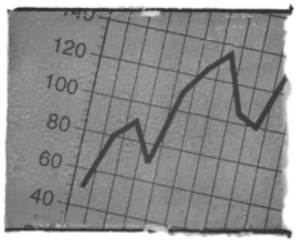

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HEALTH

FISCAL YEAR 2017 - 2018

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2017

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.

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DEPARTMENT OF HEALTH

Budget Pages..... C-4, C-5, C-11, C-12, C-18, C-19, C-23, C-25, C-26, D-143 to D-160, G-3, H-12

Fiscal Summary ($000)

	Expended FY 2016	Adjusted Appropriation FY 2017	Recommended FY 2018	Percent Change 2017-18
State Budgeted	$410,432	$518,069	$568,604	9.8%
Federal Funds	$474,215	$568,749	$569,499	0.1%
Other[1]	$720,061	$512,201	$466,016	(9.0%)
Grand Total	$1,604,708	$1,599,019	$1,604,119	0.3%

Personnel Summary - Positions By Funding Source

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2017-18
State	344	353	353	0.0%
Federal	414	406	406	0.0%
Other[2]	320	303	304	0.3%
Total Positions	1,078	1,062	1,063	0.1%

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

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

[1] The amounts include Revolving Funds displayed on page C-26 of the FY 2018 Governor's Recommendation.

[2] The numbers include staff supported by a revolving fund and reflected on page G-3 in the Division of Public Health and Environmental Laboratories.

Highlights (Cont'd)

- The FY 2018 Budget Recommendation provides a total of $1.60 billion for the Department of Health, an increase of $5.1 million (0.3 percent) from the total FY 2017 appropriation. This change incorporates a $50.5 million increase (9.8 percent) in State funding, a $750,000 (0.1 percent) increase in federal funding, and a decrease of $46.2 million (9.0 percent) in funding from all other funds.

- The FY 2018 Budget Recommendation does not continue $3.45 million in funding which was added to the FY 2017 Appropriations Act pursuant to Legislative budget resolutions: $1.0 million for the New Jersey State Commission on Cancer Research; $1.0 million for the Cancer Institute of New Jersey – University Hospital Cancer Center Services; $750,000 for the Statewide Trauma Registry; $500,000 for the REED Academy – Autism Services Pilot Program; and $200,000 for the Adler Aphasia Center.

- The FY 2018 Budget Recommendation includes $252 million in funding for Charity Care, $50 million less than the adjusted FY 2017 appropriation. The decrease is reflective of a decline in documented uncompensated care provided by hospitals in the State due to provisions of the federal Affordable Care Act. The budget also slightly revises the statutory formula for distributing Charity Care funding to hospitals.

- The Governor recommends increasing General Fund support for the Health Care Subsidy Fund (HCSF) from $1,000 in FY 2017 to $25.2 million in FY 2018. HCSF expenditures support Statewide health care initiatives, such as Charity Care.

- Recommended State and federal funding to hospitals for Graduate Medical Education (GME) is increased by $30.0 million ($12.3 million State and $17.7 million federal) to a total of $218.0 million ($77.0 million State and $141.0 million federal) in FY 2018, from the $188.0 million authorized in FY 2017. This continues a trend in increased payments to hospitals for GME.

- The FY 2018 Budget Recommendation anticipates $6.0 million in new revenue from increased fees charged by the Newborn Screening Laboratory for a newborn screening test. The additional revenue would be used to charge an additional $6.0 million in Division of Public Health and Environmental Laboratories administrative expenses to the division's revolving fund instead of the General Fund, with the division's overall budget remaining flat.

- The FY 2018 Budget Recommendation increases appropriations for Maternal, Child and Chronic Health Services grants by $10 million. This increase is intended for local health agencies to effectuate P.L.2017, c.7, which requires updates to New Jersey's standards for identifying elevated blood lead levels in children, and appropriate responses thereto, consistent with federal Centers for Disease Control and Prevention recommendations.

Background Paper

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2016	Adj. Approp. FY 2017	Recom. FY 2018	Percent Change 2016-18	Percent Change 2017-18
General Fund					
Direct State Services	$56,902	$42,384	$34,622	(39.2%)	(18.3%)
Grants-In-Aid	353,063	475,156	533,453	51.1%	12.3%
State Aid	0	0	0		
Capital Construction	0	0	0		
Debt Service	0	0	0		
Sub-Total	**$409,965**	**$517,540**	**$568,075**	**38.6%**	**9.8%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0		
Grants-In-Aid	0	0	0		
State Aid	0	0	0		
Sub-Total	**$0**	**$0**	**$0**		
Casino Revenue Fund	$467	$529	$529	13.3%	0.0%
Casino Control Fund	$0	$0	$0		
State Total	**$410,432**	**$518,069**	**$568,604**	**38.5%**	**9.8%**
Federal Funds	$474,215	$568,749	$569,499	20.1%	0.1%
Other Funds	$720,061	$512,201	$466,016	(35.3%)	(9.0%)
Grand Total	**$1,604,708**	**$1,599,019**	**$1,604,119**	**(0.0%)**	**0.3%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2016-18	Percent Change 2017-18
State	344	353	353	2.6%	0.0%
Federal	414	406	406	(1.9%)	0.0%
All Other	320	303	304	(5.0%)	0.3%
Total Positions	**1,078**	**1,062**	**1,063**	**(1.4%)**	**0.1%**

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	39.0%	42.0%	N/A	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
HEALTH SERVICES					
PUBLIC HEALTH AND ENVIRONMENTAL LABORATORIES					
General Fund, Direct State Services: Laboratory Services	**$9,892**	**$3,880**	**($6,012)**	**(60.8%)**	**D-149**
Revolving Funds: Laboratory Services	**$8,300**	**$14,300**	**$6,000**	**72.3%**	**G-3**
Federal Funds: Laboratory Services	**$8,243**	**$8,243**	**$0**	**0.0%**	**D-151**
All Other Funds: Laboratory Services	**$1,650**	**$1,650**	**$0**	**0.0%**	**D-151**
TOTAL	**$28,085**	**$28,073**	**($12)**	**(0.0%)**	

The Governor's FY 2018 Budget Recommendation maintains total funding from all sources for the Division of Public Health and Environmental Laboratories at $28.1 million. However, the Administration proposes to shift $6.0 million in division appropriations from the General Fund to the division's revolving fund. This shift reflects $6.0 million in new revenue that is anticipated in FY 2018 from increased fees charged by the division's Newborn Screening Laboratory for a newborn screening test.

The $6.0 million decrease in General Fund appropriations for Laboratory Services has two components: Salaries and Wages, decreased by $5.0 million and Maintenance and Fixed Charges, decreased by $1.0 million. The $6.0 million increase in revolving fund appropriations for Laboratory Services is the main contributor to the $4.9 million increase to revolving fund Salaries and Wages and the $1.3 million increase for revolving fund Employee Benefits. The number of positions supporting Laboratory Services remains constant for FY 2017 and FY 2018.

On August 1, 2016, the DOH proposed amendments to N.J.A.C.8:45-2.1 that would increase the fee charged by the department's Newborn Screening Laboratory for a newborn screening test from $90 per test to $150 per test, a $60 increase (48 N.J.R. 1485(a)). Under the Newborn Screening Program the Newborn Screening Laboratory tests all newborn children in the State for the presence of 63 biochemical and genetic disorders within 48 hours after birth. The department is authorized to establish and charge reasonable fees for this testing with fee collections dedicated to the testing and follow-up services. Although the fee is initially charged to hospitals, it is typically shifted to third-party insurance providers.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
DIRECT STATE SERVICES					
New Jersey State Commission on Cancer Research	**$1,000**	**$0**	**($1,000)**	**(100.0%)**	**D-150**

The Governor's FY 2018 Budget Recommendation eliminates $1 million in funding for the New Jersey State Commission on Cancer Research which was included in the FY 2017 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, however, the commission's appropriation has been inconsistent from year to year. (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, FY 2016, and FY 2017.)

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 commission receives its funding from State appropriations, taxpayer donations on the State gross income tax return (Breast Cancer Research Fund, Prostate Cancer Research Fund, and Lung Cancer Research Fund), proceeds from Conquer Cancer license plate sales, and private donations. The commission uses these funds to support research projects through a competitive process for scientists across the State at a variety of universities, research centers, and other settings.

In October 2016, the commission issued an announcement of funding availability for FY 2017 to support 24-month pre- and post-doctoral fellows. The fellows will conduct original basic, biomedical, behavioral or clinical science research related to the causes, prevention, survival and treatment of cancer. As of April 10, 2017, all of the funds appropriated to the commission in FY 2017 had been encumbered.

