

**Date:** 2 / 2 / 2026

**Subject:** New Jersey County Option Hospital Fee Program Fee and Expenditure Report

**County:** Passaic County

**GENERAL**

Describe the proposed hospital fee program the county intends to enact by providing details on all of the elements listed below.

**FEE PROGRAM**

1. What is the county's proposed effective date of the fee program?

July 1, 2026

2. List of all licensed hospitals located in your county:

Please Include: Name, address, facility ownership (for profit, NFP or government owned) **and** type of facility (acute care, psychiatric, rehabilitation, children's, LTACH, Specialty)

Please see "Attachment A" for full list of hospitals located in Passaic County.

3. Federal law and regulations require all hospitals in a jurisdiction to be taxed, unless a specific process is followed to exempt particular hospitals – a process that includes meeting a statistical test.

Does the county plan on excluding any hospitals from the fee program?  No  Yes

**If so,** please list name(s) and type of facility:

4. If the county plan **proposes to exempt** particular hospitals/classes of hospitals, please provide a policy justification for excluding those specific hospitals/classes of hospitals from the fee program. (If not, please leave blank)

5. The law creating the County Option Hospital Fee Program requires that counties consult with affected hospitals within their jurisdiction prior to submitting the Fee and Expenditure Report to the Commissioner of Human Services. Please detail when and how county officials consulted with affected hospitals.

Beginning with the first program year, the County through its contractor, Eyman Partners, implemented a comprehensive process of educating, consulting, and gathering feedback from all hospitals within the jurisdiction, and developing criteria used to evaluate potential models. Those criteria continue to inform the process for the current year. For SFY2027 the County has collected updated data from the hospitals to reevaluate the model (both assessment and payment bases) and has involved the hospitals throughout. Informed by insights from the original modeling process, we reviewed the impact of updated data on the current model, identified any deviations from the guidelines/priorities we set out in creating the initial model, and then reviewed targeted additional options to address those deviations. We shared this information with the hospitals by email and gathered feedback to inform the design of the program for SFY27. We also provided support for hospitals in completing all required forms.

6. Please describe the basis of the proposed fee – e.g. net patient revenue, days of care, discharges? (N.J.A.C. 10:52B)

The County proposes to assess a fee on inpatient hospital services, structured as a per-discharge fee, excluding Medicare discharges, for services furnished within the County's jurisdiction. Those hospitals that have provider-based facilities located outside the county have segregated their in-county from out-of-county services and only the services provided within the County will be assessed. The County proposes to use calendar year 2024 data, inflated through SFY2027, as the source for calculating the fees.

7. Will the basis for the proposed fee exclude Medicare and /or Medicaid data?

Yes. The discharges assessed will exclude Medicare discharges.

8. What is the proposed fee rate or fee amount?

Please specify if different fee rates or amounts will be applied to inpatient versus outpatient services and identify respective notes/ amounts.

The assessment rate will be \$2,528.49 per non-Medicare discharge.

9. Will the same fee rate or fee amount apply to all hospitals included in the fee program?  No  Yes

If not, please describe which fee rate or amount is proposed to be applied to each hospital and the policy rationale.

10. If the fee program is not uniform or broad based, one or more statistical tests must be passed for the fee to comply with federal regulations. If the proposed fee program is **not broad-based** or **not uniform**, please provide a copy of the federally compliant statistical test(s) in an excel document.  N/A  Attached

Information on federally compliant statistical test (s) can be accessed at 42 CFR § 433.68  
- Permissible health care-related taxes.

<https://www.govinfo.gov/content/pkg/CFR-2018-title42-vol4/xml/CFR-2018-title42-vol4-sec433-68.xml>

11. While the transfers to the state from the county must occur quarterly, what is the planned timing for collecting the fee – quarterly, monthly, biannually?

Quarterly  Monthly  Biannually  Other \_\_\_\_\_

12. What interest and/or penalties will be imposed for failure to pay the fee?

In the event a hospital fails to remit the fee by the due date, the County will add interest to the amount due, not to exceed 1.5% of the outstanding payment amount per month, reflected on to the following quarter's invoice.

