

Department of Planning and Budget 2013 Fiscal Impact Statement

1. **Bill Number:** HB 1407

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:** Hope

3. **Committee:** Health, Welfare and Institutions

4. **Title:** Inmates; eligibility for medical assistance

5. **Summary:** The bill provides that a person who is in the custody of a state or local correctional facility and who meets the criteria for eligibility for Medicaid shall remain eligible for Medicaid while he is confined, but that no Medicaid services shall be furnished unless federal financial participation is available for the cost of the services provided. This bill also provides that such person shall be eligible for Medicaid services immediately upon release from a state or local correction facility and that, to the extent permitted by federal law, the time during which the person is confined to a state or local correctional facility shall not be included in any calculation of when the person's eligibility for medical assistance shall need to be recertified.

6. **Budget Amendment Necessary:** Yes, Item 310 (\$62,500 General Fund and \$187,500 nongeneral fund in FY 2014 for one-time administrative costs). Other costs/savings are already reflected in the Governor's introduced budget bill.

7. **Fiscal Impact Estimates:** Indeterminate. See Item 8.

8. **Fiscal Implications:** This bill would have a one-time administrative impact (\$62,500 general fund and \$187,500 federal) on the Department of Medical Assistance Services (DMAS). The Governor's introduced budget already includes the costs and savings from Medicaid coverage of inpatient hospital services for inmates of state correctional facilities. Item 7 indicates that the fiscal impact of this bill is indeterminate because of the potential impact of cost shifting of local inmate inpatient hospital costs from local governments to the state Medicaid program; however this impact cannot be determined. A discussion of each impact follows.

State Inmates

DMAS projects that the inpatient hospital costs of state inmates who meet the state's eligibility criteria for Medicaid would save the Department of Corrections (DOC) approximately \$2.8 million general fund in FY 2014 and approximately \$4.1 million general fund annually thereafter. Medicaid costs in Virginia are projected to increase \$1.4 million general fund in FY 2014 and \$2.1 million general fund annually thereafter. The Governor's introduced budget reflects the costs to Medicaid and savings within DOC's medical budget.

Therefore, there is no budgetary impact as a result of this bill providing coverage of inpatient hospital costs of state inmates.

The estimates of state inmate costs and savings of Medicaid coverage for inpatient hospital costs are based on an analysis of DOC claims, for FY 2012, representing all inpatient stays of inmates who were aged (65 years or older), pregnant, or on dialysis (assumed to be disabled). The FY 2012 payment amounts, inflated to 2014 costs, resulted in an estimated \$4.1 million of DOC expenditures eligible for Medicaid coverage. In the first year, DOC will still be paying provider claims on these inmates, due to payment lags, so DOC's savings are discounted by one-third and estimated at about \$2.8 million general fund.

DMAS estimates its payments for FY 2014 DOC claims will equal \$4.2 million (general fund cost of \$2.1 million). Just as DOC has a provider claims payment run out, it will take time for providers to start billing Medicaid. Assuming the same claims lag (one-third), DMAS would expect a general fund cost of about \$1.4 million in FY 2014.

The first year net savings to the Commonwealth of reducing the DOC budget by \$2.8 million, and increasing the DMAS budget by \$1.4 million, is \$1.4 million. The costs and savings of including state inmates in Medicaid for inpatient hospital services is reflected in the Governor's introduced budget.

Local Inmates

The bill also mentions local correctional facilities. If local jails make the effort to enroll local inmates in Medicaid for inpatient hospital services (otherwise funded by the local government), there will be an impact on the state general fund as Medicaid would cover those expenses. However, there is no information currently available to estimate how many inmates in local jails would meet Medicaid eligibility requirements or the potential magnitude of inpatient hospital services that these inmates cost local governments and would potentially shift to the state for payment through Medicaid.

Since the bill includes no provision requiring localities and regional jails to reimburse the state for the portion of the medical costs not reimbursed by Medicaid, the entire cost of the non-federal share would be borne by the state. In addition to this cost, there could be significant administrative costs to implement the inclusion of inmates in local and regional jails in Medicaid.

Administrative Impact

This bill requires continuous Medicaid eligibility while incarcerated. Current policy terminates eligibility upon incarceration. Maintenance of an active eligibility status while the individual is incarcerated invites issues related to fraud, waste and abuse. In order to allow someone to stay on the Medicaid rolls and be certain DMAS is not paying for services for which the incarcerated individuals are not eligible (except off-site inpatient

hospital services), DMAS would need to tag these individuals in some way. Therefore, the agency must make modifications to the MMIS, which is reason for the administrative impact on DMAS.

DMAS estimates that this bill would require modifications to the Medicaid Management Information System (MMIS) to ensure that an inmate's eligibility and payment is continuously identified and tracked. MMIS would be modified to: (1) identify, (2) prevent selection and assignment to managed care, and (3) prevent payment for services not eligible for Federal Financial Participation (FFP).

DMAS has calculated an estimated one-time administrative fiscal impact of \$250,000 (\$62,500 GF) in FY 2014 for modifications to MMIS. The estimate to complete this project is approximately 2,500 hours, which would be billed by DMAS' MMIS fiscal agent at a composite rate of \$100/hour. The 2,500 hours includes work in areas of assessment, design, coding, testing, documentation, and management/post-implementation monitoring. The FFP rate for this MMIS design and development work would be 75 percent federal and 25 percent general fund. All MMIS changes would be completed in FY 2014.

The proposal in the Governor's introduced budget recognizes that inpatient hospitalization is already available under Medicaid for inmates and reflects the funding shift from DOC to DMAS. It does not change the current policy of terminating enrollment during incarceration and would utilize retroactive eligibility determination for the hospital stay resulting in eligibility for a specific timeframe. Since this is an existing capability of MMIS, no modifications (or costs) are required to implement the Governor's budget proposal.

9. Specific Agency or Political Subdivisions Affected: Department of Medical Assistance Services, Department of Corrections, and local and regional jails.

10. Technical Amendment Necessary: No.

11. Other Comments: None.

Date: 1/18/13

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