PROGRAM EVALUATION DIVISION
NORTH CAROLINA GENERAL ASSEMBLY

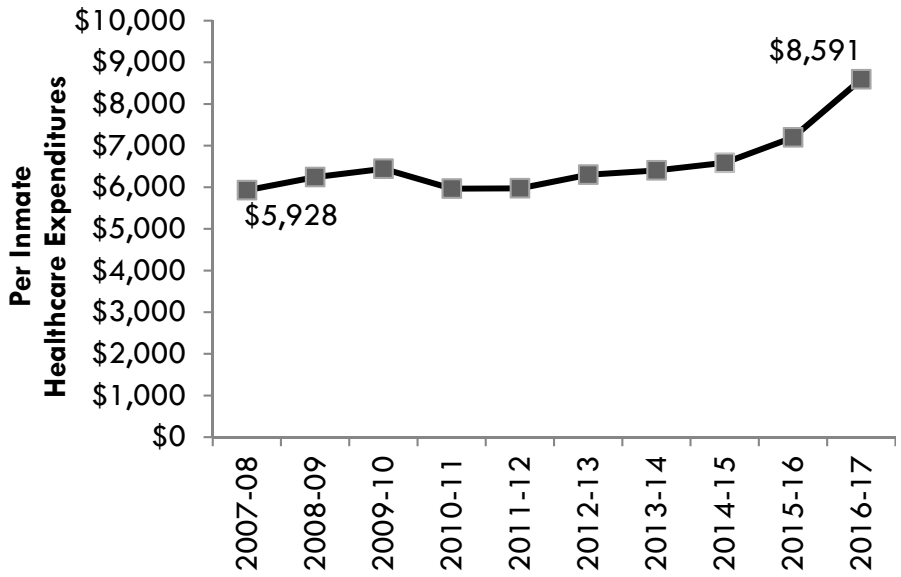
October 2018 Reports 2018-8 through 2018-11

Digest: Four Program Evaluation Division Reports on Efficiency and Economy of Inmate Healthcare Services

The 2015–17 Work Plan of the Joint Legislative Program Evaluation Oversight Committee directed the Program Evaluation Division to examine the efficiency and economy of medical and dental services provided for North Carolina state prison inmates. The U.S. Supreme Court has found that prisoners have a constitutional right to adequate medical attention and services. In North Carolina, the Department of Public Safety's Health Services division (DPS Health Services) provides health services for inmates. Compared to the general citizenry, costs of inmate healthcare are higher for a number of reasons including care deficits/previously untreated preexisting conditions; inmates seeking health services for secondary gains (e.g., relieving boredom or avoiding work); prevalence of communicable diseases such as hepatitis and HIV/AIDS, mental health issues, and substance abuse; and the increasing proportion of inmates age 50 or older.

Total spending for inmates has increased by 19% in the last 10 years, from $1.1 billion in Fiscal Year 2007–08 to $1.3 billion in Fiscal Year 2016–17. Much of that growth is attributable to healthcare expenditures, which have grown at double the rate (38%) of total spending on inmates in the last decade, from $233 million in Fiscal Year 2007–08 to $322 million in Fiscal Year 2016–17. The average annual cost of providing health services to a single inmate has increased by 45% ($2,663) during the past 10 years, from $5,928 to $8,591 per inmate.

North Carolina Spent 45% More on Health Services Per Inmate in Fiscal Year 2016–17 Than It Did 10 Years Ago



The four reports in this series identified potential savings of over $19 million annually:

1. **Improvements to Inmate Healthcare Reimbursement and Internal Processes Could Save $5.6 Million Annually**
2. **Modifications to Inmate Pharmacy Purchasing and Monitoring Could Save $13.4 Million Annually**
3. **Inadequate Data Collection and Cost Recovery Practices Limit Economy of Healthcare for Safekeepers**
4. **Modifying Criteria for North Carolina's Medical Release Program Could Reduce Costs of Inmate Healthcare**

Report 1: Improvements to Inmate Healthcare Reimbursement and Internal Processes Could Save $5.6 Million Annually

Finding 1: The Department of Public Safety's Health Services division undertakes activities to promote efficiency and effectiveness but due to a lack of planning, analysis, and oversight cannot empirically demonstrate past or anticipated successes. The work of DPS Health Services is conducted with an ineffective performance management system that lacks formal monitoring and reporting mechanisms. DPS has undertaken several efforts to reduce the costs of inmate healthcare, but these initiatives often fail to include projected and achieved cost savings. DPS Health Services also lacks staff to perform data collection and analysis that could assist in identifying factors that increase costs.

