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Opioid Settlement Funding: A Risk Pool Opportunity to Reduce Public Safety Losses

A practical playbook for
turning settlement dollars into
defensible loss control



What is the “national opioid settlement”?

Civil settlements + court-approved agreements + long-term payments.

Thousands of lawsuits by states and local governments

- Alleged deceptive marketing and failures in oversight.

National agreements resolved large portions of litigation

- Payments over many years + injunctive relief (business practice changes).

Multiple settlements exist (not one single pot)

- Totals have grown as additional defendants settle.

Payments are distributed over many years

- Vary by agreement.

Risk Pool Takeaway:
This is member-accessible funding that can pay for prevention controls that reduce liability.

For risk pools this created a **predictable, multi-year funding stream** that members can use.

Why this money exists *the simple story*

Risk Pool Takeaway:

This isn't abstract remediation
— it's about reducing the
severity, frequency, and
defensibility risk that shows up
in pool losses

- The opioid epidemic created:
 - Massive public health and Public safety costs.
- States and local governments sued:
 - Manufacturers, distributors, and pharmacies
- Settlements created long-term payments
 - Intended for opioid “abatement”
 - Mitigation and response
 - Not general spending
- Abatement includes **first responder readiness**—
the operational side that **reduces harm and exposure.**
- This is **NOT** a grant program. It's litigation-driven
abatement funding — **with rules.**

Who led it and who participated?

Risk Pool Takeaway:
Success is about guiding local decision-makers (county leaders) toward eligible, high-impact controls.

- State Attorneys General
 - ❑ Coordinated many state actions
 - ❑ Negotiated participation/terms for their states
- Local governments (counties, cities)
 - ❑ Participated through state agreements and/or direct local litigation pools
- Defendants varied by settlement
 - ❑ (e.g., distributors, manufacturers, pharmacies)
- Result: multi-settlement landscape
 - ❑ Not a single “one-and-done” deal
- Local governments control decisions—**risk pools can influence outcomes through member education**, not by “applying”
 - ❑ What matters now is where discretion lives — and that’s largely local

Settlement Anatomy: What's in it

Risk Pool Takeaway:
Pools can help be the 'safe use' translator through education—eligible spend + simple documentation.

- Payments over many years
 - ❑ Escalating/declining depending on the agreement
- Use restrictions (abatement) — Exhibit E
 - ❑ Baseline menu of allowable uses
- Reporting/oversight layers
 - ❑ State and sometimes local governments
- Injunctive terms (business practice changes)
 - ❑ Included in many national agreements
- **Compliance matters**
 - ❑ Pools can help members document eligibility and outcomes (reduced audit/reputational risk)
- What Pools Should Notice
 - ❑ Allowable uses (Exhibit E)
 - ❑ Reporting expectations
 - ❑ Documentation matters

Common Misconceptions (Myth vs. Reality)

Risk Pool Takeaway:

Pools can **educate city/county leaders** that settlement funds may support **high-risk controls**—policy, training, readiness, wellness, and documentation—that reduce loss drivers and improve defensibility.

- “This is a grant program.”
 - ✓ → It’s settlement abatement funding with allowable-use rules (Exhibit E + state/local guidance).
- “We already asked and were told no.”
 - ✓ Guidance has matured; new settlements expanded availability.
- “We can spend it on anything.”
 - ✓ → Spending must align to allowable uses and may require documentation/reporting.
- “If it’s local, the agency can buy directly.”
 - ✓ → City/county approvals + procurement rules still apply.
- “We have to apply to get it.” (or “It’s competitive”)
 - ✓ → In many states, local dollars are already allocated—the work is prioritization and compliant use.
- “All buckets work the same.”
 - ✓ → Different buckets have different owners, timelines, and oversight.

A Predictable Funding Stream for Multi-Year Risk Reduction

Risk Pool Takeaway: Predictability supports sustainable risk-control adoption—policy + training + documentation + wellness—so members can invest in the same areas that drive loss experience and cost stability.

- ▶ Predictable funding allows repeatable controls — policy refresh, recurring training, wellness cadence — not one-off purchases
- ▶ Opioid settlement funds are delivered through **annual, recurring payments**.
- ▶ Payments are scheduled over a multi-year horizon (e.g., the 2021 national settlements include **up to 18 years** of payments).
- ▶ Funding continues **year after year**, enabling long-term planning—not one-time spend.
- ▶ Local governments can **plan programs with confidence** (training cycles, policy refresh, wellness/resiliency, and documentation).
- ▶ Total abatement resources can **grow over time** as additional settlements are finalized.

Sackler family, Purdue Pharma reach \$7.4 billion settlement with 15 states over opioid crisis

By Katrina Kaufman

Updated on: January 23, 2025 / 1:30 PM EST / CBS News

How Opioid Settlement Funds Were Allocated

Risk Pool Takeaway:
Variation is why members need a trusted interpreter—this is a **value-add** opportunity for the pool.

