ASSEMBLY HEALTH COMMITTEE

STATEMENT TO

ASSEMBLY, No. 1590

with committee amendments

STATE OF NEW JERSEY

DATED: FEBRUARY 22, 1996

The Assembly Health Committee favorably reports Assembly Bill No. 1590 with committee amendments.

As amended by the committee, this bill establishes a methodology for the distribution of charity care subsidies to hospitals and provides a funding mechanism for these subsidies and the Health Access New Jersey subsidized insurance program, as well as for other hospital and drug abuse treatment services.

The charity care subsidy distribution methodology for 1996 and each year thereafter is similar to that used in 1995. The hospital-specific charity care subsidy shall be determined by allocating available charity care funds so as to equalize hospital-specific payer mix factors (as defined in the bill) to the Statewide target payer mix factor; except that, if the Statewide total of adjusted charity care is less than available charity care funding, a hospital's subsidy shall equal its adjusted charity care. The Statewide target payer mix factor is the lowest payer mix factor to which all hospitals receiving charity care subsidies can be reduced by spending all of the amount allocated in each year for charity care subsidies. Those hospitals with a payer mix factor greater than the Statewide target payer mix factor shall be eligible to receive a subsidy sufficient to bring their factor down to that Statewide level; those hospitals with a payer mix factor that is less than or equal to the Statewide target payer mix factor shall not be eligible to receive a subsidy.

The charity care subsidy distribution methodology is based on documented (actual) charity care as verified by the Department of Health's most recent charity care audit, and valued at the same rate paid to that hospital by the Medicaid program.

The bill provides that the Health Care Subsidy Fund will be funded at $400 million in 1996 and each succeeding year.

The monies in the Health Care Subsidy Fund will be allocated as follows:

-- for charity care subsidies, $300 million in 1996 and each succeeding year;

-- for the Health Access New Jersey program, $50 million in 1996 and each succeeding year;

-- for the Hospital Health Care Subsidy account in the Division of Medical Assistance and Health Services (Medicaid), to fund services at hospitals with high numbers of AIDS, tuberculosis, substance abuse, neonatal and mental health patients, $50 million (State share) in Fiscal Year 1997 and each succeeding fiscal year; and

-- for community-based residential and inpatient drug abuse treatment services, up to $10 million in 1996 and $20 million in 1997 and each succeeding year.

The Health Care Subsidy Fund will be funded in part by a reduced assessment on employers and employees, to be phased out over four years, for a total of $387 million in 1996, $332 million in 1997, $232 million in 1998, and $132 million in 1999. This phase-out reflects the intent of this bill to effect a transition from the use of employer and employee contributions to the use of General Fund revenues to fund the Health Care Subsidy Fund as soon as is practicable within the financial constraints of the State budget.

The balance of the funding for the Health Care Subsidy Fund will be derived from:

-- appropriations from the General Fund, beginning in calendar year 1996; and

-- revenues generated from third party liability recoveries by the State, which are earmarked for community-based residential and inpatient drug abuse treatment services.

The bill directs that the federal Medicaid match for the State monies provided to the Hospital Health Care Subsidy account shall be appropriated to that account to fund services at eligible hospitals. These additional monies will increase the total amount of funding provided under this bill to $450 million in 1996 and each succeeding year.

The amended bill also specifies that any charity care funds not distributed in a given year shall lapse to the unemployment compensation fund. Under current law, the Commissioner of Health is authorized to transfer any surplus funds to the Health Access New Jersey program. The bill also specifies that the commissioner shall report to the Governor and the Legislature by December 31 of each year on the status of the Health Care Subsidy Fund, including any remaining balances in the fund.

In addition, the bill clarifies that the purpose of the Health Access New Jersey program shall be to provide health insurance coverage for low-income, uninsured children as well as working people and those temporarily unemployed.

The amended bill further provides that, beginning in Fiscal Year 1997, the State shall pay (from the General Fund) inpatient hospitalization costs for general public assistance recipients which are incurred by special hospitals and psychiatric hospitals that are ineligible for a charity care subsidy and that received reimbursements for these costs from the General Fund prior to Fiscal Year 1992. The bill repeals P.L.1950, c.303 (C.44:8-146 et seq.), which requires

municipalities in counties of the first class to pay these costs (which repeal accords with the budget language in the annual appropriations acts for Fiscal Years 1992 through 1996).

The amended bill:

-- requires the Commissioner of Health to study the feasibility of such policy options as privatizing the charity care subsidy program and delivering charity care through a managed care network which includes both inpatient and outpatient services;

-- requires the Commissioner of Health to study the feasibility of utilizing administrative cost savings accruing from the adoption of health care information electronic data interchange technology to accelerate the scheduled phase-out in the use of employee and employer contributions to fund the Health Care Subsidy Fund;

-- requires the Commissioner of Health to study the feasibility of reimbursing for charity care on the basis of claims processed;

-- directs that the findings and recommendations from these studies be reported to the Governor and the Legislature within specified time periods; and

-- appropriates $1.5 million to the Department of Health to fund these studies.

The committee amendments:

-- provide that surplus funds in the Health Care Subsidy Fund shall lapse to the unemployment compensation fund, rather than being used to reduce the amount of General Fund revenues needed to fund the Health Care Subsidy Fund (section 3 of the bill);

-- distribute funds from the Hospital Health Care Subsidy account to all eligible hospitals, rather than the 30 hospitals providing the greatest dollar volume of services eligible for reimbursement from that account (section 9);

-- distribute funds from the Hospital Health Care Subsidy account based upon hospital expenditure data for the most recent calendar year available (section 9);

-- increase the time periods for the feasibility studies by the Commissioner of Health with respect to alternative charity care subsidy and services delivery systems, and an alternative charity care reimbursement methodology, from eight to 15 months (section 13);

-- provide that the Commissioner of Health, rather than the Health Information Electronic Data Interchange Policy Council (which would be established under Senate Bill No. 50 or Assembly Bill No. 1476 of 1996), shall conduct a study of the feasibility of utilizing administrative cost savings from the adoption of electronic data interchange technology to accelerate the scheduled reduction in the use of employee and employer contributions to fund the Health Care Subsidy Fund, rather than to reduce the need for General Fund appropriations, and report his findings and recommendations to the Governor and the Legislature within eight months (section 13);

-- stipulate that the State payment for general public assistance hospitalization costs shall be at the Medicaid-priced reimbursement

rate, and that these payments shall be made to psychiatric hospitals, as well as to special hospitals, licensed by the Department of Health (section 14); and

-- reduce the appropriation to fund the feasibility studies by the Department of Health from $2.5 million to $1.5 million (section 21).