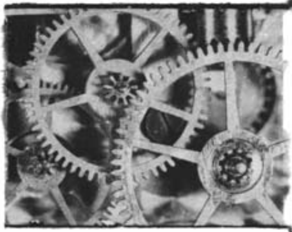

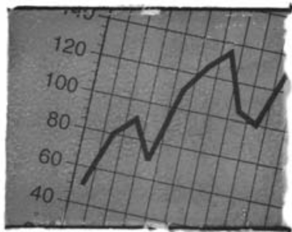

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HEALTH

FISCAL YEAR 2014 - 2015

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2014

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was David Drescher.

Questions or comments may be directed to the OLS Human Services Section (609-847-3860) or the Legislative Budget and Finance Office (609-847-3105).

DEPARTMENT OF HEALTH

Budget Pages....... C-5, C-12 to C-13, C-20 to C-21, C-24, C-26, C-27, D-139 to D-156, F-9, F-10, G-3, H-15, H-16

Fiscal Summary ($000)

	Expended FY 2013	Adjusted Appropriation FY 2014	Recommended FY 2015	Percent Change 2014-15
State Budgeted	$354,381	$371,280	$339,256	(8.6%)
Federal Funds	$605,364	$730,990	$690,915	(5.5%)
Other	$782,939	$786,313	$783,389	(0.4%)
Grand Total	$1,742,684	$1,888,583	$1,813,560	(4.0%)

Other includes Revolving Funds displayed on page C-27 of the recommended budget.

Personnel Summary - Positions By Funding Source

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2014-15
State	362	347	343	(1.2%)
Federal	513	487	491	0.8%
Other	320	318	319	0.3%
Total Positions	1,195	1,152	1,153	0.1%

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded. Other includes revolving fund positions.

Link to Website: http://www.njleg.state.nj.us/legislativepub/finance.asp

Highlights

- The Governor's FY 2015 Budget Recommendation provides a total of $1.81 billion for the Department of Health, a decrease of approximately 4.0 percent from the FY 2014 appropriation. State funds are recommended to decrease by 8.6 percent, to $339.3 million.

- The Governor's FY 2015 Budget Recommendation includes $650 million for Charity Care, $25 million less than FY 2014. The budget would also revise the formula for distributing Charity Care funding to hospitals, creating a new pool of funding representing 1.5 percent of the total available funding, which would only be available to hospitals with a two-year trend of increasing provision of charity care. The formula also adds a ceiling for each hospital's subsidy so that no hospital would receive more than $1.10 for each dollar in charity care provided by the hospital.

- The budget recommends a total of $166.6 million for the Delivery System Reform Incentive Payments (DSRIP) program, the same as FY 2014. Pursuant to the program's design in the Comprehensive Medicaid Waiver, each hospital's subsidy will be increasingly based upon demonstrated progress in achieving goals specified by its individual DSRIP plan for delivery system improvement.

- Recommended funding for Graduate Medical Education is unchanged from FY 2014 at $100 million. Revisions to the formula are proposed which would base a greater share of each hospital's subsidy payment on reported medical education costs, and less on the prior year subsidy.

- The Governor proposes to reduce funding for cancer research and treatment at the Cancer Institute of New Jersey by $10 million, and at the South Jersey Cancer Program by $18.4 million. This would return both programs to their FY 2012 appropriations levels, and eliminate funding increases provided by the Legislature above the Governor's recommended funding level in FY 2014.

- $40 million in Other funds are recommended for payments to Federally Qualified Health Centers (FQHCs) for care provided to uninsured patients, a reduction of $10.2 million from the FY 2014 appropriation. This reduction appears to be related to underspending in FY 2014 and the expansion of health insurance under the Affordable Care Act.

- Recommended funding for other major health services programs would remain stable, including the Early Childhood Intervention Program, the New Jersey Cancer Education and Early Detection program (NJ CEED), the AIDS Drug Distribution Program (ADDP).

Background Paper

Direct Hospital Subsidies..........page 19

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2013	Adj. Approp. FY 2014	Recom. FY 2015	Percent Change 2013-15	Percent Change 2014-15
General Fund					
Direct State Services	$58,224	$45,930	$45,675	(21.6%)	(0.6%)
Grants-In-Aid	295,629	324,821	293,052	(0.9%)	(9.8%)
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$353,853**	**$370,751**	**$338,727**	**(4.3%)**	**(8.6%)**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	**$0**	**$0**	**$0**	**0.0%**	**0.0%**
Casino Revenue Fund	$528	$529	$529	0.2%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$354,381**	**$371,280**	**$339,256**	**(4.3%)**	**(8.6%)**
Federal Funds	$605,364	$730,990	$690,915	14.1%	(5.5%)
Other Funds	$782,939	$786,313	$783,389	0.1%	(0.4%)
Grand Total	**$1,742,684**	**$1,888,583**	**$1,813,560**	**4.1%**	**(4.0%)**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2013	Revised FY 2014	Funded FY 2015	Percent Change 2013-15	Percent Change 2014-15
State	362	347	343	(5.2%)	(1.2%)
Federal	513	487	491	(4.3%)	0.8%
All Other	320	318	319	(0.3%)	0.3%
Total Positions	**1,195**	**1,152**	**1,153**	**(3.5%)**	**0.1%**

FY 2013 (as of December) and revised FY 2014 (as of January) personnel data reflect actual payroll counts. FY 2015 data reflect the number of positions funded. All Other includes revolving fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	36.6%	38.1%	35.9%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
		Health Services			
DIRECT STATE SERVICES					
Additions, Improvements and Equipment	**$1,826**	**$1,571**	**($ 255)**	**(14.0%)**	**D-146**

The Governor's Budget Recommendation would reduce the amount available for the public health laboratory's line of credit for laboratory equipment and other capital purchases. The Executive has indicated that it intends to lapse the unspent balance in the account, approximately $1.7 million, to the General Fund at the end of FY 2014.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID					
Cancer Institute of New Jersey	**$28,000**	**$18,000**	**($10,000)**	**(35.7%)**	**D-146**

The Governor proposes to reduce grant funding to the Cancer Institute of New Jersey by $10 million, to $18 million. This is the same level of appropriation that it received each year from FY 2010 to FY 2013. The FY 2014 appropriation was increased by $10 million over the Governor's recommendation by Legislative budget resolution.

The State appropriation, along with another State appropriation of $5 million provided through the budget for Rutgers University (Page D-302), provides support for cancer research and treatment at the Cancer Institute of New Jersey, now a part of Rutgers University in New Brunswick after the dissolution of the University of Medicine and Dentistry of New Jersey.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID					
South Jersey Cancer Program – Camden	**$23,783**	**$5,400**	**($18,383)**	**(77.3%)**	**D-146**

The Governor's FY 2015 Budget Recommendation would reduce grant funding to the South Jersey Cancer Program – Camden by $18.4 million, to $5.4 million. This is the same level of appropriation that it received each year from FY 2010 through FY 2012. The appropriation was increased to $16.5 million in FY 2013 in order to fund the construction of a new cancer center in Camden. In FY 2014, the Governor's recommended appropriation of $13.8 million was supplemented by a Legislative budget resolution, increasing the total grant to $23.8 million.

