

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday December 9, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Representative Loraine Pace, Senator Ron Allen, Ted Boyer, Ramona Rudert, Tanya Henrie, Douglas Richins

Excused:

Doug Durbano, Senator Dan Eastman, Norm Tarbox, Scott Carver, Liz Hawkins

Approval of Minutes:

With a few changes the minutes for October and November were unanimously approved.

Discussion on Dissolution of the Board

Mr. Barton feels that the main reason to keep the board together is because of unfair government competition. It was suggested that the Governor and the legislators were the only other sounding boards for private vendors. Ms. Henrie stated that when she had a concern with unfair government competition her only recourse was to hire a lobbyist. Senator Allen stated that the legislature needs to know that there is a board. It was suggested that the Chambers of Commerce put information about the privatization board in their newsletters. Ramona Rudert was going to prepare a list of the Chambers and business groups that the board could notify of the board's existence and mission. Senator Allen and Representative Pace will inform their respective houses of the legislature about the board.

UTOPIA

Mr. Barton handed out information on "UTOPIA" which is a fiber optic network that will include "last mile" connections to businesses and residences. He suggested that this might be a topic that the board could consider. It was decided that if the board received a request to examine this issue, the March meeting would be a good time to have an overview of the issue. Bill Barton indicated that he anticipated a request coming from a city council member for the board to consider. It was suggested that Paul Morris from West Valley City, who is also the executive director of UTOPIA and John Christensen from Murray City Council could address this issue. It was also suggested that Comcast and Qwest be invited for their input. Mr. Richins said that he would try and find UTOPIA's web site and then email the members of the Board with a link to information on "UTOPIA"

Other Issues

Senator Allen was curious on who pays for security at Governor's Gala and other social events. Senator Allen was going to find out who pays the bill for these events. Mr. Barton made a motion that we invite Commissioner Flowers to address this issue pending Senator Allen's information. Senator Allen told the board of contacts that he and legislative leadership has received from Stephen Jury at U'n Utah which is a start-up company that is proposing to privatize certain economic development marketing functions currently being provided by DCED, on a performance based contract based upon bringing new jobs to Utah. It was decided to invite Mr. Jury to the January 2004 meeting for a 20 minute presentation on his firm's proposal.

January 2004 Meeting

The next meeting will be held at 10:00 on Tuesday, January 13, 2004.
There will be no meeting in February due to the Legislative session.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday November 20, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Liz Hawkins, Senator Ron Allen, Ted Boyer, Representative Loraine Pace, Representative Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Dan Eastman, Norm Tarbox, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie,

Visitors:

David Miles and Linda Hull from UDOT

Approval of Minutes:

Because a quorum was not present, minutes for October will be approved in December's meeting.

Past Issues

Mr. Richins distributed a copy of a report from the Legislative Fiscal Analyst given to the Legislative Executive Appropriations Committee on Nov. 18, 2003 regarding the potential privatization of the Utah Department of Corrections Bureau of Clinical Services. The report from the independent consultant hired by the legislature concluded "In answering the primary question of the study – if privatizing the BCS provide the state with additional savings and/or better services, Dr. Moore finds that the staff within the BCS is already providing services at an appropriate level for a cost similar to that offered by private providers. While privatization is a viable alternative for other states – and may be for Utah in the future – it is not likely that any significant savings can be found at this time through outsourcing medical care for inmates." (A copy of the report with the slides from the consultant is included with the minutes.)

Presentation: David Miles from UDOT

David Miles, the operations engineer for UDOT met with the board at the request of John Njord, UDOT's executive director.

He responded to the information given to the board in the October meeting by Shawn Heaton from Bonneville Asphalt. Mr. Miles indicated that UDOT had met with Mr. Heaton several times on this issue and that Mr. Heaton had also met with the Transportation Commission as well. As a background, Mr. Miles said that crack sealing seems to work when the cracks are wide enough to get the material into the cracks. It does not work very well on the 1/16 inch cracks. There was much more crack sealing done by UDOT in the 70's and 80's. The reason there is less crack sealing now is because of a change in UDOT's strategy. UDOT now strives to preserve the road via overlays, improving the entire road, rather than sealing cracks. He said that strategy preserves what we have because the cost is a lot less to take care of a pavement before it starts to fail. The cost is 10 times as much to repair cracks later. On low volume roads a chip seal is used. On high volume roads they use plant mix seals.

When crack sealing was reduced, that which was done by contract was eliminated first. Mr. Miles believes in the 70's 3 to 4 million dollars of crack sealing was done per year. 60% was done on contract and 40% by UDOT. The cost of crack sealing has now been reduced to 1 million dollars per year and will soon be down to a ½ million per year. Having UDOT do the crack sealing makes it so employees have something to do when they are not plowing snow. Due to budget cuts UDOT had to cut 45 employees from their forces, and were given less money to work with. Mr. Miles said that in the future there may be times that a certain station will need some high priority crack sealing done. In that case UDOT may need a service contract for crack sealing. He said that it may be less expensive to contract with the private sector for large projects. Mr. Miles distributed a documents (included with the minutes) titled "In House Crack Sealing Costs – Statewide FY 1999 through FY2003. Based on the information provided by Mr. Miles about UDOT past crack sealing expenditures, Mr. Richins figured that UDOT cost was approximately \$1, 858.00 per ton for the crack sealing. The board recalled that Mr. Heaton stated that crack sealing should cost between \$1,500.00 to \$1,800.00 per ton. The board appeared satisfied that UDOT had adequately evaluated the issue and would pursue potential contracting out for large crack sealing projects, without the board's involvement. The board then asked Mr. Miles about other areas in UDOT where privatization would be useful. Among areas he mentioned were laying of traffic paint.

