

# **Claiming Federal Reimbursement for Hospital Inpatient Services Received by Eligible Adult Inmate Patients and Other Health Care Services Received by Eligible Parolees**

## **FACT SHEET**

### **Background**

The California Department of Corrections and Rehabilitation (CDCR) currently uses 100 percent State General Fund (GF) to pay for inpatient hospital services received by state prison inmates in community hospitals. Federal law generally prohibits claiming Medicaid funds to reimburse for health care services provided to inmates residing in correctional facilities. However, this prohibition does not apply to inpatient hospital services provided to an inmate at a medical facility that is not located on the grounds of the correctional facility (i.e. a “community” hospital), if the inmate is otherwise eligible for Medicaid.

California has not sought available federal matching funds for these services, to the detriment of the GF. This proposal provides an opportunity to secure federal funds by establishing adult inmate eligibility not only for Medi-Cal but also for local county Coverage Expansion and Enrollment Demonstration (CEED) projects authorized under the federal section 1115 Medi-Cal Demonstration Waiver currently under negotiation with the federal government. The Department of Health Care Services (DHCS) and CDCR anticipate that adult inmates eligible for Medi-Cal are likely to be aged (over 65), disabled, or pregnant females, and those adult inmates that do not qualify for Medi-Cal and have incomes up to 133 percent of the federal poverty level will be eligible for the CEED projects. This proposal will provide further State GF savings by requiring local CEED projects to enroll eligible former inmates (parolees) and pay for those services that are currently paid by CDCR. There will be no net increase in county expenditures.

This proposal will also provide an opportunity for counties to realize savings in local county funds. Counties that currently cover 100 percent of the care of adult inmates incarcerated in county correctional facilities will be able seek federal reimbursement for expenditures incurred for inpatient services in “community” hospitals if they determine the inmates to be eligible for Medi-Cal or the local CEED projects. These counties will remain responsible for the non-federal share of the costs to serve county inmates eligible for Medi-Cal or CEED projects.

### **Eligibility and Enrollment of Adult State Inmates**

Under this proposal, CDCR will forward Medi-Cal eligibility applications to DHCS for inmates requiring inpatient services in “community” hospitals. The inmates must be adults incarcerated in State correctional facilities. DHCS staff will review the applications to determine eligibility for Medi-Cal or local CEED projects. If the inmates are Medi-Cal eligible, DHCS staff will enroll them in Medi-Cal for purposes of receiving hospital inpatient benefits. If the inmates are ineligible for Medi-Cal, DHCS will determine whether their county of last legal residence

participates in a CEED project, whether they have income up to 133 percent of federal poverty level and whether they meet other local CEED eligibility criteria for enrollment in the local CEED project. DHCS staff will notify local CEED projects of the newly eligible inmates and request them to complete the enrollment process for purposes of receiving hospital inpatient benefits. CEED projects will be mandated to enroll these eligible inmates.

#### Payment Processes for Services Received by Adult State Inmates

The “community” hospitals will submit inpatient claims to the DHCS fiscal intermediary (FI) for Medi-Cal eligible inmates. The FI will process the claim at the hospital’s Medi-Cal rate. The State Controller’s Office will pay the processed claim, and DHCS will draw down federal matching funds.

The “community” hospitals will submit inpatient hospital claims to the local CEED project for CEED eligible inmates. The county will pay the claim at the same rate negotiated by CDCR. The county will certify the expenditure and obtain federal reimbursement through the federal Section 1115 Demonstration Waiver and will also receive reimbursement from CDCR for the non-federal share of the payment. This will ensure that the county does not incur any net increase in expenditures as a result of enrolling state inmates in the CEED project.

#### Parolees

Counties must enroll eligible former adult state inmates (parolees) in local CEED projects. Under this mechanism, counties will pay for services currently paid by CDCR, and similar to CEED eligible state inmates, they will be able to claim federal reimbursement from CMS and obtain reimbursement from CDCR for the nonfederal share. This results in no net increase to county expenditures and helps the State achieve additional savings for services previously paid by CDCR using 100 percent State GF.

