

SENATE, No. 2716

STATE OF NEW JERSEY 209th LEGISLATURE

INTRODUCED NOVEMBER 19, 2001

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Senator KEVIN J. O'TOOLE

District 21 (Essex and Union)

SYNOPSIS

Provides payments to pediatric rehabilitation hospitals for unreimbursed care and revises Medicaid reimbursement methodology for these hospitals; appropriates \$2 million.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 12/18/2001)

1 AN ACT concerning pediatric rehabilitation hospitals, supplementing
2 Titles 26 and 30 of the Revised Statutes and making an
3 appropriation.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. The Legislature finds and declares that:

9 a. Currently, there are two pediatric rehabilitation hospitals in the
10 State that provide pediatric inpatient and ambulatory rehabilitation and
11 pediatric long-term care services to children throughout the State.
12 These hospitals offer a variety of medical, developmental and
13 educational services to children with severe disabilities and chronic
14 illnesses;

15 b. There is a tremendous need in the State for the unique services
16 provided by these facilities, and few providers within the health care
17 community have the capability and expertise to properly treat the
18 special needs of these children; and

19 c. The State's pediatric rehabilitation hospitals provide a substantial
20 amount of health care services to both Medicaid-eligible and uninsured
21 patients; therefore, adequate reimbursement from Medicaid and other
22 State programs is extremely important to ensure the financial viability
23 of these health care facilities.

24

25 2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
26 c.136 (C.26:2H-1 et seq.) shall be reimbursed a prospective per diem
27 rate by the State Medicaid program for Medicaid fee-for-service
28 recipients.

29 The initial prospective per diem rate shall be based on the total
30 allowable cost for Medicaid patients divided by the total Medicaid
31 days from the calendar year 1999 Medicare/Medicaid cost report, and
32 shall be considered the base year rate. The base year rate shall be
33 updated each year by the economic factor specified in N.J.A.C.10:52-
34 5.13.

35 The Commissioner of Human Services shall adopt regulations to
36 permit a pediatric rehabilitation hospital to seek rate relief or to seek
37 a new base year rate in the event the hospital can demonstrate that it
38 is entitled to rate relief or a new base year pursuant to applicable
39 Medicare Principles of Reimbursement.

40

41 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
42 c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity
43 requirements established pursuant to N.J.A.C.10:52-1.3(b)(1) for the
44 purposes of receiving Medicaid fee-for-service reimbursement for
45 outpatient hospital services.

1 A pediatric rehabilitation hospital which establishes an off-site
2 location to provide outpatient services shall notify the Division of
3 Medical Assistance and Health Services in the Department of Human
4 Services in accordance with the requirements of N.J.A.C.10:52-1.3.

5
6 4. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
7 c.136 (C.26:2H-1 et seq.) shall be eligible for a payment from the
8 Department of Health and Senior Services for the documented
9 unreimbursed care provided to children whose families meet the
10 eligibility requirements provided in section 10 of P.L.1992, c.160
11 (C.26:2H-18.60).

12 Beginning in fiscal year 2002, the amount of the payment shall be
13 equal to the dollar amount of eligible, documented unreimbursed care
14 provided by the pediatric rehabilitation hospital, that is verified by the
15 department's most recent unreimbursed care audit conducted under the
16 most recent eligibility rules adopted by the department pursuant to
17 section 10 of P.L.1992, c.160 (C.26:2H-18.60) and valued at the same
18 rate paid to that hospital by the State Medicaid program; except that
19 aggregate payments to all pediatric rehabilitation hospitals under this
20 section shall not exceed \$2,000,000 per fiscal year. In the event the
21 aggregate amount of eligible, documented unreimbursed care exceeds
22 \$2,000,000, the payments shall be distributed in proportion to each
23 pediatric rehabilitation hospital's eligible, documented unreimbursed
24 care for that fiscal year.

25
26 5. The Commissioner of Health and Senior Services shall, pursuant
27 to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
28 et seq.), adopt regulations to carry out the purposes of this act.

29
30 6. There is appropriated \$2,000,000 from the General Fund to the
31 Department of Health and Senior Services to carry out the purposes
32 of section 4 of this act.

33
34 7. This act shall take effect immediately.

35
36
37 STATEMENT

38
39 This bill provides that the State's two pediatric rehabilitation
40 hospitals shall be reimbursed a prospective per diem rate by the State
41 Medicaid program for Medicaid fee-for-service recipients, rather than
42 on the basis of an amount per discharge with certain cost limits, which
43 is the methodology currently used by the Medicaid program. This
44 revised methodology will better reflect the costs incurred by the
45 hospitals due to long lengths of stay for pediatric patients, which are
46 typical in these rehabilitation hospitals. Also, the prospective

1 reimbursement methodology is consistent with the methodology used
2 by both the Medicare and State Medicaid programs for acute care and
3 adult rehabilitation hospitals.

