

Medical Care Provided in State Prisons - Study of the Costs

Joint Commission on Health Care
October 5, 2016 Meeting

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Study Background

- By letter to the JCHC Chair, Delegate Kory requested that the Commission:
 - Study medical care provided in State prisons
 - Specifically, study or evaluate the costs to the state for prisoner medical care provided by the Commonwealth while inmates are incarcerated, especially costs for pharmaceutical products
- The Study was approved by the JCHC members during the May 26, 2016 work plan meeting

Virginia Department of Corrections (VADOC) Legal Obligation to Provide Health Care to Offenders

By law VADOC is required to provide adequate health care to incarcerated offenders (U.S. Const. Amend. VIII; §53.1-32, Code of Virginia).

Adequate health care was defined by the United States Supreme Court beginning in 1976 (*Estelle v. Gamble*, 429 U.S. 97, 97 S.Ct. 285). The definition encompasses the idea of providing incarcerated offenders with a “community standard” of care that includes a full range of services. The courts identified three rights to health care for incarcerated offenders:

- The right to have access to care;
- The right to have care that is ordered by a health care professional
- The right to professional medical judgment*

On July 12, 2012 a class action lawsuit was filed in federal court against VADOC over medical care at Fluvanna Correctional Center for Women. The lawsuit was settled through a Memorandum of Understanding on November 25, 2014. The settlement agreement was approved by the court in February 2016. The agreement includes the hiring of a compliance monitor and continued court supervision of the agreement.

The agreement reached between VADOC and the plaintiffs at Fluvanna is comprehensive and involves all aspects of the health care system, including mental health. Some of the agreement issues addressed include: timely access to care and treatment, the following of national clinical guidelines for treatments and medical testing, admission and discharge planning, quality improvement compliance, security and treatment of pregnant women, accommodations for prisoners with special needs and compliance with the Americans with Disability Act (ADA).

VADOC is legally responsible for all aspects of the offender health care system whether the care is provided by VADOC directly or through a private contract.

* *Conway, J.D. LL.M.; Craig A. A Right of Access to Medical and Mental Health Care for the Incarcerated. 2009. Health Law Perspectives (June)*

Brief Description of the VADOC Health Care System

VADOC is responsible for over 30,000 incarcerated offenders on any given day in 46 prison facilities. Each prison provides health care services to incarcerated offenders. The level of health care depends on the facility. Because inmates are transferred around the system comparing one facility to another is difficult.

In addition, several of the facilities include health care services for specific chronic diseases and conditions.

- Deerfield Correctional Facility has an infirmary, an assisted living facility and beds reserved for offenders with diabetes;
- Fluvanna Correctional Center for Women has an infirmary and an inpatient psychiatric unit;
- Greensville Correctional Center has an infirmary, a mental health unit and a residential treatment unit, and
- Powhatan Correctional Facility has an infirmary.

VADOC's health care system for incarcerated offenders is a combination of state run and privately contracted services.

VADOC contracts with Armor Correctional Health Services, a national for-profit company based in Miami, Florida, to provide health care services to offenders at fourteen prison facilities, four of which also have infirmaries.

VADOC also contracts with Mediko Correctional Healthcare, a Virginia based for-profit company, to provide health care services to offenders at two prison facilities.

In a separate contract, VADOC contracts with Lawrenceville Correctional Center for all prison services, including health care services, through one capitated payment to the Geo Group, Inc.

VADOC operates the other 30 facilities and provides health care services through a combination of provider contracts and state employees.

Armor and Mediko provide health care services to approximately 50% of the VADOC average-daily-population (ADP) or a little over 15,000 offenders.

VADOC Health Care System Contracts

Anthem Blue Cross Blue Shield –
Dual Function Contract

Responsible for administering all health care claims for services provided off site from the prison system, including hospitals and physicians, and provides inpatient utilization reviews as part of claims verification.

VADOC participates in the Anthem provider network at the Anthem reimbursement rates

Armor Correction Health –
Provides all on site health care services at 14
prisons including 4 infirmaries

Provides all health care staff and pharmacy products on site for a capitated “per-member-per-month” (PMPM) rate

Mediko P.C. –
Provides all on site health care services at 2
prisons

Complicated offender cases are sent off site for health care services to hospitals and/or physicians within the Anthem network. The vendors are responsible for outpatient claims through Anthem. VADOC is responsible for inpatient claims and dental claims for the vendors.

GEO Group –
Provides all on site health care services at
Lawrenceville under a comprehensive private
prison contract

Provides inpatient and outpatient care to offenders and maintains a secure unit for inpatient services. All claims are paid through Anthem.

Medical Center of Virginia
(VCU) –
Two memos of Agreement

Provides 340B Drug Pricing to the prison system for all HIV, Hepatitis C and hemophilia drugs

Diamond Pharmacy Services

Provides pharmacy services to all non-contracted VADOC prisons and to Armor and Mediko under separate contracts with each vendor

Vendor Payments for Health Care Services

Vendors provide comprehensive health care to approximately 50% of the VADOC incarcerated offenders.

Within the vendor contracts, Armor operates VADOC's four infirmaries. The vendors also provide mental health and substance abuse care and treatment as well as administer a wide variety of pharmacy products to incarcerated offenders.

VADOC started purchasing the expensive Hepatitis C drug in 2015. The drug was originally purchased through the Diamond contract. In 2016 VADOC carved the drug out of the Diamond contract and began using the VCU 340B program to purchase it. The 340B program is a federal program that offers discounted pharmaceutical products to qualified providers. The program is explained in more detail in the pharmacy section of the presentation.

Beginning in 2015 all inpatient claims are being paid through the Anthem contract by VADOC. The change to Anthem was made to accommodate reimbursements for eligible inmates through the Medicaid program.

Each facility managed by the vendors has its own per-member-per-month (PMPM) capitated payment.

According to VADOC, the department does not have an actuary on contract to provide the state with benchmark pricing for the facilities or for the contract in general. VADOC relies on the bids submitted and an administrative claims analysis.

An actuary, hired by VADOC, might help reduce or control the cost of the vendor contracts, as well as advise the department of any services that might need attention.

Having an independent actuary hired by VADOC will also provide the department with benchmark rates for services and might provide better alternatives concerning the development and setting of PMPM rates

For example, an independent actuarial analysis might be able to determine if a single, unified PMPM for all contracted facilities might be in the best interest of the state, or a single PMPM for infirmaries and special units and a single PMPM for the general population might be advantageous in managing the costs of the health care system.

Fluvanna Settlement – Potential Implications on Health Care Spending

The Fluvanna Correctional Center for Women settlement agreement may have serious implications on the VADOC budget and expenditures.

In an article appearing in Prison Legal News, states that were court-ordered to improve prison conditions spent almost 30% more per prisoner than they did prior to the court-order. The increased spending on prisons to comply with court orders results in unintended consequences to state budgets that have not been thoroughly examined in any state. (1)

Also, California's prison health care system was placed under a federal receiver in 2006 after a federal district court assumed oversight. To comply with the court-order, the receiver "filled hundreds of longtime vacancies, increased salaries, and created new positions at higher pay rates. The number of medical, mental health and dental workers in state prisons increased from 5,100 in 2005 to 12,200 in 2011." (2)

California spent \$1.1 billion in fiscal year 2003-04 to provide medical care to the state prison population. While the number of in-state prisoners fell after a 2011 state initiative to realign the prison system, the projected cost of prison healthcare for the state in fiscal year 2013-14 was expected to top \$2 billion – "an 82.3% increase compared to a decade ago after adjusting for inflation." Since 2005, the average cost of prison healthcare in California increased from \$7,747 per prisoner annually to more than \$18,000. (2)

Compliance with the Fluvanna settlement will need to be monitored carefully by the state and any comparisons in rising health care costs between the Virginia prison healthcare system and the private sector may be complex and may need to be targeted to specific issues – like the cost for pharmacy products.

1. Gilna, Derek. Professor Urges Study of Unintended Consequences of Court-ordered Prison Reform. 2016.

Prison Legal News. March.; page 24.

2. California Prison Healthcare Costs Soar Under Federal Receiver. 2014. Prison Legal News. October; page 50.

Statistics And Expenditure Data

DOC Managed Facilities

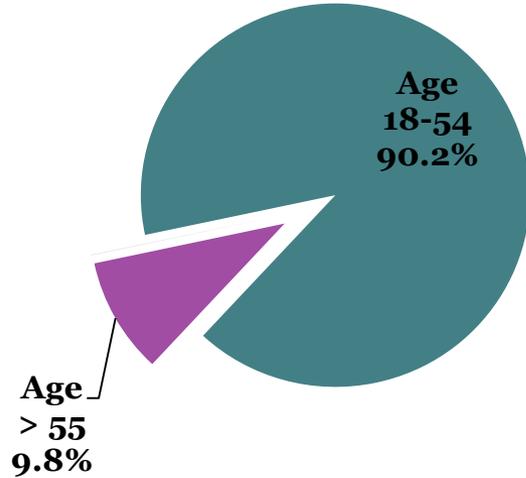
Facility	ADP (8/2016)	Facility	ADP (8/2016)
Appalachian Detention Center	107	James River Work Center	292
Baskerville	386	Keen Mountain	708
Bland	647	Marion Correctional and Treatment Center	298
Buckingham	1,152	Nottoway	1,421
Caroline Unit 2	120	Nottoway Work Center	194
Central Virginia Unit 13	225	Patrick Henry Unit 28	115
Chesterfield Detention and Diversion Center	128	Pocahontas State	1,031
Cold Springs Detention Center & Unit 10	98	Red Onion State Prison	863
Deep Meadow	726	River North	976
Dillwyn	899	Rustburg	135
Green Rock	1,031	Stafford Diversion Center	105
Halifax Unit 23	230	Virginia Correctional Center for Women	444
Harrisonburg Detention Center	94	Wallens Ridge State Prison	1,084
Haynesville Unit 17	94	Wise Unit 18	105
Haynesville	912		
		Total	14,620

ADP: Average Daily Offender Population

Privately Managed Facilities for Health Care

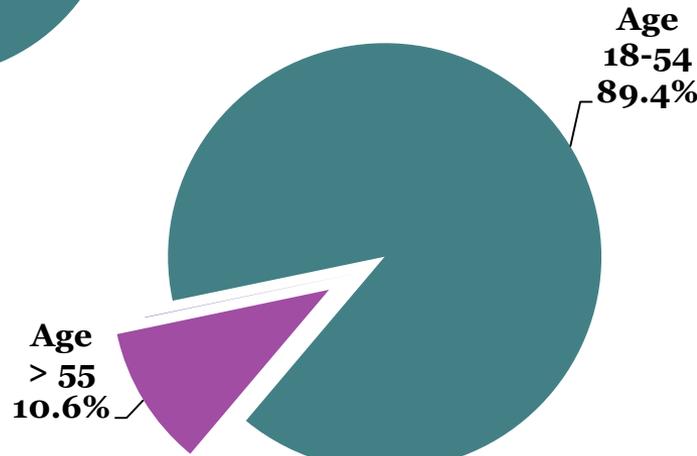
Facility	Vendor	ADP (8/2016)
Brunswick Women's Pre-Release Center	Armor	197
Deerfield– Infirmery & General Population	Armor	1,066
Deerfield Work Center - Men	Armor	202
Deerfield Work Center - Women	Armor	155
Fluvanna Center for Women– Infirmery & General Population	Armor	1,223
Greensville Work Center	Armor	229
Greensville - Infirmery & General Population	Armor	2,972
Indian Creek	Armor	1,013
Lunenburg	Armor	940
Powhatan Reception Center (includes Medical Unit and Infirmery)	Armor	453
St. Brides	Armor	1,184
Sussex I	Armor	1,148
Sussex II	Armor	1,247
Augusta	Mediko	1,329
Coffeewood	Mediko	984
Lawrenceville	The Geo Group	1,567
Total		15,909

