



Managing Inmate Healthcare Expenses

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Outline

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2. The Problem
3. County Responsibilities for Inmate Healthcare
4. Components of a Constitutional Correctional Health System
5. The Key to Managing Inmate Healthcare Costs
 - Staffing
 - Pharmaceuticals
 - Outside Services
6. Other Considerations
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Introduction

- Texas County Jails
 - 256 County jail facilities with 84,257 beds
 - Jails range from 3 to over 9,000 beds
 - Inmate population increased by 13.4% from 63,686 inmates on July 1, 2002, to 72,241 on June 1, 2007
 - If each jail spent \$10 a day for each inmate's healthcare, the total yearly healthcare expense would be \$264 million
 - If 10% of those dollars were saved due to efficient management of inmate healthcare delivery, there would be a yearly savings of over \$26 million

Why Worry?

- Over the last 4 years, national growth in correctional healthcare expense was 8.6% per year
- In the last 3 years, the majority of counties surveyed by the National Association of Counties exceeded their inmate healthcare budgets
- The Centers for Medicare and Medicaid Services project an increase of 7.1% annually through 2014 for healthcare expenses (18.7% GDP vs. 15.3 % in 2003)



Phase 2 Consulting Correctional Healthcare Credentials

- Phase 2 Consulting is a healthcare management and economic consulting firm, specializing in strategic planning, revenue cycle, clinical operations and productivity improvement, business planning, market and financial feasibility studies, and market research and analysis
- We translated this experience working with hospitals and healthcare systems into the correctional setting
- Recent Correctional Healthcare Clients
 - Salt Lake County, UT – 2002 NCCHC facility of the year
 - Mississippi DOC – Assessed system and developed RFP
 - Jefferson County, AL (Birmingham) – Developed new system
 - Maricopa County, AZ – Managed for 1 year, met budget; opened 2 new jails
 - Pima County, AZ – Assessed system and developed RFP
 - California Department of Corrections and Rehabilitation – Mental health staffing
 - Bell County, Texas – New jail healthcare delivery plan

County Responsibilities for Inmate Healthcare

- Governmental entities that operate correctional facilities have 2 responsibilities:
 - Cost-effectiveness for tax-payers
 - Appropriate care for inmates
- In 1976 the U.S. Supreme Court ruled in Estelle vs. Gamble that healthcare for inmates was a right embodied in the 8th amendment to the U.S. Constitution
 - Affirmed that prisoners had a right to be free of “deliberate indifference to their serious healthcare needs” ... whether the indifference is manifested by prison doctors in their response to the prisoner’s needs or by prison guards delaying access to medical care or intentionally interfering with the treatment once prescribed”
- Deliberate indifference has been articulated in these ways by the courts:
 - Denied or unreasonably delayed access to a physician for diagnosis and treatment
 - Failure to administer treatment prescribed by a physician
 - The denial of professional medical judgment



Components of a Constitutional Correctional Health System

We can't talk about managing inmate healthcare expenses without first talking about what is required to be provided*

- A Communications and Sick Call System
- A Priority System
- Personnel
- Contracting Out
- Medical Records
- Outside Care
- Facilities and Resources
- Quality Assurance, Accreditation, and Compliance with Standards



*Correctional HealthCare: Guidelines for the Management of an Adequate Delivery System..., 2001, William J. Rold J.D.

Summary of Responsibilities for Inmate Healthcare

Courts: Entitled to “reasonable” or “adequate” care; not the “best” care, but “needed” care

How much care for inmates is enough? Some Guidelines:

- Criteria established by Medicare and Medicaid programs
- A limited “benefit package” based on guidelines by HMO’s and PPO’s
- Federal Bureau of Prisons
- State Departments of Corrections
- American Public Health Association



Managed Care: A Definition

- Managed Care is not a 4 letter word
- Managed Care - A system of providing healthcare through which access, cost and *quality* are controlled by direct interventions either before, during or after the services are rendered
- Managed care organizations use a variety of techniques, such as utilization review, quality assurance programs, and pre-admission certification to better manage the care delivered
- Jails are perfect places for exercising managed care

