

Department of Legislative Services
Maryland General Assembly
2008 Session

FISCAL AND POLICY NOTE
Revised

House Bill 359
Appropriations

(Delegate Conway, *et al.*)

Finance

Local Correctional Facilities - Inmate Health Care Expenses - Payment Rates to
Health Care Providers

This bill limits liability for payment to a health care provider for any health care service provided to a local correctional facility inmate outside the facility to the lesser of the actual amount billed by the health care provider or the Medicaid rate. Counties are authorized to declare that the provisions of the bill are inapplicable to them by filing a specified written declaration that may be withdrawn at any time. "Health care providers" do not include hospitals regulated by the Health Services Cost Review Commission. For federally qualified health centers, the "Medicaid rate" is the amount that would be paid by Medicaid using a specified federal payment methodology.

The bill takes effect July 1, 2008.

Fiscal Summary

State Effect: Potential significant decrease in general fund expenditures for the Department of Public Safety and Correctional Services beginning in FY 2009. No effect on revenues.

Local Effect: Potential significant decrease in local correctional facilities' expenditures for inmate health care services beginning in FY 2009. No net effect on revenues.

Small Business Effect: Potential meaningful. Small business health care providers could receive lower reimbursement from local correctional facilities for inmate health care services.

Analysis

Current Law: Local correctional facilities are responsible for all inmate costs during the first 90 days of incarceration after which time the State shares the per diem facility costs at a rate of 50% for all counties except Charles, Dorchester, Harford, and Worcester (for which the State pays 85% of per diem costs). In fiscal 2006, the most recent audited data available, inmate medical expenditures accounted for 20% of total operating expenditures for local correctional facilities (\$26.6 million), of which the State paid half (with the exceptions noted above).

The State is also required to pay for medical expenses that exceed \$25,000 per inmate per fiscal year for all inmates confined in a local correctional facility, regardless of whether the inmate has been sentenced. In fiscal 2006, the State paid approximately \$665,000 toward these medical expenses.

Background: Some counties provide inmate health care services through contractual arrangements and negotiated provider rates. However, other counties, typically those with smaller correctional facilities, pay health care providers directly for inmate health care services that cannot be provided within the facility on a fee-for-service basis. Anecdotal evidence suggests that these facilities may pay providers' full charges, which can be as high as 250% of federal Medicare rates.

Maryland Medicaid fee-for-service rates are significantly less than actual provider charges. In fiscal 2007, Medicaid fee-for-service rates were, on average 80% of Medicare rates, with some specialty rates as low as 50% and some as high as 111% of Medicare rates.

State Expenditures: DPSCS general fund expenditures could decrease in fiscal 2009 due to a reduction in operating costs for local correctional facilities and consequently in the State's share of per diem costs. Expenditures could be additionally reduced to the extent that fewer counties incur medical expenses greater than \$25,000 per inmate per fiscal year. The extent of these reductions would depend on the actual amount of reimbursement paid for inmate health care services under the bill. These figures cannot be reliably estimated at this time but are expected to be significant.

Local Expenditures: For those counties that do not provide inmate health care services through contractual arrangements, local correctional facility expenditures could decrease in fiscal 2009 by a significant amount due to a reduction in the amount of reimbursement to health care providers for inmate health care services. The extent of this reduction would depend on the actual amount of reimbursement paid for inmate health care

services under the bill. This figure cannot be reliably estimated at this time but is expected to be significant.

Additional Information

Prior Introductions: None.

Cross File: SB 225 (Senator Middleton) – Finance.

Information Source(s): Somerset County, Frederick County, Department of Health and Mental Hygiene, Department of Public Safety and Correctional Services, Department of Legislative Services

Fiscal Note History: First Reader - February 5, 2008
mll/ljm Revised - House Third Reader - March 20, 2008

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