

STATE OF ARIZONA

## Joint Legislative Budget Committee

STATE  
SENATE

JOHN KAVANAGH  
VICE-CHAIRMAN  
LELA ALSTON  
KEN BENNETT  
SONNY BORRELLI  
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### JOINT LEGISLATIVE BUDGET COMMITTEE

Thursday, November 9, 2023

1:00 P.M.

Senate Hearing Room 1

#### MEETING NOTICE

- Call to Order
- [Approval of Minutes of October 10, 2023.](#)
- 1. [ARIZONA DEPARTMENT OF CORRECTIONS - Review of Inmate Healthcare Contract Rates.](#)

The Chairman reserves the right to set the order of the agenda.

11/03/2023

KP

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.



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## MINUTES OF THE MEETING

### JOINT LEGISLATIVE BUDGET COMMITTEE

October 10, 2023

The Chairman called the meeting to order at 9:36 a.m., Tuesday, October 10, 2023, in Senate Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman Senator Alston Senator Borrelli Senator Diaz Senator Fernandez	Representative Livingston, Chairman Representative Austin (Temporary member) Representative Biasiucci Representative Carter Representative Gress Representative Salman Representative Schwiebert
Absent:	Senator Bennett Senator Hoffman Senator Mesnard	Representative Chaplik

### APPROVAL OF MINUTES

Senator Kavanagh moved that the Committee approve the minutes of June 13, 2023. The motion carried.

### CONSENT AGENDA

The following items were considered without further discussion:

#### EXECUTIVE SESSION - Arizona Department of Administration (ADOA) – Risk Management Annual Report.

This item was for information only and no Committee action was required. Rule 14 for the Joint Legislative Budget Committee (JLBC) requires ADOA to provide a Risk Management Annual Report to the Committee.

(Continued)

The Committee requested that future annual reports continue to include the following information:

- Status of open claims and lawsuits.
- Status of claims and lawsuits reported on the prior year annual report.
- Total number of claims and lawsuits filed with Risk Management during the prior fiscal year.
- Total settlement and judgment costs during the prior fiscal year.
- Number of liability settlements greater than the JLBC level and cost of each settlement.
- Number of liability cases taken to trial by Risk Management categorized by:
  - Number of verdicts for the state with detail of the associated judgment amounts.
  - Number of verdicts against the state with detail of the associated judgment amounts.
- Projected Risk Management Fund balance.
- Proposed changes to state insurance coverage, state statutes, and claim procedures.

The Chairman also requested that the report include a comparison of these data points to the prior year.

**2. ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2024 Tuition Revenues.**

An FY 2024 General Appropriation Act footnote requires Committee review of ABOR's expenditure plan for all projected FY 2024 tuition and fee revenues by expenditure category. The JLBC Staff provided options.

**3. DEPARTMENT OF EDUCATION (ADE) - Review of K-12 Broadband Connectivity Projects.**

A.R.S. § 15-249.07 requires Committee review of ADE's annual report on K-12 broadband connectivity construction projects. The JLBC Staff provided options.

**4. DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Expenditure Plan for the Gang and Immigration Intelligence Team Enforcement Mission (GIITEM) Border Security and Law Enforcement Subaccount.**

A.R.S. § 41-1724G and A.R.S. § 41-1724H requires Committee review of the DPS FY 2024 expenditure plan for the GIITEM Border Security and Law Enforcement Subaccount prior to expenditure. DPS requested review of \$1,346,400 of the \$2,396,400 FY 2024 appropriation to fund 3 existing programs: Detention Liaison Officer Program (\$458,300), Border County Officers Program (\$538,100), and Pima County Border Crimes Unit (\$350,000). The JLBC Staff provided options and a potential provision:

- A. *DPS shall report to the Committee prior to implementing any changes to the proposed FY 2024 allocation of the grants.*

**7. ARIZONA DEPARTMENT OF ADMINISTRATION/AUTOMATION PROJECTS FUNDS - Review of FY 2024 Judiciary Projects.**

A.R.S. § 41-714 requires Committee review prior to any monies being expended from ADOA's Automation Projects Fund (APF). ADOA requested Committee review of \$3,270,000 for replacement of the Arizona Supreme Court case management system and \$2,500,000 to implement a smartphone application to track and contact probationers. The JLBC Staff provided options.

