

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 1999 - 2000 BUDGET



DEPARTMENT OF HEALTH AND SENIOR
SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 1999

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-9, 17,22-23; D-153 to D-180; E-8 to E-9.

Fiscal Summary (\$000)

	Expended FY 1998	Adjusted. Appropriation FY 1999	Recommended FY 2000	Percent Change 1999-00
State Budgeted	\$1,102,257	\$1,113,183	\$1,206,379	8.4%
Federal Funds	911,465	984,286	981,623	(0.3)%
<u>Other (a)</u>	<u>70,272</u>	<u>115,201</u>	<u>101,872</u>	<u>(11.6)%</u>
Grand Total	\$2,083,994	\$2,212,670	\$2,289,874	3.5%

Personnel Summary - Positions By Funding Source

	Actual FY 1998	Revised FY 1999	Funded FY 2000	Percent Change 1999-00
State	674	692	690	(0.3)%
Federal	770	787	801	1.8%
<u>Other (b)</u>	<u>232</u>	<u>250</u>	<u>280</u>	<u>12.0%</u>
Total Positions	1,676	1,729	1,771	2.4%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.

(a) Includes Revolving Funds expenditures.

(b) Excludes positions funded with Revolving Funds.

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, non profit and private health service providers in the following areas: vital statistics; family health services; public health protection services; addiction services; laboratory services and AIDS services.
- ! **Health Planning and Evaluation** licenses all health care facilities, develops and revises standards concerning health care facilities, licenses various health care personnel and administers the State's certificate of need program.

Introduction (Cont'd)

- ! **Health Administration** provides central support services to the department and operates the Office of Minority Health.
- ! **Senior Services** administers various Medicaid programs relates 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 97.3 percent from FY 1999 adjusted levels, from \$24.8 million to \$48.9 million. Funding for the Vital Statistics (\$1.4 million), Laboratory Services (\$4.5 million) and AIDS Services (\$2.7 million) programs is unchanged from FY 1999 levels.
 - **Family Health Services** funding increases 86.1 percent, from \$2.2 million to \$4.2 million. New Special Purpose appropriations are recommended for: Service Recognition Program for EMT Volunteers (\$25,000); First Response EMT Cardiac Training Program (\$500,000); Youth Trauma Initiative (\$500,000); and Identification System for Children's Health and Disabilities (\$900,000).
 - **Public Health Protection Services** funding increases 27.0 percent, from \$13.3 million to \$16.8 million. New Special Purpose appropriations are recommended for: Cancer Screening - Early Detection and Education Program (\$2.7 million); Timely Issuance of Export of Certificate of Free Sale (\$50,000); and Evaluation of Human Exposure to Hazardous Waste (\$900,000).
 - **Addiction Services** funding increases from \$632,000 to \$19.2 million. New Special Purpose appropriations are recommended for: Youth Anti-Tobacco Awareness Media Campaign (\$7.3 million); Smoking Cessation Programs for Addicted Adults and Youth (\$2.6 million); Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs (\$1.7 million); School Based Programs for the Prevention of Tobacco Use (\$2.2 million); and Community Based Tobacco Control Programs (\$4.8 million). An increase in funding for the Middle School Survey on Substance Abuse, from \$100,000 to \$155,000, is also proposed.
- ! **Grants-In-Aid.** Recommended appropriations decrease 6.7 percent from FY 1999 adjusted levels, from \$51.6 million to \$48.2 million. However, excluding a recent \$5.0 million supplemental appropriation for the Cord Blood Resource Center, recommended appropriations increase 3.3 percent due to:
 - Cost of Living Adjustments - a 1.6 percent adjustment (\$3.0 million) to be distributed July 1999 and January 2000 to community providers.
 - Family Planning Services - an increase of \$300,000, from \$3.0 million to \$3.3 million.

Key Points (Cont'd)

- New grant funding of \$225,000 is proposed for Primary Care Services - Dover Free Clinic.

The following grants included in the FY 1999 appropriations act by the Legislature are not continued: Interagency Council on Osteoporosis (\$300,000), Best Friends Foundation (\$50,000), Evesham Alliance (\$65,000), Birth Haven Inc., Newton (\$40,000), Lyme-Net (\$50,000), Governor's Lyme Disease Advisory Council (\$5,000), Interfaith Health Services - Urban Health Screening (\$50,000), Somerville Kids Care - Kool Vests (\$25,000), Greenville Hospital, Jersey City (\$25,000), Family Health Center at Monmouth Medical Center, Long Branch (\$200,000), Camden Optometric Eye Center (\$100,000), Meridian Health System - Pediatric Asthma Education and Resource Center (\$150,000), Sexual Assault Nurse Examiner (SANE) Program, Cooper Hospital, Camden (\$90,000), Chelsea House Outpatient Services (\$100,000), National Council on Alcohol and Drug Dependency (\$450,000) and Freedom House, Glen Gardner (\$200,000).

- ! **State Aid.** Recommended appropriations decrease 0.3 percent, or \$65,000, to \$23.6 million. By eliminating budget language that allowed health departments with populations between 20,000 and 25,000 (Bergenfield, Maplewood, South Plainfield, Montville, Mt. Olive, Ringwood, Vernon and Cranford) to receive Public Health Priority Funding, \$65,000 will be saved.

The Legislature increased Public Health Priority Funding from \$0.36 to \$0.40 per capita in the FY 1999 appropriations act. Per capita funding of \$0.40 is continued in FY 2000.

- ! **Casino Revenues.** Continuation funding of \$500,000 for the Birth Defects Registry is proposed.

- ! **Capital Construction.** An appropriation of \$1.5 million for various laboratory improvements and equipment is recommended.

- ! **Federal Funds.** A decrease of 4.3 percent, from \$284.2 million to \$272.1 million, is anticipated. The following programs are anticipated to have significant decreases or increases:

- **Family Health Services**, a 8.9 percent decrease, from \$144.1 million to \$131.5 million, as Supplemental Food Program - W.I.C. funds are expected to decline by \$14 million.
- **Public Health Protection Services**, a 13.5 percent decrease, from \$29.6 million to \$25.6 million, as \$3.0 million in one-time funds for Breast Cancer Epidemiology are not continued.
- **AIDS Services**, a 7.4 percent increase, from \$59.6 million to \$64.0 million, as additional funding is expected in several programs such as the Comprehensive AIDS Resources Grant.

- ! **Other Funds** are expected to increase by about 2.9 percent, from \$38.4 million to \$39.5 million, as **AIDS Services** anticipates additional drug manufacturers' rebates.

Key Points (Cont'd)

Health Planning and Evaluation

- ! **Direct State Services.** Recommended appropriations increase 2.5 percent, from \$6.2 million to \$6.4 million. A new \$155,000 Special Purpose appropriation for Resident Satisfaction System - Long Term Care is recommended.

- ! **Grants-In-Aid.** Recommended appropriations increase 64.2 percent, from \$65.3 million to \$107.2 million.
 - Charity Care Hospital Payments funding increases over 126 percent, from \$44.1 million to \$99.7 million, as required by P.L.1997, c.263. The General Fund will provide \$79.3 million in funds. The remaining \$20.4 million will come from redirecting Admission Charge Hospital Assessment revenues pursuant to proposed budget language (p. D-169).

