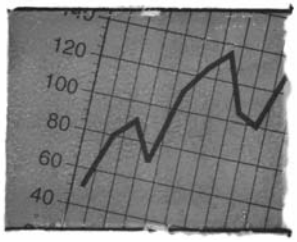


ANALYSIS OF THE NEW JERSEY BUDGET

# DEPARTMENT OF HEALTH

FISCAL YEAR 2015 - 2016

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2015

# 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 Robin C. Ford, with additional contributions by David Drescher.

Questions or comments may be directed to the OLS Human Services Section (609-847-3860) or the Legislative Budget and Finance Office (609-847-3105).

# DEPARTMENT OF HEALTH

Budget Pages..... C-5, C-11 to C-12, C-18 to C-19, C-23, C-25, C-26, D-141 to D-157, F-8, F-9, G-3, H-15, H-16

**Fiscal Summary ($000)**

| | Expended FY 2014 | Adjusted Appropriation FY 2015 | Recommended FY 2016 | Percent Change 2015-16 |
|---|---|---|---|---|
| State Budgeted | $379,068 | $368,990 | $395,575 | 7.2% |
| Federal Funds | $626,073 | $704,778 | $623,335 | ( 11.6%) |
| Other | $786,015 | $775,641 | $728,541 | ( 6.1%) |
| Grand Total | $1,791,156 | $1,849,409 | $1,747,451 | ( 5.5%) |

Other includes Revolving Funds displayed on page C-26 of the recommended budget.

**Personnel Summary - Positions By Funding Source**

| | Actual FY 2014 | Revised FY 2015 | Funded FY 2016 | Percent Change 2015-16 |
|---|---|---|---|---|
| State | 341 | 359 | 368 | 2.5% |
| Federal | 488 | 455 | 469 | 3.1% |
| Other | 316 | 321 | 325 | 1.2% |
| Total Positions | 1,145 | 1,135 | 1,162 | 2.4% |

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

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

## Highlights (Cont'd)

- The Governor's FY 2016 Budget Recommendation provides a total of $1.747 billion for the Department of Health, a decrease of 5.5 percent from the total FY 2015 appropriation. This change incorporates a 7.2 percent increase in State funding, an 11.6 percent decrease in federal funding, and a 6.1 percent decrease in "All Other" funds.

- The Budget Recommendation includes $502 million for Charity Care, $148 million less than FY 2015. The decrease reflects reductions of $100 million in federal funding and $48 million in State funding. The budget also revises the statutory formula for distributing Charity Care funding to hospitals. The proposed formula uses two data sources that have not yet been audited by the department and are not publicly available to determine the amount of funding each hospital will receive.

- The Governor's FY 2016 Budget Recommendation includes language (page D-155) allocating $166.6 million to hospitals participating in the New Jersey's Delivery System Reform Incentive Payments Program (DSRIP). This is consistent with the funding provided for this program in FY 2015. DSRIP is a component of the Comprehensive Medicaid Waiver and provides subsidies to participating hospitals that carry out approved projects designed to improve the quality of care, the efficiency with which care is provided, or population health. According to data published by the DOH, of 64 eligible hospitals and systems, 51 are currently participating.

- Recommended State and federal funding to hospitals for Graduate Medical Education is increased by $27.3 million, to a total of $127.3 million ($42.0 million State and $85.3 million federal) in FY 2016. According to the Executive, the additional funding is the result of an increase in the federal match, from 50 percent to 67 percent, under the Affordable Care Act.

- Recommended funding from the Health Care Subsidy Fund (page H-16) for Federally Qualified Health Centers (FQHCs) is $32.3 million, a decrease from the $40 million included in the FY 2015 Appropriations Act, but an increase from the $31.5 million in anticipated spending in FY 2015. According to the department, the reduction in funding for FQHCs is related to the decreasing number of uninsured patients seeking care at FQHCs as a result of the Affordable Care Act. Additionally, the Executive anticipates lapsing $13.5 million ($4.8 million from prior fiscal years and $8.7 million from FY 2015) from the Health Care Subsidy Fund to the General Fund due to the declining number of uninsured patients receiving care at FQHCs.

- A total of $2.275 million in funding included in the FY 2015 Appropriations Act pursuant to Legislative budget resolutions is not continued in the FY 2016 Budget Recommendation as follows: $1 million for the New Jersey State Commission on Cancer Research; $750,000 for the Statewide Trauma Registry; $250,000 for the New Jersey Center for Tourettes Syndrome and Associated Disorders, Inc.; $25,000 for the Adler Aphasia Center; and, $250,000 for the Hackensack University Medical Center Mobile Satellite Emergency Department.

## Highlights (Cont'd)

- The Governor's FY 2016 Budget Recommendation includes an increase of $15.99 million for the Hospital Asset Transformation Program. These funds are intended to be used for debt obligations of hospitals which are in the program and are in the process of closure or sale to a third party entity.

**Background Paper**

# Fiscal and Personnel Summary

**AGENCY FUNDING BY SOURCE OF FUNDS ($000)**

| | Expended FY 2014 | Adj. Approp. FY 2015 | Recom. FY 2016 | Percent Change 2014-16 | Percent Change 2015-16 |
|---|---|---|---|---|---|
| **General Fund** | | | | | |
| Direct State Services | $58,766 | $47,444 | $44,401 | ( 24.4%) | ( 6.4%) |
| Grants-In-Aid | 319,774 | 321,017 | 350,645 | 9.7% | 9.2% |
| 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** | **$378,540** | **$368,461** | **$395,046** | **4.4%** | **7.2%** |
| **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** | **$379,068** | **$368,990** | **$395,575** | **4.4%** | **7.2%** |
| **Federal Funds** | $626,073 | $704,778 | $623,335 | ( 0.4%) | ( 11.6%) |
| **Other Funds** | $786,015 | $775,641 | $728,541 | ( 7.3%) | ( 6.1%) |
| **Grand Total** | **$1,791,156** | **$1,849,409** | **$1,747,451** | **( 2.4%)** | **( 5.5%)** |

**PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE**

| | Actual FY 2014 | Revised FY 2015 | Funded FY 2016 | Percent Change 2014-16 | Percent Change 2015-16 |
|---|---|---|---|---|---|
| State | 341 | 359 | 368 | 7.9% | 2.5% |
| Federal | 488 | 455 | 469 | ( 3.9%) | 3.1% |
| All Other | 316 | 321 | 325 | 2.8% | 1.2% |
| **Total Positions** | **1,145** | **1,135** | **1,162** | **1.5%** | **2.4%** |

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| | | **State Revenues** | | | |
| **ANTICIPATED STATE REVENUES** | | | | | |
| **Federal Funds – Graduate Medical Education** | **$22,992** | **$17,000** | **($5,992)** | **( 26.1%)** | **C-5** |

This revenue item, which appears for the first time in the Governor's FY 2016 Budget Recommendation, represents federal funding expected from an enhanced federal Medicaid matching rate on Graduate Medical Education (GME) expenditures. Previously, State GME appropriations received a 50 percent federal match; however, due to enhanced federal funding for Medicaid enrollees under the Affordable Care Act, the State now expects to receive a matching rate of 67 percent. Unlike most other federal funds, these new revenues are classified as State revenue and thus support State appropriations rather than supplement them.

Budget language authorizes a total of $127.3 million for GME in FY 2016, an increase of $27.3 million above the FY 2015 authorization of $100 million. These amounts are displayed in the budget as follows: $59 million on page D-153, which is represented as State Grants-In-Aid funding but, due to the inclusion noted above of the enhanced federal revenues, is actually $42 million in State funds and $17 million in federal funds; and $68.3 million in federal funding, which is contained in the Health Care Systems Analysis account displayed on page D-154. Therefore, total funding of $127.3 million is supported by $42 million in State revenues plus $85.3 million in federal revenues.

The OLS notes that the inclusion in anticipated State revenues of an additional $23.0 million in FY 2015 from the enhanced federal GME match has the same effect of changing the mix of state and federal funding for FY 2015 GME. Rather than the $100 million of GME spending consisting of 50 percent each of State and federal funds, the funding mix is now projected to be about 73 percent federal funds and 27 percent State funds.

GME pays hospitals under two related systems: direct GME, which makes payments to hospitals to cover the costs directly related to educating residents; and indirect GME, which represents payments to teaching hospitals intended to account for the higher costs of providing specialized care to highly complex patients. In FY 2016, 42 hospitals will receive GME funding.

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| | | **Health Services** | | | |
| **DIRECT STATE SERVICES** | | | | | |
| **New Jersey State Commission on Cancer Research** | **$1,000** | **$0** | **($1,000)** | **( 100.0%)** | **D-147** |

The Governor's FY 2016 Budget Recommendation eliminates $1 million in funding for the New Jersey State Commission on Cancer Research which was included in the FY 2015 Appropriations Act pursuant to a Legislative budget resolution.

Historically, the commission had been appropriated $1 million each year, in accordance with N.J.S.A.54:40A-37.1. Beginning in FY 2011, the commission's appropriation has been inconsistent from year to year. (Final appropriations were $94,000 in FY 2011; $0 in FY 2012, $1 million in FY 2013; $0 in FY 2014; and $1 million in FY 2015).

The commission was established in 1983, pursuant to the Cancer Research Act of 1983, P.L.1983, c.6, to promote significant and original research in New Jersey into the causes, prevention, treatment and palliation of cancer and to serve as a resource to providers and consumers of cancer services. The Cancer Research Act increased the tobacco tax to create an ongoing source of funds to support the high human and economic costs of cancer. Additional funds come from taxpayer donations on the State income tax return (Breast Cancer Research Fund, Prostate Cancer Research Fund, and Lung Cancer Research Fund), proceeds from sales of the Conquer Cancer License Plate, and from private donations. The NJCCR administers these funds and supports research projects through a competitive process for scientists across the State at a variety of universities, research centers, and other settings. According to the website, the commission has not issued an annual report since 2008.

| | | | | | |
|---|---|---|---|---|---|
| **Statewide Trauma Registry** | **$750** | **$0** | **($ 750)** | **( 100.0%)** | **D-147** |

The Governor's FY 2016 Budget Recommendation eliminates the $750,000 appropriation for the Statewide Trauma Registry. These funds were included in the FY 2015 Appropriations Act pursuant to a Legislative budget resolution and were intended to establish a Statewide registry of hospitalizations for traumatic injury, allowing for implementation of P.L.2013, c.223.

