September 28, 2026

SENATE BILL NO. 4477

To the Senate:

Pursuant to Article V, Section I, Paragraph 14 of the New Jersey Constitution, I am returning Senate Bill No. 4477 with my recommendations for reconsideration.

The bill would permit a licensed residential substance use disorder ("SUD") facility or program to provide residential mental health treatment services as a distinct service. "Residential mental health treatment services" are defined as mental health services that are consistent with the Level of Care Utilization System or other nationally recognized mental health placement criteria, which is provided in a 24-hour structured, residential environment, and is delivered for time-limited episodes to attempt to stabilize the individual and transition them to a lower level of care. The bill specifies that the residential mental health treatment services contemplated under the bill are meant for individuals whose needs do not require inpatient hospitalization. The bill requires any licensed SUD facility providing residential mental health treatment services to have and maintain a formal hospital affiliation wherein the facility receives clinical and medical support from that hospital. The bill provides a definition of a "formal hospital affiliation" to include a written contractual agreement between a licensed SUD facility or program, and a general acute care hospital providing inpatient psychiatric services or a State or county psychiatric hospital.

I commend the sponsors' commitment to expanding the continuum of mental health treatment services available to meet the diverse care needs of New Jersey families. Under existing regulations, mental health treatment can be offered across a range of inpatient and outpatient settings. As the State endeavors to provide care in the least restrictive setting, I appreciate that some individuals with a primary mental health diagnosis may benefit from mental health treatment services that are neither inpatient psychiatric

hospitalization nor community-based outpatient care. However, I am concerned that the bill's mandate creates a new licensure structure that does not presently exist in New Jersey, and, as written, would not operate under the purview of the New Jersey Department of Health ("DOH"), which oversees all licensed healthcare facilities within the State. In addition, the bill does not include the necessary technical language for the New Jersey Department of Human Services ("DHS") to seek federal approvals for a Medicaid State Plan Amendment. Without these components, the State can neither appropriately oversee these new care settings nor enable payment for care to New Jersey FamilyCare members.

For these reasons, I am recommending amendments to Senate Bill No. 4477 that would create a five-year pilot program to authorize the provision of residential mental health treatment services in a facility that maintains a formal hospital affiliation and receives clinical and medical support from that hospital. Under these amendments, DOH, in consultation with DHS, will establish guidelines for participation in the pilot program, including but not limited to, admission criteria and quality, safety, and programmatic guidance. Through the pilot program, DOH and DHS will collect data to evaluate the need for and effectiveness of this service model, to assess the resources necessary to appropriately license and regulate at scale, and to help guide the Departments' ultimate recommendations on whether to create the relevant licensure structure and to seek the appropriate federal approvals to receive federal financial participation in serving Medicaid patients.

Therefore, I herewith return Senate Bill No. 4477 and recommend that it be amended as follows:

Page 2, Title, Line 1:	After "health" insert "treatment"
Page 2, Section 1, Line 9:	After "with" insert "mental health or"
Page 2, Section 1, Line 14:	Delete "substance use disorder"
Page 2, Section 1, Line 14:	Delete "or program"

Page 2, Section 1, Line 15: After "structured" insert "residential"

Page 2, Section 1, Line 15: After "health" insert "treatment"

Page 2, Section 1, Lines 21-23: Delete "certain licensed residential substance use disorders treatment facilities or programs" and insert "the creation of a pilot program"

Page 2, Section 1, Line 24: After "criteria" insert "as provided for in this act, and to provide the State an opportunity to contemplate whether such services should be allowable in a permanent manner"

Page 2, Section 2, Lines 31-32: Delete "residential substance use disorders treatment facility or" and insert "mental health pilot"

Page 2, Section 2, Line 32: After "program." insert ""Commissioner" means the Commissioner of Health.

"Department" means the Department of Health."

