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Memorandum

TO: Representative Wes Keller
FROM: Chuck Burnham, Legislative Analyst
DATE: February 20, 2012
RE: Medical Costs and Medicaid Eligibility for Alaska Inmates
LRS Report 12.181

You asked us to estimate the cost to the state of providing healthcare for Alaska inmates. You also wanted to know how much could be saved if inmates who qualified for Medicaid at the time of incarceration were permitted to continue receiving benefits under that program.

In his fiscal year (FY) 2013 operating budget, Governor Parnell has requested \$34.66 million to fund the healthcare costs of inmates.¹ This marks an increase of roughly 9.1 percent over the FY 2012 budget request, which likely reflects growth in both the cost of healthcare and the prisoner population.²

We contacted the Alaska Department of Corrections (DOC) for assistance in determining what proportion of inmates was eligible for Medicaid at the time of their incarceration.³ According to Administrative Services Division Director April Wilkerson, the DOC does not collect such information on a consistent basis.⁴ We were unable to locate a source for either the extent of Medicaid eligibility among Alaska prisoners or data on average income levels for prisoners, from which we may have been able to extrapolate a reliable estimate of eligibility rates.

In the absence of solid data, we can only speculate on the number of Medicaid eligible prisoners using information on program participation rates for the Alaska population overall. According to the Kaiser Family Foundation, in 2010 approximately 17 percent of Alaskans qualified for Medicaid.⁵ Although we find it likely that qualification rates among inmates would be higher than that of the population at large, we can nonetheless use the 17 percent figure as the minimum portion of incarcerated individuals that were eligible for Medicaid benefits at the time they were jailed. By applying that proportion to the total inmate healthcare costs, we can speculate that roughly \$6 million of the FY2013 budget request is for prisoners who would otherwise be likely to qualify for Medicaid.⁶ Under current Federal Medical Assistance Percentages (FMAP), which establish Medicaid reimbursements to states, Alaska receives 50 percent of eligible costs from federal coffers.⁷ Therefore, assuming our speculations are reasonably accurate, the total savings that would accrue were inmates eligible for Medicaid in 2013 is roughly \$3 million.

Clearly, our estimate above is highly speculative in not only the proportion of eligible inmates, but also in assuming that those prisoners' health costs are, on average, equivalent to those of other inmates. Nonetheless, we find it likely that this method

¹ The overall cost is comprised of \$1,964,500 for behavioral healthcare and \$32,690,600 for physical healthcare. The operating budget is being considered as HB 284.

² Current inmate population figures are not yet available; however, between January 2008 and December 2010, the average monthly number of Alaska prisoners increased approximately 7.3 percent, from 5,344 to 5,743, including nearly one thousand housed in correctional facilities out-of-state. We are aware of nothing suggesting that the upward trend will be reversed in the current year. More information on prisoner numbers and demographics is available from the Alaska Department of Corrections at <http://www.correct.state.ak.us/corrections/admin/docs/profile2010.pdf>.

³ That prisoners can receive Medicaid benefits under certain circumstances if otherwise eligible is a result of a rule promulgated in 1997 by the U.S. Department of Health and Social Services; however, few states have taken advantage of this rule and, like Alaska, keep inmates ineligible under state law.

⁴ Occasionally, healthcare providers discuss with inmates what benefits they have or will be eligible for upon release; however, this sort of anecdotal information is insufficient for purposes of extrapolating overall Medicaid eligibility. Ms. Wilkerson can be reached at 907-465-3460.

⁵ <http://www.statehealthfacts.org/profileglance.jsp?rgn=3&rgn=1>.

⁶ As you know, 7 AAC 100.068 makes individuals residing in public institutions ineligible for Medicaid.

⁷ Current FMAP rates are available online at <http://aspe.hhs.gov/health/fmap.htm>.

can be used to generate a plausible range of potential savings incurred should Medicaid be opened to prisoners through this simple formula:

$$\text{Percentage of eligible inmates} \times \text{total inmate healthcare costs} \times \text{FMAP}$$

Or, in our calculation:

$$0.17 \times \$34.66 \text{ million} \times 0.50$$

Using this formula, one can produce estimates based on a range of eligibility levels. For instance, if we assume that one-third of prisoners were Medicaid eligible at the time of their respective incarcerations, the calculation would be as follows:

$$0.33 \times \$34.66 \text{ million} \times 0.50 = \$5.72 \text{ million}$$

Although we hesitate to put too fine a point on this speculation, if we assume eligibility rates among inmates ranges from that of the general population—17 percent—to a rate more than twice that level, say 40 percent, the range of savings available from opening Medicaid benefits to Alaska inmates is roughly \$3 million to \$7 million for FY2013. It is important to note, however, that this discussion may well be largely moot beginning in 2014.

Inmate Healthcare under the Affordable Care Act

Assuming that the federal Department of Health and Social Services does not alter its interpretation of the Patient Protection and Affordable Care Act (P.L. 111-148), Section 2001(a)(3) of the law will extend Medicaid to all Americans under age 65 with income below 133 percent of the federal poverty limit. That section further provides that states will be reimbursed for “newly eligible individuals” for 100 percent of eligible costs in the first three years, 2014-2016, after which reimbursement will slowly decrease to 90 percent for 2020 and subsequent years. Should this section be enacted as written, it appears that the inmate healthcare budget in Alaska and other states could be reduced dramatically.⁸

We hope this is helpful. If you have questions or need additional information, please let us know.

⁸ Full text of the federal Act is available at <http://housedocs.house.gov/energycommerce/ppacacon.pdf>. A helpful article on the coverage of inmates under the Act was recently published in *Governing* magazine online (<http://www.governing.com/blogs/politics/Medicaid-Expansion-Covering-Nearly-All-State-Prisoners.html>.)