

**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 and Medicaid Services (CMS), for an amendment to the New Jersey Medicaid (Title XIX) State Plan, in order to implement State Fiscal Year 2019 (SFY19) budget provisions subject to the passage of the New Jersey Fiscal Year 2019 Appropriations Act.

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

If this proposal is approved as part of the SFY 2019 Appropriations Act, then, 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 and Medicaid Services in order to achieve any required federal approval.

(a) the subsidy payment shall be split into a Direct Medical Education (DME) allocation, which is calculated by multiplying the total subsidy amount by the ratio of 2016 total median Medicaid managed care DME costs ~~to~~ total 2016 median Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the total subsidy amount by the ratio of 2016 total Medicaid managed care IME costs ~~to~~ total 2016 Medicaid managed care GME costs. (b) Each hospital's percentage of total 2016 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment. Each hospital's percentage of total 2016 Medicaid managed care IME costs shall be multiplied by the IME allocation to calculate its IME payment. (c) The sum of a hospital's DME and IME payments equal its subsidy payment. The total amount of these payments shall not

exceed \$218,000,000 and shall be paid in 12 monthly payments. (d) Source data used shall come from the Medicaid cost report for calendar year (CY) 2016 submitted by each acute care hospital by November 30, 2017 and Medicaid Managed Care encounter payments for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, 2016 and December 31, 2016; payment dates between January 1, 2016 and December 31, 2017; and a run-out date of not later than January 31, 2018. (e) In the event that a hospital reported less than 12 months of 2016 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. In the event the hospital completed a merger, acquisition, or business combination or a supplemental cost report for the calendar year 2016 submitted by the affected acute care hospital by November 30, 2017 shall be used. 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. (f) Medicaid managed care DME cost is defined as the approved intern and residency program costs using the 2016 Medicaid cost report total residency costs, reported on Worksheet B Pt I Column 21 line 21 plus Worksheet B Pt I Column 22 Line 22 divided by 2016 resident full time equivalent employees (FTE), reported on Worksheet S-3 Pt 1 Column 9 line 14 to develop an average cost per FTE for each hospital used to calculate the overall median cost per FTE. (g) The median cost per FTE is multiplied by the 2016 resident FTEs reported on Worksheet S-3 Pt 1 Column 9 line 14 to develop approved total residency program costs. (h) The approved residency costs are multiplied by the quotient of Medicaid managed care days, reported on Worksheet S-3 Column 7 line 2, divided by the quantity of total days, on Worksheet S-3 Column 8 line 14, less nursery days, on Worksheet S-3 Column 8 line 13. (i) 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. (j) 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 reported on Worksheet S-3 Pt 1 Column 9 line 14 divided by the quantity of total

available beds less nursery beds reported on Worksheet S-3 Column 2 line 14. (k) 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.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Graduate Medical Education (GME) is subject to the following condition: participating hospitals shall provide to residents and fellows participating in the GME program instruction concerning prevention of opioid addiction as well as diagnosis, assessment, and treatment strategies: provided, however, that such instruction may also be provided to other students and providers including, but not limited to, physicians, nurses, pharmacists, and social workers, working within the hospital or in the outpatient setting. To satisfy this condition, participating hospitals may develop an internal training program, enter into a partnership with a school or university, or provide financial support for residents and fellows to participate in independent educational programs or conferences that provide continuing medical education credits that are specifically focused in the subject area of addiction. To document compliance, participating hospitals shall complete a report to the Department of Health no later than May 31, 2019.

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:

Joy Lindo
Department of Health
Office of Legal and Regulatory Compliance
P.O. Box 360
Trenton, New Jersey 08625