(Continued)

**8. AHCCCS/DEPARTMENT OF ECONOMIC SECURITY (DES) - Review of Capitation Rate Changes for Plan Year 2024.**

An FY 2024 General Appropriation Act footnote requires Committee review of state Medicaid agencies' proposed changes in capitation rates. AHCCCS requested review of proposed capitation rate changes for CYE 2024 (October 2023 - September 2024) for AHCCCS and the DES Arizona Long Term Care System (ALTCS) program. The JLBC Staff provided options.

Senator Kavanagh moved that the Committee give a favorable review of consent agenda items 2, 3, 4, 7, 8 and the Executive Session item on the Risk Management Annual Report with the JLBC Staff provisions. The motion carried.

**EXECUTIVE SESSION - Arizona Department of Administration, Risk Management Services - Consideration of Proposed Settlements under Rule 14.**

Senator Kavanagh moved that the Committee go into Executive Session. The motion carried.

At 9:37 a.m. the Joint Legislative Budget Committee went into Executive Session.

Senator Kavanagh moved that the Committee reconvene into open session. The motion carried.

At 10:53 a.m. the Committee reconvened into open session.

Senator Kavanagh moved that the Committee approve the recommended settlements proposed by the Attorney General's office in the cases of:

1. *Maria Martinez v. State of Arizona.*
2. *Ciara Eades v. State of Arizona*
3. *Barry and Elizabeth Meeks v. State of Arizona*
4. *Armando Banuelos v. Xavier Altamirano, et al.*
5. *Claim of Kathleen Meixner*

The motion carried.

**REGULAR AGENDA**

**1. ATTORNEY GENERAL (AG) - Review of Opioid Settlement Expenditure Plan.**

Mr. Gordon Robertson, JLBC Staff, stated A.R.S. § 44-1531.02C requires Committee review of the Attorney General expenditure plan for monies from the Consumer Remediation of the Consumer Restitution and Remediation Revolving Fund. The Attorney General requested review of \$12,000,000 in opioid settlement proceeds appropriated from the subaccount in the FY 2024 budget for a competitive grant program operated by rural county governments. The JLBC Staff provided options.

Krista Greece, Yavapai Sheriff's Office, responded to member questions.

Beye Thayer, Yavapai Sheriff's Office, responded to member questions.

William Ponzio, La Paz Sheriff's Office, responded to member questions.

(Continued)

Senator Kavanagh moved that the Committee give a favorable review of the following expenditure plan:

1. \$11,500,000 of grant monies may only be distributed to counties that established a coordinated reentry planning services program within a county jail pursuant to A.R.S. § 11-392 on or before June 30, 2023, subject to the following provisions:
  - A. The Attorney General shall allocate no more than \$3,000,000 to an individual grant recipient and shall encumber the funds prior to June 30, 2024.
  - B. Grant recipients shall expend all grant monies on or before June 30, 2025.
  - C. Grants allocated under this section shall supplement and not supplant any existing local funds allocated to coordinated reentry planning services programs.
  - D. Grant recipients shall collaborate with local law enforcement agencies participating in the coordinated reentry planning services program in determining expenditures of grant award monies.
  - E. When requesting Committee review of any opioid settlement monies in future years, the Attorney General shall submit information on the outcomes of each awardee's program, including recidivism rates within the program.
2. \$500,000 of grant monies shall be distributed to child and family advocacy centers pursuant to A.R.S. § 8-466 that are governmental entities. These grants shall only be distributed to governmental entities that received an allocation in state fiscal year 2023 from the Child and Family Advocacy Center Fund established in A.R.S. § 41-191.11. The grant awards for each recipient shall be no more than \$65,000.

Representative Salman requested a roll call vote. The motion passed by a roll call vote of 9-3-0. (Attachment 1)

#### **5. SECRETARY OF STATE (SOS) - Review of Help America Vote Act (HAVA) Expenditure Plan.**

Ms. Micaela Larkin, JLBC Staff, stated an FY 2024 General Appropriation Act footnote requires Committee review of the SOS expenditure plan for HAVA project monies. SOS requested review of \$4,881,000. The JLBC Staff provided options.

