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end

P.L. 2022, CHAPTER 61, *approved July 5, 2022*
Assembly, No. 4091 (*First Reprint*)

1 AN ACT concerning the County Option Hospital Fee Pilot Program
2 and amending P.L.2018, c.136.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
5 of New Jersey:

6
7 1. Section 1 of P.L.2018, c.136 (C.30:4D-7r) is amended to
8 read as follows:

9 1. This act shall be known and may be cited as "The County
10 Option Hospital Fee **【Pilot】** Program Act."
11 (cf: P.L.2018, c.136, s.1)

12
13 2. Section 2 of P.L.2018, c.136 (C.30:4D-7s) is amended to
14 read as follows:

15 2. As used in this act:

16 "Commissioner" means the Commissioner of Human Services.

17 "Department" means the Department of Human Services.

18 "Fee" means the local health care-related fee authorized pursuant
19 to this act.

20 "Hospital" means a hospital that is licensed pursuant to
21 P.L.1971, c.136 (C.26:2H-1 et seq.) and is located within the
22 borders of a participating county.

23 "Medicaid program" means the "New Jersey Medical Assistance
24 and Health Services Program" established pursuant to P.L.1968,
25 c.413 (C.30:4D-1 et seq.).

26 "Participating county" means ¹, notwithstanding the provisions
27 of any other law or regulation to the contrary,¹ a county **【with】** that
28 chooses to participate in the program, has a population greater than
29 250,000, according to the federal decennial census immediately
30 preceding the effective date of **【this act; that】** P.L.2018, c.136
31 (C.30:4D-7r et seq.), and contains a municipality which: (1) is
32 classified, pursuant to N.J.S.40A:6-4, as a First or Second Class
33 municipality, or a Fourth Class municipality whose population
34 exceeds 20,000, and (2) has a Municipal Revitalization Index
35 Distress score, as last calculated by the New Jersey Department of
36 Community Affairs prior to the effective date of **【this act】**
37 P.L.2018, c.136 (C.30:4D-7r et seq.), that exceeds 60【; and which

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】 in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AHE committee amendments adopted June 2, 2022.

1 chooses to participate in the pilot program] ¹["A "participating
 2 county" also means] ; or¹ , based on the 2019 ACS 5 Year Survey
 3 Data, ¹a county that chooses to participate in the program and
 4 contains a municipality with a population greater than 30,000 whose
 5 2020 Municipal Revitalization Index Distress score is greater than
 6 or equal to 35¹ (1) excluding counties with a municipality with a
 7 population greater than 125,000, ¹["and"]¹ (2) excluding counties
 8 with a population less than 150,000, and (3) excluding counties
 9 with a median household income greater than \$110,000 ¹["], and (4)
 10 counties must have a municipality with a population greater than
 11 30,000 whose 2020 Municipal Revitalization Index Distress score is
 12 greater than or equal to 35; and which chooses to participate in the
 13 program]¹ .

14 ["Pilot program"] "Program" means "The County Option
 15 Hospital Fee [Pilot] Program" established pursuant to this act.

16 "Proposed fee and expenditure report" means a written report by
 17 a participating county that describes how the fee will be imposed in
 18 the participating county; how the funds collected from the fee will
 19 be used by the participating county, including the amount and
 20 services the participating county plans to provide with the funds;
 21 and how the plan satisfies paragraph (1) of subsection b. of section
 22 3 of this act.

23 (cf: P.L.2018, c.136, s.2)

24

25 3. Section 3 of P.L.2018, c.136 (C.30:4D-7t) is amended to
 26 read as follows:

27 3. a. There is established "The County Option Hospital Fee
 28 [Pilot] Program" in the Department of Human Services. [The
 29 program shall commence on the 180th day after the effective date of
 30 P.L.2018, c.136 (C.30:4D-7r et seq.) and shall expire five years
 31 after each participating county has collected a local health care-
 32 related fee, authorized pursuant to subsection c. of this section.]

33 b. The purpose of the [pilot] program is:

34 (1) to increase financial resources through the Medicaid
 35 program to support local hospitals and to ensure that they continue
 36 to provide necessary services to low-income citizens; and

37 (2) to provide participating counties with new fiscal resources.

38 c. [To effectuate the purposes of this program, the
 39 commissioner shall authorize no more than seven participating
 40 counties in the State for participation in the program.] Each
 41 participating county shall be authorized by the commissioner to
 42 impose a local health care-related fee on hospitals within its
 43 borders.

44 d. A participating county shall submit a proposed fee and
 45 expenditure report to the commissioner to ensure that the proposed
 46 fee and expenditure plan satisfies paragraph (1) of subsection b. of
 47 this section and subsection e. of this section, and does not create a

1 direct or indirect guarantee to hold harmless, as those terms are
2 used in 42 C.F.R. s.433.68(f). The commissioner shall further
3 review the proposed fee and expenditure report to determine
4 whether it complies with relevant rules and regulations. Each
5 participating county shall consult with affected hospitals within its
6 jurisdiction to prepare the proposed fee and expenditure report
7 before the report is submitted to the commissioner. The
8 commissioner shall make the proposed fee and expenditure report
9 available to the affected hospitals for review and the hospitals shall
10 be permitted to provide comments to the commissioner regarding
11 the report for a period of 21 calendar days from the date the
12 proposed report is made available for review.

13 e. The board of **【chosen freeholders】** County commissioners of
14 a participating county, following the approval of the participating
15 county's proposed fee and expenditure plan by the commissioner,
16 may adopt an ordinance providing for the imposition of a fee on
17 hospitals located within its borders and for appropriate
18 administrative provisions, including, but not limited to, provisions
19 for the collection of interest and penalties.

20 The fee shall be implemented in accordance with the provisions
21 of 42 U.S.C. s.1396b(w)(3)(A), and shall be subject to the
22 maximum aggregate amount that may be assessed pursuant to 42
23 C.F.R. s.433.68(f)(3), or any subsequent maximum amount as may
24 be established by federal law, and shall be subject to a cap as
25 determined by the commissioner. The participating county may
26 exempt a hospital within its jurisdiction from the fee, provided that
27 the exemption complies with the requirements of 42 C.F.R.
28 s.433.68.

29 The fee authorized pursuant to this act may be collected only to
30 the extent**【, and for the period,】** that the commissioner determines
31 that the revenues generated qualify as the State share of Medicaid
32 program expenditures eligible for federal financial participation
33 pursuant to 42 C.F.R. s.433.68.

34 f. Any subsequent alterations to the fee are subject to the
35 approval of the commissioner prior to implementation. Upon
36 approval, the commissioner shall apply for such State plan
37 amendments or waivers as may be necessary to implement the
38 changes and to secure federal financial participation for State
39 Medicaid expenditures under the federal Medicaid program.

40 g. Neither the State nor a participating county shall be liable
41 for any amount of a local health care-related fee imposed on a
42 hospital pursuant to this act that the hospital fails to pay or does not
43 pay in a timely manner to the assessing county.

