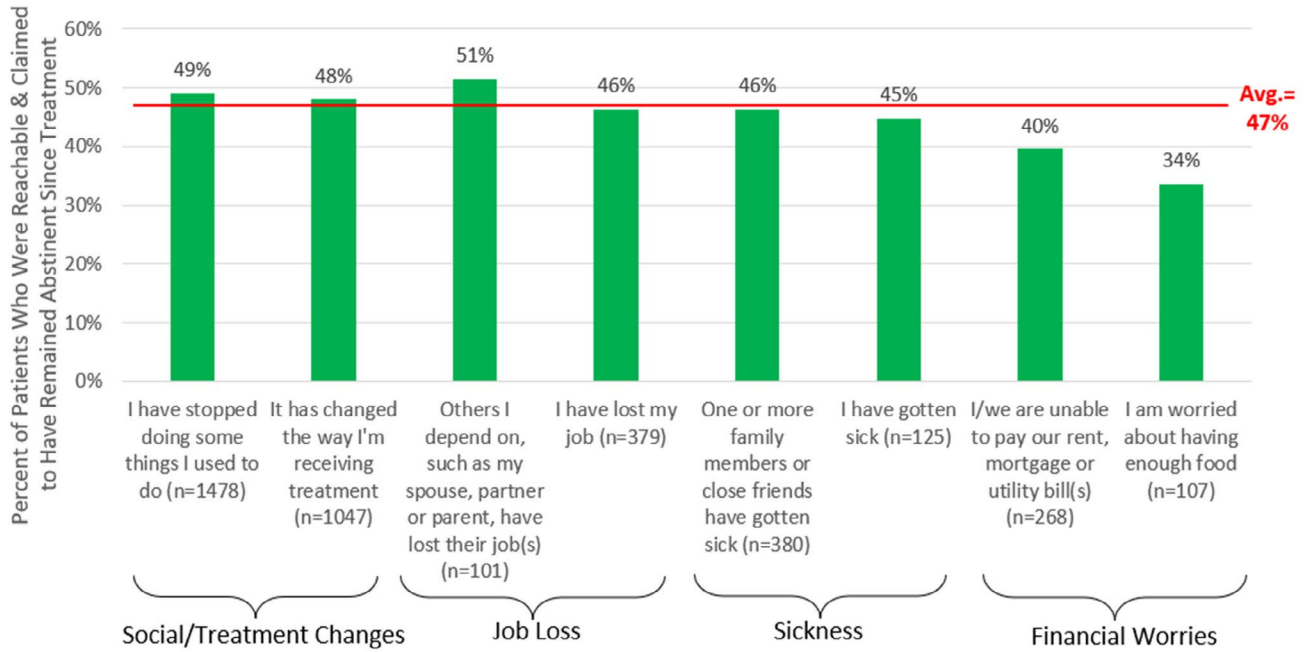
Source: Vista Research Group, Inc.



Additionally, patients who were worried about having enough food or paying for housing or utilities were particularly likely to relapse in their first month after leaving treatment:

Abstinence at One Month Post-Treatment

(among patients who completed an update survey after 3/21/20 and left treatment between 3/23/20 & 12/31/2020)





A scientist, researcher and serial entrepreneur, Joanna Conti created [Vista Research Group](#) to help patients get better faster during addiction treatment and to cost-effectively measure treatment outcomes. During the last five years, Vista has monitored 40,000+ patients during addiction treatment and followed up with more than 10,000 of them after discharge to learn how successful they've been at meeting their drug and alcohol treatment goals. The mother of four, she enjoys dancing, reading & playing with her six grandchildren.

The Business of Treatment

By Ben Dittman

One of my favorite quotes is “In God we trust, all others bring data” by W. Edwards Deming. As we analyzed insurance reimbursements for 2020 against 2019, the data didn’t tell the narrative of what really happened this past year and what we think will happen during the remainder of 2021.

In preparing this report, it’s impossible to draw concrete conclusions from data because like everything in 2020, COVID-19 distorted everything from admission rates and treatment options to payer behavior and reimbursements. Additionally, we found significant differences between how different regions responded to the pandemic that made making relevant comparisons between treatment centers difficult if not impossible.

Instead, we felt that the insights from our yearly survey had much more value.

During April of 2021, we interviewed treatment center leaders, billing company executives, and industry consultants to learn more about their recap of 2020 and forecasts for 2021. This represented hundreds of treatment centers with a good cross-section of regions across the country. There was very little deviation amongst this group.

Here are the major themes:

- 2020 was the year of telehealth
- For the first time, payers sat on the same side of the table with providers to come up with solutions
- Census and admissions are up for most facilities (larger 80+ bed facilities are not at capacity)
- 2021 insurance payers are back to their previous ways
- Drive to go in-network – although, out-of-network still works for some providers
- Audits are coming

Avea Solutions Survey 2020

SURVEY Responders:

87%

senior level executives and director level

50

states represented

an even cross section of

small & large orgs

majority operating 1-5 facilities

most offering

full continuum of care

higher expected IOP, due to telemedicine

2020 Survey Results

This past year, we were completely upended in March by the impact of the pandemic. At first, we really didn't know what would happen as treatment centers closed their doors, schools closed and work from home became the norm. The only certain thing was that telehealth was going to have its shining moment. There were frantic calls with providers wondering what was going to happen on the business side of their business.

By mid-April of 2020, 21% of insurance claims were for telehealth, up from only 0.6% prior to COVID.

Overall, treatment centers indicated a high level of concern that COVID-19 would have an impact on their business in 2021. Initially, most centers experienced barriers due to the economic slowdown and subsequent loss of insurance benefits, with a decrease in admissions. Patients were unwilling to travel inter-state, quarantine requirements presented challenges and surprisingly, with hindsight being 20/20 in 2020, many said they **would not** have managed their business differently.

Other Key Takeaways:

- Overall, reimbursement rates remained unchanged
- Surprisingly, payers seemed quick to respond, adapted swiftly to telehealth, were more flexible and generous with authorizations
- Medicaid became increasingly popular
- In-person care is in high demand again and a preferred method of treatment for providers

2021 INSIGHTS

Following the initial outbreak of the pandemic, treatment center admissions began to escalate significantly, spurring rapid growth in the industry. Many organizations are opening new locations and there has been a noticeable surge in renewed private equity interest. There continues to be consolidation among smaller facilities, with an increase in mergers and acquisitions across both treatment centers and vendors in behavioral health as described in the [Addiction Treatment Mergers & Acquisitions](#) chapter.

With the upsurge in telehealth services, many payers appear to be reimbursing at rates comparable to in-person. However, it is unclear whether this will



continue. While it is expected that virtual IOP treatment will continue to be supported, those providing PHP in a telehealth environment could face challenges in the future.

Over the past few years, there was a significant shift that saw treatment centers bring revenue cycle in house. This year we did see some facilities follow that trend; however, we also saw many outsource their billing services so they could better focus on patient care and as a result of a shortage of qualified billing employees.

Everyone we spoke with is trying to create meaningful KPIs for their teams. It has been noticeable that there is a big demand for more sophisticated software in revenue cycle management. It is more apparent than ever that outsourced billing providers and internal billing teams are focused on dashboards, workflow automation, and integrating their technology stack. We are seeing a greater emphasis on accurately predicting payments and identifying causes when payments are below expectation. Everyone is trying to get better macro views of industry trends.

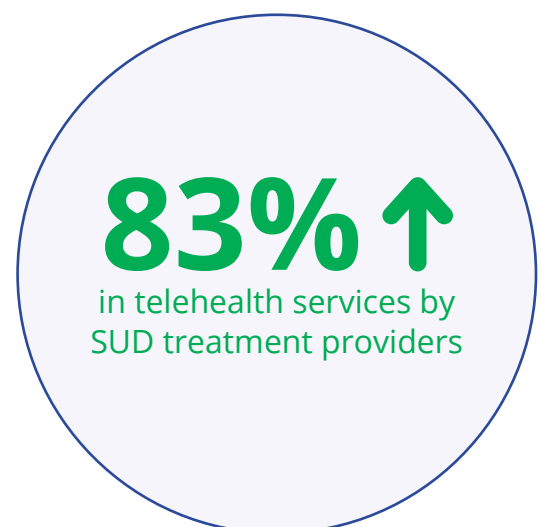
Similar to the past few years, treatment centers are continuing to pursue in-network contracts. Contracting consultants are maxed out with clients, and outsourced billing providers are hiring more staff to help their clients negotiate in-network contracts.