Mr. Kesler thanked Mr. Miles for his presentation and for the beneficial information.

Other Issues

The amendment to the board statute that the legislature passed in the 2003 general session provided for the appointment of two additional board members: one to represent the League of Cities and Towns and, and one to represent the Association of Counties. Representative Pace volunteered to contact Ken Bullock and Brent Gardner of those respective organizations regarding their representation to the Board.

Representative Pace indicated that the Legislative Government Operations committee would be sending a letter to all boards and commissions requesting a justification for the existence of the board or commission. She said that perhaps in our next board meeting we could draft the board's response to that forthcoming request.

Following a discussion regarding the best day and time for the board meetings, it was decided to hold the meetings on the second Tuesday at 10:00 am.

Mr. Kesler adjourned the meeting.

Topics for December's Meeting

Review of the Privatization Policy Board Workbook

Response to Forthcoming Letter from Legislative Government Operations Committee

The next meeting will be held at 10:00 on Tuesday, December 9, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board
Thursday, October 16, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Loraine Pace, Scott Carver, Tanya Henrie, Liz Hawkins, Brent Goodfellow, Douglas Richins

Excused:

Doug Durbano, Ron Allen, Dan Eastman, Norm Tarbox

Visitors:

Shaun Heaton – Bonneville Asphalt

Approval of Minutes:

Minutes for June 17, 2003 were unanimously approved.

Presentation: Shaun Heaton from Bonneville Asphalt

Shawn Heaton from Bonneville Asphalt addressed the board. Mr. Heaton indicated that his goal is to get UDOT and UCI out of the crack sealing business, and to have it privatized. The competition from UDOT and UCI has hurt the private crack sealing industry. They have to go to other states to get work. Heaton said that UDOT used to bid crack sealing out in the 70's and 80's. He said that crack sealing is generally bid by the ton. It is \$1,500 to \$1,800 dollars per ton, including labor. Because of competition, in the 80's crack sealing went down to \$900 to \$1,100 dollars per ton. Ms. Hawkins stated that allowing the private industry do the crack sealing would put Government employees out of their jobs. Mr. Heaton believes that his company can save the taxpayers money by allowing private industry do the work. Mr. Heaton cited that at one time UDOT wanted to do all of their chip sealing. However, the chip sealing industry negotiated this issue with UDOT because they spent millions of dollars in equipment and so UDOT did 50% and the private industry did 50%. Mr. Heaton would like to see this happen in the crack sealing industry. He also stated that he can do the job for half the price and do it much better. Mr. Heaton was asked to get facts figures of costs for crack sealing. He agreed to this request if he could first get figures of costs from UDOT since 1999.

Discussion on Possible Dissolution of the Board

Representative Pace indicated that she is serving on a legislative committee to evaluate if there are current boards that could be discontinued. There was a healthy discussion between Board members on whether to keep or abolish the Privatization Policy Board.

Representative Pace indicated that she has seen nothing happen since she has been on the Board. She also stated that the Board can listen to Mr. Heaton's issue but he will have to go before other people who can make a difference.

Mr. Carver also stated that he has seen no progress since he has been on the Board. He suggested that the Board be a legislative committee because they have what it takes to make changes.

Mr. Kesler stated that all the Board can do is listen to the problems of different vendors and write a recommendation to the legislature and the Governor. He also feels if we had a little teeth in the Board it could do a lot of good.

Mr. Richins feels that the different departments, on their own consider privatization on a day to day basis. Mr. Richins asked, "Is what we are doing duplicative?" He also feels that what the Board is doing can be done within other structures.

Ms. Hawkins indicated that the Highway Patrol has a Safety Inspection Advisory Council, which is much like the Board. This council comes from all walks of life and they review all the changes that need to be made and then make decisions from there.

Representative Goodfellow feels like the Board provides a sounding board for vendors. Then we can invite an agency to come in and they rethink their process and make the necessary changes.

Mr. Barton agreed with Representative Goodfellow. He cannot think of anything that has been done except create an awareness.

Representative Pace indicated that there is more impact in a vendor going before an agency than a written report.

Mr. Kesler feels that documentation really helps the legislature make a decision.

Representative Pace stated that the legislature would require documentation from the vendor and the agency.

Ms. Henrie being in private industry herself feels that going before the legislature would be intimidating for her. She feels having a board to present her case to and asking the tough questions would be helpful to her to prepare for the legislature.

