Inmate Healthcare Panel

Caitlin Kilpatrick, Virginia Senate Finance Committee
Matt McKillop, Pew Charitable Trusts
Dr. Steve Herrick, Virginia Department of Corrections

November 16, 2017

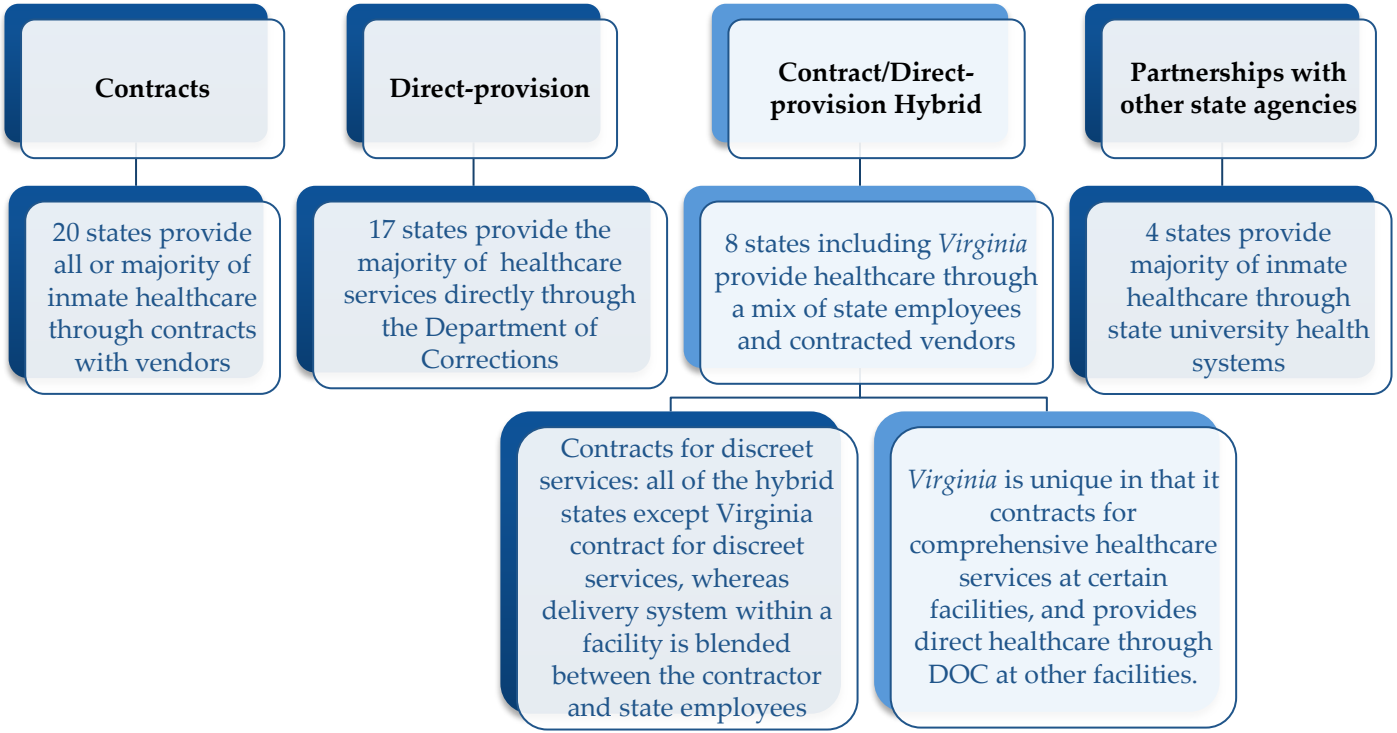
Agenda

1. Introduction – *Caitlin Kilpatrick, Senate Finance Committee (SFC) staff*
2. Virginia within the national context – *Matt McKillop, Pew Charitable Trusts*
3. Overview of trends in Virginia – *Caitlin Kilpatrick, SFC staff*
4. Department of Corrections (DOC) Healthcare System and Cost Drivers - *Dr. Steve Herrick, Department of Corrections*
5. Q&A - *panelists*
6. Opportunities and possible next steps for Virginia – *Caitlin Kilpatrick, SFC staff*

Critical Questions

- What key factors drive costs in correctional healthcare?
- What are the different healthcare delivery models and cost trends that exist in other states and how does Virginia compare?
- What methods are employed in Virginia and other states to control costs and improve care?
- What opportunities are there to improve the model and better manage costs?

Varying Approaches Nationwide to Provision of Healthcare



Source: SFC staff analysis of Pew *Prison Healthcare: Costs and Quality* (October 2017).

