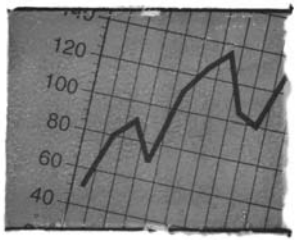

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HEALTH

FISCAL YEAR 2013 - 2014

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2013

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was David H. Drescher.

Questions or comments may be directed to the OLS Human Services Section (609-847-3860) or the Legislative Budget and Finance Office (609-292-8030).

DEPARTMENT OF HEALTH

Budget Pages..... C-5, C-12 to C-13, C-20 to C-21, C-26, C-27, D-143 to D-160, G-3, H-17

Fiscal Summary ($000)

	Expended FY 2012	Adjusted Appropriation FY 2013	Recommended FY 2014	Percent Change 2013-14
State Budgeted	$386,617	$364,801	$350,890	(3.8%)
Federal Funds	655,499	739,138	727,970	(1.5%)
Other	741,578	779,588	781,137	.2%
Grand Total	$1,783,694	$1,883,527	$1,859,997	(1.2%)

*Other includes Revolving Funds displayed on page C-27 of the recommended budget

Personnel Summary - Positions By Funding Source

	Actual FY 2012	Revised FY 2013	Funded FY 2014	Percent Change 2013-14
State	354	359	383	6.7%
Federal	533	509	516	1.4%
Other	317	314	321	2.2%
Total Positions	1,204	1,182	1,220	3.2%

FY 2012 (as of December) and revised FY 2013 (as of January) personnel data reflect actual payroll counts. FY 2014 data reflect the number of positions funded. Other includes revolving fund positions.

Link to Website: http://www.njleg.state.nj.us/legislativepub/finance.asp

Highlights

Health Services

- Expansion of the newborn screening panel pursuant to "Emma's Law," P.L.2011, c.175, is expected to cost an additional $1.6 million for laboratory tests and follow-up. The law adds six lysosomal storage disorders to the panel, bringing the total number of diseases on the panel to 60.

- Proposed budget language would increase the reimbursement rate for initial training of emergency medical technicians who are members of volunteer squads from $550 to $750. The proposed language would allow additional appropriations if the funds available in the Emergency Medical Technician Training Fund are insufficient to cover the cost of increasing the reimbursement rate.

- The Governor proposes eliminating the General Fund appropriation for the New Jersey Commission on Cancer Research, saving $1.0 million. The FY 2013 appropriation was added at the initiative of the Legislature during the FY 2013 appropriations process. The commission would continue to receive revenue from sales of "Conquer Cancer" license plates and voluntary taxpayer donations from State income tax return check-off boxes.

- The budget recommends an increase in funding for the New Jersey Compassionate Use Medical Marijuana Program, from $784,000 to $1.6 million. Most of the increase would pay for six new staff positions at the Department of Health related to oversight of the program.

- The recommended General Fund appropriation for the Early Intervention Program decreases by $3.3 million, to $86.0 million. Federal and other funding for the program is expected to remain stable. The reduction is driven by participation trends; no changes to eligibility, benefits, or copayments are proposed.

- The Governor does not recommend a General Fund appropriation for the AIDS Drug Distribution Program (ADDP), which was appropriated $6.5 million in FY 2013. The State share of the program will instead be funded by rebates paid by drug manufacturers and unexpended funds carried forward from FY 2013.

- Recommended funding for the Cancer Institute of New Jersey – South Jersey Program is reduced by $2.8 million, to $13.8 million. It is not clear to what extent this reduction may reflect costs of ongoing construction of the new comprehensive cancer center in Camden, a change in debt service costs, or reduced operational funding.

Highlights (Cont'd)

Health Planning and Evaluation

- The Governor's Budget Recommendation reduces total direct subsidies to hospitals by $20.0 million, to $941.6 million. The Governor recommends eliminating the Health Care Stabilization Fund ($30 million), while increasing Graduate Medical Education funding by $10.0 million. The formulas for disbursing these funds are revised, as well.

- Funding for Charity Care is held constant at $675.0 million. The formula for determining each individual hospital's subsidy is revised to allow each hospital's subsidy to vary more from the prior year than the FY 2013 formula allowed.

- The Hospital Relief Subsidy Fund is replaced by the Delivery System Reform Incentive Payments (DSRIP) program, with funding held constant at $166.6 million. DSRIP will condition each hospital's subsidy on performance improvements in specific areas of care, as specified in each hospital's individual DSRIP plan.

Background Papers

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2012	Adj. Approp. FY 2013	Recom. FY 2014	Percent Change 2012-14	Percent Change 2013-14
General Fund					
Direct State Services	$57,029	$44,080	$45,540	(20.1%)	3.3%
Grants-In-Aid	329,060	320,192	304,821	(7.4%)	(4.8%)
State Aid	0	0	0	0.0%	0.0%
Capital Construction	0	0	0	0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$386,089	$364,272	$350,361	(9.3%)	(3.8%)
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	$0	$0	$0	0.0%	0.0%
Casino Revenue Fund	$528	$529	$529	0.2%	0.0%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$386,617	$364,801	$350,890	(9.2%)	(3.8%)
Federal Funds	$655,499	$739,138	$727,970	11.1%	(1.5%)
Other Funds	$741,578	$779,588	$781,137	5.3%	0.2%
Grand Total	$1,783,694	$1,883,527	$1,859,997	4.3%	(1.2%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2012	Revised FY 2013	Funded FY 2014	Percent Change 2012-14	Percent Change 2013-14
State	354	359	383	8.2%	6.7%
Federal	533	509	516	(3.2%)	1.4%
All Other	317	314	321	1.3%	2.2%
Total Positions	1,204	1,182	1,220	1.3%	3.2%

FY 2012 (as of December) and revised FY 2013 (as of January) personnel data reflect actual payroll counts. FY 2014 data reflect the number of positions funded. All Other includes revolving fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	36.8%	36.6%	37.2%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2013	Recomm. FY 2014	Dollar Change	Percent Change	Budget Page
		Health Services			
DIRECT STATE SERVICES:					
Salaries and Wages	$14,832	$15,436	$ 604	4.1%	D-149
Services Other Than Personal	$3,543	$4,576	$ 1,033	29.2%	D-149

The Governor recommends appropriating an additional $1.6 million in FY 2014 for implementation of "Emma's Law," P.L.2011, c.175. The law adds six lysosomal storage disorders to the newborn screening panel, bringing the total number of diseases on the panel to 60. The statute authorizes the Department of Health to charge a reasonable fee for the tests required by the law, but the budget does not display any additional revenue from the fees paid by hospitals for the newborn screening panel.

Increased appropriations for Salaries and Wages are divided between the Laboratory Services program class ($249,000, for three new positions) and the Public Health Protection Services program class ($355,000, for four new positions). The remainder of the increase, budgeted as Services Other Than Personal, is allocated to the Laboratory Services program class. The increased funding is intended to support the newly required testing and follow-up with families of children whose tests show positive results for one of the disorders on the screening panel.

DIRECT STATE SERVICES:					
New Jersey State Commission on Cancer Research	$1,000	$0	($1,000)	(100.0%)	D-150

The Governor proposes eliminating the General Fund appropriation for the New Jersey State Commission on Cancer Research. The FY 2010 appropriation of $1.0 million was reduced to $94,000 in FY 2011, and then eliminated in FY 2012. Funding was restored to $1.0 million at the initiative of the Legislature in FY 2013.

The New Jersey Commission on Cancer Research was established pursuant to the "Cancer Research Act," P.L.1983, c.6, to provide grants for research in New Jersey into the causes, prevention, treatment, and palliation of cancer, and to serve as a resource for providers and consumers of cancer services. The commission is also responsible for awarding grants from the New Jersey Breast Cancer Research Fund, the New Jersey Prostate Cancer Research Fund, and the New Jersey Lung Cancer Research Fund, which are all fueled by taxpayer donations given through check-off boxes on State income tax return forms. It also receives money collected from sales of "Conquer Cancer" license plates. In FY 2012, the Conquer Cancer license plates generated approximately $337,000; the Breast Cancer Research Fund received $336,000; and the Prostate Cancer Research Fund received $28,000. The Lung Cancer Research Fund only began operation in FY 2013, and has not recorded any donations yet.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2013	Recomm. FY 2014	Dollar Change	Percent Change	Budget Page
DIRECT STATE SERVICES: New Jersey Compassionate Use Medical Marijuana Program	$784	$1,607	$ 823	105.0%	D-150

The Governor's Budget Recommendation would more than double the General Fund appropriation for the medical marijuana program, from $784,000 to $1.6 million. Most of the increase represents salaries and associated costs for six new staff positions, though information on the specific functions of these positions is not yet available. The program also anticipates $170,000 in dedicated revenue from fees charged to program participants, an increase of $70,000 from the $100,000 estimated for FY 2013.

