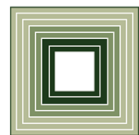


# **DIVISION OF ADULT CORRECTION:**

## **Correction Enterprises Inmate Medical**

**John Poteat, Senior Fiscal Analyst  
Fiscal Research Division**

March 6, 2013



**FISCAL RESEARCH DIVISION**  
A Staff Agency of the North Carolina General Assembly



*Not Just Making It Right. Making It Better.*

## II. Correction Enterprises

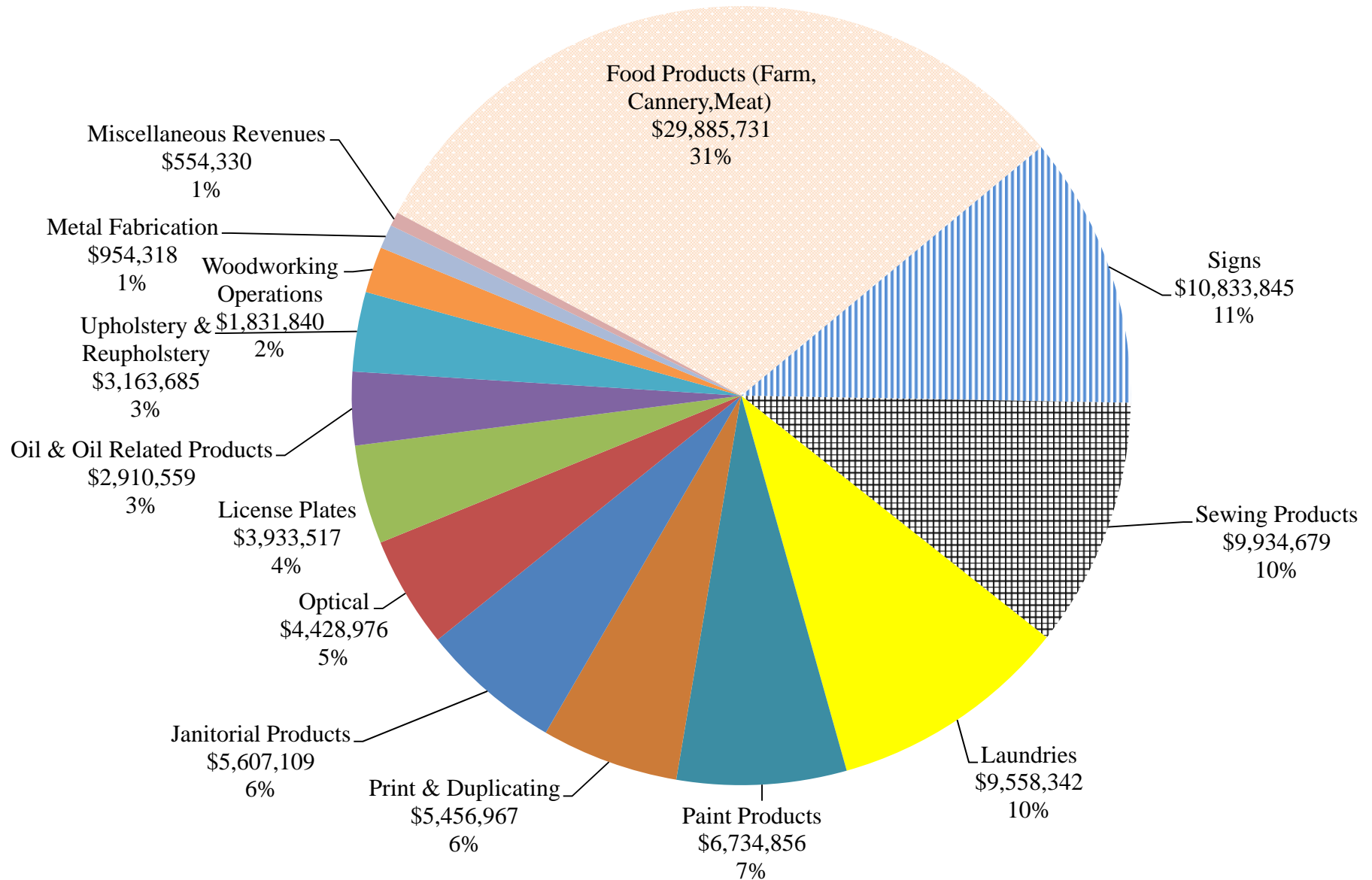


# Correction Enterprises

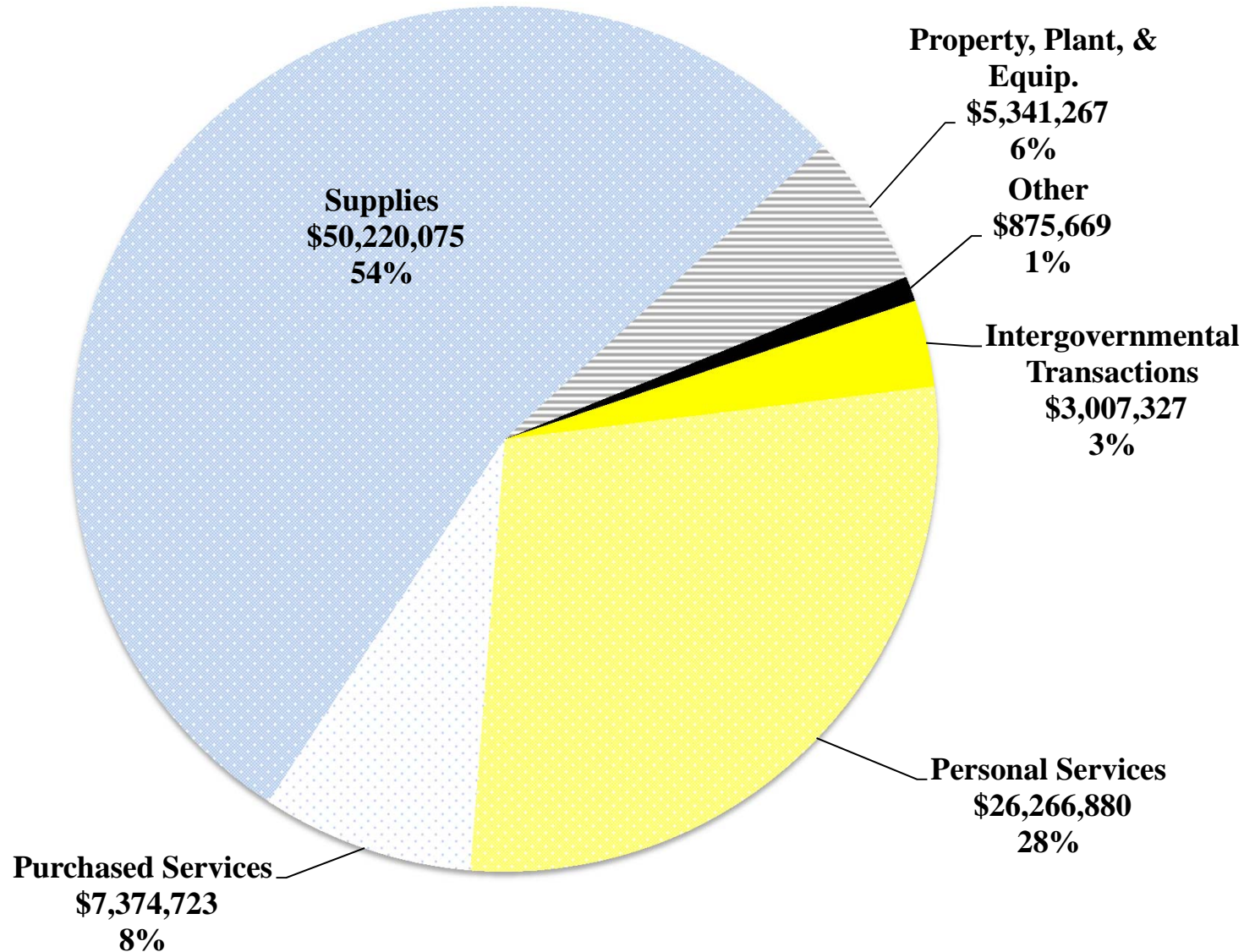


- **2<sup>nd</sup> largest** prison industry in the nation
- 17 industries at 24 plants generated \$95.8 million in revenue
- 385 employees and 2,234 inmate employees
- Largest Customers
  - DPS: 57%      DOT: 25%      Other State Agencies: 11%

## FY 2011-12 Enterprise Sales=\$95.8 million



## Correction Enterprise FY 2012-13 Authorized Budget



# Correction Enterprises Transfers & Payments

## **Intergovernmental Transfers: \$3,701,909**

- General Fund: \$500,000
- Crime Victims: \$202,613
- DAC General Fund: \$3.06 million

