

COUNTY OF NASSAU
NEW YORK

OFFICE OF THE COMPTROLLER
BUREAU OF FIELD AUDIT

NASSAU HEALTH CARE CORPORATION
NASSAU COUNTY CORRECTIONAL CENTER
LIMITED EXAMINATION OF HEALTH CARE COSTS & OTHER MATTERS
1999-2001

MINEOLA, NEW YORK
APRIL 30, 2002

HOWARD S. WEITZMAN
COUNTY COMPTROLLER

NASSAU HEALTH CARE CORPORATION
NASSAU COUNTY CORRECTIONAL CENTER
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Scope

A limited examination was performed on the costs of medical care provided to inmates at the Nassau County Correctional Center by the Nassau Health Care Corporation (“NHCC”), a public benefit corporation created primarily to take over the county’s Medical Center, for the period September 29, 1999 through December 31, 2001. Under the health care services agreement with the county (“the Agreement”), NHCC is the sole and exclusive provider of medical services at the Correctional Center until December 31, 2029. The review included an examination of the costs of the services provided by NHCC and the management and financial controls in place to monitor those costs. In conducting the review, audit staff met with representatives of both Centers and contacted other counties (Suffolk and Westchester) to compare their health-care costs.

On March 26, we sent a draft of this report to the Correctional Center and to the NHCC for review and comment. The Corporation’s response is attached as Appendix A. We are pleased to note that the Corporation has decided to contract with an independent correctional center expert to conduct its own review of health care delivery and costs at the Correctional Center and that the Corporation will share its findings with us. The Correctional Center is also going to conduct an independent review. We are pleased that medical care costs at the Correctional Center will be carefully examined and look forward to working with both the Corporation and the Correctional Center to improve medical care cost monitoring, delivery, and procedures.

Background

The Medical Center provided health care at the Correctional Center before the formation of the public benefit corporation and costs for these services were an inter-fund transfer. The Agreement established the Medical Center as the exclusive provider of health care services at the Correctional Center and provided for payments on the following basis:

- (a) For services provided at the Correctional Center premises:
actual costs plus 21% administrative fees.

- (b) For services provided at the Medical Center:
Outpatient – the Medical Center’s schedule of charges for such
Services;
Inpatient -the lower of the Medical Center’s schedule or Medicaid
rates.

The Correctional Center is also responsible for the payment of its pro-rata share of the utility costs (such as electricity, steam, and chilled water) incurred by the Medical Center.

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The costs of medical services provided at the Correctional Center are significant. In 2000, the Correctional Center's medical care costs totaled approximately 14.5 million. The 2002 Budget, as prepared by the Medical Center, projects expenditures of \$17 million, as summarized below:

For services provided at the Correctional Center (infirmary)	\$ 10.6 million
For services at the Medical Center (in/out-patient, ancillary services)	<u>6.4 million</u>
Total	<u>\$ 17.0 million</u>

Based on the current daily average inmate census, the average cost per capita could reach \$10,303 in 2002.

Despite expenditures of this magnitude, the quality of medical care provided has come under scrutiny by the United States Justice Department as part of its investigation of conditions of confinement at the Correctional Center. A federal consent agreement was agreed to by the prior county administration and was recently filed in federal court. The agreement requires the county, *inter alia*, to conform to policies and standards issued by the New York State Commission of Corrections, the National Commission on Correctional Health Care, and the American Psychiatric Association.

Summary of Findings

The Correctional Center's medical care costs in 2000 totaled approximately \$14.9 million, while Suffolk County's costs for a similar population totaled \$5 million. The per-capita cost for Nassau County was \$10,207; Suffolk County's per-capita cost was \$3,476.

In 2002, Correctional Center medical care costs are projected to be more than 283% higher than Suffolk County's while the inmate census exceeds Suffolk's by only 14%.¹ Those costs are also projected to be \$5 million more than similar costs incurred by Westchester County. Westchester claims to have realized savings through competitive bidding for providers and cost monitoring, and claims not to have compromised health care.

The current contract with the Medical Center is a cost-plus agreement without any financial incentives for the Center to monitor, contain or reduce costs; the Center's income rises with costs. This long-term contract should be re-visited, and its terms should be re-examined to ensure that cost-effective care is provided. Consideration should be given to a pre-determined per-capita cost; management and financial controls that are implemented would then inure to the benefit of the Medical Center.

