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"Record funding for charity care," 8-7-2004 The Record, pA7

"Hospitals get more for charity care," 8-7-2004 Home News Tribune, pA3

"New law increases charity-care funds," 8-7-2004 Philadelphia Inquirer, pB2

P.L. 2004, CHAPTER 113, *approved August 6, 2004*
Assembly Committee Substitute for
Assembly, No. 2406

1 **AN ACT** concerning charity care payments to hospitals, amending and
2 supplementing P.L.1992, c.160 and amending P.L.1996, c.28.

3

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

6

7 1. Section 9 of P.L.1992, c.160 (C.26:2H-18.59) is amended to
8 read as follows:

9 9. a. The commissioner shall allocate such funds as specified in
10 subsection e. of this section to the charity care component of the
11 disproportionate share hospital subsidy account. In a given year, the
12 department shall transfer from the fund to the Division of Medical
13 Assistance and Health Services in the Department of Human Services
14 such funds as may be necessary for the total approved charity care
15 disproportionate share payments to hospitals for that year.

16 b. For the period January 1, 1993 to December 31, 1993, the
17 commission shall allocate \$500 million to the charity care component
18 of the disproportionate share hospital subsidy account. The
19 Department of Health and Senior Services shall recommend the
20 amount that the Division of Medical Assistance and Health Services
21 shall pay to an eligible hospital on a provisional, monthly basis
22 pursuant to paragraphs (1) and (2) of this subsection. The department
23 shall also advise the commission and each eligible hospital of the
24 amount a hospital is entitled to receive.

25 (1) The department shall determine if a hospital is eligible to
26 receive a charity care subsidy in 1993 based on the following:

27

28 Hospital Specific Approved Uncompensated Care-1991

29

30 Hospital Specific Preliminary Cost Base-1992

31

32 = Hospital Specific % Uncompensated Care (%UC)

33

34 A hospital is eligible for a charity care subsidy in 1993 if, upon
35 establishing a rank order of the %UC for all hospitals, the hospital is
36 among the 80% of hospitals with the highest %UC.

37 (2) The maximum amount of the charity care subsidy an eligible
38 hospital may receive in 1993 shall be based on the following:

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 Hospital Specific Approved Uncompensated Care-1991

2
3 Total approved Uncompensated Care All Eligible Hospitals-1991

4 X \$500 million

5 = Maximum Amount of Hospital Specific Charity Care Subsidy
6 for 1993

7 (3) A hospital shall be required to submit all claims for charity
8 care cost reimbursement, as well as demographic information about
9 the persons who qualify for charity care, to the department in a manner
10 and time frame specified by the Commissioner of Health and Senior
11 Services, in order to continue to be eligible for a charity care subsidy
12 in 1993 and in subsequent years.

13 The demographic information shall include the recipient's age, sex,
14 marital status, employment status, type of health insurance coverage,
15 if any, and if the recipient is a child under 18 years of age who does
16 not have health insurance coverage or a married person who does not
17 have health insurance coverage, whether the child's parent or the
18 married person's spouse, as the case may be, has health insurance.

19 (4) A hospital shall be reimbursed for the cost of eligible charity
20 care at the same rate paid to that hospital by the Medicaid program;
21 except that charity care services provided to emergency room patients
22 who do not require those services on an emergency basis shall be
23 reimbursed at a rate appropriate for primary care, according to a
24 schedule of payments developed by the commission.

25 (5) The department shall provide for an audit of a hospital's
26 charity care for 1993 within a time frame established by the
27 department.

28 c. For the period January 1, 1994 to December 31, 1994, a
29 hospital shall receive disproportionate share payments from the
30 Division of Medical Assistance and Health Services based on the
31 amount of charity care submitted to the commission or its designated
32 agent, in a form and manner specified by the commission. The
33 commission or its designated agent shall review and price all charity
34 care claims and notify the Division of Medical Assistance and Health
35 Services of the amount it shall pay to each hospital on a monthly basis
36 based on actual services rendered.

37 (1) (Deleted by amendment, P.L.1995, c.133.)

38 (2) If the commission is not able to fully implement the charity
39 care claims pricing system by January 1, 1994, the commission shall
40 continue to make provisional disproportionate share payments to
41 eligible hospitals, through the Division of Medical Assistance and
42 Health Services, based on the charity care costs incurred by all
43 hospitals in 1993, until such time as the commission is able to
44 implement the claims pricing system.

45 If there are additional charity care balances available after the 1994
46 distribution based on 1993 charity care costs, the department shall

1 transfer these available balances from the fund to the Division of
2 Medical Assistance and Health Services for an approved one-time
3 additional disproportionate share payment to hospitals according to
4 the methodology provided in section 12 of P.L.1995, c.133
5 (C.26:2H-18.59a). The total payment for all hospitals shall not exceed
6 \$75.5 million.

7 (3) A hospital shall be reimbursed for the cost of eligible charity
8 care at the same rate paid to that hospital by the Medicaid program;
9 except that charity care services provided to emergency room patients
10 who do not require those services on an emergency basis shall be
11 reimbursed at a rate appropriate for primary care, according to a
12 schedule of payments developed by the commission.

13 (4) (Deleted by amendment, P.L.1995, c.133.)

14 d. (Deleted by amendment, P.L.1995, c.133.)

15 e. The total amount allocated for charity care subsidy payments
16 shall be: in 1994, \$450 million; in 1995, \$400 million; in 1996, \$310
17 million; in 1997, \$300 million; for the period January 1, 1998 through
18 June 30, 1998, \$160 million; and in fiscal year 1999 and each fiscal
19 year thereafter through fiscal year 2004, \$320 million. Total payments
20 to hospitals shall not exceed the amount allocated for each given year.

21 f. Beginning January 1, 1995:

22 (1) The charity care subsidy shall be determined pursuant to
23 section 13 of P.L.1995, c.133 (C.26:2H-18.59b).

24 (2) A charity care claim shall be valued at the same rate paid to
25 that hospital by the Medicaid program, except that charity care
26 services provided to emergency room patients who do not require
27 those services on an emergency basis shall be valued at a rate
28 appropriate for primary care according to a schedule of payments
29 adopted by the commissioner.

30 (3) The department shall provide for an audit of a hospital's
31 charity care within a time frame established by the commissioner.

32 (cf: P.L.1997, c.263, s.4).

33

34 2. Section 7 of P.L.1996, c.28 (C.26:2H-18.59e) is amended to
35 read as follows:

36 7. a. **[Beginning]** For the period beginning January 1, 1996 and
37 ending June 30, 2004, and except as provided in section 8 of
38 P.L.1996, c.28 (C.26:2H-18.59f), the charity care subsidy shall be
39 determined according to the following methodology.

40 If the Statewide total of adjusted charity care is less than available
41 charity care funding, a hospital's charity care subsidy shall equal its
42 adjusted charity care.

43 If the Statewide total of adjusted charity care is greater than
44 available charity care funding, then the hospital-specific charity care
45 subsidy shall be determined by allocating available charity care funds
46 so as to equalize hospital-specific payer mix factors to the Statewide

1 (4) The hospital-specific "adjusted charity care" shall be equal to
2 a hospital's documented charity care times its profitability factor;

3 (5) The hospital-specific "revenue from private payers" shall be
4 equal to the sum of the gross revenues, as reported to the department
5 in the hospital's most recently available New Jersey Hospital Cost
6 Reports for all non-governmental third party payers including, but not
7 limited to, Blue Cross and Blue Shield plans, commercial insurers and
8 health maintenance organizations;

9 (6) The hospital-specific "payer mix factor" shall be equal to a
10 hospital's adjusted charity care divided by its revenue from private
11 payers; and

12 (7) The "Statewide target payer mix factor" is the lowest payer
13 mix factor to which all hospitals receiving charity care subsidies can
14 be reduced by spending all available charity care subsidy funding for
15 that year.

16 b. For the purposes of this section, "income from operations" and
17 "total operating revenue" shall be defined by the department in
18 accordance with financial reporting requirements established pursuant
19 to N.J.A.C.8:31B-3.3.

