

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

SENATE, No. 3957

STATE OF NEW JERSEY

DATED: JUNE 17, 2019

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 3957.

Senate Bill No. 3957 provides for the Governor's Fiscal Year 2020 budget recommendations by increasing the HMO assessment from two percent to three percent on net written premiums of health maintenance organizations, beginning in Fiscal Year 2020. This assessment is statutorily allocated to the Health Care Subsidy Fund for the purpose of providing charity care payments to hospitals in accordance with the formula used for the distribution of charity care subsidies. The Department of the Treasury estimates that this bill would increase revenue by \$66 million.

FISCAL IMPACT:

The Office of Legislative Services estimates that the bill will grow annual HMO premiums assessment revenue by about \$100 million starting in FY 2020. However, because of the mechanics of the Executive's federal revenue maximization initiative, the estimated net effect of the bill on the State budget will be an annual increase of approximately \$66 million in federal Medicaid matching fund revenue. This is so because the State's Medicaid managed care organizations are the primary payers of the HMO assessment. After the assessment increases, the reimbursement rates the State pays the Medicaid managed care organizations will also increase, resulting in the State ultimately paying the higher assessment to itself with the Medicaid managed care organizations serving as conduits. The higher State Medicaid expenditures, in turn, will qualify for federal Medicaid matching funds at a rate of 66 percent. The additional \$66 million in federal matching funds reflects the anticipated net impact of the bill on State finances.

Disaggregating the components of the projected \$66 million annual net State revenue increase thus yields an annual State expenditure increase of \$100 million and an annual State revenue gain of \$166 million, of which \$100 million reflects the amount the State pays to itself with the Medicaid managed care organizations serving as conduits and federal matching fund revenue accounting for the remaining \$66 million.