Recommendation 1. The General Assembly should consider establishing a position within DPS Health Services to support better use of data for performance measurement and management of methods to contain inmate healthcare costs.

Recommendation 2. The General Assembly should direct DPS Health Services to establish a formal electronic process of supply inventory management for prison facilities that includes continually tracking medical supplies and products, determining adequate supply levels, and performing effectiveness audits.

Recommendation 3. The General Assembly should direct DPS Health Services to develop a feasibility and implementation plan for Central Prison Healthcare Complex that includes methods to increase the facility's utilization.

Finding 2. The Department of Public Safety's Health Services division is partially funded through a structural deficit, and its aggregated budgeting method limits accountability of inmate healthcare services. DPS Health Services consistently exceeds its annual state appropriation and must rely on lapsed salary funds from other units within the department to fully fund operations. In Fiscal Year 2016–17, 22% ($69.7 million) of DPS Health Services expenditures were funded through lapsed salaries. Additionally, DPS Health Services's method of budgeting does not facilitate analysis of expenditures by prison, and the limited data that is available by prison does not always accurately reflect actual health services expenditures.

Recommendation 4. The General Assembly should consider realigning the base budget for DPS Health Services and should direct the division and DPS to develop a unified method of budgeting at the prison-specific level for the health services DPS provides.

Finding 3. Statutory and contractual payment arrangements for outside inmate healthcare services are more generous for providers in North Carolina than in several other states; modifying terms could save the State $4.1 million annually. The State's statutorily required Medicaid reimbursement rate for community providers is double the rate used by several other states and represents an opportunity for annual cost savings of at least $2.6 million. Further, the State's contracts with two hospital providers specify reimbursement at rates that exceed those established in statute. Reducing these two systems' reimbursement rates to current statutory rates would maintain an incentive already favorable to the providers in order to ensure continued access to care but could still save the State approximately $1.5 million annually. Additionally, DPS is statutorily allowed to audit outside providers to ensure payments are made based on actual prevailing charges but chooses not to exercise this authority, leaving the State at risk for overpayment.

Recommendation 5. The General Assembly should modify state law to reduce reimbursement rates paid to outside providers, direct DPS to modify information reported on claims, amend its contracts with two providers, and conduct internal audits of prevailing charges for outside services.

Reducing Reimbursement Rates for Outside Providers Could Save At Least $4.1 Million Annually

Recommended Outside Provider Payment Revision	Fiscal Year 2012-13	Fiscal Year 2013-14	Fiscal Year 2014-15	Fiscal Year 2015-16	Fiscal Year 2016-17
Rate Revision for Non-Contracted Providers	$ 2,691,742	$ 3,082,959	$ 3,821,687	$ 3,614,515	$ 2,637,315
Rate Revision for Two Contracted Providers	1,304,924	1,477,931	2,250,025	2,662,896	1,490,558
Total	**$ 3,996,665**	**$ 4,560,889**	**$ 6,071,712**	**$ 6,277,410**	**$ 4,127,874**

Finding 4. DPS Health Services's processes for inmate Medicaid enrollment lack oversight and controls and have failed to realize potential cost savings to the State of approximately $136,000 per year. North Carolina receives partial payment when Medicaid-eligible inmates receive inpatient services for 24 hours or more at community facilities. To qualify for Medicaid, inmates must receive 24 hours of service at an inpatient facility and meet other eligibility criteria (such as being under 21, over 65, or disabled). However, the effectiveness of the pre-screening process DPS Health Services uses to determine whether to submit an application is likely limited by minimal Medicaid policy training as well as limited data collection and analysis of eligibility determinations.

