

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

PCB #: PCB CCJ 09-08 Inmate Medical Expenses

SPONSOR(S): Criminal & Civil Justice Appropriations Committee

TIED PCBs: **IDEN./SIM. PCBs:**

	REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
Orig. Comm.:	Criminal & Civil Justice Appropriations Committee		McAuliffe	Davis
1)				
2)				
3)				
4)				
5)				

SUMMARY ANALYSIS

The Department of Corrections (DOC) is required to refer inmates to community health care providers (e.g., hospitals, physicians, ambulatory surgical centers, etc.) for emergency inpatient and outpatient procedures when such procedures cannot be performed within DOC facilities. The DOC has been able to contract with many of these health care providers so that procedures are performed at a discounted or fixed price. However, DOC has not been able to contract with all of the health care providers that it uses.

This Proposed Committee Bill (PCB):

- Provides that if no contract for the provision of inmate medical services exists between the Department of Corrections (DOC) or a private correctional facility and a health care provider, compensation for such services may not exceed 110 percent of the Medicare allowable rate.
- Specifies that such compensation may not exceed 125 percent of the Medicare allowable rate if the health care provider reported to the Agency for Health Care Administration, through hospital-audited financial data, a negative operating margin for the previous year.
- Provides that if no contract for emergency medical transportation services exists between the DOC or a private correctional facility and an entity that provides emergency medical transportation services, compensation for such services may not exceed 110 percent of the Medicare allowable rate.

According to DOC, current year implementation of this provision will result in more than \$15 million savings to the state during this fiscal year.

The PCB conforms the law to the proposed General Appropriations Act to continue the \$15 million cost avoidance in the current year budget and eliminating the need for additional funding for health services requirements.

HOUSE PRINCIPLES

Members are encouraged to evaluate proposed legislation in light of the following guiding principles of the House of Representatives

- Balance the state budget.
- Create a legal and regulatory environment that fosters economic growth and job creation.
- Lower the tax burden on families and businesses.
- Reverse or restrain the growth of government.
- Promote public safety.
- Promote educational accountability, excellence, and choice.
- Foster respect for the family and for innocent human life.
- Protect Florida's natural beauty.

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. EFFECT OF PROPOSED CHANGES:

Background

The Department of Corrections (DOC) is required to refer inmates to community health care providers (e.g., hospitals, physicians, ambulatory surgical centers, etc.) for emergency inpatient and outpatient procedures when such procedures cannot be performed within DOC facilities. The DOC has been able to contract with many of these health care providers so that procedures are performed at a discounted or fixed price. However, DOC has not been able to contract with all of the health care providers that it uses.

The DOC reports that health care providers routinely give commercial and governmental entities significant discounted rates off billed charges – often more than 50% as such entities are reliable payors. Despite this industry standard, many health providers provide little or no discount to DOC when the department utilizes the services of a provider with which it does not have a contract. This leaves DOC vulnerable to the pricing of each non-contracted provider, resulting in higher costs and less predictability of future expenditures.¹

During the 2007-2008 fiscal year, the department spent over \$76 million on in-patient/out-patient hospitalization and emergency medical care for inmates. Proviso was added to the General Appropriations Act² during the 2008 legislative session that, in part, required the department to pay no more than 110 percent of the Medicare³ rate for services provided by hospitals licensed under ch. 395, F.S., or health care providers providing services at a hospital licensed under ch. 395, F.S., that the Department has no contract with. If the hospital licensed under ch. 395, F.S., reported a negative operating margin the previous year⁴, the department may pay up to 125 percent of the Medicare rate.

¹ Department of Corrections 2009 Analysis.

² L.O.F. 2008-152, line 786.

³ Medicare is a nationally known program and its reimbursement rates are widely accepted throughout the medical industry.

⁴ As reported to the Agency for Healthcare Administration through hospital audited financial data.

The department reports that this proviso has resulted in savings to the state, and anticipates cost avoidances of more than \$15 million in expenses for this fiscal year.⁵

Effect of the PCB

This PCB codifies much of the proviso language contained in the 2008 General Appropriations Act. Specifically, the PCB provides that if no contract for the provision of inmate medical services exists between the DOC or a private correctional facility and a health care provider, compensation for such services may not exceed 110 percent of the Medicare allowable rate. The PCB specifies that such compensation may not exceed 125 percent of the Medicare allowable rate if the health care provider reported to the Agency for Health Care Administration, through hospital-audited financial data, a negative operating margin for the previous year. Additionally, the PCB provides that if no contract for emergency medical transportation services exists between the DOC or a private correctional facility and an entity that provides emergency medical transportation services, compensation for such services may not exceed 110 percent of the Medicare allowable rate.

The PCB defines the term “health care provider” in accordance with s. 766.105, F.S.(3), and provides that the term “emergency medical transportation services” includes but is not limited to services rendered by ambulances, emergency medical services vehicles, and air ambulances.

B. SECTION DIRECTORY:

Section 1. Creates s. 945.6041, F.S., relating to inmate medical services.

Section 2. Provides an effective date of July 1, 2009.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

See “Fiscal Comments.”

2. Expenditures:

See “Fiscal Comments.”

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

None.

2. Expenditures:

None.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

Private health care providers who do not have a contract with DOC or a private prison, and who charge more than 110 percent of the Medicare allowable rate would be compensated less for their services.

D. FISCAL COMMENTS:

The DOC anticipates that the proviso language currently in effect will result in more than \$15 million savings to the state during this fiscal year. The PCB conforms the law to the proposed General

⁵ Department of Corrections 2009 Analysis.

Appropriations Act to continue the \$15 million cost avoidance in the current year budget and eliminating the need for additional funding for health services requirements.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

Not applicable because this bill does not appear to: require the counties or cities to spend funds or take an action requiring the expenditure of funds; reduce the authority that cities or counties have to raise revenues in the aggregate; or reduce the percentage of a state tax shared with cities or counties.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COUNCIL OR COMMITTEE SUBSTITUTE CHANGES