

**LEGISLATIVE FISCAL ESTIMATE**  
**ASSEMBLY, No. 310**  
**STATE OF NEW JERSEY**  
**220th LEGISLATURE**

DATED: NOVEMBER 17, 2022

**SUMMARY**

**Synopsis:** Excludes veterans' benefits from calculation of financial obligation for care at psychiatric facility.

**Type of Impact:** Annual State expenditure and revenue increases; annual local government expenditure increases.

**Agencies Affected:** Department of Health; Department of Human Services; certain counties.

**Office of Legislative Services Estimate**

<b>Fiscal Impact</b>	<b><u>Annual</u></b>
<b>State Expenditure Increase</b>	Indeterminate
<b>State Revenue Increase</b>	Indeterminate
<b>County Expenditure Increase</b>	Indeterminate

- The Office of Legislative Services (OLS) concludes that this bill will result in an indeterminate increase in annual State and county expenditures due to an increase in their financial obligations for services provided to certain veterans at State and county-operated psychiatric hospitals. As the Department of Human Services, pursuant to existing statute, pays 85 percent of the cost of county patients and 100 percent of the cost of State patients in county-operated psychiatric hospitals, the majority of the expenditure increase under the bill will be experienced by the State.
- To the extent that the expenditure increases are Medicaid-eligible costs, the State will experience an indeterminate increase in annual State revenues in the form of federal reimbursements.

**BILL DESCRIPTION**

This bill excludes veterans' benefits from income for the purpose of calculating their financial obligation for care in a psychiatric facility, which includes a State psychiatric hospital, county psychiatric hospital, or psychiatric unit of a county hospital.

**FISCAL ANALYSIS*****EXECUTIVE BRANCH***

None received.

***OFFICE OF LEGISLATIVE SERVICES***

The OLS concludes that this bill will result in an indeterminate increase in annual State and county expenditures due to an increase in their financial obligations for services provided to certain veterans at State and county-operated psychiatric hospitals. As the Department of Human Services, pursuant to existing statute, pays 85 percent of the cost of county patients and 100 percent of the cost of State patients in county-operated psychiatric hospitals, the majority of the expenditure increase under the bill will be experienced by the State. To the extent that the State's expenditure increases are Medicaid-eligible costs, the State will experience an indeterminate increase in annual State revenues in the form of federal reimbursements.

Currently, adults with mental illness are responsible for all the expenses related to their psychiatric treatment and hospitalization until they are no longer eligible for or have exhausted any insurance or medical assistance benefits that will pay for their hospitalization. The amount these individuals pay out of pocket toward any remaining amounts due to the facility is based on the income driven, sliding scale fee schedule used under the State's Charity Care program.

To qualify for reduced payments based on this sliding scale fee schedule, an individual's gross income must be less than or equal to 300 percent of the federal poverty level (or \$40,770 in 2022). If an adult's annual gross income is more than 200 percent of the federal poverty level (\$27,180) but does not exceed 300 percent of the poverty level, the psychiatric hospital will cover a percentage of the cost of the eligible services, ranging from 20 percent to 80 percent. If an adult's annual gross income is less than 200 percent of the poverty level, the psychiatric hospital will cover 100 percent of the cost of the eligible services.

With the bill exempting veterans' benefits from gross income under the sliding scale fee schedule, some individuals may have their incomes reduced to the point where they become newly eligible for reduced payments for any financial obligation they have to the psychiatric hospital where they are receiving treatment. Other individuals already qualifying for reduced payments may have their financial obligation reduced even further because of the provisions of this bill. As the individual's financial obligation is reduced as a result of this bill, the State or county-operated facility will experience a commensurate increase in their costs.

The OLS cannot quantify the extent of the expenditure increases that will be incurred by the State and county-operated psychiatric hospitals under the bill because there are multiple unknown variables that will affect the magnitude of any increases. These variables include: the number of veterans who would meet the criteria established in the bill, the health insurance coverage and income levels of veterans who would benefit under the bill, the overall level of veterans' benefits these individuals receive, and the average length of any psychiatric hospital stay they may experience.

For context, the OLS has been provided with the following information on two of the four State psychiatric hospitals. Ancora Psychiatric Hospital, which has a projected FY 2023 average daily population of 386 patients, currently serves six veterans. Trenton Psychiatric Hospital estimates that of the facility's current census of 305 individuals, less than five percent, or 15 patients, are veterans. The OLS notes that based on evaluation data in the FY 2023 budget, the daily per resident cost at the State's four psychiatric facilities is expected to range from about \$774

to \$902. The OLS does not have access to the cost per resident data at the four county-operated facilities in Bergen, Essex, Hudson and Union counties.

*Section: Human Services*

*Analyst: Sarah Schmidt  
Lead Fiscal Analyst*

*Approved: Thomas Koenig  
Legislative Budget and Finance Officer*

This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).