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State/Territory Name: **New Jersey**

State Plan Amendment (SPA) #: **13-009**

This file contains the following documents in the order listed:

- 1) Approval Letter
- 2) CMS 179 Form
- 3) Approved SPA Pages

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop S2-26-12
Baltimore, Maryland 21244-1850



MAR 11 2014

Valarie Harr
State Medicaid Director
Department of Human Services
Division of Medical Assistance and Health Services
State of New Jersey
P.O. Box 712
Trenton, NJ 08625-0712

RE: State Plan Amendment (SPA) NJ 13-009(MA)

Dear Ms. Harr:

We have reviewed the proposed amendment to Attachment 4.19-A of your Medicaid State Plan submitted under transmittal number (TN) 13-009. Effective July 1, 2013 this amendment operationalizes a new Graduate Medical Education (GME) distribution as authorized in the state's 1115 Comprehensive Waiver's Special Terms and Conditions (STCs) approved on October, 2012 (and amended in December, 2013).

We conducted our review of your submittal according to the statutory requirements at sections 1902(a)(13), 1902(a)(30), 1903(a) and 1923 of the Social Security Act and the implementing Federal regulations at 42 CFR Part 447. This is to inform you that New Jersey 13-009 is approved effective July 1, 2013 and have enclosed the CMS-179 and approved plan pages.

If you have any questions, please contact Tom Brady at 518-396-3810 or Rob Weaver at 410-786-5914.

Sincerely

A solid black rectangular box redacting the signature of the sender.

Cindy Mann
Director

Enclosures

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**

FOR: CENTERS FOR MEDICARE AND MEDICAID SERVICES

1. TRANSMITTAL NUMBER:

13-09-MA(NJ)

2. STATE

New Jersey

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE
SOCIAL SECURITY ACT (MEDICAID)

TO: REGIONAL ADMINISTRATOR
CENTERS FOR MEDICARE AND MEDICAID SERVICES
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE:

July 1, 2013

5. TYPE OF PLAN MATERIAL (Check One):

NEW STATE PLAN

AMENDMENT TO BE CONSIDERED AS NEW PLAN

AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

Social Security Act Section 1902(a)(13)

7. FEDERAL BUDGET IMPACT

FFY 2013: \$11,250,000

FFY 2014: \$51,250,000

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19-A Pages 1-227(d),(e) (f) and (g)

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

New pages

10. SUBJECT OF AMENDMENT:

2014 GME Distribution Methodology

11. GOVERNOR'S REVIEW (Check One):

GOVERNOR'S OFFICE REPORTED NO COMMENT

OTHER, AS SPECIFIED:

Not required, pursuant to 7.4 of the Plan

COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

12. SIGNATURE OF STATE AGENCY OFFICIAL:

[Redacted Signature]

16. RETURN TO:

Valerie Harr, Director
Division of Medical Assistance and Health
Services

P.O. Box 712, #26
Trenton, NJ 08625-0712

13. TYPED NAME: Jennifer Velez

14. TITLE: Commissioner

15. DATE SUBMITTED:

3/6/14

(originally submitted 8/26/13)

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

18. DATE APPROVED:

MAR 11 2014

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

JUL 01 2013

20. SIGNATURE OF REGIONAL OFFICIAL:

[Redacted Signature]

21. TYPED NAME:

Penny Thompson

22. TITLE:

Deputy Director, Policy & Financial Mgt. CMCS

23. REMARKS:

**STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT
State of New Jersey**

Reimbursement for In-State Acute Care Inpatient Hospital Services Graduate Medical Education (GME) and Indirect Medical Education (IME)

12.4 Distribution of Graduate Medical Education (GME) Made on Behalf of Individuals enrolled in New Jersey's Comprehensive Waiver (NJCW) Demonstration.

- (a) Effective July 1, 2013, \$100 million in GME payments made on behalf of individuals enrolled in the NJCW Demonstration shall be distributed annually to all eligible acute care teaching hospitals using the methodology described in this section. An eligible acute care teaching hospital, beginning SFY 2014, will be defined as any acute care hospital with GME interns and residents Full Time Equivalencies (FTEs). NJ has established actuarially sound capitation rates, and has adjusted such rates to account for the GME payments provided in this section.
- (b) The GME allocation shall be calculated using data from the hospital's most recent available submitted cost report as of February 1 the year prior to the subsidy payment year for acute care general hospitals and the sum of Medicaid Primary (Title XIX of the Social Security Act) and Enhanced FamilyCare Part A Inpatient managed care payments' payments (Net of Administrative Payments and Medicaid Excluded unit payments. In the event the hospital has been in operation less than twelve months in the reporting period, the number of reported months of data regarding days, costs, or payments shall be annualized). A Medicaid Excluded unit is defined as an entity in which the hospital has elected to be paid a cost per discharge based on Medicare TEFRA (see Tax Equity and Fiscal Responsibility Act of 1982, Pub. L. 97-248, U.S.C. sec. 1395ww(b)) rules rather than on a diagnosis related group (DRG) basis. The hospital payments are obtained using the hospital's most recent fiscal year of data for which the Division has 24 months of paid claims data prior to February 1 the year prior to the rate year.
- (c) A Direct Medical Education (DME) Cost is calculated for each Medicaid identified acute care general hospital using the approved residency program salary and fringe costs and other residency costs. Medicaid managed care utilization is calculated for each hospital using the ratio of Medicaid managed care patient days less related nursery patient days to the net of total patient days less nursery patient days. 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. Each Medicaid identified acute care general hospitals' managed care DME cost is divided by the sum of all Medicaid identified acute care general hospitals' DME costs to arrive at a percent to total. A hospital's percent total is

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multiplied by the total DME pool allocation to determine the DME portion of the GME payment. The DME pool allocation is the industry-wide Medicaid managed care DME costs divided by the sum of the Medicaid managed care cost both DME and IME multiplied by the appropriate GME amounts from section 12.4(a) above.