The Department of Health has selected six programs across the State to serve as alternative treatment centers (ATCs), but to date only one has opened. It is not clear when the other five ATCs will open, or to what extent the cost of the program is tied to the number of operating ATCs.

GRANTS-IN-AID: Early Childhood Intervention Program	$89,265	$85,973	($3,292)	(3.7%)	D-150

The Governor recommends reducing the General Fund appropriation for the Early Intervention Program by $3.3 million, citing participation trends. Total funding for the program, including federal funds and copayments, would decrease from $142.5 million to $139.1 million. (Anticipated federal funds include $34.0 million in Medicaid funds and $13.0 million in Part H of the Individuals with Disabilities Education Act funds; $6.2 million in revenue is expected from copayments.) No changes to eligibility, benefits, or cost sharing are proposed. Based on the program's recent spending history, the $86.0 million recommended appropriation may still be higher than necessary.

The Early Intervention Program implements New Jersey's Statewide system of services for infants and toddlers, birth to age three, with developmental delays or disabilities, and their families.

GRANTS-IN-AID: Cancer Institute of New Jersey, South Jersey Program	$16,544	$13,783	($2,761)	(16.7%)	D-151

No specific information has been provided about the recommended reduction in funding for the Cancer Institute of New Jersey – South Jersey Program. It is noted that a large part of the FY 2013 appropriation was intended to support construction of a new comprehensive cancer center in Camden. The construction project is supported with a combination of State and private funding. In FY 2010 and FY 2011 (prior to the construction project), the South Jersey Program received annual appropriations of $5.4 million for debt service and operational costs.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2013	Recomm. FY 2014	Dollar Change	Percent Change	Budget Page
No information is available to indicate whether the reduced appropriation is related to reduced debt service costs or construction costs, or if it represents a reduction in operational funding.					
GRANTS-IN-AID:					
AIDS Drug Distribution Program	$6,509	$0	($6,509)	(100.0%)	D-151

Although the Governor recommends eliminating the General Fund appropriation for the AIDS Drug Distribution Program (ADDP), the program's eligibility rules and benefits will remain unchanged. The State share of the program will be funded by $8.5 million in unspent funds carried forward from FY 2013, and an anticipated $49.0 million from drug manufacturer rebates. Federal funding is provided under Part B of the Ryan White CARE Act.

ADDP provides free medications for individuals who have been diagnosed with HIV or AIDS, earn under 500 percent of the federal poverty level, and have no other health insurance coverage.

Health Planning and Evaluation

GRANTS-IN-AID:					
Health Care Subsidy Fund Payments	$28,213	$20,404	($7,809)	(27.7%)	D-156

The budget recommends reducing General Fund support for the Health Care Subsidy Fund by $7.8 million. The reduction is primarily related to the elimination of the Health Care Stabilization Fund, which allocated $30.0 million (gross) in discretionary aid to hospitals in FY 2013. More detailed information on the Health Care Subsidy Fund, including its revenue from all sources, is provided on page H-17 of the Governor's Budget Recommendation. It is noted that the schedule on page H-17 provides different values than the budget recommendation for General Fund support to the Health Care Subsidy Fund. It indicates that support from the General Fund in FY 2013 will total $21.2 million, $7.0 million lower than the appropriation shown above, and that the amount shown for FY 2014 is $2.3 million higher than the recommended appropriation. It is not clear what accounts for these disparities.

The Health Care Subsidy Fund provides State funding for Charity Care and other hospital subsidy programs, subsidies for uncompensated care provided by Federally Qualified Health Centers (FQHCs), and health care coverage for children in NJ FamilyCare. More information on Charity Care and other hospital subsidy programs is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

Significant Changes/New Programs ($000) (Cont'd)

Budget Item	Adj. Approp. FY 2013	Recomm. FY 2014	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID:					
Hospital Relief Offset Payments	$62,645	$0	($62,645)	(100.0%)	D-156
Hospital Delivery System Reform Incentive Payments – DSRIP	$0	$62,645	$62,645	—	D-156

Pursuant to the Comprehensive Medicaid Waiver, the Governor recommends replacing the Hospital Relief Subsidy Fund with the Delivery System Reform Incentive Payments (DSRIP) program in FY 2014. Total recommended funding is unchanged at $166.6 million. Proposed budget language on page D-158 provides that allotments to individual hospitals would be based on the DSRIP funding and mechanics protocol, which was filed with the federal government on December 28, 2012 and, as of March 2013, is pending federal approval. More information on DSRIP is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

GRANTS-IN-AID:					
Graduate Medical Education	$45,000	$50,000	$ 5,000	11.1%	D-156

The budget increases State funding for Graduate Medical Education (GME) by $5.0 million, increasing the total funding in the program from $90.0 million to $100.0 million. GME subsidies are allotted to eligible teaching hospitals pursuant to budget language on page D-158. More information on GME is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

Significant Language Changes

HEALTH SERVICES

Transfer of Funds Related to Animal Control

Addition

2013 Handbook: p. n/a
2014 Budget: p. D-152

Notwithstanding the provisions of any law or regulation to the contrary, there are appropriated from the Animal Pilot Clinic Fund such amounts as are necessary to pay the reasonable and necessary expenses of the Animal Population Control Fund, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This proposed language would allow the transfer of up to an estimated $300,000 to $400,000 from the Animal Pilot Clinic Fund to the Animal Population Control Fund in FY 2014. The pilot clinic program held a balance of approximately $207,000 at the end of FY 2012. It receives approximately $90,000 to $100,000 in revenues each year from a $0.20 surcharge on dog licenses and registration tags.

The pilot clinic program was established by statute in 1983 to determine the feasibility of a Statewide system of clinics to spay and neuter dogs and cats at low cost. The program was never expanded beyond the pilot clinic. In FY 2011 the DOH discontinued the grant to the operator of the pilot clinic on the grounds that the clinic was offering veterinary services beyond spaying and neutering, in violation of grant specifications.

The Animal Population Control program was established by statute in 1983 (shortly before the pilot clinic program) to reimburse participating veterinarians 80 percent of the cost of sterilization procedures for dogs and cats belonging to individuals receiving public assistance or dogs and cats adopted in New Jersey. The program generates approximately $270,000 in revenue per year from a $3 surcharge on licenses for dogs that have not been sterilized.

Increased Reimbursement Rate for EMT Training

Addition

2013 Handbook: p. n/a
2014 Budget: p. D-152

In the event that amounts available in the "Emergency Medical Technician Training Fund" are insufficient to support increased reimbursement levels, from $550 to $750, for initial EMT Training, while at the same time continuing to ensure funding for continuing EMT education at current levels, there are appropriated such amounts as the Director of the Division of Budget and Accounting shall determine to be necessary to maintain these increased levels for initial and continuing EMT training and education.

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

This language provision would effectuate the Governor's recommendation to increase reimbursement rates for initial training of emergency medical technicians (EMTs) who are members of volunteer ambulance, first aid, or rescue squads from $550 to $750 per student. Reimbursement rates for continuing education would remain unchanged.

Payments for EMT training are made from the EMT Training Fund, established pursuant to P.L.1992, c.143. The EMT Training Fund is supported by a $0.50 surcharge on motor vehicle and traffic tickets. Informal information from the Department of Health suggests that the money in the EMT Training Fund is expected to be sufficient to support the increased reimbursement rate for FY 2014. More information on the EMT Training Fund is provided on page 25 of the in FY 2014 Budget's supplementary information (available online at http://www.nj.gov/treasury/omb/publications/14budget/pdf/Supplementary%20Information.pdf, on the Office of Management and Budget's website); however, the department has indicated that the FY 2014 estimate is inaccurate, and that corrected data will be provided.

