

**Discussion Points**

**DEPARTMENT OF HUMAN SERVICES – GENERAL**

1. The following Schedule 1 revenues were less than the amounts anticipated in the FY 2005 appropriations act:

| REVENUE  | FY 2005 APPROP. ACT (000) | FY 2005 ACTUAL (000) | SHORTFALL (000) |
|--|---------------------------|----------------------|-----------------|
| Early Periodic Screening Diagnosis and Treatment (EPSDT) | \$4,000                   | \$139                | \$3,861         |
| Medicaid Uncompensated Care – Acute                      | \$319,942                 | \$226,573            | \$93,369        |
| School Based Medicaid                                    | \$19,000                  | \$4,583              | \$14,417        |

• **Question:** What accounts for these shortfalls?

**Answer:** FY 2005 estimates were revised and actual revenues for EPSDT and School-Based Medicaid were lower than previously anticipated due to declining school participation and poor performance by the previous vendor under contract with the Department of Treasury. Since then a new contract has been awarded.

Similarly, FY 2005 revenue estimates were revised for Medicaid Uncompensated Care- Acute hospitals due to Federal audit findings which found errors in consultant calculations of Medicaid matchable payments.

2. In January 2004, the Federal government sought repayment from the Department of Human Services \$11.1 million in Medicaid claims submitted by Deloitte Consulting. The department submitted additional data to support these claims.

• **Question:** What is the status of the \$11.1 million disallowance? If the State had to repay all or part of the monies, has the State sought restitution from Deloitte?

**Answer:** This disallowance has been appealed by the State. The State’s appeal is currently pending resolution of a similar appeal initiated by the State of New York. The State’s global settlement with Deloitte Consulting included the potential repayment of this disallowance.

3. While the number of developmental disabilities and mental health programs the Department licenses and inspects increased from approximately 3,700 to 4,500, the number of staff assigned to inspect/monitor these programs has been reduced from 65 to 54.

• **Question:** In view of increasing oversight responsibilities and legislative concerns over client safety and fiscal responsibility, can the Department assure adequate oversight with reduced staff?

**Discussion Points (Cont'd)**

**Answer:** In response to increases in program numbers and reductions in staff over the past few years, the Office of Licensing (OOL) implemented consolidation activities, streamlined processes, increased collaboration within the Department and with the licensed entities, and placed greater emphasis on risk management and accountability procedures.

Notwithstanding these actions, the increase in licensed programs presents real operational challenges.

4.a. In FY 2006, the Department indicated that it will expend approximately \$120.4 million on information technology, (including the new Department of Children and Families): \$50.8 State and \$69.6 million Federal.

- **Question:** How much State and Federal funds are included in the FY 2007 recommended budget for information technology?

**Answer:** In FY 2007 we anticipate making the same budget commitment in information technology as in FY 2006, except that we expect to reduce "body shop" consultant costs by \$1 million and we plan to invest in a rewrite of our TANF support systems. We are launching two major IT systems in DFD (CASS and ACSES), which will be in development phase in FY 2007. ACSES will not require any additional State investment. Please see question #29 for more details on these systems.

4.b. In FY 2006, approximately 300 personnel were involved in information technology as follows: DHS Central Office – 46; Family Development – 65; Addiction Services – 13; Medical Assistance and Health Services – 46; Blind Commission – 8; Developmental Disabilities – 75; and Mental Health – 41.

- **Question:** How many personnel will be involved in information technology services during FY 2007?

**Answer:** The above figures have been revised slightly, to 332 total personnel, including clerical. In FY 2007, 332 staff will be expended on information technology.

4.c. Approximately \$5.1 million will be expended on information technology consultants during FY 2006.

- **Question:** How much is included in the FY 2007 recommended budget for information technology consultants?

**Answer:** In April of 2006, DHS reduced its dependence on TO817 "body shop" consultants by canceling renewals and terminating the number of staff currently working on development projects. These cutbacks (the equivalent of 7 staff) will result in savings of approximately \$1 million over the course of next year.

5. Proposed language on p. D-250 appropriates an unspecified amount of FY 2006 unexpended recoveries, and authorizes the use of up to \$50 million by the Division of Developmental Disabilities for community placements. Public testimony on the FY 2007 recommended budget indicated that upwards of \$200 million in unexpended recoveries may be available. However,

**Discussion Points (Cont'd)**

Schedule 2 Title XIX Community Care Waiver and Title XIX ICF/MR revenues for both FY 2006 and FY 2007 do not reflect these unexpended recoveries.

- **Question:** How much unexpended recoveries are anticipated? Why are such recoveries not reflected in Schedule 2?

**Answer:** The Department has completed a review of Federal accounts for prior fiscal years. The review resulted in the identification of Federal receipts in excess of Federal account expenditures of \$194 million. Since these revenues exceeded the amount expended from Federal appropriations in these prior years it would not be appropriate to reflect these amounts as Schedule 2 recoveries. The recoveries were related to a variety of Medicaid accounts in charging Medicaid Title XIX, ICF/MR, CCW, SCHIP XXI.

**DIVISION OF MENTAL HEALTH SERVICES**

6. Funding for the Governor’s Council on Mental Health Stigma would increase from \$250,000 to \$350,000. As of this writing, no monies have been expended.

- **Question:** As no funds have been expended to date, why is an additional \$100,000 needed?

- **Answer:** The Governor’s Council on Mental Health Stigma was created through former Governor Codey’s Executive Order #58 to address mental health stigma statewide. The Council has been actively meeting and developing an action plan. Funds are now being expended. An Executive Director has recently been temporarily appointed to carry out the work of the Council, and the process to hire a full-time employee is underway. A Summit is scheduled in June to begin to work with the community on addressing stigma. As per the E.O. #58, the Council has an extensive agenda that includes the development of a statewide master plan, operation of a web-site and telephone hotline, a public education campaign, development of resources for dissemination, and a training program. Considering the agenda along with the need to cover the dedicated staff salary, the additional funds are necessary to fulfill this important work. The \$100,000 additional funding is needed to cover the annualized cost of the activities and support for the Council.

7. The chart below provides departmental data on overtime hours at the adult psychiatric hospitals between FY 2002 and FY 2006 (est.):

|              | FY 2002        | FY 2003          | FY 2004        | FY 2005        | FY 2006 est.     |
|--------------|----------------|------------------|----------------|----------------|------------------|
| Ancora       | 304,000        | 337,800          | 291,300        | 308,800        | 341,600          |
| Greystone    | 294,300        | 326,100          | 282,500        | 244,000        | 289,700          |
| Hagedorn     | 127,200        | 128,700          | 100,100        | 128,200        | 106,000          |
| Trenton      | 266,400        | 311,200          | 277,400        | 250,500        | 298,700          |
| <b>TOTAL</b> | <b>991,900</b> | <b>1,103,800</b> | <b>951,300</b> | <b>931,500</b> | <b>1,036,000</b> |

Although from FY 2002 - FY 2005, progress was made in reducing the number of overtime hours worked, overtime hours may increase between FY 2005 and FY 2006 by over 11%.

- **Question:** What accounts for the increase in overtime hours at Ancora, Greystone and Trenton?

**Discussion Points (Cont'd)**

**Answer:** DMHS has experienced some level of increase in overtime usage at the psychiatric hospitals this year. There are a number of reasons why usage is high despite the fact that the hospitals continue to enhance their management oversight systems and focus on further overtime reductions. Those factors are as follows:

- It is more difficult to recruit Temporary Employee Service (TES) employees. The overall labor market in New Jersey is healthier than in the past. With a dwindling supply of potential hourly employees, we are more dependent on overtime to fill minimum staffing shifts. Limited candidates often lose interest since they desire some type of career ladder to a full-time position. DMHS has already requested an additional 370 part-time positions to better establish a recruitment/ career ladder for Human Service Assistants (HSAs) and Human Service Technicians (HST's), and to achieve real overtime costs savings.
- Hospitals are also having greater difficulty in recruiting and retaining full-time nurses. To maintain minimum staffing levels for nursing, we must rely more heavily on overtime.
- Patients requiring 1 to1 coverage continues to increase at some of our hospitals. Some of those increases are very significant. TPH recently experienced an increase of 16 patients per shift over three (3) pay periods, which resulted in an additional 5,366 hours of staffing per pay period. Such a staffing increase can only be met through overtime or additional TES usage.
- Overtime is continuing to increase to meet the new responsibility to enroll 40% of our consumers in Medicare Part D, as well as to carry-out Joint Accreditation and CMS corrective action plans at Trenton, Ancora and Hagedorn. In FY 2007, there is a proposed increase of 143 cut checks for the DMHS of which a total of 66 positions are targeted to these three (3) facilities to help address the CMS recommendations.