The State appropriation provides support for cancer research and treatment at what is now the MD Anderson Cancer Center at Cooper University Hospital.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
FEDERAL FUNDS					
Family Health Services	**$241,553**	**$238,653**	**($2,900)**	**(1.2%)**	**D-146**

A net reduction of $2.9 million in anticipated federal funds in the Family Health Services program class is attributed to changes in anticipated federal funds that will be made available in FY 2015 for several federal grant programs administered by the Department of Health:

- An additional $1 million for the Senior Farmers Market Nutrition Program, for a total of $2 million.
- A reduction of $900,000 for the Centers for Disease Control & Prevention's Nutrition, Physical Activity and Obesity program, eliminating the line item.
- A reduction of $1.4 million for the Childhood Lead Poisoning program, eliminating the line item.
- A reduction of $800,000 for the State Based Diabetes Program, eliminating the line item.
- A reduction of $800,000 for the WIC Immunization Project, eliminating the line item.

It is not clear what significance these changes may have. Many of the federal programs administered by the Department of Health do not provide steady, continuous revenue (for example, because they may be competitive grant programs in which the State may not be successful in its bid). The Department of Health maintains several federal accounts in which no revenue is anticipated until it is received, and other federal accounts that anticipate revenue that may not be realized, and it frequently transfers appropriations among these accounts upon receipt of grant awards. No funds have been expended from the latter three accounts listed above for several years.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
OTHER FUNDS					
Family Health Services	**$110,606**	**$100,906**	**($9,700)**	**(8.8%)**	**D-147**

The decrease in anticipated Other funds in the Family Health Services program classification is due to a reduction in the amount allocated from the Health Care Subsidy Fund for payments to Federally Qualified Health Centers (FQHCs) for uncompensated care, from $50.2 million to $40.0 million. This decrease may be related to underspending of the FY 2014 appropriation. (The appendix on page H-16 shows an adjusted appropriation of $44 million for FY 2014.) It may also be related to a possible decline in the number of uninsured patients that FQHCs are expected to see, related to the expansion of Medicaid and the health insurance marketplace under the Affordable Care Act. It is also noted that appropriations language on page D-149 authorizes the appropriation of such additional sums as the commissioner determines are necessary for reimbursements to FQHCs for uninsured clients.

An increase of $500,000 is associated with the Early Care & Education Learning Collaborative, an initiative of the federal Centers for Disease Control and Prevention (CDC) administered by Nemours Children's Health System, which subcontracts with the department for certain services related to the program.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
Health Planning and Evaluation					
GRANTS-IN-AID					
Health Care Subsidy Fund Payments	**$20,404**	**$17,018**	**($3,386)**	**(16.6%)**	**D-151**

The Governor recommends reducing General Fund support for the Health Care Subsidy Fund by $3.4 million. The Health Care Subsidy Fund is predominantly supported by dedicated and federal revenue, but draws on the General Fund appropriation as a final source of funding when other revenues are insufficient to pay the fund's expenses. The Health Care Subsidy Fund provides State funding for Charity Care and other hospital subsidy programs, subsidies for uncompensated care provided by Federally Qualified Health Centers (FQHCs), and health care coverage for children in NJ FamilyCare.

In total, the Health Care Subsidy Fund is expected to increase expenditures in FY 2015, particularly on the allocation for children in NJ FamilyCare. After deducting an expected lapse of $7.5 million in FY 2014, the recommended FY 2015 General Fund appropriation represents an increase of approximately $4.1 million over FY 2014.

More information on Charity Care and other hospital subsidy programs is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis. More detailed information on the Health Care Subsidy Fund, including its revenue from all sources, is provided on page H-16 of the Governor's Budget Recommendation, though it is noted that this display is inconsistent with other information in the budget on several revenue and appropriation amounts, including the General Fund contributions in FY 2014 and FY 2015. The reason for these discrepancies is not clear.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
FEDERAL FUNDS					
Health Care Systems Analysis	**$273,285**	**$236,200**	**($37,085)**	**(13.6%)**	**D-152**

This reduction is primarily a result of a decrease in the amount of Medicaid Disproportionate Share Hospital (DSH) funds allocated for Charity Care, from $133.6 million to $100 million. This reduction is partly offset by an increase in Other funds allocated to the program (described below), but total Charity Care funding is reduced by $25 million from the FY 2014 funding level, to $650 million in FY 2015. The majority of DSH funds are recorded as Schedule 1 revenue in the Department of Human Services, so the decrease in the Charity Care allocation may be associated with the increase in Medicaid Uncompensated Care – Acute (page C-5).

An additional decrease of $3.5 million is associated with the elimination of a separate account for vaccines for children in NJ FamilyCare. This account was created in FY 2014, though OLS has no information as to why it was created as a separate account, or why it is recommended for elimination. NJ FamilyCare covers most childhood vaccinations at zero cost to the patient.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
OTHER FUNDS					
Long Term Care Systems	**$3,333**	**$3,643**	**$ 310**	**9.3%**	**D-152**

The Executive anticipates an increase in revenues related to the Certificate of Need program, from $667,000 to $977,000, aligning with the actual receipts in FY 2013. The revenue represents fees paid by hospitals and certain other health care facilities for changes to their licenses, and is used to fund the department's administrative costs for oversight of the program.

Budget Item	Adj. Approp. FY 2014	Recomm. FY 2015	Dollar Change	Percent Change	Budget Page
OTHER FUNDS					
Health Care Systems Analysis	**$586,981**	**$593,702**	**$ 6,721**	**1.1%**	**D-152**

The Governor's FY 2015 Budget Recommendation includes an increase of $8.6 million in Other funds for the Charity Care program. As noted above, this increase partly offsets a reduction in federal funds allocated to the program, but total Charity Care funding is reduced by $25 million from the FY 2014 funding level, to $650 million in FY 2015.

The budget recommendation also eliminates the $1.9 million in Other funds appropriated for vaccines for children in NJ FamilyCare in FY 2014. Like its federal counterpart described above, the account was created in FY 2014, though OLS has no information as to why it was created as a separate account, or why it is recommended for elimination. NJ FamilyCare covers most childhood vaccinations at zero cost to the patient.

Significant Language Changes

HEALTH SERVICES

Administration of Medical Research Commissions

Revision

2014 Handbook: p. B-73
2015 Budget: p. D-148

Notwithstanding the provisions of subsection c. of section 6 of P.L.1983, c.6 (C.52:9U-6), subsection c. of section 5 of P.L.2003, c.200 (C.52:9EE-5), subsection c. of section 5 of P.L.1999, c.201 (C.52:9E-5) and section 4 of P.L.1999, c.105 (C.30:6D-59) or any other law or regulation to the contrary, the amounts hereinabove appropriated to the ~~New Jersey State Commission on Cancer Research,~~ New Jersey State Commission on Brain Injury Research, New Jersey Commission on Spinal Cord Research, and the Governor's Council for Medical Research and Treatment of Autism are subject to the following condition: an amount from each appropriation, subject to the approval of the Director of the Division of Budget and Accounting, may be used to pay the salary and other benefits of one person who shall serve as Executive Director for all four entities, with the services of such person allocated to the four entities as shall be determined by the four entities.

