



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
HEALTH AND
SENIOR SERVICES**

FISCAL YEAR

2004 - 2005

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-15; C-23; C-29 to C-30; C-34;D-137 to D-167; E-1; G-3; H-2; H-9; H-15.

Fiscal Summary (\$000)

	Expended FY 2003	Adjusted Appropriation FY 2004	Recommended FY 2005	Percent Change 2004-05
State Budgeted	\$1,354,369	\$1,138,778	\$1,631,330	43.3%
Federal Funds	1,373,995	1,828,288	1,483,676	(18.8)%
<u>Other</u>	<u>1,052,297</u>	<u>129,225</u>	<u>143,697</u>	<u>11.2%</u>
Grand Total	\$3,780,661	\$3,096,291	\$3,258,703	5.2%

Personnel Summary - Positions By Funding Source

	Actual FY 2003	Revised FY 2004	Funded FY 2005	Percent Change 2004-05
State	886	877	935	6.6%
Federal	700	807	969	20.1%
<u>Other (a)</u>	<u>284</u>	<u>336</u>	<u>399</u>	<u>18.8%</u>
Total Positions	1,870	2,020	2,303	14.0%

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 data reflect the number of positions funded.

(a) Excludes positions supported by revolving funds.

Introduction

The **Department of Health and Senior Services (DHSS)** has four major programs:

Health Services provides various health services directly or by contract with public, nonprofit and private health agencies in the following areas: vital statistics; family health services; public health protection services; addiction services; laboratory services and AIDS services.

Health Planning and Evaluation licenses all health care facilities, develops and revises standards concerning health care facilities, licenses various health care personnel and administers the State's certificate of need program.

Introduction (Cont'd)

Health Administration provides central support services and operates the Office of Minority and Multicultural Health.

Senior Services administers various Medicaid programs related to nursing homes and long term care alternatives, the Pharmaceutical Assistance to the Aged and Disabled and Senior Gold programs, the two Lifeline programs, social services programs for the elderly, the Ombudsman for the Institutionalized Elderly and the Office of the Public Guardian.

Background Papers:

- Changes to the Early Intervention System..... p. 51.
- Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004..... p. 53.
- PAAD and the Medicare Prescription Drug Discount Card..... p. 57.

Program Description and Key Points

The Department of Health and Senior Services (DHSS) is involved directly and indirectly, through local health departments or contracts, in providing various public health programs and services. DHSS is organized into four major program areas: **Health Services, Health Planning and Evaluation, Health Administration and Senior Services.**

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Key Points

- The department's **Direct State Services** accounts incorporate approximately \$1.1 million in unspecified efficiencies.
- Included in the **Grants-in-Aid** accounts of the Health Services and Senior Services programs is \$2.5 million to enable agencies under contract to the department to provide a 1 percent cost-of-living adjustment.
- Reorganization Plan No. 002-2004 would transfer the Division of Addiction Services, with the exception of programs related to tobacco control, to the Department of Human Services. **The FY 2005 recommended budget does not reflect this proposed transfer.**

HEALTH SERVICES

Health Services consists of six programs:

Vital Statistics is involved in the collection, recording and searches of birth, death and marriage data. It provides training to local registrars, supervises their operations and approves their appointment. In FY 2005, the program will process 84,500 searches and issue 65,000 copies of records.

Family Health Services is involved in many areas of family health, including promoting programs that reduce infant mortality and improve maternal and child health, particularly in cities with above average infant mortality rates. It also provides medical and rehabilitative services for children with disabilities, administers lead poisoning programs and provides assistance to local health departments for the provision of primary and preventative health services.

During FY 2005, the program will contract with 305 agencies. These agencies will: provide services to 42,000 physically disabled children; serve 17,640 infants through early intervention programs; screen 133,000 newborns for various disorders; provide family planning services to 110,000 women; and identify 5,200 children with lead poisoning.

Public Health Protection Services is involved in programs to reduce the incidence of sexually transmitted diseases, TB, and other communicable diseases such as hepatitis, measles and polio, and also maintains a cancer registry. The programs address such diverse activities as: food and milk quality assurance; the prevention of rabies; the training and certification of workers involved in asbestos control, lead abatement and emergency medical services; and enforcing provisions of the Worker and Community Right to Know law and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 2005, the program will register 80,000 new cancer reports; treat 3,950 cases of

Program Description and Key Points (Cont'd)

syphilis and gonorrhea; respond to 4,250 telephone calls on environmental health issues; register 490,000 dogs; investigate 100 communicable disease outbreaks; conduct over 558 complaint inspections under PEOSHA; inspect 600 public/private workplaces under the Worker and Community Right to Know law; audit 100 asbestos and lead training agencies; and certify or recertify nearly 790 mobile intensive paramedics and EMTs.

Addiction Services contracts for services to reduce, treat and rehabilitate persons with alcohol and/or drug abuse problems and to provide counseling for compulsive gambling.

During FY 2005, the program will handle 18,000 admissions primarily involving alcohol and 43,000 admissions primarily involving drugs; process 24,000 intoxicated driver cases; and provide information and referral services to 45,000 persons.

As previously noted, Reorganization Plan No. 002-2004 seeks to transfer this division, with the exception of programs related to tobacco control, to the Department of Human Services. However, this transfer is not reflected in the FY 2005 budget.

Laboratory Services performs analytical and diagnostic tests in the areas of bacteriology, environmental chemistry, serology, virology and inborn errors of metabolism. The program also licenses and monitors laboratories and certifies laboratories for participation in the Medicare program.

In FY 2005, the program will analyze 170,000 bacteriology specimens; conduct 145,000 metabolism tests; examine 9,000 blood lead samples; inspect nearly 400 clinical laboratories; and license nearly 240 blood banks.

AIDS Services promotes programs and activities that reduce the spread of HIV, and provides health and social services to persons with HIV/AIDS. In FY 2005, the program anticipates it: will test and counsel nearly 67,800 clients; provide early intervention services to 9,000 clients; and provide medications to 7,200 clients through the AIDS Drug Distribution Program.

As of June 2003:

- The State had 45,256 reported AIDS cases. Essex (13,434), Hudson (6,789), Passaic (3,722), Union (3,432), Middlesex (2,594), Monmouth (2,194) and Bergen (1,990) counties have the highest number of reported AIDS cases.
- Approximately 31% of cumulative adult-adolescent reported AIDS cases in New Jersey are female, which remains the highest proportion in the country. The State had over 400 pediatric (under 13 years of age) AIDS cases, the third highest total number of pediatric cases in the country.

The recommended FY 2005 General Fund appropriation for **Health Services** is summarized on the next page.

Program Description and Key Points (Cont'd)

	Adj. Approp. FY 2004	Recomm. FY 2005	\$ Change	% Change
TOTAL (\$000)	<u>\$188,913</u>	<u>\$211,051</u>	<u>\$22,138</u>	<u>11.7%</u>
Direct State Services:	<u>\$48,899</u>	<u>\$57,650</u>	<u>\$8,751</u>	<u>17.9%</u>
Vital Statistics	\$1,085	\$1,085	\$0	--
Family Health Services	4,799	12,420	7,621	158.8%
Public Health...	22,539	23,136	597	2.6%
Addiction Services	10,487	11,462	975	9.3%
Laboratory Services	8,089	7,697	(392)	(4.8%)
AIDS Services	1,900	1,850	(50)	(2.6%)
Grants-In-Aid:	<u>\$87,548</u>	<u>\$91,055</u>	<u>\$3,507</u>	<u>4.0%</u>
Family Health Services	\$17,060	\$16,715	(\$345)	(2.0%)
Public Health...	25,804	26,502	698	2.7%
Addiction Services	25,672	28,208	2,536	9.9%
AIDS Services	19,012	19,630	618	3.3%
State Aid:	<u>\$51,346</u>	<u>\$61,846</u>	<u>\$10,500</u>	<u>20.4%</u>
Family Health Services	\$42,946	\$52,946	\$10,000	23.3%
Public Health...	2,400	2,400	0	--
Addiction Services	6,000	6,500	500	8.3%
Capital Construction:	<u>\$620</u>	<u>\$0</u>	<u>(\$620)</u>	<u>(100%)</u>
Laboratory Services	\$620	\$0	(\$620)	(100%)
Casino Revenue Fund:	<u>\$500</u>	<u>\$500</u>	<u>\$0</u>	<u>--</u>
Family Health Services	\$500	\$500	\$0	--

Key Points

Direct State Services. Overall funding increases by \$8.8 million from \$48.9 million to \$57.7 million. This increase is largely due to the incorporation of the following new programs:

- Women's Health Awareness Program - \$5.0 million to provide education and outreach on preventative care, with an emphasis on cancer, HIV/AIDS, autoimmune diseases, osteoporosis, arthritis and heart disease.
- Cardiovascular Program - \$2.0 million to promote awareness of the risk of heart disease, its prevention, effective therapeutic interventions and resources available within the State.
- Animal Welfare - \$0.2 million. Specifics regarding this new appropriation are not available and may depend on the findings of the Animal Welfare Task Force created in 2002 by Governor McGreevey.

Additionally, funding is increased for the following programs:

- Cancer Screening - Early Detection and Education Program, \$2.7 million increase, from \$2.7 million to \$5.4 million, to provide cancer screening to 20,000 women and diagnostic procedures for women suspected of having breast or cervical cancer.

Program Description and Key Points (Cont'd)

- School Based Programs and Youth Anti-Smoking, \$1.0 million increase, from \$6.0 million to \$7.0 million, to expand anti-smoking campaigns targeting children and young adults.

The proposed increase in funding is offset by shifting off-budget or eliminating the following accounts:

- Emergency Medical Services and First Response EMT Cardiac Training Program. Both programs are shifted off-budget and will be supported by approximately \$ 0.2 million in Emergency Medical Technician Training Fund balances.
- South Jersey Regional Emergency Training Center. This legislative initiative not continued, saving \$0.9 million.

Grants-in-Aid. Overall funding increases by \$3.5 million from \$87.5 million to \$91.1 million. This is largely due to a Cost-of-Living Adjustment for Family Health Services, Public Health Protection Services, Addiction Services, and AIDS Services totaling approximately \$2.3 million. Another contributing factor is the restoration of various grants in Family Health Services to FY 2003 funding levels.

In addition, the following new grants are proposed:

- Saint Barnabas Medical Center - Cancer Center - \$250,000. Although specific information regarding this grant is not available, its inclusion reflects the McGreevey Administration's priority of funding cancer research and treatment.
- Lead Testing Kits for Expectant Mothers - \$2.0 million. This grant is a follow-up to the "Lead Hazard Control Assistance Act," and would provide lead testing kits for expectant mothers throughout the State.

Legislative initiatives, providing grant monies to the Camden Optometric Eye Center (\$250,000) and the Robert Wood Johnson Medical School at Camden (\$3.0 million), are not continued.

State Aid. Overall funding increases by \$10.5 million, from \$51.3 million to \$61.8 million, and is attributed to increases for the following programs:

- Early Childhood Intervention Program. Overall funding increases by \$10.0 million, from \$42.9 million to \$52.9 million, of which \$4.0 million is to replace monies that the Catastrophic Illness in Children Relief Fund had provided in FY 2004. The \$52.9 million appropriation assumes that \$3.0 million in additional revenues will be generated through a cost-sharing initiative and that \$3.0 million in savings will be achieved through restructuring. In addition to \$52.9 million in **State Aid**, \$18.0 million in federal and Medicaid funds are anticipated.
- County of Essex-Delaney Hall. Funding increases by \$0.5 million, from \$6.0 million to \$6.5 million, to assist the county in financing substance abuse treatment services provided by Delaney Hall.

Capital Construction. No new capital funds for Laboratory Services are recommended as it appears the account will have sufficient unexpended funds available from FY 2004, which will

Program Description and Key Points (Cont'd)

carry over into FY 2005.

Federal Funds. Overall funding is anticipated to increase from FY 2004 adjusted levels by \$9.0 million, from \$368.2 million to \$377.2 million. Some new grants are expected, while funding for several grants ends. An increase in funding is anticipated for the following major grant programs:

- Supplemental Food Program - W.I.C., increases by \$5.0 million, from \$85.0 million to \$90.0 million.
- Emergency Preparedness for Bioterrorism, increases by \$6.5 million, from \$21.0 million to \$27.5 million.
- Bioterrorism Hospital Emergency Preparedness, increases by \$2.1 million, from \$13.9 million to \$16.0 million.
- Substance Abuse Block Grant, increases by \$2.0 million, from \$51.0 million to \$53.0 million.
- Ryan White Act (Comprehensive AIDS Resource Grant), increases by \$2.0 million, from \$63.0 million to \$65.0 million.

Funding for the Early Intervention Program for Medicaid Recipients and the Early Intervention Program for Medicaid Recipients (Part H) is unchanged at \$5.0 million and \$13.0 million, respectively.

It is also noted that funding for the Tuberculosis Control Program is expected to decrease by \$3.8 million, from \$9.8 million to \$6.0 million. However, it appears that unexpended federal funds balances will partially offset this reduction.