Mr. Richins stated that the advantage of having an issue go before the legislative committee is that they have both sides of the equation. They are not just looking at the privatization aspect but they are looking at the budget implications aspect as well and balancing those issues. Another thing that they have that we don't is staff. They can have their Fiscal Analyst pull those numbers and bring them to the committee so they have some valid information to make a decision.

Mr. Kesler stated that we will never be given the power by the legislature to do the job the way we think it should be done.

Ms. Rudert thinks that the Boards and Committee's serve a very important political function. She feels the perception is that the Boards and Committee's have power and that is an important venue for open discussion. A lot of these issues are administrative issues that don't require changes in legislation they simply require changes in how things are administered sometimes would be things that we might look at. Ms. Rudert also feels a little disappointed and thinks it is not worth spending the money if it is not going to make a difference. She does not feel that the Executive Branch is using these Boards and Commissions the way that they were intended for. Maybe we should just be used as a task force and just meet when it is necessary.

Mr. Barton suggested that we send out news releases so the public knows that there is a committee out there that will listen to a case of unfair government competition. Maybe if we gave the legislature a report after every meeting it would make these reports more meaningful.

Mr. Kesler suggested that we call Lane Beattie have a representative sit in on every other meeting. Ms. Rudert said that she would be happy to call Mr. Beattie.

Mr. Boyer stated that we are an advisory to the Executive Branch so the big questions that Loraine might have are, Should we be giving advise? What kind of advise should we be giving? How should we get that advise over? Is it worth the effort to give that advise?

Representative Pace thanked the board for their candid input.

Mr. Kesler adjourned the meeting.

Topics for November's Meeting

Our next meeting will be held at 10:00 on Thursday, November 20, 2003. A representative from UDOT will be asked to respond to Mr. Heaton's crack sealing issue.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, June 17, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Bill Barton, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver, Tanya Henrie, Liz Hawkins, Douglas Richins

Excused:

Brent Goodfellow, Doug Durbano, Ron Allen, Dan Eastman, Lorraine Pace

Visitors:

Kevin Walthers – Office of the Legislative Fiscal Analyst

Approval of Minutes:

There was one correction in the May 20th minutes. Both April 15th and May 20th minutes were approved.

Presentation: Kevin Walthers from the Fiscal Analyst's Office

Dr. Garden's job is to administer and provide medical care for all inmates. Our constitutional responsibility is to provide basic medical care. The prison has a doctor and a nurse on contract that travel to the different county jails to provide medical services to inmates. In county jails the state only provides medical services to the state adult felons. The county provides its own inmate care.

The Bureau of Clinical Services provides:

- Medical Services
- Dental Services
- Mental Health Services

The Fiscal Analyst's Office is in the process of hiring a consultant to evaluate quality of care and medical procedures in our prisons. Mr. Walthers went over the Report that was handed out from the Fiscal Analyst's Office on Prison Finances. (See Attached Report)

Grants are used for start up costs for different treatment programs. Mainly drug treatment programs.

There are three ways to cut back on costs in our prisons:

Medical Costs

The medical contract is with the University of Utah. The prison gets an extremely favorable rate with them. The rate is 68.6% of the customary rate. If you compare the prison rates to Medicare rates we would be paying just slightly more.

Pharmaceutical Costs

Drugs are purchased through a Partnership Cooperative and are bought in bulk so that is a considerable savings for the prison.

Personnel Costs

Another way to save money is to cut personnel costs. The prison personnel work at a lower pay scale so they can receive the benefits package.

One of the problems with privatization in the prison is private companies come in with a lowball figure and after time raise their costs. Then we are stuck in the contract until it has expired.

Privatization works best in the prison system if we just privatize certain services. The prison has 6 million dollars in contracts that are currently being used. Program treatment is an excellent area to privatize because we can use different company's to come in and provide services for drug treatment and sex offender programs.

Privatization of halfway houses probably would not work because of volume. We don't have enough people in our halfway houses to generate a profit.

Topics for Future Review

It was decided to review the Privatization Workbook at the next meeting.

Mr. Kesler adjourned the meeting.

Our next meeting will be held at 10:00 on Thursday, July 17, 2003.

Response to Intent Language
Feasibility of Privatizing the Bureau of Clinical Services
Within the Utah Department of Corrections

May 20, 2003

**Report to the Executive Appropriations Committee
Of the Utah State Legislature**

**Prepared by
The Office of the Legislative Fiscal Analyst**

**Kevin Walthers, Lead Analyst
Gary Ricks
Jonathan Ball
Tyson Vandenakker**

Introduction

As part of the 2003 Appropriations Act, the Legislature directed the Office of the Legislative Fiscal Analyst to examine costs within the Bureau of Clinical Services program within the Utah Department of Corrections:

It is the intent of the Legislature that the Office of the Legislative Fiscal Analyst supervise a study of the Medical Services Department within the Utah Department of Corrections. The study shall provide an analysis of costs (short and long term), liability issues, quality of service, and accreditation standards compared to industry standards for private providers. The Office of the Legislative Fiscal Analyst will present its findings to the Executive Appropriations Committee on or before July 1, 2003, with copies distributed to the members of the Executive Offices and Criminal Justice Appropriations Subcommittee.¹

The language continued with direction for the Department of Corrections in regard to use of any cost containment recommended by the study:

It is the intent of the Legislature that any savings identified in the study of the Medical Services Department within the Utah Department of Corrections be used for institutional operations beginning in FY 2004...²

The language also provided latitude for the Legislative Fiscal Analyst to request funds for costs incurred through outside consulting, travel or research services, albeit such funding would have to be balanced against future budget conditions.

