

MINUTES

MONTANA HOUSE OF REPRESENTATIVES 52nd LEGISLATURE - REGULAR SESSION

SUBCOMMITTEE ON INSTITUTIONS & CULTURAL EDUCATION

Call to Order: By WM. "RED" MENAHAN, on January 16, 1991, at 8:00 A.M.

ROLL CALL

Members Present:

Rep. Wm. "Red" Menahan, Chair (D)
Sen. Dick Manning, Vice Chair (D)
Sen. Gary Aklestad (R)
Sen. Tom Beck (R)
Rep. Dorothy Cody (D)
Rep. Chuck Swysgood (R)
Sen. Eleanor Vaughn (D)

Staff Present: Sandra Whitney, Legislative Fiscal Analyst (LFA),
Mary LaFond, Office of Budget and Program Planning (OBPP)
and Mary Lou Schmitz, Secretary

Please Note: These are summary minutes. Testimony and discussion are paraphrased and condensed.

Tape 1, Side A

Ms. Whitney distributed a Budget Inflation Percentage Table Exhibit 1. This inflation factor is used by the Budget Office and LFA in each of the fiscal years.

Hank Burgess, Chairman, Board of Pardons, handed out Exhibit 2 showing the cost for three requests and a recommendation for pre-parole programming Exhibit 3. He asked that attention be given to the parole system, especially when appropriations are being requested for larger inmate facilities.

REP. CODY asked how prisoners get answers to questions when entering prison. **Mr. Burgess** said inmates go through an orientation process which is based on their experience in prison and services available to them. They go through classification to identify problems and the proper level of security needed. The Board's plan is to modify that and work on it very closely.

SEN. VAUGHN asked if an additional Board person would help the one in the prison. **Mr. Burgess** said there would be an additional staff member for the Board. There are prison counselors who also work with the inmates.

SEN. AKLESTAD asked how many times the Parole Board reviews the

applicants. **Mr. Burgess** said the first appearance is set by law. At that time the Board questions the inmates about treatment programs, training, education, clear conduct and an adequate parole plan. If none of these meet the Board's criteria for parole the inmate request is denied and he/she must return at a later date with a better performance record, completion of programs, or with a better parole plan. On occasion they will pass them to an annual review date. **Mr. Burgess** said they parole 65% of the people they interview.

SEN. BECK said one problem identified by the Criminal Task Force is some of the inmates, even though eligible to come before the Board, refuse to come. How can this be alleviated. **Mr. Burgess** said the Board agreed with the Department to review all inmates who had placed themselves on waiver status. This increased the Board's workload to interview all of them. Some do not want parole and would rather serve their sentence so they would not have to be under supervision on the outside. Some sex offenders refused to take treatment and knew the Board would not parole them until they had completed this treatment.

SEN. BECK asked if the sex offenders can be forced to take treatment. **Mr. Burgess** said in order for any treatment to be effective, there has to be an admission and denial is prevalent among the sex offenders. Forcing treatment defeats the purpose of the process. **Mr. Burgess** and **Mr. Chisholm** will meet with selected correctional authorities and psychologists for review and study of possibilities to address the problem.

REP. SWYSGOOD asked about the request for an Administrative Officer position (Grade 15, step 1) for the Pre-Parole Program. **Mr. Burgess** said they decided to hire one FTE at a Grade 15 because of the experience needed in that position. This is why the position was upgraded from Grade 13 to Grade 15.

Mr. Burgess testified he travels over 12,000 miles a year. **REP. SWYSGOOD** wondered if \$465 would be enough to operate that vehicle. **Mr. Burgess** said it would take about \$800 to operate the vehicle.

Mr. Burgess said he would like the language in the statute "a Board is attached to the department of Institutions for administrative purposes" clarified by the Legislature.

Ms. Whitney reviewed the central operation worksheet and explained the issues and modified requests.

