

# SENATE BUDGET AND APPROPRIATIONS COMMITTEE

## STATEMENT TO

### SENATE, No. 2729

# STATE OF NEW JERSEY

DATED: JUNE 27, 2022

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2729.

This bill makes the County Option Hospital Fee Pilot Program permanent and expands the definition of “participating county” under the program. The County Option Hospital Fee Program was established in November 2018 to support local hospitals in designated high-need areas to ensure continued access to critical healthcare services for vulnerable populations. To effectuate this goal, the program authorizes participating counties, and hospitals within those counties, to partner with the State through a provider assessment mechanism that enhances financial support through the Medicaid program.

Under existing law, the program is to be pilot program, expiring five years after each participating county has collected a local health care-related fee, or Fall of 2026. Under the bill, the program becomes permanent.

The bill, while maintaining the existing statutory definition of "participating county," also expands the definition of "participating county" to mean, based on the 2019 ACS 5 Year Survey Data, (1) excluding counties with a municipality with a population greater than 125,000, and (2) excluding counties with a population less than 150,000, and (3) excluding counties with a median income greater than \$110,000, and (4) counties must have a municipality with a population greater than 30,000 whose 2020 Municipal Revitalization Index Distress score is greater than or equal to 35; and which chooses to participate in the program. Currently the following counties participate in the program: Atlantic, Camden, Essex, Hudson, Mercer, Middlesex, and Passaic. Existing law limits the program to seven counties, a provision that is removed under this bill.

As reported by the committee, Senate Bill No. 2729 is identical to Assembly Bill No. A4091 (1R) which was also reported by the committee on this date.

#### FISCAL IMPACT:

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.

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.