...The Legislative Fiscal Analyst may request reimbursement in the 2004 General Session for any cost incurred in relation to this study.³

Before incurring additional expenses, the Analyst presents this preliminary report to offer information on the cost of providing medical services within the Utah Department of Corrections. The goal of this document is to provide the Executive Appropriations Subcommittee with information that may guide the Committee to a decision regarding the nature of any future reporting. The report asks questions in three areas:

1. What are the costs of providing inmate care?
2. Does the BCS program create increased liability issues?
3. How does state accreditation compare with private sector standards?

¹ Item 24, House Bill 1, 2003 General Session

² Ibid.

³ Ibid.

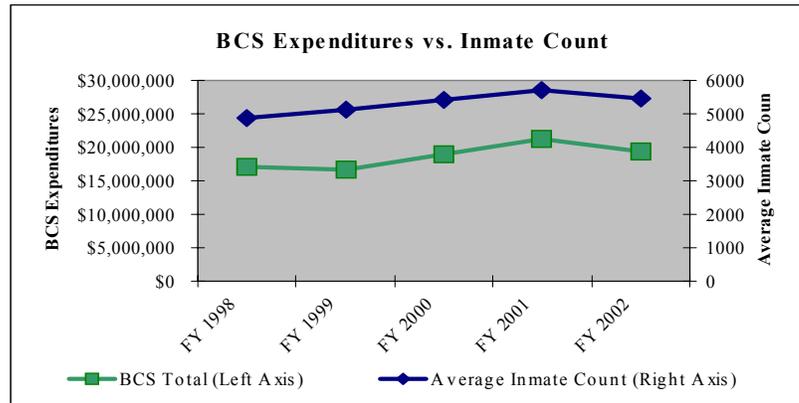
What are the costs of providing inmate care?

The Bureau of Clinical Services provides programming in addition to direct inmate care. Inmate programming functions such as substance abuse treatment and sex offender counseling are housed within the BCS. The two cost centers for inmate care include the Bureau of Clinical Services at the Draper Prison and the Medical Services Program within the Central Utah Correctional Facility (CUCF). Over the past five years the program grew by an average of 2.7 percent

How does spending within BCS compare to inmate counts and overall Department expenditures?

Total expenditures for inmate health services are driven primarily by the number of inmates in the system. From 1998 to 2002 expenditures within the Bureau of Clinical Services (including CUCF) mirrored that of overall expenditures for incarceration.

Figure 1



Program Categories: How is spending spread across programs, functions and types of care?

One of the difficulties in determining a per diem cost comparable to other states involves comparing similar levels of care. To calculate true per diem rates for medical services requires adjustments for non-medical programs that are funded through the Bureau of Clinical Services. Table 1 shows expenditures by type that go into the per diem calculation.

Table 1

	<i>Expenditures by Type</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Administration	\$950,732	\$613,410	\$565,469	\$293,940	\$575,403
Direct Medical Care	7,222,220	7,942,176	9,082,034	10,137,641	9,499,972
Mental Health (Includes Inpatient)	4,764,665	3,348,116	3,618,511	4,560,136	3,562,255
Dental	863,080	815,257	852,341	891,836	990,909
IPP (Contracting)	367,190	389,792	549,190	538,091	644,087
Transportation	140,120	153,317	160,932	146,061	0
Grants	735,717	733,681	798,420	1,338,889	1,383,874
Sex Offenders	549,753	521,918	595,699	695,215	743,560
Subsidiary Operations	0	86,646	335,094	533,467	104,861
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
	\$17,086,677	\$16,607,751	\$18,927,999	\$21,351,009	\$19,394,217

Source: Utah Division of Finance Data Warehouse

Expenditures per inmate for medical/dental are up by approximately twenty percent since 1998 but are down from FY 2001 levels.

Table 2

	<i>Medical/Dental Expenditures</i>				
	FY 1998	FY 1999	FY 2000	FY 2001	FY 2002
Direct Medical Care	\$7,222,220	\$7,942,176	\$9,082,034	\$10,137,641	\$9,499,972
Dental	863,080	815,257	852,341	891,836	990,909
CUCF	1,493,200	2,003,438	2,370,310	2,215,734	1,889,297
Total Medical/Dental	\$9,578,500	\$10,760,871	\$12,304,684	\$13,245,211	\$12,380,178
<i>Medical/Dental Per Diem</i>	<i>\$5.40</i>	<i>\$5.76</i>	<i>\$6.23</i>	<i>\$6.37</i>	<i>\$6.23</i>