Senator Kavanagh moved that the Committee give a favorable review of the following expenditure plan:

1. \$3,137,900 for county distributions:
  - a. \$2,760,800 for distribution to counties for election security grants (\$50,000 for each county with the remainder to be allocated based on the proportion of registered voters). These monies shall only be expended on election security purposes as defined by federal law, but shall not be utilized for: 1) The operation or installation of ballot drop boxes; 2) The operation of voting centers; 3) Information campaigns based on the specific party registration or age of voter; and 4) Election workforce programs established with a university or community college.
  - b. \$377,100 for distribution to counties to pay their share of AVID costs, with this amount distributed in each of FY 2024, FY 2025, and FY 2026 to the 12 smallest counties by population. The Secretary of State shall charge the counties listed below the following amounts for their share of AVID costs in each of FY 2024, FY 2025, and FY 2026 to be paid with county funds:

(Continued)

- *Maricopa County: \$383,800*
  - *Pima County: \$100,700*
  - *Pinal County: \$39,800*
2. *\$526,400 for 2 SOS Initiatives*
    - a. *\$359,900 for the Secretary of State to upgrade the My.Arizona.Vote state elections portal as described in the agency request.*
    - b. *\$166,500 for the Secretary of State to pay for the state share of additional state AVID costs in FY 2024.*

As further clarification, the total county distributions under 1(b) for each of FY 2024, FY 2025, and FY 2026 is \$125,700, which represents the annual AVID costs for the 12 smallest counties by population. The \$377,100 represents the cumulative amount of \$125,700 for each of those 3 years.

The motion carried.

#### **6. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2024 Vacancy Savings Reallocation.**

Mr. Geoff Paulsen, JLBC Staff, stated an FY 2024 General Appropriations Act footnote requires Committee review of the ADC expenditure plan for monies appropriated for Personal Services and Employee Related Expenditures (ERE) on anything other than Personal Services or ERE. ADC requested review of the department to spend a total of \$4,263,000 as follows:

- a. \$1,664,000 for food
- b. \$553,400 for pest control
- c. \$491,500 for enhanced sanitation supplies
- d. \$39,000 for tablet application deployment
- e. \$1,535,100 for correctional officer uniform allowance

The JLBC Staff provided options.

Ryan Thornell, Director, Department of Corrections, responded to member questions.

Senator Kavanaugh moved that the Committee give a favorable review to the reallocation. The motion carried.

Without objection, the meeting adjourned at 12:10 p.m.

Respectfully submitted:

*Kristy Paddack*

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Kristy Paddack, Secretary

*Richard Stavneak*

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Richard Stavneak, Director

*David Livingston*

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Representative David Livingston, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <https://www.azjlbc.gov/jlbc-meetings/>.

## JOINT LEGISLATIVE BUDGET COMMITTEE

Meeting Date: October 10, 2023

**ITEM #1: Attorney General – Opioid Settlement Plan**  
**MOTION: Favorable Review**

**ITEM #:**  
**MOTION:**

	PRESENT	ABSENT	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON	X			X			
REP AUSTIN – Temp member	X				X		
REP. BIASIUCCI	X			X			
SEN. BENNETT		X					
SEN. BORRELLI	X			X			
REP. CARTER	X			X			
REP. CHAPLIK		X					
SEN. DIAZ	X			X			
SEN. FERNANDEZ	X			X			
REP. GRESS	X			X			
SEN. HOFFMAN		X					
SEN. MESNARD		X					
REP. SCHWIEBERT	X				X		
REP. SALMAN	X				X		
SEN. KAVANAGH	X			X			
REP. LIVINGSTON	X			X			
<b>TOTALS</b>	<b>12</b>	<b>4</b>		<b>9</b>	<b>3</b>		