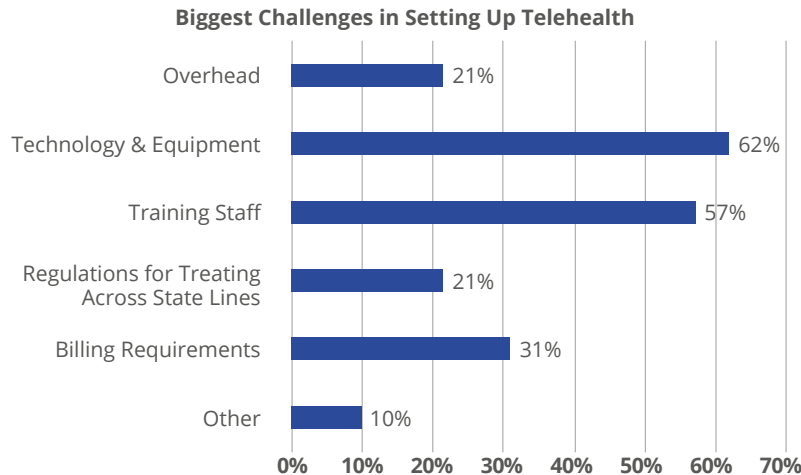
We also see the continued push to collect patient responsibility. This is going to become ever more important over the next couple of years.

TELEHEALTH

Amidst the pandemic, telehealth has been a lifeline for patients and providers. One of the few good things to come out of the shutdowns was the adoption of telehealth by the medical community and payers. More progress was made in the eight weeks beginning in mid-March than the previous ten years in terms of advancing the use of a much-needed delivery of care method.

In-home treatment has reduced COVID-19 exposure to patients and staff. In general, telehealth services by SUD treatment providers are up 83% compared to the pre-pandemic period, according to Avea's survey.





While some payers may think otherwise, telehealth is not any less expensive than on-site. These expenses can be barriers to treatment via telehealth. For instance:

- Lease payments and brick-and-mortar facilities are not going away
- Technology costs to start providing telehealth treatment are very high – Avea’s survey found that this was the main cost (more than 60% of respondents) for telehealth in 2020
- Over half of survey respondents reported that training staff is costly
- Billing service has been challenging and many have needed to hire billing consultants
- Compliance with regulations is a barrier to telehealth as well

AUDITS

While abusive billing has diminished in the industry overall, there are still some practices that are flagging audits. Despite diligently maintaining the highest industry standards, many facilities still report an uptick in audits, so it is prudent for practices to expect an ongoing increase in scrutiny and ensure adherence to proper billing practices and documentation.

“Audits are coming – if you are on the right side of it and transparent, you will be all right”

*Scott Leshin, CEO
SJ Health Insurance Advocates*

The main thing to remember about audits is that they come with insurance coverage – Medicare, Medicaid, and private. This is the two-edged sword of insurance. Still, there is reason to be cautiously optimistic that with the right preparation, facilities will not be at increased risk.

Despite pandemic conditions, insurance companies have continued to maintain their own rules and standards. This is particularly true when it comes to being audited. Many specifically want to see that facilities are seeing patients in person or have an M.D., D.O., N.P., or other providers on-site to supervise counselors.

The bottom line is this: if facilities are doing everything right – following the [NAATP Ethics and Quality Assurance Guidebook](#) and ASAM placement criteria, for example – they should be fine.

CAUSE FOR OPTIMISM

The positive financial aspects of the emergency, mainly in the loosening of restrictions in the “old way” of doing things, are a watershed for behavioral health care in general. However, COVID-19 itself is a reminder of how unanticipated events can decrease profits and revenue across the board. Chances are that treatment providers will have to stay nimble on their feet.

As facilities return to in-person or hybrid telehealth treatment, the high costs of COVID (such as access to personal protective equipment for staff) will continue to be a factor for at least the remainder of the year if not beyond.

the usual concerns: **PAYERS**

#1
Thing

What providers would change has nothing to do with COVID-19. It's the insurance companies, who get in the way of patients getting treatment.

Based on responses from Avea Solutions Survey 2020

2021 will continue to be a dynamic transition year for treatment of all kinds, including substance use disorder treatment. Having billing departments with appeals experts who can help guide patients through the maze set up by insurance companies will be essential in 2021.

20%

of survey respondents
reported an increase in
audits

Based on responses from Avea
Solutions Survey 2020

possible avenues for **REVENUE INCREASE**

87%

increase in
telehealth

60%

positive
outlook

70%

anticipate
growth

Based on responses from Avea Solutions Survey 2020

With the possibility of continued instability through the remainder of the year, access to real-time analytics will become increasingly important as centers focus on increasing quality of care while maintaining their bottom line. We will see vendors in the industry offering more back-office solutions, including accounting, bookkeeping, taxes, contracting, accreditation, and credentialing.

“The best thing about COVID is the impact it had on telehealth! The flexibility this allows patients and providers will have a huge impact on behavioral health for years to come...”

*Ben Dittman, Chairman & Founder
Avea Solutions*



BEN DITTMAN

Chairman & Founder, Avea Solutions

Ben leads the Avea Solutions team in bringing leading-edge technology specifically to addiction treatment, eating disorder treatment, and behavioral health facilities with the AveaOffice revenue management platform. He is a member of the Forbes Technology Council and sits on the NAATP Outcomes Measurement Council.

The Year Digital Became a Lifeline

By Dan Gemp

How Online Connection, Data Access, and Rapid Adjustments Empowered Addiction Treatment in 2020

As always, hindsight is 20/20. However, as we look back at what was anything but a normal 2020 for our society as a whole, we see how the recovery populations we strive to serve are particularly vulnerable. Relapse and instances of recidivism that we haven't seen as an industry since the '08-'09 financial crisis came roaring back. Lockdowns and general panic, combined with the loss or turnover in jobs for tens of millions of Americans and those they support or depend on, both financially and for their health insurance, drove entirely new trends in our market with completely new consumer market segments of demand.

We noted record levels of first-time mental health diagnoses and web-based searches for treatment. We saw how the coronavirus pandemic made the epidemic of addiction even worse. We also recognized an added degree of precision on where people were searching for treatment, using very specific searches in a heavily tracked digital-first environment.

While COVID-19 had a major impact on the mental health and addiction treatment industry as a whole, individual treatment centers experienced the pandemic in a variety of both positive and negative ways.

Those programs that were already engaging patients, partners, alumni, and those in need of treatment with a strong digital presence and technology tools like telehealth, mobile apps, virtual meetings, and digital marketing saw continued success after the start of COVID and some saw notable growth. However, for roughly half of the operators in our space, this was not the case. As a result, volatility was substantial throughout 2020.

As we endure massive consumer habit shifts and an accelerated "new normal" in digital-first pursuit of healthcare information, the trends in addiction and mental health treatment dictate the tactics and channels that will succeed in generating interest and admissions for 2021 and beyond.

Let's dig in.



Addiction Treatment Demand Reached An All-Time High, But Supply Declined

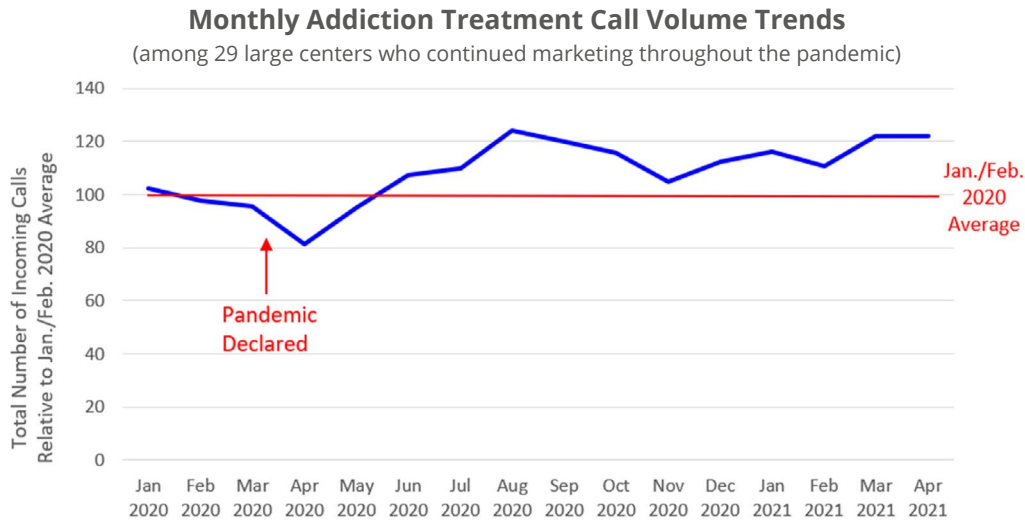
As covered in the earlier chapter [Why Addictions Soared Out of Control](#), the COVID-19 pandemic caused unprecedented levels of worry and stress. Far too many individuals responded by increasing their problematic use of alcohol or drugs.

