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STATE OF NEW JERSEY
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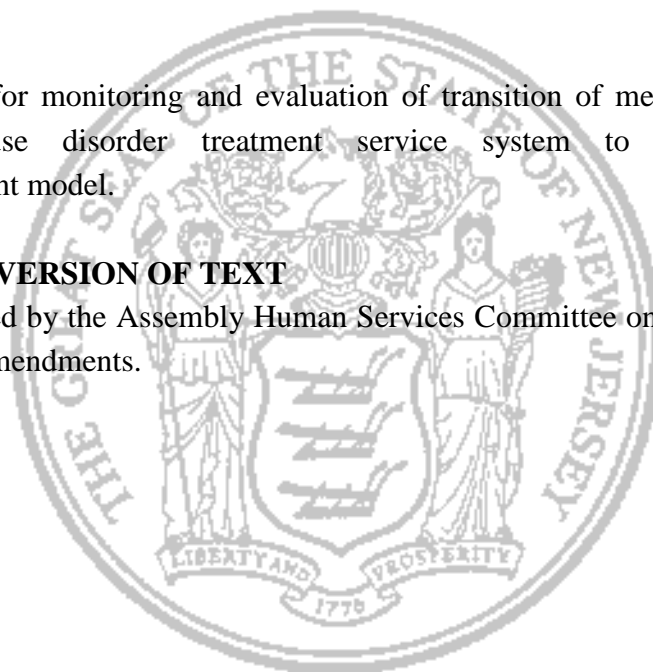
Assemblywomen Jones, Pinkin and Assemblyman Eustace

SYNOPSIS

Provides for monitoring and evaluation of transition of mental health and substance use disorder treatment service system to fee-for-service reimbursement model.

CURRENT VERSION OF TEXT

As reported by the Assembly Human Services Committee on November 14, 2016, with amendments.



(Sponsorship Updated As Of: 12/16/2016)

1 AN ACT concerning the transition by community-based mental
 2 health and substance use disorder treatment service providers to
 3 a fee-for-service reimbursement model and making an
 4 appropriation.

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

8
 9 1. a. The Legislature finds the following:

10 (1) The Division of Mental Health and Addiction Services
 11 (DMHAS) in the Department of Human Services has historically
 12 used a cost reimbursement system to provide most State-level
 13 funding for community-based mental health and substance use
 14 disorder treatment services in New Jersey. The DMHAS has begun
 15 to transition most community-based mental health and substance
 16 use disorder treatment services from a cost reimbursement system
 17 to a fee-for-service reimbursement system, beginning in July 2016,
 18 and plans to require all providers to complete the transition by July
 19 2017.

20 (2) Under the cost reimbursement system, community-based
 21 mental health and substance use disorder treatment providers
 22 receive a monthly payment at a predetermined contracted rate,
 23 regardless of the actual services provided to consumers, and a
 24 close-out process is used at the end of the year to reconcile each
 25 provider's actual costs with the payments made. Under the new
 26 fee-for-service reimbursement model, monthly reimbursement will
 27 not be predetermined, and each provider will instead be required to
 28 submit a reimbursement claim for each specific unit of service that
 29 it has actually delivered to a consumer.

30 (3) The DMHAS has proposed new reimbursement rate
 31 schedules that would take effect as part of the transition to a fee-
 32 for-service model. The new rates cannot easily be compared to the
 33 cost reimbursement system, since the actual payments that
 34 providers will receive under the new fee-for-service model will be
 35 based on submitted claims, rather than on predetermined monthly
 36 amounts. While the Executive Branch estimates that the new rates
 37 will result in an overall increase in funding to providers, ¹**【those】**
 38 for many¹ providers ¹**【that have high overhead costs and low**
 39 **service volume may nonetheless find that】**¹ the new rates ¹**【are】**
 40 may be¹ insufficient to cover ¹**【their expenses】** the costs of
 41 providing services¹.

42 (4) ¹**【Because the】** The¹ new fee-for-service reimbursement
 43 system ¹may negatively affect many providers' cash flow,
 44 particularly during the transition. The fee-for-service system¹ will

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

Matter underlined thus is new matter.

Matter enclosed in superscript numerals has been adopted as follows:

¹Assembly AHU committee amendments adopted November 14, 2016.

1 allow reimbursement only for ¹~~those~~ specific¹ services that have
2 ¹~~actually~~¹ been provided and claimed, ¹~~and will not allow~~
3 community-based providers to be paid for vacant treatment slots or
4 for lower service levels, the conversion to a fee-for-service
5 reimbursement system may negatively affect provider cash flow
6 during the transition and make revenue unpredictable, thereby
7 reducing the ~~and may effectively pay less than providers had~~
8 received in the past for delivering the same services. This reduced
9 predictability of revenue may impede¹ providers' ability to provide
10 adequate services to persons in need. The conversion may
11 simultaneously force providers to increase their marketing
12 expenditures in an attempt to maximize billable services, while
13 forcing them to maintain a greater reserve of cash on hand in order
14 to ensure their ability to absorb costs when vacancies inevitably
15 arise.

