STATE AUDITOR DOUG HOFFER

PRESS RELEASE
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Auditor finds cost overruns in correctional health care, but contract oversight has improved

MONTPELIER, VT – Spending on health care for in-state prisoners was $4.2 million over budget for the last three years, according to an audit released today by State Auditor Doug Hoffer.

The Department of Corrections (DOC) contracts with Correct Care Solutions (CCS) to operate a comprehensive health care program for inmates housed in-state. Because of the importance and expense of this contract, the State Auditor's Office (SAO) decided to review the State's oversight of this contract.

In fiscal year 2012, DOC housed an average daily population of 1,583 in-state inmates, which included both sentenced offenders and detainees. The State budgeted $49.1 million for the three-year contract but eventually paid $53.3 million, including a $4.7 million management fee.

Hoffer noted that, "Since it's a cost-plus-management fee contract, the state bears the financial risk and the contractor lacks incentive to minimize costs." The audit report stated that DOC's "cost monitoring was not robust during the earlier years of the contract but has improved since late 2012."

For complex cases involving treatment outside prison facilities, the contract requires CCS to ascertain whether the inmate has health insurance and to pursue collection on the State's behalf, including from Medicaid if applicable. During the audit, "testing identified one instance in which Medicaid was not billed for an inmate who was hospitalized at a cost to DOC of $84,000." This is important because state funds for Medicaid are matched with federal funds, while the Corrections' budget is entirely state funds

The report further stated that, "DOC's monitoring of CCS's performance against the contract requirements has been mixed." Based on testing by the audit staff, CCS met some of its performance standards and was deficient in others, with no apparent pattern. Hoffer stated that, "DOC's failure to levy contractually allowed penalties for two years represented a lost opportunity for the State to offer a monetary incentive for CCS to correct its deficiencies in a timely manner."

The report found that "the lack of timely application of all allowable penalties appears to be due, at least in part, to significant personnel and operational changes at the Department." Hoffer stated that “DOC’s hiring of a new contract monitor in October 2012 has resulted in substantial improvements to both their cost and performance monitoring processes in the past year. Nevertheless, DOC (and all state entities) should plan for such contingencies so that contract oversight will not suffer when personnel changes occur.”

Notwithstanding the progress already made, more needs to be done to help ensure that the State is not paying excessive amounts for these services and that the contractor meets the performance standards in the contract. Accordingly, we have offered various recommendations to help reduce DOC’s current costs and improve internal controls, and to reduce its risks in the implementation of health care delivery models under current consideration.

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