

State Subsidies for Federally Qualified Health Centers in New Jersey: Options for Reform

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Outline of presentation

1. FQHC subsidy in NJ
2. Reform options considered by CSHP
3. Proposal for immediate change in subsidy formula

Current subsidy in NJ

- Support for uninsured care at FQHC's
- Financed out of a 0.53% tax on hospital revenue
- Administered through Healthcare Subsidy Fund
- Finances other initiatives
- Historically, FQHC funding capped at \$8-12m annually

Payment for uninsured visits

- Uninsured patients with income < 250% FPL
- Primary & dental care visits
- Must exceed baseline level

Baseline visit requirement

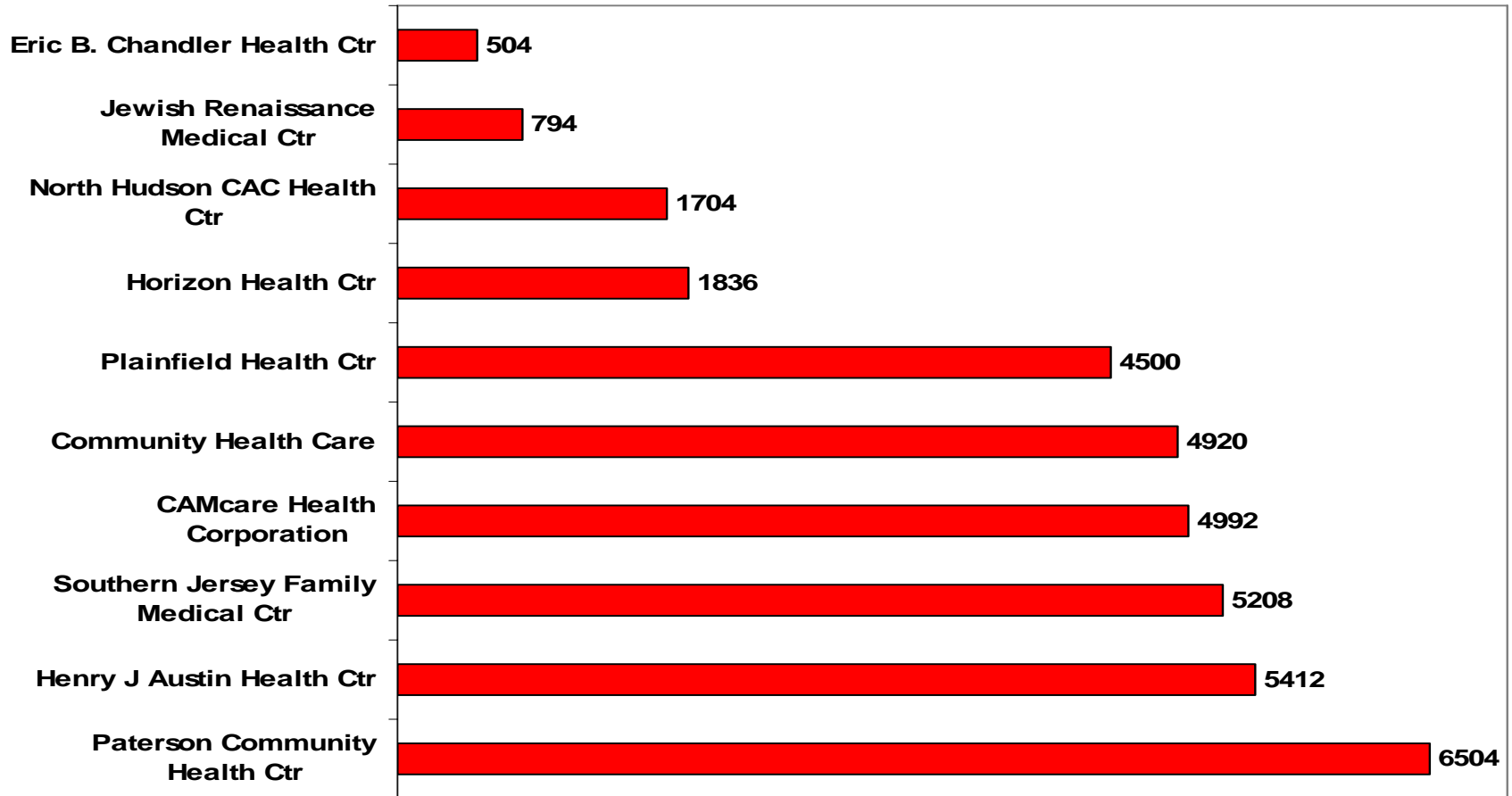
- Different for each FQHC
- Related to self-pay volume from early 1990's
- Intended to support uninsured visits not covered by federal grants

