

THE OFFICIAL PUBLICATION OF THE DRUG & ALCOHOL TESTING INDUSTRY ASSOCIATION

# DATIA focus

SPRING 2011  
Vol. 4 Issue 2

## GETTING INTO THE BUSINESS— DRUG & ALCOHOL TESTING

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BY JOE REILLY, JOE REILLY & ASSOCIATES, INC.

# GETTING INTO THE BUSINESS— DRUG & ALCOHOL TESTING



My brother Jimmy Joe had to be drug tested the other day and I think I could make a lot of money doing that. How do I get into this drug testing business?—The Drug & Alcohol Testing Industry Association (DATIA) office receives questions similar to this one, and quite often. So let's see if we can provide the answers and get Jimmy Joe into the business. ➡

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 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 a 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."

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.



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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 are the best fit for you. 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 explore; 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 (PSCs). 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.

**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 just 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 TPAs have in house MROs 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 collection 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**—EAPs 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 TPAs and or Labs. This can be a home-based business or can be a brick and mortar facility—a collection site.

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

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**SMALL BUSINESS ASSISTANCE RESOURCES**

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

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. Also check the Internet, there are many resources available just by a Google search for 'starting a new business'. Continue to educate yourself with magazines such as Business Week, INC, Fast Company, and Entrepreneur. Check out and get familiar with the local BizJournal in your area.

Another big consideration, is whether you are 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 Testing Industry Association (DATIA) lists several franchise and business opportunities.

Another option is to hire a consultant to help you with the start up 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, put a basic business plan together and you are ready to get started. 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 au-

thorities (city, county) for requirements for occupational licenses 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 will also 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 and TPA management. Let's start with collections.

If you are ready to become a collector, 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](http://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 laws), 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 (TPAs) 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 now you are in business. 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.

*Don't miss Part 2 of this great article in the next issue of DATIA Focus which will discuss many of the questions that come into the DATIA office about getting into this business along with evolving your collector*

*or collection site business into a Third Party Administrator (TPA) business. ■*



Joe Reilly entered the world of drug testing in 1993, he is well known throughout the industry and considered an expert on workplace drug testing issues. Joe served for nine years on the DATIA Board of Directors and served as Chairman of the Board from 2004–2008. Joe sold his business Florida Drug Screening in 2007 to CBC Companies (Columbus, Ohio), he retired from the firm in 2009 and currently continues to invest in and manage both commercial and residential properties in Central Florida. He is also active in assisting buyers and sellers in the drug testing industry work through the merger and/or acquisition process.



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