

**AGENDA
ASSEMBLY BUDGET SUBCOMMITTEE NO. 4
ON STATE ADMINISTRATION**

Assemblymember Warren Furutani, Chair

**WEDNESDAY, APRIL 28, 1:30 PM
STATE CAPITOL, ROOM 437**



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ITEMS TO BE HEARD

5225 CDCR HEALTH CARE

In 2002, a Federal Court (*Plata*) found that the state of health care in California prisons violated the 8th amendment of the U.S. constitution, which prohibits cruel and unusual punishment. California was ordered to reform the system. In February 2006, the *Plata* court appointed a Receiver to take over the direct management and operation of the state's prison medical health care delivery system from the California Department of Corrections and Rehabilitation (CDCR). (A nonprofit corporation was subsequently created as a vehicle for operating and staffing the Receiver's operation.) Almost two years later, the court appointed a new Receiver to continue and expand the efforts initiated by the first Receiver in bringing prison medical care up to federal constitutional standards.

It should be noted that the *Plata* court, along with courts overseeing other CDCR lawsuits requiring remedy, has found that overcrowding is a primary cause of unconstitutional care. A three-judge panel (consisting of the judge overseeing the *Plata* case along with judges overseeing other CDCR suits) ordered that overcrowding be reduced to 137.5 percent of "design capacity" within two years which would result in prison population reductions of approximately 40,000 inmates. The court reaffirmed its decision and ordered the implementation of the state's plan in a January 2010 order. The decision is currently being appealed.

Spending on inmate medical services grew from \$882 million in 2005-06 (when the Receivership was established) to almost \$2 billion in 2008-09, an average annual increase of 31 percent. This increase was largely driven by greater usage of contract medical services, such as for specialty medical care provided outside prison, private ambulance transportation, and nursing and pharmacy registry usage. For example, contract medical costs have more than doubled in recent years—increasing from \$394 million in 2005-06 to \$845 million in 2008-09. In addition, the hiring of over 1,000 additional medical staff and the increase in salaries for physicians and nurses in recent years has also driven up inmate medical care expenditures.

The Governor's budget for 2010-11 proposes roughly \$1 billion in General Fund support for adult inmate medical care. This is a net reduction of about \$788 million from the proposed revised level of current-year spending. This net reduction is largely the result of an \$811 million unallocated cut.

Turnaround Plan of Action. The February 14, 2006 Order Appointing Receiver requires the Receiver to “develop a detailed Plan of Action designed to effectuate the restructuring and development of a constitutionally adequate medical health care delivery system.” The Receiver's "Turnaround Plan of Action" was submitted to the Court on June 6, 2008. On June 16, 2008, the Court approved the plan "as a reasonable and necessary strategy to address the constitutional deficiencies in California's prison health care system", also finding "the plan's six strategic goals to be necessary to bring California's medical health care system up to constitutional standards." The six main objectives of the Turnaround Plan are:

1. Ensure Timely Access to Health Care Services;
2. Establish Medical Program Addressing the Full Continuum of Health Care Services;
3. Recruit, Train and Retain a Professional Quality Medical Care Workforce;
4. Implement Quality Improvement Programs;
5. Establish Medical Support Infrastructure; and,
6. Provide for Necessary Clinical, Administrative and Housing Facilities.

In addition to the budget items discussed in this agenda, the Receiver's Office has supported four legislative bills this session (listed below). These bills should result in lower costs or cost containment of inmate medical care while contributing to the Receiver's efforts of providing a level of care that meets constitutional standards:

- **SB 1399 (Leno) Transferring Inmates Rendered Harmless.** Would allow the Secretary of Corrections to “medically parole” specified inmates who are in a persistent vegetative state, ventilator-dependent, or an end-stage debilitating disease, such as Alzheimer's and who do not pose a threat to public safety to a secured facility outside prison making them eligible for federal payment of their health care costs. The bill would not apply to persons who are sentenced to death or life without possibility of parole, or sentenced under the “three-strikes” law. As much as \$200 million could be saved over several years if SB 1399 is fully implemented.
- **AB 1817 (Arambula) Utilization Management.** Is a program to ensure the appropriate use of limited health care resources. AB 1817 will require that the CDCR maintain a statewide utilization management program, similar to that used by HMOs to limit visits to specialists which will ensure prison health care resources are used in the most cost effective and efficient manner possible and only when medically necessary. As much as \$100 million could be saved yearly by fully implementing this program.

- **AB 2747 (B. Lowenthal) Pharmacy Formulary and Central Fill.** Codifies into Law a CDCR-specific formulary to sustain the use of generics and manage medication usage within the system and an effective oversight body charged with that responsibility. The bill also provides for long-term savings in both staffing costs and medication inventory through the establishment of a Central Fill Pharmacy that will provide more than \$18 million in savings each year once fully implemented. The automated central pharmacy will offer advantages of scale related to efficient purchasing, inventory control, volume production, drug distribution, workforce utilization, and increased patient safety.
- **AB 1785 (Galgiani) Telemedicine.** Will require the prison system to increase the use of a cost-effective telemedicine system within each of CDCR's 33 correctional institutions. Telemedicine is the use of monitors and special tools to conduct doctor's visits remotely through computer network lines. It will result in significant cost avoidance of approx. \$5 - \$10 million dollars a year and improve public safety by reducing the number of guarded inmate trips to outside specialty doctors.