13. What appeal process will be established to resolve any disputes related to the fee program?

Upon federal approval of the program, the County will officially notify hospitals that the fee program will take effect, and of the amount of the quarterly fee they will be required to pay throughout the program year. The hospitals will have 15 days from receipt of that notice to contest the fee amount, by submitting a letter, including any supporting documents, to the County specifying the basis for the appeal.

14. How will hospitals be notified of their fee obligation and any other related operational requirements under the fee program?

The County will distribute annual notice of the fee amounts to each hospital upon CMS approval of the preprint and will send each hospital quarterly invoices notifying them of their fee obligation and the payment deadline at least 20 days in advance of each quarterly due date.

15. Please provide any additional pertinent information that you believe would be helpful in describing the program.

This Fee & Expenditure report was prepared by the County's contractors who have nationwide experience working with these types of programs. The County has relied extensively on their expertise in developing the model, responding to these questions and assuring compliance with state and federal rules. The signed certification below relies in large part on the work and advice of the contractors.

## PROPOSED PAYMENT PROGRAM

As part of the program, counties may submit a proposed payment methodology detailing how program funds will be distributed to hospitals and the basis of the distribution. However, as the single State agency for the Medicaid Program, the Department's role is to review the proposed programs to assure that the assessment design and proposed expenditure methodology, if provided, comply with federal regulations governing such programs. A county's proposed payment method must include details on elements listed below.

### 1. What is the proposed basis for determining the hospital payment amounts?

The County proposes a continuation of the current state directed payment, implemented as a per-discharge add on of \$21,410.20 for general acute hospitals and \$65,752.58 per discharge for specialty hospitals. While the imposition of the fee is limited to services furnished within the County, the directed payment would include all inpatient hospital services provided by the hospital, regardless of the location of the services unless an out of County location is being paid in another County. The relative portion of the payments between the two classes of hospitals was calculated using total discharges for all hospitals in County and the payment levels reflect the longer length of stay and lower acuity in specialty hospitals.

The payments have been calculated using an Federal Medical Assistance Percentage (FMAP) of 66.08% for general acute hospitals and 70.00% for specialty hospitals, which has been calculated using the discharge and payment information received from the State covering calendar year 2024.

The payment methodology would be the same for all hospitals within a class, thereby directing the expenditures equally, using the same terms of performance, as required by 42 CFR 438.6(c)(2)(ii)(B). Details of the calculation of this payment methodology are contained in the attached model, prepared by the County's contractors, who can be available to the state to answer any questions about it or provide additional information as needed.

The directed payments would be provided on a quarterly basis, paid to the managed care organizations as a separate payment term (apart from monthly capitation payments to the plans). The four quarterly payments would each be equal to 25% of the projected annual rate increase amount (which is estimated in the attached model, based on the state's CY2024 encounter data). A final reconciliation adjustment would be determined after the end of the year, based on actual services provided. In this way, the payments would meet the federal requirement at 42 CFR 438.6(c)(2)(ii)(A) that directed payments be "based on the utilization and delivery of services.

### 2. The purpose of the County Option Hospital Fee Program is to increase financial resources through the Medicaid/NJ FamilyCare program to support local hospitals and to ensure that they continue to provide necessary services to low-income residents. How will the payments be utilized to effectuate this purpose?

The resources generated from the County Option Hospital Fee Program will help to stabilize the hospitals' financial positions, strengthen their capacity to continue providing access to comprehensive and essential healthcare services to low-income County residents and encourage the hospitals to expand their provision of Medicaid services.

