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Medicaid expansion seen covering nearly all state prisoners

By Christine Vestal, Stateline Staff Writer

The federal health law's zontroversial Medicaid expansion is expected to add billions to states' already overburdened Medicaid budgets. But it also offers a rarely discussed cost-cutting opportunity for state corrections agencies. Starting in 2014, virtually all state prison inmates could be eligible for Medicaid coverage of hospital stays—at the expense of the federal government.

In most states, Medicaid is not an option for prison inmates. But a little known federal rule allows coverage for Medicaid-eligible inmates who leave a prison and check into a private or community hospital. Technically, those who stay in the hospital for 24 hours or more are no longer considered prison inmates for the duration of their stay.

Here's how it works:

Under the 1965 law that created Medicaid, anyone entering a state prison lost Medicaid eligibility. The same went for people who entered local jails, juvenile lock-ups and state mental institutions. The reasoning was that states and local governments had historically taken responsibility for inmate health care so the federal-state Medicaid plan was not needed.

But an exception to that general rule opened up in 1997 when the U.S. Department of Health and Human Services wrote to state Medicaid directors saying inmates who leave state or local facilities for treatment in local hospitals can get their bills paid by Medicaid, if they are otherwise eligible. In addition to the incarcerated, those on probation or parole or under house arrest were among those who could participate.

Still, most state prisoners do not qualify for Medicaid. That's because all but a few states limit Medicaid to low-income juveniles, pregnant women, adults with disabilities and frail elders. The majority of people in lock-ups are able-bodied adults who do not qualify, even on the outside. In 2014, however, when Medicaid is slated to cover some 16 million more Americans, anyone with an income below 133 percent of the federal poverty line will become eligible. Since most people have little or no income once they are incarcerated, virtually all of the nation's 1.4 million state inmates would qualify for Medicaid.

As a bonus to state corrections agencies, most inmates would be considered new to Medicaid, making them eligible for 100 percent coverage by the federal government between 2014 and 2019. After that, states would be responsible for only 10 percent of their coverage. In addition, state health insurance exchanges—which are required to be functioning by 2014—would make it easier for corrections departments to sign inmates up for the program.

Few adopters

The 1997 ruling meant that even though a limited number of inmates would qualify, state corrections agencies could save millions in hospitalization costs because most hospital fees are lower for Medicaid patients and the federal government pays from 50 to 84 percent of the bill. The problem was, few corrections agencies heard

about the ruling. As a result, it took more than a decade for any state to take Washington up on its offer. “There has been a lot of confusion and misunderstanding about inmate Medicaid reimbursements” says Donna Strugar-Fritsch, a consultant with Health Management Associates who has been working with states to help them take advantage of the program.

Even among corrections officials who did find out about the opportunity, many were reluctant to talk to Medicaid officials about the complex law, she says. Another barrier has been that many hospitals oppose the idea because it means lower fees for patients they are already serving.

So far, only Louisiana, Mississippi, Nebraska, North Carolina, Oklahoma and Washington State have taken advantage of the ruling. California is preparing to launch a statewide reimbursement program this year. Alabama, Michigan, New Jersey and Utah are studying the idea.

Mississippi was among the first to make the change. Launched in 2009, its program has already saved the state $10 million in inmate health care costs, says corrections commissioner Christopher Epps. The cost reduction comes partly from lower hospital fees and partly because 84 percent of the state’s Medicaid bills are paid by the federal government.

Dr. Gloria Perry, the chief medical officer for the Mississippi prison system, says her agency heard about the cost-cutting measure from a health care vendor looking for business in the state. The agency then verified the legality of the procedure with the state Medicaid office and quickly created a reimbursement program. No state laws or appropriations were required.

Using existing employees, Mississippi developed an internal system for signing up inmates and making sure hospital bills were paid by the Medicaid office. Corrections staff also met with hospital administrators to explain the change. “One or two hospitals were initially reluctant,” she says. But they are all cooperating now and submitting bills directly to the state Medicaid office for payment.

Out of 21,000 inmates in Mississippi, 242 have been approved for the program, and Medicaid reimbursements have paid for 2,088 days in the hospital. Perry says the most common reasons for hospitalization are childbirth, and treatment of cancer, liver and heart disease.

North Carolina launched a reimbursement program this year that includes all of the state’s 40,000 prison inmates. According to a 2010 auditor’s report, the state corrections agency is likely to shave about $12 million from its $160 million annual health care bill by requiring hospitals and skilled nursing facilities to seek payment directly from Medicaid.

California, with about 160,000 inmates, is likely to be the next state to launch a Medicaid inmate reimbursement program. Corrections officials say they expect to have an enrollment system up and running by the end of the year. The state also plans to use Medicaid to fund hospital stays for some 6,000 inmates of state mental institutions. In 2014, of course, virtually all of the state's incarcerated will qualify for Medicaid-covered hospital stays.

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