NuPhysicia Report. The Administration recently commissioned NuPhysicia to evaluate CDCR's medical program and the efforts underway to bring improvements. NuPhysicia involved experts from the states of Texas, Georgia and New Jersey who have implemented correctional health care initiatives based upon the academic health center business model, either in whole or in part, to participate in the assessment and development of this California evaluation. The two big operational changes recommended by NuPhysicia are: 1) the creation of a new State Correctional Health Care Authority; and, 2) for the Authority to partner with the University of California to deliver prison inmate health care services. In summary, the NuPhysicia team identified the following root cause challenges, which represent opportunities for improvement in a new approach to inmate medical care in California:

- Current and previous administration efforts included little input from correctional health care experts outside of California.
- Current and previous administrative structures do not provide for appropriate separation of responsibilities.
- Lack of a single, systemized care delivery method.
- Crippling of centralized management efforts by the independent litigations.
- Oversized central administration.

NuPhysicia's evaluation recommended improvements through the following specific actions:

- Improve role separation, accountability, and governance.
- Eliminate the separation of management between medical, dental, and mental health.
- Leverage the strength of the state's academic health centers.
- Improve specific point-focus programs on an expedited timeline. Suggested focusing on the following critical areas:
 - Development of an Electronic Medical Record
 - Accelerated Telemedicine Implementation and Utilization
 - Centralized Application of Offsite Care Protocols and Utilization Management
 - Accelerated Central Pharmacy Implementation and Management
 - Development of a Centralized Supply and Materials Logistics System
 - Creation of a Centralized Dialysis Resource

At this point, it is unclear how NuPhysicia's recommendations play into the Administration's plans relative to inmate medical care. The Receiver's Office notes that it agrees with the overall thrust of the NuPhysicia report and that many of the efforts suggested in the report are consistent with actions already underway.

Legislative Analyst Office (LAO). The LAO recommends that, to the extent that it is practical, the Legislature should apply its standard budgetary processes to carefully review and act upon each 2010-11 budget proposal submitted by the Administration on behalf of the Receiver. Specifically, if the Legislature believes that a particular proposal is over budgeted or overstaffed on a workload or other technical basis, the LAO believes that it should act to modify the proposed expenditures.

ISSUE 1: HEALTH INFORMATION MANAGEMENT

The Governor's budget proposes \$8.5 million General Fund (\$9.9 million in 2011-12) and 15 positions (12 limited-term) to implement improvements in Health Information Management (HIM).

BACKGROUND

On October 3, 2005 the court issued "Findings of Fact and Conclusions of Law Re Appointment of Receiver" which lists expert findings of major deficiencies in 15 California Prison Healthcare areas, Medical Records is one of these areas. The court found that "The medical records in most CDCR prisons are either in shambles or non-existent." Further, according to the court's findings, the CDCR medical records system made even mediocre care impossible. The "Analysis of Year 2007 Death Reviews" by a consulting physician, found that 14 inmate-patients died as a result of HIM-related issues. An additional 22 inmate-patients whose deaths were categorized as being "non-preventable" were also found to be lacking adequate health care records.

In June 2008, the Receiver presented a strategic plan called the "Receiver's Turnaround Plan of Action" (TPA), which was approved by the court. The TPA includes an objective that calls for the establishment of Standardized Health Records Practice and the creation of a roadmap for achieving an effective management system that ensures standardized health records are practiced in all institutions by February 2009.

On average over 500,000 medical, dental and mental health appointments are generated each month. As a result of each appointment, approximately three pages of filings are generated that must be integrated into the Unit Health Record (UHR) in a timely manner. The current procedures used to retrieve a UHR, get it to a scheduled appointment and return it to the HIM Department vary by institution. The lack of a standardize process can lead to additional workload.

According to this proposal, HIM resources have been and are insufficient to handle the required workload. Additional issues that prevent the HIM program from being successful include:

- Lack of Experienced Leadership;
- Poor Work Environments and Operational Inefficiencies;
- Policies and Procedures out of Date and not Comprehensive;
- Inconsistent and/or non-Standard Use of Information Technology;
- Poor Medical/Health Information Availability;
- Poor UHR Quality; and,
- Poor Release of Information Responsiveness.

COMMENTS

The Receiver's Office also has a HIM project proposed as one of the 19 projects listed in Issue 6 (19 Turnaround Plan Projects) below. This project relates more to changes in process and procedures, while the project that is included in the 19 Turnaround Projects relates to the electronic records IT infrastructure.

ISSUE 2: MEDICATION MANAGEMENT STAFFING

The Governor's budget proposes \$10.1 million General Fund and 145 License Vocational Nurse (LVN) positions to perform medication management functions in outpatient clinics.

BACKGROUND

The court has mandated that inmates are provided their medication in a timely manner. Currently, posts are being filled by registry and overtime, which are at a higher rate than salaried positions. In 2008-09, California Prison Health Care Services (CPHCS) spent \$59.4 million for nursing registry and \$40.7 million for nursing overtime.

Each institution is staffed with Registered Nurses (RNs), LVNs, and certified Nursing Assistants (CNAs) to provide nursing care. RNs are responsible for assessing, planning, implementing, and evaluating patient care, as well as performing nursing tasks that require a substantial amount of knowledge and/or technical skill. LVNs perform a broad range of technical tasks including administering medications and collecting subjective and objective patient data. CNAs perform simple nursing tasks such as assisting patients with transfers, ambulation, grooming, meal set-up and feeding, changing bed linens, obtaining vital signs, and assisting with restorative therapy.