4 The bill also provides that the pediatric rehabilitation hospitals shall
5 not be subject to the close proximity requirements established by
6 regulation (N.J.A.C.10:52-1.3(b)(1)) for the purposes of receiving
7 Medicaid fee-for-service reimbursement for outpatient hospital
8 services. This "close proximity" exemption will enable these hospitals
9 to establish outpatient facilities in locations throughout the State
10 where there is a need for such facilities, and continue to be eligible for
11 Medicaid fee-for-service reimbursement for outpatient hospital
12 services. Under current regulations, the outpatient facility must be
13 physically located in close proximity to the hospital and both the
14 facility and hospital must service the same patient population in order
15 to be eligible for reimbursement as an outpatient hospital service.

16 Finally, this bill provides that the pediatric rehabilitation hospitals
17 shall be eligible for a payment from the Department of Health and
18 Senior Services for the documented unreimbursed care provided to
19 children whose families meet the same eligibility requirements
20 established for the provision of charity care in acute care hospitals.
21 Beginning in fiscal year 2002, the amount of the payment shall be
22 equal to the dollar amount of eligible, documented unreimbursed care
23 provided by the pediatric rehabilitation hospital, that is verified by the
24 department's most recent unreimbursed care audit conducted under the
25 most recent eligibility rules adopted by the department and valued at
26 the same rate paid to that hospital by the State Medicaid program.
27 The aggregate payments to the hospitals under this bill shall not
28 exceed \$2 million per fiscal year. The bill appropriates \$2 million from
29 the General Fund for the payments.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2716

STATE OF NEW JERSEY

DATED: DECEMBER 13, 2001

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2716.

This bill revises certain rules governing the rate of and eligibility for Medicaid and other reimbursement to the State's two pediatric rehabilitation hospitals.

Medicaid reimbursement rate. The bill provides that the State Medicaid program shall reimburse the two pediatric rehabilitation hospitals for Medicaid fee-for-service recipients at a prospective per diem rate, rather than on the basis of an amount per discharge with certain cost limits (the methodology currently used). This revised methodology will better reflect the costs that pediatric rehabilitation hospitals incur for the long periods of stay typical for pediatric patients at these hospitals. Also, the prospective reimbursement methodology is consistent with the methodology used by both the Medicare and State Medicaid programs for acute care and adult rehabilitation hospitals.

Exemption from "close proximity" requirement for Medicaid reimbursement eligibility. The bill also provides that the pediatric rehabilitation hospitals shall not be subject to "close proximity" requirements established by regulation (N.J.A.C.10:52-1.3(b)(1)) for the purposes of eligibility to receive Medicaid fee-for-service reimbursement for outpatient hospital services. This exemption will enable these hospitals to establish outpatient facilities in locations throughout the State where there is a need for such facilities, and to continue to be eligible for Medicaid fee-for-service reimbursement for outpatient hospital services. Under current regulations, the outpatient facility must be physically located in close proximity to the hospital, and both the facility and hospital must service the same patient population in order to be eligible for reimbursement as an outpatient hospital service.

Eligibility for payment for unreimbursed care to patients meeting charity care eligibility requirements. Finally, the bill provides that the pediatric rehabilitation hospitals shall be eligible for a payment from the Department of Health and Senior Services for the documented unreimbursed care provided to children whose families meet the eligibility requirements established for the provision of charity care in acute care hospitals. Beginning in fiscal year 2002, the amount of the

payment shall be equal to the dollar amount of eligible, documented unreimbursed care, provided by the pediatric rehabilitation hospital, that is verified by the department's most recent unreimbursed care audit conducted under the most recent eligibility rules adopted by the department and valued at the same rate paid to that hospital by the State Medicaid program. The aggregate payments to the hospitals under this bill shall not exceed \$2 million per fiscal year. The bill appropriates \$2 million from the General Fund for the payments.

FISCAL IMPACT:

This bill appropriates \$2 million from the General Fund to the Department of Health and Senior Services to fund the payments for unreimbursed care to children from families meeting charity care eligibility standards. Because there are expected to be relatively few cases qualifying for these payments, and because the enactment of this legislation is likely to occur no earlier than January 2002, the amount of the appropriation is likely to be more than sufficient to fund payment claims in the current fiscal year.

In its June 2001 publication of a proposed rule to institute the prospective per diem rate of Medicaid reimbursement for pediatric rehabilitation hospitals, the DHSS indicated that it expected such a change to be "budget neutral", though having a positive effect on the hospitals' cash flow.

