STATE OF NEW JERSEY
EXECUTIVE DEPARTMENT

June 30, 2026

ASSEMBLY BILL NO. 5327

To the General Assembly:

Today I am pleased to sign Assembly Bill No. 5327, which formally enacts our State budget for Fiscal Year 2027. Through this budget, my partners in the Legislature and I are delivering an affordability-focused spending plan that finds solutions to cut costs without compromising services for everyday New Jerseyans. After many months of negotiations, we have crafted a fiscally disciplined budget that provides record breaking levels of property tax relief, protects our children's futures through record education funding, delivers a full pension payment, improves accountability, and supports significant investments in the economy, workforce development, and public health and safety.

I am making minor changes to the bill before me to ensure consistency with legislative intent concerning the State's spending plan for Fiscal Year 2027 and to avoid falling out of compliance with federal laws that prevent the State from increasing the value of the State Directed Medicaid Payment Program. Accordingly, pursuant to Article V, Section I, Paragraph 15 of the New Jersey Constitution, I am appending to Assembly Bill No. 5327, at the time of my signing it, this statement of items, or parts thereof, to which I object and which shall not take effect.

Respectfully,

[seal]

/s/ Mikie Sherrill

Governor

Attest:

/s/ Timothy P. Lydon

Chief Counsel to the Governor

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16 DEPARTMENT OF CHILDREN AND FAMILIES

50 Economic Planning, Development, and Security
55 Social Services Programs
GRANTS-IN-AID

Grants-In-Aid:

37 "Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for School-based Partnerships for Access and Resilience for Kids (SPARK) is subject to the following conditions: the Commissioner of Children and Families shall develop a competitive grant program to provide funding for public school districts, charter schools, and renaissance school projects to train and hire school-based clinical staff with a focus on delivering Tier 3 individualized mental health services to students with complex, high-acuity needs; establish written eligibility criteria for the selection of participating public school districts, charter schools, and renaissance school projects; and set program goals and requirements for the 2026-2027 school year, subject to the approval of the Director of the Division of Budget and Accounting."

The quoted language is deleted in its entirety.

54 DEPARTMENT OF HUMAN SERVICES

20 Physical and Mental Health
24 Special Health Services
7540 Division of Medical Assistance and Health Services
GRANTS-IN-AID

Grants-In-Aid:

144 Notwithstanding the provisions of any law or regulation to the contrary, and subject to any required federal approval, the amounts hereinabove appropriated within the General Medical Services program classification are subject to the following conditions: (1) the Division of Medical Assistance and Health Services shall establish a managed care state directed payment program pursuant to 42 C.F.R. 438.6(c) that provides a supplemental payment for each acute care hospital outpatient visit for which NJ FamilyCare is the primary payer and there is no thirdparty liability; (2) an outpatient visit eligible for a supplemental payment is defined as all services billed on a single UB-92, UB-04 or successor claim form related to a singular diagnosis or treatment of services, which did not result in hospitalization; (3) public hospitals shall receive a Medicaid outpatient add-on equal to the difference between the statewide average commercial rate (ACR) and the average managed care payment per hospital outpatient visit, except the add-on amount may be adjusted as necessary to obtain federal approval by the Commissioner of Human Services, where (a) the average managed care payment per hospital outpatient visit shall be calculated by dividing the total amount of managed care hospital outpatient payments by the number of visits, calculated on managed care encounter payments for which NJ FamilyCare was the primary payer for calendar year 2024, with payment dates between January 1, 2024, and September 30, 2025, (b) the ACR shall be calculated using the 2024 audited Acute Care Hospital (ACH) Cost Reports as follows: (i) the ACR numerator equals a hospital's gross revenue from patient care for payers as reported on Form E6, Line 1, Column A, Column B, Column F, and Column I minus prior year allowances and adjustments as reported on Form E6, Line 2, Column A, Column B, Column F, and Column I minus current year allowances as reported on Form E6, Line 3, Column A, Column B, Column F and Column I, (ii) the ACR denominator equals the sum of the hospital's visits as reported on Form B6, Column L, Line 1, Line 2, Line 6 and Line 9, and (iii) the ACR equals the sum of the ACR numerators divided by the sum of the ACR denominators for all hospitals submitting an ACH cost report; (4)(a) the remaining non-public, acute care hospitals shall be ranked by their Relative Medicaid Percentage (RMP) from highest to lowest, which shall be calculated using the 2024 audited ACH Cost Reports and shall be calculated as follows: (i) the RMP numerator equals a hospital's gross revenue from patient care as reported on Forms E5 and E6, Line 1, Column D and Column H, (ii) the RMP denominator equals a hospital's gross revenue from patient care as reported on Form E4, Line 1, Column E, (iii) the RMP equals the RMP numerator divided by the RMP denominator for each hospital submitting an ACH cost report, and (iv) for instances where hospitals that have a single Medicare identification number submit a separate ACH Cost Report for each individually licensed hospital, the ACH Cost Report data for those hospitals shall be consolidated to the single Medicare identification number, and (b) the top 15 hospitals ranked with the highest RMPs shall receive an outpatient add-on equal to (($246.73)) per visit, hospitals with an RMP ranking of 16 through 30 shall receive an outpatient add-on equal to (($164.49)) per visit, hospitals with an RMP ranking of 31 through 45 shall receive an outpatient add-on equal to (($109.66)) per visit, and hospitals ranked 46 and lower shall receive an outpatient add-on equal to (($54.83)) per visit; (5) unless it is publicly owned, each acute care hospital shall be ranked by their Relative Charity Care Percentage (RCCP) from highest to lowest, which shall be calculated using the 2024 audited ACH Cost Reports, by dividing the amount of hospital-specific gross revenue for charity care patients by the hospital's total gross revenue for all patients, and for instances where hospitals that have a single Medicare identification number submit a separate ACH Cost Report for each individually licensed hospital, the ACH Cost Report data for those hospitals shall be consolidated to the single Medicare identification number, and each ACH shall receive an increase to the add-on calculated in clause 4 above with (i) the top 15 hospitals ranked with the highest RCCP receiving an increase to the add-on equal to 40 percent, (ii) hospitals with an RCCP ranking of 16 through 30 shall receive an increase equal to 20 percent, (iii) hospitals with an RCCP ranking of 31 through 45 shall receive an increase equal to 10 percent of the add-on calculated in clause 4 above, (iv) and hospitals ranked 46 and lower shall receive an increase equal to 5 percent of the add-on calculated in clause 4 above; (6) each of the hospitals located in the ten municipalities in the state containing a hospital that have the lowest median annual household income according to Table S1901 from the 2024 American Community Survey (ACS) 5-Yr Estimate, shall be ranked based on the total dollar amount of Medicaid and NJ

