

FISCAL YEAR 2024-2025



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HEALTH

Prepared by the

NEW JERSEY LEGISLATURE
OFFICE OF LEGISLATIVE SERVICES

April 2024

NEW JERSEY STATE LEGISLATURE

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Brian J. McCord, *Section Chief, Human Services Section*

This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer.
The primary author was Anne Cappabianca.

Questions or comments may be directed to the OLS Human Services Section
(Tel. 609-847-3860) or the Legislative Budget and Finance Office (Tel. 609-847-3105).

DEPARTMENT OF HEALTH

Budget Pages C-4 to C-5, C-11 to C-12, C-19 to C-21,
C-25, D-159 to D-187, G-5, H-11

Fiscal Summary (\$000)

	Expended FY 2023	Adjusted Appropriation FY 2024	Recommended FY 2025	Percentage Change 2024-25
State Budgeted	\$1,087,370	\$1,425,663	\$1,336,384	(6.3%)
Federal Funds	1,002,533	907,685	910,047	0.3%
<u>All Other Funds</u>	<u>571,965</u>	<u>607,451</u>	<u>405,492</u>	<u>(33.2%)</u>
Grand Total	\$2,661,868	\$2,940,799	\$2,651,923	(9.8%)

Personnel Summary - Positions By Funding Source

	Actual FY 2023	Revised FY 2024	Funded FY 2025	Percentage Change 2024-25
State	4,362	4,368	5,005	14.6%
Federal	609	651	669	2.8%
<u>All Other</u>	<u>335</u>	<u>346</u>	<u>353</u>	<u>2.0%</u>
Total Positions	5,306	5,365	6,027	12.3%

FY 2023 (as of December) and revised FY 2024 (as of January) personnel data reflect actual payroll counts. FY 2025 data reflect the number of positions funded.

Link to Website: <https://www.njleg.state.nj.us/budget-finance/governors-budget>

Highlights

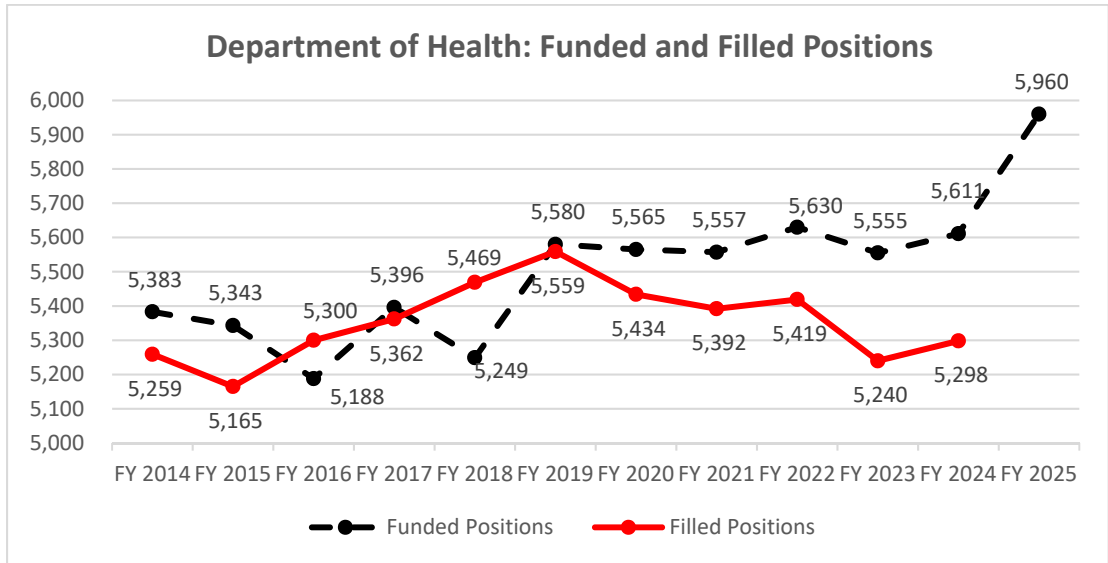
- Proposed FY 2025 appropriations for the Department of Health across all funding sources decrease by \$288.9 million, or 9.8 percent, when compared to FY 2024 funding levels.
- The FY 2025 Governor’s Budget provides \$194.5 million less in net hospital funding compared to FY 2024. This decrease is primarily attributable the net effect of a recommended \$204.8 million decrease in Charity Care payments and a recommended \$10.0 million increase to the Supplemental Graduate Medical Education Subsidy provided to hospitals that operate medical residency programs. The FY 2025 Governor’s Budget also includes a new methodology for allocating Charity Care funding among the State’s acute care hospitals.

Hospital Funding			
Program	FY 2023 Actual	FY 2024 Adj. Approp.	FY 2025 Recommended
Charity Care	\$342,000,000	\$342,000,000	\$137,222,000
Graduate Medical Education	\$218,000,000	\$218,000,000	\$218,000,000
Supplemental Graduate Medical Education Subsidy	\$24,000,000	\$24,000,000	\$34,000,000
Graduate Medical Education - Trauma Center	\$0	\$84,500,000	\$84,500,000
Quality Improvement Program*	\$210,000,000	\$210,000,000	\$210,000,000
Hospital Mental Health Offset Payments*	\$25,319,000	\$24,407,000	\$24,654,000
TOTAL	\$819,319,000	\$902,907,000	\$708,376,000
* Funding is expended in the budget for the Department of Human Services.			

- According to the Governor, the \$204.8 million reduction in Charity Care funding is an offset for the cost to the State of establishing a new Medicaid outpatient hospital state-directed payment mechanism in the State Medicaid Program, commonly known as NJ FamilyCare, administered by the Department of Human Services. According to the Executive, the proposed Medicaid outpatient hospital state-directed payment mechanism would enable the State to draw down \$345.0 million in federal Medicaid matching funds, which could be made available for eligible acute care hospitals.
- The Administration recommends an increase in the HMO Premiums Assessment rate from 5 percent to 6 percent on net written premiums. Assessment collections are deposited into the dedicated, off-budget Health Care Subsidy Fund. The Executive estimates that the increase would result in \$83 million in new State revenue in FY 2025, representing six months of collections.
- The Executive proposes \$4.5 million in additional funding in FY 2025 to implement several initiatives to reform the long-term care industry and to support facilities in which the quality of resident care has declined due to staffing shortages or financial problems.
- The FY 2025 Governor’s Budget recommends \$2.9 million in new funding to pay delivery fees for online orders of approved groceries for participants in the State’s Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program.

Highlights (Cont'd)

- The chart below compares the trend in the number of funded Department of Health staff positions versus the number of positions that are filled. Although filled staff positions trended upward between FY 2015 and FY 2019, the COVID-19 pandemic precipitated staffing shortages that have persisted over the past five years.



- In the FY 2024 Appropriations Act, the Legislature provided more than \$5.6 million in grants for non-profit organizations that operate health services programs for vulnerable State residents. The Executive recommends continuing some of the programs, but some \$4.6 million of the funding is recommended to be eliminated in FY 2025.
- The Legislature provided \$50.7 million in grants to various health care facilities as part of the FY 2024 Appropriations Act. Some of this funding is recommended to continue, but some \$43.2 million is recommended to be eliminated in FY 2025.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2023	Adj. Approp. FY 2024	Recom. FY 2025	Percentage Change	
				2023-25	2024-25
General Fund					
Direct State Services	\$431,451	\$500,269	\$479,846	11.2%	(4.1%)
Grants-In-Aid	654,806	924,878	856,022	30.7%	(7.4%)
State Aid	0	0	0	--	--
Capital Construction	598	0	0	(100.0%)	--
Debt Service	0	0	0	--	--
Sub-Total	\$1,086,855	\$1,425,147	\$1,335,868	22.9%	(6.3%)
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	--	--
Grants-In-Aid	0	0	0	--	--
State Aid	0	0	0	--	--
Sub-Total	\$0	\$0	\$0	--	--
Casino Revenue Fund	\$515	\$516	\$516	0.2%	--
Casino Control Fund	\$0	\$0	\$0	--	--
State Total	\$1,087,370	\$1,425,663	\$1,336,384	22.9%	(6.3%)
Federal Funds	\$1,002,533	\$907,685	\$910,047	(9.2%)	0.3%
Other Funds	\$571,965	\$607,451	\$405,492	(29.1%)	(33.2%)
Grand Total	\$2,661,868	\$2,940,799	\$2,651,923	(0.4%)	(9.8%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2023	Revised FY 2024	Funded FY 2025	Percentage Change	
				2023-25	2024-25
State	4,362	4,368	5,005	14.7%	14.6%
Federal	609	651	669	9.9%	2.8%
All Other	335	346	353	5.4%	2.0%
Total Positions	5,306	5,365	6,027	13.6%	12.3%

FY 2023 (as of December) and revised FY 2024 (as of January) personnel data reflect actual payroll counts. FY 2025 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percentage	69.2%	71.0%	N/A	---	---
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Significant Changes/New Programs (\$000)

Health Services

General Fund, Direct State Services Services Other Than Personal				Budget Page: D-166	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$6,350	\$4,953	\$2,813	\$2,949	\$136	4.8%

This budget line aggregates recommended funding for contracted or purchased services within the Office of Vital Statistics. The additional funding supports the office’s ongoing work to digitize vital records, including birth, death, and marriage certificates.