## OTHER COUNTY REQUIREMENTS

### CHECK BOX TO CONFIRM COMPLETION AND/OR AGREEMENT

- The county has provided the state with all calculations for the fee, the proposed payments, and the statistical test.
- The county understands that the funds created from this program are to increase financial resources through the Medicaid/NJ FamilyCare program to support local hospitals in providing necessary services to low-income residents.
- The county understands that at least 90% of the fee amounts collected will be transferred to the state to be used as the non-federal share for federally matched hospital payments.
- The county understands that at least 1% of the fee amounts collected will be transferred to the state for the state's administrative costs.
- The county understands that fees to be collected may not exceed 2.5% of the net patient revenue of hospitals included in the fee program.
- The following FORMS and ATTESTATION must be submitted with the Fee and Expenditure Report for each hospital located in the county (Include all source documents)
- Data Form for County Option Hospital Fee Program**                       **Preliminary DSH Calculation Template**
- Attestation**  
Signed by each hospital located in the county.

## ATTESTATION

### NEW JERSEY COUNTY OPTION HOSPITAL FEE PROGRAM FEE AND EXPENDITURE ATTESTATION

#### CERTIFICATION BY COUNTY OFFICER OR ADMINISTRATOR

I hereby certify that I have examined the Fee & Expenditure Report for the reporting periods specified and that to the best of my knowledge and belief it is true, correct and complete statement prepared from the county option hospital fee state data set created from reports submitted by the hospitals within the county's jurisdiction in accordance with applicable instructions, except as noted. I understand that misrepresentation or falsification of any information contained in this report may be punishable by criminal, civil and administrative action, fine and/or imprisonment under state or federal law.

Signed

*Richard Cattell*

County Officer or Administrator

Name:

*Richard Cattell*

Full Name (Printed)

Title:

*Director of Finance*

Date:

*2 / 2 / 26*

Email Address:

*rcattell@PassaicCountyNJ.org*

## **Attachment A**

### **New Jersey County Option Hospital Fee Program List of hospitals located in Passaic County**

#### **St Mary's General Hospital**

350 BOULEVARD  
PASSAIC, NJ 07055

- General Acute Care
- For profit

#### **St Joseph's University Medical Center**

703 MAIN ST  
PATERSON, NJ 07503

- General Acute Care
- Non-profit

#### **St Joseph's Wayne Medical Center**

224 HAMBURG TURNPIKE  
WAYNE, NJ 07470

- General Acute Care
- Non-profit

#### **Kindred Hospital NJ-Wayne**

224 HAMBURG TURNPIKE  
WAYNE, NJ 07470

- General Acute Care
- For profit

# PASSAIC COUNTY HOSPITAL FEE

1/30/2026

**Fee Basis:** \$2,528.49 per Non-Medicare Discharge

**State-Directed Medicaid Managed Care Payment (General Acute):** \$21,410.20 per discharge

**State-Directed Medicaid Managed Care Payment (Non General Acute):** \$65,752.58 per discharge

<b>Total Fee Receipts</b>	<b>\$54,888,461</b>
<b>County's Resource</b>	<b>\$4,939,962</b>
State's Resource	\$548,885
<i>Non-federal Share of Medicaid Payments</i>	<i>\$49,399,615</i>

<b>ACUTE HOSPITAL</b>	<b>Fees Paid</b>	<b>State Directed Medicaid Payments</b>
St. Joseph's UMC	\$44,648,077	\$110,990,478
St. Mary's General Hospital	\$10,083,618	\$24,964,293
<b><i>General Acute Subtotal</i></b>	<b><i>\$54,731,695</i></b>	<b><i>\$135,954,771</i></b>

<b>NON ACUTE HOSPITAL</b>	<b>Fees Paid</b>	<b>State Directed Medicaid Payments</b>
Kindred Specialty Hospital	\$156,766	\$920,536
<b>TOTAL</b>	<b>\$54,888,461</b>	<b>\$136,875,307</b>

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1/30/2026

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	a	b	c = a - b	d = c * fee rate
HOSPITAL	All Payer Discharges	Medicare Discharges	Revenue Basis	Fee Receipts
St. Joseph's UMC	25,936	8,278	17,658	\$44,648,077
St. Mary's General Hospital	6,832	2,844	3,988	\$10,083,618
Kindred Specialty Hospital	193	131	62	\$156,766
<b>Total IP</b>	<b>32,961</b>	<b>11,253</b>	<b>21,708</b>	<b>\$54,888,461</b>

