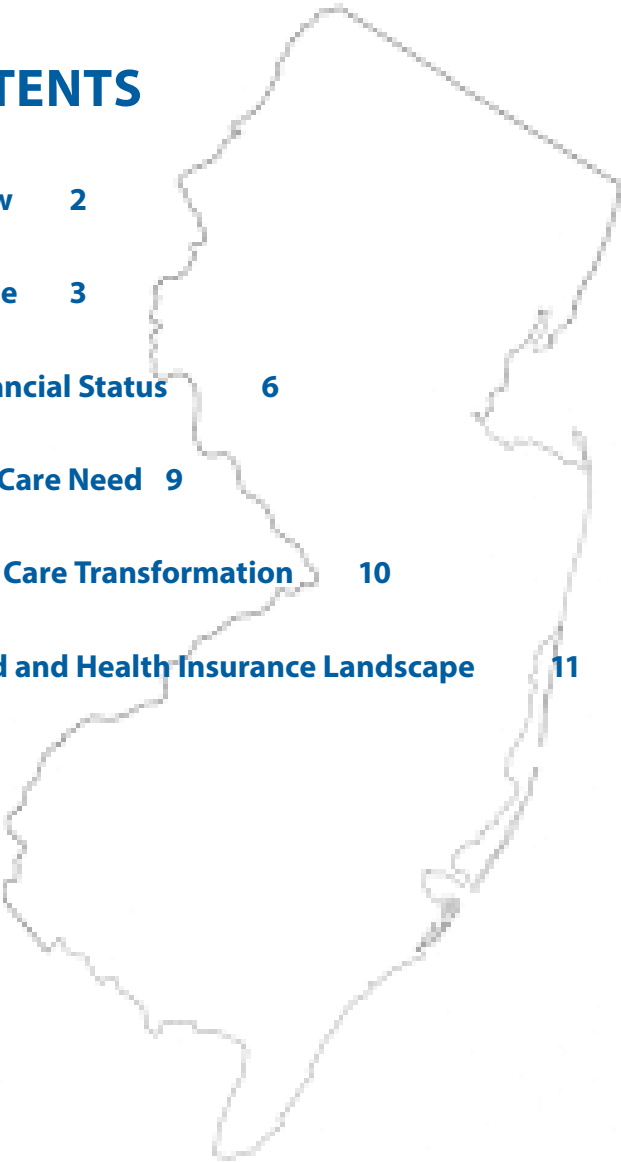


COMMUNITY HEALTH CENTER GROWTH AND SUSTAINABILITY
STATE PROFILES

NEW JERSEY

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OVERVIEW

Market Share & Growth

- As of 2014, there were 20 CHCs operating 118 permanent clinical service delivery sites throughout the state of New Jersey. The State's PCA is the New Jersey Primary Care Association. (NJPCA) ^{1 2}
- New Jersey CHCs provided 1,669,667 visits to 467,913 patients in 2012. ³
- The number of people served by CHCs increased by an average of 4.0% annually from 2010 through 2012, compared to 4.1% average annual growth experienced by CHCs nationwide. ³
- CHCs serve approximately 25.4% of New Jersey's Medicaid population (US: 16.4%) and 5% of its overall population (US: 7%). New Jersey CHCs served 16.1% of individuals with incomes <200% FPL compared with 15.9% nationally. ³
- Medicaid enrollment, currently at 817,000, is projected to grow by an additional 441,000 people by 2022 (54% growth); the uninsured rate is projected to decrease from 16% to 9% by 2020. ^{3 4}

Policy & Reimbursement

- New Jersey spends more than \$8,300 per Medicaid enrollee annually – the 3rd highest in the nation. ⁵
- New Jersey has implemented a Medicaid expansion per the ACA. In 2012, Gov. Christie vetoed legislation creating a state-run health exchange, resulting in the federal government operating the insurance exchange in New Jersey. ^{6 7}
- Through the first enrollment period, individuals who selected health plans through the exchange reached a total of 161,775, against a goal of 96,000. ⁸
- Prior to January 2014, the state set high eligibility limits for parents of dependent children, pregnant women and children. Childless adults were not covered. ⁹ With Medicaid expansion, both parents and childless adults will now be covered (up to 138% FPL), pregnant woman will remain covered up to 199% FPL, and children will have their coverage expanded (up to 355% FPL). ¹⁰
- New Jersey Medicaid uses an alternative payment methodology (APM) to reimburse CHCs. Medicaid pays an interim encounter rate with a lump sum reconciliation made at the end of each quarter. Rates for services are calculated based on changes in scope of services, and inflation using the Medicare Economic Index (MEI). ^{11 12}
- New Jersey permits rate adjustments as a result of changes in scope of services which include changes in sites, services, medical technology and regulated changes. ¹³
- New Jersey is participating in several CMS Innovation programs, including the "Comprehensive Primary Care Initiative" (CPCI) and has several CHCs participating in the "CHC Advanced Primary Care Demonstration." ¹⁴