Statewide Trauma Registry	**$750**	**$0**	**($750)**	**(100.0%)**	**D-150**

The Governor's FY 2018 Budget Recommendation eliminates the $750,000 appropriation for the Statewide Trauma Registry, which was included in the FY 2017 Appropriations Act pursuant to a Legislative budget resolution. A related language provision requiring that the FY 2017 appropriation for the Statewide Trauma Registry be used to establish a Statewide registry of hospitalizations for traumatic injury is also proposed for elimination. However, the Budget Recommendation retains the FY 2017 language provision authorizing the use of unexpended balances in the Statewide Trauma Registry account for the registry's implementation. Combined, the FY 2015, FY 2016, and FY 2017 Appropriations Acts made $2.25 million available for the establishment and operation of the registry.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

The funds were intended to establish a Statewide registry of hospitalizations for traumatic injury as required by P.L.2013, c.223. The law envisioned 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."

In response to the FY 2017 OLS Discussion Points, the department stated that a State Trauma Medical Director was hired on July 31, 2015, the Statewide Trauma Registry would be implemented in FY 2017 and the remaining $1.4 million held in the account would be used for establishing the registry. As of April 10, 2017, of the $2.25 million that was available for the Statewide Trauma Registry approximately $70,000 has been spent, $1.46 million committed to be expended on services to be provided by Rowan University, and $727,632 remained uncommitted in the account.

GRANTS-IN-AID

Adler Aphasia Center	**$200**	**$0**	**($200)**	**(100.0%)**	**D-150**

The Governor's FY 2018 Budget Recommendation eliminates a $200,000 appropriation for the Adler Aphasia Center which was included in the FY 2017 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. As of April 10, 2017, all of the funds for FY 2017 had been expended or encumbered.

Maternal, Child and Chronic Health Services	**$26,948**	**$36,948**	**$10,000**	**37.1%**	**D-150**

The Governor's FY 2018 Budget Recommendation increases appropriations for Maternal, Child and Chronic Health Services (MCCH) grants by $10 million (37.1 percent). This increase is intended for local health agencies to implement P.L.2017, c.7 (N.J.S.A.26:2-131 et al.). The law requires the Department of Health to ensure that all department regulations regarding the detection of elevated blood lead levels in children, and the appropriate responses thereto, are consistent with the most recent recommendations of the federal Centers for Disease Control and Prevention (CDC). In practice, this law compels the State to take responsive action where a lead screening test shows an elevated blood lead level of five micrograms per deciliter or more. This is lower than the previous standard, which required action at 10 micrograms per deciliter or more.

A variety of grant programs in the Division of Family Health Services are funded under the MCCH budget line. In response to the FY 2017 OLS Discussion Points, the department detailed the 23 policy areas and 212 grants provided through the MCCH line.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
REED Academy – Autism Services Pilot Program	**$500**	**$0**	**($500)**	**(100.0%)**	**D-150**

The Governor's FY 2018 Budget Recommendation eliminates a $500,000 appropriation for the REED Academy - Autism Services Pilot Program which was included in the FY 2017 Appropriations Act pursuant to a Legislative budget resolution. The pilot program was to provide services for individuals with autism age 18 and over through the development of a self-sustaining enterprise in partnership with Ramapo College. The REED Academy is a private, not-for-profit program for individuals with autism spectrum disorders ages 3 to 21. In addition to an individualized full-day school program, the academy also provides family consultation services and parent training. As of April 10, 2017, all of the funds for FY 2017 had been expended or encumbered.

Cancer Institute of New Jersey – University Hospital Cancer Center Services	**$1,000**	**$0**	**($1,000)**	**(100.0%)**	**D-150**

The FY 2018 Governor's Budget Recommendation discontinues the $1 million appropriation for the Cancer Institute of New Jersey, which was included in the FY 2017 Appropriations Act pursuant to a Legislative budget resolution. Related language specifying that these funds support the expansion of National Cancer Institute-designated Cancer Center services at University Hospital in Newark to attract clinical trials and advanced cancer care and prevention strategies to the Greater Newark Area is also deleted from the FY 2018 Budget Recommendation. According to the State accounting system, the $1 million is currently encumbered for payment to Rutgers, The State University of New Jersey, which is the fiduciary entity for University Hospital.

ALL OTHER FUNDS

Vital Statistics	**$2,475**	**$1,655**	**($820)**	**(33.1%)**	**D-151**

The Governor's FY 2018 Budget Recommendation decreases the FY 2018 All Other Funds appropriation for the Vital Statistics program class by $820,000 (33.1 percent) from $2.5 million in FY 2017 to $1.7 million in FY 2018. This reduction reflects a proposed shift in the recording of certain anticipated revenue collections from Department of Health licenses, fines, permits, penalties, and fees, without changing the total anticipated amount of collections in affected accounts. Specifically, $2.5 million would be newly accounted for in Schedule 1 State Revenues in FY 2018 (page C-5) that is recorded among Schedule 2 Dedicated Revenues in FY 2017. The anticipated $2.5 million decrease in dedicated revenue is reflected in reductions in three All Other Funds appropriations: $820,000 in Health Care Systems Analysis (page D-156);

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

$820,000 in Public Health Protection Services (page D-151); and $820,000 in Vital Statistics (page D-151).

HEALTH PLANNING AND EVALUATION

GRANTS-IN-AID

Health Care Subsidy Fund Payments	**$1**	**$25,155**	**$25,154**	**---**	**D-156**

The Governor recommends increasing General Fund support for the Health Care Subsidy Fund (HCSF) by $25.2 million. The HCSF is predominantly supported by dedicated revenue, but draws on the General Fund appropriation as a final source of funding when other revenues are insufficient to pay the fund's expenses.

Administered under P.L.1997, c.263, the HCSF receives its revenues from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. It is anticipated to collect $806.2 million in FY 2018 (page H-12 of the Governor's FY 2018 Budget). Fund expenditures support Statewide health care initiatives. In FY 2018, the HCSF is expected to spend $829.7 million, as follows: NJ FamilyCare - $488.0 million; Charity Care - $252.0 million; Children's Health Insurance Program - $28.8 million; Federally Qualified Health Centers - $28.0 million; Delivery System Reform Incentive Payments - $20.7 million; and Hospital Mental Health Offset Payments - $12.3 million. The General Fund is anticipated to provide a total of $27.5 million, including this $25.2 million appropriation, in FY 2018 to ensure that HCSF expenditures match available resources.

Hospital Asset Transformation Program	**$19,649**	**$15,492**	**($4,157)**	**(21.2%)**	**D-156**

The Governor's FY 2018 Budget Recommendation reduces the appropriation for Hospital Asset Transformation Program (HATP) debt service payments predominantly due to the partial defeasance of bonds issued in 2008 by the New Jersey Health Care Facilities Financing Authority (HCFFA) on behalf of St. Michael's Medical Center in Newark. The funding included in this account is intended to pay debt service in FY 2018 for bonds issued for St. Michael's Medical Center in Newark, St. Mary's Hospital in Passaic, and John F. Kennedy Medical Center in Edison.

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

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

services. 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.

In 2008, the authority had issued $252.5 million in bonds for St. Michael's Medical Center as part of a consolidation of hospitals in the area. Subsequently, Saint Michael's filed for bankruptcy and, in 2016, the State approved the sale of the non-profit hospital to the for-profit Prime HealthCare Services. According to the minutes of the HCFFA's July 28, 2016 meeting, the authority received $55.8 million as full settlement for the St. Michael's bankruptcy. Some $50.0 million thereof was deposited into an escrow fund for the defeasance of certain bonds issued on behalf of St. Michael's. The authority then plans to call the bonds on October 1, 2018. This action would ultimately reduce the $223.9 million in St. Michael's bonds outstanding at the end of FY 2016 as well as related annual debt service payments.

Graduate Medical Education	**$188,000**	**$218,000**	**$30,000**	**16.0%**	**D-156**
General Fund	**$64,672**	**$76,954**	**$12,282**	**19.0%**	**--**
Federal Funds -- Graduate Medical Education	**$123,328**	**$141,046**	**$17,718**	**14.4%**	**C-4**

The FY 2018 Budget Recommendation includes a $30.0 million (16.0 percent) increase in combined State and federal appropriations for Medicaid Graduate Medical Education (GME). The budget displays the FY 2018 recommendation as a General Fund appropriation, but only $77.0 million of the total represents State funding. The remaining $141.0 million comes from federal funds (page C-4). In FY 2018, 43 hospitals are projected to receive GME funding.

The combined proposed $218.0 million appropriation reflects an increase of $30.0 million ($17.7 million federal and $12.3 million State) over the combined State and federal FY 2017 adjusted appropriation of $188.0 million. The recommended increase in FY 2018 continues a long-term trend of growth. Appropriations for GME were: $60.0 million in FY 2010 and FY 2011; $90.0 million in FY 2012 and FY 2013; $100.0 million in FY 2014 and FY 2015; $127.3 million in FY 2016; and $188.0 million in FY 2017.

