Executive Summary:
Transition to a Fee-for-Service System
Position Paper

Throughout the years, the New Jersey contract reimbursement system for behavioral health care has had many positive outcomes and allowed for the development of hundreds of quality mental health and addiction service programs. For all those years, literally hundreds of thousands of our citizens have depended on the community based system of care during some of the most difficult times in their lives.

Now, as the state transitions to a Fee-for-Service (FFS) reimbursement system, there are concerns about negative impacts that past fiscal limitations will have on the financial health of nearly all provider organizations.

Our current contract reimbursement manual, the current capital funding policies, and the more recent Social Service Language Amendments have promoted dependency on contract dollars and advance payments. The "Last dollar In" philosophy, the cancellation of the Operational Incentives policy, and capital grants, which never amortize, have all contributed to organizations that are dependent on the next state contract payment for operational cash flow.

The transition to the FFS system will place new emphasis on maintaining a healthy cash position, extending each organization's defensive interval, and planning for billing issues and other events which disrupt payment methodologies or create unanticipated expenses.

As a result, to ensure the success of the transition to the FFS contracting model, NJAMHAA would like to propose the following action steps:

1. Eliminate the Social Service Language Amendments for all Department of Human Services and Department and Children and Families contracts.

2. Complete a financial readiness test of all currently contracted provider agencies that would include, at a minimum:
    - Current Ratio (current assets vs. current liabilities)
    - Defensive Interval (time an organization can survive without incoming revenue), and
    - Cash Position (unrestricted cash assets)

3. Include in the transition plan:
    - a state-funded line of credit
    - an Oversight Board that would be responsible for billing system training and oversight, and
    - a hold-harmless provision for contracted agencies

4. Evaluate the adequacy of the rates at six months, one year and two years.