The Medical Center does not provide necessary operational and management cost-control

¹ Data for 2001 are not yet available.

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reports to the Correctional Center.

The total personnel costs of the Infirmary in 2000 were \$4.2 million (excluding the 21% administrative fee), while Suffolk County's costs were \$2.6 million.

The Correctional Center lacks a qualified professional to monitor Medical Center charges and has not instituted formal cost control procedures or review functions to ensure that charges are proper and justifiable.

The Agreement does not set forth operational requirements -- including staffing and reporting requirements -- necessary to provide appropriate medical care.

Although the Medical Center claims it makes efforts to recover costs from third-party insurance carriers, it should provide the Correctional Center with regular summaries detailing such recoveries.

The Medical Center's lack of effective oversight appeared to be a factor in the 39% increase in pharmaceutical costs (without a corresponding increase in the inmate population) during the first eight months of 2001.

Beyond verifying whether a charge was for an individual incarcerated at the time the charge was incurred (Correctional Center audits disclosed charges for individuals who were not inmates at the time of service), the Correctional Center lacks the ability to verify that billed services were actually performed, that charges were at the contractual rate, and that medical procedures performed were necessary. Medical Center infirmary bills lack supporting documentation to enable the Correctional Center to conduct a proper audit. There is insufficient evidence to support the accuracy of the personnel charges.

The Medical Center did not tender infirmary billings in a timely manner.

Infirmary and Mental Health department billings may be duplicative.

Utility bills for electricity, steam, and chilled water from the Medical Center to the Correctional Center do not reflect actual costs. The bills are not based on meter readings, but, instead, on a space-allocation formula that was in effect prior to the transfer date when cost control was not a priority.

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Responses From the Nassau Health Care Corporation and the Correctional Center:

1. Nassau Health Care Corporation:

The Corporation's response is attached as Appendix A. The Corporation asserts that the health needs of Nassau's inmate population are substantially different and more complex in certain areas and, thus, equate with a higher per capita cost. In addition, the variance in poverty rates and overall health between the populations of Nassau and Westchester Counties significantly impacts the cost of medical care on admission. The Medical Center will conduct its own review and is contracting with an outside independent correctional center expert familiar with the complexities of health-care delivery to correctional centers.

2. Correctional Center:

The Correctional Center's comments in response to the audit have been incorporated into the appropriate sections of this report. The Correctional Center generally concurred with our comments, except for the following:

- a. The Correctional Center commented on the need to take into account the 21% administrative fee on infirmary costs when making inter-municipal comparisons.

Our response:

Any administrative overhead was assumed to have been included in the costs charged by the Westchester Medical Center for medical services provided to the Westchester Correctional Center. Suffolk's costs are substantially lower on a comparative basis. Even if an administrative fee were included, there would be no material impact on the conclusion.

- b. The Correctional Center has provided an alternative average cost per inmate. The Correctional Center has determined the average cost per inmate for medical care to be \$35.15 per day (\$17 million budget divided by 10,514 new admissions and further divided by 46 days, which is the average stay per inmate).

Our response:

The daily cost of \$35.15 per day equates to \$12,829 per year; this is higher than the per capita cost of \$10,303 that we have used for comparative purposes.

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Audit Finding

Inmate Health Care Costs

Our examination found that inmate medical costs charged by the Medical Center are significantly higher than those incurred by other institutions. In 2000, the Correctional Center was charged \$14.9 million (per capita cost of \$10,207) for inmate health care. In contrast, Suffolk County's 2000 costs (the latest data available to us) were \$5 million (per capita cost of \$3,476) for approximately the same number of inmates. Nassau's costs exceeded Suffolk's by \$9.8 million. The Correctional Center's 2002 budget is set at \$17 million (\$10,300 per capita cost); the budgetary estimate for Suffolk is \$6 million (\$4,100 per-capita cost). Nassau County Correctional Center's projected 2002 health-care costs are \$11 million higher (283%) than Suffolk's, with an inmate population that is only approximately 14% higher.

