NJAMHAA Position Paper on the Transition to a Fee-for-Service System

There is no doubt that, throughout the years, the current 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 providers. For all those years, literally hundreds of thousands of our citizens have depended on that system of care during some of the most difficult times in their lives.

Now, as we transition to a Fee-for-Service (FFS) reimbursement system, one negative outcome of the current system philosophies has emerged, and that threatens the ongoing 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 as a solution to “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 Fee-for-Service contracting model, NJAMHAA would like to propose the following action steps:

1. **Completion of a Statewide Fiscal Analysis of All Currently Contracted Provider Agencies**

   There is widespread concern among all provider agencies about their financial readiness to undertake this transition. For each agency, cash reserves will be a key factor in its ability to move forward successfully. As a “Readiness Review” is already required by the Medicaid Comprehensive Waiver, an analysis of the following three fiscal indicators should be conducted immediately:
   a. Current Ratio (current assets vs. current liabilities)
   b. Defensive Interval (time an organization can survive without incoming revenue)
   c. Cash Positions (unrestricted cash assets)

   Note: These three fiscal indicators are critical to the maintenance of consumer choice; the elimination of provider agencies due to either bankruptcy or mergers may serve to severely restrict/remove consumer choice and significantly impair timely access to care. The “Readiness Review” of all three indicators requires a breakdown by agency budget size, service type and region, and an agency-by-agency analysis of the FFS rate impact should be conducted based on the historical agency performance data and shared with each agency.

2. **Implementation of the Transition Plan**
    a. Define firm start dates, contract termination dates, and contract closeout dates.
    b. For the current contract year and continuously until the move to FFS, allow agencies to focus their contract accruals on expenses and issues that will assist them in preparing for the changes required of that FFS environment.
    c. *Develop a State Funded "Line of Credit*": Based on existing contracts, agencies should have the ability to draw down up to three (3) months of contract dollars to assist cash flow in the event of billing system disruptions or other untoward events that impact the organization's cash position. Repayment of the "Line of Credit" would be in the form of future billable units of service delivered, or direct payments.
    d. *Create a Billing System Training and Oversight Protocol:* Interoperability of Electronic Medical Records and billing systems is still highly problematic. An Oversight Board consisting of both State and provider agencies, including members with information technology (IT) credentials/qualifications should be established to provide training to provider agencies as needed (The NJAMHAA IT Project could possibly serve in this role.), ensure timely payments systems, and investigate system-wide payment problems, if any.

3. **Establishment and Evaluation of Rates**
    a. *Re-Evaluation of Rate Effectiveness at Six Months, at One Year, and at Two Years:* The Oversight Board should conduct a Rate Effectiveness Review at intervals for at least two years to ensure the rates set are effective for provider agencies, the State and the consumers we serve. In particular, an analysis of agency-by-agency and statewide Medicaid revenue collected vs. contract dollar expenditures for the same period should be conducted to ensure that, absent a significant drop in productivity, provider agencies are not in deficit.
    b. Specialized rates should be re-affirmed for licensed provider agencies (i.e., transitioning from contracted agencies only).
    c. All contracted agencies involved in the transition to FFS should be held financially "harmless" for the first year of the transition. As per the most recent proposal for the agencies contracted with the Division of Developmental Disabilities, a one-year delay in rate implementation should be provided once the rates are finalized, to allow each agency the opportunity to plan their budgets once FFS is fully operational. Allowing the FFS system to run "parallel" would greatly assist provider agencies with preparing for this significant financial system change.

4. **Elimination of the Social Service Language Amendments for all Department of Human Services (DHS) and Department and Children and Families (DCF) Contracts**
    Assuming programs reimbursed through FFS will no longer be subject to initial budget submissions, budget modifications, detailed reporting and "Last Dollar In" contract reconciliations, the Social Service Language Amendments will be moot for those programs. Maintaining salary caps, limitations on reimbursements for staff training, etc. on those few contracts that continue to exist is not only an onerous overregulation; it is also a financial burden on provider agencies, and expensive and difficult for the State to enforce. Therefore, these amendments should be eliminated.