Four factors drove addiction treatment demand to unprecedented levels:

- 1. First-time mental health treatment-related searches increased dramatically.** First-time treatment calls increased over 10% for all levels of care and continues to increase, particularly for dual diagnosis and soared primary mental health inquiries. Altogether, primary mental health searches are up 15-25%. We expect these increases to continue as employees are required to return to in-person work and college campuses re-open.
- 2. The stay-at-home orders allowed people's drinking to spiral out of control, driving lots of first-timers into treatment.** The majority of first-time addiction treatment inquiries in 2020 were for alcohol treatment. In fact, searches for alcohol treatment grew faster than for opioid treatment, followed by meth and cocaine treatment searches. Young adults were the fastest-growing segment of inbound calls from the internet for alcohol treatment.
- 3. "Quaran-teens" start experiencing debilitating levels of depression and anxiety.** Already anxious teenagers were now missing their final seasons of high school sports, proms, summers of freedom, college, friends and dates, amidst the worst mental health crisis we've seen as a country since we began tracking it. Adolescent suicide rates hit an all time high along with first-time diagnoses for mental health and addiction treatment.
- 4. Relapses skyrocketed.** Dreamscape's clients reported that the number of alumni re-admitting to residential treatment were up 8% to 30% over 2019. Relapses were common even among individuals who had been in recovery for five or more years.



These four primary pandemic-related factors drove double-digit increases in demand for addiction and mental health treatment services. This market demand has been retained year-to-date in 2021 as you can see from the graph of call volume trends for a number of Dreamscape’s larger clients:



Source: Dreamscape Marketing

As demand increased, the availability of treatment declined

Most (and nearly all residential) addiction treatment centers remained open throughout the pandemic, but many were forced to reduce patient caseloads to allow for social distancing and quarantining of incoming patients. This led to revenue declines of as much as 30% to 50% in 2020, depending on treatment model and location.

Additionally, outpatient and private practice psychiatry models were required to close in some locations, and had the most significant staffing issues. In fact, among 343 community behavioral health care services polled in August 2020 by the [National Council for Behavioral Health](#):

- 52% saw a rise in the need for services—but 54% of institutions had to close programs
- 65% had to cancel, reschedule, or decline patients in need
- Revenue was down an average of 22.6% during the pandemic
- 43% decreased staff hours and 24% laid off employees
- Only 32% received relief from the first round of government funding

**54% of community
behavioral health care
services had to close
programs**

People contacting admissions lines during the pandemic have been more motivated to actually accept treatment

The increased “close rate” on the same volume of inquiries varied from about 9% to as high as 34% among our clients at all levels of care and maintained census levels at times when total inquiry volumes had decreased. Several factors seemed to play a part:

The increased “close rate” varied from about 9% to 34%

1. Some individuals who lost their jobs at the beginning of the pandemic decided to take advantage of being out of work by going to treatment.
2. Individuals were stuck in their homes in close quarters with their loved ones during lockdown. This increased the likelihood that other family members would urge them to seek treatment based on clearly observable daily behavior taking place in the home.
3. People whose health was poor due to drug addiction seemed motivated to seek treatment at higher rates by worries that their compromised immune systems would increase their possibility of dying from COVID.

Behavior Changes During 2020 Required Nimble Marketing

The volume of admissions and lead generation fluctuated in new patterns for the industry throughout 2020.

Admission numbers wavered rather unpredictably and with little consistency across states or levels of care when the pandemic first hit. Not only were facilities scrambling to conform to new sanitation rules and COVID-prevention measures, but many people also didn't want to leave their residence for treatment during this time. As a result, there were notable dips in volume and admissions at the onset of the pandemic, which is typically a strong seasonal period for residential admissions.

We then saw a slow increase in traffic from May to September, after the pandemic numbers began to drop initially and the public was better informed about the logistics related to pursuing care. This was followed by a sustained decrease from October to December caused both by normal holiday seasonality and simultaneous spikes of virus cases.



Meanwhile, year-to-year price per click volatility of +/-32% made budgets uniquely difficult to evaluate, predict, or project. In fact, 2020's volatility levels were the highest recorded by Dreamscape Marketing in 10 years.

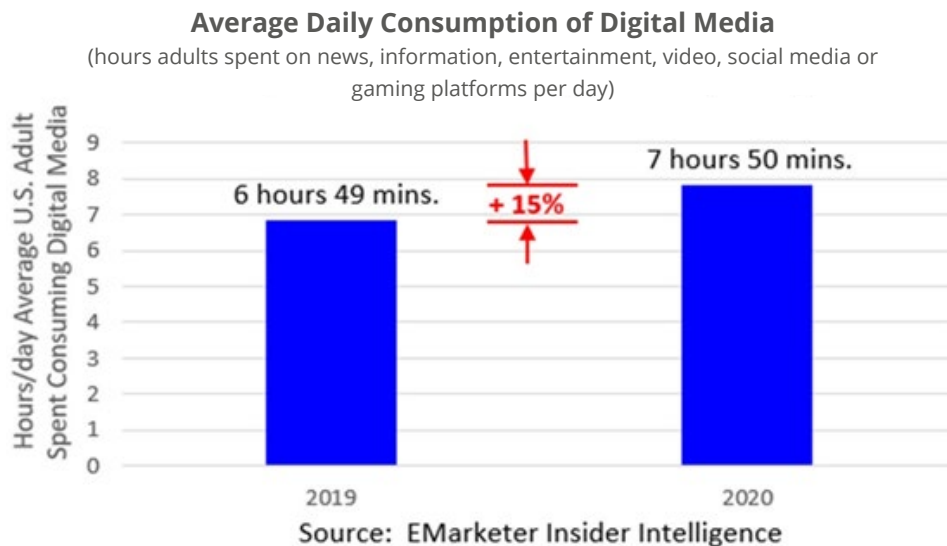
Year-to-year per click volatility of +/- 32% made budgets uniquely difficult

Looking at the year as a whole, however, overall cost-per-admission remained roughly the same as 2019 for Out-of-Network, In-Network and Medicaid despite fluctuations as high as +/-20% in any given month as states endured shutdowns.

Three significant consumer behavior changes contributed to these fluctuations:

1. Digital Media Consumption Skyrocketed

Due to stay-at-home orders from state and local governments on top of the stressors of a hotly contested election, social unrest in our major cities, and COVID-related health concerns, Americans consumed more digital media during the pandemic than at any point in our adult lives. In fact, our consumption of media on our computers, cellphones, tablets and/or gaming machines increased by over an hour per day (15%) in 2020, the largest single year increase since 2012:



Not only did we consume more, but we collectively paid extra for it, using the money we saved on daily commutes and restaurants for more online entertainment. And as we consumed it, our interest was tracked, allowing more ads to be targeted to us.

The Tiger King Conundrum

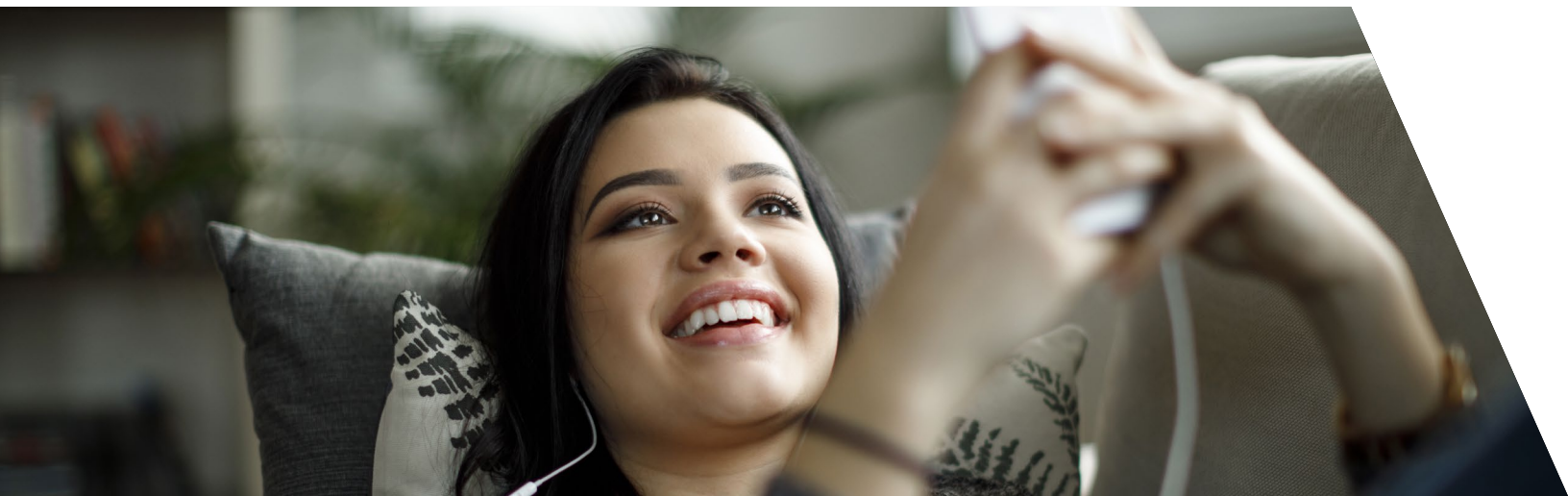
At first, we didn't know why we were watching, but quickly realized that we were all watching... Joe Exotic's life and its unique challenges had us hooked, binging digital media for an average of 7 hours and 50 minutes per day! If you don't know who the Tiger King is by now, you may well be the only one.

