

Starting your own drug and alcohol testing business >>> reprinted from DATIA focus magazine

Getting into the Business – Drug & Alcohol Testing

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Are you ready for entrepreneurship? You are thinking about getting into the Drug & Alcohol Testing Business, it sounds great – but where do you start? There is a lot to consider, some of it is basic business and a lot of it is specific to the drug testing industry. With some experience behind me, starting a drug testing business from scratch, I will guide you with information to help you formulate your plan of action.

Let's start out with some basic information about the drug testing industry to help you understand what you are getting into and what your options for your business model will be. First off, we are talking about drug testing in regard to testing individuals for illegal drugs or illegal abuse of legal drugs (prescription). Major uses of drug testing are to detect the presence of these drugs in applicants selected to be hired for a job, existing employees, individuals involved in sports, probationers, parolees, students, parents in child abuse cases, and in many other unique situations.

Is there continued market share available in this industry, yes absolutely? Veteran industry consultant Bill Current with over 25 years' experience with drug testing stated "While the sluggish economy has slowed virtually all industries in the United States, drug testing sales are good in 2011. This is because after 30 years most employers recognize that drug testing is an essential element of running a profitable business. Drug testing providers still have to work hard, but drug testing is not going away. For that reason, it's a great business to get into."

According to a new market report published by Transparency Market Research "**Drugs of Abuse Testing Market (Sample Based Testing - Urine, Saliva and Hair Onsite and Laboratory Testing) - Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2013 - 2018,**" the global drugs of abuse testing market was valued at USD 2.6 billion in 2012 and is expected to grow to reach an estimated value of USD 3.4 billion in 2018. More at: <http://www.prnewswire.com/news-releases/drugs-of-abuse-testing-market-is-expected-to-reach-usd-34-billion-globally-in-2018-transparency-market-research-242361771.html>

The November 2010 edition of HR Magazine reported that an estimated 54 million full-time civilian workers said their employer has tested workers for drug use. So there is a market for this business, in fact the U.S. drugs of abuse testing market segment generated revenues of \$1.4 billion in 2007. This is expected to reach \$2.0 billion in 2014. This was reported by BCC Research providing over 35 years of experience in market research reports and in-depth industry analysis.

How does all of this drug testing happen? There are segments of the industry with various industry players. You will need to think about which segment or segments of the industry that you fit into. Some new businesses start out in one segment and grow into a few others, some folks jump right into providing many of the services offered by each industry segment. Let's take a look at each of the players and you can get an idea of what direction you might want to go into; these players are referred to as service agents (SA) by the United States Department of Transportation (DOT) and in general are the service providers for the drug and alcohol industry.

Specimen Collectors (the collector) – These folks operate on a mobile basis traveling to and from client locations and/or work from a brick and mortar facility. The specimen collector works directly for the client, the laboratory, the third party administrator (TPA) or others. The collector is collecting a biological specimen (urine, hair, blood, sweat or oral fluid-saliva) for a testing device or a laboratory to determine the presence or absence of specified parent drugs or their metabolites.

Collection Site: A facility where specimens are collected. This could be the employer place of business. Typically this is a brick and mortar facility, it could be a TPA office, a medical facility, hospital, occupational health clinic, walk in clinic, doctor's offices – any type of business that might have a set up and employ collectors to collect specimens. Major laboratories such as Quest Diagnostics and LabCorp operate brick and mortar facilities that employ collectors to collect specimens; these are commonly referred to as Patient Service Centers (PSC's). Other laboratories have contracts with occupational health clinics, walk in clinics, doctor's offices and other facilities that operate brick and mortar facilities to collect specimens.

Breath Alcohol Technician (BAT) and/or Screening Test Technician (STT) – commonly a collector also, the BAT or STT is a person who instructs and assists persons in the alcohol testing process and operates an evidential breath testing device (Breathalyzer) or alcohol screening device. These folks also operate on a mobile basis traveling to and from client locations and/or work at collection site; they also work directly for the client, the laboratory, the third party administrator (TPA) or others.

Laboratories (Lab) - After collection from the donor, a specimen is sealed with a tamper-evident seal and sent to a laboratory for analysis. The primary advantages of utilizing a laboratory for testing include compliance with regulations, accuracy, legal defensibility, and the ability to customize tests for a particular demographic group. A laboratory is a brick and mortar facility that does the testing, not the facility that collects the specimen. Folks get confused about this and say I'm going to the lab for my drug test, they actually mean they are going to the collection site for specimen collection. A very big investment is required to own and operate a laboratory. Laboratories currently involved with drug testing include Quest Diagnostics, LabCorp, MEDTOX, and Clinical Reference Laboratory (CRL) – there are many others also both regional and national players.

