



NATIONAL ASSOCIATION OF
Community Health Centers

Promising Practices # 4 **Protecting State Funding for Health Centers through Statute**

July 2009

Overview

During times of tight budget cycles and large deficits, many states seek to decrease or eliminate discretionary spending. Most state pools of money for primary care are not mandatory spending items and are vulnerable to cuts. This presents an obstacle for many Primary Care Associations (PCAs) as they advocate for increased state funding for community health centers (CHCs). In New Jersey they have come up with a way to protect their state funding for health centers by creating a funding mechanism that is written into state law. By writing into law a fund for CHCs this safeguards the money from going through the state budget cycle each fiscal year which can expose it to deep cuts. Of course any bill or public law can be opened up, reviewed and voted upon during the budget process, but having a public law does eliminate some of the “drama” associated with the State budget process. It is also an effective strategy because there is little or no cost incurred by the state in terms of new dollars.

Legislation

In 1992 the New Jersey Legislature passed the Health Care Subsidy Act that allocated \$10 million to community health centers to expand access and help triage patients out of hospital emergency rooms. This funding was a tax on hospitals and charged them .53% of 1% revenue. Many other programs were funded out of this pot as well as the community health centers. Then in 2005, the State passed bill no. A4026/S2260, which continued to impose a tax on hospitals, but now all money in the pot (\$40 million) was to be used to support federally qualified health centers in the state (see attached). This legislation continued the Health Care Subsidy Fund under the jurisdiction of the Department of Health and Senior Services, and lists FQHCs as recipients. The law states that all general hospital and specialty heart hospitals in the State will pay .53% of 1% of total operating revenue to the Health Care Subsidy Fund. Payments are made monthly to the Department and the total amount paid into the fund should not exceed \$40 million per year. Starting in state fiscal year 2008, FQHCs will receive the total sum of money deposited into the

Health Care Subsidy Fund. The law specifies that this money should be used by the health centers for the compensation of services provided to the uninsured.

Strategy

Since the 1990's health centers in New Jersey have been receiving state money that was originally allocated to help relieve some of the burden on the hospital emergency rooms. This amount began to increase as years went on and the New Jersey Primary Care Association (NJPCA) had gained friends and health center advocates in the state legislature. It was upon meeting with one of their champions in the state senate that the idea of writing a bill began. After gaining the support they needed in the legislature, NJPCA quickly wanted to earn the support of many organizations including the three hospital associations, and the general public. A large media push began and the PCA, with the help of a public relations firm, began to run articles and op-eds in local papers touting health centers. In addition, they made a point to invite state legislators as well as the Governor out to the health centers so they could see firsthand the quality patient care they provided.

Lessons Learned/Tips

- Meet with your champion in the legislature for ideas and suggestions as to what is legislatively possible in the state.
- Use state and local media outlets to get health centers on the radar and create buzz around the issue.
- Approach unconventional partners- in this case hospital associations- to see what they would be willing to compromise or work together on.

Contact

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Attachment

Section 8 of NJ P.L.1992, c.160 (C.26:2H-18.58)

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NACHC mission statement

To promote the provision of high quality, comprehensive and affordable health care that is coordinated, culturally and linguistically competent, and community directed for all medically underserved populations.

CHAPTER 237

AN ACT concerning funding for federally qualified health centers and amending P.L.1992, c.160.

BE IT ENACTED by the Senate and General Assembly of the State of New Jersey:

1. Section 8 of P.L.1992, c.160 (C.26:2H-18.58) is amended to read as follows:

C.26:2H-18.58 Health Care Subsidy Fund.

8. There is established the Health Care Subsidy Fund in the Department of Health and Senior Services.

a. The fund shall be comprised of revenues from employee and employer contributions made pursuant to section 29 of P.L.1992, c.160 (C.43:21-7b), revenues from the hospital assessment made pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62), revenues pursuant to section 11 of P.L.1996, c.28 (C.26:2H-18.58c), revenues from interest and penalties collected pursuant to this act and revenues from such other sources as the Legislature shall determine. Interest earned on the monies in the fund shall be credited to the fund. The fund shall be a nonlapsing fund dedicated for use by the State to: (1) distribute charity care and other uncompensated care disproportionate share payments to hospitals, and other eligible providers pursuant to section 8 of P.L.1996, c.28 (C.26:2H-18.59f), provide subsidies for the Health Access New Jersey program established pursuant to section 15 of P.L.1992, c.160 (C.26:2H-18.65), and provide funding for children's health care coverage pursuant to P.L.1997, c.272 (C.30:4I-1 et seq.); (2) provide funding for federally qualified health centers pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62); and (3) provide for the payment in State fiscal year 2002 of appropriate Medicaid expenses, subject to the approval of the Director of the Division of Budget and Accounting.

b. The fund shall be administered by a person appointed by the commissioner. The administrator of the fund is responsible for overseeing and coordinating the collection and reimbursement of fund monies. The administrator is responsible for promptly informing the commissioner if monies are not or are not reasonably expected to be collected or disbursed.

c. The commissioner shall adopt rules and regulations to ensure the integrity of the fund, pursuant to the "Administrative Procedure Act," P.L.1968, c.410 (C.52:14B-1 et seq.).

d. The administrator shall establish separate accounts for the charity care component of the disproportionate share hospital subsidy, other uncompensated care component of the disproportionate share hospital subsidy, federally qualified health centers funding and the payments for subsidies for insurance premiums to provide care in disproportionate share hospitals, known as the Health Access New Jersey subsidy account, respectively.

e. In the event that the charity care component of the disproportionate share hospital subsidy account has a surplus in a given year after payments are distributed pursuant to the methodology established in section 13 of P.L.1995, c.133 (C.26:2H-18.59b) and section 7 of P.L.1996, c.28 (C.26:2H-18.59e) and within the limitations provided in subsection e. of section 9 of P.L.1992, c.160 (C.26:2H-18.59), the surplus monies in calendar years 2002, 2003 and 2004 shall lapse to the unemployment compensation fund established pursuant to R.S.43:21-9, and each year thereafter shall lapse to the charity care component of the disproportionate share hospital subsidy account for distribution in subsequent years.

2. Section 12 of P.L.1992, c.160 (C.26:2H-18.62) is amended to read as follows:

C.26:2H-18.62 Monies designated for Health Care Subsidy Fund; allocation of monies.

12. a. (Deleted by amendment, P.L.2005, c.237).

b. (Deleted by amendment, P.L.2005, c.237).

c. (1) Notwithstanding any law to the contrary, each general hospital and each specialty heart hospital shall pay .53% of its total operating revenue to the department for deposit in the Health Care Subsidy Fund, except that the amount to be paid by a hospital in a given year shall be prorated by the department so as not to exceed the \$40 million limit set forth in this subsection. The hospital shall make monthly payments to the department beginning July 1, 1993, except that the total amount paid into the Health Care Subsidy Fund plus interest shall not exceed \$40 million per year. The commissioner shall determine the manner in which the payments shall be made.

For the purposes of this subsection, "total operating revenue" shall be defined by the department in accordance with financial reporting requirements established pursuant to N.J.A.C.8:31B-3.3 and shall include revenue from any ambulatory care facility that is licensed to a general hospital as an off-site ambulatory care service facility.

(2) The commissioner shall allocate the monies paid by hospitals pursuant to paragraph (1) of this subsection as follows:

(a) In State fiscal years 2006 and 2007, \$35 million of those monies shall be allocated to the support of federally qualified health centers in this State, and the remainder shall be allocated to the support of (i) the infant mortality reduction program in the Department of Health and Senior Services, (ii) the primary care physician and dentist loan redemption program established in the Higher Education Student Assistance Authority by article 3 of P.L.1999, c.46 (C.18A:71C-32 et seq.), and (iii) the development and use of health information electronic data interchange technology pursuant to P.L.1999, c.154 (C.17B:30-23 et al.); and

(b) In State fiscal year 2008 and thereafter, the entire amount of those monies shall be allocated to the support of federally qualified health centers in this State.

Monies allocated to the support of federally qualified health centers in the State under this paragraph shall be used for the purpose of compensating them for health care services provided to uninsured patients.

d. The monies paid by the hospitals and allocated under subsection c. of this section for the support of federally qualified health centers shall be credited to the federally qualified health centers account.

3. This act shall take effect on July 1, 2005; except that the Commissioner of Health and Senior Services may take such anticipatory administrative action in advance as shall be necessary for the implementation of the act.

Approved September 26, 2005.

LINK: http://www.njleg.state.nj.us/2004/Bills/PL05/237_.PDF