

30:7D-7h

LEGISLATIVE HISTORY CHECKLIST

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LAWS OF: 2004 **CHAPTER:** 76

NJSA: 30:7D-7h (Medicaid reimbursement of pediatric hospitals)

BILL NO: A2062 (Substituted for S1554)

SPONSOR(S): Watson Coleman and others

DATE INTRODUCED: February 19, 2004

COMMITTEE: **ASSEMBLY:** Health and Human Services; Appropriations

SENATE:

AMENDED DURING PASSAGE: No

DATE OF PASSAGE: **ASSEMBLY:** June 17, 2004

SENATE: June 21, 2004

DATE OF APPROVAL: July 1, 2004

FOLLOWING ARE ATTACHED IF AVAILABLE:

[FINAL TEXT OF BILL](#) (Assembly Committee Substitute enacted)

A2062

[SPONSOR'S STATEMENT:](#) (Begins on page 4 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** Yes [5-13-04 \(Health\)](#)
[5-27-04 \(Approp\)](#)

SENATE: No

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

S1554

[SPONSOR'S STATEMENT:](#) (Begins on page 4 of original bill) [Yes](#)

COMMITTEE STATEMENT: **ASSEMBLY:** No

SENATE: Yes [5-13-04 \(Health\)](#)
[6-14-04 \(Budget\)](#)

FLOOR AMENDMENT STATEMENT: No

[LEGISLATIVE FISCAL ESTIMATE:](#) [Yes](#)

VETO MESSAGE: No

GOVERNOR'S PRESS RELEASE ON SIGNING: No

FOLLOWING WERE PRINTED:

To check for circulating copies, contact New Jersey State Government Publications at the State Library (609) 278-2640 ext. 103 or <mailto:refdesk@njstatelib.org>.

REPORTS:

No

HEARINGS:

No

NEWSPAPER ARTICLES:

No

P.L. 2004, CHAPTER 76, *approved July 1, 2004*

Assembly Committee Substitute for
Assembly, No. 2062

1 AN ACT concerning pediatric rehabilitation hospitals and amending
2 P.L.2001, c.393.

3

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

6

7 1. Section 2 of P.L.2001, c.393 (C.30:4D-7h) is amended to read
8 as follows:

9 2. a. A pediatric rehabilitation hospital licensed pursuant to
10 P.L.1971, c.136 (C.26:2H-1 et seq.) with 30 or fewer beds shall be
11 reimbursed 100% of its Medicaid allowable reimbursable costs as
12 defined by Medicare Principles of Reimbursement [effective for cost
13 report periods beginning January 1, 2001] , subject to the "Tax Equity
14 and Fiscal Responsibility Act of 1982" (TEFRA), Pub.L.97-248 as
15 amended, and adjusted for occupancy, if applicable.

16 Any 2001, 2002 or 2003 Medicare cost reports that are not settled
17 for Medicaid reimbursement on or before July 1, 2004 shall be
18 prospectively settled, based on Medicaid allowable reimbursable costs
19 as defined by Medicare Principles of Reimbursement, subject to
20 TEFRA, and adjusted for occupancy, if applicable.

21 b. A pediatric rehabilitation hospital licensed pursuant to
22 P.L.1971, c.136 (C.26:2H-1 et seq.) with more than 30 beds shall be
23 reimbursed a prospective per diem rate by the State Medicaid program
24 for Medicaid fee-for-service recipients.

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

34 The Commissioner of Human Services shall adopt regulations to
35 permit a pediatric rehabilitation hospital to seek rate relief or to seek
36 a new base year rate in the event the hospital [can demonstrate that it
37 is entitled to rate relief or a new base year pursuant to applicable
38 Medicare Principles of Reimbursement] has experienced an increase
39 in its operating costs which would impact the existing per diem rate,
40 net of capital costs, greater than 5%. The hospital shall furnish

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.