#### Adult County Inmates

This proposal will also provide an opportunity for county budget savings. The counties currently pay for all of the hospital inpatient costs incurred on behalf of adult inmates incarcerated in county correctional facilities. Under this proposal, Counties will be able to determine Medi-Cal and CEED eligibility for county inmates requiring inpatient services at “community” hospitals. Counties can enroll these eligible adult county inmates in Medi-Cal or local CEED projects and claim federal reimbursement for “community” hospital inpatient claims paid for services rendered to these individuals. This proposal prevents a cost shift to the State by requiring counties to continue to pay the non-federal share.

## Budget Savings

This proposal will require a change in budget authority to reflect the budget savings for CDCR and the Medi-Cal expenditures and federal claiming in the DHCS budget. The amount of federal funds that DHCS claims on behalf of the Medi-Cal eligible and CEED eligible state inmates and CEED eligible former inmates represents the amount of State GF savings the State will realize under this proposal.

### ***The Trailer Bill language:***

- Authorizes the Medi-Cal program and the CEED projects to claim federal reimbursement for the costs of providing inpatient hospital services to adult Medi-Cal or CEED eligible inmates in State correctional facilities when those services are provided at a “community” hospital that is off the grounds of the correctional facility.
- Mandates counties seeking participation in CEED projects to reimburse “community” hospitals for inpatient hospital services provided to adult state inmates that are CEED eligible.
- Mandates counties seeking participation in CEED projects to enroll and serve former adult inmates (parolees) that are otherwise eligible for such CEED projects.
- Gives counties the option to seek federal reimbursement from the Medi-Cal program or from the CEED project in which the county participates, for the provision of inpatient “community” hospital services to adult inmates involuntarily detained or incarcerated in county correctional facilities.
- Gives DHCS the option to determine eligibility for Medi-Cal and CEED and to process the Medi-Cal applications and disenrollments for adult state inmates in lieu of the counties.
- Requires DHCS and the CDCR to develop a reimbursement process to allow counties to be reimbursed for any uncompensated county expenditure incurred by the CEED projects including the nonfederal share of any reimbursement made for the provision of inpatient hospital services rendered to inmates under the CEED projects and services provided to adult former state inmates that would have otherwise been paid by CDCR.
- Requires CEED projects to reimburse “community” hospitals serving CEED eligible adult state inmates at the rates paid to such hospitals by CDCR prior to enactment of the statute as adjusted under State law or CDCR’s contracts.
- Limits the effect of statute only to the extent that all necessary federal approvals are obtained and federal financial participation is available and is not jeopardized.
- Limits implementation only to the extent funding is appropriated in the State Budget.
- Authorizes DHCS to implement this new policy by means of All County Welfare Directors Letters in lieu of formally promulgated regulations.

## **Benefits of this proposal**

In FY 2008-09, CDCR spent \$258.9 million GF on inpatient hospital services for inmates admitted to a “community” hospital or similar facility located off the grounds of the State correctional facility. Currently, CDCR pays for these services with 100 percent GF dollars. Given the severe budget challenges the State is currently experiencing, this level of reimbursement is not sustainable. This proposal would enable the State to claim federal reimbursement at the allowable Federal Medical Assistance Percentage for the costs of Medi-Cal and CEED covered inpatient hospital services provided off the grounds of the correctional facility to adult inmates and would result in significant savings to the State. This proposal provides a similar arrangement for the State to realize services received by former inmates and for which CDCR currently pays.

California counties are experiencing fiscal challenges similar to the State. This proposal provides counties with an opportunity to claim federal reimbursement for county borne costs associated with providing hospital inpatient services to adult inmates incarcerated in county correctional facilities.

DHCS will require 20 positions to implement this proposal, which results in workload associated with determining eligibility for the state inmates and administering this program. CDCR will provide the financial resources for this staffing through an interagency agreement with DHCS; however, the savings realized by the State through claiming of federal reimbursement will far exceed the cost of the additional DHCS staff.