Source: Utah Division of Finance Data Warehouse

Costs driven by medical, pharmaceutical and personnel costs

Any attempt to achieve substantial savings in Clinical Services must focus on medical contracts, personal services and prescription management. Over the course of five years, personal services costs averaged fifty-eight percent of total expenditures, medical contracts took up another seventeen percent, pharmaceuticals comprised another nine percent – meaning that the three largest single items (overhead is an aggregated category) account for eighty-four percent of the BCS budget. Table 3 shows that FY 2002 mirrored the five year average.⁴

Table 3

<i>BCS: FY 2002 Expenditures Less Grants</i>		
Program	FY 2002	% of Total
Personal Services (Medical)	\$9,625,300	55%
Medical Contracts	\$3,133,600	18%
Overhead/Other Expenses	\$2,202,317	13%
Drugs	\$1,863,500	11%
Labs	\$328,000	2%
Med. / Surg. & Lab Supplies	\$391,300	2%
Total	\$17,544,017	

Source: Utah Division of Finance Data Warehouse

Are medical contract costs appropriate?

The Department contracts with the University of Utah Hospitals and the University of Utah Doctors and Clinics for services that can not be provided within the prison. UDC pays the University of Utah \$1,920,800 per year for medical services that normally would be billed at a rate of \$2.8 million (a negotiated rate of 68.6 percent of customary charges). If the Department does not use the full amount of services, a refund is provided at the 68.6 percent rate – full cost recovery for the Department of Corrections. If additional services beyond the \$2.8 million amount are needed, the University Hospital applies a fee equal to 68.6 percent of the customary rate.⁵

⁴ Figures compiled by combining Data Warehouse statistics and UDC internal management documents. Data reaches only to 1999 due to system upgrades completed for UDC that make comparison to 1998 difficult.

⁵ Utah Department of Corrections. UDC File #90A-621-IO

Staff salaries include added cost of twenty year retirement

The BCS program carries more professional staff than other parts of the Department of Corrections. Professional providers include nurses, doctors, social workers and mental health experts. Salaries are normally distributed and average \$44,262. Retirement benefits average \$8,163 - an amount higher than would be found in a standard state agency due to the disproportionate number of POST-certified (law enforcement) employees eligible for twenty year retirement.⁶

Prescription Management

Pharmaceutical costs averaged nine percent of the BCS budget over the five year study period. Total expenditures for drugs dropped in 2002 but are still up significantly over 1999 levels.

Table 4

<i>BCS: Pharmaceutical Expenditures</i>					
	FY 1999	FY 2000	FY 2001	FY 2002	<i>5 Year Increase</i>
Drugs	\$1,292,566	\$2,035,296	\$2,006,000	\$1,863,500	44%
Inmate Count	5,116	5,410	5,694	5,448	6%
Cost per inmate	\$252.65	\$376.21	\$352.30	\$342.05	35%

Source: OLFA and Utah Division of Finance Data Warehouse

Does the BCS program create increased liability issues?

The affirmative responsibility of correctional facilities to provide health care dates to the 1976 Supreme Court decision in *Estelle v. Gamble*. The case focused on “acts or omissions sufficiently harmful to evidence deliberate indifference to serious medical needs.”⁷ Since the *Estelle* decision, the Courts have not ruled on quality of care, choosing instead to focus on denial of care as being constitutionally impermissible.⁸

According to the Department claims are down seventy percent since 1997 and are now averaging 3.2 claims per year. Over the last three years all expenditures went to costs associated with defense, no money was spent on settlements arising from claims.

As a source of exposure, the BCS is only a small part of total UDC liability insurance. Over the past five years the Department of Corrections liability premiums remained flat. For management purposes UDC assigns a portion of the premium to the clinical operation, but that is an internal matter not driven by actual claim history.

How does state accreditation compare with private sector standards?

Many organizations provide corrections facilities health care accreditation, and do so as part of a larger mission to grant professional accreditation to a wide variety of activities apart from corrections health care. The National Commission on Correctional Health Care (NCCCHC) focuses entirely on correctional facilities health care accreditation and was the first organization created with this unique mission.

⁶ The move to POST Certification came at the behest of the Auditor General. See: Utah Legislative Auditor General (1998). *A Digest of A Performance Audit of the Utah Department of Corrections*. http://www.le.state.ut.us/audit/98_08rpt.pdf

⁷ *Estelle v. Gamble* (1976). 1976.SCT.3988, at 30.

⁸ United States Department of Justice (2001). *Correctional Health Care: Guidelines for the Management of an Adequate Delivery System*. Quoted in *State of New Hampshire Department of Corrections Inmate Health Care Performance Audit Report*, Office of the New Hampshire Legislative Budget Assistant (January 2003).

NCCHC accredits more than 500 correctional facilities nationwide, including the Utah Department of Corrections (DOC) Medical Services Program. UDC first received accreditation from NCCHC in 1996⁹ and earned renewal in 2002 at both the Draper Facility and the Central Utah Corrections Facility (CUCF) in Gunnison.

