



## Legislative Fiscal Bureau

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July 16, 2015

TO: Members  
Joint Committee on Finance

FROM: Bob Lang, Director

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

### REQUEST

On June 24, 2015, the Department of Corrections submitted a s. 13.10 request for the transfer of \$11,137,800 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) prison contract beds appropriation (\$3,044,000 GPR); (b) services for drunk driving offenders appropriation (\$3,100,000 GPR); (c) fuel and utilities appropriation (\$4,793,800 GPR); and (d) serious juvenile offenders (\$200,000 GPR).

### ANALYSIS

The Department of Corrections requests the transfer of funds between its appropriations in 2014-15 to address an anticipated shortfall in its general program operations appropriation as a result of increased variable inmate health costs. The Department was budgeted \$54,577,700 GPR in 2014-15 for variable inmate health costs, but is projected to expend \$66,536,700 GPR in the fiscal year. Corrections has been able reallocate \$821,200 GPR other supplies and services within its appropriation. Under the request, an additional \$11,137,800 GPR would be transferred from other appropriations for higher than projected health costs.

Under the 2013-15 biennial budget, funding for variable inmate health included estimated savings associated with Medicaid coverage for hospital costs beginning in April, 2014. However, according to the request, savings generated by Medicaid payments have been offset by increased health care costs in other areas, including: (a) hospitals' increased use of "observation status" for inmates not covered by Medicaid; (b) increased prescription drug costs; and (c) contract nursing costs.

*Hospital Observation Status.* The Department indicates while hospitalization costs are projected to have declined in 2014-15 (from \$33.2 million in 2013-14 to \$27.5 million in 2014-15), hospitals' use of "observation status" for patients has increased. "Observation status" are hospital outpatient services given to help the doctor decide if the patient needs to be admitted as an inpatient or can be discharged. The Department indicates that hospitals' use of observation status included 245 occasions in 2012-13, 351 occasions in 2013-14, and 491 projected for 2014-15. Observation status is not a cost covered by Medicaid.

*Prescription Drugs.* In addition to increased hospital observation status costs, the Department's pharmaceutical costs have increased from \$15.1 million in 2012-13, to \$18.5 million in 2013-14, to a projected \$25 million in 2014-15. According to the Department, factors driving the cost increases include generic drugs, hepatitis C virus medication, and Human Immunodeficiency Virus (HIV) medication.

While utilization of generic drugs has previously generated savings, Corrections indicates "drug companies greatly increased the price of many common generic drugs due to decreased competition." The price increases have continued for all medications in 2014-15.

Hepatitis C is a contagious, blood borne liver disease that can range in severity from a mild illness lasting a few weeks, to a serious lifelong illness that attacks the liver. The US Center for Disease Control estimates 2.7 million people in the US have chronic hepatitis C (approximately 1% of the population). However, the prevalence in correctional populations is significantly higher (according to Corrections an estimated 17% of the prison population nationally). Currently, an estimated 16% to 20% of inmates in Wisconsin have hepatitis C (3,520 to 4,400 inmates). In 2013-14, a new medication (Sovaldi) was introduced which costs approximately \$100,000 per patient per year, but provides substantially better outcomes and fewer side effects. Due to the cost, Corrections worked with the University of Wisconsin Hospitals and Clinics to develop a policy under which the drug is used only for the most urgent cases, for example end stage liver fibrosis. Under the policy, approximately 30 inmates per year receive Sovaldi.

Other Corrections' pharmaceutical costs include HIV medication, projected to be \$2.7 million in 2014-15. The number of inmates with HIV has varied between 130 to 140 individuals over the past two years.

*Contracted Nursing Services.* Corrections has increased its use of contracted nursing services as a result of a healthcare staffing shortage: "The Department has found it continues to have difficulty recruiting and maintaining permanent employees in health care positions 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." Contracted nurse hours have increased from 25,518 hours in 2012-13 to a projected 49,000 hours in 2014-15. Expenditures were \$2.8 million in 2012-13 and projected to be \$5.3 million in 2014-15.

To address the 2014-15 deficit, the Department of Corrections requests the transfer surplus monies from the following appropriations: (a) fuel and utilities (\$4,793,800 GPR); (b) prison

contract beds (\$3,044,000 GPR); (c) services for drunk driving offenders (\$3,100,000 GPR); and (d) serious juvenile offender program (\$200,000 GPR). Surplus funding is available as the result of lower energy costs in 2014-15 and reduced usage in prison contract beds. According to the Department, additional funding is available from the appropriation for services for drunk driving offenders since the appropriation is limited to the treatment, monitoring and supervision of individuals on probation for second- or third-offense OWI convictions. While funding is budgeted for approximately 2,015 offenders annually, currently Corrections is supervising 1,857 offenders (662 offenders for second-offense OWI and 1,195 offenders for third-offense OWI).

If the request is not approved, Corrections indicates that the fiscal year would end with the general program operations appropriation in deficit. It may be noted that the request is similar to requests submitted by the Department in the previous two years for funding transfers to address a shortfall in the Department's general program operations, including in February, 2013 (\$9.3 million GPR from the Committee's supplemental appropriation and \$13.7 million reallocated from its other GPR appropriations), and in May, 2014 (\$6.6 million GPR reallocated from its other GPR appropriations). Since the Department is able to address the shortfall internally within its existing resources, the Committee may wish to approve the request.

## **ALTERNATIVES**

1. Approve the Department's request to transfer \$11,137,800 GPR to the Department's general program operations appropriation [s. 20.410(1)(a)] from the following appropriations: (a) prison contract beds appropriation (\$3,044,000 GPR); (b) services for drunk driving offenders appropriation (\$3,100,000 GPR); (c) fuel and utilities appropriation (\$4,793,800 GPR); and (d) serious juvenile offenders (\$200,000 GPR).
2. Deny the request.

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