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FamilyCare managed care outpatient hospital service reimbursements received, from the hospital with the highest such amount to the hospital with the lowest such amount, as calculated using managed care encounter payments for which NJ FamilyCare was the primary payer for calendar year 2024, with payment dates between January 1, 2024, and September 30, 2025, and the hospital in each of the ten municipalities that received the highest total dollar amount of reimbursed Medicaid and NJ FamilyCare managed care outpatient hospital service reimbursements shall receive a 20 percent increase to their designated tier's add-on payment calculated in clause 4 above, unless such hospital is publicly owned; (7) unless it is publicly-owned, the hospital that received the highest level of managed care outpatient hospital service reimbursements, as defined in clause 6 above, in the seven counties with the lowest life expectancy at birth shall receive a 20 percent increase to the add-on calculated in clause 4 above, where life expectancy at birth is based on calendar year 2023 New Jersey State Health Assessment Data (NJSHAD); (8) unless it is publicly-owned, a hospital that is among the top ten in terms of RCCP and has operating margins less than or equal to negative 15 percent shall receive an increase of 20 percent to the add-on payment calculated in clause 4 above, where operating margins shall be calculated using calendar year 2024 audited ACH cost reports with a numerator of Form L3, Line 34 minus Line 12, and a denominator of Form L3, Line 15 minus Line 12 minus Line 31; (9) hospitals shall receive interim quarterly Medicaid managed care outpatient hospital payments on or about the 30th of the first month of each quarter based on calendar year 2024 outpatient visits as calculated above, which shall be reconciled to actual fiscal year utilization in the subsequent State fiscal year's fourth quarter payment using the methodology above, except that the total amount of the per-visit add-on for each hospital may be changed proportionately, as calculated by the Commissioner of Human Services, to ensure that the reconciled payments across all hospitals do not increase the non-federal share reported by the State for State fiscal year 2027 to the federal government in its Section 438.6(c) Preprint, where the reconciliation shall be based on managed care encounter payments with service dates between July 1, 2026, and June 30, 2027, for which NJ FamilyCare was the primary payer and there is no third-party liability, with payment dates between July 1, 2026, and September 30, 2027, and (10) notwithstanding the provisions of any law or regulation to the contrary and subject to federal approval, the interim payments made in the previous State fiscal year shall be reconciled to actual fiscal year utilization in the fourth quarter payment, which shall be calculated using the methodology in the previous State fiscal year's Appropriations Act, except that the total amount of the per-visit add-on for each hospital may be changed proportionately, as calculated by the Commissioner of Human Services, to ensure that the reconciled payments across all hospitals do not increase the non-federal share of the interim payments made during State fiscal year 2026, as reported by the State to the federal government in its Section 438.6(c) Preprint, where the reconciliation shall be based on managed care encounter payments with service dates between July 1, 2025, and June 30, 2026, for which NJ FamilyCare was the primary payer and there is no thirdparty liability, with payment dates between July 1, 2025, and September 30, 2026; and (11) if required federal approvals are not received by the date of the first quarterly payment, the add-on amount for each hospital shall be changed proportionately, as calculated by the Commissioner of Human Services, such that the total interim payments for all hospitals does not exceed the non-federal share reported by the State to the Centers for Medicare and Medicaid Services in its Section 438.6(c) Preprint and that the department shall make quarterly payments based on the non-federal share only, until federal approval is received.

The amounts within double parentheses are reduced as follows: $246.73 to $245.30, $164.49 to $163.53, $109.66 to $109.02, and $54.83 to $54.52.

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16 DEPARTMENT OF CHILDREN AND FAMILIES

37 The language related to the School-based Partnerships for Access and Resilience for Kids (SPARK) program has been deleted to maintain consistency with legislative intent as the SPARK program is the subject of separate legislation.

54 DEPARTMENT OF HUMAN SERVICES

144 The language related to the Medicaid Outpatient State-Directed Payment Program has been adjusted to avoid falling out of compliance with federal laws and maintain federal approvals.

Respectfully,

[seal]

/s/ Mikie Sherrill

Governor

Attest:

/s/ Timothy P. Lydon

Chief Cousel

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