8. FY 2006 marks the official end of the Greystone Park Psychiatric Hospital Bridge Fund. Initiated in FY 2001, the plan's multi-year objective was to provide 400 community placements to reduce the census of and admissions to the four adult psychiatric hospitals. Five years later, and after spending about \$102.6 million, the total census is higher and the number of admissions has decreased only slightly as detailed below:

|            | FY 2001 | FY 2006 (thru March) |
|------------|---------|----------------------|
| Census     | 1,929   | 2,065                |
| Admissions | 2,947   | 2,928 (annualized)   |

- **Question:** As there has been no overall reduction in the census and as the number of admissions to the adult psychiatric hospitals is essentially unchanged, what impact did the expenditure of nearly \$103 million have?
- **Answer:** The Redirection II Initiative, funded through the Greystone Park Psychiatric Hospital Bridge Fund, involved four separate and related components. The Plan called for the development of community residential opportunities for 388 hospitalized patients, consistent with the Supreme Court's *Olmstead* decision. It also supported the development of new and expanded community mental health services designed to increase community tenure for discharged consumers and to mitigate unnecessary future hospitalizations though the development of community based

## Discussion Points (Cont'd)

admissions diversion programs. The Plan also initiated statewide quality improvement activities in both State Hospitals and in the community mental health system. Finally, of course, the plan called for the replacement of Greystone Park Psychiatric Hospital, which is currently under construction.

A 26% increase in the number of persons served in community mental health programs has been realized and almost 500 patients have been discharged from State Hospitals to new community residential settings as a direct result of this Plan.

At the same time, admissions and census levels at the State Hospitals have remained at higher levels than would be preferred.

Among the reasons for elevated census is the increasing difficulty of finding affordable housing for consumers in the community. This has contributed to higher admission rates and to delays in consumers being discharged. A further contributing factor is the significant increase of persons admitted to State Hospitals who are homeless. In the past three years, the number of persons who were homeless at the time of their State Hospital admission increased by 70%, making discharge arrangements that much more difficult. Also of note is the changing nature of the State Hospital population. State Hospitals have seen significant increases in admissions of undocumented immigrants, Megan's Law registrants and persons with complicated medical conditions, all of which contribute in increased lengths of stay.

While these factors have contributed to stable, rather than declining census and admissions rates, it is important to note that the total number of persons served in the State Hospitals has increased from 3053 in FY 2000 to 3274 in FY 2005. The significant expansion of community mental health support and residential service opportunities made possible by the Bridge Fund has allowed the State Hospitals to serve larger numbers of citizens while maintaining census levels comparable to those experienced in FY 2000. Absent the investment in community services made possible by the Bridge Fund, significantly higher admissions rates and State Hospital census would have been expected.

9. The FY 2007 budget recommends \$10.0 million for a new program, Olmstead Support Services, to "develop essential services and community capacity to facilitate the de-institutionalization of persons living in State psychiatric hospitals...." There are over 1,000 patients classified as Conditional Extension Pending Placement (CEPP) at the psychiatric hospitals, including 350 at Ancora. The objective of this new program is similar to that of the Greystone Park Psychiatric Hospital Bridge Fund.

The proposed expenditure of \$10.0 million does not mention any specific numerical placement objectives that are to be attained.

- **Question:** At the end of FY 2007, how many fewer CEPP patients will be hospitalized as a result of this program?

**Answer:** In CY 2005, DMHS funded a one year research project with Rutgers Center for State Health Policy to examine the characteristics of residents, hospitalized in 4 state psychiatric hospitals, who had been designated by the Court as Conditional Extension Pending Placement (CEPP) and what array of issues contribute to the extension of stays on CEPP.

## Discussion Points (Cont'd)

Specifically, an examination of whether groups of residents on CEPP status with extended stays clustered in any programmatic ways; specific barriers to discharge; and what resources facilitated more timely discharges to community care. According to the findings of this research project, clinical subgroups with prolonged stays on CEPP are clearly identifiable and in the minority. In fact, 56% of residents in the state's psychiatric hospitals are discharged within 6 months of attaining CEPP status and almost 75% within one year.

Utilizing the findings of the Rutgers Research Study to inform our continued deinstitutionalization efforts, DMHS will develop and execute an accelerated discharge planning process that will target the discharge of 200 CEPP patients into the community by the end of FY 2007. The Division will partner with the community system of care to develop support and service packages specifically designed to meet the needs of the identified clinical subgroups with prolonged stays. This discharge planning process will be fully articulated in a statewide Olmstead plan and will at minimum specify timeframes for discharge, number of patients to be discharged, eligibility for discharge and general description of the coordination between the state and community provider agencies to effectuate integration into the community.

- 10.a. Available information indicates that about \$5.3 million of the FY 2005 Community Care appropriation has been "encumbered," but not expended.

- **Question:** Can any of the \$5.3 million in encumbered funds be lapsed?

**Answer:** At the end of March there were approximately \$5.3 million in FY 2005 Community Care funds still encumbered. However, by April 27, 2006 this balance had been reduced to \$2.6 million as a result of payments of approximately \$2.65 million and lapsed accruals of approximately \$50,000. With respect to the remaining balance of approximately \$2.6 million, we anticipated the following:

Approximately \$930,000 in additional expected payments to reimbursement contracts, primarily hospitals and governmental agencies, which have been delayed due to pending receipt and/or approval of final expenditure documents, and / or competing work demands.

The remaining contracts will be reviewed for final disposition.

- 10.b. The Divisions of Mental Health Services and Medical Assistance and Health Services are attempting to identify mental health clients who become eligible for Federal SSI benefits. By identifying such clients, community mental health agencies could retroactively bill Medicaid for mental health services provided at State expense and reduce Community Care expenditures.

- **Question:** Based on a preliminary review of SSI data, how much additional Federal Medicaid revenues may be realized by the agencies?

**Answer:** At present, the Division does not have a preliminary review of SSI data. Staff are working to cross-match individuals who are on the SSI file with the Division's USTF database, by agency, by program element, to determine which consumer's services could potentially be retroactively billed. In addition, a number of agencies already maintain an internal process by which they retroactively bill Medicaid for services rendered to consumers newly approved for SSI benefits back to the SSI application date.

**Discussion Points (Cont'd)**

10.c. A review of various contracts funded by the division indicates that agencies have incurred new debt of upwards of \$7.0 million at interest rates of around 6%. The Division of Developmental Disabilities recently refinanced around \$9.0 million in contract debt with interest rates of around 7.0% to free up \$1.2 million in funds.

- **Question:** How much new debt have community mental health agencies incurred? How much might be saved by refinancing such debt?

**Answer:** The Division reviewed the current mortgage obligations of its contract agencies and determined that the agencies' current terms for its mortgages (interest rate and mortgage duration) are more favorable than the interest rates or terms available in the current mortgage market in New Jersey, including mortgage rates available from the Economic Development Authority.

The Division has a history of improving efficiencies related to agency indebtedness; the Division pioneered the use of the bond pool in 1992 with eight agencies, and revisited the process with a refinancing of the 1992 pool in 1999. In 2002, the Department used the mechanism to refinance debt among 32 agencies (49 loans) involving the Divisions of Mental Health Services, Developmental Disabilities, and Youth & Family Services. The Division of Mental Health has demonstrated a long-standing commitment to achieving such efficiencies in its operations, and to the degree that we can achieve material reductions by refinancing, net of any and all costs associated with the necessary legal and financial due process, we will continue to pursue these opportunities aggressively.

10.d. The Medicaid program anticipates saving \$15 million (gross) by reducing reimbursement for partial hospitalization mental health services provided by hospitals. A reduction in Medicaid reimbursement could increase Community Care expenditures.

- **Question:** To what extent will Community Care expenditures increase?

**Answer:** The Medicaid proposal will tie reimbursement for partial hospitalization services to the acuity level of the outpatient hospital-based mental health clinic services being provided. We do not envision there being an impact on community care access or need as a result of this initiative.

11.a. The FY 2007 budget recommends \$116.6 million for Support of Patients in County Psychiatric Hospitals, an 11.5% increase over the FY 2006 appropriation.

Available expenditure data indicate that FY 2006 expenditures will exceed the \$104.6 million appropriation by at least \$10 million.

- **Question:** In view of projected FY 2006 expenditures, is the FY 2007 recommended appropriation adequate?

**Answer:** The \$12 million increase in FY 2007 should be sufficient. We will monitor this throughout the year.

**Discussion Points (Cont'd)**

- 11.b. A new Medicare reimbursement system for psychiatric services was implemented and will affect the six county psychiatric hospitals. To the extent that Medicare reimbursement increases, the amount of State Aid required to reimburse counties may decrease; and to the extent that Medicare reimbursement decreases, the amount of State Aid required to reimburse counties may increase.

- **Question:** How has the new Medicare reimbursement policy affected Medicare reimbursement to county psychiatric hospitals?

**Answer:** The new Medicare reimbursement system (IPPS) became effective January 1, 2005. Payments under the IPPS are based on a single Federal per diem rate that includes both inpatient operating and capital-related costs, including routine and ancillary services. The per diem rate is adjusted for four patient characteristics: age, diagnosis-related group (DRG) assignment, other conditions and the patient's length of stay.

At the beginning of calendar year 2005, when the new reimbursement policy became effective, three out of the six county psychiatric hospitals experienced a delay in payments due to some coding issues. All six hospitals appear to be currently on track. The first quarter of calendar year 2006 shows a slight increase in Medicare recoveries.

**DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES**

12. Savings of \$1.5 million by utilizing electronic transmission of provider manuals and newsletters and \$20 million through enhanced monitoring of Medicaid payments for outpatient services were to be realized by the division in FY 2006.

- **Question:** How much savings were realized and can such savings be documented?

**Answer:** We have achieved significant savings by shifting from paper forms, newsletters, and manuals to electronic dissemination of information. However, we have implemented these changes Division-wide and are unable to quantify the exact savings.

Similarly, we can't quantify the exact amount of hospital savings; however, through the first nine months of this fiscal year we've spent less money for outpatient hospital services than we did for the same period in the previous fiscal year. Typically, outpatient hospital increases have significant growth from year to year and therefore, the \$20 million has been achieved.

- 13.a. Price Waterhouse is in negotiations with the Office of the State Attorney General office concerning its liability in Medicaid fraud committed at Mt. Carmel Guild. To date, no settlement has been announced.

- **Question:** What dollar amount is the State seeking to recover? What is the status of the negotiations?

**Answer:** The State repaid the Federal government its share of the overpayment. Under the signed agreement with Mt. Carmel Guild, it will pay half of the overpayment in cash and the other half through agreed upon free services to beneficiaries served by the Division of Addiction Services for services that would otherwise have to be paid by that agency with 100% State dollars. The extended repayment period recognizes that our 6,000 beneficiaries are served by Mt. Carmel Guild.

**Discussion Points (Cont'd)**

- 13.b. Under the terms of its settlement with the State, Mt. Carmel Guild will repay the State for the State share (approximately \$20 million) of the fraud over a 30 year period. The Federal government has already been credited with its \$20 million share.

**Question:** Did Mt. Carmel Guild actually repay the Federal government for the Medicaid fraud or did the State cover this expense by reducing the amount of Federal reimbursement due the State? If the State covered Mt. Carmel Guild's liability, will the State be repaid? Can Mt. Carmel Guild's repayment schedule be accelerated so that the State is repaid in less than 30 years?

**Answer:** The State repaid the Federal government its share of the overpayment. Under the signed agreement with Mt. Carmel Guild, it will pay half of the overpayment in cash and the other half through agreed upon free services to beneficiaries served by the Division of Addiction Services for services that would otherwise have to be paid by that agency with 100% State dollars. The extended repayment period recognizes that our 6,000 beneficiaries are served by Mt. Carmel Guild.

- 14.a. As part of the Managed Care Initiative, \$3.1 million in incentive payments are provided to managed care organizations to improve reporting of EPSDT (Early Periodic Screening Diagnosis Testing) services to children. These monies are passed through to physicians. Despite such incentive payments, managed care organizations do not meet the minimum contract requirements established for EPSDT reporting.

- Question:** If managed care organizations are unable to meet existing EPSDT contract requirements, should any financial incentive payments be provided?

**Answer:** Yes, financial incentives should be continued because they have contributed to ongoing increases in EPSDT rates. The EPSDT incentive payment was implemented for the purpose of improving the reporting of EPSDT examinations.

New Jersey's rate for overall screening (percentage of individuals participating in EPSDT that are receiving screening services required by NJ's periodicity schedule), as reported to CMS, has increased from 59% in Federal Fiscal Year (FFY) 2001 to 81% in FFY 2005.

- 14.b. The Senate Budget and Appropriations and the Assembly Budget committees have questioned whether Medicaid managed care organizations devote sufficient resources to fraud and abuse and third party liability recoveries.

- Question:** During FY 2004 and FY 2005, how much third party recoveries did managed care organizations realize?

**Answer:** By contract with the State, Medicaid HMOs are prohibited from collecting Third Party Liability recoveries. The State initiates all TPL recoveries and retains all recoveries.

- 14.c. Enrollment of Medicaid recipients who are disabled into the Managed Care Initiative is on a voluntary basis. At present, about 55,000 of the 200,000 disabled persons eligible for Medicaid are enrolled in managed care. At public hearings on the proposed FY 2007 budget, various speakers

**Discussion Points (Cont'd)**

recommended the mandatory enrollment of the disabled into managed care in order to reduce Medicaid expenditures.

- **Question:** How much would be saved in FY 2007 by enrolling the disabled into managed care?

**Answer:** Staff from the Division of Medical Assistance and Health Services are in the process of meeting with HMO representatives and staff in other Departmental Divisions to discuss the enrollment of the disabled population into managed care. While we do not anticipate material savings, we are looking to managed care as a means of improving quality of medical care for this population.

- 15.a. Subject to enactment of State enabling legislation and Federal approval, the FY 2007 recommended budget proposes a 5.5% Hospital Provider Assessment Fee on non-Medicare hospital revenue. This assessment will generate \$430 million in off-budget revenues. Half of the revenues would become State revenues and the remaining \$215 million would be matched by Federal funds and used to increase Medicaid reimbursement to hospitals by \$430 million (Schedule 2).

Available information indicates that the Federal Centers for Medicare and Medicaid Services will publish new regulations during 2006 to limit provider assessments to 3%. This would apply to new provider assessments, and existing provider assessments would have to be reduced to the 3% level over three years. Whether the Federal government would approve a 5.5% assessment, if it proposes to reduce assessments to 3%, is uncertain. If reduced to 3%, the assessment would produce only \$235 million.

- **Question:** In view of pending Federal regulations to reduce provider assessments to no more than 3%, should the amount of monies anticipated be reduced from \$430 million to \$235 million?

**Answer:** The hospital assessment is projected to collect \$430 million dollars. This represents approximately 5.5% of total non-Medicare hospital revenue which is 3% total hospital revenue (including Medicare revenue). The Federal Centers for Medicare and Medicaid Services may be promulgating new regulations during 2006 to further limit provider assessments from the current 6% limit to 3% of total revenue. This Federal change, if adopted, will not impact New Jersey's assessment as it is currently proposed at 3% of total hospital revenue.

- 15.b. Many hospitals will be assessed more than they would receive in the form of increased Medicaid reimbursement. Four hospitals (Bayonne, Pascack Valley, PBI Regional and St. Joseph's Wayne) are being monitored by the New Jersey Health Care Facilities Financing Authority due to concerns about their financial condition.

- **Question:** What impact would the imposition of an assessment have on the financial condition of these four hospitals?

**Answer:** Federal regulations require that dollars from provider assessments be redistributed. The affect of the assessment upon these hospitals is being reviewed by Senior Management with the Department of Health and Senior Services (DHSS).

**Discussion Points (Cont'd)**

15.c. The double billing for physician services by UMDNJ is a situation that can occur at other hospitals, particularly teaching hospitals.

- **Question:** What internal controls are in place to detect such billings? Has Medicaid examined other hospital billings to determine whether they double billed for physician services? Will developments at UMDNJ impact the State's Federal DSH reimbursement?

**Answer:** The double billing for hospital based physician services by UMDNJ is a situation that can occur at other hospitals. Therefore, as part of the Division's Fraud, Waste and Abuse Initiative, additional audits of hospitals will be conducted. The State has developed additional auditing protocols that it has begun to incorporate in its internal reviews. Additionally, the State plans to instruct its independent auditing vendor to incorporate these protocols in its hospital auditing practices. Developments at UMDNJ may impact the State's Federal DSH reimbursements.

15.d In Federal FY 2005, the State was eligible to receive a maximum of \$606.4 million in Federal Disproportionate Share Hospital (DSH) revenues for Inpatient Hospital and Mental Health services. However, the State obtained \$580.7 million in Federal DSH funds, or \$25.7 million less than the maximum it could have received. The \$25.7 million shortfall is related to the amount of monies received for the Inpatient Hospital component of DSH.

- **Question:** What accounts for the State's inability to obtain the maximum amount of Federal DSH funds it was entitled to?

**Answer:** The primary reasons for the decrease in DSH claims between Federal Fiscal Year 2004 and 2005 include the substantial increase of \$84 million in available Federal DSH funding beginning in 2004.

Claims for Federal DSH funds will vary between years due to variations in State expenditures and the timing of these expenditures. The Division of Medical Assistance and Health Services strives to maximize Federal funding for DSH expenditures by identifying all qualified expenditures, attempting to precisely calculate projected claims and processing expenditures to take maximum advantage of the available, limited DSH funding.

16.a Included within the FY 2007 recommended appropriation for Payments for Medical Assistance Recipients – Prescription Drugs are monies to reimburse the Federal government for Medicare Part D prescription drug costs on behalf of Medicare/Medicaid recipients, i.e., dual eligibles. This payment is referred to as "clawback." New Jersey and several other states have challenged the clawback in Federal court.

- **Question:** Of the \$540.3 million recommended for Prescription Drugs, how much money is set aside to reimburse the Federal government?

**Answer:** We estimate clawback payments in FY 2007 to be \$263.3 million. These funds are included in the Prescription Drug appropriation of \$540.3 million.

