

**Report on Disproportionate Share Hospital Verifications  
(With Independent Accountant's Report Thereon)**

**State of New Jersey  
Department of Human Services  
Division of Medical Assistance and Health Services  
7 Quakerbridge Plaza  
Trenton, New Jersey 08619**

**DSH Year Ended June 30, 2016**

Prepared by:



**MYERS AND  
STAUFFER** L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

## Table of Contents

■ I. Independent Accountant's Report.....	1
■ II. Report on DSH Verifications.....	2
■ III. Report on DSH Verifications (table).....	4
■ IV. Schedule of Data Caveats Relating to the DSH Verifications.....	6
■ V. Schedule of Annual Reporting Requirements (table).....	7
■ VI. Independence Declaration.....	8
■ VII. DSH Survey and Expanded Testing Clarification.....	9

**Independent Accountant's Report  
and  
Report on DSH Verifications**



New Jersey Department of Human Services  
Trenton, New Jersey

Independent Accountant's Report

We have examined the state of New Jersey's compliance with Disproportionate Share Hospitals (DSH) payment requirements listed in the Report on DSH Verifications as required by 42 CFR §455.301 and §455.304(d) for the year ended June 30, 2016. The state of New Jersey is responsible for compliance with federal Medicaid DSH program requirements. Our responsibility is to express an opinion on the state of New Jersey's compliance with federal Medicaid DSH program requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, and General DSH Audit and Reporting Protocol as required by 42 CFR §455.301 and §455.304(d). Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the state of New Jersey complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the state of New Jersey complied with the specified requirements. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination was conducted for the purpose of forming an opinion on the state of New Jersey's compliance with federal Medicaid DSH program requirements included in the Report on DSH Verifications. The Schedule of Annual Reporting Requirements provided in accordance with 42 CFR §447.299 is presented for purposes of additional analysis and is not a required part of the Report on DSH Verifications. Such information has not been subjected to the procedures applied in the examination of the Report on DSH Verifications, and, accordingly, we express no opinion on it.

Our examination does not provide a legal determination on the state of New Jersey's compliance with federal Medicaid DSH requirements.

Title 42 of the Code of Federal Regulations, section 447.299, requires that Medicaid uncompensated care cost be reported net of third-party payments, including those received from Medicare and private insurance. However, on December 31, 2018, CMS issued additional guidance indicating that the regulation and additional guidance related to including Medicare and private insurance payments does not apply to hospital services prior to June 2, 2017. As such, Medicare and private insurance payments are not included in the calculation of total uncompensated care costs presented in the Report on DSH Verifications.

In our opinion, except for the effect of the items addressed in the Schedule of Data Caveats Relating to the DSH Verifications, the Report on DSH Verifications presents fairly, in all material respects, the state of New Jersey's compliance with federal Medicaid DSH program requirements addressed by the DSH verifications for the year ending June 30, 2016.

This report is intended solely for the information and use of the New Jersey Department of Human Services, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.

*Myers and Stauffer LC*

Myers and Stauffer LC  
December 11, 2019

State of New Jersey Disproportionate Share Hospital (DSH)  
Report on DSH Verifications  
For the Year Ended June 30, 2016

As required by 42 CFR §455.304(d) the state of New Jersey must provide an annual independent certified examination report verifying the following items with respect to its disproportionate share hospital (DSH) program.

Verification 1: Each hospital that qualifies for a DSH payment in the State was allowed to retain that payment so that the payment is available to offset its uncompensated care costs for furnishing inpatient hospital and outpatient hospital services during the Medicaid State plan rate year to Medicaid eligible individuals and individuals with no source of third party coverage for the services in order to reflect the total amount of claimed DSH expenditures.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 2: DSH payments made to each qualifying hospital comply with the hospital-specific DSH payment limit. The DSH payments made in the Medicaid State plan rate year must be measured against the actual uncompensated care cost in that same Medicaid State plan rate year. The actual uncompensated care costs for the Medicaid State plan rate year have been calculated and compared to the DSH payments made. Uncompensated care costs for the Medicaid State plan rate year were calculated in accordance with Federal Register/Vol. 73, No. 245, December 19, 2008, Federal Register/Vol. 79, No. 232, December 3, 2014.

Findings: The results of testing performed related to this verification are summarized in the Report on DSH Verifications (table) included with this report.

