

Department of Corrections



House Appropriations Committee

October 20, 2014

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Offender Healthcare Costs

VIRGINIA PER OFFENDER COSTS COMPARE FAVORABLY WITH OTHER STATE CORRECTIONAL SYSTEMS

- Virginia ranked 21st lowest in cost per offender in a recently released July 2014 report from the Pew Charitable Trusts and MacArthur Foundation on State Prison Health Care Spending.

VADOC PER OFFENDER COSTS COMPARE FAVORABLY WITH DHRM COMMONHEALTH PREMIUMS

- FY2013 Offender medical per capita cost: **\$5,463**
- FY2013 Commonwealth of Virginia single employee health insurance premium cost: **\$6,492**

Privatized Health Care

- Why does DOC use privatized healthcare?
 - Primary emphasis for selecting private healthcare providers was not cost savings, but recruitment and retention of medical professionals to meet the unique requirements of each location due to limitations in Virginia's compensation policies and benefits.
- Services include but are not limited to:
 - primary care
 - psychiatric care including psychotropic medications
 - specialty consultations
 - infirmary care
 - inpatient/outpatient hospital care
 - optometric care
 - medications
 - medical supplies
 - x-rays and laboratory services
 - Some psychology (mental health) services are included at designated sites

DOC's Medical Budget Was Reduced by \$10.2M in Fiscal Year 2014

- May 1, 2013 Corizon began providing all health care services at 17 facilities for a cost of approximately \$76M annually. The prior actual annual cost was \$91M.
- June 2, 2014 Corizon notified DOC of its intent to terminate the contract in 120 days.
- June 23, 2014 DOC executed an emergency contract with Armor Correctional Services to provide health care services at the 17 sites effective October 1, 2014.

DOC's Medical Budget Was Reduced by \$10.2M in Fiscal Year 2014

- Cost of Armor contract is approximately \$82M annually. Amount does not include a projected \$14.2M in DOC responsible hospital inpatient expenses which were separated to ensure all Medicaid savings are returned to the Commonwealth.
- A pre-bid conference for a health care services contract was held October 8, 2014 with potential vendors. Proposals are due November 5, 2014.
- The anticipated procurement process is projected to be completed in the fall of 2015.

Fiscal Year 2015 Anticipated Shortfall is Approximately \$14.4M

- \$10M as a result of conversion to Armor for five months of service due to termination of contract by Corizon.
- \$2.7M as a result of anticipated increase of offsite healthcare costs.
- \$1.7M as a result of adopting a new HEP-C medication regimen that has become the Bureau of Federal Prisons community standard of care.

Fiscal Year 2016 Anticipated Shortfall is Approximately \$30M (12 Months of Service)

- \$21.6M as a result of conversion to Armor for a full fiscal year.
- \$5.7M as a result of anticipated increase of offsite healthcare costs.
- \$2.7M as a result of annualizing a new HEP-C medication regimen for a full fiscal year. \$750,000 is currently included in the FY2016 appropriation.

DOC Decision Package Request for 2015 Legislative Session

- The DOC will submit a Decision Package requesting approximately \$14.4M in FY2015 and approximately \$30M in FY2016 by October 31, 2014 per the Department of Planning and Budget's instructions.
- Providing Offender Healthcare is a constitutionally mandated requirement. DOC must have adequate funding to meet this obligation.

Hepatitis C

Hepatitis C - Background

- Hepatitis C is a viral infection that attacks and causes inflammation in the liver. There are different strains of the Hepatitis C virus referred to as Genotype 1-6.
- The majority of patients who contract Hepatitis C will go on to develop chronic infection which leads to chronic inflammation. (80-100% in most studies)
- Chronic inflammation causes scarring of the liver over a long period of time. Severe scarring throughout the liver, such that the liver no longer has normal structure and function, is known as cirrhosis.
- It is estimated that 8,000-13,000 people die each year in the U.S. due to Hepatitis C. Most die from complications of liver failure caused by cirrhosis. Another potential cause of death is liver cancer.

Hepatitis C - More Statistics

- The Centers for Disease Control (CDC) estimate that 12-35% of offenders have chronic hepatitis C.
- American Association for the Study of Liver Disease (AASLD) estimates the number to be much higher at 30-60%.
- The hepatitis C cure rate has steadily improved from initially 25% to recently 50% to now 89% as new medications have evolved to treat the disease.

Chronic Hepatitis C - Legal

- The Commonwealth is required to provide adequate and necessary medical care to offenders.
- There are new medications on the market which are far superior to the old medications in terms of cure rate.
- There are two national organizations recommending the use of the new medications.

Hepatitis C - Treatment Cost

- Cost to treat one offender can range from \$64,788 to \$129,420, depending on patient condition & length of treatment.
- FY15 estimated cost \$1,780,000 partial year (25 offenders)
- FY16 estimated cost (50 offenders) \$3,400,400.

Offender Medicaid Program

Current Program

DMAS controls the Medicaid process/procedures:

- Federal policy clarification from the Centers for Medicare and Medicaid Services (CMS) allows Medicaid coverage of inpatient hospitalization of offenders.
- DMAS determines eligibility:
 - Offenders 65 or older
 - Pregnant
 - Chronic, disabling conditions using Social Security Administration (SSA) criteria
 - Financial requirements:
 - \$766 or less per month (aged/disabled)
 - \$2,000 resources (aged/disabled)
 - \$1,720 or less per month (pregnant)
 - No resource test (pregnant)
- DMAS determines the billing cycle.
- DMAS administers Medicaid reimbursements and calculates Medicaid cost savings to the Commonwealth.

Offenders Who Satisfied The Eligibility Criteria Fiscal Year 2014

- 766 Offenders age 65+ meet initial program criteria
- 58 Offenders on dialysis
 - Meet program criteria – require disability determination using Social Security Administration (SSA) guidelines
- 15 Pregnant Offenders
 - Medicaid approved
- 2500+ Offenders with chronic conditions
 - Meet program criteria – require disability determination using SSA guidelines

Challenges of Medicaid

- Language in the Department of Corrections section of the 2014 Budget authorizes signatory authority for DOC for Medicaid applications in cases where the individual is unable or unwilling to sign the application.
- DMAS is currently working on a regulatory package to request approval to implement this Budget language.

Closing Remarks

DOC continues to make extensive efforts to contain cost increases for offender health care as the population ages and has more chronic medical conditions. Cost savings examples include:

- \$73M annual Anthem savings which is the difference between charges and provider payments
- \$1M annual HIV medication savings
- DOC chooses the most cost effective medications to manage offender diseases

Virginia per offender costs compare favorably with other state correctional systems.

- Virginia ranked 21st lowest in cost per offender in a recently released July 2014 report from the Pew Charitable Trusts and MacArthur Foundation on State Prison Health Care Spending.

DOC will continue to pursue an offender electronic health record (EHR) system when funding becomes available.