16 (5) Providers engaged in the transition to a fee-for-service
17 reimbursement model will also be required to be approved by
18 Medicaid, which will necessitate their compliance with extensive
19 administrative regulations, and their use and administration of new
20 billing systems and software, both of which may require additional
21 and unanticipated financial expenditures.

22 b. The Legislature therefore declares that it is both reasonable
23 and necessary, and in the public interest, for the State to establish
24 procedures for monitoring the transition by community-based
25 mental health and substance use disorder treatment providers to a
26 fee-for-service reimbursement system, in order to ensure that
27 reimbursement rates established under the new fee-for-service
28 system are adequate, that ¹~~patient~~ client¹ access to care is
29 maintained, and that continuity of care and quality of care are not
30 harmed as a result of the transition.

31
32 2. a. There is hereby established an advisory board to be
33 known as the Independent Fee-for-Service Transition Oversight
34 Board. The purpose of the board shall be to monitor and oversee
35 the transition by community-based mental health and substance use
36 disorder treatment providers to a fee-for-service reimbursement
37 system; determine the adequacy of fee-for-service reimbursement
38 rates; and provide recommendations to better facilitate the
39 transition.

40 b. The board shall be comprised of ¹~~11~~ 12¹ members,
41 appointed by the Governor, as follows:

42 (1) two representatives of provider entities that receive State
43 funds for mental health services;

44 (2) two representatives of provider entities that receive State
45 funds for substance use disorder treatment services;

46 (3) a certified public accountant, upon the recommendation of
47 the New Jersey Society of Certified Public Accountants (NJCPA);

- 1 (4) a current consumer of State-funded mental health services,
2 or the parent or guardian of such consumer;
- 3 (5) a current consumer of State-funded substance use disorder
4 treatment services, or the parent or guardian of such consumer;
- 5 (6) one person upon the recommendation of the Mental Health
6 Association in New Jersey;
- 7 (7)¹ one person upon the recommendation of the New Jersey
8 chapter of the National ¹**【Association】 Alliance**¹ on Mental Illness
9 (NAMI);
- 10 ¹**【(7)】 (8)**¹ one person upon the recommendation of the New
11 Jersey Association of Mental Health and Addiction Agencies
12 (NJAMHAA);
- 13 ¹**【(8)】 (9)**¹ one person upon the recommendation of the New
14 Jersey Psychiatric Rehabilitation Association; and
- 15 ¹**【(9)】 (10)**¹ one person upon the recommendation of the New
16 Jersey Hospital Association.
- 17 c. The members of the board shall be appointed within 45 days
18 after the effective date of this act, and the board shall hold its initial
19 organizational meeting as soon as practicable, but no later than 30
20 days, after the appointment of its members. The board shall select a
21 chairperson from among its members, and shall meet and hold
22 hearings at such places and times as the chairperson may designate.
23 The chairperson may appoint a secretary who need not be a board
24 member.
- 25 d. The members of the board shall serve without compensation,
26 but may be reimbursed for travel and other necessary expenses
27 incurred in the performance of their duties, within the limits of
28 funds appropriated or otherwise made available to the board for its
29 purposes.
- 30 e. The Department of Human Services shall provide
31 professional and clerical staff to the board as may be necessary for
32 the board's purposes. The board shall also be entitled to call upon
33 the services of any other State, county, or municipal department,
34 board, commission, or agency, as may be available to it for its
35 purposes.
- 36 f. In executing its duties under this act, the board shall consult
37 with the community-based mental health and substance use disorder
38 treatment providers and their clients who are being affected by the
39 transition to a fee-for-service reimbursement model.
- 40 g. The board may solicit and receive grants or other funds that
41 are made available for its purposes by any governmental, public,
42 private, not-for-profit, or for-profit agency, including funds that are
43 made available under any federal or State law, regulation, or
44 program.
- 45
- 46 3. a. The board shall evaluate and report on the status and
47 effects of the transition by community-based mental health and
48 substance use disorder treatment providers to a fee-for-service

1 reimbursement model, in accordance with the provisions of this
2 section. The board's evaluation of the transition shall primarily
3 focus on its effects on access to care, continuity of care, and quality
4 of care. In order to determine the relationship between the transition
5 to fee-for-service on these measures, the board shall consider
6 information included in reports issued by the selected contractor
7 pursuant to subsection c. section 4 of this act, and may also
8 independently evaluate providers' costs, revenues, revenue
9 shortfalls, and other needs including technical assistance, training,
10 and business infrastructure needs that are affected by the transition,
11 and how these factors affect providers' ability to serve their
12 ~~patients~~ clients¹. The board may make recommendations to the
13 contractor selected pursuant to section 4 of this act with regard to
14 its evaluation.

