

ANALYSIS OF THE NEW JERSEY  
FISCAL YEAR 1998 - 1999 BUDGET



DEPARTMENT OF HEALTH AND SENIOR  
SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1998

# NEW JERSEY STATE LEGISLATURE

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# DEPARTMENT OF HEALTH AND SENIOR SERVICES

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to F-12; G-8; I-13; I-15 to I-17; J-3

## Fiscal Summary (\$000)

	Expended FY 1997	Adjusted. Appropriation FY 1998	Recommended FY 1999	Percent Change 1998-99
State Budgeted	\$1,062,630	\$1,066,219	\$1,084,240	1.7%
Federal Funds	849,687	964,256	1,058,492	9.8%
<u>Other*</u>	<u>70,883</u>	<u>111,091</u>	<u>115,201</u>	<u>3.7%</u>
Grand Total	\$1,983,200	\$2,141,566	\$2,257,933	5.4%

## Personnel Summary - Positions By Funding Source

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change 1998-99
State	689	671	692	3.1%
Federal	781	762	870	14.2%
<u>Other**</u>	<u>320</u>	<u>312</u>	<u>333</u>	<u>6.7%</u>
Total Positions	1,790	1,745	1,895	8.6%

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

\*Includes Revolving Funds.

\*\*Includes positions supported by Casino Revenue Funds and one Revolving Fund.

## Introduction

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

- **Health Services** provides a variety of health services directly or by contract with public, nonprofit and private health service providers in the following areas: vital statistics; family health services; public health protection services; alcoholism, drug abuse and 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

**Health Administration** provides central support services to the department and operates the Office of Minority Health.

- **Senior Services** administers various Medicaid programs related to nursing homes and long term care, the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program, the two Lifeline programs, social service programs for the elderly, the Ombudsman for the Institutionalized Elderly and the Office of the Public Guardian.

## Key Points

### Health Services

- ! **Direct State Services.** Recommended appropriations increase 3.3 percent, from \$23.1 million to \$23.9 million, due to the following new special purpose items:

Electronic Death Certificate - \$250,000.

Public Awareness Campaign for Black Infant Mortality - \$500,000.

Middle School Survey on Substance Abuse - \$100,000.

- ! **Grants-In-Aid.** Overall recommended appropriations for Health Services are virtually unchanged from FY 1998 adjusted levels; however, the following items show significant changes:

Various FY 1998 Legislative funding initiatives are not recommended to be continued: Center for Hope Hospice, Union County (\$50,000); Best Friends Foundation (\$50,000); Robin's Nest (\$25,000); Mary's Manor (\$25,000); Catholic Charities, Bridgewater Connections Program (\$25,000); Trenton Detox Center - Drug Rehab & Intensive Aftercare/Transition Facility (\$350,000); and New Hope Discovery Foundation/Relocation (\$2,000,000).

Funding for Hemophilia Services is recommended to be reduced from \$921,000 to \$508,000; and funding for the Interagency Council on Osteoporosis (\$300,000), Chelsea House Outpatient Services (\$150,000), and the National Council on Alcohol and Drug Dependency (\$450,000) is not recommended to be continued.

AIDS Grants are recommended to increase \$350,000, or 3.0%, to provide \$35,000 increases to each of the 10 AIDS Early Intervention Programs in the State, to allow additional clients to be served.

Cost of Living Adjustments, current and deferred costs, are recommended in the amount of \$5.1 million for community providers contracted by DHSS in Health Services. This amount would fund the full calendar year cost of the current COLA, granted January 1, 1997 with a \$1.7 million FY 1998 adjusted appropriation, and would fund a COLA increase to be granted January 1999.

- ! **State Aid.** Recommended appropriations increase 20.0 percent, from \$18.6 million to \$22.3 million. This increase is recommended to eliminate the waiting list for the Early

## Key Points

### Childhood Intervention Program.

- ! **Capital Construction.** The department received \$1.5 million in FY 1998 for various laboratory improvements and equipment. No capital funds are recommended for FY 1999.
- ! **Federal Funds.** Federal funds are expected to stay virtually the same as FY 1998 adjusted levels for Health Services, with \$261.3 million estimated in FY 1998 and \$261.9 estimated in FY 1999. Although most program areas are expected to have only small increases or decreases, federal funds for Alcoholism, Drug Abuse and Addiction Services are expected to decrease 11.0 percent, or \$5.4 million, largely due to the elimination of federal funding for the \$3.5 million Newark Targeted Cities Project; and federal funding is estimated to increase 6.9 percent, or \$3.7 million, in AIDS Services, largely due to an increase in the Comprehensive AIDS Resources Grant.
- ! **Other Funds, Casino Revenue Funds and Revolving Funds** are expected or recommended to be virtually the same as FY 1998 adjusted levels.
- ! New recommended budget language provides for \$1,955,000 to be transferred from the Drug Enforcement and Demand Reduction Fund to Alcoholism, Drug Abuse and Addiction Services; \$1 million would be transferred for drug abuse services for individuals with HIV and \$955,000 would be used to offset State appropriations for the Community Based Substance Abuse Treatment and Prevention - State Share grant.

### Health Planning and Evaluation

- ! **Direct State Services.** Recommended appropriations increase 22.4 percent, from \$5.6 million to \$6.8 million, due to the following new activities:
  - Nursing Home Background Checks - \$900,000.
  - Long Term Care Survey Staff - \$120,000.
  - Salaries and Wages to re-establish a four person hospital inspection team - \$230,000.
- ! **Grants-In-Aid.** Recommended appropriations increase 7.6 percent, from \$76.7 million to \$82.6 million.
  - The following Legislative funding initiatives are not continued: St. Barnabus/Kimball Medical Center - Low Income Clinics (\$200,000) and Monmouth Medical Center - Outpatient Clinic (\$200,000).
  - Funding for Charity Care Hospital Payments increases 20 percent, from \$53.4 million to \$64.1 million, as required by P.L.1997, c.263.
  - New Jersey ACCESS Program funding decreases 20 percent, from \$22.5 million to \$18.0 million and will assist an average of 10,000 enrollees monthly. Proposed budget language provisions: limit the use of ACCESS appropriations to persons enrolled in the program by July 1, 1998; and appropriate additional funds to the

## Key Points

ACCESS program should costs exceed \$18.0 million.

- ! **Federal Funds.** Recommended appropriations increase 12.9 percent, from \$8.9 million to \$10.1 million.
- ! **Other Funds.** Recommended appropriations increase 7.8 percent, from \$63.5 million to \$68.4 million. Among the programs these funds support are:
  - Expansion of Medicaid - Pregnant Women and Children - \$21.5 million.
  - Health Care Cost Reduction Fund - \$24.2 million.
  - New Jersey Emergency Medical Service Helicopter Response Program Fund - \$1.9 million.
  - Departmental Planning/Administrative Activities - \$13.2 million.
  - Emergency Medical Technician Training Fund - \$1.8 million.

It is also noted that a recommended General Fund Language Provision (p. I-27) provides for \$22.5 million from the Health Care Subsidy Fund to be transferred to the General Fund as State revenue.

### Health Administration

- ! **Direct State Services.** Recommended appropriations of \$1.7 million are virtually unchanged from FY 1998 adjusted levels.
- ! **Federal Funds.** Recommended appropriations of \$300,000 are unchanged from FY 1998 adjusted levels
- ! **Other Funds.** Recommended appropriations are reduced by 1.6 percent, from \$5.0 million to \$4.9 million, as slightly less Administrative Overhead (indirect cost) recoveries are anticipated.

### Senior Services

- ! **Direct State Services.** Recommended appropriations increase 8.3 percent, from \$14.1 million to \$15.2 million.

Funding for the following programs is recommended to increase:

- **Medical Services for the Aged**, 18.6 percent, from \$3.8 million to \$4.5 million. A new \$703,000 Special Purpose appropriation for Community Choice/Accuity Audits is proposed. This program would provide about 200 institutionalized persons with the opportunity to live in alternative community settings. Savings of \$600,000 are anticipated.

## Key Points

- **Pharmaceutical Assistance to the Aged and Disabled**, 5.9 percent, from \$6.3 million to \$6.7 million. The increase in administrative appropriations is for eligibility determination costs associated with a new federal law that would allow additional Medicare beneficiaries with incomes between 120 and 175 percent of the poverty level to have their Medicare B premiums paid by Medicaid.
  - **Lifeline**, 5.2 percent, from \$1.8 million to \$1.9 million, primarily for Services Other Than Personal costs.
- ! **Grants-In-Aid.** Recommended appropriations decrease 6.4 percent, to \$582.6 million, as certain programs -- Community Care Alternatives (\$23.2 million), Home Care Expansion (\$2.4 million) Medicaid Expansion - SOBRA (\$15.5 million) and Respite Care for the Elderly (\$1.2 million) -- are returned in total or in part to their historical funding source, Casino Revenue Funds.

Recommended appropriations are reduced for:

- PAA - Claims, 26.3 percent, from \$35.2 million to \$25.9 million. Approximately 35,500 elderly persons will be eligible for services. Approximately \$17.2 million (gross) in savings initiatives designed to reduce prescription drug costs are proposed:
  - Reduce the dispensing fee high volume PAAD/Medicaid pharmacies receive, from \$3.73 - \$4.07 to \$3.00 for generics and \$2.75 for brand names.
  - Increase the copay from \$5.00 to \$7.00 for prescription drugs that cost more than \$40.
  - Link the manufacturers' rebates to changes in the federal Consumer Price Index, as in the federal Medicaid program.
  - Cover prescription drugs in the Community Care Program for the Elderly and Disabled and obtain federal Medicaid reimbursement.
- Payments for Medical Assistance Recipients - Nursing Homes, 1.7 percent, from \$530.3 million to \$521.4 million. (This appropriation is supplemented with \$15.5 million in Casino Revenue Funds, Medicaid Expansion - SOBRA. Including these funds, total Nursing Home expenditures would increase by 1.2 percent, to \$536.8 million.) Patient days are expected to increase 2.2 percent, to 12.4 million days, and per diem reimbursement is expected to decrease 3.7 percent, to about \$91.50, assuming that \$24.1 million in initiatives to reduce nursing home costs are adopted. Among the initiatives proposed are:
  - Reducing payments for underutilized beds.
  - Adjusting reimbursement based on occupancy levels.
  - Better identification and monitoring of direct and indirect patient care costs.
  - Enhancing estate recoveries.

## Key Points

Recommended appropriations are increased for:

- Medical Day Care Services, 33.6 percent, from \$12.1 million to \$16.2 million. The increase would bring FY 1999 recommended appropriations in line with projected FY 1998 expenditures.
- Cost-of-Living Adjustment, Deferred Cost, Health Care Services Providers, approximately \$1.0 million is recommended for a 1.6 percent adjustment, effective January 1999.

! **State Aid.** The budget recommends \$2.2 million, unchanged from FY 1998 levels.

! **Casino Revenue Fund.** Recommended appropriations increase 18.4 percent, from \$254.9 million to \$301.7 million, as funding for the Community Care Program for the Elderly and Disabled, Respite Care for the Elderly, Medicaid Expansion - SOBRA and the Home Care Expansion program, that had been supported with General Funds due to insufficient Casino Revenue Funds, is returned to the Casino Revenue Fund which has historically supported these programs.

Funding is reduced for the following **Casino Revenue Fund** programs:

- Demonstration Adult Day Care Center Program - Alzheimer's Disease, 37.0 percent, from \$1.4 million to \$0.9 million as additional funding provided by the Legislature is not continued.
- Senior Citizen Housing - Safe Housing and Transportation, 19.1 percent, from \$2.0 million \$1.6 million.
- Payment for Lifeline Credits, 1.8 percent, from \$35.2 million to \$34.7 million.
- Payments for Tenants' Assistance Rebates, 1.9 percent, from \$40.9 million \$40.2 million.

Funding is increased for the following **Casino Revenue Fund** programs:

- Community Care Alternatives, from \$813,000 to \$27.7 million. (Funding is shifted from the General Fund.)
- Medicaid Expansion - SOBRA, \$15.5 million. (A portion of costs are shifted from the General Fund.)
- Home Care Expansion, \$1.0 million. (Funding is shifted from the General Fund.)
- PAAD - Claims increase 2.7 percent, from \$166.2 million to \$170.7 million. Approximately 148,100 aged and 22,600 disabled persons will receive benefits at an average cost of about \$44 per prescription. Savings initiatives of \$17.2 million (gross) are anticipated and were previously mentioned.

! **Federal Funds.** A 13.3 percent increase is anticipated, from \$693.7 million to \$786.2



## Key Points

million. Virtually the entire increase is in Medicaid related funds in the Medical Services for the Aged program.

- ! **Other Funds.** A 40.4 percent reduction in other funds is anticipated, from \$941,000 to \$561,000. The reduction is largely in the **Office of the Public Guardian** where one-time fees realized in FY 1998 are not anticipated for FY 1999.

### BACKGROUND PAPERS

- ! Alternative Nursing Home Savings Options .....p.56.
- ! Nursing Home Reimbursement - The Bergen Pines Impact..... p.58.
- ! Alternative PAAD Savings ..... p.60.

## Program Description and Overview

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.**

### Health Services

**Health Services** consists of 6 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 the appointment of local registrars. In FY 1999, this division expects to process 88,000 searches and issue 61,000 certified copies.

**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, providing medical and rehabilitative services for children with disabilities, administering lead poison control programs, and providing assistance to local health departments for the provision of primary and preventive health services.

During FY 1999, this division estimates it will continue to provide health services grants to 170 agencies. In addition, the division estimates it will provide services to 32,000 physically disabled children; serve 7,900 infants through early intervention programs; screen 115,000 newborns for various disorders, provide family planning services to 104,000 women; screen 70,000 children for lead poisoning; and serve 255 adults with Huntington's disease or Cystic Fibrosis.

**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 program is involved in such diverse activities as: food and milk quality assurance; the prevention of rabies; the training and certification of workers involved in asbestos control and lead abatement; and enforcing provisions of the Worker and Community Right to Know and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 1999, this division expects to: register 75,000 new reports of cancer cases; register 740 cases of TB; treat 4,600 cases of syphilis and gonorrhea; conduct 8,000 environmental and sanitary inspections and investigations; register 460,000 dogs; investigate 90 communicable disease outbreaks; conduct 232 complaint/targeted PEOSHA inspections; inspect 800 public/private workplaces under the Right to Know law; and audit 120 asbestos and lead training agencies.