Explanation

This language, which first appeared in the FY 2011 Appropriations Act, consolidated the administrative functions of the New Jersey Commission on Cancer Research, Commission on Brain Injury Research, Commission on Spinal Cord Research, and Governor's Council for Medical Research and Treatment of Autism. Under this proposed revision, the single Executive Director would continue to serve all four entities, but the Executive Director's salary and benefits would be paid for by only three.

Spinal Cord Research Fund

Addition

2014 Handbook: n/a
2015 Budget: p. D-148

<u>Notwithstanding the provision of any law or regulation to the contrary, there are appropriated from the New Jersey Spinal Cord Research Fund such amounts as are necessary to support the award of grants for research on the treatment of spinal cord injuries, both traumatic and non-traumatic, subject to the approval of the Director of the Division of Budget and Accounting.</u>

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

This proposed language appears to be redundant with the "Spinal Cord Research Act," P.L.1999, c.201 (C.52:9E-1 et al.), which established the Spinal Cord Research Fund. The authorizing legislation does not distinguish between traumatic and non-traumatic injuries, and so would not preclude either as a subject of research. An OLS Discussion Point has requested that the department clarify the purpose of this language.

The Spinal Cord Research Fund is supported by a $1 surcharge on fines and penalties for motor vehicle violations, pursuant to subsection e. of R.S.39:5-41. Supplementary information associated with the Governor's Budget indicates that, in FY 2015, the fund is expected to receive $4.0 million in revenue, adding to its opening balance of $16.6 million. The fund's expenditures for research are estimated at $6.6 million in FY 2015. (See page 34 at http://www.nj.gov/treasury/omb/publications/15budget/pdf/Supplementary%20Information.pdf)

Brain Injury Research Fund

Addition

2014 Handbook: n/a
2015 Budget: p. D-148

Notwithstanding the provision of any law or regulation to the contrary, there are appropriated from the New Jersey Brain Injury Research Fund such amounts as are necessary to support the award of grants for the research on treatment of brain injuries, both traumatic and non-traumatic, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This proposed language appears to be redundant with the "Brain Research Act," P.L.2003, c.200 (C.52:9EE-1 et al.), which established the Brain Injury Research Fund. The authorizing legislation does not distinguish between traumatic and non-traumatic injuries, and so would not preclude either as a subject of research. An OLS Discussion Point has requested that the department clarify the purpose of this language.

The Brain Injury Research Fund is supported by a $1 surcharge on fines and penalties for motor vehicle violations, pursuant to subsection h. of R.S.39:5-41. The fund is expected to receive $3.5 million in FY 2015 (page C-12), which would be available for research grants.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Special Health Needs Medical Homes Pilot Program	
Addition	2014 Handbook: n/a 2015 Budget: p.D-148

Notwithstanding the provision of any law or regulation to the contrary, there are appropriated from the Autism Medical Research and Treatment Fund such amounts as are necessary to support the award of grants for a Special Health Needs Medical Homes pilot program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The OLS has no information on the proposed "Special Health Needs Medical Homes" pilot program that would be authorized by this proposed language. An OLS Discussion Point has requested that the department provide details on this proposed program.

In general, the medical home (or patient-centered medical home, or PCMH) is a model intended to improve the quality of primary care in the United States that is supported by a variety of health care professional associations and governmental public health agencies. The federal Agency for Healthcare Research and Quality defines a patient-centered medical home as a model of organization for primary care that is comprehensive, patient-centered, coordinated, accessible, and focused on quality and safety.

The Autism Medical Research and Treatment Fund supports the Governor's Council for Medical Research and Treatment of Autism, except for $750,000 that is allocated to other autism-related programs pursuant to appropriations language (pages D-147 and D-148). The fund is supported by a $1 surcharge on fines and penalties for motor vehicle violations, pursuant to subsection f. of R.S.39:5-41, as well as a General Fund appropriation of $500,000 (page D-145). The fund is expected to receive $3.8 million in revenue in FY 2015 which, along with any unexpended balance from FY 2014, would be available for grants for research, treatment, or the pilot program.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Charity Care Distribution Formula

Revision

2014 Handbook: p.B-79
2015 Budget: p. D-152 to 153

Notwithstanding the provisions of section 3 of P.L.2004, c.113 (C.26:2H-18.59i) or any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year (SFY) ~~2014~~ 2015 shall be calculated in the following manner: (a) source data used shall be from calendar years (CY) 2012, 2011 and 2010 for documented charity care claims data and hospital-specific gross revenue for charity care patients and shall include all adjustments and void claims related to calendar years ~~(CY)~~ 2012, 2011, 2010 and any prior year submitted claims, as submitted by each acute care hospital or determined by the Department of Health (DOH); (b) source data used for CY 2012 documented charity care for each hospital's total gross revenue for all patients shall be from the CY 2012 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH advance submission request dated February 15, 2013, as submitted by each acute care hospital by March 20, 2013, and source data used for Medicare Cost Report data shall be from CY 2011; (c) in the event that an eligible hospital failed to submit by March 20, 2013, its total gross revenue for all patients from the CY 2012 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated February 15, 2013, source data from CY 2011 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; (d) source data used for CY 2011 documented charity care for each hospital's total gross revenue for all patients shall be from the CY 2011 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH advance submission request dated February 13, 2012, as submitted by each acute care hospital by March 16, 2012, and source data used for Medicare Cost Report data shall be from CY 2010; ~~(c)~~ (e) in the event that an eligible hospital failed to submit by March 16, 2012, its total gross revenue for all patients from the CY 2011 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated February 13, 2012, source data from ~~calendar year~~ CY 2010 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; ~~(d)~~ (f) source data used for CY 2010 documented charity care for each hospital's total gross revenue for all patients shall be from the CY 2010 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH advance submission request dated February 10, 2011, as submitted by each acute care hospital by March 10, 2011, and source data used for Medicare Cost Report data shall be from ~~calendar year~~ CY 2009; ~~(e)~~ (g) in the event that an eligible hospital failed to submit by March 10, 2011, its total gross revenue for all patients from the CY 2010 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated February 10, 2011, source data from ~~calendar year~~ CY 2009 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; ~~(f)~~ (h) each eligible hospital's charity care subsidy allocation for SFY ~~2013~~ 2014 as announced by DOH in July

