

## **Charity Care and Outpatient Medicaid Add-On Overview:**

In State Fiscal Year 2026 (“SFY2026”), the New Jersey Department of Health in partnership with the New Jersey Department of Human Services, is proposing to modify the statutory Charity Care formula to provide two funding opportunities for hospitals – traditional Charity Care subsidies (Medicaid Disproportionate Share Hospital funding), and a Medicaid Outpatient State Directed Payment Program. Together, the combined programs provide subsidies for care delivered to charity care patients and incentivize better outpatient care for both charity care and Medicaid patients. In total, the two programs represent **\$605 million** in State and federal funds.

The SFY2026 proposals reflect a holistic view of hospital subsidies and programs like the County Option Hospital Fee Program that collectively support patient care across NJ’s 70 acute care hospitals. All acute care hospitals in NJ must provide Charity Care to patients regardless of their ability to pay.

*Charity care utilization is a key component of both programs.*

## **Summary of DOH/DHS Charity Care Focused Hospital Subsidy Programs:**

Medicaid Outpatient State-Directed Payment (see language on FY2026 detailed budget recommendations pg. D-220 to D-221):

- Private hospitals are ranked in accordance with their Relative Medicaid Percentage (percentage of Medicaid revenue by hospital), and receive a base add-on payment to outpatient Medicaid services between \$50 and \$225.
- Based on the Relative Charity Care Percentage, hospitals then receive a bonus between 5% and 40% of the base add-on payment, tying the Medicaid add-on to charity care utilization.
- Finally, there are additional bonuses for community health needs (hospitals in the bottom third counties for life expectancy), distressed hospitals, and for hospitals in low-income municipalities.
- Public hospitals receive an enhanced add-on that sets their Medicaid outpatient payment rates equal to the average rate paid by commercial payors.

Charity Care (see language on FY2026 detailed budget recommendations pg. D-184 to D-185):

- In SFY2026, all hospitals that have documented charity care will receive some Charity Care subsidy. The top nine hospitals by Relative Charity Care Percentage will receive the most.
- Hospitals that are in the top nine receive a subsidy equal to 20% of their Documented Charity Care, unless they are public, in which case they receive 40%.
- All other hospitals receive a subsidy equal to 0.5% of their documented charity care.

## **Funding by Program (includes State and federal funds):**

- Medicaid Outpatient State Directed Payment: \$543,758,676
- Charity Care: \$61,313,196

*Attached Spreadsheet for Detail*