The Admission Charge Hospital Assessment is a \$10.00 assessment on adjusted inpatient admissions and generates about \$14.4 million annually: The first \$1.2 million is deposited into the General Fund pursuant to budget language; the balance is retained by the department for administrative costs and health planning. Available information is that the \$20.4 million will come from redirecting \$4.00 (or about \$5.8 million) of the \$10.00 assessment; the remaining \$14.6 million will come from unexpended assessment balances.
 - New Jersey ACCESS Program funding decreases 58.3 percent, from \$18.0 million to \$7.5 million as children are shifted to the NJ KidCare program. Also, proposed language (p. D- 169) would deposit certain refunds (estimated at \$2 - \$3 million) in the General Fund instead of being retained by ACCESS. The ACCESS program is to be transferred to the Department of Human Services. As of this writing, an Executive Order or Agency Reorganization Plan has not been issued to explain and facilitate the program's transfer.
 - The following grants included in the FY 1999 appropriations act by the Legislature are not continued: Southern New Jersey Emergency Medicine Center (\$1.0 million), Pediatric Trauma Education Program (\$1.0 million) and Family Medicine/Preventive Medicine Center (\$1.0 million).

- ! **Federal Funds.** Recommended appropriations decrease 2.6 percent, from \$8.4 million to \$8.2 million, due to a reduction in Medicare/Medicaid Inspection Funds.

- ! **Other Funds.** Recommended appropriations decrease 23.8 percent, from \$64.7 million to \$49.3 million. The redirection of \$4.00 in Admission Charge Hospital Assessment revenues (towards Charity Care Hospital Payments) will reduce revenues by about \$5.8 million; a reduction in the amount of revenues generated by the 0.53 percent assessment on hospital revenues will reduce revenues by \$5.8 million; and a reduction in Certificate of Need fees will reduce revenues by \$2.3 million.

Most of the **Other Funds** revenues (\$39.9 million) are realized from the 0.53 percent assessment charged hospitals, and support a variety of projects such as Expansion of Medicaid - Pregnant Women and Children and the Infant Mortality Reduction Program.

Key Points (Cont'd)

Health Administration

- ! **Direct State Services.** Recommended appropriations of \$2.3 million are virtually unchanged from FY 1999 adjusted levels.
- ! **Federal Funds.** Recommended appropriations increase 53.3 percent, from \$300,000 to \$460,000 due to the allocation of additional Preventive Health and Health Services Block Grant funds.
- ! **Other Funds.** Recommended appropriations of indirect cost recoveries are unchanged at \$2.4 million.

Senior Services

- ! **Direct State Services.** Recommended General Fund appropriations of \$15.7 million for Medical Services for the Aged (\$4.7 million), Pharmaceutical Assistance to the Aged and Disabled (\$6.7 million), Lifeline (\$2.0 million), Programs for the Aged (\$1.0 million), Office of the Ombudsman (\$0.6 million) and Office of the Public Guardian (\$0.7 million) are unchanged from FY 1999 adjusted levels.
- ! **Grants-In-Aid.** Recommended General Fund appropriations increase 4.4 percent, from \$661.0 million to \$690.4 million. The increase reflects the transfer of \$10.8 million in Casino Revenue Fund costs for Community Care Alternatives to the General Fund; the FY 1999 adjusted appropriation also reflects a pending \$3.0 million supplemental appropriation for PAA - Claims.
 - PAA - Claims are reduced 14.5 percent, from \$30.2 million to \$25.9 million. Approximately 23,200 elderly persons will be assisted each month.

The PAAD program (General and Casino Revenue Funds) anticipates savings of \$18.3 million by requiring pharmacies to bill Medicare for certain diabetic supplies and drugs and by resolving disputes with manufacturers over outstanding rebates.
 - Though total funding for Community Care Alternatives is unchanged at \$27.7 million, approximately \$10.8 million in Casino Revenue Fund costs are shifted to the General Fund. The General Fund will now support \$24.4 million of program costs; the remaining \$3.3 million in program costs will be supported by the Casino Revenue Fund.
 - Payments for Medical Assistance Recipients - Nursing Homes is increased 1.1 percent, from \$546.8 million to \$552.9 million. Savings of \$14.4 million are anticipated through such regulatory changes as ensuring that nursing homes bill Medicare first for certain patient days and by adjusting the inflation increase nursing homes currently receive.
 - Medical Day Care Services is increased 34.8 percent, from \$16.2 million to \$21.8 million, to bring FY 2000 recommended appropriations in line with projected FY 1999 expenditures.
 - The budget recommends \$10.3 million for new ElderCare Initiatives programs. This

Key Points (Cont'd)

initiative would provide the elderly with community long-term care options other than nursing homes. In three years, when fully operational, the program will cost about \$60 million (\$36 million State/\$24 million federal).

Among the projects to be initiated are: Caregiver Assistance Program (\$2.3 million); Jersey Assistance for Community Caregivers (\$2.5 million), NJEASE Home Care (\$2.2 million) and Community Choice Counseling Program/Universal Screening Program (\$2.0 million). The Statewide Respite Care Program will receive an additional \$1.0 million.

- Cost of Living Adjustments are included to provide about \$900,000 for a 1.6 percent adjustment to be distributed July 1999 and January 2000.
- ! **State Aid.** Funding is reduced 8.1 percent, from \$3.7 million to \$3.4 million. Additional funding for County Offices on Aging provided by the Legislature is not continued.
- ! **Casino Revenue Fund.** Recommended appropriations of \$257.5 million are little changed from FY 1999 levels. Approximately \$10.8 million in Community Care Alternatives costs are shifted to the General Fund due to insufficient Casino Revenue Funds.
- Demonstration Adult Day Care Center Program - Alzheimer's Disease is reduced 45.1 percent, from \$1.7 million to approximately \$1.0 million. Increased funding first provided by the Legislature in the FY 1998 appropriations act is not continued.
 - Home Care Expansion is reduced 27.7 percent, from \$1.0 million to about \$750,000, as services are limited to persons enrolled in the program on June 30, 1996.
 - PAAD - Claims increase 6.7 percent, from \$193.6 million to \$206.7 million. Savings of \$18.3 million (gross) are anticipated and were previously mentioned. Approximately 138,500 elderly and 22,400 disabled persons will be assisted each month.
- ! **Federal Funds.** A 1.4 percent increase is anticipated, from \$691.3 million to \$700.9 million. Virtually the entire increase is related to an additional \$7.7 million in Medicaid funds for the ElderCare Initiative.
- ! **Other Funds.** A 5.5 percent reduction in other funds is anticipated, from \$561,000 to \$530,000. The reduction occurs in the Programs for the Aged.

BACKGROUND PAPERS

- ! Medicaid Reimbursement for Early Intervention Program (EIP) Services.....p. 47.
- ! Increasing the Drug Discount PAAD Receives from High Volume Pharmacies.....p. 49.
- ! PAAD Expenditures - Elderly Compared to the Disabled.....p. 51.
- ! ElderCare Initiatives.....p. 54.