The changes in consumer habits and shift to full-size-screen device usage also meant that some marketing methods of old, such as display advertising and email, became highly effective again after years of stagnation. This trend was a more measurable and meaningful shift in volumes and user intent for the addiction treatment industry than the Google Ads ban for providers that lasted more than a year and led to the LegitScript® verification requirement.

In fact, this led to a total reworking of how treatment-related information is consumed, where a patient physically comes from, and who is making this inquiry.

Centers with large census levels originating from digital marketing channels pre-pandemic were insulated from the drastic declines often experienced by those dependent almost exclusively on outreach and professional referent networks. On average, providers who performed best and maintained their cost-per-admission efficiency of spend invested about 13-17% more on digital across all channels in 2020 versus 2019.

Providers who performed best invested about 13-17% more on digital across all channels in 2020 versus 2019.



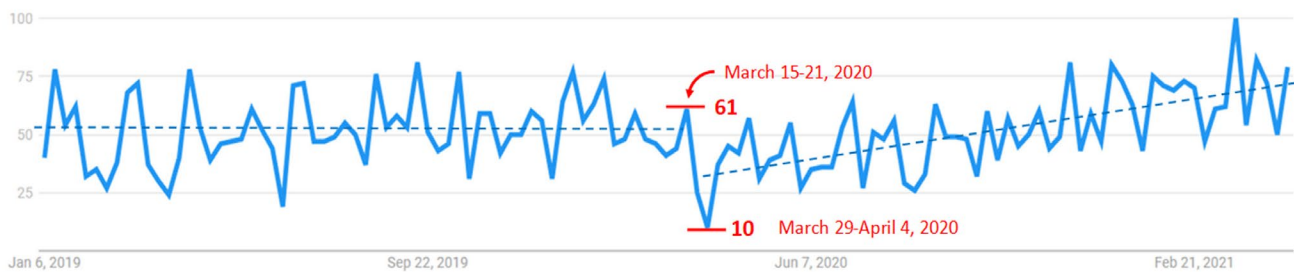
2. Treatment Search Became More Localized

Pandemic health and safety concerns affected air travel significantly. Treatment centers whose patient base was primarily in-state residents performed best and grew the most.

Fly-in patient volumes from New England and the Midwest for southern “treatment destination” states like Florida and Texas were down about 30% overall. Somewhat surprisingly, local demand in each of those regions increased by about this same 30%. However, since some insurance policies paid very differently region by region based on in-network or out-of-network coverage, actual revenue totals did not necessarily balance out on local vs. fly-in, even if census totals did.

After a temporary decline at the start of the epidemic, searches for treatment “near me” have been growing steadily.

Searches for “Rehab Near Me”



Source: Google Trends, Drug & Alcohol Treatment Category, United States

Searches have become more hyper-local, using geographic modifiers at the town, city and county level. This is especially true for MAT and Outpatient treatment, where increases in town- or city-specific searches have led an increase in searches for buprenorphine-derived medications like Suboxone.

Of note, 80%-85% of these MAT outpatient searches are for Medicaid. While MAT does seem to impact residential volumes for abstinence-based treatment centers in those geographic markets, the impact on the commercial insurance side is in the low single digits.

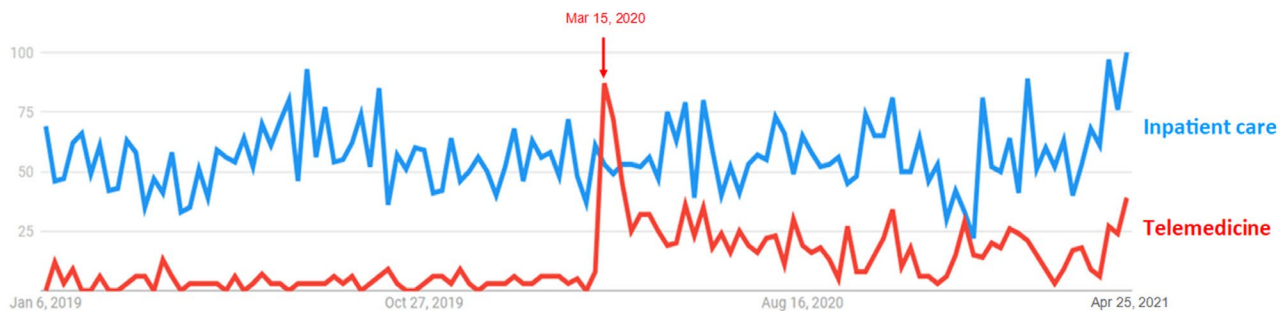
3. COVID-Related Health Concerns Increased Interest in Telehealth & Outpatient Treatment

When the pandemic first started, people were hesitant to enter into and commit to long-term addiction treatment due to the health risks of being in a group setting. There was obvious concern about any institutional medical environment after COVID caused widespread deaths in senior care communities and skilled nursing facilities. Outpatient models fared better, but even those were subject to the effects of spikes in local pandemic cases.

Telehealth became a critical resource for many seeking treatment services as rules were modified to compensate providers for telehealth care. Through most of the pandemic, telehealth enabled many centers to maintain census or reduce revenue losses while being able to administer care to people safely and effectively through virtual methods. This was critical for outpatient centers, and a lifeline for private practices that are referrants for much of the treatment center community nationwide.

As of 2020, telehealth treatment searches and engagement are up roughly 1,900% since 2019, and are likely to remain at comparable volumes as a widely-adopted new consumer technology. Most care providers who adopted and embraced telehealth treatment have thrived as a result.

Search Interest by Type of Drug & Alcohol Treatment



Source: Google Trends, Drug & Alcohol Treatment Category Topic Searches, United States



The shift to telemedicine/virtual visits has resulted in more substance use disorder patients receiving care in total. Increasing telehealth accessibility and loosening prescribing laws for buprenorphine and methadone during the pandemic have revealed the merits of lowering barriers to treatment.

Recommendations for Growth in 2021 & Beyond

With mass COVID-19 vaccine availability, 2021 promises to be interesting and demonstrate a lot of volatility based on reopenings and vaccination levels regionally. So far, it has been off to a strong start with traffic, phone calls and forms trending upward across all levels of care.


We anticipate an additional 10%+ increase in patient need this year (with the aftermath of the financial crisis as our benchmark and specific keyword groupings that have not yet rebounded online) as restrictions are minimized and in-person presence is required in front of families and employers. For centers who had a rough 2020, it's not too late to recapture market share at all levels of care in 2021.

However, many centers serving lower income or uninsured patients are bracing for deeper cuts in 2021 as states grapple with budget crunches. Remember that spending levels for public health treatment budgets did not return after the '08 financial crisis until several years later.

To maximize your marketing effectiveness in 2021, we recommend the following:

- **Continually update marketing strategies:** Addiction treatment centers need to develop marketing strategies around the new landscape online and offline and embrace telemedicine as a permanent change as well as outpatient medication-assisted treatment as a growing consumer segment. Aim for 20-30% of census at all levels of care from your digital marketing efforts.
- **Revise targeting strategies:** Most centers should revise their targeting strategies for organic and paid search efforts to a 150-mile radius so that individuals can easily drive to a center for treatment regardless of level of care, and adjust back as travel for treatment trends back upwards mid-2021.
- **Embrace telehealth:** While it may have been born from a need to accommodate safe, remote treatment, more than 92% of Americans will have had more than one telehealth appointment by the end of this year and it's here to stay. Telehealth offers a realistic option to people who live remotely, may not be able to leave their homes, or may just be socially averse to the standard in-person methods that work for most. We expect to see about 2 out of 3 providers who've adopted telehealth maintain it as a permanent presence in their overall mix of admissions as the pandemic wanes.

- **Answer searcher's specific questions:** Search volume for addiction treatment has been rising for many years, but the specificity of these searches has changed significantly. Where searchers were once content searching basic terms like "rehab" and landing on a center's all-encompassing home page, they are now looking for information specific to them in terms of substance, gender, location and question-formatted inquiries. If individuals are looking for heroin detox and your ad points them to your web page featuring information about alcohol sobriety, they may try another search rather than continue to try to find what they need on your site.
- **Invest in effective alumni programs:** Alumni app and email usage (measured by participants sending messages actively) via mobile apps are up roughly 800% year over year, as reported by participating treatment centers. Outbound wellness checks and good faith COVID safety public health announcements ended up being lifelines to many alumni and directly drove re-admissions or got those who were unable to find in-person meetings to at least attend virtual group meetings.
- **Reinvest in outreach efforts:** While outreach-originated admissions were down roughly 25% on average for 2020, this was likely due to the lack of group meetings and networking events, paired with lockdowns and referent private practice office closures. Outreach team members will likely increase census volumes throughout 2021.



