

Correctional Managed Health Care Legislative Appropriations Request

*Overview for
80th Legislative Session*

*Correctional Managed
Health Care*



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Estimated Supplemental Appropriation Needs FY 2006-2007

- As of the end of FY 2006, supplemental appropriations needs for the FY 2006-07 biennium were estimated to **total \$21.1M**:

| | UTMB | TTUHSC |
|--------------|----------------|---------------|
| FY 2006 | \$0.8M | \$2.0M |
| FY 2007 | \$12.5M | \$5.8M |
| TOTAL | \$13.3M | \$7.8M |

- At the mid-point in FY 2006, the university providers had estimated FY 2006-07 losses to total about \$31.8M. Efforts continue to work to reduce the deficit further.

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Baseline Appropriation

FY 2008-2009

| | LAR Baseline | | |
|--|----------------------|----------------------|----------------------|
| | FY 2008 | FY 2009 | Biennium Total |
| Strategy C.1.7 PSYCHIATRIC CARE | \$43,094,589 | \$43,094,589 | \$86,189,178 |
| Strategy C.1.8 MANAGED HEALTH CARE | | | |
| Base Appropriation C.1.8 | \$313,174,719 | \$313,174,719 | \$626,349,438 |
| HB 10 Supplemental Appropriation | \$17,500,000 | \$17,500,000 | \$35,000,000 |
| Added Private Prisons (Kyle/Brideport) | \$1,981,512 | \$1,981,512 | \$3,963,024 |
| TOTAL Strategy C.1.8 | \$332,656,231 | \$332,656,231 | \$665,312,462 |
| GRAND TOTAL CMHCC BASELINE | \$375,750,820 | \$375,750,820 | \$751,501,640 |

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Anticipated FY 2008-2009 Legislative Appropriations Exception Items

| Priority | Description | FY 2008 | FY 2009 | Biennium Total |
|---------------|---|---------------------|---------------------|----------------------|
| 1 | Adjustment to Base to Reflect Current Costs* | \$18,300,000 | \$18,300,000 | \$36,600,000 |
| 2 | Market Adjustments to Retain Healthcare Staff | \$7,951,000 | \$13,782,600 | \$21,733,600 |
| 3 | Increased Hospital/Specialty Care Costs | \$8,220,346 | \$15,458,307 | \$23,678,653 |
| 4 | Increased Pharmacy Services Costs | \$2,329,000 | \$4,775,400 | \$7,104,400 |
| 5 | Critical Capital Equipment Replacement | \$4,607,825 | \$1,764,288 | \$6,372,113 |
| 6 | Other Increased Operating Costs-Supplies & Services | \$2,341,000 | \$3,468,000 | \$5,809,000 |
| 7 | Hospital Galveston Repair/Renovation | \$10,400,000 | UB | \$10,400,000 |
| Totals | | \$54,149,171 | \$57,548,595 | \$111,697,766 |

*Note: This amount has been adjusted downward since the original LAR submittal due to cost savings achieved in FY 2006 and revised projections for FY 2007

| | | | |
|------------------|---------------------|---------------------|---------------------|
| Operating | \$39,141,346 | \$55,784,307 | \$94,925,653 |
| Capital | \$15,007,825 | \$1,764,288 | \$16,772,113 |

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #1: Adjust Base to Reflect Actual Costs

- The university providers are currently providing correctional health care services at an operating loss.
- The adjustment to the base requested is to bring the amount of the base appropriation up to the amounts actually being expended to provide the required services.
- The adjustment required is estimated as of November 2006 and will be adjusted as FY 2007 progresses.
- **The University Providers have reiterated that their institutions cannot continue to sustain substantial shortfalls and provide the required level of services.**