Finally, the exemption from the "close proximity" rule is expected to have no fiscal impact.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2716

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 20, 2001

The Assembly Appropriations Committee reports favorably Senate Bill No. 2716 with committee amendments.

Senate Bill No. 2716, as amended, revises certain rules governing the rate of and eligibility for Medicaid reimbursement to the State's two pediatric rehabilitation hospitals.

Medicaid reimbursement rate. The bill provides that the State Medicaid program shall reimburse the two pediatric rehabilitation hospitals for Medicaid fee-for-service recipients at a prospective per diem rate, rather than on the basis of an amount per discharge with certain cost limits (the methodology currently used). This revised methodology will better reflect the costs that pediatric rehabilitation hospitals incur for the long periods of stay typical for pediatric patients at these hospitals. Also, the prospective reimbursement methodology is consistent with the methodology used by both the Medicare and State Medicaid programs for acute care and adult rehabilitation hospitals.

Exemption from "close proximity" requirement for Medicaid reimbursement eligibility. The bill also provides that the pediatric rehabilitation hospitals shall not be subject to "close proximity" requirements established by regulation (N.J.A.C.10:52-1.3(b)(1)) for the purposes of eligibility to receive Medicaid fee-for-service reimbursement for outpatient hospital services. This exemption will enable these hospitals to establish outpatient facilities in locations throughout the State where there is a need for such facilities, and to continue to be eligible for Medicaid fee-for-service reimbursement for outpatient hospital services. Under current regulations, the outpatient facility must be physically located in close proximity to the hospital, and both the facility and hospital must service the same patient population in order to be eligible for reimbursement as an outpatient hospital service.

Senate Bill No. 2716, as amended and reported by committee, is identical to Assembly Bill No. 3924, as also amended and reported by the committee.

FISCAL IMPACT:

In its June 2001 publication of a proposed rule to institute the prospective per diem rate of Medicaid reimbursement for pediatric rehabilitation hospitals, the DHSS indicated that it expected such a change to be "budget neutral", though having a positive effect on the hospitals' cash flow.

Finally, the exemption from the "close proximity" rule is expected to have no fiscal impact.

COMMITTEE AMENDMENTS:

The committee amendments provide that if the hospital has been in operation less than two full years prior to fiscal year 1999, the prospective per diem rate will be set using its first finalized audited fiscal year 2000 Medicaid/Medicare cost report. The committee amendments also eliminate the unreimbursed care provisions and the \$2 million General Fund appropriation intended for that purpose.

[First Reprint]

SENATE, No. 2716

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED NOVEMBER 19, 2001

Sponsored by:

Senator ROBERT E. LITTELL

District 24 (Sussex, Hunterdon and Morris)

Senator KEVIN J. O'TOOLE

District 21 (Essex and Union)

Co-Sponsored by:

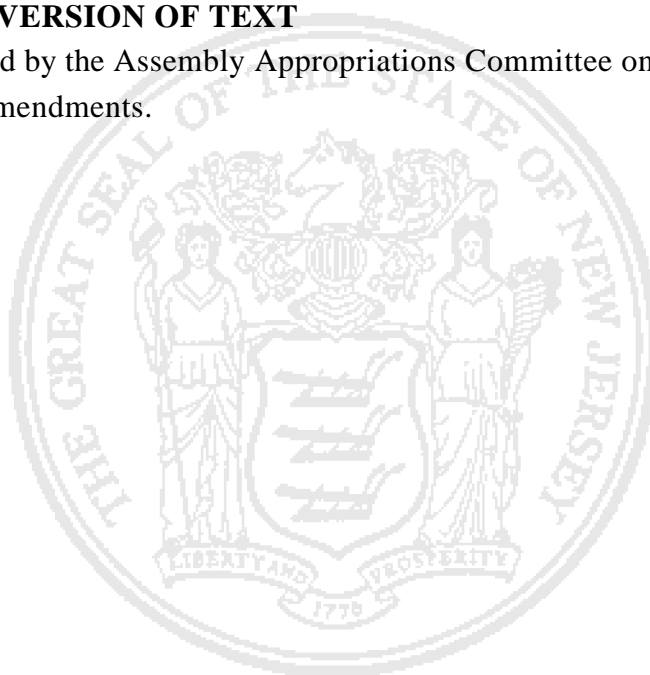
Assemblyman Bagger

SYNOPSIS

Revises Medicaid reimbursement methodology for pediatric rehabilitation hospitals.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on December 20, 2001, with amendments.