16.b. P.L.2005, c.363 authorized the division to "provide additional compensation to pharmacies which serve a disproportionate share of Medicaid recipients due to a significant decline in a pharmacy's total prescription fee compensation resulting from changes in Federal law."

**Discussion Points (Cont'd)**

- **Question:** Will pharmacies receive additional compensation? If yes, how much will they receive?

**Answer:** A total of \$1.4 million was paid to approximately 250 pharmacies that serve a disproportionate number of low-income Medicaid and Pharmaceutical Assistance for the Aged and Disabled clients. Pharmacies were reimbursed \$2 per claim for claims submitted over a six month period.

- 16.c. Under the recommended budget, Medicaid would reimburse pharmacies at the Average Wholesale Price (AWP) less 15% between July – December 2006. By law, Medicaid must receive the best price for drugs that a pharmacy charges other customers or third party insurers.

Data provided by the State Health Benefits Program (SHBP) indicate that the SHBP reimburses pharmacies AWP less 68% for generic drugs. Thus, Medicaid may be paying more for generics than the SHBP program.

- **Question:** What would the impact be if the Medicaid program paid the same as the SHBP for generic drugs?

**Answer:** Beginning in January 2007, we will reimburse pharmacies for multi-source drugs at 250%, of the lowest AMP or AWP less 20% whichever is lower. Reimbursement for single source drugs will be calculated using the retail survey price of AWP less 20%, whichever is lower.

- 16.d. Savings of \$8.8 million are anticipated through the greater use of generic psychotropic medications. As the most prescribed psychotropic medications -- Abilify, Risperdal, Seroquel and Zyprexa -- are not available in generic form, it is unclear how \$8.8 million in savings will be realized.

- **Question:** How was the \$8.8 million in savings determined?

**Answer:** Studies have shown that other, less expensive drugs may be effective as a treatment for schizophrenia. If a less expensive treatment fails to produce the desired results, other therapies and prescriptions can than be used. The \$8.8 million assumes only a 20% change from the more expensive brand name drugs to those that are less expensive via a prior authorization approach.

- 16.e. Savings of \$13 million are anticipated through a \$2.00 per prescription copay, capped at \$10 per month.

- **Question:** Does this amount include the General Assistance Medical Services program?

**Answer:** Yes, this amount includes the General Assistance Medical Services population. The populations excluded were children, pregnant women, and those in institutions, including nursing homes.

- 16.f. Available information is that the State will continue to assume any co-payments Medicare/Medicaid recipients ("dual eligibles") would be responsible for under Medicare Part D. Thus, some Medicaid recipients with less income than the dual eligibles would be subject to a \$2.00 co-payment, while the dual eligibles would have the State assume their co-payment.

**Discussion Points (Cont'd)**

- **Question:** Should the copay also apply to the dual eligibles?

**Answer:** No, dual eligibles are the most vulnerable clients served by Medicaid, many of which are elderly and disabled with chronic health conditions; therefore, we believe it is appropriate to keep this group exempt from cost sharing. In addition, many of the dual eligibles are in nursing homes and would not be subject to the \$2.00 copay.

17. Recommended funding for Home Health Care is reduced by about \$7.1 million, from \$17.7 million to \$10.6 million (State share). FY 2006 Home Health Care expenditures may total about \$32 million, or \$16 million (State share). While Home Health Care expenditures have declined in the past several years, a 40.1% reduction in recommended appropriations does not appear to be warranted.

- **Question:** On what basis was the FY 2007 recommended appropriation reduced? Are additional funds required in the Home Health Care account in FY 2007 based on current expenditure patterns?

**Answer:** No, Home Health Care costs have been decreasing in recent years including FY 2006. We expect this trend in decreasing utilization to continue into FY 2007 and the recommended budget reflects anticipated costs.

18. To prevent problems similar to those that occurred when Maximus was the contracted Health Benefits Coordinator for managed care programs, a monitoring plan was implemented to assure that ACS State Healthcare complied with the terms and conditions of the contract. Two of the more critical components to be monitored were: "eligibility services and enrollment services" and "premium assignment and collection."

- **Question:** Is ACS meeting contract standards with respect to "eligibility services and enrollment services?" If not, what financial penalties have been imposed on ACS? With respect to "premiums" and their collection, are contract standards related to the assignment of premiums, the generation of correct premium notices, and the collection and non-collection of premiums being met?

**Answer:** The State monitoring unit is now reviewing statistically valid samples of applications and other ACS work for compliance with eligibility and enrollment policy and procedures as specified in the contract. Results of this first review process will be available at the end of April and will be used as the basis for assessing the vendor financial penalties as proscribed by the contract.

- 19.a. The FY 2007 recommended budget includes \$14.3 million (gross) to cover an additional 50,000 children in the NJ FamilyCare program by June 2007.

Based on FY 2006 enrollment data, only an additional 10,000 children (net) may be enrolled in NJ FamilyCare despite efforts to increase enrollment this year. To achieve a 50,000 increase in child enrollment during FY 2007, average monthly enrollment would have to increase by about 4,200 (net). Based on estimated January 2007 NJ FamilyCare costs for children enrolled in Plans B – D, the gross cost to enroll 50,000 additional children would be between \$40.5 million and \$45.2 million (gross).

**Discussion Points (Cont'd)**

Further, as the amount of Federal monies the State receives is capped at about \$90 million, and the budget assumes New Jersey will receive upwards of \$141 million in unexpended Federal funds from other states, the State may be financially responsible for the entire cost of the additional children if less than \$231.6 million in Federal funds is received.

- **Question:** In view of net FY 2006 enrollment increases, is a 50,000 increase in FY 2007 realistic? Is \$5.0 million in State funds sufficient based on the cost of enrolling 50,000 children? As Federal funding is capped and the amount of unexpended Federal funds the State may receive is uncertain, will sufficient Federal funds be available to support a 50,000 increase in enrollment?

**Answer:** Yes, in recent months we have seen an increase in the enrollment of NJ FamilyCare Children which indicates that the 50,000 increase by the end of FY 2007 is realistic. Significantly supporting this effort is an unprecedented Cabinet inreach of commitment and cooperation to foster new enrollments of New Jersey's children. DMAHS had built into the FY 2007 growth to fund the current trends in NJ FamilyCare Children and the \$5.0 million in additional State funds is sufficient to fund the increase in enrollment. New Jersey will need approximately \$83m in Redistribution funding in addition to our annual allotment to have sufficient SCHIP funding to cover both children and adults. In the event that Federal SCHIP funds are exhausted, we will convert eligible children and adults to Medicaid and claim Federal matching funds at 50%.

- 19.b. P.L.2005, c.156 directed the department to apply for a Federal waiver to cover the adults without dependent children with incomes up to 100% of the Federal Poverty Level.

- **Question:** What is the status of the waiver application?

**Answer:** DMAHS staff met with CMS Region II staff to discuss the submissions which the State needed to make regarding this childless adult waiver. According to CMS staff, a critical part of the process is the submission of an in-depth concept paper setting out the identity of the population to be covered, the scope of the benefits package, the eligibility criteria, the manner of phase-in, the source of funding, estimates of costs, a description of the provider types, the length of the project and a detailed recitation of the public process which the State will engage in with consumers, advocates and stakeholders.

Subsequently, DMAHS filed a detailed concept paper in November 2005, which is being reviewed by both Region II staff as well as CMS' central office staff in Baltimore. When that review is complete, CMS will discuss the various terms and conditions of the proposed waiver with DMAHS and request another filing encompassing the scope of those discussions.

- 19.c. The State's HIFA Waiver expired in January 2006. Under the waiver, custodial parents and caretaker relatives of children enrolled in either the Medicaid or NJ FamilyCare programs, who are not Medicaid eligible and have family income up to 133% of the Federal poverty level, would receive a standardized package of health care services that the largest HMO provides to its non-Medicaid clients.

- **Question:** What is the status of the renewal of the waiver?

**Answer:** The waiver was renewed in January 2006.

**Discussion Points (Cont'd)**

**Discussion Points (Cont'd)****DIVISION OF DEVELOPMENTAL DISABILITIES**

20. About two years ago, the division began discussions with the Federal government regarding the restructuring and expansion of the Community Care Waiver to enhance the services that are provided and increase the number of persons that can be served.

- **Question:** What is the status of the new waiver request?

**Answer:** A full status report was submitted to the Legislature in April outlining the Division's efforts in applying for a consolidated waiver. The Division remains in dialogue with CMS around the provisions of the waiver on a continuing biweekly basis.

A Concept Paper outlining the new waivers including identifying the service array and the ages served was submitted to CMS in July 2005. The Division and CMS reached agreement to use a process whereby the State would submit drafts and receive feedback prior to formally submitting the waiver documents.

In March 2006, Carol Grant, DDD Director and Ann Kohler, Director of Medicaid met with CMS' top leadership at their headquarters to discuss the HCBS Waiver programs and provide input into improving the processes for waiver development and oversight.

At present, there is no anticipated completion date.

21. During January 2005, the Departments of Community Affairs, Human Services, and Labor and Workforce Development announced a \$5.6 million repair program to undertake 900 projects (painting, carpentry, heating and air conditioning replacements) in over 700 community residences serving the developmentally disabled.