REP. SWYSGOOD referred to the alcohol tax money that the LFA allowed for 1.0 FTE under Personal Services #1, if the work is not related to the statute requirement. **Ms. Whitney** said it is her understanding those people will be doing the same work but are budgeted in a different program.

Jim Currie, Administrator, Management Services Division,

explained Exhibit 4, Central Operations Positions. REP. MENAHAN asked for a list of names and positions. Mr. Currie will provide one.

SEN. AKLESTAD asked if the cut-off date is July 1, 1990 and if the figures are calculated as of that date. MS. Whitney said the actual FY 90 numbers end June 30, 1990. SEN. AKLESTAD asked if the reorganization is an ongoing program or a proposal. Mr. Currie said it is a paper proposal and does not change anything in the clerical staff.

Mr. Chisholm said the Department had to go through a transition between current level under the old system to current level under the new system.

COMMUNITY CORRECTIONS MODIFIEDS

Dan Russell reviewed Administration, Community Corrections, Probation, Parole, Corrections Medical and Billings Life Skill Center for Budget statistics purposes. Exhibit 1, 1-11-91 Minutes.

Mr. Russell said his Department will request more pre-release community programs and increases in major medical needs. He also addressed staff shortages in field services.

Mr. Russell said the first modified requests jail payments for pre-release returns and parole violators. The Department is continually billed by the counties for the cost of inmates pending return to prison. This is a statutory responsibility. Mr. Russell said they need \$66,990 per year and that will provide payment for 1,668 days of jail time.

Mr. Russell said the next modified is the local jurisdiction sentencing option. This is a community service program in Missoula with \$17,500 General Fund and \$17,500 State Special Funds per year to match the federal grant of approximately \$35,000. They plan to provide slots for 400 placements in that community and 8000 hours of community service. This is a community option to deal with prison overcrowding.

Mr. Russell said the next modified is for a pre-release center for inmates. This program is for inmates who are confined to their homes and are monitored several hours a day from a computer based in the jail.

Mr. Russell said the next modified is for jail placement alternatives. This is an effort to try everything possible in the community prior to returning someone to prison. They have a new program which places a returned parolee in a jail in lieu of prison. This can turn some people around.

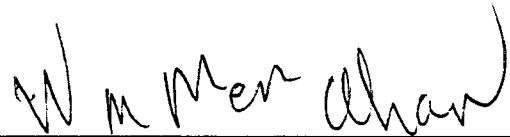
Mr. Russell said the next modified is the Billings Life Skill Center. This modified is to increase the variable costs when

that population increases.

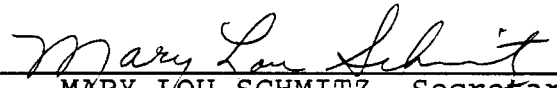
Mr. Russell said the last modified is the new Women's Pre-release Center and proposes a 16 bed pre-release center be opened somewhere in the state to provide for projected population increases.

ADJOURNMENT

Adjournment: 10:45 A.M.



WM. "RED" MENAHAN, Chair



MARY LOU SCHMITZ, Secretary

WM/mls

HOUSE OF REPRESENTATIVES
INSTITUTIONS AND CULTURAL EDUCATION SUBCOMMITTEE

ROLL CALL

DATE 1-16-91

NAME	PRESENT	ABSENT	EXCUSED
REP. WM."RED" MENAHAN, CHAIRMAN	✓		
SEN. DICK MANNING, VICE-CHAIRMAN	✓		
REP. DOROTHY CODY	✓		
SEN. ELEANOR VAUGHN	✓		
REP. CHUCK SWYSGOOD	✓		
SEN. GARY AKLESTAD	✓		
SEN. TOM BECK	✓		

HR:1991
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BUDGET BASICS

Table 2
Budget Inflation/(Deflation) Factors
(Percent)