20 c. Charity care subsidy payments shall commence on or after the
21 date of enactment of P.L.1996, c.28 and the full calendar year 1996
22 allocation shall be disbursed by January 31, 1997.
23 (cf: P.L.1997, c.263, s.5)

24

25 3. (New Section) a. Beginning July 1, 2004 and each year
26 thereafter:

27 (1) Reimbursed documented charity care shall be equal to the
28 Medicaid-priced amounts of charity care claims submitted to the
29 Department of Health and Senior Services for the most recent calendar
30 year, adjusted, as necessary, to reflect the annual audit results. These
31 amounts shall be augmented to reflect payments to hospitals by the
32 Medicaid program for Graduate Medical Education and Indirect
33 Medical Education based on the most recent Graduate Medical
34 Education and Indirect Medical Education formulas utilized by the
35 federal Medicare program.

36 (2) Hospital-specific reimbursed documented charity care shall be
37 equal to the Medicaid-priced dollar amount of charity care provided
38 by a hospital as submitted to the Department of Health and Senior
39 Services for the most recent calendar year. A sample of the claims
40 submitted by the hospital to the department shall be subject to an
41 annual audit conducted pursuant to applicable charity care eligibility
42 criteria.

43 b. Beginning July 1, 2004 and each year thereafter, the charity
44 care subsidy shall be determined according to the following
45 methodology:

46 (1) Each hospital shall be ranked in order of its hospital-specific,

1 relative charity care percentage, or RCCP, by dividing the amount of
2 hospital-specific gross revenue for charity care patients by the
3 hospital's total gross revenue for all patients.

4 (2) The nine hospitals with the highest RCCPs shall receive a
5 charity care payment equal to 96% of each hospital's hospital-specific
6 reimbursed documented charity care. The hospital ranked number 10
7 shall receive a charity care payment equal to 94% of its hospital-
8 specific reimbursed documented charity care, and each hospital ranked
9 number 11 and below shall receive two percentage points less than the
10 hospital ranked immediately above that hospital.

11 (3) Notwithstanding the provisions of paragraph (2) of this
12 subsection to the contrary, each of the hospitals located in the 10
13 municipalities in the State with the lowest median annual household
14 income according to the most recent census data, shall be ranked from
15 the hospital with the highest hospital-specific reimbursed documented
16 charity care to the hospital with the lowest hospital-specific
17 reimbursed documented charity care. The hospital in each of the 10
18 municipalities, if any, with the highest documented hospital-specific
19 charity care shall receive a charity care payment equal to 96% of its
20 hospital-specific reimbursed documented charity care.

21 (4) Notwithstanding the provisions of this subsection to the
22 contrary, no hospital shall receive reimbursement for less than 43% of
23 its hospital-specific reimbursed documented charity care.

24 c. To ensure that charity care subsidy payments remain viable and
25 appropriate, the State shall maintain the charity care subsidy at an
26 amount not less than 75% of the Medicaid-priced amounts of charity
27 care provided by hospitals in the State. In addition, these amounts
28 shall be augmented to reflect payments to hospitals by the Medicaid
29 program for Graduate Medical Education and Indirect Medical
30 Education based on the most recent Graduate Medical Education and
31 Indirect Medical Education formulas utilized by the federal Medicare
32 program.

33 d. Notwithstanding any other provisions of this section to the
34 contrary, in the event that the change from the charity care subsidy
35 formula in effect for fiscal year 2004 to the formula established
36 pursuant to this section in effect for fiscal year 2005, reduces, for any
37 reason, the amount of the charity care subsidy payment to a hospital
38 below the amount that the hospital received under the formula in effect
39 in fiscal year 2004, the hospital shall receive a payment equal to the
40 amount it would have received under the formula in effect for fiscal
41 year 2004.

42

43 4. Pursuant to the "Administrative Procedure Act," P.L.1968,
44 c.410 (C.52:14B-1 et seq.), the Commissioner of Health and Senior
45 Services shall adopt regulations necessary to implement the provisions
46 of this act.

1 5. This act shall take effect on July 1, 2004.

2

3

4

5

6 Revises charity care distribution formula.

ASSEMBLY, No. 2406

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED FEBRUARY 24, 2004

Sponsored by:

Assemblyman LOUIS D. GREENWALD

District 6 (Camden)

Assemblyman ROBERT GORDON

District 38 (Bergen)

Assemblyman PATRICK DIEGNAN, JR.

District 18 (Middlesex)

Assemblywoman JOAN M. QUIGLEY

District 32 (Bergen and Hudson)

Co-Sponsored by:

Assemblywoman Previte, Assemblymen Connors, Johnson, Assemblywoman Weinberg, Assemblymen Chivukula, Mayer, Payne, Assemblywoman Cruz-Perez, Assemblymen Van Drew, Gusciora, Assemblywoman Voss, Assemblyman Conaway, Assemblywoman McHose, Assemblymen Cryan, Malone, Assemblywoman Vandervalk and Assemblyman Vas

SYNOPSIS

Revises charity care distribution formula.

CURRENT VERSION OF TEXT

As introduced.

(Sponsorship Updated As Of: 6/22/2004)

1 AN ACT concerning charity care payments to hospitals, amending and
2 supplementing P.L.1992, c.160 and amending P.L.1996, c.28.

3
4 **BE IT ENACTED** by the Senate and General Assembly of the State
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7 1. Section 9 of P.L.1992, c.160 (C.26:2H-18.59) is amended to
8 read as follows:

9 9. a. The commissioner shall allocate such funds as specified in
10 subsection e. of this section to the charity care component of the
11 disproportionate share hospital subsidy account. In a given year, the
12 department shall transfer from the fund to the Division of Medical
13 Assistance and Health Services in the Department of Human Services
14 such funds as may be necessary for the total approved charity care
15 disproportionate share payments to hospitals for that year.

16 b. For the period January 1, 1993 to December 31, 1993, the
17 commission shall allocate \$500 million to the charity care component
18 of the disproportionate share hospital subsidy account. The
19 Department of Health and Senior Services shall recommend the
20 amount that the Division of Medical Assistance and Health Services
21 shall pay to an eligible hospital on a provisional, monthly basis
22 pursuant to paragraphs (1) and (2) of this subsection. The department
23 shall also advise the commission and each eligible hospital of the
24 amount a hospital is entitled to receive.

25 (1) The department shall determine if a hospital is eligible to
26 receive a charity care subsidy in 1993 based on the following:

27
28 Hospital Specific Approved Uncompensated Care-1991
29 _____
30 Hospital Specific Preliminary Cost Base-1992
31
32 = Hospital Specific % Uncompensated Care (% UC)

33
34 A hospital is eligible for a charity care subsidy in 1993 if, upon
35 establishing a rank order of the % UC for all hospitals, the hospital is
36 among the 80% of hospitals with the highest % UC.

37 (2) The maximum amount of the charity care subsidy an eligible
38 hospital may receive in 1993 shall be based on the following:

39 Hospital Specific Approved Uncompensated Care-1991
40 _____
41 Total approved Uncompensated Care All Eligible Hospitals-1991
42 X \$500 million
43 = Maximum Amount of Hospital Specific Charity Care Subsidy
44 for 1993

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 (3) A hospital shall be required to submit all claims for charity care
2 cost reimbursement, as well as demographic information about the
3 persons who qualify for charity care, to the department in a manner
4 and time frame specified by the Commissioner of Health and Senior
5 Services, in order to continue to be eligible for a charity care subsidy
6 in 1993 and in subsequent years.

7 The demographic information shall include the recipient's age, sex,
8 marital status, employment status, type of health insurance coverage,
9 if any, and if the recipient is a child under 18 years of age who does
10 not have health insurance coverage or a married person who does not
11 have health insurance coverage, whether the child's parent or the
12 married person's spouse, as the case may be, has health insurance.

13 (4) A hospital shall be reimbursed for the cost of eligible charity
14 care at the same rate paid to that hospital by the Medicaid program;
15 except that charity care services provided to emergency room patients
16 who do not require those services on an emergency basis shall be
17 reimbursed at a rate appropriate for primary care, according to a
18 schedule of payments developed by the commission.