This proposal indicates that the CPHCS is currently working on developing an alternative methodology for institutional health care staffing. This is proposed as an initial phase since medication administration is one of the driving factors of overtime and registry costs. CPHCS reports that it found that several prison systems utilize nursing staffing standards that are based on predetermined ratios. They determined that budgeting methodologies used by community health care delivery systems provided the best approach for developing nursing staffing standards based on workload. Community health care delivery systems establish staffing standards by assessing the volume of work for each clinical area.

COMMENTS

Staff notes that the projected reduction in overtime and registry driven by this proposal is expected to result in reduced contract medical costs as outlined in Issue 4 (Medical Services Contract Base Funding).

The LAO recommended withholding action on this proposal pending detailed plan on how to deal with the \$811 million unallocated reduction.

ISSUE 3: NURSING RELIEF FACTOR

The Governor's budget proposes \$23.5 million General Fund and 201.7 positions to cover nursing relief positions.

BACKGROUND

These resources are proposed to match the current level of training and leave requirements with the existing relief coverage. Currently, relief is being filled by registry and overtime. The proposed relief factor adjustments are: 1) Registered Nurses (RNs) from 1.66 to 1.77, and 2) Licensed Vocational Nurses (LVNs) from 1.71 to 1.75.

Since the Federal Receiver was appointed in 2006, pay increases were approved by the Department of Personnel Administration in order to fill the high level of nursing vacancies. The increase in staff has affected the leave credit accrual rate of medical staff.

A "posted" position is a specific work assignment performed by one individual at a time, on a specific shift or watch, and for a specific number of days per year. A post with full relief coverage provides staffing in the event of an employee's absence. The difference between a regular position and a posted position is that a regular position does not require coverage behind the employee when they are absent. In a typical post position, the post needs to be filled 24 hours a day, seven days a week. Posted positions require relief coverage to ensure the duties will be performed during times of absence.

COMMENTS

It is worth noting that the 2004-05 budget included \$99.5 million to increase the relief factor for correctional officers from 1.67 to 1.76. One of the principal justifications for that proposal was that it would reduce the department's reliance on overtime and temporary help. At the time, the department reported running deficiencies for those purposes of \$79 million. Despite the Legislature's approval of the request, the department overspent its budget for custody positions by roughly \$350 million in 2007-08. This suggests that, despite the logic, providing additional relief positions does not necessarily result in reductions in overtime or temporary help (including registry) usage.

The Receiver's Office reports that measure will be in place to efficiently track and manage overtime and registry use going forward. Specifically, Business Information System (BIS) will track scheduling and hours worked of contract providers. BIS will also allow for a more efficient processing of invoices.

The LAO recommended withholding action on this proposal pending detailed plan on how to deal with the \$811 million unallocated reduction.

ISSUE 4: MEDICAL SERVICES CONTRACT BASE FUNDING

The Governor's budget proposes \$403 million General Fund in 2009-10 and \$208.9 million in 2010-11 and ongoing to augment the base funding for Medical Service Contracts.

BACKGROUND

Actions taken by the Receiver to remediate prison health care condition have included an increase in health care access and contract medical costs as inmates have been increasingly referred to outside medical care. Medical Services Contract expenditures have increased significantly over the last six years, from \$252 million in 2003-04 to \$845 million in 2008-09 (an average increase of over \$100 million per year). In the same time period, funding authority increased an average of \$31 million per year, from \$204 million in 2003-04 to \$358 million in 2008-09. CPHCS reports that the base was reduced to \$308 million in 2009-10 due to funding reductions.

Actual expenditures for the past several years show a continued trend of increased expenditures, primarily due to the increased access to outside providers. While the usage and costs for medical service contracts continues to increase each year, CPHCS has implemented cost containment measures to minimize and stabilize costs. With cost containment measures in place, CPHCS is projecting a reduction in costs for medical services contracts to \$712 million in 2009-10 and \$517 million in 2010-11. These measures include: 1) utilization management, 2) reimbursement rate cap, and 3) reducing reliance on registry and overtime.

COMMENTS

Staff notes that last year (2008-09) the Receiver's Office requested and received a supplemental appropriations bill to cover a funding deficiency related to these costs (\$487 million).

ISSUE 5: PHARMACEUTICAL AND MEDICAL SUPPLIES

The Governor's budget proposes \$45.8 million General Fund to augment the Pharmaceutical and Medical Supplies base funding for 2010-11.

BACKGROUND

Total costs for Pharmaceutical and Medical Supplies are projected to be \$203.1 million in 2010-11. Although growth in costs has slowed in recently, costs in these areas has substantially increased over the last five years from \$136 million in 2004-05. The base funding for Pharmaceutical and Medical Supplies consists of two separate components, with Pharmaceuticals accounting for 87 percent of total costs, and Medical Supplies making up the additional 13 percent. Medical Supplies consist of items such as prosthetics, eyeglasses, and laboratory supplies.

The Receiver's Office reports three main factors that have contributed to the increase in Pharmaceutical and Medical Supplies: 1) Poor Inmate Health; 2) Increased Drug Costs; and, 3) Increase in the Number of Prescriptions.

In 2007-08, the Legislature approved a three-year augmentation, ending in 2009-10, of \$45.8 million for base Pharmaceutical and Medical Supply funding. This proposal requests that the previously approved augmentation be continued for one additional fiscal year. An assessment will be made to determine the adequate amount of base funding needed to sustain the new Central Fill Pharmacy as that project nears completion. Once the Central Fill Pharmacy is operational, this proposal estimates \$5 million will be save by the decrease in inventory, shrinkage control, and waste reduction.