<b>Fee Rate</b>	<b>\$2,528.49</b>
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<b>Total Fee Receipts</b>	<b>\$54,888,461</b>	f = e
<b>County Resource</b>	<b>\$4,939,962</b>	g = f * 9%
State Resource	\$548,885	h = f * 1%
State Share Medicaid Payments	\$49,399,615	i = f - g - h
State Share Medicaid Payments General Acute	\$49,105,514	j = i - o
Est Effective FMAP	66.08%	k
State + Federal Share of Medicaid General Acute Payments	\$144,786,764	l = l / (1 - k)
6% HMO Admin Fee	\$8,831,993	m = l * 6.1%
State + Federal Share of Medicaid Payments Going to General Acute Hospitals	\$135,954,771	n = l - m
State Share Medicaid Payments Non-General Acute	\$294,101	o
Est Effective FMAP	70.00%	p
State + Federal Share of Medicaid Non-General Acute Payments	\$980,337	q = o / (1 - p)
6% HMO Admin Fee	\$59,801	r = q * 6.1%
State + Federal Share of Medicaid Payments Going to Non-General Acute Hospitals	\$920,536	s = q - r

# PASSAIC COUNTY HOSPITAL FEE

1/30/2026

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**State-Directed Medicaid Managed Care Payment (General Acute):** \$21,410.20 per discharge

**State-Directed Medicaid Managed Care Payment (Non General Acute):** \$65,752.58 per discharge

Total Inpatient Acute Hospital Enhanced Payments	\$135,954,771	a
<i>Inpatient Acute Hospital Add-On Payment</i>	\$21,410.20	$b = a / e_{sum}$
Total Inpatient Non Acute Hospital Enhanced Payments	\$920,536	c
<i>Inpatient Non Acute Hospital Add-On Payment</i>	\$65,752.58	$d = c / g$
		e
		$f = e * b$

## General Acute Payment Increase

HOSPITAL	Discharges	PAYMENTS
St. Joseph's UMC	5,184	110,990,478
St. Mary's General Hospital	1,166	24,964,293
	<b>6,350</b>	<b>\$135,954,771</b>

## Non-General Acute Payment Increase

HOSPITAL	Discharges	PAYMENTS
Kindred	14	920,536

**Maximum Fee Basis Analysis**

		Net Patient Service Revenue		
		Inpatient	Outpatient	Inpat + Outpat
310019	St. Joseph's UMC	\$422,766,502	\$430,609,251	\$853,375,753
310006	St. Mary's General Hospital	\$108,323,903	\$52,072,713	\$160,396,616
312020	Kindred Specialty Hospital	\$16,004,304	\$0	\$16,004,304
		547,094,709	482,681,964	1,029,776,673

<b>1.0861</b>	<b>Inflator</b>
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		Inflated Fee Basis		
		Inpatient	Outpatient	Inpat + Outpat
310019	St. Joseph's UMC	\$459,163,618	\$467,681,571	\$926,845,189
310006	St. Mary's General Hospital	\$117,649,802	\$56,555,794	\$174,205,596
312020	Kindred Specialty Hospital	\$17,382,158	\$0	\$17,382,158
		594,195,578	524,237,365	1,118,432,943

<b>\$1,118,432,943</b>	<b>Total IP + OP NPSR</b>
<b>\$55,921,647</b>	<b>5% Cap</b>
<b>\$54,888,461</b>	<b>4.88% NPSR (max)</b>