44 (cf: P.L.2021, c.41, s.1)

45

46 4. Section 4 of P.L.2018, c.136 (C.30:4D-7u) is amended to
47 read as follows:

1 4. a. A participating county may transfer funds collected from
2 the fee imposed pursuant to subsection c. of section 3 of this act to
3 the commissioner. The commissioner shall use funds transferred
4 from a participating county, and any matching amount of federal
5 Medicaid funds or other federal funds generated therefrom, for the
6 following purposes: to increase Medicaid payments to hospitals in
7 the jurisdiction from which the funds are received; for payments to
8 managed care organizations that have contracted with Medicaid
9 serving the jurisdiction from which the funds are received for
10 increased hospital or hospital-related payments; and for direct costs
11 related to administrative purposes to implement the [pilot]
12 program.

13 The commissioner shall seek to minimize the length of time
14 between the collection of the fee by the participating county and the
15 distribution of payments pursuant to this subsection.

16 Notwithstanding any other law to the contrary, the commissioner
17 and a participating county are authorized to enter into an
18 intergovernmental transfer agreement as may be necessary to
19 transfer funds under this subsection or to otherwise satisfy the
20 requirements of this act.

21 b. A participating county may retain the funds collected from
22 the imposition of the fee, in which case the participating county
23 shall generate the same level of funding, in addition to the funds
24 collected from the imposition of the fee, that would be generated by
25 the department through any matching amount of federal Medicaid
26 funds or other federal funds, and use the total funding amount to
27 satisfy paragraph (1) of subsection b. of section 3 of this act.

28 c. At least 90 percent of the funds collected from imposition of
29 the fee shall be used by a participating county or the department for
30 the benefit of local hospitals within the participating county's
31 borders to ensure that the hospitals continue to provide necessary
32 services to low-income citizens. The participating counties shall
33 transfer at least one percent of funds collected from the imposition
34 of the fee to the department for administration of the program.

35 (cf: P.L.2018, c.136, s.4)

36

37 5. Section 5 of P.L.2018, c.136 (C.30:4D-7v) is amended to
38 read as follows:

39 5. a. The fee imposed pursuant to subsection c. of section 3 of
40 this act shall be imposed in relation to health care items or services
41 provided only during the effective period of this act, and shall not
42 be collected until the commissioner notifies the appropriate
43 governmental entities that any State plan amendment or waivers
44 submitted pursuant to section 6 of this act have been approved.

45 b. No hospital subject to the fee shall pass on the cost of the fee
46 to any patient, insurer, self-insured employer program, or other
47 responsible party, nor list it separately on any invoice or statement

1 sent to a patient, insurer, self-insured employer program, or other
2 responsible party.

3 c. Unless otherwise prohibited by the federal government, no
4 managed care organization operating in the State that has contracted
5 with Medicaid shall retain any funds generated by the fee, other
6 than to offset any increased administrative costs incurred as a result
7 of the **【pilot】** program.

8 d. Funds generated by the fee shall not supplant or offset any
9 current or future State funds allocated to a county participating in
10 the **【pilot】** program.

11 e. Payments distributed to hospitals pursuant to this act shall
12 not supplant or offset any current or future funds paid to hospitals
13 through other State or federal funding mechanisms or pools.
14 (cf: P.L.2018, c.136, s.5)

15

16 6. Section 8 of P.L.2018, c.136 is amended to read as follows:

17 8. ¹**【This act shall take effect on the 180th day after the date of**
18 **enactment】**¹ **【**, and shall expire five years after each participating
19 county has collected a local health care-related fee, authorized
20 pursuant to subsection c. of section 3 of P.L.2018, c.136 (C. 30:4D-
21 7t)**】** ¹**【.**¹ All proposed fee and expenditure plans are subject to
22 both approval of the commissioner and such actions by the federal
23 government as are necessary to effectuate the purposes of this act.
24 (cf: P.L.2021, c.41, s.2)

25

26 7. This act shall take effect immediately.

27

28

29

30

31 _____
32 Makes County Option Hospital Fee Pilot Program permanent and
expands definition of “participating county” under program.

ASSEMBLY, No. 4091

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MAY 26, 2022

Sponsored by:

Assemblywoman LISA SWAIN

District 38 (Bergen and Passaic)

Assemblyman HERB CONAWAY, JR.

District 7 (Burlington)

SYNOPSIS

Makes County Option Hospital Fee Pilot Program permanent and expands definition of “participating county” under program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/26/2022)

1 AN ACT concerning the County Option Hospital Fee Pilot Program
2 and amending P.L.2018, c.136.

3

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

6

7 1. Section 1 of P.L.2018, c.136 (C.30:4D-7r) is amended to read
8 as follows:

9 1. This act shall be known and may be cited as "The County
10 Option Hospital Fee **【Pilot】** Program Act."

11 (cf: P.L.2018, c.136, s.1)

12

13 2. Section 2 of P.L.2018, c.136 (C.30:4D-7s) is amended to read
14 as follows:

15 2. As used in this act:

16 "Commissioner" means the Commissioner of Human Services.

17 "Department" means the Department of Human Services.

18 "Fee" means the local health care-related fee authorized pursuant
19 to this act.

20 "Hospital" means a hospital that is licensed pursuant to P.L.1971,
21 c.136 (C.26:2H-1 et seq.) and is located within the borders of a
22 participating county.

23 "Medicaid program" means the "New Jersey Medical Assistance
24 and Health Services Program" established pursuant to P.L.1968,
25 c.413 (C.30:4D-1 et seq.).

26 "Participating county" means a county **【with】** that chooses to
27 participate in the program, has a population greater than 250,000,
28 according to the federal decennial census immediately preceding the
29 effective date of **【this act; that】** P.L.2018, c.136 (C.30:4D-7r et seq.),
30 and contains a municipality which: (1) is classified, pursuant to
31 N.J.S.40A:6-4, as a First or Second Class municipality, or a Fourth
32 Class municipality whose population exceeds 20,000, and (2) has a
33 Municipal Revitalization Index Distress score, as last calculated by
34 the New Jersey Department of Community Affairs prior to the
35 effective date of **【this act】** P.L.2018, c.136 (C.30:4D-7r et seq.), that
36 exceeds 60**【**; and which chooses to participate in the pilot program**】**.
37 A "participating county" also means, based on the 2019 ACS 5 Year
38 Survey Data, (1) excluding counties with a municipality with a
39 population greater than 125,000, and (2) excluding counties with a
40 population less than 150,000, and (3) excluding counties with a
41 median household income greater than \$110,000, and (4) counties
42 must have a municipality with a population greater than 30,000
43 whose 2020 Municipal Revitalization Index Distress score is greater
44 than or equal to 35; and which chooses to participate in the program.

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】 in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 **["Pilot program"]** "Program" means "The County Option Hospital
2 Fee **[Pilot] Program**" established pursuant to this act.

