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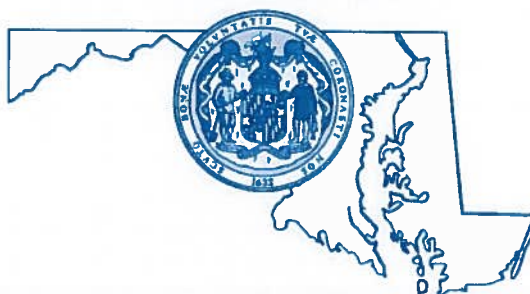
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Health Services Cost Review Commission

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MEMORANDUM

TO: Chief Financial Officers

FROM: Dennis N. Phelps, Associate Director-Audit & Compliance

DATE: August 12, 2019

RE: Reimbursement Policy for Services provided at Hospitals under the Jurisdiction of the Health Services Cost Review Commission to Inmates of State and Local Detention Facilities

The purpose of this memorandum is to update the Commission's reimbursement policy for services provided at hospitals under the jurisdiction of the HSCRC to inmates of State and local detention facilities operated by the Department of Public Safety and Correctional Services of the State of Maryland and the Counties of Maryland. The Commission has long recognized that Medicare and Medicaid, as well as managed care organizations that sub-contract with Medicare and Medicaid, avert uncompensated care by virtue of their enrollment practices. The Commission also recognizes that as the payer of last resort for inmates of their facilities, the Department of Public Safety and Correctional Services and the governments of the Maryland Counties similarly avert hospital bad debts. As a result, to the extent that the differential accorded governmental payers under the Medicare waiver agreement have been associated with cost savings to hospitals through averted bad debt, such differentials should also be extended to reimbursement by the Department of Public Safety and Correctional Services of the State of Maryland and the Maryland Counties for inmates of their penal facilities.

Therefore, as of the date of this memorandum, the following policy shall be applied to inmates of penal facilities operated by the State of Maryland and Maryland Counties at all hospitals under HSCRC jurisdiction:

1. Effective July 1, 2019, the State of Maryland and Maryland Counties, as well as entities that sub-contract with the State of Maryland and/or Counties of Maryland, shall be entitled to a 5.7% differential from HSCRC approved rates for payments they make for hospital services provided to inmates only, at all regulated Maryland hospitals, i.e., waived and non-waived. The 5.7% differential may not be taken on payments made by such entities for non-inmates unless previously approved and still in effect;
2. The HSCRC's working capital and prompt payment discounts shall also be available to the State of Maryland and Maryland Counties, as well as entities that sub-contract with the State of Maryland and/or Maryland Counties, provided that they meet the requirements as specified in COMAR 10.37.10.26B;
3. Hospitals shall report the revenue billed to the State of Maryland and Maryland Counties, as well as entities that sub-contract with the State of Maryland and/or Maryland Counties, for inmate patient care services to the HSCRC, on Line E of the Annual Report PDA schedule (HMOs subcontracting with Medicare or Medicaid); and
4. As a result of the differential accorded, rates for other payers shall be adjusted appropriately such that the hospital's reasonable costs are met; the hospital is made whole; and other payers are not paying any more than they otherwise would be paying absent the aversion of the bad debt.

If you have any questions concerning either of the issues discussed in this memo, you may contact me at (410) 764-2565