Historically, Medicaid GME has been supported with 50 percent federal funds, but beginning with the Governor's FY 2016 Budget Recommendation, the State anticipated a higher matching rate of approximately 67 percent due to the number of patients seen by the hospitals who are eligible for a higher percent federal match from Medicaid under the federal Affordable Care Act. The recommended FY 2018 appropriation anticipates a 64.7 percent federal match, a decrease from 65.6 percent in FY 2017.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
ALL OTHER FUNDS					
Health Care Systems Analysis	**$337,455**	**$286,635**	**($50,820)**	**(15.1%)**	**D-156**

The Governor's FY 2018 Budget Recommendation includes a $50.8 million decrease (15.1 percent) in All Other Funds for the Health Care Systems Analysis program class in FY 2018. 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. The recommended $50.8 million decrease has two components.

First, the Governor's FY 2018 Budget Recommendation decreases the funding from the Health Care Subsidy Fund (HCSF) to the New Jersey Hospital Care Payment Assistance Program (Charity Care program) by $50.0 million (16.6 percent) from $302.0 million in FY 2017 to $252.0 million in FY 2018. The Executive attributes the reduction to "a dramatic increase in NJ FamilyCare enrollment …. The associated decrease in uninsured residents has reduced by more than half the documented claims for uncompensated care submitted by New Jersey's hospitals" (pages 18-19 of the FY 2018 Budget Summary). The continued downward trend in the costs associated with individuals who do not have alternative forms of health insurance is due to two elements of the federal Affordable Care Act: the health insurance purchase mandate imposed on individuals in conjunction with federal premium tax credits and cost-sharing subsidies, and the State's decision to opt into the Affordable Care Act's optional expansion of Medicaid coverage to individuals with household incomes up to 138 percent of the federal poverty level.

Charity Care is free or reduced charge care that is provided to patients at acute care hospitals throughout the State. Acute care hospitals are required by State law to provide all necessary care to patients regardless of ability to pay, P.L.1992, c.160 (N.J.S.A.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.

The State source of funding for Charity Care is the HCSF administered under P.L.1997, c.263 (page H-12 of the Governor's FY 2018 Budget). The HCSF receives its balances from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. State Charity Care spending is eligible for a federal match under the Medicaid Disproportionate Share Hospital program. The State historically has received federal funds equal to State Charity Care spending, although the federal match has been higher of late. According to the Department of Human Services' response to the FY 2017 OLS Discussion Points, the federal revenue anticipated for State Charity Care expenditures is part of Schedule 1, reported under "Medicaid Uncompensated Care - Acute" (page C-5 of the FY 2018 Governor's Budget Recommendation) and Schedule 2, reported under "Title XIX Medical Assistance" (page C-19).

Second, the Governor's FY 2018 Budget Recommendation decreases the FY 2018 All Other Funds appropriation out of consumer health penalties for the Health Care Systems Analysis

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

program class by $820,000 (16.7 percent) from $4.9 million in FY 2017 to $4.1 million in FY 2018. This reduction reflects a proposed shift in the recording of certain anticipated revenue collections from Department of Health licenses, fines, permits, penalties, and fees, without changing the total anticipated amount of collections in affected accounts. Specifically, $2.5 million would be newly accounted for in Schedule 1 State Revenues in FY 2018 (page C-5) that is recorded among Schedule 2 Dedicated Revenues in FY 2017. The anticipated $2.5 million decrease in dedicated revenue is reflected in reductions in three All Other Funds appropriations: $820,000 in Health Care Systems Analysis (page D-156); $820,000 in Public Health Protection Services (page D-151); and $820,000 in Vital Statistics (page D-151).

Significant Language Changes

Statewide Trauma Registry

Deletion

2017 Handbook: p. B-75
2018 Budget: N/A

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

Explanation

The language required the FY 2017 appropriation of $750,000 for the Statewide Trauma Registry be used to establish a Statewide registry of hospitalizations for traumatic injury. The Governor's FY 2018 Budget Recommendation discontinues the language as well the associated $750,000 appropriation. However, the Budget Recommendation retains the FY 2017 language authorizing the use of unexpended balances in the Statewide Trauma Registry account for the registry's implementation.

The deleted language and funding were previously included to assist in the implementation of P.L.2013, c.223. The law 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."

In response to the FY 2017 OLS Discussion Points, the department stated that a State Trauma Medical Director was hired on July 31, 2015, the Statewide Trauma Registry would be implemented in FY 2017 and the remaining $1.4 million held in the account would be used for establishing the registry. As of April 10, 2017, of the $2.25 million that was made available for the Statewide Trauma Registry in FY 2015, FY 2016, and FY 2017 combined, approximately $70,000 has been spent, $1.46 million committed to be expended on services to be provided by Rowan University, and $727,632 remained uncommitted in the account.

Early Childhood Intervention Program

Revision

2017 Handbook: p. B-74
2018 Budget: p. D-152

Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for the Early Childhood Intervention Program, there is appropriated ~~$4,000,000~~ $1,000,000 from the Autism Medical Research and Treatment Fund for the same purpose.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor's FY 2018 Budget Recommendation reduces a language appropriation from the Autism Medical Research and Treatment Fund to the Early Childhood Intervention Program (ECIP) from $4 million in FY 2017 to $1 million in FY 2018.

In FY 2018, total recommended funding for ECIP equals $175.8 million, allocated as follows: $103.6 million in State funds, $64.0 million in federal funds through the Infants and Toddlers with Disabilities Program, Part C of the Individuals with Disabilities Education Act; $7.2 million in family contributions for children who are medically eligible, but whose families' incomes are above 350 percent of federal poverty levels; and $1.0 million in dedicated funding from the Autism Medical Research and Treatment Fund. This represents a $4.0 million decrease from FY 2017, which is composed of a $3.0 million reduction in the language appropriation from the Autism Medical Research and Treatment Fund and a $1.0 million reduction in the General Fund appropriation. The OLS notes, however, that the Administration also proposes the continuation of contingency language that would allow for supplemental appropriations of unspecified amounts to the program in the course of the fiscal year and without additional legislative approval. The State has made supplemental appropriations available for ECIP in the past, most recently a $7.3 million supplemental appropriation in FY 2017. According to budget data (page D-145), the number of children receiving services through ECIP is anticipated to increase by 1,901 children, from 28,686 children in FY 2017 to 30,587 children in FY 2018.

The Department of Health administers the ECIP for infants and toddlers under age three who have developmental disabilities. The department contracts separately with 21 county-based agencies to provide care management services, and 10 child evaluation centers to assess children's needs. The State also contracts with Computer Services Corporation for information technology services, billing, and collection.

The Autism Medical Research and Treatment Fund was established by P.L.2003, c. 144 (N.J.S.A.30:6D-62.2 et al) to support the Governor's Council for Medical Research and Treatment of Infantile Autism and is the recipient of a $1 surcharge on all fines and penalties paid for motor vehicle violations in the State. The fund is anticipated to collect $3.8 million in FY 2018 (page C-11).

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Cancer Institute of New Jersey

Deletion

2017 Handbook: p. B-76
2018 Budget: N/A

~~The amount hereinabove appropriated for Cancer Institute of New Jersey University Hospital Cancer Center Services is allocated to the Cancer Institute of New Jersey for the expansion of National Cancer Institute-designated Cancer Center services at University Hospital in Newark to attract clinical trials and advanced cancer care and prevention strategies to the Greater Newark Area with the goal of ensuring parity among cancer patients, including the underserved and underinsured populations.~~

Explanation

The FY 2018 Governor's Budget Recommendation discontinues the $1 million appropriation for the Cancer Institute of New Jersey, which was included in the FY 2017 Appropriations Act pursuant to a Legislative budget resolution. This related language, which is also discontinued, specified that the $1 million had to be used for the expansion of National Cancer Institute-designated Cancer Center services at University Hospital in Newark. Specifically, the funding was intended to attract clinical trials and advanced cancer care and prevention strategies to the Greater Newark Area with the goal of ensuring parity among cancer patients, including the underserved and underinsured populations.

According to the State accounting system, the $1 million is currently encumbered for payment to Rutgers, the State University of New Jersey, which is the fiduciary entity for University Hospital.

Charity Care

Revision

2017 Handbook: p. B-79
2018 Budget: p. D-156 to 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 is subject to the following conditions: the distribution of Charity Care funding shall be calculated in the following manner: (a) source data for the most recent census data shall be from the ~~2013~~ 2014 5-Year American Community Survey; (b) source data used shall be from calendar ~~years~~ year (CY) ~~2014~~ 2015 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 CY ~~2014~~ 2015 and any prior year submitted claims, as submitted by each acute care hospital or determined by the Department of Health (DOH); (c) source data used for CY ~~2014~~ 2015 documented charity care for each hospital's total gross revenue for all patients shall be from the CY ~~2014~~ 2015 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 ~~5, 2015~~ 29, 2016, as submitted by each acute care hospital ~~by March~~

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

~~13, 2015,~~ and source data used for Medicare Cost Report data shall be from CY ~~2013~~ 2014; (d) in the event that an eligible hospital failed to submit by March ~~13, 2015~~ 30, 2016, its total gross revenue for all patients from the CY ~~2014~~ 2015 Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DOH advance submission request dated February ~~5, 2015~~ 29, 2016, source data from CY ~~2013~~ 2014 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; (e) ~~the hospital-specific reimbursed documented charity care shall be permitted to decline to 2%, rather than be limited to no less than 43%; (f)~~ for each eligible hospital, except those designated 96% by their hospital-~~-~~specific reimbursed documented charity care, 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 ~~$302,000,000~~ $252,000,000; and ~~(g)~~ (f) the resulting value will constitute each eligible hospital's SFY ~~2017~~ 2018 charity care subsidy allocation. 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 ~~2016~~ 2017, and (2) their January ~~2017~~ 2018 payments in December ~~2016~~ 2017.