**Alcoholism, Drug Abuse and 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 1999, this division expects to handle 23,000 admissions involving alcohol and 42,500 admissions involving drugs and provide information and referral services to 45,700 persons. These estimates are unchanged from revised FY 1998 levels.

## Program Description and Overview

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

In FY 1999, this division will analyze 150,000 bacteriology specimens, conduct 130,000 metabolism tests, examine 15,000 blood lead samples; and license nearly 950 clinical laboratories and 180 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.

As of December 1997:

- ! The State had 35,436 reported AIDS cases, with a current year increase of 3,149 cases.
- ! Essex (10,462), Hudson (5,552), Passaic (3,042), Union (2,651), Middlesex (2,064), Monmouth (1,742) and Bergen (1,567) counties have the highest number of reported AIDS cases.
- ! Approximately 27 percent of cumulative adult-adolescent reported AIDS cases in New Jersey are female, which remains the highest proportion in the country. The State had approximately 693 cases of pediatric AIDS (under 13 years of age), the fifth highest total number of pediatric cases in the country.
- ! The number of deaths per year due to AIDS in New Jersey peaked in 1994 and 1995 and steadily decreased in 1996 and 1997.

The Division of AIDS Prevention and Control provides testing and counseling services at numerous locations. In FY 1999, The Division of AIDS Prevention and Control estimates testing and counseling 65,750 clients, providing early intervention services to 11,500 clients and maintaining nine HIV Care Consortia.

The recommended FY 1999 General Fund appropriation for **Health Services** is detailed by program area below and is summarized on the next page:

### Vital Statistics

**Direct State Services.** The recommended appropriation of \$1.4 million represents an increase of 22.2 percent from FY 1998, due to a new special purpose appropriation of \$250,000 for an Electronic Death Certificate.

**Federal Funds** and **Other Funds** are anticipated to stay virtually level with FY 1998 adjusted appropriations, at \$674,000 and \$151,000, respectively.

### Family Health Services

**Direct State Services.** The recommended Direct Services appropriation of \$1.6 million

## Program Description and Overview

represents a 33.3 percent increase from FY 1998 levels, due to a new appropriation of \$500,000 for a Public Awareness Campaign for Black Infant Mortality.

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
<b>TOTAL (\$000)</b>	<b>\$87,901</b>	<b>\$90,770</b>	<b>3.3%</b>
<b>Direct State Services:</b>	<b><u>\$23,144</u></b>	<b><u>\$23,899</u></b>	<b><u>3.3%</u></b>
Vital Statistics	\$1,124	\$1,374	22.4%
Family Health Services	1,221	1,626	33.2%
Public Health	13,223	13,223	0%
Alcoholism...	494	594	20.2%
Laboratory Services	4,379	4,379	20.24%
AIDS Services	2,703	2,703	0%
<b>Grants-In-Aid:</b>	<b><u>\$44,630</u></b>	<b><u>\$44,524</u></b>	<b><u>-0.2%</u></b>
Family Health Services	\$8,562	\$8,541	-0.3%
Public Health	1,329	1,599	20.3%
Alcoholism...	22,743	21,185	-6.9%
AIDS Services	11,996	13,199	10.0%
<b>State Aid:</b>	<b><u>\$18,621</u></b>	<b><u>\$22,347</u></b>	<b><u>20.0%</u></b>
Family Health Services	\$18,621	\$22,347	20.0%
<b>Capital Construction:</b>	<b><u>\$1,506</u></b>	<b><u>\$0</u></b>	<b><u>-100.0%</u></b>
Laboratory Services	\$1,506	\$0	-100.0%

**Grants-In-Aid** funding of \$8.5 million is virtually level with FY 1998 adjusted appropriations. However, funding added by the Legislature in FY 1998 for various grants is not recommended to continue; funding for Cost of Living Adjustments for community providers contracted by DHSS in Family Health Services is recommended to increase \$867,000.

**State Aid** of \$22.3 million represents a 20.0 percent increase from FY 1998 levels. Funding for Public Health Priority Funding is unchanged at \$3.6 million, or \$0.36 per capita; and funding for Projects for Handicapped Children (early intervention) is increased by \$3.7 million, or 24.8 percent, to eliminate the backlog in this program.

**Casino Revenue Funds.** Recommended funding is unchanged from FY 1997, with \$500,000 recommended for the Statewide Birth Defects Registry grant.

**Federal Funds** are anticipated to stay virtually level with FY 1998 estimates for Family Health Services, with an overall increase of 1.9 percent to \$127.3 million.

**Other Funds** are also anticipated to stay virtually level with FY 1998 estimates, with an overall decrease of 2.3 percent to \$24.8 million, largely from Women, Infants and Children Rebates.

## Program Description and Overview

### Public Health Protection Services

**Direct State Services** recommended appropriation of \$13.2 million is equal to the adjusted FY 1998 appropriation.

**Grants-In-Aid** funding of \$1.6 million represents a \$270,000, or 20.3 percent increase from FY 1998. This increase is due to funds recommended for a Cost of Living Adjustment for community providers.

**Federal Funds** are anticipated to stay level, at \$31 million and **Other Funds** are anticipated to decrease 15.7 percent to \$2.5 million.

### Alcoholism, Drug Abuse and Addiction Services

The recommended **Direct State Services** appropriation of \$594,000 is a 20.2 percent increase over the FY 1998 adjusted appropriation, due to \$100,000 recommended for a Middle School Survey special purpose appropriation.

**Grants-In-Aid** funding is reduced 6.9 percent, from \$22.7 million to \$21.2 million. Funding is not recommended to be continued for the following programs: Chelsea House Outpatient Services (\$150,000), National Council on Alcohol and Drug Dependency (\$450,000), Trenton Detox Center (\$350,000) and New Hope Discovery Foundation/Relocation (\$2 million). Funding for Cost of Living Adjustments for community providers is recommended to increase \$1.4 million to a total of \$2.0 million.

**Federal Funds** are anticipated to decrease 11.0 percent, from \$49.1 million to \$43.7 million, largely due to the expiration of federal funding for the Newark Targeted Cities Project (\$3.5 million).

**Other Funds** are anticipated to increase 24.2 percent, from \$2.7 million to \$3.3 million, due to \$700,000 in funds from the Drug Enforcement and Demand Reduction Fund, appropriated for the "Alcoholism and Drug Abuse Program for the Deaf, Hard of Hearing and Disabled" (\$350,000) and for a grant to the "Partnership for a Drug Free New Jersey" (\$350,000), pursuant to recommended budget language.

### Laboratory Services

**Direct State Services** funding of \$4.4 million is recommended, equal to adjusted FY 1998 levels.

**Capital Construction.** No funds are recommended for capital construction. \$1.5 million was appropriated in FY 1998 in Laboratory Services.

**Federal Funds, Revolving Funds, and Other Funds** are virtually unchanged from estimated FY 1998 levels, at \$1.7 million, \$6.6 million and \$621,000, respectively.

### AIDS Services

**Direct State Services** appropriations are unchanged from FY 1998, with \$2.7 million recommended for FY 1999.

## Program Description and Overview

**Grants-In-Aid** funding is increased 10.0 percent, from \$12.0 million to \$13.2 million, due to an increase of \$350,000 in AIDS Grants for AIDS Early Intervention Programs and a recommended increase of \$853,000 for Cost of Living Adjustments for community providers.

**Federal Funds** are estimated to increase 6.9 percent, from \$53.8 million to \$57.4 million, as an additional \$3 million is anticipated for the Comprehensive AIDS Resources Grant.

**Other Funds** are anticipated to decrease 9.3 percent, from \$3.7 million to \$3.4 million.

### 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 1999, **Long Term Care Systems Development and Quality Assurance** will license 625 health care facilities with 62,400 beds, conduct over 2,500 inspections and certify nearly 600 mobile intensive care paramedics and 7,000 emergency medical technicians.

**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 sets reimbursement rates for various health care facilities and administers the subsidized insurance program known as New Jersey ACCESS.

During FY 1999, **Health Care Systems Analysis** will process 283 certificate of need applications and enroll 10,000 persons in New Jersey ACCESS.

The recommended FY 1999 General Fund appropriation for **Health Planning and Evaluation** is summarized as follows:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
<b>TOTAL (\$000)</b>	<b>\$82,327</b>	<b>\$89,414</b>	<b>8.6%</b>
<b>Direct State Services:</b>	<b>\$5,581</b>	<b>\$6,831</b>	<b>22.4%</b>
Long Term Care Systems..	\$3,838	\$4,858	26.6%
Health Care Systems...	1,743	1,973	13.2%
<b>Grants-In-Aid:</b>	<b>\$76,746</b>	<b>\$82,583</b>	<b>7.6%</b>
Long Term Care Systems..	\$446	\$483	8.3%
Health Care Systems...	76,300	82,100	7.6%

## Program Description and Overview

### Long Term Care Systems Development and Quality Assurance

**Direct State Services.** Appropriations increase 26.6 percent, from \$3.8 million to \$4.9 million, as two new Special Purpose appropriations are recommended:

- Nursing Home Background Checks (\$900,000) - To conduct background checks on persons seeking certification as nurses aides, home health aides and personal care assistants.
- Long Term Care Survey Staff (\$120,000) - To review and survey various alternatives to nursing home or institutional care such as assisted living residences, etc.

**Grants-In-Aid.** Appropriations increase 8.3 percent, from \$446,000 to \$483,000. The increase is for cost of living adjustments of 2.0 percent and 1.6 percent, respectively, to be provided during July 1998 and January 1999. Funding for the Poison Control Center is unchanged at \$425,000.

**Federal Funds.** Funding increases 13.0 percent, from \$7.5 million to \$8.5 million. Medicare/Medicaid Inspections of Nursing Facilities represents the majority of federal funds received by this program and these revenues are expected to increase from \$7.2 million to \$7.6 million.

**Other Funds.** Funding decreases 13.7 percent, from \$7.0 million to \$6.0 million. The reduction is in the amount of funds allocated for the Health Care Quality Monitoring Fund, established pursuant to P.L. 1997, c.192, which is being reduced from \$1.1 million to \$100,000. However, as \$1.1 million was not going to be expended in FY 1998, the apparent reduction is not as dramatic as it appears.

Recommended funding for other major activities supported by **Other Funds** are unchanged as follows:

- New Jersey Emergency Medical Service Helicopter Response Program Fund - \$1.9 million.
- Emergency Medical Technician Training Fund - \$1.8 million.
- Long Term Care Systems Development and Quality Assurance - \$2.1 million.

### Health Care Systems Analysis.

**Direct State Services.** Appropriations increase 13.2 percent, from \$1.7 million to \$2.0 million. Appropriations for Salaries and Wages increase by \$230,000 to fund a four person hospital inspection team to handle an increase in the number of hospital complaints. (Funding for this function had been reduced in anticipation of legislation being enacted to allow the State to accept Joint Commission on the Accreditation of Health Care Organizations review in place of its own inspections. The legislation was not adopted.)

**Grants-In-Aid.** Funding increases 7.6 percent, from \$76.3 million to \$82.1 million.

Charity Care Hospital Payments increase 20 percent, from \$53.4 million to \$64.1 million, in accordance with P.L. 1997, c.263.

## Program Description and Overview

New Jersey ACCESS Program funding decreases 20 percent, from \$22.5 million to \$18.0 million, as enrollment is expected to decline from approximately 12,500 (Dec. 1997) to a monthly average of 10,000 during FY 1999. Proposed budget language would limit the use of the ACCESS appropriation to persons enrolled in the program as of July 1, 1998 and would appropriate additional funds to the ACCESS program, if the \$18.0 million appropriation is insufficient.

The following grants added by the Legislature are not continued:

- St. Barnabus/Kimball Medical Center - Low-Income Clinic - \$200,000.
- Monmouth Medical Center - Outpatient Clinic - \$200,000.

**Federal Funds.** Approximately \$1.3 million is anticipated, virtually unchanged from FY 1998 levels. Federal reimbursements for Medicare/Medicaid Facilities Inspection Program (\$1.1 million) comprise the majority of funds.

**Other Funds.** The budget recommendation represents a 10.4 percent increase, from \$56.5 million to \$62.4 million. The **Other Funds** are raised through the 0.53 percent assessment on a hospital's total operating revenue (revenues not to exceed \$40 million annually); an assessment on each hospital of \$10.00 per adjusted admission fee; and Certificate of Need fees. (Proposed budget language would deposit the first \$1.2 million in revenues from the \$10.00 assessment into the General Fund as revenues.)

The following expenditures are anticipated:

- Certificate of Need Program. (Funded by Certificate of Need fees) Expenditures increase nearly 50 percent, from \$2.3 million to \$3.6 million. Personal Services expenditures increase from \$0.9 million to \$1.4 million and Services Other Than Personal expenditures increase from \$1.4 million to \$1.9 million.
- Expansion of Medicaid - Pregnant Women and Infants. (Funded from the 0.53 percent hospital assessment) Expenditures to reimburse the Medicaid program for costs associated with providing services to pregnant women and infants with incomes between 100 and 185 percent of the poverty level are expected to increase slightly, from \$20.2 million to \$21.5 million.
- Health Care Cost Reduction Fund. (Funded from the 0.53 percent hospital assessment) Expenditures for various other programs supported by these monies -- Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; health planning; competitive initiatives; federally qualified health centers; Emergency Medical Services for Children Program; and Implementation of Statewide Information Network -- increase 16.9 percent, from \$20.7 million to \$24.2 million.

The amount of funds allocated for health planning, competitive initiatives and federally qualified health centers is left to the commissioner's discretion.

- New Jersey Essential Health Services Commission. (Funded from the \$10.00 per adjusted fee assessment) Expenditures of \$6.0 million are unchanged from FY 1998 levels. These monies are primarily used for hospital related planning activities, of which \$5.9 million is to be used for Services Other Than Personal costs. Though budget documents no longer



## Program Description and Overview

identify specific Services Other Than Personal minor object accounts for the current (FY 1998) and the budget year (FY 1999), based on prior year's expenditures it is assumed that most of the \$5.9 million will be used for consulting services.

- Health Care Planning. (Funded from the \$10.00 per adjusted fee assessment) Expenditures of \$7.2 million are unchanged from FY 1998 levels. These monies are primarily used for department health planning activities including Personal Services (\$5.5 million) and Services Other Than Personal (\$1.5 million).