Fourth Quarter 2012
ADP, 29,671



Average Daily Offender Population (ADP) By Age Group

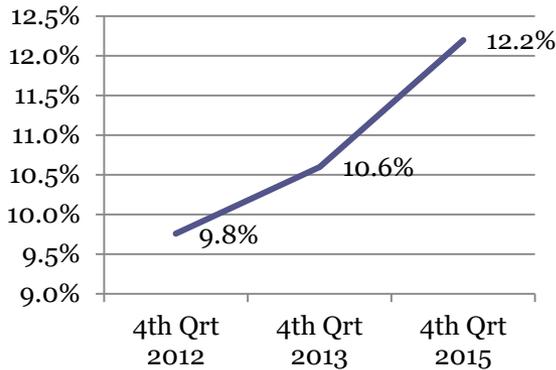
Fourth Quarter 2013
ADP, 29,987



Fourth Quarter 2015
ADP, 30,346

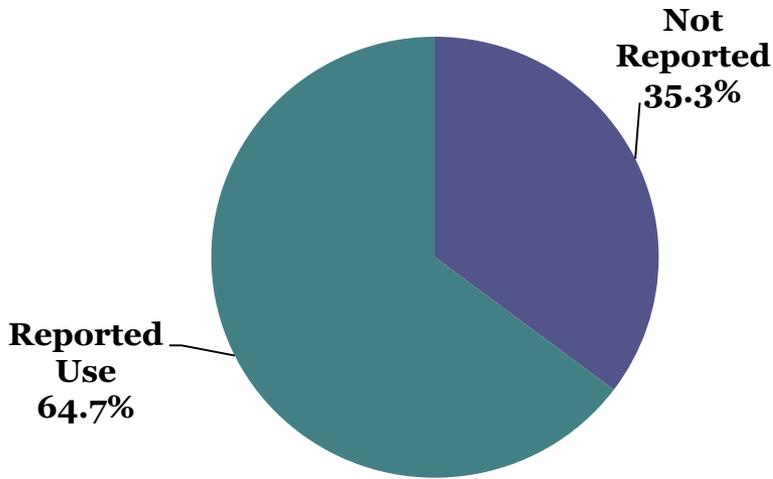


Percent of ADP > 55

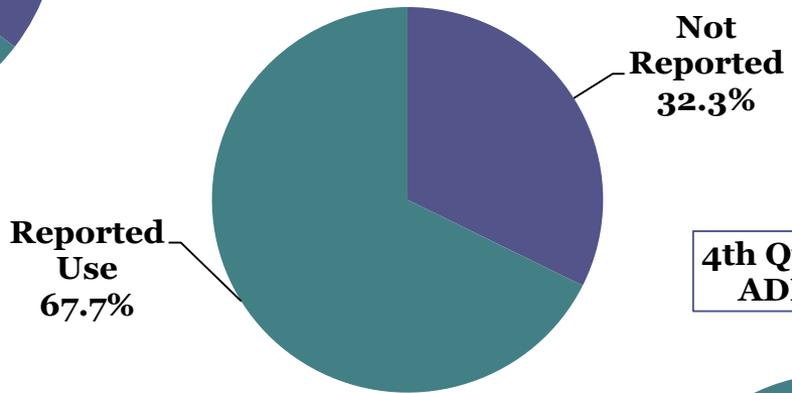


Point in Time Data: Reported Alcohol Use

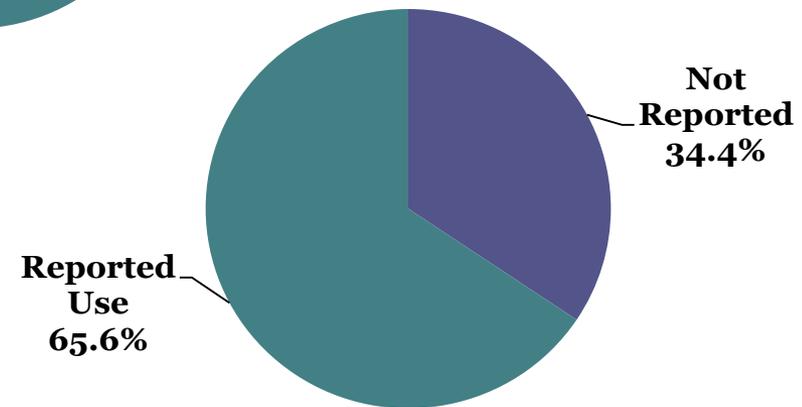
Fourth Quarter 2012
ADP, 29,671



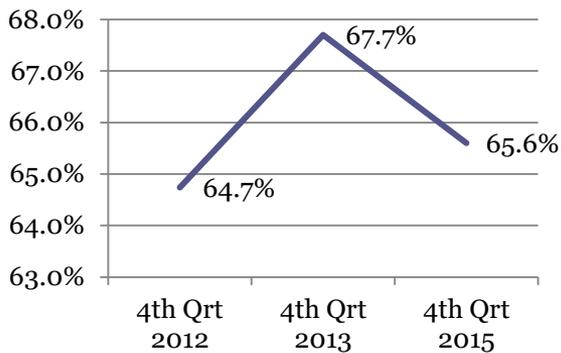
4th Quarter 2013
ADP, 29,987



4th Quarter 2015
ADP, 30,346



**Percent of ADP W/
Reported Alcohol Use**



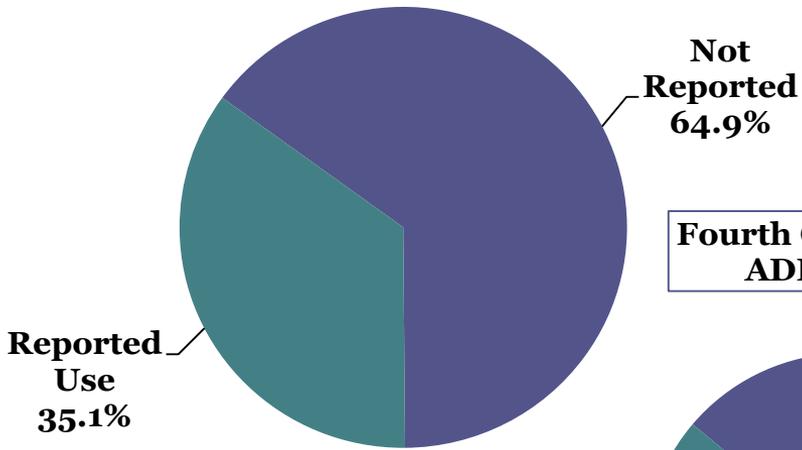
Notes:

Self-reported by offenders upon intake

Not reported includes: Alcohol Not Used/Unknown/Not Reported

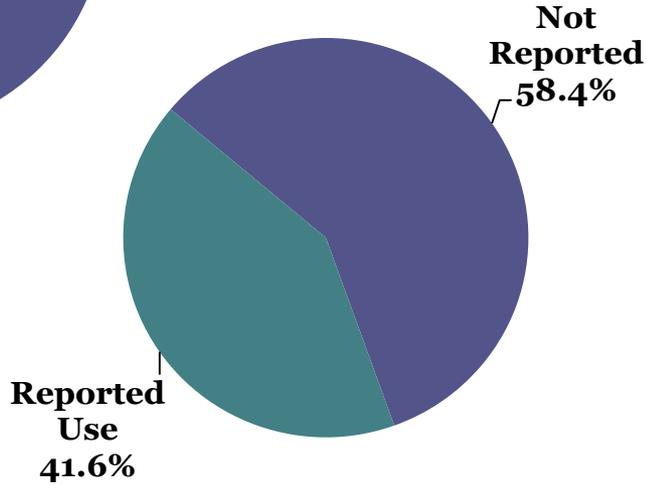
Source: Department Of Corrections - Quarterly Reports to General Assembly

Four Quarter 2012
ADP, 29,671

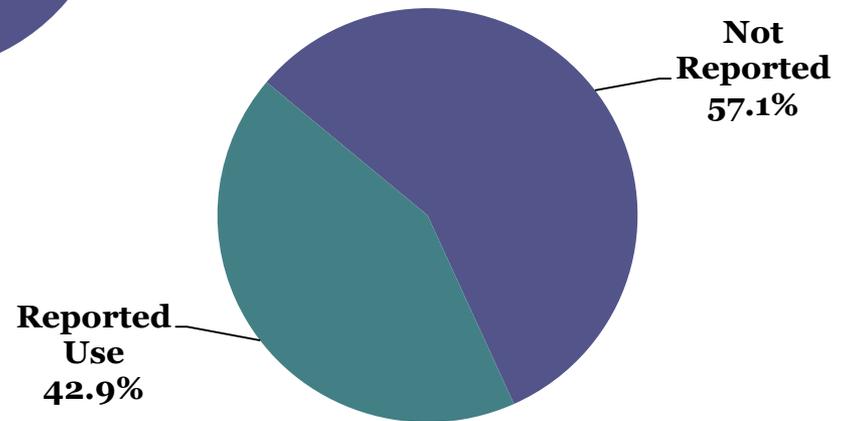


**Point in Time Data:
Reported Drug Use**

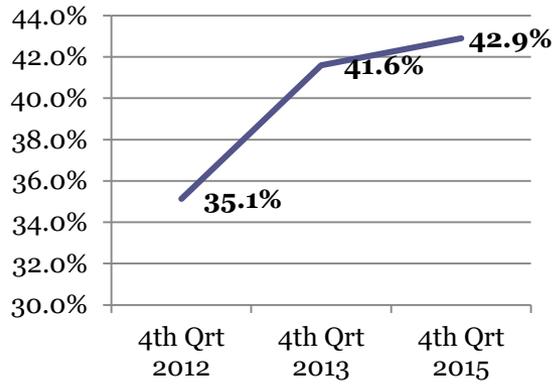
Fourth Quarter 2013
ADP, 29,987



Fourth Quarter 2015
ADP, 30,346



**Percent of ADP W/
Reported Drug Use**



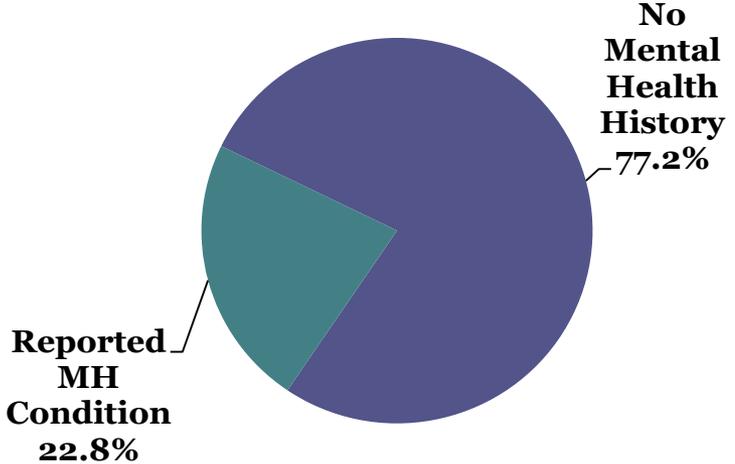
Notes:

Self-reported by offenders upon intake
Not reported includes: Drug Not Used/Unknown/Not Reported