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					
REP AUSTIN – Temp member					
REP. BIASIUCCI					
SEN. BENNETT					
SEN. BORRELLI					
REP. CARTER					
REP. CHAPLIK					
SEN. DIAZ					
SEN. FERNANDEZ					
REP. GRESS					
SEN. HOFFMAN					
SEN. MESNARD					
REP. SCHWIEBERT					
REP. SALMAN					
SEN. KAVANAGH					
REP. LIVINGSTON					
<b>TOTALS</b>					





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**DATE:** November 7, 2023

**TO:** Members of the Joint Legislative Budget Committee

**FROM:** Geoffrey Paulsen, Principal Fiscal Analyst

**SUBJECT:** Arizona Department of Corrections - Review of Inmate Healthcare Contract

### Request

The FY 2024 General Appropriations Act requires the Arizona Department of Corrections (ADC) to submit an expenditure plan for review prior to implementing any change in contracted rates for the state's inmate health care vendor. ADC is proposing to increase the vendor's daily rate in several steps from \$32.19 per inmate currently to \$40.58 in March 2024. The rate would further increase to \$42.47 in FY 2025. These rate changes are intended to address the federal court's permanent injunction in the *Jensen v. Thornell* litigation. The FY 2025 rate would cost \$117.9 million above the current ADC Baseline budget for that year.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

### Analysis

Since FY 2013 the state has contracted with an outside vendor to provide health care services to inmates in state-run prison facilities. The contract with the current vendor, NaphCare, went into effect in October 2022 and includes a per inmate per day (PIPD) cost of \$30.65 and guarantees a minimum average daily population (ADP) of 25,000. If the ADP increases to 27,000 and is sustained for 3 consecutive months, the vendor would be paid based on an ADP of 27,000. As of November 2, 2023, the inmate population in state-run prisons is 24,386.

(Continued)

### Key Points

- 1) The FY 2024 budget requires JLBC review if ADC changes the contracted rate for the state's inmate health care vendor.
- 2) ADC has agreed to increase the current rate to address the federal court's injunction in the *Jensen v. Thornell* litigation.
- 3) ADC has already increased the vendor's daily rate per inmate from \$30.65 in May 2023 to \$32.19 now without JLBC review.
- 4) The vendor's daily rate would further increase in several steps to \$40.58 in March 2024.
- 5) ADC estimates the contract will cost \$348.1 million in FY 2024, which is \$(26.5) million more than the appropriation.
- 6) The FY 2024 budget assumed that this shortfall would be covered by vacancy savings since ADC typically cannot fill all its correctional officer positions.
- 7) The rate would increase to \$42.47 in FY 2025, resulting in a total contract cost of \$387.6 million.
- 8) Relative to the FY 2025 Baseline funding levels, ADC estimates this will result in a shortfall of \$(117.9) million.
- 9) The new rate would add 382 new vendor health care staff compared to the original contract, an increase of 34.4%.
- 10) The contract change also addresses enhanced Hepatitis C testing and treatment, medication assisted treatment for inmates with histories of substance abuse, and language interpretation services.
- 11) As requested by the Committee last year, ADC has restored prior contract provisions to seek Medicaid funding. But the vendor is receiving \$15 million annually to process claims that would save the state to \$11 million annually.

The JLBC reviewed the \$30.65 per diem rate in May 2022. The annual cost of the original NaphCare contract was \$279.7 million ( $\$30.65 \times 25,000 \times 365 = \$279.7$  million). The original contract has an initial term of 5 years with a renewal option for 5 additional years. In comparison, the prior vendor's contract was funded at \$203.2 million in FY 2022.

In April 2023, the U.S. District Court judge overseeing the *Jensen v. Thornell* inmate healthcare litigation issued a permanent injunction against ADC related to the provision of healthcare services. This litigation was originally filed in August 2009 and seeks improvements in the health care of inmates in state-operated facilities. The litigation does not address health care in private prisons.

The injunction ordered the department to make several improvements to its health care in state-operated prisons including adding medical staff (see below), filling vacant security positions, making facility upgrades, improving case management, providing Hepatitis C treatment to infected inmates, and offering medication assisted treatment (MAT) to inmates with substance abuse disorders.