Other Funds. Overall funding is expected to increase by \$2.1 million, from \$68.3 million to \$70.4 million. This increase is largely due to a \$1.2 million increase in AIDS Drug Distribution Program Rebates, and a \$1.5 million increase in Alcohol Treatment Programs Funds. It is noted that copayments for the Early Childhood Intervention Program are expected to increase by \$3.0 million, to \$7.0 million, and that costs associated with the Newborn Screening program are shifted to the Laboratory Revolving Fund. In addition, \$1.3 million in **General Fund** contributions is provided to replace a reduction in monies from the Drug Enforcement and Demand Reduction Fund for substance abuse programs.

HEALTH PLANNING AND EVALUATION

Health Planning and Evaluation consists of two programs:

Long Term Care Systems Development and Quality Assurance licenses all health care facilities, develops and revises standards concerning health care facilities, and reviews and approves all construction and renovation plans. The program is also involved in the training and certification of various health care professionals such as nursing home administrators, nurses' aides and emergency medical personnel.

In FY 2005, **Long Term Care Systems Development and Quality Assurance** will: license over 900 health care facilities with 85,000 beds; conduct over 3,700 inspections; and initiate 125 administrative actions/penalties on health care providers and over 1,500 federal enforcement

Program Description and Key Points (Cont'd)

actions.

Health Care Systems Analysis contributes to the development of the State Health Plan, administers the certificate of need program and maintains and compiles health care financial information and statistics. The program regulates HMOs and monitors complaints against these organizations.

During FY 2005, **Health Care Systems Analysis** will process 120 certificate of need applications and process 6,000 complaints against HMOs. As HMOs are assessed for the State's oversight function, the **General Fund** anticipates about \$2.6 million in assessment revenues.

The recommended FY 2005 appropriation for **Health Planning and Evaluation** is summarized below.

	Adj. Approp. FY 2004	Recomm. FY 2005	\$ Change	% Change
GRAND TOTAL (\$000)	<u>\$157,050</u>	<u>\$326,576</u>	<u>\$169,526</u>	<u>107.9%</u>
Direct State Services:	<u>\$5,134</u>	<u>\$6,074</u>	<u>\$940</u>	<u>18.3%</u>
Long Term Care Systems	3,949	3,949	--	--
Health Care Systems...	1,185	2,125	940	79.3%
Grants-In-Aid:	<u>\$73,269</u>	<u>\$180,725</u>	<u>\$107,456</u>	<u>146.7%</u>
Health Care Systems...	\$73,269	180,725	107,456	146.7%
Federal:	<u>\$31,558</u>	<u>\$86,686</u>	<u>\$55,128</u>	<u>174.7%</u>
Long Term Care Systems	11,969	14,997	3,028	25.3%
Health Care Systems...	19,589	71,689	52,100	266.0%
Other Funds:	<u>\$47,089</u>	<u>\$53,091</u>	<u>\$6,002</u>	<u>12.7%</u>
Long Term Care Systems	252	117	(135)	(53.6%)
Health Care Systems...	46,837	52,974	6,137	13.0%

Key Points

Direct State Services: Overall funding increases by \$0.9 million, to \$6.1 million. The increase is in the Health Care Systems Analysis program for Personal Services for additional staff to implement a proposed assessment on Ambulatory Care Facilities.

Grants-In-Aid: Recommended appropriations increase by \$107.5 million, to \$180.7 million, for additional payments to hospitals for Charity Care.

- One-time legislative appropriations for Federally Qualified Health Centers - Services to Family Care Clients (\$10.0 million) and for Hospital Assistance Grants (\$20.0 million), which provided between \$0.5 million and \$5.0 million to 14 primarily urban hospitals (identified by budget language), are not continued.
- Recommended appropriations for an existing Health Care Subsidy Fund account increase by \$85.2 million, from \$25.2 million to \$110.4 million.

Program Description and Key Points (Cont'd)

- A new Hospital Funding (\$37.2 million) account and a reconstituted Hospital Assistance Grants (\$15.0 million) are proposed. These monies would provide hospitals with additional financial assistance.
- The monies for these increased and new appropriations will come from various sources: an increase in the **General Fund** appropriations, supported in part by an increase in the cigarette tax rate; and \$22.3 million in revenues from the Second Referral Debt Collection Hospital account. In addition, the following new revenues are being proposed to partially offset a \$225 million reduction in the amount of diverted unemployment insurance monies that is used for Charity Care: a new \$31 million ambulatory medical facility assessment; a new \$5 charge per outpatient visit on non-Medicare patients (\$34 million); an increase in a hospital assessment from .53% to .70% (\$49.6 million); (**Legislation is expected to be introduced with respect to these new or increased revenues.**)
- Two new budget language provisions, p. D-154, are proposed to provide guidance as to how the monies recommended for the the new Hospital Funding and the reconstituted Hospital Assistance Grants accounts are to be distributed among hospitals.

Federal Funds. Overall recommended appropriations increase by \$55.1 million, to \$86.7 million. Offsetting certain federal grants that are discontinued, an additional \$52.2 million in new federal Medicaid for Hospital Funding is anticipated to support Charity Care; and federal funding for the Medicare/Medicaid Facilities Inspection Program is expected to increase by \$3.4 million, from approximately \$10.8 million to \$14.2 million.

Other Funds. These monies primarily represent revenues generated from: Admission Charge Hospital Assessment, a \$10.00 per adjusted admission fee imposed on hospitals; Health Care Cost Reduction Fund, an assessment on hospital revenues; and Certificate of Need fees. These monies support: departmental administrative operations; various health care expenditures (such as infant mortality reduction programs, Medicaid expansion for pregnant women, and federally qualified health centers); and Charity Care. It is noted that \$6.0 million of Admission Charge Hospital Assessment revenues are deposited in the **General Fund** (Schedule 1).

Recommended FY 2005 appropriations increase by \$6.0 million, to \$53.1 million. In addition, these programs retain their unexpended FY 2004 balances, which could be significant: FY 2003 unexpended balances, available in FY 2004, total \$14.0 million.

The increase in the amount of **Other Funds** appropriations is attributable to the Expansion of Medicaid - Pregnant Women and Infants program (which expanded Medicaid for pregnant women and infants with incomes of between 100% and 185% of the federal poverty level). Expansion ... costs are expected to increase from \$18 million to \$24 million in FY 2005.

HEALTH ADMINISTRATION

Health Administration consists of the **Management and Administrative Services** program, which provides departmentwide services. The Office of Minority and Multicultural Health is in this unit. The FY 2005 recommended appropriation for **Health Administration** is summarized below:

Adj. Approp. FY 2004	Recomm. FY 2005	\$ Change	% Change
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Program Description and Key Points (Cont'd)

GRAND TOTAL (\$000)	<u>\$11,934</u>	<u>\$13,621</u>	<u>\$1,687</u>	<u>14.1%</u>
Direct State Services	\$5,738	\$5,688	(\$50)	(0.9%)
Federal	1,296	1,136	(160)	(12.3%)
Other (a)	4,900	6,797	1,897	38.7%

(a) Includes Revolving Funds that are not reflected in the actual budget document.

Key Points

Direct State Services: Recommended appropriations are essentially unchanged at \$5.7 million and include \$1.5 million in funding for the Office of Minority and Multicultural Health, a legislative priority.

Other Funds. This fund primarily consists of the Printing and Information System Revolving Fund and retained Administrative Overhead revenues. The accounts also retain their unexpended balances, which totaled \$10.2 million at the end of FY 2003. In FY 2005, additional funds are recommended for the Revolving Fund, primarily for Personal Services.

SENIOR SERVICES

Senior Services consists of the following five programs:

Medical Services for the Aged administers various Medicaid services involving long-term care and community alternatives. In FY 2005, 10.2 million nursing home days will be provided to Medicaid clients and about 8,400 persons will be served in various community settings.

Pharmaceutical Assistance to the Aged and Disabled (PAAD) provides prescription drugs, and certain equipment used by diabetics, to qualified elderly and disabled persons whose incomes are less than \$20,437 (single) and \$25,058 (married). Eligible persons pay a \$5.00 copayment for each prescription drug. Persons eligible for PAAD may also receive up to \$100 annually in assistance for the purchase of a hearing aid. During FY 2005, it is estimated that about 187,300 persons (160,200 elderly and 27,100 disabled) will be eligible for the program.

Senior Gold provides pharmaceutical assistance to single persons with income between \$20,437 and \$30,437 and to married couples with incomes between \$25,058 and \$35,058. Eligible persons have a \$15 copayment plus 50% of the remaining balance. Out-of-pocket costs are capped at \$2,000 and \$3,000, respectively, for single and married persons, at which point the eligible person is only responsible for the \$15 copayment. During FY 2005, approximately 30,200 persons (28,700 elderly and 1,500 disabled) will be eligible for the program.

Programs for the Aged supports programs which improve the quality of life for the State's older citizens through technical assistance and grants to county offices on aging. Funded programs include congregate and home delivered meals, personal care, legal services and case management.

During FY 2005, 3.6 million congregate meals will be served, nearly 763,000 units of personal care services will be provided, 75,000 persons will receive health insurance counseling, and adult protective services will be offered to about 5,300 persons.

Program Description and Key Points (Cont'd)

The **Office of the Ombudsman for the Institutionalized Elderly** receives, investigates and resolves complaints concerning health care facilities serving the elderly, and reviews requests to withdraw or withhold life-sustaining treatment for persons without advance health care directives. During FY 2005, over 10,300 on-site investigations will be conducted, over 4,900 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken, and over 400 cases will be referred to enforcement authorities.

The **Office of the Public Guardian** provides guardianship services for elderly adults who have been deemed by the courts to be in need of a guardian or conservator. Among the services provided by the office are legal assistance, development of individualized social service plans, and financial management of an elderly person's resources. During FY 2005, over 1,900 cases will be handled and the office will be appointed guardian by the court in 160 cases.

The FY 2005 recommended appropriation for **Senior Services** is summarized on the next page.

Key Points

Direct State Services. Overall funding for the Senior Services program decreases by \$0.3 million, from \$16.6 million to \$16.3 million. (In addition to the recommended \$16.3 million appropriation for **Direct State Services**, an additional \$1.6 million will be provided by the State Board of Public Utilities for administrative costs related to the Lifeline programs.)

Medical Services for the Aged. An additional \$0.8 million is requested for Personal Services costs. The monies would hire new employees to increase the amount of nursing home recoveries by \$0.5 million.

Pharmaceutical Assistance to the Aged and Disabled. As \$1.0 million in federal funds are expected, overall administrative costs (primarily in the Personal Services and Services Other Than Personal accounts) are expected to be reduced, from approximately \$9.7 million to \$8.6 million. (The federal funds are from the new Medicare Prescription Drug Discount Card program which will reimburse states for administrative assistance such as eligibility determination.)

Grants-In-Aid. Overall funding increases by \$330.5 million, from \$542.1 million to \$872.6 million largely due to federal funding issues.

Medical Services for the Aged. Recommended appropriations increase by \$406.1 million, from \$320.0 million to \$726.1 million, primarily reflecting a \$499.2 million reduction in one-time federal funds made available in the Jobs and Growth Tax Relief Reconciliation Act of 2003, Pub.L.108-27. The following changes occur within the program:

	Adj. Approp. FY 2004	Recomm. FY 2005	\$ Change	% Change
GRAND TOTAL (\$000)	<u>\$2,293,690</u>	<u>\$2,247,338</u>	<u>(\$46,352)</u>	<u>(2.0%)</u>

Program Description and Key Points (Cont'd)

Direct State Services:	<u>\$16,569</u>	<u>\$16,262</u>	<u>(\$307)</u>	<u>(1.9%)</u>
Medical Services...Aged	\$4,946	\$5,733	\$787	15.9%
PAAD (Admin.)	9,654	8,560	(1,094)	(11.3%)
Programs for the Aged	462	462	--	--
Ombudsman	826	826	--	--
Public Guardian	681	681	--	--
Grants-In-Aid:	<u>\$542,074</u>	<u>\$872,598</u>	<u>\$330,524</u>	<u>61.0%</u>
Medical Services...Aged	\$320,009	\$726,130	\$406,121	126.9%
PAAD	209,040	131,020	(78,020)	(37.3%)
Programs for the Aged	13,025	15,448	2,423	18.6%
Casino Revenue Fund:	<u>\$299,973</u>	<u>\$331,824</u>	<u>\$31,851</u>	<u>10.6%</u>
Medical Services...Aged	\$29,558	\$28,461	(\$1,097)	(3.7%)
PAAD	255,182	288,130	32,948	12.9%
Programs for the Aged	15,233	15,233	--	--
State Aid:	<u>\$7,108</u>	<u>\$7,108</u>	<u>--</u>	<u>--</u>
Programs for the Aged	\$7,108	\$7,108	--	--
Federal:	<u>\$1,427,216</u>	<u>\$1,018,646</u>	<u>(\$408,570)</u>	<u>(28.6%)</u>
Medical Services...Aged	\$1,381,246	\$882,030	(\$499,216)	(36.1%)
PAAD	--	90,994	90,994	n.a.
Programs for the Aged	44,870	44,472	(398)	(0.9%)
Ombudsman	600	600	--	--
Public Guardian	500	550	50	10.0%
Other	<u>\$750</u>	<u>\$900</u>	<u>\$150</u>	<u>20.0%</u>

- Payments for Medical Assistance Recipients - Nursing Homes. State appropriations increase by \$411.4 million, from \$219.3 million to \$630.7 million, to offset the loss of federal funds made available in FY 2004 by Pub.L.108-27. The recommended appropriation also acknowledges that federal approval of the State's request for \$440 million in federal Intergovernmental Transfer funds or its request for a nursing home assessment is unlikely.