Exp. Code	Name	-----OBPP-----		-----LFA-----	
		FY1991/FY1992	FY1991/FY1993	FY1990/FY1992	FY1990/FY1993
2116	MEDICAL SERVICES	0	0	6.20	12.89
2163	Typesetting	2.00	2.00	2.00	2.00
2172	COMPUTER PROCESSING	(19.00)	(27.00)	(7.00)	(15.00)
2175	System Development	3.00	6.00	3.00	6.00
2177	INFORMATION CENTER	7.00	14.00	0.00	0.00
2183	Operation Support	(14.50)	(14.50)	(14.50)	(14.50)
2190	Printing/P&G	2.00	4.00	2.00	4.00
2191	Printing/Other Provider	4.00	8.00	4.00	8.00
2192	Graphic Arts	2.00	2.00	2.00	2.00
2193	Photocopy Pool Services	6.00	12.00	6.00	12.00
2205	FOOD*	7.44	11.80	8.52	13.01
2209	Medical	6.20	12.89	6.20	12.89
2211	COARSE PAPER	6.00	12.00	18.76	18.56
2216	GASOLINE	15.60	14.90	17.86	10.67
2219	FORMS	6.00	12.00	2.40	(1.57)
2222	Drugs	6.20	12.89	6.20	12.89
2223	X-Rays	6.20	12.89	6.20	12.89
2225	Books/Reference Materials	5.30	10.57	5.30	10.57
2226	FINE AND COMPUTER PAPER	6.00	12.00	20.47	19.82
2236	OFFICE SUPPLIES	(3.00)	(2.00)	0.99	(1.34)
2242	Diesel Fuel	15.60	14.90	17.86	10.67
2249	EKG and EEG Supplies	6.20	12.89	6.20	12.89
2250	Hospital	6.20	12.89	6.20	12.89
2251	MEAT*	7.44	11.80	8.52	13.01
2252	DAIRY*	7.44	11.80	8.52	13.01
2253	PRODUCE*	7.44	11.80	8.52	13.01
2254	BAKERY*	7.44	11.80	8.52	13.01
2256	Janitorial Supplies	6.00	12.00	6.00	12.00
2264	GROCERY*	7.44	11.80	8.52	13.01
2265	Misc. Medications	6.20	12.89	6.20	12.89
2275	POULTRY*	7.44	11.80	8.52	13.01
2277	SUGAR*	7.44	11.80	8.52	13.01
2278	BEVERAGES*	7.44	11.80	8.52	13.01
2279	RED MEAT*	7.44	11.80	8.52	13.01

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1-16-91
Subcomm. Inst.

BOARD OF PARDONS

ISSUES

	<u>FY92</u>	<u>FY93</u>
SECRETARY I grade 7 step 2 This position will help the current secretarial staff with the increased workload the Board has been experiencing due to the expanding prison population.	9,803	9,773
 PRE-PAROLE PROGRAMMER additional needed to upgrade from a grade 13 step 2, to a grade 15 step 2	 4,337	 4,321
 VEHICLE for Board of Pardons staff OPERATING EXPENSE: maintenance of new vehicle, gasoline	 10,595 465 <hr/>	 -0- 465 <hr/>
 TOTAL ADDITIONAL	 25,200	 14,559

EXHIBIT 3
DATE 1-16-91
HB Instit Subcomm

**RECOMMENDATION #6
PRE-PAROLE PROGRAMMING**

STATEMENT OF PROBLEM

In 1987, 290 inmates were released on parole. These inmates were incarcerated an average of eight months (0.67 years) from their parole eligibility date until release. On an average, inmates released that year were considered by the Board of Pardons 2.4 times before parole was granted.¹⁰ Forty-one percent waived their first parole hearing, while only twenty-four percent were granted parole on their first appearance.

According to Board of Pardons officials, many parolees are denied release at their initial hearings because they are ill-prepared to return to the community. Similarly, inmates often waive their right to a parole hearing upon recommendation of the Board staff who advise them that parole is unlikely unless certain educational, training, or treatment requirements are met. The length of stay between parole-eligibility and release and the number of parole hearing waivers could be reduced if inmates began preparing for release immediately upon admission to prison.