1 evidence of that increase in costs to the Division of Medical Assistance
2 and Health Services in the Department of Human Services and request
3 an adjustment to its prospective inpatient reimbursement rate.

4 c. A pediatric rehabilitation hospital licensed pursuant to
5 P.L.1971, c.136 (C.26:2H-1 et seq.) shall be:

6 (1) reimbursed its outpatient costs based on applicable cost-based
7 Medicare Principles of Reimbursement through the Medicare/Medicaid
8 cost report, and shall not receive final reimbursement based on an
9 outpatient prospective reimbursement methodology. If necessary, the
10 Department of Human Services shall adopt regulations to specify an
11 interim claims processing and payment methodology;

12 (2) entitled to a per diem adjustment to account for increases in
13 its capital expenditures. Adjusted per diem payments shall begin upon
14 project completion and facility operation. The adjustment shall be
15 calculated based on the Medicaid share of the inpatient costs for any
16 capital expenditures made on or after December 31, 2003. Utilizing
17 data from the Medicare/Medicaid Cost Report, the Medicaid share
18 shall be determined by dividing the combined total of Medicaid fee-
19 for-service days and Medicaid managed care days by the total number
20 of inpatient days; and the inpatient costs for capital expenditures shall
21 be determined by dividing the hospital's inpatient costs by its total
22 costs and multiplying that number by its total additional capital costs;
23 and

24 (3) entitled to receive a per diem adjustment for its graduate
25 medical education program, with the adjustment to be based on the
26 Medicaid share of the costs incurred by the graduate medical
27 education program. The Medicaid share shall be determined by
28 dividing the Medicaid inpatient days by the total number of inpatient
29 days and multiplying that number by the total amount of graduate
30 medical education costs as reported on the Medicare/Medicaid cost
31 report.

32 (cf: P.L.2003, c.223, s.1)

33
34 2. This act shall take effect immediately.

35
36
37
38
39 Revises Medicaid reimbursement of pediatric rehabilitation hospitals.

ASSEMBLY, No. 2062

STATE OF NEW JERSEY

211th LEGISLATURE

INTRODUCED FEBRUARY 19, 2004

Sponsored by:

Assemblywoman BONNIE WATSON COLEMAN

District 15 (Mercer)

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

SYNOPSIS

Revises Medicaid reimbursement of pediatric rehabilitation hospitals.

CURRENT VERSION OF TEXT

As introduced.



1 AN ACT concerning pediatric rehabilitation hospitals and amending
2 P.L.2001, c.393.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State
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13 report periods beginning January 1, 2001.

14 b. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
15 c.136 (C.26:2H-1 et seq.) with more than 30 beds shall be reimbursed
16 a prospective per diem rate by the State Medicaid program for
17 Medicaid fee-for-service recipients.

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

27 The Commissioner of Human Services shall adopt regulations to
28 permit a pediatric rehabilitation hospital to seek rate relief or to seek
29 a new base year rate in the event the hospital **[can demonstrate that it**
30 **is entitled to rate relief or a new base year pursuant to applicable**
31 **Medicare Principles of Reimbursement]** has experienced an increase
32 in its costs per patient day exceeding 5%, in which case the hospital
33 shall furnish evidence of that increase in costs to the Division of
34 Medical Assistance and Health Services in the Department of Human
35 Services and request an adjustment to its prospective inpatient
36 reimbursement rate.

