



**NORTH CAROLINA GENERAL
ASSEMBLY**

Legislative Services Office

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MEMORANDUM

February 6, 2012

TO: Justice and Public Safety Oversight Committee

FROM: John Poteat
Fiscal Research Division

SUBJECT: Inmate Medical Proposals

This information is in response to your request for an update on the proposals for reducing inmate health care costs. The Department of Public Safety, Division of Adult Correction (formerly the Department of Correction) spent \$239 million (approximately one-fifth of their budget) on inmate health care in FY 2010-11. The four proposals for reducing these costs include: billing Medicaid for inmate care, capping non-contract payments to hospitals; improved oversight of billings and payments, and use technology to manage health care costs.

Medicaid Reimbursements

The 2010 Appropriations Act (S.L. 2010-31, Section 19.6.(c)) directed the Department of Health and Human Services and the Department of Correction (DOC) to develop protocols for seeking reimbursement from Medicaid for health care costs of eligible inmates. Medicaid can only cover eligible inmates who are in an inpatient hospital status for 24 hours or longer. The Departments negotiated a Memorandum of Understanding that requires DOC to pay the non-federal share of Medicaid (35%). In 2011, DOC reviewed 1,560 hospitalization cases and determined that 436 of them were eligible for Medicaid. Based upon their preliminary analysis, Adult Correction estimates one-third of hospitalizations may be eligible for Medicaid reimbursement. The 2011 budget cut \$3 million from the Prison Health budget based upon estimated savings from Medicaid eligible inmates. The Office of State Budget and Management (OSBM) is studying the effect of Medicaid reimbursements now that the program has completed one full year.

Capping Non-Contract Payment

The 2011 Appropriations Act, as amended by the Budget Technical Corrections (S.L. 2011-391) (S.L. 2011-145 directed the Department to pay whichever is less seventy percent (70%) of billed charges or two times the Medicaid rate for any given service. This language builds upon the previous year's directive which mandated 70% of billed charges only. In FY 2009-10, DOC spent \$79.6 million on 15,645 claims for 9,891 inmates.

Because of billing cycles and payment schedules, the number of cases of hospital utilization and hospital payments are in different points and cannot be match exactly. Hospital utilization is divided into emergent and scheduled admissions and non-admissions, with scheduled cases accounting for 58% and emergent cases accounting for 42% of the total.

FY 2009-10 Hospital Utilization			
	Emergent	Scheduled	Total
Admissions	1,513	314	1,827
Non-Admissions	5,457	9,209	14,666
Total	6,970	9,523	16,493

S.L. 2011-145, Section 18.10.(a) allows DOC the flexibility to contract with a provider for rates different from the capped amount. The Department has contracts with 30 hospitals, with alternate rate agreements.

Additionally, DOC has a contract with Catawba Valley Medical Center (Hickory) in the Western prison region, which provides a secure wing for inmates. DOC has developed a similar relationship with Heritage Hospital (Tarboro) in the Central prison region and is exploring relationships with hospitals in the three other prison regions.

Last fall a new regional medical center opened at Central Prison, including a 120-bed Medical Center and 216-bed Mental Health Center. Because of this increased capacity DOC estimates a 30% reduction in the number of inmates requiring external services (hospitalizations, chemotherapy, physical therapy, CT scans). The NC Correctional Institution for Women new hospital has 80 medical beds and 70 mental health beds.

Improved Oversight of Payments

Currently, DOC receives paper bills and reviews them prior to payment. The 2009 Appropriations Act (S.L. 2009-451, 19.20.(b)) directed DOC, in consultation with the State Health Plan, to issue a Request for Proposals (RFP) for a contractor to process claims for medical services provided to inmates in the custody of the Department, to provide medical management services to DOC, and to develop and manage a medical professional and facility provider network to serve the medical needs of inmates. The provision also directed the State Health Plan to provide DOC with any technical and consultative assistance in developing and evaluating the RFP.

The original RFP (201000397) for medical services was posted on March 31, 2010 and opened on August 2, 2010. DOC received no valid responses. The vendors took exception to the cost proposal and would not commit to honoring a Medicare plus percentage rate.

The new RFP (201101383) was posted on September 23, 2011. The timeline for this RFP is posted below. The cost proposal is based on an inmate charge per day fee and allows for a one time start-up fee.

Inmate Health Care RFP Timeline

Action	Participants	Due Date	Status
RFP Posted on the Interactive Purchasing System (IPS) website	Division of Purchase & Contract (P&C)	September 23, 2011	Done
RFP Posted on the Interactive Purchasing System (IPS) website	Division of Purchase & Contract (P&C)	September 23, 2011	Done
Deadline for Registration for Mandatory Site Visits	Offerors	October 6, 2011	Done
Mandatory Preproposal Site Visit #1 at Central Prison	Offerors	October 11, 2011	Done
Mandatory Site Visit #2 at the North Carolina Correctional Institution for Women	Offerors	October 12, 2011	Done
Mandatory Site Visit #3 at Maury Correctional Institution	Offerors	October 13, 2011	Done
Urged and Cautioned Site Visits	Offerors	October 13, 2011 – November 15, 2011	Done
Deadline for Written Questions	Offerors	November 30, 2011	Done
Responses to Written Questions/RFP Addenda	NC DOC & P & C	January 9, 2012	Done
Opening of Proposals	P & C	February 23, 2012	Pending
Evaluation Period	NC DOC	February 24 – April 23, 2012	Pending
Oral Presentations	Offerors	April 24 – May 8, 2012	Pending
Anticipated NC DOC Award of Contract	NC DOC	July 2012	Pending
Anticipated Implementation Start Date	Successful Contractor	August 2012	Pending
Anticipated Go-Live Date *	Successful Contractor	August 2013	Pending

*Contractor may go-live as soon as they convince the NC DOC that they have everything in place to take over the services described herein, but no more than the maximum of one year.

Technology to Manage Health Care Costs

In addition to the cost proposals described above, the RFP addresses electronic records for inmates. In 2011, DOC had 27,770 prison entries, 28,474 prison exits, and approximately 40,000 inmates in custody. The size of the population and the turnover generates a great deal of paperwork, including medical records, which Prison Health Services administrators believe can be better managed through automation.

In summary, a number of the proposals for reducing inmate medical costs are underway and, some including the Medicaid reimbursement are starting to show cost savings. The OSBM study will provide further information on the potential for additional savings for Medicaid eligible inmates and the Justice and Public Safety Appropriations Subcommittee may consider whether additional cuts can be taken. Please do not hesitate to contact me if you have additional questions.

Thanks

CC: Kristine Leggett