BILL # SB 1368 **TITLE:** inmate health care; AHCCCS rates

SPONSOR: Brotherton **STATUS:** As Introduced

REQUESTED BY: Senate **PREPARED BY:** Tony Vidale/Tim Sweeney

FISCAL ANALYSIS

Description

SB 1368 would permit the Arizona Department of Corrections (ADC) to reimburse health care providers according to the rate structure established by the Arizona Health Care Cost Containment System (AHCCCS). This rate would apply to inmate medical services provided outside its prison complexes.

Estimated Impact

JLBC Staff estimates a General Fund savings of $(6.1) million in FY 2005 and $(8.2) million in FY 2006, with one caveat. Savings could be lower if medical providers refuse to contract with ADC based on the lower AHCCCS rate schedule or refuse service to inmates and additional liabilities result. Savings in FY 2005 are estimated to be less because the use of AHCCCS rates would not apply to 5 current contracts, which expire at the end of July 2005.

The Governor's FY 2005 budget proposal includes the use of AHCCCS rates at a General Fund savings of $(9.4) million in the ADC budget.

Analysis

ADC provides routine and emergency medical services to inmates confined at its prison complexes; however, major medical treatment is provided by outside health care providers. In these cases, ADC pays the full cost of medical services and transportation. Currently, ADC contracts with 11 hospital and medical service providers for outside medical treatment and the department estimates that 19% of its population (approximately 6,000 inmates) receive outside medical services each year.

SB 1368 allows ADC to contract with outside medical service providers and reimburse them based on the AHCCCS reimbursement rate schedule. In addition, the department may include up to 55% more than the AHCCCS rate if determined to be in the best interests of the state. For non-contract providers, ADC is required to reimburse only at the AHCCCS rate. Based on information provided by AHCCCS, ADC pays approximately 31% more for inpatient services and 79% more for transportation services than the AHCCCS rate plus 55%. AHCCCS did not provide cost saving information for outpatient services; however, the Department of Juvenile Corrections (DJC) has been using AHCCCS reimbursement rates since FY 2001 and has experienced approximately a 10% savings on outpatient services.

The JLBC Staff estimates the total cost for outside medical service reimbursements without using the AHCCCS rates will be approximately $26.9 million in FY 2005 and $29.0 million in FY 2006. These total costs are based on FY 2003 actual expenditures for outside medical services, adjusted for inflation and inmate population growth. Under the provisions of the bill, the total cost for outside medical service reimbursements using AHCCCS rates plus a 55% adjustment would be $20.8 million in FY 2005 and FY 2006, which represents a savings of $(6.1) million and $(8.2) million, respectively. The FY 2005 savings are not applied to 5 of the 11 outside medical service providers that are contracted through the end of the fiscal year. In FY 2006, inmate population and medical costs per inmate increase, however, this increase is offset by savings from new medical service provider contracts. This estimate assumes a 31% savings for inpatient medical care and a 79% savings on air transportation costs, and that all contracted outside medical service providers will contract with ADC at the AHCCCS rate plus 55%. In addition, the JLBC Staff estimate assumes a 10% savings for outpatient medical services (based on the DJC experience) and does not include the 55% adjustment. Under the provisions of the bill, ADC is not required to apply the 55% adjustment and including it for outpatient services would raise these costs above the billed amount.

Savings could be lower if medical service providers refuse to contract with ADC using the AHCCCS rate schedule and 55% adjustment or refuse to provide service to inmates. SB 1368 requires ADC to pay only the AHCCCS rate as reimbursement to non-contract medical service providers and it is unknown what additional costs or liabilities would be incurred in the event outside medical providers refuse inmates based on the use of the AHCCCS rate schedule. Since DJC began using AHCCCS reimbursement rates in FY 2001, one hospital has declined to provide service, however, the agency was able to find another hospital in the area that would provide service using AHCCCS rates.

Local Government Impact

None.

3/2/04