



## Legislative Fiscal Bureau

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June 15, 2017

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Corrections: Section 13.10 Request for the Transfer of Funding Between Appropriations -- Agenda Item I

On June 2, 2017, the Department of Corrections submitted a s. 13.10 request for the transfer of \$9,367,900 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) services for drunk driving offenders appropriation (\$3,200,000 GPR); (b) prison contract beds appropriation (\$3,100,000 GPR); (c) fuel and utilities appropriation (\$2,000,000 GPR); (d) serious juvenile offenders appropriation (\$800,000 GPR); and (e) reimbursing counties for probation, extended supervision, and parole holds (\$267,900 GPR).

### ANALYSIS

The Department requests the transfer of funds between appropriations in 2016-17 to address an anticipated shortfall in its general program operations appropriation as a result of continued high inmate health costs. The Department was budgeted \$66,275,000 in 2016-17 for variable inmate health, but is projected to expend \$88,764,500 GPR in the fiscal year. Under the request, an additional \$9,367,900 GPR would be transferred from other appropriations for higher than projected health costs. For the estimated remaining deficit, Corrections intends to reallocate expenditures to the extent permissible, slow down the rate of spending for items such as vehicles and capital equipment, and utilize salary savings resulting from higher than anticipated position vacancy rates.

### Variable Inmate Health Funding Shortfall

As specified under s. 302.385 of the statutes, the standards for delivery of health services in correctional facilities must be based on "the standards of any professional organization that establishes standards for health services in prisons and that is recognized by the department." The Department of Corrections follows standards established by the National Commission on Correctional Health Care.

This request is similar to s. 13.10 requests the Department has submitted to the Committee each year since 2014. As with prior requests, the Department has continued to address escalating health costs related to: (a) hospitals' increased use of "observation status"; (b) increased prescription drug costs; and (c) contract nursing costs.

*Hospital Observation Status.* Medicaid covers costs associated with hospitalization of inmates. However, the Department has continued to experience a decrease in hospital stays and an increase in "observation status" days, which is not covered by Medicaid. Observation status are hospital outpatient services given to help the doctor decide if the patient needs to be admitted as inpatient or can be discharged. Hospitals use of observation status for inmates is estimated to be 488 occurrences in 2016-17, compared to 351 occurrences in 2013-14. In addition to costs associated with observation status, health care expenditures have been impacted by increased costs of drugs administered to inmates while hospitalized as well as hospital visits of DOC's aging population. Corrections expended \$29.0 million GPR in 2015-16 and projects spending \$30.5 million GPR in 2016-17 related to hospital expenditures

*Prescription Drugs.* In addition to increased hospital observation status, pharmaceutical costs have continued to increase. Corrections spent \$25.4 million GPR in 2014-15, \$25.9 million GPR in 2015-16, and is estimated to spend \$38.8 million GPR in 2016-17. According to the request, 55% of drug expenditures in 2016-17 involve three treatment categories: Hepatitis C medication, HIV medication, and Biologics used to treat severe inflammatory diseases. The costs of drugs in these three categories "have become more significant cost drivers over the past few years..:

"The Department anticipates spending \$13,752,500 in FY17 on HCV medications, while it spent \$5,802,900 in FY16. Typical costs to treat a DOC patient with the new HCV medications range from \$31,300 to \$72,830 depending on the genotype and length of treatment. The Department anticipates it will treat approximately 280 inmates with the new medications in FY17, while in FY16 the Department treated 72 inmates."

*Contracted Nursing Services.* Corrections continues to utilize contracted nursing services to address continued recruiting and retention difficulties: "due to a variety of factors including but not limited to a statewide shortage of trained personnel; market pressures which raise salaries in rural areas; and driving distance to prisons from urban areas." The Department has been able to cover a portion of contracted nursing costs with funding from health position vacancies, but projects spending \$8.7 million GPR on contracted costs in 2016-17, compared to \$7.3 million GPR in 2015-16.

### **Appropriation Reallocations**

To address the 2016-17 deficit, Corrections requests the transfer of surplus monies from the following appropriations: (a) services for drunk driving offenders appropriation (\$3,200,000 GPR); (b) prison contract beds appropriation (\$3,100,000 GPR); (c) fuel and utilities appropriation (\$2,000,000 GPR); (d) serious juvenile offenders appropriation (\$800,000 GPR); and (e) reimbursing counties for probation, extended supervision, and parole holds (\$267,900 GPR).

*Services for Drunk Driving Offenders.* Funding for the services for drunk driving offenders appropriation is limited to the treatment, monitoring, and supervision of individuals on probation for second- or third-offense OWI convictions only. Corrections indicates that populations have remained relatively constant over the past year, with the Department supervising approximately 600 second-offense OWI cases and 1,100 third-offense OWI cases. Base funding is \$6.5 million GPR for 2016-17, with an estimated surplus in the appropriation of \$3.2 million GPR.

*Contract Bed Funding.* Corrections utilizes contract bed funding for inmate placements in county jails, as well as for offenders in temporary placements for extended supervision sanctions, temporary lockups, or for youth adult offenders placed in juvenile facilities. The Department's actual use of prison contract beds in 2016-17 has been lower than expected with an anticipated surplus of \$3.1 million GPR. Base funding for contract bed funding in 2016-17 is \$18.4 million GPR.

*Fuel and Utilities.* Current base funding for Corrections' fuel and utilities is \$28.3 million GPR. Due to a mild winter, Corrections anticipates a surplus of \$2 million GPR.

*Serious Juvenile Offenders.* Corrections' serious juvenile offender appropriation supports costs for juvenile correctional institution, alternate care, community supervision, and other juvenile program services for juveniles placed in the serious juvenile offender program. The Department anticipates an available surplus of \$800,000 GPR of its current \$14.4 million GPR as a result of fewer juvenile offenders placed in juvenile correctional institutions in 2016-17.

*Reimbursing Counties for Probation, Extended Supervision, and Parole Holds.* Corrections reimburses counties for probation and parole holds of offenders pending revocation of their community supervision in county jails. Payments are made in the fiscal year subsequent to the reimbursement period, so payments for 2015-16 were made in 2016-17. Since actual hold populations in 2015-16 were lower than budgeted, Corrections has an available surplus of \$267,900 GPR.

### **DOC s. 13.10 Request Summary**

Anticipated Inmate Health Expenditures in 2016-17	\$89,764,500
Inmate Health Budgeted Funding in 2016-17	<u>66,275,000</u>
Remaining Balance	\$23,489,500
Internal Funding Transfers	14,121,600
S. 13.10 Request	\$9,367,900
<u>Surplus Appropriations</u>	
Services for Drunk Driving Offenders	\$3,200,000
Contract Bed Funding	3,100,000
Fuel and Utilities	2,000,000
Serious Juvenile Offenders	800,000
Probation and Parole Hold Reimbursement	<u>267,900</u>
Total	\$9,367,900

If the Committee does not approve the request to transfer funds from appropriations within the agency, it is unlikely that Corrections will be able to find additional savings within its existing appropriations. This is especially the case given that the fiscal year will end within a few weeks.

## **ALTERNATIVES**

1. Approve the Department's request to transfer \$9,367,900 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) services for drunk driving offenders appropriation (\$3,200,000 GPR); (b) prison contract beds appropriation (\$3,100,000 GPR); (c) fuel and utilities appropriation (\$2,000,000 GPR); (d) serious juvenile offenders appropriation (\$800,000 GPR); and (e) reimbursing counties for probation, extended supervision, and parole holds (\$267,900 GPR).

2. Deny the request.

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