3 "Proposed fee and expenditure report" means a written report by a
4 participating county that describes how the fee will be imposed in the
5 participating county; how the funds collected from the fee will be
6 used by the participating county, including the amount and services
7 the participating county plans to provide with the funds; and how the
8 plan satisfies paragraph (1) of subsection b. of section 3 of this act.
9 (cf: P.L.2018, c.136, s.2)

10

11 3. Section 3 of P.L.2018, c.136 (C.30:4D-7t) is amended to read
12 as follows:

13 3. a. There is established "The County Option Hospital Fee
14 **[Pilot] Program**" in the Department of Human Services. **[The**
15 program shall commence on the 180th day after the effective date of
16 P.L.2018, c.136 (C.30:4D-7r et seq.) and shall expire five years after
17 each participating county has collected a local health care-related fee,
18 authorized pursuant to subsection c. of this section. **]**

19 b. The purpose of the **[pilot]** program is:

20 (1) to increase financial resources through the Medicaid program
21 to support local hospitals and to ensure that they continue to provide
22 necessary services to low-income citizens; and

23 (2) to provide participating counties with new fiscal resources.

24 c. **[To effectuate the purposes of this program, the**
25 commissioner shall authorize no more than seven participating
26 counties in the State for participation in the program. **]** Each
27 participating county shall be authorized by the commissioner to
28 impose a local health care-related fee on hospitals within its borders.

29 d. A participating county shall submit a proposed fee and
30 expenditure report to the commissioner to ensure that the proposed
31 fee and expenditure plan satisfies paragraph (1) of subsection b. of
32 this section and subsection e. of this section, and does not create a
33 direct or indirect guarantee to hold harmless, as those terms are used
34 in 42 C.F.R. s.433.68(f). The commissioner shall further review the
35 proposed fee and expenditure report to determine whether it complies
36 with relevant rules and regulations. Each participating county shall
37 consult with affected hospitals within its jurisdiction to prepare the
38 proposed fee and expenditure report before the report is submitted to
39 the commissioner. The commissioner shall make the proposed fee
40 and expenditure report available to the affected hospitals for review
41 and the hospitals shall be permitted to provide comments to the
42 commissioner regarding the report for a period of 21 calendar days
43 from the date the proposed report is made available for review.

44 e. The board of **[chosen freeholders]** County commissioners of
45 a participating county, following the approval of the participating
46 county's proposed fee and expenditure plan by the commissioner,
47 may adopt an ordinance providing for the imposition of a fee on

1 hospitals located within its borders and for appropriate administrative
2 provisions, including, but not limited to, provisions for the collection
3 of interest and penalties.

4 The fee shall be implemented in accordance with the provisions of
5 42 U.S.C. s.1396b(w)(3)(A), and shall be subject to the maximum
6 aggregate amount that may be assessed pursuant to 42 C.F.R.
7 s.433.68(f)(3), or any subsequent maximum amount as may be
8 established by federal law, and shall be subject to a cap as determined
9 by the commissioner. The participating county may exempt a
10 hospital within its jurisdiction from the fee, provided that the
11 exemption complies with the requirements of 42 C.F.R. s.433.68.

12 The fee authorized pursuant to this act may be collected only to
13 the extent~~],~~ and for the period,] that the commissioner determines
14 that the revenues generated qualify as the State share of Medicaid
15 program expenditures eligible for federal financial participation
16 pursuant to 42 C.F.R. s.433.68.

17 f. Any subsequent alterations to the fee are subject to the
18 approval of the commissioner prior to implementation. Upon
19 approval, the commissioner shall apply for such State plan
20 amendments or waivers as may be necessary to implement the
21 changes and to secure federal financial participation for State
22 Medicaid expenditures under the federal Medicaid program.

23 g. Neither the State nor a participating county shall be liable for
24 any amount of a local health care-related fee imposed on a hospital
25 pursuant to this act that the hospital fails to pay or does not pay in a
26 timely manner to the assessing county.

27 (cf: P.L.2021, c.41, s.1)

28

29 4. Section 4 of P.L.2018, c.136 (C.30:4D-7u) is amended to read
30 as follows:

31 4. a. A participating county may transfer funds collected from
32 the fee imposed pursuant to subsection c. of section 3 of this act to
33 the commissioner. The commissioner shall use funds transferred
34 from a participating county, and any matching amount of federal
35 Medicaid funds or other federal funds generated therefrom, for the
36 following purposes: to increase Medicaid payments to hospitals in
37 the jurisdiction from which the funds are received; for payments to
38 managed care organizations that have contracted with Medicaid
39 serving the jurisdiction from which the funds are received for
40 increased hospital or hospital-related payments; and for direct costs
41 related to administrative purposes to implement the **[pilot]** program.

42 The commissioner shall seek to minimize the length of time
43 between the collection of the fee by the participating county and the
44 distribution of payments pursuant to this subsection.

45 Notwithstanding any other law to the contrary, the commissioner
46 and a participating county are authorized to enter into an
47 intergovernmental transfer agreement as may be necessary to transfer

1 funds under this subsection or to otherwise satisfy the requirements
2 of this act.

3 b. A participating county may retain the funds collected from the
4 imposition of the fee, in which case the participating county shall
5 generate the same level of funding, in addition to the funds collected
6 from the imposition of the fee, that would be generated by the
7 department through any matching amount of federal Medicaid funds
8 or other federal funds, and use the total funding amount to satisfy
9 paragraph (1) of subsection b. of section 3 of this act.

10 c. At least 90 percent of the funds collected from imposition of
11 the fee shall be used by a participating county or the department for
12 the benefit of local hospitals within the participating county's borders
13 to ensure that the hospitals continue to provide necessary services to
14 low-income citizens. The participating counties shall transfer at least
15 one percent of funds collected from the imposition of the fee to the
16 department for administration of the program.

17 (cf: P.L.2018, c.136, s.4)

18

19 5. Section 5 of P.L.2018, c.136 (C.30:4D-7v) is amended to read
20 as follows:

21 5. a. The fee imposed pursuant to subsection c. of section 3 of
22 this act shall be imposed in relation to health care items or services
23 provided only during the effective period of this act, and shall not be
24 collected until the commissioner notifies the appropriate
25 governmental entities that any State plan amendment or waivers
26 submitted pursuant to section 6 of this act have been approved.

27 b. No hospital subject to the fee shall pass on the cost of the fee
28 to any patient, insurer, self-insured employer program, or other
29 responsible party, nor list it separately on any invoice or statement
30 sent to a patient, insurer, self-insured employer program, or other
31 responsible party.

32 c. Unless otherwise prohibited by the federal government, no
33 managed care organization operating in the State that has contracted
34 with Medicaid shall retain any funds generated by the fee, other than
35 to offset any increased administrative costs incurred as a result of the
36 **【pilot】** program.

37 d. Funds generated by the fee shall not supplant or offset any
38 current or future State funds allocated to a county participating in the
39 **【pilot】** program.

40 e. Payments distributed to hospitals pursuant to this act shall not
41 supplant or offset any current or future funds paid to hospitals
42 through other State or federal funding mechanisms or pools.