CHC SCALE

New Jersey CHCs Compared to CHCs Nationwide

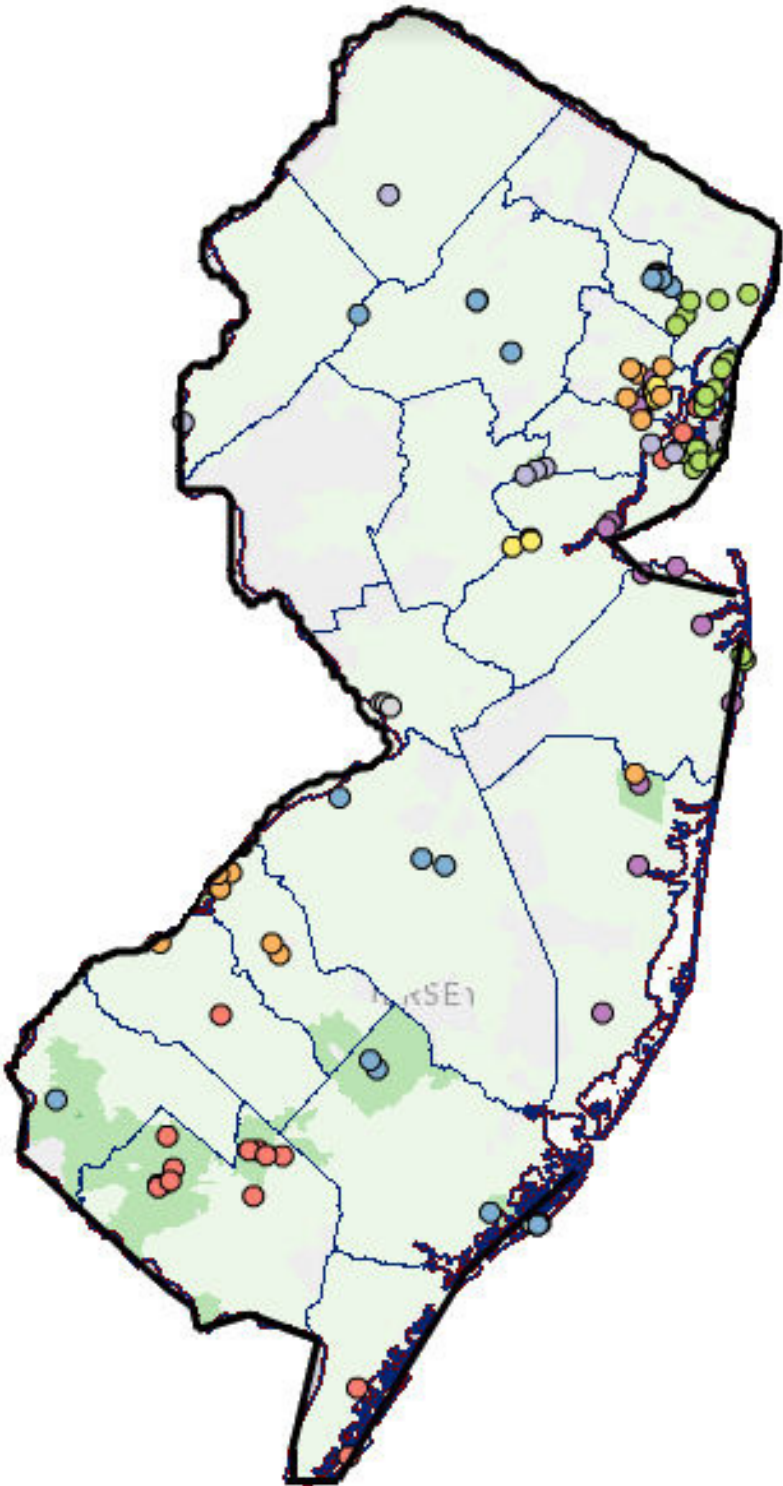
- Much higher proportion of Medicaid population served
- Lower proportion of the total population served
- 19% more visits per CHC than the national average
- Overall patient visit volume grew 4.0%, with dental and mental healthcare rising at the fastest rates from 2010 to 2012
- Higher than average annual growth rate