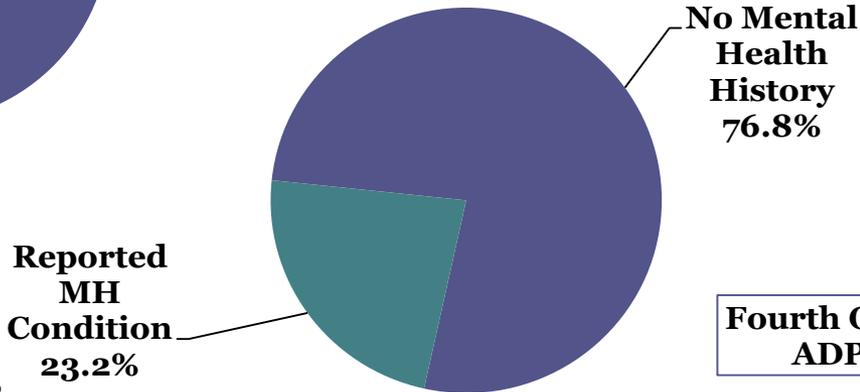
Source: Department Of Corrections – Quarterly Reports to General Assembly

Point in Time Data: Reported Mental Health History

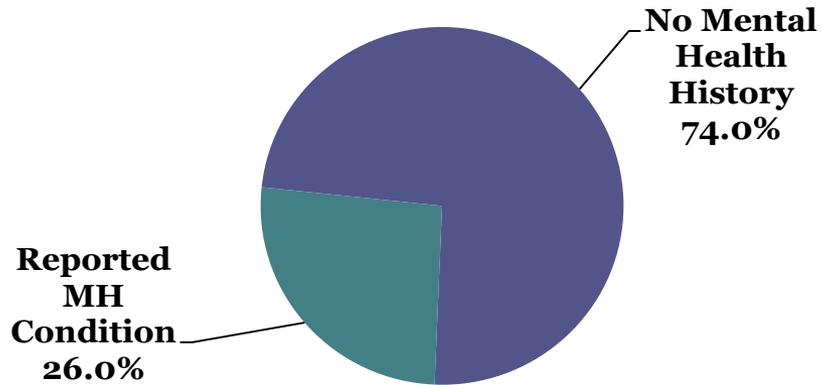
Fourth Quarter 2012
ADP, 29,671



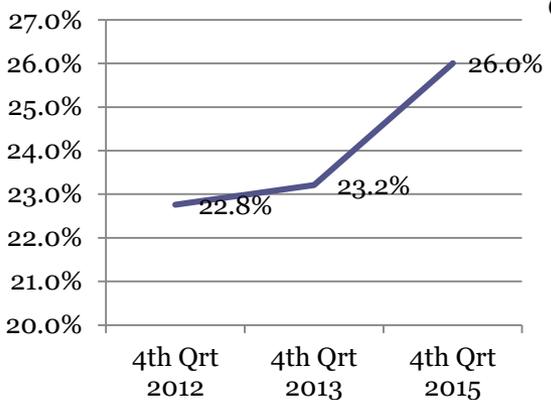
Fourth Quarter 2013
ADP, 29,987



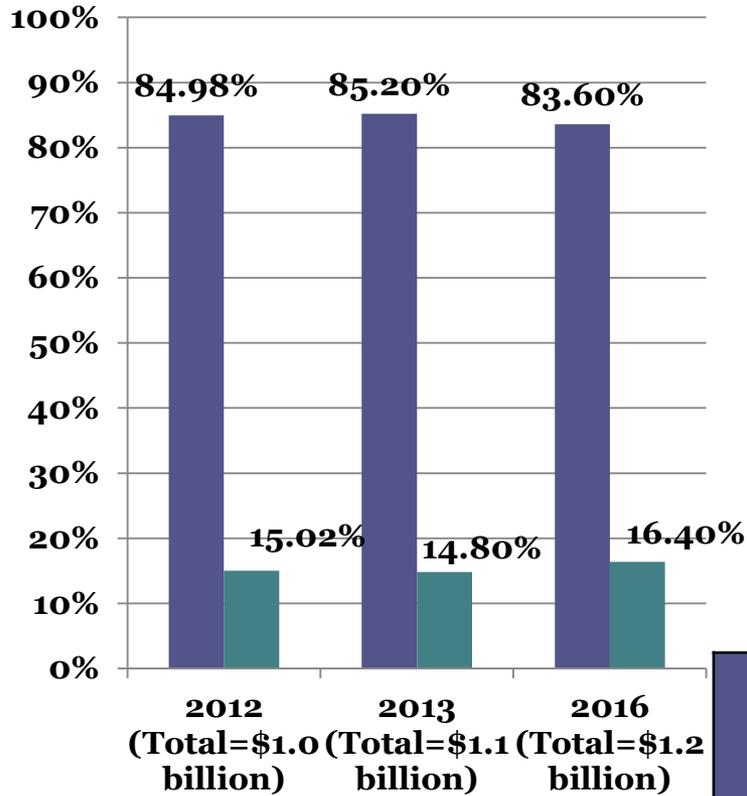
Fourth Quarter 2015
ADP, 30,346



**Percent of ADP W/
Reported MH Condition**



No Mental Health History includes: No Code Assigned and No History or Current Evidence of Impairment.
 MH information is not self-reported by the offender.
 Source: Department Of Corrections - Quarterly Reports to General Assembly



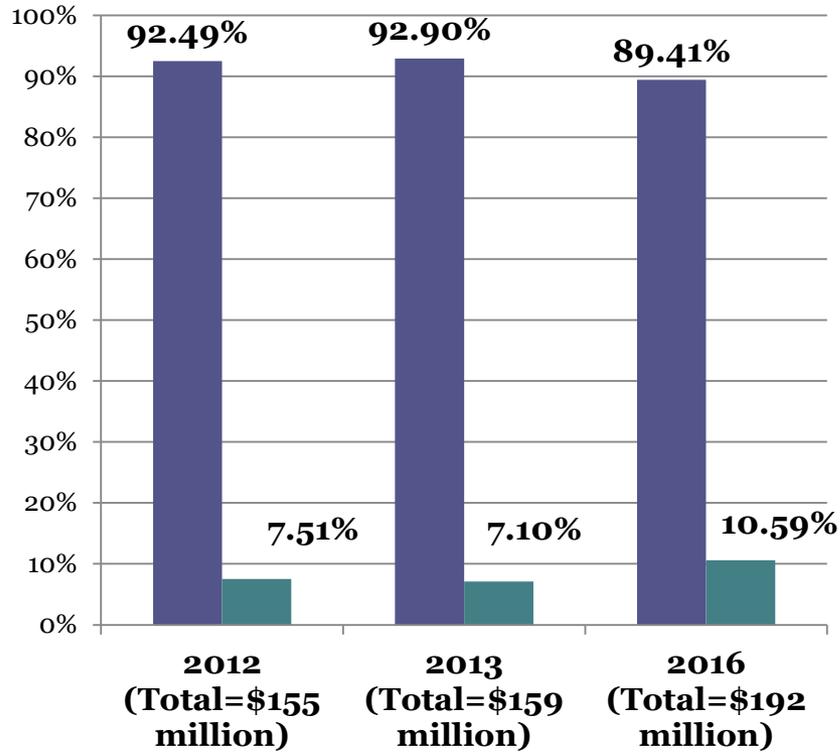
VADOC Percent of Expenditures for Prison Operations Compared to Health Care Services

SFY	Non-Health Prison Operations	Total Health Services Expenses	Total
2012	\$877,776,003	\$155,178,939	\$1,032,954,942
2013	\$915,538,629	\$159,204,148	\$1,074,742,777
2016	\$979,684,590	\$192,185,569	\$1,171,870,159

State Prison Health Care Spending as a Percent of Total State Prison Spending – 2011 *

Rank by % of Prison Health Spending	State	State Prison Spending 2011	Prison Health Care Spending 2011	Percent Spent on Health Care
1	California	\$8,528,335,000	\$2,137,045,000	25.1%
2	Missouri	\$683,665,000	\$142,988,000	20.9%
3	New Hampshire	\$112,666,000	\$23,564,000	20.9%
4	Mississippi	\$309,694,000	\$64,575,000	20.9%
5	Michigan	\$1,625,653,000	\$330,400,000	20.3%
6	Ohio	\$1,452,841,000	\$279,716,000	19.3%
7	Alabama	\$531,700,000	\$97,266,000	18.3%
8	North Carolina	\$1,420,666,000	\$255,125,000	18.0%
9	Delaware	\$266,666,000	\$46,094,000	17.3%
10	Nevada	\$270,381,000	\$46,593,000	17.2%
33	Virginia	\$1,193,345,000	\$149,850,000	12.6%
41	Colorado	\$871,379,000	\$102,355,000	11.7%
42	Iowa	\$329,694,000	\$38,001,000	11.5%
43	Maryland	\$1,364,884,000	\$147,856,000	10.8%
44	Rhode Island	\$181,796,000	\$19,364,000	10.7%
45	New Jersey	\$1,408,614,000	\$141,752,000	10.1%
46	Utah	\$297,609,000	\$29,529,000	9.9%
47	Illinois	\$1,513,117,000	\$144,039,000	9.5%
48	Massachusetts	\$1,050,827,000	\$95,348,000	9.1%
49	West Virginia	\$269,308,000	\$23,150,000	8.6%
50	North Dakota	\$87,671,000	\$6,350,000	7.2%
	National Average	\$46,711,103,000	\$7,679,772,001	16.4%

* For State prison spending: Kyckelhahn, Tracey. 2011. Bureau of Justice Statistics - Justice Expenditure and Employment. Bureau of Justice Statistics. July 1, 2014. (NCJ 247020) <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=5050>
 For prison health care spending: Pew Charitable Trust State Prison Health Care Spending July 2014, Page 19 and 21 Appendix C. <http://www.pewtrusts.org/en/research-and-analysis/reports/2014/07/08/state-prison-health-care-spending>



VADOC Percent of Expenditures for Health Care Services Compared to Pharmacy
 (340B and Diamond Contract does not include Armor, Mediko or Geo facilities)

■ Health Care
 ■ Pharmacy

SFY	Health Care	Pharmacy 340B & Diamond	Total
2012	\$143,522,385	\$11,656,554	\$155,178,939
2013	\$147,906,677	\$11,297,471	\$159,204,148
2016	\$171,823,776	\$20,361,793	\$192,185,569

Source: VADOC report, 9-2016

VADOC Health Care System

Change in Actual Expenditures: 2012 to 2016

Description	FY2012	FY2016	FY 2012 - 2016	% Change
Medical Services Contracts - includes infirmaries	\$72,310,858	\$80,240,212	\$7,929,354	10.97%
Anthem	\$30,957,892	\$43,649,734	\$12,691,842	41.00%
Diamond Pharmacy DOC sites only	\$7,154,184	\$8,819,740	\$1,665,556	23.28%
Dialysis at Greensville and Sussex II	\$2,131,759	\$1,848,906	-\$282,853	-13.27%
VCUHS Stipend	\$0	\$3,000,000	\$3,000,000	-
340B drugs- VCU	\$4,502,370	\$11,542,053	\$7,039,683	156.36%
Personnel Services (salaries, benefits)	\$30,191,201	\$29,032,714	-\$1,158,487	-3.84%
Other medical services (facilities & headquarters)	\$7,763,209	\$13,528,013	\$5,764,804	74.26%
Medical Equipment	\$167,466	\$524,197	\$356,731	213.02%
TOTAL	\$155,178,939	\$192,185,569	\$37,006,630	23.85%
Medical Services Contract Average Daily Population	12,291	14,239	\$1,948	15.85%
<u>DOC Operated</u> Average Daily Population	<u>17,380</u>	<u>15,967</u>	<u>\$(1,413)</u>	<u>-8.13%</u>
Average Daily Population	29,671	30,206	\$535	1.80%
<i>Cost Per Inmate</i>	<i>\$5,230</i>	<i>\$6,362</i>	<i>\$1,133</i>	<i>21.65%</i>
<i>Number of Contracted Facilities</i>	<i>10</i>	<i>16</i>	<i>6</i>	

