Health Care for Virginia DOC Offenders: Make vs. Buy

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What is the Question?

2015 Budget Bill HB 1400 Item 384:

How should DOC organize health care services for offenders in state prisons?

What Are The Options?

Single private contractor

No private contracting

Hybrid (current) model

Our Approach

Visits to 7 DOC facilities + VCU Secure Unit

DOC documents

Interviews with DOC, contractors, staff

Literature review

Who Does DOC Serve*?

~ 30,000 offenders

Average age 38 (and rising)

92% male

19.1% > 50 (9.6% 2004)

82% of > 65 have chronic illness

* 2014

Where Are They Housed?

46 correctional facilities & centers

Much variation

- Size
- Security level
- Demographics of offenders

On-Site Health Care Services

Variation across facilities

All have:

- Clinics for routine care
- Psychotropic meds dispensing capability
- Some periodic specialty clinics

Most (98%) can host telemedicine

On-Site Care Beyond the Routine

4 facilities have infirmaries (152 beds total)

- Fluvanna Correctional Center for Women
- Deerfield Correctional Center
- Powhatan Reception Center
- Greensville Correctional Center

Infirmaries have dental, x-ray,

lab, & optometry services

Special Services

Deerfield: 57 assisted living beds

Fluvanna, Greensville, Powhatan: trauma rooms

Fluvanna, Greensville, Sussex II: dialysis

Contracting: The National Picture

38 states in 2014 contracted some or all

3 states provide through university systems

3 states contract with university systems

(Update coming from Pew Charitable Trusts)

Why Contracting?

Save money

Drive competition

Accomplish something government cannot

DOC Contracting in Virginia

Individual provider contracting

Discrete services contracting

Comprehensive contracting

Individual Contracting

Individual providers

- Supplement to salaried employees
- Physicians, nurses, psychiatrists, dentists
- $5.8M 2014

Discrete Services Contracting

Dialysis

- PTX Dialysis LLC since 2013
- Greensville
- Sussex II

Pharmacy

- Diamond Pharmacy Services
- Contract for DOC sites

Anthem Blue Cross/Blue Shield

- TPA services for *all* off-site care
- 5-year contract expires 12/16

Comprehensive Contracting

Purpose: attract workforce where DOC cannot

- Competition with private sector
- Benefit rules and procedures

Began 1993

- Greensville Correctional and Work Centers
- Correctional Medical Services
- Capitated rate

Comprehensive Contracting Evolution

2006-2011

- Corizon Correctional Health (then Prison Health Services) & Armor Correctional Health
- Shared risk/savings model
- By 2011, 9 facilities contracted

2011-2013

- Single contract with Armor for all 9
- Full capitation model

Contracting Evolution Cont'd

2013 – August 2014

- Single contract with Corizon for 17 facilities
- Full capitation model
- Corizon terminated contract

October 2014

- Emergency contract with Armor

2015

- Competitive procurement
- 8 respondents

Current Contracts

Armor – 15 facilities (including dialysis at Fluvanna)

Mediko, PC – 2 facilities

3-year contracts; five 1-year renewals

Facility-specific capitated rate paid monthly

Fixed rate for first 3 years of contracts

Separate capitated rate for mental health

All inpatient care paid separately by DOC

~ 15,000 offenders

Contract Facilities: Mediko

Augusta Correctional Center

Coffeewood Correctional Center

Contract Facilities: Armor

Brunswick Women's

Deerfield CC

Deerfield Work Centers (men's & women's)

Fluvanna CCW

Greensville CC Center & Work Center

Indian Creek CC

Lunenburg CC

Powhatan Reception Center

Powhatan Medical Unit

St. Brides CC

Southampton Men's Detention Center

Sussex I State Prison

Sussex II State Prison

DOC-Managed Facilities

~15,000 offenders

Younger, healthier population

Fewer co-morbidities & complex care needs

No infirmaries

No dialysis

Off-Site Care

All inpatient paid by DOC

Outpatient paid by contractor or DOC

Security and transportation

- All paid by DOC
- Managed outside DOC Health Services

Utilization review by contractor and DOC

Bulk of off-site care at VCU Health (~77%)

Remainder at UVA, other facilities

Off-Site Care Utilization 14-15

DOC-managed facilities

- 1,198 ER visits
- 504 hospital stays
- 3,516 outpatient visits

Armor facilities

- 1,281 ER visits
- 1,157 hospital stays
- 4,632 outpatient visits

Key Differences

- $/visit higher for Armor than DOC, ER and outpatient
- $/stay higher for DOC

Off-Site Care Utilization 15-16

DOC-managed facilities

- 1,121 ER visits
- 377 hospital stays
- 3,195 outpatient visits

Armor facilities

- 1,125 ER visits
- 859 hospital stays
- 4,531 outpatient visits

Key differences from 14-15

- Significant decreases in hospital stays per offender
- Mostly small decreases in other use
- Significant change in VCUHS payment structure
- Differences in $/visit and $/stay Armor vs DOC much smaller