Matt McKillop, Officer, States' Fiscal Health, Pew Charitable Trusts

Matt McKillop is an officer for Pew's state and local fiscal health project. He manages new research for *Fiscal 50: State Trends and Analysis* and leads Pew's research on state and local correctional healthcare. He examines states' and localities' spending to care for people in prisons and jails; monitoring of health care quality; and promising practices for facilitating continued care after they are released. Before joining Pew, McKillop led advocacy and community organizing campaigns for So Others Might Eat, a non-profit organization that serves poor and homeless residents of D. C. He holds a master's degree in public policy from George Washington University and a bachelor's degree in political science from Kalamazoo College.

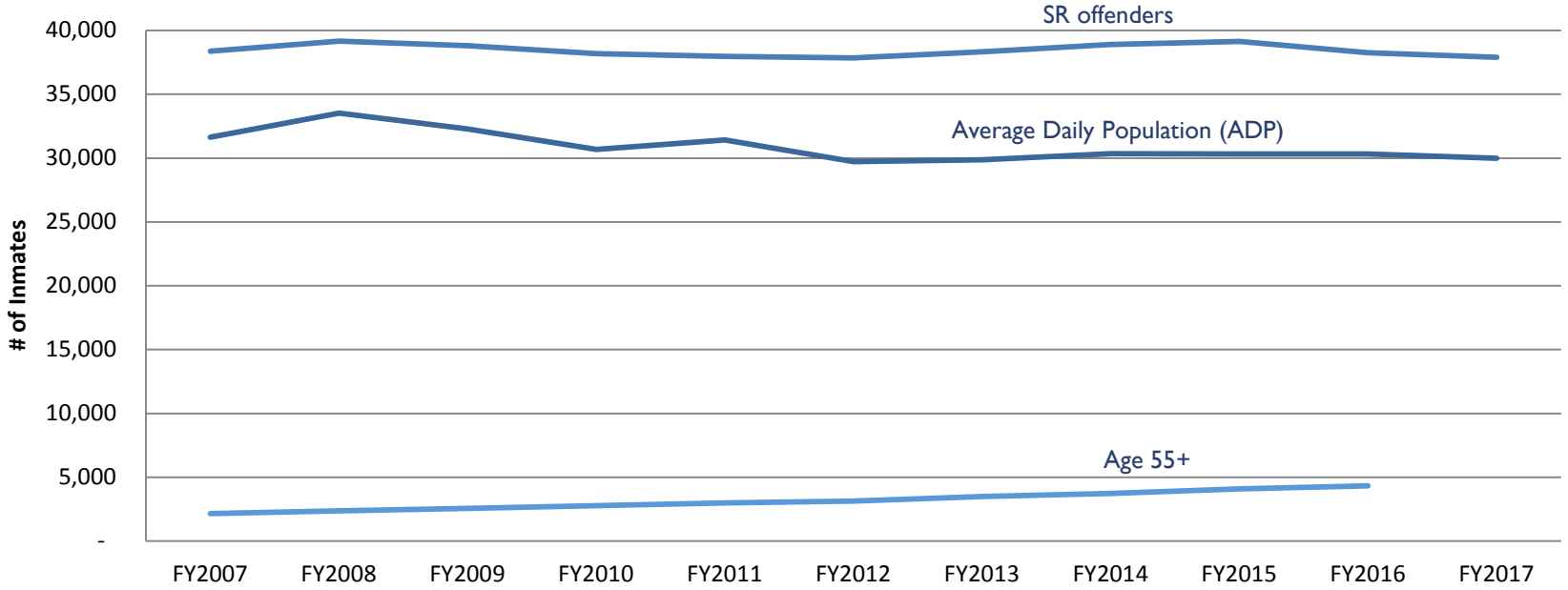
Dr. Steve Herrick, Director, Health Services, Department of Corrections

Dr. Herrick received his doctorate in Psychology at Virginia Commonwealth University in Richmond, Virginia. Steve Herrick is the Director of Health Services with the Virginia Department of Corrections. Prior to this, he was the Director of Piedmont Geriatric Hospital for twelve years with the Virginia Department of Behavioral Health and Developmental Services. He is also Clinical Assistant Professor in Psychiatry at Virginia Commonwealth University in Richmond. He is a Licensed Clinical Psychologist, a Licensed Nursing Home Administrator, and holds Master's Degree in Health Care Administration. He has over twenty years' experience working in five different psychiatric hospitals.

Virginia within the national context – *Matt McKillop, Pew Charitable Trusts*

Inmate Population Trends: Total Population Growth is Flat; Older Population Doubled

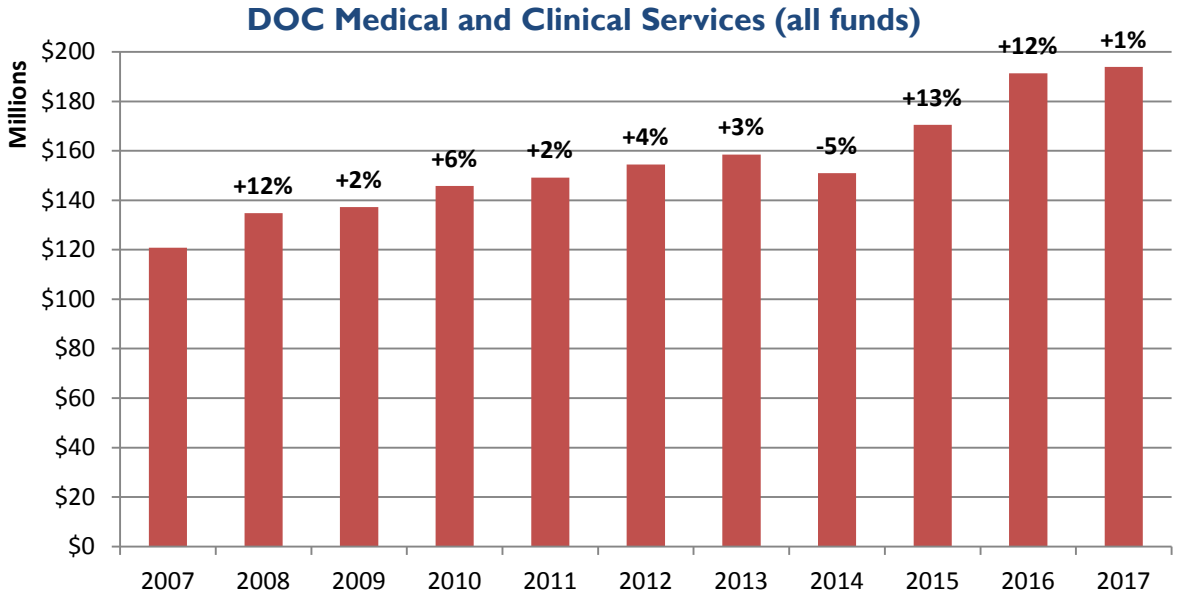
- The state responsible (SR) population was virtually the same in 2016 as 2007. Meanwhile, the proportion of state responsible offenders age 55 or older has grown from six percent of the population in 2007 to 11 percent in 2016.



Source: SFC staff analysis of DOC *Monthly Population Summary* (ADP), Secretary of Public Safety (SPS) *Report on the Offender Population Forecasts (FY2018 to FY2023)* (SR Offenders), DOC staff data (age 55+).

Notes: Actual SR data was not available for FY17 - SR offender total for FY17 shows SPS offender forecast; age 55+ data omitted. ADP does not include Community Residential Facilities for which DOC provides medical and clinical services.

Medical and Clinical Expenditures Have Grown 61%



Source: SFC staff analysis using data from Department of Planning & Budget's "Expendwise 2" application.

- Average annual growth over the period was 5%, but fluctuated largely in some years.
- The Bureau of Labor Statistics Consumer Price Index (CPI) for medical care in US cities for the period was an average 3.2% per year.
- The Department also experienced changes in its contracts over the period.

FY07-FY12: Corizon/Armor contract for 9 facilities

FY12-FY13: Single contract w/ Armor for 9 facilities

FY13-FY15: Single contract w/Corizon for 17 facilities

Oct. 2014: Corizon terminated contract; emergency contract w/Armor

Nov. 2015: Competitive bid

FY16-present: Armor/Mediko contract for 17 facilities

VADOC Healthcare System and Cost Drivers - *Dr. Steve Herrick, Department of Corrections*