19 (5) The department shall provide for an audit of a hospital's charity
20 care for 1993 within a time frame established by the department.

21 c. For the period January 1, 1994 to December 31, 1994, a hospital
22 shall receive disproportionate share payments from the Division of
23 Medical Assistance and Health Services based on the amount of
24 charity care submitted to the commission or its designated agent, in a
25 form and manner specified by the commission. The commission or its
26 designated agent shall review and price all charity care claims and
27 notify the Division of Medical Assistance and Health Services of the
28 amount it shall pay to each hospital on a monthly basis based on actual
29 services rendered.

30 (1) (Deleted by amendment, P.L.1995, c.133.)

31 (2) If the commission is not able to fully implement the charity care
32 claims pricing system by January 1, 1994, the commission shall
33 continue to make provisional disproportionate share payments to
34 eligible hospitals, through the Division of Medical Assistance and
35 Health Services, based on the charity care costs incurred by all
36 hospitals in 1993, until such time as the commission is able to
37 implement the claims pricing system.

38 If there are additional charity care balances available after the 1994
39 distribution based on 1993 charity care costs, the department shall
40 transfer these available balances from the fund to the Division of
41 Medical Assistance and Health Services for an approved one-time
42 additional disproportionate share payment to hospitals according to
43 the methodology provided in section 12 of P.L.1995, c.133
44 (C.26:2H-18.59a). The total payment for all hospitals shall not exceed
45 \$75.5 million.

46 (3) A hospital shall be reimbursed for the cost of eligible charity
47 care at the same rate paid to that hospital by the Medicaid program;

1 except that charity care services provided to emergency room patients
2 who do not require those services on an emergency basis shall be
3 reimbursed at a rate appropriate for primary care, according to a
4 schedule of payments developed by the commission.

5 (4) (Deleted by amendment, P.L.1995, c.133.)

6 d. (Deleted by amendment, P.L.1995, c.133.)

7 e. The total amount allocated for charity care subsidy payments
8 shall be: in 1994, \$450 million; in 1995, \$400 million; in 1996, \$310
9 million; in 1997, \$300 million; for the period January 1, 1998 through
10 June 30, 1998, \$160 million; and in fiscal year 1999 and each fiscal
11 year thereafter through fiscal year 2004, \$320 million. Total payments
12 to hospitals shall not exceed the amount allocated for each given year.

13 f. Beginning January 1, 1995:

14 (1) The charity care subsidy shall be determined pursuant to
15 section 13 of P.L.1995, c.133 (C.26:2H-18.59b).

16 (2) A charity care claim shall be valued at the same rate paid to
17 that hospital by the Medicaid program, except that charity care
18 services provided to emergency room patients who do not require
19 those services on an emergency basis shall be valued at a rate
20 appropriate for primary care according to a schedule of payments
21 adopted by the commissioner.

22 (3) The department shall provide for an audit of a hospital's charity
23 care within a time frame established by the commissioner.

24 (cf: P.L.1997, c.263, s.4).

25
26 2. Section 7 of P.L.1996, c.28 (C.26:2H-18.59e) is amended to
27 read as follows:

28 7. a. **[Beginning]** For the period beginning January 1, 1996 and
29 ending June 30, 2004, and except as provided in section 8 of
30 P.L.1996, c.28 (C.26:2H-18.59f), the charity care subsidy shall be
31 determined according to the following methodology.

32 If the Statewide total of adjusted charity care is less than available
33 charity care funding, a hospital's charity care subsidy shall equal its
34 adjusted charity care.

35 If the Statewide total of adjusted charity care is greater than
36 available charity care funding, then the hospital-specific charity care
37 subsidy shall be determined by allocating available charity care funds
38 so as to equalize hospital-specific payer mix factors to the Statewide
39 target payer mix factor. Those hospitals with a payer mix factor
40 greater than the Statewide target payer mix factor shall be eligible to
41 receive a subsidy sufficient to reduce their factor to that Statewide
42 level; those hospitals with a payer mix factor that is equal to or less
43 than the Statewide target payer mix factor shall not be eligible to
44 receive a subsidy.

45 Charity care subsidy payments shall be based upon actual
46 documented hospital charity care.

47 As used in this section:

1 (1) The hospital-specific "documented charity care" shall be equal
 2 to the dollar amount of charity care provided by the hospital that is
 3 verified in the department's most recent charity care audit conducted
 4 under the most recent charity care eligibility rules adopted by the
 5 department and valued at the same rate paid to that hospital by the
 6 Medicaid program.

7 For 1996, documented charity care shall equal the audited,
 8 Medicaid-priced amounts reported for the first three quarters of 1995.
 9 This amount shall be multiplied by 1.33 to determine the annualized
 10 1995 charity care amount. For 1997 and the period from January 1,
 11 1998 through June 30, 1998, documented charity care shall be equal
 12 to the audited Medicaid-priced amounts for the last quarter two years
 13 prior to the payment period and the first three quarters of the year
 14 prior to the payment period. For fiscal year 1999 and each fiscal year
 15 thereafter, documented charity care shall be equal to the audited
 16 Medicaid-priced amounts for the most recent calendar year;

17 (2) In 1996, the hospital-specific "operating margin" shall be equal
 18 to: the hospital's 1993 and 1994 income from operations minus its
 19 1993 and 1994 charity care subsidies divided by its 1993 and 1994
 20 total operating revenue minus its 1993 and 1994 charity care subsidies.
 21 After calculating each hospital's operating margin, the department shall
 22 determine the Statewide median operating margin.

23 In 1997 and each year thereafter, the hospital-specific "operating
 24 margin" shall be calculated in the same manner as for 1996, but on the
 25 basis of income from operations, total operating revenue and charity
 26 care subsidies data from the three most current years;

27 (3) The hospital-specific "profitability factor" shall be determined
 28 annually as follows. Those hospitals that are equal to or below the
 29 Statewide median operating margin shall be assigned a profitability
 30 factor of "1." For those hospitals that are above the Statewide median
 31 operating margin, the profitability factor shall be equal to:

$$32 \quad \quad \quad .75 \times (\text{hospital specific operating} \\ 33 \quad \quad \quad \text{margin} - \text{Statewide median operating margin}) \\ 34 \quad \quad \quad 1 - \frac{\quad}{\quad} \\ 35 \quad \quad \quad \text{highest hospital specific operating margin} - \text{Statewide} \\ 36 \quad \quad \quad \text{median operating margin} \\ 37 \quad \quad \quad \text{median operating margin} \\ 38$$

39 (4) The hospital-specific "adjusted charity care" shall be equal to
 40 a hospital's documented charity care times its profitability factor;

41 (5) The hospital-specific "revenue from private payers" shall be
 42 equal to the sum of the gross revenues, as reported to the department
 43 in the hospital's most recently available New Jersey Hospital Cost
 44 Reports for all non-governmental third party payers including, but not
 45 limited to, Blue Cross and Blue Shield plans, commercial insurers and
 46 health maintenance organizations;

47 (6) The hospital-specific "payer mix factor" shall be equal to a

1 hospital's adjusted charity care divided by its revenue from private
2 payers; and

3 (7) The "Statewide target payer mix factor" is the lowest payer mix
4 factor to which all hospitals receiving charity care subsidies can be
5 reduced by spending all available charity care subsidy funding for that
6 year.

7 b. For the purposes of this section, "income from operations" and
8 "total operating revenue" shall be defined by the department in
9 accordance with financial reporting requirements established pursuant
10 to N.J.A.C.8:31B-3.3.

11 c. Charity care subsidy payments shall commence on or after the
12 date of enactment of P.L.1996, c.28 and the full calendar year 1996
13 allocation shall be disbursed by January 31, 1997.

14 (cf: P.L.1997, c.263, s.5)

15

16 3. (New Section) a. Beginning July 1, 2004 and each year
17 thereafter:

18 (1) Reimbursed documented charity care shall be equal to the
19 Medicaid-priced amounts of charity care claims submitted to the
20 Department of Health and Senior Services for the most recent calendar
21 year, adjusted, as necessary, to reflect the annual audit results. These
22 amounts shall be augmented to reflect payments to hospitals by the
23 Medicaid program for Graduate Medical Education and Indirect
24 Medical Education based on the most recent Graduate Medical
25 Education and Indirect Medical Education formulas utilized by the
26 federal Medicare program.

