

LEGISLATIVE FISCAL ESTIMATE
[Second Reprint]
ASSEMBLY, No. 3334
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 29, 2023

SUMMARY

- Synopsis:** Requires Medicaid reimbursement for covered behavioral health services provided by local education agency to student who is eligible Medicaid beneficiary.
- Types of Impact:** Annual State and school district revenue increases.
Annual State and school district expenditure increases.
- Agencies Affected:** Department of Human Services, Department of Education, Department of the Treasury, and school districts.

Office of Legislative Services Estimate	
Annual State Revenue Increase	\$16.9 million to \$23.6 million
Annual State Expenditure Increase	Indeterminate
Annual School District Revenue Increase	\$9.1 million to \$12.7 million
Annual School District Expenditure Increase	Indeterminate

- The Office of Legislative Services (OLS) estimates that this federal revenue maximization initiative will increase annual State revenue by \$16.9 million to \$23.6 million and annual school district revenue by \$9.1 million to \$12.7 million.
- The revenue growth represents additional federal Medicaid reimbursements under the Special Education Medicaid Initiative (SEMI), New Jersey’s school-based Medicaid program. The revenues will be generated from the State’s newly authorized ability to claim as Medicaid expenses certain behavioral health services that school districts are already providing to Medicaid-eligible students without currently receiving a Medicaid reimbursement. The bill does not require school districts to provide any new services.
- As the universe of claimable Medicaid expenses expands, the State and school districts may incur additional annual expenditures to file and administer the additional claims.

BILL DESCRIPTION

This bill authorizes school districts to newly claim as Medicaid expenses certain behavioral health services that school districts deliver to Medicaid-eligible students, as permitted under federal law. Under the Special Education Medicaid Initiative (SEMI), New Jersey's school-based Medicaid program, these services are currently only reimbursable for students who participate in an Individualized Education program, 504 Accommodation Plan, Individualized Health Care Plan, or Individualized Family Service Plan; or when the covered services are provided at a charge to the students. The bill will take effect on the first day of the sixth month following any federal approval to secure federal financial participation for the behavioral health services.

The Special Education Medicaid Initiative is jointly operated by the Department of Education, the Department of Human Services, and the Department of the Treasury along with participating school districts, and allows for recovery of a portion of costs for Medicaid-covered services provided to Medicaid-eligible special education students. Currently, 65 percent of federal Medicaid reimbursements accrues to the State and 35 percent to school districts.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that this federal revenue maximization initiative will increase annual State revenue by \$16.9 million to \$23.6 million and annual school district revenue by \$9.1 million to \$12.7 million. The revenue growth represents additional federal Medicaid reimbursements under the Special Education Medicaid Initiative (SEMI), New Jersey's school-based Medicaid program. The revenues will be generated from the State's newly authorized ability to claim as Medicaid expenses certain behavioral health services that school districts are already providing to Medicaid-eligible students without currently receiving a Medicaid reimbursement. The bill does not require school districts to provide any new services to Medicaid-eligible students.

The bill directs that the system to submit Medicaid claims for covered behavioral health services and obtain Medicaid reimbursements is to overlap with the claims and reimbursement procedures associated with the existing SEMI program. Currently, this program is financed through certified public expenditures, which allows school districts to participate in financing the non-federal share of Medicaid costs. A school district certifies its expenses during a defined period that constitute a Medicaid expenditure for Medicaid-covered services and allowable activities. The State claims this amount for federal matching and receives the federal share of allowable expenditures from the federal government. In New Jersey, the school districts receive 35 percent of the federal reimbursement and the State retains the remaining 65 percent.

Based upon Medicaid enrollment from May 2023, information from the Kaiser Family Foundation regarding the number of children nationally who require mental health services, and the availability of behavioral health services in schools, the OLS estimates that between 12,524 and 17,535 Medicaid beneficiaries currently receive behavioral health services that would be eligible for a federal Medicaid reimbursement under this bill.

The chart below lays out the current interim reimbursement rates under the SEMI with each school district assigned to either group A, B, or C:

Service	Group A Rate	Group B Rate	Group C Rate
Evaluation (per evaluation)	\$1,788.55	\$1,788.55	\$1,788.55
Medical Transportation (Round Trip)	\$29.31	\$29.31	\$29.31
Service (per diem)	\$30.99	\$61.98	\$92.97

Assuming the Group B rate and that each eligible child receives one school based evaluation, as well as one school-based counseling session per school week (estimated at 38 weeks per school year), during a school year, the annual amount certified by school districts as Medicaid expenditures under the bill is estimated between \$51.9 million and \$72.7 million. This estimate assumes:

- (1) There are no medical transportation costs for these services. To the extent medical transportation costs are incurred, this estimate would increase;
- (2) The cost of the services provided by school districts, and covered under the bill, will be identical prior to the bill’s implementation and following the bill’s adoption, as the bill does not require school districts to provide new services to Medicaid-eligible students; and
- (3) The interim reimbursement rates reflect the actual cost of services for which school districts will ultimately be allowed to claim reimbursement.

As the bill allows these current expenditures to be newly claimed as Medicaid expenses, the State will receive an increase of between \$16.9 million and \$23.6 million in federal Medicaid reimbursements under the bill, or 65 percent of the total federal Medicaid reimbursement generated under the bill. Additionally, school districts will receives between \$9.1 million to \$12.7 million in increased revenue, representing the remaining of the 35 percent of the federal Medicaid reimbursements generated under the bill.

In addition, as the universe of claimable Medicaid expenses expands, the State and school districts may incur additional annual expenditures to file and administer the additional claims.

Section: Human Services
Analyst: Sarah Schmidt
Lead Research 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.).