



Congressional Budget Plan

Medicaid Policy Considerations

April 11, 2025



Affordable health coverage. Quality care.

Covers **1.8 million** New Jerseyans:

- Low and moderate-income children and parents
- Other low-income adults
- Aged blind and disabled – including those with serious mental illness and developmental disabilities
- Elderly and disabled who require long-term care

Services covered include:

- Hospital Care
- Physician (Primary Care, Specialty, Dental)
- Prescription Drugs
- Maternal Health (Covers **>30%** of New Jersey births)
- Long-term nursing care, in nursing facilities and community (NJ FamilyCare is primary payer - **not** covered by Medicare)
- Behavioral health, including services for those with **serious mental illness** and treatment of **substance use disorders**
- **Community-based services** for individuals with developmental disabilities

Annual budget: **\$24 billion**

- Cost shared between state and federal government

What do recent headlines mean for NJ FamilyCare?

BUSINESS INSIDER

Trump drew the line at Social Security cuts in Republicans' proposed budget, but Medicaid is on the chopping block

2/13/2025

POLITICO

Energy and Commerce Committee's Medicaid problem just got tougher

Congressional Republicans are going to have to cut deep into a popular health safety-net program to pay for President Donald Trump's domestic agenda.

2/12/2025

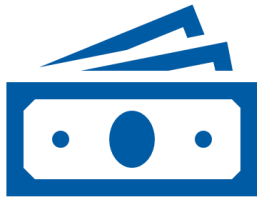
STAT Reporting from the frontiers of health and medicine

House panel tees up debate over cutting Medicaid to pay for tax breaks

Moderate and conservative Republicans are at odds over spending reductions

2/14/2025

Potential Congressional Action: Three Focus Areas



1. Reductions in federal matching funds for Medicaid



2. Restrictions on existing health care funding streams



3. Changes in Medicaid eligibility rules

1. Reductions in Federal Matching Funds for Medicaid



Today, Medicaid Costs are shared by the Federal and State Governments



Federal government assumes ~60% (“blended share”) of cost of NJ FamilyCare.

90% of cost for low-income adults covered under Affordable Care Act
65% of cost for moderate to low-income children under the Children’s Health Insurance Program (CHIP)
50% of the cost for most other NJ FamilyCare members