(Sponsorship Updated As Of: 1/8/2002)

1 AN ACT concerning pediatric rehabilitation hospitals, supplementing
2 Titles 26 and 30 of the Revised Statutes ¹[and making an
3 appropriation]¹.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. The Legislature finds and declares that:

9 a. Currently, there are two pediatric rehabilitation hospitals in the
10 State that provide pediatric inpatient and ambulatory rehabilitation and
11 pediatric long-term care services to children throughout the State.
12 These hospitals offer a variety of medical, developmental and
13 educational services to children with severe disabilities and chronic
14 illnesses; ¹and¹

15 b. There is a tremendous need in the State for the unique services
16 provided by these facilities, and few providers within the health care
17 community have the capability and expertise to properly treat the
18 special needs of these children ¹]; and

19 c. The State's pediatric rehabilitation hospitals provide a substantial
20 amount of health care services to both Medicaid-eligible and uninsured
21 patients; therefore, adequate reimbursement from Medicaid and other
22 State programs is extremely important to ensure the financial viability
23 of these health care facilities]¹.

24
25 2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
26 c.136 (C.26:2H-1 et seq.) shall be reimbursed a prospective per diem
27 rate by the State Medicaid program for Medicaid fee-for-service
28 recipients.

29 The initial prospective per diem rate shall be based on the total
30 allowable cost for Medicaid patients divided by the total Medicaid
31 days from the calendar year 1999 Medicare/Medicaid cost report, and
32 shall be considered the base year rate. ¹If the hospital has been in
33 operation less than two full years prior to fiscal year 1999, the
34 prospective per diem rate will be set using its first finalized audited
35 fiscal year 2000 Medicaid/Medicare cost report.¹ The base year rate
36 shall be updated each year by the economic factor specified in
37 N.J.A.C.10:52-5.13.

38 The Commissioner of Human Services shall adopt regulations to
39 permit a pediatric rehabilitation hospital to seek rate relief or to seek
40 a new base year rate in the event the hospital can demonstrate that it
41 is entitled to rate relief or a new base year pursuant to applicable

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted December 20, 2001.

1 Medicare Principles of Reimbursement.

2

3 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
4 c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity
5 requirements established pursuant to N.J.A.C.10:52-1.3(b)(1) for the
6 purposes of receiving Medicaid fee-for-service reimbursement for
7 outpatient hospital services.

8 A pediatric rehabilitation hospital which establishes an off-site
9 location to provide outpatient services shall notify the Division of
10 Medical Assistance and Health Services in the Department of Human
11 Services in accordance with the requirements of N.J.A.C.10:52-1.3.

12

13 ¹[4. A pediatric rehabilitation hospital licensed pursuant to
14 P.L.1971, c.136 (C.26:2H-1 et seq.) shall be eligible for a payment
15 from the Department of Health and Senior Services for the
16 documented unreimbursed care provided to children whose families
17 meet the eligibility requirements provided in section 10 of P.L.1992,
18 c.160 (C.26:2H-18.60).

19 Beginning in fiscal year 2002, the amount of the payment shall be
20 equal to the dollar amount of eligible, documented unreimbursed care
21 provided by the pediatric rehabilitation hospital, that is verified by the
22 department's most recent unreimbursed care audit conducted under the
23 most recent eligibility rules adopted by the department pursuant to
24 section 10 of P.L.1992, c.160 (C.26:2H-18.60) and valued at the same
25 rate paid to that hospital by the State Medicaid program; except that
26 aggregate payments to all pediatric rehabilitation hospitals under this
27 section shall not exceed \$2,000,000 per fiscal year. In the event the
28 aggregate amount of eligible, documented unreimbursed care exceeds
29 \$2,000,000, the payments shall be distributed in proportion to each
30 pediatric rehabilitation hospital's eligible, documented unreimbursed
31 care for that fiscal year.]¹

32

33 ¹[5.] 4.¹ The Commissioner of Health and Senior Services shall,
34 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
35 (C.52:14B-1 et seq.), adopt regulations to carry out the purposes of
36 this act.

37

38 ¹[6. There is appropriated \$2,000,000 from the General Fund to
39 the Department of Health and Senior Services to carry out the
40 purposes of section 4 of this act.]¹

41

42 ¹[7.] 5.¹ This act shall take effect immediately.

ASSEMBLY, No. 3924

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED NOVEMBER 19, 2001

Sponsored by:

Assemblyman RICHARD H. BAGGER

District 22 (Middlesex, Morris, Somerset and Union)

SYNOPSIS

Provides payments to pediatric rehabilitation hospitals for unreimbursed care and revises Medicaid reimbursement methodology for these hospitals; appropriates \$2 million.

CURRENT VERSION OF TEXT

As introduced.



A3924 BAGGER

2

1 AN ACT concerning pediatric rehabilitation hospitals, supplementing
2 Titles 26 and 30 of the Revised Statutes and making an
3 appropriation.