37 c. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
38 c.136 (C.26:2H-1 et seq.) shall be:

39 (1) reimbursed its outpatient costs based on applicable cost-based
40 Medicare Principles of Reimbursement through the Medicare/Medicaid
41 cost report, and shall in no event be reimbursed based on an outpatient
42 prospective reimbursement methodology;

43 (2) entitled to receive, in the aggregate, at least the amount of

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 reimbursement that it would have received, in the aggregate, under the
2 Medicaid fee-for-service, cost-based reimbursement methodology for
3 outpatient physician services delivered to its patients who are enrolled
4 in a Medicaid managed care organization. The hospital shall annually
5 furnish to the Division of Medical Assistance and Health Services
6 information that identifies, in the aggregate, the amount of loss that
7 the hospital has sustained from reimbursement received from Medicaid
8 managed care organizations as compared to what the hospital would
9 have received, in the aggregate, under the Medicaid fee-for-service,
10 cost-based reimbursement methodology. The information shall include
11 the necessary supporting calculations to demonstrate the aggregate
12 amount of the loss. The Division of Medical Assistance and Health
13 Services shall reimburse the hospital on an interim monthly basis for
14 the amount of the loss and shall complete an annual reconciliation for
15 the purposes of this subsection;

16 (3) entitled to an adjustment to account for increases in its capital
17 expenditures. The adjustment shall be calculated based on the
18 Medicaid share of the inpatient costs for any capital expenditures made
19 on or after December 31, 2003. The Medicaid share shall be
20 determined by dividing the combined total of Medicaid fee-for-service
21 days and Medicaid managed care days by the total number of inpatient
22 days; and the inpatient costs for capital expenditures shall be
23 determined by dividing the hospital's inpatient gross charges by its
24 total gross charges and multiplying that number by its total additional
25 capital costs.

26 The Division of Medical Assistance and Health Services shall
27 reimburse each hospital on a monthly interim basis based on the
28 projected annual capital costs for the hospital and shall complete an
29 annual reconciliation based on the actual capital costs incurred by the
30 hospital. The adjustment for each hospital shall not exceed
31 \$1,500,000 in State Medicaid funds annually; and

32 (4) entitled to receive payment for its graduate medical education
33 program, with the payment to be based on the Medicaid share of the
34 costs incurred by the graduate medical education program. The
35 Medicaid share shall be determined by dividing the combined total of
36 Medicaid inpatient days and uninsured inpatient days by the total
37 number of inpatient days and multiplying that number by the total
38 amount of graduate medical education costs as reported on the
39 Medicare/Medicaid cost report.

40 The Division of Medical Assistance and Health Services shall
41 reimburse each hospital on a monthly interim basis based on the
42 preceding year and shall complete an annual reconciliation based on
43 the actual graduate medical education costs incurred by the hospital.
44 The adjustment for each hospital shall not exceed \$125,000 in State
45 Medicaid funds annually.

46 (cf: P.L.2003, c.223, s.1)

1 2. Section 3 of P.L.2001, c.393 (C.30:4D-7i) is amended to read
2 as follows:

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] requirement established pursuant to
6 [N.J.A.C.10:52-1.3(b)(1)] N.J.A.C.10:52-1.3 for the purposes of
7 receiving Medicaid fee-for-service reimbursement for outpatient
8 hospital services.

9 A pediatric rehabilitation hospital which establishes an off-site
10 location to provide outpatient services shall notify the Division of
11 Medical Assistance and Health Services in the Department of Human
12 Services [in accordance with the requirements of N.J.A.C.10:52-1.3]
13 of the location and the services to be provided at the off-site location,
14 and shall furnish evidence to the division that the services will be
15 provided by employees of the hospital.

16 (cf: P.L.2001, c.393, s.3)

17

18 3. This act shall take effect immediately.

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STATEMENT

22

23 This bill revises the law governing Medicaid reimbursement of
24 pediatric rehabilitation hospitals (N.J.S.A.30:4D-7h et seq.) in several
25 respects.

26 Specifically, the bill provides as follows:

27 --The Commissioner of Human Services is to adopt regulations to
28 permit a pediatric rehabilitation hospital to seek rate relief or to seek
29 a new base year rate in the event the hospital has experienced an
30 increase in its costs per patient day exceeding 5%, in which case the
31 hospital shall furnish evidence of that increase in costs to the Division
32 of Medical Assistance and Health Services and request an adjustment
33 to its prospective inpatient reimbursement rate.