General Fund, Direct State Services Special Purpose: WIC Online Shopping Delivery Fees				Budget Page: D-167	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$0	\$0	\$2,900	\$2,900	---

The FY 2025 Governor’s Budget recommends utilizing State funding to pay for the delivery fees that participants in the Supplemental Nutrition Program for Women, Infants, and Children (WIC) incur when purchasing infant formula and other WIC-approved foods online.

WIC is funded and regulated by the Food and Nutrition Service in the United States Department of Agriculture, and is administered at the State level by the Department of Health. Federal law does not permit State WIC agencies to utilize federal WIC funds to cover delivery fees for online grocery orders. The states, however, have the discretion to utilize state funding to provide additional benefits to WIC participants.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Direct State Services Special Purpose: Community Doula Training					Budget Page: D-166	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025		
\$0	\$0	\$500	\$0	(\$500)	(100.0%)	
General Fund, Grants-In-Aid Colette Lamothe-Galette Institute					Budget Page: D-168	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025		
\$0	\$500	\$750	\$0	(\$750)	(100.0%)	
General Fund, Grants-In-Aid Nurse-Midwife Education					Budget Page: D-175	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025		
\$0	\$918	\$1,000	\$0	(\$1,000)	(100.0%)	
General Fund, Direct State Services Special Purpose: Direct Service Workforce Development					Budget Page: D-167	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025		
\$0	\$0	\$0	\$2,250	\$2,250	---	

The Executive proposes combining three existing initiatives into a single Direct Service Workforce Development budget line. These initiatives deliver education and training for direct care workers, with a particular focus on maternal health care. Proposed FY 2025 funding for this new budget line would be unchanged from the combined FY 2024 appropriation for the three component programs.

General Fund, Direct State Services Special Purpose: Maternal Mortality Review Committee					Budget Page: D-167	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025		
\$0	\$0	\$0	\$204	\$204	---	

This new appropriation will support the work of the Maternal Mortality Review Committee upon the transition of responsibility for the committee’s work from the New Jersey Maternal Care Quality Collaborative to the Department of Health. In addition, the committee is expected to receive \$510,000 in federal funding in FY 2025.

Significant Changes/New Programs (\$000) (Cont'd)

P.L.2023, c.109 established the New Jersey Maternal and Infant Health Innovation Authority as an independent State entity responsible for coordinating the State’s policies and initiatives to reduce maternal morbidity, mortality, and racial and ethnic disparities in maternal health care. The authority will assume this responsibility from the New Jersey Maternal Care Quality Collaborative, which currently holds this responsibility. Upon the transfer of the New Jersey Maternal Care Quality Collaborative to the authority, the Maternal Mortality Review Committee will fall under the direct authority of the department.

General Fund, Direct State Services Special Purpose: Sickle Cell Disease Pilot Program (P.L.2023, c.242)				Budget Page: D-167	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$0	S \$10,200	\$0	(\$10,200)	(100.0%)

The Executive does not recommend continuing the funding for the three-year pilot program, which provides grants to federally qualified health centers in certain communities to implement comprehensive sickle cell disease treatment programs. Proposed budget language would allow the department to carry forward into FY 2025 any unexpended funds at the end of the current fiscal year in the program account.

General Fund, Direct State Services Additions, Improvements and Equipment				Budget Page: D-167	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$44	\$851	\$216	(\$635)	(74.6%)

The recommended decrease reflects the elimination of an increase in FY 2024 for the purchase of new equipment for use in the Public Health and Environmental Laboratories. Specifically, the department purchased an Ultra-High Performance Liquid-Chromatography Tandem Mass Spectrometer that allows the department to prepare samples for emergency food testing, and an Inductively Coupled Plasma-Mass Spectrometer Analytical Instrument that is used to test pregnant women and newborn blood spot samples for lead and mercury. With these purchases completed, recommended funding levels for this budget line are being reduced.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-In-Aid Fiscal Year 2024 Legislative Initiatives, Health Services Programs						
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.		Change FY 2024 – FY 2025	
American Red Cross New Jersey Region						Budget Page: D-168
\$1,660	\$1,000	\$2,000	\$500		(\$1,500)	(75.0%)
Center for Hope Hospice – In-Residence Patient Financial Support						Budget Page: D-168
\$0	\$0	\$250	\$0		(\$250)	(100.0%)
New Jersey Emergency Medical Services Task Force						Budget Page: D-168
\$0	\$0	\$100	\$0		(\$100)	(100.0%)
Mya Lin Terry Foundation						Budget Page: D-168
\$0	\$50	\$150	\$0		(\$150)	(100.0%)
Diabetes Foundation – Outreach, Prevention, and Treatment						Budget Page: D-168
\$0	\$0	\$100	\$0		(\$100)	(100.0%)
ALS Association						Budget Page: D-169
\$1,000	\$999	\$1,500	\$500		(\$1,000)	(\$66.6%)
Cheshire Home						Budget Page: D-169
\$0	\$0	\$820	\$0		(\$820)	(100.0%)
Black Lives Matter Paterson Harm Reduction Center						Budget Page: D-169
\$0	\$0	\$250	\$0		(\$250)	(100.0%)
Hyacinth AIDS Foundation – Newark Clinic						Budget Page: D-169
\$0	\$450	\$450	\$0		(\$450)	(100.0%)
Total – General Fund, Grants-In-Aid Legislative Initiatives, Health Services Programs						
\$2,660	\$2,499	\$5,620	\$1,000		(\$4,620)	(82.2%)

In the FY 2024 Appropriations Act, the Legislature provided more than \$5.6 million in grants for non-profit organizations that operate health services programs for vulnerable State residents. The Executive recommends continuing some of the appropriations, but \$4.6 million of the funding is recommended to be eliminated.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-In-Aid Fiscal Year 2025 Governor Funding Reductions, Health Services Programs						
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.		Change FY 2024 – FY 2025	
Bergen Volunteer Medical Initiative Budget Page: D-168						
\$300	\$300	\$300	\$150		(\$150)	(50.0%)
Integrated Care Pilot Program for Military, Veterans, and First Responders Budget Page: D-168						
\$500	\$500	\$500	\$400		(\$100)	(20.0%)
NJ Center for Tourette Syndrome and Associated Disorders Budget Page: D 168						
\$400	\$400	\$400	\$200		(\$200)	(50.0%)
Samaritan – Expanded Access to Palliative Care Budget Page: D168						
\$1,500	\$1,500	\$1,500	\$750		(\$750)	(50.0%)
BraveBeginnings – Operating Costs Budget Page: D-168						
\$0	\$0	\$50	\$0		(\$50)	(100.0%)
Adler Aphasia Center Budget Page: D-168						
\$200	\$200	\$200	\$100		(\$100)	(50.0%)
Reach Out and Read New Jersey Budget Page: D-168						
\$0	\$100	\$100	\$50		(\$50)	(50.0%)
REED Next Autism Services Program Budget Page: D-168						
\$1,000	\$1,000	\$1,000	\$500		(\$500)	(50.0%)
Cancer Institute of New Jersey – Colorectal and Lung Cancer, Service Expansion Budget Page: D-168						
\$2,000	\$2,000	\$2,000	\$1,000		(\$1,000)	(50.0%)
ScreenNJ Budget Page: D-168						
\$2,000	\$2,000	\$2,000	\$1,000		(\$1,000)	(50.0%)
Public Health Infectious Disease Control Budget Page: D-168						
\$1,872	\$1,625	\$1,875	\$1,500		(\$375)	(20.0%)
Pharmaceutical Services for Adults with Cystic Fibrosis Budget Page: D-169						
\$200	\$200	\$200	\$100		(\$100)	(50.0%)
North Jersey Community Research Initiative Budget Page: D-169						
\$75	\$75	\$75	\$38		(\$37)	(49.3%)
Total – General Fund, Grants-In-Aid Governor Funding Reductions, Health Services Programs						
\$10,047	\$9,900	\$10,200	\$5,788		(\$4,412)	(43.3%)