- Monthly volume relative to baseline
- \$104/visit above baseline

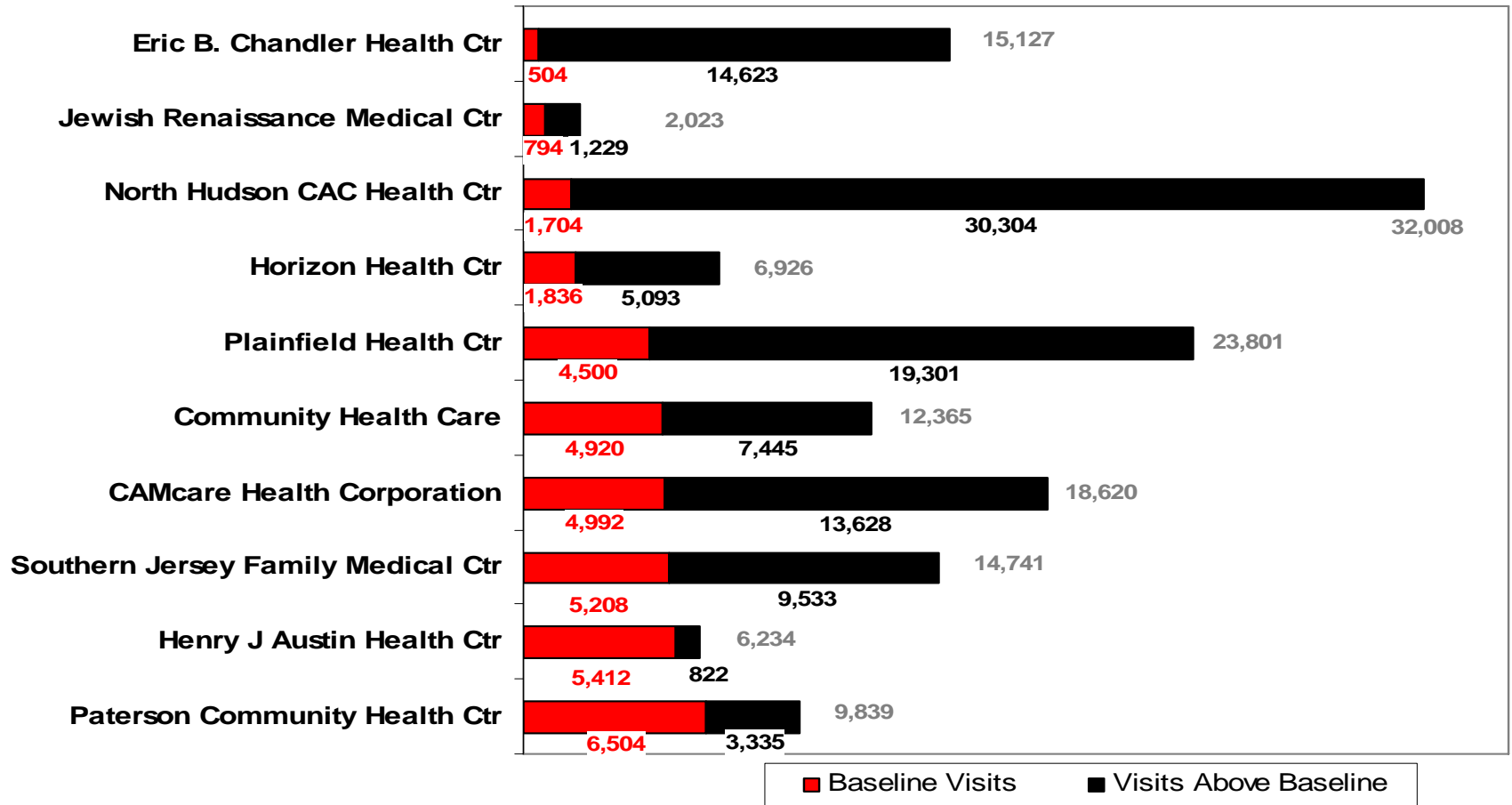
Problems with current subsidy

- Baseline thresholds outdated
- Hard to bring new centers into system (arbitrary baselines)
- Does not account for other factors affecting ability to serve the uninsured (e.g., uninsured burden)
- No quality incentives