- Impact-Based Framework
 - ❑ National settlement formulas were intentionally designed to reflect opioid impact, not equal distribution.
 - ❑ Allocations considered population size alongside indicators of opioid harm and exposure.
- Core Data Inputs
 - ❑ Factors included overdose death rates, opioid prescription volume, and historical opioid distribution into a state or region - meant to approximate both scale and severity of impact.
- State-Controlled Distribution
 - ❑ States determine how settlement dollars flow to counties, cities, and agencies, often using their own blend of population and impact measures—driving wide local variation.

This explains why allocations vary — and why members are confused without help.

Why Members Get Confused – And Where Pools Add Value

SAME SETTLEMENT BASELINE, DIFFERENT STATE CHOICES

Risk Pool Takeaway:
Reducing confusion
increases utilization of
eligible spend on controls
that lower pool losses.

States had options in how to divide funds

- State vs local vs other buckets

AG and/or legislature

- Typically set the intrastate split + oversight model.

Local governments can add additional controls

- Committees, mini-grants, lower procurement thresholds

Pools add value by simplifying variation—maintaining a clear playbook for who decides, what’s allowed, and what documentation is needed

How Local Governments Receive Their Share

EACH STATE USED A DISTRIBUTION APPROACH FOR ITS “LOCAL BUCKET.”

Risk Pool Takeaway:
Settlement funds can pay for high-risk controls—pools can help city and county leaders see the opportunity.

- Most states distribute **local shares** to counties/cities using a **state-defined formula**
- Many states publish a **local allocation exhibit** (each locality’s % or \$)
- “Not competitive” means **jurisdictions aren’t competing** against each other
- In nearly all states, a meaningful portion flows through a **local bucket**
- **Key step:** city/county leadership typically controls approvals and procurement—education unlocks action.

In most states, local dollars are already allocated. This is about **prioritization**, not competition.

Why the Local Bucket is the Fastest Path to Action

Funds are typically organized into multiple “buckets,” each with different owners and processes.

Why We Focus on the Local Bucket

- Funds are **already allocated** to the county
- Decisions are made **locally**, not through a competitive grant
- Allows **faster action** on approved, allowable uses
- Creates the **clearest path** to funding high-risk priorities

LOCAL
*Assigned to the jurisdiction
More discretion*

STATE
*State priorities
Longer cycle*

**OTHER /
SPECIAL**
Varies by state

Risk Pool Takeaway:

Local settlement funds give counties the flexibility to invest in high-risk drivers—like policy, training, and readiness—that directly impact claims and premiums. Pools can help leaders see and act on that opportunity.

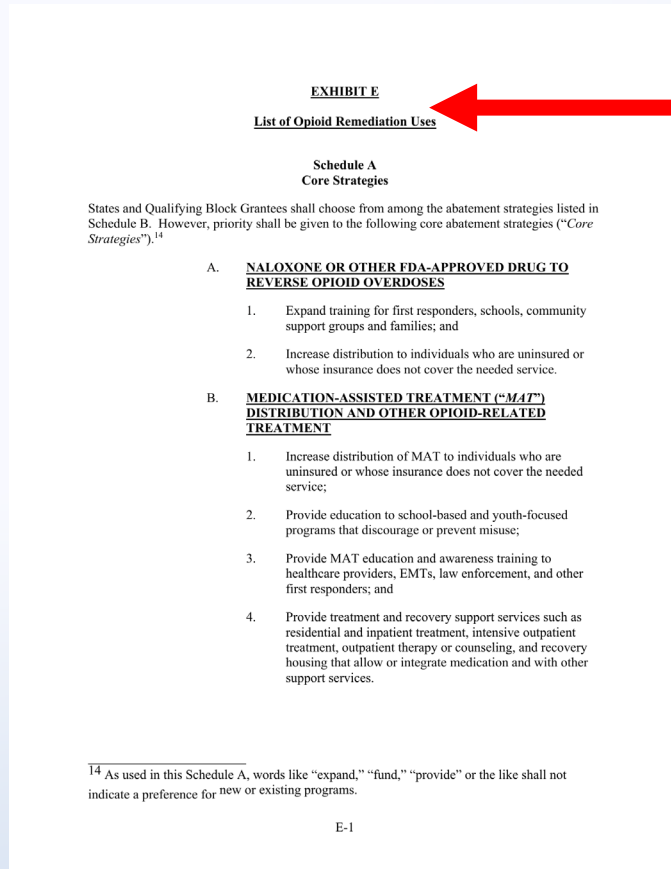
Why Risk Pools Should Care

- Public safety often represents **high-severity exposure** in pooled risk
- Settlement dollars can fund **controls** members struggle to budget for
- Pools can guide members toward **eligible, defensible** spending (reduces audit risk + increases utilization)
- Better controls → **fewer and less severe incidents** → improved loss experience
- These controls don't just reduce incidents — they reduce volatility that destabilizes pooled programs.

Risk Pool Takeaway:
This is a rare chance to fund loss prevention with non-premium dollars.

Exhibit E: What the Money Can Be Used For (and Why)

Exhibit E defines the allowable uses of opioid settlement funds — it prevents the money from becoming general budget and establishes what qualifies as opioid remediation.