### Health Administration

**Health Administration** consists of the **Management and Administrative Services** program which provides department wide services. The Office of Minority Health is in this unit.

**Direct State Services**. Recommended funding of \$1.7 million is virtually unchanged from FY 1998 levels.

**Federal Funds**. Approximately \$300,000 is appropriated, unchanged from FY 1998 levels.

**Other Funds**. These monies represent indirect cost recoveries that are returned to the department and are used for departmental operations and revolving funds. Approximately \$7.0 million is anticipated, virtually the same as in FY 1998 and will support 64 positions.

### Senior Services

**Senior Services** consists of 6 programs:

**Medical Services for the Aged** administers various Medicaid services involving long term care and long term care alternatives. In FY 1999, this program will provide nearly 12.4 million nursing home days to Medicaid clients.

**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 \$17,918 (single) and \$21,970 (married). Eligible persons pay a \$5.00 copay for each prescription drug. Persons eligible for PAAD may also receive up to \$100 in assistance in the purchase of a hearing aid. During FY 1999, **PAAD** will provide assistance to about 200,600 persons: 178,000 elderly and 22,600 disabled, at an approximate average cost per prescription drug of about \$43.

**Lifeline** provides eligible households with either a \$225 credit on their electric/gas bill or a \$225 check to offset their energy costs. Lifeline eligibility is similar to that of PAAD, although persons receiving federal SSI benefits and persons not eligible for PAAD benefits because of other prescription drug coverage may qualify for Lifeline benefits. In FY 1999, the two **Lifeline** programs will provide assistance to 334,300 households: 159,600 households will receive a Lifeline credit and 174,700 households will receive Lifeline rebates.

**Programs for the Aged** supports programs which improve the quality of life for the State's

## Program Description and Overview

older citizens through technical assistance and grants to local governments. Funded programs include congregate and home delivered meals, personal care, legal services, case management, etc. During FY 1999, **Programs for the Aged** will provide 2.5 million congregate meals, 413,000 units of personal care services, 15,000 units of case management services, and 1.1 million units of transportation services.

The **Ombudsman's Office** receives, investigates and resolves complaints concerning health care facilities serving the elderly. The office also reviews requests for the withdrawal or withholding of life-sustaining treatment for persons without advance directives for health care. During FY 1999, the office will conduct over 2,100 on-site investigations, conduct 3,400 visits to nursing homes, boarding homes or other facilities where the elderly may reside, and refer 300 cases 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 1999, the office will handle over 1,000 cases and be appointed guardian by the courts in 170 cases.

The FY 1999 General Fund appropriation for **Senior Services** is summarized as follows:

	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change 1998-99
<b>TOTAL (\$000)</b>	<b>\$638,881</b>	<b>\$600,084</b>	<b>(6.1)%</b>
<b>Direct State Services:</b>	<b><u>\$ 14,078</u></b>	<b><u>\$15,245</u></b>	<b><u>8.3%</u></b>
Medical Services...Aged	\$3,786	\$4,489	18.6%
PAAD (Admin.)	6,282	6,655	5.9%
Lifeline (Admin.)	1,760	1,851	5.2%
Programs for the Aged	945	945	---
Ombudsman	571	571	---
Public Guardian	734	734	---
<b>Grants-In-Aid:</b>	<b><u>\$622,558</u></b>	<b><u>\$582,594</u></b>	<b><u>(6.4)%</u></b>
Medical Services...Aged	\$577,065	\$546,553	(5.3)%
PAAD	35,162	25,909	(26.3)%
Programs for the Aged	10,331	10,132	(1.9)%
<b>Casino Revenue Fund:</b>	<b><u>\$254,877</u></b>	<b><u>\$301,726</u></b>	<b><u>18.4%</u></b>
Medical Services...Aged	\$1,063	\$44,459	4082.4%
PAAD	166,161	170,655	2.7%
Lifeline Programs	76,260	74,840	(1.9)%
Programs for the Aged	11,393	11,772	3.3%
<b>State Aid</b>	<b><u>\$2,245</u></b>	<b><u>\$2,245</u></b>	<b>---</b>
Programs for the Aged	\$2,245	\$2,245	---

## Program Description and Overview

### Medical Services for the Aged

**Direct State Services.** Appropriations increase 18.6 percent, from \$3.8 million to \$4.5 million. A new Special Services appropriation is recommended for Community Choice/Acuity Audits (\$703,000), to provide about 200 institutionalized persons with the opportunity to live in alternative community settings and save the State \$600,000.

**Grants-In-Aid.** Appropriations decrease 5.3 percent, from \$577.1 million to \$546.6 million. However, the reduction reflects program costs for Community Care Alternatives (\$23.2 million), Home Care Expansion (\$2.4 million) and Medicaid Expansion -SOBRA (\$15.5 million) being returned in total or in part to the Casino Revenue Fund which has historically supported these programs.

With respect to the other grant programs, the following is noted:

- Medicaid High Occupancy - Nursing Homes. Continuation funding of \$9.0 million is recommended. Budget language that guides the distribution of the \$9.0 million is amended to require that the monies be used for "patient services."
- Medical Day Care. Recommended appropriations increase 33.6 percent, from \$12.1 million to \$16.2 million. The increase is in line with projected FY 1998 expenditure patterns.
- Payments to Medical Assistance Recipients - Nursing Homes. Recommended appropriations decrease 1.7 percent, from \$530.3 million to \$521.4. (An additional \$15.5 million in Casino Revenue Funds supplements this appropriation. Including these funds, total Nursing Home expenditures increase by 1.2 percent, to \$536.8 million.) The number of patient days is expected to increase 2.2 percent, to nearly 12.4 million days. Per diem reimbursement is expected to decline 3.7 percent, to \$91.53, due to the following initiatives intended to save \$24.1 million:
  - Developing separate cost centers for general services expenses;
  - Consolidating generic costs affecting special care nursing facilities into one cost center;
  - Reducing reimbursement to hold a bed when a person is hospitalized from 90 to 50 percent of the facility's Medicaid rate;
  - Adjusting reimbursement to discourage underutilization of beds;
  - Expediting acuity audits at nursing homes;
  - Enhancing estate recoveries;
  - Expediting nursing home audit recoveries; and
  - Reducing the utilities screen from 125 to 110 percent of the median.

**Federal Funds.** The recommended budget increases federal funds by 14.3 percent, from \$653.1 million to \$746.8 million. All of these monies represent federal Medicaid reimbursement for services provided to Medicaid eligible clients

## Program Description and Overview

**Casino Revenue Fund.** Appropriations increase from \$1.1 million to \$44.5 million; however, the increase reflects program costs that had been funded by **General Funds** being returned in total or in part to the **Casino Revenue Fund** which has historically funded these programs (Community Care Alternatives - approximately \$26.9 million; Home Care Expansion - \$1.0 million; and Medicaid Expansion - SOBRA - \$15.5 million).

Funding for the Hearing Aid Assistance for the Aged and Disabled program is unchanged at \$250,000.

### PAAD

**Direct State Services.** Recommended appropriations increase 5.9 percent, from \$6.3 million to \$6.7 million. Personal Services and Services Other Than Personal appropriations increase by \$250,000 and nearly \$125,000, respectively. The increase is for eligibility determination costs related to a federal mandate to cover the Medicare Part B premiums of Medicare beneficiaries with incomes of between 120 and 175 percent of the federal poverty level

**Grants-In-Aid.** Total funding (General and Casino Revenue Funds) decreases 2.3 percent, from \$201.3 million to \$196.6 million. Recommended General Fund appropriations decrease 26.3 percent, from \$35.2 million to \$25.9 million. Enrollment is expected to decrease over 19 percent, from 36,900 to 29,800; and the average prescription drug cost is expected to decrease by nearly 1.9 percent, to \$38.54, as a result of initiatives discussed below.

**Casino Revenue Fund.** Recommended appropriations are expected to increase 2.7 percent, from \$166.2 million to \$170.7 million. The number of elderly and disabled eligible for the program is expected to increase by about 1 percent, to 170,700; and the average prescription drug cost for both the elderly and disabled is largely unchanged at around \$43.80 as initiatives intended to save \$17.2 million are expected to be adopted.

Savings initiatives include:

- Increasing the copay to \$7.00 for prescription drugs costing \$40 or more;
- Reducing the dispensing fee high volume Medicaid/PAAD pharmacies would receive from \$3.73 - \$4.07 to \$3.00 for generic drugs and \$2.75 for brand name drugs;
- Factoring in changes in the Consumer Price Index in calculating manufacturers' rebates (this is currently being done in calculating Medicaid rebates); and
- Shifting PAAD costs on behalf of CCPED recipients to the Medicaid program.

Rebates from pharmaceutical manufacturers are expected to increase by 15 percent, from \$33.2 million to \$38.2 million. Recoveries, primarily from other pharmaceutical insurance coverage, of approximately \$11 million are also expected.

### Lifeline

**Direct State Services.** Recommended appropriations are expected to increase 5.2 percent, from \$1.8 million to \$1.9 million, primarily in the Services Other Than Personal account.

## Program Description and Overview

**Casino Revenue Funds.** The recommended \$74.9 million appropriation represents a 1.9 percent reduction from FY 1998 levels. Tenants Assistance Rebates appropriations of \$40.2 million and Lifeline Credits appropriations of \$34.7 million are recommended.

### Programs for the Aged

**Direct State Services.** Recommended appropriations are unchanged at \$945,000.

**Grants-In-Aid.** Recommended appropriations decrease 1.9 percent, from \$10.3 million to \$10.1 million; however, the reduction reflects the Respite Care for the Elderly (\$1.2 million) transferred back to the **Casino Revenue Fund** which has historically funded the program. Approximately \$1.0 million is provided for a 1.6 percent cost of living adjustment to providers beginning January 1999.

Grant funding for Purchase of Social Services (\$7.3 million) and Alzheimer's Disease Program (\$615,000) and Adult Protective Services (\$700,000) are unchanged from FY 1998 levels.

**State Aid.** Recommended appropriations of \$2.2 million are unchanged from FY 1998 levels and provide funding for County Offices on Aging (\$840,000) and Older Americans Act-State Share (\$1.4 million).

**Casino Revenue Fund.** Recommended appropriations increase 3.3 percent, from \$11.4 million to \$11.8 million. The increase reflects a portion of Respite Care for the Elderly program costs that had been funded with General Funds being funded with Casino Revenue Funds.

Funding is unchanged for the following programs: Adult Protective Services - \$1.7; Congregate Housing Support Services - \$1.9 million; and Home Delivered Meals Expansion - \$1.0 million.

Funding is reduced for: Demonstration Adult Day Care Center Program - Alzheimer's Disease, from \$1.4 million to \$0.9 million, as additional appropriations provided by the Legislature are not continued; and Senior Citizen Housing - Safe Housing and Transportation, from \$2.0 million to \$1.6 million, to bring the recommended appropriation more in line with actual FY 1997 expenditures.

Funding is increased for: Program Administration, from \$0.6 million to nearly \$0.9 million, to correct a funding error that occurred when programs were transferred from the Department of Community Affairs; and Respite Care for the Elderly, from \$2.8 million to \$3.8 million. Total funding for Respite Care, including General Funds, decreases slightly from \$4.0 million. Proposed budget language would charge \$165,000 of program costs off to the Casino Simulcasting Fund.

**Federal Funds.** Approximately \$39.0 million is anticipated, about 3.0 percent below the \$40.2 million expected in FY 1998, as about \$1.3 million less in federal Preventive Health and Health Services Block Grant Funds are being allocated to the program.

### Ombudsman's Office

Recommended **General Fund** appropriations of \$571,000 and \$420,000 in **Federal Funds** are unchanged from FY 1998 levels.

## Program Description and Overview

### Office of the Public Guardian

Recommended **General Fund** appropriations of \$734,000 are unchanged from FY 1998 levels.

**Other Funds.** The budget anticipates \$380,000 in service fees, a 50 percent reduction from the \$760,000 expected to be collected in FY 1998. As collection of these fees is dependent on a client's ability to pay and the court must approve any fees being charged, the amount collected may vary significantly from year to year.

**Fiscal and Personnel Summary**

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (TOTAL)

	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999	Percent Change	
				1997-99	1998-99
<b><u>General Fund</u></b>					
Direct State Services	\$47,887	\$44,536	\$47,721	-0.3%	7.2%
Grants - In - Aid	704,994	743,934	709,701	0.7%	-4.6%
State Aid	20,566	20,866	24,592	19.6%	17.9%
Capital Construction	318	1,506	0	-100.0%	-100.0%
Debt Service	0	0	0	0.0%	0.0%
<b>Sub-Total</b>	<b>\$773,765</b>	<b>\$810,842</b>	<b>\$782,014</b>	<b>1.1%</b>	<b>-3.6%</b>
<b><u>Property Tax Relief Fund</u></b>					
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%
<b>Sub-Total</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b><u>Casino Revenue Fund</u></b>	<b>\$288,865</b>	<b>\$255,377</b>	<b>\$302,226</b>	<b>4.6%</b>	<b>18.3%</b>
<b><u>Casino Control Fund</u></b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>0.0%</b>	<b>0.0%</b>
<b>State Total</b>	<b>\$1,062,630</b>	<b>\$1,066,219</b>	<b>\$1,084,240</b>	<b>2.0%</b>	<b>1.7%</b>
<b><u>Federal Funds</u></b>	<b>\$849,687</b>	<b>\$964,256</b>	<b>\$1,058,492</b>	<b>24.6%</b>	<b>9.8%</b>
<b><u>Other Funds (a)</u></b>	<b>\$70,883</b>	<b>\$111,091</b>	<b>\$115,201</b>	<b>62.5%</b>	<b>3.7%</b>
<b>Grand Total</b>	<b>\$1,983,200</b>	<b>\$2,141,566</b>	<b>\$2,257,933</b>	<b>13.9%</b>	<b>5.4%</b>

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1997	Revised FY 1998	Funded FY 1999	Percent Change	
				1997-99	1998-99
State	689	671	692	0.4%	3.1%
Federal	781	762	870	11.4%	14.2%
All Other	320	312	333	4.1%	6.7%
<b>Total Positions</b>	<b>1,790</b>	<b>1,745</b>	<b>1,895</b>	<b>5.9%</b>	<b>8.6%</b>

FY 1997 and revised FY 1998 personnel data reflect actual payroll counts. FY 1999 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	27.2%	26.5%	26.5%	----	----
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## Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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## HEALTH SERVICES

Electronic Death Certificate	\$0	\$250	\$250	—	D-129
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This special purpose appropriation is recommended for the development and implementation of a new electronic death record system.