Summary

This brief review by the Office of the Legislative Fiscal Analyst focused on the areas within the BCS that have potential for generating cost savings. It appears that current operations have maintained a level of efficiency and effectiveness over the course of the last five years. If this proves to be the case when compared to other states or private operations, the Analyst does not believe the savings may be as significant as originally thought. However, in order to make a more detailed comparison, the Analyst recommends that an independent consultant be selected through an RFP process with costs to be reimbursed to the LFA during the next General Session of the Legislature. Such an analysis may lead to specific recommendations for the Department to incorporate in its daily operations or to the development of an RFP to allow private vendors to offer services to the state.

⁹ Given the costs associated with receiving accreditation from multiple organizations the Department of Corrections Medical Services Program has not sought for nor received a certification or accreditation beyond the NCCHC certification.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, May 20, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Loraine Pace, Ramona Rudert, Ted Boyer, Norm Tarbox, Scott Carver

Excused:

Brent Goodfellow, Tanya Henrie, Bill Barton, Doug Durbano, Ron Allen, Liz Hawkins, Dan Eastman

Visitors:

Lynn Baker (PEHP)
Nate Roman (UPEA)

Approval of Minutes:

Because there was not a Quorum, it was decided to approve the minutes at the next meeting.

Presentation: Lynn Baker from PEHP

PEHP pays all insurance claims for the State of Utah. HMO's used to pay claims but at a higher risk. The average carrier has a 12% overhead. PEHP has a 4% overhead. Exclusive care has better benefits and has a 2% overhead.

Legislation approved other public employee's to join PEHP. Some of these are:

- Cities and Counties, which are self-funded.
- Jordan School District, which has no premium.
- Colleges, which have no premium.
- CHIP is administered by PEHP

Each entity uses funds differently.

Health care is out of control. Health care pays a broker to find services so an override of \$506 million per year is paid out by the State. If healthcare services would just come through one pipeline. The bill would go to one place and each entity would be charged for their portion of the bill. There are other options of buying healthcare and having it cost less.

There is also the option of pooling together and working with the drug manufactures so our drug costs would go down.

Privatization Assessment Workbook

It was decided that we would postpone going over the workbook until there was a full quorum.

Topics for Future Review

- Privatization of clinical services in the prison.

It was decided to invite Kevin Walthers from the Office of the Legislative Fiscal Analyst to address the board on a study recently done for the Legislature's Executive Appropriations Committee on the feasibility of privatizing the Bureau of Clinical Services within the Department of Corrections for our next meeting. Then if the board wanted to investigate this issue further in a subsequent meeting the director of the clinical services bureau and potential contractors could be invited.

Our next meeting will be held at 10:00 on June 17, 2003.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, April 15, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Senator Ron Allen, Representative Brent Goodfellow, Representative Loraine Pace, Jay Dansie, Bill Barton, Ramona Rudert, Scott Carver, Tanya Henrie, Douglas Richins, Secretary

Excused: Liz Hawkins, Norm Tarbox, Ted Boyer, Senator Dan Eastman

Absent: Douglas Durbano

Visitors:

Ron Stromberg, Margy Campbell, Tony Nelson, Craig Peterson, Tyler Dallas, Ed Dieringer, Ron Kusina

Approval of Minutes:

Ramona Rudert motioned for approval of the March 18, 2003 Minutes. Jay Dansie seconded the motion. The minutes were unanimously approved.

Board Composition Changes:

Mr. Kesler announced that membership changes to the board had been made by the Governor. He thanked the members who were concluding their service on the board for their service to the citizens of this state. Those leaving the board are Jay Dansie, Merwin Stewart and Senator Bill Hickman. Newly appointed members are Senator Dan Eastman, Senator Ron Allen, Ted Boyer and Tanya Henrie. Mr. Kesler welcomed Senator Allen and Ms. Henrie who were attending their first meeting. A question was raised regarding the expiration date of Bill Barton's term. Mr. Richins promised to check into the issue. (*Richins has confirmed that Mr. Barton's term ends July 2004.*)

Privatization of Services for Senior Citizens:

The board heard information about the provision of services to senior citizens. First, Ron Stromberg representing the Utah Division of Aging Services talked about demographic changes and the increasing number of senior citizens. Using newspaper articles, he demonstrated the trends affecting senior citizens and underscored what an emerging, important and under recognized market services to seniors represent. He identified specifically a number of new and emerging industries and services needed to respond to this group. Among the needs are: elder care and independent living, anti-aging spas, clinics; new medicines, new foods, body fabrication clinics (replacing worn-out parts); technology areas, hearing aides, pacemakers, smart acoustic systems, high tech exercise equipment, smart clothes that know when to warm, or cool the body; financial service, pension planning, long-term care insurance; employment re-training programs, life long learning programs, dating services, travel services; housing needs, designing homes for seniors, security systems, roommate finders; death and dying services, hospice care. Mr. Stromberg indicated that in Utah the average age expectancy for women is 86 years and for men 80 years.

Representative Pace reminded the board that the reason that the board wanted to have this discussion is a recognition that government will not be able, or should not attempt to fulfill these areas for seniors. She emphasized that we need the business community to recognize and fill this area of need. Senator Allen suggested that younger people need to be engaged in developing business. It is important for them to recognize this important potential opportunity for both business and service.

