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Progress Report

August 2004 **Report No. 04-61**

Inmate Health Care Consolidation Progressing; Privatization Requires Agency Vigilance

at a glance

The Department of Corrections has initiated two cost containment measures recommended by OPPAGA: health care consolidation and privatization.

The department now groups inmates by health care needs and operates eight specialized medical programs, including units for end-of-life, special care HIV, and diabetic self-care. Consolidation allows the department to more efficiently target resources and offer appropriate training to staff.

The department reports that the privatization of health care in Region IV avoided costs of $4.6 million for Fiscal Year 2002-03. However, the quality of care provided by the vendor is problematic. The department should continue careful monitoring and contract enforcement so that the state does not become embroiled in another costly federal lawsuit.

Transfer of inmates who become suicidal or have mental health crises from Region I to crisis stabilization units in other regions cost approximately $300,000 last year. The department should analyze the cost-effectiveness of its crisis stabilization unit locations and adjust or add to them as warranted.

Scope

This progress report is one of a series of four reports that informs the Legislature of actions taken by the Department of Corrections in response to recommendations in our 2000 Justification Review, as directed by state law. [1, 2, 3]

Background

The federal courts have directed that the state is responsible for providing routine and emergency medical care to offenders who are sentenced to prison. Florida's delivery of correctional health care has been largely influenced by 21 years of litigation and court oversight of inmate health services stemming from a class action lawsuit that originated in 1972. [4] The Legislature took two major actions that led to the resolution of this lawsuit. It created the position of assistant secretary for Health Services

[1] Section 11.51(6), *F.S.*

[2] *Review of the Department of Corrections,* OPPAGA Report No. 00-23, December 2000.

[3] *More Efficient Use of Probation Officers and Prioritization of Victim Restitution Needed,* OPPAGA Report No. 04-58; *Corrections Education and Rehabilitative Programs Significantly Reduced,* OPPAGA Report No. 04-59; *Corrections Program Still Challenged by Inmate Idleness, Prison Planning, and Fleet Maintenance,* OPPAGA Report No. 04-60.

[4] Costello v. Wainwright 430 U.S. 325, 51 L.Ed. 2nd 372, 97SCt. 1191 (1977), 506.

to oversee health issues within the Department of Corrections, and it created the Correctional Medical Authority (CMA) to provide an ongoing, independent review of the department's provision of health services.[5] These actions led to a stipulated final judgment that terminated federal court oversight in 1993.[6] CMA and the Office of Health Services provide a good set of checks and balances to assure that appropriate inmate health care is provided.

The department provides medical, dental, mental health, and pharmaceutical services to over 81,000 inmates housed in 56 prisons and 67 other facilities throughout the state.[7] Inmates arrive at Florida's correctional facilities with a wide array of medical problems, including chronic or infectious diseases, mental health conditions, and substance or alcohol disorders.

The costs of health services have been rising. In Fiscal Year 2004-05, the Legislature appropriated $318.9 million in state funds for inmate health services and treatment of inmates with infectious diseases. This amount represents a 40% increase from Fiscal Year 2000-01. This increase can be attributed to growth in the prison population and many inmates serving longer sentences, which results in a rising number of older inmates with more serious and chronic ailments. In addition, the number of inmates with HIV infections and AIDS is higher than in the general population.

To curtail rising health care costs and better use limited resources, the department initiated two major cost containment measures recommended by OPPAGA in 1996: health care consolidation and privatization.[8]

[5] The Correctional Medical Authority is administratively housed in the Department of Health.

[6] Costello, et al. v. Singletary 147 FRD 258 (The name of the action changed to reflect the Secretary of the Department of Corrections at the time of the settlement.)

[7] As of June 30, 2004, the inmate population was 81,974.

[8] *Review of Inmate Health Services Within the Department of Corrections*, Report No. 96-22, November 27, 1996.

Current Status

Consolidation of inmates by health care needs continues

At the time of our previous review, the department had begun consolidating inmates by health care needs to reduce health care costs. We recommended continuing consolidation to realize further reductions in operational costs.

The department has addressed our recommendation by grouping inmates by specific health care needs. It now uses a new medical grading system that reflects needed medical care more effectively and assigns inmates to specialized medical groups when appropriate. The department also operates eight specialized medical programs at seven locations. For example, the department now has units for end-of-life, special care HIV, elderly/infirm and diabetic self-care. When similar types of patients are grouped, the department can more efficiently target resources and offer appropriate training.

Privatization of health care in Region IV has required vigilance

The department's second major cost containment initiative is the privatization of health services in Region IV. At the time of our 2000 review, the department had partially privatized health care delivery in its facilities and was anticipating contracting for all facets of health services for the 12 major institutions in Region IV. We recommended that the department collect information throughout the first five years of the contract to allow the Legislature to make a valid comparison of the cost and effectiveness of the department and the private vendor.

In July 2001 the Department of Corrections contracted with Wexford Health Sources, Inc., to provide comprehensive healthcare services to inmates in Region IV for five years. The department estimates that privatization will provide a cost avoidance of approximately $24.6 million over four years, as shown in Exhibit 1.[9]

[9] The fifth year cost avoidance estimate is not yet available.

