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State/Territory Name: **New Jersey**

State Plan Amendment (SPA) #: **11-04**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form (with 179-like data)
- 3) Approved SPA Pages

Financial Management Group

Meghan Davey
State Medicaid Director
Department of Human Services
Division of Medical Assistance and Health Services
State of New Jersey
P.O. Box 712
Trenton, New Jersey 08625-0712

RE: State Plan Amendment (SPA) 11-0004

November 6, 2018

Dear Ms. Davey:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 11-0004. Effective July 1, 2011, this amendment (i) eliminates DSH Health Relief Subsidy Fund payments (ii) revises the inpatient hospital supplemental Hospital Relief Subsidy Fund (HRSF) and Graduate Medical Education (GME) supplement payment allocation methodologies and amounts, and (iii) effective October 1, 2012 sunsets all hospital supplemental payments, as required by Special Terms and Conditions #91(c) of the New Jersey 1115 Waiver approved by CMS in October 2012.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. This letter is to inform you SPA 11-0004 is approved effective July 1, 2011. We are enclosing the CMS-179 and the approved plan pages.

If you have any questions, please contact Tom Brady at 518-396-3810 Ext. 109.

Sincerely,

Kristin Fan
Director

Enclosures

cc: M. Melendez
R. Holligan
R. Weaver
T. Brady
C. Holzbaaur

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 11-04-MA	2. STATE New Jersey
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: HEALTH CARE FINANCING ADMINISTRATION	4. PROPOSED EFFECTIVE DATE July 1, 2011	
TO: REGIONAL ADMINISTRATOR HEALTH CARE FINANCING ADMINISTRATION DEPARTMENT OF HEALTH AND HUMAN SERVICES		

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN AMENDMENT TO BE CONSIDERED AS NEW PLAN AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION: Social Security Act Section 1902(a)(13)	7. FEDERAL BUDGET IMPACT: a. FFY 2011: Anticipated to be \$3.75M \$1,366,534 b. FFY 2012: Anticipated to be \$15M \$12,616,534
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A I-158.1; 158.2; 158.3; 158.4; 158.5 Attachment 4.19-A I-227(a); I-227(b) I-227(c) Attachment 4.19-A I-265 Attachment 4.19-A I-268.6	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Attachment 4.19-A I-158.1; I-158.2 NEW Attachment 4.19-A I-265.1, I-265.1, & I-265.2 Attachment 4.19-A I-268.6
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10. SUBJECT OF AMENDMENT:
Hospital Relief Subsidy Fund (HRSF) and Graduate Medical Education (GME)

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED.
 COMMENTS OF GOVERNOR'S OFFICE ENCLOSED Not required, pursuant to 7.4 of the Plan
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 13. TYPED NAME: Jennifer Velez 14. TITLE: Commissioner 15. DATE SUBMITTED: 07/28/11	16. RETURN TO: Valerie Harr, Director Division of Medical Assistance and Health Services P.O. Box 712, Mail Code #26 Trenton, NJ 08625-0712
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FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: NOV 06 2018
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PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2011	20. SIGNATURE OF REGIONAL OFFICIAL:
21. TYPED NAME: Kristin Fan	22. TITLE: Director, FMG

23. REMARKS:
New Jersey REQUESTED 'PEN & INK' CHANGES TO
BOXES 7(a), 7(b), 8 AND 9

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

Inpatient Reimbursement for General Acute Care Hospitals

10.1 Additional Payments for Medicaid and NJ FamilyCare – Plan A Beneficiaries: Hospital Relief Subsidy Fund/ Hospital Relief Offset Payments