The Program Evaluation Division identified instances in which DPS Health Services social workers failed to submit Medicaid applications for inmates who would have likely qualified for Medicaid, potentially resulting in unnecessary state expenditures. DPS also failed to pursue federal funds for Medicaid enrollment activities that could save the State approximately $120,000 annually. Further, DPS Health Services has not used existing electronic means of submitting Medicaid applications to county departments of social services, resulting in additional unnecessary expenditures.

Recommendation 6. The General Assembly should direct DPS Health Services, in conjunction with the Department of Health and Human Services, to obtain federal reimbursement for Medicaid eligibility activities and direct DPS social workers to regularly receive formal Medicaid policy training.

Recommendation 7. The General Assembly should direct DPS Health Services to collect and analyze data on the disposition of Medicaid applications and to electronically transfer applications and accompanying documentation to county departments of social services.

Finding 5. Prison locations and work environments contribute to chronic vacancies in the inmate healthcare workforce, resulting in the use of more expensive contract staff that cost $25 million in Fiscal Year 2016–17. The work environment and geographic locations of prisons present challenges in recruiting and retaining staff to provide inmate healthcare. As of June 2017, among a total workforce of 2,167 positions, DPS Health Services had 419 vacancies, many of which were medical personnel positions vacant for a year or longer. DPS Health Services has taken several actions to reduce these vacancies but has not measured the effectiveness of these efforts. These vacancies lead DPS Health Services to rely on outside contract staff to provide inmate health services within prisons, which cost $25 million in Fiscal Year 2016–17. Reliance on these higher-cost contract staff creates disincentives in filling vacancies. The 2017 Appropriations Act requires DPS to identify and eliminate 196 vacant state nursing positions and subsequently use these funds for contract positions, which the Program Evaluation Division estimates will lead to 47 fewer nurses serving prisons because of the higher rates paid to contract nurses.

Recommendation 8. The General Assembly should direct DPS Health Services, in consultation with the Office of State Human Resources, to perform a salary study of inmate healthcare-related positions and report anticipated costs and savings from identified recruitment and retention initiatives.

Finding 6. Limited use of existing telemedicine resources contributes to unnecessary expenditures for outside provider visits and associated transportation costs. Telemedicine has been implemented by many

other state departments of corrections as a cost-containment tool. DPS Health Services estimates that it provides approximately 97% of psychiatric encounters through telemedicine, yet the potential of this technology is not being sufficiently realized for the provision of physical health services. An agreement between DPS Health Services and the University of North Carolina Health Care System (UNCHC) in 2012 specifies telemedicine was to be developed and expanded, but UNCHC has only provided one service at one prison facility through telemedicine since that time. In addition, DPS Health Services has initiated a pilot program with a private vendor to provide general health telemedicine services but has failed to estimate anticipated associated cost savings.

Recommendation 9. The General Assembly should direct DPS to establish policies and procedures identifying common physical health services that can be performed via telemedicine, establish metrics relating to its current telemedicine pilot program, and submit an implementation plan and business case for expanding the pilot.

Report 2: Modifications to Inmate Pharmacy Purchasing and Monitoring Could Save $13.4 Million Annually

To support the medication needs of inmates, DPS Health Services operates three pharmacies. Pharmacy expenditures for inmate healthcare have increased 88% ($33.9 million) in the last five years, the highest percentage change of any programmatic health services area.

Finding 1. Failure to participate in the 340B program causes North Carolina to pay more for inmate prescription medications than necessary. DPS Health Services purchases medications at discounted rates through participation in a multi-state purchasing consortium. An additional purchasing arrangement, the 340B program, exists at the federal level and also gives participating entities significant savings on medication purchases. In a 2015 memorandum to select General Assembly oversight committees, DPS failed to identify all opportunities available to the State for purchasing inmate medications through the 340B program. Program Evaluation Division interviews with other states and experts reveal that at least 16 state departments of corrections use a 340B arrangement. Should DPS be required to pursue 340B participation for two high-cost groups of medications, the Program Evaluation Division estimates DPS Health Services would realize initial annual savings of approximately $13.3 million and could save even more in future years with the addition of other types of medications. Implementing such a program would require the willing collaboration of both DPS Health Services and a covered entity such as UNC Hospitals.