27 (2) Hospital-specific reimbursed documented charity care shall be
28 equal to the Medicaid-priced dollar amount of charity care provided
29 by a hospital as submitted to the Department of Health and Senior
30 Services for the most recent calendar year. A sample of the claims
31 submitted by the hospital to the department shall be subject to an
32 annual audit conducted pursuant to applicable charity care eligibility
33 criteria.

34 b. Beginning July 1, 2004 and each year thereafter, the charity care
35 subsidy shall be determined according to the following methodology:

36 (1) Each hospital shall be ranked in order of its hospital-specific,
37 relative charity care percentage, or RCCP, by dividing the amount of
38 hospital-specific gross revenue for charity care patients by the
39 hospital's total gross revenue for all patients.

40 (2) The nine hospitals with the highest RCCPs shall receive a
41 charity care payment equal to 100% of each hospital's hospital-specific
42 reimbursed documented charity care. The hospital ranked number 10
43 shall receive a charity care payment equal to 99% of its hospital-
44 specific reimbursed documented charity care, and each hospital ranked
45 number 11 and below shall receive one percentage point less than the
46 hospital ranked immediately above that hospital.

47 (3) Notwithstanding the provisions of paragraph (2) of this

1 subsection to the contrary, each of the hospitals located in the 10
2 municipalities in the State with the lowest median annual household
3 income according to the most recent census data, shall be ranked from
4 the hospital with the highest hospital-specific reimbursed documented
5 charity care to the hospital with the lowest hospital-specific
6 reimbursed documented charity care. The hospital in each of the 10
7 municipalities, if any, with the highest documented hospital-specific
8 charity care shall receive a charity care payment equal to 100% of its
9 hospital-specific reimbursed documented charity care.

10 (4) Notwithstanding the provisions of this subsection to the
11 contrary, no hospital shall receive reimbursement for less than 50% of
12 its hospital-specific reimbursed documented charity care.

13 c. To ensure that charity care subsidy payments remain viable and
14 appropriate, the State shall maintain the charity care subsidy at an
15 amount not less than 87% of the Medicaid-priced amounts of charity
16 care provided by hospitals in the State. In addition, these amounts
17 shall be augmented to reflect payments to hospitals by the Medicaid
18 program for Graduate Medical Education and Indirect Medical
19 Education based on the most recent Graduate Medical Education and
20 Indirect Medical Education formulas utilized by the federal Medicare
21 program.

22 d. Notwithstanding any other provisions of this section to the
23 contrary, in the event that the change from the charity care subsidy
24 formula in effect for fiscal year 2004 to the formula established
25 pursuant to this section in effect for fiscal year 2005, reduces, for any
26 reason, the amount of the charity care subsidy payment to a hospital
27 below the amount that the hospital received under the formula in effect
28 in fiscal year 2004, the hospital shall receive a payment equal to the
29 amount it would have received under the formula in effect for fiscal
30 year 2004.

31
32 4. Pursuant to the "Administrative Procedure Act," P.L.1968,
33 c.410 (C.52:14B-1 et seq.), the Commissioner of Health and Senior
34 Services shall adopt regulations necessary to implement the provisions
35 of this act.

36
37 5. This act shall take effect on July 1, 2004.
38

39

40

41 STATEMENT

42

43 All hospitals in New Jersey are required by law to treat any patient
44 that presents at their facility regardless of that patient's ability to pay.
45 In some cases, this requirement has resulted in hospitals providing
46 services to individuals without receiving any compensation for those
47 services. To mitigate the deleterious effect that non-payment can have
on hospitals and to provide some level of reimbursement, the State

1 established a charity care subsidy distribution, which provides payment
2 directly to hospitals for services provided to certain low-income
3 individuals who cannot pay for those services. The charity care
4 distribution is based on a statutory formula and the total amount of
5 payments by the State is capped, regardless of the actual amount of
6 charity care provided by the hospitals. As a result, hospitals in this
7 State are not adequately compensated for the amount of charity care
8 services that they provide.

9 This bill, therefore, revises the formula for distribution of charity
10 care subsidies, effective July 1, 2004, to provide for a more equitable
11 distribution of charity care subsidy payments and provides that in
12 order to ensure that these payments remain viable and appropriate, the
13 State will fund the subsidies at an amount not less than 87% of the
14 Medicaid-priced amounts of charity care provided by hospitals in the
15 State, plus such amounts, as are applicable, to reflect Medicaid
16 payments to hospitals for Graduate Medical Education and Indirect
17 Medical Education.

18 The revised charity care subsidy formula weights payments to
19 hospitals in a manner that protects and preserves those hospitals that
20 provide the greatest relative amount of charity care in relation to their
21 total revenue. The formula achieves this goal by determining the
22 hospitals' "relative charity care percentage" (RCCP) and then ranking
23 the hospitals from high to low based on their RCCP. Under the
24 formula, payments to the hospitals with the nine highest RCCPs will
25 be equal to 100% of their hospital-specific charity care amounts
26 (priced at Medicaid rates). The remaining hospitals, beginning with
27 the hospital ranked 10th, will receive a payment starting at 99% of
28 their hospital-specific charity care amounts, which percentage will be
29 reduced by one percentage point for each hospital ranked lower than
30 its predecessor in the rankings. The formula provides, however, that
31 no hospital will receive less than 50% of its hospital-specific charity
32 care amount.

33 The formula also provides that each of the hospitals located in the
34 10 municipalities in the State with the lowest median annual household
35 income according to the most recent census data, shall be ranked from
36 the hospital with the highest hospital-specific reimbursed documented
37 charity care to the hospital with the lowest hospital-specific
38 reimbursed documented charity care. The hospital in each of the 10
39 municipalities, if any, with the highest documented hospital-specific
40 charity care shall receive a charity care payment equal to 100% of its
41 hospital-specific reimbursed documented charity care.

42 Finally, in order to ensure a smooth transition from the formula in
43 effect in fiscal year 2004 to the new formula, the bill contains a "hold
44 harmless" provision that provides that in 2005, no hospital will receive
45 less than the amount the hospital received in fiscal year 2004.

ASSEMBLY BUDGET COMMITTEE

STATEMENT TO

ASSEMBLY COMMITTEE SUBSTITUTE FOR **ASSEMBLY, No. 2406**

STATE OF NEW JERSEY

DATED: JUNE 22, 2004

The Assembly Budget Committee reports favorably an Assembly Committee Substitute for Assembly Bill No. 2406.

This substitute revises the formula for distribution of charity care subsidies, effective July 1, 2004, to provide for a more equitable distribution of charity care subsidy payments and provides that in order to ensure that these payments remain viable and appropriate, the State will fund the subsidies at an amount not less than 75% of the Medicaid-priced amounts of charity care provided by hospitals in the State, plus such amounts, as are applicable, to reflect Medicaid payments to hospitals for Graduate Medical Education and Indirect Medical Education.

The revised charity care subsidy formula weights payments to hospitals in a manner that protects and preserves those hospitals that provide the greatest relative amount of charity care in relation to their total revenue. The formula achieves this goal by determining the hospitals' "relative charity care percentage" (RCCP) and then ranking the hospitals from high to low based on their RCCP. Under the formula, payments to the hospitals with the nine highest RCCPs will be equal to 96% of their hospital-specific charity care amounts (priced at Medicaid rates). The remaining hospitals, beginning with the hospital ranked 10th, will receive a payment starting at 94% of their hospital-specific charity care amounts, which percentage will be reduced by two percentage points for each hospital ranked lower than its predecessor in the rankings. The formula provides, however, that no hospital will receive less than 43% of its hospital-specific charity care amount.

The formula also provides that each of the hospitals located in the 10 municipalities in the State with the lowest median annual household income according to the most recent census data, shall be ranked from the hospital with the highest hospital-specific reimbursed documented charity care to the hospital with the lowest hospital-specific reimbursed documented charity care. The hospital in each of the 10 municipalities, if any, with the highest documented hospital-specific charity care shall receive a charity care payment equal to 96% of its hospital-specific reimbursed documented charity care.