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 2000, the program will process 95,000 searches and issue 64,000 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 2000, the program will provide health services grants to 195 agencies. These programs will provide services to 32,000 physically disabled children; serve 8,900 infants through early intervention programs; screen 110,000 newborns for various disorders; provide family planning services to 101,000 women; screen 115,000 children for lead poisoning; and serve 350 adults and families 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 2000, the program will register 75,000 reports of new cancer cases and 655 cases of TB; treat 3,400 cases of syphilis and gonorrhea; conduct 7,000 environmental and sanitary inspections and investigations; register 455,000 dogs; investigate 90 communicable disease outbreaks; conduct over 200 complaint/targeted PEOSHA inspections, inspect 800 public/private workplaces under the Right to Know law; and audit 120 asbestos and lead training agencies.

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 2000, the program will handle 21,000 admissions primarily involving alcohol and 40,000 admissions primarily involving drugs; process 24,000 intoxicated driver cases; and provide information and referral services to 45,000 persons.

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.

Program Description and Overview (Cont'd)

In FY 2000, the program will analyze 165,000 bacteriology specimens; conduct 124,000 metabolism tests; examine 12,000 blood lead samples; inspect 490 clinical laboratories; and license 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. In FY 2000, the program anticipates it will test and counsel 67,500 clients; provide early intervention services to 11,500 clients and maintain five HIV Care Consortia.

As of December 1998:

- The State had over 37,500 reported AIDS cases. Essex (11,100), Hudson (5,850), Passaic (3,200), Union (2,800), Middlesex (2,200), Monmouth (1,800) and Bergen (1,650) counties have the highest number of reported AIDS cases.
- Approximately 28 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 700 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 at around 3,000 in 1994 and 1995. The number of deaths is decreasing due to new drug therapies. In 1997, there were about 1,400 deaths.

The recommended FY 2000 General Fund appropriation for **Health Services** is summarized on the next page.

Vital Statistics

Direct State Services. Recommended funding of \$1.4 million is unchanged from FY 1999 levels and provides \$250,000 for an Electronic Death Certificate. Through January 1999, none of the \$250,000 appropriated for an Electronic Death Certificate has been expended.

Federal Funds for Vital Statistics are virtually unchanged at \$685,000. The program does not anticipate any **Other Funds**, whereas \$151,000 in Appropriated Receipts are expected in FY 1999.

Family Health Services

Direct State Services. Recommended appropriations increase 86.1 percent, from \$2.2 million to \$4.2 million due to the following new Special Purpose programs:

- Service Recognition Program for EMT Volunteers: To hold an awards banquet to acknowledge the services of volunteers. - \$25,000.
- First Response EMT Cardiac Training Program: To promote early defibrillation and to provide each EMT agency with a semi-automatic defibrillator. - \$500,000.

Program Description and Overview (Cont'd)

- Youth Trauma Initiative: To provide additional training to EMT personnel in youth related issues. - \$500,000.

Health Services - Budget Summary

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL (\$000)	\$101,790	\$122,640	20.5%
Direct State Services:	<u>\$24,789</u>	<u>\$48,911</u>	<u>97.3%</u>
Vital Statistics	\$1,409	\$1,409	--
Family Health Services	2,237	4,162	86.1%
Public Health Protection Serv.	13,261	16,841	27.0%
Addiction Services	631	19,249	n.a.
Laboratory Services	4,547	4,547	--
AIDS Services	2,703	2,703	--
Grants-In-Aid:	<u>\$51,598</u>	<u>\$48,152</u>	<u>(6.7)%</u>
Family Health Services	\$9,865	\$9,974	1.1%
Public Health Protection Serv.	6,599	1,833	(72.2)%
Addiction Services	21,935	22,406	2.1%
AIDS Services	13,199	13,939	5.6%
State Aid:	<u>\$23,634</u>	<u>\$23,569</u>	<u>(0.3)%</u>
Early Childhood Intervention...	\$19,469	\$19,469	--
Public Health Priority Funds	4,165	4,100	(1.6)%
Capital Construction:	<u>\$1,269</u>	<u>\$1,508</u>	<u>18.8%</u>
Laboratory Services	\$1,269	\$1,508	18.8%
Casino Revenue Fund:	<u>\$500</u>	<u>\$500</u>	--
Family Health Services	\$500	\$500	--

- Identification System for Children's Health and Disabilities: To implement the recommendations of the Early Intervention Stakeholders Task Force. - \$900,000 (from Tobacco Settlement Funds).

Grants-In-Aid funding increases 1.1 percent, from \$9.9 million to \$10.0 million, as follows:

- Family Planning Services. Funding increases 8.3 percent, from approximately \$3.0 million to about \$3.3 million. Family Planning Services grants will receive an additional \$250,000 to offset higher service costs, to increase services in priority geographic areas, to address unmet needs and to offset inequities between regions of the State.
- Primary Care Services - Dover Free Clinic (Morris County). A new \$225,000 grant is recommended for this organization that provides health care services to a largely Hispanic population.

Program Description and Overview (Cont'd)

- Providers will receive a 1.6 percent Cost of Living Adjustment to be distributed July 1999 (\$392,000) and January 2000 (\$392,000).

Offsetting these increases is a reduction of nearly \$1.2 million in grants included in the FY 1999 appropriation act by the Legislature as follows:

- Interagency Council on Osteoporosis - \$300,000.
- Best Friends Foundation - \$50,000.
- Evesham Alliance - \$65,000.
- Birth Haven Inc., Newton - \$40,000.
- Lyme-Net - \$50,000.
- Governor's Lyme Disease Advisory Council - \$5,000.
- Interfaith Health Services - Urban Health Screening - \$50,000.
- Somerville Kids Care - Kool Vests - \$25,000.
- Greenville Hospital, Jersey City - \$25,000.
- Family Health Center at Monmouth Medical Center, Long Branch - \$200,000.
- Camden Optometric Eye Center - \$100,000.
- Meridian Health System - Pediatric Asthma Education and Resource Center - \$150,000.
- Sexual Assault Nurse Examiner (SANE) Program, Cooper Hospital, Camden - \$90,000.

State Aid of \$19.5 million for Projects for Handicapped Children (early intervention) is unchanged from FY 1999 levels. These funds when combined with approximately \$13.0 million in various federal and Medicaid funds, will serve approximately 8,900 infants and children up to the age of three.

Casino Revenue Funds. Recommended funding is unchanged from FY 1999, with \$500,000 recommended for the Statewide Birth Defects Registry grant.

Federal Funds will decrease 8.9 percent, from \$144.4 million to \$131.5 million. The reductions are primarily in the following programs: Supplemental Food Program - W.I.C., where the amount of funds is expected to decrease from \$100 million to \$86 million (in line with actual FY 1998 expenditures) and in the Immunization Project, where the amount of funds is expected to decrease from \$1.2 million to about \$400,000.

Offsetting the above reductions, federal funds for Early Intervention for Infants and Toddlers with Disabilities (Part H), will increase from \$9.6 million to \$11.0 million.

Federal funds for most other programs are largely unchanged from FY 1999 levels: Preventive Health and Health Services Block Grant (\$2.4 million); Early Intervention Program for Medicaid Recipients (\$2.0 million); Family Planning Program - Title X (\$3.1 million); and Maternal and Child Health Block Grant (\$12.7 million).

