

# ASSEMBLY, No. 1690

## STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED FEBRUARY 19, 1998

**Sponsored by:**

Assemblyman **NICHOLAS ASSELTA**

District 1 (Cape May, Atlantic and Cumberland)

Assemblyman **JOSEPH V. DORIA, JR.**

District 31 (Hudson)

**Co-Sponsored by:**

Assemblymen Zecker, Steele, Gusciora, Augustine, Assemblywoman Quigley, Assemblymen Greenwald, Garcia, Felice, Conaway, Assemblywomen Farragher, Weinberg, Cruz-Perez, Watson Coleman, Pou, Previte, Assemblymen Caraballo, Zisa, Rooney, Wolfe, Chatzidakis, Wisniewski, Stanley, Kelly, Gibson, Garrett, Assemblywoman Gill, Assemblymen Romano, Conners, Roberts, LeFevre, Luongo, Assemblywoman Friscia, Assemblymen Suliga, Payne, Tucker, Jones, Connors, Russo, DeCroce, Bodine, Assemblywoman Buono, Assemblymen Kramer, Moran, Talarico, Weingarten, Assemblywomen Murphy, Heck, Assemblymen R.Smith, Charles, Impreveduto, Cohen, Green, Blee, Barnes, Merkt, Thompson, Arnone, Malone, T.Smith, Carroll, Assemblywoman Vandervalk, Assemblymen Holzapfel, Corodemus, Cottrell, Assemblywoman Crecco, Assemblymen Azzolina, O'Toole, Senators Matheussen, Bennett, Cafiero, Sinagra, Lipman, Palaia, Inverso, Adler, Rice, Bassano, Bark, Kenny, Kyrillos, Turner, Vitale, O'Connor, Girgenti, Ciesla, Bucco, Codey, Allen, Bryant and Robertson

**A1690 ASSELTA, DORIA**

2

1 **AN ACT** concerning hospital charity care and amending P.L.1992,  
2 c.160 and P.L.1996, c.28.

3

4 **BE IT ENACTED** *by the Senate and General Assembly of the State*  
5 *of New Jersey:*

6

7 1. Section 8 of P.L.1992, c.160 (C.26:2H-18.58) is amended to  
8 read as follows:

9 8. There is established the Health Care Subsidy Fund in the  
10 Department of Health and Senior Services.

11 a. The fund shall be comprised of revenues from employee and  
12 employer contributions made pursuant to section 29 of P.L.1992,  
13 c.160 (C.43:21-7b), revenues from the hospital assessment made  
14 pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62), revenues  
15 pursuant to section 11 of P.L.1996, c.28 (C.26:2H-18.58c), revenues  
16 from interest and penalties collected pursuant to this act and revenues  
17 from such other sources as the Legislature shall determine. Interest  
18 earned on the monies in the fund shall be credited to the fund. The  
19 fund shall be a nonlapsing fund dedicated for use by the State to: (1)  
20 distribute charity care and other uncompensated care disproportionate  
21 share payments to hospitals, and other eligible providers pursuant to  
22 section 8 of P.L.1996, c.28 (C.26:2H-18.59f), provide subsidies for  
23 the Health Access New Jersey program established pursuant to section  
24 15 of P.L.1992, c.160 (C.26:2H-18.65), and provide funding for  
25 children's health care coverage pursuant to P.L.1997, c.272 (C.30:4I-1  
26 et seq.); and (2) assist hospitals and other health care facilities in the  
27 underwriting of innovative and necessary health care services.

28 b. The fund shall be administered by a person appointed by the  
29 commissioner.

30 The administrator of the fund is responsible for overseeing and  
31 coordinating the collection and reimbursement of fund monies. The  
32 administrator is responsible for promptly informing the commissioner  
33 if monies are not or are not reasonably expected to be collected or  
34 disbursed.

