

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 1/22/2019

Original Fiscal Note

Substitute Fiscal Note

SUBJECT: Request for additional funding for the Provision of Correctional Medical Services at the House of Correction and Milwaukee County Jail

FISCAL EFFECT:

- No Direct County Fiscal Impact
- Existing Staff Time Required
- Increase Operating Expenditures
(If checked, check one of two boxes below)
 - Absorbed Within Agency's Budget
 - Not Absorbed Within Agency's Budget
- Decrease Operating Expenditures
- Increase Operating Revenues
- Decrease Operating Revenues
- Increase Capital Expenditures
- Decrease Capital Expenditures
- Increase Capital Revenues
- Decrease Capital Revenues
- Use of Contingent Funds

Indicate below the dollar change from budget for any submission that is projected to result in increased/decreased expenditures or revenues in the current year.

	Expenditure or Revenue Category	Current Year	Subsequent Year
Operating Budget	Expenditure	\$4,526,055	\$4,526,055
	Revenue	\$0	\$0
	Net Cost	\$0	\$0
Capital Improvement Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

DESCRIPTION OF FISCAL EFFECT

In the space below, you must provide the following information. Attach additional pages if necessary.

- A. Briefly describe the nature of the action that is being requested or proposed, and the new or changed conditions that would occur if the request or proposal were adopted.
- B. State the direct costs, savings or anticipated revenues associated with the requested or proposed action in the current budget year and how those were calculated.¹ If annualized or subsequent year fiscal impacts are substantially different from current year impacts, then those shall be stated as well. In addition, cite any one-time costs associated with the action, the source of any new or additional revenues (e.g. State, Federal, user fee or private donation), the use of contingent funds, and/or the use of budgeted appropriations due to surpluses or change in purpose required to fund the requested action.
- C. Discuss the budgetary impacts associated with the proposed action in the current year. A statement that sufficient funds are budgeted should be justified with information regarding the amount of budgeted appropriations in the relevant account and whether that amount is sufficient to offset the cost of the requested action. If relevant, discussion of budgetary impacts in subsequent years also shall be discussed. Subsequent year fiscal impacts shall be noted for the entire period in which the requested or proposed action would be implemented when it is reasonable to do so (i.e. a five-year lease agreement shall specify the costs/savings for each of the five years in question). Otherwise, impacts associated with the existing and subsequent budget years should be cited.
- D. Describe any assumptions or interpretations that were utilized to provide the information on this form.

A. Additional funding is being requested to cover the cost of providing correctional medical services in 2019, at the Milwaukee County House of Correction (HOC) and Milwaukee County Jail (MCJ). This transfer request is based upon the cost of a prorated five year contract option with Wellpath to provide this service.

B. The direct costs of the requested action involve the Armor contract extension, Wellpath five year contract option, NRI insourcing analysis, contract monitor, pharmaceutical cap and overages and specialty care overages. The 2019 adopted budget to provide these services at the HOC and MCJ is \$17,606,017. This includes \$140,000 budgeted for a contract monitor. The additional costs total \$4,526,055 above the adopted budget for the House of Correction where funding for correctional medical services is housed. The cost of each of these items is detailed in the table below:

¹ If it is assumed that there is no fiscal impact associated with the requested action, then an explanatory statement that justifies that conclusion shall be provided. If precise impacts cannot be calculated, then an estimate or range should be provided.

² Community Business Development Partners' review is required on all professional service and public work construction contracts.

Inmate Medical Items	2019 Anticipated Expenditures	2019 Budget	Variance (Fund Transfer)
Armor 3 month extension	\$5,700,000	\$16,616,017	\$3,619,118
Prorated Wellpath Contract Amount	\$14,535,135		
NRI Insourcing study	\$99,999	\$0	\$99,999
Contract Monitor	\$373,188	\$140,000	\$233,188
Pharmaceuticals cap	\$750,000	\$750,000	\$0
Estimated Pharmaceuticals overages (25% County portion)	\$181,250	\$100,000	\$81,250
Estimated Specialty Care overages (50% County portion)	\$492,500	\$0	\$492,500
	\$22,132,072	\$17,606,017	\$4,526,055

C. In 2019, \$17,466,017 of the contract cost will be covered from the House of Corrections' operating budget for medical services. Additional costs in 2019 could be covered through the Debt Service Reserve, which is expected to be replenished by 2018 surplus upon completion of the 2018 fiscal year-end closeout process.

The \$4.52 million projected budget overage for inmate medical services is requested to be funded from the Debt Service Reserve. The Debt Service Reserve currently has a balance of \$24.7 million, after taking into account a \$3.3 million withdrawal to support the 2019 operating budget. If this \$4.52 million inmate medical services transfer is approved, the Debt Service Reserve balance will be reduced to approximately \$20.2 million.

It is currently anticipated that the Debt Service Reserve will be replenished after the 2018 year-end close is completed. As of December 2018, the Comptroller's Office is projecting a \$10.0 million surplus in the operating budget. Of this amount, based on past practice it is expected that \$5.0 million would support the 2020 operating budget and \$5.0 million would be placed into Debt Service Reserve. Amounts are subject to change as fiscal year 2018 payments are still being made and the year-end close process is not completed.

This requested transfer will also move \$1,080,000 from Charges to other County Departments to Appropriation for Contingencies. From Contingency, an additional transfer will moved money to the House of Correction's budget to provide funding for the correctional medical services contract. This amount of \$1,080,000 was included in the 2019 budget to support potential cost increases in contract services which had not yet been negotiated.

Technical Adjustment Transfer	Amount
Charges to Other County Departments	(\$1,080,000)
Appropriation for Contingencies	\$1,080,000
Appropriation for Contingencies	(\$1,080,000)
HOC's Budget	\$1,080,000
Net	\$0

Funds required for future budget years will be included in the House of Corrections' operating budget. It is expected that costs for the provision of medical services will continue to rise as a result of inflation, as has been evidenced throughout the industry, regardless of which entity or entities provides the health care services. This annual increase should be taken into consideration in the operating budget and should be expected and/or planned for.


D. The above amounts assume that a 5 year contract with Wellpath will be executed beginning April 1, 2019. If a two year option is selected instead, this will add an additional prorated expense of \$145,351. If a one year option is selected, it will add an additional prorated expense to the transfer of \$592,953.

Contract Term	Total 2019 Transfer Needed	9 Month Prorated Wellpath Contract	Additional 2019 Funding Need
5 Year Option	4,526,055	14,535,135	-
2 Year Option	4,671,407	14,680,487	145,352
1 Year Option	5,119,008	15,128,088	592,953

If one of these alternative options is selected, the fund transfer amount will need to be revised accordingly.

Department/Prepared by: Lindsey Shreves, DAS-PSB

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Did CDBP Review?² Yes No Not Required