	NJ	US
Population Served (2012)		
Total patients served by CHCs	467,913	21,102,391
% of population served by CHCs	5.4%	6.8%
% of under 200% FPL served by CHCs	16.1%	15.9%
% of Medicaid Enrollees Served	25.4%	16.4%
CHC Characteristics and Volume		
Number of CHCs (2014)	20	1284
Total CHC Service Delivery Sites (2014)	115	9509
Average Sites per CHC (2014)	5.8	7.4
Annual Visits (Total) (2012)	1,669,667	83,766,153
Annual Visits per CHC (2012)	83,483	69,922
Annual Visits Per Patient (2012)	3.57	3.97
Visit Mix (% of Annual Visits by Service Type) (2012)		
Medical	74.5%	73.6%
Dental	17.7%	12.8%
Mental Health	3.1%	7.5%
Case Management/Enabling	4.7%	6.2%
Compound Annual Growth Rate (2010-2012)		
Total Patients	4.0%	4.1%
Total Annual Visits	4.9%	4.3%
Medical	3.3%	3.5%
Dental	10.5%	7.6%
Mental Health	10.7%	9.6%
Case Management/Enabling	7.4%	1.6%

Note: All CHCs are Federally Qualified Health Centers receiving Section 330 grants. Lookalikes not included.