Instant Testing Manufacturers and Distributors - On-site instant or rapid drug testing is becoming more widely used as a more cost-efficient method of effectively detecting drug abuse amongst employees, as well as in rehabilitation programs to monitor patient progress. These instant tests are available for both urine and saliva testing. These instant test kits are visually read and subject to interpretation by the collector. They provide an indication of drug use within minutes but they are only equivalent to the immunoassay stage of laboratory testing; confirmatory laboratory testing is required for test results that are not negative. There are many industry players in the business of selling these test kits as a distributor of products. Also, many service providers use these kits in conjunction with other testing methods and services they make available to their clients. Note that under some state laws as well as DOT rules and under HHS rules for Federal workplace drug testing, these instant testing devices cannot be used.

Medical Review Officer (MRO) - A Medical Review Officer (MRO) is a person who is a licensed physician and who is responsible for receiving and reviewing laboratory results generated by an employer's drug testing program and evaluating medical explanations for certain drug test results. The MRO receives the

laboratory drug test results from the lab and reports the results to the employer. Many TPA's have in house MRO's working for them.

Walk in Clinics, Hospitals, Doctors Offices, and Occupational Health Clinics – All of these types of facilities might be in the drug and alcohol testing business perhaps as collector sites, third party administrators (TPA) and/or Medical Review Officers (MRO). All are potential competitors and/or potential clients and most definitely potential strategic partners.

Employee Assistance Program (EAP) Provider – EAP's are employee benefit programs offered by many employers, many times in conjunction with a health insurance plan. EAPs help employees deal with personal problems that might adversely impact their work performance, health, and well-being. EAPs generally include assessment, short-term counseling and referral services for employees and their household members. Employers will refer employees with drug and/or alcohol problems to the EAP.

Substance Abuse Professional (SAP) – Under DOT regulations, the SAP is a person who evaluates employees who have violated a DOT drug and alcohol program regulation and makes recommendations concerning education, treatment, follow-up testing, and aftercare. There are credentials and certifications required for one to be a SAP.

Third Party Administrator (TPA) – This is basically a service provider that provides two or more of the services involved in the drug testing process. A TPA might coordinate for an employer the entire process of the specimen collection, breath alcohol testing, the laboratory testing, the review and reporting by the Medical Review Officer (MRO) thereby providing all of these services under a one stop shop. A TPA will typically provide everything to the employer client to keep the client in compliance with the applicable regulations – DOT, State Laws etc.

So now you have an idea of the various players involved in the industry, you can think about where you might fit in. Some folks might start out as a collector and a BAT providing specimen collections and alcohol testing to various employers and on behalf of TPA's and or Labs. This can be a home based business or can be a brick and mortar facility – a collection site.

But first now that you have a general idea of what this business looks like, you will need to consider some basics in starting a new business. Most importantly, do you really want to operate independently and be the person making all the decisions and shouldering all the responsibility?

This is a question that needs serious thought and will determine if you have the entrepreneurial qualities needed to go out on your own. Also, you must think about, discuss and plan for the following:

Write a Business Plan: A good business plan should include a description of what you are selling, who the prospective customers are, how you plan to promote, how much money is needed for start-up costs and what are your projections for revenue and expenses.

Legal Format of your Business: The basic legal forms of business ownership are sole proprietorship, partnership, limited liability corporation (LLC) and corporation (Sub Chapter S or C Corporation). Talk to an attorney and your accountant about what makes sense for you and the business you are considering.

Show me the Money: There are three ways to finance start-up costs: use your own money, obtain a loan, or find investors. If possible, it is better to start small, use your savings, and not worry about repaying a debt.

Assistance with the business plan, choosing a legal format, financing your business and many other basic business aspects of what you need are available in your local community. Check with your local Chamber of Commerce, Small Business Development Office (part of SBA, every State has these) or your local SCORE organization in order to access the assistance that is available. Check also the internet, there are many resources available just by a Google search for 'starting a new business'. Continue also to educate yourself with magazines such as Business Week, INC, Fast Company and Entrepreneur. Check out also and get familiar with the local BizJournal in your area.

Small Business Assistance Resources

- U.S. Small Business Administration, www.sba.gov
- Office of Small Business Development Centers (centers located in every State)
- Inc. Magazine, www.inc.com
- Entrepreneur Magazine Small Business Resource Center, www.entrepreneur.com
- SCORE, www.score.org

Another big consideration, are you able to purchase an existing business? You might want to speak with a business broker (one that specializes in the drug testing industry). Are you going to start from scratch or perhaps you will want to look at possibilities for franchising and/or business opportunities. There are franchise opportunities in the drug testing industry along with business opportunities. What's the difference?