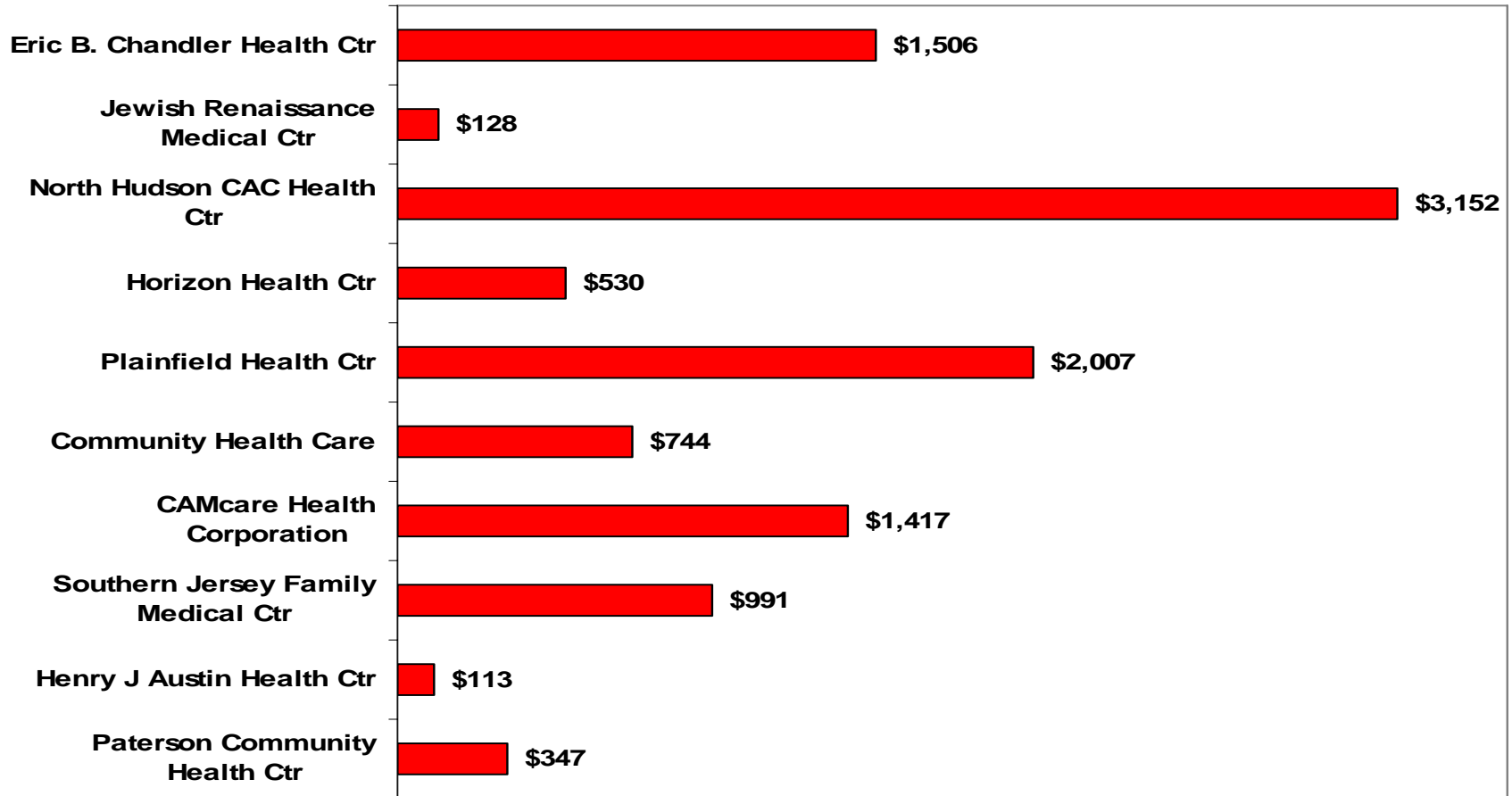
Baseline Visits, SFY-03