Source: UDS Summary Data 2010-2012, 2014

Share of Population Served by New Jersey CHCs ¹⁵



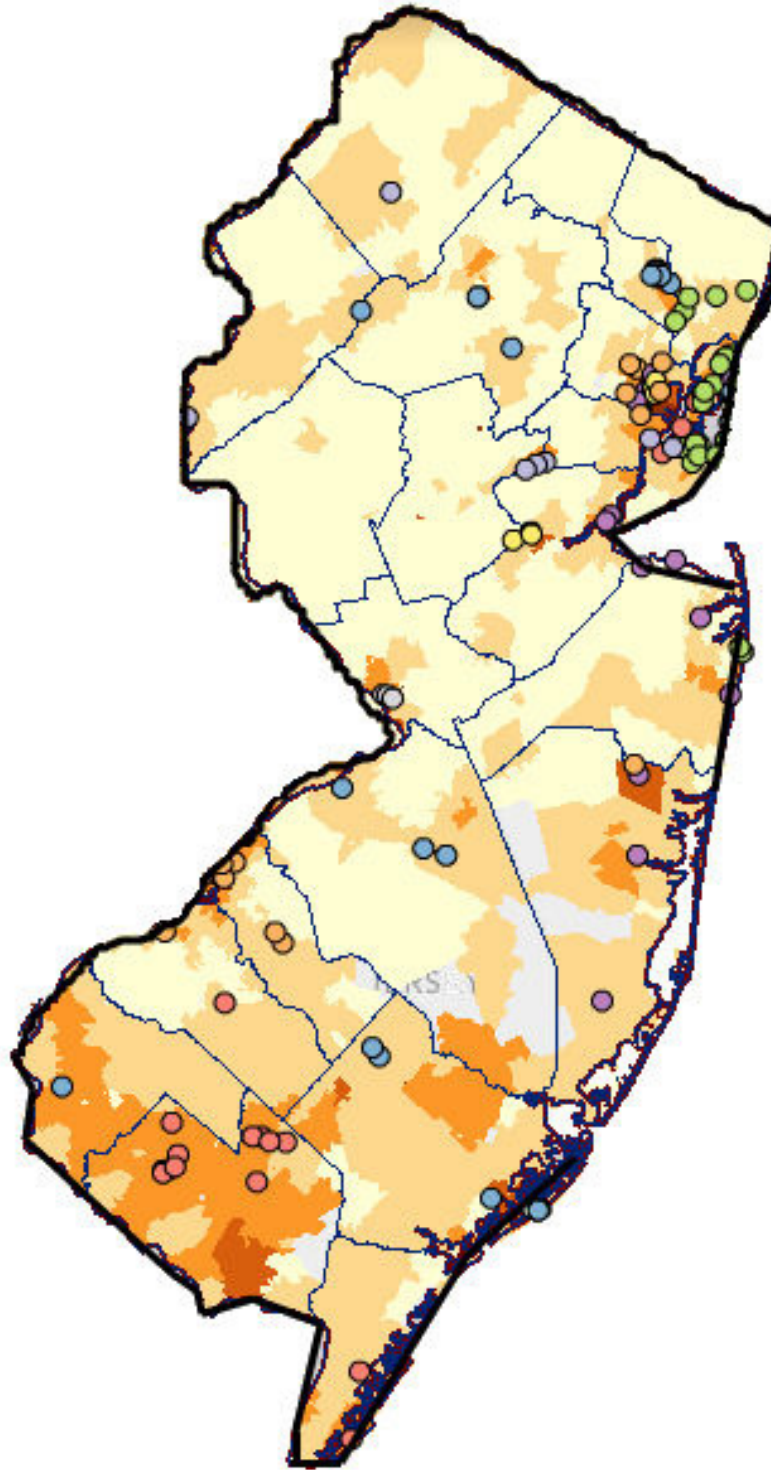
% of Total Population Served by CHCs

- < 20%
- 20 - 40%
- 40 - 60%
- 60 - 80%
- > 80%

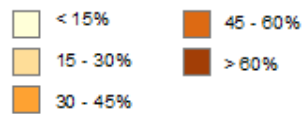
Colored circles represent CHC locations.
Unique color for each CHC network.

Source: UDS Mapper 2014

New Jersey Low Income Population ¹⁶



% of Low-income (Pop below 200% FPL)



Colored circles represent CHC locations.
Unique color for each CHC network.

Source: UDS Mapper 2014

CHC FINANCIAL STATUS

New Jersey CHCs Compared to CHCs Nationwide, 2012

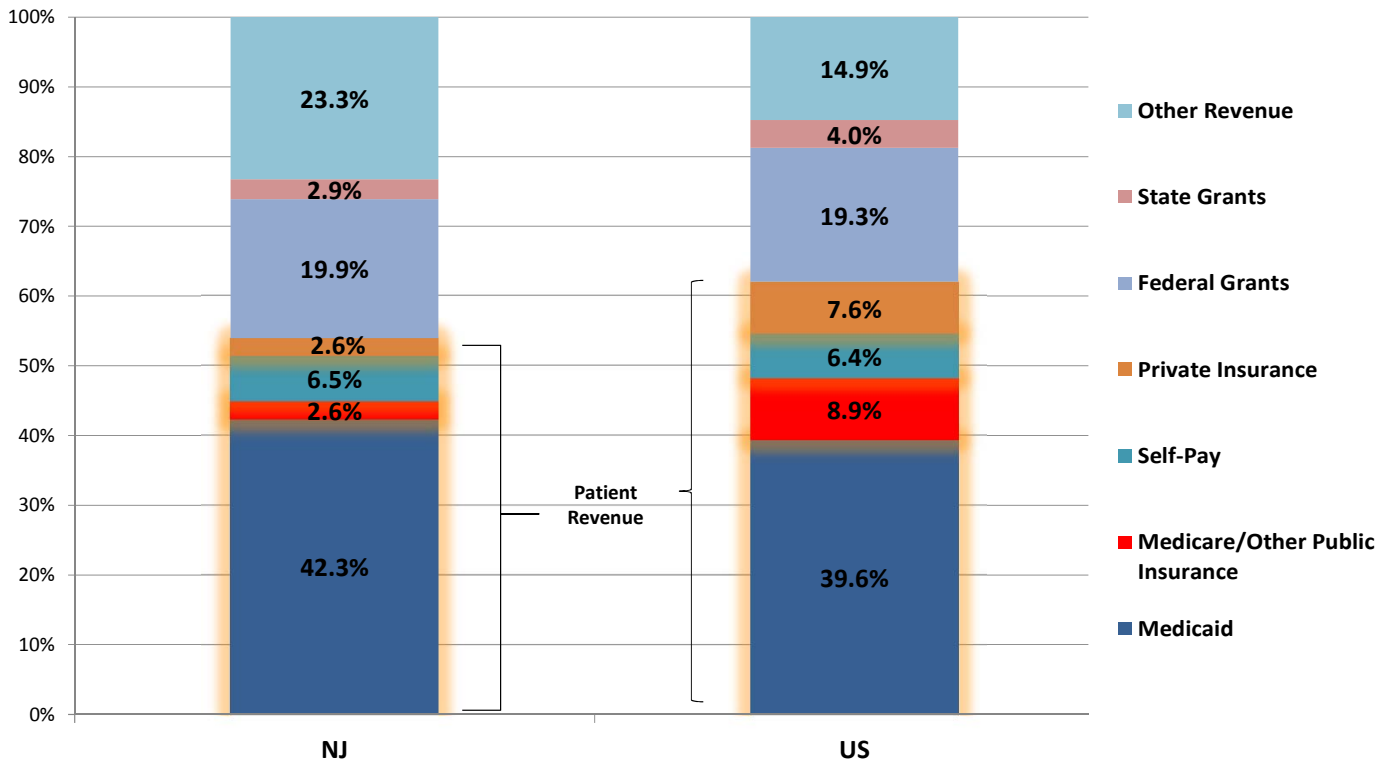
- Lower proportion of revenue from patient services
- Slightly higher portion of patient revenue from Medicaid
- Much lower proportion of revenue from private insurance
- Great reliance on revenue from the state's indigent care pool (other revenue)