- **Question:** To date, how many of the 900 repair projects were completed? Out of the \$5.6 million allocated for the program, how much has been expended?

**Answer:** During FY2005, a total of \$5.6 million was made available for major maintenance projects in community residences; \$3.6 million from DHS and \$2 million from the Department of Community Affairs (DCA). The \$2 million in funding from DCA is generated from the Balanced Housing-Neighborhood Preservation Program (BHNPP). Funding must be targeted to Council on Affordable Housing (COAH) designated communities to repair or replace the home's major systems (i.e., heating, plumbing). Approximately 50% of the communities in New Jersey qualify for these funds. Homes located outside of these communities can not access these funds for home repair.

To date, \$4.3 million has been expended on 495 projects including septic systems, accessible bathrooms, ramps, heating systems, mold remediation, roofs, etc. All of the \$3.6 million in DHS funds have been expended on 438 projects. Of the \$2 million in DCA funds, approximately \$0.7 million has been expended on 57 projects leaving a balance of \$1.3 million. The DCA balance is due to the limitation on communities that have access to the funds (only 50% are eligible) and the type of repairs that qualify for BHNPP funding. DDD still has \$4.2 million in pending major maintenance projects, some of which will qualify for DCA funding.

**Discussion Points (Cont'd)**

22. The chart below provides data on the number of overtime hours incurred at the developmental centers for the FY 2002 – FY 2006 (est.) period:

|              | FY 2002   | FY 2003   | FY 2004   | FY 2005   | FY 2006 est. |
|--------------|-----------|-----------|-----------|-----------|--------------|
| Green Brook  | 37,800    | 49,200    | 32,600    | 28,200    | 24,400       |
| Hunterdon    | 244,300   | 254,900   | 295,100   | 353,900   | 378,900      |
| New Lisbon   | 390,000   | 371,000   | 311,100   | 337,900   | 290,400      |
| North Jersey | 113,600   | 143,800   | 202,600   | 195,400   | 188,400      |
| Vineland     | 143,000   | 158,600   | 174,200   | 204,100   | 236,600      |
| Woodbine     | 139,500   | 158,500   | 165,000   | 188,000   | 171,500      |
| Woodbridge   | 213,500   | 285,400   | 398,900   | 385,300   | 267,800      |
| TOTAL        | 1,281,700 | 1,421,400 | 1,579,500 | 1,692,800 | 1,558,000    |

Available data indicate that in FY 2006 total overtime hours may be lower than in the previous two years, but at Hunterdon and Vineland overtime hours continue to increase.

- **Question:** What accounts for the continuing increase in overtime hours at the Hunterdon and Vineland developmental centers?

**Answer:** VDC is responsible for providing services to an additional 198 consumers living in the Parents and Friend Association (PAFA) group homes, a private entity. There are currently 205 Residential Living Specialist positions assigned to the PAFA Group Homes.

All DDD developmental centers and VDC PAFA Homes are equally impacted by the following factors.

1. Staffing Scheduling Shortages represent 47.9% of overtime.
2. Precautions – specialized staffing, 1:1’s (one staff assigned to one client) and escorts accounts for 25.1% of overtime.
3. Holiday (21.2%) and Other - weather, emergencies and staff training (5.8%).

23. In November 2005, a \$12.5 million (gross) expansion of services for the developmentally disabled was announced: Respite Services - \$3.6 million; Adult Activities - \$4.6 million; and Real Life Choices - \$4.4 million.

- **Question:** Have contracts been amended to implement this \$12.5 million expansion?

**Answer:** The family support funds have been allocated to identified provider agencies and funding has been or is in the process of being modified into contracts. The transition funds have been spent and the contracts have been modified. The Real Life Choice funding has been added to the contracts.

24. Despite a \$0.8 million appropriation for a Dental Program for Non-Institutionalized Children, obtaining dental services for DDD clients residing in the community is an ongoing problem as many dental providers do not accept Medicaid reimbursement.

**Discussion Points (Cont'd)**

Federally Qualified Health Centers (FQHCs), which primarily serve low-income individuals, are required to provide dental services. However, as there is no formal relationship between the division and FQHCs, DDD clients may not be aware of the availability of dental services at FQHCs.

- **Question:** Would a more formal relationship between the division and FQHCs be beneficial to increasing access for dental services? Should State funding for FQHCs be conditioned upon such access?

**Answer:** The Division will work in conjunction with the DMAHS to explore a more formal relationship with the FQHC's.

25. Developmental Center Enhancement Fund appropriations (gross) increase by \$3.1 million, from \$7.2 million to \$10.3 million. These funds can be used for various activities, including the development of community placements for clients at the New Lisbon and Woodbridge developmental centers.

- **Question:** How is the \$10.3 million appropriation to be expended?

**Answer:** Woodbridge is hiring staff, the majority falling in one of the following areas: direct care, facility operation of plant and maintenance, and quality assurance.

In the non salary area, the majority of the funds are being used for training of direct care staff, adaptive equipment, and vehicles.

26. The FY 2007 recommended budget includes \$44.7 million (gross) for Private Institutional Care: \$43.4 million in General Funds and \$1.3 million in Casino Revenue Funds. No Federal reimbursement is reflected though one provider, Wood Services, is in the process of becoming a Medicaid provider and obtaining Medicaid reimbursement.

- **Question:** How much retroactive and ongoing Medicaid reimbursements for services provided by Woods Services are expected to be realized?

**Answer:** The Division of Developmental Disabilities (DDD) is working with the Division of Medical Assistance and Health Services (Medicaid) to determine the appropriateness of a Medicaid claim for children residing in Woods Services under the Medicaid Mental Health Rehabilitation Services Option. There has not been a claim created for these services to date. The issues being reviewed include whether the program services satisfy the Medicaid State Plan criteria; the ability of the provider to identify the claimable services provided during the allowable episode of care; and potential minor changes to the Medicaid claims processing system to allow for the billing of these services.

27. The FY 2007 budget recommends \$3.0 million for Capital Improvements for Olmstead Group Homes intended to develop community placements for persons at State developmental centers. In addition, proposed language (D-250) may appropriate \$50.0 million in recoveries to develop community placements for patients at the State developmental center.

- **Question:** As up to \$50 million in funds will be available for community placements of persons from the developmental centers, is the \$3.0 million appropriation necessary?

## Discussion Points (Cont'd)

**Answer:** Yes, the \$3 million is capital funds to shore up existing community-based residential capacity so that providers can create new residential capacity for people with developmental disabilities moving from the developmental centers. The \$50 million, on the other hand, is predominantly to provide operating funds for support services (medical, behavioral, family support, etc.), rather than for residential capacity. There are approximately 1,500 people in the developmental centers who can and should live in the community. Moreover, the State is currently facing a lawsuit alleging that these 1,500 people remain in institutions in violation of the Americans with Disabilities Act and the United States Supreme Court's decision in *Olmstead v. L.C. ex rel. Zimring*, and both the Senate and the Assembly are currently considering bills (S1090/A2497) that would require a plan to move all 1,500 out of the developmental centers and into the community. As a result, both the \$3 million and the \$50 million are critical to address this need.

### COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

28. In November 2005, the Commission announced that it would hire 12 additional Braille instructors at a cost of \$900,000. The number of hours of Braille instruction provided to students would increase by two hours, to four - five hours per week.

- **Question:** To date, how many additional instructors have been hired? How many additional hours of Braille instruction is each student being provided?
- **Answer:** In the past two years, there has been a number of retirements and resignations of Braille Instructors. Sixteen new Braille Instructors have been hired. The Commission continues to recruit and hire qualified Teachers of the Blind. Currently, New Jersey Students using Braille receive 2-3 lessons per week of Braille instruction. Beginning in September 2006 students in need of mastering the Braille Code will receive four lessons per week.

### DIVISION OF FAMILY DEVELOPMENT

29. Work First New Jersey – Technology Investment appropriations of \$51.4 million (gross) are recommended.

- **Question:** What specific projects will be undertaken and at what cost?

**Answer:** The specific projects to be undertaken in FY 2007 and their associated costs are as follows:

ACSES Reengineering (\$29.7 million) is a Federally mandated project to significantly improve the current child support enforcement system in terms of cost, benefits and risks utilizing the latest technologies. The contract for the implementation vendor became effective March 1, 2006 and that vendor has begun the implementation of the plan.

The Consolidated Assistance Support System (CASS) project (\$17.8 million) provides for the integration of the various DFD supported public assistance systems, utilizing the latest in open systems technology. The RFP to acquire the CASS Implementation Contractor, currently at Treasury Division of Purchase and Property, is about to be released to begin implementation of this multi-year project.

**Discussion Points (Cont'd)**

The remaining \$15.5 million is dedicated to operations and infrastructure issues such as child support projects (\$2.4 million), food stamp projects (\$4 million) and operational support including maintenance (\$9.1 million).