In June 2023, ADC and the vendor agreed to a contract amendment to add staff and provide additional funding until a comprehensive agreement addressing the injunction's requirements could be negotiated. The June amendment increased the daily rate from \$30.65 to \$33.13 for the period of June 1, 2023 to August 31, 2023. The rate then dropped to \$32.19 beginning September 1, 2023 (the current rate). ADC did not seek JLBC review for these rate increases as required by the longstanding footnote.

(Continued)

New Contract Cost

The FY 2024 budget appropriated \$321.6 million for the costs of the contract. This included a one-time increase of \$51.2 million over FY 2023 to pay for the expected costs of the injunction. The budget was also premised on an Executive proposal to utilize other savings of \$27 million within the ADC budget (primarily vacancy savings from unfilled correctional officer positions) to cover this shortfall. Including the redirected savings, the FY 2024 budget agreement provided \$348.6 million for inmate health care.

The new proposed daily rates would bring the FY 2024 total contract cost to \$348.1 million in FY 2024 or within the level of the FY 2024 budget agreement. *Table 1* below details the daily rate adjustments.

ADC is no longer willing to commit to redirecting \$27 million of savings from its current budget, which would create a shortfall in the FY 2024 budget. While ADC is willing to discuss the possible use of vacancy savings, they believe the injunction will increase department costs beyond the contract. ADC did not provide any information on what those other costs would be, or the magnitude of those costs.

<b>Table 1</b>	
<b>Inmate Health Care Per Inmate Per Day (PIPD) Adjustments</b>	
<b><u>Time Period</u></b>	<b><u>PIPD</u></b>
October 1, 2022 – May 31, 2023	\$30.650
June 1, 2023 – August 31, 2023 <sup>1/</sup>	33.128
September 1, 2023 – Ongoing <sup>1/</sup>	32.194
September 1, 2023 – September 30, 2023 <sup>2/</sup>	34.198
October 1, 2023 – November 30, 2023	37.764
December 1, 2023 – February 29, 2024	39.452
March 1, 2024 – June 30, 2024	40.577
July 1, 2024 – June 30, 2025	42.472

<sup>1/</sup> These adjustments were already agreed to between ADC and the vendor in June 2023 without JLBC review.

<sup>2/</sup> Upon execution of this amendment, this daily rate will supersede the June amendment. ADC reports as part of the agreement it will retroactively pay the vendor the higher daily rate for prior periods.

Under the new amendment, ADC has agreed to retroactively pay the vendor a higher daily rate of \$34.19 for September and \$37.76 for October and November.

The daily rate gradually increases throughout FY 2024, eventually reaching \$42.47 in FY 2025, which would bring the total contract cost to \$387.6 million ( $\$42.47 \times 25,000 \times 365 = \$387.6$  million). As noted above, the FY 2024 budget labeled \$51.9 million as one-time funding and it will be removed from ADC's budget in the FY 2025 Baseline. As a result, the Baseline funding for the line item will be \$269.7 million, leaving an estimated funding gap of \$(117.9) million in FY 2025. As with the FY 2024 shortfall, ADC may be able to cover a portion of this gap using other savings in their budget.

(Continued)

### Other Contract Changes

In addition to the daily rates, the contract amendment makes several other changes to address injunction requirements. For example, the new contract requires enhanced Hepatitis C testing and treatment, Medication Assisted Treatment (MAT) for individuals with substance abuse problems, and language interpretation services.

The revised rate will allow the vendor to add an additional 382 FTE Positions during FY 2024 for a total of 1,492.9 contracted staff.

In conjunction with the additional FTE Positions, the amendment also increases the staffing offset penalties for failing to fill positions. Currently the vendor is effectively not penalized for unfilled positions. Under the new amendment, the vendor will be fined on a monthly basis equal to 25% of the contracted hourly salary rate for each unfilled position.

The amendment also addresses the Committee's provision from the June 2022 meeting which required ADC to work with the vendor to restore federal Medicaid funding for inmate inpatient services. In past years, the state received approximately \$10 million per year from federal Medicaid funding that offset the state's cost of the inmate healthcare contract. According to ADC, the vendor has agreed to seek Medicaid reimbursement for these services in return for a \$1.64 increase to the daily rate (effective September 1, 2023). This \$1.64 adjustment is incorporated in ADC's proposed rates in *Table 1*.