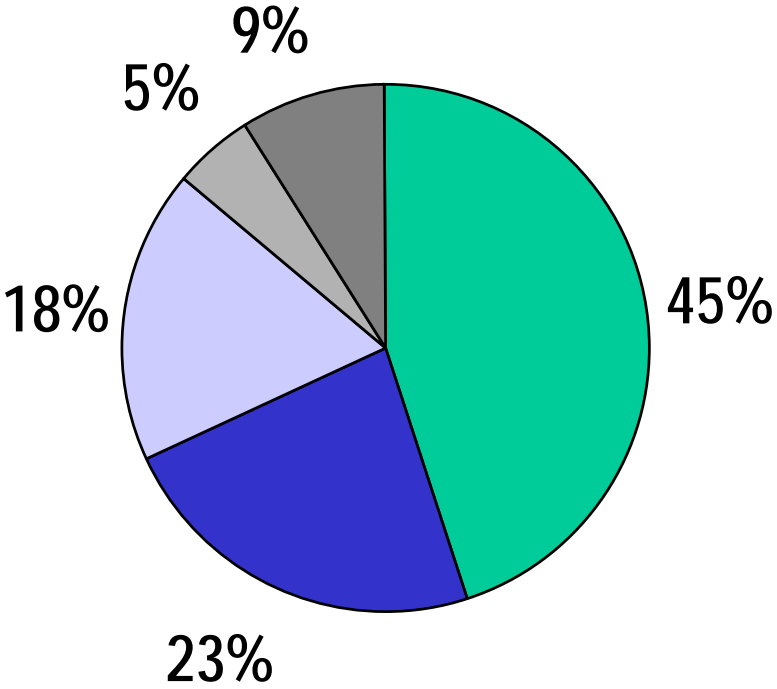


What is a Cost-Effective Delivery System?

- Jail correctional healthcare expenses range from \$5.50 to \$16.00 per day
- Healthcare comprises approximately 13-16% of total cost of the jail budget
 - Rule of Thumb:
If your correctional healthcare costs are around \$10.00+ per prisoner day, you probably have the resources for a cost-effective, constitutional delivery system
- There is no national standard for accounting for correctional healthcare costs. There is no national entity that regularly collects and/or reports correctional healthcare costs. Comparisons between or among jails are hazardous.



Major Cost Components of Correctional Healthcare



Staffing	Pharmaceuticals	Outside Services
Diagnostics	Administration	

How to Manage Inmate Healthcare Costs

The best way to manage costs is to start with the major contributors to the cost of healthcare:

- Staffing
- Pharmaceuticals
- Outside Services



Staffing

Clinical staffing costs are typically the largest expense item in a correctional healthcare budget



Staffing

- Healthcare staffing is not a black box
- There are inputs and outputs
 - Number of OP exams per physician per day
 - Avg. amount of time to do an intake physical
 - # of medication passes per hour
- Use extenders as appropriate, but not when inappropriate
- Retention is more important than recruitment
- Don't let overtime and agency use get out of hand

Case Study # 1 – Physician Staffing

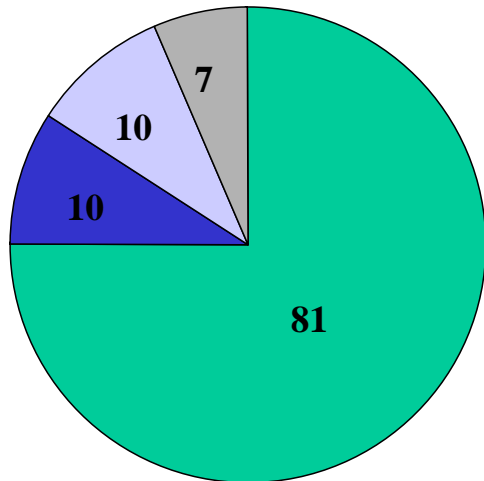
- County Jail
 - Price comparison analysis performed based on hiring physicians or using contract labor both for inpatient and outpatient services
 - For outpatient, there was a 10% increase in the average monthly and yearly fees paid when choosing the “hiring” model
 - This increase would cost the jail \$69,453 per year
 - For inpatient, there was an 18% increase in both the average monthly and yearly fees paid when choosing the “hiring” model
 - This increase would cost \$164,738 per year
 - In both the inpatient and outpatient settings, there was a decrease in the total physician FTEs, yet an increase in paid dollars
 - By choosing the contract labor option, this jail was able to save approximately \$233K as well as increase the number of employees and services that were offered
 - *Flexibility in labor rules and compensation and benefits*

Case Study # 2 – Nursing Staffing

- Price comparison analysis was performed based on staffing patterns and volumes comparing current contract labor versus necessary staffing
 - This county jail historically used an outside health services company to contract labor at a cost of \$2.7 million per year
 - Our analysis showed that recommended staffing patterns could decrease a total of 5 FTEs and would only cost \$1.6 million annually. A net savings of \$1.1 million
- By following the recommended Phase 2 Consulting staffing patterns, and not going with the historic contract, the county jail was able to save \$118K from their budgeted labor dollars and \$1.1 million in potential contract labor.