35 c. The commissioner shall adopt rules and regulations to ensure  
36 the integrity of the fund, pursuant to the "Administrative Procedure  
37 Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

38 d. The administrator shall establish separate accounts for the

**A1690 ASSELTA, DORIA**

3

1 Jersey subsidy account, respectively.

2 e. In the event that the charity care component of the  
3 disproportionate share hospital subsidy account has a surplus in a  
4 given year after payments are distributed pursuant to the methodology  
5 established in section 13 of P.L.1995, c.133 (C.26:2H-18.59b) and  
6 section 7 of P.L.1996, c.28 (C.26:2H-18.59e) and within the  
7 limitations provided in subsection e. of section 9 of P.L.1992, c.160  
8 (C.26:2H-18.59), the surplus monies in calendar years 1996 and 1997  
9 shall lapse to the unemployment compensation fund established  
10 pursuant to R.S.43:21-9, and each year thereafter shall lapse to the  
11 charity care component of the disproportionate share hospital subsidy  
12 account for distribution in subsequent years.

13 (cf: P.L.1997, c.263, s.2)

14

15 2. Section 8 of P.L.1996, c.28 (C.26:2H-18.59f) is amended to  
16 read as follows:

17 8. [Within 30 days of the date of enactment of P.L.1996, c.28, the]  
18 The Commissioner of Human Services, in consultation with the  
19 Commissioner of Health and Senior Services and the State Treasurer,  
20 [shall] may pursue any necessary waivers from the federal Department  
21 of Health and Human Services in order to implement, within a single  
22 region or county of the State designated by the Commissioner of  
23 Human Services in consultation with the Commissioner of Health and  
24 Senior Services and the State Treasurer, which may be limited to  
25 designated hospitals within that region, a demonstration health care  
26 program to provide low income residents of [the State] that region or  
27 county who qualify pursuant to section 10 of P.L.1992, c.160  
28 (C.26:2H-18.60), with eligible charity care services on a managed care  
29 basis. The program shall be implemented by the Commissioner of  
30 Health and Senior Services in consultation with the Commissioner of  
31 Human Services and the State Treasurer.

32 a. The demonstration program shall be administered [Statewide by  
33 one or more program administrators] by a program administrator  
34 under contract with the State Treasurer pursuant to this section and  
35 shall operate for a two-year period. For the purposes of this section,  
36 program administrator may include, but not be limited to, an acute  
37 care hospital which receives charity care reimbursements or a health  
38 maintenance organization.

**A1690 ASSELTA, DORIA**

4

1 specified by the Commissioner of Health and Senior Services, in  
2 consultation with the Commissioner of Human Services and the State  
3 Treasurer. An administrator shall be responsible for determining the  
4 most appropriate and cost-effective means of providing the health care  
5 services required by an eligible person and for directing the person to  
6 that means for receipt of the services;

7 (2) the determination of eligibility criteria for health care providers  
8 who choose to participate in the demonstration program;

9 (3) a methodology established by the Commissioner of Health and  
10 Senior Services for reimbursement of participating hospitals and other  
11 health care providers;

12 (4) the development and use of a uniform method for determining  
13 eligibility of [State] residents of the designated region or county for  
14 health care services under the demonstration program; and

15 (5) the submission of quarterly reports to the Department of  
16 Health and Senior Services and the Department of the Treasury, in a  
17 form and manner required by the department, detailing expenditures  
18 of health care funds in the demonstration program.

19 The contract shall also provide that provider participation in the  
20 demonstration program shall ensure the maximum receipt by the State  
21 of federal disproportionate share monies pursuant to Pub.L.89-97 (42  
22 U.S.C.1396a et seq.) and Pub.L.102-234.

23 d. The Commissioner of Health and Senior Services shall report 12  
24 months after the contract with the administrator or administrators is  
25 entered into by the State Treasurer and [each year thereafter] upon the  
26 conclusion of the demonstration program to the standing reference  
27 committees on health and appropriations of the Senate and General  
28 Assembly and the Governor on:

29 (1) expenditures related to the provision of health care services on  
30 a managed care basis, the number of persons served, the types of  
31 services provided, the hospitals participating in the demonstration  
32 program, the number and types of other health care providers  
33 participating in the demonstration program and such other information  
34 as may be required by the Legislature;

35 (2) the effectiveness of the demonstration program in containing  
36 or reducing costs for providing health care services to qualified low  
37 income residents of the [State] designated region or county; and

38 (3) recommendations developed in consultation with the

1 the effective date of [this act] P.L.1996, c.28.

