

SENATE, No. 580

STATE OF NEW JERSEY 208th LEGISLATURE

INTRODUCED FEBRUARY 23, 1998

Sponsored by:

Senator JOHN J. MATHEUSSEN
District 4 (Camden and Gloucester)
Senator JOHN O. BENNETT
District 12 (Monmouth)

Co-Sponsored by:

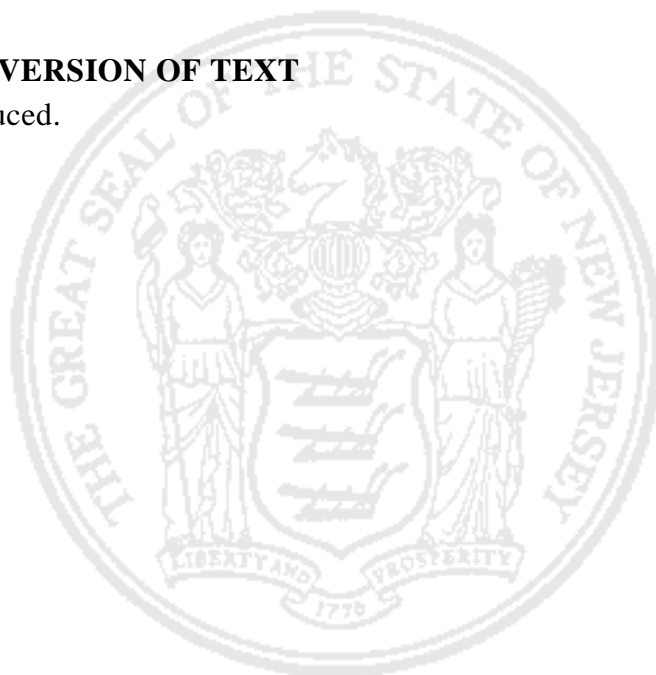
Senators Cafiero, Sinagra, Lipman, Palaia, Inverso, Adler, Rice, Bassano, Bark, Kenny, Kyrillos, Turner, Vitale, O'Connor, Girgenti, Ciesla, Bucco, Codey, Allen, Bryant and Robertson

SYNOPSIS

Eliminates requirement to establish Statewide managed hospital charity care program and provides for regional or county-based demonstration program.

CURRENT VERSION OF TEXT

As introduced.



(Sponsorship Updated As Of: 3/23/1998)

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
39 charity care component of the disproportionate share hospital subsidy,
40 other uncompensated care component of the disproportionate share
41 hospital subsidy, hospital and other health care initiatives funding and
42 the payments for subsidies for insurance premiums to provide care in
43 disproportionate share hospitals, known as the Health Access New

EXPLANATION - Matter enclosed in bold-faced brackets [thus] in the above bill is not enacted and is intended to be omitted in the law.

Matter underlined thus is new matter.

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,
18 **the】** 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.

39 b. The Commissioner of Health and Senior Services, in
40 consultation with the Commissioner of Human Services and the State
41 Treasurer, shall, within 30 days after approval of the federal waiver,
42 and at appropriate intervals thereafter, solicit proposals from entities
43 in the State interested in administering the **【health care】**
44 demonstration program.

45 c. The contract shall include, but not be limited to, provisions for:

46 (1) providing charity care services on a managed care basis as

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
26 the 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
39 Commissioner of Human Services and the State Treasurer concerning
40 additional cost containment actions that may be adopted for the
41 provision of health care services to qualified low income persons,
42 including, but not limited to, expansion of the demonstration program
43 to encompass other regions or counties within the State.

44 e. Nothing in this section shall be construed to expand covered
45 health care services provided under the demonstration program to
46 include services not covered by the charity care program in effect on

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
39 through June 30, 1998.

40 b. The Health Care Subsidy Fund shall be supported with
41 revenues derived from efficiencies achieved by State use of an
42 electronic data interchange system for health care claims and related
43 information, in amounts necessary to provide funding for the **[health**
44 **care program pursuant to section 8 of P.L.1996, c.28**
45 **(C.26:2H-18.59f)]** provision of charity care pursuant to P.L.1992,

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

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

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4 5. This act shall take effect immediately.

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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 • this approach to delivering charity care services in this State has not
18 actually been tested to date;
- 19 • there can, therefore, be no assurance that this program will actually
20 save the State any money;
- 21 • 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 • 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
39 Governor and the Legislature on the results of this demonstration
40 program, along with any recommendations for expanding the program
41 that the commissioner deems appropriate.