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 2018 (SFY18) budget provisions subject to the passage of the New Jersey Fiscal Year 2018 Appropriations Act.

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

If this proposal is approved as part of the SFY 2018 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 hospital's GME distribution shall be calculated based on data from the hospital's 2015 Medicaid cost report and shall be calculated as described below.

The GME subsidy amount for SFY 2018 is $218,000,000. The subsidy payment will include a Direct Medical Education (DME) allocation, which is calculated by multiplying the ratio of 2015 total median Medicaid managed care DME costs-to-2015 total Medicaid managed care GME costs; and an Indirect Medical Education (IME) allocation, which is calculated by multiplying the ratio of 2015 total Medicaid managed care IME costs-to-2015 Medicaid managed care GME costs. Each hospital's percentage of total 2015 Medicaid managed care DME costs will be multiplied by the

DME allocation to calculate its DME payment. Each hospital's percentage of total 2015 Medicaid managed care IME costs will be multiplied by the IME allocation to calculate its IME payment. The sum of a hospital's DME and IME payments equals its total payment. The sum of the hospital's total SFY 2018 GME allocation will be distributed in twelve monthly payments. The total amount of these payments shall not exceed $218,000,000. In the event that a hospital reported less than twelve months of 2015 Medicaid costs, the number of reported months of data regarding days, costs, or payments shall be annualized. 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 Family Care clients as reported by insurers to the State for the following reporting period: service dates between January 1, 2015 and December 31, 2015; payment dates between January 1, 2015 and December 31, 2016; and a run-date of not later than January 31, 2017. The estimated Medicaid managed care utilization factor is multiplied by the total DME cost to determine an estimated managed care DME intern and resident cost per acute care. The median cost per resident is multiplied by 2015 submitted interns and residents full-time equivalents to calculate the acute care general hospitals' median managed care DME cost. The median Medicaid managed care DME cost is defined as the approved median intern and residency program costs multiplied by the quotient of Medicaid managed care days divided by the quantity of total days less nursery days. 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 for the following reporting period: service dates between January 1, 2015 and December 31, 2015; payment dates between January 1, 2015 and December 31, 2016; and a run-date not later than January 31, 2017. 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 divided by the quantity of total available beds less nursery beds. 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.

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
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Office of Legal and Regulatory Compliance
P.O. Box 360
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