2 f. The implementation of the [health care] demonstration program  
3 pursuant to this section or other subsidies for charity care that affect  
4 the Medicaid State plan shall be contingent upon receipt of federal  
5 approvals that assure continuation of an acceptable level of federal  
6 Medicaid matching funds, including disproportionate share monies, as  
7 determined by the Director of the Division of Medical Assistance and  
8 Health Services in the Department of Human Services and the Director  
9 of the Division of Budget and Accounting in the Department of the  
10 Treasury.

11 (cf: P.L.1996, c.28, s.8)

12

13 3. Section 9 of P.L.1996, c.28 (C.26:2H-18.59g) is amended to  
14 read as follows:

15 9. The Commissioner of Health and Senior Services, in  
16 consultation with the State Treasurer, shall establish a technology  
17 infrastructure to support the [Statewide health care program  
18 established pursuant to section 8 of P.L.1996, c.28 (C.26:2H-18.59f)]  
19 provision of charity care pursuant to P.L.1992, c.160 (C.26:2H-18.51  
20 et al.).

21 The State Treasurer, in consultation with the Commissioners of  
22 Health and Senior Services and Human Services may, if deemed to be  
23 in the State's best interests, include system features and provisions in  
24 the technology infrastructure to satisfy the requirements of multiple  
25 programs and purposes, including, but not limited to, programs such  
26 as, Medicaid, food stamps, public assistance, and purposes such as the  
27 exchange and consolidation of health care information permitted by  
28 law, eligibility and identity verification, claims processing, the use of  
29 electronic patient identification technology and electronic data  
30 interchange.

31 (cf: P.L.1996, c.28, s.9)

32

33 4. Section 11 of P.L.1996, c.28 (C.26:2H-18.58c) is amended to  
34 read as follows:

35 11. a. The Health Care Subsidy Fund shall be funded with \$15  
36 million in General Fund revenues in calendar year 1996 and \$41  
37 million in General Fund revenues in calendar year 1997 and \$42.9  
38 million in General Fund revenues for the period January 1, 1998

1 c.160 (C.26:2H-18.51 et al.).

2 (cf: P.L.1997, c.263, s.3)

3

4 5. This act shall take effect immediately.

5

6

7

STATEMENT

8

9 This bill eliminates the requirement provided in section 8 of  
10 P.L.1996, c.28 (C.26:2H-18.59f) that the Commissioner of Human  
11 Services seek federal approval to establish a permanent Statewide  
12 program for providing hospital charity care services on a managed care  
13 basis.

14 This bill reflects the inability of the State to obtain federal approval  
15 for such a Statewide program to date and the related concerns which  
16 make such a program problematic for acute care hospitals, given that:  
17 C this approach to delivering charity care services in this State has not  
18 actually been tested to date;

19 C there can, therefore, be no assurance that this program will actually  
20 save the State any money;

21 C hospitals are not now being reimbursed adequately for the amount  
22 of charity care that they provide and would be required under the  
23 proposed managed charity care program to share the inadequate  
24 amount of charity care subsidy funds that they receive with  
25 community-based health care providers, such as outpatient  
26 substance abuse treatment programs, which currently provide care  
27 to uninsured persons from other sources of funding; and

28 C implementation of the proposed managed charity care program  
29 would require hospitals to incur significant start-up costs, as well  
30 as the ongoing costs of new layers of administration and oversight  
31 once the program becomes fully operational.

32 Instead of a permanent Statewide program, this bill would permit  
33 the Commissioner of Human Services to seek federal approval to  
34 establish a demonstration managed charity care program, within a  
35 single region or county, for a two-year period in order to test the  
36 programmatic and fiscal viability of delivering charity care services by  
37 this alternative means. If this demonstration program is approved, the  
38 Commissioner of Health and Senior Services would report to the