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TO: Hospitals - Chief Executive Officer

APPLICABLE TO: NEW JERSEY HOSPITALS REIMBURSED UNDER THE DRG METHODOLOGY ONLY

ROUTE TO: Medical Records, Finance, Billing and Accounting Departments

SUBJECT: Utilization Review

EFFECTIVE: Immediately

PURPOSE: To remind all New Jersey acute care general hospitals reimbursed in accordance with the New Jersey Medicaid DRG methodology, that Medicaid reimbursement rates include funding for the required reviews of inpatient hospital services provided to Medicaid beneficiaries not enrolled in managed care. These reviews are conducted by Utilization Review Organizations (UROs). **Hospitals are obligated to reimburse the UROs for these reviews.**

BACKGROUND: Prior to the revisions to Chapter 83, the all-payers system, there were approved UROs that reviewed each hospital admission for the appropriateness of admission and length of stay. After the revisions to Chapter 83, the Medicaid program continued this method of utilization review for its patients. Hospitals continue to receive funding for the reviews of Medicaid beneficiaries not enrolled in managed care, as part of the Medicaid reimbursement per discharge through the indirect cost calculation. These costs are hospital specific and are indicated on each hospital's Report 5. Hospitals must reimburse UROs for performing the utilization review services.

ACTION: All hospitals are requested to cooperate with and to reimburse the UROs for the required review of hospital inpatient services provided to Medicaid beneficiaries not enrolled in managed care. Otherwise, the Division of Medical Assistance and Health Services will initiate recovery action as allowed under federal or State law or regulation.

For further information and/or inquiries regarding this Newsletter, please contact the Office of Reimbursement Services, Division of Medical Assistance and Health Services, at (609)588-2668.

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