Explanation

The FY 2018 Governor's Budget Recommendation includes language appropriating $252.0 million for "Charity Care" grants to hospitals, a $50.0 million reduction from the $302.0 million appropriated in FY 2017. The Executive attributes the reduction to a "dramatic increase in NJ FamilyCare enrollment, which continues to be funded almost entirely by the federal government. The associated decrease in uninsured residents has reduced by more than half the documented claims for uncompensated care submitted by New Jersey's hospitals." (pages 18 and 19 of the FY 2018 Budget Summary). The continued downward trend in the costs associated with individuals who do not have alternative forms of health insurance is due to two elements of the federal Affordable Care Act: the health insurance purchase mandate imposed on individuals in conjunction with federal premium tax credits and cost-sharing subsidies, and the State's decision to opt into the Affordable Care Act's optional expansion of Medicaid coverage to individuals with household incomes up to 138 percent of the federal poverty level.

Acute care hospitals are required by State law to provide all necessary care to patients regardless of ability to pay, pursuant to P.L.1992, c.160 (N.J.S.A.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.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

The FY 2018 Charity Care formula differs very slightly from the FY 2017 formula. The proposed language follows most of the statutorily established steps, but amends the statutory formula to abide by the following rules: the minimum subsidy for a specific hospital is removed (it is 43 percent of a hospital's unreimbursed documented charity care under statutory law and was two percent thereof in FY 2017); and subsidies must be proportionally divided so that total charity care disbursements do not exceed $252.0 million, except that the proportionate reduction does not apply to those hospitals that are required to receive 96 percent of their hospital-specific unreimbursed documented charity care pursuant to the statutory formula. More information on Charity Care, including a description of the proposed distribution formula and the amounts to be provided to each hospital thereunder, is provided in the background paper "Direct Hospital Subsidies" at the end of this analysis.

Hospital Delivery System Reform Incentive Payments Program

Addition

2017 Handbook: N/A
2018 Budget: p. D-157

Notwithstanding the provisions of any law or regulation to the contrary, in the event that the State's waiver extension for the Hospital Delivery System Reform Incentive Payments (DSRIP) program does not receive federal approval, the amounts hereinabove appropriated for that purpose may be transferred to either Charity Care or Graduate Medical Education, or both, to ensure payments to hospitals continue to include federal matching funds; provided, however, that any such reallocation of DSRIP funds shall be determined by the Commissioner of Health, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This new language would authorize the department to transfer the recommended $166.6 million FY 2018 Delivery System Reform Incentive Payments (DSRIP) program appropriation to the Charity Care or Graduate Medical Education programs if the Centers for Medicare and Medicaid Services (CMS) were to reject the State's waiver extension request for the DSRIP program. The language is intended to ensure that hospitals will continue to receive State and federal matching funds currently appropriated for DSRIP.

The DSRIP program, a component of the Comprehensive Medicaid 1115 Waiver, is a five-year federally co-funded demonstration project to be completed on June 30, 2017. DSRIP provides subsidies to 49 participating hospitals that carry out approved projects designed to improve the quality of care provided, the efficiency with which care is provided, or population health.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

The State is negotiating a one-year extension of the DSRIP program, referred to as the Next Generation DSRIP, with the CMS for FY 2018. The one-year extension would most likely retain the funding levels provided to hospitals in FY 2017. Additionally, the State's renewal application for the federal Comprehensive Medicaid 1115 Waiver also includes a request to continue funding Next Generation DSRIP until FY 2022. The Next Generation DSRIP is proposed to have more community partner inclusion, project partner revenue sharing, and is more aligned with regional planning collaboratives, such as Accountable Care Organizations.

The FY 2018 Budget Recommendation includes language stating that an unchanged $166.6 million is appropriated for DSRIP. The appropriation has three funding sources: $62.6 million from the General Fund (page D-156); $20.7 million from the Health Care Subsidy Fund (a portion of the recommended $286.6 million FY 2018 All Other Funds appropriation on page D-156 and referenced on page H-12); and $83.3 million in federal funding (a portion of the recommended $89.2 million FY 2018 Federal Funds appropriation on page D-156 and referenced on page H-12).

Graduate Medical Education

Revision

2017 Handbook: p. B-81
2018 Budget: p. D-157 to D-158

Notwithstanding the provisions of any law or regulation to the contrary, and 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, the amounts hereinabove appropriated for Graduate Medical Education (GME) are conditioned upon the following: The subsidy payment shall be split into a Direct Medical Education (DME) allocation, which is calculated by multiplying the total subsidy amount by the ratio of ~~2014~~ 2015 total median Medicaid managed care DME costs-to-~~2014~~ 2015 total median Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the total subsidy amount by the ratio of ~~2014~~ 2015 total Medicaid managed care IME costs-to-total ~~2014~~ 2015 Medicaid managed care GME costs. Each hospital's percentage of total ~~2014~~ 2015 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total ~~2014~~ 2015 Medicaid managed care IME costs shall be multiplied by the IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equal its subsidy payment. The total amount of these payments shall not exceed ~~$188,000,000~~ $218,000,000 and shall be paid in 12 monthly payments. In the event that a hospital reported less than 12 months of ~~2014~~ 2015 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. In the event the hospital completed a merger, acquisition, or business combination resulting in two cost reports filed during the calendar year, the two cost reports will be combined into one cost report for the calendar year. In the event that a hospital did

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

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~~ 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, ~~2014~~ 2015 and December 31, ~~2014~~ 2015; payment dates between January 1, ~~2014~~ 2015 and December 31, ~~2015~~ 2016; and a run-date not later than January 31, ~~2016~~ 2017. Medicaid managed care DME cost is defined as the approved intern and residency program costs using the ~~2014~~ 2015 Medicaid cost report total residency costs, reported on Worksheet B Pt I Column 21 line 21 plus Worksheet B Pt I Column 22 Line 22 divided by ~~2014~~ 2015 resident full time equivalent employees (FTE), reported on Worksheet S-3 Pt 1 Column 9 line 14 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 ~~2014~~ 2015 resident FTEs reported on Worksheet S-3 Pt 1 Column 9 line 14 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 7 Line 2, divided by the quantity of total days, on Worksheet S-3 Column 8 Line 14, less nursery days, 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: services dates between January 1, ~~2014~~ 2015 and December 31, ~~2014~~ 2015; payment dates between January 1, ~~2014~~ 2015 and December 31, ~~2015~~ 2016; and a run-date of not later than January 31, ~~2016~~ 2017. 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 reported on Worksheet S-3 Pt 1 Column 9 line 14 divided by the quantity of total available beds less nursery beds reported on Worksheet S-3 Column 2 line 14. 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. Each hospital receiving a GME allocation shall, on or before ~~May 1st~~ October 31, provide a report to the Commissioner of Heath indicating the total number of physicians who completed their training during the preceding calendar year, and the number of those physicians who plan to practice medicine within the State of New Jersey.

Explanation

The FY 2018 Governor's Budget Recommendation includes language authorizing a $218.0 million combined State and federal funds appropriation for Medicaid Graduate Medical Education (GME), an increase of $30.0 million ($17.7 million federal and $12.3 million State) over the combined State and federal FY 2017 adjusted appropriation of $188.0 million. The recommended increase in FY 2018 continues a long-term trend of growth.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

The GME distribution formula to the individual hospitals in the proposed language is very similar to the FY 2017 formula. It differs only in that it updates the year of the reference material to 2015 from 2014.

The language also instructs GME recipient hospitals to report to the department the total number of physicians who completed their training during the preceding calendar year, and the number of those physicians who plan to practice medicine within the State of New Jersey by October 31, 2017. Under the similar FY 2017 language, the report would be due on May 1, 2018.

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

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Background Paper: Direct Hospital Subsidies

Budget Pages.... D-154 to D-158; H-12

Language provisions in the Governor's FY 2018 Budget Recommendation provide for the disbursement of $636.6 million in direct subsidies to New Jersey's acute care hospitals. As used in this background paper, the term "direct subsidies" encompasses Charity Care ($252.0 million), the Delivery System Reform Incentive Payments (DSRIP) program ($166.6 million), and Graduate Medical Education (GME) ($218.0 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 2018 recommended funding for direct subsidies is $20.0 million (3.0 percent) less than the $656.6 million appropriated for these purposes in FY 2017, as discussed below. This net decrease is a result of a $50.0 million decrease for Charity Care and a $30.0 million increase for GME.