Case Study # 3 – Staffing Plan

- Redesigned clinical staffing model based on objectives and tasks
- Staffing based on productive inputs by clinical task
- Staffing model flexes based on demand
- The Budget office fully funded CHS to implement staffing (108 additional positions)



■ Nursing ■ Medical ■ Mental Health ■ Other

Staff Type	Position Name	New Positions
Nursing	Registered Nurse	26
	Licensed Practical Nurse	7
	Correctional Health Technician	13
	Health Unit Coordinator	31
	Administrative Nursing Supervisor	4
		81
Medical Staff	MD (Medical)	7
	MD (Psychiatrist)	3
		10
Mental Health Staff	Mental Health Professional	10
Other	Medical Records Technician	6
	Quality Coordinator	1
		7
Total Positions Added		108

Staffing: Summary

- Appropriate staffing and scheduling can lead to:
 - Increased staff satisfaction and accountability
 - Increased quality of patient care due to appropriate staffing levels at low census and peak census
 - Achievable budgets from the beginning of the budget process
 - The ability to plan for staffing shortages before “crisis” mode

Managing Pharmaceuticals

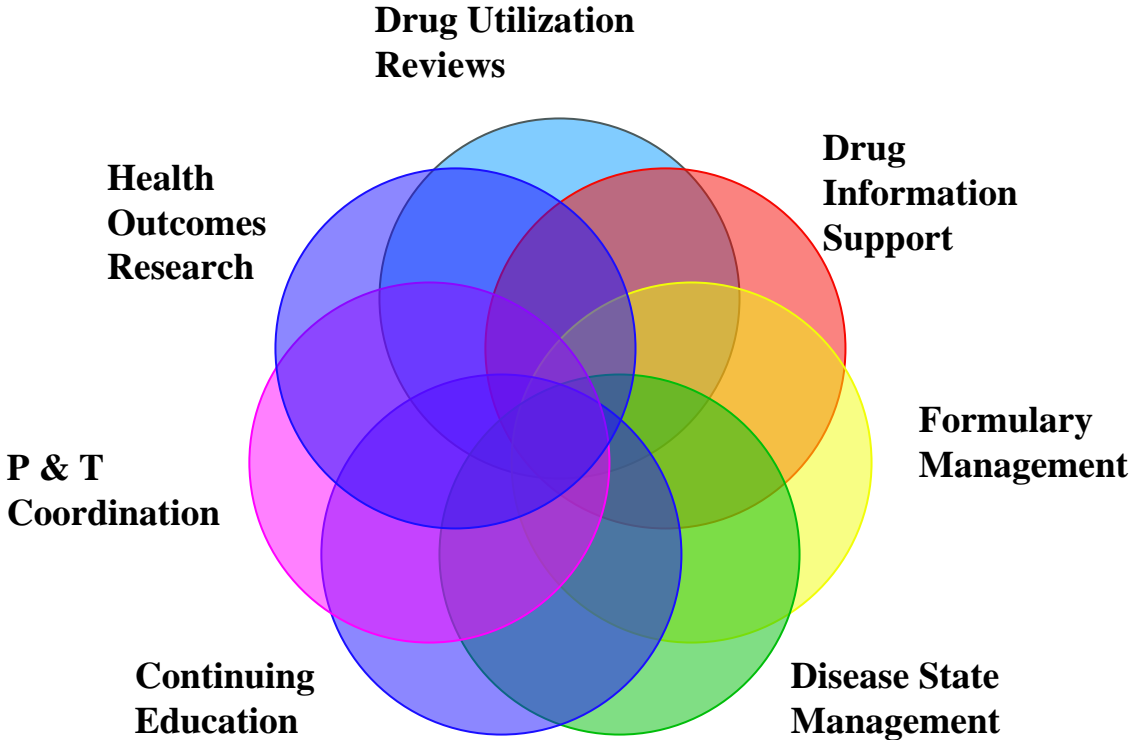
- Pharmaceutical spending has averaged 16- 20% Outpacing basic medical expenses that average 9% per year,
- With more than 10,000 medications available, the demand for better cost control and pharmacy management is no longer an option but a necessity
- Benchmark: \$10 per inmate per month