A franchise is a right granted to an individual or group to market a company's goods or services within a certain territory or location. Franchising allows entrepreneurs to be in business for themselves, but not by themselves. There is usually a much higher likelihood of success when an individual opens a franchise as opposed to a mom and pop business, since a proven business formula is in place. The products, services, and business operations have already been established; ongoing support is provided from the franchisor.

A business opportunity is like a "business in a box," as you are provided everything you need to get started. You are granted a license to do business in a way that has everything set up for you in advance. The license is the only purchase made, rather than purchasing an entire business model with franchise fees and marketing fees.

It is important to keep in mind that there are positives and negatives to both franchises and licensed business opportunities. Evaluate each type of opportunity thoroughly to decide what would work best for you. A search of members of the Drug & Alcohol Industry Association (DATIA) lists several franchise and business opportunities including USA Mobile Drug Testing LLC., ANY LAB TEST NOW® and ArcPoint Labs. Additional information on these opportunities and others that I have found available are listed below.

Franchise and Business Opportunities

ANY LAB TEST NOW® founded in 1992 is a franchise opportunity in the high-margin, high-growth lab testing industry. In April 2010, Any Lab Test Now was named the second-fastest growing franchise by Franchise Times magazine's "The Fast 55," an annual ranking of the top selling franchises. Any Lab Test

Now offers affordable clinical, DNA and toxicology testing services direct-to-consumers during work-friendly hours through retail locations serving local communities across the U.S.

ArcPoint Labs - The medical industry, specifically drug, alcohol, and clinical wellness screening is very technical in nature with a steep learning curve. Franchising offers a turnkey business model with a proven operating system, extensive marketing and sales programs, and in depth industry support. ArcPoint Labs is creating one of the nation's largest franchise brands specializing in clinical wellness screening, drug, alcohol, DNA/paternity, and steroid testing.

USA Mobile Drug Testing, LLC™ (USAMDT) - Provides a nationally recognized brand trade mark with this franchise opportunity that includes contracted territories, excellent training, outstanding marketing programs and national advertising. Franchising is a proven business and USAMDT is registered in all States. With 40+ locations throughout the United States, this franchise offers strength in numbers. Several national accounts are under contract and USAMDT is heavily involved in the sports testing market. With no brick and mortar involved, this is a great franchise to get involved with the fast growing mobile drug testing business. USAMDT franchise owners are trained as Compliance Specialists to be positioned as the experts in their local communities regarding drug and alcohol testing.

Another option is to hire a consultant to help you with the startup process of your business; there are consultants available within the drug testing industry and this type of consulting could help you in the short term getting up and running and avoiding mistakes.

So now you have done a lot of research, made a lot of decisions, got a basic business plan put together and you are ready to get started. So let's assume you are starting out as a collector and as your business grows you might want to open up a collection site and then once you are more established you may want to become a third party administrator (TPA).

Refer back to your business plan, work on the initial steps. Check with your local authorities (city, county) for requirements for occupational license which are sometimes even required for a home based business. As previously mentioned there are resources to help you with this kind of stuff such as the local Small Business Development Center. Get your basic business supplies in order – business cards, office supplies, a computer; perhaps a laptop if you are going to be mobile. You need a business bank account and perhaps a PO Box address. Insurance is a must for a business. DATIA has an endorsed insurance carrier you can check out; they know the drug testing industry. You also will need some software such as Microsoft Office and perhaps a billing and accounting system such as QuickBooks; several DATIA members offer specific software to help you manage your drug testing business.

Lots of planning and decision making is involved in opening a business. In the drug testing industry, unless you have extensive specialized training, the two main areas for getting into the industry are in collections or TPA management. Let's start with collections.

If you are ready to become a collector, first off you have to be trained and demonstrate proficiency as a collector. This is required for DOT mandated testing, many state laws and HHS guidelines for Federal workplace drug testing programs. You can get training from DATIA; check out the web site www.datia.org for information regarding online training as a Certified Professional Collector (CPC). There is not a specific license to be a collector (but always check state & local law), but the training and proficiency is critical to the success of your business. Now you will need supplies, you can set up a

contract with a laboratory to test specimens on your behalf and they will provide you supplies including specimen collection cups, custody and control (CCF) forms and shipping supplies to get the specimens to the lab once collected. Also, if you will be doing breath alcohol testing you will need to get trained and show proficiency for this testing also. You will need to invest in an evidential breath testing device (breathalyzer) and the training required for using and properly maintaining the device. You can find suppliers for these devices and the training on the DATIA web site by searching for a DATIA member within the category - Alcohol Testing Instruments or Alcohol Testing Supplies.