The law that created the EMT Training Fund, P.L.1992, c.143 (C.26:2K-54 et seq.) provides that priority for reimbursement from the fund is to be given first to initial certification programs, then to recertification programs. It is noted that in 2010 the EMT Training Fund ceased to provide reimbursement for most continuing education programs that had previously received support from the fund, after a supplemental appropriation to the FY 2009 Appropriations Act transferred $4 million to the General Fund to support general State operations.

HEALTH PLANNING AND EVALUATION

Charity Care Allotment Formula

Revision

2013 Handbook: p. B-79
2014 Budget: p. D-157

Notwithstanding the provisions of section 3 of P.L.2004, c.113 (C.26:2H--18.59i) or any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year (SFY) ~~2013~~ 2014 shall be calculated in the following manner: (a) source data used shall be from calendar years ~~2009~~ 2011 and 2010 for documented charity care claims data and hospital-specific gross revenue for charity care patients and shall include all adjustments and void claims related to calendar years ~~2009~~ 2011, 2010~~,~~ and any prior year submitted claims, as submitted by each acute care hospital or determined by the Department of Health (DOH); (b) source data used for ~~calendar year 2010~~ CY 2011 documented charity care for each hospital's total gross revenue for all patients shall be from the ~~calendar year 2010~~ CY 2011 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH advance submission request dated ~~February 10, 2011~~ February 13, 2012, as submitted by each acute care hospital by ~~March 10, 2011~~ March 16, 2012, and source data used for Medicare Cost Report data shall be from calendar year ~~2009~~ 2010; (c) in the event that an eligible hospital failed to submit by ~~March 10, 2011~~

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

March 16, 2012, its total gross revenue for all patients from the ~~calendar year 2010~~ CY 2011 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated ~~February 10, 2011~~ February 13, 2012, source data from calendar year ~~2009~~ 2010 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; (d) source data used for ~~calendar year 2009~~ CY 2010 documented charity care for each hospital's total gross revenue for all patients shall be from the ~~calendar year 2009~~ CY 2010 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH advance submission request dated ~~February 11, 2010~~ February 10, 2011, as submitted by each acute care hospital by ~~March 11, 2010~~ March 10, 2011, and source data used for Medicare Cost Report data shall be from calendar year ~~2008~~ 2009; (e) in the event that an eligible hospital failed to submit by ~~March 11, 2010~~ March 10, 2011, its total gross revenue for all patients from the ~~calendar year 2009~~ CY 2010 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated ~~February 11, 2010~~ February 10, 2011, source data from calendar year ~~2008~~ 2009 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1,Column E; (f) each eligible hospital's charity care subsidy allocation for SFY ~~2012~~ 2013 as announced by DOH in July ~~2011~~ ~~2012~~, for this calculation purpose only, shall be initially split into two pools, one that equals ~~90%~~ 80% of its SFY ~~2012~~ 2013 allocation and another that equals ~~10%~~ 20% of its SFY ~~2012~~ 2014 allocation; (g) for each eligible hospital the difference between its ~~calendar year 2010~~ CY 2011 documented charity care and its ~~calendar year 2009~~ CY 2010 documented charity care shall be calculated~~. Then~~ , then the percentage change in documented charity care for each eligible hospital shall be obtained by dividing this difference by its ~~calendar year 2009~~ CY 2010 documented charity care; (h) ~~each eligible hospital, whose percentage change in documented charity care as initially calculated in accordance with subsection g. above that is greater than 15% shall be reduced to 15% for purposes of this calculation only and that is less than -50% shall be increased to -40% for purposes of this calculation only; (i)~~ for each eligible hospital, the ratio of its ~~calendar year 2010~~ CY 2011 documented charity care divided by the total ~~calendar year 2010~~ CY 2011 documented charity care for all hospitals shall be calculated; (~~j~~ i) for each eligible hospital~~,~~ the percentage change in documented charity care as calculated in accordance with subsection g. above~~, unless modified in accordance with subsection h. above in such case the modified percentage from subsection h. above shall be used,~~ shall be multiplied by the ~~calendar year 2010~~ CY 2011 documented charity care ratio calculated in subsection ~~(i)~~ h. above; (~~k~~ j) for each eligible hospital the value calculated in accordance with subsection ~~j.~~ i. above shall be multiplied by the total of the ~~10%~~ 20% pool for all eligible hospitals as calculated in subsection f. above; (~~l~~ k) for each eligible hospital the value calculated in accordance with subsection ~~(k)~~ j. above shall be added to its initial ~~10%~~ 20% pool value as calculated in subsection f. above; (~~m~~ l) for each eligible hospital~~,~~ the amount calculated in subsection f. above for its ~~90%~~ 80% pool and subsection ~~(l)~~ k. above for its adjusted ~~10%~~ 20% pool shall be added together producing the SFY ~~2013~~ 2014 charity care subsidy allocation for each eligible hospital; (~~n~~ m) notwithstanding the provisions above, an eligible hospital shall not receive a lower SFY ~~2013~~ 2014 charity care subsidy allocation than its SFY ~~2012~~ 2013 charity care subsidy allocation if it had increased documented charity care as calculated in subsection g. above, and an eligible hospital shall not receive a

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

greater SFY ~~2013~~ 2014 charity care subsidy allocation than its SFY ~~2012~~ 2013 charity care subsidy allocation if it had decreased documented charity care as calculated in subsection g. above; (~~e~~ n) if necessary, a proportionate increase or decrease shall be applied to the ~~10%~~ 20% pool value as calculated in subsection ~~(l)~~ k. for each eligible hospital based on its percentage of total ~~calendar year 2010~~ CY 2011 documented charity care such that the total calculated SFY ~~2013~~ 2014 charity care subsidy allocation for all hospitals shall equal $675,000,000, except that the proration applied to the subsidy for any eligible hospital shall be modified as necessary to comply with subsection ~~(n)~~ m. above; and (~~p~~ o) the resulting number will constitute each eligible hospital's SFY ~~2013~~ 2014 charity care subsidy allocation.

Explanation

Total funding for Charity Care is recommended to remain at $675 million, but the formula for determining each hospital's allotment is revised in the Governor's FY 2014 Budget Recommendation. More information on Charity Care, including the amounts to be provided to each hospital under the proposed formula, is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

The formula is similar to the FY 2013 formula, but it incorporates several significant changes. As in FY 2013, each hospital's subsidy is based primarily on the subsidy it received in the prior year, with a part of the subsidy modified based on the change in the amount of uncompensated care that the hospital delivered. The revised formula updates its source data by one year, and makes two other noteworthy changes.

First, as in FY 2013, each hospital's prior year allotment is split into two pools, of which only the smaller pool is subject to change. The FY 2014 budget proposes to increase the size of the modified pool from 10 percent to 20 percent of the prior year's allotment. This means that each hospital's change in uncompensated care may have a greater effect on its final subsidy.

Second, the FY 2014 language eliminates the 15 percent ceiling and 40 percent floor on changes in uncompensated care. That is, under the FY 2013 formula, if a hospital's uncompensated care in CY 2010 increased more than 15 percent from its CY 2009 uncompensated care, the formula treated it as an increase of only 15 percent. Conversely, the formula treated uncompensated care decreases of 50 percent or more as 40 percent. The FY 2014 proposed language includes no analogous provision.

Elimination of Health Care Stabilization Fund

Deletion

2013 Handbook: p. B-79
2014 Budget: n/a

~~Of the amount hereinabove appropriated for Health Care Subsidy Fund Payments, any amounts not allocated to a hospital-specific State fiscal year 2013 charity care subsidy is appropriated, subject to the approval of the Director of the Division of Budget and~~

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

~~Accounting, to the Health Care Stabilization Fund established pursuant to P.L. 2008, c.33 (C.26:2H-18.74 et seq.) and applied as set forth in such act. Combined funding for charity care and the Health Care Stabilization Fund shall not exceed $705,000,000.~~

Explanation

The Governor recommends eliminating the Health Care Stabilization Fund in FY 2014. Available information indicates that the federal government will discontinue its financial participation in the program, but no information has been provided regarding the federal government's rationale for this decision.

The Health Care Stabilization Fund was created pursuant to P.L.2008, c.33 (C.262H-18.74 et seq.), implementing a key recommendation of the New Jersey Commission on Rationalizing Health Care Resources. The fund provides emergency grants to hospitals and other licensed health care providers to ensure access and availability of health care services in communities served by a hospital or health care provider facing closure or a significant reduction in services due to financial distress. Grants are awarded on a competitive basis, not according to a formula. As a condition of receiving a grant from the fund, hospitals are required to meet several general and hospital-specific conditions imposed by the Department of Health related to the financial stability of the hospital.