P.L.2013, c. 223 was intended to establish a Statewide "trauma system that defines the roles of all health care facilities in the State, taking into account their resources and capabilities, allowing for the provision of care to injured patients in the State along the continuum of care." The Department of Health is the lead agency for this initiative and was directed to "appoint a State Trauma Medical Director to oversee the planning, development, ongoing maintenance, and enhancement of the formal State trauma system." As of March 2015, it does not appear that

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

the department has appointed a director, nor have any of the funds in the account established for the Trauma System been appropriated or encumbered.

| | | | | | |
|---|---|---|---|---|---|
| **Additions, Improvements and Equipment** | **$1,571** | **$278** | **($1,293)** | **( 82.3%)** | **D-148** |

The Governor's FY 2016 Budget Recommendation reduces the amount available for the public health laboratory's line of credit for laboratory equipment and other capital purchases by $1.239 million (82.3 percent). The department has indicated that the line of credit is determined by the Department of the Treasury and is adjusted pursuant to anticipated need each year.

**GRANTS-IN-AID**

| | | | | | |
|---|---|---|---|---|---|
| **Maternal, Child and Chronic Health Services** | **$26,756** | **$28,505** | **$ 1,749** | **6.5%** | **D-148** |

The Governor's FY 2016 Budget Recommendation includes a $1.749 million increase for Maternal, Child and Chronic Health Services. This increase is fully offset by a decrease in federal revenues due to a Statewide reallocation of the federal Social Services Block Grant funding, which is being undertaken for accounting efficiencies and to simplify federal oversight. According to the department, all funding levels for all Maternal, Child and Chronic Health services will be continued in FY 2016.

Maternal, Child and Chronic Health Services funds a variety of programs which are intended to promote and protect the health of New Jersey residents, including primary and preventive care services to infants, toddlers, children, adolescents and expectant mothers. Some of these programs include: screening newborn infants for genetic, metabolic, endocrine and other disorders or disease; Tourette Syndrome, SIDS Assistance, Family Planning, Childhood lead screening and follow-up services and certain cancer screening detection education programs.

| | | | | | |
|---|---|---|---|---|---|
| **Early Childhood Intervention Program** | **$91,103** | **$94,517** | **$ 3,414** | **3.7%** | **D-148** |

The Governor's FY 2016 Budget Recommendation includes a $3.414 million increase in funding for the Early Childhood Intervention Program. According to the department, this increase is reflective of a growth in the use of these services and the numbers of children being followed and enrolled in early intervention. Budget data indicates that the department anticipated 614 more infants in early intervention and 510 more infants being followed for

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| possible future needs. It is noted that the FY 2015 adjusted appropriation of $91.103 million includes a requested supplemental appropriation of $5.130 million. | | | | | |
| **New Jersey Center for Tourettes Syndrome and Associated Disorders, Inc.** | **$250** | **$0** | **($ 250)** | **( 100.0%)** | **D-148** |

The Governor's FY 2016 Budget Recommendation eliminates a $250,000 appropriation for the New Jersey Center for Tourette Syndrome and Associated Disorders, Inc. which was included in the FY 2015 Appropriations Act pursuant to a Legislative budget resolution. The Center is a not-for-profit advocacy organization which educates the public, medical professionals, and teachers about Tourette disorder through programs and affiliations with public schools, health centers, and universities. It is noted that the Budget Recommendation includes $400,000 for the Tourette Syndrome grant program, embedded within the "Maternal, Child and Chronic Health Services" line item on page D-148.

| | | | | | |
|---|---|---|---|---|---|
| **Adler Aphasia Center** | **$25** | **$0** | **($ 25)** | **( 100.0%)** | **D-148** |

The Governor's FY 2016 Budget Recommendation eliminates a $25,000 appropriation for the Adler Aphasia Center which was included in the FY 2015 Appropriations Act pursuant to a Legislative budget resolution. The Center is a not-for-profit organization which conducts research, outreach, and education for people with aphasia, their family members/caregivers, and professionals in the field.

**FEDERAL FUNDS**

| | | | | | |
|---|---|---|---|---|---|
| **Vital Statistics** | **$1,100** | **$1,498** | **$ 398** | **36.2%** | **D-148** |

The Governor's FY 2016 Budget Recommendation includes a $398,000 increase in federal funding for Vital Statistics. The increase is reflective of the actual funding for these services in FY 2014 and anticipated for FY 2015. The increase is almost entirely in personal services.

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| **HEALTH PLANNING AND EVALUATION** | | | | | |
| **GRANTS-IN-AID** | | | | | |
| **Hospital Asset Transformation Program** | **$3,851** | **$19,841** | **$15,990** | **415.2%** | **D-153** |

The Governor's FY 2016 Budget Recommendation includes a $15.99 million increase for the Hospital Asset Transformation Program. It is noted that the FY 2015 adjusted appropriation of $3.851 million includes a projected supplemental appropriation of $2.31 million. According to the department, these funds will be used for debt obligations for hospitals in the program which are anticipated to be sold to a third party or to cease operations in FY 2016.

The program was established by the "New Jersey Health Care Facilities Financing Authority Law," P.L.1972, c. 29 (C.26:2I-1 et seq.) for the purpose of providing financial assistance by the Authority to nonprofit hospitals in this State in connection with termination of the provision of hospital acute care services at a specific location.

The program allows the Health Care Facilities Financing Authority to issue State-backed bonds, secured by a contract with the State Treasurer, on behalf of a hospital meeting certain criteria. The bonds can be used by the hospital to facilitate the closure and realignment of services by a hospital. The Treasurer agrees to pay the principal and interest on the bonds when due and then the borrower enters into a loan agreement with the Authority to make payments equal to the principal and interest on the bonds plus other related costs and fees. The Authority then pays those funds directly back to the State.

The New Jersey Health Care Facilities Financing Authority's 2013 Annual Financial Report indicates that as of 2013, there were three hospital systems with contract bonds receivable in the Hospital Asset Transformation program, as follows: St. Mary's Hospital, $37.23 million; St. Michael's Medical Center, Inc., $233.27 million; and Solaris Health System (now called JFK Health System), $150.52 million.

| | | | | | |
|---|---|---|---|---|---|
| **Graduate Medical Education** | **$50,000** | **$59,000** | **$ 9,000** | **18.0%** | **D-153** |

The Governor's FY 2016 Budget Recommendation includes an additional $9 million in funding for Graduate Medical Education (GME) in FY 2016. It is noted that $17 million of this General Fund appropriation actually represents federal funds anticipated as an enhanced match on State appropriations as indicated on page C-5.

This appropriation represents increased funding for GME which, according to the department is due to an enhanced federal match for GME expenditures. Previously, State GME appropriations

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

received a 50 percent federal match; however, due to enhanced federal funding for Medicaid enrollees under the Affordable Care Act, the State anticipates receiving a federal match of 67 percent for GME.

Budget language authorizes a total of $127.3 million for GME in FY 2016, an increase of $27.3 million above FY 2015. These amounts are displayed in the budget as follows: $59 million on page D-153, which is represented as State Grants-In-Aid funding but, due to the inclusion of the enhanced federal revenues, is actually $42 million from State funds and $17 million in federal funds; and $68.3 million in federal funding, which is contained in the Health Care Systems Analysis account displayed on page D-154. Therefore, total funding of $127.3 million is supported by $42 million in State revenues plus $85.3 million in federal revenues.

GME pays hospitals under two related systems: direct GME, which makes payments to hospitals to cover the costs directly related to educating residents; and indirect GME, which is payments to teaching hospitals intended to account for the higher costs of providing specialized care to highly complex patients. In FY 2016, 42 hospitals will receive GME funding.

| | | | | | |
|---|---|---|---|---|---|
| **Hackensack University Medical Center Mobile Satellite Emergency Department** | **$ 250** | **$ 0** | **($ 250)** | **( 100.0%)** | **D-153** |

The Governor's FY 2016 Budget Recommendation eliminates a $250,000 appropriation for the Hackensack University Medical Center Mobile Satellite Emergency Department (MSED), which was included in the FY 2015 Appropriations Act pursuant to a Legislative budget resolution.

The MSED is a mobile complex consisting of multiple vehicles and anchored by two 43 foot trailers and a 48 foot trailer with expandable sides which contain a portable emergency room. Each mobile unit is staffed by emergency physicians, nurses and operations personnel. It is one of the few mobile medical assets of its kind in the nation and is funded through a partnership with the United States Department of Defense and the Urban Areas Security Initiative. As of March 2015, the $250,000 appropriation had not been expended.

**FEDERAL FUNDS**

| | | | | | |
|---|---|---|---|---|---|
| **Health Care Systems Analysis** | **$236,200** | **$154,500** | **($81,700)** | **( 34.6%)** | **D-154** |

The Governor's FY 2016 Budget Recommendation includes an overall $81.7 million decrease in federal funds dedicated to Health Care Systems Analysis. Contained within the recommended reduction is a *$100 million decrease* in federal funding for Charity Care and an *$18.7 million increase* in funding for Graduate Medical Education (GME).

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

The $100 million reduction in federal funding for Charity Care represents an elimination of federal funding for Charity Care *from this line item* in FY 2016. Language included in the Budget Recommendation authorizes up to $502 million from the Health Care Subsidy Fund for Charity Care (page D-154). State Charity Care spending is eligible for a federal match that historically is drawn from federal funds under the federal Medicaid Disproportionate Share Hospital (DSH) program. According to the department, the State anticipates receiving federal DSH funds equal to a 50 percent match on the $502 million appropriations in FY 2016. The federal DSH revenue is part of the $413.8 million in federal revenue anticipated by the Department of Human Services on Schedule 1, under the three "Medicaid Uncompensated Care" items displayed on page C-5 of the FY 2016 Governor's Budget Recommendation.