COMMENTS

This request is driven in part by the delay in the Central Fill Pharmacy. Staff notes that without this augmentation the Receiver's Office reports a base Pharmaceutical and Medical Supply budget for 2010-11 that is approximately \$63 million less than projected costs. Further, it is unclear how the \$811 million unallocated reduction contained in the Governor's budget will affect funding available for these services.

ISSUE 6: 19 TURNAROUND PLAN PROJECTS

The Governor's budget proposes \$111.3 million General Fund and 11 positions in 2009-10 and \$235.4 million and 178 positions in 2010-11 to support 19 IT projects. Total project costs are projected to be approximately \$819.8 million and 1,137 positions through 2013-14 (\$406.9 million and 991 positions ongoing).

BACKGROUND

- 1. Health Information Management (\$2.2 million 2009-10, \$10.8 million 2010-11).** Project Scope includes: 1) stabilization of current Health Information Management (HIM) operations, 2) remediation of current paper based process, 3) integration of electronic record systems into HIM operations, and 4) implementation of a content management system to automate Unit Health Record (UHR) systems.
- 2. Access to Care (\$650,000 2009-10, \$494,000 2010-11).** Project scope includes: 1) implementation of a Primary Care Model Policy and Procedures, 2) redesign of the Access to Primary Care Policy and Procedures, 3) redesign of the Reception Center Policy and Procedures, and 4) redesign of the Chronic Disease Management Program.
- 3. Medication Administration Process Improvement (\$79,000 2009-10, \$246,000 2009-11).** The primary goal of this project is to increase efficiencies and reduce costs associated with the administration operations of pharmaceuticals. Project scope includes: 1) medication administration audit tool, and 2) process improvements.
- 4. Utilization Management (\$3 million 2009-10, \$4.3 million 2010-11).** This project will deploy the InterQual system and Utilization Management Database to implement a standardized, accessible, and mandatory decision support system to assist physician reviewers in determining if specialty service requests are medically necessary or not.
- 5. Laboratory Services Management (\$65,000 2009-10, \$10.2 million 2010-11).** This project's goal is to improve lab services business processes to better enable integration of other healthcare system improvements as they come online. Infrastructure improvements must also eventually support an enterprise Laboratory Information System.
- 6. Centralized Dictation and Transcription (\$773,000 2009-10, \$4.8 million 2010-11).** The purpose of this project is 1) to implement a model for centralized dictation and transcription statewide, and 2) improve the timeliness and accuracy of transcribed documents. This project will be piloted at four institutions.

- 7. Clinical Data Repository (\$9.6 million 2009-10, \$34.3 million 2010-11).** This project will compile health data (Clinical, Mental Health, and Dental) obtain from various sources into a uniform health information management system. This project will allow clinical health staff with immediate access to patient health information at the point-of-care.
- 8. Health Care Scheduling System (\$5.0 million 2009-10, \$6.9 million 2010-11).** This project will implement an enterprise-wide approach to health care scheduling within CDCR institutions that will be used for all scheduling of inmate activities related to health care appointments and will provide: 1) a single point of view of all scheduled inmate appointments; 2) Individual inmate calendars; 3) capability to track deadlines for each inmate; 4) capability for any authorized scheduler to schedule future appointments; and, 5) ability to schedule both individual and time block appointments.
- 9. Central Fill Pharmacy (\$1 million 2009-10, \$10.7 million 2010-11).** This project will implement a centralized pharmacy to consolidate orders, automate distribution of medications, reduce costs and waste, and improve tracking of orders and increasing patient utilization. The Central Fill Pharmacy will fulfill prescriptions for all 33 institutions. The facility will have automated inventory management, medication checks, and provide distribution by next day to all facilities.
- 10. GuardianRx Pharmacy Conversion (\$12.1 million 2009-10, \$7.7 million 2010-11).** Project will implement a computerized prescription software management system in all institutions to improve tracking, safety and dispensing of drugs.
- 11. Electronic Medication Administration Record (\$119,000 2009-10, \$13.3 million 2010-11).** The Electronic Medication Administration Record system will compliment the centralized pharmacy system and will track, log, and provide current prescription history at any point of service to employees at all 33 institutions.
- 12. Enterprise Clinical Imaging Project (\$4.9 million 2009-10, \$14.5 million 2010-11).** This project will provide appropriate and timely imaging and interpretation services for inmates at all CDCR institutions. The project will provide tools and infrastructure for CDCR clinical staff to diagnose and evaluate inmates in a timely manner.
- 13. Telemedicine Services (\$640,000 2009-10, \$8.5 million 2010-11).** This project will improve and expand telemedicine services. The projects goals are 1) to deploy a more cost effective and efficient telemedicine delivery model and 2) to demonstrate aggressive progress toward the target of 50% of off-site consultations being conducted via telemedicine.