## **Inmate Labor: \$6.3 million**

- Incentive Wages: \$3.5 million
- Correction Enterprise: \$2.8 million



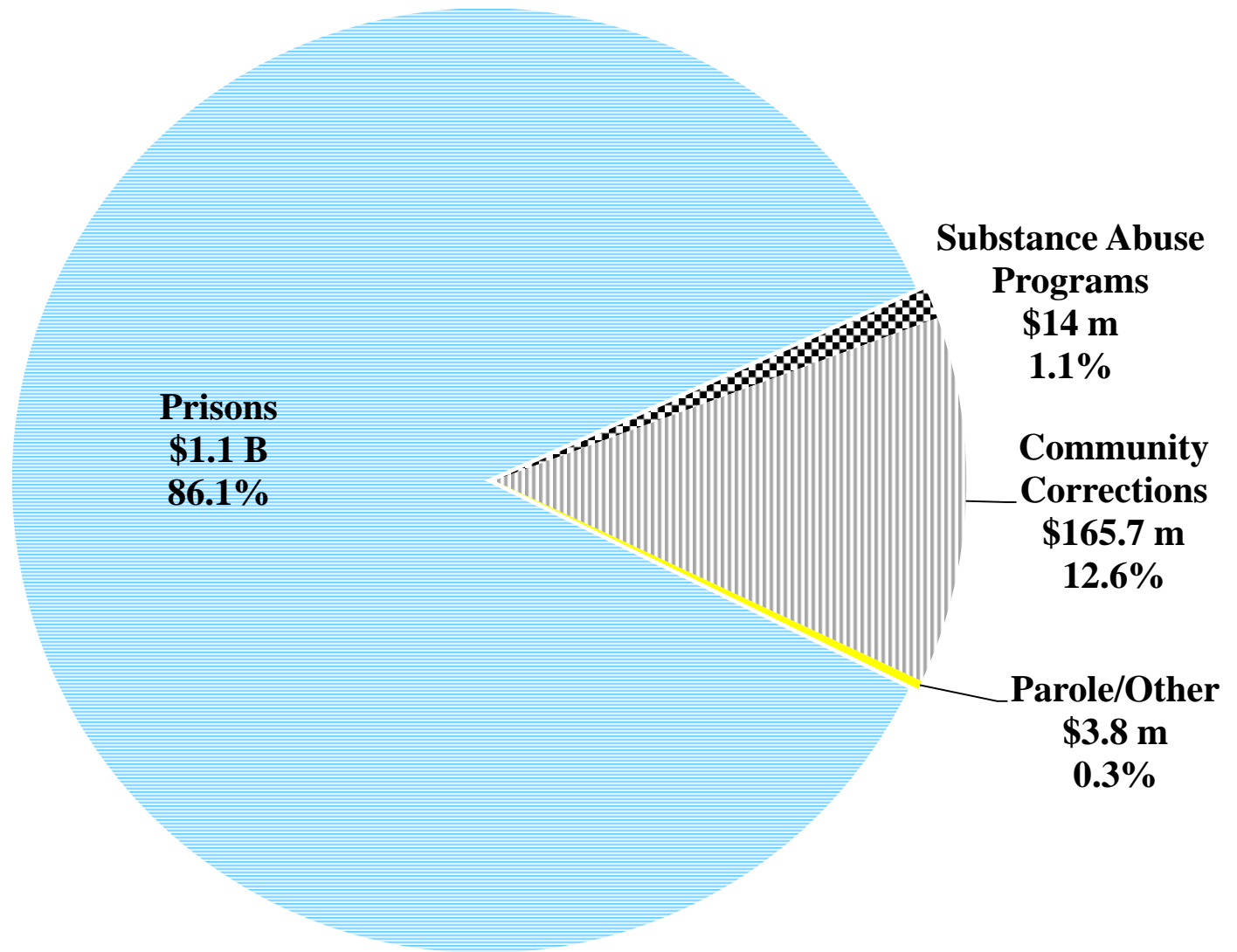
# Correction Budget Presentations

- **Today:** Inmate Medical
- **Tomorrow:** Community Corrections



# FY 2012-13 Adult Correction Authorized Budget

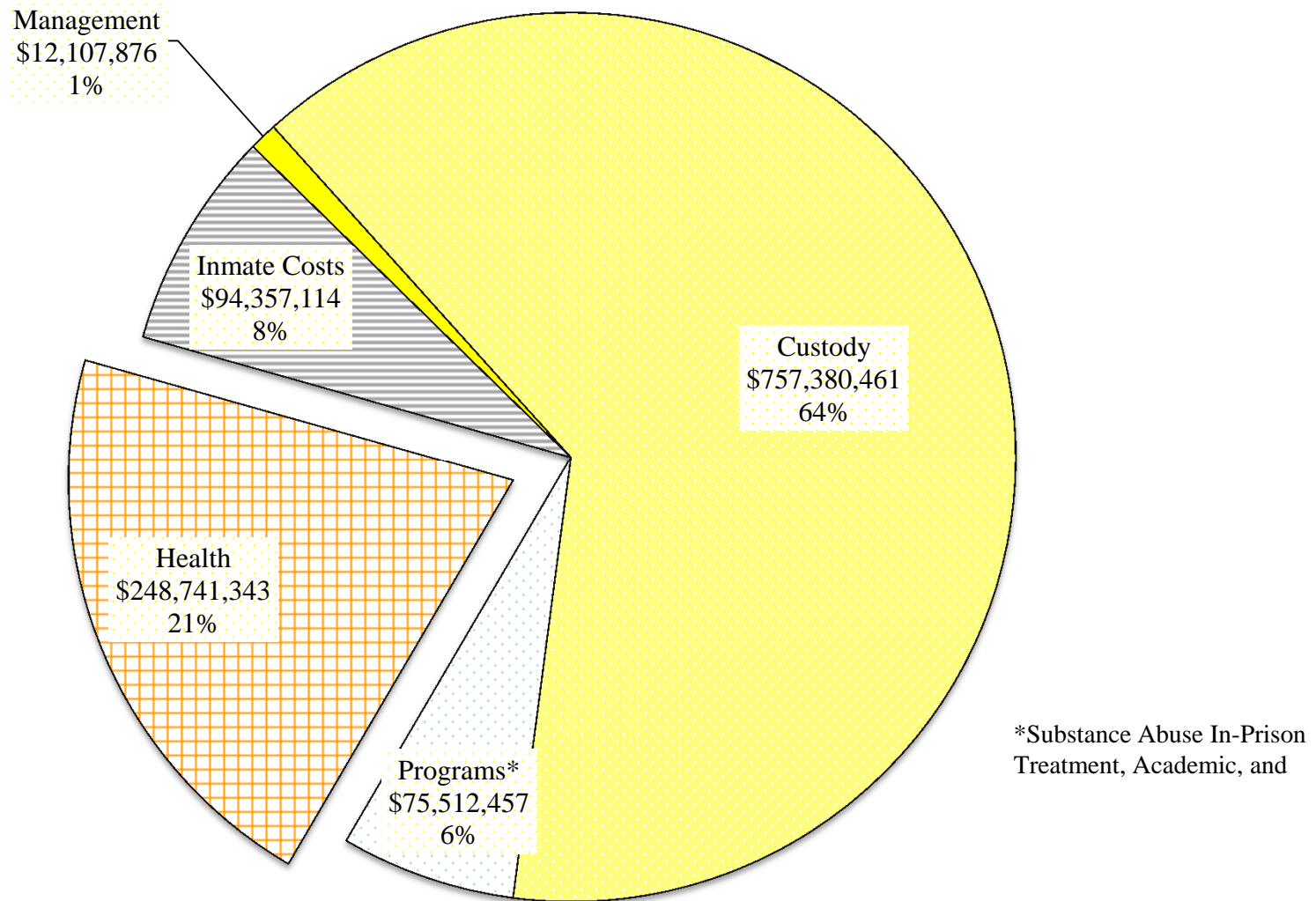
**\$1.3 Billion**





# Prisons FY 2012-13 Authorized Budget

**\$1.2 Billion**



Source: OSBM Continuation Budget



# Today's Presentation

- I. Statutory Requirements**
- II. Budget Drivers**
- III. Cost Containment Efforts**
- IV. New Hospitals**
- V. Medical Release**



# I. Statutory Requirements

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**G.S. 148-19. Health services .** The general policies, rules and regulations of the Division of Adult Correction of the Department of Public Safety shall prescribe standards for health services to prisoners, which shall include preventive, diagnostic, and therapeutic measures on both an outpatient and a hospital basis, for all types of patients.