Additionally, the anticipated $18.7 million increase for GME in FY 2016 brings the total GME appropriation *from this line item* to $68.3 million in FY 2016. Budget language authorizes a total of $127.3 million for GME next fiscal year. These amounts are displayed in the budget as follows: $59 million on page D-153, which is represented as State Grants-In-Aid funding but, due to the inclusion of the enhanced federal revenues, is actually $42 million in State funds and $17 million in federal funds; and this $68.3 million in federal funding. Therefore, total funding of $127.3 million for GME is $42 million State plus $85.3 million federal.

Health Care Systems Analysis federal funding is used to administer the allocation of health care subsidies for hospitals and other health care initiatives and for the analysis and review of health care financing.

**ALL OTHER FUNDS**

| | | | | | |
|---|---|---|---|---|---|
| **Health Care Systems Analysis** | **$593,735** | **$545,735** | **($48,000)** | **( 8.1%)** | **D-154** |

The Governor's FY 2016 Budget Recommendation includes a $48 million decrease in Other Funds for the Health Care Systems Analysis program class in FY 2016. This represents a decrease in funding from the Health Care Subsidy Fund to the New Jersey Hospital Care Payment Assistance Program (Charity Care program). In sum, the Charity Care program is receiving $502 million in FY 2016, $148 million less than the $650 million that was provided in FY 2015. As discussed above, $100 million of the reduction is from federal funds and $48 million of the reduction is decreased appropriations from the Health Care Subsidy Fund.

Charity Care is free or reduced charge care that is provided to patients who receive their inpatient and outpatient services at acute care hospitals throughout the State. Acute care hospitals in the State are required by State law to provide all necessary care to patients regardless of ability to pay, P.L.1992, c.160 (C.26:2H-18.52 et al.). To offset the costs to hospitals of uncompensated care delivered to low-income uninsured patients, the State provides subsidies through the Charity Care program.

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

| Budget Item | Adj. Approp. FY 2015 | Recomm. FY 2016 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

The State source of funding for Charity Care is the Health Care Subsidy Fund administered under P.L.1997, c.263. Additionally, State Charity Care spending is eligible for a federal match that historically is drawn from federal funds under the Medicaid Disproportionate Share Hospital (DSH) program. According to the department, the State anticipates receiving federal DSH funds equal to a 50 percent match on the $502 million appropriations in FY 2016. The federal DSH revenue is part of the $413.8 million in federal revenue anticipated by the Department of Human Services on Schedule 1, under the three "Medicaid Uncompensated Care" items displayed on page C-5 of the FY 2016 Governor's Budget Recommendation.

The Health Care Systems Analysis program is responsible for administering the allocation of health care subsidies for hospitals and other health care initiatives and for the analysis and review of health care financing.

## Significant Language Changes

**Statewide Trauma Registry**

Deletion

2015 Handbook: p. B-75
2016 Budget: n/a

~~The amounts hereinabove appropriated for Statewide Trauma Registry shall be used to establish Statewide registry of hospitalizations for traumatic injury.~~

**Explanation**

The Governor's FY 2016 Budget Recommendation discontinues language requiring the appropriation for the Statewide Trauma Registry be used to establish a Statewide registry of hospitalizations for traumatic injury. The language is not included because the $750,000 appropriation in FY 2015 is not continued in FY 2016. The language and funding were included in the FY 2015 Appropriations Act to assist in the implementation of P.L.2013, c.223.

P.L.2013, c.223 was intended to establish a Statewide "trauma system that defines the roles of all health care facilities in the State, taking into account their resources and capabilities, allowing for the provision of care to injured patients in the State along the continuum of care." The Department of Health is the lead agency for this initiative and was directed to "appoint a State Trauma Medical Director to oversee the planning, development, ongoing maintenance, and enhancement of the formal State trauma system." As of March 2015, it does not appear that the department has appointed a director, nor have any of the funds in the account established for the Trauma System been appropriated or encumbered.

**Charity Care Distribution Formula**

Revision

2015 Handbook: p. B-80
2016 Budget: p. D-154

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) 2015~~is subject to the following condition: the distribution of Charity Care funding shall be calculated in the following manner: (a) source data used shall be from calendar years (CY) ~~2012, 2011, and 2010~~2013 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 ~~2012, 2011, 2010~~2013 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 CY ~~2012~~2013 documented charity care for each hospital's total gross revenue for all patients shall be from the CY ~~2012~~2013 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 ~~15, 2013~~14, 2014, as submitted by each acute care hospital by March 20, ~~2013~~2014, and source data used for Medicare Cost Report data shall be from CY ~~2011~~2012; (c) in the event that an eligible hospital failed to submit by March 20, ~~2013~~2014, its total gross revenue for all patients from the CY ~~2012~~2013 Acute Care Hospital Cost

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated February ~~15, 2013~~14, 2014, source data from CY ~~2011~~2012 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 CY 2011 documented charity care for each hospital's total gross revenue for all patients shall be from the 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 13, 2012, as submitted by each acute care hospital by March 16, 2012, and source data used for Medicare Cost Report data shall be from CY 2010; (e) in the event that an eligible hospital failed to submit by March 16, 2012, its total gross revenue for all patients from the 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 13, 2012, source data from CY 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; (f) source data used for CY 2010 documented charity care for each hospital's total gross revenue for all patients shall be from the 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 10, 2011, as submitted by each acute care hospital by March 10, 2011, and source data used for Medicare Cost Report data shall be from CY 2009; (g) in the event that an eligible hospital failed to submit by March 10, 2011, its total gross revenue for all patients from the 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 10, 2011, source data from CY 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; (h) each eligible hospital's charity care subsidy allocation for SFY 2014 as announced by DOH in July 2013, for this calculation purpose only, shall be initially split into three pools, one that equals 78.5% of its SFY 2014 allocation, another that equals 20% of its SFY 2014 allocation, and another that equals 1.5% of its SFY 2014 allocation; (i) each pool amount in subsection h. above shall be reduced in a proportionately equal manner by multiplying each value by the ratio of 650 divided by 675 to simulate an SFY14 subsidy total for all hospitals of $650,000,000; (j) for each eligible hospital the difference between its CY 2012 documented charity care and its CY 2011 documented charity care shall be calculated, then the percentage change in documented charity care for each eligible hospital shall be obtained by dividing this difference by its CY 2011 documented charity care; (k) for each eligible hospital the ratio of its CY 2012 documented charity care divided by the total CY 2012 documented charity care for all hospitals shall be calculated; (l) for each eligible hospital the percentage change in documented charity care as calculated in accordance with subsection j. above shall be multiplied by the CY 2012 documented charity care ratio calculated in subsection k. above; (m) for each eligible hospital the value calculated in accordance with subsection l. above shall be multiplied by the total of the 20% pool for all eligible hospitals as calculated in subsections h. and i. above; (n) for each eligible hospital the value calculated in accordance with subsection m. above shall be added to its 20% pool value as calculated in subsections h. and i. above; (o) each eligible hospital that demonstrates an increase in their calendar year documented charity care from 2010 to 2011 and from 2011 to 2012 shall be eligible for participation in the 1.5% pool, and hospitals that do not demonstrate the increasing trend shall receive an amount of $0 for their 1.5% pool amount; (p) each hospital that is eligible for the 1.5% pool based on the trend evaluation in subsection o. above shall receive the amount of their initial 1.5% pool amount as calculated in subsections h. and i. above, then multiplied by a common factor until the total of the 1.5% pool for these eligible hospitals equals the total of the 1.5% pool as calculated in subsections h. and i. above; (q) for each eligible hospital the amount calculated in subsections h. and i. above for its 78.5% pool, subsection n. above for its adjusted 20% pool, and subsections o. and p. above for its adjusted 1.5% pool shall be added together producing the preliminary SFY 2015 charity care subsidy allocation for each eligible hospital; (r) notwithstanding the provisions above, an eligible~~

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

~~hospital shall not receive more than $1.10 in subsidy for each dollar of CY 2012 documented charity care; (s) notwithstanding the provisions above, an eligible hospital shall not receive a lower SFY 2015 charity care subsidy allocation than its SFY 2014 charity care subsidy allocation if it had increased documented charity care as calculated in subsection k. above, and an eligible hospital shall not receive a greater SFY 2015 charity care subsidy allocation than its SFY 2014 charity care subsidy allocation if it had decreased documented charity care as calculated in subsection k. above; (t) if necessary, a proportionate increase or decrease shall be applied to the 20% pool value as calculated in subsections m. and n. above for each eligible hospital based on its percentage of total CY 2012 documented charity care such that the total calculated SFY 2015 charity care subsidy allocation for all hospitals shall equal $650~~the hospital-specific reimbursed documented charity care shall be permitted to decline to 0%, rather than be limited to no less than 43%; (e) for each eligible hospital a proportionate decrease shall be applied to its calculated subsidy based on its percentage of total subsidy such that the total calculated subsidy for all hospitals shall equal $502,000,000; (f) for each eligible hospital the difference shall be calculated between its SFY 2015 subsidy allocation as announced on July 2, 2014 and its calculated SFY 2016 subsidy; (g) notwithstanding the provision above each eligible hospital its calculated SFY 2016 subsidy shall be limited to no more than a 5% increase over its SFY 2015 subsidy allocation; (h) notwithstanding the provisions above, an eligible hospital shall not receive a subsidy of less than 2% of CY 2013 documented charity care; (i) if necessary, a proportionate increase or decrease shall be applied to the calculated SFY 2016 subsidy for each eligible hospital based on its percentage of the total calculated SFY 2016 subsidy for all hospitals such that the total calculated SFY 2016 charity care subsidy allocation for all hospitals shall equal $502,000,000, except that the proration applied to the subsidy for any eligible hospital shall be modified as necessary to comply with subsections ~~r~~g. and ~~s~~h. above; and (~~u~~j) the resulting ~~number~~ value will constitute each eligible hospital's SFY ~~2015~~2016 charity care subsidy allocation.

