

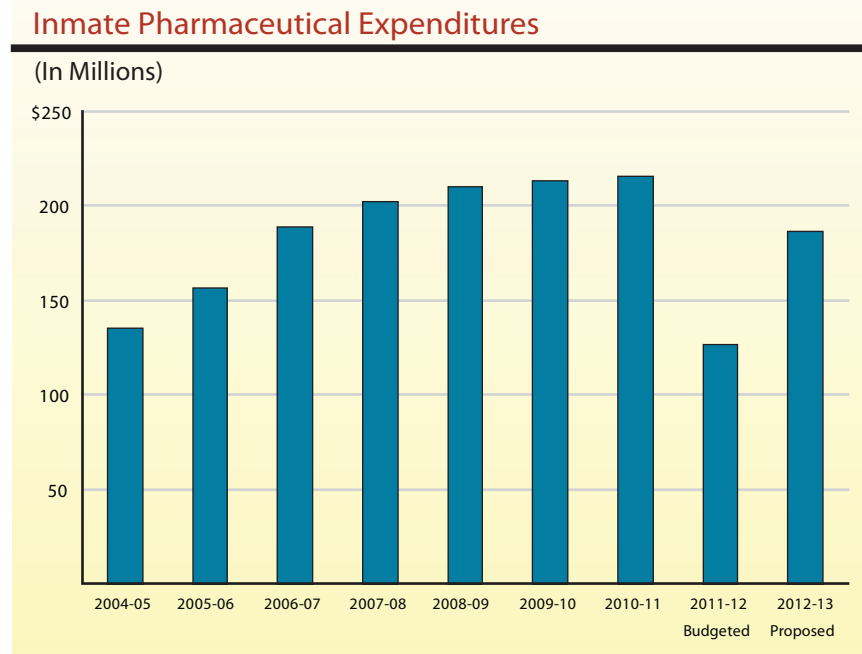
Governor's Proposed Budget Augmentation for Inmate Pharmaceuticals

LEGISLATIVE ANALYST'S OFFICE





Background



- The inmate pharmaceutical budget pays for medical drugs (such as HIV medications) prescribed by physicians under management of the federal Receiver, as well as psychiatric and dental medications prescribed by psychiatrists and dentists managed by the California Department of Corrections and Rehabilitation (CDCR).
- Inmate pharmaceutical expenditures increased from about \$136 million in 2004-05 to \$216 million in 2010-11.
- In recent years, actual expenditures generally have exceeded the amounts provided in the enacted annual state budget. The 2011-12 budget for pharmaceuticals reflects the elimination of a temporary augmentation approved in prior years.

