

-COUNTY OF MILWAUKEE-
INTEROFFICE COMMUNICATION

DATE: January 22, 2019

TO: Supervisor Theodore Lipscomb Sr., Chair, County Board of Supervisors

FROM: Joseph Lamers, Director, Office of Performance, Strategy and Budget

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

BACKGROUND

Pursuant to the Order of the Milwaukee County Circuit Court in the case of Christensen v. Milwaukee County et al., the County was required to enter into a contract with Armor Correctional Health Services, Inc. in 2013. This contract to provide inmate medical, dental, and mental health services expired on December 31, 2018.

In 2018, with support from the Department of Administrative Services - Procurement Division, the House of Correction and Milwaukee County Sheriff's Office issued a Request for Proposals for a Correctional Medical Services provider for a new contract for health care services in the Jail and HOC beginning in 2019. Due to the complex and lengthy evaluation process for this RFP, a three-month contract extension with Armor to continue these services was executed at a cost of \$5.7 million and began on January 1, 2019. Following expiration of this Armor extension, there is an option to execute a five year contract with Wellpath, LLC to continue correctional medical services at the Milwaukee County Jail (MCJ) and House of Correction (HOC). This administrative fund transfer request is based on the figures provided in five year Wellpath option. This contract funding is requested while an analysis and plan for insourcing is also being prepared.

SUMMARY

An administrative fund transfer in the amount for \$4,526,055 is being requested to cover the cost of the Wellpath contract as well as all additional expenses related to the provision of medical, dental, and mental health services at the MCJ and HOC. This transfer for \$4,526,055 is based on the 5 year Wellpath contract option. If a two year or one year contract option is selected, this will increase the transfer amount needed, as detailed below.

The \$4.52 million projected budget overage for inmate medical services is requested to be funded from the Debt Service Reserve (DSR). If this is approved, the DSR balance will be reduced from \$24.7 million to approximately \$20.2 million. It is currently anticipated that the DSR 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.

In addition, a request to transfer \$1,080,000 from Charges to Other County Departments to Appropriation for Contingencies is also being made. From Contingency, an additional transfer has been created to move this money from Contingencies to the House of Correction's budget to provide funding for the correctional medical services contract. This amount of \$1,080,000 was already included in the 2019 budget to support potential cost increases in contract services which had not yet been negotiated. The following chart reflects movement of funds budgeted from Charges to Other County Departments to HOC, via Appropriation for Contingency.

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

Fund Transfer from Debt Service Reserve

The table below details the inmate medical items that will be covered by the requested fund transfer from debt service reserve. This is followed by a brief description of the budget and expenditure items.

	2018	2019	2020
Prorated Wellpath Contract Amount	\$14,535,135	\$17,606,017	\$4,526,055
NRI Insourcing study	\$99,999	\$0	\$99,999
Contract Monitor	\$373,188	\$40,000	\$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
Total	\$22,132,072	\$17,606,017	\$4,526,055
		Transfer from Debt Service Reserve	\$4,526,055

2019 Inmate Medical Budget

The 2019 Operating budget for the House of Correction, where the inmate medical services budget is housed, is \$17,606,017. This amount includes \$140,000 for a Contract Monitor to provide fiscal and clinical oversight of any current or future health services contract.

Correctional Medical Services Contracts (Armor & Wellpath)

The Armor three month extension required funding in the amount of \$5,700,000. The pro-rated five year contract option amount with Wellpath for April through December 2019 will require an additional \$14,535,135. This brings the medical services contract amount for 2019 to \$20,235,135.

Insourcing Analysis

The Milwaukee County Department of Administrative Services has contracted with the NCCHC Resources, Inc. (NRI) to analyze the operational requirements to transition health care services for incarcerated persons in the county from a vendor-operated to a self-operated model. NCCHC has provided an outline of their work plan, which includes the steps and timeline for developing an operational analysis. This contract with NRI was executed at a cost of \$99,999.

Contract Monitor

In addition to the contract funding, NCCHC Resources, Inc. (NRI) was selected through an RFP process to serve as the contract monitor. The contract awarded is for a period of one year, with no more than four optional one-year renewals. The total cost of these services for one year is \$373,188. The cost is inclusive of the following:

- Lead contract monitor at 42 hours per month
- Medical contract monitor at 17 hours per month
- Fiscal contract monitor at 17 hours per month
- Transition support
- Back-office support
- Other expenses

A cost increase of approximately 10% will occur for each year of the contract.

Pharmaceuticals

The contract with Wellpath to provide inmate medical services requires that the County pay up to the established cap of \$750,000 for pharmaceuticals at the HOC and MCJ. After this cap is reached, the County and Wellpath split the overage costs 25% and 75%. The County pays 25% and Wellpath pays 75%. This allows for risk and payment sharing of a portion of costs above the cap. Expected pharmaceutical overages could total \$725,000 or more. This means the County would expect to pay \$931,250 under the contract.

Specialty Care

Specialty care includes offsite services (local hospitals) and onsite services provided by specialists that are not employees of the contractor. The Wellpath contract to provide inmate medical services, requires that Wellpath pay up to the established cap of \$800,000 and then split the overage costs 50% and 50%. Based on past history, these overages present a total cost of \$985,000. If the County contracts with Wellpath, they would split the overages for a total cost of \$1,292,500.

CONTRACT OPTIONS (5, 2, 1 Year) and FUNDING IMPACT

Options for a five year, two year, and one year contract with Wellpath have been presented to the County Board for consideration. The \$4.52m funding need is based on a five year contract cost. If a two year option is selected instead, this will increase the total contract cost and fund transfer amount for 2019 by \$145,351. If a one year option is selected, this will increase the total contract cost and fund transfer amount for 2019 by \$592,953.

ContractTerm	Total 2019 Transfer Needed	9Month Prorated WeUpath Contract	AdditiOnal 2019 .Funding Need
5 Year Option	4,526,055	4,535,135	-
2 Year Option	4,671,407	4,680,487	145,352
1 Year Option	5,119,008	5,128,088	592,953

RECOMMENDATION

It is recommended that an administrative fund transfer of \$1,080,000 from Charges to Other County Departments to the 2019 Appropriation for Contingencies then to the House of Correction's budget, as well as at \$4,526,055 transfer from the Debt Service Reserve to the House of Correction's budget is approved by the County Board to cover all expenses related to the provision of inmate medical, dental and mental health services at the MCJ and HOC in 2019. This will be necessary if a 5 year contract option with Wellpath is approved.

If a two year option is selected instead, this will increase the total contract cost and fund transfer amount for 2019 by \$145,351. If a one year option is selected, this will increase the total contract cost and fund transfer amount for 2019 by \$592,953. If a one year or two year option is selected, the fund transfer amount will need to be revised accordingly.

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Approved by:



Joseph Lamers, Director
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Department of Administrative Services

Attachments:

Attachment 1-Resolution

Attachment 2-Fiscal Note

cc: Chris Abele, Milwaukee County Executive
James "Luigi" Schmitt, Chair, Finance and Audit Committee
Anthony Staskunas, Chair, Judiciary, Safety and General Services Committee
Finance and Audit Committee Members
Judiciary, Safety and General Services Committee Members
Milwaukee County Sheriff Earnell Lucas
Aaron Dobson, MCJ Commander, MCSO
Scott Manske, County Comptroller
Steven Cady, Research and Policy Director, Office of the Comptroller
Raisa Koltun, Chief of Staff, Office of the County Executive
Teig Whaley-Smith, Director, Department of Administration
Michael Haffeman, Superintendent, House of Correction
June Jackson, Public Safety Fiscal Administrator - HOC