**Explanation**

The FY 2016 Governor's Budget Recommendation includes language authorizing $502 million in appropriations for "Charity Care" grants to hospitals, a $148 million reduction from the amounts appropriated in FY 2015. This reduction includes a decrease of $100 million in federal funds and a $48 million reduction in appropriations from the Health Care Subsidy Fund.

Acute care hospitals in the State are required by State law to provide all necessary care to patients regardless of ability to pay, pursuant to P.L.1992, c.160 (C.26:2H-18.52 et al.). To offset the costs to hospitals of uncompensated care delivered to low-income uninsured patients, the State provides subsidies through the New Jersey Hospital Care Payment Assistance Program (Charity Care). Each hospital's subsidy is calculated through a statutorily established formula (subsection b. of N.J.S.A.26:2H-18.59i); however, the statutory formula has been superseded by appropriations language in each Appropriations Act since the current formula was established in 2004. The source of funding for Charity Care is through the Health Care Subsidy Fund administered under P.L.1997, c.263 and federal matching funds.

The FY 2016 Charity Care formula differs from the FY 2015 formula. The proposed language follows some of the statutorily established steps, but amends the statutory formula to abide by the following rules: the minimum subsidy for hospitals may be reduced from the statutorily required 48 percent to 0 percent; the 2016 subsidy may be no more than a five percent increase over the 2015 subsidy; no hospital shall receive a charity care subsidy of less than two

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

percent of the charity care the hospital provided; and all subsidies must be proportionally divided so that the total charity care does not exceed $502 million. Additionally, the FY 2016 Charity Care formula uses two data sources that have not yet been audited by the department and are not publicly available.

The FY 2016 Charity Care formula, as well as the statutory formula, first establishes each hospital's relative charity care percentage (RCCP). RCCP is the product of (a) the hospital-specific gross revenue for charity care patients as reported by the hospitals by March 20, 2014 pursuant to an advanced submission request dated February 14, 2014 (not available); divided by (b) total gross revenue for all patients as reported by the hospitals by March 20, 2014 pursuant to an advanced submission request dated February 14, 2014 (not available). After the RCCP is established, each hospital's subsidy is determined by ranking the hospital by its RCCP and then adjusting the subsidy for the rules established by the budgetary formula and the statutory formula.

More information on Charity Care, including a more complex discussion of the steps followed in the formulas and the amounts to be provided to each hospital pursuant to the proposed formula, is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis.

**Graduate Medical Education Distribution Formula**

Revision

2015 Handbook: p. B-81
2016 Budget: p. D-155

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Graduate Medical Education (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 and full Federal Financial Participation, a hospital's GME distribution shall be calculated based on ~~data from the hospital's 2012 Medicaid cost report and shall be comprised of two components calculated as described below.~~ the following: The ~~first component shall be defined as an amount equal to 50% of each facility's aggregate State Fiscal Year (SFY) 2014 GME distribution. The sum of this first component for all hospitals shall be totaled and subtracted from the full appropriated GME subsidy amount of $100,000,000 for SFY 2015, with the resulting amount representing the aggregate amount available for distribution as the second component. The aggregate amount of the second component~~ subsidy payment shall be split into a Direct Medical Education (DME) allocation, which ~~shall be~~ is calculated by multiplying the ~~second component~~ total subsidy amount by the ratio of ~~2012~~ 2013 total median Medicaid managed care DME costs-to-~~2012~~2013 total median Medicaid managed care GME costs,; and an Indirect Medical Education (IME) allocation, which ~~shall be~~ is calculated by multiplying the ~~second component~~ total subsidy amount by the ratio of ~~2012~~ 2013 total Medicaid managed care IME costs-to-~~2012~~ total 2013 Medicaid managed care GME costs. Each hospital's percentage of total ~~2012~~ 2013 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total ~~2012~~ 2013 Medicaid managed care IME costs shall be multiplied by the

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equal its ~~second component~~ subsidy payment. ~~The sum of the first and second components shall comprise the hospital's total SFY 2015 GME allocation, to be distributed in twelve monthly payments.~~ The total amount of these payments shall not exceed $~~100,000,000.~~ 127,272,727 and shall be paid in twelve monthly payments. In the event that a hospital reported less than twelve months of ~~2012~~ 2013 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 ~~the~~ Medicaid ~~managed care~~ Managed Care encounter days for Medicaid and NJ ~~FamilyCare~~ Family Care clients as reported by insurers to the State for the following reporting period: ~~service~~ services dates between January 1, ~~2012~~ 2013 and December 31, ~~2012~~ 2013; payment dates between January 1, ~~2012~~ 2013 and December 31, ~~2013~~ 2014; and a run-date ~~of~~ not later than January ~~8, 2014.~~ 31, 2015. Medicaid managed care DME cost is defined as the approved intern and residency program costs using the ~~2012~~ 2013 Medicaid cost report total residency costs, reported on Worksheet B Pt I Column 21 ~~Line~~ line 21 plus Worksheet B Pt I Column 22 Line 22 divided by ~~2012~~ 2013 resident full time equivalent employees ~~([~~[FTE~~),~~], reported on Worksheet S-3 Part 1 Column 9 Line line 12, to develop an average cost per FTE for each hospital used to calculate the overall median cost per FTE. The median cost per FTE is multiplied by the ~~2012~~ 2013 resident ~~FTE~~ FTEs reported on Worksheet S-3 Part 1 Column 9 ~~Line~~ line 12 to develop approved total residency program costs. The approved residency costs are multiplied by the quotient of Medicaid managed care days, reported on Worksheet S-3 Column 5 Line 2, divided by the quantity of total days, ~~reported~~ on Worksheet S-3 Column 8 Line 14, less nursery days, ~~reported~~ on Worksheet S-3 Column 8 Line 13. Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid ~~managed care~~ Managed Care encounter payments for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: ~~service~~ services dates between January 1, ~~2012~~ 2013 and December 31, ~~2012~~ 2013; payment dates between January 1, ~~2012~~ 2013 and December 31, ~~2013~~ 2014; and a run-date of not later than January ~~8, 2014.~~ 31, 2015. 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 ~~FTE~~ full-time equivalencies reported on Worksheet S-3 Part 1 Column 9 ~~Line~~ line 12 divided by the quantity of total available beds less nursery beds reported Worksheet S-3 Part 1 Column 1 Line 12. In the event that a hospital believes that there are mathematical errors in the calculations, or ~~that~~ data ~~do~~ not ~~match~~ matching the actual source documents used to calculate the subsidy as defined above, ~~the hospital~~ hospitals shall be permitted to file ~~a~~ calculation ~~appeal~~ appeals within 15 working days of receipt of the subsidy allocation letter. If upon review it is determined by the DOH that ~~an~~ the error has occurred and would constitute at least a ~~5%~~ five percent change in the hospital's allocation amount, a revised industry-wide allocation shall be issued.

**Explanation**

The FY 2016 Governor's Budget Recommendation includes language authorizing $127.3 million for Medicaid Graduate Medical Education (GME), a $27.3 million increase from the amount provided in the FY 2015 Appropriations Act. The Governor also proposes to revise the formula for distributing GME payments to hospitals.

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

The proposed language would alter the formula for GME subsidies for each hospital such that the subsidy will no longer be a percentage of the hospitals' previous year's subsidy. Instead, the department will calculate the GME subsidy as the sum of two allocation ratios, a Direct Medical Education (DME) allocation and an Indirect Medical Education (IME) allocation, applied to each hospital's experience.

The DME will be calculated by multiplying the total subsidy amount by the ratio of 2013 total median Medicaid managed care DME costs to 2013 total Medicaid managed care GME costs. Each hospital's percentage of total DME costs will then be multiplied by the DME allocation to calculate its DME payment.

The IME will be calculated by multiplying the total subsidy amount by the ratio of 2013 total Medicaid managed care IME costs to total 2013 Medicaid Managed Care GME costs. Each hospital's percentage of total IME costs will then be multiplied by the IME allocation to calculate its IME payment.

The sum of the hospitals' DME and IME payments will equal its GME subsidy. However, the sum of all payments will be apportioned to not exceed a total subsidy for all hospitals of $127.3 million.

The formula will continue the change implemented in FY 2015 that calculates each hospital's median DME cost per resident, rather than each individual hospital's DME costs. The effect of this change would be to slightly increase subsidies for hospitals with lower average costs per resident, and slightly decrease subsidies for those with higher average costs.

More information on GME, including the amounts to be provided to each hospital under the proposed formula, is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis.

**Federally Qualified Health Centers**

Revision

2015 Handbook: p. B-83
2016 Budget: p. D-157

~~Consistent with~~ Notwithstanding the provisions of P.L.2005, c.237~~, $40,000,000~~ or any other law or regulation to the contrary, $32,300,000 from the surcharge on each general hospital and each specialty heart hospital is appropriated to fund federally qualified health centers. Any unexpended balance at the end of the preceding fiscal year in the Health Care Subsidy Fund received through the hospital and other health care initiatives account during the preceding fiscal year is appropriated for payments to federally qualified health centers.

Notwithstanding the provisions of any law or regulation to the contrary, the State Treasurer shall transfer to the Health Care Subsidy Fund, established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-18.58), only those additional revenues generated from third party liability recoveries,

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

## Significant Language Changes (Cont'd)

excluding ~~Medicaid~~ NJ FamilyCare, by the State arising from a review by the Director of the Division of Budget and Accounting of hospital payments reimbursed from the Health Care Subsidy Fund with service dates that are after the date of enactment of P.L.1996, c.29.

**Explanation**

The FY 2016 Governor's Budget Recommendation includes language authorizing $32.3 million to fund federally qualified health centers (FQHCs). These amounts are less than the $40 million dedicated to fund FQHC services to the uninsured pursuant to section 12 of P.L.1992, C. 160, (C.26:2H-18.62) but slightly more than the $31.5 million anticipated to be appropriated to FQHCs in FY 2015. The revenue is generated from a 0.53 percent assessment on hospital revenues. According to the department, the recommended appropriation of $32.3 million is consistent with the trend in uninsured individuals frequenting the FQHCs. The rate of uninsured individuals is decreasing due to the increased availability as a result of the Affordable Care Act.