The Governor provided \$10.2 million in grants to community non-profit organizations, certain hospital programs, and local health departments as part of the FY 2024 Appropriations Act. Recommended funding to these entities in FY 2025 is reduced by \$4.4 million.

Significant Changes/New Programs (\$000) (Cont'd)

Federal Funds Public Health Protection Services				Budget Page: D-169	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$192,215	\$262,211	\$150,350	\$152,399	\$2,049	1.4%

Federal Funds Community Health Services				Budget Page: D-169	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$28,541	\$33,296	\$26,725	\$26,852	\$127	0.5%

Federal Funds Laboratory Services				Budget Page: D-169	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$22,144	\$19,350	\$10,816	\$11,002	\$186	1.7%

The increase in federal funding for Public Health Protection Services, Community Health Services, and Laboratory Services is attributable to multiple grants from the Centers for Disease Control and Prevention concerning the State’s epidemiology and laboratory capacity, public health workforce development and support initiatives, immunizations, and the State’s response to public health emergencies.

All Other Funds Vital Statistics				Budget Page: D-169	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$1,959	\$1,690	\$905	\$1,705	\$800	88.4%

This budget line reflects fees paid by State residents for vital records from the Department of Health, such as birth and death certificates, and these revenues are appropriated to support the work of the Office of Vital Statistics. The recommended increase in appropriations will align FY 2025 funding for this budget line with expenditures in prior fiscal years.

Significant Changes/New Programs (\$000) (Cont'd)

All Other Funds Community Health Services				Budget Page: D-169	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$35,617	\$38,633	\$37,714	\$37,466	(\$248)	(0.7%)

This decline mirrors the anticipated reduction in cigarette tax revenue in FY 2025. Specifically, one percent of total cigarette tax collections is dedicated to the department’s anti-smoking initiatives. Dedicated cigarette tax revenue is estimated to yield \$4.7 million in FY 2024 and \$4.5 million in FY 2025.

Health Planning and Evaluation

General Fund, Direct State Services Salaries and Wages				Budget Page: D-174	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$16,124	\$16,980	\$10,379	\$10,839	\$460	4.4%

The recommended increase reflects the salary costs of four new positions in the Office of Health Care Facility Regulation and Oversight for the inspection of health care facilities. It is part of the Executive’s proposed \$4.5 million in additional funding in FY 2025 to implement a variety of initiatives to reform the long-term care industry and to support facilities in which the quality of resident care has declined due to staffing shortages or financial problems.

The Office of Health Care Facility Regulation and Oversight is responsible for licensing, inspecting, and monitoring the financial condition of hospitals and nursing homes, as well as other types of health care facilities.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Direct State Services Services Other Than Personal				Budget Page: D-174	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$9,531	\$4,103	\$2,841 S \$5,200	\$6,881	(\$1,160)	(14.4%)

The decrease has two components. First, there is a \$5.2 million supplemental appropriation to the Health Care Facilities Improvement Fund to provide financial assistance to the distressed CarePoint Hospital Systems in FY 2024 that is not recommended to continue in FY 2025.

Second, the Executive is proposing \$4.5 million in additional funding in FY 2025 to implement a variety of initiatives to reform the long-term care industry and to support facilities in which the quality of resident care has declined due to staffing shortages or financial problems. Of this amount, \$4.0 million would be allocated to this budget line, which reflects State funding for contracted or purchased services for the Office of Health Care Facility Regulation and Oversight. The office is responsible for licensing, inspecting, and monitoring the financial condition of hospitals and nursing homes, as well as other types of health care facilities.

Last year, an audit by the Office of the Inspector General of the United States Department of Health and Human Services recommended that the State provide the department with additional resources to increase the frequency of nursing home inspections and more easily identify those facilities facing staffing, quality of care, and financial problems. Additionally, the recently released Independent Review of New Jersey’s Response to the COVID-19 Pandemic included eleven recommendations to improve infection control and response at the State’s nursing homes. The report recommends that the Department of Health address nursing home surveyor recruitment and retention challenges and more frequently assess staffing ratios at nursing homes.

General Fund, Direct State Services Special Purpose: Substance Use Disorder and Mental Health Treatment Program				Budget Page: D-175	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$0	\$0	\$540	\$540	---

According to the Office of Management and Budget, the recommended new appropriation will be used to expand the number of staff who are responsible for licensing substance use disorder and mental health programs and to assist the department in shifting this program to an integrated facility license. An integrated facility license along with new regulations would allow for the provision of multiple health care services in the same setting by the same licensee. These funds would permit the Behavioral Health Unit to process applications and waivers more effectively, and the expansion of services, and to subsequently inspect these programs. The increased funding also would provide the department with an employee who would be dedicated to shifting the program in response to proposed future integrated license regulations.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-in-Aid Health Care Subsidy Fund Payments				Budget Page: D-175	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$11,938	\$40,263	\$38,138	\$19,962	(\$18,176)	(47.7%)

The Health Care Subsidy Fund is primarily financed through dedicated revenue sources but relies upon General Fund appropriations as a final source of funding when the fund’s expenditures surpass its resources. This budget line represents that General Fund appropriation to the dedicated, off-budget Health Care Subsidy Fund. Please refer to page H-11 in the FY 2025 Governor’s Budget for details on the revenues, expenditures, and fund balance of the Health Care Subsidy Fund.

The recommended \$18.2 million reduction in the FY 2025 General Fund appropriation for the Health Care Subsidy Fund is the net effect of several changes in the revenues and expenditures of the Health Care Subsidy Fund. The three most prominent are:

- 1) A \$303.3 million increase in Health Care Subsidy Fund expenditures in support of NJ FamilyCare, which provides health care coverage to low-income New Jersey residents and children living in low- and moderate-income households with support from the federal Medicaid program and the Children’s Health Insurance Program.
- 2) A \$204.8 million reduction in Charity Care funding. According to the Administration, this decrease is an offset for the cost to the State of establishing a new outpatient hospital state-directed payment mechanism in the State Medicaid Program, which is administered by the Department of Human Services.
- 3) A \$130.5 million increase in anticipated HMO Premiums Assessment collections, reflecting in part \$83.0 million to be collected over a six-month period from increasing the assessment rate from 5 percent to 6 percent on net written premiums. Assessment collections are dedicated to the Health Care Subsidy Fund.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-In-Aid Fiscal Year 2025 Governor Funding Reductions, Healthcare Facilities						
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.		Change FY 2024 – FY 2025	
Visiting Nurse Association of Central New Jersey Community Health Center – LGBTQ					Budget Page: D-175	
\$1,000	\$1,000	\$1,000	\$500		(\$500)	(50.0%)
Parker Health Clinic – Red Bank					Budget Page: D-175	
\$0	\$100	\$100	\$50		(\$50)	(50.0%)
Visiting Nurse Association of Central New Jersey Inc. – Children Family Health					Budget Page: D175	
\$0	\$1,000	\$1,000	\$500		(\$500)	(50.0%)
Metropolitan Regional Diagnostic & Treatment Center – Newark Beth Israel Medical Center					Budget Page: D175	
\$800	\$800	\$800	\$400		(\$400)	(50.0%)
Camden Coalition of Healthcare Partners – Pledge to Connect Pilot Program					Budget Page: D-175	
\$0	\$7,500	\$5,000	\$2,500		(\$2,500)	(50.0%)
Cooper University Healthcare – System of Care Model Program for Individuals with Intellectual and Developmental Disabilities					Budget Page: D-175	
\$0	\$2,000	\$2,000	\$1,000		(\$1,000)	(50.0%)
Cooper University Healthcare – Pediatric Mental Health Services					Budget Page: D-175	
\$0	\$3,000	\$3,000	\$2,000		(\$1,000)	(33.3%)
Monmouth Medical Center – Mental Health Services					Budget Page: D-175	
\$0	\$0	\$250	\$0		(\$250)	(100.0%)
Riverview Medical Center					Budget Page: D-175	
\$0	\$0	\$250	\$0		(\$250)	(100.0%)
Hunterdon County Medical Center – Mental Health & Substance Abuse Disorder Services					Budget Page: D-176	
\$500	\$500	\$500	\$250		(\$250)	(50.0%)
Total – General Fund, Grants-In-Aid Governor Funding Reductions, Healthcare Facilities						
\$2,300	\$15,900	\$13,900	\$7,200		(\$6,700)	(48.2%)