4
5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7
8 1. The Legislature finds and declares that:

9 a. Currently, there are two pediatric rehabilitation hospitals in the
10 State that provide pediatric inpatient and ambulatory rehabilitation and
11 pediatric long-term care services to children throughout the State.
12 These hospitals offer a variety of medical, developmental and
13 educational services to children with severe disabilities and chronic
14 illnesses;

15 b. There is a tremendous need in the State for the unique services
16 provided by these facilities, and few providers within the health care
17 community have the capability and expertise to properly treat the
18 special needs of these children; and

19 c. The State's pediatric rehabilitation hospitals provide a substantial
20 amount of health care services to both Medicaid-eligible and uninsured
21 patients; therefore, adequate reimbursement from Medicaid and other
22 State programs is extremely important to ensure the financial viability
23 of these health care facilities.

24
25 2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
26 c.136 (C.26:2H-1 et seq.) shall be reimbursed a prospective per diem
27 rate by the State Medicaid program for Medicaid fee-for-service
28 recipients.

29 The initial prospective per diem rate shall be based on the total
30 allowable cost for Medicaid patients divided by the total Medicaid
31 days from the calendar year 1999 Medicare/Medicaid cost report, and
32 shall be considered the base year rate. The base year rate shall be
33 updated each year by the economic factor specified in N.J.A.C.10:52-
34 5.13.

35 The Commissioner of Human Services shall adopt regulations to
36 permit a pediatric rehabilitation hospital to seek rate relief or to seek
37 a new base year rate in the event the hospital can demonstrate that it
38 is entitled to rate relief or a new base year pursuant to applicable
39 Medicare Principles of Reimbursement.

40
41 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
42 c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity
43 requirements established pursuant to N.J.A.C.10:52-1.3(b)(1) for the
44 purposes of receiving Medicaid fee-for-service reimbursement for
45 outpatient hospital services.

46 A pediatric rehabilitation hospital which establishes an off-site

1 location to provide outpatient services shall notify the Division of
2 Medical Assistance and Health Services in the Department of Human
3 Services in accordance with the requirements of N.J.A.C.10:52-1.3.

4
5 4. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
6 c.136 (C.26:2H-1 et seq.) shall be eligible for a payment from the
7 Department of Health and Senior Services for the documented
8 unreimbursed care provided to children whose families meet the
9 eligibility requirements provided in section 10 of P.L.1992, c.160
10 (C.26:2H-18.60).

11 Beginning in fiscal year 2002, the amount of the payment shall be
12 equal to the dollar amount of eligible, documented unreimbursed care
13 provided by the pediatric rehabilitation hospital, that is verified by the
14 department's most recent unreimbursed care audit conducted under the
15 most recent eligibility rules adopted by the department pursuant to
16 section 10 of P.L.1992, c.160 (C.26:2H-18.60) and valued at the same
17 rate paid to that hospital by the State Medicaid program; except that
18 aggregate payments to all pediatric rehabilitation hospitals under this
19 section shall not exceed \$2,000,000 per fiscal year. In the event the
20 aggregate amount of eligible, documented unreimbursed care exceeds
21 \$2,000,000, the payments shall be distributed in proportion to each
22 pediatric rehabilitation hospital's eligible, documented unreimbursed
23 care for that fiscal year.

24
25 5. The Commissioner of Health and Senior Services shall, pursuant
26 to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1
27 et seq.), adopt regulations to carry out the purposes of this act.

28
29 6. There is appropriated \$2,000,000 from the General Fund to the
30 Department of Health and Senior Services to carry out the purposes
31 of section 4 of this act.

32
33 7. This act shall take effect immediately.

34
35
36 STATEMENT

37
38 This bill provides that the State's two pediatric rehabilitation
39 hospitals shall be reimbursed a prospective per diem rate by the State
40 Medicaid program for Medicaid fee-for-service recipients, rather than
41 on the basis of an amount per discharge with certain cost limits, which
42 is the methodology currently used by the Medicaid program. This
43 revised methodology will better reflect the costs incurred by the
44 hospitals due to long lengths of stay for pediatric patients, which are
45 typical in these rehabilitation hospitals. Also, the prospective
46 reimbursement methodology is consistent with the methodology used

A3924 BAGGER

1 by both the Medicare and State Medicaid programs for acute care and
2 adult rehabilitation hospitals.

3 The bill also provides that the pediatric rehabilitation hospitals shall
4 not be subject to the close proximity requirements established by
5 regulation (N.J.A.C.10:52-1.3(b)(1)) for the purposes of receiving
6 Medicaid fee-for-service reimbursement for outpatient hospital
7 services. This "close proximity" exemption will enable these hospitals
8 to establish outpatient facilities in locations throughout the State
9 where there is a need for such facilities, and continue to be eligible for
10 Medicaid fee-for-service reimbursement for outpatient hospital
11 services. Under current regulations, the outpatient facility must be
12 physically located in close proximity to the hospital and both the
13 facility and hospital must service the same patient population in order
14 to be eligible for reimbursement as an outpatient hospital service.