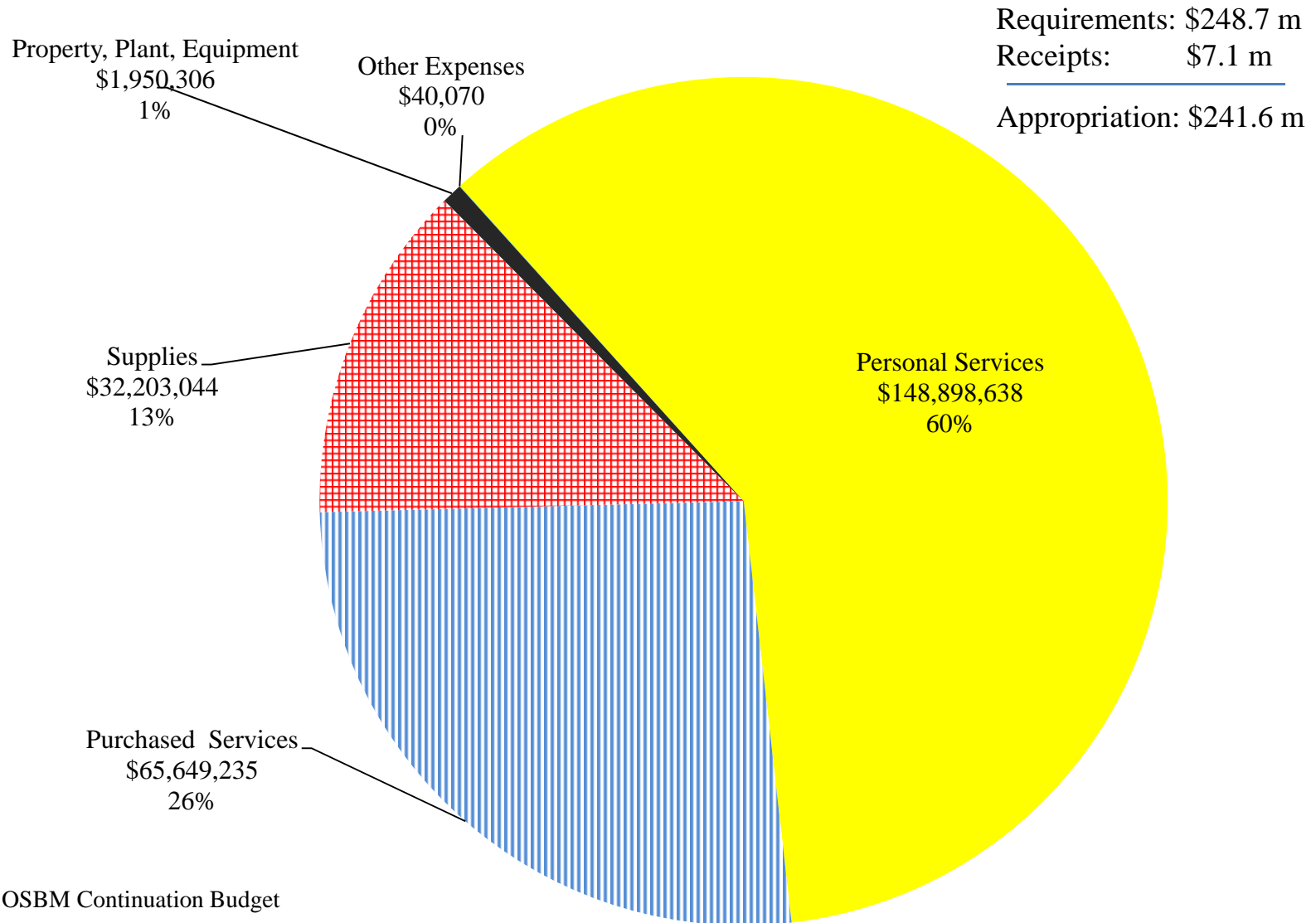


# Community Standard of Care

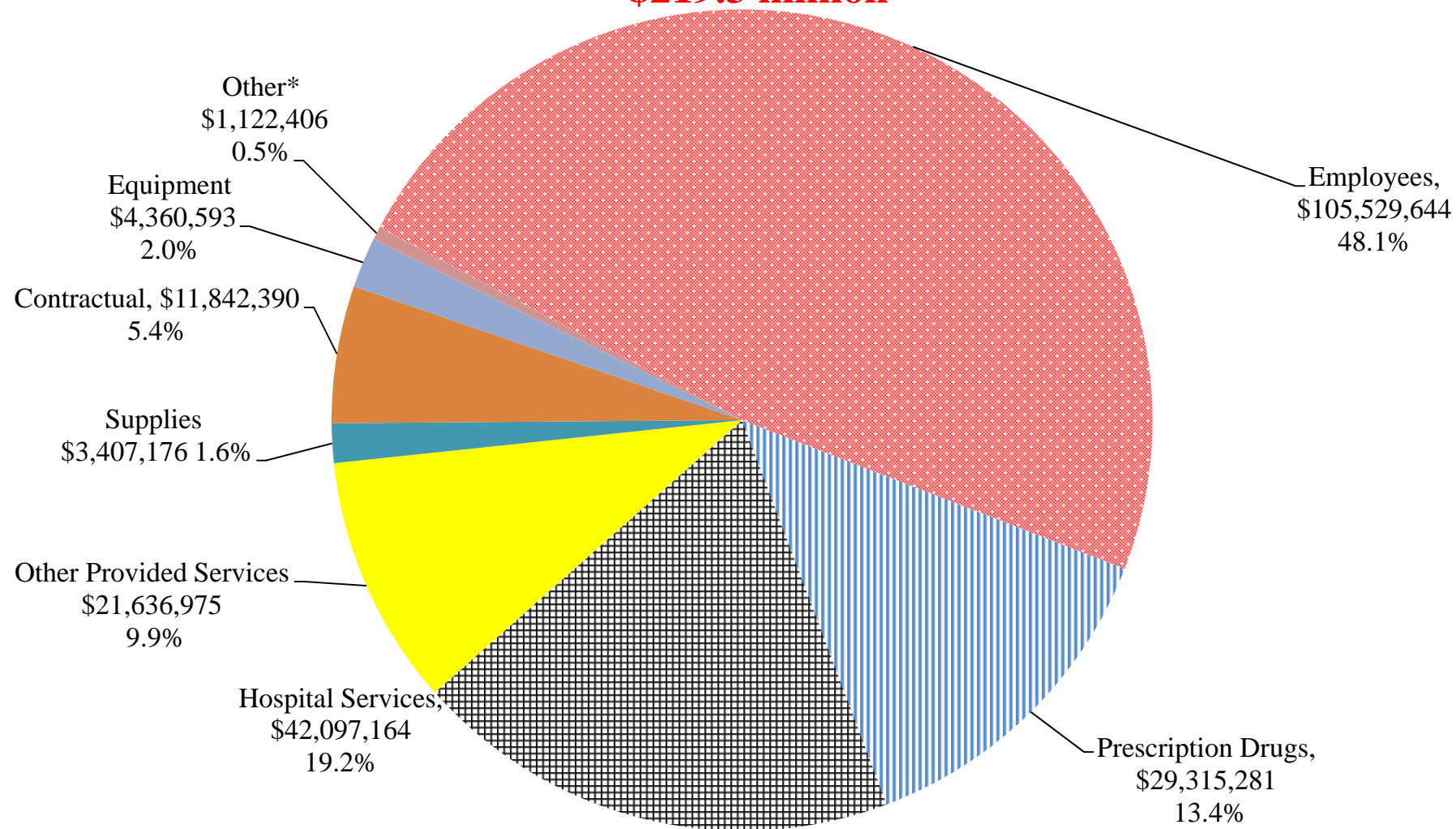
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- DAC is required to provide level of health care necessary to diminish pain and suffering, not elective surgery
  - NC Administrative Code charges the Director of Prisons with responsibility of providing “the services necessary to maintain basic health.”
  - Medley vs. Atkins (1992) stated “The DOC has a duty to provide adequate medical care to inmates in its custody.”
  - G.S. 148-19 directs that DOC prescribe standards for health services and that the Commission on Mental Health adopt standards for delivery of mental health and mental retardation services