Tables 1 to 3 at the end of this background paper provide the Charity Care, DSRIP, and GME subsidies each hospital is scheduled to receive in FY 2017 and anticipates receiving in FY 2018 under the Governor's proposal.

Table 4 at the end of this background paper provides overall funding to each hospital for direct subsidies in FY 2017 compared to the amounts anticipated in FY 2018.

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 $252.0 million in FY 2018 from the Health Care Subsidy Fund (page H-12). This is a $50.0 million reduction in appropriations from FY 2017. The reduction is attributable to federal Affordable Care Act-driven downward trends in hospital costs associated with providing uncompensated charity care services to uninsured individuals. Since its peak in 2010 of $1.03 billion, documented Charity Care has decreased by approximately $550.4 million (50.1 percent) to $479.6 million in calendar year 2015.[3]

The Charity Care program, established by P.L.1992, c.160 (N.J.S.A.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.

Charity Care expenditures are paid out of the Health Care Subsidy Fund (HCSF) administered under P.L.1997, c.263 (page H-12). The HCSF receives its balances from several State taxes,

[3]http://www.state.nj.us/health/charitycare/documents/cc_report2015_revised.pdf

Background Paper: Direct Hospital Subsidies (Cont'd)

among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment.

State Charity Care spending is also eligible for a federal match that historically is drawn from federal funds under the Medicaid Disproportionate Share Hospital (DSH) program. The DSH program allows the State to receive federal funds based on State payments to hospitals for costs that are not otherwise eligible for federal Medicaid matching funds (e.g. Charity Care, and most payments to psychiatric hospitals). Under the formula provided by federal statute (42 U.S.C. 1396r-4(f)), the State's DSH allotment generally increases each year by the same percentage as the consumer price index. Currently, the State does not use federal Medicaid DSH matching funds received for State Charity Care expenditures to support the Charity Care program. According to the Department of Human Services' responses to the FY 2017 OLS Discussion Points, the State anticipated receiving $452.1 million in DSH funds in FY 2017. The federal revenue anticipated by the Department of Human Services for State Charity Care expenditures is part of Schedule 1, reported under "Medicaid Uncompensated Care - Acute" (page C-5) and Schedule 2, reported under "Title XIX Medical Assistance" (page C-19).

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 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 FY 2018 Budget Recommendation, proposed language limits the total amount available in FY 2018 to $252.0 million, and calculates each hospital's share of the $252.0 million according to a modified formula, as discussed in more detail below.

Table 1 at the end of this background paper displays the Governor's recommended FY 2018 Charity Care subsidy for each hospital and the actual FY 2017 distribution.

Proposed FY 2018 Formula: The FY 2018 Charity Care formula, as proposed in budget language on pages D-156 to D-157, follows some of the statutorily established steps, but amends the formula to abide by the following rules: the source data is based on the more recent 2014 5-Year American Community Survey instead of the 2013 census; the minimum subsidy for hospitals may be reduced from the statutorily required 43 percent to 0 percent; and all subsidies must be proportionally divided so that total charity care disbursements do not exceed $252.0 million, except that the proportionate reduction does not apply to those hospitals that are required to receive 96 percent of their hospital specific unreimbursed documented charity care pursuant to the statutory formula (see steps 2 and 3 below).

The FY 2018 Charity Care formula differs from the FY 2017 formula in that it: updates the source years and dates for the data; sets the total subsidy to $252.0 million rather than $302.0 million; and adjusts the minimum of documented Charity Care to be reimbursed from 2 percent to 0 percent.

Background Paper: Direct Hospital Subsidies (Cont'd)

The FY 2018 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 CY 2015 for charity care patients divided by (b) total gross revenue for all patients. The data used in the RCCP calculation are as reported by the hospitals by March 30, 2016 pursuant to an advanced submission request dated February 29, 2016. 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 unreimbursed documented Charity Care.
3. In addition, the hospital with the highest documented hospital-specific Charity Care in each of the 10 municipalities with the lowest median annual household income (as determined in the 5-year American Community Survey), if any, also receives 96 percent of their RCCP.
4. Except for the 96% hospitals identified in steps 2 and 3, each hospital's subsidy is prorated to ensure that the total amount of Charity Care does not exceed $252 million.

The formula results in 37 hospitals receiving less Charity Care in FY 2018 than in FY 2017, and 27 receiving more. All of the hospitals are reimbursed at least 9 percent of their 2015 documented charity care. [4]

The 12 hospitals that will receive 96 percent of their documented Charity Care (pursuant to steps 2 and 3 above) are: AtlantiCare Regional Medical Center – City Division; Bergen Regional Medical Center; Capital Health Regional Medical Center; CarePoint Health – Hoboken University Medical Center; Care Point Health – Christ Hospital; Cooper Hospital/University Medical Center; Jersey City Medical Center; St. Mary's Hospital (Passaic); St. Francis Medical Center; St. Joseph's Medical Center; Trinitas Regional Medical Center; and University Hospital.[5]

Delivery System Reform Incentive Payments (DSRIP) Program

The Governor's FY 2018 Budget Recommendation includes $166.6 million in appropriations for the Delivery System Reform Incentive Payments (DSRIP) program. New language is intended to ensure that the $166.6 million appropriation is allocated to hospitals through the GME or Charity Care programs should the DSRIP program be discontinued.

The DSRIP program is a component of New Jersey's Comprehensive Medicaid 1115 Waiver, which, in FY 2017, provided subsidies to 49 participating hospitals. The program was approved as a five-year federally co-funded demonstration project to be completed on June 30, 2017.

[4] Virtua West Jersey Hospital Berlin is not anticipated to receive any Charity Care funding in FY 2018, despite having documented Charity Care in CY 2015 because it ceased operations in FY 2015.

[5] Please note that in certain instances the total charity care received by hospitals is combined in Table 1, reflective of the State's reporting. However, certain hospital systems: AtlantiCare, St. Claire's, Raritan Bay Medical Centers, Kennedy Health Systems, and Virtua all report documented charity care by individual hospital. The individual hospital's documented charity care is what is used by the State to determine distribution of charity care.

Background Paper: Direct Hospital Subsidies (Cont'd)

The current DSRIP 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 improve the quality of care, the efficiency with which care is provided, or population health. The plan must focus on an area from the list contained in the New Jersey Comprehensive Medicaid 1115 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. The Rutgers Center For State Health Policy conducted an interim evaluation of the DSRIP program.[6]

The State is currently requesting permission from the Centers for Medicare and Medicaid Services (CMS) to begin the Next Generation DSRIP from July 1, 2017 until June 30, 2022. Next Generation DSRIP is proposed to continue as an extension of the current DSRIP program for the first two years (FY 2018 and FY 2019). This would most likely also continue funding at, or near, current levels for currently participating hospitals. From FY 2020 to FY 2022, Next Generation DSRIP is proposed to modify current programs to include an expansion of current programs with community partner inclusion, project partner revenue sharing, and better aligned with regional planning collaboratives, such as Accountable Care Organizations.[7]

According to data published by the Department of Health, of 64 eligible hospitals and systems, 49 are currently participating in DSRIP. Seven additional hospitals initially chose to participate but then discontinued their participation, five after the second demonstration year and two after the third demonstration year. Non-participating hospitals can enter the program only under certain exceptional conditions. Pursuant to the program's rules, funding which would have been 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. State funding that qualifies for the federal match may come from additional General Fund expenditures. But the State may also provide match-eligible funding at no additional cost to the State by designating existing state dollars that are already being used for services that are similar to Medicaid services but are not currently matched with federal dollars. The FY 2018 proposed $166.6 million appropriation has three funding sources: $62.6 million from the General Fund (page D-156); $20.7 million from the Health Care Subsidy Fund (a portion of the recommended $286.6 million FY 2018 All Other Funds appropriation on page D-156 and referenced on page H-12); and $83.3 million in federal funding (a portion of the recommended $89.2 million FY 2018 Federal Funds appropriation on page D-156 and referenced on page H-12).

Table 2 at the end of this background paper displays the anticipated FY 2018 DSRIP funds for each hospital as equal to the FY 2017 distribution. The DSRIP program is currently in the fifth and final demonstration year and payments are made on a monthly basis. Hospital payments for FY 2017 are based on hospital achievement of stage 1 through stage 4 performance measures as defined in the Funding and Mechanics Protocol dated March 27, 2014, accessible online at dsrip.nj.gov.

[6] http://www.state.nj.us/humanservices/dmahs/home/NJCW_Renewal_App_C_Interim_Evaluation.pdf
[7] http://www.state.nj.us/humanservices/dmahs/home/NJCW_Renewal_App_A_DSRIP.pdf

Background Paper: Direct Hospital Subsidies (Cont'd)

Proposed FY 2018 Allocation: The total target funding amount for FY 2018 is $166.6 million. According to Meyers and Stauffer (the contracted entity which oversees the DSRIP program), the amounts allocated to the hospitals in FY 2018 will most likely match FY 2017 funding, if the CMS approves the first year Next Generation DSRIP. It is estimated that the funding will remain stable for the first year, and it is presented as such for this background paper.