Advisory Council on Adolescent Pregnancy	\$95	\$0	(\$95)	(100.0)%	D-129
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P.L.1997, c.229 established a permanent Advisory Council on Adolescent Pregnancy and appropriated \$95,000 to fund the council's activities. No funding is recommended in FY1999 for this purpose.

Public Awareness Campaign for Black Infant Mortality	\$0	\$500	\$500	—	D-129
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A new special purpose appropriation is recommended to focus on the issue of a significantly higher death rate among African American infants through a campaign to educate the African American community and medical professionals about the differences in pregnancy outcomes between black and white women and the resultant higher black infant mortality rate, as well as to focus on the health needs of black women. This initiative was first announced in September 1997 and received \$50,000 from the Governor's discretionary fund.

Middle School Survey on Substance Abuse	\$0	\$100	\$100	—	D-129
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This special purpose item is recommended for a survey to examine the incidence and prevalence of alcohol, tobacco and other substance abuse among middle school students.

Hemophilia Services	\$921	\$508	(\$413)	(44.8)%	E-11
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The Hemophilia Services program provides grants to treatment centers and provides support for the purchase of insurance for uninsured and underinsured patients. The Legislature provided an additional \$300,000 for this program in FY 1998 (for a total appropriation of \$921,000) which is not recommended to be continued. In addition, according to the department's FY 1999 budget request, funds provided for the purchase of health insurance for families in need of home care are not requested to be continued in FY 1999.



**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
<b>Interagency Council on Osteoporosis</b>	\$300	\$0	(\$300)	(100.0)%	E-11

Funding for this program, provided through Legislative initiative, was \$270,000 in FY1997 and \$300,000 in FY 1998. No funding is recommended for FY 1999. P.L.1997, c.191 created a permanent Interagency Council on Osteoporosis as well as an osteoporosis prevention and education program in DHSS.

<b>Chelsea House Outpatient Services</b>	\$150	\$0	(\$150)	(100.0)%	E-12
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This grant provides funds for outpatient services and a post residential continuing Day Program at the Monmouth Chemical Dependency Center. This program has received funds in varying amounts since FY 1995. No funding is recommended for FY 1999.

<b>National Council on Alcohol and Drug Dependency</b>	\$450	\$0	(\$450)	(100.0)%	E-12
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Funding of \$450,000 was added by the Legislature in FY 1997 and FY 1998 for this grant. No funding is recommended for FY 1999.

<b>AIDS Grants</b>	\$11,513	\$11,863	\$350	3.0%	E-12
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This increase in funding is recommended to provide increases of \$35,000 to each of the 10 AIDS Early Intervention Programs throughout the State. These programs help combat the spread of AIDS by providing various outpatient treatment services. This funding increase is anticipated to provide for an additional 1,000 to 2,000 clients to be treated Statewide.

<b>Various Non-recurring Grants</b>	\$2,525	\$0	(\$2,525)	(100.0)%	E-11-12
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Funding for the following grants, which were included in the FY1998 appropriations act by the Legislature, are not recommended to be continued: Center for Hope Hospice, Union County (\$50,000); Best Friends Foundation (\$50,000); Robin's Nest (\$25,000); Mary's Manor (\$25,000); Catholic Charities, Bridgewater Connections Program (\$25,000); Trenton Detox Center -Drug Rehab & Intensive Aftercare/Transition Facility (\$350,000); and New Hope Discovery Foundation/Relocation (\$2,000,000).

**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Cost of Living Adjustments	\$1,724	\$3,182	\$1,458	84.6%	E-11-12
Cost of Living Adjust. Deferred Cost	\$0	\$1,924	\$1,924	—	E-11-12

These amounts represent recommended Cost of Living Adjustments for community providers contracted by DHSS in Family Health Services, Public Health Protection Services, Alcoholism, Drug Abuse and Addiction Services and AIDS Services. The first COLA listed represents an increase to provide funds for the full year cost of the current COLA, granted January 1, 1998, and the deferred cost COLA represents a COLA adjustment of 1.6 percent to be granted January 1999.

<b>Early Childhood Intervention Program</b>	<b>\$15,021</b>	<b>\$18,747</b>	<b>\$3,726</b>	<b>24.8%</b>	<b>F-11</b>
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This program provides funds for services for infants and toddlers, birth to age three, with developmental delays or disabilities. An increase of \$3.7 million is recommended to reduce the waiting list for the program. Budget evaluation data estimate 7,900 children will receive early intervention services in FY 1999, compared to 7,400 in FY 1998.

<b>Capital Construction</b>	<b>\$1,506</b>	<b>\$0</b>	<b>(\$1,506)</b>	<b>(100.0)%</b>	<b>G-8</b>
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FY 1998 capital funds were appropriated for laboratory improvements and equipment. No capital funds are recommended for FY 1999.

<b>Alcoholism, Drug Abuse and Addiction Services - Other Funds</b>	<b>\$2,662</b>	<b>\$3,306</b>	<b>\$644</b>	<b>24.2%</b>	<b>D-130</b>
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This increase is due to P.L.1995, c.318 and P.L.1997, c.174 which provided for \$350,000 to be transferred from the Drug Enforcement and Demand Reduction fund to establish an "Alcoholism and Drug Abuse Program for the Deaf, Hard of Hearing and Disabled" and to provide a \$350,000 grant to the Partnership for a Drug Free New Jersey, respectively.

<b>Alcoholism, Drug Abuse and Addiction Services - Federal Funds</b>	<b>\$49,098</b>	<b>\$43,680</b>	<b>(\$5,418)</b>	<b>(11.0)%</b>	<b>D-130</b>
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This estimated reduction in federal funds is largely due to the expiration of federal funding for the Newark Targeted Cities Project, a five-year federal grant program that sought to increase access to and the effectiveness of addiction treatment and recovery services in Newark. This program received an estimated \$3.5 million in FY 1998.

**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
AIDS Services - Federal Funds	\$53,756	\$57,446	\$3,690	6.9%	D-130

Funding for the Comprehensive AIDS Resources Grant is estimated to increase \$3 million, from \$35 million in FY 1998 to \$38 million in FY 1999. This grant provides funding for home and community-based care, the HIV CARE consortia, insurance continuation, the drug distribution program and administration, planning and evaluation.

**HEALTH PLANNING AND EVALUATION**

Long Term Care Systems Development and Quality Assurance	\$3,838	\$4,858	\$1,020	26.6%	D-133
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New Special Purpose appropriations are recommended for Nursing Home Background Checks (\$900,000) for background checks on persons seeking certification as nurses aides, home health aides and personal care assistants; and Long Term Care Survey Staff (\$120,000) which will provide partial year funding for about 5 staff to conduct reviews and surveys of various alternatives to nursing home or institutional care such as assisted living residences, etc.

Health Care Systems Analysis	\$1,743	\$1,973	\$230	13.2%	D-133
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An additional \$230,000 is included in the Salaries and Wages account to reestablish a four person hospital inspection team to respond to an increase in hospital complaints.

Charity Care Hospital Payments	\$53,400	\$64,100	\$10,700	20.0%	E-13
New Jersey ACCESS Program	\$22,500	\$18,000	(\$4,500)	(20.0)%	E-14

The increase in Charity Care Hospital Payments is required by P.L.1997, c.263. New Jersey ACCESS would provides subsidies for health insurance for an average of 10,000 persons during FY 1999 compared to about 12,500 (December 1997). Proposed budget language affecting ACCESS would: restrict the use of the appropriation to those persons enrolled in the program as of July 1, 1998, and appropriate additional funds for ACCESS should the \$18.0 million appropriation be insufficient to fund the health insurance costs of those persons enrolled as of July 1, 1998.

## Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
St. Barnabus/Kimball Medical Center - Low- Income Clinic	\$200	\$0	(\$200)	(100.0)%	E-14
Monmouth Medical Center Outpatient Clinic	\$200	\$0	(\$200)	(100.0)%	E-14

Funding for these two grants, included in the FY 1998 appropriations act by the Legislature, is not continued in FY 1999.

## SENIOR SERVICES

Medical Services for the Aged	\$3,786	\$4,489	\$703	18.6%	D-139
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A new Special Purpose appropriation of \$703,000 is recommended for Community Choice/Acuity Audits to place 200 institutionalized persons in community settings and save \$600,000 in nursing home costs.

PAAD (Admin.)	\$6,282	\$6,655	\$373	5.9%	D-139
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The increase in the Salaries and Wages and Services Other Than Personal accounts is for eligibility determination costs related to a federal mandate to cover Medicare B premiums of Medicare beneficiaries with incomes of between 120 and 175 percent of the federal poverty level.

Community Care Alternatives:	<u>\$24,057</u>	<u>\$27,700</u>	<u>\$3,643</u>	<u>15.1%</u>	
General Fund	\$23,244	\$0	(\$23,244)	(100.0)%	E-14
Casino Revenue Fund	\$813	\$27,700	\$27,700	—	I-15

The recommended appropriation represents the estimated costs associated with providing various Community Care Alternatives to about 4,500 persons. This program is intended to reduce institutionalization by providing services in the community. (An additional \$1.5 million has been made available from the Health Care Cost Reduction Fund.)

## Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Payments for Medical Assistance Recipients - Nursing Homes	\$530,294	\$536,835	\$6,541	1.2%	
General Fund	\$530,294	\$521,353	(\$8,941)	(1.7)%	E-14
Casino Revenue Fund(a)	\$0	\$15,482	\$15,482	—	I-15

(a) Referred to as Medicaid Expansion - SOBRA.

The recommended appropriation for nursing homes increases 1.2% and assumes that the number of patient days will increase 2.2 percent, from 12.1 million to 12.4 million, and that Medicaid reimbursement rates would decrease 3.7 percent, from about \$95 to \$91.50 per day. The General Fund appropriation is decreased \$9 million and the Casino Revenue Fund appropriation is increased to \$15.5 million.

The recommended appropriation assumes savings of \$24.1 million such as: developing separate cost centers for general services expenses; consolidating generic costs affecting special care nursing facilities into one cost center; reducing reimbursement from 90 to 50 percent of a facility's Medicaid rate to hold a bed when a person is hospitalized; adjusting reimbursement to discourage underutilization of beds; expediting acuity audits at nursing homes; enhancing estate recoveries; expediting nursing home audit recoveries; and reducing the utilities screen from 125 percent to 100 percent of the median.

Medical Day Care Services	\$12,127	\$16,200	\$4,073	33.6%	E-14
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The recommended appropriation, an increase of \$4 million would bring appropriations in line with projected FY 1998 expenditures.

Home Care Expansion:	\$2,400	\$1,027	(\$1,373)	(57.2)%	E-14
General Fund	\$2,400	\$0	(\$2,400)	(100.0)%	E-14
Casino Revenue Fund	\$0	\$1,027	\$1,027	—	I-15

The recommended appropriation represents estimated costs associated with this program. The program itself is being phased out as no new persons are being enrolled, and existing enrollees are being transferred to federally funded programs, as appropriate. Funding is shifted from the General Fund to the Casino Revenue Fund.

## Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1998</u>	<u>Recom.</u> <u>FY 1999</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Pharmaceutical Assistance to the Aged and Disabled - Claims:	\$201,323	\$196,564	(\$4,759)	(2.4)%	
General Fund	\$35,162	\$25,909	(\$9,253)	(26.3)%	E-14
Casino Revenue Fund	\$166,161	\$170,655	\$4,494	2.7%	I-15

Total programs costs are expected to decrease 2.4 percent, to \$196.6 million, through the enactment of regulations or legislation that would save \$17.2 million as follows: adjusting the manufacturers' rebate by the cost-of-living which is done in the case of rebates received by the Medicaid program; reducing the dispensing fee for pharmacies that fill more than 10,000 Medicaid/PAAD prescriptions a year to \$3.00 for generic drugs and \$2.75 for brand name drugs; increasing the co-pay by \$2.00 for prescription drugs that cost over \$40, to \$7.00; providing prescription drugs for those persons enrolled in the Community Care Program for the Elderly and Disabled so that the drugs are eligible for Medicaid reimbursement; and implementation of the uniform prescription forms.

In FY 1999, the General Fund would provide services to approximately 29,800 elderly persons. The Casino Revenue Fund would provide services to approximately 148,100 elderly and 22,600 disabled persons. In addition, PAAD expects to realize \$11.0 million in recoveries and to receive \$38.2 million in drug manufacturers' rebates.

**Cost of Living  
Adjustment, Deferred  
Cost, Health Care  
Service Providers**

	\$0	\$995	\$995	—	E-15
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This recommended appropriation would provide a January 1999 cost of living adjustment of 1.6 percent for community programs under contract.

Respite Care for the Elderly:	\$4,000	\$3,841	(\$159)	(4.0)%	
General Fund	\$1,194	\$0	(\$1,194)	(100.0)%	E-15
Casino Revenue Fund	\$2,806	\$3,841	\$1,035	36.9%	I-16

The recommended appropriation represents the estimated cost of providing services to 2,100 clients, at a maximum of \$3,000 per case. (Proposed budget language would appropriate \$165,000 from the Casino Simulcasting Fund for program costs.) Funding is shifted from the General Fund to the Casino Revenue Fund.

**Significant Changes/New Programs (\$000)**

<u>Budget Item</u>	<u>Adj. Approp. FY 1998</u>	<u>Recom. FY 1999</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Lifeline (Total)	<u>\$76,260</u>	<u>\$74,840</u>	<u>(\$1,420)</u>	<u>(1.9)%</u>	
Payments for Lifeline Credits	\$35,322	\$34,669	(\$653)	(1.8)%	I-15
Payments for Tenants Assistance Rebates	\$40,938	\$40,171	(\$767)	(1.9)%	I-15

These programs provide eligible households with either a \$225 utility credit or rebate. Approximately the same number of households will receive Lifeline benefits in FY 1999 as in FY 1998; approximately 174,700 households will receive Lifeline Credits and 159,600 households will receive Tenants Assistance Rebates.

<b>Programs for the Aged</b>	<b>\$612</b>	<b>\$871</b>	<b>\$259</b>	<b>42.3%</b>	<b>I-13</b>
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The recommended increased appropriation for administrative costs corrects an error that occurred when this program was transferred from the Department of Community Affairs in FY 1998; the administrative funding was not transferred.