Finally, in order to ensure a smooth transition from the formula in effect in fiscal year 2004 to the new formula, the substitute contains a "hold harmless" provision that provides that in 2005, no hospital will receive less than the amount the hospital received in fiscal year 2004.

All hospitals in New Jersey are required by law to treat any patient that presents at their facility regardless of that patient's ability to pay. In some cases, this requirement has resulted in hospitals providing services to individuals without receiving any compensation for those services. To mitigate the deleterious effect that non-payment can have on hospitals and to provide some level of reimbursement, the State established a charity care subsidy distribution, which provides payment directly to hospitals for services provided to certain low-income individuals who cannot pay for those services. The current charity care distribution is based on a statutory formula and the total amount of payments by the State is capped, regardless of the actual amount of charity care provided by the hospitals. As a result, hospitals in this State are not adequately compensated for the amount of charity care services that they provide.

SENATE, No. 1214

STATE OF NEW JERSEY 211th LEGISLATURE

INTRODUCED FEBRUARY 24, 2004

Sponsored by:

Senator PAUL SARLO

District 36 (Bergen, Essex and Passaic)

Senator BARBARA BUONO

District 18 (Middlesex)

Co-Sponsored by:

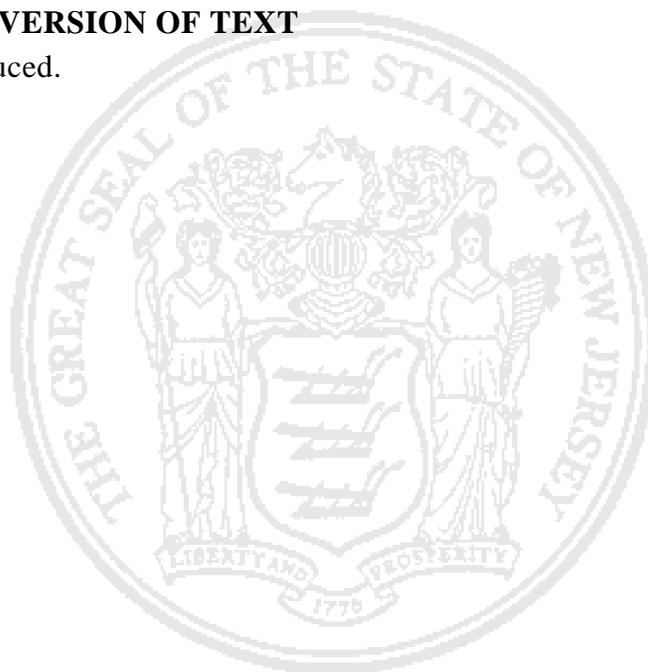
**Senators Bucco, Codey, Bryant, James, Doria, Kenny, Sweeney, Turner,
Bark, Kavanaugh, T. Kean, Lance and Adler**

SYNOPSIS

Revises charity care distribution formula.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 6/22/2004)

1 AN ACT concerning charity care payments to hospitals, amending and
2 supplementing P.L.1992, c.160 and amending P.L.1996, c.28.

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

6
7 1. Section 9 of P.L.1992, c.160 (C.26:2H-18.59) is amended to
8 read as follows:

9 9. a. The commissioner shall allocate such funds as specified in
10 subsection e. of this section to the charity care component of the
11 disproportionate share hospital subsidy account. In a given year, the
12 department shall transfer from the fund to the Division of Medical
13 Assistance and Health Services in the Department of Human Services
14 such funds as may be necessary for the total approved charity care
15 disproportionate share payments to hospitals for that year.

16 b. For the period January 1, 1993 to December 31, 1993, the
17 commission shall allocate \$500 million to the charity care component
18 of the disproportionate share hospital subsidy account. The
19 Department of Health and Senior Services shall recommend the
20 amount that the Division of Medical Assistance and Health Services
21 shall pay to an eligible hospital on a provisional, monthly basis
22 pursuant to paragraphs (1) and (2) of this subsection. The department
23 shall also advise the commission and each eligible hospital of the
24 amount a hospital is entitled to receive.

25 (1) The department shall determine if a hospital is eligible to
26 receive a charity care subsidy in 1993 based on the following:

27
28 Hospital Specific Approved Uncompensated Care-1991

29
30

Hospital Specific Preliminary Cost Base-1992

31
32 = Hospital Specific % Uncompensated Care (% UC)

33
34 A hospital is eligible for a charity care subsidy in 1993 if, upon
35 establishing a rank order of the % UC for all hospitals, the hospital is
36 among the 80% of hospitals with the highest % UC.

37 (2) The maximum amount of the charity care subsidy an eligible
38 hospital may receive in 1993 shall be based on the following:

39 Hospital Specific Approved Uncompensated Care-1991

40
41

Total approved Uncompensated Care All Eligible Hospitals-1991

42 X \$500 million

43 = Maximum Amount of Hospital Specific Charity Care Subsidy
44 for 1993

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 (3) A hospital shall be required to submit all claims for charity care
2 cost reimbursement, as well as demographic information about the
3 persons who qualify for charity care, to the department in a manner
4 and time frame specified by the Commissioner of Health and Senior
5 Services, in order to continue to be eligible for a charity care subsidy
6 in 1993 and in subsequent years.

7 The demographic information shall include the recipient's age, sex,
8 marital status, employment status, type of health insurance coverage,
9 if any, and if the recipient is a child under 18 years of age who does
10 not have health insurance coverage or a married person who does not
11 have health insurance coverage, whether the child's parent or the
12 married person's spouse, as the case may be, has health insurance.

13 (4) A hospital shall be reimbursed for the cost of eligible charity
14 care at the same rate paid to that hospital by the Medicaid program;
15 except that charity care services provided to emergency room patients
16 who do not require those services on an emergency basis shall be
17 reimbursed at a rate appropriate for primary care, according to a
18 schedule of payments developed by the commission.

19 (5) The department shall provide for an audit of a hospital's charity
20 care for 1993 within a time frame established by the department.

21 c. For the period January 1, 1994 to December 31, 1994, a hospital
22 shall receive disproportionate share payments from the Division of
23 Medical Assistance and Health Services based on the amount of
24 charity care submitted to the commission or its designated agent, in a
25 form and manner specified by the commission. The commission or its
26 designated agent shall review and price all charity care claims and
27 notify the Division of Medical Assistance and Health Services of the
28 amount it shall pay to each hospital on a monthly basis based on actual
29 services rendered.

30 (1) (Deleted by amendment, P.L.1995, c.133.)

31 (2) If the commission is not able to fully implement the charity care
32 claims pricing system by January 1, 1994, the commission shall
33 continue to make provisional disproportionate share payments to
34 eligible hospitals, through the Division of Medical Assistance and
35 Health Services, based on the charity care costs incurred by all
36 hospitals in 1993, until such time as the commission is able to
37 implement the claims pricing system.

38 If there are additional charity care balances available after the 1994
39 distribution based on 1993 charity care costs, the department shall
40 transfer these available balances from the fund to the Division of
41 Medical Assistance and Health Services for an approved one-time
42 additional disproportionate share payment to hospitals according to
43 the methodology provided in section 12 of P.L.1995, c.133
44 (C.26:2H-18.59a). The total payment for all hospitals shall not exceed
45 \$75.5 million.

1 (3) A hospital shall be reimbursed for the cost of eligible charity
2 care at the same rate paid to that hospital by the Medicaid program;
3 except that charity care services provided to emergency room patients
4 who do not require those services on an emergency basis shall be
5 reimbursed at a rate appropriate for primary care, according to a
6 schedule of payments developed by the commission.

7 (4) (Deleted by amendment, P.L.1995, c.133.)

8 d. (Deleted by amendment, P.L.1995, c.133.)

9 e. The total amount allocated for charity care subsidy payments
10 shall be: in 1994, \$450 million; in 1995, \$400 million; in 1996, \$310
11 million; in 1997, \$300 million; for the period January 1, 1998 through
12 June 30, 1998, \$160 million; and in fiscal year 1999 and each fiscal
13 year thereafter through fiscal year 2004, \$320 million. Total payments
14 to hospitals shall not exceed the amount allocated for each given year.