- 14. Business Information System (\$9.4 million 2009-10, \$13.1 million 2010-11).** This project will implement the CDCR's Business Information System (SAP Financial, Supply Chain, and Human Resource Management) for Headquarters and the 33 adult institutions. The project will standardize, automate and integrate health care services financial, procurement, and human resource business processes.
- 15. Strategic Offender Management System – Project Management Documentation (\$5.2 million 2009-10, \$5.6 million 2010-11).** The Strategic Offender Management System (SOMS) is the central enterprise-wide IT system for maintaining inmate information. CPHCS is contributing to the SOMS budget because it will be a primary user of the system.
- 16. Data Center and End User Migration (\$5.1 million 2009-10, \$609,000 2010-11).** This project will migrate existing CPHCS staff and hardware to a new network, integrating Active Directory, local LAN to LAN connectivity, new network infrastructure and help desk support for CPHCS staff and applications.
- 17. Health Care Data Center (\$10.1 million 2009-10, \$35.2 million 2010-11).** This project will implement a data center to support the CPHCS network infrastructure. The project will integrate Active Directory, E-Mail, Call Center, Centralized Services, and Network Storage to support CPHCS organizational requirements.
- 18. Health Care Network Infrastructure (\$40.8 million 2009-10, \$53.6 million 2010-11).** This project proposes to design, build, and install a dedicated high-speed data network for Headquarters and all 33 institutions.
- 19. Mental Health Tracking System Upgrade (\$564,000 2009-10, \$398,000 2010-11).** This project will upgrade the Mental Health Tracking system by replacing 32 separate Access databases with a web application and single centralized database.

Following is a table that categorizes these projects by goal. Staff notes that many of these projects may fit into more than one category.

High Level Project Goal	Operational Remedy	Information Technology Remedy
Medical Record Improvement	<ul style="list-style-type: none"> • #6 Centralized Dictation and Transcription services 	<ul style="list-style-type: none"> • #1 Health Information Management (HIM) • #7 Clinical Data Repository • #15 Strategic Offender Management System Integration • #16 End User Migration to Data Center • #17 Health Care Data Center • #18 Healthcare Network Infrastructure • #19 Mental Health Tracking System
Access to Care	<ul style="list-style-type: none"> • #2 Access to Care (process and procedure standardization) 	<ul style="list-style-type: none"> • #8 Health Care Scheduling System • #13 Telemedicine Services
Medication Management	<ul style="list-style-type: none"> • #3 Medication Administration Process Improvement Project (MAPIP) (process and procedure standardization) • #9 Pharmacy – Central Fill Pharmacy 	<ul style="list-style-type: none"> • #10 Pharmacy, CPHCS GuardianRX Pharmacy Conversion • #11 Pharmacy eMAR
Cost Containment/Operational Improvements	<ul style="list-style-type: none"> • #4 Utilization Management • #5 Laboratory Services Management • #12 Clinical Imaging Services 	<ul style="list-style-type: none"> • #14 Business Information System (BIS) Integration

LAO Analysis. The LAO raised the following considerations relative to these projects:

Receiver’s IT Plan Raises Significant Project Risks. The LAO's analysis indicates the 19 IT projects proposed by the Receiver generally address deficiencies identified by the *Plata* court and that are to be remedied in the Turnaround Plan. In addition, a few of the projects (such as telemedicine and the utilization management system) could potentially reduce future inmate medical care costs. However, the LAO finds that the Receiver’s IT plan is overly ambitious in terms of its scope and is very costly. For example, the number and size of the IT projects proposed by the Receiver greatly exceed the number of projects that are normally managed by most state agencies at any one point in time. Moreover, many of the 19 projects proposed by the Receiver are interdependent on one another, increasing the risk of (1) a cascade of missed deadlines and substantial delays in the completion of projects, and (2) significant cost overruns if any of the projects was not completed on schedule.

Receiver Unable to Account for Ongoing Funding for IT Projects. The state budget for each of the past three fiscal years has provided the Receiver \$45.6 million (for a total of about \$137 million) to support IT improvements. However, at the time of this analysis, the Receiver's office was unable to provide sufficient information in response to our questions on how these funds have been spent. For example, the office has not provided a detailed accounting on how much of the funds was spent on each of the 19 IT projects. Moreover, based upon the information given in support of these requests, the Receiver's office does not appear to account for this \$45.6 million in available funding in its 2010-11 IT budget request.

The LAO recommends the Legislature take the following budgetary actions:

Prioritize the Most Critical IT Projects. Recognizing the desire of the Receiver to develop and implement the 19 IT projects as early as possible, given the state's current General Fund shortfall, the state cannot afford to make a multiyear commitment of \$800 million to so many projects at once. Moreover, as discussed above, the LAO believes that the Receiver's IT plan is overly ambitious and poses significant risks. Thus the LAO suggest that the Legislature fund only the most critical IT projects in the budget year and delay funding for the less critical projects. Specifically, the LAO recommends providing funding for only those projects that (1) will provide the basic infrastructure needed for some of the other projects (such as the healthcare network, data center, and the clinical data repository) and (2) could result in significant operational savings (such as telemedicine and utilization management). The LAO estimates that this would reduce the Governor's budget request by about \$42 million (from \$111.3 million to \$69 million) in 2009-10 and by about \$153 million (from \$243.8 million to \$91 million) in 2010-11 (these estimates for the budget year recognizes that the \$45.6 million in the Receiver's base budget for IT is available to help support the costs of the projects). The additional resources needed to support the LAO's recommended projects over the next five years would be roughly \$300 million. Lastly, the LAO suggests that the Legislature may want to ask the Receiver to report at budget hearings on which of the 19 projects he believes are of the highest priority.