On an annualized basis, this would cost the state \$15.0 million to process these Medicaid claims. Although specifically requested by JLBC Staff, ADC did not provide any detail on how this amount was derived.

ADC estimates it will receive Medicaid reimbursements of \$11.0 million in FY 2025. This funding would reduce the funding gap to \$106.9 million in FY 2025. However, if the \$15.0 million administrative cost estimate is accurate, the likely level of Medicaid reimbursement would not seem to justify proceeding with this portion of the contract amendment.

GP:kp

# Arizona Department of Corrections Rehabilitation & Reentry



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RYAN THORNELL  
DIRECTOR

September 18, 2023

The Honorable David Livingston  
Chairman, Joint Legislative Budget  
Committee  
Arizona House of Representatives  
1700 W. Washington  
Phoenix, Arizona 85007

The Honorable John Kavanagh  
Vice-Chairman, Joint Legislative Budget  
Committee  
Arizona State Senate  
1700 W. Washington  
Phoenix, AZ 85007

Subject: Review Inmate Health Care Contracted Services Rate Change

Dear Representative Livingston and Senator Kavanagh:

The Arizona Department of Corrections, Rehabilitation, and Reentry (ADCRR) requests placement on the next meeting agenda of the Joint Legislative Budget Committee (JLBC) to review the contracted rate change for inmate health care contracted services pursuant to the FY 2024 General Appropriation Act footnote.

ADCRR continues to negotiate a contract amendment with its inmate health care contact provider to incorporate changes required by the Jensen Federal Court Injunction, restoration of Medicaid eligibility offsets, and associated rate change.

The FY 2024 Inmate Health Care Contracted Services Appropriation Summary is enclosed. ADCRR plans to have rate change information for the committee's review at its October 2023 meeting.

If I can provide additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Thornell".

Ryan Thornell  
Director

Enclosure

September 18, 2023

Review Inmate Health Care Contracted Services Rate Change

Page 2

cc: Richard Stavneak, Director, Joint Legislative Budget Committee

Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting

Rebecca Dial, Deputy Director, Governor's Office of Strategic Planning and Budgeting

Will Palmisano, Senior Budget Manager, Governor's Office of Strategic Planning and Budgeting

Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee

Caroline Dudas, Budget Analyst III, Governor's Office of Strategic Planning and Budgeting

**FY 2024 Inmate Health Care Contracted Services Appropriation Summary**

FY 2024 appropriation includes \$41.2M for Jensen Federal Court Injunction Related Costs

	<u>population</u>	<u>rate</u>	<u>days</u>	
yearly cost	25,000	\$30.65	365	\$279,681,250
FY 2024 leap day	25,000	\$30.65	1	\$766,250
		FY 2024 contract cost		<u>\$280,447,500</u>
		FY 2024 appropriation		<u>\$321,620,200</u>
		FY 2024 appropriation remaining capacity		<u><u>\$41,172,700</u></u>

For reference, each \$1 increase in the per inmate per day (PIPD) contract rate translates to an annual budget increase of \$ 9,125,000

ADCRR submitted a FY 2024 Supplemental Appropriation increase in the event contract rate changes and other Jensen Federal Court Injunction requirements exceed the capacity in all of FY 2024 ADCRR's appropriations.



# Arizona Department of Corrections, Rehabilitation and Reentry

## JLBC Inmate Healthcare Questions 10/31/2023

1. The ADC budget was appropriated \$321.6 million in the Inmate Health Care Contracted Services line in FY 2024. The original submission for the review request states ADC will have a shortfall of \$(26.5) million in FY 2024 relative to the appropriation. It was our understanding from the FY 2024 budget process that ADC would utilize vacancy savings to cover the remaining FY 2024 cost increase. Is that no longer the case? How much of the shortfall does ADC believe it will be able to cover with vacancy savings?

- Applying the FY 2024 contract costs from the proposed amendment rate changes, there is an FY 2024 appropriation shortfall of **-\$26,479,950**.