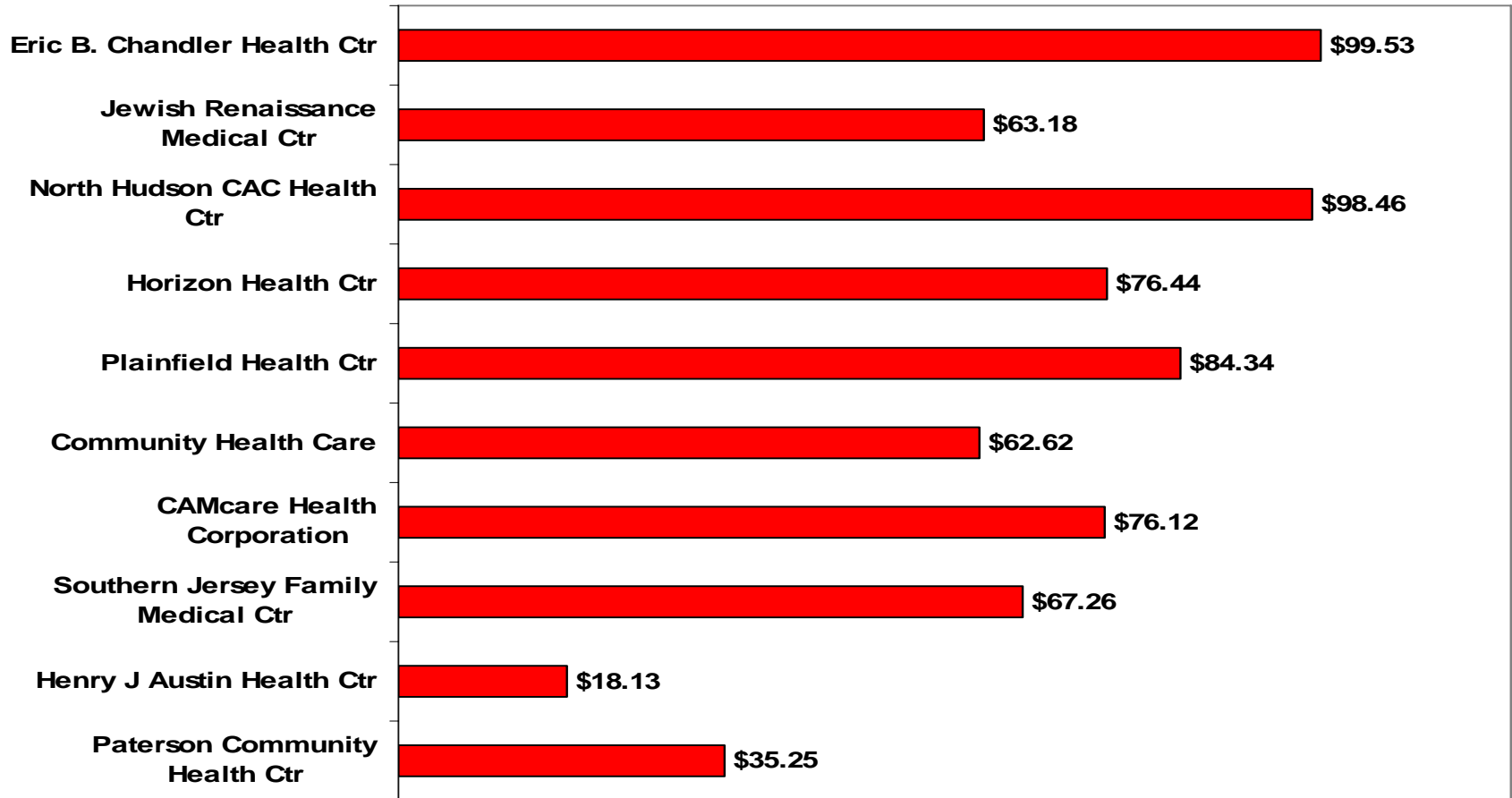
Total Uninsured Visits and Visits Above Baseline, SFY-03