Now you need customers. Get out into the business community and meet people, network and network some more. Be prepared with business cards, and with your elevator speech on what you do and how it can help a business owner. Contact all laboratories that do drug testing, let them know that you do specimen collection and BAT in your area. Join DATIA so you get listed in the searchable database so when someone goes to the DATIA web site looking for a collector, your name comes up in your area. Contact third party administrators (TPA's) and let them know you are available for collections in your area. You have a service to provide, you will have to do everything possible to make sure that anyone who needs your service knows who you are and how to contact you.

So at this point in your business your day might begin with a check of your appointments. You and your staff might gather your equipment and testing supplies and meet your clients at their offices, homes or schools. You collect samples from employees or other individuals and travel back to your office to ship samples to the laboratory. Once you have the results, you will contact the client. You might also take calls throughout the day and schedule testing appointments with employers and families.

As your business evolves, you might want to expand your services to employers and manage their entire drug testing program. This type of business is commonly referred to as a Third Party Administrator (TPA). The United States Department of Transportation (DOT) calls this type of business a Consortium/Third-party administrator (C/TPA). DOT defines a C/TPA as "a service agent that provides or coordinates the provision of a variety of drug and alcohol testing services to employers. C/TPAs typically perform administrative tasks concerning the operation of an employers' drug and alcohol testing programs." A TPA coordinates or combines the various services provided by service agents in the drug testing process.

Remember a good business plan should include a description of what you are selling, who the prospective customers are, how you plan to promote, how much money is needed for start-up costs and what are your projections for revenue and expenses. It may be time to revise, update and expand your business plan.

As a TPA you may have a variety of types of customers but primarily employers both DOT regulated and non-DOT regulated. The learning curve for you to evolve your business from a collector/BAT to a TPA is steep – there are regulations and guidelines that you must learn; there is a great deal of knowledge to acquire. Your success will depend on your ability to provide services to your customers that are in compliance with a variety of Federal and State laws. It will take a great deal of learning, reading, attending training sessions, workshops and attending industry conferences for you to acquire the appropriate knowledge you will need to be a TPA.

A TPA performs a variety of services for an employer mostly revolving around the concept of a drug free workplace. It is important to know that a drug free workplace is a comprehensive program with five major components – a Substance Abuse Policy, Supervisor Training, Employee Education, Employee Assistance Programs and Drug Testing.

So where do you start, I recommend some specific reading materials that are listed in the box on the right, it is important that you take the learning process very seriously and remember it is ongoing. I learn new stuff all the time whether I am training folks or if I am myself in a training program or workshop. Employers will rely on your knowledge as part of the service they are purchasing, if you have this knowledge you will retain your clients.

At a basic level you will need to know the difference between DOT and Non-DOT drug testing programs; often called regulated or non-regulated testing. Workers that fall under U.S. Department of Transportation (DOT) regulations must be given a specific type of drug test required for employment drug screening. It is a five-panel test often referred to simply as a "DOT drug screen," and the custody and control form (CCF) used must be a federal form. There are a variety of other rules that apply to the DOT drug & alcohol testing programs required of the employers that are subject to these DOT regulations, you must read 49 CFR Part 40 to learn these.

Recommended Reading

- 49 CFR Part 40 - Procedures for Transportation Workplace Drug and Alcohol Testing Programs

http://www.dot.gov/ost/dapc/NEW_DOCS/part40.html

- SAMHSA Drug-Free Workplace Kit

<http://www.workplace.samhsa.gov/wpworkit/index.html>

Workers employed in positions that do not require drug screening under DOT regulations are given non-DOT tests if their companies have drug-testing policies in place. Companies have flexibility in establishing non-DOT policies and procedures for drug testing, including what substances to check for and how often drug tests are required. It is important for these non-DOT employers to work within the guidelines of the State laws that might apply to them.