**Senior Citizen Housing  
- Safe Housing and  
Transportation**

	<b>\$1,990</b>	<b>\$1,610</b>	<b>(\$380)</b>	<b>(19.1)%</b>	<b>I-15</b>
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The recommended appropriation, a decrease of 19%, would bring expenditures in line with actual FY 1997 expenditures. Approximately 4,100 senior citizens would receive services under the program.

## Language Provisions

### HEALTH SERVICES

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-93

Receipts in excess of those anticipated for the HealthStart Program are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language.

Explanation

Language providing for excess receipts from the HealthStart program to be appropriated to DHSS is not recommended to be continued in FY 1999. As HealthStart is a Medicaid program, DHSS would only incur administrative costs related to its participation with the program.



1998 Appropriations Handbook

1999 Budget Recommendations

p. B-94

In addition to the amount appropriated above, an amount not to exceed \$1,400,000 is appropriated from the Worker and Community Right to Know Fund, subject to the approval of the Director of the Division of Budget and Accounting.

p. D-131

In addition to the amount appropriated above, an amount not to exceed \$1,900,000 is appropriated from the Worker and Community Right to Know Fund, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Recommended FY 1999 language would increase the amount appropriated from the Worker and Community Right to Know Fund for the Worker and Community Right to Know program, in addition to the \$1.4 million Direct State Services appropriation, to an amount not to exceed \$1.9 million, compared to \$1.4 million in FY 1998.





Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

No comparable language.

p. D-131

There is transferred from the "Drug Enforcement and Demand Reduction Fund" \$350,000 to carry out P.L.1995, Chapter 318 to establish an "Alcoholism and Drug Abuse Program for the Deaf, Hard of Hearing and Disabled" with the Department of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

P.L.1995, c.318 established an "Alcohol and Drug Abuse Program for the Deaf, Hard of Hearing and Disabled" in the Department of Health and Senior Services to provide public awareness of and advocacy efforts for the deaf and hard of hearing and other people with disabilities in need of treatment services and to develop treatment modalities and specialized training programs. The law appropriated \$350,000 from the DEDR fund for this purpose and provides for this program to be funded annually from proceeds in the Drug Enforcement and Demand Reduction (DEDR) fund.



1998 Appropriations Handbook

1999 Budget Recommendations

No comparable language.

p. D-131

There is appropriated \$350,000 from the "Drug Enforcement and Demand Reduction Fund" established pursuant to N.J.S.2C:35-15, to the Department of Health and Senior Services for a grant to Partnership for a Drug Free New Jersey pursuant to P.L.1997, c.174.

Explanation

P.L.1997, c.174 provided for annual funding for the "Partnership for a Drug Free America" from the DEDR fund and made an appropriation of \$350,000 for this purpose. The "Partnership for a Drug Free America" is a nonprofit coalition whose mission is to reduce the demand for and incidence of substance abuse in New Jersey through Statewide media campaigns.



## Language Provisions

### 1998 Appropriations Handbook

p. B-94

Receipts from licenses, permits, fines, penalties and fees collected by the Department of Health and Senior Services in Health Services, in excess of those anticipated, are appropriated.

### 1999 Budget Recommendations

p. D-131

Receipts from licenses, permits, fines, penalties and fees collected by the Department of Health and Senior Services in Health Services, in excess of those anticipated, are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

#### Explanation

Recommended FY 1999 language adds the provision that excess receipts from licenses, permits, fines, penalties and fees are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

### 1998 Appropriations Handbook

p. B-94

The unexpended balance as of June 30, 1997 in the Interagency Council on Osteoporosis account is appropriated.

### 1999 Budget Recommendations

No comparable language.

#### Explanation

The recommended budget eliminates funding for the Interagency Council on Osteoporosis grant, thus making this carry forward language unnecessary. As of this writing, only \$6,000 of the \$300,000 originally appropriated remains uncommitted in this account.

## Language Provisions

### 1998 Appropriations Handbook

### 1999 Budget Recommendations

p. C-11

From the Family Planning Services account, \$10,000 is transferred to the Department of Human Services, Division of Medical Assistance and Health Services for family planning services. No comparable language.

#### Explanation

Language providing for \$10,000 to be transferred from the Family Planning Services grant, which has a recommended appropriation of \$2.8 million in FY 1999, to the Division of Medical Assistance and Health Services in DHS is not recommended to continue in FY 1999.

### 1998 Appropriations Handbook

### 1999 Budget Recommendations

p. C-11

If the combination of grants from the Family Planning Services account and the increase of new Medicaid funding available to family planning clinics fall below fiscal year 1996 payments to clinics, such additional sums as may be required are appropriated from the Health Care Planning account, not to exceed \$285,000, subject to the approval of the Director of the Division of Budget and Accounting. No comparable language.

#### Explanation

This language provided for additional appropriations, not to exceed \$285,000, to be appropriated to the Family Planning Services account if the combination of grants and Medicaid funding fell below FY 1996 payments to family planning clinics. According to the Office of Management and Budget, this language is no longer necessary as grant funding is staying level and Medicaid reimbursements are also predicted to stay level with projections.

## Language Provisions

### 1998 Appropriations Handbook

### 1999 Budget Recommendations

#### p. C-11

The unexpended balance as of June 30, 1997, in the Interagency Council on Osteoporosis account, is appropriated.

No comparable language.

#### Explanation

In FY 1997, \$145,000 of the \$270,000 grant provided for the Interagency Council on Osteoporosis was transferred to a Direct State Services account for the Interagency Council on Osteoporosis. This account has not received a direct appropriation and, as of this writing, only \$15,000 of the \$145,000 remains in the account. Language reappropriating this amount is not recommended to continue.

### 1998 Appropriations Handbook

### 1999 Budget Recommendations

#### p. C-12

Notwithstanding the provisions of any other law to the contrary, the Commissioner shall devise, at his discretion, rules or guidelines that will allocate reductions in health service grants to the extent possible toward administration and not client services.

No comparable language.

#### Explanation

The FY 1998 budget contained reductions in various health services grant accounts attributed to a department initiative to limit the administrative cost of grantees. This language allowed the commissioner to develop guidelines to allocate these reductions toward administrative costs. As the FY 1999 budget does not contain such reductions, this language is not continued.

Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. C-12

p. E-13

Notwithstanding the provisions of P.L.1983, c.531 (C.26:2B-32 et al.) or any other law to the contrary, the unexpended balance in excess of \$560,000 in the Alcohol, Education, Rehabilitation and Enforcement Fund as of June 30, 1997 is appropriated and shall be distributed to counties for the treatment of alcohol and drug abusers and for educational purposes, pursuant to the formula set forth in section 5 of P.L.1983, c.531 (C.26:2B-34).

Notwithstanding the provisions of P.L.1983, c.531 (C.26:2B-32 et al.) or any other law to the contrary, the unexpended balance in the Alcohol, Education, Rehabilitation and Enforcement Fund as of June 30, 1998 is appropriated and shall be distributed to counties for the treatment of alcohol and drug abusers and for education purposes.

Explanation

The FY 1998 appropriations act transferred \$560,000 from the Alcohol Education, Rehabilitation and Enforcement Fund (AEREF) to the General Fund, thus the FY 1998 language appropriated the unexpended balance in excess of \$560,000. As no language is recommended in FY 1999 to transfer AEREF funds to the General Fund, this language is not included in the FY 1999 recommended budget. In addition, the provision providing for the unexpended balances to be distributed to counties pursuant to the formula in N.J.S.A.26:2B-34 is not recommended to be continued in FY 1999.



1998 Appropriations Handbook

1999 Budget Recommendations

p. C-12

The amount appropriated for Trenton Detox - Drug Rehabilitation and Intensive Aftercare/Transition Facility shall be provided as a grant to the City of Trenton for up to one-half of the cost of construction of a new facility for the Trenton Detox Program upon satisfactory demonstration by the City of Trenton that matching funds are available. Construction of the new facility shall be completed under the supervision of the Department of Treasury in such a manner as is agreed upon by the Departments of Treasury and Health and Senior Services and the City of Trenton.

No comparable language.

Explanation

The FY 1998 appropriations act included a one-time \$2 million grant for the New Hope/Discovery

## Language Provisions

Foundation/Relocation, included by legislative initiative. As this grant is not recommended in FY 1999, this language is no longer necessary. However, as of this writing, none of the FY 1998 funds for this initiative have been committed.



1998 Appropriations Handbook

1999 Budget Recommendations

No comparable language.

p. E-13

Notwithstanding the provisions of any law to the contrary, there is transferred to the Department of Health and Senior Services from the Drug Enforcement and Demand Reduction Fund \$1,000,000 for drug abuse services for individuals with HIV.

Explanation

This provision would provide for \$1 million to be appropriated from the Drug Enforcement and Demand Reduction (DEDR) fund to Alcoholism, Drug Abuse and Addiction Services in DHSS for drug abuse services for individuals with HIV.



1998 Appropriations Handbook

1999 Budget Recommendations

No comparable language.

p. E-11

Notwithstanding any law to the contrary, of the amount hereinabove for Community Based Substance Abuse Treatment and Prevention - State Share, \$955,000 is appropriated from the Drug Enforcement and Demand Reduction Fund.

Explanation

This recommended language provides for \$955,000 of the \$14.6 million recommended grant appropriation for the Community Based Substance Abuse Treatment and Prevention -State Share account to be appropriated from the DEDR fund.



## Language Provisions

### 1998 Appropriations Handbook

P. D-8

The capitation is set at 36 cents for the year ending June 30, 1998 for the purposes prescribed in P.L.1966, c.36 (C.26:2F-1 et seq.).

### 1999 Budget Recommendations

p. F-11

The capitation is set not to exceed 36 cents for the year ending June 30, 1999 for the purposes prescribed in P.L.1966, c.36 (C.26:2F-1 et seq.).

### Explanation

The FY 1999 recommended language specifies that the capitation for Public Health Priority Funding (State Aid) is set not to exceed 36 cents. The recommended language establishes a cap amount rather than an absolute amount as in the current fiscal year.



## HEALTH PLANNING AND EVALUATION

### 1998 Appropriations Handbook

p. B-95.

Receipts derived from fees charged for the review of uniform construction code plans for health facilities, and the unexpended balances of such receipts as of June 30, 1997, are appropriated for the costs of this program.

### 1999 Budget Recommendations

No comparable language provision.

### Explanation

Language is no longer required as the function was transferred to the Department of Community Affairs.



## Language Provisions

### 1998 Appropriations Handbook

No comparable language.

### 1999 Budget Recommendations

p. E-14

Notwithstanding any law to the contrary, no funds appropriated for the New Jersey Access program may be expended for individuals who were not enrolled in the program on July 1, 1998, or for individuals who are eligible for New Jersey KidCare or Title XIX medical coverage.

In addition to the amount hereinabove for the New Jersey Access program, such additional sums as may be required are appropriated from the General Fund to cover health insurance costs of the program, subject to the approval of the Director of Budget and Accounting.

### Explanation

Proposed language would: (a) Limit the use of the \$18.0 million ACCESS appropriation to persons enrolled in the program on July 1, 1998; and (b) Appropriate additional funds for ACCESS costs should the \$18.0 million be insufficient to cover health insurance costs of persons enrolled in the program.

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## SENIOR SERVICES

### 1998 Appropriations Handbook

p. B-99.

In addition to the amount hereinabove for the Ombudsman's Office, there is appropriated, subject to the approval of the Director of the Division of Budget and Accounting, additional sums as may be required, if any, equal to the difference between \$543,000 and the amount of federal funds received, whereby the total funds available to the Office equals \$847,000.

### 1999 Budget Recommendations

No comparable language provision.

### Explanation

Language is no longer required as the Ombudsman's Office's total recommended appropriation of \$990,000 exceeds the \$847,000 FY 1998 limit.



Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-99.

Notwithstanding any State law to the contrary, any third party as defined in subsection m of section 3 of P.L. 1968, c.413 (C.30:4D-3), writing health, casualty, or malpractice insurance policies in the State or covering residents of this State, shall permit and assist the Department of Health and Senior Services to match Medicaid's Eligibility file or files against that third party's file or files utilizing, if necessary, social security numbers as common identifiers.

No comparable language provision.

Explanation

Similar language is included in the Department of Human Services, Division of Medical Assistance and Health Services' budget. The language is unnecessary for the Department of Health and Senior Services as the division maintains the Medicaid eligibility files.

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-99.

Such sums as may be necessary for the administration of the homestead property tax reimbursement established pursuant to P.L. , c. (now pending before the Legislature as Assembly Bill No. 3 of 1997) are appropriated subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

Language is no longer required due to enactment of P.L. 1997, c.348.

## Language Provisions

### 1998 Appropriations Handbook

p. C-14.

Funding for alternative long-term care initiatives is made available from the Payments for Medical Assistance Recipients - Nursing Homes account, subject to both federal waiver approval and approval of the Director of the Division of Budget and Accounting.

### 1999 Budget Recommendations

p. E-15

Similar language except the phrase "community care" has been added before "alternative long-term care initiatives".

#### Explanation

The word change emphasizes the "community care" focus of the "alternative long-term care initiatives".



### 1998 Appropriations Handbook

p. C-14

By December 1, 1997 a Medicaid provider nursing facility shall be certified by Medicare as a provider of skilled nursing services consistent with Medicare regulations, except that this requirement shall not apply if a nursing facility cannot be certified as a Medicare skilled nursing facility provider due to its inability to meet structural requirements for physical plant required by the Medicare certification process.

### 1999 Budget Recommendations

No comparable language.

#### Explanation

Language is no longer necessary as regulations were published in the New Jersey Register (29 N.J.R. 4614) that would implement the FY 1998 language provision.



## Language Provisions

### 1998 Appropriations Handbook

#### p. C-15; G-15.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 1997 consistent with the notice provisions of 42 C.F.R. § 447.205 where applicable, no funds appropriated in the Pharmaceutical Assistance to the Aged program classification shall be expended except under the following conditions: (a) reimbursement for prescription drugs shall be based on the Average Wholesale Price less a 10% discount, (b) legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a 34-day or 100 unit dose supply, whichever is greater, (c) the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$4.07 in effect on June 30, 1997 shall remain in effect through fiscal year 1998, including the current increments for patient consultation, impact allowances, and allowances for 24 hour emergency services.