The Governor provided \$13.9 million in grants for initiatives at hospitals, medical clinics, and non-profit entities as part of the FY 2024 Appropriations Act. Recommended funding to these entities in FY 2025 is reduced by \$6.7 million.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-In-Aid Fiscal Year 2024 Legislative Initiatives, Healthcare Facilities						
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.		Change FY 2024 – FY 2025	
Cooper University Healthcare – Regional Neurosciences Center						Budget Page: D-176
\$0	\$0	\$2,400	\$0		(\$2,400)	(100.0%)
Carewell Health Medical Center – Inpatient Nursing Units Expansion						Budget Page: D-176
\$0	\$0	\$5,000	\$0		(\$5,000)	(100.0%)
Hackensack Meridian Health – Oncology and Infusion Center						Budget Page: D-176
\$0	\$0	\$9,000	\$0		(\$9,000)	(100.0%)
Inspira Medical Center, Woodbury – Satellite Emergency Department Construction						Budget Page: D176
\$0	\$0	\$2,000	\$0		(\$2,000)	(100.0%)
Cooper University Hospital, Ronald McDonald House, Southern New Jersey, Camden – Facility Expansion						Budget Page: D-176
\$0	\$0	\$3,000	\$0		(\$3,000)	(100.0%)
Robert Wood Johnson Barnabas Health – Regional Diagnostic Treatment Centers						Budget Page: D-176
\$0	\$0	\$1,300	\$0		(\$1,300)	(100.0%)
Nemours Children’s Health						Budget Page: D-176
\$0	\$0	\$10,000	\$0		(\$10,000)	(100.0%)
Valley Health System – Inpatient and Medical Department Expansion						Budget Page: D-176
\$0	\$0	\$5,000	\$2,500		(\$2,500)	(50.0%)
Inspira Health Systems – Autism Diagnostic Center						Budget Page: D-176
\$0	\$0	\$3,000	\$0		(\$3,000)	(100.0%)
Hackensack Meridian School of Medicine						Budget Page: D-176
\$7,000	\$5,287	\$10,000	\$5,000		(\$5,000)	(50.0%)
Total – General Fund, Grants-In-Aid Legislative Initiatives, Healthcare Facilities						
\$7,000	\$5,287	\$50,700	\$7,500		(\$43,200)	(85.2%)

The Legislature provided \$50.7 million in grants to various health care facilities as part of the FY 2024 Appropriations Act. Some of this funding is recommended to continue in FY 2025, but \$43.2 million thereof is proposed to be eliminated.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Grants-in-Aid Graduate Medical Education				Budget Page: D-176	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$242,000	\$242,000	\$326,500	\$336,500	\$10,000	3.1%

This budget line aggregates funding for three separate programs operating under the State’s Graduate Medical Education umbrella. The recommended \$10.0 million increase would be for the Supplemental Graduate Medical Education Subsidy, which would grow from \$24.0 million in FY 2024 to \$34.0 million in FY 2025. According to the FY 2025 Budget in Brief, the increase is part of the Charity Care rebalancing that would primarily reduce total Charity Care payments available to acute care hospitals in return for a new outpatient hospital state-directed payment mechanism in the State Medicaid Program. The background paper on page 31 of this analysis provides a detailed explanation of the restructured Charity Care program.

The Supplemental Graduate Medical Education Subsidy is available to the 14 safety net hospitals with a residency program that derive the highest percentage of total revenues from services provided to Medicaid enrollees. This payment is calculated according to the same formula used to calculate the base Graduate Medical Education subsidy. The proposed FY 2025 allocation formula is unchanged from FY 2024 except that the source data used to calculate the subsidy amount for each eligible hospital have been updated.

All Other Funds Health Care Systems Analysis				Budget Page: D-176	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$355,731	\$350,250	\$375,485	\$171,707	(\$203,778)	(54.3%)

This budget line aggregates several dedicated off-budget revenues and provides funding for the New Jersey Quality Improvement Program and the State’s Charity Care program. The Administration recommends \$137.2 million in FY 2025 appropriations from the Health Care Subsidy Fund for Charity Care payments to the State’s hospitals, a \$204.8 million decrease from FY 2024.

According to the Governor, the reduction in the Charity Care appropriation is an offset for the cost to the State of establishing a new Medicaid outpatient hospital state-directed payment mechanism in the State Medicaid Program, commonly known as NJ FamilyCare, administered by the Department of Human Services. According to the Executive, the proposed Medicaid outpatient hospital state-directed payment mechanism will enable the State to draw down approximately \$345 million in federal Medicaid matching funds, which could be made available for eligible acute care hospitals. The benefit to hospitals under the mechanism will depend on the number and types of service provided to eligible Medicaid patients.

Significant Changes/New Programs (\$000) (Cont'd)

The FY 2025 Governor’s Budget also recommends revising the Charity Care subsidy allocation formula, which is used to determine each hospital’s payment. A detailed discussion of the revised allocation formula can be found in the background paper on page 31 of this analysis.

The recommended FY 2025 Quality Improvement Program appropriation is unchanged from the prior year at \$210.0 million.

State Psychiatric Hospitals

General Fund, Direct State Services Special Purpose: Greystone Psychiatric Hospital Settlement				Budget Page: D-181	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$551	\$508	\$ 559	\$0	(\$559)	(100.0%)

A mid-year supplemental appropriation has been necessary in each of FY 2022 through FY 2024 for Greystone Psychiatric Hospital administrators to comply with the terms of a 2020 settlement agreement with the Office of the Public Defender over allegations of neglect and abuse of patients at the hospital. The settlement agreement, among other corrective actions, requires the creation of an oversight committee to supervise the enforcement and implementation of the terms of the settlement agreement over a ten-year period. Budget language recommended to be continued in FY 2025 permits additional supplemental appropriations as are necessary to satisfy the terms of the settlement agreement.

Division of Behavioral Health Services

General Fund, Direct State Services Salaries and Wages				Budget Page: D-183	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$4,038	\$4,455	\$4,678	\$4,972	\$294	6.3%

The Executive recommends additional funding for three new employees in the regulatory group of the Division of Behavioral Health Services, which supports the leadership of the State psychiatric hospitals and facilitates improvements in patient safety and the quality of care provided by the State’s long-term care facilities.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Direct State Services Special Purpose: Mission Critical Long-Term Care Team				Budget Page: D-183	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$500	\$1,674	\$2,224	\$550	32.9%

The recommended increase would primarily support five new positions on the State’s Mission Critical Teams, which are dispatched to direct administrative, infection control, care management, and financial reforms at distressed nursing homes. Additional funding in FY 2024 allowed the department to expand the number of Mission Critical Teams from one to three.

The Independent Review of New Jersey’s Response to the COVID-19 Pandemic commended the work of the teams, but recommended regionalizing them in order to allow team members to develop greater familiarity with the operations of the nursing homes in their assigned region, and to diversify the types of professionals assigned to each team.