34 --A pediatric rehabilitation hospital is to be reimbursed its
35 outpatient costs based on applicable cost-based Medicare Principles of
36 Reimbursement through the Medicare/Medicaid cost report, and will
37 in no event be reimbursed based on an outpatient prospective
38 reimbursement methodology.

39 --A pediatric rehabilitation hospital is entitled to receive, in the
40 aggregate, at least the amount of reimbursement that it would have
41 received, in the aggregate, under the Medicaid fee-for-service, cost-
42 based reimbursement methodology for outpatient physician services
43 delivered to its patients who are enrolled in a Medicaid managed care
44 organization.

45 --A pediatric rehabilitation hospital is entitled to an adjustment to
46 account for increases in its capital expenditures, which will be based

1 on the Medicaid share of the inpatient costs for any capital
2 expenditures made on or after December 31, 2003, and will not exceed
3 \$1,500,000 in State Medicaid funds annually.

4 --A pediatric rehabilitation hospital is entitled to receive Medicaid
5 reimbursement for its graduate medical education costs in an amount
6 not to exceed \$125,000 in State Medicaid funds annually.

7 --A pediatric rehabilitation hospital is not subject to the requirement
8 established pursuant to N.J.A.C.10:52-1.3 for the purposes of
9 receiving Medicaid fee-for-service reimbursement for outpatient
10 hospital services.

11 --A pediatric rehabilitation hospital which establishes an off-site
12 location to provide outpatient services is to notify the Division of
13 Medical Assistance and Health Services of the location and the
14 services to be provided at the off-site location, and to furnish evidence
15 to the division that the services will be provided by employees of the
16 hospital.

ASSEMBLY HEALTH AND HUMAN SERVICES COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR ASSEMBLY, No. 2062

STATE OF NEW JERSEY

DATED: MAY 13, 2004

The Assembly Health and Human Services Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 2062.

This committee substitute revises the law governing Medicaid reimbursement of pediatric rehabilitation hospitals (N.J.S.A.30:4D-7h et seq.) in several respects.

Specifically, the substitute provides as follows:

-- A pediatric rehabilitation hospital with 30 or fewer beds is to be reimbursed 100% of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA), as amended, and adjusted for occupancy, if applicable. Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled, based on Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to TEFRA, and adjusted for occupancy, if applicable.

-- The Commissioner of Human Services is to adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5%, in which case the hospital is to furnish evidence of that increase in costs to the Division of Medical Assistance and Health Services and request an adjustment to its prospective inpatient reimbursement rate.

-- A pediatric rehabilitation hospital is to be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement through the Medicare/Medicaid cost report, and is not to receive final reimbursement based on an outpatient prospective reimbursement methodology. If necessary, the Department of Human Services is to adopt regulations to specify an interim claims processing and payment methodology.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the the adjusted per diem payments to begin upon project completion and

facility operation and to be calculated based on the Medicaid share of the inpatient costs for any capital expenditures made on or after December 31, 2003.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment for its graduate medical education program, with the adjustment to be based on the Medicaid share of the costs incurred by the graduate medical education program.

ASSEMBLY APPROPRIATIONS COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 2062**

STATE OF NEW JERSEY

DATED: MAY 27, 2004

The Assembly Appropriations Committee reports favorably Assembly Bill No. 2062 (ACS).

Assembly Bill No. 2062 (ACS) revises the law governing Medicaid reimbursement of pediatric rehabilitation hospitals (N.J.S.A.30:4D-7h et seq.) in several respects.

The bill provides that:

--A pediatric rehabilitation hospital with 30 or fewer beds is to be reimbursed 100% of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA), as amended, and adjusted for occupancy, if applicable. Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled, based on Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to TEFRA, and adjusted for occupancy, if applicable.