15 Finally, this bill provides that the pediatric rehabilitation hospitals
16 shall be eligible for a payment from the Department of Health and
17 Senior Services for the documented unreimbursed care provided to
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25 the same rate paid to that hospital by the State Medicaid program.
26 The aggregate payments to the hospitals under this bill shall not
27 exceed \$2 million per fiscal year. The bill appropriates \$2 million from
28 the General Fund for the payments.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY, No. 3924

with Assembly committee amendments

STATE OF NEW JERSEY

DATED: DECEMBER 20, 2001

The Assembly Appropriations Committee reports favorably Assembly Bill No. 3924 with committee amendments.

Assembly Bill No. 3924, as amended, revises certain rules governing the rate of and eligibility for Medicaid reimbursement to the State's two pediatric rehabilitation hospitals.

Medicaid reimbursement rate. The bill provides that the State Medicaid program shall reimburse the two pediatric rehabilitation hospitals for Medicaid fee-for-service recipients at a prospective per diem rate, rather than on the basis of an amount per discharge with certain cost limits (the methodology currently used). This revised methodology will better reflect the costs that pediatric rehabilitation hospitals incur for the long periods of stay typical for pediatric patients at these hospitals. Also, the prospective reimbursement methodology is consistent with the methodology used by both the Medicare and State Medicaid programs for acute care and adult rehabilitation hospitals.

Exemption from "close proximity" requirement for Medicaid reimbursement eligibility. The bill also provides that the pediatric rehabilitation hospitals shall not be subject to "close proximity" requirements established by regulation (N.J.A.C.10:52-1.3(b)(1)) for the purposes of eligibility to receive Medicaid fee-for-service reimbursement for outpatient hospital services. This exemption will enable these hospitals to establish outpatient facilities in locations throughout the State where there is a need for such facilities, and to continue to be eligible for Medicaid fee-for-service reimbursement for outpatient hospital services. Under current regulations, the outpatient facility must be physically located in close proximity to the hospital, and both the facility and hospital must service the same patient population in order to be eligible for reimbursement as an outpatient hospital service.

Assembly Bill No. 3924, as amended and reported by committee, is identical to Senate Bill No. 2716, as also amended and reported by the committee.

FISCAL IMPACT:

In its June 2001 publication of a proposed rule to institute the prospective per diem rate of Medicaid reimbursement for pediatric rehabilitation hospitals, the DHSS indicated that it expected such a change to be "budget neutral", though having a positive effect on the hospitals' cash flow.

Finally, the exemption from the "close proximity" rule is expected to have no fiscal impact.

COMMITTEE AMENDMENTS:

The committee amendments provide that if the hospital has been in operation less than two full years prior to fiscal year 1999, the prospective per diem rate will be set using its first finalized audited fiscal year 2000 Medicaid/Medicare cost report. The committee amendments also eliminate the unreimbursed care provisions and the \$2 million General Fund appropriation intended for that purpose.

[First Reprint]

ASSEMBLY, No. 3924

STATE OF NEW JERSEY
209th LEGISLATURE

INTRODUCED NOVEMBER 19, 2001

Sponsored by:

Assemblyman RICHARD H. BAGGER

District 22 (Middlesex, Morris, Somerset and Union)

SYNOPSIS

Revises Medicaid reimbursement methodology for pediatric rehabilitation hospitals.

CURRENT VERSION OF TEXT

As reported by the Assembly Appropriations Committee on December 20, 2001, with amendments.



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2 Titles 26 and 30 of the Revised Statutes ¹[and making an
3 appropriation]¹.

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13 educational services to children with severe disabilities and chronic
14 illnesses; ¹and¹

15 b. There is a tremendous need in the State for the unique services
16 provided by these facilities, and few providers within the health care
17 community have the capability and expertise to properly treat the
18 special needs of these children ¹]; and

19 c. The State's pediatric rehabilitation hospitals provide a substantial
20 amount of health care services to both Medicaid-eligible and uninsured
21 patients; therefore, adequate reimbursement from Medicaid and other
22 State programs is extremely important to ensure the financial viability
23 of these health care facilities]¹.

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25 2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
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33 operation less than two full years prior to fiscal year 1999, the
34 prospective per diem rate will be set using its first finalized audited
35 fiscal year 2000 Medicaid/Medicare cost report.¹ The base year rate
36 shall be updated each year by the economic factor specified in
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38 The Commissioner of Human Services shall adopt regulations to
39 permit a pediatric rehabilitation hospital to seek rate relief or to seek
40 a new base year rate in the event the hospital can demonstrate that it
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EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted December 20, 2001.