**ACR Equivalent and Total SDP Analyses**

**Inpatient Hospital - General Acute**

<i>Per Diem ACR Threshold</i>		\$6,688.54	a
Aggregate CY24 Patient Days	37,546		
Medicaid HMO Payments	\$94,285,792.11	\$2,511.21	b
QIP-NJ	\$10,289,848.98	\$274.06	c
		\$2,785.27	d = b + c
<i>Remaining Room Under ACR Threshold (Pre County Option)</i>		<i>\$3,903.27</i>	<i>e = a - d</i>
County Option SDPs	\$135,954,771.35	\$3,621.02	f
Post County Option Remaining ACR Room		\$282.25	g = e - f

<b>Percentage of ACR Equivalent</b>	<b>95.78%</b>	<b><math>h = (d + f) / a</math></b>
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**Inpatient Hospital - Non General Acute**

<i>Per Diem ACR Threshold</i>		\$6,688.54	j
Aggregate CY24 Patient Days	425		
Medicaid HMO Payments	\$990,961.18	\$2,331.67	k
QIP-NJ	\$0.00	\$0.00	l
<i>Remaining Room Under ACR Threshold (Pre County Option)</i>		<i>\$4,356.87</i>	<i>m = j - k - l</i>
County Option SDPs	\$920,536.13	\$2,165.97	n
Post County Option Remaining ACR Room		\$2,190.90	o = m - n

<b>Percentage of ACR Equivalent</b>	<b>32.38%</b>	<b><math>p = (m + n) / j</math></b>
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**CY 2024 Medicaid HMO Encounter Data and FMAP Calculations**

	PATIENT DAYS				DISCHARGES				Medicaid HMO Payments			
	CHIP	Expansion	Medicaid	TOTAL	CHIP	Expansion	Medicaid	TOTAL	CHIP	Expansion	Medicaid	TOTAL
St. Mary's	36	2,347	2,225	4,608	12	578	576	1,166	\$72,698.82	\$6,371,007.22	\$4,867,979.40	\$11,311,685.44
St. Joseph's	1,270	12,292	19,376	32,938	293	1,861	3,030	5,184	\$3,929,067.46	\$31,462,060.79	\$43,695,836.46	\$79,086,964.71
Kindred	0	156	269	425	0	7	7	14	\$0.00	\$334,747.35	\$615,359.25	\$950,106.60
	1,306	14,795	21,870	37,971	305	2,446	3,613	6,364				\$91,348,756.75

FMAP Calculations				
DISCHARGES				
	CHIP	Expansion	Medicaid	TOTAL
General Acute	305	2,439	3,606	6,350
Non-General Acute	0	7	7	14

General Acute	Population FMAP	65%	90%	50%	
	Population Proportion	4.80%	38.41%	56.79%	
	Aggregate FMAP	3.12%	34.57%	28.39%	<b>66.08%</b>

Non General Acute	Population FMAP	65%	90%	50%	
	Population Proportion	0.00%	50.00%	50.00%	
	Aggregate FMAP	0.00%	45.00%	25.00%	<b>70.00%</b>

**Quarterly Index Levels \***  
**Inpatient Hospital Input Price Index using IHS Global Inc.**  
**Forecast**  
**Assumptions by Expense Category**

<i>Expense Category</i>	<i>Price/Wage Variable</i>	Base Year Weights 2023
Total - PPS23		100.0

2024 Q4	Forecast 2025 Q4	Forecast 2026 Q4	Forecast 2027 Q2
1.057	1.094	1.129	1.148

3.500%    3.199%    1.683%

<b>Mercer Consulting CY24 to SFY27 Trend Factors</b>	
<b>Inpatient Hospital</b>	<b>Outpatient Facility</b>
4.30%	2.68%

\* Quarterly index levels and four-quarter moving average percent changes are reported on a calendar year (CY) basis. For example, the Q4 index level corresponds with October 1 through December 31 and the Q4 four-quarter moving average percent change reflects the CY growth rate.

\*\* Percent change moving averages are calculated using more than ten decimal places.

Source: IHS Global Inc. 2025Q3 Forecast

Historical Data through 2025Q2

Released by CMS, OACT, National Health Statistics Group, dnhs@cms.hhs.gov

12/15/2025