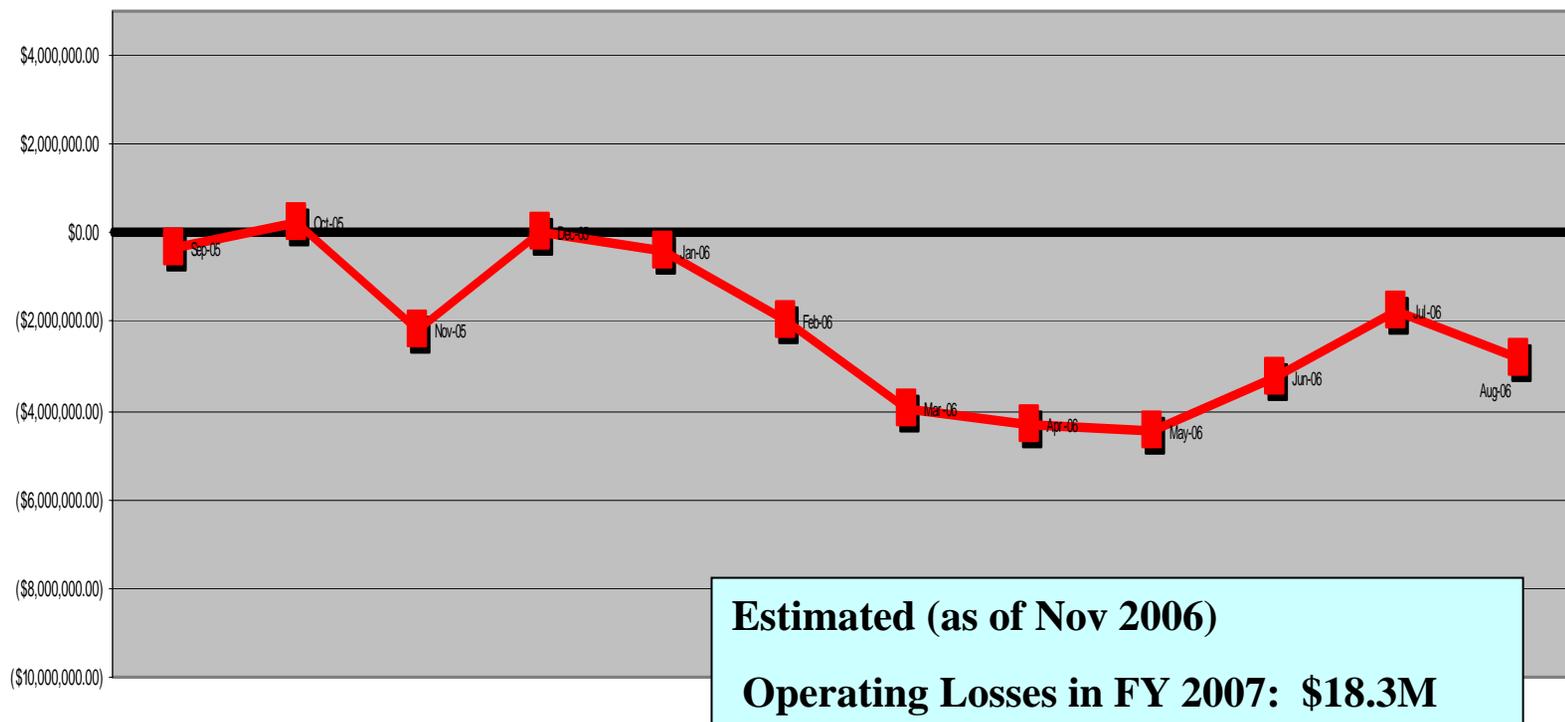
Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #1: FY 2006 Operating Losses



Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #2: Market Adjustments to Retain Healthcare Staff

- Medical staff costs are increasing, driven by market demand for professionals, especially for mid-levels (PA, NP) and RN's
- Mid-levels and RN's are essential to program success. Vacancy rates in early 2004 reached critical levels. To stem loss of professionals, market adjustments in salaries and shift differential pay were instituted
- Current vacancy rates in key provider positions vary by locality but range from 13-17%.
- Market adjustments in healthcare provider salaries are required in order to compete.

“This country is facing a growing shortage of registered nurses. When there are too few nurses, patient safety is threatened and health care quality is diminished. Indeed, access even to the most critical care may be barred.”

Source: Joint Commission on Accreditation of Healthcare Organizations Report, *Health Care at the Crossroads*, 2002.

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #3: Increased Hospital/Specialty Care Costs

- Costs related to hospital and specialty care continue to rise nationally.
- The increasing number of older offenders within the population, now topping 9,500 has been growing at a rate of **more than 10% per year**.
 - The older offender population consumes health care resources at a significantly higher rate---***5.9% of population accounted for almost 28% of the hospitalization costs in FY 2006.***
- Costs in the health care industry continue to rise at a rate more than twice overall inflation.
- In some areas of the state, the university providers are experiencing increased difficulty finding providers and hospitals willing to serve the offender population at the rates currently being paid.
- In some more remote locales, there is little or no alternative for emergency room care or certain types of specialty care.

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #4:

Increased Pharmacy Services Costs

- Pharmacy costs expected to increase 4% per year
 - ***Higher Product costs:*** overall drug costs continue to increase from year to year due to inflationary cost pressures.
 - ***New Drug Therapies:*** the increased utilization of newer and more expensive Hepatitis C and HIV drugs will become the required standard of care and we will be obligated to deliver these regimens.
 - ***Aging of the offender population:*** Result will be more offender patients with chronic illnesses and increased medication needs.
- There is a need to increase the number of pharmacists to reduce the current workload and increase safety and prescription oversight.
 - Today each pharmacist reviews *813 prescription orders per day*.
 - In order to maintain quality and patient safety, a prescription review ratio of *700 per pharmacist per day* is targeted.

LAR Priority #5:

Critical Capital Equipment Replacement

- Radiology Equipment: outdated technology, no longer supported by manufacturers, alternative will be moving offenders offsite resulting in higher security and procedure costs. Funding this item saves an est. \$625K in operating annually.
- Medical Transportation: Upgrade current medical transportation capabilities to address needs and implement new efficiencies: new Medical bus, 7 passenger vans would reduce EMS transports and save an est. \$650K in annual operating costs.
- Dialysis Chairs: 32 replacement chairs needed at Estelle dialysis unit
- Dental Chairs: Most over life expectancy and in poor condition, 50 replacements needed.
- IT Equipment: TTUHSC infrastructure upgrade to support EMR.

