



# Legislative Audit Division

## Performance Audit Summary

### Inmate Medical Services

March 2000

#### Introduction

The Legislative Audit Committee requested a performance audit of inmate medical services administered by the Department of Corrections (DOC). The department is responsible for providing health care to adult and juvenile offenders incarcerated in department facilities and programs. Health care includes medical, dental, vision, and mental health services. The department is also responsible for ensuring Montana inmates housed in private prisons and other contracted beds receive adequate health care services. Our audit concentrated on the department's role in administering inmate health care services.

#### Cost of Inmate Health Care

As the prison system has grown, the cost of providing health care to inmates has increased and will continue to increase. In fiscal year 1998-99, the department spent at least \$ 8.2 million for inmate health services. This included expenditures for medical, dental, vision, and mental health care to adult and juvenile offenders incarcerated in both DOC facilities and contracted bed facilities.

operated regional prisons, and privately operated prisons. Montana's adult correctional system evolved from three in-state secure facilities, all operated by the department, to a system of Montana inmates spread among nine secure facilities located both in-state and out-of-state, and operated by several entities. Management of the correctional system is now shared by state and county officials and privately operated facilities. This system expansion has made it more complex to manage and control health care expenditures. There are now more facilities providing medical services to inmates and thus more facilities to oversee. Also, the decentralization means systems to provide health care must be duplicated at each institution and thus opportunity for realizing efficiencies gained through economies of scale is limited. In addition to an increasing number of inmates and a decentralized prison system, the 1994 and 1997 lawsuits filed over health care services at Montana State Prison (MSP) were key factors impacting medical expenditures.

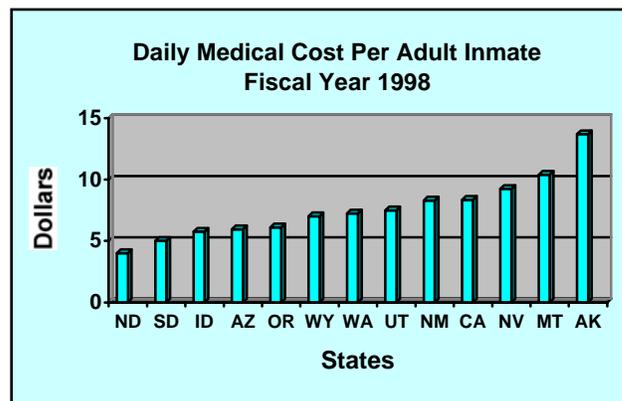
In comparing the experiences of Montana to other states, we found 13 states report either constant or decreased medical costs. States that experienced rising health care costs report an average increase in total correctional health care spending of 5.8 percent. This compares to an increase in total health care costs of 11.1 percent in Montana. Montana's daily medical costs per inmate are among the highest of the western region.

<b>Inmate Health Care Expenditures Including Estimated Indirect Medical Costs</b>				
Category	FY 1996	FY 1997	FY 1998	FY 1999
Personal Services	\$2,360,500	\$2,071,198	\$1,986,709	\$2,604,056
Operating	\$4,429,190	\$4,434,871	\$5,240,877	\$5,625,934
Equipment	\$1,764		(\$1,507)	
Benefits & Claims	\$332,571			
Indirect Medical		\$1,400,000	\$1,400,000	\$1,400,000
<b>Total</b>	<b>\$7,124,025</b>	<b>\$7,906,069</b>	<b>\$8,626,079</b>	<b>\$9,629,990</b>

Footnotes:

- (1) Estimated indirect medical expenses paid through room and board fees for contracted beds.
- (2) Medical expenditures do not include expenses for DOC central administration or for operation of medical clinic and infirmary physical plants at DOC correctional facilities

In the past five years there have been rapid and dramatic changes for the Montana Department of Corrections. Foremost is the state's need for more inmate bed space. In response to this growth, the department turned to alternative means of housing inmates, including county jails, county-



Rapidly increasing health care costs faced by the Montana Department of Corrections suggest the need for expanded monitoring and oversight of correctional health care by the DOC. Increased monitoring and oversight may enable the department to better control costs while ensuring an adequate system of health care delivery. If health care

expenditures continue to grow as they have been, the department will spend at least \$10 million providing medical care to the current population of inmates in fiscal year 2001. This figure assumes no growth in the inmate population. Add an increasing population to this scenario and costs of health care rise even further.

### **Improving Department Operations**

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By the end of the fiscal year 2000, the DOC is projected to have 2,200 inmates in at least nine different facilities, not including prerelease centers. Some of the facilities are state-operated, others are contracted. All of the DOC inmates are the responsibility of the state of Montana and all must receive and have access to health care services. The complexity and size of the inmate health care system has more than doubled as the result of inmate population growth and the necessary changes made to administer this population.

Our audit report states the DOC has focused the majority of its attention and resources on assuring public safety via expanding the number of available prison beds and increasing personnel responsible for the security and supervision of those inmates. As a result of the department's focus, there has been less attention given to other department responsibilities, such as the provision of health care that meets existing case law and judicial standards.

While the DOC has begun to address issues associated with the administration of inmate health care, there should be improvements made in that administration. Since medical delivery systems are for the most part set up at each of the nine adult and juvenile correctional facilities and the department has gained compliance with a portion of the court-ordered settlements governing health services at Montana State Prison, department management should now emphasize system wide oversight of the health care system.

### **Recommendations**

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Our audit report recommendations provide a framework to make the DOC's administration of inmate health care services more efficient and effective from both an operational and cost standpoint. In order to achieve this the department should:

1. Expand its long-range planning process to include specific goals and measurable objectives for the entire correctional health care system.
2. Develop, compile, and analyze comprehensive management information to allow for review of health care costs and utilization patterns statewide.
3. Continue to expand its managed care strategies by obtaining discounted rates from health care providers currently reimbursed on the full "usual and customary"

fee schedules and shifting towards use of Medicaid- or Medicare-type fee reimbursement schedules as a basis for beginning contract negotiations with providers. Other positive gains could be made by changing practices and priorities based on reviews of the appropriateness of medical treatment and prescribing practices; by enforcing department policy regarding prior authorization of off-site health care services; and by closely monitoring use of off-site and ancillary services.

4. Strengthen and expand procedures for review of medical billing by designating responsibility and adopting specific procedures for performing billing reviews. Medical billing management could also be improved by ensuring updated eligibility information is provided to claims administrators in a timely manner, and adopting a standardized medical preauthorization form and ensuring staff consistently complete all required information.
5. Implement a system wide quality improvement program which includes a formal schedule of facility visits and establishes procedures to ensure problems identified during quality improvement reviews are resolved in a timely manner.
6. Develop a contract administration and monitoring process that clarifies responsibilities; thoroughly inventories health service contracts; ensures timely signing of contracts; verifies proper provider reimbursement; and, effectively monitors contract compliance.
7. Reexamine each facility's health care services organizational structure to clarify the reporting structure and clearly define the roles and responsibilities of managerial staff.
8. Develop and communicate procedures to ensure proper transfer of medical information during intra-system transfers, designate a responsible party for record transfer at each facility, and adopt a standardized intra-system medical transfer form or treatment plan.

<p>For a complete copy of the report (98P-10) or for further information contact the Legislative Audit Division at 406-444-3122; e-mail to <a href="mailto:lad@mt.gov">lad@mt.gov</a>; or check the web site at <a href="http://leg.mt.gov/audit">http://leg.mt.gov/audit</a>.</p>
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