### 1999 Budget Recommendations

#### p. I-17.

Similar language except that the phrase "prescription drugs" has been substituted for the phrase "legend and non-legend drug" in (b).

### Explanation

The FY 1998 language's reference to "non-legend" (that is, over-the-counter) drugs is in error as PAAD does not cover such drugs. The amended language's reference to "prescription" (that is, legend) drugs corrects the error. As a practical matter, the reference to "non-legend" drugs had no fiscal impact as PAAD only reimburses for "legend" drugs.



## Language Provisions

### 1998 Appropriations Handbook

#### p. C-14.

The funds appropriated hereinabove for Payments for Medical Assistance Recipients - High Medicaid Occupancy Nursing Homes shall be distributed among those nursing homes whose Medicaid patient day occupancy level is at or above 75%. Each such facility shall receive its distribution through a prospective per diem rate adjustment according to the following formula:  $E = A \text{ Medicaid Days} / T \text{ Medicaid Days} \times F$ ; where E is the entitlement for a specific nursing home resulting from this allocation; A Medicaid Days is an individual nursing home's reported Medicaid days on June 30, 1997; T Medicaid Days is the total reported Medicaid days for all affected nursing homes; and F is the total amount of State and federal funds to be distributed. No nursing home shall receive a total allocation greater than the amount lost due to adjustment in Medicaid reimbursement methodology, which became effective April 1, 1995. Any balances remaining undistributed from the above mentioned amount, shall be deposited in a reserve account in the General Fund.

### 1999 Budget Recommendations

#### p. E-16

Similar language except that the phrase "for patient services" has been inserted between "distributed" and "among other nursing homes" on the fourth line. Other minor word changes are proposed.

### Explanation

The addition of the phrase "for patient services" emphasizes that the \$18 million (gross) that is distributed is to be used for patient services as opposed to activities or functions not related to patient services.



Language Provisions

1998 Appropriations Handbook

1999 Budget Recommendations

p. G-15.

p. I-17.

Notwithstanding any law to the contrary, of the amount appropriated hereinabove for the Respite Care for the Elderly account, \$2,700,000 shall be charged to the Casino Simulcasting Fund.

Similar language except the amount is now "\$165,000".

Explanation

Proposed language would reduce the amount charged to the Casino Simulcasting Fund from \$2.7 million to \$165,000.

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DEPARTMENT OF HEALTH (GENERAL)

1998 Appropriations Handbook

1999 Budget Recommendations

p. B-100.

The Department of Health and Senior Services shall transfer funds from the Cost of Living Adjustment, Health Care Service Providers allocation account that was provided in the Alcoholism, Drug Abuse and Addiction Services program classification, to other program classifications within the Department to effectuate the distribution of cost of living adjustments. Furthermore, the allocation and transfer of the cost of living adjustments is subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

This administrative language was applicable to FY 1998 and is not required in FY 1999.

## Language Provisions

### 1998 Appropriations Handbook

No comparable language provision.

### 1999 Budget Recommendations

p. D-141.

Notwithstanding any laws to the contrary, fees, fines, penalties and assessments owed to the Department of Health and Senior Services shall be offset against payments due and owing from other appropriated funds.

#### Explanation

The proposed language would allow the department to collect fees, fines, penalties and assessments that are owed to the department by reducing payments that an agency or program would receive from the department. For example, if a hospital is fined \$10,000, the department could reduce a grant the hospital may have with the department by \$10,000.

### 1998 Appropriations Handbook

No comparable language provision.

### 1999 Budget Recommendations

p. D-141.

Any change in program eligibility criteria and increases in the types of services or rates paid for services to or on behalf of clients for all programs under the purview of the Department of Health and Senior Services, not mandated by federal law, shall first be approved by the Director of the Division of Budget and Accounting.

#### Explanation

Proposed language would restrict the department's ability to expand services to new groups of clients or to increase reimbursement rates for services, unless mandated by federal law. Similar language limiting the Department of Human Services' ability to broaden programs and increase reimbursement rates for services has been included in the appropriations act for many years.

## Discussion Points

### Department of Health and Senior Services (General)

1. The Miscellaneous Taxes, Fees, Revenues section of State Revenues indicates that Department of Health and Senior Services Health Care Reform revenues will increase from \$1.2 million to \$2.2 million. However, budget language on D-141 would only deposit "the first \$1,200,000 in per adjusted admission charge assessment revenues" into the General Fund.

! **Question:** What does the other \$1.0 million represent?

### Health Services

2. The FY 1999 Budget recommends new funding, \$250,000, for an Electronic Death Certificate Program that will be used to automate the death certificate system and provide for the electronic transmission and recording of data for death records.

! **Questions:** Please provide additional information on this new program. Will these funds be adequate to establish the system and will additional funds be needed annually to maintain it?

3. The Hemophilia Services program grants funds to regional treatment centers that provide comprehensive services for the care and treatment of individuals with hemophilia. Funds are also provided to aid persons with hemophilia in purchasing health insurance.

The FY 1999 budget recommends Grants-In-Aid funding of \$508,000 for the hemophilia program, a decrease of 45 percent from the FY 1998 adjusted appropriation of \$921,000. The legislature provided an additional \$300,000 for this program in FY 1998, thereby providing a total of \$921,000. According to the Department of Health and Senior Services' FY 1999 Budget Request, the department plans to discontinue the use of these funds for the purchase of health insurance for approximately 36 persons in need of home care. It is anticipated that other programs, such as "Health Benefit Plus, New Jersey Access Program and the Children First Health Insurance Program" may be a source of funds to continue providing this service.

! **Questions:** Will this reduction in funding also affect the amount of funds provided to the hemophilia treatment centers? As proposed budget language limits the use of funds for the ACCESS program to persons enrolled by July 1, 1998 and that the Children's Health Care Coverage Program only covers persons 18 years of age and younger, should additional measures be taken to ensure a source of funding to continue providing this service? Please describe the "Health Benefit Plus" program.

4. Funding for an Interagency Council on Osteoporosis was provided by legislative initiative in FY 1997 and FY 1998, \$270,000 and \$300,000, respectively. No funding is recommended for this grant account in FY 1999. Additionally, P.L.1997, c.191, approved August 6, 1997, established an osteoporosis prevention and education program in DHSS as well as an Interagency Council on Osteoporosis.

! **Question:** Given that prior funding for the Interagency Council on Osteoporosis provided funds for many of the activities included in the 1997 legislation, how does the department now plan to fund these statutory activities?

## Discussion Points

5. The Maternal and Child Health Consortia, recently consolidated with the Healthy Mothers/Healthy Babies coalitions, provide services to reduce infant mortality and are funded through a fee assessed on hospitals with maternity services. Although the hospital assessments are determined annually by the board of each consortium, the DHSS has the authority to approve the annual budgets of the consortia to assure that there is adequate revenue to implement the regional perinatal plan and the requirements of the Maternal and Child Health Consortia Licensing Standards regulations. However, these regulations expired on September 8, 1997 and as of this writing, neither new regulations nor a proposed readoption of previous regulations has been proposed.

**!** *Questions: Are the services previously required of the Maternal and Child Health Consortia pursuant to the Maternal and Child Health Consortia Licensing regulations being reconsidered and if so, what impact would this have on the budgets of the consortia?*

6. P.L.1997, c.272 established the Children's Health Care Coverage Program in the Department of Human Services. This program provides subsidized private health insurance coverage for children birth through 18 years of age whose family income is between 133 percent and 200 percent of the federal poverty level. The program also increased the Medicaid income eligibility limit so that all children ages one through 18 with family incomes up to 133 percent of the federal poverty level are eligible for Medicaid. The State program is to provide well-child and other preventive services, hospitalization, physician care, laboratory services, prescription drugs and mental health services. It is estimated that this program will provide health insurance coverage for approximately 102,000 children in 1998.

**!** *Questions: Will this increased health care coverage for children in the State reduce the demand for some Health Services programs, such as Special Health Services for Handicapped Children, the Cleft Palate Program, the Newborn Screening Follow-up and Treatment for Hemoglobins program or any other program, thus allowing appropriations for these programs to be reduced?*

7a. State Aid funding for the Early Childhood Intervention Program, which provides support for community based early intervention services for infants and toddlers through two years of age who are developmentally delayed or at risk of developmental delay, is recommended to increase 25 percent, from \$15.0 million to \$18.7 million. These funds are to be used to reduce the waiting list for this program and evaluation data in the budget show that the number of children in early intervention is expected to increase from 7,400 in FY 1998 to 7,900 in FY 1999.

**!** *Questions: What is the current waiting list for early intervention services and will this increase in funding be adequate to eliminate this backlog? How will this increase in State Aid be allocated among the regional collaboratives and service providers?*

7b. Projected federal Part H funding for Early Intervention Services and State funding total \$24 million in FY 1998 and \$27.7 million in FY 1999, an increase of 15.4 percent. However, Medicaid receipts for the Early Intervention Program are only estimated to rise 8.1 percent, from \$1.9 million to \$2.0 million.

**!** *Question: Why are Medicaid receipts for FY 1999 not projected to increase proportionally with the increase in total funding for the program?*



## Discussion Points

8. In September of 1997, the Commissioner of Health and Senior Services announced that the State would develop a public awareness campaign to reduce the rate of infant mortality among African American infants. In February of 1998, \$50,000 was transferred from the Governor's discretionary fund to begin this initiative and \$500,000 is recommended in the budget for FY 1999, as a special purpose appropriation.

**!** *Questions: Please provide additional information on this initiative. Will this initiative work with the existing Healthy Mothers/Healthy Babies coalitions and the Maternal and Child Health Consortia to direct women to appropriate prenatal care and other programs?*

9. The Budget in Brief states that increased resources have been made available to the State's Cancer Registry to eliminate a multi-year backlog. State appropriations to this program as a special purpose item began in FY 1997 with a supplemental appropriation of \$400,000. The FY 1998 adjusted appropriation and the FY 1999 recommended appropriation remain at \$400,000.

**!** *Question: What is the status of this registry backlog? Are health care facilities reporting electronically to the State's cancer registry in a timely manner, as required by P.L.1996, c.74?*

10. The Budget in Brief states that immunization rates have been increasing in New Jersey for two year olds and that the department is developing a Statewide on-line immunization registry that will link physicians, Women, Infants and Children (WIC) centers, ambulatory centers, welfare offices, etc. However, federal funding provided to local health departments and county welfare agencies was cut 35 percent from calendar year 1997 to 1998, resulting in funding reductions to health departments and welfare agencies that provide these services.

**!** *Questions: What is the source of funding for the on-line registry project? Can these funds be redirected to cover the reductions in federal funds to help ensure that New Jersey's immunization rates continue to improve? As no State funds are used for immunization grants, is additional State funding needed to ensure adequate funding of the immunization program?*

11. FY 1998 budget language, included by legislative initiative, provided for an amount not to exceed \$1.4 million to be appropriated from the Worker and Community Right to Know Fund, in addition to the \$1.3 million Direct State Services appropriation for the Worker and Community Right to Know Program. FY 1999 recommended budget language provides for an amount not to exceed \$1.9 million to be appropriated to this program from the Right to Know Fund, in addition to the \$1.4 million recommended Direct State Services appropriation.

**!** *Question: For what would this additional \$500,000 be used?*

12. The department stated last year that several options were being considered for the relocation of two State drug treatment centers, New Hope and Discovery House, located on the grounds of Marlboro Psychiatric Hospital. The Legislature appropriated \$2.0 million in FY 1998 for the relocation of these centers; however, as of this writing, none of these funds has been expended or committed.

## Discussion Points

**!** *Questions:* What is the status of relocating these programs and what are the plans for expenditure of these funds?

13. Newly recommended budget language provides for \$1 million to be transferred from the Drug Enforcement and Demand Reduction Fund to DHSS for drug abuse services for individuals with HIV infection. In FY 1997, \$1 million was also transferred from this fund for the same purpose, with the goal of funding an additional 850 drug addicts to be treated at drug centers around the State, with priority given to women, particularly pregnant women.

**!** *Questions:* How many additional individuals were provided treatment services with the FY 1997 appropriation? Is the recommended FY 1999 appropriation to be used in the same fashion and how many individuals is this funding anticipated to serve?

14. The Newark Targeted Cities Project is a five-year federal grant program that seeks to increase access to and the effectiveness of addiction treatment and recovery services in Newark. The budget shows an estimated \$3.8 million in federal funds for this program in FY 1998. Federal funding is anticipated to end in FY 1999.

**!** *Questions:* Does the department have any plans to continue this program at any level with State funds or another funding source? Are State employees involved with this project and, if so, how many?

15. The department expects to receive \$38 million for the Comprehensive AIDS Resources Grant (Ryan White) in FY 1999, a \$3 million or 8.6 percent increase over FY 1998 adjusted levels.

**!** *Questions:* Please provide a breakdown of how the federal Comprehensive AIDS Resources grant will be allocated among the various program areas, including the HIV CARE Consortia, Home and Community Based Care, Insurance Continuation, ADDP, and Administration and Evaluation. What degree of flexibility is the department given in deciding how to allocate this federal grant among these various program areas? The Comprehensive AIDS Resources grant requires a 50 percent State match, yet the recommended State Grants-in-Aid appropriation for AIDS Grants is only \$11.9 million. What other funds are being used for the required State match?

16. Title I of the federal Ryan White Comprehensive AIDS Resource Emergency Act provides grants to eligible metropolitan areas (EMAs) with the largest number of AIDS cases to help provide emergency services. In New Jersey, six of these EMAs are anticipated to contribute some of their Title I funds to the State AIDS Drug Distribution Program to support the Drug Distribution Program in their county. In FY 1998, a total of \$2.2 million in Title I EMA contributions were anticipated; however, only \$1.8 million is anticipated in FY 1999. Funding provided through each of the EMAs is as follows:

EMA	FY 1998	FY 1999
Bergen/Passaic	400	200
Newark	1,200	500

Discussion Points

Middlesex County	300	300
Cumberland County	0	6
Hudson County	0	600
Union County	300	150

**!** *Questions:* Are the anticipated decreases or increases among the EMAs, as the case may be, due to fewer or additional Title I federal funds being provided to these EMAs or fewer or additional Title I funds being contributed to the State ADDP? How will this overall reduction affect the number of individuals served in this program in FY 1999?