Other Funds are anticipated to decrease 2.8 percent, from \$28.5 million to \$27.7 million as a one-time CDC-Birth Defects Surveillance System grant for \$800,000 is not continued.

Most of the **Other Funds** represent WIC Rebates (\$24 million) and are used for program costs. Funding for the New Jersey Emergency Medical Service Helicopter Response Program (\$1.9 million) and the Emergency Medical Technician Training Fund (\$1.8 million) are unchanged from FY 1999 levels.

Program Description and Overview (Cont'd)

Public Health Protection Services

Direct State Services. Recommended appropriations increase 27.0 percent, from \$13.3 million to \$16.8 million due to the following new Special Purpose programs:

- Cancer Screening - Early Detection and Education Program: To promote cancer screening, education and early detection programs among African Americans. - \$2,700,000 (from Tobacco Settlement Funds).
- Timely Issuance of Export of Certificates of Free Sale: To facilitate the issuance of certificates that certify to the sanitary conditions of manufacturing facilities and proper labeling of products that are needed for export. - \$50,000.
- Evaluation of Human Exposure to Hazardous Waste: To increase the number of public health assessments undertaken from the 20 - 30 currently conducted. - \$200,000.

Appropriations for Worker and Community Right to Know Special Purpose account increase 46.3 percent, from approximately \$1.4 million to \$2.0 million. The additional \$600,000 will be used to prepare an additional 360 - 480 hazardous substance fact sheets and to provide Spanish translations for 250 fact sheets. (Of the \$2.0 million, approximately \$1.4 million will be charged to the Worker and Community Right to Know Fund; the remaining \$630,000 will come from Tobacco Settlement Funds.)

Pursuant to proposed budget language, the amount of additional appropriations from the Worker and Community Right to Know Fund is reduced from \$1.9 million to \$1.3 million, as the Fund will have less money available.

Grants-In-Aid funding is reduced 72.2 percent, from \$6.6 million to \$1.8 million. However, excluding a recent \$5.0 million supplemental appropriation for the Cord Blood Resource Center, funding increases 14.6 percent as providers will receive a 1.6 percent Cost of Living Adjustment in July 1999 (\$117,000) and January 2000 (\$117,000).

State Aid is reduced by \$65,000, to \$4.1 million, Public Health Priority Funding. The funding reduction affects eight health departments (Bergenfield, Maplewood, South Plainfield, Montville, Mt. Olive, Ringwood, Vernon and Cranford) which received funds through budget language that reduced the population criteria to receive funds from 25,000 to 20,000. As this language is not included in the FY 2000 recommended budget, program funding is reduced.

Per capita funding, which the Legislature increased from \$0.36 to \$0.40, remains at that level.

Federal Funds are anticipated to decrease 13.5 percent, from \$29.6 million to \$25.6 million. The following federal grants are being reduced or discontinued: Immunization Project - \$600,000; Venereal Disease Project - \$300,000; Information Network for Public Health Officials - \$250,000; Prevention of Lead Hazards from Renovation and Remodeling - \$100,000; Breast Cancer Epidemiology - \$3.0 million.

Program Description and Overview (Cont'd)

The amount of federal funds expected for most programs is unchanged or increases slightly from FY 1999 levels: Preventive Health and Health Services Block Grant (\$1.5 million); Tuberculosis Control (\$8.5 million); Demonstration Program to Conduct Health Assessments (\$2.7 million); and National Program of Cancer Registries (\$1.7 million).

Other Funds are anticipated to decrease 9.4 percent, from \$2.5 million to \$2.3 million, due to the loss of nearly \$450,000 in Appropriated Receipts. Offsetting this loss, Animal Population Control Program revenues are expected to increase from \$165,000 to \$300,000.

Addiction Services

Direct State Services. Recommended appropriations increase from \$632,000 to \$19.2 million due to the following new Special Purpose programs:

- Youth Anti-Tobacco Awareness Media Campaign: To create an anti-smoking media campaign targeted at children and young adults. - \$7,262,000.
- Smoking Cessation Programs for Addicted Adults and Youth: To establish a toll-free hotline and incentives to public/private health care plans to include comprehensive cessation services. - \$2,600,000.
- Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs - \$1,700,000.
- School Based Programs for the Prevention of Tobacco Use: To teach youth skills to resist or successfully stop smoking. - \$2,200,000.
- Community Based Tobacco Control Programs: To alter the way tobacco is promoted, sold and used. - \$4,800,000.

The above programs are to be funded with Tobacco Settlement Funds.

Funding for Middle School Survey on Substance Abuse increases 55 percent, from \$100,000 to \$155,000, and expands the survey size to 6,300 students from 63 schools. Through January 1999, none of the \$100,000 appropriated for the survey in FY 1999 has been expended.

Grants-In-Aid funding is increased 2.1 percent, from \$21.9 million to \$22.4 million. The increase is attributable to a 1.6 percent Cost of Living Adjustment providers will receive in July 1999 (\$626,000) and January 2000 (\$595,000).

The following grants included in the FY 1999 appropriations act by the Legislature are not continued:

- Chelsea House Outpatient Services - \$100,000.
- National Council on Alcohol and Drug Dependency - \$450,000.
- Freedom House, Glen Gardner - \$200,000.

Federal Funds are expected to increase 1.0 percent, from \$48.2 million to \$48.7 million. Approximately \$1.7 million in new federal grants are expected for the following: State Treatment Performance Outcomes Study; Substance Abuse Treatment Expansion Project; and FDA Tobacco

Program Description and Overview (Cont'd)

Investigations . Funding for the American Stop Smoking Intervention Study is expected to increase from about \$1.3 million to \$1.7 million.

Federal funds for the Substance Abuse Block Grant will decrease slightly, from \$44.3 million to \$43.9 million, and approximately \$800,000 in federal grants are ending for the following projects: Residential Substance Abuse Treatment for Pregnant/Postpartum Women and Demand Needs Assessment.

Other Funds expenditures increase slightly from \$3.3 million to \$3.4 million as appropriations for the Retail Tobacco Licenses - Vendor Compliance program (P.L. 1996, c.320) are increased from approximately \$650,000 to \$750,000. Funding from the Drug Enforcement Demand Reduction Fund (\$700,000) and the Alcohol Education Rehabilitation and Enforcement Fund (\$1.9 million) are unchanged from FY 1999 levels.

Laboratory Services

Direct State Services funding of \$4.5 million is recommended, unchanged from FY 1999 levels.

Capital Construction funding of \$1.5 million is recommended. These funds would be used to automate clinical laboratory services and purchase laboratory equipment.

Federal Funds. A 9.4 percent reduction in federal funds is anticipated, from approximately \$1.7 million to \$1.6 million, as a \$100,000 reduction in the amount of Clinical Laboratory Improvement Amendments Program funds is expected.

Other Funds. A 27.5 percent reduction is anticipated, from approximately \$620,000 to \$450,000, as approximately \$200,000 in Appropriated Receipts is not anticipated.

AIDS Services

Direct State Services recommended appropriations are unchanged from FY 1999 levels at \$2.7 million.

Grants-In-Aid funding increases 5.6 percent, from \$13.2 million to \$13.9 million. The increase is attributable to a 1.6 percent Cost of Living Adjustments to be distributed July 1999 (\$370,000) and January 2000 (\$370,000).