Timing of Charity Care Payments to Hospitals

Revision

2013 Handbook: p. B-80
2014 Budget: p. D-158

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Health Care Subsidy Fund for charity care payments are subject to the following condition: In a manner determined by the Commissioner of Health and subject to the approval of the Director of the Division of Budget and Accounting, eligible hospitals shall receive (1) their charity care subsidy payments beginning in July ~~2012~~ 2013, (2) ~~an aggregate amount of $10,000,000 of their July and August 2012 payments in October 2012, (3)~~ their September ~~2012~~ 2013 payments in October ~~2012~~ 2013, and ~~(4)~~ (3) their January ~~2013~~ 2014 payments in December ~~2012~~ 2013.

Explanation

Language concerning the timing of Charity Care payments to hospitals is revised to bring the timing of payments more closely into agreement with the standard schedule for payments. No information is available regarding why certain payments are not made on schedule, but it may be related to when money is available in the Health Care Subsidy Fund. The language does not affect the total FY 2014 Charity Care payment to any hospital, but it may affect hospitals' cash flow.

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

One-Time Transfer from Medical Malpractice Reinsurance Association

Deletion

2013 Handbook: p. B-80
2014 Budget: n/a

~~In addition to the amounts hereinabove appropriated for Health Care Subsidy Fund Payments, such additional funds as paid by the New Jersey Medical Malpractice Reinsurance Association are appropriated to the Health Care Subsidy Fund for charity care payments.~~

Explanation

FY 2013 budget language enabling a one-time receipt of funds from the New Jersey Medical Malpractice Reinsurance Association (NJMMRA) is eliminated, as the NJMMRA has been deactivated and no further payments will be made.

Graduate Medical Education Allotment Formula

Revision

2013 Handbook: p. B-80
2014 Budget: p. D-158

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Graduate Medical Education ~~payments shall be distributed using the hospital specific allocation established and adjusted during the preceding fiscal year.~~ (GME) are conditioned upon the following: except as otherwise provided and subject to such modifications as may be required by the Centers for Medicare and Medicaid Services in order to achieve any required federal approval, a hospital's GME distribution shall be calculated based on data from the hospital's 2011 Medicaid cost report and shall be comprised of two components calculated as described below. The first component shall be defined as an amount equal to 75% of each facility's aggregate State Fiscal Year (SFY) 2013 GME distribution. The sum of these first components for all hospitals shall be totaled and subtracted from the full appropriated GME subsidy amount of $100,000,000 for SFY 2014, with the resulting amount representing the aggregate amount available for distribution as the second component. The aggregate amount of the second component will be split into a Direct Medical Education (DME) allocation, which is calculated by multiplying the second component amount by the ratio of 2011 total Medicaid managed care DME costs-to-2011 total Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the second component amount by the ratio of 2011 total Medicaid managed care IME costs-to-2011 Medicaid managed care GME costs. Each hospital's percentage of total 2011 Medicaid managed care DME costs will be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total 2011 Medicaid managed care IME costs will be multiplied by the IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equal its second component payment. The sum of the first and second components shall comprise the hospital's total SFY 2014 GME allocation, to be distributed in twelve monthly payments. The total amount

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

of these payments shall not exceed $100,000,000. In the event that a hospital reported less than twelve months of 2011 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. In the event that a hospital did not report its Medicaid managed care days on the cost report utilized in this calculation, the Department of Health (DOH) shall ascertain Medicaid Managed Care encounter days for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, 2011 and December 31, 2011; payment dates between January 1, 2011 and December 31, 2012; and a run-date of January 17, 2013. Medicaid managed care DME cost is defined as the approved intern and residency program costs multiplied by the quotient of Medicaid managed care days divided by the quantity of total days less nursery days. Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid Managed Care encounter payments for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, 2011 and December 31, 2011; payment dates between January 1, 2011 and December 31, 2012; and a run-date of January 17, 2013. The IME factor is calculated using the Medicare IME formula as follows: $1.35 * [(1 + x)^{0.405} -- 1]$, in which "x" is the quotient of submitted IME resident full-time equivalencies divided by the quantity of total available beds less nursery beds. In the event that a hospital believes that there are mathematical errors in the calculations, or data not matching the actual source documents used to calculate the subsidy as defined above, hospitals shall be permitted to file calculation appeals within 15 working days of receipt of the subsidy allocation letter. If upon review it is determined by the DOH that the error has occurred and would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide allocation shall be issued.

Explanation

The formula for allotting $100 million in Graduate Medical Education (GME) payments to teaching hospitals is significantly changed from the prior formula established in the FY 2012 Appropriations Act. (The FY 2013 Appropriations Act allotted each hospital the same subsidy it received in FY 2012.) More information on GME is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

The proposed formula begins by separating each hospital's FY 2013 subsidy into two components. The first component totals $67.5 million, or 75 percent of each hospital's FY 2013 subsidy, which is not modified by the formula. The second component totals $32.5 million, and is allotted based on updated and expanded criteria measuring direct and indirect medical education costs.

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

New Jersey Health Information Network

Addition

2013 Handbook: n/a
2014 Budget: p. D-158

In addition to the amount hereinabove appropriated for Health Care Systems Analysis, an amount not to exceed $1,000,000 is appropriated from amounts assessed and collected by the Department of Banking and Insurance pursuant to section 9 of P.L.2007, c.330 (C.17:1D-2), for the purpose of funding costs associated with the development and maintenance of the New Jersey Health Information Network, subject to a plan prepared by the Department of Health and approved by the Director of the Division of Budget and Accounting.

Explanation

This language provision would clarify that the $1.0 million normally provided to fund the New Jersey Health Information Technology Commission is intended to be used for the development and maintenance of the New Jersey Health Information Network. The language does not provide any additional funding that the commission has not received in previous years. P.L.2007, c.330 requires that the Department of Banking and Insurance fund the approved budget of the New Jersey Health Information Technology Commission, up to $1.0 million annually, from fines, sanctions, and civil penalties on insurance companies.

The NJ Health Information Network is intended to facilitate data exchanges among the regional Health Information Exchanges (HIEs) in the State, as well as with HIEs in other states and the Nationwide Health Information Network.

Distribution of Delivery System Reform Incentive Payments

Revision

2013 Handbook: p. B-80
2014 Budget: p. D-158

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for ~~Hospital Relief Offset Payments shall be distributed using the hospital specific allocation established and adjusted during the preceding fiscal year.~~ the Delivery System Reform Incentive Payments Program are conditioned upon the following: a hospital's payment shall be calculated and distributed as set forth in the final approved version of New Jersey's Delivery System Reform Incentive Payments funding and mechanics protocol filed on December 28, 2012 with the U.S. Department of Health and Human Services, Centers for Medicare and Medicaid Services, in connection with the New Jersey Comprehensive Medicaid 1115 Waiver, consistent with the Special Terms and Conditions of the approved Waiver, including but not limited to Section XIII, paragraphs 91 through 97 thereof.

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

Pursuant to the Comprehensive Medicaid Waiver, the Hospital Relief Subsidy Fund (HRSF) is to be replaced by the Delivery System Reform Incentive Payments (DSRIP) program in FY 2014. Combined State and federal funding are unchanged at $166.6 million. As of March 2013, the hospital-specific allotments of DSRIP funds are awaiting approval by the federal government, but available information indicates that they are likely to be similar or identical to the FY 2013 allotments from the HRSF. More information on these two programs is provided in the background paper "Direct Hospital Subsidies" beginning on page 18 of this analysis.

According to approval documents for the Comprehensive Waiver, upon approval of its individual Hospital DSRIP Plan, a hospital may receive up to half of its FY 2013 DSRIP payment, and the remainder of its payment will be based on its performance on metrics included in its Hospital DSRIP Plan.

Through FY 2012, the HRSF based its payments to hospitals on each hospital's provision of Medicaid services for behavioral health, substance abuse, pregnancy and childbirth, and newborn services. The hospital-specific allotments were frozen in FY 2013, while the State and the federal government deliberated details of the Comprehensive Medicaid Waiver.

EXPLANATION: FY 2013 language not recommended for FY 2014 denoted by strikethrough.
Recommended FY 2014 language that did not appear in FY 2013 denoted by underlining.