Recommendation 1. The General Assembly should direct the University of North Carolina Health Care System to modify and expand its 340B program to provide for the purchasing of certain inmate medications in cooperation with the Department of Public Safety.

North Carolina Could Save Approximately $13.3 Million Annually by Using a 340B Program to Purchase HIV/AIDS and Hepatitis C Medications

Use	DPS Cost Range	340B Cost Range	Actual DPS Health Services Spending in 2016-17	Estimated Spending with 340B Program in 2016-17	Potential Annual Savings
Hepatitis C	$15,647 to $24,272	$12,619 to $17,733	$18,143,789	$14,418,699	$ 3,725,089
HIV	$1,378 to $2,592	$355 to $817	$13,536,524	$ 3,941,457	$ 9,595,067
Total			**$ 31,680,312**	**$18,360,156**	**$13,320,157**

Finding 2. The Department of Public Safety cannot ensure the effectiveness of state expenditures for high-cost medications because current DPS policies allow inmates to keep some high-cost medications on their person. DPS Health Services does, to some degree, consider the cost of a medication in determining whether it allows inmates to keep the medication on their person or requires the medication to be administered by a DPS Health Services staff member. However, DPS Health Services allows certain expensive medications to be kept on an inmate's person. Because DPS Health Services cannot ensure these medications are taken as intended, it cannot ensure the State's expenditures on these high-cost medications are effective.

Recommendation 2. The General Assembly should direct DPS Health Services to revise its medication administration protocol to require each supply of certain medications worth more than $1,000 be designated as Direct Observation Therapy.

Finding 3. DPS does not collect sufficient data to take corrective action when medications are lost during inmate transfer. DPS Health Services pharmacies replace medications lost or damaged for a variety of reasons. DPS Health Services reports that medication lost while transferring an inmate from one prison to another represents a primary cause of medication loss expenditures. In Fiscal Year 2016–17, approximately $115,665 in prescription losses occurred during inmate transfer. Medication loss management reports fail to provide information sufficient to facilitate corrective actions by DPS staff. The lack of oversight of this process likely contributes to unnecessary expenditures to resupply these prescriptions.

Recommendation 3. The General Assembly should direct DPS to collect additional data on medications lost during the inmate transfer process, establish internal oversight, controls, and audit activities to limit such losses, and report annually on such losses to the General Assembly. Such activities would facilitate establishing disciplinary actions for staff responsible for medication losses.

Finding 4. Inadequate data collection and oversight of prescriptions filled at local pharmacies prevents DPS from limiting these expenditures and enforcing its short-supply policy. Instances arise in which DPS Health Services prison staff must obtain medications immediately from a local private pharmacy as they await shipments from Central Pharmacy in Apex. DPS Health Services does not collect systematic information on these local purchases, which often cost more than the price paid through the State's medication wholesale distributor. This lack of data collection prevents staff from ensuring providers adhere to the policy of prescribing a limited quantity of medications for local pharmacies to fill, which could contribute to unnecessary higher-cost expenditures.

Recommendation 4. The General Assembly should direct DPS Health Services to contract with statewide retail pharmacies for local purchasing of limited quantities of medications and develop a data collection and oversight mechanism to ensure adherence to the short-supply policy for local medication purchases.

Finding 5. Relatively few states assess pharmaceutical copayments for inmates, which is likely attributable to a lack of research on the costs and benefits of such copayments as well as national corrections health guidelines regarding adequacy of care. The National Commission on Correctional Health Care recognizes several arguments both in favor of and in opposition to establishing copayments. North Carolina is in the majority of states that charge some form of healthcare copayment to inmates, but the State does not charge copayments for prescription drugs. Thirteen states do charge inmates a copayment for prescription drugs. If North Carolina implemented a $2 pharmacy copayment for inmate prescription medications and supplies, the Program Evaluation Division estimates the State could generate up to $2.5 million each year, which would be reduced if DPS Health Services follows through on its plan to begin selling over-the-counter medications in prison canteens. However, because of a lack of sufficient research and because of concerns raised by national corrections healthcare experts, the Program Evaluation Division is not recommending that North Carolina require prescription copayments for inmates at this time.