## 2012-13 Health Authorized Budget \$248.7 million



## FY 2011-12 Health Expenditures \$219.3 million



- includes Other Expenses & Misc Contracts

Source: Prisons, Health Services Expense Report FY 2011-12

# Executive Summary of Inmate Medical



Kanin

*"Hey, Sisyphus, when you've got a minute I'd like to discuss this progress report with you."*





## II. Budget Drivers



## Aging of the Inmate Population: Inmates 60 years and above



Source: DPS, Research & Planning, June 30

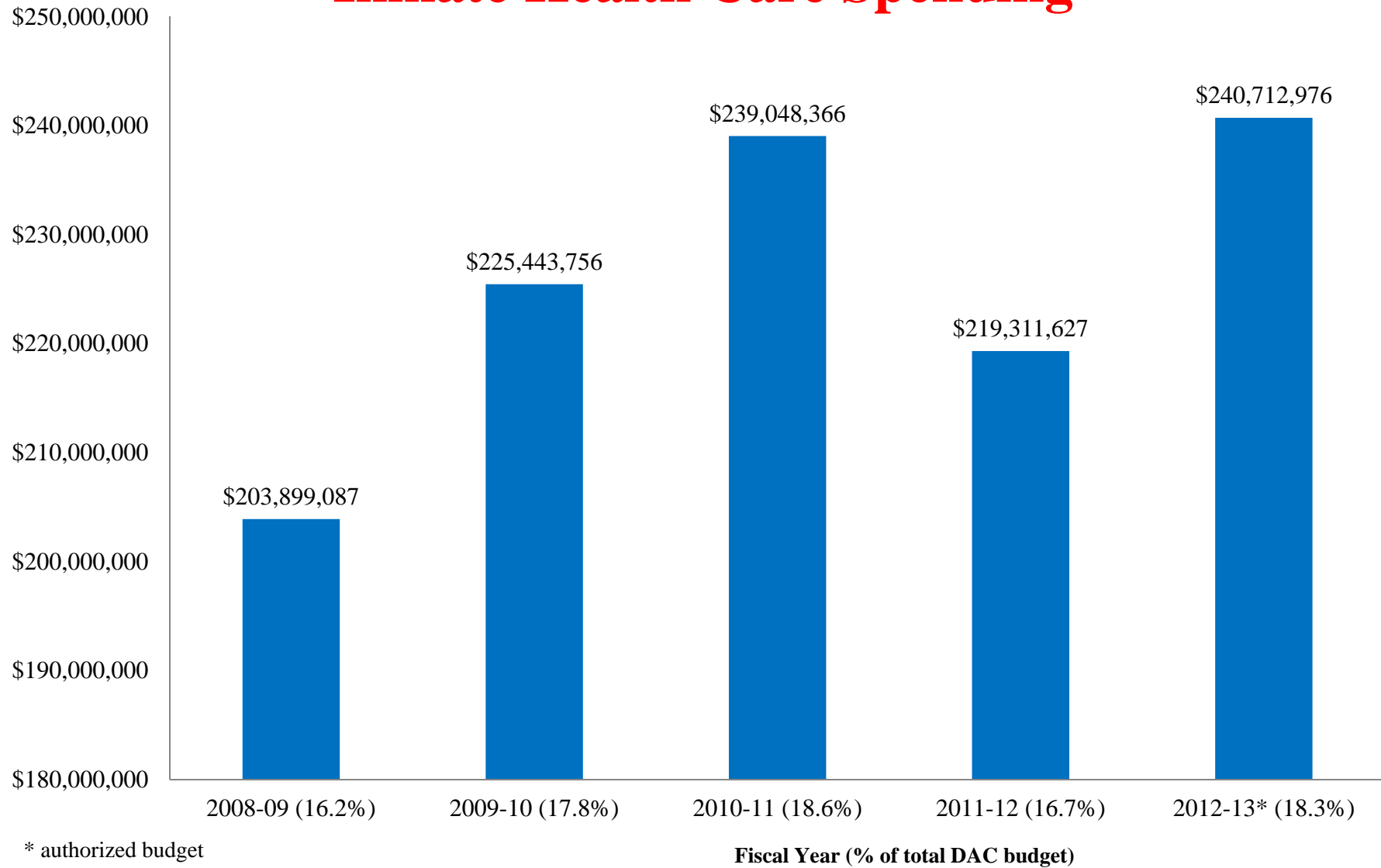


# Health Care Cost Drivers

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- **Aging of the population**
  - 1,473 inmates are 60 years or older (4%)
  - 260 inmates are above 70
- **Chronic Disease**
  - Cardiovascular Disease (Heart Attacks, Congestive Heart Failure, Strokes, Angina,)
  - Hypertension
  - Diabetes
  - Chronic Lung Disease (asthma, emphysema)
  - Seizures
- **Health of inmates**

# Inmate Health Care Spending



## Spending Changes, FY 2007-08 to FY 2011-12

<b>General Health</b>	<b>FY 2007-08</b>	<b>FY 2011-12</b>	<b>% Change</b>
Contractual	\$11,888,316	\$11,842,390	-0.4%
DAC Employees	\$95,119,243	\$105,529,644	10.9%