17. Given the advent of increasingly successful drug therapies for HIV/AIDS treatment and a growing body of literature suggesting that these combination therapies are a potentially cost-effective means of providing care for people living with HIV/AIDS, the State AIDS Drug Distribution Program remains an important source of access to HIV/AIDS treatments. The Budget-In-Brief states that approximately \$17.2 million will be provided in FY 1999 for the AIDS Drug Distribution Program (ADDP), compared to \$15.6 million in FY 1998.

**!** *Questions:* Please provide a breakdown of all funding sources and anticipated funding for the State AIDS Drug Distribution Program in FY 1999. How many additional individuals are anticipated to be served in FY 1999 due to the increase in funding and/or how much of this increased funding is anticipated to allow additional individuals in the program to receive the more costly protease inhibitors? Does this program allow individuals who have limited prescription coverage under their private insurance plans to be eligible for ADDP benefits and, if so, does the department collect third-party insurance reimbursements? Although this program is integrated with Medicaid to determine eligibility, are there occasions when Medicaid eligibility is granted retroactively and, if so, is the ADDP able to recoup funds from the Medicaid program for this time period?

18. The department received \$1.5 million in capital funds in FY 1998 for various laboratory improvements and equipment projects. For FY 1999, the department requested \$3.0 million for laboratory renovations and equipment and the Capital Commission recommended \$2.6 million for these purposes. The budget recommends no capital funding.

**!** *Questions:* How will the Public Health Laboratory be impacted without these funds?

Health Planning and Evaluation

19. The FY 1999 budget recommends \$900,000 for Nursing Home Background Checks. Most of the funds will be used to reimburse the State Police for costs associated with conducting these criminal history record background checks.

The Department of Human Services (DHS) has conducted background checks for many years. Many of the people who will seek certification as nurse's or home health aides and personal care assistants may have applied for employment at one of DHS' institutions and would have had a background check conducted by DHS. By first determining whether DHS has conducted a recent background check on an individual, background check costs could be reduced.

## Discussion Points

**!** *Question:* Can coordination with DHS reduce the \$900,000 cost associated with conducting background checks?

20. The recommended \$900,000 appropriation for Nursing Home Background Checks would enable 18,000 background check to be conducted at the current rate of about \$50 for a State Police and FBI background check. The department currently does not conduct background checks, therefore administrative costs may be incurred.

**!** *Questions:* Of the \$900,000, how much would be used for administration? How many background checks does the department expect to process?

21. The FY 1999 budget recommends \$1.0 million for the Implementation of the Statewide Health Information Network (HINT) program. Based on expenditures through February 1998, only \$68,000 will be expended in FY 1998. As \$500,000 will be allocated to the New Jersey Institute of Technology and Thomas A. Edison State College, estimated expenditures should be about \$600,000, leaving a balance of about \$400,000.

**!** *Question:* Can the FY 1999 recommended appropriation be reduced in light of a potential account balance of \$400,000?

22. The Legislature appropriated \$200,000 for the St. Barnabus/Kimball Medical Center-Low-Income Clinic and appropriated \$200,000 to the Monmouth Medical Center -Outpatient Clinic. The FY 1999 recommended budget does not continue funding for these grants.

**!** *Question:* Can these two medical centers absorb the grant reductions and continue these programs within their operating budgets?

23. The department assesses hospitals \$10.00 per adjusted admission. Based on approximately 1,440,000 admissions, the department will receive \$14.4 million in FY 1999. Of the \$14.4 million, \$1.2 million will be deposited into the General Fund and \$13.2 million will be used for various health planning related activities in the department.

**!** *Question:* As inpatient hospital admissions are declining, is the revenue estimate (based on 1,440,000 adjusted admissions) reasonable?

24. The Governor's recommended budget does not identify individual minor object accounts. Thus, out of the amount recommended for Services Other Than Personal, the amount to be spent on Professional Services, that is consultant services, is not identified.

The department will retain \$13.2 million of the amount raised from the \$10.00 per adjusted admission assessment. Of the \$13.2 million, \$5.9 million will be expended on Services Other Than Personal costs related to activities of the former New Jersey Essential Health Services Commission and \$1.5 million will be expended on Services Other Than Personal costs for Health Care Planning.

**!** *Questions:* Of the amounts recommended for Services Other Than Personal Costs, how much is to be expended on Professional Services? What Professional Services will be purchased? At what cost?

## Discussion Points

25. Hospitals are assessed 0.53 percent on their total operating revenues, not to exceed the statutory cap of \$40 million annually. In FY 1999, these monies would be used as follows: Expansion of Medicaid - Pregnant Women and Children - \$21.5 million and Health Care Cost Reduction Fund - \$24.2 million. The amount recommended for appropriation, \$45.7 million, exceeds the \$40 million cap on revenues that can be raised through the assessment.

**!** *Questions: Why do proposed appropriations exceed the \$40 million revenue cap? Will other revenues be used to supplement the revenues from assessments?*

26. The FY 1999 budget appropriates \$1.8 million from the Emergency Medical Technician Training Fund for program expenditures. Based on expenditures through February 1998, about \$550,000 will be expended in FY 1998. As projected expenditures are significantly less than revenues credited to the fund (nearly \$2.0 million in FY 1997), the FY 1997 fund balance of over \$5.2 million may exceed \$6.0 million at the end of FY 1998.

**!** *Questions: Could a portion of the fund's unexpended balances replace General Fund appropriations for various emergency medical program costs such as Emergency Medical Services for Children Program (\$50,000), Emergency Medical Services (\$50,000) and other related administrative costs?*

27. The Certificate of Need program supports its operations through application fees. In addition, the program retains any unexpended balances. At present, the program has about \$6.1 million in available funds. As FY 1998 expenditures will be around \$1.8 million, a balance of around \$4.3 million should be available in FY 1999.

**!** *Questions: Can a portion of the program's unexpended balances be used to offset other General Fund appropriations to the department?*

### Senior Services

28. The FY 1999 budget recommends \$521.4 million in General Funds and \$15.5 million in Casino Revenue Funds for nursing home related costs. In addition, the budget proposes various savings to reduce nursing home costs by \$24.1 million including:

- Reducing payment for nursing facility beds that are underutilized.
- Adjusting (nursing home) reimbursement based on occupancy levels.
- Enhancing the identification and monitoring of direct and indirect patient care costs.
- Enhancing estate recoveries.

**!** *Question: What impact will funding reductions have on nursing home operations in general and on county nursing homes in particular?*

29. The FY 1999 budget recommends \$703,000 for a new program, Community Choice/Acuity Audits, to facilitate the placement of 200 nursing home clients in community programs. At the same time, the department is proposing to reduce payment for nursing facility beds that are underutilized and adjusting reimbursement based on occupancy levels.

**!** *Question: Will this new program increase the underutilization of nursing facility beds?*

## Discussion Points

30. Refinancing nursing home debt could achieve a portion of the \$24.1 million in nursing home savings the budget seeks to achieve without affecting nursing home operations. The interest expense incurred by nursing homes is reimbursable (for the most part) by the Medicaid program on the basis of the lower of: (a) total actual expense for depreciation, interest and rental; or (b) aggregate capital facilities allowance for building, land and movable equipment.

Nursing homes, particularly those with high Medicaid occupancy levels, have little financial incentive to refinance their existing debt as they do not benefit financially from any savings. For every \$10 million in nursing home debt that is refinanced at one percentage point below the current interest rate, interest costs would be reduced by \$100,000 annually.

**!** *Question:* If nursing home debt were refinanced, how much might Medicaid save?

31. At present, certain nursing home costs are reimbursed as follows:

- Legal - 80th percentile.
- Patient Activities - 150 percent of median.
- Medical Supplies - 150 percent of median.

Reducing the allowable screens for these costs could save between \$400,000 and \$4.2 million (State share) and may have a smaller impact on nursing homes than some of the \$24.1 million in saving initiatives proposed in the budget.

**!** *Question:* Should the screens for Legal, Patient Activities and Medical Supplies be reduced as an alternative to some of the reductions proposed in the recommended budget?

32. County nursing home reimbursement rates are determined by cost reports submitted by the various county nursing homes. For FY 1999, 1997 cost reports are used. Bergen County is in the process of transferring the daily management of Bergen Pines over to a for-profit management firm. Staffing reductions of approximately 266 FTEs are anticipated, including the nursing home. Due to these changes, including Bergen Pines' 1997 cost report to determine county nursing home's reimbursement rates may result in higher reimbursement to Bergen Pines and other county nursing homes.

Excluding or adjusting Bergen Pines' 1997 cost report to reflect pending personnel changes may reduce the median screens and, thus, reduce Medicaid reimbursement to county nursing homes in FY 1999. For every \$1.00 reduction in Medicaid reimbursement rates to county nursing homes by excluding or adjusting Bergen Pines' 1997 cost report, the State would save about \$1.7 million (gross)

**!** *Questions:* Should Bergen Pines' 1997 cost report be excluded or adjusted in determining Medicaid reimbursement rates for county nursing homes? How much would Medicaid save by excluding or adjusting Bergen Pines' 1997 cost report in determining Medicaid reimbursement to county nursing homes?

33. The department is in the process of adopting regulations to implement language in the FY 1998 appropriations act that requires all Medicaid certified nursing facilities (with certain exceptions) to apply for Medicare certification in order to maintain their Medicaid provider agreement certification. According to the New Jersey Register, the department "expects to realize

## Discussion Points

an appreciable savings for N[ursing] F[acility] services to residents who are eligible for both Medicare and Medicaid," with a resultant reduction in Medicaid payments.

**!** **Question:** How much does the department anticipate saving as a result of requiring Medicaid certified nursing facilities to obtain Medicare certification?

34. The FY 1999 budget indicates that \$8.9 million (State share) would be available under the Medicaid program for an additional 850 alternative family care, in-home care and assisted living placements. This is in addition to the 1,000 placements currently authorized. As of December 1997, only about 120 slots were filled and it is unlikely that the existing 1,000 placements will be filled in the near future.

**!** **Questions:** Should the \$8.9 million recommended for an additional 850 placements be postponed until such time as the existing slots are filled?

35. Additional administrative funds are requested for the PAAD program for costs associated with a federal mandate that provides Medicaid and other federal funds to pay the Medicare B premiums of certain low income elderly and disabled Medicare beneficiaries. Federal Medicaid reimbursement would be available for 50 percent of the cost associated with determining the financial eligibility of Medicare recipients for this program; however, no federal funds are reflected in the PAAD program.

**!** **Questions:** Are federal Medicaid funds anticipated for this purpose? If so, where are they included? How much federal Medicaid funds will PAAD receive for administrative costs associated with this program?

36a. Savings of \$17.2 million in the PAAD program are anticipated by adopting various initiatives including: (a) Reducing the dispensing fee for pharmacies that fill more than 10,000 Medicaid/PAAD prescriptions a year from \$3.73 - \$4.07 to either to \$3.00 for generic drugs or \$2.75 for brand name drugs; and (b) Increasing the co-pay for prescription drugs that cost over \$40 by \$2.00, to \$7.00.

The PAAD program reimburses prescription drugs as follows: (a) For those drugs that the federal government has set a maximum allowable cost (MAC), drugs are reimbursed on the basis of the MAC price; or (b) For those drugs that do not have a MAC price, the drug is reimbursed on the basis of its average wholesale price (AWP) less 10 percent.

Several drug manufacturers offer a Direct Price that is below AWP less 10 percent. Of the top 25 drugs used by PAAD, 14 have a Direct Price of between \$0.01 - \$0.36 per tablet/dose below AWP. PAAD spends upwards of \$34.8 million annually on the 14 drugs with a Direct Price. If reimbursement on the basis of Direct Price reduces costs by 5 percent, program costs would be reduced by about \$1.7 million.

**!** **Questions:** Should PAAD reimburse on the basis of Direct Price, where applicable? How much could be saved by reimbursing on the basis of Direct Price?

36b. A recent federal Inspector General report, Medicaid Pharmacy - Actual Acquisition Cost of Generic Prescription Drug Products, estimated that "pharmacies pay an average of 42.5 percent less

## Discussion Points

than AWP for drugs sold to Medicaid beneficiaries." The findings are applicable to PAAD as reimbursement follows Medicaid's policies. (As the State obtains a 10 percent discount, the potential overpayment would be 32.5 percent.) For every one percent increase in the State's 10 percent discount on generic drug's reimbursed on the basis of AWP, the PAAD program would save about \$600,000.

**!** **Question:** In view of the federal report, should the 10 percent discount be increased for generic drugs that are reimbursed on the basis of AWP?

36c. N.J.S.A.30:4D-22 allows the Commissioner of Health and Senior Services to "restrict the day supply of initial prescriptions to less than a 30 day supply in order to reduce waste and reduce inappropriate drug utilization. This provision has never been implemented. Numerous studies indicate that prescription drug misuse is a serious problem among the elderly.

**!** **Questions:** Would restricting the day supply of initial prescriptions produce savings to the program? If so, could such savings reduce the need for the proposed savings initiatives?

36d. As indicated, the recommended budget assumes a reduction in the dispensing fee high volume Medicaid/PAAD pharmacies receive to \$3.00 for generic drugs and \$2.75 for brand name drugs. A physician may override generic substitution by writing "brand medically necessary," in which case a pharmacy must dispense the brand name. Thus, a pharmacy will be financially penalized for dispensing a brand name that a physician orders.

**!** **Question:** Would a pharmacy receive a \$2.75 dispensing fee when a physician overrides generic substitution by writing "brand medically necessary"?

36e. The budget proposes that a \$7.00 copay be charged for prescription drugs that cost more than \$40. A PAAD recipient has no easy way of knowing how much the State would reimburse for a particular prescription. Hypothetically, a pharmacist could inadvertently tell the PAAD recipient that the drug's cost is \$50 and the PAAD recipient pays a \$7.00 copay. However, the State may reimburse the pharmacy \$39, in which case the PAAD recipient should have paid only \$5.00.

**!** **Questions:** How would PAAD monitor the copayment to ensure that the proper copay is charged? Will the \$7.00 copay be based on the drug's retail cost or the amount reimbursed by the PAAD program?

36f. Savings to PAAD would be realized by having the Community Care Program for the Elderly and Disabled (CCPED) cover prescription drugs; thus, obtaining federal reimbursement. CCPED is a Medicaid waiver program in which per capita expenditures cannot exceed the cost of institutional care. Covering prescription drugs may result in CCPED exceeding the per capita limitation on program costs unless other CCPED services are curtailed or terminated.