15 f. Beginning January 1, 1995:

16 (1) The charity care subsidy shall be determined pursuant to
17 section 13 of P.L.1995, c.133 (C.26:2H-18.59b).

18 (2) A charity care claim shall be valued at the same rate paid to
19 that hospital by the Medicaid program, except that charity care
20 services provided to emergency room patients who do not require
21 those services on an emergency basis shall be valued at a rate
22 appropriate for primary care according to a schedule of payments
23 adopted by the commissioner.

24 (3) The department shall provide for an audit of a hospital's charity
25 care within a time frame established by the commissioner.

26 (cf: P.L.1997, c.263, s.4).

27
28 2. Section 7 of P.L.1996, c.28 (C.26:2H-18.59e) is amended to
29 read as follows:

30 7. a. **[Beginning]** For the period beginning January 1, 1996 and
31 ending June 30, 2004, and except as provided in section 8 of
32 P.L.1996, c.28 (C.26:2H-18.59f), the charity care subsidy shall be
33 determined according to the following methodology.

34 If the Statewide total of adjusted charity care is less than available
35 charity care funding, a hospital's charity care subsidy shall equal its
36 adjusted charity care.

37 If the Statewide total of adjusted charity care is greater than
38 available charity care funding, then the hospital-specific charity care
39 subsidy shall be determined by allocating available charity care funds
40 so as to equalize hospital-specific payer mix factors to the Statewide
41 target payer mix factor. Those hospitals with a payer mix factor
42 greater than the Statewide target payer mix factor shall be eligible to
43 receive a subsidy sufficient to reduce their factor to that Statewide
44 level; those hospitals with a payer mix factor that is equal to or less
45 than the Statewide target payer mix factor shall not be eligible to
46 receive a subsidy.

1 Charity care subsidy payments shall be based upon actual
2 documented hospital charity care.

3 As used in this section:

4 (1) The hospital-specific "documented charity care" shall be equal
5 to the dollar amount of charity care provided by the hospital that is
6 verified in the department's most recent charity care audit conducted
7 under the most recent charity care eligibility rules adopted by the
8 department and valued at the same rate paid to that hospital by the
9 Medicaid program.

10 For 1996, documented charity care shall equal the audited,
11 Medicaid-priced amounts reported for the first three quarters of 1995.
12 This amount shall be multiplied by 1.33 to determine the annualized
13 1995 charity care amount. For 1997 and the period from January 1,
14 1998 through June 30, 1998, documented charity care shall be equal
15 to the audited Medicaid-priced amounts for the last quarter two years
16 prior to the payment period and the first three quarters of the year
17 prior to the payment period. For fiscal year 1999 and each fiscal year
18 thereafter, documented charity care shall be equal to the audited
19 Medicaid-priced amounts for the most recent calendar year;

20 (2) In 1996, the hospital-specific "operating margin" shall be equal
21 to: the hospital's 1993 and 1994 income from operations minus its
22 1993 and 1994 charity care subsidies divided by its 1993 and 1994
23 total operating revenue minus its 1993 and 1994 charity care subsidies.
24 After calculating each hospital's operating margin, the department shall
25 determine the Statewide median operating margin.

26 In 1997 and each year thereafter, the hospital-specific "operating
27 margin" shall be calculated in the same manner as for 1996, but on the
28 basis of income from operations, total operating revenue and charity
29 care subsidies data from the three most current years;

30 (3) The hospital-specific "profitability factor" shall be determined
31 annually as follows. Those hospitals that are equal to or below the
32 Statewide median operating margin shall be assigned a profitability
33 factor of "1." For those hospitals that are above the Statewide median
34 operating margin, the profitability factor shall be equal to:

35
36
$$.75 \times (\text{hospital specific operating}$$

37
$$\text{margin} - \text{Statewide median operating margin})$$

38
$$1 - \frac{\text{hospital specific operating margin} - \text{Statewide median operating margin}}{\text{highest hospital specific operating margin} - \text{Statewide median operating margin}}$$

39
40
41

42 (4) The hospital-specific "adjusted charity care" shall be equal to
43 a hospital's documented charity care times its profitability factor;

44 (5) The hospital-specific "revenue from private payers" shall be
45 equal to the sum of the gross revenues, as reported to the department
46 in the hospital's most recently available New Jersey Hospital Cost

1 Reports for all non-governmental third party payers including, but not
2 limited to, Blue Cross and Blue Shield plans, commercial insurers and
3 health maintenance organizations;

4 (6) The hospital-specific "payer mix factor" shall be equal to a
5 hospital's adjusted charity care divided by its revenue from private
6 payers; and

7 (7) The "Statewide target payer mix factor" is the lowest payer mix
8 factor to which all hospitals receiving charity care subsidies can be
9 reduced by spending all available charity care subsidy funding for that
10 year.

11 b. For the purposes of this section, "income from operations" and
12 "total operating revenue" shall be defined by the department in
13 accordance with financial reporting requirements established pursuant
14 to N.J.A.C.8:31B-3.3.

15 c. Charity care subsidy payments shall commence on or after the
16 date of enactment of P.L.1996, c.28 and the full calendar year 1996
17 allocation shall be disbursed by January 31, 1997.

18 (cf: P.L.1997, c.263, s.5)

19

20 3. (New Section) a. Beginning July 1, 2004 and each year
21 thereafter:

22 (1) Reimbursed documented charity care shall be equal to the
23 Medicaid-priced amounts of charity care claims submitted to the
24 Department of Health and Senior Services for the most recent calendar
25 year, adjusted, as necessary, to reflect the annual audit results. These
26 amounts shall be augmented to reflect payments to hospitals by the
27 Medicaid program for Graduate Medical Education and Indirect
28 Medical Education based on the most recent Graduate Medical
29 Education and Indirect Medical Education formulas utilized by the
30 federal Medicare program.

31 (2) Hospital-specific reimbursed documented charity care shall be
32 equal to the Medicaid-priced dollar amount of charity care provided
33 by a hospital as submitted to the Department of Health and Senior
34 Services for the most recent calendar year. A sample of the claims
35 submitted by the hospital to the department shall be subject to an
36 annual audit conducted pursuant to applicable charity care eligibility
37 criteria.

38 b. Beginning July 1, 2004 and each year thereafter, the charity care
39 subsidy shall be determined according to the following methodology:

40 (1) Each hospital shall be ranked in order of its hospital-specific,
41 relative charity care percentage, or RCCP, by dividing the amount of
42 hospital-specific gross revenue for charity care patients by the
43 hospital's total gross revenue for all patients.

44 (2) The nine hospitals with the highest RCCPs shall receive a
45 charity care payment equal to 100% of each hospital's hospital-specific
46 reimbursed documented charity care. The hospital ranked number 10

1 shall receive a charity care payment equal to 99% of its hospital-
2 specific reimbursed documented charity care, and each hospital ranked
3 number 11 and below shall receive one percentage point less than the
4 hospital ranked immediately above that hospital.

5 (3) Notwithstanding the provisions of paragraph (2) of this
6 subsection to the contrary, each of the hospitals located in the 10
7 municipalities in the State with the lowest median annual household
8 income according to the most recent census data, shall be ranked from
9 the hospital with the highest hospital-specific reimbursed documented
10 charity care to the hospital with the lowest hospital-specific
11 reimbursed documented charity care. The hospital in each of the 10
12 municipalities, if any, with the highest documented hospital-specific
13 charity care shall receive a charity care payment equal to 100% of its
14 hospital-specific reimbursed documented charity care.

15 (4) Notwithstanding the provisions of this subsection to the
16 contrary, no hospital shall receive reimbursement for less than 50% of
17 its hospital-specific reimbursed documented charity care.

18 c. To ensure that charity care subsidy payments remain viable and
19 appropriate, the State shall maintain the charity care subsidy at an
20 amount not less than 87% of the Medicaid-priced amounts of charity
21 care provided by hospitals in the State. In addition, these amounts
22 shall be augmented to reflect payments to hospitals by the Medicaid
23 program for Graduate Medical Education and Indirect Medical
24 Education based on the most recent Graduate Medical Education and
25 Indirect Medical Education formulas utilized by the federal Medicare
26 program.