Page 2, Section 2, Line 34: Delete "residential substance use disorders treatment" and insert "licensed"

Page 2, Section 2, Line 35: Delete "or program"

Page 2, Section 2, Line 38: Delete "county"

Page 2, Section 2, Line 41: After "health" insert "treatment"

Page 3, Section 2, Lines 1-3: Delete in their entirety

Page 3, Section 3, Line 5: After "3." insert "a. The Department of Health, in consultation with the Department of Human Services, shall establish a five-year pilot program for the provision of the services described in section 4 of this act. In establishing the pilot program, the department, in consultation with the Department of Human Services:

(1) Shall issue a Request for Proposals (RFP) and guidance on the process for submitting an RFP for participation in the pilot program within 60 days of the effective date of this act;

(2) Shall select up to three licensed facilities for participation in the pilot program, considering the geographic distribution of sites across the State, within six

months of the effective date of this act. The denial of an application shall be considered a final agency decision, subject to appeal to the Appellate Division of the Superior Court;

(3) Shall establish guidelines for participation in the pilot program, including but not limited to admission criteria, and quality, safety, and programmatic guidance; and

(4) May require pilot participants to obtain licensure as a residential mental health treatment facility from the department pursuant to rules and regulations established under this act. The department may charge a licensure fee as established under section 12 of P.L.1971, c.136 (C.26:2H-12).

b. At the end of the pilot program period, sites selected for participation in the pilot program may continue to provide residential mental health treatment services in accordance with a formal hospital affiliation contractual agreement entered pursuant to section 4 of this act, except as prohibited due to State enforcement actions or State and federal law, until the first day of the 13th month next following the end of the initial five-year pilot period or until the Legislature acts upon the recommendations of the department, whichever shall occur sooner. The commissioner, in consultation with the Department of Human Services, may in the commissioner's discretion provide an additional six-month extension to the pilot program participant sites' operations of the activities authorized under the pilot program pursuant to this act.

c. No later than the first day of the seventh month next following the end of the initial five-year pilot period, not including any extensions of such period allowed pursuant to subsection b. of this section, the department, in consultation with the Department of Human Services, shall submit a report to the Governor and to the Legislature, pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1), on the progress and

outcomes of the pilot program, including a recommendation as to whether this service model should continue.

d. The department, in consultation with the Department of Human Services, may establish data elements or program information that pilot program sites shall submit to the department in a manner and form determined by the department to allow for evaluation of the pilot's effectiveness and to guide the department's recommendations as to whether the services provided as a part of this pilot program should be continued.

4."

Page 3, Section 3, Line 5: After "contrary," insert "if selected for participation in the pilot program,"

Page 3, Section 3, Line 6: Delete "residential substance use disorders"

Page 3, Section 3, Line 6: Delete "or program"

Page 3, Section 3, Line 12: Delete "all existing" and insert "applicable"

Page 3, Section 3, Line 18: After "oversight" insert "and supervision"

Page 3, Section 3, Line 21: Delete "and" and insert ","

Page 3, Section 3, Line 22: After "consultation" insert ", and mental health treatment planning, interventions, and associated psychiatric supervision"

Page 3, Section 4, Line 45: Delete "4." and insert "5. Nothing in this act shall authorize or otherwise allow for the involuntary commitment of an individual to a facility authorized to provide residential mental health services under this act.

6. a. Notwithstanding the provisions of the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.) to the contrary, the Commissioner of Health, in consultation with the Department of Human Services, may adopt, immediately, upon filing with the Office of Administrative Law, regulations that the commissioner deems necessary to implement the provisions of this act, which regulations shall be effective for a period not to

exceed sixty months from the date of the filing. The commissioner may thereafter amend, adopt, or readopt the regulations in accordance with the requirements of P.L.1968, c.410 (C.52:14B-1 et seq.).

The regulations adopted pursuant to this section shall include penalties that the department may impose upon entities operating in violation of the rules and regulations adopted pursuant to this act. The penalties authorized by this section shall be recovered in a summary proceeding instituted by the Attorney General, at the request of the commissioner, pursuant to the "Penalty Enforcement Law of 1999," P.L.1999, c.274 (C.2A:58-10 et seq.). Monetary penalties, when recovered, shall be payable to the General Fund.

7.”

Respectfully,

[seal]

/s/ Mikie Sherrill

Governor

Attest:

/s/ Timothy P. Lydon

Chief Counsel to the Governor