--The Commissioner of Human Services will adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5%, in which case the hospital is to furnish evidence of that increase in costs to the Division of Medical Assistance and Health Services and request an adjustment to its prospective inpatient reimbursement rate.

--A pediatric rehabilitation hospital will be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement through the Medicare/Medicaid cost report, and is not to receive final reimbursement based on an outpatient prospective reimbursement methodology. If necessary, the Department of Human Services is to adopt regulations to specify an interim claims processing and payment methodology.

--A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the adjusted per diem payments to begin upon project completion and facility operation and to be calculated based on the Medicaid share of

the inpatient costs for any capital expenditures made on or after December 31, 2003.

--A pediatric rehabilitation hospital is entitled to a per diem adjustment for its graduate medical education program, with the adjustment to be based on the Medicaid share of the costs incurred by the graduate medical education program.

FISCAL IMPACT:

Of the prospective settlement of costs, the rate relief for increased costs, the per diem adjustment for capital expenditures, and the per diem adjustment for graduate medical education program: each has potential to increase or accelerate State expenditures. No information has been made available from which actual cost estimates could be made.

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY COMMITTEE SUBSTITUTE FOR
ASSEMBLY, No. 2062
STATE OF NEW JERSEY
211th LEGISLATURE

DATED: JUNE 25, 2004

SUMMARY

Synopsis: Revises Medicaid reimbursement of pediatric rehabilitation hospitals.
Type of Impact: Probable Medicaid expenditure increase that cannot be determined.
Agencies Affected: Department of Human Services (DHS).

Office of Legislative Services Estimate

Fiscal Impact	Years 1 -3
State Cost	Unable to determine.

! The legislation's intent is to reimburse certain pediatric rehabilitation hospitals for more of their costs than the Medicaid program currently recognizes.

BILL DESCRIPTION

Assembly Committee Substitute for Assembly Bill No. 2062 of 2004 requires:

- C A pediatric rehabilitation hospital with 30 or fewer beds to be reimbursed 100 percent of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA), and adjusted for occupancy, if applicable. Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled, based on Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to TEFRA, and adjusted for occupancy, if applicable.
- C DHS is to adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5 percent.
- C A pediatric rehabilitation hospital is to be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement through the Medicare/Medicaid cost reports, and is not to receive final reimbursement based on an outpatient prospective reimbursement methodology. If necessary, DHS is to adopt regulations to specify an interim claims processing and payment methodology.

- C A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the adjusted per diem payments to begin upon project completion and facility operation and is to be calculated based on the Medicaid share of the inpatient costs for any capital expenditures made on or after December 31, 2003.
- C A pediatric rehabilitation hospital is entitled to a per diem rate adjustment for its graduate medical education program, with the adjustment to be based on the Medicaid share of the costs incurred by the graduate medical education program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the fiscal impact of the legislation as OLS does not have:

- C The cost reports used by the Medicaid program to determine the applicable Medicaid reimbursement rate for inpatient and outpatient services. These cost reports also provide other financial and statistical information needed to determine Medicaid reimbursement for other aspects of the legislation.
- C Information as to which facilities have experienced an increase of more than 5 percent in their operating costs.
- C Information regarding capital expenditures of such facilities.

In addition, the assistance of the State Auditor's office may be required to assess the financial impact of using Medicare Principles of Reimbursement, subject to the provisions of TEFRA, to determine Medicaid reimbursement to certain pediatric rehabilitation hospitals as Medicare Principles of Reimbursement and TEFRA involve the accounting treatment of financial and statistical data to determine reimbursement.

The legislation will affect only two pediatric rehabilitation hospitals, Children's Specialized Hospital in Toms River and Weisman (formerly Voorhees Pediatric), and is intended to increase short and long term Medicaid reimbursement.

Section: *Human Services*

Analyst: *Jay Hershberg*
Principal Fiscal Analyst

Approved: *David J. Rosen*
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.