	NJ	US
CHC Revenue Mix		
Patient Revenue	53.9%	62.9%
Medicaid	42.3%	39.6%
Medicare/Other Public Insurance	2.6%	8.9%
Self-Pay	6.5%	6.4%
Private Insurance	2.6%	7.6%
Federal Grants	19.9%	19.3%
State Grants	2.9%	4.0%
Other Revenue	23.3%	14.9%

Note: All CHCs are Federally Qualified Health Centers receiving Section 330 grants. Lookalikes not included.

Source: UDS Summary Data 2010-2012, 2014

Overall CHC Revenue Mix 2012



Source: UDS Summary Data 2012

CHC FINANCIAL STATUS

New Jersey CHCs as a Group, 2009-2011

- Median Total Assets increased by 35%
- Median Days Cash on Hand decreased by 49%, from 31 to 16 days, well below the benchmark range

NJ Financial Performance 2009- 2011					
	Statewide CHC Medians			% Change	Benchmark
	2009	2010	2011		
Growth					
Total Assets (\$)	\$6,782,781	\$6,813,048	\$9,129,108	35%	N/A
Total Revenues (\$)	\$11,233,048	\$12,911,161	\$13,546,590	21%	N/A
Profitability					
Total Margin (%)	3.3%	0.4%	2.7%	-18%	N/A
Unrestricted Net Assets (\$)	\$3,543,075	\$4,257,774	\$5,681,241	60%	N/A
Liquidity					
Days Cash on Hand	31	25	16	-49%	>30 Days
Days in Accounts Receivable	41	34	37	-11%	<60 Days

Note: CHC 990s have limitations, and certain indicators could not be accurately analyzed as a result. For a more complete picture of CHC financials, audited financial statements should be consulted.

Sources: UDS Summary Data 2009-2011 and CHC Form 990s

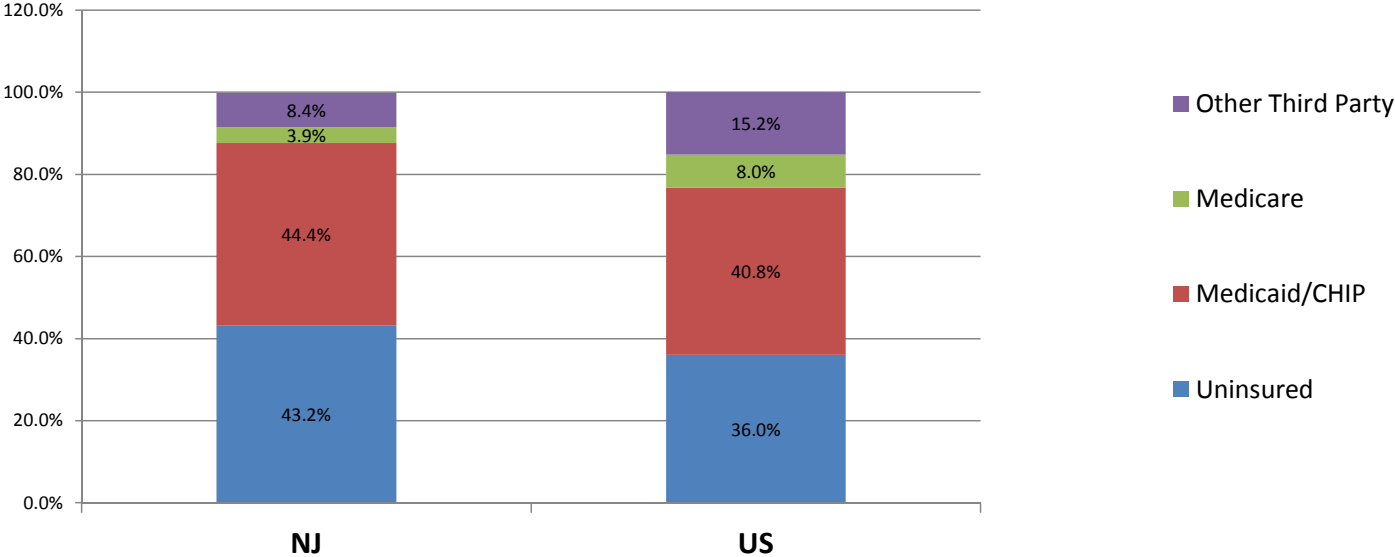
New Jersey CHCs Visit Mix Compared to CHCs Nationwide ¹⁶