- (d) An Indirect Medical Education (IME) Factor is calculated for each Medicaid identified acute care general hospital using a ratio of submitted IME Resident FTEs to net available beds (less nursery beds) and the Medicare IME Formula. This IME Factor is multiplied by the above mentioned Medicaid and FamilyCare Part A payments using the hospitals' most recent calendar year of data for which the State has twenty four months of paid claims data prior to January 1 of the fiscal year prior to the rate year to obtain a hospital specific IME amount. Each Medicaid identified acute care general hospital's IME amount is then divided by the sum of all Medicaid identified acute care general hospitals' IME amounts to arrive at a percent to total. This percentage is multiplied by the IME pool allocation amount to determine the hospital's individual allocation. The IME pool allocation is the industry-wide Medicaid managed care IME costs divided by the sum of the Medicaid managed care cost both DME and IME multiplied by the appropriate GME amount from section 12.4(a) above.
- (e) The Division will use a phase-in process to transition to this methodology over a three year period (SFY 2014-2016). During the three year transition period, during SFY 2014 the allocation amount will be determined using the sum of seventy five percent of the prior year allocation amount and twenty five percent of the new formula amount. During SFY 2015 the allocation amount will be determined using the sum of fifty percent of the SFY 2014 allocation amount and fifty percent of the SFY 2015 formula amount. The new formula will be used for SFY 2016.
- (f) Payments for GME shall be made in the amount of \$45 million for the period between July 1, 2013 through December 31, 2013, \$55 million between January 1, 2014 through June 30, 2014, and in the amount of \$100 million beginning July 1, 2014 and thereafter during the State Fiscal Year.
- (g) Distribution of Graduate Medical Education (GME) in the Event of a Hospital Closure or Hospital Acquisition During or After State Fiscal Year (SFY) 2014: In the event of a hospital closure or hospital acquisition, GME allocations that would have been

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provided to the closed hospital are to be redistributed to eligible hospitals. GME allocations will be redistributed to eligible hospitals receiving GME FTEs from the closed or acquired hospital. If no hospitals are receiving GME FTEs from a closed or acquired hospital, the GME amount will be redistributed to all eligible hospitals by applying the then current SFY GME payment formula.

(h) Appeal process for distribution of Graduate Medical Education (GME)

(a) In the event that a hospital elects to appeal the subsidy allocation, the following procedure is to be adhered to:

1. A hospital which suspects that the subsidy payment schedule reflects a calculation error shall notify the Executive Director of Healthcare Financing in writing of the suspected calculation error within 15 working days of issuance of the schedule. A calculation error is limited to a mathematical mistake made by the Department or data not matching the actual source documents used to calculate the GME payment. If upon review it is determined by the Department of Health that the error is valid and would constitute at least a five percent change in the hospital's allocation amount, a revised industry-wide allocation will be issued.
2. A notice by a hospital of an intent to appeal the amount of its allocation indicated on the subsidy payment schedule, for reasons other than a calculation error, shall be submitted in writing to the Executive Director within 15 working calendar days of issuance of the particular subsidy payment schedule. Within 30 calendar days of issuance of the subsidy payment schedule, the hospital shall submit to the Executive Director two copies of its appeal, describing in detail the basis of its appeal of the aforementioned payment schedule. Appeals shall not include new submissions pertaining to claims and/or cost report data that was not previously submitted in accordance with time frames and procedures established for submission of the data utilized in the subsidy allocation calculation.
 - i. The appeal document shall list all factual and legal issues, including citation to the applicable provisions of the Department's rules, and shall include written documentation supporting each appeal issue.

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- ii. If the hospital fails to submit the required documentation within the prescribed time frame, such hospital shall have forfeited its right of appeal and the subsidy payment schedule shall be deemed to have been accepted by the hospital.
3. The Executive Director shall schedule a detailed review to be conducted by the Department with the hospital not more than 45 calendar days following receipt of the appeal document. If the hospital fails to appear on the established date, it shall have forfeited its right of appeal and the subsidy payment schedule shall be deemed to have been accepted by the hospital.
4. At the detailed review with the hospital, the Department representative shall indicate whether the appeal is supported by sufficient documentation to permit a resolution, and the hospital shall be permitted 10 calendar days after the date of the review in which to submit the additional documentation which the Department indicates is needed for resolution.
 - i. Following receipt of this documentation, the Department shall neither request nor require further documentation.
 - ii. The Executive Director shall give consideration only to documentation submitted pursuant to the deadlines set forth in this section in deciding upon any of the hospital's appeal issues.
5. Within 30 calendar days of the review with the hospital, the Executive Director will render detailed findings on the factual and legal issues concerning whether an adjustment to the subsidy payment schedule is warranted. The Executive Director's decision shall constitute the final agency adjudication.

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