COMMENTS

Staff notes that the Receiver's Office has provided a breakout for 2009-10 of projects and activities that are or will be supported by the \$45.6 million in IT resources identified in the LAO's analysis. Staff is currently reviewing this information. However, more detail is required on how these funds will be spent in 2010-11 and beyond. It should also be noted that the Receiver's Office has indicated that all 19 of these projects are of priority and that they are, in fact, a result of narrowing down from a more comprehensive list of 40 projects.

Further, the Receiver's Office indicates it has taken the following steps relative to project management and oversight in order to mitigate risk:

Each project has an executive sponsor who ensures appropriate clinical stakeholders are available to define requirements and implement their portion of the project. Projects are also assigned a sponsor, who is directly responsible for project implementation. Each project has a project manager who is trained in industry-standard project-management best-practices to improve probability of success. Some larger projects are assigned multiple project managers to manage sub-projects. Each week, the executive readiness council brings together executives directly involved in implementing the technical portions of each project along with project managers from interdependent projects to resolve issues and mitigate risk. On a bi-weekly basis, the Receiver's Turnaround Plan Executive Council meets to make strategic decisions regarding projects. The project management office has put in place a number of standards to improve project success. The project management office uses Office of System Integration Best Practice Templates as a basis for project documentation. The project management office reviews projects for critical interdependencies that may cause friction between projects.

Unallocated Reduction. The Governor's budget reduces \$811 million of support for the Receiver's Medical Services Program to reduce per-inmate medical costs to a level comparable to other states' correctional health care programs. For comparison in 2008-09, California spent an average of \$11,627 per-inmate compared to New York at approximately \$5,757 per-inmate, Pennsylvania at approximately \$4,418 per inmate, and Florida at approximately \$4,720 per-inmate.

The LAO recommends that the Legislature require the Administration to present a detailed plan on how the proposed \$811 million in savings will be achieved. This plan should include: (1) the specific proposals that the Receiver would implement, (2) a timeline of when each proposal would be implemented; (3) the estimated savings that would result from each proposal; (4) any statutory changes (or federal court actions to waive state legal requirements) that would be required in order to implement the plan; and, (5) an assessment on how previously adopted and pending proposals to reduce the size of the inmate population would affect the need for the additional nursing positions proposed in the Governor's budget.

To date, the Receiver's Office has conveyed their intention to work to achieve savings in 2010-11. However, there has not been a detailed plan presented that shows how \$811 million in savings will be achieved.

Staff notes that the Receiver's Office has asked the Office of Audits and Evaluations to examine how California's inmate health care costs compare to other states. The committee may wish to ask the Receiver's Office for an update on the timing of this report.

ISSUE 7: HEALTH CARE ACCESS UNITS

An April 1 Finance Letter proposes to change existing budget bill language in order to transfer budget authority for Health Care Access Units (HCAU) from the Receivership to CDCR.

BACKGROUND

The CSD (formally known as the Custody Support Services Division) instituted a HCAU in each CDCR institution. Each institution's HCAU personnel are responsible for escorting, transporting, and guarding inmates as they move to and from medical appointments within the institution and to specialty care providers within the local community. This division is also responsible for providing the required security coverage for all functions of access to care within the institutions and collecting data for tracking purposes by headquarters CSD staff.

Under this proposal, \$241 million in funding and 2,407.4 positions for the HCAUs will remain under Budget Act Item 5225-002-0001, Schedule (2), Program 25, but will be controlled by the CDCR in accordance with Provision 5 of this Item.

The Receiver's Office indicates that this transfer of budget authority and responsibility for fiscal accountability to the CDCR is the first step to transition the HCAU's to the CDCR and supports the Receiver's plan to attain constitutionally compliant inmate health care and the court mandated return of responsibility of inmate health care to the CDCR.

COMMENTS

This proposed change in budget bill language and fiscal responsibility does result in a net General Fund impact. However, the Committee may wish to inquire whether there is added administrative workload for the CDCR driven by this proposal.

5225 CDCR CAPITAL OUTLAY

The mission of the California Department of Corrections and Rehabilitation (CDCR) is to enhance public safety through safe and secure incarceration of offenders, effective parole supervision, and rehabilitative strategies to successfully reintegrate offenders into our communities.

The CDCR is organized into eleven programs: Corrections and Rehabilitation Administration; Corrections Standards Authority; Juvenile Operations; Juvenile Education, Vocations, and Offender Programs; Juvenile Parole Operations; Juvenile Health Care Services; Adult Operations; Adult Parole Operations; Board of Parole Hearings; Adult Rehabilitative Programs; and Correctional Health Care Services.

The CDCR operates 33 adult prisons, five juvenile institutions, and contracts for 13 Community Correctional Facilities, and 6 out-of-state facilities. Additionally, the CDCR is responsible for approximately 200 adult and juvenile parole offices and 50 conservation camps.

The Governor's proposed budget includes CDCR resources totaling \$8.8 billion (\$8.5 billion GF) and 61,792.8 positions. Following are three-year expenditures and positions:

(dollars in thousands)

	2008-09 (actual)	2009-10 (estimated)	2010-11 (proposed)
Expenditures	\$10,579,658	\$8,622,249	\$8,824,415
Personnel Years	60,957.1	65,620.7	61,792.8

ISSUE 1: SAC – EOP OFFICE SPACE

The Governor's budget proposes \$12.4 million General Fund to construct office and treatment space for the Enhanced Outpatient Program (EOP) at California State Prison, Sacramento (CSP-SAC).