Centers which stayed the course and continued to invest in digital marketing in 2020 should maintain this effective strategy throughout 2021. For other centers, now is the time to reflect on any under-investment or risk exposure from traditional marketing models that weren't adequately insulated for operating, let alone growing, during a long-term pandemic.

Embrace technology platforms to strengthen your admissions channels via alumni, referral partners, and high volumes of telehealth inquiries. Only by building a full digital-first strategy that takes into account the amount of time consumers are spending on screens, recent trends in addiction-related keywords, and unique competitive pressures, will centers be able to recapture lost market share.



As CEO of [Dreamscape Marketing](#), Dan Gemp and his team helped more than 120 treatment organizations with 250+ locations in 39 states successfully navigate 2020's pandemic-related challenges. Dan and his wife live in Columbia, Maryland with three children, the youngest of whom, Grace, was born last month.


Regulatory Trends 2021

By Harry Nelson

As 2021 progresses, new laws, regulations, and enforcement efforts focused on addiction treatment are evident nationwide. These reflect both responses to longstanding legal challenges – such as tamping down on patient brokering – and emerging issues such as expanding parity and enabling the shift of addiction treatment into a value-based framework. What trends should addiction treatment providers be paying attention to in 2021?

Expanding Enforcement of EKRA

Law enforcement focus on putting a stop to patient brokering continues to be an overriding issue in addiction treatment. The 2018 enactment of the federal Eliminating Kickbacks in Recovery Act (EKRA) empowered the FBI and federal prosecutors to take on kickbacks relating to referrals of patients with commercial insurance coverage to addiction treatment programs, recovery residences (sober living), medical clinics, and laboratories.



The Eliminating Kickbacks in Recovery Act (EKRA) prosecution gained national attention in early 2020, with the guilty plea of an addiction treatment manager in Jackson, Kentucky who solicited a \$4,000 check from a toxicology laboratory and then lied about the nature of the payment to federal investigators. In the fall of 2020, prosecutors in New Jersey unveiled a case against marketers and treatment programs in California where treatment programs would verify benefits for prospective clients, accept and treat the clients, and then pay marketers a per patient referral fee. In early 2021, federal investigators are actively expanding efforts to establish that addiction treatment program contracts with marketers are premised on explicit quantification of referral volumes. We anticipate more cases in more parts of the country to be filed throughout the year, reflecting an increasing use of EKRA as an enforcement tool to gain the attention of treatment facilities, labs, and marketers – and curb abusive marketing practices.


At the state level, a growing number of states are enacting substance use disorder-focused (SUD) anti-kickback laws. In addition, California and several other states appear to be focused on limiting inappropriate substance use disorder (SUD) advertising and marketing, based on concerns of the

“trolling” of addiction treatment program identities and misdirection of patients resulting from non-transparent broadcast media and online advertising.

Expanding Pressure for Parity

The 2019 federal district court decision in *Wit vs. United Behavioral Health* shined a light on the extent to which insurers were misusing medical necessity criteria to limit access to behavioral health treatment, including addiction. The impact of that decision can be seen in new laws and regulations forcing insurers to stop discriminating against addiction treatment relative to medical or surgical care.

At the federal level, in December 2020, Congress passed an amendment to the Mental Health Parity and Addiction Equity Act (“MHPAEA”) that added provisions to bolster compliance, most notably by requiring insurers to document and disclose their comparative analyses of the design and application of non-quantitative treatment limitations (NQTLs) for SUD benefits. In April 2021, the Departments of Health and Human Services (HHS), Treasury, and Labor released joint guidance in the form of Frequently Asked Questions (FAQs). These requirements significantly increase pressure on insurers to come into compliance. Additional federal focus on parity is expected to increase pressure on state Medicaid programs to reduce restrictive utilization control policies for SUD treatment.



At the state level, the most noteworthy parity law was California’s SB 855, passed in the fall of 2020. Citing *Wit* as well as the impact of the pandemic on overdoses and mental health, California required commercial insurers to cover the full range of SUDs (and mental illnesses) identified in the American Psychiatric Association’s Diagnostic and Statistical Manual (DSM), and required adherence to “medical necessity” determinations consistent with generally accepted standards, limiting health plans from developing their own coverage criteria.

ASAM Criteria ... and the March towards Value-Based Care

Another trend is a growing number of states (now in excess of 30) requiring use of the American Society of Addiction Medicine (ASAM) criteria to assess a patient’s condition across six dimensions of needs and match those needs to the appropriate type and intensity of care. In 2019, California became the latest state to join this list, reflecting a trend towards clearer national standards and pressure for evidence-based treatment.

The adoption of a national set of criteria for outcome-oriented treatment of SUDs increases pressure simultaneously on health plans for coverage purposes, but also on providers to adjust to an increasingly value-based system, translating to more pressure to specify modalities of care, more reporting on outcomes, and more standardization – all facets of the ongoing shift to value-based care.

More Telehealth Coverage

As COVID-19 drove a surge in the number of addictive disorders along with reduced access to in-person care, one of the most striking responses to the crisis was expanded coverage of telehealth SUD treatment – both under federal health programs and commercial health plans. Expanded coverage extended both access to outpatient programs as well as more liberal rules around dispensing, administration, and take-home use of narcotic drugs used to treat opioid use disorders (OUDs). A number of states have enacted regulations to make permanent the pandemic-initiated changes allowing expanded telehealth services for SUD treatment and other providers. Federal regulations are similarly focused on reducing barriers to SUD care through telehealth, expanding the modalities of care available through telehealth and the range of eligible provider types, and eliminating barriers related to patient location.

Changes to 42 CFR Part 2

2020 brought changes to the SUD-specific confidentiality rules under Title 42 of the Code of Federal Regulations, Part 2. Enacted by the Substance Abuse and Mental Health Services Administration (SAMHSA), these archaic rules imposed restrictions on SUD treatment programs that are significantly more restrictive than the much better known (and widely applicable) Health Insurance Portability and Accountability Act of 1996 (HIPAA) requirements. Key changes in 2020 included expanding the permissible use of patient consent in disclosures and expanding providers' ability to make disclosures in emergency circumstances and for research purposes. In the summer of 2020, SAMHSA published a final rule that, for the third time in three years, seeks to align 42 CFR Part 2 more closely with HIPAA requirements. Under the COVID-19-related CARES Act, SAMHSA is required to issue new regulations to bring the two laws into even closer alignment.



Patient Financial Responsibility and Outpatient-Housing Relationships

2021 is anticipated to be a year of continued focus on the issue of patient financial responsibility, including responsibility for insurance deductibles and co-insurance as well as for the cost of housing while attending outpatient programs. Providers argue that stable housing, discounts, and subsidies are necessary to enable financially-depleted clients to sustain recovery from SUDs, while insurers counter that these practices amount to abusive inducements that misstate the true program price and interfere with the insurer's contract by eliminating the client's own financial exposure.

In 2020, after years of confusing policy on this issue, California enacted AB 919, which permitted outpatient treatment programs to lease, manage, or own recovery housing, provided that their clients contracted separately for outpatient services and housing, and agreed to repayment plans that were enforced in good faith. (Full disclosure: The author participated in the drafting of that law.) The same law also addressed permissible provisions for client travel, another issue that has drawn the ire of regulators and insurers. In 2021, several states are contemplating similar bills relating to the relationship between outpatient treatment and recovery housing. The issue remains a point of contention and subject of litigation in other jurisdictions.

Stricter Licensing Requirements

One discernable trend reflects growing strictness in state laws and regulations across the country relating to addiction treatment program licensing. In 2018, for example, California passed laws expanding DHCS power to revoke or discipline facility licenses. The State adopted significant new operational limitations in AB 3162, limiting off-site provision of services and requiring programs to submit written relapse plans to the state. The new law establishes a shorter provisional licensure period for new facilities, during which licenses may be revoked by DHCS for a wide variety of reasons, including repeat deficiencies, mishandling of medication, and failure to adhere to facility policies and procedures.

Similarly, Florida made significant changes, including issuing separate licenses for each service component offered by a provider, requiring providers to admit at least one patient for services during a probationary license period in order to have a regular license issued, and limiting licenses to expiration after twelve months. Florida also adopted a stringent limitation on changes of ownership, providing that transfer of even 1% of ownership will now trigger "change in ownership" approval requirements and the need for a facility license from DCF.



Across the country, the observable trend has been states ratcheting up their oversight authority and power to discipline and revoke addiction treatment program licenses, as well as imposing new operational constraints. Addiction treatment programs should pay close attention to changing laws in their states, and prepare for this trend to continue as states further identify operational risks and tighten addiction treatment facility standards.

Regulating or Rolling Back Sober Living?