Background Paper: Direct Hospital Subsidies

Budget Pages.... D-155 to D-158; H-17

Language provisions in the Governor's FY 2014 Budget Recommendation would disburse a total of $941.6 million in direct subsidies to New Jersey's acute care hospitals. As used in this background paper, the term "direct subsidies" encompasses Charity Care, the new Delivery System Reform Incentive Payments (DSRIP) program, and Graduate Medical Education (GME), as well as two additional programs that the Governor recommends eliminating: the Hospital Relief Subsidy Fund and the Health Care Stabilization Fund. This paper does not discuss other categories of State funding to hospitals, such as payments for services to Medicaid enrollees or payments for contracted services.

Tables 1 and 2 at the end of this background paper (pages 23-24 and 25, respectively) provide the Charity Care and Graduate Medical Education subsidies each hospital is scheduled to receive in FY 2013 and would receive in FY 2014 under the Governor's proposal. As the DSRIP subsidies are not finalized as of this writing, no summary table is provided. Table 3, on pages 26-27, provides total proposed subsidies, under the assumption that the proposed distribution of DSRIP subsidies will be approved by the federal government.

Charity Care

Charity Care payments represent the largest component of direct State subsidies to acute care hospitals, totaling $675 million in FY 2014, the same amount as in FY 2013. The Charity Care program, established by P.L.1992, c.160 (C.26:2H-18.52 et al.), allows low-income patients without health insurance coverage to receive hospital care at zero or reduced cost, on a sliding scale depending on the patient's income. State law requires hospitals to provide and document this care, and the State partially compensates hospitals for this care. Budget language has regularly superseded the statutory formula at N.J.S.A.26:2H-18.59i.

The program does not pay hospitals set reimbursement rates for each treatment delivered, but the formula incorporates the amount of documented charity care provided by each hospital. Table 1 at the end of this background paper displays for each hospital the Governor's recommended FY 2014 Charity Care allocation and the actual FY 2013 distribution.

The appropriation draws on two funding sources: $541.4 million from the off-budget Health Care Subsidy Fund and $133.6 million in federal funds, both displayed on page H-17. (The remainder of the federal match for these State funds is used to supplement State spending in other health care programs.)

Proposed FY 2014 Formula: The proposed Charity Care formula to allot $675 million in Charity Care funds to hospitals is provided on page D-157 of the Governor's FY 2014 Budget. The formula's source data is the CY 2010 and 2011 documented charity care (DCC) provided by each hospital. The proposed formula begins by separating each hospital's FY 2013 subsidy into two pools equaling 80 percent and 20 percent of the FY 2013 subsidy. The 80 percent pool is not modified by the formula.[1] The 20 percent pool is modified as follows:

[1] This does not guarantee that a hospital will receive at least 80 percent of its FY 2013 subsidy. Shore Memorial Hospital would receive a reduction of approximately 27 percent less than it received in FY 2013 because of its significant decrease in documented charity care.

Background Paper: Direct Hospital Subsidies (Cont'd)

$$\text{Hospital's 20 percent pool} + \left(\text{Percent change in Hospital's DCC, 2010 to 2011} * \text{Hospital's proportion of all hospitals' 2011 DCC} * \$135{,}000{,}000 \right)$$

Each hospital's modified 20 percent pool is then prorated based on its percentage of total CY 2011 documented charity care to ensure that the total costs equal $675,000,000. The proration is modified so that a hospital that increased its documented charity care would receive an increase in its subsidy, and a hospital that decreased its documented charity care would receive a reduced subsidy. (The proposed language does not describe the formula for this modification, but its effect is minimal.)

The formula results in 29 hospitals receiving a greater subsidy than in FY 2013, and 36 receiving less. Among those whose subsidy would increase, the average increase would be approximately 11 percent, with Overlook Hospital receiving the largest proportional increase of 56.9 percent. Among those whose subsidy would decrease, the average decrease would be approximately five percent, with Shore Memorial Hospital receiving the largest proportional decrease of 27.0 percent. 10 hospitals' subsidies would increase by more than 10 percent, while four would decrease more than 10 percent.

Changes from FY 2013 Formula: The proposed FY 2014 formula is similar to the FY 2013 formula, provided on page B-79 of the FY 2013 Appropriations Handbook, but differs in three significant ways.

1. The source data is from one year later, and the prior year subsidies, which provide the largest component of each hospital's final subsidy, are from FY 2013.

2. Each hospital's "pool" of subsidy funds that is subject to modification is 20 percent of the prior year's subsidy, rather than 10 percent. This allows a change in documented charity care to have a larger impact on a hospital's final subsidy.

3. The FY 2013 formula set a 15 percent ceiling and a 40 percent floor on the amount of change in documented charity care that the formula would allow. That is, under the FY 2013 formula, if a hospital's uncompensated care increased more than 15 percent, the formula treated it as an increase of only 15 percent. Conversely, the formula treated an uncompensated care decrease of 50 percent or more as a decrease of 40 percent. The FY 2014 proposed language includes no analogous provision.

Delivery System Reform Incentive Program (DSRIP)

The second largest component of direct State subsidies to acute care hospitals is the Delivery System Reform Incentive Payments (DSRIP) program, totaling $166.6 million. Pursuant to the Comprehensive Medicaid Waiver, DSRIP replaces payments from the Hospital Relief Subsidy Fund (HRSF) in the FY 2014 budget, with the total amount of funding remaining unchanged from FY 2013. This new program is designed to provide an incentive for hospitals to improve their systems for delivery of care.

The DSRIP program requires each participating hospital to develop an Individual Hospital DSRIP Plan, which describes how the hospital will carry out a project that is designed to

Background Paper: Direct Hospital Subsidies (Cont'd)

improve the quality of care provided, the efficiency with which care is provided, or population health. The plan must choose a focus area from the list provided in the Comprehensive Waiver (or another focus area approved by the State and the federal government), and program activities must be drawn from a predetermined menu provided in the Waiver.

The proposed FY 2014 appropriation includes $62.6 million from the General Fund (page D-156), $30.6 million from the Health Care Subsidy Fund (page H-17), and $73.4 million in federal funds (page H-17). (The remainder of the federal match for these State funds is used to supplement State spending in other health care programs.)

Proposed FY 2014 Formula: Budget language on page D-158 of the Governor's FY 2014 Budget recommends that hospitals receive $166.6 million in DSRIP disbursements in FY 2014. Many of the details of the DSRIP program, including the hospital-specific allotments of DSRIP funds, still need to be approved by the federal government. However, available information indicates that each hospital's subsidy is likely to be similar or identical to its FY 2013 subsidy from the HRSF. According to approval documents for the Comprehensive Waiver, upon approval of its individual Hospital DSRIP Plan, a hospital may receive up to half of its FY 2013 DSRIP payments, and the remainder of its payment will be based on its performance on metrics included in its Hospital DSRIP Plan.

FY 2012/2013 HRSF Formula: The FY 2012 appropriations act established a new HRSF allocation formula (page B-98 of the FY 2012 Appropriations Handbook), which was to be phased in over four years. The FY 2013 budget discontinued the phase-in, and instead froze the allocations at the FY 2012 levels (page B-80 of the FY 2013 Appropriations Handbook). These budget provisions superseded the regulatory formula detailed at N.J.A.C.10:52-13.5. (There is no statutory HRSF formula.)

In general, HRSF payments have been based on the provision of Medicaid services for behavioral health, substance abuse, pregnancy and childbirth, and newborn services. Under the FY 2012 formula, after the phase-in period, the pool of HRSF funds would be distributed proportionally to eligible hospitals based on the Medicaid and NJ FamilyCare discharges and encounters for these diagnostic categories delivered at each hospital.

Graduate Medical Education

The third component of direct State subsidies to acute care hospitals is Graduate Medical Education (GME), totaling exactly $100 million in FY 2014. An element of the State's Medicaid program, GME provides teaching hospitals with funding for the training of future physicians. The State is responsible for establishing a formula to determine hospital-specific Medicaid GME allocations, which is subject to the approval of the federal government. Teaching hospitals also receive federal GME funding through other federal programs, the most important being Medicare, but these amounts do not flow through the State budget. Table 2 at the end of this background paper displays for each hospital the Governor's recommended FY 2014 GME allocation and the actual FY 2013 distribution.

The proposed FY 2014 GME appropriation draws on two funding sources: $50 million in State resources (page D-156) and $50 million in federal matching funds through the Medicaid program.

