LEGISLATIVE FISCAL ESTIMATE
SENATE, No. 2729
STATE OF NEW JERSEY
220th LEGISLATURE

DATED: JUNE 22, 2022

SUMMARY

Synopsis:	Makes County Option Hospital Fee Pilot Program permanent and expands definition of "participating county" under program.
Types of Impact:	Annual expenditure and revenue increases to the State, certain counties, and University Hospital.
Agencies Affected:	Department of Human Services, Various County Governments, University Hospital.

Office of Legislative Services Estimate

Fiscal Impact	**Annual**
State Expenditure and Revenue Increases	Indeterminate Net Gain
County Expenditure and Revenue Increases	Indeterminate Net Gain
Potential University Hospital Expenditure and Revenue Increases	Indeterminate Net Gain

- The Office of Legislative Services (OLS) estimates that the expansion of the County Option Hospital Fee Pilot Program, a federal revenue maximization initiative, will produce an indeterminate annual net revenue gain to the program in the form of additional federal Medicaid cost reimbursements. The net gain will mainly accrue to hospitals in participating counties. In their role as conduits, however, the State and participating county governments will experience indeterminate annual revenue and expenditure increases. These impacts will largely offset one another, although the State and affected counties will realize some net gains.

- For reference, the seven currently participating counties anticipated hospitals within their jurisdictions to pay $306 million in fees under the program in FY 2022. The OLS estimates that this amount will generate $517 million in federal Medicaid cost reimbursements, for $823 million in FY 2022 program revenues. Hospitals would receive an estimated $792 million of the total (or $486 million net of fee payments), counties $28 million, and the State $3 million.

- For currently participating counties, making the program permanent will result in largely offsetting State and county revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026, if the counties remain in the program.

Office of Legislative Services
State House Annex
P.O. Box 068
Trenton, New Jersey 08625

– OLS –

Legislative Budget and Finance Office
Phone (609) 847-3105
Fax (609) 777-2442
www.njleg.state.nj.us

- For counties that will newly participate in the program under the bill's expanded eligibility, concerned counties and the State will collect additional annual revenues and expenditures that will largely offset one another.

- University Hospital is an instrumentality of the State that is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

BILL DESCRIPTION

This bill makes the County Option Hospital Fee Pilot Program permanent. The five-year pilot program currently expires in June 2026.

The bill also expands program eligibility to the counties of Bergen, Burlington, Cumberland, Monmouth, and Ocean. Currently, all seven counties that meet the criteria for participation have opted into the program: Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic.

Under the program, eligible counties may enact a local hospital fee program in their jurisdiction subject to oversight by the New Jersey Department of Human Services. Participating counties may retain up to nine percent of fee collections for their own use and must remit the other 91 percent to the Department of Human Services, which may use one percent of total collections to defray administrative expenses related to the program. The remaining 90 percent of fee collections, plus federal cost reimbursements received under the Medicaid program, are distributed to hospitals paying the fee through the State's Medicaid managed care organizations.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that the bill will cause indeterminate annual revenue and expenditure increases for the State and county governments participating in the County Option Hospital Fee Pilot Program.

The federal revenue maximization initiative is intended to earn enhanced federal cost reimbursements under the Medicaid program and to distribute the enhanced federal cost reimbursements to hospitals paying the hospital fee in participating counties. Therefore, the net fiscal gain of the initiative largely accrues to hospitals in participating counties, with the State and participating county governments serving essentially as conduits. As conduits, the additional State and county expenditures and revenues largely offset one another; however, the OLS concludes that the State and counties will ultimately experience a net revenue gain.

For currently participating counties, making the County Option Hospital Fee Pilot Program permanent will result in largely offsetting revenue and expenditure increases occurring beyond the pilot program's current expiration in June 2026. The OLS is unable to quantify these fiscal impacts, as future county participation in the program is optional and the OLS cannot anticipate county decisions in this regard.

For reference, however, according to data in the County Option Hospital Fee Pilot Program Operations Manual for FY 2022, the seven participating counties (Essex, Middlesex, Hudson, Mercer, Camden, Atlantic, and Passaic) anticipated hospitals within their jurisdictions to contribute $306 million in fees in FY 2022. The OLS estimates that based on federal expenditure data on the Medicaid program in federal fiscal year 2020, the $306 million in fee collections will generate $517 million in federal Medicaid cost reimbursements, for an estimated $823 million in FY 2022 program revenues. The revenue would be allocated as indicated in the table below.

Estimated FY 2022 Collections and Net Resource Allocation:
County Option Hospital Fee Pilot Program

REVENUE			NET ALLOCATION			
Fee Payments by Hospitals	Federal Medicaid Cost Reimbursements	Total Revenue	Hospitals *	Counties	State	Federal
$306,000,000	$517,000,000	$823,000,000	$486,000,000	$28,000,000	$3,000,000	-$517,000,000

* Net of $306 Million in Fee Payments.

The bill also expands program eligibility to the following counties: Bergen, Burlington, Cumberland, Monmouth, and Ocean. Beginning upon the bill's effective date, and to the extent that new counties opt to participate in the program, concerned counties and the State will collect additional annual revenues and expenditures that will also largely offset one another. As the nature of the fees imposed by each county as well as county participation are to be determined by concerned counties, the OLS cannot anticipate these county decisions and quantify the impacts.

Lastly, University Hospital, which is an instrumentality of the State, is located in the currently participating county of Essex. As such, the bill will increase expenditures, in the form of imposed fees, and revenues, in the form of enhanced Medicaid payments, for University Hospital beyond the pilot program's current expiration in June 2026, if the county of Essex remains in the program. The balance of the two fiscal effects on the hospital will be positive.

The OLS notes Bergen New Bridge Medical Center is a county-owned entity located in Bergen County. To the extent that Bergen County will participate in the program under the bill's expanded eligibility, Bergen New Bridge Medical Center will experience an annual net fiscal gain.

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.).