Pharmaceuticals

- The challenge for an appropriate pharmaceutical management program is to control costs without adversely affecting the quality of care or how to save 20 to 30%. How?
 - *Generic Drugs* – 40% of HMO prescriptions are filled with generic drugs
 - *Volume Purchasing and Rebates* – distributor agrees to a volume-driven discount contract in exchange for formulary considerations
 - *Drug Formulary* – A comprehensive list of drugs designed to direct physicians to prescribe most cost-effective medicines. Intent is not to restrict medications, but rather to change physician prescribing behavior to the most cost-effective therapeutics
 - Must reflect the practice of medicine in the community
 - Must be responsive to the therapeutic needs of the physicians
 - Must be representative of cost-effective therapy
 - Issues: compliance, additions/deletions, exceptions

Pharmaceuticals - Integral Services in Achieving Positive Patient Health Outcomes*



*Provided by Clinical Solutions

Outside Services

- Outside services are medical treatments requiring transport of inmates outside of the jail.
- Failure to identify and treat potentially complicated medical situations due to inefficient Health Assessments and Triage can lead to a significant number of emergent situations requiring outside services.
- An authorization process is vital to avoid over utilization and excessive outside service spending. This area has an equal impact on both clinical and detention resources.

Typical Correctional Outside Services:

- Acute outpatient care at a hospital including infirmary care and observation room services
- Acute inpatient care
- Emergency room care
- Outpatient specialty care

Healthcare Services Performed Inside and Outside the Jail

In the Jail:

- Physical exams
- Pregnancy prenatal care
- Biopsies
- Minor surgery without general anesthesia
- Blood draws
- STD's
- Etc.

Outside the Jail:

- MRI
- CT
- General anesthesia
- IV medications
- Etc.



Outside Services Considerations

- Contracting – Medicare/Medicaid rates; negotiated per diem rates with hospitals
- Protocols- Guidelines regarding which conditions should be treated in jail
- Utilization Management – A process to eliminate unnecessary medical care and direct care to the most cost effective setting appropriate for the condition of the patient:
 - Pre-authorization of services to assure medical necessity and appropriate setting
 - Concurrent review of inpatient care to expedite discharge when IP care is no longer required
 - Discharge planning to facilitate placement in the most appropriate setting
 - Retrospective review of bills for accuracy
 - Case management which manages costly or complex cases
- Don't forget: Security costs

Outside Services Financial Impact

CHS - Outside Hospital Services MMC Claims Reconciliation 2004 (Jul-Nov)

With Allowed Amounts = blank, 0, other excluded

	FY05-Nov Annualized	Opportunity	Notes
Inpatient Hospital	\$ 4,449,907	\$ 1,112,477	Opportunity on inpatient will be realized mostly through shorter hospital stays made possible by improved staffing and capacity in the medical inpatient unit (infirmery), improved equipment, lab support and increased level of care. (assumed 25% decrease)
Outpatient Hospital	\$ 773,233	\$ 115,985	Most outpatient encounters are diagnostic testing that may or may not be appropriate (assume 15% opportunity)
Emergency Room		\$ -	
Chest & Abdominal Pain	\$ 199,905	\$ 99,953	Encounter for abdominal pain and chest pain could be reduced by 50% with adequate testing and support, maybe more
Select ED Diagnosis	\$ 265,130	\$ 92,796	It would be reasonable to project that we could see a significant decrease with added services on site (assumed 35% decrease)
Other ED Encounters	\$ 981,923	\$ 98,192	The balance of ED encounters are ED visits, on site services may decrease this number as well, but without more detail, how much of a decrease is simply a guess. (assumed 10% decrease)
Total ED	\$ 1,446,958	\$ 290,941	
Total	\$ 6,670,098	\$ 1,519,402	