FQHCs provide comprehensive health services primarily to uninsured, underinsured, Medicaid and Medicare patients. Services are charged on a sliding scale based on patients' income. In 2013, there were 1.73 million total FQHC encounters or visits in New Jersey and the majority of revenue received was through Medicaid (36 percent), State and local grants (23 percent), federal grants (23 percent) and self pay (8 percent), private insurance (3 percent) and Medicare (2 percent).

EXPLANATION: FY 2015 language not recommended for FY 2016 denoted by strikethrough.
Recommended FY 2016 language that did not appear in FY 2015 denoted by underlining.

# Background Paper: Direct Hospital Subsidies

Budget Pages.... D-152 to D-156; H-16

Language provisions in the Governor's FY 2016 Budget Recommendation provide for the disbursement of $795.9 million in direct subsidies to New Jersey's acute care hospitals. As used in this background paper, the term "direct subsidies" encompasses Charity Care ($502 million), the Delivery System Reform Incentive Payments (DSRIP) program ($166.6 million), and Graduate Medical Education (GME) ($127.3 million); it does not discuss other categories of State funding to hospitals, such as payments for services to Medicaid/NJ FamilyCare recipients, payments for the support of University Hospital, or payments for contracted services.

The total FY 2016 recommended funding for direct subsidies is $120.7 million (13.2 percent) less than the $916.6 million appropriated for these purposes in FY 2015, as discussed below.

**Tables 1 to 3** at the end of this background paper provide the Charity Care, Graduate Medical Education, and DSRIP subsidies each hospital is scheduled to receive in FY 2015 and anticipates receiving in FY 2016 under the Governor's proposal. As the DSRIP subsidies are contingent upon each hospital's performance, FY 2016 DSRIP subsidies are estimated to be identical to FY 2015 subsidies and are specified by hospital in Table 3.

**Table 4** at the end of this background paper provides overall funding to each hospital for direct subsidies in FY 2015 compared to the amounts anticipated in FY 2016.

## Charity Care

The New Jersey Hospital Care Payment Assistance Program, generally known as Charity Care, is the largest component of direct State subsidies to acute care hospitals, with a recommended funding level of $502 million in FY 2016, $148 million less than in FY 2015. This reduction includes a decrease of $100 million from federal funds and a $48 million reduction in appropriations from the Health Care Subsidy Fund. The reduction is attributed by the Executive to downward trends in the costs associated with providing charity care services to individuals who do not have alternative forms of health insurance, resulting from provisions of the Affordable Care Act (FY 2016 Budget Summary, page 16). However, data supporting this trend is still not official.

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 provides a subsidy to offset the associated costs. The program does not pay hospitals set reimbursement rates for each treatment delivered. Rather, the State analyzes the amount of charity care the hospital has delivered in a previous year and applies this as part of a formula to determine each hospital's subsidy.

The current statutory Charity Care distribution formula, established pursuant to subsection b. of N.J.S.A.26:2H-18.59i, ranks hospitals according to the percentage of each hospital's gross patient revenue attributable to charity care patients, and pays hospitals with a higher rank a

## Background Paper: Direct Hospital Subsidies (Cont'd)

larger subsidy in proportion to their total documented charity care. Notably, the statutory formula provides for the hospitals that provide the most charity care and the hospitals that serve the communities with the lowest median incomes to receive exactly 96 percent of the hospital's documented charity care, and it provides for a minimum reimbursement to each hospital of 43 percent of its documented charity care.

The current statutory formula has never been implemented precisely as enacted, as appropriations language has overridden the permanent statute in each Appropriations Act since the current formula was established in 2004. In the Governor's Budget Recommendation, proposed language limits the total amount available in FY 2016 to $502 million, and then hospitals are ranked according to several factors, various qualifying rules are followed, and each hospital's subsidy is determined, as discussed in more detail below.

**Table 1** at the end of this background paper displays for each hospital the Governor's recommended FY 2016 Charity Care subsidy for each hospital and the actual FY 2015 distribution.

**Proposed FY 2016 Formula:** The FY 2016 Charity Care formula, as proposed in budget language on page D-154, follows some of the statutorily established steps, but amends the formula to abide by the following rules: the minimum subsidy for hospitals may be reduced from the statutorily required 48 percent to 0 percent; the 2016 subsidy may only be a five percent increase over the 2015 subsidy; no hospital shall receive a charity care subsidy of less than two percent of the charity care the hospital provided; and all subsidies must be proportionally divided so that total charity care does not exceed $502 million. Additionally, the FY 2016 Charity Care formula uses two data sources that have not yet been audited by the department and are not publicly available.

The FY 2016 Charity Care formula, as well as the statutory formula, first establishes each hospital's relative charity care percentage (RCCP). RCCP is the product of (a) the hospital-specific gross revenue for charity care patients as reported by each hospital by March 20, 2014 pursuant to an advanced submission request dated February 14, 2014 (not available) divided by (b) total gross revenue for all patients as reported by the hospitals by March 20, 2014 pursuant to an advanced submission request dated February 14, 2014 (not available). After the RCCP is established, the following steps are taken to determine each hospital's subsidy.

1. Each hospital is ranked by its RCCP.
2. The nine hospitals with the highest RCCP receive 96 percent of their RCCP and the 10th ranked hospital receives a payment equal to 94 percent of its RCCP. The ranking is still done; but then the subsidy is reduced downwards to ensure that the total does not exceed the maximum of $502 million and to meet the other qualifying rules.
3. The 10 municipalities with hospitals and the lowest median annual household income (as determined in the 2000 census) are each ranked to receive 96 percent of their RCCP, also prorated to not exceed the maximum of $502 million, and to abide by the other qualifying rules.
4. Each hospital's subsidy is adjusted to ensure that each hospital does not receive more than a five percent increase over the subsidy it received in FY 2015.
5. Each eligible hospital's subsidy is adjusted to ensure that no hospital receives a subsidy of less than two percent of its CY 2013 documented charity care.

## Background Paper: Direct Hospital Subsidies (Cont'd)

6. Each hospital's subsidy is again adjusted to ensure that the total amount of charity care does not exceed $502 million.

The formula results in 49 hospitals receiving less charity care in FY 2016 than in FY 2015, and 15 receiving more. The hospitals that are anticipated to receive more charity care will not receive much more; eleven will receive 5 percent more and the remaining four hospitals will receive less than a 5 percent increase.

The 49 hospitals which are anticipated to receive less charity care will, in most cases, receive significantly less charity care: 16 of the 49 will receive 75 percent to 100 percent less charity care; eight will receive between 50 percent and 74 percent less charity care; eight more will receive between 25 percent and 49 percent less charity care; and the remaining 17 will receive 24 percent or less charity care as compared to the FY 2015 subsidy. The largest proportional decreases will go to the following hospitals: St. Joseph's Wayne Hospital (100 percent); Meadowlands Hospital Medical Center (97.4 percent); Robert Wood Johnson University Hospital at Rahway (95.7 percent); Memorial Hospital of Salem County (95.6 percent); Bayshore Community Hospital (93.1 percent); Hackettstown Regional Medical Center (91.7 percent); Holy Name Medical Center (90.9 percent); Hackensack University Medical Center (89.9 percent); and Chilton Memorial Hospital (89.5 percent).

### 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 has replaced the Hospital Relief Subsidy Fund, and continues to provide the same annual total funding that was provided under the Hospital Relief Subsidy Fund. DSRIP 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 improve the quality of care, the efficiency with which care is provided, or population health. The plan must choose a focus area from the list contained in the Comprehensive Waiver (or another focus area approved by the State and the federal government). Each plan must also include a narrative that describes the stages and activities selected for the project, and a set of measures and milestones upon which the hospital's performance is to be evaluated.

According to data published by the DOH, of 64 eligible hospitals and systems, 51 are currently participating in DSRIP. Five additional hospitals initially chose to participate but then discontinued their participation after the second demonstration year. Non-participating hospitals can enter the program only under certain exceptional conditions. Pursuant to the program's rules, funding not allocated to non-participating hospitals is placed in a universal performance pool (UPP), to be distributed to participating hospitals according to their achievement of certain performance goals.

DSRIP is a federally funded program and participating states must match the federal funding. States may use General Fund dollars, but may also designate state dollars that are used for services that are similar to Medicaid services but are not currently matched with federal dollars. The Governor's FY 2016 Budget Recommendation includes language stating that $166.6

## Background Paper: Direct Hospital Subsidies (Cont'd)

million is appropriated for DSRIP (page D-155); however, analysis of budget data finds a total of $175.78 million for the DSRIP, as follows: $62.645 million from the General Fund (page D-153); $28.835 million from the Health Care Subsidy Fund (page H-16); and $84.3 million in federal funding (a portion of $545.735 million on page D-154), a discrepancy of $9.18 million. According to the department, this is a discrepancy that will be updated prior to the start of FY 2016.

**Table 2** at the end of this background paper displays the anticipated DSRIP funds for each hospital based on the FY 2015 distribution. Each participating hospital may also receive UPP funds for meeting certain objectives. The UPP funds are included in the aggregate in the bottom of the table. The total amounts received by the hospitals may vary slightly in FY 2016 as it is a performance based initiative. The amounts are displayed here to provide the reader with a global perspective of funding for each hospital.

**Proposed FY 2016 Formula:** The distribution of DSRIP funds to individual hospitals is governed by the DSRIP funding and mechanics protocol approved by the federal government, as provided by proposed language on page D-155. The funding and mechanics protocol is accessible online at dsrip.nj.gov.

The DSRIP program is currently in the third demonstration year and payments are made on a monthly basis. The total target funding amount for FY 2015 is $166.6 million, of which $147.8 million is paid in a monthly amount to the participating hospitals and $18.79 million is to be distributed through the UPP. The UPP contains a portion of the total funding that is carved out each year and granted to hospitals for meeting certain performance requirements. The percentage of funding which is carved out and the performance measures vary from year to year.