Graduate Medical Education

The third component of direct State subsidies to acute care hospitals is Graduate Medical Education (GME). The Executive recommends an FY 2018 program allocation totaling $218.0 million (page D-156), a $30.0 million ($17.7 million federal and $12.3 million State) increase over the FY 2017 adjusted appropriation of $188.0 million.

The FY 2018 Budget Recommendation displays the $218.0 million as a General Fund appropriation, but only $77.0 million of the total represents State funding. The remaining $141.0 million comes from federal funds (page C-4). The recommended increase in FY 2018 continues a long-term trend of growth. Appropriations for GME were: $60.0 million in FY 2010 and FY 2011; $90.0 million in FY 2012 and FY 2013; $100.0 million in FY 2014 and FY 2015; $127.3 million in FY 2016; $188.0 million in FY 2017; and $218.0 million in FY 2018.

Historically, Medicaid GME has been supported with 50 percent federal Medicaid funds, but beginning with the Governor's FY 2016 Budget Recommendation, the State anticipated a higher matching rate of approximately 67 percent due to the number of patients seen by the hospitals who are eligible for a higher percent federal match from Medicaid under the Affordable Care Act. The recommended FY 2018 appropriation anticipates a 64.7 percent federal match, a slight decrease from 65.6 percent in FY 2017

The GME payment for each of the 43 teaching hospitals is determined by a State established formula as detailed in the budget language (pages D-156 and D-157). The federal government allows States to apply for GME funding through state Medicaid funding, but any changes in the amount allocated, or the formula determining the distribution of funding, must be approved by the Centers for Medicare and Medicaid Services as a State plan amendment each year.[8] Teaching hospitals also receive separate and additional GME funding through federal programs, the most important being Medicare, but these amounts do not flow through the State budget.

The amount each hospital receives from State Medicaid GME each year is determined by the amounts the hospitals spent in a previous year on costs related to the training of future physicians, adjusted so the total amount does not exceed the total subsidy provided through the budget each year.

Specifically, each hospital's FY 2018 GME is determined by calculating the sum of two types of expenditures made by that hospital in 2015 in the training of medical interns and residents. These expenditures are referred to as direct medical education (DME) costs and indirect medical education (IME) costs. DME expenditures are those directly related to educating interns and residents, such as pay for residents. IME expenditures are those higher costs

[8]http://www.state.nj.us/humanservices/providers/grants/public/publicnoticefiles/Final%20Public%20Notice%20for%20SFY17%20Budget%20GME%206.22.16.pdf

Background Paper: Direct Hospital Subsidies (Cont'd)

associated with having to provide additional staff and resources to assist the interns and residents. These costs are calculated through the use of a formula discussed below.

Table 3 at the end of this background paper displays, for each hospital, the Governor's recommended FY 2018 GME allocation and the actual FY 2017 distribution.

Proposed FY 2018 Formula: The proposed formula for distributing GME funding to teaching hospitals is found on pages D-157 and D-158 of the Governor's FY 2018 Budget Recommendation. The proposed language is very similar to the FY 2017 formula. It differs only in that it updates the year of the reference material to 2015 from 2014 and changes the date by which the department requires hospitals to submit a report to October 31, 2017 from May 1, 2018.

The proposed language directs hospitals which completed a merger in the calendar year to combine their cost reports into one cost report. The language also instructs hospitals receiving a GME allocation to report to the department the total number of physicians who completed their training during the preceding calendar year, and the number of those physicians who plan to practice medicine within the State of New Jersey.

The proposed language requires the $218.0 million appropriation to be split into a Direct Medical Education (DME) allocation, which is calculated by multiplying $218.0 million by the ratio of 2015 total median Medicaid managed care DME costs to 2015 total median Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying $218.0 million by the ratio of 2015 total Medicaid managed care IME costs to total 2015 Medicaid managed care GME costs.

Each hospital's percentage of total 2015 Medicaid managed care DME costs will be multiplied by the DME allocation to calculate the hospital's DME payment.

Each hospital's percentage of total 2015 Medicaid managed care IME costs will be multiplied by the IME allocation to calculate the hospital's IME payment.

The sum of a hospital's DME and IME payments equals its GME payment.

Medicaid managed care DME cost is defined as the approved intern and residency program costs using the 2015 Medicaid cost report total residency costs, divided by 2015 resident full-time equivalent employees (FTE) 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 2015 resident FTEs to develop approved total residency program costs. The approved residency costs are 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. 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.

Background Paper: Direct Hospital Subsidies (Cont'd)

In conjunction with the funding increase, the proposed formula results in 35 of the 43 eligible hospitals receiving a greater subsidy than anticipated in FY 2017, and eight receiving less.

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 1: Charity Care Subsidies:

Hospital Name	Charity Care FY 2017	Charity Care FY 2018	Change FY17 to FY18	Percent Change
AtlantiCare Regional Medical Center, Inc.	$12,722,720	$11,555,171	($1,167,549)	-9.2%
Bayshore Community Hospital	$8,170	$52,745	$44,575	545.6%
Bergen Regional Medical Center	$19,867,865	$17,479,694	($2,388,171)	-12.0%
Cape Regional Medical Center	$260,930	$93,679	($167,251)	-64.1%
Capital Health Medical Center - Hopewell	$1,194,484	$897,903	($296,581)	-24.8%
Capital Health Regional Medical Center	$17,724,888	$13,053,265	($4,671,623)	-26.4%
Care Point Health - Bayonne Medical Center	$639,021	$529,281	($109,740)	-17.2%
Care Point Health - Christ Hospital	$8,446,840	$10,394,010	$1,947,170	23.1%
Care Point Health - Hoboken University Medical Center	$2,931,993	$10,600,458	$7,668,465	261.5%
CentraState Medical Center	$546,360	$289,807	($256,553)	-47.0%
Chilton Medical Center	$9,740	$93,970	$84,230	864.8%
Clara Maass Medical Center	$904,117	$403,396	($500,721)	-55.4%
Community Medical Center	$26,475	$214,129	$187,654	708.8%
Cooper Hospital/University Medical Center	$21,494,073	$13,376,641	($8,117,432)	-37.8%
Deborah Heart and Lung Center	$413,155	$270,094	($143,061)	-34.6%
East Orange General Hospital	$6,706,858	$690,618	($6,016,240)	-89.7%
Englewood Hospital and Medical Center	$731,685	$578,838	($152,847)	-20.9%
Hackensack UMC - Palisades	$2,468,686	$1,377,349	($1,091,337)	-44.2%
Hackensack UMC Mountainside	$63,213	$183,554	$120,341	190.4%
Hackensack UMC Pascack	$3,198	$27,769	$24,571	768.3%
Hackensack University Medical Center	$4,049,260	$1,499,260	($2,550,000)	-63.0%
Hackettstown Regional Medical Center	$4,850	$56,404	$51,554	1063.0%
Holy Name Medical Center	$309,272	$216,163	($93,109)	-30.1%
Hunterdon Medical Center	$156,511	$275,598	$119,087	76.1%
Inspira Medical Center - Elmer	$79,209	$59,934	($19,275)	-24.3%
Inspira Medical Center - Vineland	$2,435,187	$976,418	($1,458,769)	-59.9%
Inspira Medical Center - Woodbury	$11,650	$109,912	$98,262	843.5%
Jersey City Medical Center	$32,410,408	$18,902,794	($13,507,614)	-41.7%
Jersey Shore University Medical Center	$528,221	$690,940	$162,719	30.8%
JFK Medical Center (Anthony M. Yelencsics Community Hosp.)	$1,570,617	$959,264	($611,353)	-38.9%
Kennedy Health System	$1,256,093	$399,707	($856,386)	-68.2%
Lourdes Medical Center of Burlington County	$401,784	$272,772	($129,012)	-32.1%
Meadowlands Hospital Medical Center	$3,800	$23,860	$20,060	527.9%
Memorial Hospital of Salem County	$2,322	$18,383	$16,061	691.7%
Monmouth Medical Center	$996,481	$644,089	($352,392)	-35.4%
Monmouth Medical Center Southern (Kimball)	$1,325,201	$446,087	($879,114)	-66.3%
Morristown Medical Center	$88,436	$838,839	$750,403	848.5%
Newark Beth Israel Medical Center	$5,366,884	$1,633,698	($3,733,186)	-69.6%
Newton Memorial Hospital	$8,694	$86,751	$78,057	897.8%

