

**LEGAL NOTICE
STATE OF NEW JERSEY**

**DEPARTMENT OF HEALTH
DIVISION OF HEALTH CARE FINANCING
DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES**

HOSPITAL FINANCE

TAKE NOTICE that the New Jersey Department of Health, Office of Healthcare Financing together with the New Jersey Department of Human Services (DHS), Division of Medical Assistance and Health Services (DMAHS) intends to seek approval from the United States Department of Health and Human Services (HHS), Centers for Medicare & Medicaid Services (CMS), for an amendment to the New Jersey Medicaid (Title XIX) State Plan, in order to implement State Fiscal Year 2015 (SFY 15) budget provisions subject to the passage of the New Jersey Fiscal Year 2015 Appropriations Act.

Hospital fee-for-service reimbursement for Graduate Medical Education (GME)

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Graduate Medical Education (GME) are conditioned upon the following: except as otherwise provided and subject to such modifications as may be required by the Centers for Medicare & Medicaid Services in order to achieve any required federal approval, a hospital's GME distribution shall be calculated based on data from the hospital's 2012 Medicaid cost report and shall be comprised of two components calculated as described below.

The first component shall be defined as an amount equal to 50% of each facility's aggregate State Fiscal Year (SFY) 2014 GME distribution. The sum of these first components for all hospitals shall be totaled and subtracted from the full appropriated GME subsidy amount of \$100,000,000 for SFY 2014, with the resulting amount representing the aggregate amount available for distribution as the second component. The aggregate amount of the second component will be split into a Direct Medical

Education (DME) allocation, which is calculated by multiplying the second component amount by the ratio of 2012 total median Medicaid managed care DME costs-to-2012 total Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the second component amount by the ratio of 2012 total Medicaid managed care IME costs-to-2012 Medicaid managed care GME costs. Each hospital's percentage of total 2012 Medicaid managed care DME costs will be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total 2012 Medicaid managed care IME costs will be multiplied by the IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equals its second component payment. The sum of the first and second components shall comprise the hospital's total SFY 2015 GME allocation, to be distributed in twelve monthly payments. The total amount of these payments shall not exceed \$100,000,000. In the event that a hospital reported less than twelve months of 2012 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. 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 for the following reporting period: service dates between January 1, 2012 and December 31, 2012, payment dates between January 1, 2012 and December 31, 2013, and a run-date of March 8, 2013. 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 per acute care. The estimated managed care DME intern and resident cost is divided by the 2012 submitted interns and residents FTE's to calculate a median cost per resident. The median cost per resident is multiplied by 2012 submitted interns and residents FTE's to calculate the acute care general hospitals' median managed care DME cost. The median Medicaid managed care DME cost is defined as the approved median intern and residency program costs multiplied by the quotient of Medicaid managed care days divided by the quantity of total days less nursery days. Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid Managed Care encounter payments for Medicaid and NJ FamilyCare clients as reported by insurers to

the State for the following reporting period: service dates between January 1, 2012 and December 31, 2012; payment dates between January 1, 2012 and December 31, 2013; and a run--date of January 8, 2013. The IME factor is calculated using the Medicare IME formula as follows: $1.35 * [(1 + x)^{0.405} - 1]$, in which "x" is the quotient of submitted IME resident full-time equivalencies divided by the quantity of total available beds less nursery beds. 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.

This Notice is intended to satisfy the requirements 42 U.S.C. 1396a(a)(13) and 42 C.F.R. 447.205. A copy of this Notice is available for public review at the Medical Assistance Customer Centers, County Welfare Agencies, and the Department's website at <http://www.state.nj.us/humanservices/providers/grants/public/index.html>. Comments or inquiries must be submitted in writing within 30 days of the date of this notice to:

Margaret Rose
Division of Medical Assistance and Health Services
Office of Legal and Regulatory Affairs
P.O. Box 712, Mail Code #26
Trenton, New Jersey 08625-0712
Fax: 609-588-7343
E-mail address: Margaret.Rose@dhs.state.nj.us