

Inmate Healthcare Report Series

Report 1: Internal Processes/Reimbursement

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 NC's Medical Release Program Could Reduce Costs of Inmate Healthcare

Total Savings = \$19 Million Annually





Background



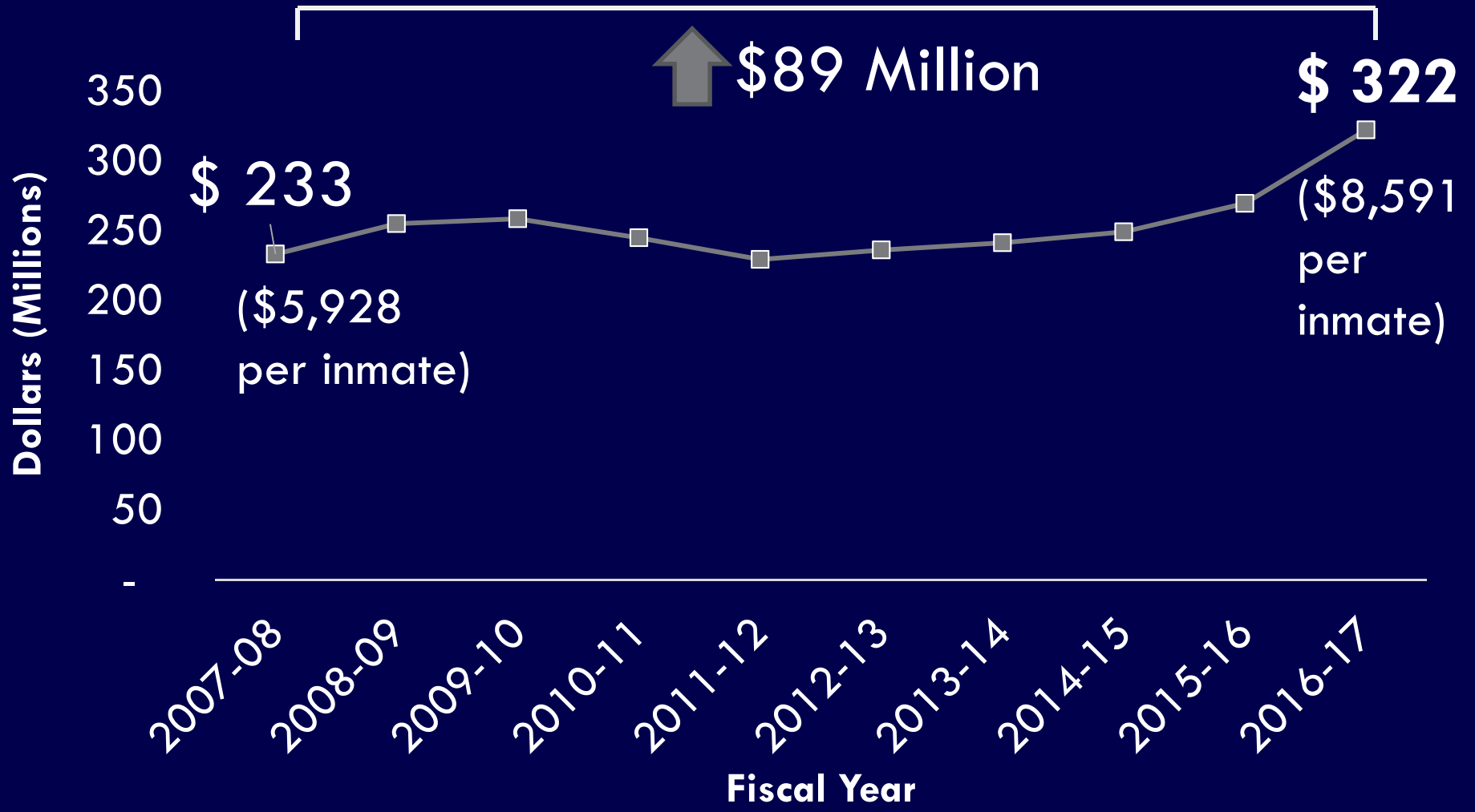
General Prison Background

- The State operates 57 prisons
- Prison population:
 - 37,500 inmates in Fiscal Year 2016–17
- Prison spending:
 - Average cost per inmate is \$35,252/year
 - Total expenditures of \$1.3 billion in FY 16–17
 - \$200 million increase from 10 years ago
 - 44% of this increase is due to increased inmate healthcare spending

