



State of Wisconsin Department of Health Services

Scott Walker, Governor
Kitty Rhoades, Secretary

October 19, 2015

The Honorable Samantha Kerkman, Assembly Co-Chair
Joint Legislative Audit Committee
P.O. Box 8952
Madison, WI 53708-8952

The Honorable Robert Cowles, Senate Co-Chair
Joint Legislative Audit Committee
P.O. Box 7882
Madison, WI 53707-7882

Dear Representative Kerkman and Senator Cowles:

This letter is in response to the Legislative Audit Committee's request to The Department of Health Services (DHS) on October 6, 2015 for follow-up data pertaining to the Legislative Audit Bureau's report of the Supervised Release Program in August 2013 and subsequent hearings regarding this report.

The specific data being requested is as follows:

1. Actual cost savings achieved by DHS in FY 2014-2015 resulting from a new contract for monitoring and transportation services.
2. Actual cost savings achieved by DHS to date resulting from the installation of washers and dryers in the residences of Supervised Release clients.
3. Actual cost savings achieved by DHS to date resulting from the development and implementation of written policies to determine the amount and types of scheduled activities approved for Supervised Release clients.
4. A report on DHS's efforts since 2014 to identify additional firms to purchase and lease residences to DHS for the placement of Supervised Release clients.
5. Actual cost savings achieved by DHS in FY 2014-2015 resulting from the placement of two clients in one residence where possible.

The Department of Health Services has implemented the recommendations in the August 2013 LAB Report to reduce the per client costs associated with being on Supervised Release, while maintaining the program's goals, which are community safety and transitioning clients from an institutional to a community setting. The Supervised Release population has increased steadily, which has provided the program with opportunities to implement more double occupancy placements as well as other economies of scale measures, including transporting more than one client at a time to the same destination and sharing resources, such as a washer and dryer. As calculated by the Supervised Release Program, the chart below illustrates the cost savings the program has realized during the past three fiscal years.

Fiscal Year	Average Daily Population	Program Cost (Not including staff salaries and fringe)	Average Cost Per Person
2012-2013	30.26	\$2,894,477	\$95,654
2013-2014	37.21	\$3,024,339	\$81,278
2014-2015	41.61	\$2,864,067	\$68,831

The data being requested is as follows:

1. Actual cost savings achieved by DHS in FY 2014-2015 resulting from a new contract for monitoring and transportation services:
 - In FY 2012-2013, DHS contracted with one vendor to provide monitoring and transportation services. The annual amount paid to this vendor was \$1,334,409. The 2012-2013 Average Daily Population (ADP) was 30.26. The average cost per client for this service was \$44,098.
 - In FY 2013-2014, DHS contracted with one vendor to provide monitoring and transportation services. This was the same vendor DHS contracted with in FY 2012-2013. The annual amount paid to this vendor was \$1,290,507. The 2013-2014 ADP was 37.21. The average cost per client for this service was \$34,682.
 - In FY 2014-2015, DHS contracted with one vendor to provide monitoring and transportation services. This was a new vendor resulting from a Request for Bid (RFB) for this service issued by DHS in the spring of 2014 with the contract beginning July 1, 2014. The annual amount paid to this vendor was \$1,051,050. The 2014-2015 ADP was 41.61. The average cost per client for this service was \$25,260.
 - All else being equal, the actual cost savings achieved in FY 2014-2015 compared to FY 2013-2014 was \$239,457. However, controlling for the increase in ADP, the cost savings is estimated to be \$392,049. ($\$34,682 - \$25,260 = \$9,422$; $\$9,422 * 41.61 = \$392,049$)
 - In 2013, the Department of Corrections (DOC) issued an RFB for the monitoring and transportation of Supervised Release clients who are in their first year of community placement. The contract resulting from the RFB began in January 2014. The vendor for DOC and DHS is the same. The hourly rate charged to DOC is \$27.69 and includes mileage. The hourly rate charged to DHS is \$31.49 with mileage billed separately. DHS has been informed the vendor will seek a rate increase from DOC in January 2016.
 - In summary, DHS did not realize the estimated cost savings of \$677,400 resulting from a new contract for this service; however, DHS realized a cost savings of \$392,049.
2. Actual cost savings achieved by DHS to date resulting from the installation of washers and dryers in the residences of Supervised Release clients:
 - DHS installed new washers and dryers in all residences that previously did not have a washer and dryer and in all residences that were leased subsequent to the LAB recommendations wherever possible. In some instances, this was not possible due to the residential plumbing or the client's inability to navigate stairs.
 - In April 2014, DHS reported that of the 29 non-group home residences where Supervised Release clients were placed, 12 had an on-site laundry prior to August 2013. From August 2013 to April 2014, DHS added washers and dryers to 10 additional residences.

Since April 2014, DHS has installed washers and dryers in 4 additional residences. Currently, DHS is leasing 32 non-group home residences for Supervised Release clients. Of these 32 residences, 26 have washers and dryers on site, 3 do not have washers and dryers on site due to no viable hookups, and 3 residences have clients who are not able to navigate the stairs to the washer and dryer hookups.