The following actions are to be taken with respect to Nursing Homes:

Nursing home rates will not be rebased or adjusted for inflation - \$31.5 million;
The nursing screen is reduced from 120% to 115% of the median - \$10.0 million;
Reimbursement for bedhold days is reduced from 90% to 50% of a facility's rate - \$5.2 million;
The number of assisted living slots is increased from 375 to 750 - \$9.3 million; and
Audit recoveries are increased - \$0.5 million.

Pursuant to proposed budget language, p. D-165, if the federal government approves the State's nursing home assessment application, \$46.7 million in proposed reductions would be reversed.

- Medical Day Care Services. Recommended appropriations are reduced by \$15.2 million, to \$43.0 million. Total savings of \$12.7 million are anticipated by maintaining

Program Description and Key Points (Cont'd)

reimbursement rates for services at FY 2004 levels (\$1.8 million) and by requiring services to be prior authorized before being provided (\$10.9 million) pursuant to proposed budget language, p. D-165.

- Assisted Living Program. Recommended appropriations increase by \$5.0 million to \$23.5 million, as the State will accelerate the number of slots that will become available in the program, from 375 to 750 in FY 2005. (The additional 375 slots are expected to reduce nursing home costs by \$9.3 million.)
- ElderCare Initiatives. An additional \$4.9 million is requested, increasing the appropriation from \$15.0 million to \$19.9 million. (This program supplements funding for the Assisted Living Program.) The additional funds acknowledge that savings that the FY 2004 appropriations act had assumed, by shifting clients from the Jersey Assistance for Community Caregiving to the Caregivers Assistance Program, will not be realized.

Pharmaceutical Assistance to the Aged and Disabled. Total **General and Casino Revenue Fund** appropriations for the PAAD and Senior Gold programs are reduced by \$45.1 million, from \$464.2 million to \$419.2 million, reflecting \$90.0 million in federal Medicare Prescription Drug Discount Card savings. In addition, \$20 million in efficiency savings are anticipated.

The Discount Card will provide elderly and disabled Medicare recipients with incomes up to 135% of the federal poverty level (1 person - \$12,569 and 2 persons - \$16,862) with a \$600 subsidy for drug costs in calendar years 2004 and 2005, respectively. The FY 2005 recommended budget assumes that 80,000 PAAD recipients with incomes of up to 135% of the federal poverty level will enroll in the Discount Card program and receive a \$1,200 subsidy to offset their prescription drug costs.

On April 17, 2004, the Centers for Medicare and Medicaid Services announced that states that operate pharmacy assistance programs, in certain circumstances, will be allowed to enroll low-income Medicare recipients with a card sponsor, if the state has the authority to act as an "authorized representative" on behalf of the beneficiary. This will make it much easier for the State to enroll eligible PAAD beneficiaries into the program and receive financial assistance.

- In PAAD, **General Fund** expenditures decrease by \$74.6 million, from \$180.7 million to \$106.1 million. **Casino Revenue Fund** expenditures will increase from \$32.9 million, from \$255.2 million to \$288.1 million.
- In Senior Gold, **General Fund** expenditures decrease from \$28.4 million to \$24.9 million, as program enrollment has not reached anticipated levels. Approximately \$3.9 million of the recommended appropriation may be used for program administrative costs pursuant to budget language, p. D-164.

Programs for the Aged. Recommended **General Fund** appropriations increase by \$2.4 million, from \$13.0 million to \$15.4 million, as follows:

- New Jersey Caring for Caregivers - \$2.0 million. This new appropriation is similar to the federal National Family Caregivers Program which provides services to enable seniors to live in their own homes. (The State will receive \$4.1 million in federal funds for this program in FY 2005.) Of the \$2.0 million recommended appropriation, \$1.6 million will be distributed to 14 counties to provide various services in caregivers' homes, and \$0.4 million will be distributed among seven counties to support 70 caregiving families in a

Program Description and Key Points (Cont'd)

consumer-directed pilot program.

- Arthritis Quality of Life Initiative Act - \$0.5 million. The FY 2004 recommended budget and appropriations act had reduced funding for this act by nearly \$250,000. The recommended budget restores \$250,000 in funding.
- Cost of Living Adjustment - \$0.2 million. Agencies providing Senior Services would receive a 1% cost of living adjustment.

Casino Revenue Funds. Recommended appropriations increase by \$31.9 million, from \$300 million to \$331.8 million, primarily reflecting an increase in PAAD costs previously discussed.

Federal Funds. The overall amount of federal funds to support **Senior Services** is expected to decrease by \$408.6 million, from \$1.4 billion to \$1.0 billion. As previously discussed, the recommended budget assumes that the federal government will not approve the State's request for additional federal Intergovernmental Transfer Funds or the State's request for a nursing home assessment. Also, the recommended appropriation assumes that no new federal funds similar to those made available in 2004 through Pub.L.108-27 will be available this year. Offsetting these reductions, the recommended budget assumes \$91 million in federal funds to support the PAAD program will be available through the Medicare Prescription Drug Discount Card.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2003	Adj. Approp. FY 2004	Recom. FY 2005	Percent Change	
				2003-05	2004-05
General Fund					
Direct State Services	\$126,846	\$76,340	\$85,674	(32.5)%	12.2%
Grants-In-Aid	824,694	702,891	1,144,378	38.8%	62.8%
State Aid	50,024	58,454	68,954	37.8%	18.0%
Capital Construction	1,144	620	0	(100.0)%	(100.0)%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,002,708	\$838,305	\$1,299,006	29.6%	55.0%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$351,661	\$300,473	\$332,324	(5.5)%	10.6%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,354,369	\$1,138,778	\$1,631,330	20.4%	43.3%
Federal Funds	\$1,373,995	\$1,828,288	\$1,483,676	8.0%	(18.8)%
Other Funds	\$1,052,297	\$129,225	\$143,697	(86.3)%	11.2%
Grand Total	\$3,780,661	\$3,096,291	\$3,258,703	(13.8)%	5.2%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2003	Revised FY 2004	Funded FY 2005	Percent Change	
				2003-05	2004-05
State	886	877	935	5.5%	6.6%
Federal	700	807	969	38.4%	20.1%
All Other	284	336	399	40.5%	18.8%
Total Positions	1,870	2,020	2,303	23.2%	14.0%

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 data reflect the number of positions funded. Excludes positions supported by revolving funds.

AFFIRMATIVE ACTION DATA

Total Minority Percent	33.4%	33.4%	33.4%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2004</u>	<u>Recomm.</u> <u>FY 2005</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

The department's **Direct State Services** accounts incorporate approximately \$1.1 million in unspecified efficiencies.

The department's **Grants-in-Aid** accounts in the Health Services and Senior Services programs include \$2.5 million to provide contract agencies with a 1percent cost-of-living adjustment.

HEALTH SERVICES

Personal Services	\$15,034	\$14,288	(\$746)	(5.0)%	D-145
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Funding for Personal Services is reduced by \$746,000 from \$15,034,000 to \$14,288,000. However, as the overall number of filled positions is expected to increase by 138, with 118 of those positions in Public Health Protection Services, it is likely that **Federal** and **Other Funds** will be used to offset the reduction.

Family Health Services:

Special Purpose	\$3,677	\$11,377	\$7,700	209.4%	D-145
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The \$7.7 million increase is related to the following:

- A new Special Purpose appropriation of \$5.0 million for a Women's Health Awareness Program to provide education and outreach on preventative care, with an emphasis on cancer, HIV/AIDS, autoimmune diseases, osteoporosis, arthritis and heart disease.
- Funding for the Cancer Screening - Early Detection and Education Program, is increased from \$2.7 million to \$5.4 million to provide cancer screening to 20,000 women, and diagnostic procedures for women suspected of having breast or cervical cancer. Actual expenditures in FY 2003 were approximately \$2.5 million.

Public Health
Protection Services:

Special Purpose	\$14,052	\$15,094	\$1,042	8.7%	D-145 to D-146
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Funding for the following new Special Purpose items is proposed:

- A new appropriation of \$2.0 million is included for a Cardiovascular Program to promote awareness of the risk of heart disease, its prevention, effective therapeutic interventions and resources available within the State.
- A new appropriation of \$200,000 is proposed to support an Animal Welfare initiative. Specifics regarding this new appropriation are not available, and they may depend on the

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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findings of the Animal Welfare Task Force created by Governor McGreevey in 2002.

Funding for the following Special Purpose items is eliminated or reduced:

- Medical Waste Management Program is reduced by \$54,000 from \$774,000 to \$720,000. Total expenditures in FY 2003 were \$762,000.
- South Jersey Regional Emergency Training Center. This FY 2004 legislative initiative is not continued, saving \$900,000. As of this writing, no State funds were expended or obligated for FY 2004.

Funding for the following Special Purpose items is shifted to other sources, pursuant to budget language (D-149):

- Emergency Medical Services (\$79,000). This program will be supported with an appropriation from the Emergency Medical Technician Training Fund balances.
- The First Response EMT Cardiac Training Program (\$125,000) will also be supported by balances in the Emergency Medical Technician Training Fund.

Addiction Services:

Special Purpose	\$10,000	\$11,000	\$1,000	10.0%	D-146
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Funding for School Based Programs and Youth Anti-Smoking, is increased by \$1.0 million, from \$6.0 million to \$7.0 million, to expand anti-smoking media campaigns targeting children and young adults. Revenues generated by the proposed increase in the cigarette tax are intended to fund this increase. Funding for other anti-smoking programs remains unchanged at \$4.0 million

Laboratory Services:

Special Purpose	\$2,490	\$2,440	(\$50)	(2.0)%	D-146
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Funding for West Nile Virus-Laboratory Services, is reduced by \$50,000, from \$690,000 to \$640,000. Available information indicates that this reduction will primarily affect the materials and supplies used by the laboratory, as these comprised the greatest percentage of expenditures in FY 2003.

Family Health

Services: Grants-in-Aid (General Fund)	\$17,060	\$16,715	(\$345)	(2.0)%	D-146 to D-147
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Recommended appropriations include a cost-of-living adjustment of \$297,000 for various Grants-in-Aid accounts.

Funding for the following new grant is proposed:

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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- As a follow-up to the "Lead Hazard Control Assistance Act," signed into law in January 2004, \$2.0 million in grant monies is recommended to provide Lead Testing Kits for Expectant Mothers throughout the State.

Funding for the following grants is restored to near FY 2003 levels:

- Hemophilia Services, \$94,000 increase, from \$939,000 to \$1,033,000.
- Chronic Renal Disease Services, \$47,000 increase, from \$383,000 to \$430,000.
- Cleft Palate Programs, \$45,000 increase, from \$565,000 to \$610,000.
- Sudden Infant Death (SIDS) Assistance Act, \$99,000 increase, from \$86,000 to \$185,000.
- Services to Victims of Huntington's Disease, \$142,000 increase, from \$138,000 to \$280,000.

Funding for the following grants is increased:

- Tourette Syndrome Association, \$50,000 increase, from \$200,000 to \$250,000.
- Family Planning Services, \$120,000 increase, from \$4,180,000 to \$4,300,000.

The following grants included in the FY 2004 appropriations act by the Legislature are not continued:

- The \$2,989,000 grant provided to the Robert Wood Johnson Medical School at Camden to enhance academic programs and support faculty is eliminated. As of this writing, all grant monies provided to the school for FY 2004 are obligated.
- The \$250,000 grant provided for the Camden Optometric Eye Center is eliminated. This grant has been included in the budget by the Legislature for several years. All grant monies awarded in FY 2003 were expended, and it is expected that all FY 2004 funds will be expended. The impact of this elimination will depend on the overall financial strength of the center.

**Public Health
Protection Services:**

Grants-in-Aid	\$25,804	\$26,502	\$698	2.7%	D-146 to D-147
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Recommended appropriations include a cost-of-living adjustment of \$198,000 for various Grants-in-Aid accounts.

Funding for a new grant of \$250,000 is recommended to support the Saint Barnabas Medical Center - Cancer Center. Although specific information regarding this grant is not available, its inclusion reflects the McGreevey Administration's priority of funding cancer research and treatment.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Funding for the Cancer Institute of New Jersey (including the South Jersey Program), is increased by \$250,000, from \$23,000,000 to \$23,250,000. In past fiscal years, funding has been used for operating costs, facility expansions and providing information about clinical trials. The \$250,000 will be used for an Ovarian Cancer Research Fund.

Addiction Services:					D-146;
Grants-in-Aid	\$25,672	\$28,208	\$2,536	9.9%	D-148

Recommended appropriations include a cost-of-living adjustment of \$1,186,000 for various Grants-in-Aid accounts.

Community Based Substance Abuse and Prevention-State Share: Funding increases by \$1.3 million increase, from \$20.9 million to \$22.2 million. Of the funding recommended, a \$1.3 million contribution from the General Fund will be made available to replace a comparable reduction in the Drug Enforcement and Demand Reduction Fund, pursuant to budget language (D-149).

Compulsive Gambling Program: Funding increases by \$50,000, from \$650,000 to \$700,000. Total expenditures in FY 2003 were \$645,000.

AIDS Services: Grants-in-Aid	\$19,012	\$19,630	\$618	3.3%	D-146; D-148
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Recommended appropriations include a cost-of-living adjustment of \$618,000 for Grants-in-Aid accounts.