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

~~2012~~ 2013, for this calculation purpose only, shall be initially split into ~~two~~ three pools, one that equals ~~80%~~ 78.5% of its SFY ~~2013~~ 2014 allocation ~~and~~, another that equals 20% of its SFY ~~2013~~ 2014 allocation, and another that equals 1.5% of its SFY 2014 allocation; (i) each pool amount in subsection h. above shall be reduced in a proportionately equal manner by multiplying each value by the ratio of 650 divided by 675 to simulate an SFY14 subsidy total for all hospitals of $650,000,000; ~~(g)~~ (j) for each eligible hospital the difference between its CY ~~2011~~ 2012 documented charity care and its CY ~~2010~~ 2011 documented charity care shall be calculated, then the percentage change in documented charity care for each eligible hospital shall be obtained by dividing this difference by its CY ~~2010~~ 2011 documented charity care; ~~(h)~~ (k) for each eligible hospital the ratio of its CY ~~2011~~ 2012 documented charity care divided by the total CY ~~2011~~ 2012 documented charity care for all hospitals shall be calculated; ~~(i)~~ (l) for each eligible hospital the percentage change in documented charity care as calculated in accordance with subsection ~~g.~~ j. above shall be multiplied by the CY ~~2011~~ 2012 documented charity care ratio calculated in subsection ~~h.~~ k. above; ~~(j)~~ (m) for each eligible hospital the value calculated in accordance with subsection ~~i.~~ l. above shall be multiplied by the total of the 20% pool for all eligible hospitals as calculated in ~~subsection f.~~ subsections h. and i. above; ~~(k)~~ (n) for each eligible hospital the value calculated in accordance with subsection ~~j.~~ m. above shall be added to its initial 20% pool value as calculated in ~~subsection f.~~ subsections h. and i. above; (o) each eligible hospital that demonstrates an increase in their calendar year documented charity care from 2010 to 2011 and from 2011 to 2012 shall be eligible for participation in the 1.5% pool, and hospitals that do not demonstrate the increasing trend shall receive an amount of $0 for their 1.5% pool amount; (p) each hospital that is eligible for the 1.5% pool based on the trend evaluation in subsection o. above shall receive the amount of their initial 1.5% pool amount as calculated in subsections h. and i. above, then multiplied by a common factor until the total of the 1.5% pool for these eligible hospitals equals the total of the 1.5% pool as calculated in subsections h. and i. above; ~~(l)~~ (q) for each eligible hospital the amount calculated in ~~subsection f.~~ subsections h. and i. above for its ~~80%~~ 78.5% pool ~~and~~, subsection ~~k.~~ n. above for its adjusted 20% pool, and subsections o. and p. above for its adjusted 1.5% pool shall be added together producing the preliminary SFY ~~2014~~ 2015 charity care subsidy allocation for each eligible hospital; (r) notwithstanding the provisions above, an eligible hospital shall not receive more than $1.10 in subsidy for each dollar of CY 2012 documented charity care; ~~(m)~~ (s) notwithstanding the provisions above, an eligible hospital shall not receive a lower SFY ~~2014~~ 2015 charity care subsidy allocation than its SFY ~~2013~~ 2014 charity care subsidy allocation if it had increased documented charity care as calculated in subsection ~~g.~~ k. above, and an eligible hospital shall not receive a greater SFY ~~2014~~ 2015 charity care subsidy allocation than its SFY ~~2013~~ 2014 charity care subsidy allocation if it had decreased documented charity care as calculated in subsection g. k. above; ~~(n)~~ (t) if necessary, a proportionate increase or decrease shall be applied to the 20% pool value as calculated in ~~subsection k.~~ subsections m. and n. above for each eligible hospital based on its percentage of total CY ~~2011~~ 2012 documented charity care such that the total calculated SFY ~~2014~~ 2015 charity care subsidy allocation for all hospitals shall equal ~~$675,000,000~~ $650,000,000, except that the proration applied to the subsidy for any eligible hospital shall be modified as necessary to comply with ~~subsection m.~~ subsections r. and s. above; and ~~(o)~~ (u) the resulting number will constitute each eligible hospital's SFY ~~2014~~ 2015 charity care subsidy allocation.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor's FY 2015 Budget Recommendation includes a smaller total appropriation for Charity Care of $650 million, reduced from the FY 2014 appropriation of $675 million. The Governor also proposes to revise the formula for distributing Charity Care payments to hospitals, described below. More information on Charity Care, including the amounts to be provided to each hospital under the proposed formula, is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis.

The formula is similar to the FY 2014 formula, but it incorporates several significant changes. As in FY 2014, each hospital's subsidy would be based primarily on the subsidy it received in the prior year, with a change to the subsidy based on the change in the amount of uncompensated care that the hospital delivered. The revised formula updates its source data by one year, and makes several other noteworthy changes from the FY 2014 formula:

- Each hospital's prior year allotment would be reduced by approximately 3.7 percent, in order to accommodate the smaller total appropriation for Charity Care.

- A new pool, composed of 1.5 percent of each hospital's prior year subsidy, would be divided among only the hospitals that increased documented charity care from calendar year 2010 to 2011, and again from 2011 to 2012. Effectively, this takes $9.75 million out of each hospital's "unmodified" pool (now 78.5 percent of the prior year subsidy, rather than 80 percent) and redistributes it to 22 hospitals with an increasing trend in charity care.

- A ceiling is imposed so that no hospital would receive a subsidy of more than 110% of the actual documented charity care that it provided in calendar year 2012. This provision affects four hospitals: University Hospital, Saint Michael's Medical Center, Saint Francis Medical Center, and Saint Clare's Hospital in Sussex[1].

[1] St. Clare's Sussex is now closed as an acute care hospital. Its FY 2013 subsidy was reallocated to Saint Clare's Dover, which operates a satellite emergency department at the former hospital.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Timing of Charity Care Payments

Revision

2014 Handbook: p. B-80
2015 Budget: p. D-153

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Health Care Subsidy Fund for charity care payments are subject to the following condition: In a manner determined by the Commissioner of Health and subject to the approval of the Director of the Division of Budget and Accounting, eligible hospitals shall receive (1) their charity care subsidy payments beginning in July ~~2013,~~ <u>2014, and</u> (2) ~~their September 2013 payments in October 2013, and (3)~~ their January ~~2014~~ <u>2015</u> payments in December ~~2013~~ <u>2014</u>.

Explanation

This proposed language revision would alter the timing of Charity Care payments to hospitals to more closely align with a monthly schedule of payments than was provided in the FY 2014 Appropriations Act. Under the proposed language, payments would occur monthly, except that two payments would be made in December 2014, and none would be made in January 2015.

Graduate Medical Education Distribution Formula

Revision

2014 Handbook: p. B-80
2015 Budget: p. D-153-154

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Graduate Medical Education (GME) are conditioned upon the following: except as otherwise provided and subject to such modifications as may be required by the Centers for Medicare and Medicaid Services in order to achieve any required federal approval, a hospital's GME distribution shall be calculated based on data from the hospital's ~~2011~~ <u>2012</u> Medicaid cost report and shall be comprised of two components calculated as described below. The first component shall be defined as an amount equal to ~~75%~~ <u>50%</u> of each facility's aggregate State Fiscal Year (SFY) ~~2013~~ <u>2014</u> GME distribution. The sum of these first components for all hospitals shall be totaled and subtracted from the full appropriated GME subsidy amount of $100,000,000 for SFY ~~2014~~ <u>2015</u>, with the resulting amount representing the aggregate amount available for distribution as the second component. The aggregate amount of the second component shall be split into a Direct Medical Education (DME) allocation, which is calculated by multiplying the second component amount by the ratio of ~~2011~~ <u>2012</u> total <u>median</u> Medicaid managed care DME costs-to-~~2011~~ <u>2012</u> total <u>median</u> Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the second

