

Fiscal Note

BILL # SB 1354

TITLE: rate structure; hospital services; prisoners

SPONSOR: Barto

STATUS: Senate Engrossed

PREPARED BY: Geoffrey Paulsen

Description

The bill would allow the Arizona Department of Corrections (ADC) to establish an alternative reimbursement rate for inpatient and outpatient hospital services that are provided in a "fully locked unit setting." The bill would cap the potential rate at 120% of the current Medicare rate.

Estimated Impact

While the higher reimbursement rate would increase ADC health care costs, we are unable to determine the magnitude of this increase in advance. Any impact will depend on how often inmates are sent to the facility, what treatments are performed, and the new negotiated rate (100% - 120% of the current rate).

Analysis

Pursuant to A.R.S. § 41-1608, ADC currently pays 100% of the Medicare reimbursement rate for inpatient and outpatient treatment for inmates in hospital settings. The bill would allow ADC to pay a higher rate for treatment provided in a "fully locked unit setting" and cap the rate at no more than 120% of the Medicare reimbursement rate.

The bill defines a "fully locked unit setting" as a ward or wing that is secured to prevent patients from leaving at will. ADC reports that only secure ward that would qualify is at the Florence Anthem hospital. ADC began utilizing this ward in January 2021.

Since the use by ADC of the Florence Anthem facility is new, ADC was not able to provide enough billing data for inpatient and outpatient care provided in this setting to accurately project the fiscal impact of a rate increase. While the higher reimbursement rate would increase ADC health care costs, we are unable to determine the magnitude of this increase in advance. Any impact will depend on how often inmates are sent to the facility, what treatments are performed, and the new negotiated rate (100% - 120% of the current rate).

Providing health care in a secure ward requires fewer correctional officers to supervise inmates compared to an open hospital setting, thereby offsetting some of the cost of the higher rate. However, ADC reports that staff not needed from using secure wards are currently being redirected to other posts rather than generating staff savings.

Local Government Impact

None

2/26/21