Federal Funds. A 7.4 percent , from \$59.6 million to \$64.0 million, is anticipated. Comprehensive AIDS Resources Grant funding is expected to increase from \$40 million to \$43 million. Various other federal grants anticipate additional funds: Housing Opportunities for Persons with Aids - \$600,000; HIV/AIDS Surveillance Grant - \$300,000; and HIV/AIDS Prevention and Education Grant - \$200,000.

Other Funds. A 71.5 percent increase is anticipated, from \$3.4 million to \$5.8 million, as additional AIDS Drug Distribution Program Rebates from drug manufacturers are expected.

Program Description and Overview (Cont'd)

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, nurse aides and emergency medical personnel. The monitoring and oversight of health maintenance organizations also is conducted by this program.

In FY 2000, **Long Term Care Systems Development and Quality Assurance** will license 740 health care facilities with 68,000 beds; conduct 2,800 inspections and initiate 365 administrative actions/penalties on health care providers.

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 2000, **Health Care Systems Analysis** will process 145 certificate of need applications. Enrollment in New Jersey ACCESS is estimated at 3,500 persons.

The recommended FY 2000 General Fund appropriation for **Health Planning and Evaluation** is summarized as follows:

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1998-99
TOTAL (\$000)	\$71,520	\$113,575	58.8%
Direct State Services:	<u>\$6,220</u>	<u>\$6,375</u>	<u>2.5%</u>
Long Term Care Systems..	\$4,247	\$4,402	3.6%
Health Care Systems...	1,973	1,973	--
Grants-In-Aid:	<u>\$65,300</u>	<u>\$107,200</u>	<u>64.2%</u>
Health Care Systems...	\$65,300	\$107,200	64.2%

Long Term Care Systems Development and Quality Assurance

Direct State Services. Appropriations increase 3.6 percent, from \$4.2 million to \$4.4 million, as a new \$155,000 appropriation, Resident Satisfaction System - Health Information Network, is recommended. These funds will be used to develop a system to measure how satisfied persons in various institutional settings are with the services they receive.

Continuation funding is provided for Nursing Home Background Checks (\$900,000). Through February 1999, only \$34,100 of the \$900,000 FY 1999 appropriation has been expended.

Federal Funds. Funding increases 6.4 percent, from \$6.6 million to \$7.1 million. Medicare/Medicaid Inspections of Nursing Facilities represents the majority of federal funds received by this program; these revenues are expected to increase from \$6.4 million to \$6.5

Program Description and Overview (Cont'd)

million. New federal funding of approximately \$300,000 is expected for Acuity Audits.

Other Funds. Funding decreases 83.1 percent, from \$2.3 million to about \$400,000, as approximately 2.1 million in Appropriated Receipts are not anticipated. Available funds will be used for the Health Care Facilities Improvement Fund and the Health Care Quality Monitoring Fund.

Health Care Systems Analysis

Direct State Services. Appropriations of approximately \$2.0 million are unchanged from FY 1999 adjusted levels.

Grants-In-Aid. Appropriations increase 64.2 percent, from \$65.3 million to \$107.2 million, as follows:

- Charity Care Hospital Payments increase 126 percent, from \$44.1 million to \$99.7 million, in accordance with P.L. 1997, c.263. Only \$79.3 million will be General Fund revenues; the remaining \$20.4 million will come from the redirection of Admission Charge Hospital Assessment revenues pursuant to budget language on p. D-169.

The Admission Charge Hospital Assessment is a \$10.00 fee on adjusted inpatient admissions and generates about \$14.4 million annually. Pursuant to budget language (p. D-180), the first \$1.2 million in revenues are deposited into the General Fund; the remaining \$13.2 million is retained by the department for health planning and administrative costs. Though the proposed language does not specify how much of the \$10.00 Admission Charge Hospital Assessment will be redirected, available information is that \$4.00, equivalent to about \$5.8 million, will be redirected. The remaining \$14.6 million will come from unexpended balances produced by the \$10.00 assessment from this and prior fiscal years.

- New Jersey ACCESS Program funding is reduced 58.3 percent, from \$18.0 million to \$7.5 million. Enrollment is expected to decline from approximately 7,500 to 3,500 during FY 2000 as children are transferred to the New Jersey KidCare program administered by the Department of Human Services (DHS). Proposed budget language (p. D-169) would redirect certain health maintenance organization refunds that ACCESS obtains and uses for program costs to the General Fund. The amount refunded varies, but has been in the \$2 - \$3 million range. **The ACCESS program is to be transferred to DHS. As of this writing an Executive Order or Agency Reorganization Plan has not been submitted to effectuate the transfer.**

The following grants included in the FY 1999 appropriations act by the Legislature are not continued:

- St. Barnabus/Kimball Medical Center - Low-Income Clinic - \$200,000.
- Southern New Jersey Emergency Medicine Center - \$1,000,000.
- Pediatric Trauma Education Program - \$1,000,000.
- Family Medicine/Preventive Medicine Center - \$1,000,000.

Federal Funds. Funding decreases 35.9 percent, from \$1.8 million to \$1.2 million, as less federal Medicare/Medicaid Facilities Inspection Program revenues are anticipated.

Program Description and Overview (Cont'd)

Other Funds. Funding decreases 21.6 percent, from \$62.4 million to \$48.9 million. The reductions are attributable to:

- The redirection of \$4.00 from the \$10.00 per adjusted admission fee for Charity Care Hospital Payments rather than being retained by the department for administrative costs related to the former New Jersey Essential Health Care Services Commission pursuant to proposed budget language on p. D- 169 - \$5.8 million.
- A reduction in the amount of Certificate of Need Program (CON) revenues due to legislative changes, P.L. 1998, c.43, that eliminated CON requirements for various health care projects - \$2.3 million.
- A reduction in the amount of Health Care Cost Reduction Trust Fund revenues generated by the 0.53 percent assessment of hospital revenues - \$5.8 million.

The following programs will be funded:

- Certificate of Need Program (funded by fees) - \$1.2 million. Personal Services expenditures of over \$700,000 account for most of the program expenditures.
- Expansion of Medicaid - Pregnant Women and Infants - \$19.5 million. Funded from the 0.53 percent hospital assessment. These funds 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.
- Health Care Cost Reduction Fund - \$20.4 million. Funded from the 0.53 percent hospital assessment. Programs funded include: Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; competitive initiatives; federally qualified health centers; Emergency Medical Services for Children Program; Implementation of Statewide Information Network and certain administrative costs related to Managed Care Initiatives and Health Facilities Licensing and Inspections. Once these programs are funded, the commissioner has discretion as to the amount of funds allocated for competitive initiatives and federally qualified health centers.

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 \$2.3 million is virtually unchanged from FY 1999 levels.

Federal Funds. Appropriations increase 53.3 percent, from \$300,000 to \$460,000. The amount of Preventive Health and Health Services Block Grant funds will increase from \$300,000 to \$400,000 and a new \$60,000 Behavioral Risk Factor Surveillance Survey is initiated.

Other Funds. These monies represent indirect cost recoveries that are returned to the department and are used for administrative operations. Approximately \$2.4 million is anticipated, virtually the same as in FY 1999 and will support 70 positions.