Exhibit 1
The Department's Privatization of Health Services Has Resulted in Savings

Health Services	2001-02	2002-03	2003-04	2004-05
Estimated per diem without privatization	$11.89	$12.30	$12.76	$13.27
Estimated cost without privatization	$62,358,412	$65,303,594	$72,300,699	$83,551,107
Wexford cost	$53,567,836	$60,680,545	$65,100,721[1]	$74,396,332[1]
Department start-up cost	5,174,914			
Total Costs	$58,742,750	$60,680,545	$65,100,721[1]	$74,396,332[1]
Estimated cost avoidance	$ 3,615,662	$ 4,623,049	$ 7,199,978[1]	$ 9,154,775[1]
Cost avoidance over four years	$24,593,464			

[1] Projected cost avoidance.
Source: Department of Corrections.

A primary way Wexford contains costs is through tight utilization management. However, the quality of Wexford's health care has been problematic. The department's health care contract monitoring team and the Correctional Medical Authority review the appropriateness of the services provided to inmates.[10] According to their reports, several of the facilities Wexford serves show repeated non-compliance. Inspections at Everglades, Dade, Broward, and Homestead correctional facilities and the South Florida Reception Center often have shown repeated deficiencies and a deteriorated level of service to the extent that the clinical quality of care required immediate corrective action by the contractor. Issues of concern include inadequate medical record keeping, insufficient staffing, and postponement of specialty clinic visits.

While Wexford takes corrective actions, monitoring reports show that improvement often is not maintained and the level of service subsequently deteriorates. For example, at the Homestead Correctional Institution in December 2003, the contract monitoring team found 40 serious deficiencies requiring corrective action within 15 days. Eleven of these 40 noncompliance issues had been cited in previous reviews. Wexford's ratings on the two health performance measures have also been lower than the department's. For example, in Fiscal Year 2002-03, the percentage of health care grievances upheld was slightly higher for Wexford (0.2%) than the department (0%), and the suicide rate in 2003 at institutions served by Wexford was 20.16 per 100,000 inmates, whereas the department's rate was 6.3.[11, 12] Given the expense and impact of the Costello case, it is important that the department continue to carefully monitor Wexford to ensure that it complies with the department's correctional health care standards and does not contribute to future legal action related to inmate health care.

It may be feasible and desirable to privatize other health services. However, prior to taking such action the department should carefully assess the costs and potential benefits of these actions. If the Legislature decides to expand correctional health care privatization, the department should revise its contracts to include specific provisions regarding clinical indicators and detailed performance measures such as those recommended by correctional health organizations and used by other state correctional agencies such as New Jersey. These performance standards should cover such areas as staffing as well as sanctions to be imposed for violations of performance standards and repeated instances of noncompliance with contract requirements.

[10] The Health Care Contract Monitoring Team includes the regional health service manager, a physician, a psychologist, a nurse, and a medical records specialist.

[11] Inmate grievances are investigated by the chief health officer at the facility.

[12] In 2001 (last available year), the suicide rate in all federal institutions was 12.51 per 100,000 inmates.

Region I crisis transfers remain costly

Institutions that do not have appropriate treatment facilities must transfer inmates who become suicidal or have mental health crises to crisis stabilization units at other prisons. Inmates in crisis are transported individually, by two security officers rather than on department buses, because of the need to get them quickly to an appropriate treatment setting.

At the time of our 2000 review, the department maintained 204 crisis stabilization unit beds, none of which were located in Region I (the Panhandle). Office of Health Services administrators reported that they had difficulty retaining psychiatric and psychological workers in Region 1, thereby making the operation of crisis stabilization units in the region difficult. However, until August 1999, the Correctional Mental Health Institute, which housed the most severely mentally ill inmates, was located in Region 1 at River Junction Correctional Institution on the grounds of the Florida State Hospital, and this institution had adequate space and staff to maintain that 100-bed facility. We recommended that the department assess the effectiveness of establishing or relocating crisis stabilization beds statewide, with particular attention to Region I.

The department reports that it is unable to recruit and retain mental health professionals in the Panhandle. Inmates in mental health crisis in Region I are still relocated to facilities in other regions at considerable expense. In Fiscal Year 2002-03, the department transported 480 inmates from Region I facilities to other institutions for mental health crisis stabilization. The majority of these inmates (337) were moved to Lake and Charlotte correctional institutions in south Florida. The estimated cost for these transfers was approximately $300,000 during the year. [13]

Since there are over 23,000 inmates in Region I, the need for crisis stabilization beds in the area will likely be a recurring problem. Further, the number of inmates and prisons in North Florida is likely to increase over the next several years as the inmate population increases and more facilities are built. The department should analyze the cost-effectiveness of its crisis stabilization unit locations and adjust or add to them as warranted.

[13] These costs estimates include an average hourly rate for correctional officers and gasoline but do not include overtime pay.

OPPAGA supports the Florida Legislature by providing evaluative research and objective analyses to promote government accountability and the efficient and effective use of public resources. This project was conducted in accordance with applicable evaluation standards. Copies of this report in print or alternate accessible format may be obtained by telephone (850/488-0021 or 800/531-2477), by FAX (850/487-3804), in person, or by mail (OPPAGA Report Production, Claude Pepper Building, Room 312, 111 W. Madison St., Tallahassee, FL 32399-1475).

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