

**LEGAL NOTICE
STATE OF NEW JERSEY
DEPARTMENT OF HEALTH
OFFICE OF HEALTH CARE FINANCING
DEPARTMENT OF HUMAN SERVICES
DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES
HOSPITAL FINANCE
GRADUATE MEDICAL EDUCATION**

TAKE NOTICE: The New Jersey Department of Health (DOH), in coordination with the New Jersey Department of Human Services (DHS), Division of Medical Assistance and Health Services (DMAHS) intends to seek any required 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 the following, subject to the passage of State Fiscal Year 2027 (SFY27) budget provisions for the period July 1, 2026 through June 30, 2027.

Hospital Reimbursement for GME

Notwithstanding the provisions of any law or regulation to the contrary, and except as otherwise provided and subject to such modifications as may be required by CMS in order to achieve any required federal approval and full Federal Financial Participation, \$218,000,000 from amounts appropriated for Graduate Medical Education (GME) shall be designated the GME Subsidy for acute care hospitals that are licensed and operational as of July 1, 2026, and shall be calculated as follows:

(a) the subsidy payment shall be split into a Direct Medical Education (DME) portion and an Indirect Medical Education (IME) portion;

(b) source data used for the GME calculation shall come from the Medicaid cost report for calendar year (CY) 2024 submitted by each acute care hospital by February 14, 2026 and Medicaid Managed Care encounter payments data for Medicaid and NJ FamilyCare clients as reported by insurers to the State for the following reporting period: services dates between January 1, 2024 and December 31, 2024; payment dates between January 1, 2024 and December 31, 2025; and a run-date of not later than February 15, 2026;

(c) in the event that a hospital reported less than 12 months of 2024 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 resulting in two cost reports filed during the calendar year, two cost reports will be combined into one or a supplemental cost report for the calendar year 2024 submitted by the affected acute care hospital by January 31, 2026 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, DOH shall ascertain Medicaid managed care encounter days for Medicaid and NJ FamilyCare clients as reported by insurers to the State as per source data defined in (b) above;

(d) Medicaid managed care DME cost begins with the intern and residency program costs using the 2024 submitted 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 the 2024 resident full time equivalent employees (FTE), reported on Worksheet S-3 Pt 1 Column 9 line 14 to develop an average cost per resident FTE for each hospital;

(e) median cost per resident FTE is calculated based on the average cost per resident FTE for each hospital;

(f) the median cost per resident FTE is multiplied by the 2024 resident FTEs reported on Worksheet S-3 Pt 1 Column 9 Line 14 to develop total median residency program cost for each hospital;

(g) median residency costs are multiplied by the ratio of Medicaid managed care days, reported on Worksheet S-3 Column 7 Line 2, divided by the difference of total days, reported on Worksheet S-3 Column 8 Line 14, less nursery days, reported on Worksheet S-3 Column 8 Line 13 to determine the Medicaid managed care DME cost of each hospital;

(h) Medicaid managed care IME cost is defined as the Medicare IME factor multiplied by Medicaid managed care encounter payments as per source data defined in (b) above;

(i) the IME factor is calculated using the Medicare IME formula as follows: $1.35 * [(1 + x)^{0.405} - 1]$, in which "x" is the ratio of submitted IME resident FTEs reported on Worksheet S-3 Pt 1 Column 9 Line 14 divided by the difference of total available beds, reported on Worksheet S-3 Column 2 Line 14, less nursery beds, reported on Worksheet S-3 Column 2 Line 13;

(j) total 2024 Medicaid managed care GME costs shall equal total 2024 Medicaid managed care IME costs plus total 2024 Medicaid managed care DME costs;

(k) the 2024 total Medicaid managed care DME costs is divided by the total 2024 Medicaid managed care GME costs;

(l) the DME allocation portion is calculated by multiplying the total subsidy amount by the ratio in (k) above;

(m) each hospital's percentage of total 2024 Medicaid managed care DME costs shall be multiplied by the DME allocation to calculate its DME payment;

(n) the 2024 total Medicaid managed care IME costs are divided by the total 2024 Medicaid managed care GME costs;

(o) the IME allocation portion is calculated by multiplying the total subsidy amount by the ratio in (n) above;

(p) each hospital's percentage of total 2024 Medicaid managed care IME costs shall be multiplied by the IME allocation to calculate its IME payment;

(q) the sum of a hospital's DME and IME payments shall equal its subsidy payment. The total GME Subsidy amount and these payments shall not exceed \$218,000,000 and shall be paid in 12 monthly payments;

(r) 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;

(s) each hospital receiving a GME allocation shall, on or before May 31, 2027, provide a report to the Commissioner of Health indicating the total number of physicians who completed their training during the preceding calendar year, and the number of those physicians who plan to practice medicine within the State of New Jersey.

Please note that the GME calculation methodology is subject to change based upon the final enacted SFY 27 budget language.

This Notice is intended to satisfy the requirements of Federal statutes and regulations, specifically 42 CFR 447.205, and 42 U.S.C. 1396a(a)(13). A copy of this Notice is available for public review at the Medical Assistance Customer Centers, County Welfare Agencies, and DHS' website at the following website address:

<https://nj.gov/humanservices/notices/grants/public-notices/>. Comments or inquiries must be submitted in writing within 30 days of the date of this notice to:

Department of Health
Office of Legal & Regulatory Compliance
Attention: Kimberly Jenkins
P.O. Box 360
Trenton, New Jersey 08625
E-mail: Kimberly.Jenkins@doh.nj.gov