

March 18, 2010

Governor's 2010-11 Budget Proposal for Inmate Medical Care

LEGISLATIVE ANALYST'S OFFICE

Presented to:

Senate Budget Subcommittee No. 4

On State Administration

Hon. Mark DeSaulnier, Chair





Governor's Revised 2009-10 Budget For the Receiver



The revised budget for 2009-10 reflects a total of about \$1.8 billion in General Fund support for adult inmate medical operations under the control of the federal court-appointed Receiver. This is an increase of about \$424 million, or 32 percent, from the enacted 2009-10 budget, based on the following adjustments:

- A \$95 million net decrease due to various adjustments primarily related to employee compensation.
- A \$407.9 million increase in base funding for contract medical expenditures, such as for specialty medical care provided outside of prison and private ambulance transportation.
- A \$111.3 million increase for the development and implementation of 19 information technology (IT) projects for which costs would eventually total over \$800 million. (This increase would be in addition to the \$45.6 million in the Receiver's base budget for IT improvements that was provided in the 2007-08 budget.)



Governor's Proposed 2010-11 Budget For the Receiver

- 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, which would result from the following major adjustments:
 - An \$811 million (or roughly 50 percent) unallocated reduction in 2010-11, which would be in addition to a \$181 million unallocated reduction contained in the 2009-10 budget.
 - A \$199 million decrease to reflect a reduction in projected contract medical expenditures.
 - A \$132.5 million increase to continue the development and implementation of the 19 IT projects previously referenced.
 - A \$33.6 million increase for 346.7 additional nursing positions proposed to reduce the reliance on registry nurses in meeting existing workload needs and to distribute medication to inmates in a more timely and efficient manner.

- In addition, the budget includes \$45.8 million to extend for one additional year a temporary augmentation that was provided in each of the prior three fiscal years for pharmaceuticals and medical supplies.



Budget Proposals Raise Several Key Issues For the Legislature

- Significant Risk in Achieving Proposed Unallocated Reduction.*** In order to achieve \$811 million in savings, the Receiver would need to implement major operational changes by July 1, 2010. However, the administration has not presented a specific plan as to how all of the proposed savings would be achieved. Given the absence of such a plan, we believe the level of savings assumed in the Governor's budget poses significant risks.

- Receiver's IT Plan Raises Significant Project Risks.*** Our analysis indicates that the Receiver's overall IT plan is overly ambitious in terms of its scope and is very costly. For example, the number and size of the projects exceed the number of projects normally managed by state agencies at any one point in time. Moreover, many of the 19 proposed projects are interdependent on one another, increasing the risk of (1) a cascade of missed deadlines and substantial delays in project completion and (2) significant cost overruns.

- Receiver Unable to Account for Ongoing Funding for IT Projects.*** The Receiver's office has been unable to provide sufficient information on how the \$45.6 million provided in each of the past three fiscal years for IT improvements has been spent. Moreover, the Receiver's office does not appear to account for this available funding in its 2010-11 IT budget request.



LAO Recommendations

- Require Detailed Plan to Achieve Savings.*** Recommend requiring the administration to present at budget hearings a detailed plan on how the proposed \$811 million in savings will be achieved. Among other items, this plan should include (1) the specific proposals that the Receiver would implement and (2) an implementation timeline for the estimated savings that would result from each proposal.

- Withhold Action on Staffing Requests.*** Withhold recommendation on the Governor's requests for additional nursing positions totaling \$33.6 million, pending submission of the above plan.

- Prioritize the Most Critical IT Projects.*** Recommend funding in the budget year only those IT projects that (1) will provide the basic infrastructure needed for other projects (such as the health care network) and (2) could result in significant operational savings (such as telemedicine and utilization management). We estimate that this would reduce the budget request by about \$42 million in 2009-10 and by about \$153 million in 2010-11. (Our estimate 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.)