

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

ASSEMBLY, No. 4223
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 22, 2023

SUMMARY

- Synopsis:** Increases Medicaid reimbursement rates for primary care and mental health services according to Medicare payment rates for same services.
- Type of Impact:** Annual increases in State costs and revenue.
- Agencies Affected:** Department of Human Services.

Office of Legislative Services Estimate

| Fiscal Impact | <u>Annual</u> |
|------------------------|---------------|
| State Cost Increase | Indeterminate |
| State Revenue Increase | Indeterminate |

- The Office of Legislative Services (OLS) concludes that the increased reimbursement rates established by the bill will result in an indeterminate increase to annual State Medicaid costs. To the extent that the federal government approves all necessary State plan Medicaid amendments or waivers, Medicaid expenses incurred by the State will also result in an annual increase in State revenue in the form of federal Medicaid matching funds.
- The OLS estimates that increasing Medicaid reimbursement rates for only one aspect of the bill - primary care services - may cost between \$308 million to \$322.7 million annually, with the State share equaling between \$107.8 million and \$112.9 million taking into account federal matching funds. Owing to the lack of pertinent data, this estimate does not include the indeterminate, likely significant, annual expenditure increase associated with higher reimbursement rates for mental health services.

BILL DESCRIPTION

The bill requires that commencing on July 1, 2023 the Medicaid reimbursement rates for mental health and primary care services, including those provided by midwives, are to be no less than 100 percent of the payment rates that apply to such services under part B of the federal Medicare program.

The bill also directs the Department of Human Services, no later than July 1, 2024, to submit a report to the Governor and the Legislature on the implementation of the bill and any recommendations for further enhancements to the Medicaid rates for these services to improve provider access and quality of care for Medicaid beneficiaries in underserved areas.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

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The OLS further estimates that the Department of Human Services may incur certain marginal costs to comply with the bill's reporting requirements. To the extent that the department can utilize existing operating resources, any expenses experienced from these activities will be reduced.

Primary Care Services Cost

According to the Kaiser Family Foundation, in 2019, the New Jersey Medicaid reimbursement rates for primary care services were 51 percent of Medicare reimbursement rates.

The bill's increase in primary care provider rates under Medicaid to Medicare rates mirrors, in part, a temporary rate enhancement for such services in calendar years 2013 and 2014 under the federal Affordable Care Act with the federal government paying for the temporary rate enhancement. The Department of Human Services estimated in a response to an FY 2015 OLS Discussion Point that the higher rates cost \$220 million.

Since the enhanced Affordable Care Act primary care services rate expired, Medicaid enrollment has grown by approximately 800,000 beneficiaries; thereby increasing the Department of Human Services cost estimate provided in FY 2015. Based upon these enrollment numbers and an assumed federal match of 65 percent, the OLS estimates that increasing Medicaid reimbursement rates for primary care services might cost between \$308 million to \$322.7 million annually, with the State share equaling between \$107.8 million and \$112.9 million taking into account federal matching funds. The OLS notes that primary care services provided by midwives are included under the bill but were not included in the enhanced Affordable Care Act primary

care services rates in 2013 and 2014. However, in January 2023, the State increased midwife rates to 100 percent of current Medicare rates; therefore, this component of the bill has no fiscal impact.

Several other impacts, unquantifiable due to a lack of data, may alter the above cost estimate. First, Federally Qualified Health Centers are not affected by the bill. The OLS estimate would need to be adjusted to the extent that the rate of growth in the volume of primary care services provided by the centers since 2014 differs from the rate of growth in the total volume of primary care services provided under Medicaid. The OLS does not have access to the relevant data but notes that even though Federally Qualified Health Centers have experienced an increase in Medicaid beneficiaries who receive medical services from 2014 through 2019, the rate of growth fell below the rate of growth in overall Medicaid enrollment.

Second, the establishment of the Medicaid Access for Physician Services program as of January 1, 2017 may decrease the above cost estimate to the extent that Medicaid beneficiaries receive their primary care services under that program. The program provides additional funds to pay physician practice plans affiliated with public medical and dental schools at a level consistent with their average commercial rate. As with the Federally Qualified Health Centers rates, these rates are unaffected by the bill. While the OLS does not have any information on the number of Medicaid beneficiaries who receive primary care services under the Medicaid Access for Physician Services program, according to the Department of Human Services, over \$100 million in payments were made under this program in FY 2021, the most recent year for which data are available.

Mental Health Services Costs

The OLS lacks the data to quantify the additional annual State cost from increasing the reimbursement rates for a wide range of mental health services under Medicaid to the Medicare payment rates. For reference, according to the federal Substance Abuse and Mental Health Services Administration, in 2020, 7.9 percent of all Medicaid spending nationwide was estimated to provide mental health treatment and 1.3 percent substance use disorder treatment. Based upon projections that New Jersey Medicaid expenditures from State and federal sources will total \$18.7 billion in FY 2024, the OLS estimates that current total Medicaid spending for mental health and substance use disorder services approximates \$1.7 billion, which would increase by an indeterminate amount under the bill.

Section: Human Services

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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.).