Source: VADOC report, 9-2016

Rank by % of Prison Health Spending	State	Prison Health Care Spending 2011	ADP 2011	Health Care Per ADP (2011)
1	California	\$2,137,045,000	147,438	\$14,495
2	Vermont	\$18,077,000	1,537	\$11,761
3	Wyoming	\$20,707,000	1,905	\$10,870
4	New Hampshire	\$23,564,000	2,312	\$10,192
5	Alaska	\$38,963,000	3,835	\$10,160
6	Montana	\$29,284,000	3,464	\$8,454
7	Massachusetts	\$95,348,000	11,315	\$8,427
8	Maine	\$17,049,000	2,124	\$8,027
9	Michigan	\$330,400,000	44,262	\$7,465
10	Oregon	\$103,836,000	14,116	\$7,356
30	Virginia	\$149,850,000	30,772	\$4,870
40	Arkansas	\$66,888,000	16,057	\$4,166
41	Georgia	\$208,103,000	51,794	\$4,018
42	Indiana	\$103,396,000	26,800	\$3,858
43	Texas	\$581,555,000	152,841	\$3,805
44	Alabama	\$97,266,000	25,806	\$3,769
45	Nevada	\$46,593,000	12,466	\$3,738
46	Mississippi	\$64,575,000	19,305	\$3,345
47	Arizona	\$129,627,000	39,764	\$3,260
48	Illinois	\$144,039,000	47,212	\$3,051
49	South Carolina	\$68,520,000	23,358	\$2,933
50	Oklahoma	\$62,692,000	24,511	\$2,558
	National Average	\$7,679,772,001	1,270,036	\$6,047

Per ADP State Prison Health Care Spending – 2011 *

* For State prison spending: Kyckelhahn, Tracey. 2011. Bureau of Justice Statistics - Justice Expenditure and Employment. Bureau of Justice Statistics. July 1, 2014. (NCJ 247020) <http://www.bjs.gov/index.cfm?ty=pbdetail&iid=5050>
For prison health care spending: Pew Charitable Trust State Prison Health Care Spending July 2014, Page 19 and 21 Appendix C. <http://www.pewtrusts.org/en/research-and-analysis/reports/2014/07/08/state-prison-health-care-spending>

Pharmacy

VADOC Pharmacy: Analysis of Diamond Pharmacy Services Monthly Management Reports

VADOC contracts with Diamond Pharmacy for all prescription and over the counter pharmacy products purchased within the 30 prisons VADOC operates.

The 16 prisons under contract with VADOC provide pharmacy products to offenders through contracts with Diamond. The payments to the vendors for health care services includes pharmacy.

According to VADOC, Armor, Mediko and Geo do not share their contractual pricing with the state – claiming they are proprietary information. As a result, under the current system, VADOC does not know if the prisons operated by Armor, Mediko or GEO are getting the best prices for the pharmacy products they purchase.

(The Lawrenceville prison is a fully contracted facility operated by the GEO Group. All health care services including pharmacy are purchased by the vendor. GEO uses Correct Rx for their pharmacy products.)

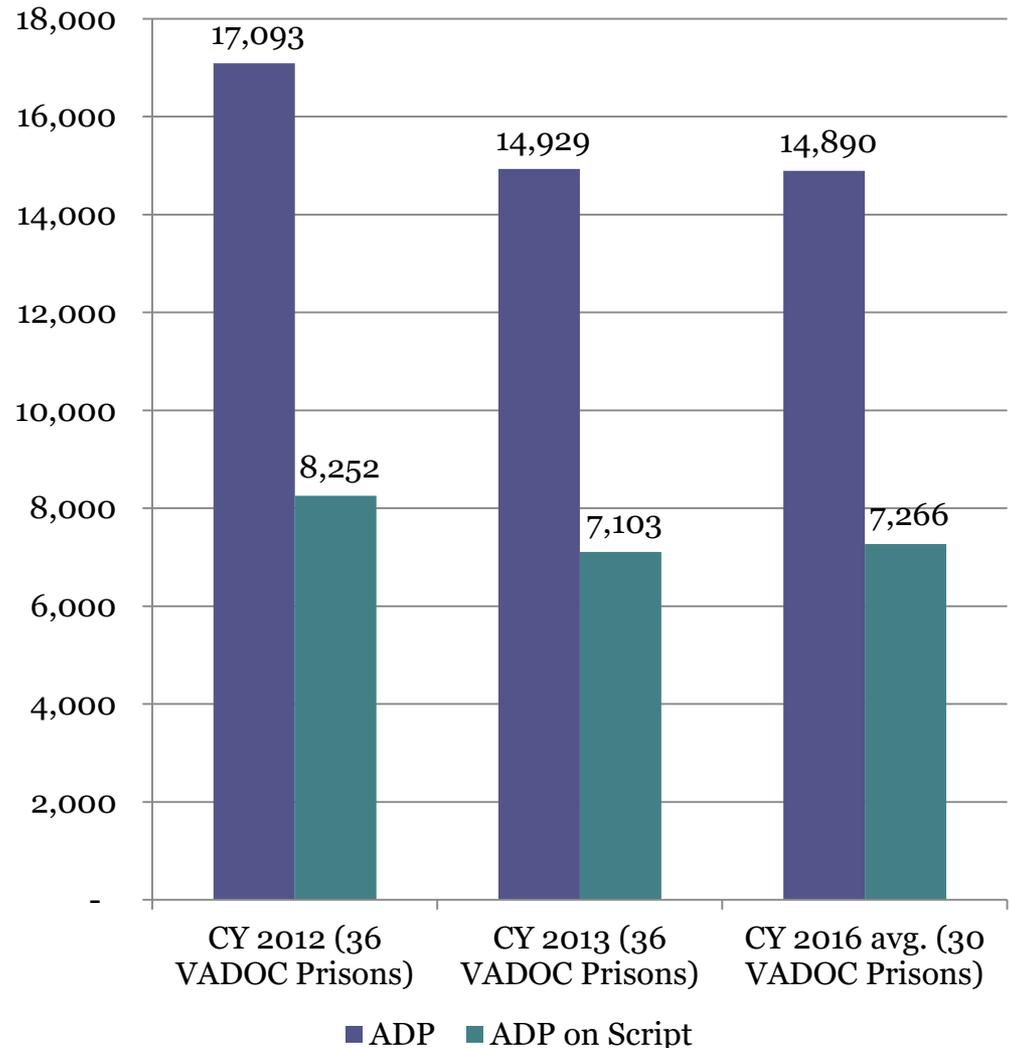
VADOC carves out Hepatitis C, HIV and Hemophilia drugs from the Diamond contract and pays for those drugs through a memorandum of agreement with VCUHS using the federal 340B Drug Purchasing program.

The vendor facilities include all of the VADOC infirmaries.

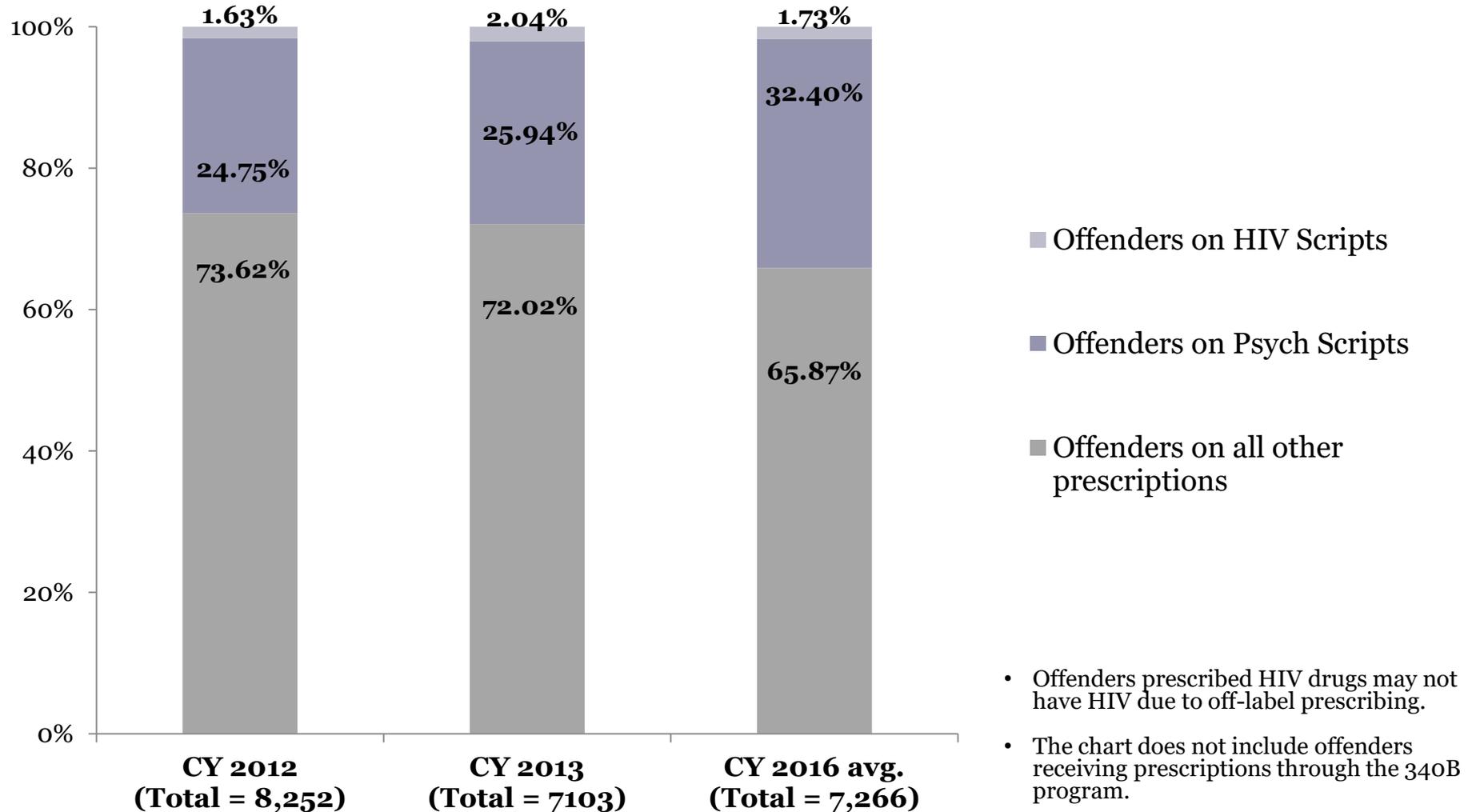
For those facilities where health services are provided by VADOC the chart to the left indicates that approximately 50% of incarcerated offenders receive prescription drugs.

The average number of prescriptions per inmate for those that have a prescription is four, and that number has not changed since 2012.