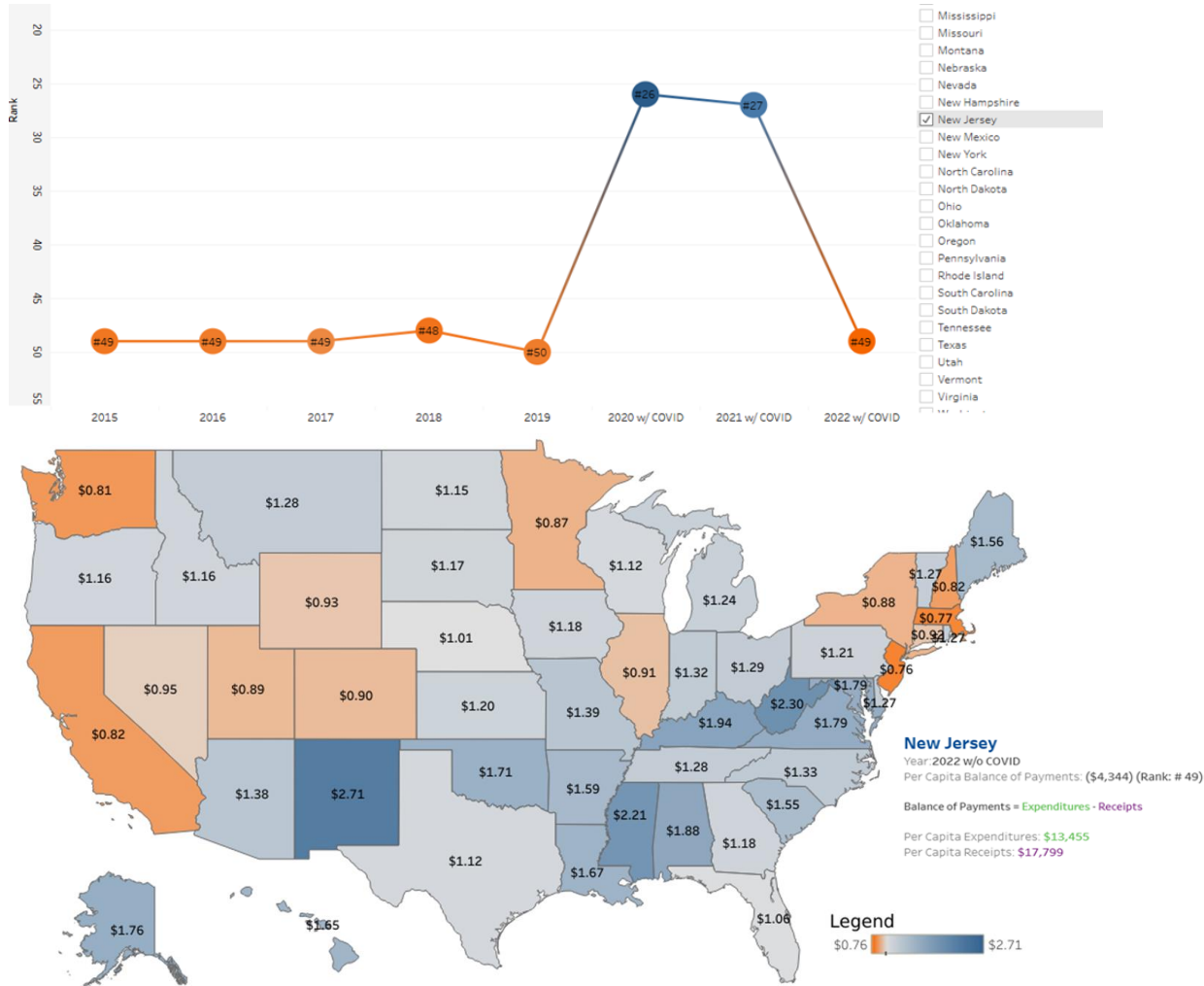


Total annual NJ FamilyCare budget: \$24 billion (~\$14 billion federal, \$10 billion state)

1. Reductions in Federal Funding for Medicaid: New Jersey Impact

- **Scenario 1 – Eliminate the 50% “floor” for Medicaid & CHIP**
 - New Blended Federal Share: **51%** (90% for ACA Expansion Adults, 56% for CHIP, 38% for Other Medicaid)
 - NJ impact in annual loss of federal funds: **-\$2.2 billion**
- **Scenario 2 – Eliminate the 90% federal share for ACA Expansion Adults**
 - New Blended Federal Share: **51%** (50% for ACA Expansion Adults, 66% for CHIP, 50% for Other Medicaid)
 - NJ impact in annual loss of federal funds: **-\$2.3 billion**
- **Scenario 3 – Eliminate the 50% floor for Medicaid & CHIP *and* the 90% federal share for ACA Expansion Adults**
 - New Blended Federal Share: **39%** (38% for ACA Expansion Adults, 56% for CHIP, 38% for Other Medicaid)
 - NJ impact in annual loss of federal funds: **-\$5.2 billion**
- **Scenario 4 – Set “per capita caps” on federal Medicaid funding**
 - Set numerical dollar limits on federal Medicaid funding
 - State bears full risk for unexpected events (e.g. pandemic or recession)
 - NJ impact in annual loss of federal funds: **Unknown**

New Jersey – Balance of Payments



<https://rockinst.org/issue-areas/fiscal-analysis/balance-of-payments-portal/>

- In CY22, excluding COVID payments, **NJ ranked 50th** in “Return on the Dollar” in federal investments. **For every \$1 NJ sends to the federal government we receive \$.76.**
 - PA receives \$1.21, NY \$.88, CT \$.92, DE \$1.27
- Although Medicaid program expenditures are similar to other states, **New Jersey is penalized by the current FMAP calculation**, which adjusts for income but not regional cost variation. Therefore, it receives less federal match (50%) than other states, many of which receive matching rates exceeding 60-70%.
- According to the [Rockefeller Institute](#), NJ is **one of only thirteen states** that receives less in federal dollars per capita than it pays in income, payroll, corporate and similar taxes.
- Removing the FMAP floor would further exacerbate this gap.