### Graduate Medical Education

The third component of direct State subsidies to acute care hospitals is Graduate Medical Education (GME), totaling $127.3 million in FY 2016, a $27.3 million increase from the $100 million anticipated appropriation in FY 2015. GME provides the State's 42 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 GME funding through federal programs, the most important being Medicare, but these amounts do not flow through the State budget.

Budget language authorizes a total of $127.3 million for GME in FY 2016. These amounts are displayed in the budget as follows: $59 million on page D-153, which is represented as State Grants-In-Aid funding, but is actually $42 million in State appropriations and $17 million in new federal appropriations; and $68.3 million in federal funding, which is part of the Health Care Systems Analysis account on page D-154. Therefore, total funding of $127.3 million is $42 million State plus $85.3 million federal.

GME pays hospitals under two related systems: direct GME, which makes payments to hospitals to cover the costs directly related to educating residents; and indirect GME, which represents

## Background Paper: Direct Hospital Subsidies (Cont'd)

payments to teaching hospitals intended to account for higher costs of providing specialized care to highly complex patients.

**Table 3** at the end of this background paper displays, for each hospital, the Governor's recommended FY 2016 GME allocation and the actual FY 2015 distribution.

**Proposed FY 2016 Formula:** The proposed formula for distributing GME funding to teaching hospitals is found on pages D-155 of the Governor's FY 2016 Budget. The formula's source data is each hospital's direct medical education (DME) costs and indirect medical education (IME) costs as reported in the 2013 Medicaid cost report.

The proposed FY 2016 formula would alter the FY 2015 formula in that GME subsidies for each hospital will no longer include a percentage of the hospital's subsidy from the previous year. Instead, the department will calculate the GME subsidy as the sum of two allocation ratios, a DME allocation and an IME allocation, applied to each hospital's experience.

The DME will be calculated by multiplying the total subsidy amount by the ratio of 2013 total median Medicaid managed care DME costs to 2013 total Medicaid managed care GME costs. Each hospital's percentage of total DME costs will then be multiplied by the DME allocation to calculate its DME payment.

The IME will be calculated by multiplying the total subsidy amount by the ratio of 2013 total Medicaid managed care IME costs to total 2013 Medicaid Managed Care GME costs. Each hospital's percentage of total IME costs will then be multiplied by the IME allocation to calculate its IME payment.

The sum of the hospitals' DME and IME payments equal its GME subsidy. However, the sum of the total amounts of payments will be apportioned so as not to exceed a total subsidy for all hospitals of $127.3 million.

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 proposed formula results in 35 of the 42 eligible hospitals receiving a greater subsidy than anticipated in FY 2015, and 7 receiving less. Two medical centers would receive significantly more GME in FY 2016 than in FY 2015. Meadowlands Hospital Medical Center is anticipated to receive $840,190 in FY 2016, a 2,672 percent increase over the $31,444 it is receiving in FY 2015. Palisades Medical Center is anticipated to receive $1.365 million in FY 2016, a 1,968 percent increase over the $69,346 anticipated in the current year. Both hospitals newly entered the GME program in FY 2015, which may help to explain their relatively small subsidies in FY 2015 (when part of the allocation was based on the prior year's allocation) and their much larger subsidies in FY 2016.

# Background Paper: Direct Hospital Subsidies (Cont'd)

## Table 1: Charity Care Subsidies:

| Hospital Name | Charity Care 2015 | Charity Care 2016 | Change FY15 to FY16 | Percent Change |
|---|---|---|---|---|
| AtlantiCare Regional Medical Center, Inc.- | $24,536,319 | $23,404,459 | ($1,131,860) | -4.6% |
| Bayonne Hospital (Care Point Health) | $2,866,786 | $1,838,478 | ($1,028,308) | -35.9% |
| Bayshore Community Hospital | $818,811 | $56,266 | ($762,545) | -93.1% |
| Bergen Regional Medical Center | $34,787,973 | $36,527,371 | $1,739,398 | 5.0% |
| Cape Regional Medical Center | $1,223,898 | $587,274 | ($636,624) | -52.0% |
| Capital Health Regional Medical Center | $23,276,609 | $20,909,637 | ($2,366,972) | -10.2% |
| Capital Health System at Hopewell | $7,213,960 | $2,178,401 | ($5,035,559) | -69.8% |
| CentraState Medical Center | $2,240,051 | $787,423 | ($1,452,628) | -64.8% |
| Chilton Memorial Hospital (Medical Center) | $663,691 | $69,665 | ($594,026) | -89.5% |
| Christ Hospital - Care Point Health | $13,003,014 | $10,322,435 | ($2,680,579) | -20.6% |
| Clara Maass Medical Center | $4,332,224 | $4,548,835 | $216,611 | 5.0% |
| Community Medical Center | $2,705,183 | $740,102 | ($1,965,081) | -72.6% |
| Cooper Hospital/University Medical Center | $37,340,005 | $34,114,580 | ($3,225,425) | -8.6% |
| Deborah Heart and Lung Center | $6,419,795 | $2,735,527 | ($3,684,268) | -57.4% |
| East Orange General Hospital | $11,081,497 | $7,721,754 | ($3,359,743) | -30.3% |
| Englewood Hospital and Medical Center | $2,093,745 | $246,065 | ($1,847,680) | -88.2% |
| Hackensack UMC Mountainside | $971,535 | $55,919 | ($915,616) | -94.2% |
| Hackensack UMC Pascack | $0 | $3,106 | $3,106 | 100.0% |
| Hackensack University Medical Center | $10,145,857 | $1,024,476 | ($9,121,381) | -89.9% |
| Hackettstown Regional Medical Center | $334,348 | $27,617 | ($306,731) | -91.7% |
| Hoboken University Medical Center - Care Point Health | $14,607,750 | $8,292,813 | ($6,314,937) | -43.2% |
| Holy Name Medical Center | $1,137,589 | $103,944 | ($1,033,645) | -90.9% |
| Hunterdon Medical Center | $1,584,856 | $1,636,046 | $51,190 | 3.2% |
| Inspira Medical Center - Elmer | $279,321 | $293,287 | $13,966 | 5.0% |
| Inspira Medical Center - Vineland | $2,850,962 | $2,993,510 | $142,548 | 5.0% |
| Inspira Medical Center - Woodbury | $2,022,990 | $1,732,217 | ($290,773) | -14.4% |
| Jersey City Medical Center | $46,868,746 | $37,586,044 | ($9,282,702) | -19.8% |
| Jersey Shore Medical Center | $4,789,309 | $5,028,774 | $239,465 | 5.0% |
| JFK Medical Center (Anthony M. Yelencsics Community Hosp.) | $4,568,604 | $3,945,497 | ($623,107) | -13.6% |
| Kennedy Health System | $10,508,912 | $9,374,806 | ($1,134,106) | -10.8% |
| Lourdes Medical Center of Burlington County | $3,117,982 | $3,273,881 | $155,899 | 5.0% |
| Meadowlands Hospital Medical Center | $662,869 | $17,499 | ($645,370) | -97.4% |
| Memorial Hospital of Salem County | $434,300 | $18,963 | ($415,337) | -95.6% |
| Monmouth Medical Center | $8,250,431 | $5,952,600 | ($2,297,831) | -27.9% |
| Monmouth Medical Center Southern (Kimball) | $9,427,832 | $8,045,421 | ($1,382,411) | -14.7% |
| Morristown Medical Center | $2,899,497 | $402,219 | ($2,497,278) | -86.1% |
| Newark Beth Israel Medical Center | $35,926,516 | $28,062,934 | ($7,863,582) | -21.9% |
| Newton Memorial Hospital | $1,278,057 | $751,188 | ($526,869) | -41.2% |
| Ocean Medical Center | $1,210,063 | $835,560 | ($374,503) | -30.9% |
| Our Lady of Lourdes Medical Center | $3,411,048 | $3,581,600 | $170,552 | 5.0% |
| Overlook Medical Center | $2,213,894 | $248,803 | ($1,965,091) | -88.8% |
| Palisades Medical Center of NY Presbyterian Healthcare System | $7,396,780 | $6,445,972 | ($950,808) | -12.9% |
| Raritan Bay Medical Center (All) | $12,653,090 | $13,037,869 | $384,779 | 3.0% |
| Riverview Medical Center | $2,744,658 | $2,827,525 | $82,867 | 3.0% |

# Background Paper: Direct Hospital Subsidies (Cont'd)

| Hospital Name | Charity Care 2015 | Charity Care 2016 | Change FY15 to FY16 | Percent Change |
|---|---|---|---|---|
| Robert Wood Johnson Hospital at Somerset | $3,134,578 | $3,188,282 | $53,704 | 1.7% |
| Robert Wood Johnson Univ. Hospital at Hamilton | $2,910,455 | $1,241,295 | ($1,669,160) | -57.4% |
| Robert Wood Johnson Univ. Hospital at Rahway | $1,803,804 | $78,228 | ($1,725,576) | -95.7% |
| Robert Wood Johnson University Hospital | $8,426,645 | $8,847,977 | $421,332 | 5.0% |
| Shore Medical Center | $681,379 | $107,633 | ($573,746) | -84.2% |
| Southern Ocean Medical Center | $725,147 | $167,745 | ($557,402) | -76.9% |
| St. Barnabas Medical Center | $992,484 | $239,579 | ($752,905) | -75.9% |
| St. Claire's Denville/Dover together | $11,023,099 | $6,582,675 | ($4,440,424) | -40.3% |
| St. Clare's Hospital / Sussex (closed) | $0 | $0 | $0 | 0.0% |
| St. Francis Medical Center (Trenton) | $13,837,892 | $9,811,085 | ($4,026,807) | -29.1% |
| St. Joseph's Hospital and Medical Center | $73,108,365 | $63,269,923 | ($9,838,442) | -13.5% |
| St. Luke's Warren Hospital | $1,234,732 | $1,296,469 | $61,737 | 5.0% |
| St. Mary's Hospital (Passaic) | $9,918,778 | $4,403,976 | ($5,514,802) | -55.6% |
| St. Michael's Medical Center | $21,905,365 | $11,147,732 | ($10,757,633) | -49.1% |
| St. Peter's University Hospital | $6,480,122 | $6,804,128 | $324,006 | 5.0% |
| Trinitas Regional Medical Center | $42,228,727 | $33,502,496 | ($8,726,231) | -20.7% |
| UMDNJ - University Hospital | $76,230,613 | $53,479,074 | ($22,751,539) | -29.8% |
| University Medical Center of Princeton at Plainsboro | $1,639,038 | $1,398,811 | ($240,227) | -14.7% |
| Valley Hospital | $1,003,614 | $113,069 | ($890,545) | -88.7% |
| Virtua - West Jersey Hospital | $3,393,037 | $1,389,646 | ($2,003,391) | -59.0% |
| Virtua-Memorial Hospital of Burlington County, Inc. | $2,420,772 | $2,541,811 | $121,039 | 5.0% |
| **Totals** | **$650,000,003** | **$501,999,996** | **($148,000,007)** | **-22.8%** |

