

New Jersey Governor’s Full Year 2020 Recommended Budget Analysis

The Governor’s full year 2020 budget, introduced on March 5, 2019, requests \$38.6B for the upcoming fiscal year, an increase of approximately 3% over Fiscal Year (FY) 2019. In general, the budget provides for stable funding for all health and human services programs, including Medicaid. The budget continues all the legislative initiatives added in FY 2019, and therefore, is expected to pass in June with relatively few changes.

Medicaid – Division of Medical Assistance and Health Services (DMAHS)

Approximately 75% of the New Jersey Medicaid budget (\$12.5B) is allocated to DMAHS. Below is a summary of the cost of the program by funding source between 2017 and 2020.

Fund Source	FY 2017	FY 2018	FY 2019 est.	FY 2020 est.
State Share	\$4,475,300	\$4,721,910	\$4,928,870	\$4,949,777
Federal Share	\$7,558,563	\$7,620,868	\$7,725,993	\$7,496,552
Client Share	\$23,363	\$24,099	\$26,945	\$27,858
Total Medicaid Costs	\$12,057,226	\$12,366,877	\$12,681,808	\$12,474,187

For FY2020, the state share of Medicaid is projected to grow by \$243M or about 3%, despite a slight decline in enrollment. However, this growth will be offset by large one-time increases in federal Disproportionate Share Hospital (DSH) revenues and drug manufacturer rebates.

The underlying 3% growth is being driven in large part by three variables:

1. The growth in long-term care home and community-based services;
2. Increase in the Medicare premiums paid by Medicaid on behalf of the beneficiary;
and
3. Paying the increased state share of the Medicaid expansion population.

Notably, this is last year of growth in state costs associated with the Medicaid expansion as we have reached the end of the 5-year glide path to the 90% federal minimum included in the ACA. However, as the aging demographic continues to grow and more baby boomers reach 65, the financial pressure to support the growth in Medicare premiums and long-term care services will be a budget challenge for New Jersey going forward.

Medicaid Major Service Category Trends

The trends included in the Governor's budget are highlighted below. Note the amounts include state and federal funds.

- Home and community-based long-term care costs are projected to grow by 13.3% from \$853M to \$967M.
- Hospital costs are projected to grow by 5.1% from \$4.35B to \$4.58B, driven by an increase in visits.
- Nursing home costs are projected to remain essentially flat, growing from \$1.841B to \$1.843B, as slightly lower utilization will offset per diem inflation.

The Program for All Inclusive Care (PACE), which provides a combined Medicare/Medicaid benefit package to Medicaid beneficiaries that need long-term care, is projected to grow by nearly 7% from \$57.7M to \$61.5M.

New Initiatives

- **Medicaid ACOs** – the budget provides \$1.5M in state funds (\$3M in total) for the Medicaid ACOs to provide intensive management of high utilization Medicaid recipients with the goal of improving health outcomes and patient satisfaction while lowering costs.



- **Doula Care** – the budget calls for \$1M to provide doula care for Medicaid beneficiaries. These services could be eligible for federal matching funds which would double the amount made available.
- **Nurture NJ** – \$250k is recommended to support a new interdepartmental program to increase awareness and develop a statewide plan to reduce maternal and infant mortality and morbidity.
- **Corporate Responsibility Fee** - employers that have 50 or more employees receiving state Medicaid benefits would be required to pay \$150.00 per employee receiving Medicaid. The fee was included to encourage these employers to extend health benefits to these employees and reduce dependence on Medicaid.
- **Medicaid Management Information System (MMIS)** – the recommended budget includes nearly \$11M in new state funding, a 73% increase from base funding, to support an upgraded MMIS.

Medicaid Funding in Other DHS Divisions

Developmental Disabilities (DD) – Overall, the Medicaid portion of the DD budget will increase from \$1.467B in FY 2019 to \$1.69B in FY 2020, a 15% increase. The growth can be attributed to increased enrollment in the Community Care Program (CCP). In FY 2020, approximately 12,000 individuals will be living in a state-contracted residential care and receiving support services from CCP. The Supports Program (SP), which provides specialized DD services to patients living at home, is expected to increase by approximately 20% due to increased program enrollment.

Medicaid Funding in Other State Departments

- **Department of Children and Families** – Funding for the Children’s System of Care, which provides access to behavioral health services for children, is projected at approximately \$600M (\$242 in federal funds). While costs for services increased,

the number of expensive out-of-state residential treatment facilities is projected to decline to offset the growth.

- **Department of Health** – The budget continues the nearly \$700M in hospital funding for FY 2020 for Medicaid programs within the Department of Health. Charity Care (\$262M), Delivery System Reform Incentive Payments (DSRIP) (\$166.6M), and Graduate Medical Education (GME) (\$242M) are all recommended to remain at their FY 2019 levels.

Conclusions

The Governor's Recommended Budget is the first step towards the enactment of the Appropriations Act which must be passed by June 30, 2019. As presented, the budget avoids any reductions in eligibility, services, or provider reimbursement and is therefore unlikely to undergo any significant change in the legislature. Looking forward to FY 2021, in the absence of other large one-time windfalls from DSH and drug rebates to offset the program's growth, the state will likely need to increase state appropriations by an approximately \$200M next year or identify program efficiencies of equal magnitude.