



## Legislative Fiscal Bureau

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April 18, 2018

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 IV

On April 3, 2018, the Department of Corrections submitted a s. 13.10 request to transfer \$7,100,000 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) prison contract beds appropriation (\$5,300,000 GPR); and (b); services for drunk driving offenders appropriation (\$1,800,000 GPR).

### ANALYSIS

The Department requests the transfer of funds between appropriations in 2017-18 to address an anticipated shortfall in its general program operations appropriation as a result of continued high inmate health costs. The Department was budgeted \$80,615,100 in 2017-18 for variable inmate health, but is projected to expend \$90,690,900 GPR in the fiscal year. Under the request, an additional \$7,100,000 GPR would be transferred from other appropriations for higher than projected health costs. For the estimated remaining deficit (\$2,975,800), Corrections intends to reallocate expenditures to the extent permissible and utilize salary savings resulting from higher than anticipated position vacancy rates.

### Variable Inmate Health Funding Shortfall

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.

The request currently before the Committee 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) increased prescription drug costs and

utilization; (b) increased costs for inmate hospitalizations; and (c) contract nursing costs.

*Prescription Drugs.* Pharmaceutical costs for the treatment of inmate health conditions in the last three fiscal years have increased. Corrections spent \$25.4 million GPR in 2014-15, \$25.9 million GPR in 2015-16, and \$36.7 million GPR in 2016-17. For 2017-18, pharmaceutical costs are projected to be \$35.8 million, a decrease of \$900,000 from the previous year. According to the request, almost 60% of drug expenditures in 2017-18 involve three treatment categories: Hepatitis C Virus (HCV) medication, Human Immunodeficiency Virus (HIV) medication, and Biologics used to treat severe inflammatory diseases. Corrections indicates that there has been an increase in the number of prescriptions dispensed compared to 2016-17 (514,177 prescriptions dispensed between July, 2016 and February, 2017, compared to 531,059 dispensed between July, 2017 and February, 2018). According to the Department:

"The main reason FY18 expenditures are projected to be lower than FY17 expenditures is a decrease in the cost of HCV treatment. Since November, 2017, HCV medication prices have decreased to \$21,500-\$32,000/patient as a result of increased competition among HCV providers. DOC is estimating HCV medication expenditures will total almost \$9,000,000 in FY18, however the FY18 HCV medication budget in 2017 Act 59 (the 2017-19 Biennial Budget) was \$6,340,600. The FY18 HCV medication budget was based on actual FY 16 expenditures plus an inflationary rate. In FY 16, DOC treated 72 inmates and in FY18 the Department is projecting 300 inmates will be treated."

*Hospital Costs.* Medicaid covers costs associated with hospitalization of inmates. However, the Department is required to pay for inmates 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. While the total use of observation days as a whole are fewer year-to-date in 2017-18 compared to a similar time period in 2016-17, health care expenditures have been impacted by increased costs of drugs administered to inmates while hospitalized (both under observation status and as an admitted patient) as well as hospital visits of the Department's aging population who typically require more medical care. Corrections expended \$30.4 million GPR in 2016-17 and projects spending \$32.2 million GPR in 2017-18 related to hospital expenditures

*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." According to the Department, contract nurses conducted 677,574 inmate medical visits in 2016-17 and are estimated to conduct approximately 700,000 in 2017-18. The Department has been able to cover a portion of contracted nursing costs with funding from health position vacancies, but projects spending \$10.1 million GPR on contracted costs in 2017-18, compared to \$9.3 million GPR in 2016-17.

## **Appropriation Reallocations**

To address the 2017-18 deficit, Corrections requests the transfer of surplus monies from the following appropriations: (a) prison contract beds appropriation (\$5,300,000 GPR); and (b); services for drunk driving offenders appropriation (\$1,800,000 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 2017-18 has been lower than expected to-date primarily due to lower costs associated with juveniles serving adult sentences. As a result, Corrections is projecting a surplus of \$5.3 million GPR. Funding for contract bed funding in 2017-18 is \$24.7 million 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 595 second-offense OWI cases and 1,003 third-offense OWI cases as of March 18, 2018. Funding for the program is \$5.2 million GPR for 2017-18, and, with estimated expenditures for the fiscal year of \$3.4 million, a surplus of \$1.8 million GPR is anticipated.

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

Anticipated Inmate Health Expenditures in 2017-18	\$90,690,900
Inmate Health Budgeted Funding in 2017-18	<u>80,615,100</u>
Remaining Balance	\$10,075,800
Internal Funding Transfers	2,975,800
S. 13.10 Request	7,100,000
 <u>Surplus Appropriations</u>	
Contract Bed Funding	\$5,300,000
Services for Drunk Driving Offenders	<u>1,800,000</u>
 Total	 \$7,100,000

If the Committee does not approve the request to transfer funds from the appropriations within the agency, Corrections would be required to reevaluate the agency's GPR appropriations prior to the end of the fiscal year and resubmit a s. 13.10 request to the Committee at a later date.

### **ALTERNATIVES**

1. Approve the Department's request to transfer \$7,100,000 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) prison contract beds appropriation (\$5,300,000 GPR); and (b); services for drunk driving offenders appropriation (\$1,800,000 GPR).
2. Deny the request.

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