

**Department of Legislative Services**  
Maryland General Assembly  
2014 Session

**FISCAL AND POLICY NOTE**

Senate Bill 279

(Senator Jones-Rodwell)

Finance

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**Correctional Services - Inmate Health Care Services - Billing**

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This bill requires the Department of Public Safety and Correctional Services (DPSCS) to implement “clinical code editing technology” to automate claims resolution and enhance cost containment for inmate health care services. The technology must identify and prevent errors or potential overbilling using widely accepted protocols developed by entities such as the American Medical Association. DPSCS must automatically apply this technology to claims before they are adjudicated to achieve (1) faster claims processing; (2) a reduction in the number of pending or rejected claims; (3) an efficient, consistent, and transparent claims resolution process; and (4) the prevention of delays in health care provider reimbursement. The bill also establishes provisions related to health care claims audits, claims review, payment recovery, and the use of a vendor.

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**Fiscal Summary**

**State Effect:** Potential significant increase in general fund expenditures. Although it is assumed that this bill does not require the State to secure a contract for “clinical code editing technology” (by that name) to run concurrently with its current contract for similar services, to the extent the bill requires DPSCS to do so, general fund expenditures increase significantly.

**Local Effect:** None.

**Small Business Effect:** None.

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## Analysis

**Bill Summary:** “Clinical code editing technology” is defined as medical codes and conventions that provide a basis for reconciling a medical claim submitted by a health care provider with the treatment prescribed by a health care provider.

The bill’s provisions apply to:

- health care services provided to inmates confined in a State correctional facility;
- State contract managed health care services provided to inmates in a State correctional facility; and
- health care systems managed and operated by DPSCS or a vendor under contract with DPSCS.

DPSCS must implement health care claims audit and recovery services to:

- identify payments that DPSCS determines to be improper based on nonfraudulent issues;
- audit claims;
- obtain health care provider review of audit results; and
- recover payments that DPSCS has identified as overpayments.

DPSCS must conduct an automated review of claims after payment to ensure that diagnoses and procedure codes are accurate and valid. The review may include a review of coding compliance for diagnosis-related groups, patient transfers, patient readmissions, cost outliers, payment errors, and billing errors.

DPSCS may contract with a vendor to implement the required technology based on the following reimbursement models:

- a percentage of achieved savings model;
- a per-beneficiary per month model;
- a per-transaction model; or
- a case-rate model.

Reimbursement models with a vendor may include performance guarantees on behalf of the vendor to ensure that the savings identified exceed program costs.

The bill also states that it is the intent of the General Assembly to (1) implement automated payment detection, prevention, and recovery solutions that reduce health care

costs for inmates confined in a State correctional facility; (2) implement processes to obtain reimbursement from Medicaid for eligible inmate health care costs; and (3) use the savings achieved from implementation of the bill's requirements to fund the mandated technology services required under the bill.

**Current Law/Background:** On November 7, 2011, DPSCS and the Department of Human Resources jointly submitted the *Joint Chairmen's Report on Medicaid-eligible Inmate Population*. DPSCS was able to determine, through review of federal Medicaid laws and regulations, that inmates in a public institution are ineligible for Medicaid care, *except* when the patient is in a medical institution. Several states have effectively collected some Medicaid reimbursements, including Arizona, Illinois, Louisiana, Mississippi, and Nebraska. DPSCS estimates that receiving Medicaid reimbursement for eligible inmates could result in \$1.8 million in potential annual savings. The fiscal 2013 allowance for inmate healthcare services was reduced by \$250,000 from the department's funding request to reflect potential Medicaid reimbursement.

Currently, DPSCS shares inmate data with Medicaid, and individuals enrolled in a managed care organization are automatically disenrolled upon incarceration and their for-service eligibility remains open. The Medicaid program covers inpatient hospitalization services for Medicaid-eligible DPSCS inmates. Although procedures vary slightly depending on whether the admission is planned, due to an emergency, or the continuation of inpatient services when a patient has been committed to DPSCS during their hospital stay, hospitals must check the Medicaid Eligibility Verification System to determine if an inmate is eligible for Medicaid coverage. If the inmate has coverage, the hospital is responsible for following the appropriate utilization review process to ensure coverage of the care.

DPSCS already seeks out reimbursement for eligible costs from Medicaid which are minimal. DPSCS provides the majority of medical services, especially now that the agency has a dedicated hospital wing for inmates at Bon Secours Hospital.

According to the National Conference of State Legislatures, several states have introduced similar initiatives, including California, Michigan, New Hampshire, New Jersey, New York, North Carolina, and West Virginia. However, not all of the legislation was limited to inmate health care costs.

**State Fiscal Effect:** DPSCS advises that the services and outcomes required under the bill are already supplied under an existing contract, such as identification of billing deficiencies, detecting overpayments, and recovering monies from Medicaid eligible inmates. The current contract with Wexford Health Sources has a utilization component, which maximizes the number of services for the cost, ensures billing accuracy, and is incentivized by the State's contract to recover Medicaid expenses. All savings recovered

under the existing contract are being invested in telemedicine services for inmates. The Wexford contract was approved by the Board of Public Works on May 2, 2012, and runs through June 30, 2017.

DPSCS further advises that a second and concurrent contract to provide the same services currently provided by Wexford Health Sources could increase general fund expenditures significantly, thus reducing the overall savings anticipated under the current contract.

Although it is assumed, for purposes of this fiscal and policy note, that the bill does not require DPSCS to secure an additional contract for “clinical code editing technology,” to the extent such a contract is required, general fund expenditures increase significantly.

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### **Additional Information**

**Prior Introductions:** HB 1242 of 2013 was referred to the House Appropriations Committee, but subsequently withdrawn.

**Cross File:** None.

**Information Source(s):** Department of Budget and Management, Department of Health and Mental Hygiene, Department of Public Safety and Correctional Services, National Conference of State Legislatures, Department of Legislative Services

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