Family Health Services:					
State Aid	\$42,946	\$52,946	\$10,000	23.3%	D-148

Early Childhood Intervention Program: Funding increases by \$10.0 million, of which \$4.0 million is provided from the General Fund to replace monies from the Catastrophic Illness in Children Relief Fund. Additional proposed funding reflects an expected increase in the number of children being served, from 15,750 (FY 2004) to 17,640 (FY 2005).

The \$52.9 million in State Aid appropriated for FY 2005 assumes that \$3.0 million in revenue will be generated through a cost-sharing initiative, and that another \$3.0 million in savings will be achieved through restructuring. The specific restructuring the program will undergo to achieve the savings is unknown. In addition to \$52.9 million in State Aid, \$18.0 million in federal and Medicaid funds are anticipated.

Addiction Services:					
State Aid	\$6,000	\$6,500	\$500	8.3%	D-148

State Aid for County of Essex-Delaney Hall, a legislative initiative from FY 2004, increases by \$500,000 from \$6.0 million to \$6.5 million. These monies are provided to help offset the

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2004</u>	<u>Recomm.</u> <u>FY 2005</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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county's costs of providing residential substance abuse treatment services to certain inmates from the county detention center. As of this writing, all State Aid monies appropriated for FY 2004 were expended.

Capital Construction:

Laboratory Services	\$620	\$0	(\$620)	(100.0)%	D-148
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No new capital funds for Laboratory Services are recommended, as it appears the account will have sufficient funds available from FY 2004 which will carry over into FY 2005.

HEALTH PLANNING AND EVALUATION

Personal Services	\$3,847	\$4,787	\$940	24.4%	D-153
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An additional \$0.9 million is recommended for new employees in the Health Care Systems program to implement a new assessment on Ambulatory Medical Facilities. The assessment is expected to generate \$31.0 million for Charity Care payments to hospitals.

Health Care Subsidy Fund	\$25,200	\$110,419	\$85,219	338.2%	D-153
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Hospital Assistance Grants	\$19,953	\$15,000	(\$4,953)	(24.8)%	D-153
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Hospital Funding	\$0	\$37,190	\$37,190	—	D-153
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Overall funding increases by \$117.5 million for existing and new payments to hospitals for Charity Care. These funds are expected to generate \$52.2 million in new federal Medicaid matching funds for Charity Care payments, in addition to the level \$18.1 million Supplemental Charity Care funding.

The total amount of State funds recommended in FY 2005 to provide assistance to hospitals for charity care, including Supplemental Charity Care funding of \$18.1 million, is \$186.8 million.

It is noted that Hospital Assistance Grants actually represents two different programs in FY 2004 and FY 2005:

- The FY 2004 appropriation of \$20.0 million was added to the budget by the Legislature. These monies were distributed among 14 primarily urban hospitals. Both the hospitals that received funds and the amount of funds each hospital was to receive were specified in budget language included in the appropriations act. Amounts ranged from \$500,000 (Hackensack University; Muhlenburg Regional; St. Peter's University; and Raritan Bay Medical) to \$5.0 million (St. Barnabas Health Care System).
- The FY 2005 recommended appropriation of \$15.0 million would be distributed among

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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hospitals based on criteria developed by the Commissioner.

The following ongoing or new State revenues will support Charity Care payments:

- Redirected Unemployment Insurance Funds - \$100 million (a \$225 million reduction from current amounts);
- Cigarette Taxes - \$165 million (a \$15 million increase over current amounts);
- a new Ambulatory Medical Facility Assessment - \$31 million;
- a new \$5 Charge per Outpatient Visit on Non-Medicare Patients - \$34 million;
- an increase in the hospital assessment from .53% to .70% - \$49.6 million (in addition to \$39.1 million that will be used for existing activities); and
- the Second Referral Debt Collection - Hospital account - \$22.3 million.

Two proposed budget language provisions on p. D-154 provide general policy guidance regarding the Hospital Assistance Grants account and the Hospital Funding account and how these funds are to be distributed among hospitals, but allow final determinations to be made by the Commissioner.

**Federally Qualified
Health Centers-
Services to Family Care
Clients**

	\$10,000	\$0	\$0	(100.0)%	D-153
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This grant was included in the FY 2004 appropriations act by the Legislature and is not continued. The monies were used as follows: Approximately \$6.0 million was distributed to centers for renovations, hiring additional staff, etc. to permit services to be expanded; and the remaining \$4.0 million was used to reimburse the various centers for services provided to persons without health insurance.

SENIOR SERVICES

Direct State Services:

Medical Services for the Aged	\$4,946	\$5,733	\$787	15.9%	D-159
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Direct State Services:

PAAD	\$9,654	\$8,560	(\$1,094)	(11.3)%	D-159
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The \$0.8 million increase in the Medical Services for the Aged program is for additional staff (Personal Services) in the nursing home rate setting program. The additional staff will increase recoveries by \$0.5 million.

The reduction in the PAAD program is in the Personal Services and Services Other Than Personal accounts. The reduction will be offset by about \$1.0 million in federal funds. Federal monies are available to reimburse states for administrative assistance in implementing the federal

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2004</u>	<u>Recomm. FY 2005</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Medicare Prescription Drug Discount Card program.

Assisted Living Program	\$18,540	\$23,540	\$5,000	27.0%	D-161
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An additional \$5.0 million is provided for the Assisted Living Program to support 750 additional slots in the Enhanced Community Options waiver, increasing the number of slots to about 3,200. Federal approval is required before this increase can be implemented because the waiver permits an increase of only 375 slots annually. The additional slots, if approved, are expected to reduce nursing home costs by \$9.3 million. Pursuant to proposed budget language, p. D- 164, a portion of the Nursing Homes appropriation is available to provide additional funding to the program, if needed.

**Payments for Medical
Assistance Recipients -
Nursing Homes**

\$219,306	\$630,717	\$411,411	187.6%	D-161
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The recommended appropriation assumes the following:

- No federal approval is likely for the State's request for \$440 million in additional Intergovernmental Transfer funds or its request for a Nursing Home Provider Tax Assessment waiver. Federal stimulus funds, similar to those made available in Pub.L.108-27, is also unlikely.
- Savings of \$56.5 million are achieved by: not rebasing rates or adjusting for inflation in FY 2005 (\$31.5 million); reducing the nursing screen from 120% to 115% of the median due to a reduction in the amount of federal IGT funds the State receives (\$10 million); reducing reimbursement to hold beds for patients who are hospitalized or on leave from 90% to 50% of the facility's rate (\$5.2 million); increasing recoveries (\$0.5 million) and increasing the number of slots in the Assisted Living Program from 375 to 750 (\$9.3 million).
- Proposed budget language, p. D-165, would restore \$46.7 million in proposed nursing home reductions if the federal government approves the State's Nursing Home Provider Tax Assessment waiver request.
- Approximately \$723.7 million in federal funds will support the FY 2005 recommended appropriations.

**Medical Day Care
Services**

\$58,163	\$42,996	(\$15,167)	(26.1)%	D-161
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Funding is reduced primarily due to anticipated savings from a new prior authorization for services requirement (\$10.9 million) and by maintaining rates at FY 2004 levels (\$1.8 million). The reductions are based on various findings that providers are seeking reimbursement for and enrolling persons who are not eligible for services. At an estimated cost of \$13,000 per client, between 800 - 850 recipients of Medical Day Care Services may be affected by the funding reduction.

Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2003</u>	<u>Recomm.</u> <u>FY 2004</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
ElderCare Initiatives	\$15,000	\$19,877	\$4,877	—	D-161

The FY 2004 recommended budget and the appropriations act assumed savings of \$4.0 million by transferring recipients currently enrolled in the Jersey Assistance for Community Caregiving program, funded entirely with State funds, to the Caregiving Assistance Program which qualifies for federal reimbursement. As the transfer of patients between the two programs did not occur to any great extent, funding is restored to the program.

Pharmaceutical Assistance to the Aged and Disabled - Claims	<u>\$435,864</u>	<u>\$484,203</u>	<u>\$48,339</u>	<u>11.1%</u>	
PAA Claims (General Fund)	\$35,998	\$29,835	(\$6,163)	(17.1)%	D-161
PAAD Claims (General Fund)	\$144,684	\$76,238	(\$68,446)	(47.3)%	D-161
PAAD Claims (Casino)	\$255,182	\$288,130	\$32,948	12.9%	D-161
Federal Funds	\$0	\$90,000	\$90,000	--	D-162

The key assumption behind the recommended PAAD appropriation is that upwards of 80,000 PAAD recipients with incomes up to 135% of the federal poverty level (1 person - \$12,569; 2 persons - \$16,862) will enroll in the Medicare Prescription Drug Discount Card program and receive \$1,200 in subsidies in FY 2005. If this occurs, the State will save about \$90 million.

On April 17, 2004, the Centers for Medicare and Medicaid Services announced that states that operate pharmacy assistance programs, in certain circumstances, will be allowed to enroll low-income Medicare recipients with a card sponsor if the state has the authority to act as an "authorized representative" on behalf of the beneficiary. This will make it much easier for eligible PAAD beneficiaries to receive the subsidy they are entitled to.

In addition, \$20 million in savings through unidentified efficiencies are assumed.

Senior Gold	\$28,358	\$24,947	(\$3,411)	(12.0)%	D-161
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Senior Gold costs are expected to decrease by \$3.4 million, to \$24.9 million, as the number of persons enrolled in the program is below anticipated levels. Of the \$24.9 million recommended appropriation, pursuant to proposed budget language (D- 164), over \$3.8 million may be used for program administrative costs.

Arthritis Quality of Life Initiative Act	\$232	\$482	\$250	107.8%	D-161
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Significant Changes/New Programs (\$000) (Cont'd)

<u>Budget Item</u>	<u>Adj. Approp. FY 2003</u>	<u>Recomm. FY 2004</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The FY 2005 recommended budget restores grant funding of \$250,000 that had been reduced in FY 2004.

NJ Caring for Caregivers Initiative	\$0	\$2,000	\$2,000	—	D-161
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This new \$2.0 million State funded program is similar to the federal National Family Caregivers Program. In FY 2005, \$4.1 million in federal funds will be available for the program.

The new State program will provide services to enable seniors to live in their own homes. Approximately \$1.6 million will be distributed to 14 counties to provide various services in caregivers' homes; and approximately \$0.4 million would be distributed among seven counties to support 70 caregiving families in a consumer-directed pilot program.

Language Provisions

HEALTH SERVICES

2004 Appropriations Handbook

2005 Budget Recommendations

No comparable language provision.

p. D-149.

Notwithstanding the provisions of any other law to the contrary, there is appropriated from the "Emergency Medical Technician Training Fund" \$79,000 for Emergency Medical Services and \$125,000 for the First Response EMT Cardiac Training Program.

Explanation

The recommended budget language substitutes \$204,000 in State funding for Emergency Medical Services and the First Response EMT Cardiac Training Program with funding from the "Emergency Medical Technician Training Fund."

In the past, the Governor has recommended, and the Legislature has approved, language that provided that monies in the "Emergency Medical Technician Training Fund" be used for certain purposes related to emergency medical technician training.



2004 Appropriations Handbook

2005 Budget Recommendations

p. B-72.

p. D-149.

In addition to the amount appropriated above for Emergency Medical Services for Children, \$150,000 is appropriated from the annual .53% assessment on New Jersey hospitals, established pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62), for the same purpose.

Similar language, except that the amount is appropriated from the **Health Care Cost Reduction Fund**.

Explanation

The FY 2005 language change is technical. Since the revenues raised from the .53% assessment are deposited into the Health Care Cost Reduction Fund, eliminating reference to the .53% assessment is a technical change. However, it is noted that the recommended budget proposes to increase the assessment from .53% to .70%.



Language Provisions (Cont'd)

2004 Appropriations Handbook2005 Budget Recommendations

p. D-150.

No comparable language provision.

Notwithstanding the provisions of P.L.2003, c.115, \$11,000,000 is appropriated for anti-smoking programs (School Based Programs and Youth Anti-Smoking and Anti-Smoking Programs).

Explanation

The Governor's recommended budget appropriates \$11.0 million to School Based Programs and Youth Anti-Smoking (\$7.0 million, a \$1.0 million increase from FY 2004) and Anti-Smoking Programs (\$4.0 million). This appropriation reflects funding priorities continuing from FY 2004, which emphasized smoking prevention programs targeting young people. The recommended budget relies on \$1.0 million in revenues generated from an increase in the cigarette tax to expand Anti-Smoking initiatives. This language would supercede that part of P.L.2003, c.115 that directs that \$40 million is to be appropriated for anti-smoking initiatives.

2004 Appropriations Handbook2005 Budget Recommendations

p. B-72.

The unexpended balance, as of June 30, 2003, in the Rabies Control Program account, together with any receipts in excess of the amount anticipated, is appropriated.

No comparable language provisions.

The unexpended balances, as of June 30, 2003, in the Animal Population Control Program account, together with any receipts in excess of the amount anticipated, is appropriated.

Explanation

The Rabies Control Program and Animal Control Program were shifted off-budget in FY 2004. Thus, language concerning the appropriation of their unexpended balances and receipts is no longer necessary.

2004 Appropriations Handbook2005 Budget Recommendations

p. D-150.