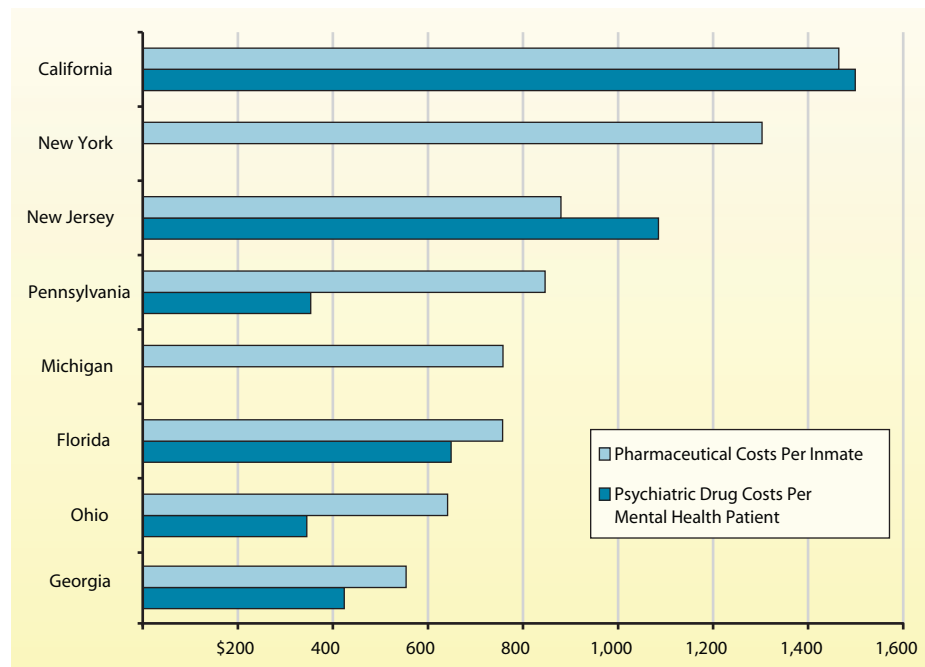


Governor Proposes Additional Funding for Inmate Pharmaceuticals

- The Governor's budget for 2012-13 proposes a \$59.9 million General Fund augmentation for inmate pharmaceuticals and medical supplies. This augmentation is proposed to be reduced to \$51.2 million in 2013-14 and ongoing.
- According to the administration, this increase would bring expenditure authority more in line with actual expenditures on inmate pharmaceuticals in recent years.
- The proposed augmentation includes an adjustment to reflect a reduction in the inmate population resulting from the recent realignment of adult offenders as well as savings from efforts currently being implemented by the Receiver to increase operational efficiencies.



Pharmaceutical Expenditures Higher Than Other States



- California currently spends about \$1,500 annually per inmate on pharmaceutical drugs (including psychiatric drugs) compared to an average of about \$860 in the other large states we surveyed.
- For each inmate in CDCR’s mental health program, California spends about \$1,500 for psychiatric drugs annually compared to an average of about \$610 in other states.



Possible Reasons for California's Higher Costs



Inventory Management

- In 2010, the Office of the Inspector General (OIG) estimated that the state was losing between \$7 million and \$20 million dollars annually from pharmacy staff inappropriately destroying medications that could be reused.
- In addition, the OIG found that the computer system used to track pharmaceutical inventories did not accurately reflect actual inventories, which increased the potential for waste and the illegal diversion of drugs. In one sample of several prisons, the value of the drugs in inventory was only about one-third of the value indicated in the computer system.
- The OIG also found that inconsistent practices in handling medications for inmates who transfer between prisons resulted in waste and increased costs. In a sample of three prisons, prescriptions were lost in transit for between one-third and one-half of inmates being transferred to another prison.