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

component amount by the ratio of ~~2011~~ 2012 total Medicaid managed care IME costs-to-~~2011~~ total 2012 Medicaid managed care GME costs. Each hospital's percentage of total ~~2011~~ 2012 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total ~~2011~~ 2012 Medicaid managed care IME costs shall be multiplied by the IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equal its second component payment. The sum of the first and second components shall comprise the hospital's total SFY ~~2014~~ 2015 GME allocation, to be distributed in twelve monthly payments. The total amount of these payments shall not exceed $100,000,000. In the event that a hospital reported less than twelve months of ~~2011~~ 2012 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. In the event that a hospital did not report its Medicaid managed care days on the cost report utilized in this calculation, the Department of Health (DOH) shall ascertain Medicaid Managed Care encounter days for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, ~~2011~~ 2012 and December 31, ~~2011~~ 2012; payment dates between January 1, ~~2011~~ 2012 and December 31, ~~2012~~ 2013; and a run-date of ~~January 17, 2013~~ January 8, 2014. Medicaid managed care DME cost is defined as the approved intern and residency program costs using the 2012 Medicaid cost report total residency costs, reported on Worksheet B Pt I Column 21 Line 21 plus Worksheet B Pt I Column 22 Line 22 divided by 2012 resident full time equivalent employees (FTE), reported on Worksheet S-3 Part 1 Column 9 Line 12 to develop an average cost per FTE for each hospital used to calculate the overall median cost per FTE. The median cost per FTE is multiplied by the 2012 resident FTE reported on Worksheet S- 3 Part 1 Column 9 Line 12 to develop approved total residency program costs. The approved residency costs are multiplied by the quotient of Medicaid managed care days, reported on Worksheet S-3 Column 5 Line 2, divided by the quantity of total days, reported on Worksheet S-3 Column 8 Line 14, less nursery days, reported on Worksheet S-3 Column 8 Line 13. Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid Managed Care encounter payments for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, ~~2011~~ 2012 and December 31, ~~2011~~ 2012; payment dates between January 1, ~~2011~~ 2012 and December 31, ~~2012~~ 2013; and a run-date of ~~January 17, 2013~~ January 8, 2014. The IME factor is calculated using the Medicare IME formula as follows: 1.35 * [(1 + x)^0.405 - 1], in which "x" is the quotient of submitted IME resident ~~full-time equivalencies~~ FTE reported on Worksheet S-3 Part 1 Column 9 Line 12 divided by the quantity of total available beds less nursery beds reported Worksheet S-3 Part 1 Column 1 Line 12. In the event that a hospital believes that there are mathematical errors in the calculations, or data not matching the actual source documents used to calculate the subsidy as defined above, hospitals shall be permitted to file calculation appeals within 15 working days of receipt of the subsidy allocation letter. If upon review it is determined by the DOH that the error has occurred and would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide allocation shall be issued.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor's FY 2015 Budget Recommendation includes $100 million for Medicaid Graduate Medical Education (GME), the same level as provided in the FY 2014 Appropriations Act. The Governor also proposes to revise the formula for distributing GME payments to hospitals, described below. More information on GME, including the amounts to be provided to each hospital under the proposed formula, is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis.

The proposed formula would decrease the size of the first component of each hospital's subsidy, from 75 percent of its prior year subsidy ($67.5 million in FY 2014) to 50 percent of its prior year subsidy ($50 million in FY 2015). The second component, which is modified by the formula, is reduced to 50 percent of all hospitals' combined prior year subsidies ($50 million in FY 2015). Because only the second component is modified by the formula, this change would allow a greater year-over-year change in each hospital's subsidy than the FY 2014 formula allowed.

The formula would also alter the way that Direct Medical Education (DME) costs are calculated, by using each hospital's median DME cost per resident, rather than each individual hospital's DME costs. According to the Executive, the effect of this change would be to slightly increase subsidies for hospitals with lower average costs per resident, and slightly decrease subsidies for those with higher average costs. However, as the language change applies only to the calculation of the size of the total DME pool, rather than individual hospital allocations, it is unclear how the proposed change would achieve this.

The remaining proposed changes are intended to clarify where certain source data are collected from, and do not represent substantive changes to the formula.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Calculation of Delivery System Reform Incentive Payments

Revision

2014 Handbook: p. B-80
2015 Budget: p. D-154

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for the Hospital Delivery System Reform Incentive Payments Program are ~~conditioned upon~~ subject to the following condition: a hospital's payment shall be calculated and distributed as set forth in the ~~final approved version of New Jersey's~~ Delivery System Reform Incentive Payments (DSRIP) funding and mechanics protocol ~~filed on December 28, 2012 with~~ and any approved amendments thereto as approved by the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, (CMS), in connection with the New Jersey Comprehensive Medicaid 1115 Waiver~~, consistent with the Special Terms and Conditions of the approved Waiver, including but not limited to Section XIII, paragraphs 91 through 97 thereof. Until such time as such federal approval is obtained, monthly DSRIP payments to hospitals shall be calculated and distributed in the same manner as the Hospital Relief Subsidy Fund payments distributed in fiscal year 2013~~.

Explanation

As federal approval for the DSRIP funding and mechanics protocol was granted in August 2013, the Governor's Budget Recommendation updates the relevant appropriations language to indicate that the protocol has been approved. It can be accessed at dsrip.nj.gov. The revised language also authorizes revision of the protocol through any subsequent amendments initiated by the State and approved by the federal government.

Report to the Legislature on DSRIP

Deletion

2014 Handbook: p. B-81
2015 Budget: n/a

~~The amount hereinabove appropriated for the Hospital Delivery System Reform Incentive Payments (DSRIP) program is subject to the following condition: the Department of Human Services shall periodically file with the Presiding Officers of the Legislature a report that includes the status of each applicant hospital's plans for delivery system reform, including but not limited to whether or not a hospital has filed a DSRIP plan and whether approval of that plan has been granted or denied by the State and the federal Centers for Medicare and Medicaid Services (CMS). The department also shall provide copies of any reports or other determinations regarding DSRIP eligibility or plan performance, including but not limited to whether or not a hospital has satisfied any eligibility benchmarks required for receipt of DSRIP funding, which are made by the State or received from CMS.~~

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor proposes to eliminate language added to the FY 2014 Appropriations Act pursuant to a legislative budget resolution that would require the Department of Human Services to periodically report to the Presiding Officers of the Legislature certain information on hospitals' DSRIP plans. (The DSRIP program is primarily administered by the Department of Health, but the Department of Human Services serves as the State's primary contact with the federal Centers for Medicare & Medicaid Services (CMS), which oversees DSRIP at the federal level.) Many of the elements of the report may be unnecessary in FY 2015, as hospitals' DSRIP plans should have been finalized by January 31, 2014 (though the program does allow for exceptions). The requirement to report on DSRIP eligibility benchmarks and plan performance would continue to be relevant in FY 2015.

EXPLANATION: FY 2014 language not recommended for FY 2015 denoted by strikethrough.
Recommended FY 2015 language that did not appear in FY 2014 denoted by underlining.

Background Paper: Direct Hospital Subsidies

Budget Pages.... D-151 to D-154; H-16

Language provisions in the Governor's FY 2015 Budget Recommendation would disburse a total of $916.6 million in direct subsidies to New Jersey's acute care hospitals. As used in this background paper, the term "direct subsidies" encompasses Charity Care, the Delivery System Reform Incentive Payments (DSRIP) program, and Graduate Medical Education (GME); it does not discuss other categories of State funding to hospitals, such as payments for services to Medicaid recipients, payments for the support of University Hospital, or payments for contracted services.