SENATE, No. 1554

STATE OF NEW JERSEY
211th LEGISLATURE

INTRODUCED MAY 6, 2004

Sponsored by:

Senator RICHARD J. CODEY

District 27 (Essex)

Senator THOMAS H. KEAN, JR.

District 21 (Essex, Morris, Somerset and Union)

SYNOPSIS

Revises Medicaid reimbursement of pediatric rehabilitation hospitals.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 5/14/2004)

1 AN ACT concerning pediatric rehabilitation hospitals and amending
2 P.L.2001, c.393.

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17 Medicaid fee-for-service recipients.

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

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28 permit a pediatric rehabilitation hospital to seek rate relief or to seek
29 a new base year rate in the event the hospital **[can demonstrate that it**
30 **is entitled to rate relief or a new base year pursuant to applicable**
31 **Medicare Principles of Reimbursement]** has experienced an increase
32 in its costs per patient day exceeding 5%, in which case the hospital
33 shall furnish evidence of that increase in costs to the Division of
34 Medical Assistance and Health Services in the Department of Human
35 Services and request an adjustment to its prospective inpatient
36 reimbursement rate.

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41 cost report, and shall in no event be reimbursed based on an outpatient
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43 (2) entitled to receive, in the aggregate, at least the amount of

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1 reimbursement that it would have received, in the aggregate, under the
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3 outpatient physician services delivered to its patients who are enrolled
4 in a Medicaid managed care organization. The hospital shall annually
5 furnish to the Division of Medical Assistance and Health Services
6 information that identifies, in the aggregate, the amount of loss that
7 the hospital has sustained from reimbursement received from Medicaid
8 managed care organizations as compared to what the hospital would
9 have received, in the aggregate, under the Medicaid fee-for-service,
10 cost-based reimbursement methodology. The information shall include
11 the necessary supporting calculations to demonstrate the aggregate
12 amount of the loss. The Division of Medical Assistance and Health
13 Services shall reimburse the hospital on an interim monthly basis for
14 the amount of the loss and shall complete an annual reconciliation for
15 the purposes of this subsection;

16 (3) entitled to an adjustment to account for increases in its capital
17 expenditures. The adjustment shall be calculated based on the
18 Medicaid share of the inpatient costs for any capital expenditures made
19 on or after December 31, 2003. The Medicaid share shall be
20 determined by dividing the combined total of Medicaid fee-for-service
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26 The Division of Medical Assistance and Health Services shall
27 reimburse each hospital on a monthly interim basis based on the
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30 hospital. The adjustment for each hospital shall not exceed
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32 (4) entitled to receive payment for its graduate medical education
33 program, with the payment to be based on the Medicaid share of the
34 costs incurred by the graduate medical education program. The
35 Medicaid share shall be determined by dividing the combined total of
36 Medicaid inpatient days and uninsured inpatient days by the total
37 number of inpatient days and multiplying that number by the total
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46 (cf: P.L.2003, c.223, s.1)

1 2. Section 3 of P.L.2001, c.393 (C.30:4D-7i) is amended to read
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3 3. A pediatric rehabilitation hospital licensed pursuant to P.L.1971,
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5 requirements] requirement established pursuant to
6 [N.J.A.C.10:52-1.3(b)(1)] N.J.A.C.10:52-1.3 for the purposes of
7 receiving Medicaid fee-for-service reimbursement for outpatient
8 hospital services.

9 A pediatric rehabilitation hospital which establishes an off-site
10 location to provide outpatient services shall notify the Division of
11 Medical Assistance and Health Services in the Department of Human
12 Services [in accordance with the requirements of N.J.A.C.10:52-1.3]
13 of the location and the services to be provided at the off-site location,
14 and shall furnish evidence to the division that the services will be
15 provided by employees of the hospital.

16 (cf: P.L.2001, c.393, s.3)

17
18 3. This act shall take effect immediately.