Westchester County Correctional Center, with a similar operation to Nassau's, also has lower medical costs. Its per capita cost for 2000 was \$4,551, less than half of Nassau's \$10,207 per-capita cost. Westchester Medical Center provided Westchester Correctional Center's medical care until 1996, when Westchester Medical Center was spun-off as a public benefit corporation. In 1996, the Westchester Correctional Center competitively bid its medical care contract and awarded it to a private entity. Westchester, however, is now again using Westchester Medical Center (as a public benefit corporation) for the Correctional Center. In 2002, Westchester's costs are estimated to be \$10.2 million for a census of about 1,400 inmates (Nassau census is higher at 1,650, but it impacts the costs only marginally) compared with Nassau's \$17 million projection.

Nassau County's long-term agreement with the Medical Center, which makes the Medical Center the exclusive provider until 2029, should not preclude the Medical Center from putting in place internal and external efficiencies to control costs. With both the Nassau Health Care Corporation and the county in the midst of financial crises, there is an urgent need to address this issue.

The current county contract is a cost-plus contractual arrangement, and the Medical Center benefits if costs increase. The Agreement provides for the Medical Center to charge administrative fees of 21% on infirmary costs, as well as, generous hospital rates. Since the Medical Center's infirmary income increases with cost increases, there is no financial incentive to contain or reduce costs.

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Recommendation

The Medical and Correctional Centers should jointly study comparable operations (such as those in Westchester and Suffolk Counties) and should determine how other similarly situated facilities have reduced costs, and should develop an operational plan. The primary objective should be to provide quality care at a reasonable cost in compliance with applicable laws, regulations, and court orders.

The contract's terms need to be reviewed so that cost-effective, quality care is provided at the Correctional Center. Modifications should be considered that place a mutually acceptable ceiling on total costs and that provide incentive payments to the Medical Center for achieving cost controls and reductions.

One suggestion would be to pay the Medical Center a pre-determined per capita rate. Management and financial controls would inure to the benefit of the Medical Center.

Correctional Center's Response

The average cost per inmate was calculated by dividing the estimated 2002 medical cost of \$17 million by the average daily population estimate of 1,650. This method of calculation does not take into consideration the number of inmates who are admitted to the Correctional Center during the year. Each new admission receives a full medical evaluation and chest x-ray. Therefore, to calculate the cost per inmate, one should divide the \$17 million by the estimated new admissions for 2001. Based on this formula, the average cost per inmate for medical care is \$35.15 per day.

There is insufficient evidence to support the accuracy of the personnel charges. At the time the comptroller's office performed its audit, the Correctional Center was not receiving documentation to support the personnel charges. Therefore, no personnel billing was forward to the comptroller's office for payment. Since January of this year, the Medical Center has provided sufficient documentation to support the above mention charges. The Correctional Center, with the approval of the comptroller's office, has agreed to do a random audit of all personnel charges over a three-month period. At this time, 2001 personnel charges are being audited by the Correctional Center.

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Audit Finding

Excessive Staffing

The infirmary at the Correctional Center includes a 42-bed ward and several areas within the Center buildings. Infirmary staff treats inmates at daily sick calls and perform physicals on incoming inmates. If an inmate requires special treatment beyond the infirmary's capabilities, the inmate is treated at the Medical Center on an in/out-patient basis. The 2002 budget provided by the Medical Center for inmate health-care costs is \$17 million, as summarized below:

<u>Infirmary Cost</u>		
<u>Salary and Wages</u>	<u>FTE'S²</u>	<u>Costs Plus Fringe</u>
VP of Correctional Medicine	1	\$222,470
Physicians	6	962,374
Psychiatrist	2.7	457,674
Dentist	1.5	245,340
Other Medical Staff	<u>69</u>	<u>4,990,847</u>
Sub-total Salaries and Fringes	80.2	6,878,705
Pharmacy Services at Correctional Center		1,275,969
Non-payroll Costs at Correctional Center		<u>811,698</u>
Total Cost excluding overhead		8,966,372
Administrative Fee of 21%		<u>1,709,688</u>
Sub-total- Infirmary Costs		10,676,060
Inpatient Care Costs at Medical Center		4,300,000
Outpatient Care Costs at Medical Center		<u>2,000,000</u>
Total Medical Care Costs Budgeted for 2002		<u>\$16,976,060</u>

Our analysis noted the following about infirmary staffing levels and costs:

1. Medical care services are managed by the vice-president of correctional medicine, whose compensation -- including the 21% fee -- is \$269,187.
2. The total 2002 personnel salary budget, including fringes, is \$6,878,705; this is approximately \$900,000 more than Suffolk County's cost of about \$6 million.