Tables 1 and 2 at the end of this background paper provide the Charity Care and Graduate Medical Education subsidies each hospital is scheduled to receive in FY 2014 and would receive in FY 2015 under the Governor's proposal. As the DSRIP subsidies are contingent upon each hospital's performance, FY 2015 DSRIP subsidies cannot be calculated at this time.

Charity Care

Charity Care is the largest component of direct State subsidies to acute care hospitals, with a recommended funding level of $650 million in FY 2015, $25 million less than in FY 2014. The Charity Care program, established by P.L.1992, c.160 (C.26:2H-18.52 et al.), allows low-income patients without health insurance coverage to receive hospital care at zero or reduced cost, on a sliding scale depending on the patient's income. State law requires hospitals to provide and document this care, and the State provides a subsidy to offset the associated costs. Budget language has regularly superseded the statutory formula at N.J.S.A.26:2H-18.59i.

The program does not pay hospitals set reimbursement rates for each treatment delivered. For several years, the formula has taken each hospital's prior year subsidy as a starting point, then modified that amount based primarily on the change in the amount of documented charity care (DCC) provided by each hospital between the two most recent calendar years for which audited data were available. **Table 1** at the end of this background paper displays for each hospital the Governor's recommended FY 2015 Charity Care subsidy for each hospital and the actual FY 2014 distribution.

The Governor's FY 2015 Budget would provide $550 million from the Health Care Subsidy Fund and $100 million in federal funds, both displayed as part of the recommended appropriation for the Health Care Systems Analysis program classification on page D-152, and also shown in the appendix on page H-16. (The remainder of the federal match for these State funds is used to supplement State spending in other health care programs. Most of it is recorded as State revenue on page C-5, as "Medicaid Uncompensated Care – Acute.")

Proposed FY 2015 Formula: The proposed Charity Care formula to distribute $650 million in Charity Care funds to hospitals is provided on pages D-152 to D-153 of the Governor's FY 2015 Budget. The formula's source data is the CY 2010, 2011, and 2012 documented charity care (DCC) provided by each hospital, and the FY 2014 subsidy received by each hospital.

The proposed formula begins by separating each hospital's FY 2014 subsidy into three pools equaling 78.5 percent, 20 percent, and 1.5 percent of the FY 2014 subsidy. Each pool would be reduced by approximately 3.7 percent, to account for the lower total appropriation for Charity Care. The 78.5 percent pool is not modified by the formula. The 1.5 percent pool is

Background Paper: Direct Hospital Subsidies (Cont'd)

distributed only to hospitals that have demonstrated an increase in documented charity care between CY 2010 and 2011, and again between 2011 and 2012. A total of 22 hospitals qualify for the 1.5 percent pool, with the pools from non-qualifying hospitals redistributed to qualifying hospitals in proportion to their FY 2014 subsidies. The 20 percent pool is modified as follows:

$$\text{Hospital's 20 percent pool} + \left(\text{Percent change in Hospital's DCC, 2011 to 2012} * \text{Hospital's proportion of all hospitals' 2012 DCC} * \$135{,}000{,}000 \right)$$

Each hospital's modified 20 percent pool is then prorated based on its percentage of total CY 2012 documented charity care to ensure that the total costs equal $650,000,000. The proration is then modified so that: (1) no hospital receives more than $1.10 for each dollar of its CY 2012 documented charity care; (2) a hospital that increased its documented charity care would not receive a reduced subsidy; and (3) a hospital that decreased its documented charity care would not receive an increased subsidy.

The formula results in 38 hospitals receiving a greater subsidy than in FY 2014, and 27 receiving less. The largest proportional increases would go to Robert Wood Johnson University Hospital at Hamilton (416 percent), Bayshore Community Hospital (126 percent), and Virtua Memorial Hospital of Burlington County (63.5 percent). The largest proportional decreases would go to University Hospital (23.0 percent), St. Clare's Hospital at Sussex[2] (16.5 percent), and St. Michael's Medical Center (15.7 percent) – all affected by the $1.10 ceiling. Ten hospitals would receive a greater subsidy than their CY 2012 documented charity care, and 38 would receive less than 43 percent of their documented charity care (the minimum that would be received under the statutory formula).

Delivery System Reform Incentive Program (DSRIP)

The second largest component of direct State subsidies to acute care hospitals is the Delivery System Reform Incentive Payments (DSRIP) program, totaling $166.6 million. Pursuant to the Comprehensive Medicaid Waiver, DSRIP has replaced the Hospital Relief Subsidy Fund (HRSF), and would provide the same total amount of funding that was provided under the HRSF. DSRIP is designed to provide an incentive for hospitals to improve their systems for delivery of care.

The DSRIP program requires each participating hospital to develop an Individual Hospital DSRIP Plan, which describes how the hospital will carry out a project that is designed to improve the quality of care provided, the efficiency with which care is provided, or population health. The plan must choose a focus area from the list provided in the Comprehensive Waiver (or another focus area approved by the State and the federal government). Each plan must also include a narrative that describes the stages and activities selected for the project, and a set of measures and milestones upon which the hospital's performance is to be evaluated. As of April 1, 2014, a total of 55 hospitals have submitted applications to participate in the program in FY 2015, but the application period will not formally close until April 30.

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[2] St. Clare's Sussex is now closed as an acute care hospital. Its FY 2013 subsidy was reallocated to Saint Clare's Dover, which operates a satellite emergency department at the former hospital.

Background Paper: Direct Hospital Subsidies (Cont'd)

The proposed FY 2015 appropriation includes $62.6 million from the General Fund, $30.6 million in Other funds (from the Health Care Subsidy Fund), and $83.3 million in federal funds (all displayed on page D-152). It is noted that this disagrees somewhat with the display on page H-16, though the reason for this is not clear.

Proposed FY 2015 Formula: The distribution of DSRIP funds to individual hospitals is governed by the DSRIP funding and mechanics protocol approved by the federal government, as provided by proposed language on page D-154. The funding and mechanics protocol is accessible online at dsrip.nj.gov, though at the time of this writing the protocol has been taken down for revision. The department has indicated that the revisions primarily concern approval dates, and will not substantively change the distribution of funds.

Based on the last iteration of the funding and mechanics protocol, each participating hospital will be eligible for an amount of "target funding" for FY 2015 equal to 90 percent of its FY 2013 HRSF subsidy. This funding will be awarded based on reporting and completion of several metrics and milestones, most of which are specific to each individual hospital's DSRIP plan.

In addition, all participating hospitals would be eligible to receive bonus payments from a "Universal Performance Pool." This pool would be composed of: 10 percent of each participating hospital's FY 2013 HRSF subsidy, 100 percent of non-participating hospitals' FY 2013 HRSF subsidies, and target funds that are forfeited by hospitals that do not achieve project milestones and metrics. Payments from the Universal Performance Pool would be made to hospitals that meet or exceed certain universal performance metrics.