Report 3: Inadequate Data Collection and Cost Recovery Practices Limit Economy of Healthcare for Safekeepers

In addition to providing healthcare services to inmates serving sentences in the State's 57 prisons, the Department of Public Safety is also responsible for providing services to certain county jail inmates who have been directed

to a prison for a particular purpose. County inmates who are referred by county sheriffs to a state prison are known as Safekeepers. State law requires county governments to reimburse the State $40 per day for Safekeeper services. County governments also are required to reimburse the State for three additional types of health services provided to Safekeepers while in the State's care.

Finding 1. The Department of Public Safety does not systematically collect, analyze, or report data on usage of healthcare services by Safekeepers. DPS staff contend that Safekeepers spend unnecessarily lengthy stints in state prison facilities and consequently receive significant amounts of health services while held in state custody. However, limited data collection prevents analysis that could determine if county jail inmates sent to state prison facilities as Safekeepers for healthcare purposes could have received adequate health services at a county jail facility. In addition, North Carolina lacks measures such as those used by neighboring states to prevent unnecessary Safekeeping orders or lengthy stays.

Recommendation 1. The General Assembly should direct DPS Health Services to expand the data elements it collects on the Safekeeper population.

DPS Health Services Does Not Systematically Collect Logistical Data on Safekeepers Admitted for Medical Purposes

Logistical Data Element for Safekeepers Admitted for Medical Purposes	Systematically Collected by DPS Health Services
Date on which county drops off Safekeeper	✓
Statutorily-met criterion for Safekeeper admission	×
Name of referring county	×
Date by which DPS Health Services staff believe a Safekeeper no longer needs higher-level health services from a prison and the county can reassume custody	×
Date on which DPS Health Services staff inform a county it believes a Safekeeper no longer needs higher-level health services from a prison and the county can reassume custody	×
Date on which county picks up Safekeeper	✓

Finding 2. Inconsistent billing practices, gaps in policy, and other issues limit the State's ability to receive full reimbursement from counties for internal medical costs incurred by Safekeepers. Several issues inhibit DPS's ability to achieve full reimbursement from counties for Safekeepers' internal medical costs. Billing practices are inconsistent and the cost recovery mechanism offered by the State Misdemeanant Confinement Program is limited. Although the State invoiced counties for $3.3 million in Safekeeper health-related costs in Fiscal Year 2016–17, these billing practices limit the State's ability to recoup its total expenditures.

Recommendation 2. The General Assembly should direct DPS Health Services to revise its rates and ensure consistent billing practices for Safekeeper health services, seek reimbursement for additional health-related Safekeeper costs, and complete Medicaid applications for Safekeepers.

Recommendation 3. The General Assembly should modify state law to change the per diem rate for counties that do not reassume custody of their Safekeepers in a timely manner.

Recommendation 4. The General Assembly should modify state law to prohibit counties that do not reimburse the State in a timely manner for Safekeeper charges from transferring Safekeepers to prisons for medical or mental health purposes.

Recommendation 5. The General Assembly should modify state law related to the processes by which Safekeepers are admitted to prisons for medical or mental health purposes.