Program Description and Overview

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 2000, 12.1 million nursing home days will be provided 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 annual incomes are less than \$18,151 (single) and \$22,256 (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 2000, assistance will be provided to about 184,100 persons: 161,700 elderly and 22,400 disabled, at an average cost per prescription drug of about \$52.

Lifeline provides eligible households with either a \$225 credit on their electric/gas bill or a \$225 check to offset their emergency 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 2000, 154,100 recipients will receive Lifeline Credits and 160,800 recipients will receive Lifeline Rebates.

Programs for the Aged supports programs which improve the quality of life for the State's older citizens through technical assistance and grants to local governments. Funded programs include congregate and home delivered meals, personal care, legal services and case management. During FY 2000, 2.0 million congregate meals will be served, over 500,000 units of personal care services will be provided, 25,000 persons will receive health insurance counseling and adult protective services will be offered to over 6,300 persons.

The **Office of the Ombudsman for the Institutionalized Elderly** 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 2000, 2,600 on-site investigations will be conducted, 3,200 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken and 300 cases will be referred to enforcement authorities.

The **Office of the Public Guardian** provides guardianship services for elderly adults who have been deemed by the courts to be in need of a guardian or conservator. Among the services provided by the office are legal assistance, development of individualized social service plans and financial management of an elderly person's resources. During FY 2000, over 1,100 cases will be handled and the office will be appointed guardian by the courts in about 150 cases.

The FY 2000 General Fund appropriation for **Senior Services** is summarized on the next page.

Program Description and Overview (Cont'd)

	Adj. Approp. FY 1999	Recom. FY 2000	Percent Change 1999-00
TOTAL (\$000)	\$937,631	\$967,882	3.2%
Direct State Services:	<u>\$15,710</u>	<u>\$15,710</u>	--
Medical Services...Aged	\$4,715	\$4,715	--
PAAD (Admin.)	6,674	6,674	--
Lifeline (Admin.)	1,994	1,994	--
Programs for the Aged	992	992	--
Ombudsman	601	601	--
Public Guardian	734	734	--
Grants-In-Aid:	<u>\$660,999</u>	<u>\$690,386</u>	<u>4.4%</u>
Medical Services...Aged	\$585,634	\$618,521	5.6%
PAAD	30,230	25,850	(14.5)%
Lifeline	36,171	36,171	--
Programs for the Aged	8,964	9,844	9.8%
Casino Revenue Fund:	<u>\$257,209</u>	<u>\$258,373</u>	<u>0.5%</u>
Medical Services...Aged	\$15,378	\$4,246	-72.4%
PAAD	193,620	206,686	6.7%
Lifeline Programs	34,669	34,669	--
Programs for the Aged	13,542	12,772	-5.7%
State Aid	<u>\$3,713</u>	<u>\$3,413</u>	<u>(8.1)%</u>
Programs for the Aged	\$3,713	\$3,413	(8.1)%

Medical Services for the Aged

Direct State Services. Appropriations of \$4.7 million are unchanged from adjusted FY 1999 levels.

Grants-In-Aid. Appropriations increase 5.6 percent, from \$585.6 million to \$618.5 million. The increase reflects the transfer of \$10.8 million in Casino Revenue Fund costs for Community Care Alternatives to the General Fund.

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

- Medical Day Care. Recommended appropriations increase 34.8 percent, from \$16.2 million to \$21.8 million. The increase is in line with projected FY 1999 expenditure patterns.
- Payments to Medical Assistance Recipients - Nursing Homes. Recommended appropriations increase 1.1 percent, from \$546.8 million to \$552.9 million. Savings of \$14.4 million are to be implemented through the regulatory process and include: adjusting the inflation increase a nursing home receives (\$6.0 million); eliminating a duplicative reimbursement for maintenance equipment (\$1.0 million); and requiring nursing homes to bill Medicare first for certain patient days (\$1.0 million).

Program Description and Overview (Cont'd)

- ElderCare Initiatives. This new \$10.3 million initiative is a three-year program that will cost \$60 million (\$36 million State/\$24 million federal) in FY 2002. It will provide elderly persons who do not need to be in a nursing home with various community based programs such as assisted living, respite care for care givers or financial assistance to help families that care for the elderly. The following new or expanded programs are proposed:
 - Caregiver Assistance Program - \$2.3 million. This program will authorize payments to purchase at-home care services and products to enable an elderly person to remain at home.
 - Jersey Assistance for Community Caregivers - \$2.5 million. This program will provide outreach to non-Medicaid elderly to help them and their caregivers receive services.
 - NJEASE Home Care - \$2.2 million. This program will provide elderly persons without family support with in-home services from home health and homemaker agencies.
 - Community Choice Counseling Program and Universal Screening Program - \$2.2 million. The first program will determine whether existing nursing home residents need to be in a nursing home; if not, alternative placements will be explored. The second program will provide every person who can enter a nursing home an opportunity to talk with a counselor to discuss options.
 - Additional Statewide Respite Care Program services - \$1.0 million.
 - Toll-free telephone hotline - \$0.1 million.

Federal Funds. A 1.4 percent increase is anticipated, from \$691.3 million to \$700.9 million. Most of the increase represents federal Medicaid reimbursement for services provided to Medicaid eligible clients; in particular, approximately \$7.7 million in federal reimbursement for the ElderCare Initiatives is anticipated.

Casino Revenue Fund. Appropriations decrease 72.4 percent, from \$15.4 million to \$4.2 million as \$10.8 million in Community Care Alternative costs are transferred to the General Fund. Home Care Expansion appropriations decrease 27.7 percent, from \$1.0 million to about \$750,000, as the program serves only those persons who were enrolled as of June 30, 1996. Hearing Aid Assistance for the Aged and Disabled appropriations are unchanged at \$250,000.

PAAD

Direct State Services. Recommended appropriations of approximately \$6.7 million are unchanged from FY 1999 adjusted levels.

Grants-In-Aid. Total funding (General and Casino Revenue Funds) increases 3.9 percent, from \$223.9 million to \$232.5 million.

Program Description and Overview (Cont'd)

Recommended General Fund appropriations decrease 14.5 percent, from \$30.2 million to \$25.9 million. Average monthly enrollment is expected to decrease over 22 percent, from 29,900 to 23,200; and the average prescription drug cost is expected to increase by over 11 percent, to nearly \$45. Several initiatives intended to save \$18.3 million are cited below.

Casino Revenue Fund. Recommended appropriations increase 6.7 percent, from \$193.6 million to \$206.7 million. The number of elderly and disabled persons funded by Casino Revenue Funds is expected to decrease by 1.6 percent, from 163,500 to 160,900; and the average prescription drug cost for both the elderly and disabled will be about \$52.

Savings initiatives of \$18.3 million are anticipated by:

- Requiring pharmacies to bill Medicare for diabetic supplies and certain drugs that Medicare covers - \$8.7 million.
- Resolving disputes with manufacturers' over outstanding rebates - \$7.2 million.
- Implementing a system of "hard" edits where prescription claims may be denied for medical reasons - \$1.1 million (net).
- Improving recoveries from third party insurers such as health maintenance organizations - \$1.1 million.
- Excluding coverage for certain "cosmetic" type drugs such as Propecia - \$0.2 million.