Hospital Services	\$59,110,273	\$42,097,164	-28.8%
Other Provided Services	\$34,322,389	\$21,636,975	-37.0%
Prescription Drugs	\$23,824,851	\$29,315,281	23.0%
Other Supplies	\$3,159,968	\$3,407,176	7.8%
Equipment	\$823,287	\$4,360,593	429.7%
Other Expenses	\$3,067,938	\$1,122,406	-63.4%
<b>TOTAL</b>	<b>\$231,316,265</b>	<b>\$219,311,629</b>	<b>-5.2%</b>

Source: Prisons, Health Services Expense Report, FY 10-11 and FY 2011-12

# FY 2011-12 Health Expenditure Categories

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## DOP Employees: 53% (2,142 FTE)\*

- Doctors/Dentists: 105
- Nursing positions: 1,319
- Medical Records: 168
- Pharmacy: 96
- Dental Assts./Hygienists: 75
- Psychiatrist/Psychologist 107.50

\*Positions are based upon December 31, 2012 BO 149 Beacon report

# **FY 2011-12 Health Expenditure Categories**

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## **Hospital Providers: 21% (100 hospitals)**

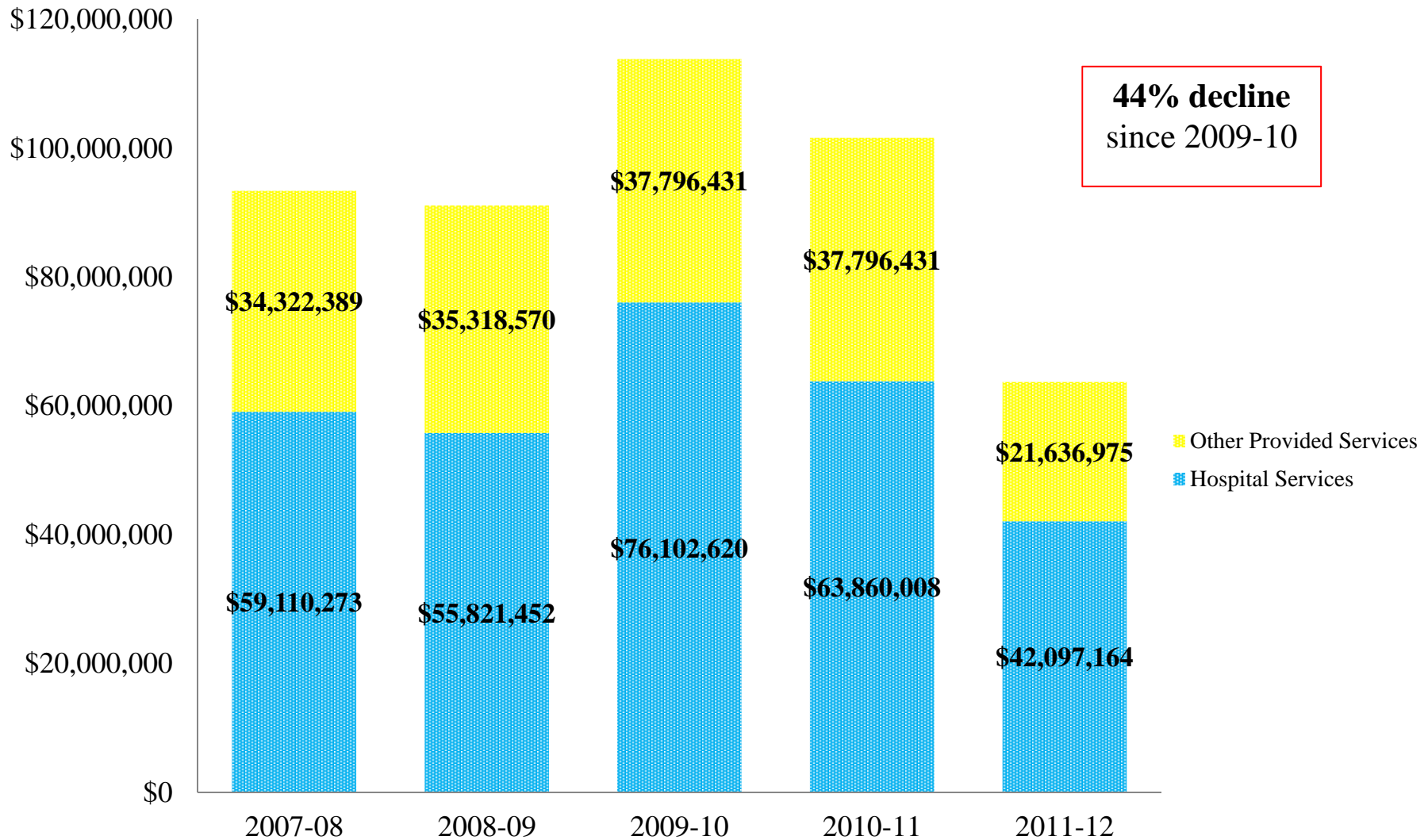
- 12,580 claims for 7,960 inmates
- 4 hospitals account for 51% of claims
- 7 hospitals were paid more than \$1 m (69% of total)
- 51 hospitals saw 20 patients or fewer