- Greater proportion of patients living at or near poverty level
- Greater proportion of uninsured visits
- Slightly higher proportion of visit mix are recipients of Medicaid
- Much lower “other third party” coverage

	NJ	US
CHC Visit Mix - 2012		
<u>Income Status</u>		
Patients at or below 200% poverty level	96.9%	92.6%
Patients at or below 100% poverty level	77.6%	71.9%
<u>Coverage Status</u>		
Uninsured	43.2%	36.0%
Medicaid/CHIP	44.4%	40.8%
Medicare	3.9%	8.0%
Other Third Party	8.4%	15.2%

Source: UDS Summary Data 2012

Visit Mix by Payer - 2012



Source: UDS Summary Data 2012

PRIMARY CARE NEED

Statewide Primary Care & Prevention Clinical Indicators

- Near national average on most primary care & prevention indicators
- Ranked #10 in America's Health Ranking®

Statewide Primary Care Shortage & Workforce Indicators

- Much lower proportion of population is underserved for primary care*
- Population underserved for dental also significantly below national average

	NJ	US
Primary Care & Prevention Clinical Indicators		
% births to women with late/no prenatal care	3.6%	5.3%
% low birthweights	8.2%	8.1%
% adults diagnosed with diabetes	9.0%	9.3%
Adult diabetes deaths per 100,000	21.0	20.8
Adult heart disease deaths per 100,000	182.0	179.1
Avoidable Hospitalizations per 1,000	68.8	66.6
America's Health Ranking (United Health Foundation)	10	NA
Primary Care Shortage and Workforce Indicators		
Estimated underserved population for primary care	6,690	35,057,608
<i>% of total population</i>	0.1%	11.3%
Estimated PCPs needed to achieve target PCP:Population Ratio	11	7067
Estimated underserved population for dental	16,507	31,707,007
<i>% of total population</i>	0.2%	10.2%
Estimated dental providers needed to achieve target Practitioner:Population ratio	18	6531

Source: Kaiser State Health Facts 2012

PRIMARY CARE TRANSFORMATION

Patient Centered Medical Home ^{3 17}

- 55% of New Jersey CHCs have achieved PCMH recognition or certification as of 7/31/14, as compared to 58% nationally.
- New Jersey had a Medicaid Medical Home Demonstration Project (expired June 2014) to provide 25,000 Medicaid beneficiaries with medical home services.
- New Jersey has received a planning grant from CMS to establish health homes for Medicaid enrollees with chronic conditions.
- New Jersey is one of seven markets participating in CMS's Comprehensive Primary Care Initiative (CPCI), an initiative which promotes collaboration between public and private payers with the goal of strengthening primary care.

Electronic Health Record Adoption ¹⁸

- A slightly higher percentage of New Jersey CHC sites use EHRs than CHC sites nationally (90% in New Jersey compared to 88% in the U.S.)
- New Jersey performs better than national average in 11 of the 12 EHR functionality categories

MEDICAID AND HEALTH INSURANCE LANDSCAPE

Medicaid Policies – Highlights

- Among the highest per-enrollee Medicaid spending in US
- Has implemented Medicaid expansion per ACA