Possible Reasons for California's Higher Costs

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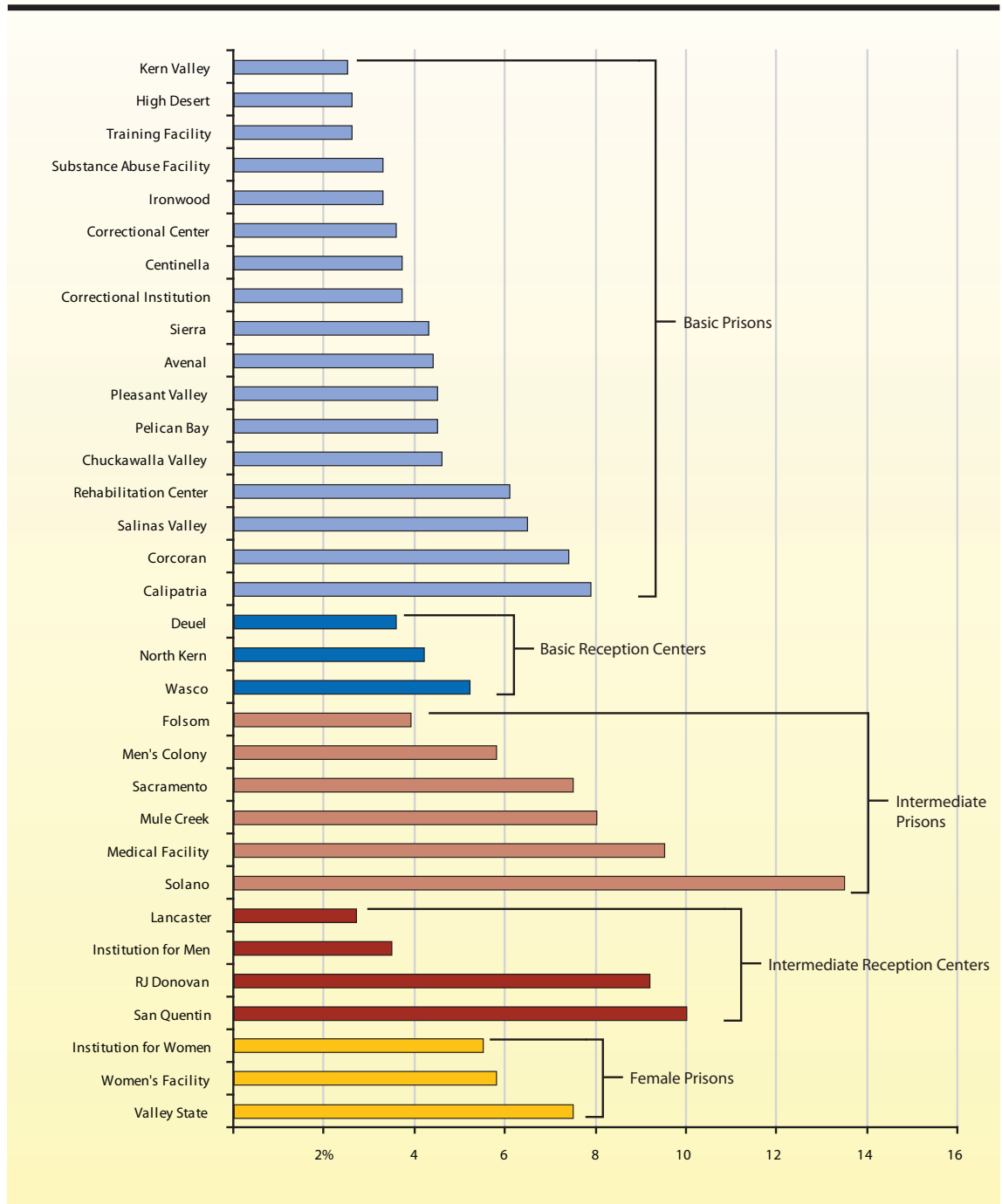


Prescribing Practices

- The OIG also found that the Receiver and CDCR were incurring higher costs than necessary by prescribing medications not on the formulary. (Non-formulary prescriptions are typically two to three times more expensive than those on the formulary.)
- According to data from the Receiver, approximately 6 percent of prescriptions for inmates are non-formulary. As shown in the figure on the following page, there is significant variation in the rate of non-formulary usage among prisons, even those with similar medical missions
- The Receiver has a goal of reducing the rate of non-formulary prescriptions by medical providers to 3 percent. If the 3 percent rate is achieved by all staff (including medical, mental health, and dental staff), we estimate this would save the state roughly \$10 million annually.
- The process for authorizing non-formulary prescriptions is not centrally controlled by CDCR or Receiver headquarters staff, but rather by staff at each of the state's 33 prisons. This likely contributes to the significant variation in non-formulary usage among prisons.



Non-Formulary Usage Varies Among Prisons





Analyst's Recommendation

- Reduce Governor's Proposed Augmentation.*** We recommend that the Legislature reduce the proposed General Fund augmentation by \$20 million to an augmentation of \$39.9 million in 2012-13 and \$31.2 million in 2013-14. This reduction accounts for additional efficiencies we believe could be achieved from better inventory management and reduced use of non-formulary drugs. We further recommend that the Legislature approve this augmentation for two years only, so that it can reevaluate the need for ongoing funding in future years.

- Budget Would Still Exceed Spending in Other States.*** Even with the reduction to the proposed augmentation, the inmate pharmaceutical budget would be over \$1,300 per inmate in 2012-13, or about 60 percent higher than the average of the other states we surveyed.