² Full-time equivalent staff members

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3. The budget includes the equivalent of six full-time physicians whose cost, after including the 21% fee, is \$1,164,474. If we assume each physician treats a minimum of three inmates per hour, six physicians have a theoretical capacity of providing treatment to every inmate 1.5 times per month. Westchester County's staff includes 1.5 physicians.
4. The budget includes the equivalent of 1.6 full-time dentists whose cost, after including the 21% fee, is \$296,864. If we assume a minimum of two inmates being treated per hour, the Correctional Center theoretically has the capacity to provide treatment to almost one-quarter of the total inmate population every month. In contrast, Westchester County's staff includes one dentist.
5. 2.7 full-time psychiatrists and seven social workers provide mental health services. The theoretical capacity is large enough to provide a half-hour counseling session to about 40% of the inmates every week.
6. The budget provides for a nursing staff of 41 and 24/7 on-site coverage for four clinics and a 42-bed ward. The Correctional and Medical Centers should reevaluate whether this amount of nursing coverage is medically necessary. Westchester County's nursing staff is 25.

Medical Center infirmary personnel costs more than doubled from \$1,525,968 in 1998, the last full year the hospital operated as a unit of the county, to \$4,196,579 in 2000 and to \$4,407,498 for 2001. In an internal Medical Center memorandum provided to us dated February 21, 2001, Medical Center management stated it had successfully met the challenges and was reassessing organizational structure, staffing design and patient flow to further increase and improve services while decreasing and/or stabilizing costs. It also claimed it would overhaul its cost structure to provide better care at a lower cost. Nevertheless, personnel costs increased by 5% from 2000 to 2001.

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Recommendation

Staffing levels should be re-evaluated with an emphasis on greater efficiency and medical justification. The Medical Center should examine the necessity for a full-time vice-president of correctional medicine whose office is located at the Medical Center's jail unit and not at the Correctional Center.³ The Medical Center should compare its staffing levels to those of similar counties, such as Suffolk and Westchester, and account for variances between the institutions.

Correction Center's Response:

The evaluation for on-site nursing staff would have to be performed by a medical professional. The Correction Center has no one qualified at this time to reevaluate the staffing levels that are currently be provided by the Medical Center.

³ The recently filed consent agreement between the county and the United States Department of Justice requires that the correctional center have an on-site medical director who is a "qualified, licensed physician" and whose office is "situated in the medical unit of the NCCC."

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Audit Finding

Cost Controls

Our examination found that the Correctional Center has not instituted cost control procedures or other measures to ensure that hospital charges are proper and justifiable. The Correctional Center has not established a cost-control function with formal guidelines and reporting requirements, along with pre-approval procedures for major medical and elective procedures. To control costs, Westchester County has a full-time medical consultant to monitor its medical center's ongoing performance. Although Westchester has a yearly-negotiated cost containment agreement, it has found that by monitoring the contractor it can avoid significant increases in the yearly-negotiated medical service contracts. According to the Correctional Center, it sought, but did not obtain, a cost-containment provision in the Medical Center budget. The Agreement does require the appointment of a full-time health care coordinator at the Correctional Center with defined responsibilities.

The Westchester Correctional Center has contractual staffing, service and reporting requirements. Written formalization of duties is essential if cost control is to be initiated and implemented. The Nassau County agreement omits any explicit requirements for the medical provider; instead, it states that the provider will adhere to the state correction law and other applicable legal requirements and provide adequate staffing in response to the Correctional Center's needs. Obligating the contractor to submit cost-analysis reports would enhance the Correctional Center's ability to monitor medical services and related costs by providing timely, relevant information to decision makers. It is noteworthy that the Correctional Center's current pharmaceutical provider is contractually required to submit reports on drug usage to aid in cost control. The obligation to submit reports on all aspects of medical care will enhance cost controls and accountability by NHCC in discharging its responsibility to the county to provide proper inmate health care at a reasonable cost.