Margy Campbell spoke to the board. Fifteen years ago she started her company, Age Connections, the first geriatric care business in Utah. She recognized that this was an important niche that she could provide elder care service as a small business. Since then she has expanded and also provides guardian and conservatorship services, assisting people without children, or those whose children are not capable of doing this service themselves. She opined that privatization is so important in assisting in this critical area. She described the type of services that her firm provides and how clients contact them. She said that there currently are three legitimate companies doing these services along the Wasatch Front. She suggested that somehow it is important to change the elderly mindset away from entitlement and position it toward thinking of private pay. She lamented that she sees a lot of transfer of wealth going on for families to avoid paying for the senior's elder care. She also suggested that a minimal license should be required for those engaged in elder managed care.

Tony Nelson from Spectrum Home Services told the board about the services that his company provides to seniors. His company which now has 30 employees specializes in providing seniors in home management issues, home maintenance and repair, lawn care, snow removal, and homemaking. He started his company three years ago and sees potential for expansion. He cited the cost of liability insurance and workers compensation insurance as roadblocks to expansion.

Ed Dieringer spoke representing the Health and Homecare committee of the Salt Lake Area Chamber of Commerce. He described the types of services of his companies – Golden Years Consultants and Caregiver Support Network. Most of his services are private pay. His firms assist the caregiver. He also works with employers to include this type of service to caregivers in the employer's benefit packages. The majority of his clients are women between the ages of 45-55 who are caregivers for their parents. He indicated that the Salt Lake Chamber recently established the Health and Homecare committee to assist individuals and businesses understand this important business area.

Ron Kucina from the Ogden Area Chamber of Commerce suggested that most business people are lacking information about this emerging market. He suggested that the Department of Human Services, Division of Aging Services could facilitate helping businesses understand this market. He suggested that this emerging market could also be viewed from an economic development perspective.

Next Meeting

The next meeting will be held on May 20th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a discussion of the state of Privatization of health insurance and health services for state and local government employees, and a review of the Privatization Assessment Workbook. Douglas Richins will invite Linn Baker from PEHP to participate in the discussion on health insurance and health services for employees.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, March 18, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair, Jay Dansie, Bill Barton, Ramona Rudert, Douglas Durbano, Norm Tarbox, Representative Brent Goodfellow, Representative Loraine Pace, Commissioner Merwin Stewart, Douglas Richins, Secretary

Excused: Scott Carver

Absent: Senator Bill Hickman, Liz Hawkins

Visitors:

David Harmer, Jeffrey Gochnour

Approval of Minutes:

Ramona Rudert motioned for approval of the January 2003 Minutes, with one typographical correction. Merwin Stewart seconded the motion. The minutes were unanimously approved.

Factors That Attract or Repel Businesses

The board heard an excellent presentation from David Harmer, Executive Director, Utah Department of Community and Economic Development; Jeffrey Gochnour, Director, Utah Division of Business Development. They talked about the importance of a friendly business climate, and the factors that attract or repel businesses to the state. They said that overall some negative cultural perceptions people living outside the state have had are breaking down. A challenge that they face is that the state doesn't have many monetary incentives to offer as we compete with other states to attract businesses. Mr. Harmer cited an advantage the state has is a favorable cost of doing business here. He said that Utah does a good job of developing ideas and innovations, but need to improve at taking those ideas and then developing those ideas into viable businesses. Utah has historically had difficulty in attracting venture capital. Mr. Harmer reported on legislation that passed during the last legislative session: HB240 Venture Capital Enhancement Act, which may help the state's ability to attract venture capital. They discussed the importance of coordination of economic development efforts among DCED, the Economic Development Corporation of Utah (EDCU), and the various counties and cities. They explained the Smart Site concept, which is to create technology jobs in rural Utah and the medical informatics initiative. Also highlighted was the US Small Business Administration's 8A program and the efforts that they are taking with the Indian tribes in Utah to assist the tribes to qualify. Mr. Harmer said that economic development would like to work more closely with Public and Higher Education in assisting them in understanding the benefits of providing incentives to expand business and therefore opportunities for future employment of the students. One area that Mr. Harmer would like to see clarified is an ambiguity in the state constitution that seemingly prohibits universities from owning equity in a company that is created because of their

research development. Representative Pace wondered if this was on the agenda for the Constitutional Revision Committee. When asked the role that privatization can play in businesses decisions to located or not to located in a state, Mr. Harmer responded that privatization is generally viewed by business a very positive. He said that this is one of the positive signals that the state can send to business. Mr. Harmer and Mr. Gochnour indicated that we do not have a significant number of corporate headquarters located here with CEOs and CFOs, etc. Sometimes when large corporations decide to relocate from Utah, or no not locate a facility here it is not generally because of anything negative toward Utah, but simply part of a larger corporate picture. The gentlemen talked about the role of trade missions, and highlighted recent trade missions to Mexico City, Athens and Torino. Mr. Harmer also reported on positive economic development issues from the last legislative session including the venture capital bill (previously mentioned) and a bill aimed at providing incentives for aerospace firms. He indicated that in the coming year DCED would like to work on an avenue to enhance tourism promotion in the next legislative general session. Representative Goodfellow encouraged Mr. Harmer to look at the legislation providing for the UDOT freeway signs which allow for advertising food, fuel and lodging. He indicated that he was the sponsor of the original legislation, and wondered if Mr. Harmer had ideas about how it might be retooled to be of benefit (and funding) for tourism.