15 b. The board shall submit a written status report to the
16 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1),
17 to the Governor, and to the Division of Mental Health and
18 Addiction Services in the Department of Human Services, at the
19 following intervals: (1) an initial status report shall be submitted six
20 months after the board's organizational meeting; (2) an interim
21 status report shall be submitted one year after the board's
22 organizational meeting; and (3) a final status report shall be
23 submitted two years after the board's organizational meeting.

24 Each written report prepared pursuant to this subsection shall:

25 (1) evaluate the adequacy of fee-for-service reimbursement rates
26 as of the time of the reporting;

27 (2) identify the positive and negative effects revealed during the
28 reporting period that have been associated with the transition to a
29 fee-for-service reimbursement system;

30 (3) identify the number and percentage of community-based
31 mental health and substance use disorder treatment providers that
32 are having difficulties with the transition;

33 (4) identify any specific problems that are hampering the
34 transition;

35 (5) identify any actions that have been undertaken by any entity
36 during the reporting period to counteract or remedy the negative
37 effects identified pursuant to paragraph (2) of this subsection, or the
38 specific problems identified pursuant to paragraph (4) of this
39 subsection;

40 (6) indicate the number and percentage of consumers who have
41 been served by community mental health and substance use disorder
42 treatment providers during the course of the reporting period;
43 identify whether the number or frequency of consumer contacts has
44 been reduced as a result of the transition; and approximate the
45 number and percentage of consumers who have been unable to
46 obtain service as a result of the transition to a fee-for-service model;
47 and

1 (7) provide recommendations for the modification of applicable
2 reimbursement rate schedules, and recommendations for other
3 actions that could be undertaken to better facilitate the transition or
4 otherwise ease the burden on community-based mental health and
5 substance use disorder treatment providers, and to avoid or redress
6 any unintended lapses in service provision or reductions in service
7 quality or capabilities that may result from the transition.

8 c. The board shall dissolve 30 days after it submits its final
9 report pursuant to paragraph (3) of subsection b. of this section.

10
11 4. a. The Division of Purchase and Property in the Department
12 of the Treasury, in consultation with the Department of Human
13 Services and the New Jersey Association of Mental Health and
14 Addiction Agencies, shall issue a request for proposals to perform
15 an independent evaluation of the transition of the mental health and
16 substance use disorders treatment service system to fee-for-service.
17 The evaluation shall assess the impact of the transition to fee-for-
18 service and the particular rates adopted in the fee-for-service system
19 on the financial sustainability of provider agencies, and on
20 ~~'[patients']~~ clients'¹ access to care, continuity of care, and quality
21 of care. Proposals shall be submitted no later than April 1, 2017.
22 The criteria for selection shall include, but need not be limited to,
23 demonstrated competence in developing and evaluating
24 reimbursement systems for state health care programs. The division
25 shall review all submissions and select one proposal, with the
26 contract to begin no later than July 1, 2017.

27 b. The selected contractor shall be responsible for evaluating,
28 on a continual basis, the impact of the transition of the community-
29 based mental health and substance use disorder treatment services
30 system to a fee-for-service reimbursement model and the particular
31 rates adopted in the fee-for-service system on the financial
32 sustainability of provider agencies, and on ~~'[patients']~~ clients'¹
33 access to care, continuity of care, and quality of care. The
34 contractor shall conduct its evaluation in accordance with its
35 contract and, to the maximum extent practicable, with the
36 recommendations of the Independent Fee-for-Service Transition
37 Oversight Board established pursuant to section 2 of this act.

38 c. The contractor shall issue periodic written reports to the
39 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1),
40 the Governor, the Division of Mental Health and Addiction Services
41 in the Department of Human Services, and the Independent Fee-for-
42 Service Transition Oversight Board. At a minimum, the contractor
43 shall issue written reports evaluating the transition for the following
44 reporting periods: (1) the start of the transition through September
45 30, 2017; (2) October 1, 2017 through December 31, 2017; (3)
46 January 1, 2018 through June 30, 2018; and (4) July 1, 2018
47 through June 30, 2019. Each report shall be submitted no later than

1 one month following the end of each reporting period. The contract
2 will terminate after the submission of the final report.

3

4 5. There is appropriated from the General Fund such funds as
5 are necessary for the execution of section 4 of this act.

6

7 6. This act shall take effect immediately, and shall expire on
8 the later of: (1) the 30th day after the board submits its final report
9 pursuant to subsection b. of section 3 of this act or (2) the 30th day
10 after the contractor submits its final report pursuant to subsection c.
11 of section 4 of this act.