The Correctional Center is currently unable to audit the rendition, necessity, bill codes or rates for medical services. The Correctional Center audit procedure consists of verification that the person who received the services was both an inmate and at the Medical Center when treatment was received. The Agreement (Section 4. Compensation. Subdivisions (ii) and (iii) establish reimbursement rates for outpatients that are equal to the rates charged by the Corporation pursuant to the Medical Center's schedule of charges for such services. It is unusual for a municipality to pay posted charges under a large, long-term contract. The inpatient rate is the lower of (a) the rates charged by the Corporation for such services or (b) the rate paid to the Corporation for identical services provided to Medicaid beneficiaries. The Correctional Center is unable to perform any verification of the charged

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rates because it does not have a copy of the Medical Center's rates for in/out-patient services.

The review uncovered bills for individuals who were not inmates of the Correctional Center at the time the services were rendered. The Medical Center is investigating this matter to determine if improper information was collected at the time these services were rendered, resulting in bills issued to the Correctional Center for individuals who previously were inmates but were not inmates at the time of service.

The Medical Center also bills for services provided on its premises, such as inpatient and outpatient care, radiology, pathology and laboratory services. Medical costs will remain high in the absence of effective control and monitoring. Although the cost of inpatient care was reduced from the 1999 level, it still reached \$4.1 million in 2000. For example, of the August 2000 billings for 73 inmates, we found that 16 exceeded \$10,000; of those, 4 were for more than \$40,000. There is no review of "ancillary" charges to verify their accuracy, medical necessity, and proper coding.

The comptroller's office has been encouraging the Centers to resolve the outstanding amounts owed between them as soon as possible. Going forward, the preceding recommendations for determining the accuracy of charges should be addressed.

Recommendation

In view of the size of the Correctional Center's health care budget (approaching \$17 million for 2002), the absence of cost controls, and the potential for additional mandated services and concomitant costs as a result of a federal consent agreement, the Correctional Center should take an aggressive role in monitoring and controlling medical costs and services.⁴ It should examine the methods used by Westchester County to monitor and control costs and retain a qualified professional to monitor the performance of the medical provider and the costs of the services provided. The Correctional Center must also establish a cost control function that includes formal guidelines for all major costs and elective procedures, including the establishment of a pre-approval process, staffing, and reporting requirements. The Correctional Center should also consider hiring an outside consultant initially to provide the necessary framework for cost controls and monitoring.

To ensure effective monitoring of Medical Center costs, a comprehensive operational plan should be established that includes the specific services to be provided. In developing

⁴ The federal consent agreement contains detailed requirements for the development and implementation of policies, procedures and protocols on various aspects of prison health care, including inmate health screening/assessment; staffing levels; sick call/medical care access; distribution and management of medication; emergency, dental, and mental health care; substance abuse; treatment of individuals with special needs; communicable disease testing and control; women's health care.

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operating requirements, the Correctional Center should study other counties' provisions for similar care -- such as those of Suffolk and Westchester -- to learn how these counties meet their correctional health-care objectives at a much lower per-capita cost. The Medical Center is willing to meet with county representatives to discuss improving operating efficiencies at the Correctional Center, including staffing levels whenever appropriate; this should happen as soon as possible.

Cost-control and management reports should be provided by the Medical Center, including, at a minimum, clinical/programmatic reports; quality management indicators; and fiscal, administrative and personnel reports.

The Correctional Center should evaluate whether it would be more cost-effective to reduce the treatment of inmates at the Medical Center and, instead, provide appropriate care at the Correctional Center. This would reduce overtime payments currently being made to correctional department employees to transport inmates to the hospital. Suffolk County renders comparable services for its inmates at its Correctional Center at a cost of less than \$1 million annually.

Correctional Center's Response:

The Correctional Center has requested from the Medical Center the contractual rate for medical procedures. The Medical Center has informed the Correctional Center that a schedule of rates would be forthcoming. The Correctional Center has always verified that the person whom the Medical Center is billing for did receive medical treatment on the date that is stated on the bill, and that the person was in the custody of the sheriff's department.

The Correctional Center recognized late in 2000 that it did not have the expertise to monitor health care costs at the Center. These findings were reported to the comptroller's office in a memo dated December 27, 2000 and the department requested additional funding to either hire or contract a qualified professional to monitor health costs during the 2002 budget process. The Office of Management and Budget denied this request, and therefore funding was not available in the 2002 budget. Currently, the department is moving forward by developing a Request For Proposals for a consultant to perform a study on all cost-related issues regarding the health care at the Correctional Center.