Verification 3: Only uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services they received as described in Section 1923(g)(1)(A) of the Act are eligible for inclusion in the calculation of the hospital-specific disproportionate share limit payment limit, as described in Section 1923 (g)(1)(A) of the Act.

Findings: The total uncompensated care costs reflected in the Report on DSH Verifications (table) reflects the uncompensated care costs of furnishing inpatient and outpatient hospital services to Medicaid eligible individuals and individuals with no third party coverage for the inpatient and outpatient hospital services received.

State of New Jersey Disproportionate Share Hospital (DSH)  
Report on DSH Verifications  
For the Year Ended June 30, 2016

Verification 4: For purposes of this hospital-specific limit calculation, any Medicaid payments (including regular Medicaid fee-for-service rate payments, supplemental/enhanced Medicaid payments, and Medicaid managed care organization payments) made to a disproportionate share hospital for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals, which are in excess of the Medicaid incurred costs of such services, are applied against the uncompensated care costs of furnishing inpatient hospital and outpatient hospital services to individuals with no source of third party coverage for such services.

Findings: In calculating the hospital-specific DSH limit represented in the Report on DSH Verifications (table), if a hospital had total Medicaid payments in excess of the calculated Medicaid cost, the excess was used to reduce the total uncompensated care costs.

Verification 5: Any information and records of all of its inpatient and outpatient hospital service costs under the Medicaid program; claimed expenditures under the Medicaid program; uninsured inpatient and outpatient hospital service costs in determining payment adjustments under this Section; and any payments made on behalf of the uninsured from payment adjustments under this Section have been separately documented and retained by the State.

Findings: The state of New Jersey has retained documentation of costs and payments associated with calculating the hospital-specific DSH limits contained in this report. The state retains cost data through the collection of cost reports; Medicaid expenditure data through the MMIS and other documentation; and uninsured data through the DSH payment calculations and DSH examination.

Verification 6: The information specified in verification 5 above includes a description of the methodology for calculating each hospital's payment limit under Section 1923(g)(1) of the Act. Included in the description of the methodology, the audit report must specify how the State defines incurred inpatient hospital and outpatient hospital costs for furnishing inpatient hospital and outpatient hospital services to Medicaid eligible individuals and individuals with no source of third party coverage for the inpatient hospital and outpatient services they received.

Findings: The documentation retained related to the calculation of the hospital-specific DSH limits contained in this report includes a description of the methodology used to calculate each hospital's DSH limit under Section 1923(g)(1) of the Act. For DSH payment purposes, the state defines the hospitals' payment limits in accordance with its state plan. For purposes of this examination, the state defines the hospitals' payment limits in accordance with 42 CFR §455.304.

State of New Jersey  
Report on DSH Verifications (table)  
For the Medicaid State Plan Rate Year Ended June 30, 2016