30. Work First New Jersey – Breaking the Cycle appropriations of \$7.2 million (gross) are recommended.

- **Question:** What specific projects will be undertaken and at what cost?

**Answer:** The specific projects to be undertaken in FY 2007 and their associated costs are as follows:

Post-TANF Transportation – Through agreements with NJ Transit and other authorities, this program provides former TANF clients with transportation-related assistance in the form of bus passes, shuttle service, driver training and even auto club memberships. These services help post-TANF clients maintain self-sufficiency by ensuring that they can get to and from work and are projected to cost \$4.2 million during FY 2007.

Homeless Initiative - The Homeless Initiative assists homeless families receiving TANF in Jersey City in finding and securing permanent homes through intensive case management, home-finding services, rental assistance, supportive services and workforce development opportunities. The cost for FY 2007 is projected to be \$1.0 million.

Hispanic Outreach - This program provides outreach and advocacy-related services to the Hispanic community, especially among economically disadvantaged children and their families living in underserved communities. The cost for FY 2007 is projected to be \$1.0 million.

Faith-Based Initiatives - Through a collaborative agreement with the Department of Community Affairs (DCA), provide multiple grants to qualified faith-based, non-profit organizations that enable these institutions to provide post-TANF clients with needed services to help them maintain self-sufficiency. The cost for FY 2007 is projected to be \$1.1 million.

- 31.a. The FY 2006 appropriations act reduced Abbott Expansion funding based on the anticipated receipt of \$4 million in Federal Food Stamp Employment and Training program funds. The Governor has also indicated that a FY 2006 supplemental appropriation (to be introduced) will include \$12 million for Abbott Expansion programs.

- **Question:** Will \$4.0 million in Federal Food Stamp Employment and Training program funds be realized? If not, does the proposed \$12 million FY 2006 supplemental appropriation include the \$4.0 million in monies that were not realized?

**Answer:** The FY 2006 Budget for Abbott Wraparound services anticipated that \$4.0 million in State Abbott wrap-around costs could be funded with Federal food stamp dollars. Use of an estimating methodology was proposed to the Food and Nutrition Services (FNS), US Department of Agriculture, but FNS indicated that its regulations would prohibit such a procedure. Since all claims must be based on actual costs, it would be necessary to establish an Abbott Wraparound database

## Discussion Points (Cont'd)

and perform computer matches with FAMIS and Department of Labor and Workforce Development's One-Stop Operating System (OSOS).

The \$12 million request does take into consideration the loss of the \$4 million in Federal funds that was anticipated in FY 2006.

31.b. Savings of \$30 million would be realized through a sliding scale copayment for child care in Abbott districts. An estimated 2,100 families earning between \$60,000 - \$75,000 and 5,100 families earning above \$75,000 will be affected by this policy. 2000 Census Data indicates that in 1999 there were approximately 18,500 families with income between \$60,000 - \$75,000 and 15,500 families with incomes greater than \$75,000 who lived in the Abbott districts who had children under the age of 18, though information is not available as to how many families utilize Abbott child care services.

- **Question:** Please provide an income distribution of the families using child care services in Abbott districts upon which the \$30 million savings estimate is based. With respect to the implementation of a copayment, how will family income be determined? How will providers be informed that a family is subject to a copayment, and the amount of copayment the family is responsible for? How will the copayment requirement be enforced?

**Answer:** As income information is not obtained for families receiving Abbott Wraparound services, projections have been based on census data for the 31 Abbott Districts. Rather than implementing a sliding scale fee at the income thresholds the above statement describes, it is currently planned to require families whose income is above 380% of the Federal Poverty Level (FPL) to pay the center's regular rates and those families below that percentage will continue to receive Abbott Wraparound at no cost. It is believed to be more equitable to base eligibility on the FPL and family size. Of the approximately 30,000 children that currently receive Abbott Wraparound services, it is estimated that 16,500 children will continue to qualify for free Abbott Wraparound services. The process will be as follows:

A family will apply for Abbott Wraparound services at the county's Child Care Resource and Referral (CCR&R) agency and provide documentation of family income (e.g., pay stubs). As with other child care voucher programs that the CCR&Rs administer, Abbott Wraparound would operate through the Division's CARES system.

When determined eligible, CARES will produce a Provider Agreement which is issued to the applicable Child Care Center. The Agreement is the proof of eligibility for free Abbott Wraparound child care. If the Center does not receive an Agreement for the child, it may charge its regular rates for the Wraparound services.

After the Agreement is returned to the CCR&R, CARES will produce the Center's first payment and a monthly voucher. At the end of the month, the Center sends the voucher to the CCR&R with the child's daily attendance information.

If the actual daily attendance is at least 80% of the month's scheduled attendance, the next month's voucher and payment are issued. If actual attendance is less than 80%, the payment is adjusted accordingly.

**Discussion Points (Cont'd)**

It must be noted that the assumptions used to project the \$30 million savings may not reflect actual experience. As the statement indicates, adequate census data pertinent to family income is not available and a precise estimate of the utilization rate for those families that are eligible for free Abbott Wraparound is not possible.

As such, without additional information, certain assumptions were made, but next year we will have the data that reflects actual experience.

- 31.c. A recent series of articles in The Record, "Lessons in Waste," (April 9, 2006) revealed problems in the provision of wrap around programs, funded through the Department of Human Services (DHS).

In particular, the article stated that DHS has no spending rules for providers of wrap around programs, and that DHS "pays strictly based on enrollment, with no budget required." Further, even though the DOE suggested that DHS audit Kiddie Land Learning Center, an audit was not conducted. In fact, "[DHS] hardly ever audits preschools – only six or eight have been done over the life of the program, officials said. The [DHS] requires attendance reports and visits the programs yearly."

- **Question:** Please provide the following:
  1. A list of all wrap around providers.
  2. For each wrap around provider provide the following information: (a) Whether the provider is a school district or community provider; (b) The number of years the provider has been under contract with DHS; and (c) For each year of those years, the number of children served and the amount of funds paid to the provider.
  3. To the extent known, identify community wrap around providers who are also providers of preschool services.
  4. Clarify the contractual arrangements DHS has with wrap around providers; including how provider expenditures are monitored, how attendance records are obtained from providers, and how those attendance records are verified by DHS.

**Answer:** A list of current year Abbott wrap-around providers will be sent under separate cover. The requested historical service and payment information on Abbott wrap-around providers will be provided under a separate response.

Under current policy, all wrap-around providers must also be providers of pre-school services funded by the Department of Education.

Unlike the Department of Education, the Department of Human Services payment for wraparound services is based upon a maximum child care rate, a specific amount per child paid for full time or part time services rendered. It is not a cost reimbursement contract wherein line item expenditures are reported wrap-around providers on a monthly or quarterly basis. These contracts are performance based and payment is predicated upon actual child enrollment and attendance. The Department responds to each Abbott Board of Education by funding wraparound services to any licensed center currently under contract for education services during the school year. Consequently, the inventory of Abbott wraparound contracts changes each year.

Monthly level of service reports outlining child attendance are submitted each quarter to the Division. Unannounced contract monitoring site visits are conducted annually by Division staff to verify child enrollment and attendance and special "sweeps" are conducted to ensure compliance

**Discussion Points (Cont'd)**

with contracted days and hours of operation. These Division efforts are closely coordinated with the Abbott School District officials and the Department's Office of Licensing. All monitoring report findings are distributed to the appropriate Abbott School District and to the Department of Education.

32. The FY 2007, budget recommends \$3.4 million in State/Federal funds to continue the Mental Health Assessment program. Since the program's inception in the early 2000s, several million has been expended on the program.

Available data indicates that few TANF/GA recipients with mental illness have obtained employment as a result of the program.

- **Question:** In view of the program's limited success, should funding be reduced or discontinued?

**Answer:** No, funding should not be discontinued. The Mental Health Initiative (MHI) operates in Atlantic, Camden, Essex, Hudson, Passaic, Union and Mercer (for GA-only clients). In addition to assessment, the MHI offers intensive case management and employment readiness services to General Assistance (GA) and Temporary Assistance to Needy Family Clients (TANF).

Since the program's inception, utilization has been low, therefore in December of 2004, the program was expanded to include 150 families with active TANF/GA and DYFS cases under the Child Welfare Reform Plan. The MHI eligibility criteria were modified as required.

Frontline welfare case workers recognize the need for mental health services for the TANF/GA population. However the program design is currently being examined in light of TANF reauthorization.

33. The division awards \$1.1 million to the Department of State, Office of Faith Based Initiatives for outreach services to TANF recipients who leave welfare to enable such individuals to remain independent and avoid returning to welfare: \$80,000 for administration and \$975,000 for grants of up to \$75,000 to 13 community organizations.

Progress reports fail to provide any data as to whether the program's primary objectives with respect to outreach services are being met.

- **Question:** As no information is provided on whether the contract's objectives are being met, how does the department determine if the program is successful and cost effective?

