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

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

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

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

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

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

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

COMMITTEE AMENDMENTS:

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