



PROGRAM EVALUATION DIVISION

NORTH CAROLINA GENERAL ASSEMBLY

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Improvements to Inmate Healthcare Reimbursement and Internal Processes Could Save \$5.6 Million Annually

Summary

The State of North Carolina operates 57 prisons and provides medical, mental health, dental, and pharmacy services to inmates at a cost of \$322 million annually, an \$89 million increase from 10 years ago. The State spent \$6,923 per inmate on healthcare in Fiscal Year 2014–15, which was more than 31 other states and 21% more than the national median of \$5,720.

The Department of Public Safety's Health Services division (DPS Health Services), which is partially funded by lapsed salaries for vacant positions, cannot demonstrate results from its cost-containment efforts. Funding for DPS Health Services is partially reliant on vacant positions outside the division's budget that are not reflected in its own appropriated funds. Further, its budgeting method does not facilitate accountability. The division undertakes several efforts to contain costs but insufficient analysis of available data prevents it from demonstrating past or anticipated successes or identifying areas for improvement.

North Carolina pays more than other states for inmate healthcare services delivered by community providers. Statutory and contractual payment arrangements cause the State to reimburse community providers at rates higher than other states. Modifying these arrangements to be more in line with other states could save \$4.1 million annually.

Chronically vacant health services positions and subsequent reliance on contract staff costs \$25 million annually, and the limited use of telemedicine has contributed to unnecessary costs. Efforts by DPS Health Services to fill vacancies lack evidence of success and lead to a dependence on higher-cost contractors. The limited use of telemedicine contributes to an estimated \$1.4 million in unnecessary annual costs.

DPS Health Services's methods for pursuing federal Medicaid funding for community services has been unsuccessful, increasing state costs. Lack of oversight and proactive cost containment has led to DPS failing to receive federal Medicaid funds for qualifying community services and staff time, thereby forgoing potential annual savings of \$136,000.

The General Assembly should direct DPS Health Services to conduct a salary study of healthcare positions, seek federal reimbursement for Medicaid-related staff activities, modify data collection and submission methods for Medicaid applications, develop a plan for implementing telemedicine, and improve supply management practices and services provided at the Central Prison Healthcare Complex. Further, the General Assembly should modify state law to reduce community provider reimbursement rates and consider establishing a data analysis position and realigning DPS Health Services's base budget.