

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 226

STATE OF NEW JERSEY 214th LEGISLATURE

DATED: APRIL 27, 2010

SUMMARY

- Synopsis:** Directs Medicaid to establish medical home demonstration project.
- Type of Impact:** Possible increase in State and federal Medicaid costs at least during the first year.
- Agencies Affected:** Department of Human Services (DHS).

Office of Legislative Services Estimate

Fiscal Impact	<u>Years 1 – 3</u>
State Cost	<p>With respect to the Medicaid program, no additional State costs in the aggregate, and it is possible that overall State Medicaid costs may be reduced if increased Medicaid reimbursement for primary health care is offset over the three-year demonstration period by reductions in other Medicaid health care expenditures individuals may incur.</p> <p>With respect to the General Assistance program, State expenditures would be reduced, if the federal government agreed to provide federal reimbursement for this program. At present, no federal reimbursement is available for General Assistance medical services.</p>

- Medicaid demonstration projects are intended to be cost neutral in terms of overall expenditures. It is not known whether the federal government will approve the State's demonstration project request.

BILL DESCRIPTION

Assembly Bill No. 226 1R of 2010 directs the State Medicaid program, subject to federal approval and the availability of federal matching funds, to establish a three-year Medicaid medical home demonstration project for Medicaid and General Assistance recipients.

Medicaid is to:

- restructure its payment system to support primary care practices that use a medical home model;
- develop a system to support primary care providers in developing an organizational structure necessary to provide a medical home; and
- identify primary care practices for participation in the demonstration project that provide care to their patients using a medical home model.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None provided.

OFFICE OF LEGISLATIVE SERVICES

Initially, expenditures in the Medicaid and General Assistance Medical Services programs related to the provision of primary health care will increase as Medicaid reimbursement rates for primary health care services will be increased by some amount yet to be determined in order to facilitate the establishment of a medical home for Medicaid and General Assistance patients. This increase in Medicaid and General Assistance primary health care expenditures may be offset in later years by reductions in other Medicaid and General Assistance health care expenditures, particularly inpatient and outpatient hospital costs, as primary health care physicians would devote more time to patients and would be able to identify and treat medical problems before they result in more expensive inpatient or outpatient hospital services.

Whether overall Medicaid and General Assistance expenditures can be reduced as a result of establishing a medical home and providing greater reimbursement for primary care services will be determined by the demonstration project. It is not known whether or when federal approval will be received for this project.

Section: Human Services

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

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-1 et seq.).