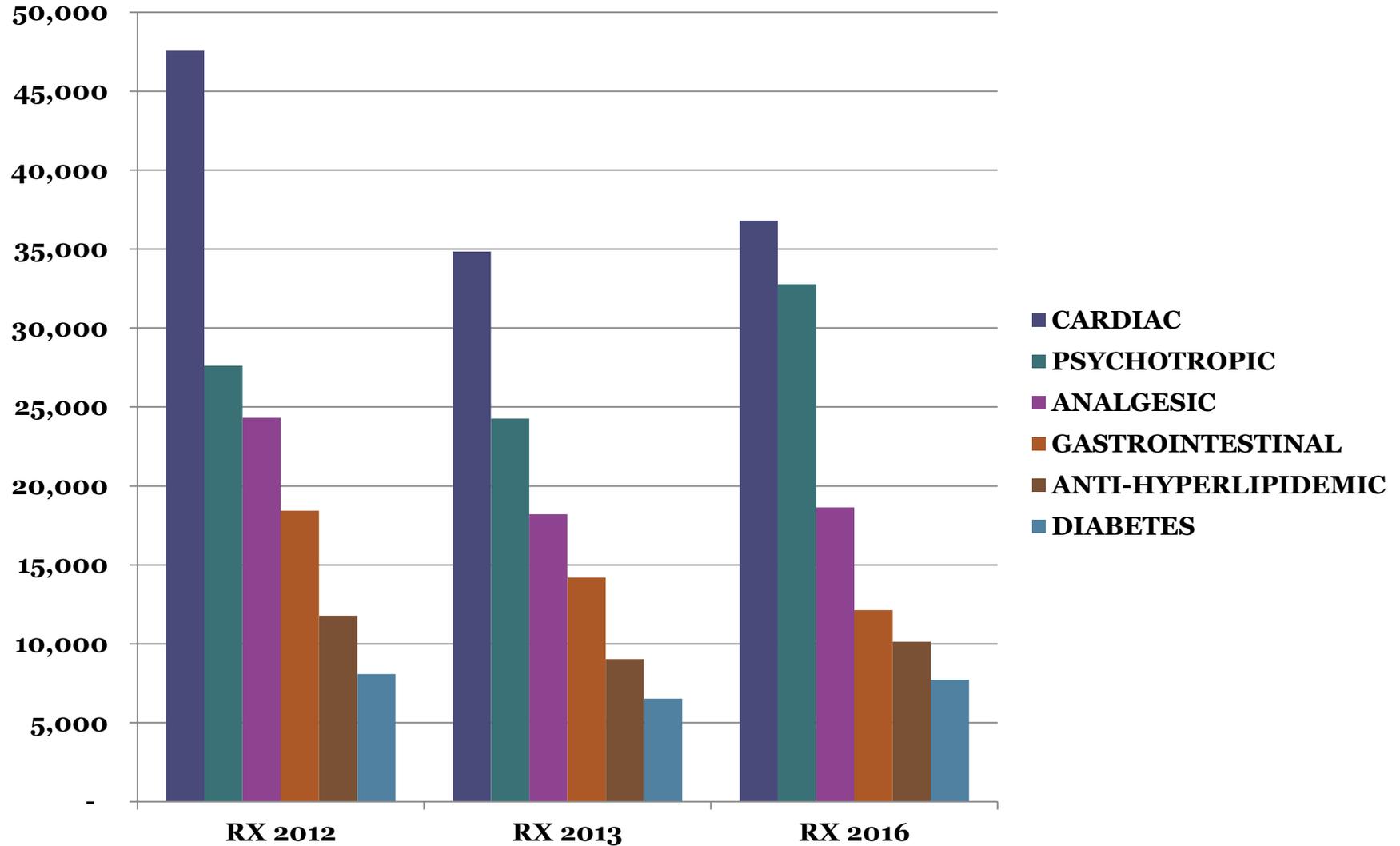
Diamond Pharmacy Services Monthly Report Analysis for VADOC Health Services (Does not include Armor, Mediko or GEO)



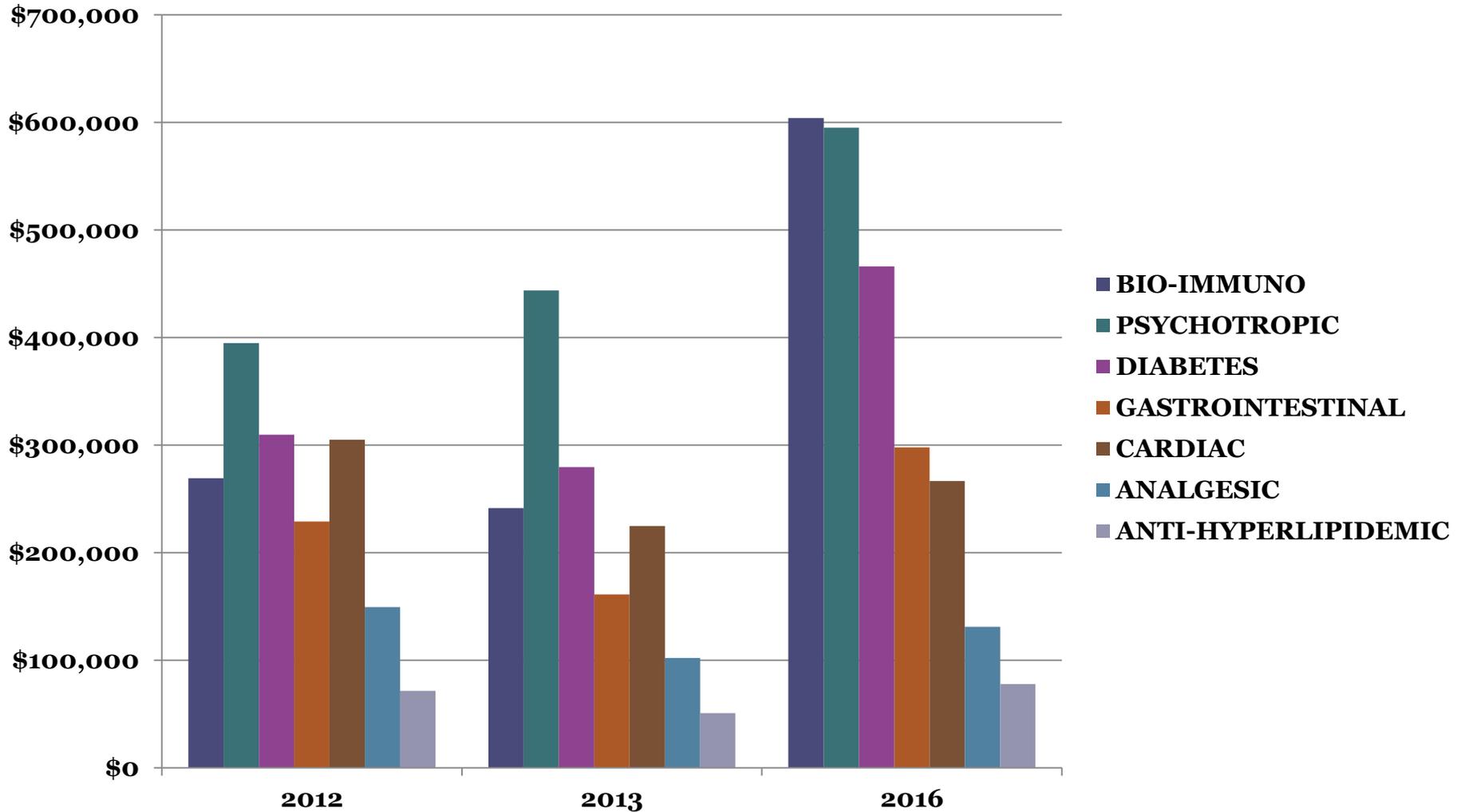
**Diamond Pharmacy Services
Monthly Report Analysis for VADOC Health Services
(Does not include Armor, Mediko or GEO)**



Six Month - Diamond Report to VADOC
Number of Prescriptions by Therapeutic Class
(Does not include Armor, Mediko or GEO)



Six Month - Diamond Report to VADOC
Amount Spent on Prescriptions by Therapeutic Class
(Does not include Armor, Mediko or GEO)



Pharmacy Purchasing Options to be Explored

Currently the Secretary of Health and Human Resources is doing a comprehensive study on drug purchasing within the Commonwealth.

Part of the study includes how VADOC purchases drugs and whether the state is getting the best prices available.

One of the strategies being discussed is to form a statewide pharmacy program to take advantage of the Minnesota Multistate Contracting Alliance (MMCAP) and the federal 340B drug purchasing program for all of state government.

Another strategy may be to explore expanding the contract with VCUHS to include clinical services for some or all health care services in order to take advantage of the federal 340B drug purchasing program.

The next slides describe the federal 340B and MMCAP programs and potential savings that may result.

Pharmacy Purchasing Strategies VADOC Could Explore: Expand the use of the 340B Drug Purchasing Program

VADOC may want to explore ways to expand the use of the 340B Drug purchasing program for incarcerated offenders.

The only diseases in which the 340B program is being used to purchase drugs are Hepatitis C, HIV and Hemophilia.

For example, VADOC may be able to expand the use of the program to include psychotropic drugs for offenders with mental health conditions.

What is the federal 340B Drug purchasing program?

The Federal 340B Drug Pricing Program requires drug manufacturers to provide outpatient drugs to eligible health care organizations/covered entities at significantly reduced prices.

Eligible health care organizations and covered entities include certain types of health care clinics (i.e. FQHCs), Medicare/Medicaid Disproportionate Share Hospitals, children's hospitals, and other safety net providers.

In Virginia, VCUHS is a 340B recognized organization. VADOC currently has a memorandum of agreement with VCUHS for 340B drug purchasing.

The 340B Price

340B
DRUG PRICING
PROGRAM

25-50%
of the average wholesale price

The 340B price is actually a "ceiling" price

Pharmacy Purchasing Strategies VADOC Could Explore: Joining the Department of Behavioral Health and Development Services (DBHDS) in the Minnesota Multistate Contracting Alliance for Pharmacy (MMCAP) Program

Virginia is a member state of MMCAP and DBHDS is one of the only state agencies taking advantage of the program. The VADOC would have to establish a pharmacy service or participate in a statewide pharmacy program in order to take advantage of MMCAP.

According to NCSL, MMCAP reports that it achieves average savings of approximately 23.7% below average wholesale price for brand name pharmaceuticals and 65% below average wholesale price for generic drugs.

The MMCAP program provides a full range of pharmaceuticals, and other healthcare products and services are available to members (i.e. medical supplies, influenza vaccine, dental supplies, drug testing, etc.)

According to MMCAP, comparative analyses between MMCAP and other pharmaceutical distributors that were performed by different states and government entities reported actual drug cost savings from expenditures as follows:

Entity Conducting Study	Savings
The State of Delaware Department of Corrections	5.94%
Cuyahoga County, Ohio	14.00%
The State of Tennessee	10.70%
The State of Indiana - comparative analysis between MMCAP and another distributor	
o state hospital	4.62%
o public health agency	46.29%
o university medical center	24.63%
The State of Florida evaluation	4.5% to 5.7%
Deschutes County Jail in Oregon MMCAP pricing to its Diamond Pharmacy	39.81%

* Source: MMCAP August 23, 2016 Government Serving Government presentation.

Offsite Health Care Services

Offsite Health Care Services

VADOC contracts with Anthem Blue Cross and Blue Shield to process all off prison site health care claims submitted by all health care providers regardless of the state prison facility the incarcerated offender is housed.

VADOC pays Anthem a claims processing fee and retention fee for facility charges. Anthem pays the claims and then invoices VADOC for reimbursement. VADOC processes the payments to Anthem, identifies whether the vendors (Armor, Mediko or Geo) are responsible for any of the claims based on their contracts with VADOC and if so invoices them monthly for reimbursement.

In addition, VADOC has a memorandum of agreement with VCUHS for outpatient and inpatient health care services. VCUHS operates a 20 bed secure unit that also includes 4 exam rooms. VCUHS claims for offender health care services are also processed by Anthem.

Prior to 2016 Armor, Mediko and Lawrenceville were responsible for paying inpatient claims for the offenders in the facilities those vendors operated. In 2016 VADOC began paying for all inpatient claims in order to access Medicaid and comply with federal laws involving Title XIX.

