

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 1904 – SB 2023

March 28, 2014

**SUMMARY OF ORIGINAL BILL:** Requires the Department of Finance & Administration, by January 1, 2015, to create a program for local governmental entities to purchase prescription drugs through state methods at reduced prices.

Requires the Department of Mental Health and Substance Abuse Services (DMHSAS) to provide training to law enforcement officers in order to enable officers to recognize mentally impaired individuals at risk of coming into custody and to suggest appropriate protocols for responses to such individuals.

Authorizes the Commissioner of DMHSAS to contract with regional mental health providers at appropriately secure hospitals and facilities in order to provide treatment and evaluation of pretrial detainees in county jails and transfers from correctional facilities.

Authorizes reimbursement to counties for housing convicted felons who are awaiting sentencing in county jails from the date of conviction.

Authorizes an inmate of a public institution to be eligible for assistance to the full extent permitted by federal law. Authorizes suspension, but not termination, of eligibility for assistance during periods of actual incarceration.

Authorizes inmates of public institutions to be eligible for medical assistance to the full extent of federal law when the inmate is a patient in a medical institution. Authorizes suspension, but not termination, of eligibility for medical assistance during periods of actual incarceration. Authorizes inmates to be eligible for temporary reinstatement of medical assistance for care received outside of a jail or correctional facility in a hospital or other health care facility for more than 24 hours.

Requires the Commissioner of the Department of Finance & Administration to coordinate with the Commissioner of the Department of Correction and with county mayors and sheriffs in order to implement the proposed legislation relative to assistance for inmates. Requires the Commissioner of the Department of Finance & Administration to seek any state plan or federal waivers necessary to implement the proposed legislation relative to assistance for inmates.

**CORRECTED FISCAL IMPACT OF ORIGINAL BILL:**

Increase State Expenditures – Net Impact – \$8,221,700/FY14-15  
\$7,531,700/FY15-16 and Subsequent Years

**HB 1904 – SB 2023**

Increase Federal Expenditures – \$3,171,500/FY14-15  
\$3,021,500/FY15-16 and Subsequent Years

Increase Local Revenue – \$1,486,500/FY14-15 and Subsequent Years

Decrease Local Expenditures - \$1,293,800/FY14-15 and Subsequent Years

Other Fiscal Impact – The average cost to house an inmate in a local jail is \$62.52. Under current law, local governments expend approximately \$3,132,712 each year to house the applicable offenders. Under the proposed legislation, the State would reimburse local governments approximately \$1,486,528. Local governments will continue incurring approximately \$1,646,184 in recurring expenditures for the purpose of housing these offenders.

**SUMMARY OF AMENDMENTS (014818, 015245):** Amendment 014818 deletes all language after the enacting clause.

Authorizes suspension, but not termination, of eligibility for medical assistance during periods of actual incarceration. Authorizes inmates to be eligible for temporary reinstatement of medical assistance for care received outside of a jail or correctional facility in a hospital or other health care facility for more than 24 hours. Authorizes a public institution to make efforts to establish eligibility for or renew assistance for such individuals prior to their release from the institution.

Amendment 015245 changes the effective date from July 1, 2014 to April 1, 2015.

### **FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:**

**Increase State Expenditures – Net Impact – \$36,400/FY14-15**

**Decrease State Expenditures – Net Impact – \$454,500/FY15-16 and Subsequent Years**

**Increase Federal Expenditures – \$905,400/FY14-15  
\$3,021,500/FY15-16 and Subsequent Years**

**Decrease Local Expenditures – \$497,100/FY14-15  
\$1,988,500/FY15-16 and Subsequent Years**

Assumptions for the bill as amended:

- With an effective date of April 1, 2015, the recurring expenditures, whether decreasing or increasing, will be realized no earlier than the last quarter of FY14-15.