# Background Paper: Direct Hospital Subsidies (Cont'd)

## Table 2: Delivery System Reform Incentive Payments:

| Hospital Name | DSRIP 2016 |
|---|---|
| AtlantiCare Regional Medical Center, Inc. | $6,008,524 |
| Bayonne Hospital (Care Point Health) | $225,000 |
| Bayshore Community Hospital | $225,000 |
| Bergen Regional Medical Center | $12,642,234 |
| Cape Regional Medical Center | $276,267 |
| Capital Health Regional Medical Center | $3,181,807 |
| Capital Health System at Hopewell | $1,708,974 |
| CentraState Medical Center | $383,223 |
| Chilton Memorial Hospital | $225,000 |
| Christ Hospital - Care Point Health | $1,983,434 |
| Clara Maass Medical Center | $2,479,559 |
| Community Medical Center | $407,346 |
| Cooper Hospital/University Medical Center | $5,509,855 |
| Deborah Heart and Lung Center | $0 |
| East Orange General Hospital | $2,418,975 |
| Englewood Hospital and Medical Center | $364,108 |
| Hackensack UMC Mountainside | $249,414 |
| Hackensack Umc Pascack | $0 |
| Hackensack University Medical Center | $1,331,724 |
| Hackettstown Regional Medical Center | $0 |
| Hoboken University Medical Center - Care Point Health | $948,337 |
| Holy Name Medical Center | $0 |
| Hunterdon Medical Center | $0 |
| Inspira Medical Center - Elmer | $225,000 |
| Inspira Medical Center - Vineland | $3,915,210 |
| Inspira Medical Center - Woodbury | $686,822 |
| Jersey City Medical Center | $6,836,507 |
| Jersey Shore Medical Center | $3,176,713 |
| JFK Medical Center (Anthony M. Yelencsics Community Hosp.) | $367,294 |
| Kennedy Health System | $5,762,150 |
| Lourdes Medical Center of Burlington County | $1,842,819 |
| Meadowlands Hospital Medical Center | $225,000 |
| Memorial Hospital of Salem County | $0 |
| Monmouth Medical Center | $6,878,273 |
| Monmouth Medical Center Southern (Kimball) | $4,472,637 |
| Morristown Memorial Hospital | $406,436 |
| Newark Beth Israel Medical Center | $11,102,857 |
| Newton Memorial Hospital | $225,000 |
| Ocean Medical Center | $263,979 |
| Our Lady of Lourdes Medical Center | $2,185,968 |
| Overlook Medical Center | $238,035 |
| Palisades Medical Center of NY Presbyterian Healthcare System | $807,864 |
| Raritan Bay Medical Center (All) | $2,200,055 |
| Riverview Medical Center | $301,299 |

# Background Paper: Direct Hospital Subsidies (Cont'd)

| Hospital Name | DSRIP 2016 |
|---|---|
| Robert Wood Johnson Hospital at Somerset | $280,363 |
| Robert Wood Johnson Univ. Hospital at Hamilton | $225,000 |
| Robert Wood Johnson Univ. Hospital at Rahway | $0 |
| Robert Wood Johnson University Hospital | $3,534,414 |
| Shore Memorial Hospital | $0 |
| Southern Ocean Medical Center | $225,000 |
| St. Barnabas Medical Center | $415,993 |
| St. Claire's Denville/Dover together | $4,977,896 |
| St. Francis Medical Center (Trenton) | $1,125,888 |
| St. Joseph's Hospital and Medical Center | $9,634,683 |
| St. Luke's Warren Hospital | $225,000 |
| St. Mary's Hospital (Passaic) | $2,071,990 |
| St. Michael's Medical Center | $5,971,641 |
| St. Peter's University Hospital | $4,078,954 |
| Trinitas Regional Medical Center | $8,479,556 |
| UMDNJ - University Hospital | $12,165,171 |
| University Medical Center of Princeton at Plainsboro | $268,985 |
| Valley Hospital | $0 |
| Virtua - West Jersey Hospital | $798,761 |
| Virtua-Memorial Hospital of Burlington County, Inc. | $639,465 |
| **Totals** | **$147,807,459** |
| UPP totals to be distributed | $18,792,541 |
| | |
| **Grand Total** | **$166,600,000** |

*DSRIP 2016 allocation is based on FY 2015 allocation, actual amounts may vary.

# Background Paper: Direct Hospital Subsidies (Cont'd)

## Table 3: Graduate Medical Education Subsidies:

| Hospital Name | GME 2015 | GME 2016 | Change 2015 to 2016 | Percent Change |
|---|---|---|---|---|
| AtlantiCare Regional Medical Center, Inc. | $1,429,532 | $1,703,183 | $273,651 | 19.1% |
| Bayonne Hospital (Care Point Health) | $0 | $0 | $0 | 0% |
| Bayshore Community Hospital | $0 | $0 | $0 | 0% |
| Bergen Regional Medical Center | $223,087 | $41,920 | ($181,167) | -81.2% |
| Cape Regional Medical Center | $0 | $0 | $0 | 0% |
| Capital Health Regional Medical Center | $1,066,127 | $1,151,588 | $85,461 | 8.0% |
| Capital Health System at Hopewell | $48,564 | $38,962 | ($9,602) | -19.8% |
| CentraState Medical Center | $144,595 | $162,220 | $17,625 | 12.2% |
| Chilton Memorial Hospital (Medical Center) | $0 | $0 | $0 | 0% |
| Christ Hospital - Care Point Health | $395,139 | $472,316 | $77,177 | 19.5% |
| Clara Maass Medical Center | $0 | $0 | $0 | 0% |
| Community Medical Center | $0 | $0 | $0 | 0% |
| Cooper Hospital/University Medical Center | $12,322,577 | $14,363,684 | $2,041,107 | 16.6% |
| Deborah Heart and Lung Center | $192,592 | $233,378 | $40,786 | 21.2% |
| East Orange General Hospital | $0 | $0 | $0 | 0% |
| Englewood Hospital and Medical Center | $385,040 | $587,844 | $202,804 | 52.7% |
| Hackensack UMC Mountainside | $535,770 | $787,266 | $251,496 | 46.9% |
| Hackensack UMC Pascack | $0 | $0 | $0 | 0% |
| Hackensack University Medical Center | $4,069,857 | $6,085,043 | $2,015,186 | 49.5% |
| Hackettstown Regional Medical Center | $0 | $0 | $0 | 0% |
| Hoboken University Medical Center - Care Point Health | $734,607 | $1,392,758 | $658,151 | 89.6% |
| Holy Name Medical Center | $0 | $0 | $0 | 0% |
| Hunterdon Medical Center | $112,642 | $177,180 | $64,538 | 57.3% |
| Inspira Medical Center - Elmer | $0 | $0 | $0 | 0.0% |
| Inspira Medical Center - Vineland | $884,952 | $1,684,999 | $800,047 | 90.4% |
| Inspira Medical Center - Woodbury | $233,372 | $243,288 | $9,916 | 4.2% |
| Jersey City Medical Center | $4,414,476 | $5,741,843 | $1,327,367 | 30.1% |
| Jersey Shore Medical Center | $3,246,897 | $3,712,538 | $465,641 | 14.3% |
| JFK Medical Center (Anthony M. Yelencsics Community Hosp.) | $344,390 | $567,215 | $222,825 | 64.7% |
| Kennedy Health System | $3,213,851 | $2,906,994 | ($306,857) | -9.5% |
| Lourdes Medical Center of Burlington County | $143,327 | $125,543 | -$17,784 | -12.4% |
| Meadowlands Hospital Medical Center | $31,444 | $871,634 | $840,190 | 2672.0% |
| Memorial Hospital of Salem County | $0 | $0 | $0 | 0% |
| Monmouth Medical Center | $4,477,861 | $7,334,971 | $2,857,110 | 63.8% |
| Monmouth Medical Center Southern (Kimball) | $0 | $0 | $0 | 0% |
| Morristown Medical Center | $1,301,600 | $1,825,259 | $523,659 | 40.2% |
| Newark Beth Israel Medical Center | $13,500,254 | $16,282,965 | $2,782,711 | 20.6% |
| Newton Memorial Hospital | $0 | $0 | $0 | 0% |
| Ocean Medical Center | $0 | $0 | $0 | 0% |
| Our Lady of Lourdes Medical Center | $1,155,141 | $1,180,191 | $25,050 | 2.2% |
| Overlook Medical Center | $490,278 | $757,927 | $267,649 | 54.6% |
| Palisades Medical Center of NY Presbyterian Healthcare System | $69,346 | $1,434,264 | $1,364,918 | 1968.3% |
| Raritan Bay Medical Center (All) | $614,947 | $577,128 | ($37,819) | -6.1% |
| Riverview Medical Center | $0 | $0 | $0 | 0% |
| Robert Wood Johnson Hospital at Somerset | $122,896 | $159,589 | $36,693 | 29.9% |
| Robert Wood Johnson Univ. Hospital at Hamilton | $0 | $0 | $0 | 0% |