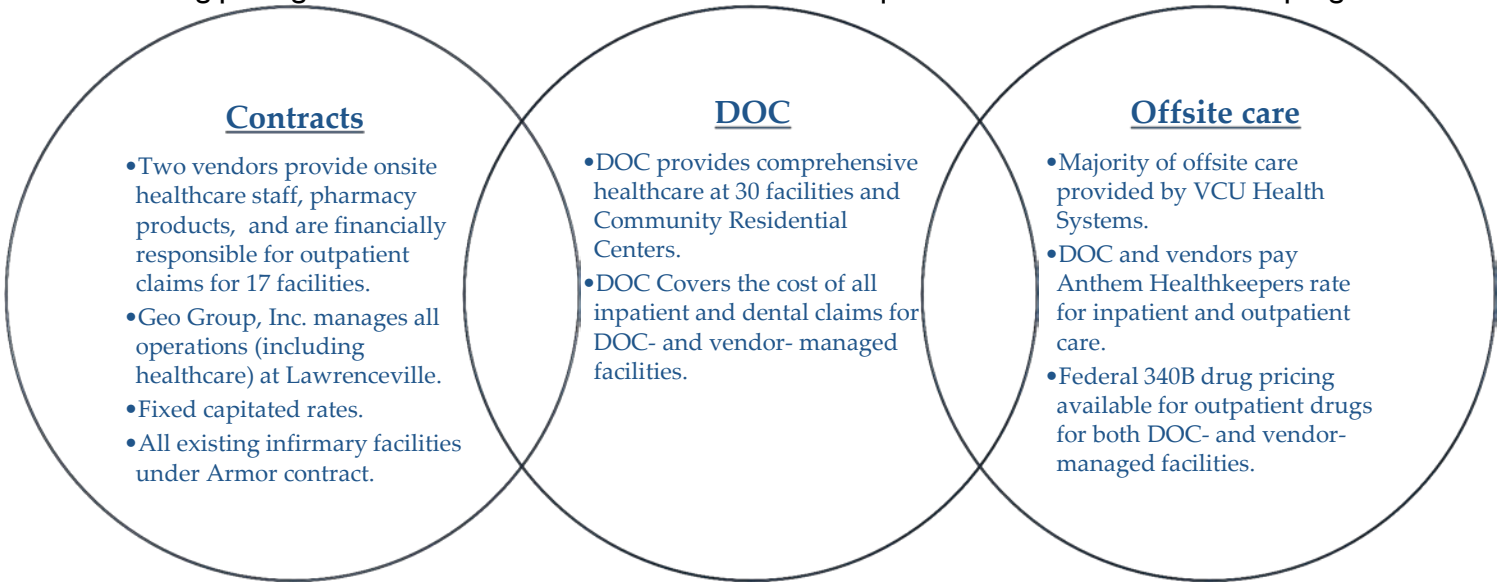
Summary of Budget Requests Related to Inmate Healthcare

(in millions of dollars)

Description	FY2018	FY 2019	FY 2020
Electronic Health Records (male facilities)	N/A	$17.6	$12.1
Increases in costs for offsite care, high cost drugs, and to improve care at Fluvanna	$16.8	$20.3	$25.2
Powhatan Infirmary Capital Project	N/A	$25	N/A
Deerfield Renovation (long-term care beds) Capital Project	N/A	$30	N/A

Virginia's Hybrid Healthcare Model May Create Certain Outcomes

- Because all infirmaries are located in facilities under contract, sicker inmates are transferred to those facilities, thus making expenditure comparisons between DOC-managed and contracted facilities difficult.
- For inmates at facilities under contract, the decision to send a patient to the emergency room is made by the vendor, but the financial risk for inpatient care falls under DOC. (Anthem provides utilization management for inpatient.)
- Federal 340B drug pricing is beneficial; however, the current model requires offsite care to utilize the program.



Contract Pricing: Capitation v. Cost-Plus and Variation in Financial Risk for Inpatient Care

States use two main payment models, and often carve-out inpatient care, when contracting for healthcare services.

Capitation: Fixed per person payment:

- Payment fixed regardless of utilization;
- Financial risk and reward goes to vendor;
- 19 of 28 states with "Contract" or "Hybrid" healthcare models use capitated payments; and
- Allows for predictability of expenses, but may not align with actual utilization; lack of transparency.

Cost-plus: Actual expenses + management fee:

- Financial risk and reward goes to state;
- May allow for better transparency into expenses; and
- 9 of 28 states with "Contract" or "Hybrid" healthcare models use cost-plus or blend of cost-plus and capitation.

Offsite Inpatient care: variation in payment models for hospitalizations:

- Financial risk can fall fully to state or contractor, or be shared.
  - 7 states including Virginia place full financial risk for inpatient on the state; 8 states place financial risk on contractor; and 8 states share the risk.
- Variation in utilization management.
  - The majority of states (20 of 23), including Virginia, allow the contractor to make the decision to send a patient to the hospital; however, 3 states retain oversight of the decision to send to hospital.

Source: SFC staff analysis of Pew *Prison Healthcare: Costs and Quality* (October 2017).

Options to Consider in 2018 and Beyond

- ✓ Contracts expiring in 2018:
  - Require better data reporting from vendors;
  - Include enforcement tools in contract;
  - Consider pricing options – cost-plus, shared financial risk for inpatient; and
  - DOC: May consider actuarial services to evaluate options.
- ✓ Hospitalization costs:
  - Third-party utilization management could help control outpatient costs.
  - Evaluate request to increase number of infirmary beds to reduce offsite costs when possible.
- ✓ Staffing: Continue to evaluate unique staffing challenges affecting VADOC and research ways to address the issue.
- ✓ Drug pricing: Explore options to provide federal 340B pricing onsite.
- ✓ Evaluate electronic health records options and data collection needs.
- ✓ Long-term: Consider other models and contract options or modifications.