

## EXECUTIVE DIGEST

# BUREAU OF HEALTH CARE SERVICES

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### INTRODUCTION

This report, issued in February 2000, contains the results of our performance audit\* of the Bureau of Health Care Services (BHCS), Department of Corrections.

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### AUDIT PURPOSE

This performance audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Performance audits are conducted on a priority basis related to the potential for improving effectiveness\* and efficiency\*.

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### BACKGROUND

In 1975, the Department of Corrections established BHCS to coordinate medical, dental, and psychological services provided to prisoners.

BHCS's mission\* is to provide prisoners with comprehensive health care services characterized by high quality, accessibility, and cost effectiveness. Prisoner health care services are provided through a network of outpatient clinics operated at all prisons and through a managed health care\* system for off-site specialty services.

BHCS expended \$114.4 million for prisoner health care services for the fiscal year ended September 30, 1998. Of this amount, BHCS spent approximately \$81.9 million for

on-site health care services and central office staff and approximately \$32.5 million for off-site specialty health care services. The average prisoner population for fiscal year 1997-98 was 45,055 prisoners, resulting in an average cost per prisoner of approximately \$2,539.

BHCS employed 1,002 clinical and office staff as of March 31, 1999.

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AUDIT OBJECTIVES,  
CONCLUSIONS, AND  
NOTEWORTHY  
ACCOMPLISHMENTS

**Audit Objective:** To assess the effectiveness of BHCS's administration of contracts for Statewide managed health care and ambulatory health care\* services for prisoners.

**Conclusion:** BHCS's administration of contracts provided reasonable assurance that the contractors fulfilled contract provisions in a satisfactory manner. However, we identified two reportable conditions\* related to contract administration and assessment of health care initiatives (Findings 1 and 2).

**Audit Objective:** To assess the effectiveness of BHCS's management of health care services provided to prisoners.

**Conclusion:** We concluded that BHCS was generally effective in its management of health care services provided to prisoners. However, our assessment disclosed four reportable conditions related to staffing guidelines, chronic care clinics\* and intake assessments, Assaultive Offender Program, and computerized medical records (Findings 3 through 6).

**Noteworthy Accomplishments:** After 15 years, the U.S. District Court in Kalamazoo terminated all provisions of the USA consent decree, including the medical provisions.

The USA consent decree, entered into on July 13, 1984, was created to resolve concerns of the U.S. Department of Justice as a result of prison riots that occurred in 1981. In presenting a motion to terminate the USA consent decree, the U.S. Department of Justice told the court that there no longer existed any current or ongoing violations of prisoners' constitutional rights in Michigan prisons. This termination illustrates BHCS's overall effectiveness in providing comprehensive health care services to prisoners.

**Audit Objective:** To assess the efficiency of health care services provided to prisoners.

**Conclusion:** BHCS generally provided prisoner health care services in an efficient manner. However, our assessment disclosed one reportable condition related to contractual personnel (Finding 7).

**Noteworthy Accomplishments:** In April 1997, BHCS contracted for Statewide managed health care services for prisoners. This contract provides off-site specialty care services through a managed care system based on a fixed per prisoner per month rate. Although the contract was in effect for only six months during fiscal year 1996-97, it reduced hospital/specialty expenditures by \$5,320,750 (12%). The contract contributed to an additional savings of \$5,333,160 (14%) for fiscal year 1997-98. In addition, the Department reported that, based on prior expenditures, anticipated increases in prisoner population, increases in prisoner acuity, and increases in the Consumer Price Index for Medical Goods and Services, the direct savings plus the cost avoidance realized under the managed care system totaled an estimated \$17.6 million for the first full fiscal year of operation (fiscal year 1997-98).

Also, BHCS instituted a \$3 prisoner co-pay for non-emergency, prisoner-initiated health care effective June 1997. This co-pay reduced the number of prisoner requests for health care by approximately 10,000 requests per month. This reduction in health care requests allowed clinical personnel to focus their efforts on more significant health care issues, such as the development of a proactive approach to treating chronically ill prisoners.

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AUDIT SCOPE AND  
METHODOLOGY

Our audit scope was to examine the health care and other records of the Bureau of Health Care Services. Our audit was conducted in accordance with *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and other auditing procedures as we considered necessary in the circumstances.

This audit does not include prisoner mental health care services, which we audit separately. While developing our audit objectives and scope of audit, we incorporated a legislative request for an audit of prisoner health care services and its related questions and issues. Our responses to those legislative issues were communicated in a separate document.

BHCS had not reconciled and did not have sufficient records for us to fully reconcile the amounts paid to the original managed health care contractor. Thus, we could not fully account for the \$26,555,863 paid to the contractor. We continue to communicate with the contractor's attorneys to understand the contractor's handling of funds received from BHCS. We will report separately the results of these audit procedures.

Our methodology included examining BHCS's records for the period October 1, 1995 through March 31, 1999. To

establish our audit objectives, we conducted a preliminary review of BHCS's operations. This included discussions with key central office staff and with regional and prison health care staff regarding their functions and responsibilities. Also, we reviewed BHCS health care policies and procedures. We obtained and reviewed various states' audit reports and selected national publications related to prisoner health care services.

To accomplish our audit objectives, we examined the contracts entered into by BHCS for Statewide managed health care and ambulatory health care services. We evaluated the records and procedures related to the selection of contractors and to BHCS's administration of the contracts.

We evaluated prisoner medical files for selected prisoners to determine if health care services were provided in accordance with BHCS clinical guidelines and American Correctional Association standards. We analyzed BHCS's efforts to document clinical activity, establish staffing level needs, and measure program effectiveness.

We conducted trend analyses of prisoner health care costs and evaluated BHCS's efforts to control these costs.

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**AGENCY RESPONSES  
AND PRIOR AUDIT  
FOLLOW-UP**

Our audit report includes 7 findings and 10 recommendations. BHCS agrees with 4 recommendations, partially agrees with 4 recommendations, and disagrees with 2 recommendations.

BHCS complied with all 14 prior audit recommendations.