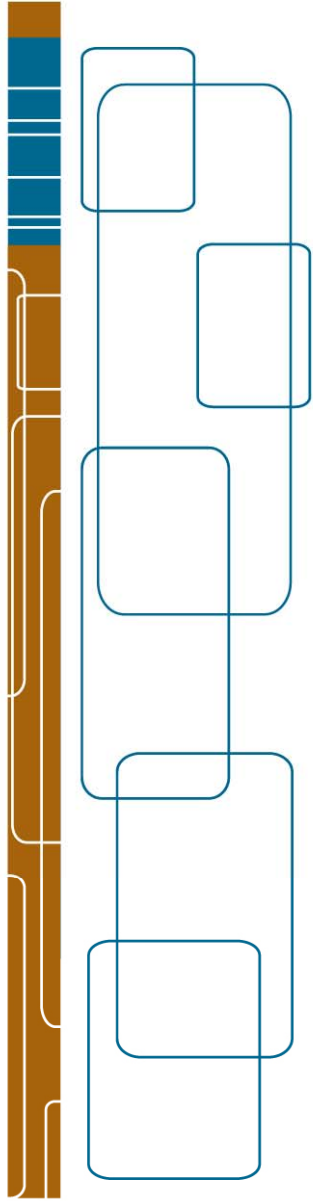
Other Considerations

- Rejection at Intake
 - Significantly abnormal vital signs
 - High-risk pregnancies that have not had prenatal care
 - Hypo or Hyperglycemia
 - Untreated wounds or fractures
 - Altered mental status
 - Glasgow coma score of less than ten (10)
 - Untreated or uncontrolled medical illness
- Local or National Provider Contract
- Don't forget the costs of litigation and risk

Summary

- County's Responsibility: constitutional, cost-effective care
- Diversion
- Staffing: right mix, flexing, position control
- Pharmacy: generics, purchasing, formulary, monitoring and control
- Outside Services: contracted rates, protocols, & utilization management
- Risk and Litigation

APPENDIX



Ten Components of Effective, Efficient Staffing

1. Review master patient care plan
2. Develop facility specific staffing plan
3. Determine labor demands by type of clinical personnel needed
4. Create a position control – HR position tracking log
5. Develop plan for excessive personnel vacancies
6. Analyze external staffing needs
7. Reconcile personnel needs with budget
8. Develop a master schedule
9. Create a weekly staffing plan with checks for personnel vacancies
10. Define and communicate the roles and responsibilities of staff

Questions to Ask: Staffing

- What is the basis for your clinical delivery model? What is the skill mix in your staffing (Providers, Mid-Levels, Nursing, and Support)?
- Do you utilize a flex staffing model based on productive input demands by encounter type?
- What is your overall clinical staffing budget? What percent of the staffing is filled by registry? What percent is filled by overtime?
- What is your clinical vacancy rate? What is your clinical turnover rate?
- How competitive are your clinical salaries? What are your market ranges by position title? How do they compare to your local market rates?

Questions to Ask: Pharmaceuticals

- What are your current medication costs per inmate? What percentage of your population are HIV+ and SMI? What percentage of costs come from psychotropic medications?
- Do you have a Keep On Person (KOP) program, if so what percentage of your medications are KOP? What medications / patients are not eligible for the program?
- Are pharmacy services provided by employment, by contract, onsite, or offsite? How do you package your medications (Blister cards, unit dose, bulk to single dose, pillow packs, other)?
- Do you give any IV therapy or use Schedule II drugs on site?
- Does your institution have an active Pharmacy & Therapeutics (P&T) Committee? Are there formulary controls in place?

Questions to Ask: Outside Services

- What are your total Outside Service costs? What percentage of overall costs do these services represent?
- What is your incident rate for emergent and specialty outside services?
- Do you have an authorization process in place for outside services?
- Do you run on-site specialty clinics to provide high volume specialty care? Do you utilize telemedicine resources?
- Do you have negotiated contracts for outside care with hospital's, provider groups, insurance networks and ambulance transport?

Ten Components of Appropriate Correctional Healthcare

1. Prescreening & Diversions – Medical pre-screening prior to booking
2. 14-Day Health Assessments – Medical, behavioral health, and dental
3. Sick Call – Effective delivery of mandated inmate healthcare
4. Pharmaceutical Costs – Manage impact of clinical and detention factors
5. Triage – Timely review and prioritization of inmate health requests
6. Outside Service Costs & Incident Rates – Manage offsite medical services
7. Infection Control – Inmate screening and coordination with Public Health
8. Medical Records – Timely and accurate medical records management
9. Overall Clinical Staffing – Delivery model and staffing assessment
10. Overall Healthcare Costs – Cost rationalization and benchmark comparisons

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