19
20
21 STATEMENT

22
23 This bill revises the law governing Medicaid reimbursement of
24 pediatric rehabilitation hospitals (N.J.S.A.30:4D-7h et seq.) in several
25 respects.

26 Specifically, the bill provides as follows:

27 --The Commissioner of Human Services is to adopt regulations to
28 permit a pediatric rehabilitation hospital to seek rate relief or to seek
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30 increase in its costs per patient day exceeding 5%, in which case the
31 hospital shall furnish evidence of that increase in costs to the Division
32 of Medical Assistance and Health Services and request an adjustment
33 to its prospective inpatient reimbursement rate.

34 --A pediatric rehabilitation hospital is to be reimbursed its
35 outpatient costs based on applicable cost-based Medicare Principles of
36 Reimbursement through the Medicare/Medicaid cost report, and will
37 in no event be reimbursed based on an outpatient prospective
38 reimbursement methodology.

39 --A pediatric rehabilitation hospital is entitled to receive, in the
40 aggregate, at least the amount of reimbursement that it would have
41 received, in the aggregate, under the Medicaid fee-for-service, cost-
42 based reimbursement methodology for outpatient physician services
43 delivered to its patients who are enrolled in a Medicaid managed care
44 organization.

45 --A pediatric rehabilitation hospital is entitled to an adjustment to
46 account for increases in its capital expenditures, which will be based

1 on the Medicaid share of the inpatient costs for any capital
2 expenditures made on or after December 31, 2003, and will not exceed
3 \$1,500,000 in State Medicaid funds annually.

4 --A pediatric rehabilitation hospital is entitled to receive Medicaid
5 reimbursement for its graduate medical education costs in an amount
6 not to exceed \$125,000 in State Medicaid funds annually.

7 --A pediatric rehabilitation hospital is not subject to the requirement
8 established pursuant to N.J.A.C.10:52-1.3 for the purposes of
9 receiving Medicaid fee-for-service reimbursement for outpatient
10 hospital services.

11 --A pediatric rehabilitation hospital which establishes an off-site
12 location to provide outpatient services is to notify the Division of
13 Medical Assistance and Health Services of the location and the
14 services to be provided at the off-site location, and to furnish evidence
15 to the division that the services will be provided by employees of the
16 hospital.

SENATE HEALTH, HUMAN SERVICES AND SENIOR
CITIZENS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1554

STATE OF NEW JERSEY

DATED: MAY 13, 2004

The Senate Health, Human Services and Senior Citizens Committee reports favorably a Senate Committee Substitute for Senate Bill No. 1554.

Specifically, the substitute provides as follows:

-- A pediatric rehabilitation hospital with 30 or fewer beds is to be reimbursed 100% of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA), as amended, and adjusted for occupancy, if applicable. Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled, based on Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to TEFRA, and adjusted for occupancy, if applicable.

-- The Commissioner of Human Services is to adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5%, in which case the hospital is to furnish evidence of that increase in costs to the Division of Medical Assistance and Health Services and request an adjustment to its prospective inpatient reimbursement rate.

-- A pediatric rehabilitation hospital is to be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement through the Medicare/Medicaid cost report, and is not to receive final reimbursement based on an outpatient prospective reimbursement methodology. If necessary, the Department of Human Services is to adopt regulations to specify an interim claims processing and payment methodology.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the the adjusted per diem payments to begin upon project completion and facility operation and to be calculated based on the Medicaid share of

the inpatient costs for any capital expenditures made on or after December 31, 2003.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment for its graduate medical education program, with the adjustment to be based on the Medicaid share of the costs incurred by the graduate medical education program.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1554**

STATE OF NEW JERSEY

DATED: JUNE 14, 2004

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 1554 SCS.

