F I S C A L I M P A C T R E P O R T

SPONSOR Stewart **ORIGINAL DATE** 02/06/13 **LAST UPDATED** **HB** 148

SHORT TITLE Corrections Health Care Savings **SB**

ANALYST Chenier

ESTIMATED ADDITIONAL OPERATING BUDGET IMPACT (dollars in thousands)

	FY13	FY14	FY15	3 Year Total Cost	Recurring or Nonrecurring	Fund Affected
Total						

(Parenthesis ( ) Indicate Expenditure Decreases)

SOURCES OF INFORMATION
LFC Files

Responses Received From
New Mexico Corrections Department (NMCD)
Pending response from Human Services Department (HSD)

SUMMARY

Synopsis of Bill

House Bill 148 requires the NMCD to implement clinical code editing technology for healthcare services that the department provides directly or through contract. The technology is meant to detect potential overbilling using protocols from the American Medical Association and the Centers for Medicare and Medicaid Services. The bill requires the department to apply clinical code editing technology after an initial adjudication. The bill also requires the department to implement healthcare claims audit and recovery services. House Bill 148 also requires the department to conduct automated reviews of claims after payment and lays out specific review items. Further, the bill requires the department to bill the state's Medicaid program to the extent possible. The bill mandates that the department fund technology for clinical code editing technology by entering into shared savings agreements with vendors. The remainder of the bill defines terminology used in the bill.

FISCAL IMPLICATIONS

The NMCD provided the following analysis:

In FY12, the NMCD had 70 inmates that spent 288 days in a hospital and three that were

admitted to the emergency room and later released. Based on the average cost and average length of a hospital stay from the Organization for Economic Cooperation and Development, the potential cost savings to the NMCD medical contract is $1.9 million. The average length of stay is 4.9 days and the average cost of a hospital stay is $33,079.

In Section 6, if the reference is for automation services, the implementation of a new system instead of leveraging one that already exists, the savings would come after implementation so the department will require an appropriation to design and implement a new system. If the reimbursements to the IT contractor are based on savings, it is possible that the NMCD might be able to convince the IT contractor to create an interface between the HSD system (MMIS) and our CMIS medical module when implemented or possibly even reduce its estimated cost for the medical module based on how much we save on the medical contract because of in-hospital stays covered by Medicaid. Mechanically, the NMCD will have to amend its medical contract for Medicaid-eligible inmates sent to the hospital and immediately require a more detailed invoice showing their cost for hospital stays.

Entering into a Memorandum of Understanding with the Human Services Department to have Medicaid pay for inmate hospital stays would allow the NMCD to reduce its medical contract since the medical vendor is the entity that pays for hospital stays and includes that amount in its costs.

The American Correctional Association (ACA) recommends that corrections departments should be aware that cost reductions expected from the use of Medicaid can be estimated but not assured, and that processes to achieve these savings can require many months to set up. Accordingly, department leaders should take steps, if possible, such that "expected savings" are not prematurely or erroneously removed from its budget.

SIGNIFICANT ISSUES

According to the National Conference of State Legislators the state can realize cost savings in the corrections budget using Medicaid for inmates in inpatient facilities for more than 24 hours if the individual is Medicaid eligible. Additional cost savings can be realized for those on parole, probation, and individuals living voluntarily in a facility. Mississippi, California, Delaware, Michigan, Oklahoma, Pennsylvania, and Arkansas are states that have programs for inmates on Medicaid.

The NMCD provided the following analysis:

Although not clearly stated, it is possible that the "state-of-the-art clinical code editing technology" refers to the electronic records module NMCD will be implementing as part of its larger criminal management information system. If instead the legislation is referring to a billing system, the legislation should require NMCD to enter into partnership with the Human Services Department to use its Medicaid billing system. This would accomplish two things. First, NMCD would not need to implement a separate system. A separate system would probably require NMCD to request an appropriation to cover the cost of the development and implementation of the system; and this system would have to be given less priority than NMCD's essential implementation of critical changes to its current system to ensure that inmate discharges and releases are done

appropriately. Second, NMCD would be able to leverage an existing system used by HSD for the same purpose. Moreover, HSD is the state agency responsible for Medicaid, and NMCD would be required to go through HSD regardless of whether there is state legislation in place or not.

The Adult Prisons Division and the Administrative Services Division will have to work with the Human Services Department Medicaid staff to draft an MOU that will include all the particulars on how to proceed.

The department will have to decide what reentry measures will be adopted. Where new functions will be adopted by corrections, such as enrolling or providing a way for inmates to enroll in coverage effective upon release or parole, work processes and resources will be required. A significant consideration will be how to make Internet access to the exchange available. Note that work required to enroll people in Medicaid is eligible for federal Medicaid matching funds.

OTHER SUBSTANTIVE ISSUES

The NMCD provided the following analysis:

The American Correctional Association (ACA) recommends developing mechanisms to access federal match and reduce the state's expense for inmate inpatient care. All DOCs should institute a method to collect these funds, so that in 2014 each can collect the substantial revenue available from this Medicaid expansion. ACA will issue a technical assistance document detailing the steps to engage Medicaid representatives and others in the state to enroll eligible inmates in Medicaid and collect federal matching funds for their hospitalizations and nursing home admissions.

North Carolina saved $11.5 million per year. The analysis by the North Carolina State Auditor found that the inpatient cost to the state for Medicaid-eligible inmates in 2008 – 2009 was $26.5 million for inmates without Medicaid versus $3.3 million for those with Medicaid. Additionally, to realize these savings, the NCDOC realized it would have to obtain or train Medicaid eligibility specialists and establish procedures to determine Medicaid eligibility for inmates and ensure that Medicaid eligibility was not terminated when inmates returned from medical institutions. Federal reimbursement is available to offset some of the administrative costs that the department may incur.

ALTERNATIVES

Require an MOU between NMCD and HSD to use the system and to notify HSD that an inmate has gone from inmate to in-patient status. The MOU with HSD would probably include the Attorney General's Office Medicaid Fraud Division would include the joint auditing of inmate in-hospital claims.

The NMCD provided the following amendments:

NEW SECTION. Sec. 3. The State shall implement a or leverage an existing state-of-the art clinical code editing technology solutions to further automate claims resolution and enhance cost containment through improved claim accuracy and appropriate code

correction. The technology shall identify and prevent errors or potential overbilling based on standardized medical service billing protocols such as those widely accepted and referenceable by the American Medical Association and the Centers for Medicare and Medicaid Services. The edits shall be applied automatically before claims are adjudicated to speed processing and reduce the number of pended or rejected claims and help ensure a smoother, more consistent and more open adjudication process and fewer delays in provider reimbursement.

NEW SECTION. Sec.5. The corrections department shall leverage any existing automated payment detection, prevention and recovery solutions to assure that Medicaid is billed for eligible inpatient hospital and professional services already in use by the human services department.

EC/bm