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State/Territory Name: **NEW JERSEY**

State Plan Amendment (SPA) #: **14-0011**

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

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



Division of Medicaid and Children's Health Operations
Financial Management Group

APR 08 2015

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

RE: State Plan Amendment (SPA) NJ 14-0011(MA)

Dear Ms. Harr:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) NJ 14-0011. Effective July 1, 2014 this amendment revises the operationalization of the Graduate Medical Education (GME) distribution authorized in the state's 1115 Comprehensive Waiver's Special Terms and Conditions (STCs) approved on October, 2012 (and amended in December, 2013).

We conducted our review of your submittal according to the statutory requirements at sections 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 is to inform you that New Jersey 14-0011 is approved effective July 1, 2014 and have enclosed the CMS-179 and approved plan pages.

If you have any questions, please contact Tom Brady at 518-396-3810 or Rob Weaver at 410-786-5914.

Sincerely

[Redacted signature block]

Timothy Hill
Director

[Redacted contact information]

Enclosures

TRANSMITTAL AND NOTICE OF APPROVAL OF STATE PLAN MATERIAL	1. TRANSMITTAL NUMBER: 14-011-MA(NJ)	2. STATE New Jersey
	3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)	
FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES	4. PROPOSED EFFECTIVE DATE July 1, 2014	
TO: REGIONAL ADMINISTRATOR CENTERS FOR MEDICARE AND MEDICAID SERVICES 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 FFY 2014: \$0 FFY 2015: \$0
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8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT: Attachment 4.19-A Pages I-227(d) (e) and (f)	9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable): Same
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10. SUBJECT OF AMENDMENT:
2015 GME Distribution Methodology


11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT OTHER, AS SPECIFIED:
Not required, pursuant to 7.4 of the Plan

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
 NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL: 	16. RETURN TO: Valerie Harr, Director Division of Medical Assistance and Health Services P.O. Box 712, #26 Trenton, NJ 08625-0712
13. TYPED NAME: Jennifer Velez	
14. TITLE: Commissioner	
15. DATE SUBMITTED: 8/19/14	

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:	18. DATE APPROVED: APR 08 2015
PLAN APPROVED - ONE COPY ATTACHED	
19. EFFECTIVE DATE OF APPROVED MATERIAL: JUL 01 2014	20. SIGNATURE OF REGIONAL OFFICIAL: 
21. TYPED NAME: Kristen FAN	22. TITLE: Deputy Director, FMG

23. REMARKS:

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)

**12.4 Distribution of Graduate Medical Education (GME) Made on Behalf of
Individuals enrolled in New Jersey's Comprehensive Waiver (NJCW)
Demonstration.**

- (a) Effective July 1, 2013, \$100 million in GME payments made on behalf of individuals enrolled in the NJCW Demonstration shall be distributed annually to all eligible acute care teaching hospitals using the methodology described in this section. An eligible acute care teaching hospital, beginning SFY 2014, will be defined as any acute care hospital with GME interns and residents Full Time Equivalencies (FTEs). NJ has established actuarially sound capitation rates, and has adjusted such rates to account for the GME payments provided in this section.
- (b) The GME allocation shall be calculated using data from the hospital's most recent available submitted cost report 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 managed care payments (Net of Administrative Payments and Medicaid Excluded unit payments. In the event the hospital has been in operation less than twelve months in the reporting period, the number of reported months of data regarding days, costs, or payments shall be annualized). 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.
- (c) A Direct Medical Education (DME) Cost is calculated for each Medicaid identified acute care general hospital using the approved residency program salary and fringe costs and other residency costs. Medicaid managed care utilization is calculated for each hospital using the ratio of Medicaid managed care patient days less related nursery patient days to the net of total patient days less nursery patient days. The estimated Medicaid managed care utilization factor is multiplied by the total DME cost to determine an estimated managed care DME intern and resident cost. The estimated managed care DME intern and resident cost is divided by the hospital's most recent available submitted cost report as of February 1 the year prior to the subsidy payment year intern and resident FTEs to calculate the median cost per resident. The median cost per resident is

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multiplied by hospital's most recent available submitted cost report as of February 1 the year prior to the subsidy payment year intern and resident FTEs to calculate the acute care general hospitals' median managed care DME cost. Each Medicaid identified acute care general hospitals' median managed care DME cost is divided by the sum of all Medicaid identified acute care general hospitals' DME costs to arrive at a percent to total. A hospital's percent total is multiplied by the total DME pool allocation to determine the DME portion of the GME payment. The DME pool allocation is the industry-wide Medicaid managed care DME costs divided by the sum of the Medicaid managed care cost both DME and IME multiplied by the appropriate GME amounts from section 12.4(a) above.

- (d) An Indirect Medical Education (IME) Factor is calculated for each Medicaid identified acute care general hospital using a ratio of submitted IME Resident FTEs to net available beds (less nursery beds) and the Medicare IME Formula. This IME Factor is multiplied by the above mentioned Medicaid and FamilyCare Part A payments using the hospitals' most recent calendar year of data for which the State has twenty four months of paid claims data prior to January 1 of the fiscal year prior to the rate year to obtain a hospital specific IME amount. Each Medicaid identified acute care general hospital's IME amount is then divided by the sum of all Medicaid identified acute care general hospitals' IME amounts to arrive at a percent to total. This percentage is multiplied by the IME pool allocation amount to determine the hospital's individual allocation. The IME pool allocation is the industry-wide Medicaid managed care IME costs divided by the sum of the Medicaid managed care cost both DME and IME multiplied by the appropriate GME amount from section 12.4(a) above.
- (e) The Division will use a phase-in process to transition to this methodology over a three year period (SFY 2014-2016). During the three year transition period, during SFY 2014 the allocation amount will be determined using the sum of seventy five percent of the prior year allocation amount and twenty five percent of the new formula amount. During SFY 2015 the allocation amount will be determined using the sum of fifty percent of the SFY 2014 allocation amount and fifty percent of the SFY 2015 formula amount. The new formula will be used for SFY 2016.
- (f) Payments for GME shall be made in the amount of \$45 million for the period between July 1, 2013 through December 31, 2013, \$55 million between January 1, 2014 through June 30, 2014, and in the amount of \$100 million beginning July 1, 2014 and thereafter during the State Fiscal Year.

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Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate Medical
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- (g) Distribution of Graduate Medical Education (GME) in the Event of a Hospital Closure or Hospital Acquisition During or After State Fiscal Year (SFY) 2014: In the event of a hospital closure or hospital acquisition, GME allocations that would have been provided to the closed hospital are to be redistributed to eligible hospitals. GME allocations will be redistributed to eligible hospitals receiving GME FTEs from the closed or acquired hospital. If no hospitals are receiving GME FTEs from a closed or acquired hospital, the GME amount will be redistributed to all eligible hospitals by applying the then current SFY GME payment formula.
- (h) Appeal process for distribution of Graduate Medical Education (GME)
- (a) 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 Executive Director of Healthcare Financing in writing of the suspected calculation error within 15 working days of issuance of the schedule. A calculation error is limited to a mathematical mistake made by the Department or data not matching the actual source documents used to calculate the GME payment. If upon review it is determined by the Department of Health that the appeal finds an error was made that would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide allocation will 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 Executive Director within 15 working days of issuance of the particular subsidy payment schedule. Within 30 working days of issuance of the subsidy payment schedule, the hospital shall submit to the Executive Director 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.
 - 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.

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