The issue of recovery housing oversight continues to be a hot topic for legislators and regulators in 2021. While recovery housing has historically been unlicensed in reliance on the statutory FHA and ADA protection, a number of States have begun to regulate homes in response to concerns over the proliferation of homes, neighbor complaints, and possible involvement in patient brokering. Several states (including Florida, Maryland, Massachusetts, Missouri, Rhode Island, Pennsylvania, and Illinois) have embraced a model pioneered by the National Association of Recovery Residences (NARR) for voluntary certification of residences. In the case of Florida, the certification is voluntary, but uncertified facilities may not have referral relationships with licensed treatment providers. Other states have limited uncertified facilities from receiving state funding or referrals from state agencies.

Three states (New Jersey, Utah, and Arizona) have gone further and imposed licensing requirements, a shift from the traditional FHA and ADA understanding. In other states, the activity has not been at the state level, but instead regulatory changes and increased enforcement at the local level, including the use of nuisance lawsuits against recovery homes. 2021 is likely to continue to be a year of some tension between state efforts to regulate and local efforts to roll back recovery housing.

Expanded Coverage for Medicaid Beneficiaries

Another pronounced trend has been the expansion of coverage of a growing range of addiction treatment services for Medicaid beneficiaries. With demand for access to care rising from the population of Medicaid beneficiaries, providers are likely to see continuing opportunities to expand coverage to fill the void in a broader continuum of SUD/OD services.



End of the “X Waiver”: Reducing Barrier to Medication Assisted Treatment

In its final weeks, in January 2021, the Trump Administration caught the attention of the addiction treatment community with an administrative order to remove – or at least reduce the scope of – the “X-Waiver” for buprenorphine prescribers. The move was hailed as an important step in increasing access to Medication Assisted Treatment (MAT). Shortly after the inauguration, the Biden Administration reinstated these burdensome requirements. At the same time, it is apparent that a consensus has emerged in support of longer-term change in regulations to put an end to the requirement that physicians (as well as nurse practitioners and physician assistants) obtain a DEA waiver to prescribe buprenorphine for addiction treatment. The anticipated trend is a greater focus on provider education on all aspects of addiction treatment, including use of buprenorphine.

At both the federal and state level, the past year has reflected a significant response to discrimination against medication assisted treatment (MAT). The trend of expanding MAT access is likely to continue through 2021 and beyond.

On the Horizon

The effects of the pandemic on addiction treatment show no signs of abating. Overdose death rates are surging at unprecedented rates, Data on addictive disorders indicates a continuing climb. New laws and regulations to expand access to care and address problems in SUD treatment are a safe bet at both the federal and state levels.





Harry Nelson, the founder of Los Angeles-based [Nelson Hardiman, LLP](#), is a leading legal expert on behavioral health and addiction treatment. He is the author of the book *The United States of Opioids: A Prescription for Liberating a Nation in Pain* (Forbes Books) and chairs the [Behavioral Health Association of Providers \(BHAP\)](#).

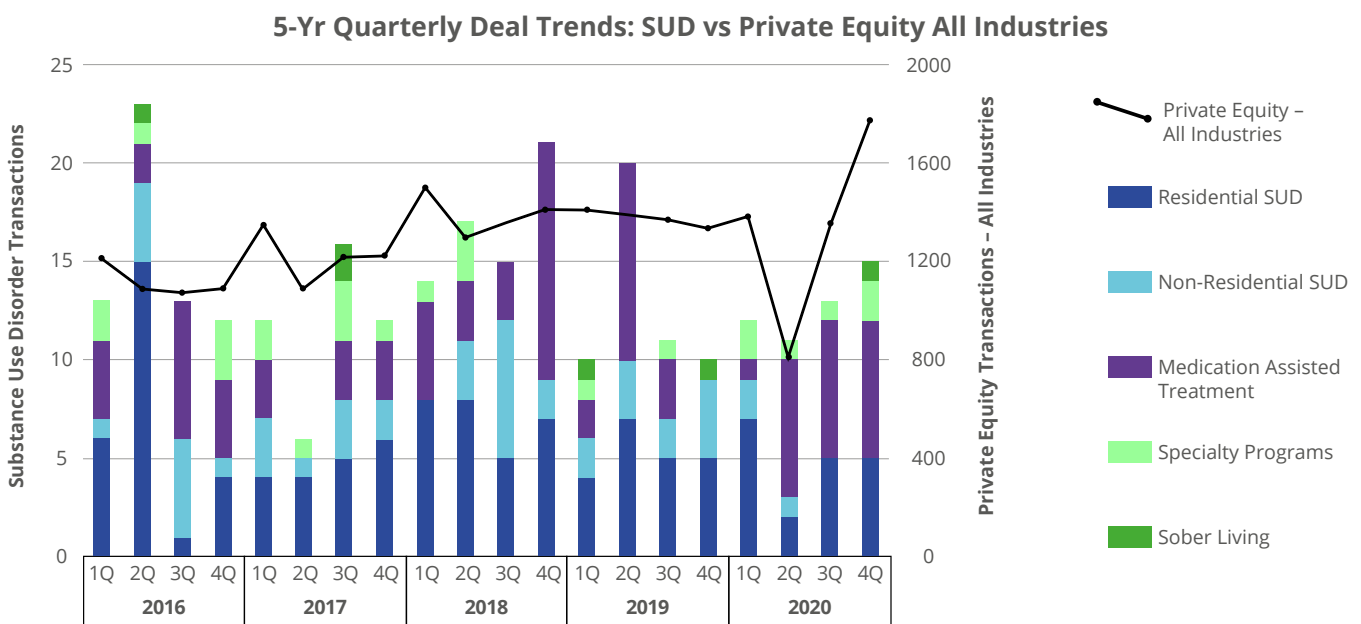
Mergers and Acquisitions 2021

By Dexter Braff

Yeah, COVID. Like the proverbial elephant in the room, you can't take a retrospective – or prospective – look at most anything without invoking COVID-19. And such is the case in mergers and acquisitions activity.

When we examine addiction treatment M&A in 2020, one observation rises above all others. While the broad M&A market whipsawed its way through the year (except for one sub-segment which will be discussed below), the impact of COVID on aggregate substance use disorder deal flow was virtually non-existent.

Consider this proprietary data collected and analyzed by The Braff Group compared to the private equity data reported by PitchBook.

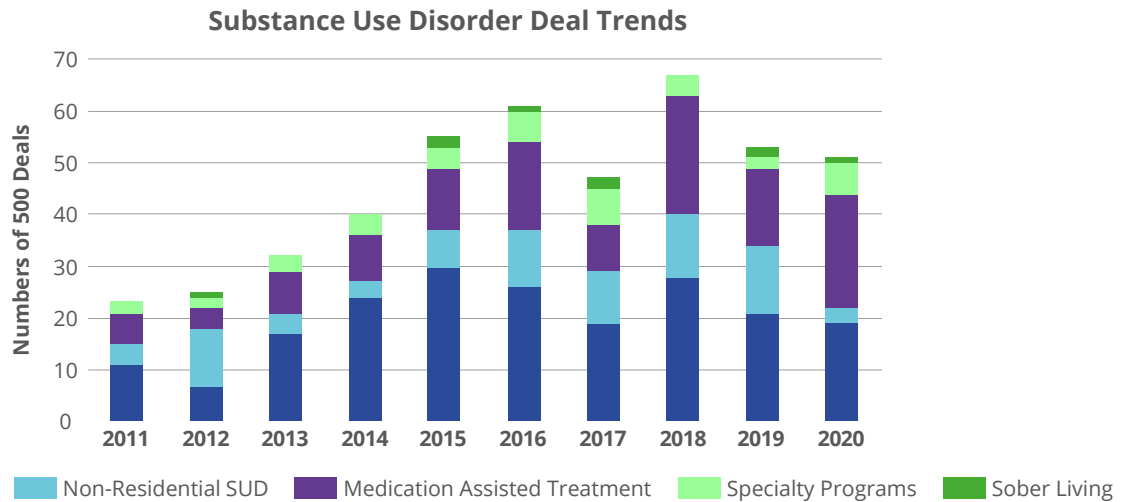


While private equity deal flow plunged more than 40% from Q1 2020 to Q2 2020, SUD volume was only off by one transaction. And while both rose substantially in Q3 and Q4, they did so for different reasons. For private equity activity, the surge was all about playing catch-up from a disastrous 2nd quarter. For substance use disorder M&A, which was largely unaffected by the pandemic, the rise was due to increased interest in the space for reasons that we will detail below.

One other extraordinary observation: Look at the makeup of the addiction treatment deals completed in the three quarters prior to the pandemic vs. the three quarters during the pandemic. The dramatic shift towards medication assisted treatment transactions is inescapable. Again, more below.

Quick Year in Review: 2020

With 51 transactions completed in substance use disorder, aggregate deal flow in 2020 was just 2 deals less than the 53 posted in 2019 – so essentially the same.