- a) Effective July 1, 2012, The Hospital Relief Subsidy Fund / Hospital Relief Offset Payments (HRSF/HRFP) shall be distributed using the hospital specific allocation established and adjusted during the preceding fiscal year. Qualifying hospitals will receive \$41,650,000 in SF13 HRSF/HRFPs, distributed to hospitals in proportion to the supplemental payments that each hospital received from the Hospital Relief Subsidy Fund / Hospital Relief Offset Payments in SFY12 as described in 10.1 (b). The State intends to remove all supplemental payments for inpatient and outpatient hospital services from its State Plan, with an effective date the same as the approval date for the State's corresponding 1115 waiver. The supplemental payments will sunset on October 1, 2012.
- b) Effective July 1, 2011 through June 30, 2012, all acute care hospitals are eligible to receive a Hospital Relief Subsidy Fund (HRSF) payment and shall receive enhanced payments from the Medicaid program for providing specific services to Medicaid and NJ FamilyCare – Plan A beneficiaries as defined in the new formula below. The total HRSF allocation amount shall total \$166.6M, an amount approved by the Director of the Division of Budget and Accounting, determined for Acute Care hospitals and is to be distributed using a new formula effective July 1, 2011. The new formula shall be based on hospital Medicaid utilization compared to industry-wide utilization for behavioral health, substance abuse, pregnancy, childbirth, and newborn services.
 - 1.) Methodology for determining this payment is based on a HRSF factor for all acute care general hospitals, expressed as a percentage, and is defined as the sum of Medicaid primary discharges for Medicaid and NJ FamilyCare – Plan A program (Title XIX and Title XXI respectively from the Social Security Act) fee-for-service and encounter (HMO) claims for all DRGs in Major Diagnostic Categories (MDCs) 14, 15, 19, and 20 (as specified in the All Patient Diagnosis Related Groups Patient Classification Systems Definitions Manual published by 3M Health Information Systems), excluding discharges from Medicaid Excluded Units, divided by the industry-wide sum of these discharges. A Medicaid Excluded unit is defined as an entity in which the hospital has elected to be paid a cost per discharge based on Medicare TEFRA (see Tax Equity and Fiscal Responsibility Act of 1982, Pub.L. 97-248, U.S.C. sec. 1395ww(b)) rules rather than on a diagnosis related group (DRG) basis. The discharge count will be obtained for each hospital using the most recent calendar year of data available for which the Division has 24 months of paid claims data as of February 1 the year prior to the subsidy payment year.

11- 04 MA (NJ)

TN: 11- 04 MA (NJ)

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

Inpatient Reimbursement for General Acute Care Hospitals

The HRSF factor for each hospital is then multiplied by the total HRSF amount authorized in this Section, to arrive at the hospital's individual allocation.

- 2) The Division will use a phase-in process to transition to this methodology during SFY 2012. During the transition period, the allocation amount will be determined using a sum of the previous three SFY payment amounts plus the allocation amount calculated for the new year using the new formula. The hospital's four year sum is divided by the sum of the four year allocation for all hospitals to arrive at a percent to total. This percentage is multiplied by the total appropriated subsidy amount to determine the hospital's allocation amount.
- c) Payments for HRSF shall be made monthly in equal lump sum amounts, based on the calculated enhanced amount payable to a qualifying hospital.
- d) In the event of a hospital closure, HRSF allocations that would have been provided to the closed hospital are to be redistributed to eligible hospitals.
 1. To be eligible for a portion of the closed hospital's HRSF, a hospital shall satisfy all three of the following criteria:
 - i. A hospital shall have received a HRSF allocation during the State Fiscal Year in which the closed hospital ceased operations as a general hospital;
 - ii. A hospital shall draw its patients from the same market area, identified by United States Postal Service zip codes, which the closed hospital served. The market area served by the closed hospital shall be determined, based on the most recent complete calendar year of Medicaid managed care and fee-for-service data as follows:
 - a. Rank zip codes from highest to lowest, based on the percentage of total discharges drawn from each Medicaid patient's zip code by the closed hospital; and
 - b. Include the ranked zip codes in the closed hospital's market area (beginning with the highest-ranked zip code) until the percentage of discharges, when added together, constitutes 75 percent of the closed hospital's total discharges; and

11- 04 MA (NJ)

TN: 11- 04 MA (NJ)

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

Inpatient Reimbursement for General Acute Care Hospitals

c.

iii) A receiving hospital shall have a market share of 25 percent or more of HRSF identified discharges as defined at 10.1 b) 1. The market share of HRSF identified discharges shall be based on the number of discharges from the same market area, identified by zip codes that the closed hospital served as referenced above d) 1 ii.