<b>Total ADCRR FY 2024 Inmate Health Care Contracted Services SLI Appropriation</b>	<b>\$321,620,200 <sup>1</sup></b>
<i>contract cost with proposed amendment rate changes</i>	<b>\$348,100,150</b>
<b>FY 2024 appropriation shortfall</b>	<b><u><u>-\$26,479,950</u></u></b>

<sup>1</sup> Includes one time amounts of \$51.2M for increased costs and \$738,900 for leap day.

- ADCRR is willing to discuss salary savings uses in the context of this proposed contract amendment and other Jensen Federal Court Injunction requirements. However, there are additional costs to the department that are not a part of the PIPD calculation that will increase the FY 2024 appropriation shortfall.

2. What is the projected total cost of health care in FY 2024, FY 2025, and FY 2026?

- Based on the proposed contract amendment PIPD rates, the total NaphCare Contract costs are:
  - i. FY 2024 \$348,100,150
  - ii. FY 2025 \$387,557,000
  - iii. FY 2026 \$387,557,000

3. In each of those years, how much of those amounts would be funded by Medicaid dollars and how much would be funded by appropriated funds?

- Based solely on FY 2022 and FY 2023 data, a very rough estimate of Medicaid offsets is:
  - i. FY 2024 \$8M
  - ii. FY 2025 \$11M
  - iii. FY 2026 \$11M





## Arizona Department of Corrections, Rehabilitation and Reentry

4. The new contract amendment reinstates the requirement that the vendor seek Medicaid reimbursement. The amendment pays the vendor approximately \$15 million to file for reimbursement, but this is more than the state has received in reimbursement. How much were we paying previous vendors for this requirement? How was this amount determined and/or justified by the vendor -- this seems like we're paying for 150 staff or more just to file Medicaid reimbursement claims?
  - **For prior contracts, there is no disaggregated cost for Medicaid reimbursement. It is possible the costs were incorporated into claims processing or other sections in the fee schedule.**
  
5. Does this amendment encompass all current injunction requirements, or are there additional amendments that need to be made in the future?
  - **The proposed contract amendment addresses all known, current Jensen Federal Court Injunction requirements related to healthcare services.**
  - **However, there are additional costs to the department that are not a part of the PIPD calculation that will increase the FY 2024 appropriation shortfall.**
  
6. Would all of this new funding be in the Inmate Health Care Contracted Services SLI, or would the Executive be asking for any of this funding to be added to the operating budget?
  - **The funding required with the proposed NaphCare contract amendment is all related to the inmate health care contract. The funding should be included in the Inmate Health Care Contracted Services SLI appropriation.**
  
7. ADC says they and AHCCCS are currently seeking a Medicaid waiver to allow federal reimbursement for substance abuse treatment in the 3 months prior to an inmate's release. If approved, how much does the Executive expect that will save the state per year in health care costs?
  - **ADCRR does not have an annual estimate of the impact should the Arizona Section 1115 Demonstration Waiver (Waiver) submitted by AHCCCS be approved. It is estimated that 60% to 75% of the released population requires some level of substance use treatment.**
  
8. ADC says that the contracted rates under Amendment 9 are in effect until this amendment is executed. However, the new amendment adjusts the PIPD for past months. Will the new amendment require ADC to retroactively pay the vendor more?
  - **Yes, retroactive payments would be required for September - November 2023. Currently, contract amendment 9 PIPD rates apply.**
  - **The PIPD rate change summary follows.**



# Arizona Department of Corrections, Rehabilitation and Reentry

SFY	Time Frame	Contract Amendment #9 PIPD	Proposed Contract Amendment PIPD	PIPD Δ
FY23/24	June 1, 2023 - August 31, 2023	\$33.128	\$33.128	\$0.000
FY24	September 1, 2023 - September 30, 2023	\$32.194	\$34.198	\$2.004
FY24	October 1, 2023 - November 30, 2023	\$32.194	\$37.764	\$5.570
FY24	December 1, 2023 - February 29, 2024	\$32.194	\$39.452	\$7.258
FY24	March 1, 2024 - June 30, 2024	\$32.194	\$40.577	\$8.383
FY25	July 1, 2024 - June 30, 2025	\$32.194	\$42.472	\$10.278