Language Provisions (Cont'd)

2004 Appropriations Handbook

No comparable language provision.

2005 Budget Recommendations

Such sums as are necessary for a loan or loans to the Coriell Institute for Medical Research - New Jersey Cord Blood Resource Center are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. The Commissioner of Health and Senior Services shall issue such loans upon the Coriell Institute's execution of an agreement with any qualified New Jersey-based entities as determined appropriate by the Commissioner for the purposes of establishing a Statewide New Jersey Allogenic Cord Blood Bank. Loan funds shall be used solely for the collection and long-term storage of cord blood samples and for research directed at the growth of stem cells in such samples. The collection and storage of blood cord samples shall occur in New Jersey and shall be done on a not-for-profit basis. Funds loaned pursuant to this act shall be loaned on an interest-free basis and shall be repaid under terms determined by the Commissioner.

Explanation

The proposed language provides for interest-free loans to the Coriell Institute for Medical Research of the University of Medicine and Dentistry of New Jersey at Camden to establish a New Jersey Allogenic Cord Blood Bank. The funds provided to the institute must be used in partnership with other qualified New Jersey-based entities for the collection and storage of blood cord samples, and for research directed at the growth of stem cells.

The inclusion of this language reflects the recent passage of P.L.2003, c.203 (C.26:2Z-1 et seq.) which permits human stem cell research, and the Administration's priority of encouraging such research. The recommended budget also provides for the creation of a New Jersey Stem Cell Institute and a \$10.0 million public-private stem cell fund.



2004 Appropriations Handbook

2005 Budget Recommendations

p. D-150.

Language Provisions (Cont'd)

2004 Appropriations Handbook

2005 Budget Recommendations

No comparable language provision.

From the amount hereinabove for the Cancer Institute of New Jersey \$250,000 shall be provided to the Ovarian Cancer Research Fund.

Explanation

The proposed FY 2005 language provides that of the \$18,250,000 in **Grants-in-Aid** monies recommended for the Cancer Institute of New Jersey, \$250,000 shall be provided to the Ovarian Cancer Research Fund.

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-73.

p. D-150.

In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention-State Share program, there is appropriated \$3,000,000 from the Drug Enforcement and Demand Reduction Fund for the same purpose.

Similar language, except that the amount is reduced to **\$1,700,000**.

Explanation

In FY 2005, the Drug Enforcement and Demand Reduction (DEDR) Fund will provide \$1.7 million, instead of \$3.0 million, for substance abuse programs. An additional \$1.3 million in General Fund appropriations is recommended in the budget to offset the DEDR reduction.

Appropriations Handbook

2005 Budget Recommendations

p. B-74.

Language Provisions (Cont'd)

Appropriations Handbook2005 Budget Recommendations

Notwithstanding any law to the contrary, an amount not to exceed \$2,000,000 is appropriated to the Department of Health and Senior Services to provide education and public awareness of HIV and AIDS prevention and treatment programs, including the use of the new rapid AIDS test, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

In FY 2004, the recommended AIDS Grants appropriation was reduced by \$2.0 million, assuming that new federal funds would be used to offset the reduction. Budget language was also included to appropriate \$2.0 million for various HIV/AIDS education and public awareness activities, including information on the new rapid AIDS test. The FY 2005 recommended budget increases AIDS Grants funding by \$2.0 million and information on the new rapid AIDS test has been incorporated into HIV/AIDS education and public information activities, therefore the language is no longer necessary.

2004 Appropriations Handbook2005 Budget Recommendations

p. B-73.

From the amount appropriated hereinabove for the Cancer Institute of New Jersey there is allocated \$25,000 for a Department of Health and Senior Services grant to the Radiation and Public Health Project.

No comparable language provisions.

The amount appropriated hereinabove for the Robert Wood Johnson Medical School at Camden shall be used to enhance academic programs, support the faculty and benefit the education of medical students at the Camden Campus.

Explanation

The two language provisions were included in the FY 2004 appropriations act by the Legislature and are not continued.

The first language provision provided a \$25,000 grant from the Cancer Institute of New Jersey to the Radiation and Public Health Project. The grant monies were provided to the Radiation and

Language Provisions (Cont'd)

Public Health Project to collect and analyze 50 teeth from children with cancer and compare them to those of healthy children.

The second language provision specified how the Robert Wood Johnson Medical School at Camden was to use the \$2,989,000 in funds provided by the Legislature.

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-74.

Notwithstanding any law to the contrary, in addition to the amount hereinabove for the Early Childhood Catastrophic Intervention Program, an amount not to exceed \$4,000,000 is appropriated from the Catastrophic Illness in Children Relief Fund, established pursuant to P.L. 1987, c.370 (C.26:2-148 et seq.), subject to the approval of the Director of Budget and Accounting.

No comparable language provision.

Explanation

The FY 2004 language provision that appropriated \$4.0 million to the Early Childhood Intervention Program from the Catastrophic Illness in Children Relief Fund is not included in the proposed budget. An additional \$4.0 million in **General Fund** appropriations is recommended in the FY 2005 budget to offset the reduction. In addition, the Early Childhood Intervention Program will receive an increase in State Aid of \$10.0 million, making \$52.9 million in State funds available to the program.

Health Planning and Evaluation

2004 Appropriations Handbook

2005 Budget Recommendations

p. B-75

Receipts from fees established by the Commissioner of Health and Senior Services for licensing of clinical laboratories, pursuant to P.L. 1975, c.166 (C.45:9-42.26 et seq.), and blood banks pursuant to P.L. 1963, c.33 (C.26:2A-2 et seq.), are appropriated.

No comparable language provision.

Explanation

Language is not necessary as there are other language provisions that appropriate such fees.

Language Provisions (Cont'd)

2004 Appropriations Handbook

p. B-75

In addition to the amounts appropriated hereinabove, \$1,000,000 is appropriated for the Implementation of Statewide Health Information Network from the annual .53% assessment on New Jersey hospitals, established pursuant to section 12 of P.L. 1992, c.160 (C.26:2H-18.62) for establishing HIPAA compliance. Of this amount, \$250,000 shall be allocated to Thomas A. Edison State College.

2005 Budget Recommendations

p. D-154

Similar language except that the reference to the annual .53% assessment on New Jersey Hospitals has been replaced with the term Health Care Cost Reduction Fund.

Explanation

The language change is technical. As the revenues raised from the .53% assessment are deposited into the Health Care Cost Reduction Fund, eliminating reference to the .53% assessment is a technical change. However, it is noted that the recommended budget indicates that assessment will increase from .53% to .70%.

Available information is that the increase in the assessment from .53% to .70% would generate \$49.6 million for Charity Care. (The total amount the assessment may generate is between \$94 and \$95 million in FY 2005, with the \$45.2 million appropriated for other programs supported by the Health Care Cost Reduction Fund and \$49.6 million for Charity Care)

2004 Appropriations Handbook

p. B-75

2005 Budget Recommendations

Language Provisions (Cont'd)**2004 Appropriations Handbook**

The amount appropriated hereinabove for the Hospital Assistance Fund shall be distributed as grants as follows: Capitol Health System, Trenton, \$750,000; Saint Francis Medical Center, Trenton, \$750,000; Saint Mary's Hospital, Hoboken, \$1,000,000; Palisades General Hospital, \$1,000,000; Jersey City Medical Center, \$1,200,000; Saint Joseph's Hospital, Paterson, \$1,000,000; Cooper University Hospital, Camden, \$4,300,000; Hackensack University Medical Center, \$500,000; Muhlenburg Regional Medical Center, \$500,000; Cathedral Health Systems, \$1,500,000; Saint Barnabas Health Care System, \$5,000,000; Saint Peter's University Hospital, New Brunswick, \$500,000, Raritan Bay Medical Center, \$500,000, Our Lady of Lourdes Medical Center, \$1,453,000.

2005 Budget Recommendations

No comparable language provision.

Explanation

The \$20.0 million Hospital Assistance Fund and the budget language allocating specific amounts of monies to various hospitals was included in the FY 2004 appropriations act by the Legislature, and is not continued.



Language Provisions (Cont'd)

2004 Appropriations Handbook

No comparable language provisions.

2005 Budget Recommendations

p. D-154

Notwithstanding the provisions of any law to the contrary, the amounts appropriated hereinabove for Health Care Subsidy Fund Payments, Hospital Assistance Grants and Hospital Funding shall be charged to the proceeds of the increase in the cigarette tax, pursuant to the passage of enabling legislation, and to the proceeds of the Second Referral Debt Collection - Hospital revenue item.

The amount appropriated hereinabove for Hospital Funding shall be allocated in one or more of the following existing hospital allocation formulas: Charity Care, Supplemental Charity Care, Hospital Relief Subsidies and Mental Health Subsidies, as determined by the Commissioner of the Department of Health and Senior Services.

Notwithstanding the provisions of any law to the contrary, the Commissioner of Health and Senior Services shall establish rules and guidelines to allocate the funding provided in the Hospital Assistance Grants account.

Explanation

The three proposed language provisions relate to the \$162.6 million **General Fund** appropriations for Charity Care: Health Care Subsidy Fund - \$110.4 million; Hospital Assistance Grants - \$15.0 million; and Hospital Funding - \$37.2 million. These funds are expected to generate \$52.2 million in new federal Medicaid funds (classified as Hospital Funding).

The first language provision charges off the \$162.6 million appropriation to the proposed cigarette tax increase and to the Second Referral Debt Collection Fund - Hospitals (\$22.3 million).

The second language provision allows the Commissioner of Health and Senior Services to determine which of several formulas will be used to distribute \$89.4 million in Hospital Funding monies (\$37.2 million State/\$52.2 million federal).

The third language provision allows the Commissioner of Health and Senior Services to establish the rules and guidelines for the distribution of Hospital Assistance Grants (\$15 million).

Language Provisions (Cont'd)

2004 Appropriations Handbook

p. B-79

Notwithstanding the provisions of any other law to the contrary, effective July 1, 2003, reimbursement for nursing facility services shall be 90% of the per diem rate when a Medicaid beneficiary is hospitalized. These payments shall be limited to the first 10 days of the hospitalization. Medicaid reimbursement for nursing facility services shall be discontinued beyond the 10th day of the hospitalization.

2005 Budget Recommendations

p. D-163.

Similar language, except that the percentage has been reduced to 50%.

Explanation

The reduction in reimbursement nursing homes receive for holding a bed for hospitalized patients would be reduced from 90% to 50%. This is expected to save \$5.2 million. (Pursuant to another language provision discussed later, the reimbursement rate would be restored to 90% if the federal government approves the State's request for a nursing home assessment.)

2004 Appropriations Handbook

p. B-79

Notwithstanding the provisions of any other law to the contrary, no funds appropriated for Medicaid nursing facility reimbursement shall be expended for administrator or assistant administrator costs or nonfood general costs in excess of 100% of the median for those costs centers, subject to the notice provisions of 42 CFR 447.205.

2005 Budget Recommendations

No comparable language provision.

Explanation

The budget language is eliminated because the Department of Health and Senior Services has adopted regulations addressing this issue (N.J.A.C. 10:63-3.6).

Language Provisions (Cont'd)

2004 Appropriations Handbook

pp. B-79; B-82

Notwithstanding the provisions of any other law to the contrary, rebates from pharmaceutical manufacturing companies for prescriptions purchased by the Pharmaceutical Assistance to the Aged and Disabled program and the Senior Gold Prescription Discount Program shall continue during the fiscal year 2004. All revenues from such rebates during the fiscal year ending June 30, 2004 are appropriated for the Pharmaceutical Assistance to the Aged and Disabled program and the Senior Gold Prescription Discount Program.

Notwithstanding the provisions of any other law to the contrary, no funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled program, pursuant to P.L.1975, c.194 (C.30:4D-20 et seq.), and the Senior Gold Prescription Discount Program, pursuant to P.L.2001, c.96 (C.30:4D-43 et seq.), shall be expended unless participating pharmaceutical manufacturing companies execute contracts with the Department of Human Services, providing for the payment of rebates to the State.

2005 Budget Recommendations

pp. D-163 to D-164; D-166

These two language provisions have been consolidated into a single language provision.

Explanation

The two language provisions have been consolidated into a single language provision as they both address a similar issue, rebates from pharmaceutical manufacturers.



2004 Appropriations Handbook

pp. B-80; B-82

2005 Budget Recommendations

pp. D-164; D-166

Language Provisions (Cont'd)

2004 Appropriations Handbook

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2003 consistent with the notice provisions of 42 CFR 447.205 where applicable, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program classification and the Senior Gold Prescription Assistance Program account shall be expended except under the following conditions: (a) reimbursement for prescription drugs, shall be based on the Average Wholesale Price less a 12.5% discount; (b) prescription drugs dispensed by a retail pharmacy shall be limited to a maximum 34-day supply for initial prescription and a 34-day or 100-unit dose supply, whichever is greater, for any prescription refill; (c) the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$4.07 in effect on June 30, 2003 shall remain in effect through fiscal year 2004, including the current increments for patient consultation, impact allowances and allowances for 24-hour emergency services; and (d) multisource generic and single source brand name drugs shall be dispensed without prior authorization but multisource brand name drugs shall require prior authorization issued by the Department of Health and Senior Services or its authorization agent, however, a 10-day supply of the multisource brand name drug shall be dispensed pending receipt of prior authorization. Certain multisource brand name drugs with a narrow therapeutic index, other drugs recommended by the Drug Utilization Review Board or brand name drugs with lower cost per unit than the generic may be excluded from prior authorization by the Department of Health and Senior Services.