- Under current law, inmates are not eligible for coverage under TennCare. The proposed legislation allows inmates to be temporarily reinstated and receive any federal medical assistance for which they qualify when such inmates receive medical care in a hospital outside of a correctional facility for more than 24 hours (“acute care”).
- According to the Bureau of TennCare, the proposed legislation will require the bureau to program the managed care system to handle the suspensions and reinstatements of inmates as they receive care outside of the public institution in a hospital and for new specialists to coordinate with local jails and to enter inmate information relative to suspensions and reinstatements.
- The system will require \$300,000 in one-time programming costs with \$150,000 being federal funds at a match rate of 50 percent and \$150,000 being state funds.
- The bureau assumes that it will need to hire one managed care program manager and nine managed care specialists. The funds for these positions will be 25 percent state match rate and 75 percent enhanced federal match rate.
- The salary and benefits for a managed care program manager are \$79,933.56 [\$60,000 salary + (\$60,000 x .1503) benefits + (\$60,000 x .0765) FICA + \$6,325.56 insurance].
- The salary and benefits for a managed care specialist are \$55,397.56 [\$40,000 + (\$40,000 x .1503) benefits + (\$40,000 x .0765) FICA + \$6,325.56 insurance]. The total for nine specialists is \$498,578.04 (\$55,397.56 x 9 specialists).
- The proposed legislation will increase state expenditures by \$36,156.98 {[((\$79,933.56 + \$498,578.04) x .25 state match] x .25 last quarter of FY14-15} in FY14-15 and \$144,627.90 [(\$79,933.56 + \$498,578.04) x .25 state match] in FY15-16 and subsequent years.
- The proposed legislation will increase federal expenditures by \$108,470.87 {[((\$79,933.56 + \$498,578.04) x .75 federal match] x .25 last quarter of FY14-15} in FY14-15 and by \$433,883.70 [(\$79,933.56 + \$498,578.04) x .75 federal match] in FY15-16 and subsequent years.
- The bureau assumes that 1,000 inmates (500 state and 500 local) will be covered under the proposed legislation and will incur costs of \$3,977 per inmate. It is assumed that the DOC and local governments are currently paying the same rate for acute care relative to inmates in state and local custody.
- The proposed legislation would shift the fiscal responsibility of local inmate care from local governments to TennCare. The proposed legislation will result in a decrease of local expenditures of \$1,988,500 (500 inmates x \$3,977). There will be a corresponding increase in state expenditures of \$1,988,500 for the state to take over this responsibility.
- The proposed legislation will decrease local expenditures by \$497,125 (\$1,988,500 x .25 last quarter of FY14-15) in FY14-15 and by \$1,988,500 in FY15-16 and subsequent years.
- The proposed legislation will also shift state responsibility from the DOC to TennCare resulting in \$497,125 [(500 inmates x \$3,977) x .25] in FY 14-15 and \$1,988,500 (500 x \$3,977) in FY 15-16 and subsequent years in state expenditures.
- The net decrease in state expenditures will be \$149,783.76 {[((\$497,125 local costs + \$497,125 TennCare costs) x .34935 state share] - \$497,125 current DOC costs} in FY14-15 and \$599,135.05 {[((\$1,988,500 local costs + \$1,988,500 TennCare costs) x .34935 state share] - \$1,988,500 current DOC costs} in FY15-16 and subsequent years.

- The current federal match is 65.065 percent resulting in an increase of federal expenditures of \$2,587,635.05 ( $\$3,977,000 \text{ state expenditures} \times .65065$ ). The increase in federal expenditures in FY14-15 will be \$646,909 ( $\$2,587,635 \times .25$ ).
- The total increase in federal expenditures is estimated to be \$905,380 ( $\$150,000 + \$108,471 + \$646,909$ ) in FY14-15 and \$3,021,519 ( $\$433,884 + \$2,587,635$ ) in FY15-16 and subsequent years.
- The net increase to state expenditures in FY14-15 is estimated to be \$36,373 [ $(\$150,000 + \$36,157) - \$149,784$ ] in FY14-15. The net decrease to state expenditures for FY15-16 and subsequent years is estimated to be \$454,507 ( $\$144,628 - \$599,135$ ).

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

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