2. The available HRSF payments to be reallocated shall be distributed among eligible hospitals based upon each eligible hospital's market share of HRSF identified discharges as a percentage of the market share of HRSF identified discharges of all eligible hospitals, as determined from the results of the calculations in (c) 1) iii above.

e) In the event that a hospital elects to appeal the subsidy allocation, the following procedure is to be adhered to:

1. A hospital which suspects that the subsidy payment schedule reflects a calculation error shall notify the Commissioner of the Department of Human Services for the SFY 2012 allocation, or the Commissioner of the Department of Health for the SFY 2013 allocation in writing of the suspected calculation error within 15 days of issuance of the schedule. Failure by the subsidy payment schedule to reflect specific subsidy related claims or hospital cost report data, including corrections, shall not constitute a calculation error. If upon review, the Commissioner determines that a calculation error did occur, a revised subsidy payment schedule shall be issued.

2. A notice by a hospital of an intent to appeal the amount of its allocation indicated on the subsidy payment schedule, for reasons other than a calculation error, shall be submitted in writing to the Commissioner the Department of Human Services for the SFY 2012 allocation, or the Commissioner of the Department of Health for the SFY 2013 allocation within 15 calendar days of issuance of the particular subsidy payment schedule. Within 30 calendar days of issuance of the subsidy payment schedule, the hospital shall submit to the Commissioner two copies of its appeal, describing in detail the basis of its appeal of the aforementioned payment schedule. Appeals shall not include new submissions pertaining to claims and/or cost report data that was not previously submitted in accordance with time frames and procedures established for submission of the data utilized in the subsidy allocation calculation.

11- 04 MA (NJ)

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NEW

Effective Date: 07/01/11

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

Inpatient Reimbursement for General Acute Care Hospitals

- i. The appeal document shall list all factual and legal issues, including citation to the applicable provisions of the Department's rules, and shall include written documentation supporting each appeal issue.
 - ii. If the hospital fails to submit the required documentation within the prescribed time frame, such hospital shall have forfeited its right of appeal and the subsidy payment schedule shall be deemed to have been accepted by the hospital.
3. The Commissioner of the Department of Human Services for the SFY 2012, or the Commissioner of the Department of Health for the SFY 2013 allocation shall schedule a detailed review to be conducted by the Department with the hospital not more than 45 calendar days following receipt of the appeal document. If the hospital fails to appeal on the established date, it shall have forfeited its right of appeal and the subsidy payment schedule shall be deemed to have been accepted by the hospital.
4. At the detailed review with the hospital, the Department representative shall indicate whether the appeal is supported by sufficient documentation to permit a resolution, and the hospital shall be permitted 10 calendar days after the date of the review in which to submit the additional documentation which the Department indicates is needed for resolution.
 - i. Following receipt of this documentation, the Department shall neither request nor require further documentation.
 - ii. The Commissioner shall give consideration only to documentation submitted pursuant to the deadlines set forth in this section in deciding upon any of the hospital's appeal issues.
5. Within 30 calendar days of the review with the hospital, the Commissioner will render detailed findings on the factual and legal issues concerning whether an adjustment to the subsidy payment schedule is warranted. The Commissioner's decision shall constitute the final agency adjudication.

11- 04 MA (NJ)

TN: 11- 04 MA (NJ)

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey

Inpatient Reimbursement for General Acute Care Hospitals

Pages I-158.5 through I-224 are intentionally left blank

11- 04 MA (NJ)

TN: 11- 04 MA (NJ)

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Effective Date: 07/01/11

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

**Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate
Medical Education (GME) and Indirect Medical Education (IME)**