43 (cf: P.L.2018, c.136, s.5)

44

45 6. Section 8 of P.L.2018, c.136 is amended to read as follows:

46 8. This act shall take effect on the 180th day after the date of
47 enactment**【**, and shall expire five years after each participating county
48 has collected a local health care-related fee, authorized pursuant to

1 subsection c. of section 3 of P.L.2018, c.136 (C. 30:4D-7t)]. All
2 proposed fee and expenditure plans are subject to both approval of the
3 commissioner and such actions by the federal government as are
4 necessary to effectuate the purposes of this act.
5 (cf: P.L.2021, c.41, s.2)

6

7 7. This act shall take effect immediately.

8

9

10

STATEMENT

11

12 This bill makes the County Option Hospital Fee Pilot Program
13 permanent and expands the definition of “participating county” under
14 the program. The County Option Hospital Fee Program was
15 established in November 2018 to support local hospitals in
16 designated high-need areas to ensure continued access to critical
17 healthcare services for vulnerable populations. To effectuate this
18 goal, the program authorizes participating counties, and hospitals
19 within those counties, to partner with the State through a provider
20 assessment mechanism that enhances financial support through the
21 Medicaid program.

22 Under existing law, the program is to be pilot program, expiring
23 five years after each participating county has collected a local health
24 care-related fee, or Fall of 2026. Under the bill, the program becomes
25 permanent.

26 The bill, while maintaining the existing statutory definition of
27 "participating county," also expands the definition of "participating
28 county" to mean, based on the 2019 ACS 5 Year Survey Data, (1)
29 excluding counties with a municipality with a population greater than
30 125,000, and (2) excluding counties with a population less than
31 150,000, and (3) excluding counties with a median income greater
32 than \$110,000, and (4) counties must have a municipality with a
33 population greater than 30,000 whose 2020 Municipal Revitalization
34 Index Distress score is greater than or equal to 35; and which chooses
35 to participate in the program. Currently the following counties
36 participate in the program: Atlantic, Camden, Essex, Hudson,
37 Mercer, Middlesex, and Passaic. Existing law limits the program to
38 seven counties, a provision that is removed under this bill.

ASSEMBLY HEALTH COMMITTEE

STATEMENT TO

ASSEMBLY, No. 4091

with committee amendments

STATE OF NEW JERSEY

DATED: JUNE 2, 2022

The Assembly Health Committee reports favorably and with committee amendments Assembly Bill No. 4091.

As amended by the committee, this bill makes the County Option Hospital Fee Pilot Program permanent and expands the definition of “participating county” under the program. The County Option Hospital Fee Program was established in November 2018 to support local hospitals in designated high-need areas to ensure continued access to critical healthcare services for vulnerable populations. To effectuate this goal, the program authorizes participating counties, and hospitals within those counties, to partner with the State through a provider assessment mechanism that enhances financial support through the Medicaid program.

Under existing law, the program is to be a pilot program, expiring five years after each participating county has collected a local health care-related fee, or Fall of 2026. Under the bill, the program becomes permanent.

As amended, the bill, while maintaining the existing statutory definition of "participating county" notwithstanding the provisions of any other law or regulation to the contrary, also expands the definition of "participating county" to mean, based on the 2019 ACS 5 Year Survey Data, a county that chooses to participate in the program and contains a municipality with a population greater than 30,000 whose 2020 Municipal Revitalization Index Distress score is greater than or equal to 35, (1) excluding counties with a municipality with a population greater than 125,000, (2) excluding counties with a population less than 150,000, and (3) excluding counties with a median income of \$110,000. Existing law limits the program to certain qualifying seven counties; the bill would expand the qualifying criteria to include additional counties.

COMMITTEE AMENDMENTS:

The committee amendments establish the bill’s definition of “participating county” notwithstanding the provisions of any other law or regulation to the contrary.

The committee amendments further amend P.L.2018, c.136 to remove references to the law’s effective date.

The committee amendments make various technical changes adding clarifying language and concerning sentence structure.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 4091

STATE OF NEW JERSEY

DATED: JUNE 14, 2022

The Assembly Appropriations Committee reports favorably Assembly Bill No. 4091 (1R).

This bill makes the County Option Hospital Fee Pilot Program permanent and expands the definition of “participating county” under the program. The County Option Hospital Fee Program was established in November 2018 to support local hospitals in designated high-need areas to ensure continued access to critical healthcare services for vulnerable populations. To effectuate this goal, the program authorizes participating counties, and hospitals within those counties, to partner with the State through a provider assessment mechanism that enhances financial support through the Medicaid program.

Under existing law, the program is to be a pilot program, expiring five years after each participating county has collected a local health care-related fee, or Fall of 2026. Under the bill, the program becomes permanent.

The bill, while maintaining the existing statutory definition of "participating county" notwithstanding the provisions of any other law or regulation to the contrary, also expands the definition of "participating county" to mean, based on the 2019 ACS 5 Year Survey Data, a county that chooses to participate in the program and contains a municipality with a population greater than 30,000 whose 2020 Municipal Revitalization Index Distress score is greater than or equal to 35, (1) excluding counties with a municipality with a population greater than 125,000, (2) excluding counties with a population less than 150,000, and (3) excluding counties with a median income of \$110,000. Existing law limits the program to certain qualifying seven counties; the bill would expand the qualifying criteria to include additional counties.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the bill will cause indeterminate annual revenue and expenditure increases for the State and certain county governments. Considering the mechanism of the federal revenue maximization initiative, the annual net fiscal gain of the County Option Hospital Fee Program will be enhanced

federal cost reimbursements under the Medicaid program. The net fiscal gain is largely intended to accrue to hospitals in counties participating with the State and participating county governments serving as conduits with additional State and county expenditures and revenues largely offsetting one another.

For currently participating counties (Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic) by making the County Option Hospital Fee Pilot Program permanent, the largely offsetting revenue and expenditure increases will occur beyond the pilot program's current expiration date in the Fall of 2026, if the counties remain in the program.

The bill also expands program to include additional counties (Bergen, Burlington, Cumberland, Monmouth, and Ocean). To the extent that new counties participate in the program, concerned counties and the State will collect additional annual revenues and incur expenditures that will largely offset one another.

Lastly, University Hospital, which is an instrumentality of the State, is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration date in the Fall of 2026, if the County of Essex remains in the program. The net effect of the two fiscal effects on University Hospital is presumed to be positive.

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4091

STATE OF NEW JERSEY 220th LEGISLATURE

DATED: JUNE 22, 2022

SUMMARY

- Synopsis:** Makes County Option Hospital Fee Pilot Program permanent and expands definition of "participating county" under program.
- Types of Impact:** Annual expenditure and revenue increases to the State, certain counties, and University Hospital.
- Agencies Affected:** Department of Human Services, Various County Governments, University Hospital.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure and Revenue Increases	Indeterminate Net Gain
County Expenditure and Revenue Increases	Indeterminate Net Gain
Potential University Hospital Expenditure and Revenue Increases	Indeterminate Net Gain

- The Office of Legislative Services (OLS) estimates that the expansion of the County Option Hospital Fee Pilot Program, a federal revenue maximization initiative, will produce an indeterminate annual net revenue gain to the program in the form of additional federal Medicaid cost reimbursements. The net gain will mainly accrue to hospitals in participating counties. In their role as conduits, however, the State and participating county governments will experience indeterminate annual revenue and expenditure increases. These impacts will largely offset one another, although the State and affected counties will realize some net gains.