**Answer:** No, the program should not be discontinued. The goal of the Department of Human Services/Department of State, (DHS/DOS) Faith and Community-Based collaborative is to expand on the Departments' ability to provide services to Work First New Jersey (WFNJ) Post-Temporary Assistance to Needy Families (Post-TANF) recipients. Post-TANF applies to those families who left the TANF cash assistance program. Some cases, approximately 30% each month, leave for employment. This program funds 12 community and faith based entities to conduct outreach and referral services for transitional support services (i.e., child support, child care, transportation assistance, Medicaid, NJ FamilyCare, food stamps, Low Income Home Energy Assistance Program (LIHEAP), Supplemental Work Support and Earned Income Tax Credit (EITC). In light of TANF

**Discussion Points (Cont'd)**

reauthorization, and the requirement that the state meet a 50% Federal participation rate by October of 2006, these programs will become even more critical.

In FY 06 DFD transferred \$1,055,000 to DOS's OFBI. An amount of no less than \$975,000 will be utilized for grants. The DOS OFBI added an additional \$100,000 to the program bringing the total grant amount to \$1,255,000.

Until recently, the DFD did not collect data that directly show the correlation between the clients outreached through the initiative and their access to specific services. In an effort to enhance the projects' ability to determine its impact with the Post-TANF population, DHS/DFD and DOS/OFBI have developed a tool designed to determine the number of individuals that have accessed transitional services as a result of the Post-TANF outreach and referral program. It will also determine the number of individuals who were referred and were denied services. Data collected for the quarter ending June 30, 2006 will be analyzed to begin the process of determining the extent to which the objectives of the Post-TANF program are being accomplished.

34. As part of child welfare reform, the division provided \$1.2 million to expand the TANF Initiative for Parents (TIP) program Statewide. The voluntary program provides up to \$1,800 in services to about 1,000 TANF/GA cases involving a pregnant mother or a TANF case that involves an infant.

- **Question:** How many TANF/GA cases are currently being served and at what cost per slot?

**Answer:** The TIP is a new DFD program that was initially piloted in Camden County in FY 2004. TIP is a CWRP enforceable that offers voluntary prevention services to families who are assessed at moderate risk for child abuse and neglect. The philosophy of the program is to stabilize families by promoting healthy parent/child interactions and employment activities. The TIP offers in-home and in-community parenting sessions. The program just became available statewide in April of 2006.

- A total of \$4 million in TANF funding was set aside for 1000 in-home and 1000 in-community slots @\$1,800 per slot.
- 94% of the in-home and in-community slot capacity is in place.
- 18% of the 1000 in-home and 1000 in-community slots are filled.
- For FY 2006-07, client utilization, average length of stay, transition to work activities and child welfare outcomes will be tracked to evaluate the program.

35. Budget language in the FY 2006 Appropriations Act (B-108) earmarked a portion of the School Based Youth Services Program appropriation for the following activities: After School Reading Initiative - \$400,000; After School Start-Up Fund - \$200,000; School Health Clinics - \$400,000, and Positive Youth Development - \$530,000.

- **Question:** Which agencies have been awarded funds and how much has each agency received? Which, if any, agencies that receive monies for After School Start Up Fund and the After School Reading Initiative also receives funds from the Department of Education for the New Jersey After 3 Program?

**Answer:** This language was originally placed in the Appropriations Bill in FY2004 and continued in FY05 and FY06. Each of the initiatives described below is an on-going initiative.

## Discussion Points (Cont'd)

**After School Reading Initiative:** Each of the 40 agencies that manage the 65 Family Friendly Centers (FFCs) has \$10,000 earmarked for staff and time set aside for Reading Development. This is usually individualized and applied while working with the students' homework assignments. Attachment #35a is the list of the 40 FFC managing agencies.

**Start up of new sites:** The \$200,000 allowed the creation of 5 FFCs which are on-going at present and included on the FFC list. Each receives \$40,000 which compares to the total funding allocated to each FFC.

FFCs augment after school programs that are struggling. The funds are used to provide part time staff which (1) focuses on the reading- homework initiative mentioned above (2) creates channels of connection to community based resources and/or services for both families and children and (3) is trained to provide developmental growth for the children and their families through the interpersonal Cognitive Problem Solving Program ( I Can Problem Solve "ICPS") by Dr. Myrna Shure. ICPS has been shown to enhance academic ability and personal development as much as 3 years after exposure.

**About Collaborating with NJ DOE's 'NJafter3' programs:**

The FFC model is designed to enhance existing afterschool programs with services not typically provided or funded. Ten of the current 63 FFC sites partner with NJafter3 to provide these enhanced services. Our SBYS office maps NJafter3 and " 21<sup>st</sup> Century Community Learning Center" sites (also funded through DOE with Federal funds) to ensure that funding is not duplicated. Partners For Afterschool is the title given to a collaborative network between the DHS, DOE and community stakeholders so as to continuously map sites and make decisions as to how best to share our respective resources and expertise. Attachment #35b is the list of schools with FFC and NJAfter3 sites.

**School Health Clinics:** \* There are 5 School Based Health Clinics (SBHCs) in Newark, NJ. Located in 3 elementary and 2 secondary schools, the SBHCs provide medical services to children and families. Medicaid is billed for services, but since there are many expenses not covered by Medicaid, the NJ DHS provides \$600,000 annually to these sites for non-medicaid billable expenses. They are now managed by the FQHC of the Jewish Renaissance Foundation in Perth Amboy, NJ. The SBYS staff oversees that contract separately from the SBYS site contracts.

**Positive Youth Development:** Pursuant to this budget language, \$530,000 was utilized at the 67 SBYSP sites to assist in the hiring of one full time Positive Youth Development Specialist at each site.

36.a. The FY 2006 Substance Abuse Initiative (SAI) appropriation assumed that: (a) \$5.0 million in Federal Medicaid reimbursements would be realized and (b) the Division of Addiction Services (DAS) would assume/provide \$5.0 million in services.

- **Question:** Will \$5.0 million in Federal Medicaid reimbursements be realized? Will the DAS assume \$5.0 million in program costs? If these additional funds are not realized, how will any funding shortfall be resolved?

## Discussion Points (Cont'd)

**Answer:** The Department engaged a revenue maximization consultant to review and investigate opportunities to increase Federal Medicaid reimbursements for substance abuse related services. To date, they have initially proposed the claiming of administrative costs associated with client care coordination services though it is still unknown how much this particular effort will yield in Federal reimbursements for the current year. Other proposals to increase or maximize Federal reimbursements are currently under review by the Department.

The Division of Addiction Services was not expected to assume any of the program costs associated with this revenue maximization effort. Though achieving the full \$5.0 million in savings associated with this budget initiative may be in jeopardy, the Department is evaluating alternative funding options to offset any revenue shortfall in the Substance Abuse Initiative account that may occur.

36.b. SAI provides assessment and treatment services to welfare recipients with substance abuse problems to enable them to become work ready. Available data indicate that between 11% - 14% of all cases are closed due to successful completion of treatment; conversely, between 86% - 89% of the cases are closed for non-compliance and referred to the county welfare agencies for possible sanctions.

- **Question:** Is a 11 – 14% successful treatment rate cost-effective in light of total program expenditures? Of cases referred back to the county welfare agency for non-compliance, how many cases are sanctioned or otherwise penalized?

**Answer:** National research on successful treatment completion rates for welfare populations suggests an average of 15% of clients complete treatment; this includes all levels of care. (The SAI Research Demonstration Project was independently evaluated by the National Center on Addictions and Substance Abuse at Columbia University (CASA) under a National Institute Drug Abuse (NIDA) grant. Jon Morgenstern, PhD was the principle research investigator. The national research statistics on treatment completion (15%) were provided by Dr. Morgenstern.)

### Client flow and treatment completion:

- From 7/1/05 to 2/28/06 the unduplicated (initial) SAI statistics are as follows:
  - Referrals = 3,216
  - completed assessments = 2,772
  - treatment entries = 1,919
  - treatment completions = 518
- This represents a 27% completed treatment rate for the period 7/1/05 through 2/28/05 (entered treatment as compared to completed treatment rates).
- The SAI high retention and low attrition rates for *referral-to-assessment-to-treatment entry*, and the 27% completion rate suggests its managed-care case management model produces outcomes higher than the national average.
- The average number of episodes of care per SAI client is 2, as compared to the national average of 5 episodes of care.
- The SAI should be continued with on-going program and client outcomes evaluation due to a completion rate of 27% vs. 15% and over a 50% decrease in the number of episodes per SAI client.

### Sanctioned or penalized cases:

## Discussion Points (Cont'd)

- o Unfortunately, we currently do not have the ability to track clients who are sanctioned for non-compliance with the SAI program. We track client activities, and sanction status, but we cannot accurately assess which activity is related to the sanction.

37. Average monthly caseloads of about 37,600 are expected in FY 2007 for the Payments for Cost of General Assistance program. At present, monthly caseloads are averaging about 36,000.

- **Question:** As current FY 2006 caseloads are about 36,000 and the FY 2007 recommended appropriation assumes caseloads of 37,600, can the recommended appropriation be further reduced?