Senate Bill No. 1554 SCS revises the law governing Medicaid reimbursement of pediatric rehabilitation hospitals (N.J.S.A.30:4D-7h et seq.) in several respects. Specifically, it provides as follows:

-- A pediatric rehabilitation hospital with 30 or fewer beds is to be reimbursed 100% of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982" (TEFRA), as amended, and adjusted for occupancy, if applicable. Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled, based on Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to TEFRA, and adjusted for occupancy, if applicable.

-- The Commissioner of Human Services is to adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5%, in which case the hospital is to furnish evidence of that increase in costs to the Division of Medical Assistance and Health Services and request an adjustment to its prospective inpatient reimbursement rate.

-- A pediatric rehabilitation hospital is to be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement through the Medicare/Medicaid cost report, and is not to receive final reimbursement based on an outpatient prospective reimbursement methodology. If necessary, the Department of Human Services is to adopt regulations to specify an interim claims processing and payment methodology.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the adjusted per diem payments to begin upon project completion and facility operation and to be calculated based on the Medicaid share of the inpatient costs for any capital expenditures made on or after

December 31, 2003.

-- A pediatric rehabilitation hospital is entitled to a per diem adjustment for its graduate medical education program, with the adjustment to be based on the Medicaid share of the costs incurred by the graduate medical education program.

FISCAL IMPACT

The bill increases State expenditures for Medicaid, but data from which a calculation of the increase could be made are not currently available.

LEGISLATIVE FISCAL ESTIMATE
SENATE COMMITTEE SUBSTITUTE FOR
SENATE, No. 1554
STATE OF NEW JERSEY
211th LEGISLATURE

DATED: JUNE 29, 2004

SUMMARY

Synopsis: Revises Medicaid reimbursement of pediatric rehabilitation hospitals.
Type of Impact: Probable Medicaid expenditure increase that cannot be determined.
Agencies Affected: Department of Human Services (DHS).

Office of Legislative Services Estimate

Fiscal Impact	<u>Years 1-3</u>
State Cost	Unable to determine.

! The intent of the bill is to increase Medicaid reimbursements to certain pediatric rehabilitation hospitals to cover more of their costs than the Medicaid program currently recognizes.

BILL DESCRIPTION

Senate Committee Substitute for Senate Bill No. 1554 of 2004 requires:

- C A pediatric rehabilitation hospital with 30 or fewer beds to be reimbursed 100 percent of its Medicaid allowable reimbursable costs as defined by Medicare Principles of Reimbursement, subject to the "Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA). Any 2001, 2002 or 2003 Medicare cost reports that are not settled for Medicaid reimbursement on or before July 1, 2004 are to be prospectively settled.
- C DHS is to adopt regulations to permit a pediatric rehabilitation hospital with more than 30 beds to seek rate relief or to seek a new base year rate in the event the hospital has experienced an increase in its operating costs which would impact the existing per diem rate, net of capital costs, greater than 5 percent..
- C A pediatric rehabilitation hospital is to be reimbursed its outpatient costs based on applicable cost-based Medicare Principles of Reimbursement thought the Medicare/Medicaid cost reports.
- C A pediatric rehabilitation hospital is entitled to a per diem adjustment to account for increases in its capital expenditures, with the adjusted per diem payments to begin upon project completion and facility operation.

- C A pediatric rehabilitation hospital is entitled to a per diem rate adjustment for its graduate medical education program.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services (OLS) is unable to determine the fiscal impact of the legislation as OLS does not have access to the cost reports used by the Medicaid program to determine the applicable Medicaid reimbursement rate for inpatient and outpatient services.

Though OLS is unable to determine the fiscal impact of the legislation, the legislation will increase Medicaid costs since it will reimburse pediatric rehabilitation hospitals for more of their costs than the Medicaid program currently recognizes.

Section: *Human Services*

Analyst: *Jay Hershberg*
Principal Fiscal Analyst

Approved: *David J. Rosen*
Legislative Budget and Finance Officer

This fiscal estimate has been prepared pursuant to P.L.1980, c.67.