BACKGROUND

This project will provide program, treatment and office space to serve the existing 192, Level IV EOP inmates housed in Facility B at CSP-SAC. The project is consistent with the revised Mental Health Bed Plan provided to the *Coleman* court in May 2009. On June 18th 2009, the *Coleman* court approved the activation schedule for completion of this project. Preliminary plans for this project were funded in the 2008 Budget Act and working drawings were funded in the 2009 Budget Act. The total project cost estimate is \$14.4 million.

The CDCR treats and manages approximately 30,500 inmates with serious mental disorders. Inmates are screened for mental health problems when they enter CDCR at reception centers and are assigned to different levels of mental health care, as appropriate.

As the mental health population has increased or been more accurately identified, the need for celled mental health beds has increased. This has driven the need for the CDCR to convert General Population cells throughout its prisons to provide appropriate housing for these inmates. To date, the CDCR has converted over 3,100 Level III and Level IV male General Population beds to EOP housing. These conversions drive the need for sufficient treatment and program space to fully meet the requirements of mental health programs.

Since 1995, the federal court in *Coleman v Schwarzenegger*, upon issuing its findings that the CDCR violated the U.S. Constitution in its treatment of seriously mentally disordered inmates, has continued to oversee the development and operation of the Mental Health Services Delivery System.

COMMENTS

This project is directly related to a court order and previous phases of the project have been approved by the Legislature. However the LAO has recommended that, rather than appropriate additional General Fund resources for this project and other Governor's budget CDCR Capital Outlay General Fund proposals, it would be more advantageous to use the funds already appropriated from the General Fund in Chapter 7, Statutes of 2007 (AB 900, Solorio). Specifically, AB 900 appropriated \$300 million from the General Fund for infrastructure projects and planning. As of December 2009, CDCR has spent only \$88 million of that \$300 million, thus leaving a balance of \$212 million available to support additional capital projects.

ISSUE 2: PSU/SHU SMALL MANAGEMENT YARDS

The Governor's budget proposes \$6.3 million General Fund for the construction of 120 Small Management Yards (SMY) at California State Prison Corcoran (47 yards) and California Correctional Institute (73 yards).

BACKGROUND

The CDCR manages Segregated Housing Units such as Security Housing Units (SHU) and Psychiatric Services Housing Units (PSU). Inmates whose conduct endangers the safety of others or the security of the institution are housed at the SHU. A PSU inmate is an SHU inmate with a diagnosed psychiatric disorder not requiring inpatient hospital care, and whose conduct threatens the safety of the inmate or others. Because of the SHU level of security, PSU inmates are afforded the opportunity to participate in the unit's activities without the undue risk to the safety of the inmate or others.

The CDCR, California Code of Regulations, Title 15, Section 3343(h), Conditions of Segregated Housing, requires that where special purpose segregated housing units are equipped with their own recreation yard, each inmate housed in such units will be provided ten hours each week of out-of-cell exercise time. These requirements cannot be met with the existing group recreation yards. Statewide assessments were completed in January 2007 and January 2009, which determined that a total of 155 SMYs are needed to meet Title 15 requirements for SHU and PSU, based on existing capacity at four institutions. In addition, the CDCR intends to convert 256 General Population cells at Kern Valley State Prison to SHU cells in 2011-12, which will require 52 SMYs to meet Title 15 requirements.

The *Coleman* court issued an order directing the CDCR to submit a plan to meet the need for sufficient SMYs to meet Title 15 requirements for inmates in Administrative Segregation Units (ASU). In response to the court order, the 2008 Budget Act included funding to satisfy the need for sufficient SMYs for inmates ASU inmates. Plaintiffs in *Coleman* filed a notice of non-compliance regarding CDCR's exclusion of other special purpose segregated housing units, including SHU and PSU. While the court acknowledged that the requirements of the *Coleman* order do not extend to other special purpose segregated housing units, the CDCR proceeded with design of SMYs at institutions with SHU and PSU housing, in order to ensure full compliance with Title 15.

COMMENTS

Similar to Issue 1, the LAO has recommended that this project's funding come from the balance of the \$300 million AB 900 General Fund appropriation.

ISSUE 3: BUDGET PACKAGES AND ADVANCED PLANNING

The Governor's budget proposes \$2 million General Fund to perform advanced planning and prepare budget packages for capital outlay projects.

BACKGROUND

The range of capital outlay needs across CDCR facilities is broad and varied. The development of well documented and justified capital outlay requests for funding consideration in the annual budget act requires the development of budget packages. Additionally, the need arises to perform advance planning functions such as environmental reviews and site assessments to determine the feasibility of future capital outlay requests. To perform these functions, the CDCR has received past budget act appropriations.

Provisional language is included that limits this funding to projects that meet the following criteria: 1) the project being studied has not already received funding from the Legislature, and 2) the project is being prepared for funding consideration in either of the next two budget acts. In addition, the advance planning appropriation may also be used to develop scope, schedule and cost information for projects to be funded from lease-revenue bond authority contained in AB 900.

The 2010-2015 Five Year Infrastructure Plan for CDCR identifies 104 projects with approximate costs of \$1 billion. The project needs at these prisons range from infrastructure repair or improvement to expansion of facilities.

COMMENTS

Similar to Issues 1 and 2, the LAO has recommended that this project's funding come from the balance of the \$300 million AB 900 General Fund appropriation.

ISSUE 4: MINOR CAPITAL OUTLAY PROJECTS

The Governor's budget proposes \$3.2 million General Fund to support seven minor capital outlay projects at CDCR adult and juvenile facilities. In addition, Provisional language is proposed to authorize the expenditure of these funds for projects in excess of \$400,000.