Rebates from pharmaceutical manufacturers are expected to increase 21.7 percent, from \$33.2 million to \$40.4 million. Recoveries, primarily from other drug insurance coverage, are expected to increase by nearly 50 percent, from \$10.9 million to \$16.3 million, by requiring pharmacists to bill and obtain reimbursement from other third party insurers before filing a claim with PAAD.

Lifeline

Direct State Services. Recommended appropriations of approximately \$2.0 million are unchanged from FY 1999 adjusted levels.

Grants-In-Aid. The recommended \$36.2 million appropriation for Payments for Tenants Assistance Rebates is unchanged from FY 1999 levels.

Casino Revenue Funds. The recommended \$34.7 million appropriation for Lifeline Credits is unchanged from FY 1999 levels.

Programs for the Aged

Direct State Services. Recommended appropriations are unchanged at about \$1.0 million.

Grants-In-Aid. Recommended appropriations increase 9.8 percent, from approximately \$9.0 million to \$9.8 million, as providers will receive a 1.6 percent Cost of Living Adjustment in July 1999 (\$440,000) and January 2000 (\$440,000).

Program Description and Overview (Cont'd)

Grant funding for Purchase of Social Services (\$7.5 million), Alzheimer's Disease Program (\$657,000) and Adult Protective Services (\$768,000) are unchanged from FY 1999 levels.

State Aid. Recommended appropriations decrease 8.1 percent, from \$3.7 million to \$3.4 million. Continuation funding of \$2.6 million is recommended for the Older Americans Act State Share. Funding for County Office on Aging is reduced by \$300,000, from about \$1.2 million to about \$0.9 million, as additional funding provided by the Legislature is not continued.

Casino Revenue Fund. Recommended appropriations decrease 5.7 percent, from \$13.5 million to \$12.8 million. The only significant reduction is in the Demonstration Adult Day Care Center Program - Alzheimer's Disease: Funding is reduced 45.1 percent, from \$1.7 million to about \$900,000 as additional funds initially provided by the Legislature in FY 1998 are not continued.

FY 1999 budget language that had charged off \$165,000 of the \$4.8 million in Respite Care for the Elderly costs to the Casino Simulcasting Fund is not included; in FY 2000, the Casino Revenue Fund will support the entire \$4.8 million appropriation.

Federal Funds. Approximately \$39.3 million is anticipated, a 1.2 percent increase over the \$38.9 million anticipated in FY 1999. Funding for the major programs is virtually unchanged from FY 1999 levels: Older Americans Act - Title III programs (\$32.7 million); National Council on Aging - Senior Employment Services Project (\$3.0 million); and Social Services Block Grant (\$2.5 million).

Other Funds of \$150,000 are anticipated from a restricted grant.

Office of the Ombudsman for the Institutionalized Elderly

Recommended **General Fund** and **Federal Funds** appropriations of about \$600,000 and \$420,000 (in Medicaid reimbursements), respectively, are unchanged from FY 1999 levels.

Office of the Public Guardian

Recommended **General Fund** and **Other Funds** appropriations of \$734,000 and \$380,000, respectively, are unchanged from FY 1999 levels.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HEALTH AND SENIOR SERVICES					
	Expended	Adj.	Recom.	Percent Change	
	FY 1998	FY 1999	FY 2000	1998-00	1999-00
General Fund					
Direct State Services	\$47,589	\$48,961	\$73,278	54.0%	49.7%
Grants - In - Aid	728,900	777,897	845,738	16.0%	8.7%
State Aid	20,862	27,347	26,982	29.3%	-1.3%
Capital Construction	1,115	1,269	1,508	35.2%	18.8%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$798,466	\$855,474	\$947,506	18.7%	10.8%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$303,791	\$257,709	\$258,873	-14.8%	0.5%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,102,257	\$1,113,183	\$1,206,379	9.4%	8.4%
Federal Funds	\$911,465	\$984,286	\$981,623	7.7%	-0.3%
Other Funds (a)	\$70,272	\$115,201	\$101,872	45.0%	-11.6%
Grand Total	\$2,083,994	\$2,212,670	\$2,289,874	9.9%	3.5%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual	Revised	Funded	Percent Change	
	FY 1998	FY 1999	FY 2000	1998-00	1999-00
State	674	692	690	2.4%	-0.3%
Federal	770	787	801	4.0%	1.8%
All Other (b)	232	250	280	20.7%	12.0%
Total Positions	1,676	1,729	1,771	5.7%	2.4%

FY 1998 (as of December) and revised FY 1999 (as of September) personnel data reflect actual payroll counts. FY 2000 data reflect the number of positions funded.

(a) Includes Revolving Fund expenditures.

(b) Does not include positions funded by Revolving Funds.

AFFIRMATIVE ACTION DATA

Total Minority Percent	28.4 %	29.0%	29.4%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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HEALTH SERVICES

Family Health Services (Direct State Services)	\$2,237	\$4,162	\$1,925	86.1%	D-160; D-161
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The increase is related to the following new Special Purpose appropriations:

- Service Recognition Program for EMT Volunteers: To hold an awards banquet to acknowledge the services of volunteers. - \$25,000.
- First Response EMT Cardiac Training Program: To promote early defibrillation and to provide each EMT agency with a semi- automatic defibrillator. - \$500,000.
- Youth Trauma Initiative: To provide additional training to EMT personnel in youth related issues. - \$500,000.
- Identification System for Children's Health and Disabilities: To implement the recommendations of the Early Intervention Stakeholders Task Force. - \$900,000 from Tobacco Settlement Funds.

Public Health Protection Services (Direct State Services)	\$13,261	\$16,841	\$3,580	27.0%	D-160; D-161
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Most of the increase is related to the following new Special Purpose appropriations:

- Cancer Screening - Early Detection and Education Program: To promote cancer screening, education and early detection programs among African-Americans. - \$2,700,000 from Tobacco Settlement Funds.
- Timely Issuance of Export of Certificates of Free Sale: To facilitate the issuance of certificates needed for foreign export that certify the sanitary conditions of manufacturing facilities and the proper labeling of products. - \$50,000.
- Evaluation of Human Exposure to Hazardous Waste: To increase the number of public health assessments undertaken from the 20 - 30 currently conducted. - \$200,000.
- Worker and Community Right to Know appropriations increase 46.3 percent, from \$1.4 million to \$2.0 million. The additional funds will be used to prepare between 360 - 480 hazardous substance fact sheets and to provide Spanish translations for 250 fact sheets. (The amount charged to the Worker and Community Right to Know Fund will be limited to about \$1.4 million with the balance coming from Tobacco Settlement Fund deposited into the General Fund.)

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Addiction Services (Direct State Services)	\$632	\$19,249	\$18,617	2945.7%	D-160; D-161

The increase is related to the following new Special Purpose appropriations:

- Youth Anti-Tobacco Awareness Media Campaign: To create an anti-smoking campaign targeted at children and young adults. - \$7,262,000.
- Smoking Cessation Programs for Addicted Adults and Youth: To establish a toll-free hot line and incentives to health insurance plans to cover comprehensive smoking cessation services. - \$2,600,000.
- Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs - \$1,700,000.
- School Based Programs for the Prevention of Tobacco Use: To teach youth skills to resist or successfully stop smoking. - \$2,200,000.
- Community Based Tobacco Control Programs: To alter the way tobacco is promoted, sold and used. - \$4,800,000.