RECOMMENDATION

A pre-parole program should be implemented to better prepare an inmate for his/her parole hearing and possible release. Under this recommendation, an inmate, during his/her three-week orientation period at Montana State Prison or the

¹⁰ In calculating the number of Board considerations, the following dispositions were counted: waivers, annual reviews, passed to a later date, passed to discharge, and parole granted.

Women's Correctional Center, would develop a pre-parole programming plan with assistance from a Board of Pardons administrative officer. This plan would define certain goals and objectives for the inmate in the areas of institutional training, education, work, treatment, and conduct. The plan would be approved by the Board chairman. The administrative officer, together with prison staff, would monitor the inmate's compliance with his/her plan. Also during the incarceration period, the inmate and Board staff would work with Montana probation and parole services or interstate compact administrators to develop an appropriate parole release plan well in advance of the inmate's parole hearing.

IMPLEMENTATION COSTS

To administer the pre-parole program, one full-time administrative officer (Grade 15, step 1) and one half-time secretary (Grade 7, step 1) will be needed.¹¹ These individuals will be employed by the Board of Pardons.

Salary and benefits for FY 1990 - 1991 biennium:

Administrative officer	=	\$56,344
Secretary (half-time)	=	<u>17,368</u>
Total personal services	=	\$73,712

¹¹ The actual classification of these positions will be determined by the Department of Administration, based on job content.

CENTRAL OPERATIONS - POSITIONS FY93 BIENNIU

CV - 01100 - DIRECTOR'S OFFICE

FTE	TITLE
1.00	Director
1.00	Career Executive Assignment
1.00	Admin. Assist. IV
2.00	Attorney
2.00	Word Processing Tech
1.00	Personnel Manager
1.00	Personnel Specialist II
1.00	Personnel Officer I
3.00	Secretary

13.00	

CV - 01200 - MANAGEMENT SERVICES DIVISION

FTE	TITLE
1.00	Accounting Tech I
1.00	Career Executive Assignment
1.00	Acctg & Fiscal Manager
1.00	Accounting Specialist
3.00	Budget Analyst
1.00	Control Unit Supr.
4.00	Financial Investigator
1.00	Accounting Clerk
7.00	Administrative Clerk
1.00	Reimbursement Bureau Chief
1.00	Special Asst. Mgmt Serv.
1.00	Data Entry Operator
2.00	Program Analyst
1.00	Software Specialist

26.00	

CV - 01300 - BOARD OF PARDONS

FTE	TITLE
1.00	Executive Secretary
1.00	Admin. Assistant
1.00	Admin. Officer
1.00	Secretary

4.00	

CV - 01400 - SPECIAL SERVICES

FTE	TITLE
1.00	Career Executive Assignment

1-16-93 EXHIBIT
DATE 1-16-93
HR Instit Subcomm

Exhibit 5 Pg 1 of 6
Date 1-16-91
at Instit. Subcomm.

DEPARTMENT OF INSTITUTIONS
PHARMACEUTICAL SERVICES CONTRACT
HPI HEALTH CARE SERVICES, INC.
STATUS REPORT

Section 14, HB36, passed by the June, 1986 Special Session, required the Department of Institutions to report to the 1987 Legislature on the feasibility of selling institutions within its jurisdiction to private providers. In that report the department did not recommend the sale of any other institutions, but did recommend the review of specific institutional services to determine whether or not those services could be provided more efficiently by the private sector.