1 Medicare Principles of Reimbursement.

2

3 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
4 c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity
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8 A pediatric rehabilitation hospital which establishes an off-site
9 location to provide outpatient services shall notify the Division of
10 Medical Assistance and Health Services in the Department of Human
11 Services in accordance with the requirements of N.J.A.C.10:52-1.3.

12

13 ¹[4. A pediatric rehabilitation hospital licensed pursuant to
14 P.L.1971, c.136 (C.26:2H-1 et seq.) shall be eligible for a payment
15 from the Department of Health and Senior Services for the
16 documented unreimbursed care provided to children whose families
17 meet the eligibility requirements provided in section 10 of P.L.1992,
18 c.160 (C.26:2H-18.60).

19 Beginning in fiscal year 2002, the amount of the payment shall be
20 equal to the dollar amount of eligible, documented unreimbursed care
21 provided by the pediatric rehabilitation hospital, that is verified by the
22 department's most recent unreimbursed care audit conducted under the
23 most recent eligibility rules adopted by the department pursuant to
24 section 10 of P.L.1992, c.160 (C.26:2H-18.60) and valued at the same
25 rate paid to that hospital by the State Medicaid program; except that
26 aggregate payments to all pediatric rehabilitation hospitals under this
27 section shall not exceed \$2,000,000 per fiscal year. In the event the
28 aggregate amount of eligible, documented unreimbursed care exceeds
29 \$2,000,000, the payments shall be distributed in proportion to each
30 pediatric rehabilitation hospital's eligible, documented unreimbursed
31 care for that fiscal year.]¹

32

33 ¹[5.] 4.¹ The Commissioner of Health and Senior Services shall,
34 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
35 (C.52:14B-1 et seq.), adopt regulations to carry out the purposes of
36 this act.

37

38 ¹[6. There is appropriated \$2,000,000 from the General Fund to
39 the Department of Health and Senior Services to carry out the
40 purposes of section 4 of this act.]¹

41

42 ¹[7.] 5.¹ This act shall take effect immediately.

P.L. 2001, CHAPTER 393, *approved January 8, 2002*
Senate, No. 2716 (*First Reprint*)

1 **AN ACT** concerning pediatric rehabilitation hospitals, supplementing
2 Titles 26 and 30 of the Revised Statutes ¹[and making an
3 appropriation]¹.

4

5 **BE IT ENACTED** by the Senate and General Assembly of the State
6 of New Jersey:

7

8 1. The Legislature finds and declares that:

9 a. Currently, there are two pediatric rehabilitation hospitals in the
10 State that provide pediatric inpatient and ambulatory rehabilitation and
11 pediatric long-term care services to children throughout the State.
12 These hospitals offer a variety of medical, developmental and
13 educational services to children with severe disabilities and chronic
14 illnesses; ¹and¹

15 b. There is a tremendous need in the State for the unique services
16 provided by these facilities, and few providers within the health care
17 community have the capability and expertise to properly treat the
18 special needs of these children ¹]; and

19 c. The State's pediatric rehabilitation hospitals provide a substantial
20 amount of health care services to both Medicaid-eligible and uninsured
21 patients; therefore, adequate reimbursement from Medicaid and other
22 State programs is extremely important to ensure the financial viability
23 of these health care facilities]¹.

24

25 2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
26 c.136 (C.26:2H-1 et seq.) shall be reimbursed a prospective per diem
27 rate by the State Medicaid program for Medicaid fee-for-service
28 recipients.

29 The initial prospective per diem rate shall be based on the total
30 allowable cost for Medicaid patients divided by the total Medicaid
31 days from the calendar year 1999 Medicare/Medicaid cost report, and
32 shall be considered the base year rate. ¹If the hospital has been in
33 operation less than two full years prior to fiscal year 1999, the
34 prospective per diem rate will be set using its first finalized audited
35 fiscal year 2000 Medicaid/Medicare cost report.¹ The base year rate
36 shall be updated each year by the economic factor specified in
37 N.J.A.C.10:52-5.13.

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and intended to be omitted in the law.

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹ Assembly AAP committee amendments adopted December 20, 2001.

1 The Commissioner of Human Services shall adopt regulations to
2 permit a pediatric rehabilitation hospital to seek rate relief or to seek
3 a new base year rate in the event the hospital can demonstrate that it
4 is entitled to rate relief or a new base year pursuant to applicable
5 Medicare Principles of Reimbursement.

6
7 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
8 c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity
9 requirements established pursuant to N.J.A.C.10:52-1.3(b)(1) for the
10 purposes of receiving Medicaid fee-for-service reimbursement for
11 outpatient hospital services.

