

Assembly Bill No. 1817

Passed the Assembly May 20, 2010

Chief Clerk of the Assembly

Passed the Senate August 19, 2010

Secretary of the Senate

This bill was received by the Governor this _____ day
of _____, 2010, at _____ o'clock ____M.

Private Secretary of the Governor

CHAPTER _____

An act to add Section 5023.2 to the Penal Code, relating to corrections.

LEGISLATIVE COUNSEL'S DIGEST

AB 1817, Arambula. Corrections: inmate health care.

Existing law establishes the Department of Corrections and Rehabilitation and charges it with various duties and obligations. Existing law provides that it is the intent of the Legislature that the department operate in the most cost-effective and efficient manner possible when purchasing health care services for inmates. Existing law provides that the department may contract with providers of health care services and health care network providers, including, but not limited to, health plans, preferred provider organizations, and other health care network managers.

This bill would require the department to maintain a statewide utilization management program, as defined, which would include, but not be limited to, the review, approval, and oversight of community hospital bed usage and case management processes for high medical risk and high medical cost patients. The bill would require the department to develop and implement policies and procedures to ensure that all adult prisons employ the same statewide utilization management program. The bill would require the department to establish annual quantitative utilization management performance objectives and to report to specified legislative committees on, among other things, its success or failure in meeting those objectives, as specified.

The people of the State of California do enact as follows:

SECTION 1. The Legislature finds and declares all of the following:

(a) Between the 2003–04 and 2008–09 fiscal years, annual medical and pharmacy contract costs for state prison inmates grew from approximately two hundred four million dollars (\$204,000,000) to more than eight hundred forty-five million

dollars (\$845,000,000), at an average annual growth rate of more than 28 percent.

(b) Components of the cost increase specified in subdivision (a) include a rapid increase in the use of prescription medicines, specialty care referral rates that exceed referral rates found in other state prison systems, and an occupancy rate of community hospital beds that is more than double the occupancy rate for a similar Medi-Cal population.

(c) Controlling inmate health care costs and expenditures is one of the Legislature's highest priorities.

(d) The Legislature has adopted amendments to the Budget Act of 2009, in Assembly Bill 2 of the 2009–10 Eighth Extraordinary Session, to reduce funding to the Department of Corrections and Rehabilitation for inmate medical care by eight hundred eleven million dollars (\$811,000,000).

(e) The department needs to implement all reasonable methods for controlling state prison inmate health care costs, reduce year over year health care spending, and achieve a zero growth rate in health care expenditures.

SEC. 2. Section 5023.2 is added to the Penal Code, to read:

5023.2. (a) In order to promote the best possible patient outcomes, eliminate unnecessary medical and pharmacy costs, and ensure consistency in the delivery of health care services, the department shall maintain a statewide utilization management program that shall include, but not be limited to, all of the following:

(1) Objective, evidence-based medical necessity criteria and utilization guidelines.

(2) The review, approval, and oversight of referrals to specialty medical services.

(3) The management and oversight of community hospital bed usage and supervision of health care bed availability.

(4) Case management processes for high medical risk and high medical cost patients.

(5) A preferred provider organization (PPO) and related contract initiatives that improve the coverage, resource allocation, and quality of contract medical providers and facilities.

(b) The department shall develop and implement policies and procedures to ensure that all adult prisons employ the same statewide utilization management program established pursuant

to subdivision (a) that supports the department's goals for cost-effective auditable patient outcomes, access to care, an effective and accessible specialty network, and prompt access to hospital and infirmary resources. The department shall provide a copy of these policies and procedures, by July 1, 2011, to the Joint Legislative Budget Committee, the Senate Committee on Appropriations, the Senate Committee on Budget and Fiscal Review, the Senate Committee on Health, the Senate Committee on Public Safety, the Assembly Committee on Appropriations, the Assembly Committee on Budget, the Assembly Committee on Health, and the Assembly Committee on Public Safety.

(c) (1) The department shall establish annual quantitative utilization management performance objectives to promote greater consistency in the delivery of contract health care services, enhance health care quality outcomes, and reduce unnecessary referrals to contract medical services. On July 1, 2011, the department shall report the specific quantitative utilization management performance objectives it intends to accomplish statewide in each adult prison during the next 12 months to the Joint Legislative Budget Committee, the Senate Committee on Appropriations, the Senate Committee on Budget and Fiscal Review, the Senate Committee on Health, the Senate Committee on Public Safety, the Assembly Committee on Appropriations, the Assembly Committee on Budget, the Assembly Committee on Health, and the Assembly Committee on Public Safety.

(2) The requirement for submitting a report imposed under this subdivision is inoperative on January 1, 2015, pursuant to Section 10231.5 of the Government Code.

(d) On March 1, 2012, and each March 1 thereafter, the department shall report all of the following to the Joint Legislative Budget Committee, the Senate Committee on Appropriations, the Senate Committee on Budget and Fiscal Review, the Senate Committee on Health, the Senate Committee on Public Safety, the Assembly Committee on Appropriations, the Assembly Committee on Budget, the Assembly Committee on Health, and the Assembly Committee on Public Safety:

(1) The extent to which the department achieved the statewide quantitative utilization management performance objectives set forth in the report issued the previous March as well as the most

significant reasons for achieving or not achieving those performance objectives.

(2) A list of adult prisons that achieved and a list of adult prisons that did not achieve its quantitative utilization management performance objectives and the significant reasons for the success or failure in achieving those performance objectives at each adult state prison.

(3) The specific quantitative utilization management performance objectives the department and each adult state prison intends to accomplish in the next 12 months.

(4) A description of planned and implemented initiatives necessary to accomplish the next 12 months' quantitative utilization management performance objectives statewide and for each adult state prison. The department shall describe initiatives that were considered and rejected and the reasons for their rejection.

(5) The costs for inmate health care for the previous fiscal year, both statewide and at each adult state prison, and a comparison of costs from the fiscal year prior to the fiscal year being reported both statewide and at each adult state prison.

(e) It is the intent of the Legislature that any activities the department undertakes to implement the provisions of this section shall result in no year over year net increase in state costs.

(f) The following definitions shall apply to this section:

(1) "Contract medical costs" mean costs associated with an approved contractual agreement for the purposes of providing direct and indirect specialty medical care services.

(2) "Specialty care" means medical services not delivered by primary care providers.

(3) "Utilization management program" means a strategy designed to ensure that health care expenditures are restricted to those that are needed and appropriate by reviewing patient-inmate medical records through the application of defined criteria or expert opinion, or both. Utilization management assesses the efficiency of the health care process and the appropriateness of decisionmaking in relation to the site of care, its frequency, and its duration through prospective, concurrent, and retrospective utilization reviews.

(4) "Community hospital" means an institution located within a city, county, or city and county which is licensed under all applicable state and local laws and regulations to provide diagnostic

and therapeutic services for the medical diagnosis, treatment, and care of injured, disabled, or sick persons in need of acute inpatient medical, psychiatric, or psychological care.

(g) The requirement for submitting a report imposed under subdivision (d) is inoperative on March 1, 2016, pursuant to Section 10231.5 of the Government Code.

Approved _____, 2010

Governor