Distribution of Current Subsidy Payments (In Thousands), SFY-03



Current Payment Per Uninsured Visit, SFY-03



Reform options considered by CSHP

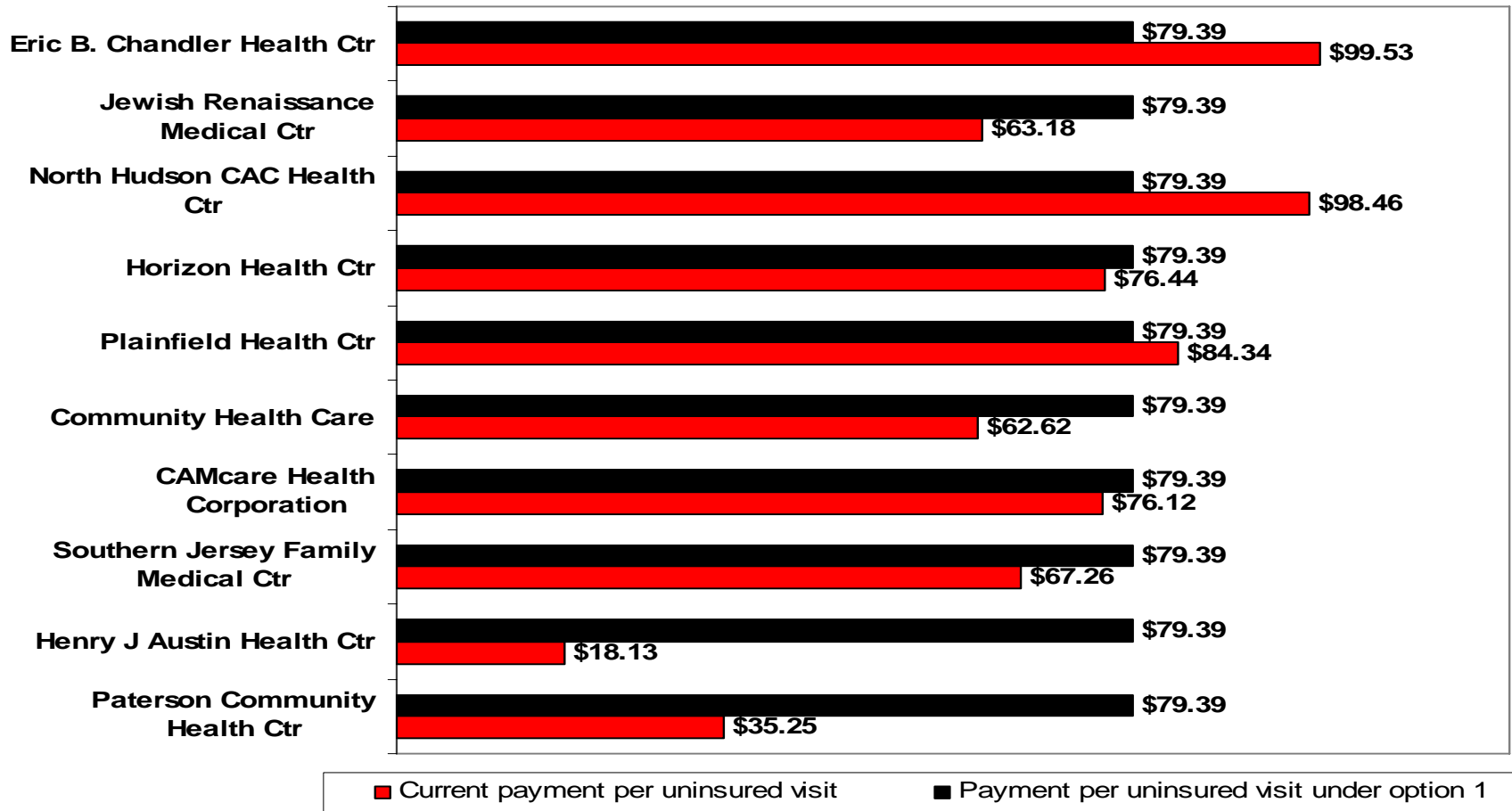
- Option 1: Allocate subsidy according to share of uninsured visits
- Option 2: Allocate subsidy according to uninsured burden (from UDS)
- Option 3: Allocate subsidy according to prevention and quality measures

- Blended options & transitions

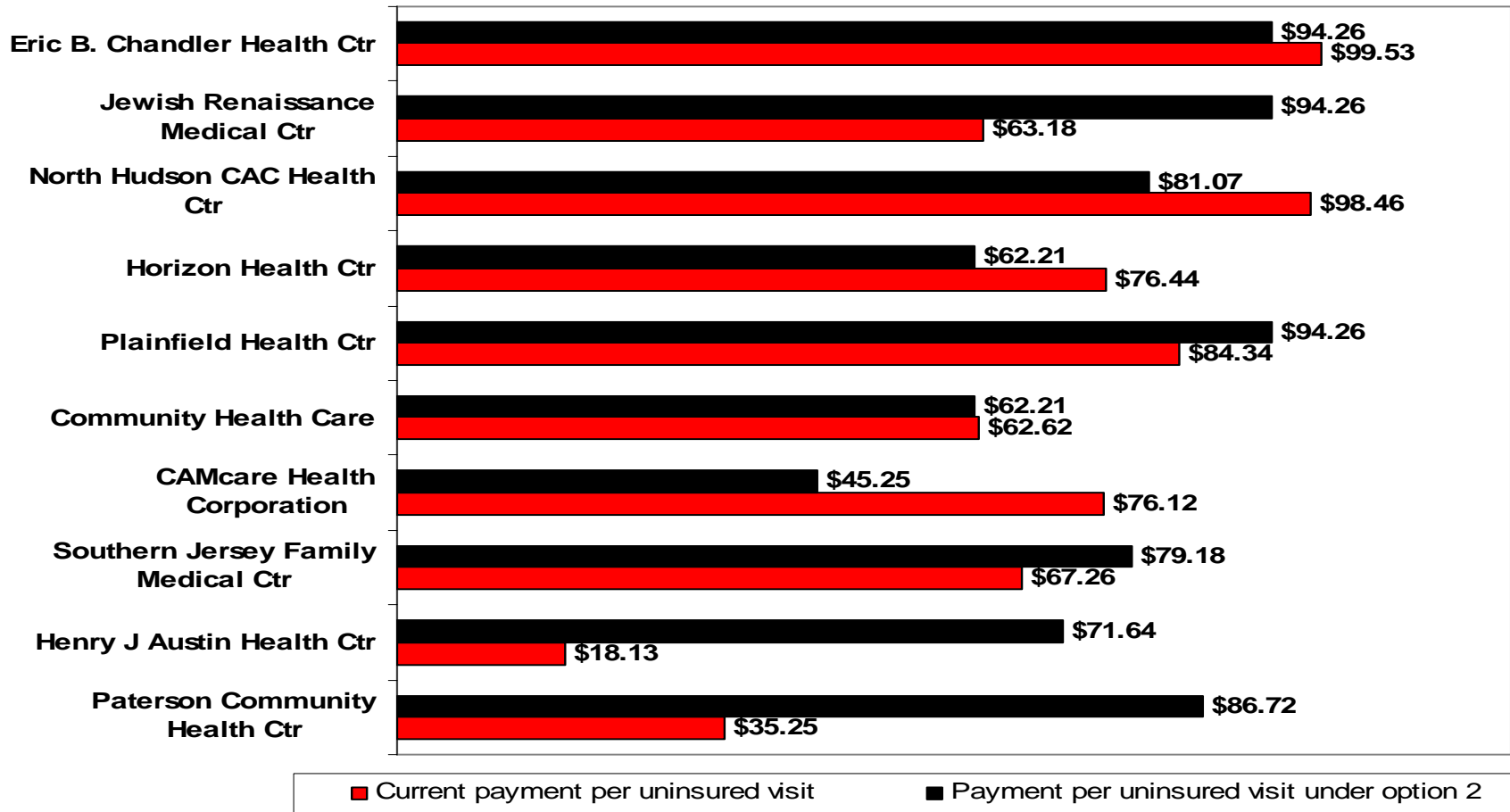
Simulation Methodology & Data

- How would distribution of payments change under each option (holding everything else constant)?
- Subsidy payments & visits for SFY-03
- Burden derived from UDS 2002
- Favored services (for all patients) derived from UDS 2002
- 10 FQHC's with usable data
- Received \$10,964,983 in SFY-03
- Budget neutrality

Payment Per Uninsured Visit Under Option 1



Payment Per Uninsured Visit Under Option 2



Short and long term recommendations

- Short term: immediate reform existing formula
 - Eliminate baselines
 - Blend options 1 & 2
 - Refine method to account for uninsured burden
 - Transition
- Long term: Further develop option 3
 - Define favored services
 - Detailed data (electronic billing records)
 - Bonus for top performers

Proposal for immediate reform

- Based on calculations performed by NJDHSS & CSHP
- Set base payment per uninsured visit at \$90 (payment for first visit)
- Adjust base rate according to uninsured burden

Uninsured burden	Adjustment to base rate
Less than 35%	95%
At least 35% but < 43%	100%
At least 43% but < 47%	105%
47% or more	110%

Implementation of reformed formula

- SFY-2006
- Prospective burden calculation

Data from 7/1/04 through 6/31/05 applied to SFY beginning on 7/1/05

- New centers paid at 100% of base rate until burden experience can be measured