27 d. Notwithstanding any other provisions of this section to the
28 contrary, in the event that the change from the charity care subsidy
29 formula in effect for fiscal year 2004 to the formula established
30 pursuant to this section in effect for fiscal year 2005, reduces, for any
31 reason, the amount of the charity care subsidy payment to a hospital
32 below the amount that the hospital received under the formula in effect
33 in fiscal year 2004, the hospital shall receive a payment equal to the
34 amount it would have received under the formula in effect for fiscal
35 year 2004.

36
37 4. Pursuant to the "Administrative Procedure Act," P.L.1968,
38 c.410 (C.52:14B-1 et seq.), the Commissioner of Health and Senior
39 Services shall adopt regulations necessary to implement the provisions
40 of this act.

41
42 5. This act shall take effect on July 1, 2004.

43
44 STATEMENT

45
46 All hospitals in New Jersey are required by law to treat any patient

1 that presents at their facility regardless of that patient's ability to pay.
2 In some cases, this requirement has resulted in hospitals providing
3 services to individuals without receiving any compensation for those
4 services. To mitigate the deleterious effect that non-payment can have
5 on hospitals and to provide some level of reimbursement, the State
6 established a charity care subsidy distribution, which provides payment
7 directly to hospitals for services provided to certain low-income
8 individuals who cannot pay for those services. The charity care
9 distribution is based on a statutory formula and the total amount of
10 payments by the State is capped, regardless of the actual amount of
11 charity care provided by the hospitals. As a result, hospitals in this
12 State are not adequately compensated for the amount of charity care
13 services that they provide.

14 This bill, therefore, revises the formula for distribution of charity
15 care subsidies, effective July 1, 2004, to provide for a more equitable
16 distribution of charity care subsidy payments and provides that in
17 order to ensure that these payments remain viable and appropriate, the
18 State will fund the subsidies at an amount not less than 87% of the
19 Medicaid-priced amounts of charity care provided by hospitals in the
20 State, plus such amounts, as are applicable, to reflect Medicaid
21 payments to hospitals for Graduate Medical Education and Indirect
22 Medical Education.

23 The revised charity care subsidy formula weights payments to
24 hospitals in a manner that protects and preserves those hospitals that
25 provide the greatest relative amount of charity care in relation to their
26 total revenue. The formula achieves this goal by determining the
27 hospitals' "relative charity care percentage" (RCCP) and then ranking
28 the hospitals from high to low based on their RCCP. Under the
29 formula, payments to the hospitals with the nine highest RCCPs will
30 be equal to 100% of their hospital-specific charity care amounts
31 (priced at Medicaid rates). The remaining hospitals, beginning with
32 the hospital ranked 10th, will receive a payment starting at 99% of
33 their hospital-specific charity care amounts, which percentage will be
34 reduced by one percentage point for each hospital ranked lower than
35 its predecessor in the rankings. The formula provides, however, that
36 no hospital will receive less than 50% of its hospital-specific charity
37 care amount.

38 The formula also provides that each of the hospitals located in the
39 10 municipalities in the State with the lowest median annual household
40 income according to the most recent census data, shall be ranked from
41 the hospital with the highest hospital-specific reimbursed documented
42 charity care to the hospital with the lowest hospital-specific
43 reimbursed documented charity care. The hospital in each of the 10
44 municipalities, if any, with the highest documented hospital-specific
45 charity care shall receive a charity care payment equal to 100% of its
46 hospital-specific reimbursed documented charity care.

S1214 SARLO, BUONO

9

1 Finally, in order to ensure a smooth transition from the formula in
2 effect in fiscal year 2004 to the new formula, the bill contains a "hold
3 harmless" provision that provides that in 2005, no hospital will receive
4 less than the amount the hospital received in fiscal year 2004.

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE COMMITTEE SUBSTITUTE FOR **SENATE, No. 1214**

STATE OF NEW JERSEY

DATED: JUNE 22, 2004

The Senate Budget and Appropriations Committee reports favorably a Senate Committee Substitute for Senate Bill No. 1214.

This substitute revises the formula for distribution of charity care subsidies, effective July 1, 2004, to provide for a more equitable distribution of charity care subsidy payments and provides that in order to ensure that these payments remain viable and appropriate, the State will fund the subsidies at an amount not less than 75% of the Medicaid-priced amounts of charity care provided by hospitals in the State, plus such amounts, as are applicable, to reflect Medicaid payments to hospitals for Graduate Medical Education and Indirect Medical Education.

The revised charity care subsidy formula weights payments to hospitals in a manner that protects and preserves those hospitals that provide the greatest relative amount of charity care in relation to their total revenue. The formula achieves this goal by determining the hospitals' "relative charity care percentage" (RCCP) and then ranking the hospitals from high to low based on their RCCP. Under the formula, payments to the hospitals with the nine highest RCCPs will be equal to 96% of their hospital-specific charity care amounts (priced at Medicaid rates). The remaining hospitals, beginning with the hospital ranked 10th, will receive a payment starting at 94% of their hospital-specific charity care amounts, which percentage will be reduced by two percentage points for each hospital ranked lower than its predecessor in the rankings. The formula provides, however, that no hospital will receive less than 43% of its hospital-specific charity care amount.

The formula also provides that each of the hospitals located in the 10 municipalities in the State with the lowest median annual household income according to the most recent census data, shall be ranked from the hospital with the highest hospital-specific reimbursed documented charity care to the hospital with the lowest hospital-specific reimbursed documented charity care. The hospital in each of the 10 municipalities, if any, with the highest documented hospital-specific charity care shall receive a charity care payment equal to 96% of its hospital-specific reimbursed documented charity care.

Finally, in order to ensure a smooth transition from the formula in effect in fiscal year 2004 to the new formula, the substitute contains a "hold harmless" provision that provides that in 2005, no hospital will receive less than the amount the hospital received in fiscal year 2004.

All hospitals in New Jersey are required by law to treat any patient that presents at their facility regardless of that patient's ability to pay. In some cases, this requirement has resulted in hospitals providing services to individuals without receiving any compensation for those services. To mitigate the deleterious effect that non-payment can have on hospitals and to provide some level of reimbursement, the State established a charity care subsidy distribution, which provides payment directly to hospitals for services provided to certain low-income individuals who cannot pay for those services. The current charity care distribution is based on a statutory formula and the total amount of payments by the State is capped, regardless of the actual amount of charity care provided by the hospitals. As a result, hospitals in this State are not adequately compensated for the amount of charity care services that they provide.

FISCAL IMPACT

No data are available on which to base an estimate of the fiscal impact of this bill.

Office of the Governor

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TRENTON, NJ 08625

Contact: Micah Rasmussen/Juliet Johnson
609-777-2600

News Releases

RELEASE: August 06, 2004

[Previous Screen](#)

McGreevey Signs Law Providing Historic Levels of Funding for Health Care for the Uninsured

Increase Will Provide 53 percent More Funding to Hospitals for Charity Care

(PRINCETON)— Governor James E. McGreevey today joined health care advocates, hospital administrators and Legislative sponsors to sign S1214/A2406 into law. The law revises the distribution formula for charity care funding, providing a historic level of funding so New Jersey's hospitals can provide quality health care to uninsured patients.

“This Administration has taken unprecedented steps to improve health care for New Jersey's families, and now that our economy has turned a corner, health care was the first place we invested,” said Governor McGreevey. “Since the 1970's, our hospitals have provided quality health care to citizens of this state, regardless of their ability to pay. But for too long hospitals have borne this burden without adequate support. With this new law, we now provide an unprecedented 53% increase in funding for hospitals to care for the uninsured. The \$583 million hospitals will now receive, means that hard-working families, who get up every day, go to work, but still don't have health insurance, can know that if a health crisis strikes, they will be able to get the quality care they need, from the hospitals they trust.”