Becoming a successful TPA is rewarding and challenging. Keep learning as you continue to grow your business. Go beyond the basics. It is very important. Take advantage of a great learning opportunity specific to your business. DATIA offers the Advanced Drug Testing Management Course. This course provides the training on how to professionally manage and administer successful drug & alcohol testing programs for Consortia, Third Party Administrator (C/TPA) organizations. Obtain a comprehensive set of guidelines that comply with all regulations and insight into the best practices for drug and alcohol testing program management. You will not be disappointed and you will walk away with a clear understanding of strict standards in areas of professional competency and conduct, procedural administration, confidentiality of records, testing administration and reporting, accountability and client services. This is a unique one of a kind course to teach you how to operate a TPA business.

Besides knowledge, you may now need more equipment and overhead for your business as it evolves from a collector to a TPA. Computers, printers, scanners, software, phone systems and more will become critical to the operation of your business. Don't skimp and purchase the cheapest stuff out there for home use, you need good equipment that works effectively. At a minimum you will need software to track you prospects and customers, software to receive and report drug test results, a program for random testing management, a professional web site and you will need some type of computerized bookkeeping system. You will need current technology and the effective use if it will help you to be more successful in this business.

So getting back to your TPA business, what specific services are you going to provide to clients, there are many and you will choose what you will provide. Many TPA's will want to provide at a minimum the following:

- Review or Initial Set Up of the Drug Free Workplace Policy
- Supervisor Training and Employee Education Programs
- Coordination of all drug testing and review/reporting of results by a Medical Review Officer
- Management of the Random Drug Testing Program
- Maintenance of Program Records
- Guidance and Consultation

So you can see it is not just selling drug testing, there is a lot more involved. Your clients will need Lab and MRO accounts, custody and control forms, and a method for receiving drug test results. Are you able to provide Supervisor Training or perhaps use online training programs that are available for you to resell? You will also become responsible to troubleshoot missing or abnormal results (fatal flaws, canceled tests, etc.). And you will get many questions from your clients that you will be expected to answer and provide interpretations. Perhaps you will need an attorney on retainer or a good industry consultant for complicated issues that might arise.

You will need to develop as you go along policies and procedures for every aspect of your business. These should be written and should be updated on a regular basis. The use of standard operating procedures will greatly help you succeed, limit your exposure to liability and prevent you from becoming married to your business. As you hire more employees define their roles and responsibilities clearly. Put these job descriptions in writing and update them on a regular basis. Hire good people that you can trust to do the job, perhaps you have to pay a little more or offer good benefits to retain quality employees. Learn to delegate as you cannot do everything yourself. This is not easy it is hard work. Delegating, as a coaching tool, is the act of assigning and entrusting assignments and responsibilities to others. Allow staff to take on juicy or meaningful work — projects, duties, and other important assignments. This will give you time to focus on the 'Big Picture' and grow your business even more; become the visionary not the task manager.

More opportunities will come your way as you grow your business. Other markets include judicial drug testing, athletic/academic testing, DNA paternity testing and other possibilities including States that are now requiring welfare drug testing. Keeping up to date with trends and current events will help you keep your business growing. Background screening is another opportunity that you can get involved

with either by becoming a direct background check provider or partnering with a company that resells background checks.

So now you are in business and your business is expanding. Acquire the knowledge to be successful. It is hard work don't forget this. You can make it happen, be enthused with everyone you meet. Always remember to have a plan, for those who fail to plan – plan to fail.

Getting Into the Drug Testing Business

By Joseph Reilly

Known throughout the United States as an expert in the drug testing industry, Joe Reilly has served as an expert witness and has provided consulting, speaking engagements and/or training programs for many organizations including the US Small Business Administration, the US Department of Education, the White House Office of National Drug Control Policy (ONDCP), the Washington DC Department of Public Works, the Florida Office of Drug Control, the Florida Department of Corrections, the Drug & Alcohol Testing Industry Association (DATIA), The Society for Human Resource Management (SHRM), Florida Small Business Development Centers (SBDC), numerous Chambers of Commerce and many other organizations.

From 1993 to 2009, Joe owned and operated Florida Drug Screening, a nationally recognized third party administrator (TPA) for drug and alcohol testing programs. Currently Joe continues his consulting work, serves as President and CEO of National Drug Screening, and Senior Compliance Officer of USA Mobile Drug Testing.

Joe has been extremely active in the drug testing industry including memberships in the Drug & Alcohol Testing Industry Association (DATIA). Joe Served for 8 years on the board of directors of DATIA and had the honor and privilege of serving as the Chairman of the DATIA board of directors from 2004 -2008; Joe is again serving as a DATIA board member through 2017.

Born and raised in New York City, Joe resides in East Central Florida with his wife Robin. Joe graduated in 1979 from Manhattan College, Bronx, NY with a Bachelor of Science (Business Administration) with majors in Accounting and Marketing.