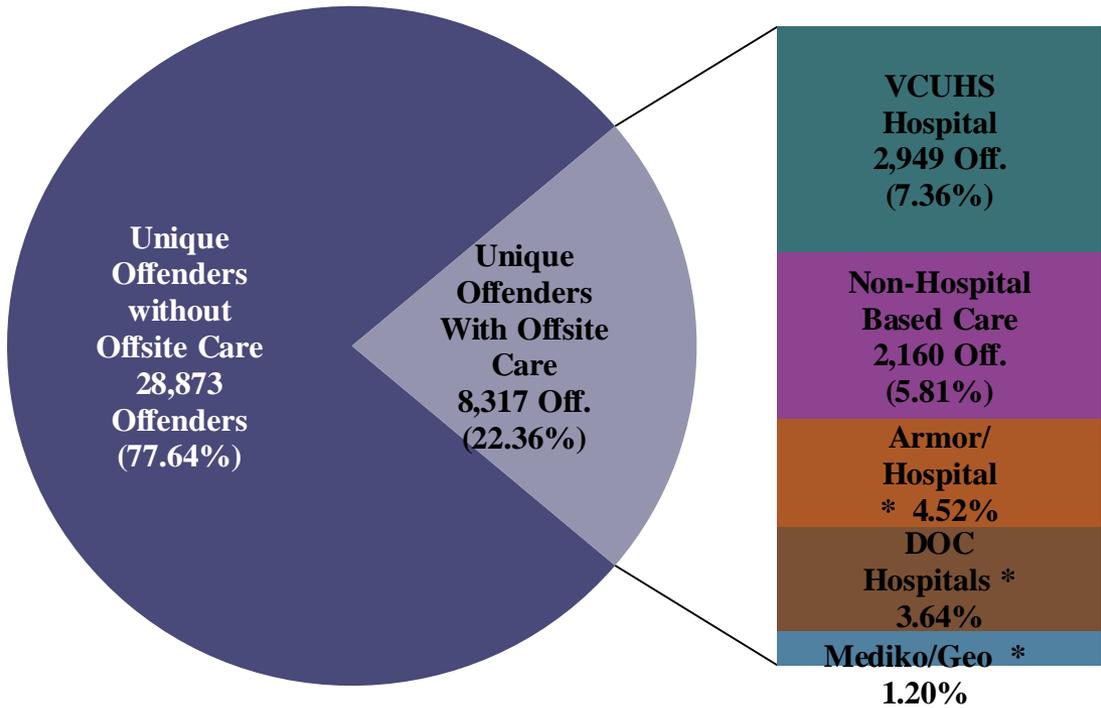
Anthem analysis of offsite claims is unique. VADOC cannot provide the same level of analysis or details because the facilities where the department provides health care services do not have electronic health records.

- Incarcerated offenders that need physician, specialty or hospital care offsite from their prison facility are transported by VADOC to the provider.
- The contract with Anthem allows the state healthcare system to access the Anthem provider network at Anthem's provider negotiated rates.

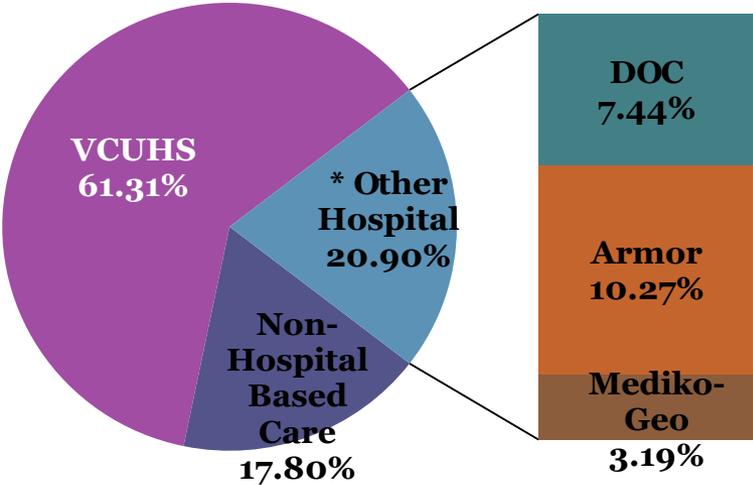
Anthem BCBS Claims Based Utilization Report Off Prison Site Hospital and Non-Hospital

(April 1, 2015 through March 31, 2016)

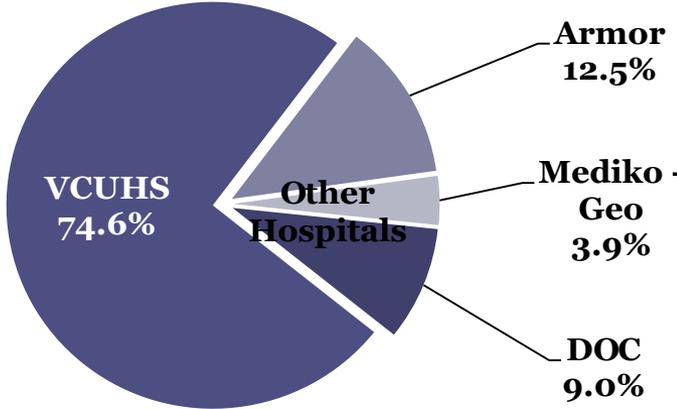
**Unique Offender Count
Offsite Health Care Service Utilization
Offender Total = 37,190**



**Percent Paid for Offsite Hospital *
& Non-Hospital Care
Total=\$62.4 million**



**Percent Paid to Offsite
Hospital Care * = \$51.3 million**



* Other hospital - Offenders can receive inpatient and outpatient hospital services from VCUHS or other hospitals around the state.

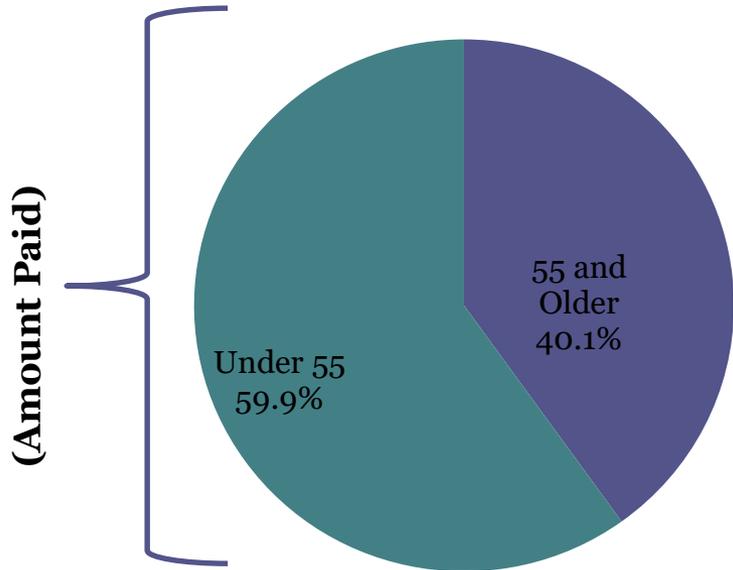
Unique offenders represent an unduplicated count for the 12 month reporting period. Includes Inpatient and Outpatient Care. Source: Department of Corrections Clinical Analysis for claims paid from 4/2015 – 3/2016; Anthem Report

Anthem BCBS Claims Based Utilization Report

(April 1, 2015 through March 31, 2016)

Anthem BCBS Claims Based Utilization Report For VCUHS (April 1, 2015 through March 31, 2016)					
Origination / Vendor or VADOC	Number of Offenders	Number of Visits	Amount Paid	Cost Per Offender	Cost Per Visit
ARMOR	1,386	3,405	\$21,430,759	\$31,720	\$12,669
DOC	1,339	2,794	\$13,217,952	\$23,458	\$10,002
MEDIKO	167	382	\$2,552,784	\$29,941	\$12,822
GEO	57	124	\$1,042,536	\$40,564	\$16,771
Grand Total	2,949	6,705	\$38,244,032	\$12,968	\$5,704

**Anthem BCBS
Claims Based Utilization Report
Off Prison Site Hospital Analysis
Amount Paid (Total = \$51.3 million)
(April 1, 2015 through March 31, 2016)**

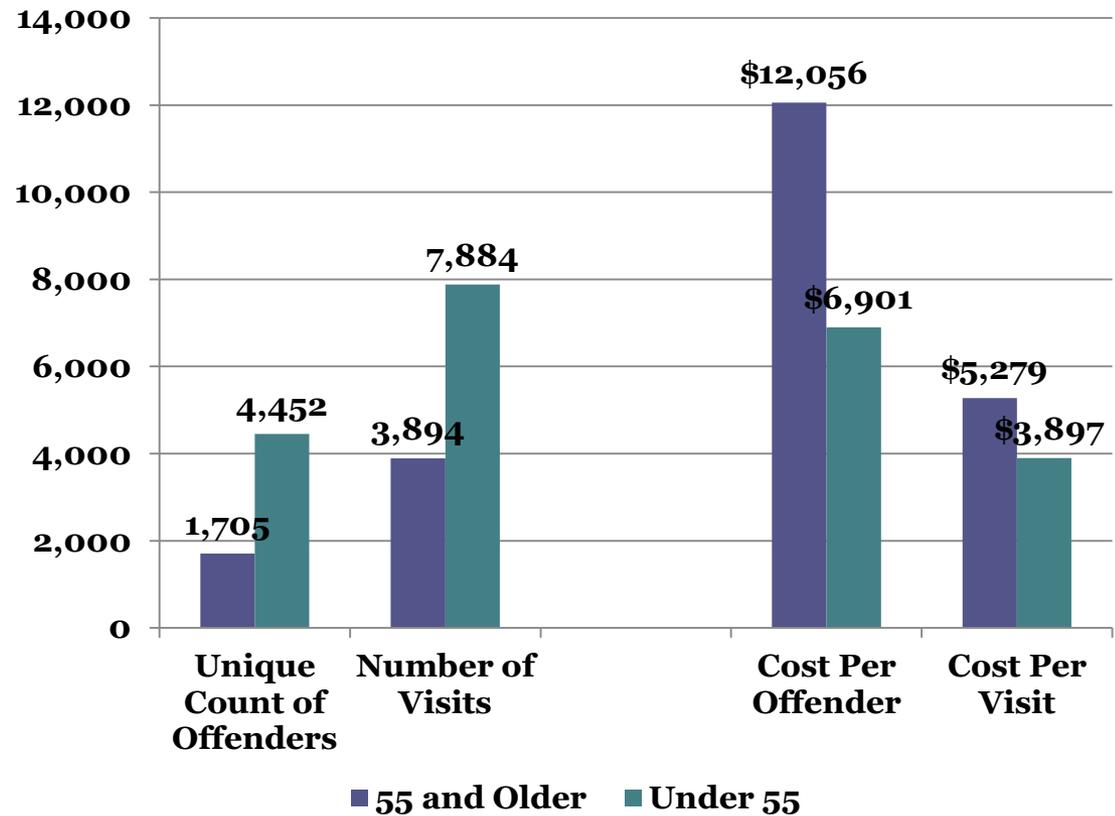


The unduplicated count of VADOC offenders receiving inpatient and/or outpatient care offsite in 2016 was 6,157.

Of the offender count, 28% were aged 55 and over. This age cohort represented 40% of the amount spent on offsite hospital care.

Those offenders under age 55 represented 72% of the number receiving offsite hospital care. This age cohort represented 60% of the amount spent on offsite hospital care.