2005 Budget Recommendations

Similar language, except that (b) is eliminated: (prescription drugs dispensed by a retail pharmacy shall be limited to a maximum 34-day supply for the initial prescription and a 34-day or 100 unit dose supply, whichever is greater, for any prescription refill.)

Explanation

Language Provisions (Cont'd)

The budget language is eliminated because regulations have been adopted to address the issue (N.J.A.C. 10:51-1.15).

2004 Appropriations Handbook

pp. B-80; D-83

Notwithstanding the provision of any law or contracts to the contrary, no funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled and Senior Gold Prescription Discount programs pursuant to this act shall be expended unless participating manufacturing companies execute contracts with the Department of Health and Senior Services through the Department of Human Services providing for the payment of rebates to the State on the same basis as provided for in section 1927 (a) through and including (c) of the federal Social Security Act, 42 U.S.C. s.1396 r-8 (a) - (c), with the exception that the formula for the rebates for generic drugs, which will be determined by the Commissioners of the Departments of Health and Senior Services and Human Services, will be calculated on the same basis (best price of minimum of 15.1%) as brand name drugs. Rebates paid to the State for pharmaceuticals dispensed after January 1, 2003, shall be paid to the State on the same basis as provided for in section 1927(a) (through and including (c) of the federal Social Security Act, 42 U.S.C. s.1396 r-8 (a) - (c), provided that the manufacturer's rebates for the Senior Gold Prescription Discount Program shall apply only to the amount paid by the State under the Senior Gold Discount Program.

2005 Budget Recommendations

pp. D-164; D-166

Similar language, except the following language has been eliminated:

(with the exception that the formula for the rebates for generic drugs, which will be determined by the Commissioners of the Departments of Health and Senior Services and Human Services, will be calculated on the same basis (best price of minimum of 15.1%) as brand name drugs. Rebates paid to the State for pharmaceuticals dispensed after January 1, 2003, shall be paid to the State on the same basis as provided for in section 1927 (through and including (c) of the federal Social Security Act, 42 U.S.C s.1396 r-8 (a) - (c), provided that the manufacturer's rebates for the Senior Gold Prescription Discount Program shall apply only to the amount paid by the State under the Senior Gold Discount Program.)

Explanation

The language was included in the FY 2004 appropriations act at the request of the Administration. The increase in generic drug rebates was to offset anticipated revenues that would not be realized because the State did not adopt a drug formulary. As many generic drug manufacturers were unwilling to pay a higher rebate, the provision was never enforced and the provision is now being dropped from budget language.

Language Provisions (Cont'd)

2004 Appropriations Handbook

p. B-81

From the amount appropriated hereinabove for the Senior Gold Prescription Discount Program, an amount not to exceed \$3,750,000 may be transferred to various accounts as required, including Direct State Services accounts, subject to the approval of the Director of the Division of Budget and Accounting.

2005 Budget Recommendations

p. D-164

Similar language, except that the amount has been increased to **\$3,850,000**.

Explanation

Proposed language would increase the amount of Senior Gold appropriations that can be used for administrative costs from \$3,750,000 to \$3,850,000.

2004 Appropriations Handbook

p. B-81

There is appropriated to the Department of Health and Senior Services such sums as are necessary, not to exceed \$10,000,000, to increase the reasonableness limit for total nursing care up to 120% of the median costs in the Medicaid nursing home rate-setting system in recognition of the nursing shortage in the State, during State fiscal year 2004, subject to the approval of the Director of the Division of Budget and Accounting.

Such sums as may be necessary are appropriated from the General Fund for the payment of increased nursing home rates to reflect the costs incurred due to the payment of a nursing home provider assessment (pending enactment of legislation), subject to the approval of the Director of the Division of Budget and Accounting of a plan to be submitted by the Commissioner of Health and Senior Services.

2005 Budget Recommendations

No comparable language provisions.

Explanation

Language Provisions (Cont'd)

The first language provision eliminates language that allocated \$10 million in federal Intergovernmental Transfer funds to increase the reasonableness limit for total nursing care from 115% to 120% of the median costs. As the FY 2005 recommended budget assumes that these federal funds will not be available, the language is not continued and the nursing screen will revert back to 115% of the median. (Pursuant to another language provision discussed later, the median rate would be restored to 120% if the federal government approves the State's request for a nursing home assessment.)

The second language provision deals with the nursing home assessment. The language is not needed because legislation authorizing a nursing home assessment was enacted in 2003.



2004 Appropriations Handbook

2005 Budget Recommendations

No comparable language provisions.

p. D-165

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2004, reimbursement for pediatric and adult day health services, including services provided in nursing home based, hospital based and freestanding facilities, as appropriated hereinabove in the Medical Day Care Services account, shall be limited to the rates in effect in FY 2004.

Notwithstanding the provisions of any law to the contrary, no payment for Medicaid Adult or Pediatric Medical Care services, as appropriated hereinabove in the Medical Day Care Services account, shall be provided unless the services are prior authorized by professional staff designated by the Department of Health and Senior Services.

Explanation

These two language provisions are intended to reduce medical day care costs by about \$12.7 million annually. The first provision would hold rates paid to medical day care service providers at FY 2004 levels, currently about \$83 per day, and would save about \$1.8 million annually. The second provision would impose a prior authorization system before a person can receive medical day care services, due to evidence that providers have provide services in excess of the amounts patients actually require and other abuses, and would save \$10.9 million annually.



Language Provisions (Cont'd)

2004 Appropriations Handbook2005 Budget Recommendations

p. D-165

No comparable language provision.

From the amount appropriated for the Payments for Medical Assistance Recipients - Nursing Home account, funds shall be made available to supplement the Assisted Living Program account in order to increase the number of Assisted Living (AL) services slots, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2005 recommended budget would accelerate the introduction of assisted living slots from the current 375 to 750, subject to federal approval. The recommended budget increases the Assisted Living Program appropriation by \$5.0 million, from \$18.5 million to \$23.5 million. The proposed language provision would enable a portion of the \$630 million Nursing Homes appropriation to be used to supplement Assisted Living Program appropriations.

2004 Appropriations Handbook2005 Budget Recommendations

p. D-165

No comparable language provision.

Notwithstanding the provisions of any law to the contrary, effective July 1, 2004, reimbursement for nursing facility services, including Special Nursing Facility (SCNF) Rates, as appropriated hereinabove in the Payments for Medical Assistance Recipients - Nursing Homes account, shall be limited to the base rates established during FY 2004.

Explanation

Proposed language would not rebase or adjust nursing home rates for inflation in FY 2005, saving \$31.5 million. (Pursuant to another language provision discussed later, the reimbursement rate will be rebased and the rates will be adjusted for inflation if the federal government approves the State's request for a nursing home assessment.)

Language Provisions (Cont'd)

2004 Appropriations Handbook

2005 Budget Recommendations

No comparable language provision.

p. D-165.

Contingent upon federal approval for the nursing home provider assessment, the first \$31.5 million of funds received from the assessment may be used by the Commissioner of the Department of Health and Senior Services (DHSS) to rebase nursing home rates and provide for industry-wide inflation adjustments and the next \$15.2 million of funds received from the assessment will increase the reasonableness limit for total nursing home care up to 120% of the median costs in the Medicaid nursing home rate-setting system and increase the reimbursement for bedhold days from 50% to 90%, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would restore \$46.7 million in various reductions to the Nursing Homes appropriation if the State receives federal approval of a proposed nursing home assessment waiver. The following savings are recommended if the State does not receive federal approval: not rebasing or adjusting rates for inflation - \$31.5 million; reducing the nursing screen from 120% to 115% - \$10.0 million; and reducing the reimbursement for bedhold days from 90% to 50% of a facility's rate - (\$5.2 million).



2004 Appropriations Handbook

2005 Budget Recommendations

p. D-165

Language Provisions (Cont'd)**2004 Appropriations Handbook**

No comparable language provision.

2005 Budget Recommendations

The amounts appropriated hereinabove, not to exceed \$70,840,000 for Payments for the Lifeline Credits and the Payments for Tenants' Assistance Rebates Programs are available to the Department of Health and Senior Services to fund the payments associated with the Lifeline Credit and Tenants' Assistance Programs in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of the Department of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Funding for the two Lifeline programs was shifted from the General and Casino Revenue Funds to the State Board of Public Utilities' Universal Services Fund in FY 2004. The proposed language allows the department to distribute Lifeline benefits to eligible households.



Language Provisions (Cont'd)

Department of Health & Senior Services (General)

2004 Appropriations Handbook

P. B-84

Notwithstanding the provisions of any other law to the contrary, there is appropriated to the Department of Health and Senior Services from the Health Care Subsidy Fund, established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-18.58), to continue to fund programs established pursuant to section 25 of P.L.1991, c.187 (C.26:2H-18.47), section 30 of P.L.1997, c.192 and section 15 of P.L.1998, c.43, through the annual .53% assessment on New Jersey hospitals established pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62). However, available funding shall first provide for the Community Care Program for the Elderly and Disabled, the expansion of Medicaid to 185% of poverty and the Infant Mortality Reduction Program. Of the funds remaining, \$11,000,000 is available for payments to federally qualified health centers. Any remaining available funds may be used to increase payments to federally qualified health centers and to fund programs established pursuant to section 25 of P.L.1991, c.187 (C.26:2H-18.47), section 30 of P.L.1997, c.192 and section 15 of P.L.1998, c.43, as determined by the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting. Any unexpended balance as of June 30, 2003 in the Health Care Subsidy Fund received through the .53% annual assessment on hospitals made during fiscal year 2003 is appropriated.

2005 Budget Recommendations

p. D-167.

Similar language except that the reference to the annual .53% assessment on New Jersey Hospitals has been replaced with the Health Care Cost Reduction Fund.

Explanation

The language change is technical. As the revenues raised from the .53% assessment are deposited into the Health Care Cost Reduction Fund, eliminating reference to the .53% assessment is a technical change. However, it is noted that the recommended budget indicates that the assessment will increase from .53% to .70%.

Available information is that the increase in the assessment from .53% to .70% would generate

Language Provisions (Cont'd)

\$49.6 million for Charity Care. (The remaining amount, \$45.2 million, will be appropriated for other programs supported by the Health Care Cost Reduction Fund.)



Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

1. The department's Direct State Services accounts incorporate savings on about \$1.1 million in efficiencies.

- **Question: What specific efficiencies will generate the \$1.1 million in savings?**

HEALTH SERVICES

2. The recommended budget increases funding for the Cancer Screening - Early Detection and Education Program from \$2.7 million to \$5.4 million. This program provides cancer screening to 20,000 women and additional diagnostic procedures for women who are suspected of having breast or cervical cancer, but only 14% of eligible women with low incomes and 11% of those lacking insurance utilized services offered by the program between 1996 and 2004.

- **Question: Why is the utilization rate in the program so low? How many more women are expected to begin utilizing the services offered by the Cancer Screening Program as a result of the increase in funding? What portion of the funding will be allocated for increasing public awareness about the program?**

3. The FY 2005 proposed budget contains a new appropriation of \$200,000 for an Animal Welfare initiative for Public Health Protection Services in the Division of Epidemiology, Environmental and Occupational Health.

- **Question: As little information has been provided regarding this initiative, what does it entail? How is this program different from the Animal Population Control Program which was shifted off-budget in FY 2004, to be supported by its own dedicated funds? Could the Animal Welfare initiative also be supported through Animal Population Control funds?**

4. As a follow-up to the "Lead Hazard Control Assistance Act," which was signed into law in 2004, the recommended budget allocates \$2.0 million to the Department of Health and Senior Services to provide every pregnant woman in New Jersey with a lead contamination sampling kit. Data obtained from the Childhood Lead Poisoning in New Jersey annual report indicate that the greatest percentages of children with high rates of elevated blood lead are in urban municipalities.

- **Question: Since available data indicate that high rates of blood lead are most prominent in urban areas and in older municipalities, should resources for lead contamination kits be concentrated on at-risk populations, rather than Statewide? Is the \$2.0 million sufficient to provide a lead contamination sampling kit to every pregnant woman in the State?**

5. One of the priorities expressed by the McGreevey Administration has been providing New Jersey residents with the option of staying in-State for quality cancer services. From FY 2003 to FY 2005, the Cancer Institute of New Jersey in New Brunswick received \$56.0 million for operating costs, and \$15.0 million for facility expansion. In addition, in FY 2004 the Cancer Institute of New Jersey at Cooper Hospital in Camden received \$5.0 million in grant monies, recommended to continue in FY 2005. Recently, the institute in Camden was classified as a Comprehensive Cancer Center by the National Cancer Institute - the highest designation awarded.