For reference, the seven currently participating counties anticipated hospitals within their jurisdictions to pay \$306 million in fees under the program in FY 2022. The OLS estimates that this amount will generate \$517 million in federal Medicaid cost reimbursements, for \$823 million in FY 2022 program revenues. Hospitals would receive an estimated \$792 million of the total (or \$486 million net of fee payments), counties \$28 million, and the State \$3 million.

- For currently participating counties, making the program permanent will result in largely offsetting State and county revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026, if the counties remain in the program.

- For counties that will newly participate in the program under the bill's expanded eligibility, concerned counties and the State will collect additional annual revenues and expenditures that will largely offset one another.
- University Hospital is an instrumentality of the State that is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

BILL DESCRIPTION

This bill makes the County Option Hospital Fee Pilot Program permanent. The five-year pilot program currently expires in June 2026.

The bill also expands program eligibility to the counties of Bergen, Burlington, Cumberland, Monmouth, and Ocean. Currently, all seven counties that meet the criteria for participation have opted into the program: Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic.

Under the program, eligible counties may enact a local hospital fee program in their jurisdiction subject to oversight by the New Jersey Department of Human Services. Participating counties may retain up to nine percent of fee collections for their own use and must remit the other 91 percent to the Department of Human Services, which may use one percent of total collections to defray administrative expenses related to the program. The remaining 90 percent of fee collections, plus federal cost reimbursements received under the Medicaid program, are distributed to hospitals paying the fee through the State's Medicaid managed care organizations.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will cause indeterminate annual revenue and expenditure increases for the State and county governments participating in the County Option Hospital Fee Pilot Program.

The federal revenue maximization initiative is intended to earn enhanced federal cost reimbursements under the Medicaid program and to distribute the enhanced federal cost reimbursements to hospitals paying the hospital fee in participating counties. Therefore, the net fiscal gain of the initiative largely accrues to hospitals in participating counties, with the State and participating county governments serving essentially as conduits. As conduits, the additional State and county expenditures and revenues largely offset one another; however, the OLS concludes that the State and counties will ultimately experience a net revenue gain.

For currently participating counties, making the County Option Hospital Fee Pilot Program permanent will result in largely offsetting revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026. The OLS is unable to quantify these fiscal impacts, as future county participation in the program is optional and the OLS cannot anticipate county decisions in this regard.

For reference, however, according to data in the County Option Hospital Fee Pilot Program Operations Manual for FY 2022, the seven participating counties (Essex, Middlesex, Hudson, Mercer, Camden, Atlantic, and Passaic) anticipated hospitals within their jurisdictions to contribute \$306 million in fees in FY 2022. The OLS estimates that based on federal expenditure data on the Medicaid program in federal fiscal year 2020, the \$306 million in fee collections will generate \$517 million in federal Medicaid cost reimbursements, for an estimated \$823 million in FY 2022 program revenues. The revenue would be allocated as indicated in the table below.

Estimated FY 2022 Collections and Net Resource Allocation: County Option Hospital Fee Pilot Program						
REVENUE			NET ALLOCATION			
Federal						
Fee Payments by Hospitals	Medicaid Cost Reimbursements	Total Revenue	Hospitals *	Counties	State	Federal
\$306,000,000	\$517,000,000	\$823,000,000	\$486,000,000	\$28,000,000	\$3,000,000	-\$517,000,000
* Net of \$306 Million in Fee Payments.						

The bill also expands program eligibility to the following counties: Bergen, Burlington, Cumberland, Monmouth, and Ocean. Beginning upon the bill’s effective date, and to the extent that new counties opt to participate in the program, concerned counties and the State will collect additional annual revenues and expenditures that will also largely offset one another. As the nature of the fees imposed by each county as well as county participation are to be determined by concerned counties, the OLS cannot anticipate these county decisions and quantify the impacts.

Lastly, University Hospital, which is an instrumentality of the State, is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program’s current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

The OLS notes Bergen New Bridge Medical Center is a county-owned entity located in Bergen County. To the extent that Bergen County will participate in the program under the bill’s expanded eligibility, Bergen New Bridge Medical Center will experience an annual net fiscal gain.

Section: Human Services
Analyst: Sarah Schmidt
Lead Research Analyst
Approved: Thomas Koenig
Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

ASSEMBLY, No. 4091

STATE OF NEW JERSEY

DATED: JUNE 27, 2022

The Senate Budget and Appropriations Committee reports favorably Assembly Bill No. 4091 (1R).

This bill makes the County Option Hospital Fee Pilot Program permanent and expands the definition of “participating county” under the program. The County Option Hospital Fee Program was established in November 2018 to support local hospitals in designated high-need areas to ensure continued access to critical healthcare services for vulnerable populations. To effectuate this goal, the program authorizes participating counties, and hospitals within those counties, to partner with the State through a provider assessment mechanism that enhances financial support through the Medicaid program.

Under existing law, the program is to be a pilot program, expiring five years after each participating county has collected a local health care-related fee, or Fall of 2026. Under the bill, the program becomes permanent.

The bill, while maintaining the existing statutory definition of “participating county” notwithstanding the provisions of any other law or regulation to the contrary, also expands the definition of “participating county” to mean, based on the 2019 ACS 5 Year Survey Data, a county that chooses to participate in the program and contains a municipality with a population greater than 30,000 whose 2020 Municipal Revitalization Index Distress score is greater than or equal to 35, (1) excluding counties with a municipality with a population greater than 125,000, (2) excluding counties with a population less than 150,000, and (3) excluding counties with a median income of \$110,000. Existing law limits the program to certain qualifying seven counties; the bill would expand the qualifying criteria to include additional counties.

As reported by the committee, Assembly Bill No. A4091 (1R) is identical to Senate Bill No. S2729 which was also reported by the committee on this date.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the expansion of the County Option Hospital Fee Pilot Program, a federal

revenue maximization initiative, will produce an indeterminate annual net revenue gain to the program in the form of additional federal Medicaid cost reimbursements. The net gain will mainly accrue to hospitals in participating counties. In their role as conduits, however, the State and participating county governments will experience indeterminate annual revenue and expenditure increases. These impacts will largely offset one another, although the State and affected counties will realize some net gains.

For reference, the seven currently participating counties anticipated hospitals within their jurisdictions to pay \$306 million in fees under the program in FY 2022. The OLS estimates that this amount will generate \$517 million in federal Medicaid cost reimbursements, for \$823 million in FY 2022 program revenues. Hospitals would receive an estimated \$792 million of the total (or \$486 million net of fee payments), counties \$28 million, and the State \$3 million.

For currently participating counties, making the program permanent will result in largely offsetting State and county revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026, if the counties remain in the program.

For counties that will newly participate in the program under the bill's expanded eligibility, concerned counties and the State will collect additional annual revenues and expenditures that will largely offset one another.