**Answer:** The recommended appropriation for the Payments for Cost of General Assistance account should not be reduced. The caseload for the General Assistance (GA) program is projected to grow slightly from 37,478 this year to 37,632 in SFY 2007, a modest increase of 0.4%. Though the February 2006 caseload amount was 36,611, it is too premature to consider reducing the appropriation at this time.

38. During the FY 2006 budget hearings, a State Senator asked the division to examine Pennsylvania's program of providing the State SSI supplement, as an alternative to reimbursing the Social Security Administration for this service.

- **Question:** What is the status of the division's review of Pennsylvania SSI supplement program?

**Answer:** Commissioner Ryan has requested further evaluation of the Pennsylvania model. Research by DFD staff to date has determined that Pennsylvania's SSI Living Arrangements are simpler and the number of payment amounts is significantly less than New Jersey's. These differences indicate that NJ will not be able to assume as many cases as Pennsylvania did as the client information required determining the Federal SSI benefit is not sufficient to place a client in the appropriate State Living Arrangement (payment rate) for the majority of the cases.

Though some savings appear achievable, an estimate can not yet be determined. Information Technology costs have been estimated and \$303,000 annually, but there will be additional program and fiscal staff required if New Jersey assumed the administration of SSI cases. These costs must also be estimated once a determination of the types of SSI cases we could assume is finalized.

In addition, New Jersey is joining an effort that is being initiated by New York State to request the US Government Accounting Office review the rate that SSA is charging states. It is believed that SSA's rate (currently \$9.29 per check) is more than the Agency's incremental cost for administering the States' SSI Supplement.

39. The General Assistance County Administration account reimburses county welfare agencies for administrative costs associated with the program, up to a predetermined allocation. Available information indicates that administrative costs in several counties were about \$1.6 million less than their allotment. In other counties, the administrative costs exceeded their allotment by about \$3.2 million and county funds are used to offset the difference.

- **Question:** Should unexpended State funds be reallocated to reduce expenditure of county funds?

**Discussion Points (Cont'd)**

**Answer:** We do not agree with the suggestion that unexpended funds from one county be reallocated to a county which has spent more than their allocation. The calculation for county allocations for General Assistance (GA) administration takes into consideration each county's recent spending to administer the GA program adjusted for inflation as well as their caseload size. This methodology insures that GA administrative funding for each county is sufficient to offset their on-going costs to administer the program. We believe that the suggestion would in fact penalize counties which manage their GA program within existing state resources while potentially rewarding counties which have exceedingly high administrative costs. To re-distribute unspent funds to counties who have spending greater than their allocations would further undermine any cost-containment aspects of this program.

40. A June 2005 Federal Inspector General report estimated that 34% of the State's noncustodial parents could pay some or all of the Medicaid costs incurred by their children. The report estimated that Medicaid costs could be reduced by \$11.8 million (gross) if the State extended health insurance requirements to Medicaid expenditures.

- **Question:** Is legislation required to extend the health insurance requirement to include Medicaid related expenditures?

**Answer:** Current law at N.J.S.A 2A:17-56.11b provides for the recovery of insurance payments made to the responsible party for services Medicaid has already paid to the provider. All child support orders entered or modified must include health care coverage in accordance with N.J.S.A 2A:34-23c. Health care coverage is defined at NJAC 10:110-1A.1 as, "... cash medical support, health insurance, dental insurance, eye care, pharmaceutical assistance and other types of medical support, as defined herein, which are ordered by the court to maintain the health coverage of a child." Even though there is no specific reference to Medicaid, the statutory definition is broad enough to enable us to make the addition administratively. We do not believe that legislation is therefore required and the Division of Family Development's Office of Child Support Services and the Division of Medical Assistance and Health Services have been working collaboratively to improve their sharing of information and build joint processes to enroll children in the most appropriate health care coverage program thereby reducing and recovering costs.

41. The amount of Federal Title IV-E funds anticipated by the division for child care related services is reduced by \$15.2 million, from \$16.5 million to \$1.3 million.

- **Question:** What accounts for the reduction in Federal Title IV-E funds?

**Answer:** The FY 2006 amount anticipated the submission of a two year retroactive claim as well as a current year reimbursement for IV-E eligible child care costs. Subsequent to performing computer matches between DFD's Child Care and DYFS' child protection systems, it was discovered that child care costs eligible for Title IV-E funding were less than originally estimated due to missing data. Department staff has been instructed to improve the collection of client eligibility information to increase the number of children whose child care costs can be claimed under Title IV-E program.

**Discussion Points (Cont'd)**

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**DIVISION OF ADDICTION SERVICES**

42. Under the Child Welfare Reform Plan, \$5 million for capital improvements to residential treatment facilities was provided to increase the number of treatment slots for DYFS-involved mothers by 261 slots, and for adolescents by 131 slots.

The proposed FY 2007 budget includes a new appropriation of \$2 million for Capital Improvements for Substance Abuse Treatment and Recovery Centers to expand residential treatment slots.

- **Question:** As \$5 million in capital funding was provided to expand residential slots in FY 2005, can this initiative be reduced or eliminated?

**Answer:** The \$2 million dollars is proposed primarily for capital repairs which prevent existing capacity from going off-line. Such capital repairs are necessary because it is very difficult and time consuming to relocate existing addiction treatment programs, or to rebuild capacity. In order to preserve existing programs and capacity, it is cost effective to fund critical physical plant needs required for life safety and to ensure licensing. Such funding is different from building new residential and outpatient capacity, as the Division did, with the \$5 million provided under the Child Welfare Reform Plan. This proposed appropriation will also address targeted expansion opportunities within providers existing physical plants to utilize space more efficiently for outpatient and residential services.

43. The Governor's budget establishes a new Department of Children and Families and transfers appropriations for addiction programs established by the Child Welfare Reform Plan to the new department.

- **Question:** Will the division continue to administer these programs? Are any division personnel being reassigned to the new department?

**Answer:** The Governor's Policy Advisory Council is looking at the restructuring of Human Services. Recommendations are due by June 30, 2006. No staff transfers are anticipated.

**Discussion Points (Cont'd)****DIVISION OF MANAGEMENT AND BUDGET**

44. Between December 2004 and December 2005, the number of full-time State funded personnel at Central Office increased by about 100, from 308 to 403.

- **Question:** What accounts for the increase and to what specific activities were the additional personnel assigned?

**Answer:** In FY 2006, certain functions were carved out of the Child Welfare Reform account and transferred to DHS Central Office. These included: Licensing staff, Human Services Police, Fingerprinting, Institutional Abuse Investigation Unit, and Continuous Quality Improvement. In FY 2007, 120 positions are being transferred from DHS to the new Department of Children and Families.

**Office of Children's Services  
Division of Prevention and Community Partnerships  
School Based Youth Services Programs**

**Family Friendly Center Contractees**

1. ASPIRA
2. Atlanti Care Behavioral Health
3. B.A.S.C. Network
4. Babyland School Family Services
5. Bergenfield School Age Care Coalition
6. Brookdale Community College
7. Catholic Charities/Diocese of Metuchen
8. Catholic Family Community Services
9. Center for Family Resources
10. Cherry Hill Public Schools
11. Clayton Board of Education
12. Communities in Schools of Newark Inc
13. Community YMCA
14. East Orange YMCA
15. Hackensack Public Schools
16. Harrison Board of Education
17. Hoboken Public Schools
18. Ironbound Community Corp.
19. Keansburg School District
20. Keener Kids/Little Lamb Preschool
21. La Casa de Don Pedro Inc.
22. Millville Public Schools
23. Mt. Olive Child Care Learning Ctr.
24. New Brunswick Tomorrow
25. New Community Corporation
26. NJ Community Dev. Corp
27. NJ School Age Care Coalition
28. Paterson YMCA
29. Plainfield Board of Education
30. Preferred Children Services
31. Princeton Family YMCA
32. Puerto Rican Association
33. Salem City Public Schools
34. So. Brunswick Board of Ed.
35. The Connection for Women & Families
36. Tri-City Peoples Corporation
37. Unified Vailsburg Services
38. Union City Board of Education
39. Vineland Board of Education
40. YMCA of Western Monmouth

**School by County****FFC****NJ After 3****ATLANTIC**

Sooy Elementary School, Hammonton

AtlantiCare

AtlantiCare

**CAMDEN**

Molina School, Camden

ASPIRA

Comm. In Schools

**ESSEX**13th Ave School, Newark  
Hawkins St. School, NewarkBabyland  
Ironbound Com. Corp.Comm. In Schools  
Ironbound Com. Corp.**GLOUCESTER**

Simmons School, Clayton

Clayton BOE

EIRC

**MORRIS**Sandshore Elementary, Budd Lake  
Stephens Elementary, Budd Lake  
Tinc Rd. Elementary, Flanders  
Mt. View Elementary, FlandersMt. Olive CC  
Mt. Olive CC  
Mt. Olive CC  
Mt. Olive CCMt. Olive Cc  
Mt. Olive Cc  
Mt. Olive Cc  
Mt. Olive Cc**PASSAIC**

School #2, Paterson

NJ Com Dev Corp

NJ Com Dev Corp