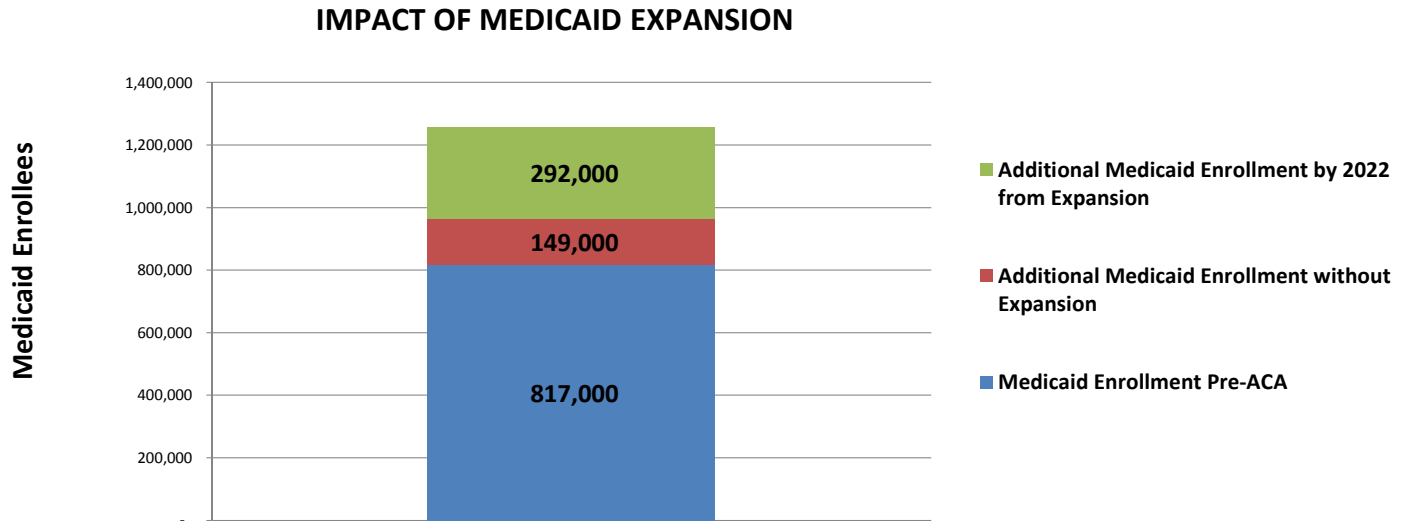
	NJ	US
Medicaid Policies		
Medicaid Payments Per Enrollee	\$8,309	\$5,563
Federal Medical Assistance Percentage (FMAP)	50.0%	50.0%
Health Insurance & Medicaid Expansion		
Implementing Medicaid Expansion	Implementing	
Health Insurance Exchange	Federal	
Total Uninsured	1,415,000	53,277,000
<i>% of Uninsured Individuals (all ages)</i>	16.3%	17.2%
Medicaid Enrollment Pre-ACA	817,000	52,410,000
<i>% of Total Population</i>	9.4%	16.9%
Additional Enrollment with ACA but no Medicaid Expansion	149,000	5,659,000
Additional Enrollment with ACA and Medicaid Expansion	441,000	21,280,000
<i>% Growth in Medicaid Enrollment from ACA + Expansion</i>	54.0%	40.6%
Estimated Number Remaining Uninsured After ACA	825,000	27,930,000
<i>Estimated % Uninsured After ACA (2020)</i>	8.7%	8.7%

Source: Kaiser State Health Facts 2012, Urban Institute HIPSM 2012

MEDICAID AND HEALTH INSURANCE LANDSCAPE

Health Insurance & Medicaid Expansion – Highlights

- Medicaid enrollment is projected to increase by 441,000 (54%) between 2012 and 2022
- The health insurance exchange in New Jersey is operated by the Federal government through healthcare.gov
- Proportion of residents who are uninsured is expected to decrease from 16.3% to 9.4% between 2012 and 2020 as a result of ACA



Source: Kaiser State Health Facts 2012

New Jersey Medicaid Spending

New Jersey spends more than \$8,300 per Medicaid enrollee annually – the 3rd highest in the nation for all health care services provided.⁵

Though New Jersey reimburses at lower rates than any state in the nation, its spending per enrollee is very high because the program covers very sick people, more so than the national average. New Jersey has a greater share of spending for the elderly and people with disabilities.¹⁹

MEDICAID AND HEALTH INSURANCE LANDSCAPE

Medicaid Coverage & Administration

New Jersey has expanded its Medicaid program under the ACA.²⁰

The New Jersey Medicaid Program is administered through the Division of Medical Assistance and Health Services (DMAHS) in the Department of Human Service.¹⁹ The Managed Care program is contracted out and run through New Jersey Family Care.²¹

New Jersey also administers the Children's Health Insurance Program (CHIP), a federal and state funded insurance program for children and certain low-income parents and guardians.¹⁹

Medicaid and CHIP serve approximately 1.29 million individuals in New Jersey. Currently, more than 98% of the New Jersey Medicaid population is enrolled in managed care plans, up from 75% in 2009.¹⁹