University Hospital is an instrumentality of the State that is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

SENATE, No. 2729

STATE OF NEW JERSEY 220th LEGISLATURE

INTRODUCED MAY 26, 2022

Sponsored by:

Senator JOSEPH A. LAGANA

District 38 (Bergen and Passaic)

Senator TROY SINGLETON

District 7 (Burlington)

Co-Sponsored by:

Senator Gopal

SYNOPSIS

Makes County Option Hospital Fee Pilot Program permanent and expands definition of “participating county” under program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/23/2022)

1 AN ACT concerning the County Option Hospital Fee Pilot Program
2 and amending P.L.2018, c.136.

3

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

6

7 1. Section 1 of P.L.2018, c.136 (C.30:4D-7r) is amended to read
8 as follows:

9 1. This act shall be known and may be cited as "The County
10 Option Hospital Fee **【Pilot】** Program Act."

11 (cf: P.L.2018, c.136, s.1)

12

13 2. Section 2 of P.L.2018, c.136 (C.30:4D-7s) is amended to read
14 as follows:

15 2. As used in this act:

16 "Commissioner" means the Commissioner of Human Services.

17 "Department" means the Department of Human Services.

18 "Fee" means the local health care-related fee authorized pursuant
19 to this act.

20 "Hospital" means a hospital that is licensed pursuant to P.L.1971,
21 c.136 (C.26:2H-1 et seq.) and is located within the borders of a
22 participating county.

23 "Medicaid program" means the "New Jersey Medical Assistance
24 and Health Services Program" established pursuant to P.L.1968,
25 c.413 (C.30:4D-1 et seq.).

26 "Participating county" means a county **【with】** that chooses to
27 participate in the program, has a population greater than 250,000,
28 according to the federal decennial census immediately preceding the
29 effective date of **【this act; that】** P.L.2018, c.136 (C.30:4D-7r et seq.),
30 and contains a municipality which: (1) is classified, pursuant to
31 N.J.S.40A:6-4, as a First or Second Class municipality, or a Fourth
32 Class municipality whose population exceeds 20,000, and (2) has a
33 Municipal Revitalization Index Distress score, as last calculated by
34 the New Jersey Department of Community Affairs prior to the
35 effective date of **【this act】** P.L.2018, c.136 (C.30:4D-7r et seq.), that
36 exceeds 60**【**; and which chooses to participate in the pilot program**】**.
37 A "participating county" also means, based on the 2019 ACS 5 Year
38 Survey Data, (1) excluding counties with a municipality with a
39 population greater than 125,000, and (2) excluding counties with a
40 population less than 150,000, and (3) excluding counties with a
41 median household income greater than \$110,000, and (4) counties
42 must have a municipality with a population greater than 30,000
43 whose 2020 Municipal Revitalization Index Distress score is greater
44 than or equal to 35; and which chooses to participate in the program.

EXPLANATION – Matter enclosed in bold-faced brackets **【thus】 in the above bill is not enacted and is intended to be omitted in the law.**

Matter underlined thus is new matter.

1 **["Pilot program"]** "Program" means "The County Option Hospital
2 Fee **[Pilot] Program**" established pursuant to this act.

3 "Proposed fee and expenditure report" means a written report by a
4 participating county that describes how the fee will be imposed in the
5 participating county; how the funds collected from the fee will be
6 used by the participating county, including the amount and services
7 the participating county plans to provide with the funds; and how the
8 plan satisfies paragraph (1) of subsection b. of section 3 of this act.
9 (cf: P.L.2018, c.136, s.2)

10

11 3. Section 3 of P.L.2018, c.136 (C.30:4D-7t) is amended to read
12 as follows:

13 3. a. There is established "The County Option Hospital Fee
14 **[Pilot] Program**" in the Department of Human Services. **[The**
15 program shall commence on the 180th day after the effective date of
16 P.L.2018, c.136 (C.30:4D-7r et seq.) and shall expire five years after
17 each participating county has collected a local health care-related fee,
18 authorized pursuant to subsection c. of this section. **]**

19 b. The purpose of the **[pilot]** program is:

20 (1) to increase financial resources through the Medicaid program
21 to support local hospitals and to ensure that they continue to provide
22 necessary services to low-income citizens; and

23 (2) to provide participating counties with new fiscal resources.

24 c. **[To effectuate the purposes of this program, the**
25 commissioner shall authorize no more than seven participating
26 counties in the State for participation in the program.**]** Each
27 participating county shall be authorized by the commissioner to
28 impose a local health care-related fee on hospitals within its borders.

29 d. A participating county shall submit a proposed fee and
30 expenditure report to the commissioner to ensure that the proposed
31 fee and expenditure plan satisfies paragraph (1) of subsection b. of
32 this section and subsection e. of this section, and does not create a
33 direct or indirect guarantee to hold harmless, as those terms are used
34 in 42 C.F.R. s.433.68(f). The commissioner shall further review the
35 proposed fee and expenditure report to determine whether it complies
36 with relevant rules and regulations. Each participating county shall
37 consult with affected hospitals within its jurisdiction to prepare the
38 proposed fee and expenditure report before the report is submitted to
39 the commissioner. The commissioner shall make the proposed fee
40 and expenditure report available to the affected hospitals for review
41 and the hospitals shall be permitted to provide comments to the
42 commissioner regarding the report for a period of 21 calendar days
43 from the date the proposed report is made available for review.

44 e. The board of **[chosen freeholders]** County commissioners of
45 a participating county, following the approval of the participating
46 county's proposed fee and expenditure plan by the commissioner,
47 may adopt an ordinance providing for the imposition of a fee on

1 hospitals located within its borders and for appropriate administrative
2 provisions, including, but not limited to, provisions for the collection
3 of interest and penalties.

4 The fee shall be implemented in accordance with the provisions of
5 42 U.S.C. s.1396b(w)(3)(A), and shall be subject to the maximum
6 aggregate amount that may be assessed pursuant to 42 C.F.R.
7 s.433.68(f)(3), or any subsequent maximum amount as may be
8 established by federal law, and shall be subject to a cap as determined
9 by the commissioner. The participating county may exempt a
10 hospital within its jurisdiction from the fee, provided that the
11 exemption complies with the requirements of 42 C.F.R. s.433.68.

12 The fee authorized pursuant to this act may be collected only to
13 the extent~~],~~ and for the period,] that the commissioner determines
14 that the revenues generated qualify as the State share of Medicaid
15 program expenditures eligible for federal financial participation
16 pursuant to 42 C.F.R. s.433.68.

17 f. Any subsequent alterations to the fee are subject to the
18 approval of the commissioner prior to implementation. Upon
19 approval, the commissioner shall apply for such State plan
20 amendments or waivers as may be necessary to implement the
21 changes and to secure federal financial participation for State
22 Medicaid expenditures under the federal Medicaid program.

23 g. Neither the State nor a participating county shall be liable for
24 any amount of a local health care-related fee imposed on a hospital
25 pursuant to this act that the hospital fails to pay or does not pay in a
26 timely manner to the assessing county.