# Background Paper: Direct Hospital Subsidies (Cont'd)

| Hospital Name | GME 2015 | GME 2016 | Change 2015 to 2016 | Percent Change |
|---|---|---|---|---|
| Robert Wood Johnson Univ. Hospital at Rahway | $0 | $0 | $0 | 0% |
| Robert Wood Johnson University Hospital | $8,046,933 | $8,714,692 | $667,759 | 8.3% |
| Shore Medical Center | $0 | $0 | $0 | 0% |
| Southern Ocean Medical Center | $0 | $0 | $0 | 0% |
| St. Barnabas Medical Center | $2,249,664 | $4,635,783 | $2,386,119 | 106.1% |
| St. Claire's Denville/Dover together | $0 | $0 | $0 | 0% |
| St. Francis Medical Center (Trenton) | $341,363 | $490,690 | $149,327 | 43.7% |
| St. Joseph's Hospital and Medical Center | $9,166,846 | $12,257,912 | $3,091,066 | 33.7% |
| St. Luke's Warren Hospital | $159,748 | $177,284 | $17,536 | 11.0% |
| St. Mary's Hospital (Passaic) | $46,496 | $86,219 | $39,723 | 85.4% |
| St. Michael's Medical Center | $2,600,623 | $2,619,739 | $19,116 | 0.7% |
| St. Peter's University Hospital | $3,001,978 | $3,983,243 | $981,265 | 32.7% |
| Trinitas Regional Medical Center | $1,628,536 | $1,446,831 | ($181,705) | -11.2% |
| UMDNJ - University Hospital | $16,083,605 | $19,224,478 | $3,140,873 | 19.5% |
| University Medical Center of Princeton at Plainsboro | $269,422 | $195,156 | ($74,266) | -27.6% |
| Valley Hospital | $0 | $0 | $0 | 0% |
| Virtua - West Jersey Hospital | $308,199 | $503,369 | $195,170 | 63.3% |
| Virtua-Memorial Hospital of Burlington County, Inc. | $191,426 | $333,641 | $142,215 | 74.3% |
| **Totals** | **$100,000,000** | **$127,272,727** | **$27,272,727** | **27.3%** |

# Background Paper: Direct Hospital Subsidies (Cont'd)

## Table 4 – Total Amounts Received by Hospitals:

| Hospital Name | Total Funding 2015 | Total Funding 2016 | Change 2015 to 2016 | Percent Change |
|---|---|---|---|---|
| AtlantiCare Regional Medical Center, Inc. | $31,974,375 | $31,116,166 | ($858,209) | -2.7% |
| Bayonne Hospital - Care Point Health | $3,091,786 | $2,063,478 | ($1,028,308) | -33.3% |
| Bayshore Community Hospital | $1,043,811 | $281,266 | ($762,545) | -73.1% |
| Bergen Regional Medical Center | $47,653,294 | $49,211,525 | $1,558,231 | 3.3% |
| Cape Regional Medical Center | $1,500,165 | $863,541 | ($636,624) | -42.4% |
| Capital Health Regional Medical Center | $27,524,543 | $25,243,032 | ($2,281,511) | -8.3% |
| Capital Health System at Hopewell | $8,971,498 | $3,926,337 | ($5,045,161) | -56.2% |
| CentraState Medical Center | $2,767,869 | $1,332,866 | ($1,435,003) | -51.8% |
| Chilton Memorial Hospital (Medical Center) | $888,691 | $294,665 | ($594,026) | -66.8% |
| Christ Hospital - Care Point Health | $15,381,587 | $12,778,185 | ($2,603,402) | -16.9% |
| Clara Maass Medical Center | $6,811,783 | $7,028,394 | $216,611 | 3.2% |
| Community Medical Center | $3,112,529 | $1,147,448 | ($1,965,081) | -63.1% |
| Cooper Hospital/University Medical Center | $55,172,437 | $53,988,119 | ($1,184,318) | -2.1% |
| Deborah Heart and Lung Center | $6,612,387 | $2,968,905 | ($3,643,482) | -55.1% |
| East Orange General Hospital | $13,500,472 | $10,140,729 | ($3,359,743) | -24.9% |
| Englewood Hospital and Medical Center | $2,842,893 | $1,198,017 | ($1,644,876) | -57.9% |
| Hackensack UMC Mountainside | $1,756,719 | $1,092,599 | ($664,120) | -37.8% |
| Hackensack UMC Pascack | $0 | $3,106 | $3,106 | 100.0% |
| Hackensack University Medical Center | $15,547,438 | $8,441,243 | ($7,106,195) | -45.7% |
| Hackettstown Regional Medical Center | $334,348 | $27,617 | ($306,731) | -91.7% |
| Hoboken University Medical Center - Care Point Health | $16,290,694 | $10,633,908 | ($5,656,786) | -34.7% |
| Holy Name Medical Center | $1,137,589 | $103,944 | ($1,033,645) | -90.9% |
| Hunterdon Medical Center | $1,697,498 | $1,813,226 | $115,728 | 6.8% |
| Inspira Medical Center - Elmer | $504,321 | $518,287 | $13,966 | 2.8% |
| Inspira Medical Center - Vineland | $7,651,124 | $8,593,719 | $942,595 | 12.3% |
| Inspira Medical Center - Woodbury | $2,943,184 | $2,662,327 | ($280,857) | -9.5% |
| Jersey City Medical Center | $58,119,729 | $50,164,394 | ($7,955,335) | -13.7% |
| Jersey Shore Medical Center | $11,212,919 | $11,918,025 | $705,106 | 6.3% |
| JFK Medical Center (Anthony M. Yelencsics Community Hosp.) | $5,280,288 | $4,880,006 | ($400,282) | -7.6% |
| Kennedy Health System | $19,484,913 | $18,043,950 | ($1,440,963) | -7.4% |
| Lourdes Medical Center of Burlington County | $5,104,128 | $5,242,243 | $138,115 | 2.7% |
| Meadowlands Hospital Medical Center | $919,313 | $1,114,133 | $194,820 | 21.2% |
| Memorial Hospital of Salem County | $434,300 | $18,963 | ($415,337) | -95.6% |
| Monmouth Medical Center | $19,606,565 | $20,165,844 | $559,279 | 2.9% |
| Monmouth Medical Center Southern (Kimball) | $13,900,469 | $12,518,058 | ($1,382,411) | -9.9% |
| Morristown Medical Center | $4,607,533 | $2,633,914 | ($1,973,619) | -42.8% |
| Newark Beth Israel Medical Center | $60,529,627 | $55,448,756 | ($5,080,871) | -8.4% |
| Newton Memorial Hospital | $1,503,057 | $976,188 | ($526,869) | -35.1% |
| Ocean Medical Center | $1,474,042 | $1,099,539 | ($374,503) | -25.4% |
| Our Lady of Lourdes Medical Center | $6,752,157 | $6,947,759 | $195,602 | 2.9% |
| Overlook Medical Center | $2,942,207 | $1,244,765 | ($1,697,442) | -57.7% |
| Palisades Medical Center of NY Presbyterian Healthcare System | $8,273,990 | $8,688,100 | $414,110 | 5.0% |
| Raritan Bay Medical Center (All) | $15,468,092 | $15,815,052 | $346,960 | 2.2% |
| Riverview Medical Center | $3,045,957 | $3,128,824 | $82,867 | 2.7% |
| Robert Wood Johnson Hospital at Somerset | $3,537,837 | $3,628,234 | $90,397 | 2.6% |
| Robert Wood Johnson Univ. Hospital at Hamilton | $3,135,455 | $1,466,295 | ($1,669,160) | -53.2% |
| Robert Wood Johnson Univ. Hospital at Rahway | $1,803,804 | $78,228 | ($1,725,576) | -95.7% |
| Robert Wood Johnson University Hospital | $20,007,992 | $21,097,083 | $1,089,091 | 5.4% |
| Shore Medical Center | $681,379 | $107,633 | ($573,746) | -84.2% |

# Background Paper: Direct Hospital Subsidies (Cont'd)

| Hospital Name | Total Funding 2015 | Total Funding 2016 | Change 2015 to 2016 | Percent Change |
|---|---|---|---|---|
| Southern Ocean Medical Center | $950,147 | $392,745 | ($557,402) | -58.7% |
| St. Barnabas Medical Center | $3,658,141 | $5,291,355 | $1,633,214 | 44.6% |
| St. Claire's Denville/Dover together | $16,000,995 | $11,560,571 | ($4,440,424) | -27.8% |
| St. Francis Medical Center (Trenton) | $15,305,143 | $11,427,663 | ($3,877,480) | -25.3% |
| St. Joseph's Hospital and Medical Center | $91,909,894 | $85,162,518 | ($6,747,376) | -7.3% |
| St. Luke's Warren Hospital | $1,619,480 | $1,698,753 | $79,273 | 4.9% |
| St. Mary's Hospital (Passaic) | $12,037,264 | $6,562,185 | ($5,475,079) | -45.5% |
| St. Michael's Medical Center | $30,477,629 | $19,739,112 | ($10,738,517) | -35.2% |
| St. Peter's University Hospital | $13,561,054 | $14,866,325 | $1,305,271 | 9.6% |
| Trinitas Regional Medical Center | $52,336,819 | $43,428,883 | ($8,907,936) | -17.0% |
| UMDNJ - University Hospital | $104,479,389 | $84,868,723 | ($19,610,666) | -18.8% |
| University Medical Center of Princeton at Plainsboro | $2,177,445 | $1,862,952 | ($314,493) | -14.4% |
| Valley Hospital | $1,003,614 | $113,069 | ($890,545) | -88.7% |
| Virtua - West Jersey Hospital | $4,499,997 | $2,691,776 | ($1,808,221) | -40.2% |
| Virtua-Memorial Hospital of Burlington County, Inc. | $3,251,663 | $3,514,917 | $263,254 | 8.1% |
| **Totals** | **$897,807,462** | **$777,080,182** | **($120,727,280)** | **-13.4%** |
| Additional DSRIP UPP funding | $18,792,541 | $18,792,541 | | |
| | | | | |
| **Grand Total** | **$ 916,600,003** | **$ 795,872,723** | **($120,727,280)** | **-13.2%** |

# OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2016 budget are encouraged to contact:

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