Graduate Medical Education

The third component of direct State subsidies to acute care hospitals is Graduate Medical Education (GME), totaling $100 million in FY 2015. GME provides the State's 42 teaching hospitals with funding for the training of future physicians. The State is responsible for establishing a formula to determine hospital-specific Medicaid GME allocations, which is subject to the approval of the federal government. Teaching hospitals also receive GME funding through federal programs, the most important being Medicare, but these amounts do not flow through the State budget. **Table 2** at the end of this background paper displays for each hospital the Governor's recommended FY 2015 GME allocation and the actual FY 2014 distribution.

The proposed FY 2015 GME appropriation draws on two funding sources: $50 million from the General Fund and $50 million in federal matching funds through the Medicaid program (both displayed on page D-152.

Proposed FY 2015 Formula: The proposed formula for distributing GME funding to teaching hospitals is found on pages D-153 to D-154 of the Governor's FY 2015 Budget. The formula's source data is each hospital's direct medical education (DME) costs and indirect medical education (IME) costs as reported in the 2012 Medicaid cost report.

Under the proposed formula, each hospital would receive 50 percent of its FY 2014 subsidy without modification. The second component is newly calculated for FY 2015; it is not

Background Paper: Direct Hospital Subsidies (Cont'd)

influenced by the FY 2014 subsidy. The second component is further divided into a direct medical education (DME) and an indirect medical education (IME) component, as follows:

DME component

$$\$50{,}000{,}000 * \frac{\text{Sum of median DME cost per resident at each hospital}}{\text{Sum of median GME cost per resident at each hospital}}$$

IME Component

$$\$50{,}000{,}000 * \frac{\text{Sum of total IME cost at each hospital}}{\text{Sum of total GME cost at each hospital}}$$

Each hospital's individual allotment from the DME component is calculated by multiplying the total DME component by the individual hospital's percentage of total DME costs, and each hospital's individual allotment from the IME component is calculated by multiplying the total IME component by the individual hospital's percentage of total IME costs.

The proposed language describes the methodology for calculating DME costs, based on intern and residency program costs and the proportion of the hospital's Medicaid days to total days, and IME costs, based on the Medicare IME factor (a formula used by the federal government in the Medicare GME program) and the proportion of the hospital's Medicaid days to total days.

The formula results in 26 of the 42 eligible hospitals receiving a greater subsidy than they received in FY 2014, and 16 receiving less. The greatest decrease, 42.2 percent, would be borne by Capital Health Regional Medical Center at Fuld. The largest proportional increases would go to St. Mary's Hospital (269 percent) and Inspira Medical Center in Vineland (198 percent). Two hospitals will begin to participate in the program in FY 2015: Meadowlands Hospital Medical Center and Palisades Medical Center.

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 1: Documented Charity Care and Charity Care Subsidies

Hospital	Final FY14 Subsidy	Proposed FY15 Subsidy	Change FY14 to FY15	CY12 Documented Charity Care (DCC)	CY12 DCC minus FY15 Subsidy	Subsidy as % of DCC
Atlanticare Regional Medical Center (City, Mainland)	24,942,363	24,536,319	(406,044)	37,405,495	12,869,176	66%
Bayonne Medical Center	3,025,229	2,866,786	(158,443)	4,160,840	1,294,054	69%
Bayshore Community Hospital	363,085	818,811	455,726	3,128,094	2,309,283	26%
Bergen Regional Medical Center	36,954,334	34,787,973	(2,166,361)	32,787,641	(2,000,332)	106%
Cape Regional Medical Center	1,040,023	1,223,898	183,875	5,633,176	4,409,278	22%
Capital Health Medical Center - Hopewell	7,887,533	7,213,960	(673,573)	6,972,801	(241,159)	103%
Capital Health Regional Medical Center - Fuld	21,648,560	23,276,609	1,628,049	31,195,703	7,919,094	75%
CentraState Medical Center	2,239,951	2,240,051	100	7,643,841	5,403,790	29%
Chilton Memorial Hospital	527,485	663,691	136,206	4,013,340	3,349,649	17%
Christ Hospital	12,735,493	13,003,014	267,521	13,846,702	843,688	94%
Clara Maass Medical Center	4,332,124	4,332,224	100	10,382,101	6,049,877	42%
Community Medical Center	2,681,321	2,705,183	23,862	10,132,310	7,427,127	27%
Cooper Hospital/University MC	36,173,997	37,340,005	1,166,008	41,465,531	4,125,526	90%
Deborah Heart and Lung Center	6,949,749	6,419,795	(529,954)	7,398,572	978,777	87%
East Orange General Hospital	11,081,397	11,081,497	100	10,787,406	(294,091)	103%
Englewood Hospital and Medical Center	1,894,002	2,093,745	199,743	12,728,758	10,635,013	16%
Hackensack University MC - Mountainside	1,004,192	971,535	(32,657)	3,390,211	2,418,676	29%
Hackensack University Medical Center	9,335,248	10,145,857	810,609	32,592,434	22,446,577	31%
Hackettstown Regional Medical Center	339,058	334,348	(4,710)	1,589,984	1,255,636	21%
Hoboken University Medical Center	15,490,725	14,607,750	(882,975)	14,168,475	(439,275)	103%
Holy Name Medical Center	1,224,939	1,137,589	(87,350)	6,655,520	5,517,931	17%
Hunterdon Medical Center	1,517,889	1,584,856	66,967	5,585,518	4,000,662	28%
Inspira Medical Center - Elmer	275,767	279,321	3,554	1,338,523	1,059,202	21%
Inspira Medical Center - Vineland	2,309,228	2,850,962	541,734	13,470,483	10,619,521	21%
Inspira Medical Center - Woodbury	1,663,851	2,022,990	359,139	8,473,911	6,450,921	24%
Jersey City Medical Center	49,740,035	46,868,746	(2,871,289)	48,547,292	1,678,546	97%
Jersey Shore University Medical Center	4,662,204	4,789,309	127,105	24,749,990	19,960,681	19%
JFK Medical Center/A M Yelensics	4,272,220	4,568,604	296,384	12,933,664	8,365,060	35%
Kennedy Health System (Cherry Hill, Stratford, Washington Twp)	10,429,625	10,508,912	79,287	22,496,472	11,987,560	47%
Kimball Medical Center	10,132,382	9,427,832	(704,550)	11,030,173	1,602,341	85%
Lourdes Medical Center of Burlington County	2,692,935	3,117,982	425,047	9,186,108	6,068,126	34%
Meadowlands Hospital Medical Center	678,851	662,869	(15,982)	1,590,179	927,310	42%
Memorial Hospital of Salem County	491,814	434,300	(57,514)	613,771	179,471	71%
Monmouth Medical Center	8,568,435	8,250,431	(318,004)	15,236,258	6,985,827	54%
Morristown Memorial Hospital	3,086,220	2,899,497	(186,723)	19,845,239	16,945,742	15%
Newark Beth Israel Medical Center	34,961,505	35,926,516	965,011	41,932,097	6,005,581	86%
Newton Medical Center	916,199	1,278,057	361,858	5,141,449	3,863,392	25%
Ocean Medical Center	1,210,833	1,210,063	(770)	7,364,807	6,154,744	16%

Background Paper: Direct Hospital Subsidies (Cont'd)