27 (cf: P.L.2021, c.41, s.1)

28

29 4. Section 4 of P.L.2018, c.136 (C.30:4D-7u) is amended to read
30 as follows:

31 4. a. A participating county may transfer funds collected from
32 the fee imposed pursuant to subsection c. of section 3 of this act to
33 the commissioner. The commissioner shall use funds transferred
34 from a participating county, and any matching amount of federal
35 Medicaid funds or other federal funds generated therefrom, for the
36 following purposes: to increase Medicaid payments to hospitals in
37 the jurisdiction from which the funds are received; for payments to
38 managed care organizations that have contracted with Medicaid
39 serving the jurisdiction from which the funds are received for
40 increased hospital or hospital-related payments; and for direct costs
41 related to administrative purposes to implement the **[pilot]** program.

42 The commissioner shall seek to minimize the length of time
43 between the collection of the fee by the participating county and the
44 distribution of payments pursuant to this subsection.

45 Notwithstanding any other law to the contrary, the commissioner
46 and a participating county are authorized to enter into an
47 intergovernmental transfer agreement as may be necessary to transfer

1 funds under this subsection or to otherwise satisfy the requirements
2 of this act.

3 b. A participating county may retain the funds collected from the
4 imposition of the fee, in which case the participating county shall
5 generate the same level of funding, in addition to the funds collected
6 from the imposition of the fee, that would be generated by the
7 department through any matching amount of federal Medicaid funds
8 or other federal funds, and use the total funding amount to satisfy
9 paragraph (1) of subsection b. of section 3 of this act.

10 c. At least 90 percent of the funds collected from imposition of
11 the fee shall be used by a participating county or the department for
12 the benefit of local hospitals within the participating county's borders
13 to ensure that the hospitals continue to provide necessary services to
14 low-income citizens. The participating counties shall transfer at least
15 one percent of funds collected from the imposition of the fee to the
16 department for administration of the program.

17 (cf: P.L.2018, c.136, s.4)

18

19 5. Section 5 of P.L.2018, c.136 (C.30:4D-7v) is amended to read
20 as follows:

21 5. a. The fee imposed pursuant to subsection c. of section 3 of
22 this act shall be imposed in relation to health care items or services
23 provided only during the effective period of this act, and shall not be
24 collected until the commissioner notifies the appropriate
25 governmental entities that any State plan amendment or waivers
26 submitted pursuant to section 6 of this act have been approved.

27 b. No hospital subject to the fee shall pass on the cost of the fee
28 to any patient, insurer, self-insured employer program, or other
29 responsible party, nor list it separately on any invoice or statement
30 sent to a patient, insurer, self-insured employer program, or other
31 responsible party.

32 c. Unless otherwise prohibited by the federal government, no
33 managed care organization operating in the State that has contracted
34 with Medicaid shall retain any funds generated by the fee, other than
35 to offset any increased administrative costs incurred as a result of the
36 **【pilot】** program.

37 d. Funds generated by the fee shall not supplant or offset any
38 current or future State funds allocated to a county participating in the
39 **【pilot】** program.

40 e. Payments distributed to hospitals pursuant to this act shall not
41 supplant or offset any current or future funds paid to hospitals
42 through other State or federal funding mechanisms or pools.

43 (cf: P.L.2018, c.136, s.5)

44

45 6. Section 8 of P.L.2018, c.136 is amended to read as follows:

46 8. This act shall take effect on the 180th day after the date of
47 enactment**【**, and shall expire five years after each participating
48 county has collected a local health care-related fee, authorized

1 pursuant to subsection c. of section 3 of P.L.2018, c.136 (C. 30:4D-
2 7t)]. All proposed fee and expenditure plans are subject to both
3 approval of the commissioner and such actions by the federal
4 government as are necessary to effectuate the purposes of this act.
5 (cf: P.L.2021, c.41, s.2)

6

7 7. This act shall take effect immediately.

8

9

10 STATEMENT

11

12 This bill makes the County Option Hospital Fee Pilot Program
13 permanent and expands the definition of “participating county” under
14 the program. The County Option Hospital Fee Program was
15 established in November 2018 to support local hospitals in
16 designated high-need areas to ensure continued access to critical
17 healthcare services for vulnerable populations. To effectuate this
18 goal, the program authorizes participating counties, and hospitals
19 within those counties, to partner with the State through a provider
20 assessment mechanism that enhances financial support through the
21 Medicaid program.

22 Under existing law, the program is to be pilot program, expiring
23 five years after each participating county has collected a local health
24 care-related fee, or Fall of 2026. Under the bill, the program becomes
25 permanent.

26 The bill, while maintaining the existing statutory definition of
27 "participating county," also expands the definition of "participating
28 county" to mean, based on the 2019 ACS 5 Year Survey Data, (1)
29 excluding counties with a municipality with a population greater than
30 125,000, and (2) excluding counties with a population less than
31 150,000, and (3) excluding counties with a median income greater
32 than \$110,000, and (4) counties must have a municipality with a
33 population greater than 30,000 whose 2020 Municipal Revitalization
34 Index Distress score is greater than or equal to 35; and which chooses
35 to participate in the program. Currently the following counties
36 participate in the program: Atlantic, Camden, Essex, Hudson,
37 Mercer, Middlesex, and Passaic. Existing law limits the program to
38 seven counties, a provision that is removed under this bill.

LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2729
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 22, 2022

SUMMARY

- Synopsis:** Makes County Option Hospital Fee Pilot Program permanent and expands definition of "participating county" under program.
- Types of Impact:** Annual expenditure and revenue increases to the State, certain counties, and University Hospital.
- Agencies Affected:** Department of Human Services, Various County Governments, University Hospital.

Office of Legislative Services Estimate

Fiscal Impact	<u>Annual</u>
State Expenditure and Revenue Increases	Indeterminate Net Gain
County Expenditure and Revenue Increases	Indeterminate Net Gain
Potential University Hospital Expenditure and Revenue Increases	Indeterminate Net Gain

- The Office of Legislative Services (OLS) estimates that the expansion of the County Option Hospital Fee Pilot Program, a federal revenue maximization initiative, will produce an indeterminate annual net revenue gain to the program in the form of additional federal Medicaid cost reimbursements. The net gain will mainly accrue to hospitals in participating counties. In their role as conduits, however, the State and participating county governments will experience indeterminate annual revenue and expenditure increases. These impacts will largely offset one another, although the State and affected counties will realize some net gains.
- For reference, the seven currently participating counties anticipated hospitals within their jurisdictions to pay \$306 million in fees under the program in FY 2022. The OLS estimates that this amount will generate \$517 million in federal Medicaid cost reimbursements, for \$823 million in FY 2022 program revenues. Hospitals would receive an estimated \$792 million of the total (or \$486 million net of fee payments), counties \$28 million, and the State \$3 million.
- For currently participating counties, making the program permanent will result in largely offsetting State and county revenue and expenditure increases occurring beyond the pilot program’s current expiration in June 2026, if the counties remain in the program.

- For counties that will newly participate in the program under the bill's expanded eligibility, concerned counties and the State will collect additional annual revenues and expenditures that will largely offset one another.
- University Hospital is an instrumentality of the State that is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

BILL DESCRIPTION

This bill makes the County Option Hospital Fee Pilot Program permanent. The five-year pilot program currently expires in June 2026.