“Charity care is an essential part of New Jersey's safety net for the uninsured,” said Health and Senior Services Commissioner Clifton R. Lacy, M.D. “New Jersey's excellent hospitals are important providers of health care for those without health insurance and as such should be appropriately compensated for the care they provide. Charity care should not be narrowly viewed as support for hospitals but broadly viewed as an investment in the health and well-being of the residents of New Jersey.”

S1214/A2406 revises the formula for distribution of charity care subsidies, to provide for a more equitable distribution of charity care subsidy payments. The revised charity care subsidy formula weights payments to hospitals in a manner that protects and preserves those hospitals that provide the greatest relative amount of charity care in relation to their total revenue. The formula achieves this goal by determining the hospitals' "relative charity

care percentage" (RCCP) and then ranking the hospitals from high to low based on their RCCP. Under the formula, payments to the hospitals with the eleven highest RCCPs will be equal to 96% of their hospital-specific charity care amounts (priced at Medicaid rates).

Because of this law, charity care funding increased to a total of \$583.4 million in the FY 2005 budget, a 53% increase from FY04. The \$202 million infusion of new money represents the single largest increase in state hospital funding in more than a decade. Last year, hospitals received \$381 million in state reimbursements and 70% of the state's hospitals received as little as 12 cents from the State for every dollar of charity care they provided. Under the new formula, no hospital will receive less than 43 cents on the dollar for charity care payments and several hospitals will receive 96 cents for every dollar of care provided to uninsured patients. The increased funding will allow hospitals to continue providing quality healthcare services to the 1.4 million uninsured New Jerseyans.

"Today represents an historic turning point for health care in New Jersey," said Senate President Richard J. Codey. "For the first time [in the program's history] we're fulfilling our commitment to fully fund charity care for every hospital. Providing charity care is the right thing to do as a hospital and as a State. We've recognized that New Jersey hospitals have been doing their part, and we're more committed than ever before as a State to doing ours."

"Decent hospital care should be available for all, regardless of their economic status or health care coverage," said Senator Paul A. Sarlo, (D-Bergen, Passaic and Essex.) "There are an estimated 1.4 million New Jersey residents who do not have any health care coverage and under federal law cannot be denied emergency hospital care. But the hospitals need help paying for the care they provide these citizens and therefore fully funding Charity Care is necessary."

"For too long, the quality of care provided by New Jersey hospitals was not matched by the state's method to finance that care. This inadequate compensation had a dual effect of undermining hospitals and exacerbating New Jersey's economic problems," said Assemblyman Louis D. Greenwald (D-Voorhees). "Under the new formula, hospitals will be reimbursed fully for the care they provide for working families without health insurance. This new law will help avert hospital shutdowns and service interruptions while ensuring stability for the entire hospital industry."

"As long as the federal government fails to provide universal health care, New Jersey must make every effort to support hospitals that care for residents regardless of their ability to pay," said Assemblywoman Bonnie Watson Coleman (D-Mercer). "Hospitals serving New Jersey's urban centers often carry larger burdens for treating the uninsured. We must ensure that these institutions have the financial resources to continue providing patient care."

"These added funds allow a great healthcare delivery network to fulfill its mission while maintaining levels of quality care that all New Jerseyans expect and deserve," said Gary S. Carter, President and CEO, 109-Member New Jersey Hospital Association. "Increased charity care dollars, combined with efforts to reduce the numbers of uninsured, will further strengthen New Jersey's commitment that no person in the state is denied hospital care due to his or her inability to pay."

“Charity care is literally a lifesaver for 40% of the residents of our cities,” said Leigh Baillie, Corporate Director of Social Work, Jersey City Medical Center. “Without the safety net charity care provides, hospitals like the Jersey City Medical Center would be forced to close their doors, turning away our most vulnerable citizens.”

In addition to the increase in charity care funding, this Administration’s FY 2005 budget made unprecedented investments in the health care of New Jersey’s families, including providing \$51 million for cancer research and care, doubling funding for NJCEED to provide mammograms for uninsured women, and \$9.5 million to create the nation’s first state-sponsored Stem Cell Research Institute.

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News Releases

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McGreevey Signs Law Providing Historic Levels of Funding for Health Care for the Uninsured

Increase Will Provide 53 percent More Funding to Hospitals for Charity Care

(PRINCETON)— Governor James E. McGreevey today joined health care advocates, hospital administrators and Legislative sponsors to sign S1214/A2406 into law. The law revises the distribution formula for charity care funding, providing a historic level of funding so New Jersey's hospitals can provide quality health care to uninsured patients.

“This Administration has taken unprecedented steps to improve health care for New Jersey's families, and now that our economy has turned a corner, health care was the first place we invested,” said Governor McGreevey. “Since the 1970's, our hospitals have provided quality health care to citizens of this state, regardless of their ability to pay. But for too long hospitals have borne this burden without adequate support. With this new law, we now provide an unprecedented 53% increase in funding for hospitals to care for the uninsured. The \$583 million hospitals will now receive, means that hard-working families, who get up every day, go to work, but still don't have health insurance, can know that if a health crisis strikes, they will be able to get the quality care they need, from the hospitals they trust.”

“Charity care is an essential part of New Jersey's safety net for the uninsured,” said Health and Senior Services Commissioner Clifton R. Lacy, M.D. “New Jersey's excellent hospitals are important providers of health care for those without health insurance and as such should be appropriately compensated for the care they provide. Charity care should not be narrowly viewed as support for hospitals but broadly viewed as an investment in the health and well-being of the residents of New Jersey.”

S1214/A2406 revises the formula for distribution of charity care subsidies, to provide for a more equitable distribution of charity care subsidy payments. The revised charity care subsidy formula weights payments to hospitals in a manner that protects and preserves those hospitals that provide the greatest relative amount of charity care in relation to their total revenue. The formula achieves this goal by determining the hospitals' "relative charity

care percentage" (RCCP) and then ranking the hospitals from high to low based on their RCCP. Under the formula, payments to the hospitals with the eleven highest RCCPs will be equal to 96% of their hospital-specific charity care amounts (priced at Medicaid rates).

Because of this law, charity care funding increased to a total of \$583.4 million in the FY 2005 budget, a 53% increase from FY04. The \$202 million infusion of new money represents the single largest increase in state hospital funding in more than a decade. Last year, hospitals received \$381 million in state reimbursements and 70% of the state's hospitals received as little as 12 cents from the State for every dollar of charity care they provided. Under the new formula, no hospital will receive less than 43 cents on the dollar for charity care payments and several hospitals will receive 96 cents for every dollar of care provided to uninsured patients. The increased funding will allow hospitals to continue providing quality healthcare services to the 1.4 million uninsured New Jerseyans.

"Today represents an historic turning point for health care in New Jersey," said Senate President Richard J. Codey. "For the first time [in the program's history] we're fulfilling our commitment to fully fund charity care for every hospital. Providing charity care is the right thing to do as a hospital and as a State. We've recognized that New Jersey hospitals have been doing their part, and we're more committed than ever before as a State to doing ours."

"Decent hospital care should be available for all, regardless of their economic status or health care coverage," said Senator Paul A. Sarlo, (D-Bergen, Passaic and Essex.) "There are an estimated 1.4 million New Jersey residents who do not have any health care coverage and under federal law cannot be denied emergency hospital care. But the hospitals need help paying for the care they provide these citizens and therefore fully funding Charity Care is necessary."

"For too long, the quality of care provided by New Jersey hospitals was not matched by the state's method to finance that care. This inadequate compensation had a dual effect of undermining hospitals and exacerbating New Jersey's economic problems," said Assemblyman Louis D. Greenwald (D-Voorhees). "Under the new formula, hospitals will be reimbursed fully for the care they provide for working families without health insurance. This new law will help avert hospital shutdowns and service interruptions while ensuring stability for the entire hospital industry."

"As long as the federal government fails to provide universal health care, New Jersey must make every effort to support hospitals that care for residents regardless of their ability to pay," said Assemblywoman Bonnie Watson Coleman (D-Mercer). "Hospitals serving New Jersey's urban centers often carry larger burdens for treating the uninsured. We must ensure that these institutions have the financial resources to continue providing patient care."

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