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Inmate Healthcare Spending Has Increased by \$89 Million in the Last 10 Years



Findings and Recommendations



Overview of Report 1

| Finding | Recommendation |
|--|--|
| <p>1. Lack of data analysis and oversight prevents demonstration of past or anticipated cost savings efforts</p> | <ol style="list-style-type: none">1. Consider establishing a position to conduct analysis of performance and cost data2. Direct DPS HS to establish a formal electronic process of supply inventory management3. Direct DPS HS to develop a plan to increase usage of Central Prison Healthcare Complex (CPHC) |



Overview of Report 1

| Finding | Recommendation |
|---|--|
| 2. DPS Health Services's funding sources and budgeting methods limit accountability | 4. Consider realigning the base budget for DPS Health Services and direct the division and DPS to budget at the prison level |



Overview of Report 1

| Finding | Recommendation |
|---|--|
| <p>3. Statutory and contractual reimbursement rates are generous for outside providers; modifications could save \$4.1 million annually</p> | <p>5. Modify state law to reduce reimbursement rates paid to outside providers, and direct DPS to reduce contractual rates for two providers</p> |



Finding 3

- NC's Medicaid reimbursement rate is double that of four other states; reducing it could save at least \$2.6 million annually
- Of the 12 contracted entities,
 - Nine are paid at the statutory rate,
 - One is paid below the statutory rate, and
 - Two are paid above the statutory rate
- Reducing two contracted providers' reimbursement terms to those in current law could save \$1.5 million annually
- DPS's decision not to exercise its statutory authority to examine charges billed by any outside facility presents risks to the State

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Recommendation 5

- All non-contracted providers would be paid at the lesser of
 - 70% of billed charges or 100% of Medicaid's current rate
- Contracts with two entities that are currently less favorable to the State should be modified to be the lesser of
 - 70% of billed charges or 200% of Medicaid's current rate
- Report the contractual rates at which providers are reimbursed in quarterly reports submitted to legislative committees
- Conduct random audits of high-volume providers to ensure they are billing at prevailing rates

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Overview of Report 1

| Finding | Recommendation |
|--|---|
| <p>4. Medicaid enrollment processes lack oversight and controls; modifications could save the State \$136,000 annually</p> | <p>6. Direct DPS Health Services to work with DHHS to obtain federal reimbursement for Medicaid activities and receive regular policy training</p> <p>7. Direct DPS Health Services to collect and analyze data on Medicaid applications and submit applications electronically</p> |



Overview of Report 1

| Finding | Recommendation |
|--|---|
| <p>5. Challenges exist in recruiting and retaining prison health services staff; chronic vacancies led the State to spend \$25 million in FY 16–17 on higher-cost contracted staff</p> | <p>8. Direct DPS Health Services and OSHR to perform a salary study of inmate healthcare-related positions and report anticipated costs and savings from identified recruitment and retention initiatives</p> |



Overview of Report 1

| Finding | Recommendation |
|--|--|
| <p>6. Limited use of existing telemedicine resources contributes to unnecessary expenditures for outside provider visits and associated transportation costs</p> | <p>9. Direct DPS to identify common physical health services that can be performed via telemedicine, revise its telemedicine pilot program, and report on anticipated associated savings</p> |



Summary

- Six Findings and Nine Recommendations in the areas of
 - Management and budgeting
 - Payment of outside providers
 - Staffing and telemedicine
- **Total Potential Savings = \$5.6 million**

