

Table of Contents

State/Territory Name: **NEW JERSEY**

State Plan Amendment (SPA) #: **12-007**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form/Summary Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



MAY 15 2014

Valarie Harr
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: New Jersey 12-007

Dear Ms. Harr:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State plan submitted under transmittal number (TN) 12-007. Effective July 1, 2012 this amendment will revise the state's methods and standards for setting payment rates for inpatient and outpatient hospital services that furnished by out of State providers.

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(2), 1902(a)(13), 1902(a)(16), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the regulations at 42 CFR 447 Subpart C. This is to inform you that New Jersey 12-007 is approved effective July 1, 2012.

I am enclosing the CMS-179 and the approved State plan pages. If you have any questions, please call Tom Brady at 518-396-3810 x109 or Rob Weaver at 410-786-5914.

Sincerely,

Cindy Mann
Director

Enclosures

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| TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL | 1. TRANSMITTAL NUMBER: 12-07-MA(NJ) | 2. STATE New Jersey |
| | 3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID) | |
| FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES DEPARTMENT OF HEALTH AND HUMAN SERVICES | 4. PROPOSED EFFECTIVE DATE July 1, 2012 | |

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)

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| 6. FEDERAL STATUTE/REGULATION CITATION: Social Security Act Section 1902(a)(13) | 7. FEDERAL BUDGET IMPACT FFY 2012: \$ [965,860] FFY 2013: \$ [3.38 Million] |
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| 8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: <ul style="list-style-type: none"> Attachment 4.19-A Section III-1 Attachment 4.19-A Section III-A 2 Attachment 4.19-A Section III-B 3 Attachment 4.19-A Section III-6 2b.2 Attachment 4.19-A Section III-7 2b.3 Attachment 4.19-B Page 2b.1 | 9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): <ul style="list-style-type: none"> Attachment 4.19-A Section III-1 Attachment 4.19-A Section III-A 2 New Attachment 4.19-A Section III-3 New New Attachment 4.19-B Page 2b.1 |
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10. SUBJECT OF AMENDMENT:
Change in the reimbursement methodology relating to the Out-of-State Acute Care General Hospitals for Inpatient and Outpatient services.

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

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| 12. SIGNATURE OF STATE AGENCY OFFICIAL: 13. TYPED NAME: Jennifer Velez 14. TITLE: Commissioner, DHS 15. DATE SUBMITTED: | 16. RETURN TO: Valerie Harr, Director Division of Medical Assistance and Health Services P.O. Box 712, #26 Trenton, NJ 08625-0712 |
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| FOR REGIONAL OFFICE USE ONLY | |
| 17. DATE RECEIVED | 18. DATE APPROVED: MAY 15 2014 |
| PLAN APPROVED - ONE COPY ATTACHED | |
| 19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2012 | 20. SIGNATURE OF REGIONAL OFFICIAL: |
| 21. TYPED NAME: Penny Thompson | TITLE: Deputy Director, Policy & Financial Mgt. CMCS |
| 23. REMARKS: <i>Minor changes to boxes 8 and 9</i> | |

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Out-of-State Hospitals**

- 1. Reimbursement for out-of-State acute care general hospital services beginning July 1, 2012 will be as follows:**
- a) The Division shall reimburse an out-of State approved acute care general hospital for providing inpatient hospital services to New Jersey Medicaid or NJ FamilyCare beneficiaries if the hospital meets the requirements of the Division and the services are prior authorized by the New Jersey Medicaid program. Reimbursement for inpatient hospital services is described in b) and c) below. See section 2. below for the procedure for rate appeals for out-of State acute care general hospitals.
 - b) Reimbursement for inpatient hospital services for an out-of-State acute care and general hospital, participating in the New Jersey Medicaid or NJ FamilyCare program, and in the state in which the hospital is located, shall use the following criteria:
 - i) All rates in effect at the time the service is rendered shall be considered final rates by the State, unless the out-of-State hospital submits a timely appeal following the rate appeal procedure described in Section 2 below. Reimbursement shall be at the lesser of the established DRG payment rate for NJ acute care hospitals, as described at Attachment 4.19-A Section I (excluding add-ons), 100 percent of the claim-specific reimbursement methodology approved by the State Medicaid agency in the state in which the hospital is located except as specified in b) ii) and c) below, or the total charges reflected on the claim. The Division shall not reimburse out-of-State acute care general hospitals for the disproportionate share hospital (DSH) payments even if the DSH payments are included in the claim-specific reimbursement methodology approved by the State Medicaid agency in the state in which the hospital is located.
 - ii) An out of State acute care general hospital should provide official documentation of the Medicaid rate that has been established by the State Medicaid agency in the state in which the hospital is located. If official documentation is not provided upon request by the Division, the claim will be denied. An example of acceptable documentation is a

12- 07 MA (NJ)

TN: 12- 07 MA (NJ)

Approval Date: MAY 13 2012

SUPERCEDES: TN: 95-37 MA (NJ)

Effective Date: JUL 01 2012

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Out-of-State Hospitals**

copy of the letter sent by the State Medicaid Agency to the hospital specifying the Medicaid rate.

- c) In the event an out-of-State acute care general hospital does not participate in the Medicaid program in the state where the hospital is located or has not established a rate with the State Medicaid agency, reimbursement for inpatient services shall be at the lesser of the established DRG payment rate for NJ acute care hospitals as described at Attachment 4.19-A Section I, (excluding add-on amounts), a rate negotiated with the Division at the time of enrollment for inpatient hospital services, or the total charges reflected on the claim.