Health Administration

General Fund, Direct State Services Office of the Chief State Medical Examiner				Budget Page: D-185	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$1,398	\$5,351	\$3,334	\$4,334	\$1,000	30.0%

According to the Office of Management and Budget, \$800,000 of this increase would address the unclaimed burial backlog and \$20,000 is for non-salary support. The residual \$180,000 would pay for two additional employees in the Office of the Chief State Medical Examiner.

General Fund, Direct State Services Special Purpose: Office of Healthcare Affordability and Transparency				Budget Page: D-185	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$0	\$0	\$1,125	\$1,125	---

The Executive proposes to shift the duties, funding, and staff of the Office of Healthcare Affordability and Transparency from the Department of Human Services to the Division of Family Health Services in the Department of Health in FY 2025. Additionally, funding for the work of the office is recommended to increase by \$375,000 over FY 2024, with the majority of this funding to be used for the hiring of three additional employees in the office.

Significant Changes/New Programs (\$000) (Cont'd)

General Fund, Direct State Services Special Purpose: Disaster Relief – State Share				Budget Page: D-186	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$0	\$8,133	\$17,143	\$0	(\$17,143)	(100.0%)

The Executive does not recommended continuing a COVID-19 pandemic-related supplemental appropriation that was provided in FY 2024. Of the \$17.1 million in supplemental funding, the Department of Health expended \$10.0 million for COVID-19 vaccines, while the remaining \$7.1 million was used for consultant fees, rental of warehouse space, and equipment rentals.

All Other Funds Office of the Chief State Medical Examiner				Budget Page: D-186	
FY 2022 Expended	FY 2023 Expended	FY 2024 Adj. Approp.	FY 2025 Recomm.	Change FY 2024 – FY 2025	
\$12,522	\$14,427	\$14,250	\$15,250	\$1,000	7.0%

The Office of the Chief State Medical Examiner oversees the medical examiner system in the State through the creation and enforcement of operating and performance standards for regional and county medical examiner offices. The increase in this budget line is the net effect of two countervailing factors: a \$1.7 million increase for additions, improvements and equipment for medical examiners in the State and a \$718,000 reduction in salaries and wages and employee benefits. Funding for this budget line is from dedicated lead abatement certification program revenues.

Significant Language Changes

State Funding for WIC Online Shopping Delivery Fees

Addition

FY 2024 Handbook: p. N/A
 FY 2025 Budget: p. D-170

The amount hereinabove appropriated for WIC Online Shopping Delivery Fees shall be used to pay the costs of delivery fees incurred by WIC recipients for orders of groceries eligible under WIC and placed using online ordering platforms approved by the Commissioner of Health.

Explanation

The Executive recommends a new \$2.9 million State funds appropriation to pay for online delivery fees charged to participants in the State’s Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) program for orders of WIC-eligible groceries. This recommended language provision would condition the payment of online shopping delivery fees upon the use of an online grocery-ordering platform approved by the Department of Health.

WIC is funded and regulated by the Food and Nutrition Service in the United States Department of Agriculture, and is administered at the State level by the Department of Health. Federal law does not permit State WIC agencies to utilize federal WIC funds to cover delivery fees for online grocery orders. The states, however, have the discretion to utilize state funding to provide additional benefits to WIC participants.

Carryforward Authority for Sickle Cell Disease Pilot Program

Addition

FY 2024 Handbook: p. N/A
 FY 2025 Budget: p. D-170

The unexpended balance at the end of the preceding fiscal year in the Sickle Cell Disease Pilot Program (P.L.2023, c.242) account is appropriated for this same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

P.L.2023, c.242 establishes a three-year Sickle Cell Disease pilot program and makes a supplemental appropriation of \$10.2 million in FY 2024 to establish comprehensive sickle cell disease treatment programs and services at federally qualified health centers in at least six municipalities. The Executive does not recommend additional funding for the pilot program in FY 2025, but this recommended language provision would authorize the carryforward into FY 2025 of any program funds that are unexpended at the end of FY 2024.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
 Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

Increased Reimbursements from Emergency Medical Technician Training Fund	
Revision	FY 2024 Handbook: p. B-92 FY 2025 Budget: p. D-170

In the event that amounts available in the “Emergency Medical Technician Training Fund” are insufficient to support reimbursement levels of ~~\$750~~ \$1,500 for initial EMT training, while at the same time continuing to ensure funding for continuing EMT education at current levels, there are appropriated such amounts as the Director of the Division of Budget and Accounting shall determine to be necessary to maintain these increased levels for initial and continuing EMT training and education.

Explanation

This recommended language revision doubles from \$750 to \$1,500 the amount that the Emergency Medical Technician Training Fund provides for the otherwise unreimbursed costs of initial training and testing provided to emergency medical technicians by a properly certified private agency, organization, or entity.

The Emergency Medical Technician Training Fund receives its resources from a \$1 charge on each fine, penalty, and forfeiture imposed and collected for motor vehicle or traffic violations in the State. Fund balances are to provide emergency medical technician training cost reimbursements. The Executive anticipates this fund to have a \$5.0 million balance at the end of FY 2024 and a \$4.6 million balance at the end of FY 2025.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough. Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

Robert Wood Johnson Barnabas Health – Community Health Projects	
Addition	FY 2024 Handbook: p. N/A FY 2025 Budget: p. D-177

Of the amounts hereinabove appropriated to Robert Wood Johnson Barnabas Health – Community Health Projects, amounts may be transferred to the Division of Medical Assistance and Health Services, consistent with CMS guidelines, solely to maximize federal Medicaid payments to faculty physicians and non-physician professionals who are affiliated with Robert Wood Johnson Barnabas Health, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The new language authorizes the transfer of funds from the unchanged \$50.0 million that is recommended to be appropriated to Robert Wood Johnson Barnabas Health for Community Health Projects in FY 2025 to the Department of Human Services to allow physician practices with medical school affiliations to maximize federal reimbursements for care provided to NJ FamilyCare enrollees. The language mirrors similar existing language for Hackensack Meridian Medical School, Rowan University, and Rutgers University.

The MAPS Program, which was created to improve beneficiaries’ access to primary and specialty care services after the expansion of Medicaid under the Affordable Care Act, provides enhanced NJ FamilyCare reimbursement rates for services delivered by physician practices that are affiliated with the State’s public medical schools. Program reimbursement rates are similar to those paid by private insurance.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough. Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

Timing of Charity Care Payments to Hospitals	
Revision	FY 2024 Handbook: p. B-98 FY 2025 Budget: p. D-177

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Health Care Subsidy Fund for Charity Care payments are subject to the following condition: In a manner determined by the Commissioner of Health and subject to the approval of the Director of the Division of Budget and Accounting, eligible hospitals shall receive ~~(1)~~ their charity care subsidy payments in two, equal lump sum payments, the first of which will occur in August covering the six-month period beginning in July 2023, 1st through and ~~(2) their January 2024 payments in including~~ December 2023 31st, and the second of which will occur in January covering the six-month period beginning January 1st through and including June 30th. If an eligible hospital closes before June ~~30, 2024~~30th, the hospital shall reimburse to the State upon closure any subsidy payments attributed on the normal monthly payment basis to after the hospital’s date of closure.