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Audit Finding

Inmate Medical Care Insurance

The Correctional Center is not aware of the Medical Center's efforts to collect insurance for inmates' medical care in the infirmary or the Medical Center. The Medical Center has stated that when a collection is made from a third-party insurance company, the collection is deducted from the billing; however, no details of the collections are provided.

Recommendation

The Medical Center should report monthly the insurance claims generated, along with the total amount collected by inmate. It should also submit a schedule of all denied claims, in whole or part, and the reason given by the carrier. The Medical Center should recommend whether additional action is warranted to collect from the carriers that have denied payment. Both parties should assure themselves that appropriate steps have been taken to obtain the insurance information from the inmate to minimize the costs of medical care.

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Audit Finding

Pharmaceutical Expenditures

The Medical Center's lack of effective oversight appears to have added to the rise in pharmaceutical costs. Pharmaceutical expenditures rose by 39% in the first eight months of 2001 over the same period in 2000 (from \$824,250 to \$1,141,618). This increase does not appear to be justified by the 14% increase in inmate population and the increase in drug costs. The Medical Center has gone through three contractors for the Correctional Center's pharmaceutical needs: Owen Healthcare; Merrick Drugs (retained in May 2001); and Y & S Drugs (retained in September 2001).

The Correctional Center has advised us that new cost control procedures have been instituted, and from September-November 2001, pharmaceutical costs had declined to an average of \$105,000 per month from \$149,000 per month in the immediate preceding three-month period. However, the Medical Center's past failure to exercise cost-oversight has unnecessarily increased the county's cost for medical care.

Recommendation

The Correctional Center should receive monthly drug-usage reports, along with justifications for the use of costly brand-name drugs instead of generic substitutes. All variances between budgeted and actual expenditures should be explained and followed up by the responsible party. A Correctional Center spokesman stated that the Medical Center found drug costs related to inmate mental health needs to be excessive. As a result, the Medical Center has instituted controls to reduce drug levels without compromising health care.

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Audit Finding

Infirmary Bills - Lack of Supporting Documentation & Timely Billing

Our examination of the bills indicated that required supporting documentation was lacking to enable the Correctional Center to conduct a proper audit. The Medical Center provided a one-page document from the county's accounting system that summarized expenditures by categories. Without detailed documentation, the Correctional Center is unable to verify the accuracy of charges. The infirmary Medical Director did not certify that costs incurred and billed were for services provided to inmates. In our review of the payroll charges, we were unable to satisfy ourselves that the hours billed were only for work performed within the Correctional Center. As a contractor, it is incumbent on the Medical Center to provide adequate supporting documentation of all payroll and non-payroll expenditures and to justify the necessity of all expenditures to ensure that goods and services were required under the circumstances and purchased from a responsible vendor. There must be accountability for discretionary expenditures to ensure goods and services were required under the circumstances.

There have been significant delays in the infirmary billings by the Medical Center. The delay greatly affects the Correctional Center's ability to monitor costs on a current basis and to take remedial action when required.

The county's mental health department contracts with the Medical Center to provide inmate mental health care, and the Correctional Center pays for additional mental health services from its own budget. For fiscal year 2000, the total budget for mental health services was \$1.25 million; the county department of mental health funded approximately \$819,000 and the balance was borne by the Correctional Center. Our review of the FY 2000 budget indicates that some employees on the payroll roster and other charges included in the budget summary for the mental health clinic were also included in the infirmary bills. We have expressed our concerns to both the Correctional and Medical Centers regarding the possibility of duplicate billings.

Recommendation

The Correctional Center must define and implement claim review procedures. Charges for labor and services must be reviewed by a responsible party to ensure that a recipient certified that goods and/or services were received. The Medical Center must establish

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adequate documentation and timely billings procedures. All bills should be properly supported and have a certification, signed by the medical director, stating that the charges have been reviewed for accuracy. A purchase-review system -- including internal control principles -- should be established to ensure that expenditures are authorized by the budget and that the vendor selected is responsible and offers the lowest competitive bid or best proposal. It should be noted that beginning in 2002, the Medical Center is no longer using the county's accounting system and the Correctional Center will not have access to any information regarding expenditures.