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #6: Other Increased Operating Costs- Supplies and Services

- Additional increased operating costs for medical supplies, contracted services and other operating costs is needed.
 - This includes general medical supplies, consumables, and contracted services such as medical waste disposal, professional services, etc.
- General cost increases for all goods and services have increased over the last few years and this trend is expected to continue for the next biennium driven in part by increased fuel and utility costs that impact the general cost of goods.
- Bureau of Labor Statistics reports medical care commodities prices are increasing by an estimated 4.2% per year (May 2006, Bureau of Labor Statistics, Consumer Price Index Summary)

Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

LAR Priority #7: Hospital Galveston Repair & Renovation

- The UTMB prison hospital (opened 23 years ago) is in need of multiple repairs. Most notably is the exterior cladding.
 - In recent years UTMB has been forced to erect protective fences around certain sections of the prison Hospital to keep civilians and officers away from the building, as numerous bricks have fallen from various parts of the 8 story structure.
 - This has become a serious safety issue.
- In addition to the costs for exterior cladding, repairs/updating is needed for the gates, transfer switches and galleys within the facility.

Correctional Managed

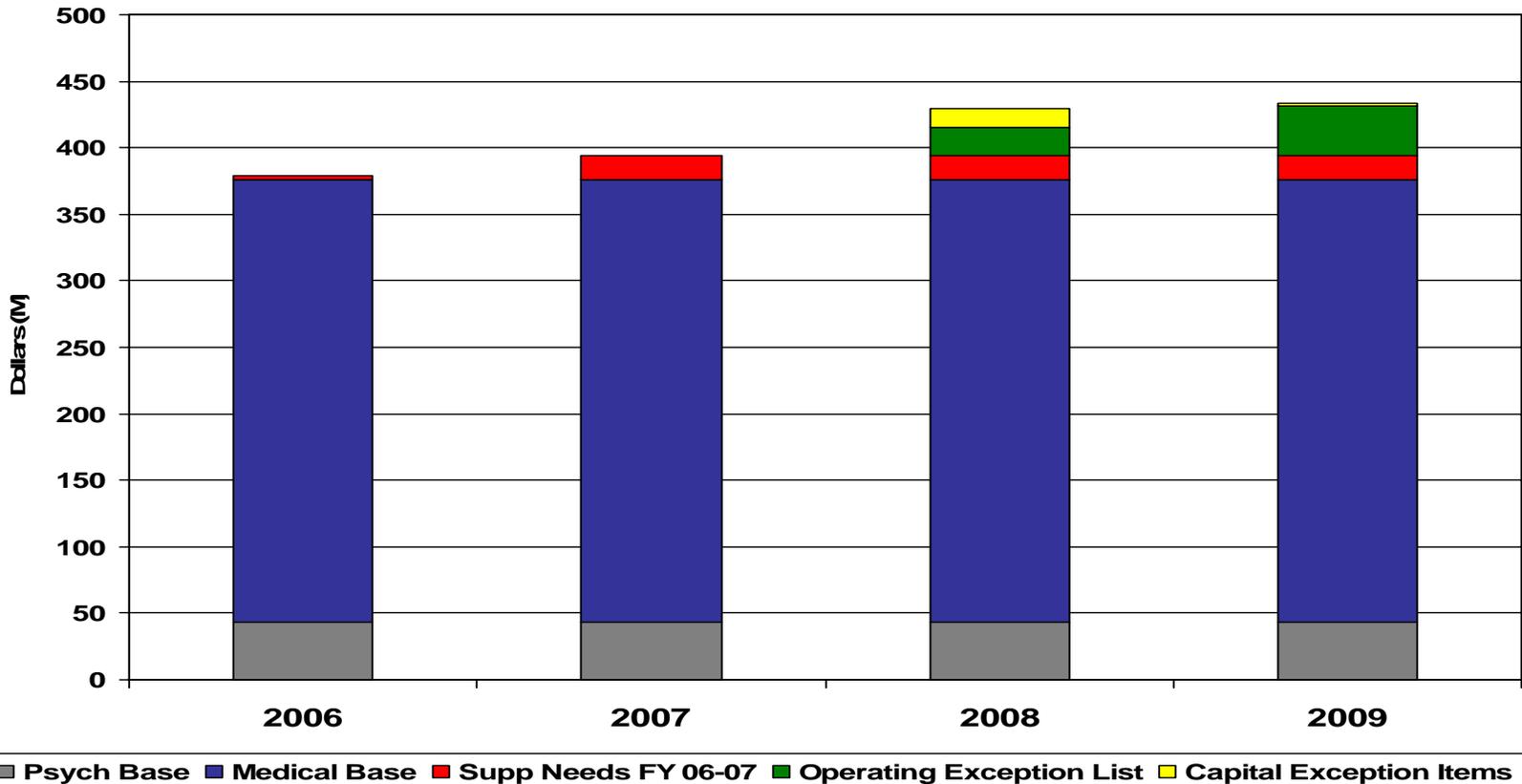
Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Summary FY 2008-2009

Legislative Appropriation Request



Correctional Managed

Health Care



TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER