

Fiscal Estimate - 2025 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 25-5196/1	Introduction Number AB-0604
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Description
 coverage under the Medical Assistance program for incarcerated individuals

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect <input type="checkbox"/> Indeterminate <input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <div style="text-align: right; margin-right: 20px;"> <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No </div> <input type="checkbox"/> Decrease Costs
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Local:

<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate 1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input type="checkbox"/> Increase Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input checked="" type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	20.435 (4) (b) and (o)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DHS 2/12/2026

LRB Number	25-5196/1	Introduction Number	AB-0604	Estimate Type	Updated
Description coverage under the Medical Assistance program for incarcerated individuals					

Assumptions Used in Arriving at Fiscal Estimate

This bill requires the Department of Health Services to submit a request to the Department of Health and Human Services for a waiver of federal Medicaid law to conduct a demonstration project to provide prerelease coverage to incarcerated individuals. The waiver request would include coverage for case management services, medication assisted treatment (MAT) for all types of substance use disorders, and a 30-day supply of prescription medications under the Medical Assistance program for up to 90 days before release. Further, the bill requires the Department to submit the waiver no later than January 1, 2027.

Absent a waiver, federal Medicaid policy bars reimbursement for services for individuals while in incarceration facilities. In 2023, the Centers for Medicare and Medicaid Services (CMS) issued a State Medicaid Director letter encouraging states to submit waivers to allow pre-release coverage for selected services for Medicaid-eligible individuals. The aim of such waivers would be to improve care transitions and post-release health outcomes for soon-to-be-released individuals. The letter further provides that if the state seeks federal Medicaid coverage for services currently funded with state or local funds, the state must reinvest any savings in state or local funds resulting from the new federal matching funds in activities and/or initiatives to increase access to or improve the quality of health care for incarcerated individuals. Once approved and implemented, the waiver would increase service utilization among pre-release individuals in the Medicaid program and therefore increase Medicaid expenditures.

The Department estimates that providing prerelease case management, MAT, and 30-day prescription medication coverage to incarcerated individuals in DOC institutions and county jails would cost \$8.7 million All Funds (\$3.4 million GPR) on an annualized basis. This cost estimate includes the estimated cost of other Medicaid non-institutional costs incidental to the provision of these three services. This estimate reflects the annual cost at full implementation and enrollment. It is unknown when Medicaid would reach this expenditure level, given uncertainty regarding federal approval timelines and state implementation timelines.

According to the CMS guidance, the purpose of Medicaid case management in this context would be to assess and address physical and behavioral health needs and health-related social needs of the individual. It is assumed that 5,400 individuals in DOC institutions would receive three months of Medicaid case management services at an annual cost of \$3.37 million AF. Approximately 3,400 jail inmates would receive case management for one month at a cost of \$708,600 AF annually.

It is estimated that 1,350 DOC inmates would receive Medication Assisted Treatment (MAT) for three months pre-release at an annual cost of \$2.05 million All Funds and 850 jail inmates would receive treatment for one month pre-release at an annual cost of \$433,000 AF.

An estimated 5,400 individuals in DOC institutions and 3,400 individuals in jails would receive a 30-day supply of prescription drugs. In addition, it is assumed that these individuals would generate claims for other Medicaid services incidental to the above services, such as laboratory and x-ray, durable medical equipment, physician, and outpatient mental health claims. The annual cost of prescription drugs and other services are estimated to be \$1.65 million AF for DOC individuals and \$440,000 for individuals in local jails.

It is possible that Medicaid care costs could be reduced by implementing pre-release coverage to incarcerated individuals, for example by avoiding more expensive care such as inpatient hospital stays. However, these potential cost savings are indeterminate. Therefore, the Department estimates a \$8.7 million AF annualized cost for prerelease coverage for incarcerated individuals.

It is important to note that the estimated fiscal effect for Medicaid does not necessarily correspond to any potential fiscal impact on prison and jails. The impact on those settings will depend on the extent that Medicaid coverage expands and augments existing services. Furthermore, as noted above, the 2023 CMS letter indicated states must reinvest any resulting savings in measures to improve health care for incarcerated individuals.

Long-Range Fiscal Implications