Reporting and Compliance

Essential for contract management

Contracts outline services and minimum staffing

Monitoring around contract standards and DOC policy compliance through monthly reports

80% compliance required for quality standards

“Liquidated Damages”

“Liquidated damages” assessed for non-compliance with quality metrics and staffing levels

- $14,173 in 3 facilities since 11/1/15
- ~ 30% related to staffing levels; 70% operational

Expenditures

Overall, Virginia 21st lowest health care $/offender (2014,Pew Charitable Trusts)

$150M total (2014)

$76M (51%) in contracted facilities

$59M off-site care total (FY 15)

$4M Anthem fees (FY 15)

3.8% of offenders account for 50% of $

Federal 340B Program

340B discounts for some outpatient drugs managed by federally-designated providers (VCU Health)

- Hepatitis C
- HIV
- Hemophilia

Discounts available to contractors

Savings are significant: ~$11M FY16

Expenditure Comparisons

2010 DOC internal audit of contractor performance (2008 data)

- "When including overhead and corporate administrative costs associated with private entities, costs were fairly comparable between contractor- and DOC-run facilities" (pg 2)

2015 Comparison

Same model with same results

$6,836 average annual cost/offender in 17 contracted facilities ($4,338 w/o infirmary sites)

$4,117 cost/offender in DOC-managed facilities

Differences reflect variation in:

- Purpose
- Demographics
- Services offered on-site
- Expenditures included in data (e.g., administrative $)

Make or Buy?

CONTRACTING ADVANTAGES

Competition may drive cost and innovation advantages

Expenditures are predictable

Economic incentives may drive higher performance

More flexibility in hiring/firing

CONTRACTING DISADVANTAGES

Contracting process is expensive

Monitoring/enforcement expensive & imperfect

Agency expertise “hollowed out”

Issues with “hold up”

Instability for workforce and offenders

No longer liability transfer

No investment in population

Conclusions: Make vs. Buy for Virginia DOC

No definitive evidence nationally to favor either model

No “right” model – depends on service and setting

Evidence of both advantages and disadvantages in history of DOC contracting

Argument for Contracting Often Cost

No evidence of major cost differences between contracted & DOC sites in Virginia

Comparison data incomplete:

- Transportation and security
- Administrative costs
- Contract costs (procurement & monitoring)

Purposeful differences between sites

Easier to Contract:

Discrete & homogeneous services (drugs, third party administrative (TPA) services)

Services requiring specialized expertise (dialysis)

Harder to Contract:

Services that vary by patient type (illness severity, patient age, co-morbidities)

Services where outcomes are hard to measure (quality)

Services to vulnerable populations (offenders)

Services that require coordination across functions (off site transportation and security)

Argument Against Contracting Often Quality

Little evidence to support or refute nationally

No systematic evidence in Virginia

Outcomes hard to measure

No electronic health record data to compare

Workforce Issues

Contractors have more flexibility in compensation

Contractors attract different workforce?

“Buy” model creates workforce insecurity

“Make” model trades workforce security for flexibility

Hybrid Model May Blend Best of Both

Make:

- Retain expertise
  - Better contracts
  - Insurance against “hold up”
- Assure and model quality

Buy:

- Capture any cost savings from scale/competition
- Model best national practices and innovation
- Access national workforce

Hybrid:

- Competition between contractors and models

Enhanced Partnership with Academic Medical Centers (AMCs)

ADVANTAGES

Reduces costs of contracting

Shared mission to serve state residents

Shared mission to serve disadvantaged populations

Stable partner

Direct access to workforce

AMCs public support

DISADVANTAGES

Declining revenues

Capacity issues

Similar HR systems (public AMCs)

Loss of competitive discipline

Increased burden on safety net providers

Reluctance of AMCs in turbulent environment

Is Make vs. Buy the Main Issue?

Increasing offender population

Aging offender population

Aging facilities and equipment

Space constraints

Costly new technology and drugs

Increasing incidence of mental health co-morbidities

Continuing shortage of medical professionals

Opportunities for DOC

Increased use of telemedicine

Increased coordination of security & transportation

Increased coordination with Medicaid

- During incarceration
- At reentry

Statewide Electronic Health Record

Improve coordination and communication

Reduce risk of lost records

Increase space available for clinical activities

Drive best practices for quality improvement and cost reduction

MUST have cross-organizational capability

Consolidation of Specialty Services

Create dedicated outpatient facility within existing prison (e.g. Powhatan)

- Increased access for offenders
- Increased coordination & continuity of care
- Reduced security & transportation costs
- Reduced security risks
- Probable increased access to health care workforce

Recommendations

Maintain hybrid model with:

- Purposeful contracting
- Engaged monitoring and enforcement
- High levels of communication across all facility leadership and DOC
- Continuous assessment of which facilities (and services) to contract

Continue to pursue opportunities for improvement

- Expanded telemedicine
- Statewide HER
- Consolidation of specialty services with a prison setting

Questions?