Discussion Points

- **Question:** As the Cancer Institute of New Jersey (in Camden and New Brunswick) has been funded to provide New Jersey residents with the option of staying in-State for quality cancer services, what is the \$200,000 grant recommended for the Saint Barnabas Medical Center - Cancer Center intended to be used for? Will the Saint Barnabas Cancer Center provide services not offered by the Cancer Institute?
6. Reorganization Plan No. 002-2004 would transfer the Division of Addiction Services, with the exception of programs related to tobacco control, to the Department of Human Services to support the Division of Youth and Family Services (DYFS) in providing treatment to drug- and alcohol-abusing parents.
- **Question:** What impact will this reorganization have on the clients that currently utilize services provided by the division?
7. The AIDS Drug Distribution Program (ADDP) covers the drug Fuzon for those in the advanced stages of HIV/AIDS who become resistant to other medications and are left with no other options for treatment. The cost of the drug is approximately \$20,000 a year and when used in conjunction with other medications, total costs are estimated to be \$30,000 a year per person. While the State has negotiated with the drug's manufacturer to receive an undisclosed discount, costs for the treatment are still likely to be high.
- **Question:** Will covering Fuzon hinder the program's ability to provide those enrolled in the program with access to other drugs? What specific initiatives are being implemented to control and offset cost increases?
- 8.a. The Early Childhood Intervention Program appropriation of \$52.9 million in State Aid assumes that \$3.0 million in savings will be achieved through restructuring.
- **Question:** What specific initiatives will be implemented that will reduce program costs by \$3.0 million?
- 8.b. In response to a question posed at last year's budget hearing, the Commissioner of Health and Senior Services stated that as a cost-saving strategy, the Early Childhood Intervention Program planned to issue a request for proposal (RFP) to automate the eligibility and billing processes it uses. In fall of 2003, the Early Childhood Intervention Program issued the RFP and awarded a contract.
- **Question:** Is implementation of the automated system complete? If so, how much savings has this produced? If not, when is it scheduled to be completed, and what are the projected savings to the program?
- 8.c. The Early Childhood Intervention Program appropriation also assumes that \$3.0 million in revenue will be generated through a cost-sharing initiative phased-in from March through May of 2004 for families currently in the program. Under the plan, families at 350% of the federal poverty level will pay a fee beginning with the first hour of service.
- **Question:** How many families have been phased-in to the cost-sharing initiative thus far? How much revenue has been generated?
9. Essex County has a contract with Delaney Hall to provide residential substance abuse treatment services to certain inmates from the county detention center. The proposed budget increases State

Discussion Points

Aid for County of Essex-Delaney Hall by \$500,000, from \$6.0 million to \$6.5 million, to help offset the county's costs.

- **Question: What is the total cost of the county's contract with Delaney Hall?**

HEALTH PLANNING AND EVALUATION

10. The recommended budget provides an unclear picture of both the total amount of Charity Care funding and the revenue streams to support such payments:

- Redirected Unemployment Insurance Funds - \$100 million.
 - New off-budget revenues: Ambulatory Medical Facility Assessment (\$31.0 million); \$5 assessment Per Non-Medicare Outpatient Visit (\$34.0 million); and Hospital Assessment Increase, .53% to .70% (\$49.6 million).
 - General Fund appropriations, supported in part by cigarette taxes - \$186.8 million.
 - Second Referral Debt Collection, Hospitals - \$22.3 million.
 - New Federal Funds - \$52.2 million.
- **Question: What is the total amount of Charity Care payments to hospitals in FY 2005? Are the funding sources listed above and the amounts identified correct? Are there other revenue sources that will be used for Charity Care that are not identified above? If yes, what are they and how much revenue will they produce?**

11. The FY 2005 recommended budget proposes a \$5 assessment per outpatient visit, excluding Medicare, paid by insurers including Medicaid, that would generate \$31.0 million to be used for Charity Care. Federal reimbursement would be available with respect to Medicaid recipients.

Outpatient hospital services include: Same Day Surgery; Outpatient Surgery Visits; Emergency Room Visits; and Clinic Visits. It is unclear whether the \$5 charge will be imposed on all or some services and whether the \$5 charge will be imposed on visits that result in an inpatient admission.

- **Question: Does the \$5 charge apply to all outpatient services? Does it apply to outpatient services that result in an inpatient admission?**

12.a. The FY 2005 budget recommends \$0.9 million for additional staff to implement a new assessment on Ambulatory Medical Facilities that will generate \$31 million to be used for Charity Care payments.

The department, in many instances, charges off its administrative costs related to industry regulation on the industry. For example, HMOs are assessed a fee to pay for the department's administrative costs related to HMO regulation.

- **Question: Should the administrative costs associated with the Ambulatory Medical Facilities assessment be incorporated into the assessment the industry will pay?**

12.b. The department retains about \$7.2 million annually, plus unexpended balances, from a \$10.00 per adjusted admission fee imposed on hospitals for administrative costs. (These monies are classified as an Other Fund.) In FY 2004, the program retained about \$9.1 million in unexpended FY 2003 funds.

- **Question: Should the regulatory costs associated with the Ambulatory Medical Facilities**

Discussion Points (Cont'd)

assessment be supported by the program's existing Other Funds balances?

13. Pending enabling legislation, an existing hospital assessment on approved hospital revenues for the Health Care Cost Reduction Fund will increase from .53% to .70%. The increase will generate an additional \$49.6 million in revenues, over and above the \$39.1 million in Other Funds appropriations reflected in the FY 2005 recommended budget. The additional \$49.6 million would be used for Charity Care.

- **Question:** The amount of revenues the existing .53% assessment can generate is capped at \$40 million annually; will there be a cap on the amount of revenues that a .70% assessment can generate? The existing .53% assessment is calculated on a hospital's approved 1991 revenue base; will a more current approved revenue base be used to calculate the assessment?

SENIOR SERVICES

14.a The FY 2005 recommended budget provides about \$0.8 million for new staff to increase nursing home recoveries.

Budget language already exists (p. D-162) to permit additional funds for "enhanced audit recovery efforts" to be appropriated without the need for a new General Fund appropriation.

- **Question:** As budget language already permits additional funds to be appropriated related to "enhanced audit recovery efforts," can the \$0.8 million recommended appropriation be eliminated?

14.b. As indicated, \$0.8 million is requested for new staff to increase nursing home recoveries which are expected to increase by \$0.5 million.

- **Question:** Since recoveries are less than the actual cost of additional staff, will the \$0.8 million be used for other purposes as well?

15. The recommended FY 2005 budget would increase the number of Assisted Living Program slots available under the federal Enhanced Community Options waiver from 375 to 750, effective July 2004. Federal approval is required before the number of slots can be increased.

- **Question:** Has the department submitted the necessary paperwork to federal authorities to increase the number of slots effective July 2004?

16. During September 2003, the State submitted a waiver application to the federal government to implement a nursing home assessment authorized by P.L. 2003, c.105, the Nursing Home Quality of Care Improvement Fund. The federal government has not acted upon the waiver request, and the FY 2005 recommended budget assumes that federal approval and related federal funds will not be forthcoming.

- **Question:** What formal, written communication has the federal government provided regarding why the State's waiver application has not been approved and what changes may be needed for approval?

17.a. Medical Day Care Services expenditures would be reduced by \$15.2 million, from \$58.2 million to \$43.0 million, as a result of implementing a prior authorization system (\$10.9 million)

Discussion Points (Cont'd)

and maintaining rates at FY 2004 levels (\$1.8 million).

- **Question:** As \$12.7 million in savings will be realized from prior authorization and maintaining rates at FY 2004 levels, what accounts for the additional \$2.5 million in program reductions?

17.b. Though the Medicaid program is a 50% State/50% federal program, the FY 2004 recommended budget reflects \$60 million in federal Medicaid funds for Medical Day Care Services. As the recommended State appropriation is \$43.0 million, the amount of federal funds may be overstated by \$17 million.

- **Question:** Is the \$60 million in federal Medical Day Care Services funds correct, since the State appropriation is only \$43 million?

18.a. The FY 2005 recommended budget assumes savings of \$90 million by the voluntary enrollment of upwards of 80,000 PAAD recipients with incomes up to 135% of the Federal Poverty Level in the Medicare Prescription Discount Card program. Such persons would be eligible for \$1,200 in assistance during FY 2005 (CY 2004 - \$600 and CY 2005 - \$600). The department has indicated that the federal government will not allow the State to automatically enroll eligible low-income PAAD recipients with an appropriate card sponsor. Without the program being able to automatically enroll eligible PAAD recipients, the \$90 million in savings is uncertain.

(Subsequent to this question being prepared, the federal Centers for Medicare and Medicaid Services announced that state pharmacy assistance programs will be allowed to enroll low-income Medicare beneficiaries automatically into the transitional assistance benefit.)

- **Question:** What is the current status of discussions with the federal government regarding the automatic enrollment of eligible PAAD recipients with an appropriate card sponsor? If the federal government does not allow the State to automatically enroll PAAD recipients with a card sponsor, what steps will be taken to ensure that eligible recipients enroll with an appropriate card sponsor so that the State can achieve the \$90 million in savings the budget assumes?

18.b. Assuming that upwards of 80,000 PAAD recipients enroll with a Medicare Prescription Discount Card sponsor, approximately 3.1 million prescriptions would be diverted from PAAD.

At present, the PAAD program contracts with a private vendor to conduct various utilization review activities and has reimbursed the vendor over \$4.2 million to review about 400,000 claims since 1999. As sponsors of the Medicare discount card are required to conduct similar utilization review activities, reimbursement by the PAAD program to the vendor should be reduced.

- **Question:** How much savings will the PAAD program realize by not having to reimburse the vendor for utilization review services that the Medicare discount card sponsor will now provide?

18.c. The FY 2005 recommended budget assumes only a slight reduction in PAAD drug rebates, from \$107.5 million (FY 2004) to \$106.0 million. As the budget assumes that 80,000 PAAD recipients who qualify for federal assistance through the Medicare Prescription Discount Card program will enroll in the program, approximately 3.1 million prescriptions will be diverted. Pharmaceutical manufacturers are unlikely to provide rebates to the PAAD program when they provide card sponsors with rebates and other discounts.

Discussion Points (Cont'd)

- **Question:** Is the \$106.0 million drug rebate estimate reasonable?

18.d. The FY 2005 recommended budget (p. D-137) indicates that the PAAD program will save \$20 million through "efficiencies designed to reduce overall program costs...."

- **Question:** What specific efficiencies are anticipated to achieve \$20 million in savings?

18. e. The FY 2004 appropriations act allowed the PAAD program to establish a mail order system to reduce program costs.

- **Question:** How many mail order prescriptions have been filled and how much has the PAAD program saved as a result?

19. The FY 2004 appropriations act reduced funding to the ElderCare Advisory Commission Initiatives program from \$3.5 million to \$2.5 million. The department indicated that "efficiencies" and leveraging federal funds would offset any reduction in services. These monies were intended to eliminate the 2,000 waiting list for Meals on Wheels; provide an additional 733 low and moderate income seniors with Congregate Housing Services; provide additional staff for Elder Abuse services; and provide counties with additional staff support to administer NJ Ease.

- **Question:** Since the \$1.0 million reduction in State funding, has there a reduction in services? What is the status of the Meals on Wheels waiting list, the number of low and moderate income seniors receiving Congregate Housing Services, the number of staff assigned to Elder Abuse services, and the number of employees assigned to the NJ Ease program?

20. The department has indicated that it would explore the possibility of obtaining Medicaid reimbursement for administrative costs for the county offices on aging.

- **Question:** What is the status of the department's review with respect to obtaining federal Medicaid reimbursement for administrative costs for the county offices on aging?

Background Paper: Changes to the Early Intervention System

Budget Pages..... D-148

Funding (\$000)	Expended FY 2003	Adj. Approp. FY 2004	Recomm. FY 2005
Early Childhood Intervention (TOTAL):	<u>\$56,945</u>	<u>\$64,946</u>	<u>\$77,946</u>
State Aid	\$40,681	\$42,946	\$52,946
Copayments	44	4,000	7,000
<u>Federal:</u>			
Early Intervention Program for Medicaid Recipients	4,220	5,000	5,000
Early Intervention Program for Medicaid Recipients (Part H)	12,000	13,000	13,000

SUMMARY

The proposed budget increases State Aid for the Early Intervention System (EIS) by \$10 million, and assumes that \$3.0 million will be generated through a cost share plan. In addition to the implementation of a cost share plan, EIS has also changed its provider reimbursement system to promote greater spending accountability. These initiatives are discussed below.

BACKGROUND

The Early Intervention System (EIS), administered by the Department of Health and Senior Services (DHSS), provides services to infants and children up to three years of age with developmental disabilities or delays and their families. A demand for more extensive services coupled with rising enrollment has resulted in increasing program costs for EIS. Accordingly, State appropriations for the program have increased by 188% over the past eight years, from \$14.9 million in FY 1996 to \$42.9 million in FY 2004. To partially offset costs, the program charged a fee for services exceeding two hours per week for families at or above 350% of the federal poverty level (FPL), \$64,400 for a family of four. Families with income less than 350% FPL received EIS services at no cost. Copayments from families at or above 350% FPL made \$80,000 available to the program in FY 2003.

As authorized by federal law, in order to generate additional revenue, DHSS proposed a cost share plan for certain services for families at 150% of FPL (\$27,600 for a family of four), beginning with the first hour of service. This plan was expected to generate between \$7.0 to \$9.0 million annually. In response to public concerns, however, DHSS increased the family income level which would initiate cost-sharing from 150% to 350% of FPL, and made other modifications to the plan.