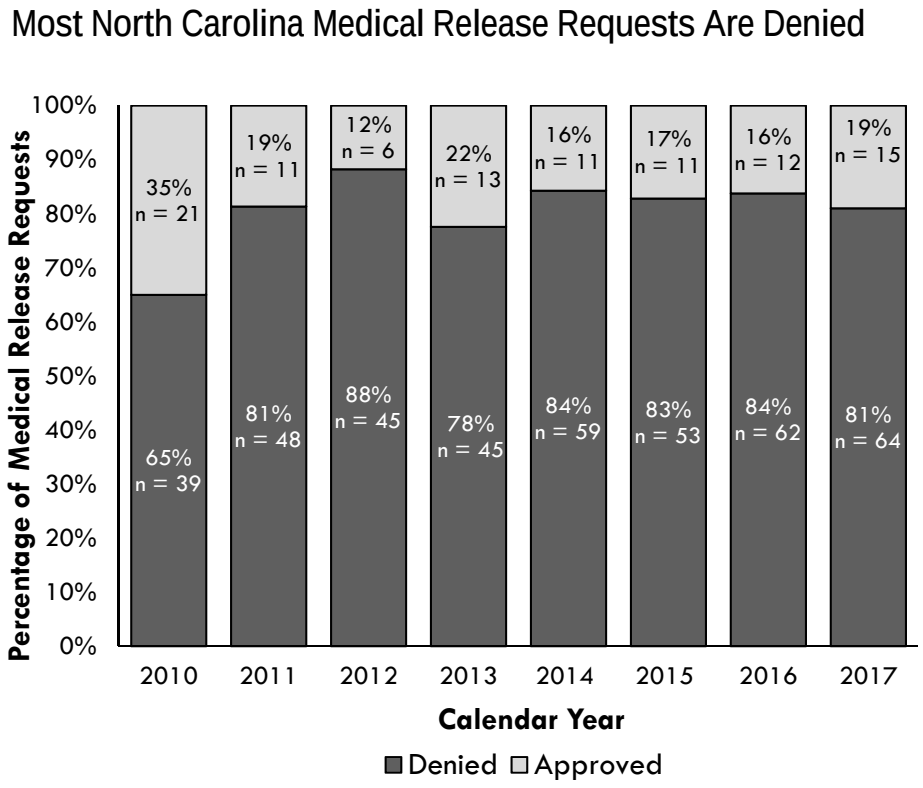
Report 4: Modifying Criteria for North Carolina's Medical Release Program Could Reduce Costs of Inmate Healthcare

Medical release programs—sometimes referred to as compassionate care or geriatric-focused programs—allow for the release of inmates for certain reasons (e.g., age, medical conditions) under specific terms (e.g., parole, furlough). A primary goal of these programs is to reduce healthcare expenditures by departments of corrections through the release of inmates determined to no longer present a risk to society because of their physical conditions. However, savings are often offset to at least some degree by healthcare expenditures incurred for these individuals by other state departments such as a state's Medicaid program.

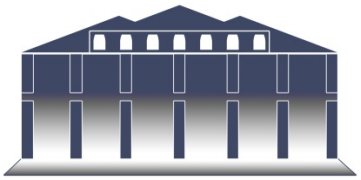
Question 1. What do legislative entities consider when establishing medical release programs? Legislative entities that are considering implementing or modifying medical release programs encounter arguments from advocates and opponents of such programs. Advocates contend that qualifying inmates have lower rates of recidivism and that granting such release could limit corrections departments' healthcare expenditures and shows compassion. Opponents contend medical release programs could present a public safety concern, violate a sense of justice, and could have negative psychological effects on victims.

Question 2. How do North Carolina's eligibility criteria for medical release compare with other states? North Carolina's medical release program requires inmates to be geriatric or meet certain medical criteria, not be convicted of certain violent crimes including sex offenses, and present a low risk to public safety. North Carolina's program grants parole to approved inmates, which can be revoked. North Carolina's exclusion of sex offenders from consideration and its age criterion make the State's program somewhat more stringent than other states.

Question 3. How do the data on determinations for medical release in North Carolina compare with other states? North Carolina releases an average of 13 inmates each year through its medical release program. The number of inmates released in North Carolina is comparable to neighboring states; however, certain states receive significantly more requests and one state approves significantly more requests. These differences could be attributable to the eligibility criteria of those states.



Question 4. How can North Carolina's medical release program be modified to achieve greater cost savings? Three factors may limit North Carolina's ability to achieve greater cost savings from its medical release program for inmates: eligibility requirements, application procedures, and referral and review processes. Modifications to the State's eligibility requirements (such as lengthening the expected lifespan that would qualify an inmate with a terminal illness) could result in more inmates being eligible and approved for medical release, which could result in savings to the State. Some states have explored using dedicated facilities for inmates who qualify for their programs, but potential cost savings are unclear.



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