- The following variables were considered when calculating the actual cost savings achieved by DHS to date resulting from the installation of washers and dryers in the residences of Supervised Release clients.
 - The cost of purchasing a new washer and dryer along with the required connections is approximately \$700, so the total estimated cost of purchasing 14 washers and dryers since August 2013 is \$9,800.
 - The Supervised Release population in August 2013 was 33 of which 15 required monitoring and transportation to perform laundry services, while the Supervised Release population is currently 47 of which 6 require monitoring and transportation to perform laundry services.
 - The frequency of being escorted from a residence to perform laundry services was estimated to be twice per month with a total trip duration of 3 hours.
 - Since 2013, the percentage of double-occupancy residences increased from 14% (4 of 28) to 38% (12 of 32) resulting in fewer purchases of washers and dryers.
 - Given the increase in the installation of washers and dryers, which reduces the need to monitor and transport clients to perform laundry services, and using the current monitoring and transportation rate (\$31.49), the estimated annual cost to transport these 6 clients to perform this service is approximately \$13,603. Using the former rate (\$69.89), the cost would be approximately \$30,192.
 - Considering the one-time expense of purchasing the equipment and using the current rate for monitoring and transportation, the total estimated annual cost savings resulting from the installation of washers and dryers where possible is \$44,614. If the former rate was used, the cost savings would be \$110,969.
- 3. Actual cost savings achieved by DHS to date resulting from the development and implementation of written policies to determine the amount and types of scheduled activities approved for Supervised Release clients:
 - DHS developed the “Supervised Release Activity Planning” policy in March 2014 in accordance with the August 2013 LAB Report to establish protocols and processes that ensure consistent activity planning for Supervised Release clients; is consistent with all applicable statutes and administrative rules; and is cost effective. This policy previously was submitted to the Joint Audit Committee.
 - 2013 Wisconsin Act 84, which was enacted on December 12, 2013, expanded the range of activities in which clients may participate during their first year of community placement. The list now includes volunteer, educational, exercise, and supervision activities, and residential maintenance.
 - The following chart illustrates the average number of hours Supervised Release clients were assigned chaperones outside of their residence during the past two fiscal years and the costs associated with this service:

Fiscal Year	Average Daily Population	Chaperoned Service Hours (first year and beyond)	Average Hours per Client per Year	Total Cost (Accounting for Different DOC and DHS Rates and Including Mileage in FY 14-15)
2013-2014	37.21	25,696	691	\$1,368,360
2014-2015	41.61	33,349	801	\$1,179,796

- The average number of hours per client increased, as many Supervised Release clients participated in the expanded activities (e.g., employment) identified in Act 84 and an increasing number of clients with complex medical and mental health needs were placed on Supervised Release, which resulted in an increased need for chaperones to appointments and routine activities. In addition, there were continued inconsistencies in activity scheduling practices.
- In October 2015, DHS centralized the scheduling process by entering into a contract addendum with the agency performing the monitoring and transportation services. While DHS continues to make decisions regarding clients' schedules, having the agency that provides monitoring and transportation services also coordinate the scheduling will help to identify and address scheduling inconsistencies, and implement program-wide efficiencies.
- While there was a cost savings of \$188,564, it was realized through a reduction in the per hour service charge and not in a reduction of per client service hours. There were several variables that contributed to the increase in per client service hours as noted above.

4. A report on DHS's efforts since 2014 to identify additional firms to purchase and lease residences to DHS for the placement of Supervised Release clients:

- DHS issued a new RFB on 03/31/2014 and two firms responded. One firm indicated they would consider searching state-wide and one firm indicated they would only consider searching within Jefferson County. DHS routinely sends a list of current placement needs to the one firm who replied to the original RFB and indicated they would conduct state-wide searches. To date, this firm has not offered DHS a viable property.
- Through DHS's continuous search process to identify new residences, additional firms and individuals have become familiar with our needs and efforts, and offered residences for lease. More often than not, these residences are deemed to not be viable due to ordinance restrictions or the proximity to vulnerable populations.
- DHS intends to issue an RFB during this fiscal year to identify additional firms.
- Locating viable residences remains the most significant challenge to placing clients on Supervised Release. This is due primarily to an array of municipal ordinances and property owners' continued reluctance to lease residences to DHS for the placement of sexually violent persons.

5. Actual cost savings achieved by DHS in FY 2014-2015 resulting from the placement of two clients in one residence where possible:

- In FY 2012-2013, DHS paid an estimated \$584,000 in rent for Supervised Release clients. The average daily population in FY 2012-2013 was 30.26. The average monthly cost per client for rent was \$1,608.

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- The current monthly amount DHS pays for rent for Supervised Release clients is \$54,400. Annualized this is \$652,800. Therefore, the current projected monthly cost per client for rent is \$1,112.
- The August 2013 LAB Report (p. 31) states DHS had 4 residences with double-occupancy. Currently, DHS has 12 residences with double-occupancy. Additionally, 5 clients are currently in a Community Based Residential Facility (CBRF) or nursing care facility compared to 2 clients in 2013.
- The August 2013 Audit Report (p. 31) also states DHS paid an average of \$1,560 per month per lease. In September 2015, DHS paid an average of \$1,600 per month per lease resulting in a monthly increase of \$40 per month.
- Using the difference between the average monthly costs per client from FY 2012-2013 and the current period ($\$1,608 - \$1,112 = \$496$) and accounting for the increase in ADP, assuming all other variables are relatively equal, the projected annual cost savings achieved in FY 2014 – 2015 resulting from the placement of two clients in one residence is \$110,945.

The Department of Health Services sincerely appreciates the recommendations made by the Legislative Audit Bureau and the oversight of the Joint Audit Committee. DHS will continue to ensure that the Supervised Release Program protects Wisconsin's most vulnerable citizens and promotes community safety, while it continues to identify and implement ways to reduce overall program costs.

Sincerely,


Kitty Rhoades
Secretary

cc: Joe Chrisman, State Auditor