As a result of this review, the department decided to pursue contracting with a private firm to operate its pharmacy programs. This decision was made for various reasons. First, the salary level paid to pharmacists by the State of Montana was no longer competitive with the private sector. Local private sector pharmacies, in 1987, were offering up to six dollars per hour more than the state. As a result, it was becoming increasingly difficult to recruit and/or retain pharmacists. In addition, due to staffing problems, the department was encountering difficulty in maintaining certification at some of its pharmacies. Loss of certification could have resulted in significant loss of federal revenue to the General Fund. By contracting with a private firm, the department would gain benefit from the purchasing power and expertise of a national firm in procuring drugs and developing dispensing systems. The department anticipated that over a period of time, an overall savings could be realized in drug costs through the installation of a standardized formulary and state of the art medication distribution systems.

In November of 1987, the Department of Institutions entered into an agreement with HPI Health Care Services, Inc. to provide pharmaceutical services for the department at the Montana State Hospital, Montana Developmental Center, Center for the Aged, Montana Veterans' Home, Montana State Prison, and the Women's Correctional Center. HPI operates a central pharmacy on the Warm Springs Campus at the Montana State Hospital and dispenses all pharmaceuticals from that location. The Montana State Hospital, Women's Correctional Center, Montana State Prison, and Montana Developmental Center receive delivery of drugs the same day as ordered. The Center for the Aged and Montana Veterans' Home receive delivery of drugs one to two days after ordered, depending on the time of day the order is placed. Each institution communicates with the central pharmacy at the Montana State Hospital by telephone and facsimile machine. In addition to clinical pharmacy services, HPI provides the department with an automated pharmacy computer system, a drug information program, a quality assurance program, reconciliation of physician orders, an emergency backup and starter pack medication, an inservice education program, pre-accreditation service, automated medication administration record preparation, and other numerous services.

Under the terms of the contract, the fee paid to HPI falls into two categories, the management fee and medications. The management fee is a pre-negotiated, fixed amount paid to HPI on a monthly basis. This fee covers HPI's personnel costs, operating costs (excluding drugs), all other overhead, and a reasonable margin of profit. Drug costs are charged to the State at HPI's acquisition cost, with no markup.

Upon entering this contract, the department anticipated the management fee would exceed what was currently budgeted in personal services for operation of its pharmacies. This increase was anticipated due to the non-

competitive salary levels offered by the state and because of the increased level of expertise and state of the art automation offered by a national company. The department also anticipated some eventual savings in relative drug costs due to the purchasing power of a national firm and the implementation of a department wide standardized formulary.

As with any large and complex transition, the conversion to a privately operated pharmaceutical services program did not occur over night. The program is, however, now fully operational and is providing excellent services. The contract with HPI Health Care Services Inc. expired on November 30, 1990, and was renegotiated for an additional three year period.

Cost of Administration:

At the onset of this private pharmaceutical services operation, the management fee was set at \$364,858, or \$137,382 higher than the state was paying in personal services for pharmacy personnel. Over the last three years, and for the next three years, that management fee has and will increase. However, the increases are less than those reported in the Consumer Price Index (CPI). While the management fee increased by ten percent over the two year period (88/89 and 89/90), the CPI increased at the rate of over eighteen percent for the same period. The renegotiated contract, covering the period of December 1, 1990 through November 30, 1993, calls for a twelve percent increase in the management fee for the first year of the contract (\$451,380) and five percent each year for the remaining two years. This represents an average increase of seven percent each year, while the current CPI rate for similar services is running at nine percent each year. The department continues to feel the management fee is reasonable given the increased level of services provided, and that all federal and state licensure standards are being met, not to mention the fact that the increase is substantially less than the rate of increase reported by the CPI for the same period.

Cost of Drugs:

One of the primary reasons the department pursued a contractual arrangement with a private corporation to provide pharmaceutical services was to obtain the benefit of its expertise and purchasing power. The State of Montana, did not have the necessary expertise or purchasing volume to acquire its pharmaceuticals at the best price available. As a result, the state was consistently experiencing double digit inflation in its drug costs.

During the first year (87/88) of the contract the average unit cost of the drugs purchased from HPI increased by only .41% (four tenths of one percent). The CPI for the same period for similar services reported inflationary increases at around 6.2%.