12- 07 MA (NJ)

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SUPERCEDES: TN: 95-37 MA (NJ)

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**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
Reimbursement for Out-of-State Hospitals**

2. Basis of Payment and appeal procedure; out-of-State hospital services beginning July 1, 2012:

(a) The following rate appeal procedure shall be followed for a rate appeal filed by an out-of-State hospital that receives payment from New Jersey Medicaid for services rendered to a New Jersey Medicaid recipient.

1. If an out-of-State hospital wishes to file an appeal concerning issues related to the rate of reimbursement, the appeal shall be filed by the hospital, in writing, to the following address within 20 calendar days after the date of notice of agency action giving rise to said appeal issue:

New Jersey Division of Medical Assistance
And Health Services
Office of Reimbursement
P.O. Box 712, Mail Code #44
Trenton, NJ 08625-0712

2. The following limitations shall apply to the rate appeal procedure in (a)1 above.
 - i. The hospital shall submit with its rate appeal to the Division all appropriate documentation demonstrating the need for an adjustment to the rate of reimbursement.
 - ii. If the hospital did not file a timely appeal to the Division, the payment made by the New Jersey Title XIX program shall be considered the final payment.
3. In the event that a timely appeal is filed, the State shall review the submitted documentation concerning issues with the rate of reimbursement accordingly and render a decision which adheres to the principles of reimbursement outlined in Attachment 4.19-A Section III for inpatient services, and Attachment 4.19-B Pages 2b.1 through 2b.3 for outpatient services. In no event will the reimbursement amount exceed the total charges reflected on the claim.

12- 07 MA (NJ)

TN: 12- 07 MA (NJ)

Approval Date: MAY 18 2014

SUPERCEDES: TN: 98-27 MA (NJ)

Effective Date: JUL 01 2012

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

**Methods and Standards for Establishing Payment Rates for Non-Institutional
Services**

OUTPATIENT HOSPITAL SERVICES

Interim reimbursement will continue to be reimbursed on the hospital's cost-to-charge ratio for the most recent prior finalized cost report and adjusted for the estimated impact of the implementation of this methodology. Final settlement calculations are based on the lower of costs or charges. The State has removed all supplemental payments for outpatient hospitals from the State Plan effective October 1, 2012, as a result of the approval of the State's corresponding 1115 waiver.

- b) Out-of-State Outpatient Hospital Services Only beginning July 1, 2012:
1. Reimbursement for outpatient services for an out-of-State acute care general hospital participating in the New Jersey Medicaid or New Jersey FamilyCare program shall use the following criteria:
 - a) All rates in effect at the time the service is rendered shall be considered final rates by the State, unless the out-of-State hospital submits a timely appeal following the rate appeal procedure described in Attachment 4.19 – A Section III. Reimbursement shall be at the lesser of the NJ State-wide average cost-to-charge ratio multiplied by the total charges on the claim or established fee schedule payment for NJ acute care hospitals, 100 percent of the claim-specific reimbursement methodology approved by the State Medicaid agency in the state in which the hospital is located, except as specified in 1) b) and c) below, or the total charges reflected on the claim.
 - i. The New Jersey State-wide average cost-to-charge ratio is defined as a simple average of the cost-to-charge ratio of all New Jersey acute care hospitals based on the most recent outpatient cost-to-charge ratio in effect for each hospital effective on December 31 the prior calendar year. Each hospital's individual cost-to-charge ratio is defined as the lesser of the following calculations:

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TN: 12- 07 MA (NJ)

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Supersedes: TN 01-14 MA (NJ)

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

**Methods and Standards for Establishing Payment Rates for Non-Institutional
Services
OUTPATIENT HOSPITAL SERVICES**

1. The total Medicaid outpatient cost divided by total Medicaid outpatient charges from the most recent submitted cost report, updated for cost and charge increases to inflate to the current year;
2. The total Medicaid outpatient cost divided by total Medicaid outpatient charges from the most recent audited cost report, updated for the cost and charge increases to inflate to the current year;
3. The most recent outpatient cost-to-charge ratio available from the prior year.

All of the above calculations include adjustments to the charge component for any charge increase either notified by the hospital, or observed by DMAHS throughout the year, and adjustments to the cost component by applying any appropriate TEFRA update factors to bring the ratio to the current year.

- ii. This information will be updated annually and published on the fiscal agent's website at www.njmmis.com/outofStatepricing. However, in the event of any discrepancy between the data found at this address and the product of the calculation defined in i. above, the calculation as defined in the State Plan is controlling.
- b) An out-of-State acute care general hospital should provide official documentation of the Medicaid rate that has been established by the State Medicaid agency in the state in which the hospital is located. If

12- 07 MA (NJ)

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STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

**Methods and Standards for Establishing Payment Rates for Non-Institutional
Services
OUTPATIENT HOSPITAL SERVICES**

official documentation is not provided upon request by the Division, the claim will be denied. An example of acceptable documentation is a copy of the letter sent by the State Medicaid Agency to the hospital specifying the Medicaid rate.

- c) In the event an out-of-State acute care general hospital does not participate in the Medicaid program in the state where the hospital is located or has not established a rate with the State Medicaid agency, reimbursement for outpatient services shall be at the lesser of the New Jersey State-wide average cost-to-charge ratio multiplied by the total charges on the claim or established fee schedule payment rate for NJ acute care hospitals, or the total charges reflected on the claim.
2. If an out-of-State hospital wishes to file an appeal concerning issues related to the rate of reimbursement for outpatient services, they shall follow the appeal procedure for out-of-state inpatient services as defined in Attachment 4.19-A, Section III.

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