Hospital	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6	
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	DSH Payment Complies with the Hospital-Specific DSH Limit	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
Ancora Psychiatric Hospital	Yes	110,860,712	133,309,353	22,448,641	Yes	Yes	Yes	Yes	Yes
Atlanticare Regional Medical Center	Yes	27,589,834	66,190,255	38,600,421	Yes	Yes	Yes	Yes	Yes
Bacharach Institute For Rehabilitation	Yes	2,025	2,047,803	2,045,778	Yes	Yes	Yes	Yes	Yes
Bayonne Medical Center	Yes	1,844,358	35,145,941	33,301,583	Yes	Yes	Yes	Yes	Yes
Bayshore Community Hospital	Yes	62,914	20,370,712	20,307,798	Yes	Yes	Yes	Yes	Yes
Bergen Regional Medical Center	Yes	13,277,936	38,275,345	24,997,409	Yes	Yes	Yes	Yes	Yes
Cape Regional Medical Center	Yes	614,350	11,924,621	11,310,271	Yes	Yes	Yes	Yes	Yes
Capital Health Medical Center - Hopewell	Yes	2,421,554	23,104,664	20,683,110	Yes	Yes	Yes	Yes	Yes
Capital Health System Regional Medical Center	Yes	25,858,173	60,392,694	34,534,521	Yes	Yes	Yes	Yes	Yes
Carrier Clinic Foundation	Yes	213,749	912,899	699,150	Yes	Yes	Yes	Yes	Yes
Centrastate Medical Center	Yes	1,449,308	18,645,531	17,196,223	Yes	Yes	Yes	Yes	Yes
Children's Specialized Hospital <sup>1</sup>	N/A	0	(11,622,178)	0	Yes	Yes	Yes	Yes	Yes
Chilton Medical Center	Yes	139,688	11,268,799	11,129,111	Yes	Yes	Yes	Yes	Yes
Christ Hospital	Yes	11,143,379	67,059,486	55,916,107	Yes	Yes	Yes	Yes	Yes
Clara Maass Medical Center	Yes	6,513,293	27,328,191	20,814,898	Yes	Yes	Yes	Yes	Yes
Community Medical Center	Yes	856,522	14,600,833	13,744,311	Yes	Yes	Yes	Yes	Yes
Cooper University Hospital	Yes	37,349,103	79,283,160	41,934,057	Yes	Yes	Yes	Yes	Yes
Deborah Heart and Lung Center	Yes	2,750,866	8,979,637	6,228,771	Yes	Yes	Yes	Yes	Yes
East Orange General Hospital	Yes	11,144,051	24,919,413	13,775,362	Yes	Yes	Yes	Yes	Yes
Englewood Hospital and Medical Center	Yes	261,666	29,071,528	28,809,862	Yes	Yes	Yes	Yes	Yes
Essex County Hospital Center	Yes	33,888,770	47,762,078	13,873,308	Yes	Yes	Yes	Yes	Yes
Greystone Psychiatric Hospital	Yes	104,206,462	141,299,961	37,093,499	Yes	Yes	Yes	Yes	Yes
Hackensack UMC at Pascack	Yes	2,331	8,939,844	8,937,513	Yes	Yes	Yes	Yes	Yes
Hackensack University Medical Center	Yes	2,399,089	67,926,539	65,527,450	Yes	Yes	Yes	Yes	Yes
Hackettstown Regional Medical Center	Yes	37,526	8,578,656	8,541,130	Yes	Yes	Yes	Yes	Yes
Hampton Behavioral Health Center	Yes	11,531	3,908,117	3,896,586	Yes	Yes	Yes	Yes	Yes
Hoboken University Medical Center	Yes	11,431,688	57,992,642	46,560,954	Yes	Yes	Yes	Yes	Yes
Holy Name Medical Center	Yes	129,821	34,034,230	33,904,409	Yes	Yes	Yes	Yes	Yes
Hudson County Meadowview Psychiatric Hospital	Yes	15,892,408	24,150,107	8,257,699	Yes	Yes	Yes	Yes	Yes
Hunterdon Medical Center	Yes	5,283,978	10,300,379	5,016,401	Yes	Yes	Yes	Yes	Yes
Inspira Medical Center - Elmer	Yes	562,493	1,985,847	1,423,354	Yes	Yes	Yes	Yes	Yes
Inspira Medical Center - Vineland	Yes	6,827,095	31,128,878	24,301,783	Yes	Yes	Yes	Yes	Yes
Inspira Medical Center - Woodbury	Yes	2,546,236	18,844,810	16,298,574	Yes	Yes	Yes	Yes	Yes
Jersey City Medical Center	Yes	46,897,075	64,550,542	17,653,467	Yes	Yes	Yes	Yes	Yes
Jersey Shore University Medical Center	Yes	8,413,547	91,386,921	82,973,374	Yes	Yes	Yes	Yes	Yes
JFK Medical Center/Anthony Yelencsics	Yes	4,104,152	54,867,326	50,763,174	Yes	Yes	Yes	Yes	Yes
Kennedy University Hospital	Yes	11,109,225	45,158,308	34,049,083	Yes	Yes	Yes	Yes	Yes
Lourdes Medical Center of Burlington County	Yes	4,187,133	17,070,903	12,883,770	Yes	Yes	Yes	Yes	Yes
Matheny Medical & Educational Center <sup>1</sup>	N/A	0	(1,045,870)	0	Yes	Yes	Yes	Yes	Yes
Meadowlands Memorial Hospital	Yes	17,877	8,838,681	8,820,804	Yes	Yes	Yes	Yes	Yes
Memorial Hospital of Salem County	Yes	31,592	7,726,601	7,695,009	Yes	Yes	Yes	Yes	Yes
Monmouth Medical Center	Yes	9,790,503	22,438,224	12,647,721	Yes	Yes	Yes	Yes	Yes
Monmouth Medical Center Southern Campus	Yes	11,841,406	15,141,076	3,299,670	Yes	Yes	Yes	Yes	Yes
Morristown Memorial Hospital	Yes	2,742,468	64,250,924	61,508,456	Yes	Yes	Yes	Yes	Yes
Mountainside Hospital	Yes	329,546	22,610,319	22,280,773	Yes	Yes	Yes	Yes	Yes
Newark Beth Israel Medical Center	Yes	33,762,688	62,544,961	28,782,273	Yes	Yes	Yes	Yes	Yes
Newton Medical Center	Yes	3,824,480	11,757,948	7,933,468	Yes	Yes	Yes	Yes	Yes
Ocean Medical Center	Yes	856,498	18,356,325	17,499,827	Yes	Yes	Yes	Yes	Yes
Our Lady of Lourdes Medical Center	Yes	3,618,869	23,211,528	19,592,659	Yes	Yes	Yes	Yes	Yes
Overlook Medical Center	Yes	410,450	32,225,086	31,814,636	Yes	Yes	Yes	Yes	Yes
Palisades Medical Center	Yes	6,862,965	73,038,962	66,175,997	Yes	Yes	Yes	Yes	Yes
Ramapo Ridge Psychiatric Hospital (Short Term)	Yes	248,147	2,357,690	2,109,543	Yes	Yes	Yes	Yes	Yes
Raritan Bay Medical Center	Yes	14,291,029	46,334,493	32,043,464	Yes	Yes	Yes	Yes	Yes
Riverview Medical Center	Yes	3,771,017	26,154,542	22,383,525	Yes	Yes	Yes	Yes	Yes
Runnells Specialized Hospital	Yes	6,618,375	12,363,728	5,745,353	Yes	Yes	Yes	Yes	Yes