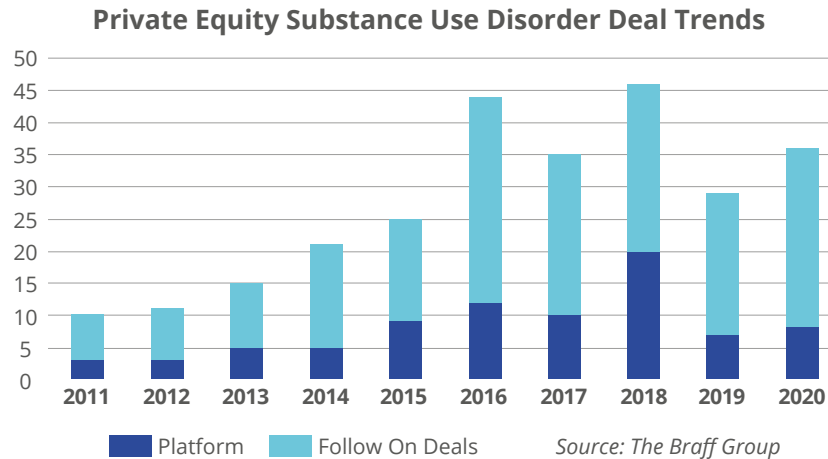
That said, remember above when we said that while COVID did not slam aggregate deal flow, one sub-segment took a hit? Check out non-residential deal activity in 2020. With only three deals completed, the segment plunged nearly 77% from the prior year. Perhaps, however, we shouldn't be surprised as lockdowns across the country wreaked havoc with average daily census, sending buyers scurrying to safer havens – notably medication assisted treatment.

“The dramatic shift towards medication assisted treatment transactions during the pandemic is inescapable.”

The clinical and operating dynamics of MAT made the space substantially COVID resistant. And with 14 private equity funded platforms established since 2014, these sponsors loaded up on MAT follow-ons with a record 18 such deals in 2020 vs. 11 in 2019.



While we're on the topic of private equity, it's worth further scrutinizing their collective activity in 2020 as PE has been largely responsible for the run-up in deal volume since 2011. Consider the chart below.



Private equity continues to exert its influence in SUD, accounting for just over 70% of all the segment deals completed last year. And with a near-record number of follow-on transactions, even in the year of COVID, aggregate PE activity was **up 24%** vs. 2019.

“Private equity continues to exert its influence in SUD, accounting for just over 70% of all the segment deals completed last year.”

M&A Outlook

The outlook for mergers and acquisitions activity in 2021 is about as bright as it has ever been due to the confluence of several factors:

- **The Pressure on Private Equity Sponsors to Deploy Capital.** PE funds have limited lifespans. A interruption (in this case, due to COVID) puts added pressure on sponsors to deploy a lot of capital and do so quickly to make up for the loss of the time they would otherwise have had to work their magic to increase the exit value of their holdings.



- **Expectations of Increased Utilization.** One of the well-documented, unfortunate downstream impacts of the pandemic has been the toll it has taken on mental health. Accordingly, demand for addiction treatment services is expected to rise. Not only will this spur PE sponsors with existing SUD platforms to accelerate their expansion, but it will also bring entirely new entrants seeking investment platforms into the space.
- **Potential Changes in Capital Gains Tax May Bring More Sellers to the Market.** Not only will we see an increase in M&A demand, we will also likely see an increase in sellers coming to market to avoid the likelihood of a significant increase in capital gains tax – from 20% to possibly 39.6% - that would slash a seller’s net proceeds. So, much like we saw in the run-up to 2013 and the expiration of the Bush tax cuts, deals that would have otherwise been contemplated in 2022 or 2023 will be moved up to beat a potential December 31, 2021 deadline to lock in current rates.

And Now for Something Not So Completely Different

With the increased demand in the wake of COVID for all things behavioral health – particularly addiction treatment and mental health, and the obvious connections between the two – might we anticipate a surge in cross segment consolidation? We think so, particularly as the competition for assets within a provider’s own narrow corridor increases dramatically. In many ways, such a continuum is merely a natural extension that is not only clinically sound but also appeals to insurance providers seeking predictable capitated population management.

All things considered then, there are many reasons to be bullish on a potential record setting year in addictions treatment M&A in 2021 and beyond.

Watch this space.

“We anticipate a potential record setting year in addiction treatment M&A in 2021”





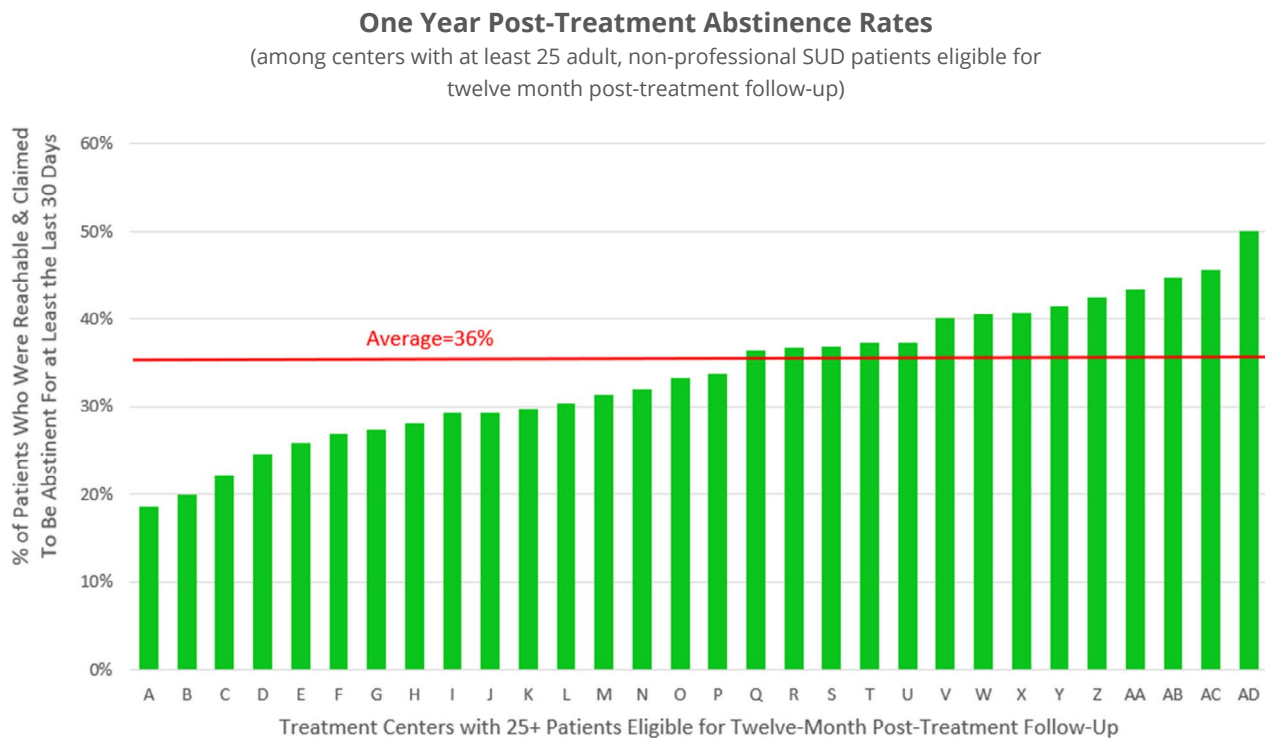
Dexter W. Braff, MBA, MS, BA, is the President of [The Braff Group](#), one of the nation's leading health care mergers and acquisitions advisors according to Thomson Reuters. Since its founding in 1998, the firm has completed more than 350 health care deals and has established itself as the leading M&A advisor in health care services.

The Next Challenge – Improving the Effectiveness of Addiction Treatment

By Joanna Conti

Unlike professionals treating other diseases, addiction treatment facilities very rarely follow up with patients in any kind of systematic way to learn how they're doing after treatment. In the absence of hard, comparative data, most addiction treatment leaders truly believe that the treatment their program provides is well above average in effectiveness – perhaps because it would be very hard to do the incredibly-difficult work of treating addiction otherwise!

But, of course, this is impossible. Vista Research Group's research among well-respected, primarily abstinence-based addiction treatment programs has found that treatment effectiveness varies widely. Over the last five years, the percentage of patients who were reachable and reported not using drugs or alcohol for at least the last 30 days at one year post-treatment varied between 19% and 50% for different centers:

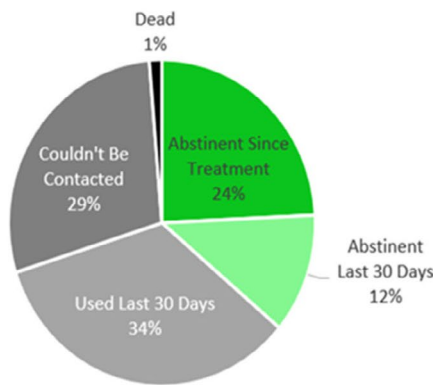


Source: Vista Research Group, Inc.