Explanation

The recommended language would delay bi-annual Charity Care subsidy payments to eligible acute care hospitals by one month, such that eligible hospitals would receive their initial payment in August and the second payment in January. Currently, eligible hospitals receive their Charity Care payments in July and in December.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough. Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

Revised Charity Care Allocation Formula

Revision

FY 2024 Handbook: p. B-98

FY 2025 Budget: p. D-177

Notwithstanding the provisions of ~~section 3 of P.L.2004, c.113 (C.26:2H-18.59i)~~ or any law or regulation to the contrary, the appropriation for the Health Care Subsidy Fund Payments is subject to the following ~~conditions~~ condition: the distribution of ~~Charity Care funding~~ charity care subsidy payments shall be calculated in using the following ~~manner~~: ~~(a) source data for the most recent census data methodology: (1) each hospital shall be from the 2019 5-Year American Community Survey; (b) source data used shall be from calendar year (CY) 2019 for documented charity care claims data and ranked in order of its hospital-specific, relative charity care percentage, or RCCP, based on the submitted 2022 Acute Care Hospital (ACH) Cost Reports, by dividing the amount of hospital-specific gross revenue for charity care patients and shall include all adjustments and void claims related to CY 2019 and any prior year submitted claims, as submitted by each acute care hospital or determined by the Department of Health (DOH); (c) source data used for CY 2019 documented charity care for each hospital's total gross revenue for all patients shall be from the CY 2019 audited Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DOH due date of August 31, 2020, as submitted by January 31, 2021 by each acute care hospital and audited by March 1, 2021; (d) source data used for CY 2019 documented charity care shall be from CY 2019 Medicaid Cost Report submitted by each acute care hospital by February 14, 2021; (e) in the event that an eligible hospital failed to submit the CY 2019 Acute Care Hospital Cost Report, source data from their CY 2018 Acute Care Hospital Cost Report shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; (f) in the event that an eligible hospital failed to submit a full year CY 2019 Acute Care Hospital Cost Report, source data from a supplemental 2019 Acute Care Hospital Cost Report shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E; (g) for each eligible hospital, except those designated 96% by their hospital-specific; (2) the ten hospitals with the highest RCCP shall receive a charity care payment equal to 40 percent of each hospital's hospital-specific reimbursed documented charity care, a proportionate decrease shall be applied to its except that such a hospital with an operating margin less than or equal to -15 percent shall receive a Charity Care reimbursement equal to 50 percent of their hospital-specific documented Charity Care, with operating margins being calculated ~~subsidy based on its percentage of total subsidy such that~~ using 2022 audited ACH cost reports with a numerator of Form L3, Line 34 minus Line 12, and a denominator of Form L3, Line 15 minus Line 12 minus Line 31; (3) notwithstanding the provisions of clause (2), the hospital with the total-calculated highest hospital-specific reimbursed documented charity care in calendar year (CY) 2022 located in each of the ten municipalities in the State containing a hospital, with the lowest median annual household~~

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

income according to the 2022 5-Year American Community Survey, shall receive a charity care payment equal to 30 percent of its hospital-specific reimbursed documented charity care; (4) an acute care hospital that is deemed to be a Disproportionate Share Hospital (DSH), according to §1923(b) of the Social Security Act, as reported in Medicaid State Plan Rate Year ended June 30, 2018, shall also receive 30 percent of its CY 2022 hospital-specific documented charity care; and (5) a specialty heart hospital shall also receive 30 percent of its CY 2022 hospital-specific documented charity care. Any hospital that meets more than one of the categories pursuant to this paragraph shall only receive a Charity Care subsidy equal to the percentage of documented charity care that is the highest. Until approval by the federal government is received of the charity care subsidy ~~for all hospitals shall equal \$342,000,000; and (h) the resulting value will constitute each eligible hospital's SFY 2024 payment methodology, State funds may be used to fund the entirety of the~~ charity care subsidy ~~allocation~~ using the methodology described above.

Explanation

The recommended language overrides the statutory allocation of Charity Care subsidy payments to acute care hospitals. This revision accompanies the Executive's recommended \$204.8 million reduction in Charity Care payments from the Health Care Subsidy Fund. According to the Governor, this reduction is an offset for the cost to the State of establishing a new Medicaid outpatient hospital state-directed payment mechanism in the State Medicaid Program, commonly known as NJ FamilyCare, administered by the Department of Human Services. According to the Executive, the proposed Medicaid outpatient hospital state-directed payment mechanism will enable the State to draw down \$345 million in federal Medicaid matching funds, which could be made available for eligible acute care hospitals.

As in prior fiscal years, the proposed Charity Care allocation language ranks hospitals according to the percentage of each hospital's gross patient revenue attributable to Charity Care patients. Each of the ten hospitals with the highest percentage of gross patient revenues from Charity Care will receive a Charity Care payment equal to 40 percent of the hospital's calendar year 2022 documented Charity Care. Of these ten hospitals, the one hospital with a calendar year 2022 operating margin that is less than, or equal to, negative 15 percent will receive a subsidy payment equal to 50 percent of its documented Charity Care.

In each of the ten municipalities with the lowest median annual household income in the State, the hospital with the highest calendar year 2022 documented Charity Care will receive a subsidy payment equal to 30 percent of its calendar year 2022 documented Charity Care.

Additionally, the hospital identified as a Disproportionate Share Hospital in the Medicaid State Plan Rate Year ended June 30, 2018, as well as a specialty care heart hospital, will each receive 30 percent of their calendar year 2022 documented

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

Charity Care. The one specialty care heart hospital in the State is Deborah Heart and Lung Center in Browns Mills.

In the FY 2024 Appropriations Act, by comparison, the ten hospitals providing the highest amount of Charity Care received a subsidy payment equal to 96 percent of their documented Charity Care. For the remaining hospitals, a proportionate decrease was applied to the hospital’s subsidy payment so that total calculated subsidies for all hospitals was \$342.0 million.

The revised language also updates the source data used to determine the amount of Charity Care payments allocated to each eligible hospital. Due to distortions in hospital patient volumes and revenues during the COVID-19 pandemic, the department has based hospital-specific allocations on calendar year 2019 source data since FY 2022. The FY 2025 allocations will be based on calendar year 2022 data.

Updating Graduate Medical Education Updated Source Data

Revision

FY 2024 Handbook: p. B-100
 FY 2025 Budget: p. D-178

Notwithstanding the provisions of any law or regulation to the contrary, and except as otherwise provided and subject to such modifications as may be required by the Centers for Medicare and Medicaid Services in order to achieve any required federal approval and full Federal Financial Participation, \$218,000,000 from amounts hereinabove appropriated for Graduate Medical Education (GME) shall be designated the GME Subsidy, and shall be calculated as follows: (a) the subsidy payment shall be split into a Direct Medical Education (DME) portion and an Indirect Medical Education (IME) portion; (b) source data used for the GME calculation shall come from the Medicaid cost report for calendar year (CY) ~~2019~~ 2022 submitted by each acute care hospital by February 14, ~~2024~~ 2024 and Medicaid Managed Care encounter payments data for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, ~~2019~~ 2022 and December 31, ~~2019~~ 2022; payment dates between January 1, ~~2019~~ 2022 and December 31, ~~2020~~ 2022; and a run-date of not later than February 15, ~~2024~~ 2023; (c) in the event that a hospital reported less than 12 months of ~~2019~~ 2022 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. In the event the hospital completed a merger, acquisition, or business combination resulting in two cost reports filed during the calendar year, two cost reports will be combined into one or a supplemental cost report for the calendar year ~~2019~~ 2022 submitted by the affected acute care hospital by January 31, ~~2024~~ 2024 shall be used. In the event that a hospital did not report its Medicaid managed care days on the cost report utilized in this calculation, the Department of Health (DOH) shall ascertain Medicaid managed care encounter days for Medicaid and NJ FamilyCare clients as reported by insurers to the State as per source data defined in (b) above; (d) Medicaid managed care DME cost begins with the intern and residency program costs using the ~~2019~~ 2022

