

At its November 9, 2023 meeting, the Joint Legislative Budget Committee considered the following issues:

determining the Medicaid reimbursement administrative costs.

**Arizona Department of Corrections – Review of Inmate Healthcare Contract Rates –**

Pursuant to an FY 2024 General Appropriation Act footnote, the Arizona Department of Corrections (ADC) submitted for review an expenditure plan of its revised contracted rates to the state's inmate healthcare vendor. The proposed plan would gradually increase the daily rate paid per inmate from \$32.19 to \$40.58 by March 2024, resulting in estimated FY 2024 contract costs of \$348.1 million. Beginning July 1, 2024 the daily rate would increase to \$42.47, resulting in FY 2025 contract costs of \$387.6 million. Relative to the FY 2025 JLBC Baseline, these FY 2025 contract costs would result in a shortfall of \$(117.9) million within ADC's budget.

These changes seek to address the federal courts' injunction in the *Jensen v. Thornell* litigation including to staffing levels, substance abuse treatment, Hepatitis C treatment, and facility upgrades. In addition, the new amendment reestablishes the requirement that the vendor track healthcare spending eligible for Medicaid reimbursement, at an annualized cost of \$15.0 million. ADC estimates that this will result in reimbursement of about \$11.0 million annually.

The Committee gave a review of the department's request except for an unfavorable review of Medicaid reimbursement component of the proposed daily rates. As part of its review, the Committee included a provision stating that review by the Committee does not constitute endorsement of General Fund appropriation of a FY 2024 supplemental or FY 2025 increase. Additionally, the review included 3 provisions requiring ADC to submit reports to JLBC Staff on monthly vacancy savings, usage of vacancy savings beyond the healthcare contract, and the vendor's methodology for