Background Paper: Direct Hospital Subsidies (Cont'd)

Proposed FY 2014 Formula: The Governor's FY 2014 Budget Recommendation proposes a formula for allotting $100 million in GME funding to teaching hospitals on page D-158. The formula's source data is each hospital's direct medical education (DME) costs and indirect medical education (IME) costs as reported in the 2011 Medicaid cost report. The proposed formula begins by separating each hospital's FY 2013 subsidy into two components. The first component totals $67.5 million, or 75 percent of each hospital's FY 2013 subsidy, which is not modified by the formula. The second component totals $32.5 million, which is first divided into a direct medical education (DME) and an indirect medical education (IME) component in proportion to the total Statewide costs in each category. Each hospital's individual allotment from the second component is then recalculated as follows:

$$\left(\begin{array}{c}\text{Hospital's proportion}\\ \text{of all hospitals' DME}\end{array} \times \begin{array}{c}\text{DME component}\\ \text{(all hospitals)}\end{array}\right) + \left(\begin{array}{c}\text{Hospital's proportion of}\\ \text{all hospitals' IME}\end{array} \times \begin{array}{c}\text{IME component}\\ \text{(all hospitals)}\end{array}\right)$$

The proposed language describes the methodology for calculating DME costs, based on intern and residency program costs and the proportion of the hospital's Medicaid days to total days, and IME costs, based on the Medicare IME factor (a formula used by the federal government in the Medicare GME program) and the proportion of the hospital's Medicaid days to total days.

The formula results in 31 of the 40 eligible hospitals receiving a greater subsidy than they received in FY 2013, and 9 receiving less. The greatest decrease, 10.3 percent, would be borne by Saint Michael's Medical Center. Nine hospitals would receive more than twice what they received in FY 2013, with the largest proportional increase going to South Jersey Healthcare Regional Medical Centers, which would see its subsidy increase from approximately $29,000 to over $292,000.

FY 2012/2013 Formula: The FY 2012 appropriations act established a new GME distribution formula (page B-98 of the FY 2012 Appropriations Handbook), which was to be phased in over four years. The FY 2013 Appropriations Act discontinued the phase-in, and instead froze the allocations at the FY 2012 levels (page B-80 of the FY 2013 Appropriations Handbook). These language provisions superseded the regulatory formula detailed at N.J.A.C.10:52-8.6. (There is no statutory GME formula.)

The proposed FY 2014 GME formula differs significantly from the FY 2012 formula. The most notable difference is the proposed formula's addition of a DME component, where the previous formula was based on IME costs only. They also differ in the methodology for calculating IME costs – the proposed formula relies on Medicaid managed care payments, whereas the FY 2012 formula based its calculations on fee-for-service payments. Finally, if the FY 2012 formula had been continued after the phase-in period, the entire pool of appropriated GME funds would have been recalculated each year; in contrast, the proposed formula only alters the distribution of $32.5 million of the $100 million in total GME funds.

Health Care Stabilization Fund

The Governor recommends eliminating the Health Care Stabilization Fund in FY 2014. Available information indicates that the federal government will discontinue its financial participation in the program, but no information has been provided regarding the federal government's rationale for this decision.

Background Paper: Direct Hospital Subsidies (Cont'd)

The Health Care Stabilization Fund was created pursuant to P.L.2008, c.33 (C.262H-18.74 et seq.), implementing a key recommendation of the New Jersey Commission on Rationalizing Health Care Resources. The fund provides emergency grants to hospitals and other licensed health care providers to ensure access and availability of health care services in communities served by a hospital or health care provider facing closure or a significant reduction in services due to financial distress. Grants are awarded on a competitive basis, not according to a formula. As a condition of receiving a grant from the fund, hospitals are required to meet several general and hospital-specific conditions imposed by the Department of Health related to the financial stability of the hospital.

The FY 2013 appropriation of $30 million includes $15 million in State funds from the Health Care Subsidy Fund, and $15 million in federal funds. As of March 2013, the FY 2013 stabilization grants have not been awarded.

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 1: Charity Care Subsidies

Hospital Name	Final FY 2013 Subsidy	Proposed FY 2014 Subsidy	Change ($)	Change (%)
AtlantiCare Regional Medical Center	$24,607,649	$24,942,363	$334,715	1.4%
Bayonne Medical Center	$3,101,448	$3,025,229	($76,219)	-2.5%
Bayshore Community Hospital	$385,453	$363,085	($22,368)	-5.8%
Bergen Regional Medical Center	$37,359,579	$36,954,334	($405,245)	-1.1%
Cape Regional Medical Center	$1,061,602	$1,040,023	($21,579)	-2.0%
Capital Health Medical Center - Hopewell	$7,812,272	$7,887,533	$75,261	1.0%
Capital Health Regional Medical Center	$20,992,544	$21,648,560	$656,016	3.1%
CentraState Medical Center	$2,244,170	$2,239,951	($4,219)	-0.2%
Chilton Hospital	$625,476	$527,485	($97,991)	-15.7%
Christ Hospital	$12,652,044	$12,735,493	$83,449	0.7%
Clara Maass Medical Center	$4,404,856	$4,332,124	($72,732)	-1.7%
Community Medical Center	$2,809,376	$2,681,321	($128,054)	-4.6%
Cooper Hospital/University MC	$35,805,531	$36,173,997	$368,465	1.0%
Deborah Heart and Lung Center	$6,863,314	$6,949,749	$86,435	1.3%
East Orange General Hospital	$11,224,759	$11,081,397	($143,362)	-1.3%
Englewood Hospital and Medical Center	$1,352,977	$1,894,002	$541,025	40.0%
Hackensack University MC - Mountainside	$1,079,515	$1,004,192	($75,323)	-7.0%
Hackensack University Medical Center	$8,971,164	$9,335,248	$364,084	4.1%
Hackettstown Regional Medical Center	$312,219	$339,058	$26,840	8.6%
Hoboken University Medical Center	$15,634,426	$15,490,725	($143,701)	-0.9%
Holy Name Medical Center	$952,064	$1,224,939	$272,875	28.7%
Hunterdon Medical Center	$1,639,528	$1,517,889	($121,639)	-7.4%
Jersey City Medical Center	$49,049,719	$49,740,035	$690,316	1.4%
Jersey Shore University Medical Center	$5,390,588	$4,662,204	($728,384)	-13.5%
JFK Medical Center/A M Yelencsics	$4,324,729	$4,272,220	($52,509)	-1.2%
Kennedy Health System	$10,447,735	$10,429,625	($18,110)	-0.2%
Kimball Medical Center	$10,247,917	$10,132,382	($115,535)	-1.1%
Lourdes Medical Center of Burlington Cty.	$2,706,306	$2,692,935	($13,371)	-0.5%
Meadowlands Hospital Medical Center	$729,015	$678,851	($50,164)	-6.9%
Memorial Hospital of Salem County	$481,147	$491,814	$10,667	2.2%
Monmouth Medical Center	$8,568,738	$8,568,435	($303)	0.0%
Morristown Memorial Hospital	$2,524,861	$3,086,220	$561,360	22.2%
Newark Beth Israel Medical Center	$34,830,702	$34,961,505	$130,803	0.4%
Newton Medical Center	$1,016,081	$916,199	($99,882)	-9.8%
Ocean Medical Center	$1,105,339	$1,210,833	$105,493	9.5%
Our Lady of Lourdes Medical Center	$3,153,616	$3,173,302	$19,686	0.6%
Overlook Medical Center	$1,289,675	$2,023,978	$734,302	56.9%
Palisades Medical Center	$6,983,977	$7,173,165	$189,189	2.7%
Raritan Bay Medical Center	$11,645,091	$12,036,898	$391,806	3.4%
Riverview Medical Center	$2,441,196	$2,579,200	$138,004	5.7%
Robert Wood Johnson University Hospital	$8,529,982	$8,426,545	($103,437)	-1.2%
RWJ University Hospital - Hamilton	$564,231	$563,634	($597)	-0.1%
RWJ University Hospital - Rahway	$1,803,904	$1,693,898	($110,006)	-6.1%
Shore Memorial Hospital	$1,009,163	$736,669	($272,494)	-27.0%