Our Lady of Lourdes Medical Center	3,173,302	3,411,048	237,746	12,121,922	8,710,874	28%
Overlook Medical Center	2,023,978	2,213,894	189,916	12,737,860	10,523,966	17%
Palisades Medical Center	7,173,165	7,396,780	223,615	9,072,796	1,676,016	82%
Raritan Bay Medical Center (Perth Amboy, Old Bridge)	12,036,898	12,653,090	616,192	20,647,118	7,994,028	61%
Riverview Medical Center	2,579,200	2,744,658	165,458	9,604,659	6,860,001	29%
Robert Wood Johnson University Hospital	8,426,545	8,426,645	100	27,506,888	19,080,243	31%
RWJ University Hospital at Hamilton	563,634	2,910,455	2,346,821	8,387,418	5,476,963	35%
RWJ University Hospital at Rahway	1,693,898	1,803,804	109,906	3,167,254	1,363,450	57%
Shore Memorial Hospital	736,669	681,379	(55,290)	3,923,421	3,242,042	17%
Somerset Medical Center	3,110,009	3,134,578	24,569	8,107,675	4,973,097	39%
Southern Ocean Medical Center	581,220	725,147	143,927	3,355,519	2,630,372	22%
St. Barnabas Medical Center	1,038,475	992,484	(45,991)	8,487,098	7,494,614	12%
St. Clare's Hospital - Sussex	365,004	304,829	(60,175)	277,117	(27,712)	110%
St. Clare's Hospitals (Denville, Dover)	10,878,772	10,718,270	(160,502)	16,514,718	5,796,448	65%
St. Francis Medical Center	13,837,792	13,837,892	100	12,592,881	(1,245,011)	110%
St. Joseph's Regional Medical Center	72,715,739	72,715,839	100	82,936,093	10,220,254	88%
St. Joseph's Wayne Hospital	407,502	392,527	(14,975)	2,591,522	2,198,995	15%
St. Luke's Warren Hospital	1,261,835	1,234,732	(27,103)	4,341,301	3,106,569	28%
St. Mary's Hospital - Passaic	10,479,328	9,918,778	(560,550)	9,551,527	(367,251)	104%
St. Michael's Medical Center	25,975,492	21,905,365	(4,070,127)	19,913,968	(1,991,397)	110%
St. Peter's University Hospital	5,927,869	6,480,122	552,253	21,298,361	14,818,239	30%
Trinitas Regional Medical Center	44,443,139	42,228,727	(2,214,412)	41,929,805	(298,922)	101%
University Hospital	99,003,226	76,230,613	(22,772,613)	69,300,557	(6,930,056)	110%
University Medical Center of Princeton at Plainsboro	1,325,789	1,639,038	313,249	9,579,327	7,940,289	17%
Valley Hospital	863,734	1,003,614	139,880	7,195,649	6,192,035	14%
Virtua - Memorial Hospital of Burlington County	2,075,292	3,393,037	1,317,745	10,215,022	6,821,985	33%
Virtua - West Jersey Health System (Berlin, Marlton, Voorhees)	2,821,692	2,420,772	(400,920)	14,638,402	12,217,630	17%
TOTAL	**675,000,000**	**650,000,000**	**(25,000,000)**	**997,610,747**	**347,610,747**	65%

Totals may not add due to rounding

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 2: Graduate Medical Education Subsidies

Hospital	Final FY14 Subsidy	Proposed FY15 Subsidy	Change ($)	Change (%)
Atlanticare Regional Medical Center (City, Mainland)	1,528,595	1,429,532	(99,063)	(6%)
Bergen Regional Medical Center	360,080	223,087	(136,993)	(38%)
Capital Health Regional Medical Center - Fuld	1,070,646	1,066,127	(4,519)	0%
Capital Health Medical Center - Hopewell	83,967	48,564	(35,403)	(42%)
CentraState Medical Center	163,326	144,595	(18,731)	(11%)
Christ Hospital	362,211	395,139	32,928	9%
Cooper Hospital/University MC	11,268,416	12,322,577	1,054,161	9%
Deborah Heart and Lung Center	163,001	192,592	29,591	18%
Englewood Hospital and Medical Center	277,878	385,040	107,162	39%
Hackensack University MC - Mountainside	325,218	535,770	210,552	65%
Hackensack University Medical Center	3,993,884	4,069,857	75,973	2%
Hoboken University Medical Center	656,355	734,607	78,252	12%
Hunterdon Medical Center	73,572	112,642	39,070	53%
Inspira Medical Center - Vineland	297,050	884,952	587,902	198%
Inspira Medical Center - Woodbury	122,203	233,372	111,169	91%
Jersey City Medical Center	4,154,855	4,414,476	259,621	6%
Jersey Shore University Medical Center	3,213,613	3,246,897	33,284	1%
JFK Medical Center/A M Yelensics	242,277	344,390	102,113	42%
Kennedy Health System (Cherry Hill, Stratford, Washington Twp)	4,102,373	3,213,851	(888,522)	(22%)
Lourdes Medical Center of Burlington County	140,068	143,327	3,259	2%
Meadowlands Hospital Medical Center	0	31,444	31,444	*
Monmouth Medical Center	3,910,518	4,477,861	567,343	15%
Morristown Memorial Hospital	946,855	1,301,600	354,745	37%
Newark Beth Israel Medical Center	14,114,382	13,500,254	(614,128)	(4%)
Our Lady of Lourdes Medical Center	1,099,197	1,155,141	55,944	5%
Overlook Medical Center	291,576	490,278	198,702	68%
Palisades Medical Center	0	69,346	69,346	*
Raritan Bay Medical Center (Perth Amboy, Old Bridge)	622,806	614,947	(7,859)	(1%)
Robert Wood Johnson University Hospital	10,087,579	8,046,933	(2,040,646)	(20%)
St. Barnabas Medical Center	1,423,431	2,249,664	826,233	58%
St. Francis Medical Center	358,957	341,363	(17,594)	(5%)
St. Joseph's Regional Medical Center	9,529,154	9,166,846	(362,308)	(4%)
St. Mary's Hospital - Passaic	12,603	46,496	33,893	269%
St. Michael's Medical Center	2,617,322	2,600,623	(16,699)	(1%)
St. Peter's University Hospital	3,038,018	3,001,978	(36,040)	(1%)
Somerset Medical Center	94,464	122,896	28,432	30%
St. Luke's Warren Hospital	136,355	159,748	23,393	17%
Trinitas Regional Medical Center	2,010,891	1,628,536	(382,355)	(19%)
University Hospital	16,459,310	16,083,605	(375,705)	(2%)
University Medical Center of Princeton at Plainsboro	310,408	269,422	(40,986)	(13%)
Virtua - Memorial Hospital of Burlington County	132,338	191,426	59,088	45%
Virtua - West Jersey Health System (Berlin, Marlton, Voorhees)	204,260	308,199	103,939	51%
TOTAL	**100,000,000**	**100,000,000**	**0**	**0%**

*Meadowlands Hospital Medical Center and Palisades Medical Center will begin to participate in FY 2015
Totals may not add due to rounding

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Individuals wishing information and committee schedules on the FY 2015 budget are encouraged to contact:

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