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	Charity Care FY 2017	Charity Care FY 2018	Change FY17 to FY18	Percent Change
Ocean Medical Center	$30,928	$251,562	$220,634	713.4%
Our Lady of Lourdes Medical Center	$393,373	$1,040,808	$647,435	164.6%
Overlook Medical Center	$48,056	$524,742	$476,686	991.9%
Raritan Bay Medical Center (All)	$9,541,574	$1,630,505	($7,911,069)	-82.9%
Riverview Medical Center	$53,748	$185,532	$131,784	245.2%
Robert Wood Johnson University Hospital	$2,631,732	$2,022,167	($609,565)	-23.2%
RWJ University Hospital at Hamilton	$803,223	$225,454	($577,769)	-71.9%
RWJ University Hospital at Rahway	$345,734	$80,421	($265,313)	-76.7%
RWJ University Hospital at Somerset	$735,827	$224,750	($511,077)	-69.5%
Shore Medical Center	$57,274	$122,744	$65,470	114.3%
Southern Ocean Medical Center	$6,357	$54,190	$47,833	752.4%
St. Barnabas Medical Center	$41,304	$478,945	$437,641	1059.6%
St. Claire's Denville/Dover together	$1,790,283	$837,935	($952,348)	-53.2%
St. Francis Medical Center (Trenton)	$2,271,692	$6,013,960	$3,742,268	164.7%
St. Joseph's Medical Center	$46,298,417	$41,483,357	($4,815,060)	-10.4%
St. Luke's Warren Hospital	$233,113	$109,618	($123,495)	-53.0%
St. Mary's General Hospital	$5,658,201	$3,862,809	($1,795,392)	-31.7%
St. Michael's Medical Center	$4,390,634	$1,310,117	($3,080,517)	-70.2%
St. Peter's University Hospital	$4,431,071	$2,522,547	($1,908,524)	-43.1%
Trinitas Regional Medical Center	$32,344,673	$29,145,115	($3,199,558)	-9.9%
University Hospital	$40,436,311	$48,147,762	$7,711,451	19.1%
University Medical Center of Princeton at Plainsboro	$340,203	$427,649	$87,446	25.7%
Valley Hospital	$23,151	$160,504	$137,353	593.3%
Virtua - West Jersey Hospital	$288,663	$518,321	$229,658	79.6%
Virtua - Memorial Hospital of Burlington County, Inc.	$635,109	$345,246	($289,863)	-45.6%
Totals	**$302,000,000**	**$252,000,000**	**($50,000,000)**	**-16.6%**

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 2: Delivery System Reform Incentive Payments:

Hospital Name	DSRIP FY 2017 and FY 2018
AtlantiCare Regional Medical Center, Inc.	$7,305,149
Bayshore Community Hospital	$0
Bergen Regional Medical Center	$12,555,608
Cape Regional Medical Center	$746,178
Capital Health Medical Center - Hopewell	$1,908,555
Capital Health Regional Medical Center	$2,810,909
Care Point Health - Bayonne Medical Center	$259,851
Care Point Health - Christ Hospital	$2,077,755
Care Point Health - Hoboken University Medical Center	$2,166,128
CentraState Medical Center	$957,308
Chilton Medical Center	$227,405
Clara Maass Medical Center	$2,640,484
Community Medical Center	$1,505,104
Cooper Hospital/University Medical Center	$6,344,410
Deborah Heart and Lung Center	$0
East Orange General Hospital	$3,001,454
Englewood Hospital and Medical Center	$881,052
Hackensack UMC Mountainside	$611,460
Hackensack UMC - Palisades	$1,159,399
Hackensack UMC Pascack	$0
Hackensack University Medical Center	$3,015,913
Hackettstown Regional Medical Center	$0
Holy Name Medical Center	$0
Hunterdon Medical Center	$0
Inspira Medical Center - Elmer	$296,463
Inspira Medical Center - Vineland	$4,762,107
Inspira Medical Center - Woodbury	$1,268,981
Jersey City Medical Center	$5,891,740
Jersey Shore University Medical Center	$4,648,306
JFK Medical Center (Anthony M. Yelencsics Community Hosp.)	$831,360
Kennedy Health System	$6,120,280
Lourdes Medical Center of Burlington County	$1,758,607
Meadowlands Hospital Medical Center	$0
Memorial Hospital of Salem County	$0
Monmouth Medical Center	$9,624,341
Monmouth Medical Center Southern (Kimball)	$5,137,977
Morristown Memorial Hospital	$908,494
Newark Beth Israel Medical Center	$8,039,291
Newton Memorial Hospital	$662,497
Ocean Medical Center	$0
Our Lady of Lourdes Medical Center	$2,668,160
Overlook Medical Center	$1,154,812
Raritan Bay Medical Center (All)	$3,399,185

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	DSRIP FY 2017 and FY 2018
Riverview Medical Center	$0
Robert Wood Johnson University Hospital	$6,565,920
RWJ Hospital at Hamilton	$543,385
RWJ Hospital at Rahway	$0
RWJ Hospital at Somerset	$0
Shore Medical Center	$0
Southern Ocean Medical Center	$0
St. Barnabas Medical Center	$903,165
St. Claire's Denville/Dover together	$4,714,852
St. Francis Medical Center (Trenton)	$925,411
St. Joseph's Medical Center	$9,916,424
St. Luke's Warren Hospital	$329,989
St. Mary's General Hospital (Passaic)	$2,569,466
St. Michael's Medical Center	$5,245,091
St. Peter's University Hospital	$5,245,225
Trinitas Regional Medical Center	$6,606,987
University Hospital	$10,907,302
University Medical Center of Princeton at Plainsboro	$634,819
Valley Hospital	$0
Virtua - West Jersey Hospital	$2,452,782
Virtua - Memorial Hospital of Burlington County, Inc.	$1,692,729
Totals	**$166,600,000**[9]

[9] Total may not equal exactly $166.6 million due to carry over from previous year being reported in FY 2017/FY 2018.

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 3: Graduate Medical Education

Hospital Name	GME FY 2017	GME FY 2018	Change FY 2017 to FY 2018	Percent Change
AtlantiCare Regional Medical Center, Inc.	$2,268,423	$2,871,872	$603,449	26.6%
Bayshore Community Hospital	$0	$0	$0	0.0%
Bergen Regional Medical Center	$40,560	$84,153	$43,593	107.5%
Cape Regional Medical Center	$0	$0	$0	0.0%
Capital Health Medical Center - Hopewell	$46,891	$80,809	$33,918	72.3%
Capital Health Regional Medical Center	$2,138,978	$1,572,842	($566,136)	-26.5%
Care Point Health - Bayonne Medical Center	$0	$95,953	$95,953	0.0%
Care Point Health - Christ Hospital	$972,144	$1,142,027	$169,883	17.5%
Care Point Health - Hoboken University Medical Center	$2,091,733	$2,304,032	$212,299	10.1%
CentraState Medical Center	$205,332	$287,275	$81,943	39.9%
Chilton Medical Center	$0	$0	$0	0.0%
Clara Maass Medical Center	$0	$0	$0	0.0%
Community Medical Center	$0	$0	$0	0.0%
Cooper Hospital/University Medical Center	$24,930,997	$30,006,666	$5,075,669	20.4%
Deborah Heart and Lung Center	$589,860	$991,223	$401,363	68.0%
East Orange General Hospital	$0	$0	$0	0.0%
Englewood Hospital and Medical Center	$695,308	$859,117	$163,809	23.6%
Hackensack UMC - Palisades	$2,743,258	$3,479,093	$735,835	26.8%
Hackensack UMC Mountainside	$982,060	$1,239,397	$257,337	26.2%
Hackensack UMC Pascack	$0	$0	$0	0.0%
Hackensack University Medical Center	$8,019,622	$9,011,908	$992,286	12.4%
Hackettstown Regional Medical Center	$0	$0	$0	0.0%
Holy Name Medical Center	$0	$0	$0	0.0%
Hunterdon Medical Center	$249,114	$317,390	$68,276	27.4%
Inspira Medical Center - Elmer	$0	$0	$0	0.0%
Inspira Medical Center - Vineland	$7,123,172	$8,924,040	$1,800,868	25.3%
Inspira Medical Center - Woodbury	$454,925	$411,427	($43,498)	-9.6%
Jersey City Medical Center	$7,038,016	$6,735,477	($302,539)	-4.3%
Jersey Shore University Medical Center	$5,212,470	$5,752,263	$539,793	10.4%
JFK Medical Center (Anthony M. Yelencsics Community Hosp.)	$687,376	$1,049,672	$362,296	52.7%
Kennedy Health System	$4,867,077	$5,647,815	$780,738	16.0%
Lourdes Medical Center of Burlington County	$263,450	$151,771	($111,679)	-42.4%
Meadowlands Hospital Medical Center	$1,438,487	$932,053	($506,434)	-35.2%
Memorial Hospital of Salem County	$0	$0	$0	0.0%
Monmouth Medical Center	$9,338,981	$9,735,363	$396,382	4.2%
Monmouth Medical Center Southern	$0	$0	$0	0.0%