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
 Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

submitted Medicaid cost report total residency costs, reported on Worksheet B Pt I Column 21 Line 21 plus Worksheet B Pt I Column 22 Line 22 divided by the ~~2019~~ 2022 resident full time equivalent employees (FTE), reported on Worksheet S--3 Pt 1 Column 9 line 14 to develop an average cost per resident FTE for each hospital; (e) median cost per resident FTE is calculated based on the average cost per resident FTE for each hospital; (f) the median cost per resident FTE is multiplied by the ~~2019~~ 2022 resident FTEs reported on Worksheet S--3 Pt 1 Column 9 Line 14 to develop total median residency program cost for each hospital; (g) median residency costs are multiplied by the ratio of Medicaid managed care days, reported on Worksheet S--3 Column 7 Line 2, divided by the difference of total days, reported on Worksheet S--3 Column 8 Line 14, less nursery days, reported on Worksheet S--3 Column 8 Line 13 to determine the Medicaid managed care DME cost of each hospital; (h) Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid managed care encounter payments as per source data defined in (b) above; (i) the IME factor is calculated using the Medicare IME formula as follows: $1.35 * [(1 + x)^{0.405} - 1]$, in which "x" is the ratio of submitted IME resident FTEs reported on Worksheet S--3 Pt 1 Column 9 Line 14 divided by the difference of total available beds, reported on Worksheet S--3 Column 2 Line 14, less nursery beds, reported on Worksheet S--3 Column 2 Line 13; (j) total ~~2019~~ 2022 Medicaid managed care GME costs shall equal total ~~2019~~ 2022 Medicaid managed care IME costs plus total ~~2019~~ 2022 Medicaid managed care DME costs; (k) the ~~2019~~ 2022 total Medicaid managed care DME costs is divided by the total ~~2019~~ 2022 Medicaid managed care GME costs; (l) the DME allocation portion is calculated by multiplying the total subsidy amount by the ratio in (k) above; (m) each hospital's percentage of total ~~2019~~ 2022 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment; (n) the ~~2019~~ 2022 total Medicaid managed care IME costs are divided by the total ~~2019~~ 2022 Medicaid managed care GME costs; (o) the IME allocation portion is calculated by multiplying the total subsidy amount by the ratio in (n) above; (p) each hospital's percentage of total ~~2019~~ 2022 Medicaid managed care IME costs shall be multiplied by the IME allocation to calculate its IME payment; (q) the sum of a hospital's DME and IME payments shall equal its subsidy payment. The total GME Subsidy amount and these payments shall not exceed \$218,000,000 and shall be paid in 12 monthly payments; (r) in the event that a hospital believes that there are mathematical errors in the calculations, or data not matching the actual source documents used to calculate the subsidy as defined above, hospitals shall be permitted to file calculation appeals within 15 working days of receipt of the subsidy allocation letter. If upon review it is determined by the DOH that the error has occurred and would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide allocation shall be issued; (s) each hospital receiving a GME allocation shall, on or before May 31, ~~2024~~ 2025, provide a report to the Commissioner of Health indicating the total number of physicians who completed their training during the preceding calendar year, and the number of those physicians who plan to practice medicine within the State of New Jersey.

Explanation

This revision would update the source data used to determine the hospital-specific Graduate Medical Education (GME) Subsidy payments allocated to each eligible hospital with a medical residency program. Due to distortions in hospital patient volumes and revenues during the COVID-19 pandemic, the department has based

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

hospital-specific allocations on calendar year 2019 source data since FY 2022. The FY 2025 allocations will be based on calendar year 2022 data.

Increased Supplemental GME Subsidy Funding

Revision

FY 2024 Handbook: p. B-99
 FY 2025 Budget: p. D-178

Notwithstanding the provisions of any law or regulation to the contrary, and except as otherwise provided and subject to such modifications as may be required by the Centers for Medicare and Medicaid Services in order to achieve any required federal approval and full Federal Financial Participation, ~~\$24,000,000~~ \$34,000,000 from the amounts hereinabove appropriated from Graduate Medical Education (GME) shall be designated as Supplemental Graduate Medical Education Subsidy (GME–S), and shall be available to hospitals that meet the following eligibility criteria: (a) an eligible hospital has a Relative Medicaid Percentage (RMP) that is among the top fourteen acute care hospitals with a residency program; (b) the RMP is a ratio calculated using the ~~2019~~ 2022 Audited Acute Care Hospital (ACH) Cost Reports according to the DOH due date of August 31, ~~2020~~ 2022, as submitted by January 31, ~~2021~~ 2023 by each acute care hospital and audited by March 1, ~~2021~~ 2023; (c) the RMP numerator equals a hospital’s gross revenue from patient care for Medicaid and Medicaid HMO payers as reported on Forms E5 and E6, Line 1, Column D & Column H; (d) the RMP denominator equals a hospital’s gross revenue from patient care as reported on Form E4, Line 1, Column E; (e) for instances where hospitals that have a single Medicaid identification number submit a separate ACH Cost Report for each individually licensed hospital, the ACH Cost Report data for those hospitals shall be consolidated to the single Medicaid identification number; (f) the GME–S Subsidy shall be calculated using the same methodology as the GME Subsidy is calculated in this act, except the total amount of the GME–S Subsidy payments shall not exceed ~~\$24,000,000~~ \$34,000,000.

Explanation

This revision would increase Supplemental Graduate Medical Education Subsidy payments made to the 14 acute care hospitals with a residency program that also serve a disproportionately large Medicaid patient population by \$10.0 million in FY 2025. According to the FY 2025 Budget in Brief, the additional funding is part of the Executive’s proposed rebalancing of the State’s Charity Care program, as discussed in the background paper on page 31 of this analysis.

The revised language also updates the source data used to determine the amount of Supplemental Graduate Medical Education payments allocated to each eligible hospital. Due to distortions in hospital patient volumes and revenues during the COVID-19 pandemic, the department has based Supplemental Graduate Medical Education allocations on calendar year 2019 source data since FY 2022. The FY 2025 allocations will be based on calendar year 2022 data.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough. Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

FY 2024 Coronavirus State Fiscal Recovery Fund Appropriations	
Deletion	FY 2024 Handbook: p. D-18 FY 2025 Budget: p. N/A

~~Notwithstanding the provisions of any law or regulation to the contrary, moneys are appropriated from the federal "Coronavirus State Fiscal Recovery Fund" (SFRF) established pursuant to the federal "American Rescue Plan Act of 2021." Pub.L. 117-2, in the following amounts for the following purposes without the additional approval by the Joint Budget Oversight Committee:~~

Program [*]	Appropriation
Overlook Medical Center – Capital Improvements	\$35,000,000
Jersey Shore University Medical Center – Healthcare Infrastructure	\$25,000,000
Trinitas Regional Medical Center – Behavioral Health Unit Upgrades	\$18,000,000
Cooper University Healthcare – Campus Master Plan	\$17,500,000
Capital Health System – Cardiac Surgical Suite	\$15,000,000
Virtua Health System – Infrastructure Improvements	\$12,500,000
Robert Wood Johnson Barnabas Health – Clara Mass Capital Improvements	\$11,000,000
Robert Wood Johnson University Hospital – Tower Plumbing Upgrade	\$10,500,000
Medical Debt Forgiveness	\$10,000,000
State Medical Examiner, Southern Regional Office	\$10,000,000
AtlantiCare – Capital Improvements	\$10,000,000
Capital Improvements: Bayonne MC; Christ Hospital; Hoboken Medical Center	\$10,000,000
Saint Peter's University Hospital – Pediatric Intensive Care Unit Expansion	\$10,000,000
RWJ Barnabas Health – Jersey City Medical Center ED Renovation	\$8,600,000

* Only Department of Health appropriations are displayed.

Explanation

The FY 2024 Appropriations Act included budget language allocating funds from the State’s flexible \$6.24 billion federal Coronavirus State Fiscal Recovery Fund grant, which the State received under the American Rescue Plan Act of 2021; since these funds were appropriated in FY 2024, this language provision is functionally obsolete.