New Jersey applied for and received a Medicaid waiver that encompasses nearly all services and eligible populations, which is intended to provide broad flexibility to manage the State's programs more efficiently. The waiver requires all dual-eligible (Medicare and Medicaid) individuals to receive Medicaid services through the managed care program. The initiative resulted in a 386% increase in enrollment in 2011.¹⁹

Under the Comprehensive Waiver, the State plans to braid non-Medicaid funding streams with Medicaid funds to develop a more integrated system of care with an eye toward meeting the behavioral health needs of the Medicaid expansion population in 2014. This will include reviewing rate structures to improve consistency and competitiveness of reimbursement rates across funding streams with the overall goal of adequate access to appropriate services.²²

Following Medicaid expansion, the state now provides increased eligibility levels for all potential enrollees:

- New Jersey's childless adults, who were previously not eligible, are now eligible up to 138% FPL.¹⁹
- Children in families earning up to 355% FPL are eligible through the state's CHIP program.²³
- Pregnant women are eligible up to 199% FPL and parents of Dependent Children are eligible up to 138% FPL.²³
- In addition to providing coverage to those eligible, New Jersey Medicaid also provides coverage to certain Medicare Beneficiaries (100% FPL and whose resources does not exceed 3x SSI resource limit), Disabled and Working Adults (200% FPL).²³

Medicaid and CHIP Income Eligibility Limits as % of FPL

	Children Ages 0-19	Pregnant Woman	Parents of Dependent Children	Non-Disabled Adults
2013	133%	200%	200%	23%
2014	355%	205%	138%	138%

*There is some variability in eligibility limits for children in 2013 under Medicaid based on age; however, the eligibility level chosen reflects the year's CHIP eligibility and/or highest eligibility level under Medicaid.

Source: Kaiser State Health Facts 2012

MEDICAID AND HEALTH INSURANCE LANDSCAPE

New Jersey CHC Reimbursement Policies

In New Jersey, Medicaid Reimbursement uses an Alternative Payment Methodology (APM) that closely resembles the Medicare Prospective Payment System (PPS). The reimbursements will be adjusted for changes in scope of services and inflation using the percentage increases in the Medicare Economic Index.¹²

PPS rates may be adjusted for increases or decreases in the scope of services furnished by a CHC clinic.¹² A change in scope of service includes the addition of a new service; changes due to regulatory requirements; opening closing, relocating or remodeling a site; and/or changes due to technology or accepted medical practice.¹²

In New Jersey, MCOs receive prospective payments from the State based on a fixed monthly fee per patient (“capitation payment”). The MCOs, in turn, reimburse CHCs for Medicaid-covered encounters out of their capitation funds.²³

The contracted-for payment from the MCO to the CHC for a Medicaid-covered patient encounter is often less than the amount the CHC is entitled to receive under the PPS. In this situation, the Medicaid statute requires the state to make a supplemental payment—the wraparound payment—at least once every four months, to make up the difference between the PPS rate and the MCO payment.²⁴

New Jersey provides funding to CHCs for indigent care, reaching \$45 million in 2012¹, approximately 18% of total CHC funding, with funding since increased to \$50 million.²⁴

More categories of providers are eligible to generate a reimbursable PPS encounter than is typical in other states. MD, DMD, NP, LCSW, psychologist and registered nurse are all allowed to generate a PPS encounter.²²

Primary Providers Eligible for Reimbursement

State	MD	DMD	NP	Psychologist	Other
NJ	Yes	Yes	Yes	Yes	N/A

Secondary Providers Eligible for Reimbursement

State	RN	LCSW	Physical Therapist	Dental Hygienist	Nutritionist
NJ	No	Yes	No	No	No

Source: Update on the Status of the FQHC Medicaid Prospective Payment System in the States. NACHC, 2011

MEDICAID AND HEALTH INSURANCE LANDSCAPE

Collaboration with CMS ²²

New Jersey has successfully applied to the Centers for Medicare and Medicaid Services (CMS) Innovation Center on a number of programs intended to develop and test service delivery models. The models typically provide incentive payments to participating providers, and include:

- Comprehensive Primary Care Initiative (CPCI) – a multi-payer collaboration between public and private payers rewarding practices which better coordinate care for their patients.
- CHC Advanced Primary Care Demonstration – Select CHC Grantees will receive funding to demonstrate how the patient-centered medical home (PCMH) model improves quality of care, promotes better health and lowers costs. There are 3 grantees and 7 total health centers participating in the demonstration in New Jersey.

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