IMPLEMENTED EIS COST SHARE PLAN

Under the new plan, which became effective March 2004 and is expected to generate an additional \$3.0 million in revenue in FY 2005, EIS will continue to provide services at no charge for families below 350% FPL. However, families with adjusted gross income (minus allowable deductions) at or above 350% FPL, will be required to pay a cost share beginning with the first hour of service, as opposed to previously paying a fee for services exceeding two hours. Specifically, the new plan provides that adjusted gross income at 350% FPL will start a \$10 per month base fee, with progressive increases based on adjusted gross income above 350% FPL. The table below identifies

Background Paper: Changes to the Early Intervention System

the starting adjusted gross income which will initiate the \$10 base fee:

Family Size	2	3	4	5	6	7	8
At 350% FPL	\$42,420	\$53,410	\$64,400	\$75,390	\$86,380	\$97,370	\$108,360

In addition to increasing the FPL, DHSS also adjusted the cost share paid by higher income families downward from the original proposal. For a family of four with an income of \$156,400 (850% FPL), the monthly cost share would have been \$442 under the original proposal, but will now be \$194 under the new plan.

However, under the new plan, those families with adjusted gross income (minus allowable deductions) above \$1,050% FPL will pay a cost-share, plus an additional \$2 per month per additional \$1,000 annual gross adjusted income. The table below identifies those incomes at which families will pay the \$2 assessment in addition to their monthly cost-share:

Family Size	2	3	4	5	6	7	8
1,050% FPL	\$127,260	\$160,230	\$93,200	\$226,170	\$259,140	\$292,110	\$325,080
Monthly Cost Share with \$2 charge	\$275.13	\$343.81	\$412.50	\$481.19	\$549.88	\$618.56	\$687.25

(Source: EIS Family Cost Share Tables)

All families, regardless of income, will continue to receive service coordination, procedural safeguards, developmental evaluations and an Individualized Family Service Plan (IFSP) at public expense.

While the impact these changes will have on families requiring EIS services is unknown, the State intends to conduct reviews to monitor enrollment and identify policy issues accompanying the implemented plan.

CHANGES TO PROVIDER REIMBURSEMENT

Effective January 2004, DHSS also changed the funding mechanism it uses to reimburse EIS providers from a grant system to a fee-for-service system to provide for greater accountability. Providers are now paid approximately \$107 for each hour of service provided, as opposed to previously receiving about \$5,800 per child per year.

Although the exact impact this new system will have on providers is unknown, as of this writing, two of the 90 organizations providing services through EIS withdrew as a result of this change. DHSS has indicated that it has adequate providers to replace the loss.

Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004

Budget Pages.... D-153; D-193 (Other Funds);
Budget in Brief, pp. 3, 11, 31.

SUMMARY

The FY 2005 recommended budget increases total funding for Charity Care and changes the sources of State funding used to fund Charity Care, which would result in an increase in the amount of federal funds available for this purpose. Information is currently not available, however, that summarizes the new funding sources or the total amount of Charity Care funds available for distribution in FY 2005.

The following table provides FY 2004 data as to the amount of monies hospitals will receive from the Departments of Health and Senior Services and Human Services for charity care, supplemental charity care and other special assistance. In FY 2004 hospitals will receive \$584.2 million in such payments. These amounts are in addition to any Medicaid/Medicare reimbursements the hospitals receive. (Amounts may not add due to rounding.)

HOSPITAL	Charity Care	Supplemental Charity Care	Hospital Relief	Mental Health	TOTAL FY 2004 (\$000)
Atlantic City, City	\$6,431		\$5,649		\$12,081
Atlantic City, Mainland		988		1,388	\$2,376
Barnert	2,267		2,262		\$4,529
Bayonne		804			\$804
Bayshore		245			\$245
Bergen Regional	21,797			14,620	\$36,417
Beth Israel	3,632			1,243	\$4,875
Bon Secours St. Mary's	9,469		2,684	297	\$12,450
Burdette Tomlin		222			\$222
Capital - Fuld	12,277		3,805	763	\$16,846
Capital - Mercer		715	2,330		\$3,045
Cathedral	23,183		9,175	416	\$32,775
CentraState		651	1,591	347	\$2,589
Chilton		123			\$123
Christ	5,326		2,367		\$7,693
Clara Maass		721	2,160		\$2,881
Columbus		545			\$545

Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004 (Cont'd)

HOSPITAL	Charity Care	Supplemental Charity Care	Hospital Relief	Mental Health	TOTAL FY 2004 (\$000)
Community		893			\$893
Cooper	16,883		6,227		\$23,110
Deborah	6,833				\$6,833
East Orange	10,233		4,635	1,249	\$16,117
Englewood		967			\$967
General Hosp. (Pas.)	348				\$348
Greenville	1,299		307		\$1,605
Hackensack		3,545			\$3,545
Hackettstown		135			\$135
Holy Name		332			\$332
Hospital Ctr. (Orange) ¹		475			\$475
Hunterdon		493			\$493
Irvington		474	896		\$1,370
Jersey City	50,126		10,206	1,388	\$61,720
Jersey Shore		1,376	6,264		\$7,641
JFK (Edison)		281			\$281
Kennedy Mem.	186	1,599	7,127	1,355	\$10,267
Kimball		946	4,693	1,041	\$6,680
Meadowlands		145			\$145
Memorial (Salem)		36			\$36
Monmouth		1,827	7,989	1,374	\$11,188
Morristown		2,026			\$2,026
Mountainside		580		278	\$858
Muhlenberg	2,383		2,714	555	\$5,652
Newark Beth Israel	15,848		13,796	1,147	\$30,791
Newton		759		278	\$1,037
Ocean Medical		300			\$300
Our Lady of Lourdes		1,583	4,414	694	\$6,690

¹ Now closed.

**Background Paper: Payments to Hospitals for Charity Care and Other
Special Assistance, FY 2004 (Cont'd)**

HOSPITAL	Charity Care	Supplemental Charity Care	Hospital Relief	Mental Health	TOTAL FY 2004 (\$000)
Overlook		660			\$660
Palisades	2,132				\$2,132
Pascack Valley		180			\$180
Rahway		257			\$257
Raritan Bay	14,974		3,257		\$18,230
Riverview		461			\$461
R.W. Johnson		2,489			\$2,489
R.W. Johnson, Hamilton		388			\$388
Shore Memorial		135			\$135
Somerset		325			\$325
South Jersey		621	3,714	1,077	\$5,413
South Jersey, Elmer		51			\$51
Southern Ocean		115			\$115
St. Barnabas		1,241			\$1,241
St. Clare's, Denville	860	1,302	6,534	1,599	\$10,295
St. Clare's, Sussex		74			\$74
St. Francis, Trenton	2,211	70	1,920	694	\$4,895
St. Joseph's	25,767		10,985		\$36,752
St. Joseph's, Wayne		334			\$334
St. Mary's, Passaic		5,555	1,911	1,041	\$8,507
St. Peter's		778	8,344		\$9,122
Trinitas	26,346		7,773	1,772	\$35,890
Underwood		529		416	\$946
Union		392			\$392
UMDNJ	78,982		19,813	832	\$99,628
UMC at Princeton		241			\$241
Valley		329			\$329
Virtua Burlington	208				\$208
Virtua West Jersey	292				\$292
Warren		436	1,596		\$2,032

Background Paper: Payments to Hospitals for Charity Care and Other
Special Assistance, FY 2004 (Cont'd)

HOSPITAL	Charity Care	Supplemental Charity Care	Hospital Relief	Mental Health	TOTAL FY 2004 (\$000)
West Hudson		156			\$156
W.B. Kessler		34			\$34
TOTALS	\$345,000	\$36,232	\$183,000	\$20,000	\$584,232

(Source: Department of Health and Senior Services; Department of Human Services, Division of Medical Assistance and Health Services.)

Background Paper: PAAD and the Medicare Prescription Drug Discount Card

Budget Pages.... D-159 to D-162.

Funding (\$000)	Expended FY 2003	Adj. Approp. FY 2004	Recomm. FY 2005
Pharmaceutical Assistance to the Aged and Disabled (TOTAL):	<u>\$513,579</u>	<u>\$455,518</u>	<u>\$493,757</u>
Administration	\$12,365	\$9,654	\$8,560
General Fund - Claims	167,856	180,682	106,073
Casino Revenue Fund - Claims	333,358	255,182	288,130
Federal Administration	0	0	994
Federal Claims	0	0	90,000

The FY 2005 recommended budget assumes savings of \$91 million in administrative and prescription drug costs resulting from the **Medicare Prescription Drug Discount Card** program to be implemented in during May 2004.

This Background Paper provides information on the Medicare Prescription Drug Discount Card program. Medicare recipients will be able to enroll with a discount card provider in May 2004; effective June 2004, prescription drugs can be purchased with a discount card; and the program will end in December 2005, the last half of FY 2006, when a more comprehensive Medicare prescription drug program takes effect. (Certain Medicare recipients will not be eligible for the program. This includes Medicare recipients who are also Medicaid eligible, who are enrolled in a Medicaid waiver program or who are enrolled in the Pharmacy Plus program; Medicare recipients who are enrolled in a Federal Employee Health Benefit Plan; TRICARE, the health benefits program for the military; or Medicare recipients enrolled in group health insurance programs.)

Medicare Prescription Drug Discount Card. The discount card will be available in May 2004 and the program will become operational June 2004. Enrollment is voluntary.

In late March 2004, the federal Department of Health and Human Services approved 28 private sponsors of the discount card: 17 entities will sponsor discount cards in all states and three entities will sponsor cards in a limited number of states, including New Jersey. Card sponsors may charge up to a \$30 enrollment fee, though for persons eligible for transitional assistance (discussed below), the federal government will pay the enrollment fee. A State may pay the enrollment fee on behalf of Medicare recipients.

- **June 2004 - December 2004.** Beginning June 2004, transitional assistance of \$600 to purchase drugs will be provided to persons with incomes up to 135 percent of the federal poverty level (FPL) - \$12,569 for a single person and \$16,862 for a married couple. Persons and couples with incomes up to 100 percent of the FPL (\$9,310 for a single person and \$12,490 for a married couple) will have a 5 percent copayment, while persons with incomes between 100 percent and 135 percent of the FPL will have a 10 percent copayment.
- **Beginning January 2005,** persons with incomes up to 135 percent of the FPL will be

Background Paper: PAAD and the Medicare Prescription Drug Discount Card (Cont'd)

entitled to an additional \$600 in transitional assistance. In addition, any of the \$600 in 2004 transitional assistance monies that has not been spent will also be available in 2005.

For those low income PAAD recipients who are enrolled with a discount card sponsor, the PAAD program intends to pay the difference between the 5 percent or 10 percent copayment and the \$5.00 PAAD copayment. The copayment may be less than \$5.00 for generic drugs. (The exact mechanics of how the PAAD program will pay the difference is not known.)

PAAD/Senior Gold Recipients. Since the Medicare Prescription Drug Discount Card program is voluntary, the number of PAAD/Senior Gold recipients that will choose to participate is not known.

On April 17, 2004, the Centers for Medicare and Medicaid Services announced that states that operate pharmacy assistance programs, in certain circumstances, will be allowed to enroll low-income Medicare recipients with a card sponsor if the state has the authority to act as an "authorized representative" on behalf of the beneficiary. This will make it much easier for beneficiaries to receive the subsidy they are entitled to receive and for the State to realize its savings objectives. The State is in the process of notifying eligible PAAD recipients that they will be enrolled into a discount card program, unless they notify the State by May 10th to the contrary. The State is also in the process of notifying PAAD and Senior Gold recipients that are not eligible for transitional assistance that they should not enroll with a discount card program.

The Administration has estimated that over 80,000 PAAD recipients have incomes below 135 percent FPL, and the FY 2005 recommended budget has assumed savings of \$90 million in PAAD prescription drug cost savings.

Administration. Federal reimbursement of 50 percent will be available for administrative costs in assisting the Medicare program to implement the discount card program. The FY 2005 recommended budget assumes \$1.0 million in federal funds to offset State administrative costs. (The State will also receive additional federal funds for the Counseling on Health Insurance for Medicare Enrollees program which counsels Medicare recipients on health insurance issues. These new federal monies will be distributed to the 21 county offices on aging.)

Covered Drugs. The specific drugs that will be covered by the Medicare Prescription Drug Discount Card program will vary by card sponsor, but the lists are likely to be less comprehensive than the drugs PAAD and Senior Gold cover. The federal government encourages card sponsors to establish formularies so long as the formularies are comprehensive.

Prescription Drug Cost. The cost of drugs under the Medicare Prescription Drug Discount Card program may differ as compared to State costs in the PAAD and Senior Gold programs (after taking into account rebates and recoveries the State receives). While card sponsors are expected to obtain rebates, discounts and other price concessions, card sponsors are not required to pass these savings through to persons that use the discount card in total or in part, though it is expected that card sponsors will pass a portion of these savings through to the Medicare recipient. Prescription drug cost information will be available on April 29, 2004, according to the Center for Medicare and Medicaid Services. Competition among card sponsors and the availability of drug pricing information are expected to result in reduced prescription drug prices.

Impact on Pharmacies. The amount card sponsors will offer pharmacies as a dispensing fee will vary, but the dispensing fee is likely to be less than the \$3.73 - \$4.07 dispensing fee provided by

Background Paper: PAAD and the Medicare Prescription Drug Discount Card (Cont'd)

the PAAD and Senior Gold programs.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

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Individuals wishing information and committee schedules on the FY 2005 budget are encouraged to contact:

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