Privatization Assessment Workbook

Copies of the Privatization Assessment Workbook were passed out to board members. This was developed by the board in 2001 after reviewing a workbook compiled by the Colorado State Auditor's Office. Mr. Kesler asked that an acknowledgment be included in the workbook recognizing the Colorado State Auditor's Office who shared their Privatization Assessment Workbook with us, and allowed us to liberally copy and use their information in Utah's workbook. Mr. Richins will see that this is done, and will have a hyperlink on the board's website to the Workbook.

HB302 - A Change in the Privatization Policy Board Statute

HB302 sponsored by Rep. Bigelow passed during the last session. Copies of the bill were distributed to board members. The legislation provides for two additional members to be appointed to the board, representing the Utah League of Cities and Towns and the Utah Association of Counties. The bill also expanded the definition of agency to include administrative units of counties and municipalities, and provided that the board may exercise its authority over those bodies when requested by the local government agency.

Next Meeting

The next meeting will be held on April 15th, at 10:00 a.m.

It was decided that the next meeting's agenda would include a continued discussion of the privatization of senior citizen's services, and a review of the Privatization Assessment Workbook. Ramona Rudert volunteered to contact representatives of businesses that serve senior citizens and a couple of representatives of Chambers of Commerce. Douglas Richins will invite Helen Goddard from the State Department of Human Services.

Minutes of the Meeting of the Utah Privatization Policy Board
Tuesday, January 14, 2003 10:00 a.m.
Room 3150 State Office Building
Salt Lake City, Utah

Attendees:

Jim Kesler, Chair
Bill Barton
Jay Dansie
Ramona Rudert
Scott Carver
Liz Hawkins
Representative Loraine Pace
Douglas Richins, Secretary

Excused:

Norm Tarbox

Absent:

Commissioner Merwin Stewart
Representative Brent Goodfellow
Senator Bill Hickman

Approval of Minutes:

Scott Carver motioned for approval of December's minutes. Jim Kesler seconded the motion. They were unanimously approved.

In today's meeting the board discussed the topics for future meetings that were listed in December's minutes. (The topics from the December meeting are underlined and in bold.)

Ms. Rudert suggested that the proposed Salt Lake County government operated ambulance services, and the county's decision to withdraw this service from the private sector is an issue that the board would be interested in learning about.

Adoption Services

It was decided that this was a very complicated subject, and the board decided not to calendar this issue at the present time.

Factors That Attract or Repel Businesses

It was decided that to invite Dave Harmer from DCED to speak at our March meeting concerning this issue. We would also ask him to address cases of unfair competition that he may be aware of.

Resolution Supporting a Change in the Privatization Policy Board Statute

Mr. Barton made a motion that the Board support legislation that would allow the Privatization Policy Board to review privatization issues at all levels of Government. Currently the board is restricted to reviewing privatization issues in state government. After discussion the board approved the following resolution:

The Board supports legislative effort to amend the statute to allow the Board to investigate Privatization Issues and instances of unfair competition in all levels of government.

The Board further supports eliminating the current statutory requirement for agencies to notify the Board prior to privatizing services or functions.

Mr. Kesler motioned for approval of the resolution. Ms. Rudert seconded the motion. It was unanimously approved.

Health Care (PEHP)

Ms. Hawkins suggested that in light of the rising costs of health care insurance, the board examine whether private insurance providers should be allowed to compete with the Public Employee's Health Plan in providing choice and competition for health insurance for employees. It was suggested that we have Lynn Baker from the State Retirement Board – (Public Employees Health Plan) come to one of our meetings, and provide their perspective on this issue.

Water Management

Mr. Kesler stated that he did not know if any company today could privatize water management. He stated that all water has been appropriated.

Senior Citizens Issues

Mr. Barton stated that most Senior Citizen services are done on a County level but are actually paid for by the State; ie., Meals on Wheels. He suggested that some of these services could be privatized or done by volunteers. Representative Pace recommended that we have someone come from the Chamber of Commerce address us on some of these issues. Ms. Rudert suggested that we have Margie Campbell come from Age Connection to address us on resources for senior citizens. It was decided that we should put this on the agenda for April.

Education

It was decided to talk about education at a later date.

Pharmaceutical Companies

Several members discussed options for citizens to obtain pharmaceuticals less expensively. Representative Pace stated that the only thing that could be discussed on this issue is how to give seniors the information on where to go to get more inexpensive medicines, but questioned whether that was an appropriate role for this board.

Mr. Kesler adjourned the meeting.

There will not be a meeting in February as the Legislature will be in session.

It was decided to move the meetings to the 3rd Tuesday at 10 to accommodate a schedule conflict in Mr. Tarbox's schedule. The next meeting will be held on March 18th, at 10:00 a.m.