## **Other Providers: 11%**

## **Prescription Drugs: 15%**



## Decline in Hospital and Provider Payments



Source: Prisons, Annual Health Expense Reports



### III. Cost Containment Efforts



## S.L. 2009-451, Section 19.20

- Obtain inmate health care services through State Health Plan provider network
  - Issue RFP to privatize inmate health care
  - Consult with Division of Medical Assistance to develop protocols Medicaid eligible inmates
  - Hospital Utilization report
- 
- Technical Corrections bill eliminated the State Health Plan provision

## S.L. 2010-31, Section 19.6.

- 70% of amount charged based on the schedule of “usual and customary charges in effect for all other patients as of July 1, 2010.”
  - Consult with Division of Medical Assistance to develop protocols for Medicaid-eligible inmates
  - Hospital Utilization report
- 
- \$20.5 recurring budget reduction
  - Limited effect because providers would not share their billed charge lists
  - DOC and DMA developed a Memorandum of Understanding (M.O.U.) for Medicaid-eligible inmates.

## S.L. 2011-145, Section 18.10

- DOC will pay 70% of billed charges or Twice the Medicaid rate, unless they have a more advantageous contract
  - Hospital Utilization report
- 
- \$3 million recurring budget reduction for a shift in payments for Medicaid eligible inmates

## S.L. 2012-142, Section 14.2

- Repeals 2009 inmate health care privatization RFP directive
  - Hospital Utilization report
- 
- Department pursued a RFP to privatize all of the inmate health care services
  - \$9.6 million recurring reduction as part of Department's Management Flexibility cut

# Medicaid Eligibility

- Agreement with DMA provides that DAC will pay the “State” portion of Medicaid:
  - inmates who are determined to be eligible
  - Treated in an inpatient setting in a hospital for 24 hours or longer
- FY 2010-11: **12%** of admissions determined to be eligible
- FY 2011-12: **45%** of admissions determined to be eligible
- May 2012 State Auditor’s Report: \$10 m in potential savings for February 1, 2011-January 31, 2012



# Bending the Curve:

## Hospital & Other Provider Payments

FY	Billed	Paid	%
FY 2009-10	\$119 m	\$90 m	75%
FY 2010-11	\$114 m	\$75 m	66%
FY 2011-12	\$89 m	\$48 m	54%

Medicaid pays on costs, not charges. Therefore, “Twice Medicaid” equals average of **39% of charges**.

Source: DAC Managers' meeting presentation (12/5/12)

## IV. New Hospitals

### Central Prison Hospital (Fall 2011)

- \$153.7 million
- 554 positions
- Medical Center: 120 beds
- Mental Health Facility: 216 beds



**Estimate: 30% *reduction* in the number of inmates requiring external services** (hospitalizations, chemotherapy, PT, CT scans)

**Contract with UNC to staff 18 specialty clinics**



# New Hospitals

## **NC Correctional Institution for Women Hospital**

- **\$48.3 million**
- **227 positions**
- **Medical beds: 80 beds**
- **Mental Health: 70 beds**

# V. Medical Release

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## S.L. 2008-2 (SB 1480)-Medical Release

- Directs DAC and the Parole Commission to provide for the medical release of:
  - Permanently and totally disabled
  - Terminally ill
  - Geriatric
- Offenders who have committed certain offenses are not eligible
- Once these criteria are met, DAC will forward the case to the Parole Commission for consideration
- Parole Commission will review the Medical information, Psychosocial Information, and Risk Assessment

## VI. Medical Release

	12/15/08- 12/31/12
Proposed	78
Considered	78
Denied	8
Other	6 -1 completed sentence -4 died -1 placement did not work
Released	64



