

LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 1032

STATE OF NEW JERSEY 221st LEGISLATURE

DATED: JULY 29, 2024

SUMMARY

- Synopsis:** Requires DHS and DCF to conduct study on service provider workforce, and to evaluate rates paid to, and assess cost of living adjustments for, service providers.
- Type of Impact:** Annual increase in State expenditures.
- Agencies Affected:** Department of Human Services, Department of Children and Families.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Years 2 and Thereafter</u>
State Expenditure Increase	\$500,000 - \$1 million	\$250,000 - \$500,000

- The Office of Legislative Services (OLS) determines that State expenditures will increase by \$500,000 to \$1 million in the first year for the Department of Human Services and the Department of Children and Families to each conduct studies of the current and future needs of each department's contracted disability services, behavioral health, and substance use disorder treatment providers, and assess the health and sustainability of their respective service provider networks.
- State expenditures are estimated to be reduced by 50 percent in the second year and thereafter, to \$250,000 to \$500,000 per year, for each department to annually evaluate contracted provider payment rates and a provider cost-of-living adjustment, based on the Consumer Price Index for the previous 12 months.
- State expenditures under the bill, however, will be highly dependent upon each department's decisions regarding the scope of the studies and evaluations required under the bill.

BILL DESCRIPTION

The bill requires the Department of Human Services and the Department of Children and Families to each conduct a study on the current status and future needs for service providers

contracted with the Department of Children and Families and the Division of Mental Health and Addiction Services or the Division of Developmental Disabilities in the Department of Human Services. The study, which will focus on providers delivering mental health and substance use disorder treatment services and services to individuals with developmental disabilities, will also examine any increasing costs incurred by the providers and assess the health and sustainability of each department's provider network. State programs funded by Medicaid and licensed or approved by the Department of Human Services or other appropriate State licensing agencies are also to be included in the study.

The bill requires each department to annually evaluate the rates paid to contracted service providers and assess a cost of living adjustment, based on the Consumer Price Index for the previous 12-month period, for each service provider.

Within one year of the bill's effective date, each department will submit the findings of the study, and any recommended policies or legislative actions, to the Governor and the Legislature. Each department also will submit an annual report on the provider rates evaluated and the cost of living adjustments assessed. These reports will be made publicly available on each department's website.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS determines that State expenditures will increase by approximately \$500,000 to \$1 million in the first year following the bill's effective date for the Department of Human Services and the Department of Children and Families to each conduct an in-depth study of the current and future needs of each department's contracted disability services, behavioral health, and substance use disorder treatment providers, and to assess the health and sustainability of their respective service provider networks. These costs are based on FY 2023 expenditures for a primary care payment model study conducted by the New Jersey Health Care Quality Institute for the Department of Human Services. The institute was tasked with conducting a market scan of the primary care landscape, including alternative payment models currently employed in the State, and developing recommendations to facilitate adoption of an advanced primary care model.

State expenditures are estimated to be reduced by 50 percent in the second year and thereafter, to \$250,000 to \$500,000 per year, for each department to annually evaluate contracted provider payment rates and a provider cost-of-living adjustment, based on the Consumer Price Index for the previous 12 months.

The OLS cautions that State expenditures will be highly dependent upon each department's decisions regarding the scope of the studies and evaluations required under the bill. For example, the departments may decide that the studies should be conducted in-house or they may be bid out for contract. As such, State costs, particularly in the out years, could vary significantly, depending on the needs of each department.

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.).