

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

STATEMENT TO

[First Reprint]

SENATE, No. 2552

STATE OF NEW JERSEY

DATED: MARCH 11, 2024

The Senate Budget and Appropriations Committee reports favorably Senate Bill No. 2552 (1R).

This bill amends the “County Option Hospital Fee Program Act,” P.L.2018, c.136 (C.30:4D-7r et seq.). 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 fee mechanism that enhances financial support through the Medicaid program.

Specifically, the bill removes the existing requirement that the fee implemented under the program be subject to a cap as determined by the Commissioner of Human Services, and instead stipulates that the fee be subject to review and approval by the commissioner. The provisions of the bill do not impact the commissioner’s authority to annually review and approve county option programs.

The bill also specifies that the fee is not to exceed the aggregate amount specified in 42 C.F.R. s.433.68(f)(3) minus one percent of total net patient revenues. Current law requires that the fee is to be implemented in accordance with federal law but does not mandate that the fee not exceed the aggregate amount specified in 42 C.F.R. s.433.68(f)(3) minus one percent of total net patient revenues.

Under the bill, with the exception of the period of time during which a participating county or Medicaid Managed Care Organization is in possession of payments prior to disbursement, neither a participating county nor Medicaid Managed Care Organization is to be liable for any amount related to an approved expenditure plan determined to be impermissible by a federal agency. The Department of Human Services is to amend related managed care contracts to include this provision.

FISCAL IMPACT:

The Office of Legislative Services estimates that 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 will increase program revenues by \$1.85 billion annually, which includes \$627 million in fee revenue collected from hospitals and \$1.23 billion in federal Medicaid matching funds. Hospitals would receive an estimated \$1.16 billion of the total (or \$537.4 million net of fee payments), counties \$56.4 million, and the State \$6.3 million.