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	Final FY 2013 Subsidy	Proposed FY 2014 Subsidy	Change ($)	Change (%)
Somerset Medical Center	$3,225,051	$3,110,009	($115,042)	-3.6%
South Jersey Healthcare - Elmer Hospital	$322,397	$275,767	($46,630)	-14.5%
South Jersey Healthcare Regional MC	$2,543,522	$2,309,228	($234,295)	-9.2%
Southern Ocean Medical Center	$422,301	$581,220	$158,920	37.6%
St. Barnabas Medical Center	$1,124,950	$1,038,475	($86,474)	-7.7%
St. Clare's Denville / Dover	$11,189,181	$10,878,772	($310,409)	-2.8%
St. Clare's Hospital - Sussex	$387,176	$365,004	($22,172)	-5.7%
St. Francis Medical Center	$14,479,678	$13,837,792	($641,887)	-4.4%
St. Joseph's Regional Medical Center	$73,878,049	$72,715,739	($1,162,310)	-1.6%
St. Joseph's Wayne Hospital	$355,334	$407,502	$52,167	14.7%
St. Luke's Warren Hospital	$1,131,973	$1,261,835	$129,863	11.5%
St. Mary's Hospital - Passaic	$10,857,284	$10,479,328	($377,956)	-3.5%
St. Michael's Medical Center	$25,992,779	$25,975,492	($17,287)	-0.1%
St. Peter's University Hospital	$5,894,092	$5,927,869	$33,778	0.6%
Trinitas Regional Medical Center	$43,903,861	$44,443,139	$539,277	1.2%
Underwood Memorial Hospital	$1,731,244	$1,663,851	($67,393)	-3.9%
University Hospital - UMDNJ	$100,664,935	$99,003,226	($1,661,709)	-1.7%
University MC of Princeton - Plainsboro	$1,102,642	$1,325,789	$223,147	20.2%
Valley Hospital	$664,514	$863,734	$199,220	30.0%
Virtua - West Jersey Health	$2,378,181	$2,821,692	$443,512	18.6%
Virtua-Mem. Hospital of Burlington County	$2,015,177	$2,075,292	$60,115	3.0%
Total	$675,000,000	$675,000,000	$0	0.0%

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 2: Graduate Medical Education Subsidies

Hospital Name	Final FY 2013 Subsidy	Proposed FY 2014 Subsidy	Change ($)	Change (%)
AtlantiCare Regional Medical Center	$1,621,741	$1,523,442	($98,299)	-6.1%
Bergen Regional Medical Center	$371,097	$358,733	($12,364)	-3.3%
Capital Health Medical Center - Hopewell	$75,611	$83,519	$7,908	10.5%
Capital Health Regional Medical Center	$950,143	$1,064,750	$114,607	12.1%
CentraState Medical Center	$144,019	$162,415	$18,396	12.8%
Christ Hospital	$340,484	$360,452	$19,968	5.9%
Cooper Hospital/University MC	$9,709,459	$11,220,974	$1,511,515	15.6%
Deborah Heart and Lung Center	$96,411	$161,507	$65,096	67.5%
Englewood Hospital and Medical Center	$156,577	$275,236	$118,659	75.8%
Hackensack University MC - Mountainside	$127,025	$321,431	$194,406	153.0%
Hackensack University Medical Center	$3,116,569	$3,966,607	$850,038	27.3%
Hoboken University Medical Center	$494,640	$651,656	$157,016	31.7%
Hunterdon Medical Center	$31,371	$72,748	$41,377	131.9%
Jersey City Medical Center	$3,880,519	$4,134,362	$253,843	6.5%
Jersey Shore University Medical Center	$2,548,996	$3,192,175	$643,179	25.2%
JFK Medical Center/A M Yelencsics	$102,956	$239,559	$136,603	132.7%
Kennedy Health System	$4,381,288	$4,088,929	($292,359)	-6.7%
Lourdes Medical Center of Burlington Cty.	$124,324	$139,297	$14,973	12.0%
Monmouth Medical Center	$3,308,226	$4,403,962	$1,095,736	33.1%
Morristown Memorial Hospital	$661,797	$939,436	$277,639	42.0%
Newark Beth Israel Medical Center	$11,963,675	$14,029,714	$2,066,039	17.3%
Our Lady of Lourdes Medical Center	$1,048,975	$1,094,051	$45,076	4.3%
Overlook Medical Center	$178,807	$288,983	$110,176	61.6%
Raritan Bay Medical Center	$627,785	$620,304	($7,481)	-1.2%
Robert Wood Johnson University Hospital	$10,592,929	$10,052,291	($540,638)	-5.1%
Somerset Medical Center	$71,563	$93,793	$22,230	31.1%
South Jersey Healthcare Regional MC	$29,135	$292,518	$263,383	904.0%
St. Barnabas Medical Center	$471,846	$1,405,819	$933,973	197.9%
St. Francis Medical Center	$382,740	$357,773	($24,967)	-6.5%
St. Joseph's Regional Medical Center	$9,225,481	$9,486,174	$260,693	2.8%
St. Luke's Warren Hospital	$38,901	$134,590	$95,689	246.0%
St. Mary's Hospital - Passaic	$3,125	$12,434	$9,309	297.9%
St. Michael's Medical Center	$2,910,372	$2,610,167	($300,205)	-10.3%
St. Peter's University Hospital	$2,669,652	$3,020,961	$351,309	13.2%
Trinitas Regional Medical Center	$2,187,794	$2,004,797	($182,997)	-8.4%
Underwood Memorial Hospital	$56,805	$120,892	$64,087	112.8%
University Hospital - UMDNJ	$14,804,084	$16,371,108	$1,567,024	10.6%
University MC of Princeton - Plainsboro	$337,888	$309,469	($28,419)	-8.4%
Virtua - West Jersey Health	$109,959	$202,255	$92,296	83.9%
Virtua-Mem. Hospital of Burlington County	$45,231	$130,717	$85,486	189.0%
Total	$90,000,000	$100,000,000	$10,000,000	11.1%

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 3. Components of Proposed FY 2014 Subsidies

Hospital Name	Proposed Charity Care	Proposed GME	Proposed DSRIP[2]	FY 2014 Total
AtlantiCare Regional Medical Center	$24,942,363	$1,523,442	$6,774,092	$33,239,898
Bayonne Medical Center	$3,025,229		$9,749	$3,034,979
Bayshore Community Hospital	$363,085		$22,578	$385,663
Bergen Regional Medical Center	$36,954,334	$358,733	$14,253,027	$51,566,094
Cape Regional Medical Center	$1,040,023		$311,467	$1,351,489
Capital Health Medical Center - Hopewell	$7,887,533	$83,519	$1,926,721	$9,897,772
Capital Health Regional Medical Center	$21,648,560	$1,064,750	$3,587,212	$26,300,522
CentraState Medical Center	$2,239,951	$162,415	$432,051	$2,834,417
Chilton Hospital	$527,485		$121,098	$648,582
Christ Hospital	$12,735,493	$360,452	$2,236,151	$15,332,096
Clara Maass Medical Center	$4,332,124		$2,795,489	$7,127,612
Community Medical Center	$2,681,321		$459,247	$3,140,568
Cooper Hospital/University MC	$36,173,997	$11,220,974	$6,211,886	$53,606,856
Deborah Heart and Lung Center	$6,949,749	$161,507	$513	$7,111,769
East Orange General Hospital	$11,081,397		$2,727,185	$13,808,583
Englewood Hospital and Medical Center	$1,894,002	$275,236	$410,500	$2,579,738
Hackensack University MC - Mountainside	$1,004,192	$321,431	$281,193	$1,606,816
Hackensack University Medical Center	$9,335,248	$3,966,607	$1,501,404	$14,803,259
Hackettstown Regional Medical Center	$339,058		$162,661	$501,719
Hoboken University Medical Center	$15,490,725	$651,656	$1,069,168	$17,211,548
Holy Name Medical Center	$1,224,939		$281,706	$1,506,645
Hunterdon Medical Center	$1,517,889	$72,748	$119,558	$1,710,195
Jersey City Medical Center	$49,740,035	$4,134,362	$7,707,571	$61,581,968
Jersey Shore University Medical Center	$4,662,204	$3,192,175	$3,581,469	$11,435,848
JFK Medical Center/A M Yelencsics	$4,272,220	$239,559	$414,092	$4,925,871
Kennedy Health System	$10,429,625	$4,088,929	$6,496,326	$21,014,880
Kimball Medical Center	$10,132,382		$5,042,512	$15,174,894
Lourdes Medical Center of Burlington Cty.	$2,692,935	$139,297	$2,077,619	$4,909,851
Meadowlands Hospital Medical Center	$678,851		$239,116	$917,967
Memorial Hospital of Salem County	$491,814		$179,081	$670,895
Monmouth Medical Center	$8,568,435	$4,403,962	$7,754,659	$20,727,056
Morristown Memorial Hospital	$3,086,220	$939,436	$458,221	$4,483,877
Newark Beth Israel Medical Center	$34,961,505	$14,029,714	$12,517,512	$61,508,731
Newton Medical Center	$916,199		$165,226	$1,081,425
Ocean Medical Center	$1,210,833		$297,613	$1,508,445
Our Lady of Lourdes Medical Center	$3,173,302	$1,094,051	$2,464,490	$6,731,843
Overlook Medical Center	$2,023,978	$288,983	$268,364	$2,581,325
Palisades Medical Center	$7,173,165		$910,797	$8,083,962
Raritan Bay Medical Center	$12,036,898	$620,304	$2,480,372	$15,137,573
Riverview Medical Center	$2,579,200		$339,689	$2,918,889
Robert Wood Johnson University Hospital	$8,426,545	$10,052,291	$3,984,747	$22,463,583
RWJ University Hospital - Hamilton	$563,634		$209,355	$772,989