12 A pediatric rehabilitation hospital which establishes an off-site
13 location to provide outpatient services shall notify the Division of
14 Medical Assistance and Health Services in the Department of Human
15 Services in accordance with the requirements of N.J.A.C.10:52-1.3.

16
17 ¹[4. A pediatric rehabilitation hospital licensed pursuant to
18 P.L.1971, c.136 (C.26:2H-1 et seq.) shall be eligible for a payment
19 from the Department of Health and Senior Services for the
20 documented unreimbursed care provided to children whose families
21 meet the eligibility requirements provided in section 10 of P.L.1992,
22 c.160 (C.26:2H-18.60).

23 Beginning in fiscal year 2002, the amount of the payment shall be
24 equal to the dollar amount of eligible, documented unreimbursed care
25 provided by the pediatric rehabilitation hospital, that is verified by the
26 department's most recent unreimbursed care audit conducted under the
27 most recent eligibility rules adopted by the department pursuant to
28 section 10 of P.L.1992, c.160 (C.26:2H-18.60) and valued at the same
29 rate paid to that hospital by the State Medicaid program; except that
30 aggregate payments to all pediatric rehabilitation hospitals under this
31 section shall not exceed \$2,000,000 per fiscal year. In the event the
32 aggregate amount of eligible, documented unreimbursed care exceeds
33 \$2,000,000, the payments shall be distributed in proportion to each
34 pediatric rehabilitation hospital's eligible, documented unreimbursed
35 care for that fiscal year.]¹

36
37 ¹[5.] 4.¹ The Commissioner of Health and Senior Services shall,
38 pursuant to the "Administrative Procedure Act," P.L.1968, c.410
39 (C.52:14B-1 et seq.), adopt regulations to carry out the purposes of
40 this act.

41
42 ¹[6. There is appropriated \$2,000,000 from the General Fund to
43 the Department of Health and Senior Services to carry out the
44 purposes of section 4 of this act.]¹

45
46 ¹[7.] 5.¹ This act shall take effect immediately.

1

2

3 Revises Medicaid reimbursement methodology for pediatric
4 rehabilitation hospitals.

CHAPTER 393

AN ACT concerning pediatric rehabilitation hospitals, supplementing Titles 26 and 30 of the Revised Statutes.

BE IT ENACTED *by the Senate and General Assembly of the State of New Jersey:*

C.30:4D-7g Findings, declarations relative to pediatric rehabilitation hospitals.

1. The Legislature finds and declares that:

a. Currently, there are two pediatric rehabilitation hospitals in the State that provide pediatric inpatient and ambulatory rehabilitation and pediatric long-term care services to children throughout the State. These hospitals offer a variety of medical, developmental and educational services to children with severe disabilities and chronic illnesses; and

b. There is a tremendous need in the State for the unique services provided by these facilities, and few providers within the health care community have the capability and expertise to properly treat the special needs of these children.

C.30:4D-7h Reimbursement by State Medicaid, program, rates.

2. A pediatric rehabilitation hospital licensed pursuant to P.L.1971, c.136 (C.26:2H-1 et seq.) shall be reimbursed a prospective per diem rate by the State Medicaid program for Medicaid fee-for-service recipients.

The initial prospective per diem rate shall be based on the total allowable cost for Medicaid patients divided by the total Medicaid days from the calendar year 1999 Medicare/Medicaid cost report, and shall be considered the base year rate. If the hospital has been in operation less than two full years prior to fiscal year 1999, the prospective per diem rate will be set using its first finalized audited fiscal year 2000 Medicaid/Medicare cost report. The base year rate shall be updated each year by the economic factor specified in N.J.A.C.10:52-5.13.

The Commissioner of Human Services shall adopt regulations to permit a pediatric rehabilitation hospital to seek rate relief or to seek a new base year rate in the event the hospital can demonstrate that it is entitled to rate relief or a new base year pursuant to applicable Medicare Principles of Reimbursement.

C.30:4D-7i Exemption from close proximity requirements, notification as to off-site location.

3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971, c.136 (C.26:2H-1 et seq.) shall not be subject to the close proximity requirements established pursuant to N.J.A.C.10:52-1.3(b)(1) for the purposes of receiving Medicaid fee-for-service reimbursement for outpatient hospital services.

A pediatric rehabilitation hospital which establishes an off-site location to provide outpatient services shall notify the Division of Medical Assistance and Health Services in the Department of Human Services in accordance with the requirements of N.J.A.C.10:52-1.3.

4. The Commissioner of Health and Senior Services shall, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.), adopt regulations to carry out the purposes of this act.

5. This act shall take effect immediately.

Approved January 8, 2002.