2. Restrictions on Existing Health Care Funding Streams

Provider Taxes:

- Targeted taxes on health care providers and health plans
 - Revenue from these taxes are eligible for federal match and **are reinvested** in the healthcare system.
- Current federal rules allow such taxes to total **up to 6%** of provider / health plan revenue.
- **Congressional Option:** Lower 6% cap or forbid such taxes altogether.

Directed Payments:

- Most states require **managed care plans** to make certain add-on payments to health care providers, known as "directed payments."
- Directed payments may incentivize **high quality care**, support **training** of new providers, or support **safety net providers**.
- **Congressional Option:** Restrict or forbid directed payments.

2. Restrictions on Existing Health Care Funding Streams: NJ Programs at Risk **-\$4.2B**

Provider Taxes:

County Option – State / County Partnership that supports investments in local hospitals

-\$2.5 billion in annual federal funding

HMO Premium Assessment – reinvested to cover Medicaid costs

-\$517 million in annual federal funding

Hospital Assessment – reinvested to support NJ hospitals

-\$287 million in annual federal funding

Nursing Home Assessment – helps fund nursing home reimbursements

-\$93 million in annual federal funding

Directed Payments:

New Jersey Medicaid Access to Physician Services Program – Supports teaching hospitals and affiliated providers

-\$252 million in annual federal funding

QIP-NJ – Supports hospitals with strong quality outcomes in maternal and behavioral health

-\$126 million in annual federal funding

Outpatient Supplemental Payment Program – Provides additional funding to hospitals based on safety net formula

-\$378 million in annual federal funding

3. Changes in Medicaid Eligibility Rules



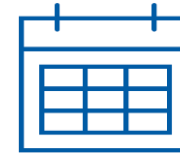
Today NJ FamilyCare eligibility is assessed based on various factors:

Household size
Income
Residency
Immigration Status
Age
Disability Status
Financial Assets



Eligibility is checked by the State or County at the time of initial application

Eligibility workers reach out to applicants with any follow up questions, or to request additional information.



Eligibility is re-verified every 12 months

Members are legally required to inform NJ FamilyCare of any changes in status in between eligibility verifications

3. Changes in Medicaid Eligibility Rules: New Jersey Impact ~700,000 at risk of losing healthcare

Scenario 1: Impose "Work Requirements" on Medicaid members

- Certain Medicaid applicants (most likely working age adults) would need to demonstrate a minimum number of hours of paid employment or another qualifying activity
- Potential New Jersey impacts:
 - Up to **700,000** low-income working age adults' coverage at risk
 - May particularly impact members with **mental illness** or **substance use**, members with **certain disabilities**, members **caring for young children or elderly relatives** and those who lose employment/ cannot find work
 - **~\$250 million** in annual federal Medicaid funding at risk
- Key policy considerations:
 - Exemptions (Disability, student status, qualifying health conditions, caretaker, etc.)
 - Documentation requirements
 - Frequency of work requirement checks

Scenario 2: Increase frequency of eligibility checks from once every 12 months to once every 6 months

- Would place stress on already overloaded state and county workers (still facing significant backlogs from "unwinding")
- Would require substantial new state / county investments & hiring more workers (perhaps **~\$50 million** annually)
- Some members would likely lose eligibility, due to failure to complete more frequent paperwork with short turnaround times

Other Potential Congressional Savings Options

- Reduce **federal Medicaid matching funds** to states that offer **state-funded health care services to undocumented immigrants**
 - New Jersey has implemented "Cover All Kids"
- Reduce federal matching funds for **Medicaid administrative costs**
 - IT Development
 - State staff and vendor costs
- **Repeal recent Biden administration regulations** around eligibility processes, oversight of managed care plans, and/or access to care.