We have advised the mental health department to obtain written certification from the Medical Center that no duplicate billing has occurred between the Correctional Center and the department. Additionally, the Centers should provide adequate documentation and support to the county to that effect. The Medical Center should allocate its expenditures by different cost centers to prevent duplicate billings and to correct prior billings.

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Audit Finding

Utilities Claim Not Based on Meter Readings

While we understand that the Medical Center is concerned about the charges it receives from its energy provider, we were unable to satisfy ourselves as to the reasonableness of the Medical Center's electricity, steam and chilled water bills to the Correctional Center because there are no energy consumption meters at the Correctional Center. The total charged by the Medical Center to the Correctional Center in 2000 was \$4.8 million. The Agreement was silent on the cost accounting method of charging utility consumption, and the Medical Center is following procedures in effect prior to the transfer date. Those procedures charge the Correctional Center for its share of the total utility cost based on the ratio of the total square footage of the Correctional Center to the combined square footage of the Correctional Center and the Medical Center. This allocation method does not necessarily accurately reflect the usage of utilities by each institution.

The current steam charge includes the indirect costs of power plant labor, health and welfare and depreciation. We do not believe these costs are required to be paid pursuant to the Agreement.

Recommendation

The Centers must determine the feasibility and costs of installing meters to measure the electric, steam and chilled water consumption of both facilities to accurately reflect the costs that should be charged to each user.

Correctional Center's Response:

During the initiative meetings held by the Office of management and Budget last year, it was determined that the Department of General Services would study the possibility and the cost of installing meters on the steam, chilled water, and the electric feeders. An internal study determined that the cost for the necessary meters would be approximately \$134,000.00. Currently, the Department is working with the Deputy County Executive and the Office of Management and Budget to identify funding in the 2002 Budget for the necessary metering of these feeder lines.

APPENDIX A

NASSAU HEALTH CARE CORPORATION

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(516) 572-0123

Richard B. Turan, CEO/President

April 18, 2002

Howard S. Weitzman
Nassau County Comptroller
240 Old Country Road
Mineola, NY 11501

RE: Report on Medical Care Costs for the
Correctional Center (1999-2001)

Dear Howard:

In response to Jane Levine's memorandum dated March 26, 2002 regarding Medical Care Costs at the Nassau County Correctional Center, I would like to point out several material issues relevant to the study which include the following items:

1. The Correctional Center has recently been the focus of investigation and related findings of the State Office of Mental Health Retardation and Substance Abuse, the Pharmacy Board and the State Commission of Corrections.
2. The death of inmate Pizzutto in 1999 was undoubtedly the program-altering event for the Correctional health program. This event resulted in the arrest of several correctional officers, along with criminal indictments, launching a Department of Justice investigation.
3. Criminal investigations regarding irregularities in pharmaceutical management in the jail, coupled with an Office of Mental Health (OMH) report led to the placement of several pharmacists and pharmacy technicians.
4. The U.S. Department of Justice reached an agreement with the County in 2001 that identified certain minimal standards, in conformity with the National Committee of Correctional Health Care (NCCHC) standards. Recently, the State Committee of Corrections (SCOC) have now read the settlement agreement and are moving to issue more restrictive standards before the public issuance of the U.S. Department of Justice document.

5. The health care needs of the Nassau inmate population are substantially different and far more complex in certain areas (i.e., tuberculosis) and, thus, equate with a higher per capita cost than either Westchester or Suffolk Counties. In addition, variance in poverty rates between Nassau and Westchester Counties significantly impact the cost of medical care on admission.

Nassau University Medical Center (NUMC) has commenced its own audit and has contracted with an outside independent correctional center expert familiar with the complexities of health care delivery to correctional centers in New York State and throughout the United States. The approach will be interdisciplinary and will consider not only statistics and financial data, but programmatic, environmental, regulatory and other non-quantifiable quality of care variables which will support a fully informed conclusion.

In closing, I offer our commitment to meet with you and your audit staff to give our perspective on this very complex and challenging issue. Additionally, when our independent audit is complete, we will be happy to share the findings with you. Please do not hesitate to call me to discuss this matter further at (516) 572-6711.

Very truly yours,

Gary E. Bie
Chief Financial Officer

GEB/jv
cc: Richard B. Turan, Pres. & CEO, NUMC

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