State of New Jersey  
Report on DSH Verifications (table)  
For the Medicaid State Plan Rate Year Ended June 30, 2016

Hospital	Verification #1	Verification #2			Verification #3	Verification #4	Verification #5	Verification #6	
	Was Hospital Allowed to Retain DSH Payment?	DSH Payment for Medicaid State Plan Rate Year (In-State and Out-of-State)	Total Uncompensated Care Costs for Medicaid State Plan Rate Year	DSH Payment Under or <Over> Total Uncompensated Care Costs (UCC)	DSH Payment Complies with the Hospital-Specific DSH Limit	Were only I/P and O/P Hospital Costs to Medicaid eligible and Uninsured Included in UCC?	If Medicaid Payments were in excess of Medicaid cost was the Total UCC reduced by this amount?	Have all claimed expenditures and payments for Medicaid and Uninsured been documented and retained?	Does the retained documentation include a description of the methodology used to calculate the UCC?
Rutgers University Behavioral Healthcare	Yes	28,421,027	30,216,036	1,795,009	Yes	Yes	Yes	Yes	Yes
RWJ University Hospital	Yes	9,017,838	137,840,272	128,822,434	Yes	Yes	Yes	Yes	Yes
RWJ University Hospital - Somerset	Yes	3,215,497	28,717,090	25,501,593	Yes	Yes	Yes	Yes	Yes
RWJ University Hospital- Hamilton	Yes	1,279,708	22,112,965	20,833,257	Yes	Yes	Yes	Yes	Yes
RWJ University Hospital- Rahway	Yes	186,568	15,811,186	15,624,618	Yes	Yes	Yes	Yes	Yes
Saint Barnabas Medical Center	Yes	502,910	33,921,082	33,418,172	Yes	Yes	Yes	Yes	Yes
Saint Clare's Hospital - Denville	Yes	14,092,963	17,153,268	3,060,305	Yes	Yes	Yes	Yes	Yes
Saint Francis Medical Center	Yes	10,967,889	19,382,796	8,414,907	Yes	Yes	Yes	Yes	Yes
Saint Joseph's Hospital and Medical Center	Yes	74,720,285	117,943,816	43,223,531	Yes	Yes	Yes	Yes	Yes
Saint Mary's Hospital - Passaic	Yes	6,950,749	27,538,917	20,588,168	Yes	Yes	Yes	Yes	Yes
Saint Michael's Medical Center	Yes	11,653,944	41,474,268	29,820,324	Yes	Yes	Yes	Yes	Yes
Saint Peter's University Hospital	Yes	8,631,297	36,560,408	27,929,111	Yes	Yes	Yes	Yes	Yes
Shore Memorial Hospital	Yes	358,570	17,373,351	17,014,781	Yes	Yes	Yes	Yes	Yes
Southern Ocean County Medical Center	Yes	174,549	10,860,418	10,685,869	Yes	Yes	Yes	Yes	Yes
St. Luke's Warren Hospital	Yes	1,298,431	12,649,217	11,350,786	Yes	Yes	Yes	Yes	Yes
Summit Oaks Hospital	Yes	2,046	2,645,885	2,643,839	Yes	Yes	Yes	Yes	Yes
The Valley Hospital	Yes	132,790	24,940,521	24,807,731	Yes	Yes	Yes	Yes	Yes
Trenton Psychiatric Hospital	Yes	80,973,127	110,637,227	29,664,100	Yes	Yes	Yes	Yes	Yes
Trinitas Regional Medical Center	Yes	35,545,354	41,682,966	6,137,612	Yes	Yes	Yes	Yes	Yes
University Hospital (UMDNJ)	Yes	135,824,464	244,899,826	109,075,362	Yes	Yes	Yes	Yes	Yes
University Medical Center at Princeton	Yes	2,701,839	24,663,958	21,962,119	Yes	Yes	Yes	Yes	Yes
Virtua Memorial Hospital of Burlington County	Yes	2,576,495	23,635,177	21,058,682	Yes	Yes	Yes	Yes	Yes
Virtua West Jersey Health System	Yes	4,654,710	49,834,885	45,180,175	Yes	Yes	Yes	Yes	Yes