12.3 Revised GME Distribution Methodology

- a) Effective July 1, 2012 Medicaid Hospital Reimbursement for Graduate Medical Education (GME) payments shall be distributed using the hospital specific allocation established and adjusted during the preceding fiscal year. Qualifying hospitals will receive \$22,500,000 in SFY13 Graduate Medical Education payments, distributed to hospitals in proportion to the supplemental payments that each hospital received from the Graduate Medical Education Fund in SFY12 as described in 12.3 (b). The State intends to remove all supplemental payments for inpatient and outpatient hospital services from its State plan, with an effective date the same as the approval date for the State's corresponding 1115 waiver. The supplemental payments will sunset on October 1, 2012.
- b) Effective July 1, 2011 through June 30, 2012, The GME allocation shall be calculated based on the hospital's most recent submitted cost report available as of February 1 the year prior to the subsidy payment year for acute care general hospitals and the sum of Medicaid Primary (Title XIX of the Social Security Act) and Enhanced FamilyCare Part A Inpatient fee-for service payments (Net of Administrative Payments and Medicaid Excluded unit payments). A Medicaid Excluded unit is defined as an entity in which the hospital has elected to be paid a cost per discharge based on Medicare TEFRA (see Tax Equity and Fiscal Responsibility Act of 1982, Pub.L. 97-248, U.S.C. sec. 1395ww(b)) rules rather than on a diagnosis related group (DRG) basis. The hospital payments are obtained using the hospital's most recent fiscal year of data for which the Division has 24 months of paid claims data prior to February 1 the year prior to the rate year. Qualifying hospitals will receive \$80,466,136 in total (\$35,466,136 between July - December 2011 and \$45M from January - June 2012) in SFY12 Graduate Medical Education payments.
- c) An Indirect Medical Education (IME) Factor is calculated for each Medicaid identified acute care general hospital using a ratio of submitted IME Resident Full Time Equivalencies (FTEs) to net available beds (less nursery beds) and the Medicare IME Formula. This IME Factor is applied to the above mentioned Medicaid and FamilyCare Part A payments to obtain a hospital specific IME payment. Each Medicaid identified acute care general hospital's IME payment amount is then divided by the sum of all Medicaid identified acute care general hospitals' payments to arrive at a percent to total. This percentage is multiplied by the total GME allocation amount distributed for each period specified above, which determines the hospital's individual allocation.

11- 04 MA (NJ)

TN: 11- 04 MA (NJ)

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Effective Date: 07/01/11

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

**Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate
Medical Education (GME) and Indirect Medical Education (IME)**

- d) The Division will use a phase-in process to transition to this methodology during SFY 2012. During the transition period, the allocation amount will be determined using a sum of the previous three SFY payment amounts plus the allocation amount calculated for the new year using the new formula. The hospital's four year sum is divided by the sum of the four year allocation for all hospitals to arrive at a percent to total. This percentage is multiplied by the total appropriated subsidy amount to determine the hospital's allocation amount.
- e) Payments for GME shall be made monthly in equal lump sum amounts, based on the calculated enhanced amount payable to a qualifying hospital.
- f) In the event of a hospital closure, GME allocations that would have been provided to closed hospitals are to be redistributed to eligible hospitals within an established geographic area.
 - 1) To be eligible for a portion of the closed hospital's GME, a hospital shall satisfy all three of the following criteria:
 - i. A hospital shall have received a GME allocation during the State Fiscal Year in which the closed hospital ceased operations as a general hospital;
 - ii. A hospital shall reside in the same region which the closed hospital served. Regions and the corresponding counties are defined below
 - a. **Skyland** (Hunterdon, Morris, Somerset, Sussex, and Warren counties), **Gateway** (Bergen, Essex, Hudson, Middlesex, Passaic, and Union counties), **Delaware River** (Burlington, Camden, Gloucester, Mercer, and Salem counties), **Shore** (Monmouth and Ocean counties), **Southern Shore** (Atlantic, Cape May and Cumberland counties)
 - iii. The division will use the GME FTE's reported on the hospital cost report used in determining the GME allocation in which there was a determination of a closed hospital.
 - 2) The available GME payments to be reallocated shall be distributed among eligible hospitals as defined in (e) i., ii. and iii. above, as a percentage of the individual hospital identified GME FTE count compared to the total of all eligible hospitals' GME FTE count.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

**Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate
Medical Education (GME) and Indirect Medical Education (IME)**

- 3) A hospital shall not receive amounts in redistributed funds that would cause collective payments to be in excess of the cost incurred by the hospital during the year serving Medicaid beneficiaries.
- g) In the event that a hospital elects to appeal the GME subsidy allocation, the appropriate appeal procedure is defined at Attachment 4.19-A pages I -158.3 and I-158.4.

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TN: 11- 04 MA (NJ)

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

**Reimbursement for In-State Acute Care Inpatient Hospital Services
Disproportionate Share Hospital**

Pages I-265 through I-265.2 are intentionally left blank.

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

**Reimbursement for In-State Acute Care Inpatient Hospital Services
Disproportionate Share Hospital**

Page I-268.6 is intentionally left blank.

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