- Applies across states as a **baseline guardrail**
- Defines **what qualifies**, not **who receives funds**
- Exhibit E defines **strategies**, not shopping lists

Why Exhibit E Exists (and Why States Tighten It)

Exhibit E sets the floor

- Functions as a minimum allowable uses list
- Broad enough to support many abatement strategies

States may tighten

- Narrower categories
- Extra approvals or reporting
- Cannot be less restrictive than Exhibit E

Locals may tighten further

- Committees, internal prioritization
- Mini-grants or department-level controls

If a control enables a permitted strategy and reduces exposure, it's often eligible

Exhibit E Is A STRATEGY LIST – Not a Product List

Core Strategies (Primary Abatement Categories)

- Treatment
- Recovery
- Harm reduction
- Prevention

These are outcome-focused strategies — not purchasing instructions.

Other Recognized Strategies (Also Eligible)

- First-responder support
- Public education & awareness
- Data, planning, and evaluation
- Community-based prevention efforts

These strategies often reinforce the same outcomes as the core categories.

What This Means in Practice

- Strategies include the operational enablers that make them possible:
- Overdose response readiness (*naloxone use, storage, documentation*)
- Fentanyl exposure safety
- Policy and training that standardize safe response
- Wellness and operational readiness for first responders

Risk Pool Takeaway:

If an investment enables a permitted strategy and reduces exposure, it may be eligible—even if it doesn't look like a 'program.'

First Responders Are Explicitly Included in Exhibit E

This is where “abatement” meets operational risk reduction.

Safety & Exposure

- Fentanyl precautions
- PPE + procedures

Training & Readiness

- Overdose response readiness
- Documentation & protocols

Wellness & Resiliency

- Peer support
- Secondary trauma mitigation
- Wellness isn't a soft benefit — it's an operational readiness control

Risk Pool Takeaway:
These are high-frequency / high-severity controls that influence claims defensibility and loss experience.

Secondary Trauma: Why It Matters for Readiness and Risk

- Repeated exposure to trauma can impact performance, decision-making, and retention
- Exhibit E recognizes first responders as **secondary victims**
- Supports wellness/peer support programs tied to opioid response burden

PART THREE: OTHER STRATEGIES

I. FIRST RESPONDERS

In addition to items in section C, D and H relating to first responders, support the following:

1. Education of law enforcement or other first responders regarding appropriate practices and precautions when dealing with fentanyl or other drugs.
2. Provision of wellness and support services for first responders and others who experience secondary trauma associated with opioid-related emergency events.

Risk Pool Takeaway:
Wellness investments can reduce preventable incidents and long-tail exposure.

Eligible Public Safety Investments That Reduce Risk

Policy + Procedures (Keep Current + Test Regularly)

Maintain up-to-date, jurisdiction-ready policy/procedure standards
Test/validate understanding (scenario-based drills or daily reviews)
Document distribution + acknowledgments to reduce “outdated training” liability

Online Training (CE-Eligible + High-Risk Topics)

Courses that support CEU requirements and recurring high-risk training needs
Opioid response, de-escalation, exposure safety, and other high-risk areas

Assignment + Completion Tracking (Proof, Not Promises)

Centralized assignment, completion, and acknowledgment records
Dashboards/exports to support audits, QA, and claims defensibility

Field Training (FTO) Modernization

Digital observation/evaluation workflow that documents coaching and progress
Standardizes field readiness and reduces training-related exposure

Performance Visibility & Early Flags

Leadership reporting to spot trends and risk signals early
Supports proactive intervention and accountability

Wellness & Resiliency Supports

Confidential resources + program support (peer support / secondary trauma)
Strengthens readiness and reduces burnout-driven risk

**Program-level controls:
policy + training +
tracking + wellness.**

Risk Pool Takeaway:
These fund “high-risk controls”
that make safe practice
repeatable and provable—
especially **policy/procedure
currency + regular testing**—
reducing loss drivers and
strengthening defensibility.

How Risk Pools Activate Settlement Funds

Educate decision-makers (your biggest lever)

City/County leader briefing: “Eligible uses that reduce claims and stabilize costs”

Member webinar: police/fire leadership + HR + training leads

Myth-busting FAQ: grant vs. settlement, what’s eligible, what “abatement” means

What-to-fund checklist: policy • training • readiness • wellness • documentation

Provide a ready-to-use Risk Control Menu

Defensible Practice: policy + training + documentation

Exposure Safety + Response Readiness: PPE/procedures/overdose protocols

Wellness + Resiliency: peer support, secondary trauma mitigation

Field Training Modernization: FTO consistency + evaluations

Performance Visibility: completion • trends • risk signals

Give members “ready-to-submit” tools

Justification template tied to allowable-use language

Documentation checklist: what to track • retain • report

Optional: one-page sample submission leaders can copy/edit

Risk Pool Takeaway:
You don’t have to build this alone.
Risk pools have direct access to city/county decision-makers—and Lexipol can support any step, from 1:1 strategy to member education.

Q&A: Turning Settlement Funds into Risk Reduction

Eligibility, local decisioning, documentation, project menu

Research Starting Points

opioidsettlementguides.com

nationalopioidsettlement.com

Search: KFF Health News “opioid settlement cash by locality”

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