BACKGROUND

The seven proposed projects are:

- 1. California Men's Colony-East, Mental Health Space Conversion (\$404,000).** This proposal is to convert a medical transcribing treatment office into Enhanced Outpatient Program treatment space. The project will construct four treatment rooms to provide the necessary treatment space to serve Administrative Segregation Unit inmates.
- 2. California Men's Colony-West Facility Level II Fence Improvements (\$682,000).** This proposal would upgrade an existing Level II perimeter fence. The project will add approximately 1000 lineal feet of fence, with gates. It would redirect inmates, visitors, and staff to a new pedestrian walkway, addressing an identified security deficiency.
- 3. Pelican Bay State Prison, Kitchen and Dining Room Conversion (\$565,000).** This proposal is to modify and expand the existing temporary Mental Health Care delivery area located in the Psychiatric Services Unit on the B facility at Pelican Bay. The current space lacks appropriate provisions for a safe, secure, and confidential working environment.
- 4. O.H. Close Youth Facility – Install Evaporative Coolers in Dayrooms (\$354,000).** This proposal is to install evaporated coolers in the living unit and dayrooms at O.H. Close Youth Correctional Facility. The dayrooms are used to provide education and treatment space as mandated in the *Farrell* Safety and Welfare Remedial Plan.
- 5. Ventura Youth Correctional Facility – Medical Exam Room and Office (\$392,000).** This proposal would construct a medical examination room and a medical office within the El Mirasol Living Unit at the Ventura Youth Correctional Facility to serve offenders in the Behavioral Treatment Program.
- 6. Ventura Youth Correctional Facility – Medical Exam Room and Office (\$392,000).** This proposal would construct a medical examination room and a medical office within the Monte Vista Living Unit at the Ventura Youth Correctional Facility to serve offenders in the Behavioral Treatment Program.

7. **Ventura Youth Correctional Facility – Medical Exam Room and Office (\$398,000).** This proposal would construct a medical examination room and a medical office within the Special Counseling Building at the Ventura Youth Correctional Facility to serve offenders in the Alborado Intensive Treatment Program Living Unit and Buena Ventura Specialized Counseling Program Living Unit.

COMMENTS

Similar to Issue 1, the LAO has recommended that this project's funding come from the balance of the \$300 million AB 900 General Fund appropriation. Staff notes that trailer bill language has been proposed by the Administration to raise the minor capital outlay threshold to \$800,000.

ISSUE 5: DVI – RECEPTION CENTER EOP TREATMENT AND OFFICE SPACE

The Governor's budget proposes \$319,000 from the 1988 Prison Construction Fund to complete the preliminary plan phase for a new project to create treatment and office space for treatment of mentally ill inmates.

BACKGROUND

This project involves the conversion of 10,000 square feet of existing space at the Deuel Vocational Institute (DVI) to treatment and clinical office space for the treatment of seriously mentally ill offenders. The working drawings and construction phases are proposed to be funded out of the General Fund in subsequent years, though the department would still need to come before the Legislature to get that funding approved. The total project cost is estimated to be \$5.7 million.

This project is in response to the *Coleman* court, which found that DVI lacks space, which significantly impedes inmate access to quality care. CDCR is required to provide adequate mental health care for inmates in reception centers who have been identified as requiring an Enhanced Outpatient Program (EOP) level of care and remain in reception centers for longer than 60 days. In accordance with mental health guidelines, inmates in the reception center EOP receive five hours of treatment per week, including group and individual therapy, medication evaluations, and team meetings.

COMMENTS

It is important to note that the out-year costs of this project will be supported by the General Fund.

ISSUE 6: AB 900 GENERAL FUND APPROPRIATION PROPOSALS

The Administration has two proposals designed to expand the use of the of the AB 900 General Fund appropriation for infrastructure projects:

1. **Statewide Reentry Facility Site Evaluations.** Proposes trailer bill language to authorize the use of the AB 900 General Fund appropriation to fund site evaluation activities and, if necessary, for acquiring options for the purchase of property for reentry facilities.
2. **April 1 Finance Letter – Dental Improvements.** Proposes trailer bill language to allow the use of the AB 900 General Fund appropriation for dental improvements at prisons statewide.

BACKGROUND

Statewide Reentry Facility Site Evaluations. AB 900 authorized \$2.6 billion in funding for the construction and establishment of Reentry Facilities (small facilities designed to prepare inmates for reentry) statewide. CDCR indicates that it is working with local governments and interested parties statewide to identify potential locations. Additionally, as part of the Corrections Standards Authority Request for Proposal process for jail financing, counties identify potential sites for Reentry Facilities. Site evaluations are needed to determine if these sites are appropriate for construction. Estimated costs are \$3-\$5 million annually.

April 1 Finance Letter – Dental Improvements. As part of the *Perez* (class action suit alleging violation of cruel and unusual punishment clause of Eighth Amendment relative to inmate dental health care) settlement, the CDCR established the Inmate Dental Services Program and revised the existing Dental policies and Procedures to bring dental services into compliance with constitutional mandates. In order to comply with the stipulated agreement, physical plant modifications and improvements must be completed at most CDCR prisons. Estimated project costs are approximately \$14.4 million.

COMMENTS

Staff notes that the Senate proposed to modify the Reentry Site Evaluation trailer bill language to ensure that the language does not allow the AB 900 General Fund appropriation to be used for property acquisition.