Unfortunately, the absence of data covered up a discouraging lack of improvement in addiction treatment outcomes over time. Vista’s average outcomes today are essentially identical to those of the last similar outcomes research conducted among patients attending a wide variety of treatment programs, which (believe it or not) was conducted in 1993. In both Vista’s recent research and the Drug Abuse Treatment Outcomes Study (DATOS), 36% of patients were reachable and claimed to have been abstinent for at least the last 30 days at one year post-treatment:

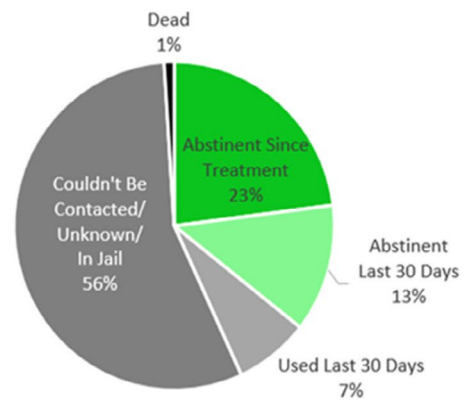
Abstinence at One Year Post-Treatment

DATOS
(among 3,194 adult patients discharged prior to 6/30/1993)



Abstinent Last 30 Days: 36%

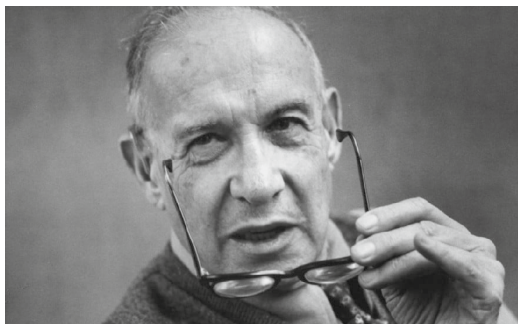
Vista Research Network
(among 3,968 adult patients discharged between 7/19/16 and 10/31/2019)



Abstinent Last 30 Days: 36%

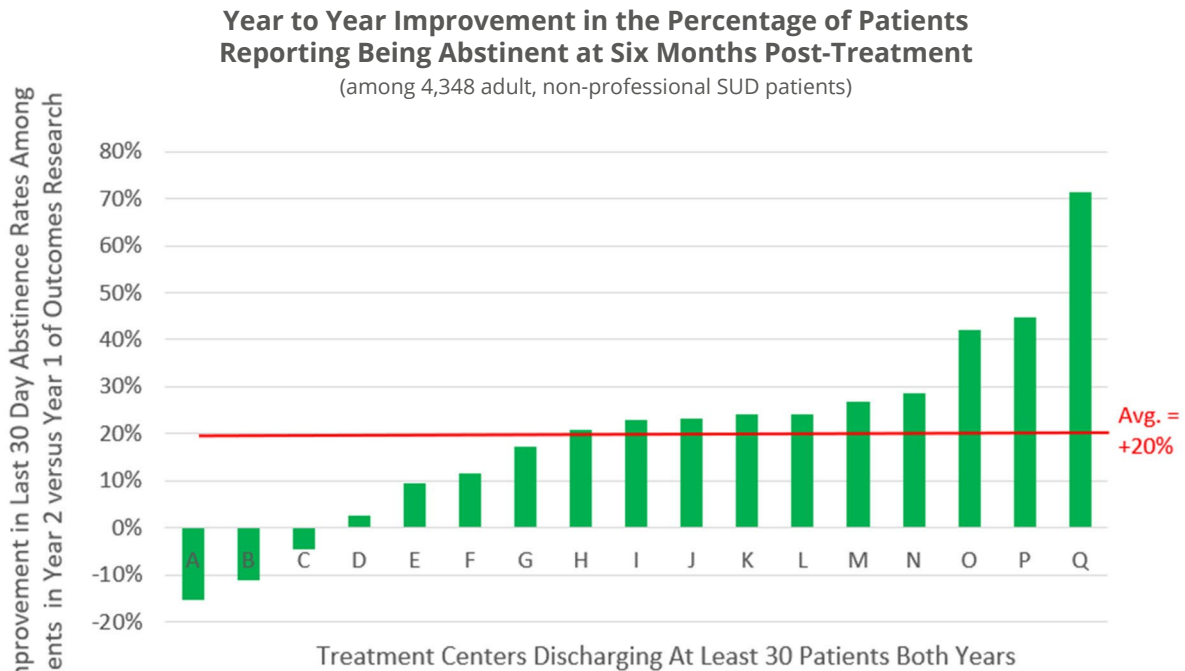
Source: Vista Research Group, Inc.

Fortunately, Vista’s research also demonstrates that there is a quick and relatively inexpensive way for treatment centers to improve their effectiveness. It turns out that “the father of modern management” was right:



“What gets measured gets managed”
Peter Drucker

Among a group of addiction treatment centers which tracked their patients' outcomes for multiple years, 14 of 17 centers (**82%**) had better outcomes in their second year than they did in their first! And across all 17 centers, **20% more patients reported being in recovery at six months post-treatment in the second year the centers were tracking their outcomes versus the first year:**



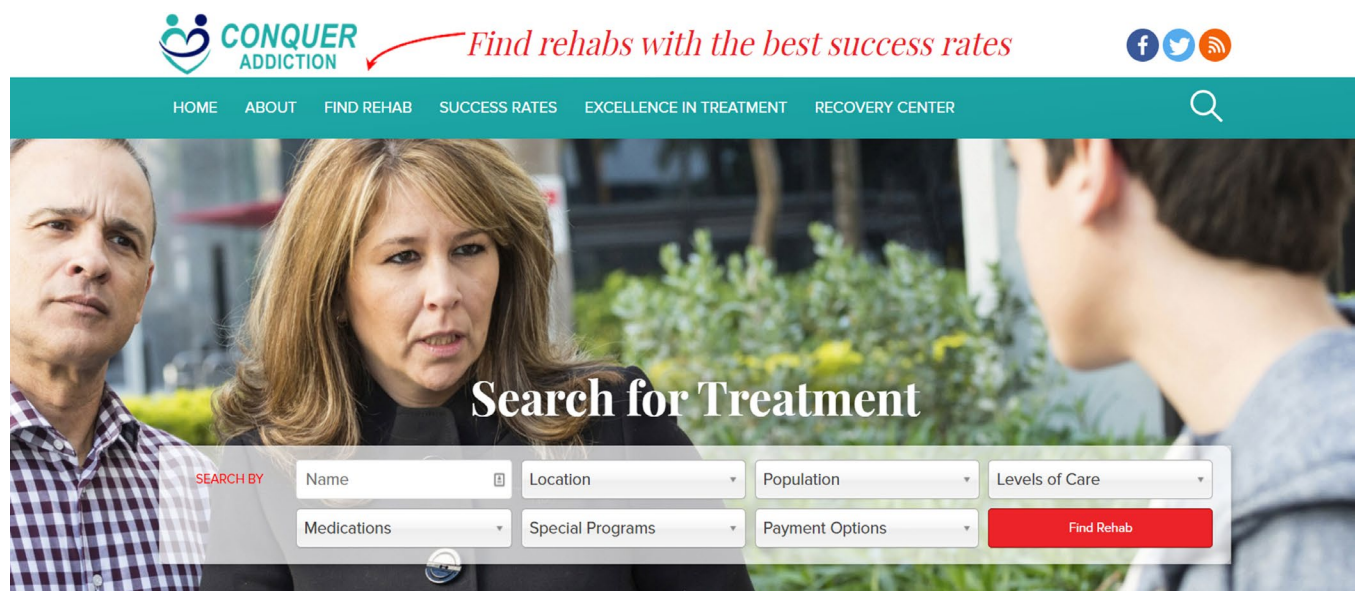
Source: Vista Research Group, Inc.

Even more impressively, these stellar results were achieved for an average annual research cost of only \$26,000 per center!



The centers who've made a long-term commitment to tracking and continually improving their post-treatment outcomes have all shared one characteristic – their leaders care passionately about helping as many patients as possible recover from addiction. And, as I know from personal experience, families with children, spouses, siblings or parents in the throes of addiction desperately want their loved one to attend an effective, mission-driven program.

In response, my daughter and I have created Conquer Addiction, a nonprofit that shows families a list of rehabs that meet their specific needs with those with the best independently-verified success rates on top.



Treatment centers wishing to showcase their effectiveness on [Conquer Addiction](#) can submit outcomes research results from any source as long as it complies with the [standardized outcomes research rules](#) established by [Conquer Addiction's independent panel of judges](#). The cost for a listing on the Conquer Addiction website is \$199 per year.



With vivid memories of having to repeatedly make life-and-death decisions about where to send her daughter for addiction treatment based solely on how friendly the admissions counselor was, Joanna Conti was thrilled to team up with her daughter, now in long-term recovery, to create the nonprofit [Conquer Addiction](#) in June 2020. Families searching for treatment can use the free service to find the rehabs that meet their needs with the best independently-validated success rates and contact them directly.

Joanna Conti with Karina & Milana Monesson in 2015