Footnote<sup>1</sup>: Facilities marked "N/A" did not have a DSH payment to retain or compare against the hospital-specific DSH limit, but were included in the DSH examination at the request of the State.

**This report is intended solely for the information and use of the New Jersey Department of Human Services, the State Legislature, hospitals participating in the State DSH program, and the Centers for Medicare and Medicaid Services (CMS) as required under 42 CFR §455.304 and is not intended to be, and should not be, used by anyone other than these specified parties and for the specified purpose contained in 42 CFR §455.304.**



State of New Jersey Disproportionate Share Hospital (DSH)  
Schedule of Data Caveats Relating to the DSH Verifications  
For the Year Ended June 30, 2016

During the course of the engagement, the following data issues or other caveats were identified and are being reported in accordance with the requirements of 42 CFR §455.301.

(1) **Physician Costs**

New Jersey includes physician costs as part of its Medicaid hospital inpatient (non-DRG) and outpatient reimbursement (all-inclusive rates) based on historical physician data. The state retroactively determines physician cost qualifying for all-inclusive rate reimbursement. The physician cost estimates, based on the most recently audited Medicaid version of the CMS 2552 Medicare cost report, were included in the UCC calculation. Physician costs for dental and outpatient psychiatric services, paid as hospital services, have also been included in the UCC calculation.

(2) **DSH Survey Not Submitted**

Ramapo Ridge Psychiatric Hospital - 314019 did not submit any data or signed certification statements that were requested for the 2016 DSH year. The uncompensated care cost was calculated using the hospital's most recently audited Medicaid version of the CMS 2552 Medicare cost report and Medicaid claims data received from the state MMIS. The hospital's uncompensated care costs may be misstated as a result. The impact is unknown.

## **Schedule of Annual Reporting Requirements**



## **Independence Declaration**



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

To Whom it May Concern:

Myers and Stauffer LC declares it is independent of the state of New Jersey and its DSH hospitals for the Medicaid State plan rate year ending June 30, 2016.

*Myers and Stauffer LC*

Myers and Stauffer LC  
December 11, 2019

**DSH Survey  
and  
Expanded Testing Clarification**



**MYERS AND  
STAUFFER** LC  
CERTIFIED PUBLIC ACCOUNTANTS

To Whom it May Concern:

Myers and Stauffer LC distributes a survey tool to hospitals requiring specific data elements related to Medicaid and uninsured patients. Data included on the survey must be supported by patient detail, financial statements, and accounting records which is reviewed. The Medicaid version of the CMS 2552-10 cost report is utilized to calculate cost-to-charge ratios and per diems in order to calculate uncompensated care costs for the Medicaid and uninsured populations.

Based on risk thresholds, results of the survey, and documentation review, identified hospitals are selected for expanded testing. Certain hospitals not selected may still receive additional testing of individual patient files. Expanded testing procedures include reconciling data elements to sources, completion of a questionnaire by the hospital detailing the internal control structure, claims sampling, and obtaining all sourced documents for the survey tool.

*Myers and Stauffer LC*

Myers and Stauffer LC