**Anthem BCBS
Claims Based Utilization Report
Off Prison Site Hospital Analysis
(April 1, 2015 through March 31, 2016)**



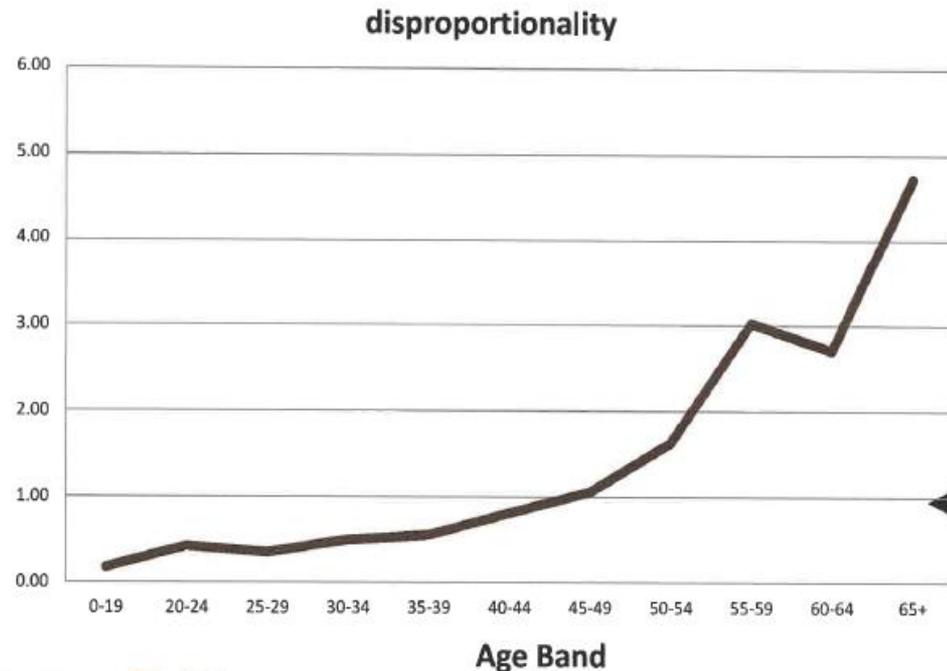
Anthem Blue Cross Blue Shield Claims Analysis

The graph to the right displays Anthem's analysis of 2015-2016 claims by age group and shows the proportional rise in the cost-of-care to offenders as they age within the state prison system relative to the prison population as a whole.

Once an offender reaches the age groups over 55 the cost of care to those offenders increases between 3 and 5 times the cost of care for all other offenders.

Current Period: Paid 4/1/2015 to 3/31/2016
Prior Period: Paid 4/1/2014 to 3/31/2015

Cost vs. Offender Age



At 1.0 proportionality, that fraction of that age group of the whole population, costs the same fraction of the total costs.

High Cost Claims

Anthem BCBS Claims Based Utilization Report

High Cost Claims with Paid Amounts Over \$75,000

(April 1, 2015 through March 31, 2016)

According to an Anthem BCBS Claims Analysis for a 12 month period ending March 31, 2016, approximately 30% (\$62.4 million) of VADOC's total health expenditures were paid to offsite providers (hospitals and non-hospitals).

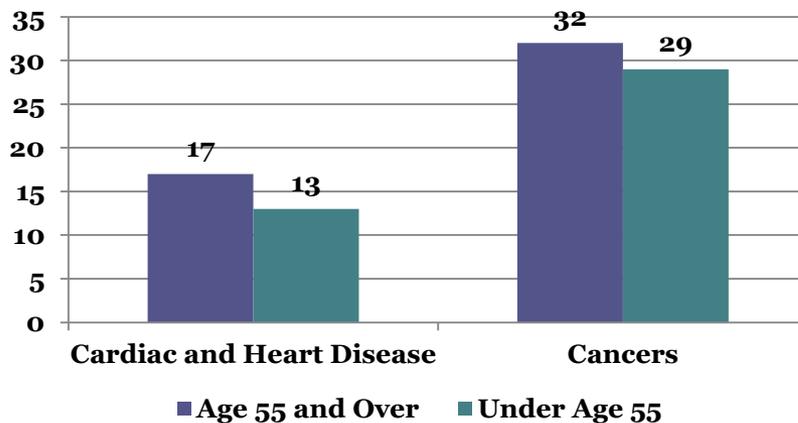
Payments to offsite hospitals, \$51.3 million (82.2%) represents the largest share of the payments.

Of the \$62.4 million spent on offsite health care, \$29.1 million (46.8%) was spent on 179 offenders.

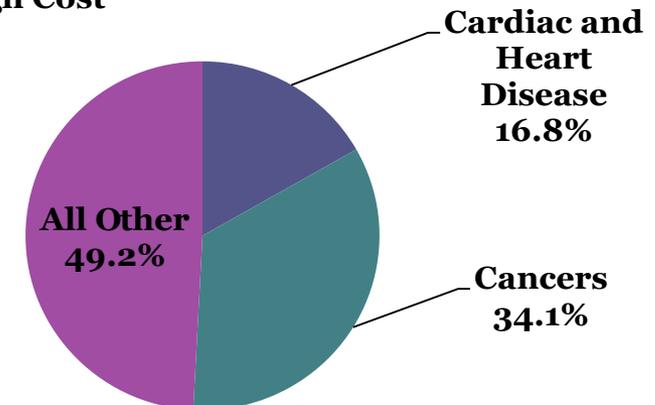
The 179 offender represent only 2.9% of the offenders cared for offsite.

Primary Health Condition	Number of Offenders	Total Amount Paid	Amount Per Offender
Cardiac and Heart Disease	30	\$4,632,663	\$154,422
Cancers	61	\$9,918,442	\$162,597
All Other	88	\$14,612,508	\$166,051
Total	179	\$29,163,613	\$162,925

Number of High Cost Offenders Treated Offsite Over and Under Age 55



Percent of Offenders by Primary Health Condition for High Cost



High Cost Claimant Detail with Paid Amounts > \$75,000

Disease Management Programs

According to a presentation at the UMass Correctional Health Conference in 2015, national data suggests that the health of incarcerated offenders is a public health issue because:

- 12-18% of HIV infected Americans have been incarcerated
- 30% of HCV infected Americans have been incarcerated
- 35% of Americans with active tuberculosis have been incarcerated

Taking aggressive action to use inmate educators trained to provide current, medically correct health information on diabetes, heart disease and infectious diseases (such as HIV, hepatitis, STDs, TB, Staph) could provide much needed assistance in implementing disease management within the state prison system. Such action may help defray future expenses and result in a healthier prison population.

In addition, VADOC may consider implementing additional health related performance measures into the vendor contracts to insure that disease management programs are being implemented.

The measures need to be carefully examined and monitored to insure that the vendors comply without disincentivizing appropriate health care services to inmates.

* *Brockmann, J.D., Brad. Prison-Based Peer Health Education: Understanding Benefits to Inmates, Institutions and Communities. 2015. UMass Correctional Health Conference March 19-20. Boston, MA.*

Current Studies on Medical Costs: VADOC State Prisons

Appropriations Bill Language 2015 and 2016 *

- Report on Costs and Benefits of Current Inmate Health Care System compared to Alternative Care Management Models - 2015 Budget Bill CH 665; Item 384.P.1.
- Report on Costs and Benefits of Current Inmate Health Care System compared to alternative Care Management Models - 2015 Budget Bill CH 665; Item 384.P. and 2016 Appropriation, CH 780; Item 393.N.
- Multi Cabinet Review of High Cost Drug Purchases
- 2016 Appropriation; CH 780, Item 284.B.
- Modernization of Current Data and Record Keeping Systems 2016 Appropriation; CH 780, Item 394. A.

* *See Appendix II for specific language.*

Reports to the General Assembly - 2015 Appropriation Bill Language

On September 30, 2015 VADOC submitted a report to the General Assembly to comply with the 2015 budget bill language.

VADOC contracted with the Department of Health Administration at Virginia Commonwealth University (VCU) to issue and compile recommendations for improvements to the VADOC health care system from a Request for Information (RFI). Nine organizations responded to the RFI with ideas, suggestions and recommendations.

Notable issues reviewed in the report included:

- creating a single system-wide pharmacy program through a medical school to access all pharmaceutical products at 340B drug prices;
- use a system-wide contracted medical system;
- allow an academic medical center to manage the DOC health system;
- improve the Medicaid eligibility process for offenders to avoid back-end administrative adjustments
- adopt tele-pharmacy to allow offenders to access clinical pharmacy care without leaving a facility;
- improve community outreach and re-entry programs for offenders with long term and/or chronic conditions to help reduce recidivism.

Conclusions

VADOC is legally responsible for providing health care services to all incarcerated offenders in the state prison system whether the prison health care services are provided by a vendor or by the state directly.

While health care represents approximately 16% of the VADOC expenditures, costs in certain areas, such as pharmacy, have been rising. Some of the increases are due to the introduction of new prescription drugs.

Other health care cost increases are due to a changing prison population.

The system has more offenders with mental health and substance abuse issues now than it had five years ago.

There is a growing incarcerated population of elderly offenders within the system and their health care needs are changing much the same as the health needs of the elderly general population.

VADOC can control health care costs by managing offender health care within the system through the expansion, implementation and more thorough monitoring of offender disease management programs and pharmacy management programs.

Based on the information provided, it cannot be determined if VADOC is getting the best price for pharmacy products distributed to offenders. A more thorough and complete analysis of pharmacy prices and expenditures on pharmacy products is warranted.

Finally, the costs of health care in the prison system need to be carefully monitored and better management tools need to be developed. The Fluvanna settlement has the potential of driving up the cost of health care in the prison system and any efforts made by VADOC to manage those changes will be beneficial in controlling costs and complying with the settlement agreement.

Policy Options

Option 1: Take no action.

Option 2. Introduce legislation to amend Chapter 53.1-32 of the Virginia Code to require the Department of Corrections to prepare and submit an annual report to the Governor and the General Assembly detailing the operations and expenditures for the entire state prison system's health care system. The report should include trend analysis of expenditures, trend analysis of the prison population including disease and illness profiles, new programs and services implemented and future plans.

Option 3. Introduce legislation to amend Chapter 53.1-32 of the Virginia Code to require the Department of Corrections to implement disease management programs within all of the department's facilities for diseases where there are established best practice models available. The department should explore the opportunity of establishing a comprehensive peer-to-peer program for incarcerated offenders where offenders can assist each other in managing their illnesses.

Option 4. Introduce legislation to amend Chapter 53.1-32 of the Virginia Code to require the Department of Corrections to hire an independent actuary to annually establish per-member-per-month benchmark reimbursement rates for inmates where the health care is provided by a vendor.

Option 5. Request by letter of the JCHC Chair that the Department of Corrections explore all opportunities to partner with the Department of Behavioral Health and Development Services and VCUHS for the purchasing of pharmaceutical products through the multi-state purchasing agreements already in place and/or through the use and expansion of the 340B program. Require the Department to report back to the Commission with results of its efforts by October 1, 2017.

Public Comments

Written public comments on the proposed options may be submitted to JCHC by close of business on November 2, 2016.

Comments may be submitted via:

- ❖ E-mail: jchcpubliccomments@jhc.virginia.gov
- ❖ Fax: 804-786-5538
- ❖ Mail: Joint Commission on Health Care
P.O. Box 1322
Richmond, Virginia 23218

Comments will be provided to Commission members and summarized and presented during JCHC's November 9th meeting.

