

Department of Planning and Budget 2007 Fiscal Impact Statement

1. Bill Number HB 2034

House of Origin	<input checked="" type="checkbox"/> Introduced	<input type="checkbox"/> Substitute	<input type="checkbox"/> Engrossed
Second House	<input type="checkbox"/> In Committee	<input type="checkbox"/> Substitute	<input type="checkbox"/> Enrolled

2. Patron Hamilton

3. Committee Militia, Police and Public Safety

4. Title Payment for health care costs of prisoners

5. Summary/Purpose:

The proposed bill would require that payments by local and state correctional facilities for costs incurred for the provision of health care items, treatments, and services for prisoners not exceed the lesser of the amount that would be paid for similar items, treatments, and services under the federal Medicare or Medicaid programs.

6. Fiscal Impact: Preliminary. See Item 8.

7. Budget amendment necessary: No.

8. Fiscal implications:

It is not feasible at this time to estimate the fiscal impact of this proposed legislation. However, it would require major administrative changes by the Department of Corrections (DOC), Department of Juvenile Justice (DJJ), and local and regional jails. The bill also could make it more difficult to use private providers for inmate health care.

DOC and DJJ use a variety of methods to provide health care to the inmates and juveniles incarcerated in state facilities:

- State employees—The agencies employ doctors, dentists, nurses, dental assistants, and dental hygienists as full-time employees in various correctional facilities. It is assumed that the proposed legislation would not affect the costs of these employees.
- Part-time contractors—The agencies also contract with private health care providers—doctors, dentists, optometrists, psychiatrists, etc.—to provide medical and dental care to inmates and juveniles. For example, a doctor may come to a prison two afternoons a week to see inmates needing medical care and also be available on call. Under these contracts, the health care provider is typically compensated on an hourly basis or a flat amount for the term of the contract. Because Medicare and Medicaid pays health care providers on a per procedure basis, it is not feasible at this time to determine if the proposed bill would result in an increase or decrease in the cost of these services.

Whatever the effect, because of the complexity of the Medicaid and Medicare compensation schedules, DOC and DJJ would need to contract with a third party administrator to process invoices from these private health care providers in accordance with the Medicaid/Medicare payment schedules. If the implementation of the bill would result in lower payments to these health care providers, it would likely be more difficult for DOC and DJJ to find private providers willing to provide health care to inmates on a part-time basis.

- **Hospitals**—For those inmates and juveniles who have medical emergencies or tertiary medical conditions that DOC and DJJ cannot treat at the correctional facilities, such as surgeries, the agencies use various local hospitals to treat these inmates. DJJ primarily uses Virginia Commonwealth University’s MCV Hospital. DOC also frequently uses MCV, but, for those correctional centers in other parts of the state, the agency has arrangements with other hospitals, as well. DOC and DJJ use a third-party administrator, Anthem, to administer these contracts. It is not feasible at this time to compare the amounts paid under these contracts with the costs allowed by Medicaid or Medicare. (Several years ago, when DOC began using a third-party administrator, the agency realized significant savings.) If the Medicaid and Medicare allowable costs are significantly below what DOC and DJJ are now paying these hospitals, the hospitals may be reluctant, or refuse, to continue accepting patients from the correctional facilities.
- **Prescriptions**—The state has a contract with a private company that fills drug prescriptions for inmates and juveniles in state correctional facilities. It is not feasible at this time to compare the costs paid under that contract for prescriptions with the amounts that Medicaid would allow for the same prescriptions or with the amounts allowed by the many insurance companies participating in the Medicare drug program.
- **Private health provider companies**—For several correctional centers, DOC contracts with two private companies to provide health care services to inmates. The doctors and nurses at each of those facilities are employees of one of the private companies, not state employees. Under the contracts, the companies are also responsible for prescription drugs and paying for off-site medical care such as hospital stays. Although it is not feasible at this time to conduct a detailed comparison of the costs of these contracts with the costs that would be allowed under Medicaid or Medicare, it is assumed that the costs under the contracts are higher.

If the proposed bill were enacted, DOC would likely not be able to find a private company willing to provide all health care services at a correctional facility for the equivalent of the costs that would be allowed under Medicaid or Medicare. Medicaid and Medicare allowable costs are lower than those allowed by private insurance companies. Health care providers who treat Medicaid and Medicare patients also have private insurance patients and the higher compensation received for treating those patients helps to make up for the lower amounts received from Medicaid or Medicare. A private prison health care company would not have the income from private insurance patients to offset lower Medicaid and Medicare rates. Therefore, no private company would likely be willing to contract with DOC to provide health care to prisoners at Medicaid or Medicare rates.

The proposed bill also would apply to local and regional jails and local detention homes. Although these are not state agencies, the state does reimburse localities for much of the cost of operating these facilities. Most of these facilities rely on private providers under contract to meet the health care needs of their prisoners and juveniles. The bill would likely have a greater impact on jails than it would on DOC and DJJ, because the jails are much smaller operations. They would need to hire third-party administrators to administer their health care payments, assuming that they would be able to find private providers willing to provide medical care to prisoners and juveniles and accept compensation at Medicaid or Medicare rates.

9. Specific agency or political subdivisions affected:

Department of Corrections
Department of Juvenile Justice
Local and regional jails
Local detention homes

10. Technical amendment necessary: None.

11. Other comments:

There is some uncertainty whether the proposed bill would be applicable to DJJ and local detention homes. Because the juveniles in these facilities are considered wards, they may not meet the definition of “prisoner” to which the bill is applicable.

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