**!** **Question:** Has federal approval been received to cover prescription drugs under CCPED? Will the department be able to cover prescription drugs without exceeding the cost of institutional care? Will other CCPED services be curtailed or eliminated to include prescription drugs?

37. The Office of the Public Guardian was examining the possibility of obtaining Medicaid administrative reimbursement for a portion of the office's costs related to Medicaid clients. As a first step, the office was to have reviewed its caseload to determine the number of clients that were



## Discussion Points

Medicaid eligible.

- ! *Question:* What is the current status of obtaining Medicaid reimbursement for a portion of the office's costs?

## Background Paper: Alternative Nursing Home Savings Options

Budget Pages.... E-14; I-15.

Funding (\$000)	Expended FY 1997	Adj. Approx. FY 1998	Recom. FY 1999
Payment for Medical Assistance Recipients - Nursing Homes:	<u>\$537,396</u>	<u>\$530,294</u>	<u>\$536,835</u>
General Funds	\$537,396	\$530,294	\$521,353
Casino Revenue Funds	0	0	\$15,482

### SUMMARY

Initiating a program to refinance outstanding nursing home debt and adjusting the "screens" for legal, patient activities and medical supply expenditures could reduce Medicaid nursing home costs and provide an alternative means of achieving cost reductions to those proposed in the recommended budget.

### BACKGROUND AND ANALYSIS

The FY 1999 recommended budget includes various initiatives to reduce nursing home costs by \$24.1 million as follows:

- Develop separate cost centers for various General Services expenses.
- Consolidate generic costs for all Special Care Nursing Facilities.
- Reduce reimbursement for bed hold days from 90 to 50 percent.
- Expedite acuity audits at nursing facilities.
- Modify reimbursement to discourage underutilization of beds.
- Increase estate recoveries.
- Reduce the reasonableness screen for utilities from 125 to 110 percent of the median.

Savings of similar magnitude may be achieved by refinancing outstanding nursing home debt and adjusting the "screens" for legal, patient activities and medical supply expenditures as discussed below.

#### 1. Reducing Medicaid Nursing Home Interest Costs

Interest costs incurred by nursing homes are reimbursed based on the lower of: (a) the total actual (nursing facility) expenses for depreciation, interest and rental; or (b) the aggregate capital facilities allowance for building, land and movable equipment.

Most nursing homes are financed by banks and other lending institutions at interest rates that exceed rates that the New Jersey Economic Development Authority (EDA) or New Jersey Health Care Facilities Financing Authority (HCFFA) can obtain. Once financed, nursing homes, particularly those with a large percentage of Medicaid patients, have no financial incentive to refinance their debt at lower interest rates as their interest costs are reimbursed by the Medicaid program.

The State has several options available to reduce nursing home interest rate expenditures and possibly reduce Medicaid costs related to interest costs:

DHSS could approach either the EDA or HCFFA to refinance all or a portion of existing

## Background Paper: Nursing Home Reimbursement -- The Bergen Pines Impact

debt.

DHSS could attempt to negotiate a better interest rate with a financial institution on behalf of a group of nursing homes.

DHSS, working with an investment banker, may be able to obtain a lower interest rate for a group of nursing homes.\*

Actual savings Medicaid may realize by refinancing existing nursing home mortgages cannot be determined. However, for every \$10 million in debt that is refinanced at an interest rate that is 1 percent below the current rate, gross interest rate savings would total \$100,000 annually.

### 2. Reducing the "Screens" for Legal, Patient Activities and Medical Supplies

Based on a review of the 1997 reasonableness limits, the most current available, it is estimated that the State would save between \$400,000 and \$4.2 million (State share) by adjusting the legal, utilities, patient activities and medical supplies screens as follows:

	LEGAL	PATIENT ACTIVITIES	MEDICAL SUPPLIES
Current Screen	80th percentile	150% of median	150% of median
# of Facilities Above Screen	42	39	44
Revised Screen	60th percentile	110% of median	110% of median
# of Facilities Above Revised Screen	88	95	99
Estimated Savings (State Share)	\$360,000	\$1.9 million	\$1.3 million
Total # of Facilities**	229	229	229

\* During 1996, Herbert J. Sims & Co. presented, at the request of the New Jersey Association of Health Care Facilities, information on a nursing home refinancing program initiated in Connecticut. Using four New Jersey nursing homes, Sims provided information on interest rate savings that would be realized if New Jersey adopted a similar program. On average, interest rates would be reduced between 2 percent and 4 percent and annual debt service savings of between \$50,000 and \$222,000 would be realized, depending on the financing option selected.

\*\* Does not represent the total number of nursing homes, only those that are required to submit a cost report.

## Background Paper: Nursing Home Reimbursement -- The Bergen Pines Impact

Budget Pages.... E-14; I-15.

Funding (\$000)	Expended FY 1997	Adj. Approx. FY 1998	Recom. FY 1999
Payment for Medical Assistance Recipients - Nursing Homes:	<u>\$537,396</u>	<u>\$530,294</u>	<u>\$536,835</u>
General Funds	\$537,396	\$530,294	\$521,353
Casino Revenue Funds	0	0	\$15,482

### SUMMARY

FY 1999 reimbursement to county nursing homes in general, and Bergen Pines in particular, may be too high because Bergen Pines' 1997 cost report is being used to determine county nursing home rates. Excluding Bergen Pines' 1997 cost report from the rate setting process or amending Bergen Pines' 1997 cost report to reflect proposed staffing and financial changes may be appropriate.

### BACKGROUND

Medicaid reimbursement rates for nursing homes is based on cost reports submitted by the various classes of nursing homes. These cost reports determine the reasonableness limits for various nursing home services. FY 1999 rates are based on 1997 cost reports to be submitted by the end of March 1998. However, it may be inappropriate to use Bergen Pines' 1997 cost report in determining county nursing home Medicaid rates because of proposed operational changes at the complex.

The daily management of the Bergen Pines complex, including the nursing home, is being transferred to a for-profit management firm. The management firm will make annual lease payments of \$5.2 million, adjusted for inflation. The management firm has indicated that overall staffing at the complex will be reduced by nearly 266 FTEs.\*

As Bergen Pines' 1997 costs report do not reflect the proposed staff reductions, the use of the 1997 cost report may increase the reasonableness limits for various county nursing home services and increase allowable Medicaid expenditures. Though the State may recoup any overpayments when it audits Bergen Pines cost report, this audit may not occur for several years.

### ANALYSIS

In view of the operational changes at Bergen Pines, consideration should be given to: excluding Bergen Pines' 1997 cost report in determining Medicaid reimbursement rates to county nursing homes for FY 1999; or amending Bergen Pines 1997 cost report to reflect staffing and other changes that will occur at the complex.

Excluding or amending Bergen Pines' 1997 cost report would reduce the various reasonableness limits used to determine nursing home reimbursement and would reduce overall Medicaid reimbursement to county nursing homes.

Though the exact financial impact of excluding or amending Bergen Pines' 1997 cost report

## Background Paper: Nursing Home Reimbursement -- The Bergen Pines Impact

on the Medicaid rates paid to county nursing homes cannot be determined, for every \$1.00 increase in Medicaid reimbursement rates for county nursing homes resulting from the inclusion of Bergen Pines' 1997 cost report, Medicaid costs would increase by about \$1.7 million (gross).

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\* Of the proposed staffing reduction, only 32 positions affecting the nursing home can be readily identified. The majority of the personnel reductions are in central support services of a medical and administrative nature. For example, 16.8 FTEs in the Department of Medicine, Dentistry and Surgery and the School of Practical Nursing are being eliminated; the number of positions in Dietary, Executive Administration and Credit/Collections/Patient Accounts is being reduced by 10, 4.2 and 18.8 FTEs, respectively. The extent to which these positions service the nursing home is not known.

## Background Paper: Alternative PAAD Savings

Budget Pages.... E-14; I-15.

Funding (\$000)	Expended FY 1997	Adj. Approp. FY 1998	Recom. FY 1999
Pharmaceutical Assistance to the Aged and Disabled - Claims:			
General Fund	<u>\$216,525</u>	<u>\$201,323</u>	<u>\$196,564</u>
Casino Revenue Fund	\$35,805	\$35,162	\$25,909
	\$181,720	\$166,161	\$170,655

### SUMMARY

The following alternatives may achieve similar dollar savings to those proposed in the FY 1999 recommended budget, but will have a less direct affect on recipients and pharmacists:

**Quantity Limits on New Prescriptions.** N.J.S.A. 30:4D-22 allows the commissioner to limit the day supply of initial prescriptions to reduce waste.

**Direct Price Reimbursement.** PAAD could save from \$0.01 to \$0.36 per tablet/capsule on 14 prescription drugs by reimbursing on the basis of Direct Price.

**Generic Drug Reimbursement.** According to a federal report, states are overreimbursing for generic drugs. A one percent increase in the percentage discount the State receives, from 10 to 11 percent, would save about \$600,000.

### BACKGROUND AND ANALYSIS

The FY 1999 recommended budget includes various initiatives to reduce PAAD costs by \$17.2 million as follows:

- Reduce the dispensing fee high volume PAAD/Medicaid pharmacies receive from the current \$3.73 - \$4.07, to \$3.00 for generic drugs and \$2.75 for brand name drugs.
- Increase the copay to \$7.00 for prescriptions that cost more than \$40.
- Link manufacturers' rebates to changes in the federal Consumer Price Index, as in the Medicaid program.
- Cover prescription drugs in the Medicaid Community Care Program for the Elderly and Disabled program and obtain 50 percent federal reimbursement.

Prescription drugs in PAAD are reimbursed as follows: for those drugs that the federal government has set a maximum allowable cost (MAC), drugs are reimbursed on the basis of the MAC price; and for those drugs that do not have a MAC price, the drug is reimbursed on the basis of its average wholesale price (AWP) less a 10 percent discount.

The discussion is primarily limited to those drugs that are reimbursed on the basis of AWP, which represent approximately 80 percent of the drugs reimbursed by PAAD.

**Quantity Limits on New Prescriptions.** N.J.S.A. 30:4D-22 allows the Commissioner of

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Health and Senior Services to "restrict the day supply of initial prescriptions to less than a 30 day supply in order to reduce waste and reduce inappropriate drug utilization." This provision has never been implemented.

The computer technology exists to identify when a PAAD recipient is prescribed a new medication. Once identified, the pharmacist could be directed to dispense a 10 day supply for certain classes of drugs. On or about the 10th day, the PAAD recipient would receive the balance of the medication. (A PAAD recipient would only pay one \$5.00 copay when the initial supply of medication is dispensed.) Limiting the day supply of new medications could be phased in to identify problems that may arise through the implementation of such a system that would allow hardship exceptions.

Though savings cannot be estimated, if professional literature on the subject of drug usage and the elderly is correct, potential savings by limiting the initial day supply of new prescription medications could be significant.

**Direct Price Reimbursement.** While not prevalent, some drug manufacturers have a Direct Purchase price which is less than AWP less a 10 percent paid by the State. Of the top 25 prescription drugs paid by PAAD, 14 have a Direct Price. The chart below identifies the 14 drugs, current PAAD reimbursement, the Direct Price and the dollar and percent savings PAAD would realize by reimbursing on the basis of the Direct Price. (AWP and Direct Price data were obtained from the 1997 Drug Topics Red Book.)

Table I. Direct Price Reimbursement vs. AWP Reimbursement

Prescription Drug	AWP (less 10%)	Direct Price	\$Savings: Direct vs. AWP	% Savings: Direct vs. AWP
Fosamax 10 mg. tab	\$1.56	\$1.44	\$0.12	7.7%
Glucophage 500 mg. tab	\$0.45	\$0.44	\$0.01	2.2%
Mevacor 20 mg. tab	\$2.03	\$1.80	\$0.23	11.3%
Norvasc 5 mg. tab	\$1.11	\$1.04	\$0.07	6.3%
Norvasc 10 mg. tab	\$1.96	\$1.83	\$0.13	6.6%
Pepcid 20 mg. tab	\$1.44	\$1.28	\$0.16	11.1%
Pravachol 20 mg. tab	\$1.77	\$1.66	\$0.11	6.2%
Procardia XL 30 mg. tab	\$1.16	\$1.08	\$0.08	6.9%
Procardia XL 60 mg. tab	\$2.01	\$1.88	\$0.13	6.5%
Vasotec 5 mg. tab	\$0.88	\$0.78	\$0.10	11.4%
Vasotec 10 mg. tab	\$0.93	\$0.82	\$0.11	11.8%
Zocor 10 mg. tab	\$1.83	\$1.62	\$0.21	11.5%
Zocor 20 mg. tab	\$3.19	\$2.83	\$0.36	11.3%
Zolof 50 mg. tab	\$1.94	\$1.82	\$0.12	6.2%

As the chart indicates, reimbursement on the basis of Direct Price would reduce prescription drug costs between \$0.01 and \$0.36 per tablet/capsule for the 14 medications with a Direct Price when compared to their AWP (less 10 percent) reimbursement.

Actual savings cannot be determined as the number of medications with a Direct Price and the quantity dispensed are not known. But as PAAD will spend upwards of \$34.8 million on these

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14 medications, even a 5 percent savings would reduce expenditures by \$1.7 million.

**Generic Drug Reimbursement.** An August 1997 report by the federal Department of Health and Human Services' Inspector General, Medicaid Pharmacy - Actual Acquisition Cost of Generic Prescription Drug Products, found that "reimbursement of generic drugs which do not have upper limits [MAC] is greatly in excess of the actual cost of the drug." It was estimated that "pharmacies pay an average of 42.5 percent less than AWP for drugs sold to Medicaid beneficiaries." The federal findings are applicable to PAAD, as PAAD reimburses on the same basis as Medicaid, though because the State obtains a 10 percent discount the State may only overpay by 32.5 percent.

A one percent increase in the percentage discount for generic drugs that are reimbursed on the basis of AWP, from 10 to 11 percent, would save about \$600,000 ( $\$196.6 \text{ million} \times 38\% \text{ generic drugs} \times 80\% \text{ AWP reimbursement} \times 1\%$ ).

It is also noted that the above options may reduce the amount of drug manufacturers' rebates the State receives. However, the savings to be realized through lower reimbursement should exceed any reduction in rebates. Also, whereas it may take months or even years until manufacturers' rebates are received, the reimbursement reductions are an immediate savings.



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