(All public comments are subject to FOIA release of records)

Appendix

I. Expenditures by Year 2012- 2016

VADOC Health Care System

Actual Expenditures: 2011 to 2016

Description	FY2012	FY2013	FY2014	FY2015	FY2016
Comprehensive Medical Services Contract—includes infirmaries	\$72,310,858	\$74,163,164	\$76,291,856	\$80,546,264	\$80,240,212
Anthem	30,957,892	31,882,378	25,869,084	34,402,329	43,649,734
Diamond Pharmacy DOC only	7,154,184	7,134,501	5,782,534	7,527,699	8,819,740
Dialysis at Greensville and Sussex II	2,131,759	2,121,563	1,717,781	1,703,953	1,848,906
VCUHS Stipend					3,000,000
340B drugs— VCUHS	4,502,370	4,162,970	4,335,906	4,584,476	11,542,053
Personnel Services (salaries, benefits)	30,191,201	29,362,862	26,697,495	28,339,054	29,032,714
Other medical services (includes facilities and headquarters expenses)	7,763,209	10,234,055	10,644,811	13,899,638	13,528,013
Medical Equipment	167,466	142,655	406,044	278,535	524,197
<u>TOTAL</u>	<u>\$155,178,939</u>	<u>\$159,204,148</u>	<u>\$151,745,511</u>	<u>\$171,281,948</u>	<u>\$192,185,569</u>
Amount of Change	\$5,329,353	\$9,354,562	\$1,895,925	\$21,432,362	\$42,335,983
Percent Change	3.56%	6.24%	1.27%	14.30%	28.25%
Average Daily Population (ADP)					
Comprehensive Medical Services Contract: ADP	12,291	12,082	14,919	14,387	14,239
DOC Operated ADP:	17,380	17,905	15,169	15,959	15,967
Total ADP	29,671	29,987	30,088	30,346	30,206
Cost Per Inmate	\$5,230	\$5,309	\$5,043	\$5,644	\$6,362
Amount of Change	\$366	\$79	-\$266	\$601	\$718
Percent Change	7.51%	1.51%	-5.00%	11.91%	12.72%

Appendix

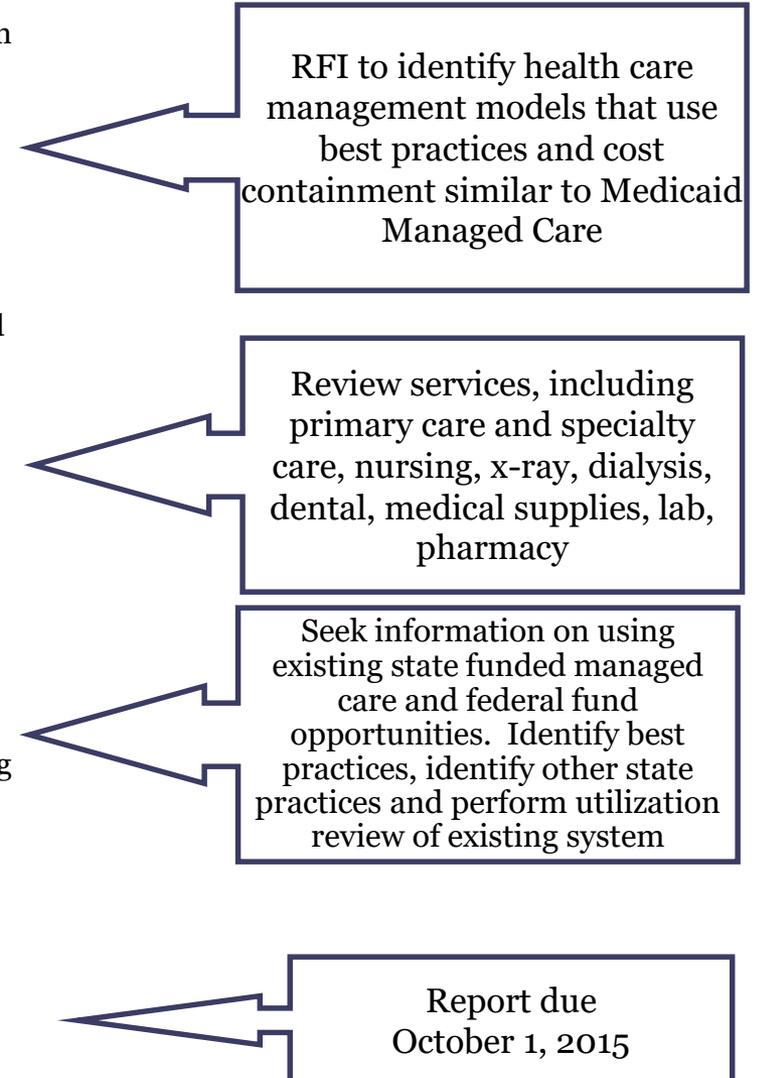
II. General Assembly Directed Study Language

Report on Costs and Benefits of Current Inmate Health Care System compared to Alternative Care Management Models - 2015 Budget Bill CH 665; Item 384.P.1. --

The Department of Corrections shall develop and issue a Request for Information for the comprehensive management and provision of health care services for:

- (i) all inmates confined at facilities not covered by the August 4, 2014, solicitation for health care management services, and
- (ii) all inmates confined at Department facilities statewide. This request for information shall focus on identifying health care management models that use the best practices and cost containment methods employed by Medicaid managed care organizations in delivering provider-managed and outcome-based comprehensive health care services. These services shall include consolidated management and operational responsibility for delivering all primary and specialty care, nursing, x-ray, dialysis, dental, medical supplies, laboratory services, and pharmaceuticals, as well as all off-site care, case management, and related services. Specific information shall be sought on:
 - 1) how existing state-funded managed care networks can be leveraged;
 - 2) federal health care funding opportunities;
 - 3) identifying state-of-the-art practices in care coordination and utilization review; and
 - 4) identifying innovative correctional health care management systems being used or developed in other states.

A report summarizing the responses to the Request for Information and estimating the potential long-term savings from the approaches identified in the responses shall be provided to the Chairmen of the House Appropriations and Senate Finance Committees, the Secretary of Public Safety and Homeland Security, and the Department of Planning and Budget no later than October 1, 2015.



Report on Costs and Benefits of Current Inmate Health

Care System compared to alternative Care Management Models - 2015 Budget Bill CH 665; Item 384.P. and 2016 Appropriation, CH 780; Item 393.N.

- The Department shall provide to the Secretary of Public Safety and Homeland Security, the Directors of the Departments of Planning and Budget and Human Resources Management, and the Chairmen of the House Appropriations and Senate Finance Committees by July 1, 2016, a report assessing:
 - a) The costs, benefits, and administrative actions required to eliminate the Department's reliance on a private contractor for the delivery of inmate health care at multiple facilities, and to provide the same services internally using either state employees or individual contract medical personnel.
 - b) The costs, benefits, and administrative actions required to transition to a statewide health care management model that uses best practices and cost containment methods employed by prison health care management and Medicaid managed care organizations to deliver provider managed and outcome-based comprehensive health care services through a single statewide contract for all of the Department's adults.
 - c) A review of the Department's actual cost experience comparing the previous arrangement in which the contractor assumed full financial risk for the payment of off-site inpatient and outpatient services, and the current and proposed arrangement in which the Department assumes that risk and also receives any Medicaid reimbursement for such off-site expenses. For purposes of analyzing the first arrangement, it is assumed that the benefit of any Medicaid or other third-party reimbursement for hospital or other services would accrue to the contractor. This review shall also compare cost trends experienced by other states which have adopted these two arrangements.
 - d) A comparison of the costs and benefits of the Department's current management of inmate health care, including the model envisioned in its August 2014 Request for Proposals, to the alternative models the Department is directed to assess in subsections a, b, and c above.
 - e) The Department of Human Resources Management, the Department of Planning and Budget and other executive branch agencies shall provide technical assistance to the Department as needed.

VADOCV Report due
7-1-2016

Cost/benefit to
eliminate reliance on
private contractors

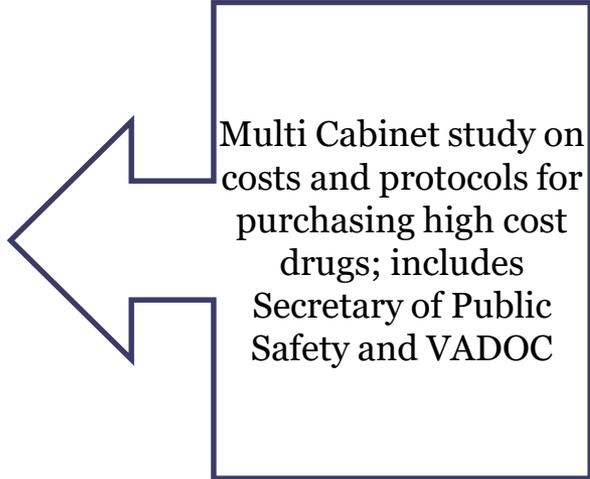
Cost/benefit to
transition to single
system wide care
management contract

Cost comparison of
current and proposed
care management
model and other state
experiences

Cost/benefit analysis
of current system,
2014 model and
proposals listed above

Multi Cabinet Review of High Cost Drug Purchases 2016 Appropriation; CH 780, Item 284.B.

The Secretary of Health and Human Resources, in consultation with the Secretary of Public Safety and the Secretary of Administration, shall convene a work group including, but not limited to, the Department of Medical Assistance Services, Department of Social Services, Department of Health, Department of Behavioral Health and Developmental Services, Department of Corrections, Department of Juvenile Justice, the Compensation Board, the Department of Human Resource Management and other relevant state agencies to examine the current costs of and protocols for purchasing high-cost medications for the populations served by these agencies. After conducting the review, the workgroup shall develop recommendations to improve the cost efficiency and effectiveness of purchasing high-cost medications in order to improve the care and treatment of individuals served by these agencies. The workgroup shall prepare a final report for consideration by the Governor and the Chairmen of the House Appropriations and Senate Finance Committees no later than October 15, 2016.



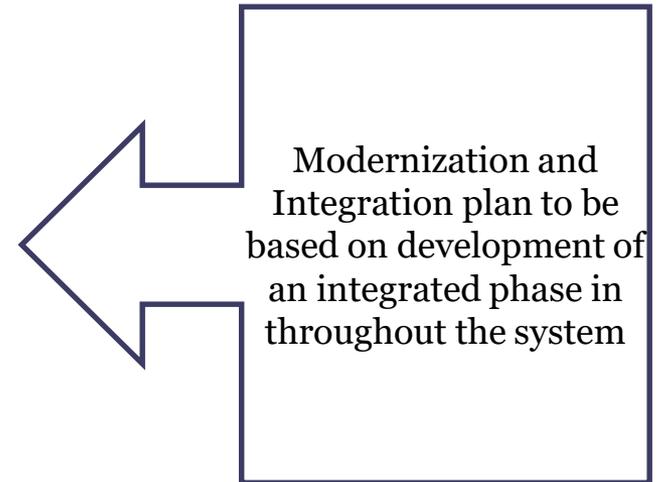
Multi Cabinet study on costs and protocols for purchasing high cost drugs; includes Secretary of Public Safety and VADOC



Report due
October 15, 2016

Modernization of Current Data and Record Keeping Systems 2016 Appropriation; CH 780, Item 394. A.

1. Any plan to modernize and integrate the automated systems of the Department of Corrections shall be based on developing the integrated system in phases, or modules. Furthermore, any such integrated system shall be designed to provide the department the data needed to evaluate its programs, including that data needed to measure recidivism.



2. The appropriation in this Item includes \$2,868,500 the first year and \$2,135,500 the second year from the Contract Prisoners Special Revenue Fund to defray a portion of the costs of maintaining and enhancing the offender management system, including the development of an electronic health records system. In addition to any general fund appropriations, the Department of Corrections may, subject to the authorization of the Director, Department of Planning and Budget, utilize additional revenue deposited in the Contract Prisoners Special Revenue Fund to support the development of the offender management system.

