

## **Table of Contents**

**State/Territory Name:**

**State Plan Amendment (SPA) #: NJ 16-0008**

This file contains the following documents in the order listed:

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



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**Financial Management Group**

**DEC 08 2016**

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, NJ 08625-0712

RE: State Plan Amendment (SPA) 16-0008

Dear Ms. Davey:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 16-0008. Effective July 1, 2016 this amendment proposes to increase Graduate Medical Education (GME) payments authorized in the state's 1115 Comprehensive Waiver from \$127 million to \$188 million.

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 New Jersey SPA 16-0008 is approved effective July 1, 2016. We are enclosing the CMS-179 and the amended approved plan pages.

If you have any questions, please contact Charlene Holzbaur at 609-882-4103 Ext. 104.

Sincerely,

A solid black rectangular box used to redact the signature of Kristin Fan.

Kristin Fan  
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF  
STATE PLAN MATERIAL**

FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

TO: REGIONAL ADMINISTRATOR  
CENTERS FOR MEDICARE AND MEDICAID SERVICES  
DEPARTMENT OF HEALTH AND HUMAN SERVICES

1. TRANSMITTAL NUMBER:

~~15-005-MA(NJ)~~ 16-0008 MA(NJ)

2. STATE

New Jersey

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE  
SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE  
July 1, 2016

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 2016: \$31,333,333.33  
FFY 2017: \$92,433,333.33

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 PAGE NUMBER OF THE SUPERSEDED PLAN SECTION  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

10. SUBJECT OF AMENDMENT:  
2017 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:

[Redacted Signature]

16. RETURN TO:

Meghan Davey, Director  
Division of Medical Assistance and Health Services  
P.O. Box 712, #26  
Trenton, NJ 08625-0712

13. TYPED NAME: Elizabeth Connolly

14. TITLE: Acting Commissioner

15. DATE SUBMITTED: 9/13/16

**FOR REGIONAL OFFICE USE ONLY**

17. DATE RECEIVED:

18. DATE APPROVED: DEC 08 2016

**PLAN APPROVED - ONE COPY ATTACHED**

19. EFFECTIVE DATE OF APPROVED MATERIAL:  
JUL 01 2016

20. SIGNATURE OF REGIONAL OFFICIAL:

[Redacted Signature]

21. TYPED NAME: Kristin Fan

22. TITLE: Director, FMC

23. REMARKS:

On Nov. 14, 2016 The State requested 'pen + ink' change in box 1

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 for State fiscal year 2017, \$188,000,000 in GME payments (paid in 12 equal monthly 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 2017, 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 (CMS-2552) 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 Family Care 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 March 31 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 submitted cost report as of February 1 of 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 multiplied by the hospital's most recent submitted cost report as of February 1 of the year prior to

16-0008

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Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate Medical  
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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 Family Care 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) Distribution of Graduate Medical Education (GME) in the Event of a Hospital Closure or Hospital Acquisition During or After State Fiscal Year (SFY) 2017: 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 the acquiring hospital first if the acquiring hospital is accredited as a teaching hospital then to all other eligible hospitals. If the acquiring hospital is not 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 excluding the closed or acquired hospital from the payment formula.
- (f) 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:

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State of New Jersey

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

1. A hospital which suspects that the subsidy payment schedule reflects a calculation error shall notify the New Jersey Department of Health Executive Director of the Office 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 and the error is confirmed and would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide subsidy payment schedule 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 New Jersey Department of Health Executive Director of the Office of Healthcare Financing 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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