The second year (88/89) of the contract with HPI, the average unit cost of the drugs purchased from HPI increased by 2.87%, while the departments' total expenditures for drugs increased by only .60% (six tenths of one percent). The implementation of standard policies and formularies enabled the department to minimize overall increases in drug prices. The CPI for the same period for similar services reported inflationary increases at 9.6%

The third year (89/90) of the contract with HPI, the average unit cost of drugs purchased from HPI have increased by 11.73%, while the departments' total expenditures for drugs have increased by 18.61%. A major factor in the departments' overall expenditure increase has been the implementation of the

1-16-1991

Gloziril program at Montana State Hospital. When this very expensive program is adjusted out of the overall expenditures, the increase is 11.71%.

Over the three year period of the contract, the department has experienced an average inflationary increase of 5% each year in its unit drug costs. During the same period, the average annual increase for similar services as reported by the CPI was 3.4%.

Cost of Staff Versus Contract Service:

In 1987, the State of Montana was not competitive with the private sector in the salary levels it was paying Pharmacists and Pharmacy Directors. The department was, therefore, unable to recruit and retain Pharmacists when staff turnover occurred, and those Pharmacists who were on staff were seeking other employment. Due to these shortages, the department was not able to operate quality pharmacy programs. In some cases, certification was threatened due to deficiencies in those programs. Contracting with a private vendor resolved both issues. HPI is able to offer competitive salary levels, and is able to employ the necessary Pharmacists to ensure a quality and certifiable pharmacy program.

Pharmacists are paid at Grade 14 and Grade 15 on the State pay matrix. In FY91, those grade levels would equate to a salary level of \$10.038 per hour for Pharmacists, and \$10.877 per hour for Pharmacy Directors. The current private sector salary rate for Pharmacists is \$18.53 per hour, while the current private sector salary rate for Pharmacy Directors is \$20.75 per hour.

As stated earlier, when the contract with HPI Healthcare, Inc. was negotiated in 1987, the department anticipated it would be higher than the amount included in the personal services budget for pharmacy operations. It was, in fact \$137,382 higher. This increase was incurred due to the non-competitive salary levels built into the departments' personal services budgets (up to \$6.00/hour below market level), and because the department was receiving a broader range of services than was available when operating its own programs. The disparity between salary levels offered by the private sector verses those offered by the state has increased. It, therefore, would be reasonable to assume that the management fee for HPI would be higher than the budgeted amount for personal services for the pharmacy program if it were state operated. However, due to the shortage of Pharmacists and the non-competitive salary levels offered by the state, it is not reasonable to assume we could employ the number of Pharmacists necessary to operate a certifiable and high quality program.

Quality and Quantity of Service:

The department is now benefiting from a fully operational high quality and completely certifiable pharmaceutical program. The program is not only subject to review from state and federal survey teams, but also must submit to a very sophisticated internal quality assurance program. HPI has been able to respond very effectively to service fluctuations mandated by population increases as well as to emergency situations such as the recent Hepatitis outbreak at the Montana Developmental Center. The new contract has been structured in such a manner as to allow the pharmaceutical program to expand or contract as the service demand requires.

The ultimate goal of the pharmaceutical services program operated by HPI is to provide a high quality and certifiable program that will safely and

efficiently meet the needs of the patients and physicians. This program is achieving that goal.

Ex. 5 pg 6 of 6
 1-16-91
 Instit. Subcomm

TO PURCHASE OF INSTITUTIONAL
 NOT PURCHASED FOR SERVICES OF INSTITUTION
 1993 BUDGETARY APPROPRIATION FOR PURCHASE

	NEP	WLC	MSH	C/O	HH	PHH	TOTAL
FISCAL YEAR 1992	108,938	8,495	161,852	47,592	107,500	54,500	488,977
FISCAL YEAR 1993	114,386	8,417	159,936	49,574	107,023	54,267	488,603
	223,324	17,412	321,788	97,166	214,523	111,807	969,580