LEGISLATIVE FISCAL ESTIMATE

[First Reprint]

SENATE, No. 2552

STATE OF NEW JERSEY
221st LEGISLATURE

DATED: APRIL 12, 2024

SUMMARY

Synopsis:	Clarifies cap on fees imposed under "County Option Hospital Fee Program Act."
Type of Impact:	Annual expenditure and revenue increases to the State and certain counties.
Agencies Affected:	Department of Human Services, certain county governments.

Office of Legislative Services Estimate

Fiscal Impact	Annual
State Revenue Increases – County Option Hospital Fee	$607.2 million
State Revenue Increases – Federal Medicaid Reimbursements	$1.24 billion
State Expenditure Increases	$1.84 billion
County Revenue Increases	$667.3 million
County Expenditure Increases	$607.2 million

- The Office of Legislative Services (OLS) concludes that this bill will produce an annual net revenue gain for the State and certain county governments as a result of increasing the existing cap on the fee a participating county can impose on a hospital from 2.5 percent to five percent of a hospital's total net patient revenues under the County Option Hospital Fee Program. Increasing the cap will result in an additional $667.3 million in hospital fees collected under the program.

- The OLS estimates that the $667.3 million in fee collections will generate $1.24 billion in federal Medicaid cost reimbursements, for an estimated $1.91 billion in program revenues. The revenue would be allocated as detailed in the table below.

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- In their role as conduits, the State and participating counties will experience annual revenue and expenditure increases. These impacts will largely offset one another, although the State and participating counties will realize some net revenue gains from fees retained to cover their administrative costs.

BILL DESCRIPTION

This bill removes an existing requirement that the fee implemented under the County Option Hospital Fee Program Act and imposed on applicable hospitals under the program be subject to a cap as determined by the Department of Human Services. Rather, the bill mandates that the fee is not to exceed the aggregate amount specified in 42 C.F.R. s.433.68(f)(3), which states that the aggregate fee amount for health-care related taxes cannot exceed six percent of the provider's total net patient revenues, minus one percent of total net patient revenues. In doing so, the bill increases the cap on this fee from 2.5 percent of a hospital's total net patient revenues to five percent of a hospital's total net patient revenues.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS concludes that this bill will produce an annual net revenue gain for the State and certain county governments as a result of increasing the existing cap on the fee a participating county can impose on a hospital from 2.5 percent to five percent of a hospital's total net patient revenues under the County Option Hospital Fee Program. The OLS estimates that increasing the cap will result in an additional $667.3 million in hospital fees paid to participating counties under the program. The OLS estimates that the $667.3 million in fee collections will generate $1.24 billion in federal Medicaid cost reimbursements, for an estimated $1.91 billion in program revenues. The revenue would be allocated as indicated in the table below.

Estimated FY 2025 Collections and Net Resource Allocation: County Option Hospital Fee Pilot Program						
Revenue			Net Allocation			
Fee Payments by Hospitals	Federal Medicaid Cost Reimbursements	Total Program Revenue	Hospitals*	Counties	State	Federal
$667,285,269	$1,239,244,071	$1,906,529,340	$1,172,515,544	$60,055,674	$6,672,853	$1,239,244,071
			*Net of $667.3 million in fee payments.			

The County Option Hospital Fee Program is a federal revenue maximization initiative that provides support to local hospitals in designated high-need areas in order to ensure continued access to critical healthcare services for vulnerable populations. To this end, the program authorizes participating counties, and hospitals within those counties, to partner with the State

through a provider assessment fee imposed on hospitals that generates revenue used to enhance financial support for the hospitals through increased federal Medicaid matching reimbursements. All participating counties, except Ocean County, currently impose a fee that meets the current cap of 2.5 percent of a hospital's total net patient revenues.

As a function of the program, the net funding gain under the bill will primarily accrue to hospitals. In their role as conduits, however, the State and participating counties will experience annual revenue and expenditure increases. These impacts will largely offset one another, although the State and participating counties will realize some net gains in the form of fees retained to cover administrative costs. Specifically, under the law, at least 90 percent of the fees collected must be used to benefit hospitals, with a county required to transfer one percent of the fees to the State for administrative costs. Under this provision, in practice and assumed under this estimate, a county retains nine percent and the State retains one percent of the fees collected under the program to cover administrative costs. For the purposes of this estimate, participating counties will realize increased revenue of $60.1 million under this bill, while the State will realize $6.7 million.

The County Option Hospital Fee Program was established in November 2018. Current participating counties are: Atlantic, Bergen, Burlington, Camden, Cumberland, Essex, Hudson, Mercer, Middlesex, Monmouth, Ocean, and Passaic.

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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.).