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	GME FY 2017	GME FY 2018	Change FY 2017 to FY 2018	Percent Change
(Kimball)				
Morristown Medical Center	$2,932,021	$4,887,101	$1,955,080	66.7%
Newark Beth Israel Medical Center	$21,186,719	$24,380,932	$3,194,213	15.1%
Newton Memorial Hospital	$0	$0	$0	0.0%
Ocean Medical Center	$0	$0	$0	0.0%
Our Lady of Lourdes Medical Center	$1,985,688	$2,892,436	$906,748	45.7%
Overlook Medical Center	$1,182,916	$1,797,529	$614,613	52.0%
Raritan Bay Medical Center (All)	$1,188,785	$1,117,334	($71,451)	-6.0%
Riverview Medical Center	$0	$0	$0	0.0%
Robert Wood Johnson University Hospital	$14,495,474	$15,913,502	$1,418,028	9.8%
RWJ University Hospital at Hamilton	$0	$0	$0	0.0%
RWJ University Hospital at Rahway	$0	$0	$0	0.0%
RWJ University Hospital at Somerset	$346,252	$395,346	$49,094	14.2%
Shore Medical Center	$0	$0	$0	0.0%
Southern Ocean Medical Center	$0	$0	$0	0.0%
St. Barnabas Medical Center	$5,916,818	$7,939,311	$2,022,493	34.2%
St. Claire's Denville/Dover together	$0	$0	$0	0.0%
St. Francis Medical Center (Trenton)	$956,580	$1,008,318	$51,738	5.4%
St. Joseph's Medical Center	$15,355,285	$17,213,075	$1,857,790	12.1%
St. Luke's Warren Hospital	$259,427	$431,084	$171,657	66.2%
St. Mary's General Hospital	$117,107	$110,282	($6,825)	-5.8%
St. Michael's Medical Center	$4,014,786	$4,615,031	$600,245	15.0%
St. Peter's University Hospital	$5,783,496	$5,738,478	($45,018)	-0.8%
Trinitas Regional Medical Center	$2,671,109	$2,706,015	$34,906	1.3%
University Hospital	$25,685,727	$31,215,945	$5,530,218	21.5%
University Medical Center of Princeton at Plainsboro	$352,405	$479,743	$127,338	36.1%
Valley Hospital	$0	$0	$0	0.0%
Virtua - West Jersey Hospital	$747,212	$999,528	$252,316	33.8%
Virtua - Memorial Hospital of Burlington County, Inc.	$423,958	$475,370	$51,414	12.1%
Totals	**$188,000,000**	**$218,000,000**	**$30,000,000**	**16.0%**

Background Paper: Direct Hospital Subsidies (Cont'd)

Table 4 – Total Amounts Received by Hospitals

Hospital Name	Total Funding FY 2017	Total Funding FY 2018	Change FY 2017 to FY 2018	Percent Change
AtlantiCare Regional Medical Center, Inc.	$22,296,292	$21,732,192	($564,100)	-2.5%
Bayshore Community Hospital	$8,170	$52,745	$44,575	545.6%
Bergen Regional Medical Center	$32,464,033	$30,119,455	($2,344,578)	-7.2%
Cape Regional Medical Center	$1,007,108	$839,857	($167,251)	-16.6%
Capital Health Medical Center - Hopewell	$3,149,930	$2,887,267	($262,663)	-8.3%
Capital Health Regional Medical Center	$22,674,775	$17,437,016	($5,237,759)	-23.1%
Care Point Health - Bayonne Medical Center	$898,872	$885,085	($13,787)	-1.5%
Care Point Health - Christ Hospital	$11,496,739	$13,613,792	$2,117,053	18.4%
Care Point Health - Hoboken University Medical Center	$7,189,854	$15,070,618	$7,880,764	109.6%
CentraState Medical Center	$1,709,000	$1,534,390	($174,610)	-10.2%
Chilton Medical Center	$237,145	$321,375	$84,230	35.5%
Clara Maass Medical Center	$3,544,601	$3,043,880	($500,721)	-14.1%
Community Medical Center	$1,531,579	$1,719,233	$187,654	12.3%
Cooper Hospital/University Medical Center	$52,769,480	$49,727,717	($3,041,763)	-5.8%
Deborah Heart and Lung Center	$1,003,015	$1,261,317	$258,302	25.8%
East Orange General Hospital	$9,708,312	$3,692,072	($6,016,240)	-62.0%
Englewood Hospital and Medical Center	$2,308,045	$2,319,007	$10,962	0.5%
Hackensack UMC - Palisades	$5,823,404	$5,467,902	($355,502)	-6.1%
Hackensack UMC Mountainside	$2,204,672	$2,582,350	$377,678	17.1%
Hackensack UMC Pascack	$3,198	$27,769	$24,571	768.3%
Hackensack University Medical Center	$15,084,795	$13,527,081	($1,557,714)	-10.3%
Hackettstown Regional Medical Center	$4,850	$56,404	$51,554	1063.0%
Holy Name Medical Center	$309,272	$216,163	($93,109)	-30.1%
Hunterdon Medical Center	$405,625	$592,988	$187,363	46.2%
Inspira Medical Center - Elmer	$375,672	$356,397	($19,275)	-5.1%
Inspira Medical Center - Vineland	$14,320,466	$14,662,565	$342,099	2.4%
Inspira Medical Center - Woodbury	$1,735,556	$1,790,320	$54,764	3.2%
Jersey City Medical Center	$45,340,164	$31,530,011	($13,810,153)	-30.5%
Jersey Shore University Medical Center	$10,388,997	$11,091,509	$702,512	6.8%
JFK Medical Center (Anthony M. Yelencsics Community Hosp.)	$3,089,353	$2,840,296	($249,057)	-8.1%
Kennedy Health System	$12,243,450	$12,167,802	($75,648)	-0.6%
Lourdes Medical Center of Burlington County	$2,423,841	$2,183,150	($240,691)	-9.9%
Meadowlands Hospital Medical Center	$1,442,287	$955,913	($486,374)	-33.7%
Memorial Hospital of Salem County	$2,322	$18,383	$16,061	691.7%
Monmouth Medical Center	$19,959,803	$20,003,793	$43,990	0.2%
Monmouth Medical Center Southern (Kimball)	$6,463,178	$5,584,064	($879,114)	-13.6%
Morristown Medical Center	$3,928,951	$6,634,434	$2,705,483	68.9%
Newark Beth Israel Medical Center	$34,592,894	$34,053,921	($538,973)	-1.6%
Newton Memorial Hospital	$671,191	$749,248	$78,057	11.6%
Ocean Medical Center	$30,928	$251,562	$220,634	713.4%
Our Lady of Lourdes Medical Center	$5,047,221	$6,601,404	$1,554,183	30.8%
Overlook Medical Center	$2,385,784	$3,477,083	$1,091,299	45.7%
Raritan Bay Medical Center (All)	$14,129,544	$6,147,024	($7,982,520)	-56.5%
Riverview Medical Center	$53,748	$185,532	$131,784	245.2%

Background Paper: Direct Hospital Subsidies (Cont'd)

Hospital Name	Total Funding FY 2017	Total Funding FY 2018	Change FY 2017 to FY 2018	Percent Change
Robert Wood Johnson University Hospital	$17,127,206	$17,935,669	$808,463	4.7%
RWJ University Hospital at Hamilton	$1,346,608	$768,839	($577,769)	-42.9%
RWJ University Hospital at Rahway	$345,734	$80,421	($265,313)	-76.7%
RWJ University Hospital at Somerset	$7,647,999	$7,186,016	($461,983)	-6.0%
Shore Medical Center	$57,274	$122,744	$65,470	114.3%
Southern Ocean Medical Center	$6,357	$54,190	$47,833	752.4%
St. Barnabas Medical Center	$6,861,287	$9,321,421	$2,460,134	35.9%
St. Claire's Denville/Dover together	$6,505,135	$5,552,787	($952,348)	-14.6%
St. Francis Medical Center (Trenton)	$4,153,683	$7,947,689	$3,794,006	91.3%
St. Joseph's Medical Center	$71,570,126	$68,612,856	($2,957,270)	-4.1%
St. Luke's Warren Hospital	$822,529	$870,691	$48,162	5.9%
St. Mary's General Hospital	$8,344,774	$6,542,557	($1,802,217)	-21.6%
St. Michael's Medical Center	$13,650,511	$11,170,239	($2,480,272)	-18.2%
St. Peter's University Hospital	$15,459,792	$13,506,250	($1,953,542)	-12.6%
Trinitas Regional Medical Center	$41,622,769	$38,458,117	($3,164,652)	-7.6%
University Hospital	$77,029,340	$90,271,009	$13,241,669	17.2%
University Medical Center of Princeton at Plainsboro	$1,327,427	$1,542,211	$214,784	16.2%
Valley Hospital	$23,151	$160,504	$137,353	593.3%
Virtua - West Jersey Hospital	$3,488,657	$3,970,631	$481,974	13.8%
Virtua - Memorial Hospital of Burlington County, Inc.	$2,751,797	$2,513,346	($238,451)	-8.7%
Totals	**$656,600,000**	**$636,600,000**	**($20,000,000)**	**-3.0%**

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 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 2018 budget are encouraged to contact:

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