

MILWAUKEE COUNTY FISCAL NOTE FORM

DATE: 1/31/2019

Original Fiscal Note Substitute Fiscal Note

SUBJECT: Request for Authorization to execute a two year contract with Wellpath, LLC to provide inmate medical, dental and mental health services for 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	\$2,107,965*	\$2,695,184*
	Revenue	\$0	\$0
	Net Cost	\$0	\$0
Capital Improvement Budget	Expenditure	\$0	\$0
	Revenue	\$0	\$0
	Net Cost	\$0	\$0

*The current and subsequent year increases in expenditures are based off the full year contract cost. The contract does not run on a calendar year, but rather April-March beginning in 2019.

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. The Armor contract to provide inmate medical, dental, and mental health services expired on December 31, 2018. A three-month contract extension with Armor to continue these services has been executed at a cost of \$5.7 million and began on January 1, 2019. Milwaukee County must now determine whether to enter into an agreement starting April 1, 2019 with Wellpath, the vendor selected during the RFP process, for continuation of inmate medical, dental, and mental health services, for one, two, or five years (with renewal options), while the County analyzes an insourced medical services model. This fiscal note is focused on the 2 year contract option.

The Sheriff's Office (MCJ) and House of Correction (HOC) are seeking authority to execute a 2-year contract with Wellpath, LLC for the provision of medical, dental and mental health services for inmates at the HOC and MCJ. For 2019, \$17,466,017 was budgeted for the correctional medical services contract. The contract will require expenditures in excess of the currently budgeted \$17,466,017 for the 2019 fiscal year in the amount of \$2,107,965.

B. For year one of the contract, the total cost will be \$19,573,982. This cost is inclusive of medical, mental health, and dental services and is comprehensive for all on-site services provided by Wellpath. The cost includes insurance costs, costs for an electronic medical records system and the PAMM (Patient Activity Monitoring Management system), costs for all medical supplies and equipment under

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.

\$1,500, and costs related to ongoing staff training. The cost also includes payment by Wellpath for certain IT items (see Section D) and \$6,000 in annual maintenance fees to DAS-IMSD for tech support, as well as for interfaces with the Jail Management System (ProPhoenix) and the Wisconsin Statewide Health Information Network (WISHIN).

The current and subsequent year amounts listed only represent the increased expenditures related to the correctional medical services contract. In addition to the contract cost, there are other expenses related to the provision of inmate medical services at the MCJ and HOC. The chart below details the cost of all items related to the provision of these services compared with the budget for 2019:

Inmate Medical Items	2019 Anticipated Expenditures	2019 Budget
Armor 3 month extension	\$5,700,000	\$16,616,017
5 year Prorated Wellpath Contract Amount	\$14,535,135	
NRI insourcing study	\$99,999	\$0
Contract Monitor	\$373,188	\$140,000
Pharmaceuticals cap	\$750,000	\$750,000
Estimated Pharmaceuticals overages (25% County portion)	\$181,250	\$100,000
Estimated Specialty Care overages (50% County portion)	\$492,500	\$0
Total	\$22,132,072	\$17,606,016

The additional expenses related to providing inmate medical, dental and mental health services total \$4,526,055 over the original budgeted amount. These additional expenses have been addressed by an administrative fund transfer. If the two year option is selected, it will increase the Prorated Wellpath Contract amount listed above, which will increase the total fund transfer by \$145,351.

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 will 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.

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.

If the two-year contract is approved, it will include increases to the contract value each year by roughly 3%. These amounts will represent the budget requirements annually for this area by the House of Correction. Detailed below are the contract amounts and increases over a five year period:


Year	Cost	Increase
One	\$19,573,982	
Two	\$20,161,201	\$587,219
Three	\$20,766,037	\$604,836
Four	\$21,389,018	\$622,981
Five	\$22,030,689	\$641,671

D. The current and subsequent year amounts provided in this form do not include funds which will be required to cover costs of the pharmacy cap of \$750,000 to be paid by the County, pharmacy which

exceeds the annual cap, or specialty care services that exceed the annual cap. Funds are also needed to cover the cost of the Contract Monitor and NRI insourcing study. An administrative fund transfer (detailed in section B above) has been submitted to fund these additional expenses.

Department/Prepared by: Lindsey Shreves, DAS-PSB

Authorized Signature



Did DAS-Fiscal Staff Review? Yes No

Did CBDP Review? ² Yes No Not Required