[2] Assumes that FY 2014 DSRIP subsidies will be identical to FY 2013 HRSF subsidies. The federal government has not yet approved the proposed distribution methodology, and may require a different distribution.

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	Proposed Charity Care	Proposed GME	Proposed DSRIP[3]	FY 2014 Total
RWJ University Hospital - Rahway	$1,693,898		$1,539	$1,695,437
Shore Memorial Hospital	$736,669		$346,873	$1,083,542
Somerset Medical Center	$3,110,009	$93,793	$316,085	$3,519,887
South Jersey Healthcare - Elmer Hospital	$275,767		$63,114	$338,881
South Jersey Healthcare Regional MC	$2,309,228	$292,518	$4,414,061	$7,015,807
Southern Ocean Medical Center	$581,220		$131,873	$713,093
St. Barnabas Medical Center	$1,038,475	$1,405,819	$468,996	$2,913,290
St. Clare's Denville / Dover	$10,878,772		$5,612,148	$16,490,920
St. Clare's Hospital - Sussex	$365,004		$9,749	$374,754
St. Francis Medical Center	$13,837,792	$357,773	$1,269,342	$15,464,907
St. Joseph's Regional Medical Center	$72,715,739	$9,486,174	$10,861,247	$93,063,160
St. Joseph's Wayne Hospital	$407,502		$1,026	$408,528
St. Luke's Warren Hospital	$1,261,835	$134,590	$24,117	$1,420,542
St. Mary's Hospital - Passaic	$10,479,328	$12,434	$2,335,990	$12,827,752
St. Michael's Medical Center	$25,975,492	$2,610,167	$6,732,509	$35,318,168
St. Peter's University Hospital	$5,927,869	$3,020,961	$4,598,668	$13,547,498
Trinitas Regional Medical Center	$44,443,139	$2,004,797	$9,559,967	$56,007,903
Underwood Memorial Hospital	$1,663,851	$120,892	$774,333	$2,559,076
University Hospital - UMDNJ	$99,003,226	$16,371,108	$13,715,183	$129,089,517
University MC of Princeton - Plainsboro	$1,325,789	$309,469	$303,257	$1,938,515
Valley Hospital	$863,734		$154,964	$1,018,697
Virtua - West Jersey Health	$2,821,692	$202,255	$900,534	$3,924,482
Virtua-Mem. Hospital of Burlington County	$2,075,292	$130,717	$720,941	$2,926,950
Total	$675,000,000	$100,000,000	$166,600,000	$941,600,000

[3] Assumes that FY 2014 DSRIP subsidies will be identical to FY 2013 HRSF subsidies. The federal government has not yet approved the proposed distribution methodology, and may require a different distribution.

Background Paper: University Hospital

Budget Pages.... D-313 to D-315, F-7 to F-8

Background

Pursuant to the "New Jersey Medical and Health Sciences Education Restructuring Act," P.L.2012, c.45, the University of Medicine and Dentistry of New Jersey (UMDNJ) will cease to exist as a legal entity on July 1, 2013, with most of its constituent parts transferred to Rutgers University or Rowan University. University Hospital is to become a separate non-profit legal entity and an instrumentality of the State, though it is to retain its affiliation with UMDNJ's Newark based medical education programs as their primary teaching hospital.

While the restructuring act does not allocate University Hospital to a principal department of State government, most responsibilities related to the continuity of its operations are assigned to the Department of Health. Specifically, University Hospital must obtain approval from the Department of Health to: enter into a transaction that results in the acquisition of the hospital (which also requires approval of the Superior Court); enter into a contract for the operation and management of the hospital (which must also be reviewed by the University Hospital Community Oversight Board), or make any substantive changes to essential health care services within a five-year period (which must also be reviewed by the University Hospital Community Oversight Board). On March 8 UMDNJ issued a Request for Proposals for a private manager to assist in the operation and management of University Hospital.

In the past, UMDNJ has allowed University Hospital to borrow millions of dollars in order to manage its chronic financial difficulties, but the restructuring act leaves all of UMDNJ's debts associated with University Hospital to the hospital, and prohibits any future commingling of assets, liabilities, or funds with Rutgers. The law requires that the State, to the maximum extent possible, consistent with applicable law, assist University Hospital in the refinancing of this debt. According to responses to questions regarding two requests for proposals for financial advisory services and investment banking services, provided by the New Jersey Health Care Facilities Financing Authority on March 11, 2013, approximately $110 million of UMDNJ's debt is attributable to University Hospital. Information provided informally by UMDNJ adds to this approximately $120 to $150 million owed by the hospital directly to UMDNJ, which will need to be restructured as the hospital is separated from the university.

According to UMDNJ's FY 2012 continuing disclosure report (dated July 2012), University Hospital is expected to achieve a slight operational surplus over the FY 2010 to FY 2013 period. (However, more recent information provided by UMDNJ suggests that the hospital is likely to run a deficit of approximately $20 million in FY 2013.) The table below displays the hospital's operating revenues and expenses, as presented in the continuing disclosure report.

Background Paper: University Hospital (Cont'd)

Table 1. University Hospital Condensed Statement of Revenues and Expenses ($000)

	FY 2010	FY 2011	FY 2012	Budget FY 2013
Operating Revenues				
Net Patient Service	$343,146	$342,353	$356,103	$353,205
Subsidies – Charity Care	92,043	99,298	101,012	100,665
Subsidies – Other	15,696	19,767	15,433	15,522
State Appropriations	25,750	680	680	680
Other Income	5,152	5,067	4,995	11,608
Total Operating Revenues	481,787	467,165	478,223	481,680
Operating Expenses	(481,531)	(469,585)	(473,894)	(481,680)
Net Surplus (Loss)	256	(2,420)	4,329	0

State Obligations

Under the restructuring act, in addition to helping to restructure its debt, the State must provide sufficient funding to University Hospital to maintain the level of community services provided on the effective date of the act (July 1, 2013) and to maintain University Hospital as an acute care facility and trauma center. A May 2012 statement by the UMDNJ Board of Trustees indicated that University Hospital would need $25 million in additional State funding each year, for the next five years, for critical capital needs and in order to maintain the hospital's safety net role. Informal information provided more recently by UMDNJ has revised this estimate upward, indicating that the hospital may require $30 to $50 million in additional State funding in FY 2014. This is in addition to the State funding normally provided to the hospital for contracted health care services, Charity Care, and other programs.

The Governor's 2014 Budget Recommendation does not include any appropriations specifically intended for University Hospital. Instead, it continues appropriations to UMDNJ through the Department of State (pages D-313 to D-315), and adds two new general language provisions (page F-7). General provision 57 would allow the funds appropriated to UMDNJ to be allocated and distributed to Rutgers University, Rowan University, and University Hospital, as determined by the State Treasurer's Transition Committee. General provision 58 would appropriate additional sums as necessary to maintain the core operating functions of University Hospital. No information is available as to how the recommended appropriation for UMDNJ of approximately $160.6 million is to be divided among its successors, or whether an additional appropriation for University Hospital is expected to be necessary.

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