

LEGISLATIVE FISCAL ESTIMATE
ASSEMBLY, No. 2044
STATE OF NEW JERSEY
221st LEGISLATURE

DATED: MAY 28, 2024

SUMMARY

Synopsis: Revises criteria for payment of Charity Care to certain hospitals.

Type of Impact: Annual increase in State expenditures and revenues.

Agencies Affected: Department of Health, Department of Human Services.

Office of Legislative Services Estimate

Fiscal Impact	<u>Year 1</u>	<u>Years 2 and 3</u>
State Expenditure Increase	\$7.5 million	Indeterminate
State Revenue Increase	\$7.5 million	Indeterminate

- The Office of Legislative Services (OLS) determines that State costs would increase by \$7.5 million in the first year following the bill’s enactment based on calendar year 2022 Charity Care claims. The additional costs are attributable to the bill providing Charity Care subsidy payments of 96 percent of documented Charity Care for two additional hospitals.
- The data used in this analysis do not reflect calendar year 2023 or any calendar year 2024 Charity Care claims submitted by acute care hospitals. If there have been any significant changes in the amount of charity care provided by certain hospitals since calendar year 2022, the State expenditures and associated revenues estimated in this analysis would change.
- State revenues in the first year will increase by \$7.5 million in the form of federal Medicaid cost reimbursements for State Charity Care payments to acute care hospitals.
- Any potential increase in Charity Care payments to qualifying hospitals, and the corresponding increase in State revenues, assumes that language in the annual Appropriations Act does not supersede the statutory Charity Care formula.

BILL DESCRIPTION

This bill revises the current statutory formula for allocating Charity Care payments to acute care hospitals to provide that the required ranking of hospitals, located in the 10 municipalities with the lowest median annual household income, in declining order of documented Charity Care will only apply to municipalities with a population of at least 20,000 residents. The current statutory formula does not limit the ranking of hospitals to low-income municipalities of a certain population.

The bill provides that the top two hospitals in each of these 10 low-income municipalities, if any, with the highest documented Charity Care will receive a Charity Care payment equal to 96 percent of the hospital's documented Charity Care. Current law limits Charity Care payments to the top hospital, if any, in each of the 10 municipalities with the lowest annual income in the State.

FISCAL ANALYSIS

EXECUTIVE BRANCH

None received.

OFFICE OF LEGISLATIVE SERVICES

The OLS estimates that State costs would increase by \$7.5 million in the first year to provide Charity Care payments, in an amount equal to 96 percent of documented Charity Care, for St. Michael's Medical Center in Newark and Virtua Our Lady of Lourdes Hospital in Camden. Because the federal Centers for Medicare and Medicaid Services provides one dollar in federal Medicaid reimbursements for every State dollar in Charity Care payments, the OLS anticipates that State revenues also would increase by \$7.5 million under the bill. Given that hospital-specific Charity Care claims fluctuate annually, State costs in the second and subsequent years following the bill's effective date are indeterminate.

To arrive at this estimate, the OLS identified the ten municipalities that have the lowest median annual household income in the State and also have a population of at least 20,000 residents, as required under the bill. Of the eligible municipalities, only two – Newark and Camden – have more than one acute care hospital. Cooper University Hospital and Virtua Our Lady of Lourdes Hospital are both located in Camden. Under the bill, the latter would newly qualify for a Charity Care payment equal to 96 percent of its documented Charity Care. Cooper University Hospital already qualifies for a Charity Care payment equal to 96 percent of its documented Charity Care under the current statutory formula.

University Hospital, Newark Beth Israel Medical Center, and St. Michael's Medical Center are all located in Newark. Under the bill, St. Michael's Medical Center would newly qualify for a Charity Care payment equaling 96 percent of its documented Charity Care. The existing statutory formula provides both University Hospital and Newark Beth Israel Medical Center with a Charity Care payment equal to 96 percent of the hospital's documented Charity Care, since each is among the ten hospitals providing the most Charity Care in calendar year 2022, the year for which the most recent data are available.

The OLS cautions that this estimate is based on hospital-specific documented Charity Care data for calendar year 2022, which were compiled in January 2024 and are the most recent documented Charity Care data available on the Department of Health website. As such, these data do not reflect calendar year 2023 or any calendar year 2024 Charity Care claims submitted by

acute care hospitals. If there have been any significant changes in the amount of charity care provided by Newark-based hospitals over the last two years, the State expenditures and associated revenues could change.

The State's acute care hospitals submit Charity Care claims to the Division of Medical Assistance and Health Services in the Department of Human Services, which oversees the State Medicaid program. The division then prices the Charity Care claims at the State Medicaid reimbursement rate for the relevant services. The current statutory Charity Care formula ranks the State's acute care hospitals by the percentage of each hospital's gross patient revenue from Charity Care patients, and pays hospitals with a higher rank a larger subsidy, in proportion to their total documented Charity Care. Under the statutory formula, the ten hospitals that provide the most Charity Care, relative to their gross patient revenue, and the hospitals that provide the most Charity Care in each of the ten communities with the lowest median incomes, receive 96 percent of the hospital's documented Charity Care.

However, the statutory Charity Care formula has never been implemented as enacted because appropriations language has overridden the statute in each year's Appropriations Act since the statutory formula was established in 2004. Therefore, any potential increases in Charity Care payments to St. Michael's Medical Center and Virtua Our Lady of Lourdes Hospital assumes that language in the annual Appropriations Act does not supersede the statutory Charity Care formula.

Section: Human Services

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This legislative fiscal estimate has been produced by the Office of Legislative Services due to the failure of the Executive Branch to respond to our request for a fiscal note.

This fiscal estimate has been prepared pursuant to P.L.1980, c.67 (C.52:13B-6 et seq.).