The FY 2024 Appropriations Act language includes 14 appropriations to the Department of Health from the federal Coronavirus State Fiscal Recovery Fund grant, totaling \$203.1 million, primarily for grants to hospitals. All Coronavirus State Fiscal Recovery Fund grant funds must be obligated by December 31, 2024 and expended by December 31, 2026.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough.
Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Significant Language Changes (Cont'd)

FY 2024 Coronavirus State Fiscal Recovery Fund Appropriation for Medical Debt Relief

Deletion

FY 2024 Handbook: p. D-19
 FY 2025 Budget: p. N/A

~~The amount hereinabove appropriated from funding allocated to the State from the federal "Coronavirus State Fiscal Recovery Fund" established pursuant to the federal "American Rescue Plan Act of 2021," Pub. L. 117-2, for Medical Debt Forgiveness is appropriated to Medical Debt Resolution, Inc., a 501(c)(3) nonprofit corporation doing business as RIP Medical Debt, to acquire and discharge debt arising from the receipt of health care services by "eligible residents" pursuant to a grant agreement to be entered into between RIP Medical Debt and the Commissioner of Health, subject to the approval of the Director of Budget and Accounting, which agreement shall require RIP Medical Debt to: (1) publicize the availability of the funds for this medical relief program, conduct outreach to health care providers in this State, and to request their participation in this medical relief program; and (2) acquire and discharge medical debt accounts identified in a manner which ensures that eligible residents located in various geographic regions of the State have an equal opportunity of having their medical debt accounts acquired and discharged, subject to the availability of funds and a determination by the Executive Director of the Governor's Disaster Recovery Office that the proposed use of the funds is an eligible purpose under the "American Rescue Plan Act of 2021," Pub.L.117-2 subject to the approval of the Director of the Division of Budget and Accounting. As used in this paragraph, "eligible resident" means a resident of New Jersey who has a household income at or below 400 percent of the federal poverty guidelines or has medical debt equal to five percent or more of the individual's estimated household income.~~

Explanation

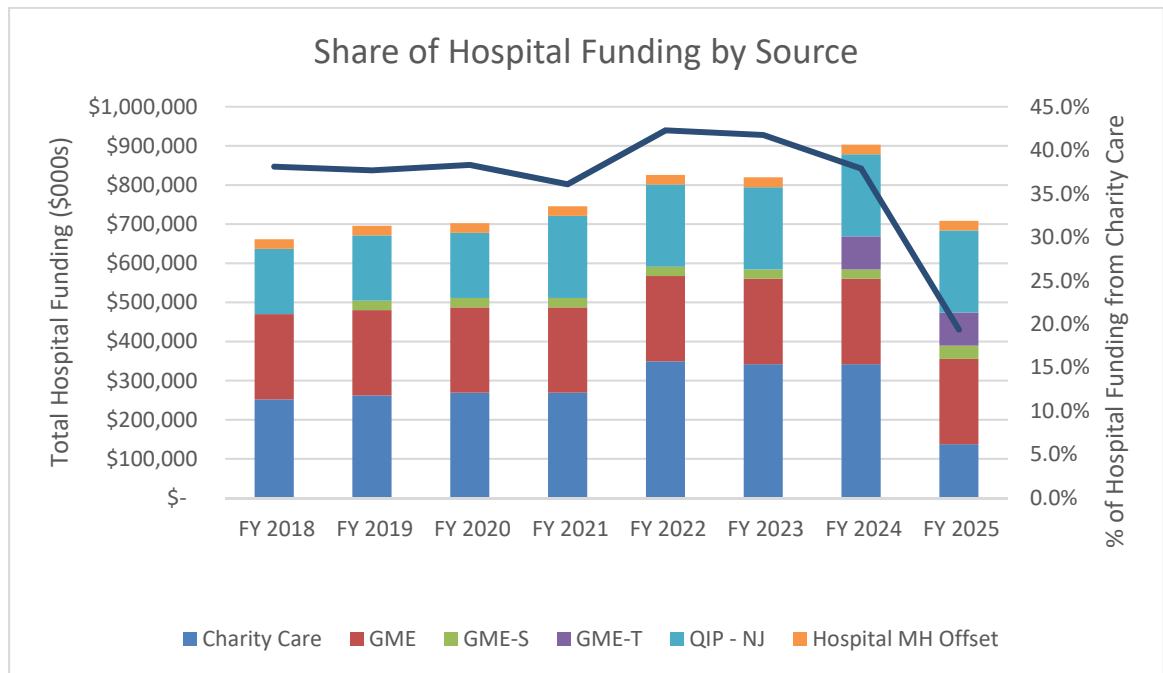
This language provision is functionally obsolete because the \$10.0 million allocation from State's flexible \$6.24 billion federal Coronavirus State Fiscal Recovery Fund grant under the American Rescue Plan Act of 2021 was appropriated to RIP Medical Debt as part of the FY 2024 Appropriations Act. The Department of Health is authorized to carry forward any unexpended portion of the grant remaining at the end of FY 2024 to use for medical debt relief in in FY 2025. According to the State accounting system, none of the \$10.0 million appropriated for medical debt relief in FY 2024 has been expended or obligated.

EXPLANATION: FY 2024 language not recommended for FY 2025 denoted by strikethrough. Recommended FY 2025 language that did not appear in FY 2024 denoted by underlining.

Background Paper: Hospital Funding

Budget Pages D-174 to D-179, H-11

- Funding for the State’s acute care hospitals has historically been the largest component of the Department of Health budget, comprising, for example, \$902.9 million (30.7 percent) of the \$2.94 billion FY 2024 adjusted appropriation for the department.
- As the graph below illustrates, the New Jersey Hospital Care Payment Assistance Program, commonly known as Charity Care, has historically been the largest of the subsidies provided to the State’s acute care hospitals, comprising, on average, 38.9 percent of total hospital funding between FY 2018 and FY 2024. The off-budget Health Care Subsidy Fund is the funding source for the Charity Care program.



- For FY 2025, the Executive proposes a \$204.8 million reduction in the Charity Care appropriation from the Health Care Subsidy Fund. According to the Governor, this reduction is an offset for the cost to the State of establishing a new Medicaid outpatient hospital state-directed payment mechanism in the State Medicaid Program, commonly known as NJ FamilyCare, administered by the Department of Human Services.
- The Executive anticipates that the proposed Medicaid outpatient hospital state-directed payment, which will require federal approval, will draw approximately \$345 million in enhanced federal reimbursements for qualifying State expenditures, which could be made available for eligible acute care hospitals.
- Proposed FY 2025 budget language would override the statutory Charity Care distribution formula and reimburse hospitals for 30, 40, or 50 percent of their documented Charity Care, based on certain hospital-specific characteristics detailed below. However, the language no longer limits total funding for Charity Care subsidies.

Background Paper: Hospital Funding (Cont'd)

- Under the proposed Medicaid outpatient hospital state-directed payment, the State would direct its Medicaid managed care plans to increase their reimbursements for hospital outpatient services. Public and non-public acute care hospitals would receive a supplemental Medicaid payment for each outpatient visit, with the amount of the supplemental payment determined by pre-established criteria. In addition, certain hospitals may qualify for add-on payments based upon the hospital's percentage of care for Medicaid enrollees and location in certain municipalities with low median annual household incomes. Total annual funding required for the add-on payments will hinge on the volume of hospitals' Medicaid outpatient services provided.
- Graduate Medical Education (GME) subsidies to hospitals with a medical residency program have grown by 54.4 percent since FY 2018, and total a recommended \$336.5 million in FY 2025. The GME subsidy accounts for \$218.0 million of this total funding stream, followed by \$84.5 million in resources dedicated as the Trauma Care GME Subsidy. According to the FY 2025 Budget in Brief, to help hospitals with the transition to the restructured Charity Care Subsidy program, the Executive recommends increasing FY 2025 resources for the Supplemental GME program by \$10.0 million, bringing the total to \$34.0 million.
- In July 2021, the State launched the Quality Improvement Program – New Jersey (QIP – NJ), which is a Medicaid pay-for-performance program for acute care hospitals and is included as part of the State's Comprehensive Medicaid Waiver. The State previously operated this program as the Delivery System Reform Incentive Program. The program's goal is to drive Statewide quality improvements in hospital-provided behavioral health and maternal health care.
- Under the Quality Improvement Program – New Jersey, hospitals can earn incentive payments by attaining performance targets concerning predetermined quality measures, including reductions in maternal mortality, improvements in maternal care processes, and improvements in connections to behavioral health care.
- The FY 2025 Governor's Budget includes \$210.0 million in Quality Improvement Program – New Jersey funding as part of the Department of Health's budget. However, program expenditures are displayed in the budget for the Department of Human Services.
- The State, through the Health Care Subsidy Fund, provides supplemental payments to certain hospitals that care for a disproportionately high number of low-income patients with mental illness or intellectual or developmental disabilities. These Mental Health Offset payments, which have averaged \$24.6 million in combined State and federal funding annually since FY 2018, also are displayed in the budget for the Department of Human Services.

NEW JERSEY LEGISLATURE

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Individuals wishing information and committee schedules on the FY 2025 budget are encouraged to contact:

Legislative Budget and Finance Office

State House Annex
PO Box 068
Trenton, NJ 08625
(609) 847-3105