The bill also expands program eligibility to the counties of Bergen, Burlington, Cumberland, Monmouth, and Ocean. Currently, all seven counties that meet the criteria for participation have opted into the program: Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic.

Under the program, eligible counties may enact a local hospital fee program in their jurisdiction subject to oversight by the New Jersey Department of Human Services. Participating counties may retain up to nine percent of fee collections for their own use and must remit the other 91 percent to the Department of Human Services, which may use one percent of total collections to defray administrative expenses related to the program. The remaining 90 percent of fee collections, plus federal cost reimbursements received under the Medicaid program, are distributed to hospitals paying the fee through the State's Medicaid managed care organizations.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will cause indeterminate annual revenue and expenditure increases for the State and county governments participating in the County Option Hospital Fee Pilot Program.

The federal revenue maximization initiative is intended to earn enhanced federal cost reimbursements under the Medicaid program and to distribute the enhanced federal cost reimbursements to hospitals paying the hospital fee in participating counties. Therefore, the net fiscal gain of the initiative largely accrues to hospitals in participating counties, with the State and participating county governments serving essentially as conduits. As conduits, the additional State and county expenditures and revenues largely offset one another; however, the OLS concludes that the State and counties will ultimately experience a net revenue gain.

For currently participating counties, making the County Option Hospital Fee Pilot Program permanent will result in largely offsetting revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026. The OLS is unable to quantify these fiscal

impacts, as future county participation in the program is optional and the OLS cannot anticipate county decisions in this regard.

For reference, however, according to data in the County Option Hospital Fee Pilot Program Operations Manual for FY 2022, the seven participating counties (Essex, Middlesex, Hudson, Mercer, Camden, Atlantic, and Passaic) anticipated hospitals within their jurisdictions to contribute \$306 million in fees in FY 2022. The OLS estimates that based on federal expenditure data on the Medicaid program in federal fiscal year 2020, the \$306 million in fee collections will generate \$517 million in federal Medicaid cost reimbursements, for an estimated \$823 million in FY 2022 program revenues. The revenue would be allocated as indicated in the table below.

Estimated FY 2022 Collections and Net Resource Allocation: County Option Hospital Fee Pilot Program						
REVENUE			NET ALLOCATION			
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Fee Payments by Hospitals	Medicaid Cost Reimbursements	Total Revenue	Hospitals *	Counties	State	Federal
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* Net of \$306 Million in Fee Payments.						

The bill also expands program eligibility to the following counties: Bergen, Burlington, Cumberland, Monmouth, and Ocean. Beginning upon the bill’s effective date, and to the extent that new counties opt to participate in the program, concerned counties and the State will collect additional annual revenues and expenditures that will also largely offset one another. As the nature of the fees imposed by each county as well as county participation are to be determined by concerned counties, the OLS cannot anticipate these county decisions and quantify the impacts.

Lastly, University Hospital, which is an instrumentality of the State, is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program’s current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

The OLS notes Bergen New Bridge Medical Center is a county-owned entity located in Bergen County. To the extent that Bergen County will participate in the program under the bill’s expanded eligibility, Bergen New Bridge Medical Center will experience an annual net fiscal gain.

Section: Human Services
Analyst: Sarah Schmidt
 Lead Research Analyst
Approved: Thomas Koenig
 Legislative Budget and Finance Officer

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 2729

STATE OF NEW JERSEY

DATED: JUNE 27, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2729.

This bill makes the County Option Hospital Fee Pilot Program permanent and expands the definition of “participating county” under the program. The County Option Hospital Fee Program was established in November 2018 to support local hospitals in designated high-need areas to ensure continued access to critical healthcare services for vulnerable populations. To effectuate this goal, the program authorizes participating counties, and hospitals within those counties, to partner with the State through a provider assessment mechanism that enhances financial support through the Medicaid program.

Under existing law, the program is to be pilot program, expiring five years after each participating county has collected a local health care-related fee, or Fall of 2026. Under the bill, the program becomes permanent.

The bill, while maintaining the existing statutory definition of "participating county," also expands the definition of "participating county" to mean, based on the 2019 ACS 5 Year Survey Data, (1) excluding counties with a municipality with a population greater than 125,000, and (2) excluding counties with a population less than 150,000, and (3) excluding counties with a median income greater than \$110,000, and (4) counties must have a municipality with a population greater than 30,000 whose 2020 Municipal Revitalization Index Distress score is greater than or equal to 35; and which chooses to participate in the program. Currently the following counties participate in the program: Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic. Existing law limits the program to seven counties, a provision that is removed under this bill.

As reported by the committee, Senate Bill No. 2729 is identical to Assembly Bill No. A4091 (1R) which was also reported by the committee on this date.

FISCAL IMPACT:

The Office of Legislative Services (OLS) estimates that the expansion of the County Option Hospital Fee Pilot Program, a federal revenue maximization initiative, will produce an indeterminate annual

net revenue gain to the program in the form of additional federal Medicaid cost reimbursements. The net gain will mainly accrue to hospitals in participating counties. In their role as conduits, however, the State and participating county governments will experience indeterminate annual revenue and expenditure increases. These impacts will largely offset one another, although the State and affected counties will realize some net gains.

For reference, the seven currently participating counties anticipated hospitals within their jurisdictions to pay \$306 million in fees under the program in FY 2022. The OLS estimates that this amount will generate \$517 million in federal Medicaid cost reimbursements, for \$823 million in FY 2022 program revenues. Hospitals would receive an estimated \$792 million of the total (or \$486 million net of fee payments), counties \$28 million, and the State \$3 million.

For currently participating counties, making the program permanent will result in largely offsetting State and county revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026, if the counties remain in the program.

For counties that will newly participate in the program under the bill's expanded eligibility, concerned counties and the State will collect additional annual revenues and expenditures that will largely offset one another.

University Hospital is an instrumentality of the State that is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

Governor Murphy Takes Action on Legislation

07/5/2022

TRENTON – Today, Governor Phil Murphy signed the following bills into law:

A-1455wGR/S-1596 (Lopez, Dancer, DeAngelo/Beach) - Permits county clerk or register of deeds and mortgages to issue identification card to Gold Star Family member

ACS for A-3196/S-2349 (Caputo, Lampitt, Jasey, Jaffer/Turner, Diegnan) - Requires State Board of Education to administer New Jersey Graduation Proficiency Assessment as field test for class of 2023

A-4091/S-2729 (Swain, Conaway/Lagana, Singleton) - Makes County Option Hospital Fee Pilot Program permanent and expands definition of “participating county” under program

A-4214/S-2770 (Jaffer, Moen, Wimberly, Benson/Zwicker, Singleton) - Authorizes NJ Infrastructure Bank to expend certain sums to make loans for transportation infrastructure projects for FY2023; makes appropriation

A-4222/S-2796 (Freiman, Egan, Calabrese/Gopal, Lagana) - Expands working hours for minors; updates process for obtaining working papers for minors

A-4255/S-2870 (McKeon, Haider, Kennedy/Smith, Codey) - Revises law requiring registration with DEP of certain entities engaged in soil and fill recycling services