The above programs are to be funded with Tobacco Settlement Funds.

Funding for the Special Purpose Middle School Survey on Substance Abuse appropriation increases from \$100,000 to \$155,000. The additional funds will be used to expand the sample size to 6,300 students from 63 schools.

Family Planning Services	\$3,019	\$3,269	\$250	8.3%	D-161
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Family Planning Services grants will receive an additional \$250,000 to offset higher service costs. Family planning agencies have been financially affected by managed care: Some Medicaid clients no longer rely on family planning agencies for services; and for those clients that still use family planning agencies, the rate a managed care agency may pay for services may be less than the Medicaid rate.

Primary Care Services - Dover Free Clinic	\$0	\$225	\$225	—	D-162
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This new appropriation will assist this Morris County program that serves a largely Hispanic population to provide health care services.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Interagency Council on Osteoporosis	\$300	\$0	(\$300)	(100.0)%	D-162-
Best Friends Foundation	\$50	\$0	(\$50)	(100.0)%	D-162
Evesham Alliance	\$65	\$0	(\$65)	(100.0)%	D-162
Birth Haven Inc., Newton	\$40	\$0	(\$40)	(100.0)%	D-162
Lyme-Net	\$50	\$0	(\$50)	(100.0)%	D-162
Governor's Lyme Disease Advisory Council	\$5	\$0	(\$5)	(100.0)%	D-162
Interfaith Health Services-Urban Health Screening	\$50	\$0	(\$50)	(100.0)%	D-162
Somerville Kids Care - Kool Vests	\$25	\$0	(\$25)	(100.0)%	D-162
Greenville Hospital, Jersey City	\$25	\$0	(\$25)	(100.0)%	D-162
Family Health Center at Monmouth Medical Center, Long Branch	\$200	\$0	(\$200)	(100.0)%	D-162
Camden Optometric Eye Center	\$100	\$0	(\$100)	(100.0)%	D-162
Meridian Health System - Pediatric Asthma Education and Resource Center	\$150	\$0	(\$150)	(100.0)%	D-162
Sexual Assault Nurse Examiner (SANE) Program, Cooper Hospital, Camden	\$90	\$0	(\$90)	(100.0)%	D-162
Chelsea House Outpatient Services	\$100	\$0	(\$100)	(100.0)%	D-163

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
National Council on Alcohol and Drug Dependency	\$450	\$0	(\$450)	(100.0)%	D-163
Freedom House, Glen Gardner	\$200	\$0	(\$200)	(100.0)%	D-163

The above grants, included in the FY 1999 appropriations act by the Legislature, are not continued in FY 2000.

Cost of Living Adjustments	n.a.	\$1,505	\$1,505	n.a.	D-162; D-163
Cost of Living Adjust. Deferred Cost	n.a.	\$1,474	\$1,474	n.a.	D-162; D-163

These funds provide a 1.6 percent adjustment to community providers to be distributed July 1999 and January 2000, respectively.

Public Health Priority Funding	\$4,165	\$4,100	(\$65)	(1.6)%	D-163
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The recommended FY 2000 budget does not continue language that reduced the population criteria for funding from 25,000 to 20,000. Eight health departments (Bergenfield, Maplewood, South Plainfield, Montville, Mt. Olive, Ringwood, Vernon and Cranford), which received in total about \$65,000, will not qualify for financial assistance.

The Legislature increased Public Health Priority Funding from \$0.36 to \$0.40 per capita in the FY 1999 appropriations act. Funding will remain at \$0.40 in FY 2000.

Capital Construction	\$1,269	\$1,508	\$239	18.8%	E-8 and 9
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The additional funding will be used to automate laboratory services, for various improvements and for laboratory equipment.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
HEALTH PLANNING AND EVALUATION					
Long Term Care Systems Development and Quality Assurance (Direct State Services)	\$4,247	\$4,402	\$155	3.7%	D-167; D-168

This new \$155,000 Special Purpose appropriation (funded with Tobacco Settlement Funds), Resident Satisfaction System - Long Term Care, will develop a system to measure resident satisfaction of persons receiving institutional care.

Health Care Subsidy Fund Payments (P.L. 1997, c.263)	\$44,100	\$99,700	\$55,600	121.1%	D-168
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The increase in Charity Care Hospital Payments is required by P.L. 1997, c.263. Only \$35.2 million in new General Funds are being provided; the remaining \$20.4 million will come from redirecting a portion of Admission Charge Hospital Assessment revenues pursuant to proposed budget language (p. 169).

The Admission Charge Hospital Assessment is a \$10.00 fee on adjusted inpatient hospital admissions and generates about \$14.4 million annually. Of the \$14.4 million, \$1.2 million is deposited into the General Fund pursuant to budget language; the remaining \$13.2 million is retained by the department for administrative and health planning expenses. Available information is that \$4.00 of the \$10.00 per adjusted admission fee, or about \$5.8 million, will be used for Charity Care Hospital Payments; the remaining \$14.6 million represents unexpended assessment balances from this and prior fiscal years.

New Jersey ACCESS Program	\$18,000	\$7,500	(\$10,500)	(58.3)%	D-168
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Program costs will decline as ACCESS clients are shifted to the NJ KidCare program which qualifies for federal reimbursement. Approximately 3,500 persons will be served by ACCESS. The effect of proposed budget language (p. D-169) would be to deposit between \$2 - \$3 million in refunds that had been received from managed care organizations in the General Fund; these refunds had been retained by ACCESS for program costs.

The ACCESS program is to be transferred to the Department of Human Services. As of this writing, an Executive Order or Agency Reorganization Plan have not been issued.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</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)%	D-168
Southern New Jersey Emergency Medicine Center	\$1,000	\$0	(\$1,000)	(100.0)%	D-168
Pediatric Trauma Education Program	\$1,000	\$0	(\$1,000)	(100.0)%	D-168
Family Medicine/Preventive Medicine Center	\$1,000	\$0	(\$1,000)	(100.0)%	D-168

The above grants, included in the FY 1999 appropriations act by the Legislature, are not continued in FY 2000.

SENIOR SERVICES

Community Care Alternatives:	<u>\$27,700</u>	<u>\$27,700</u>	<u>\$0</u>	<u>0.0%</u>	
General Fund	\$13,599	\$24,447	\$10,848	79.8%	D-175
Casino Revenue Fund	\$14,101	\$3,253	(\$10,848)	(76.9)%	D-175

The recommended appropriation represents the estimated costs associated with providing various Community Care Alternatives to about 6,000 persons. These programs are intended to reduce institutionalization by providing services in the community. (An additional \$1.5 million is available from the Health Care Cost Reduction Fund.) Approximately \$10.8 million in Casino Revenue Fund costs have been shifted to the General Fund.

Payments for Medical Assistance Recipients - Nursing Homes	\$546,835	\$552,897	\$6,062	1.1%	D-175
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The recommended appropriation for nursing homes increases 1.1 percent. Patient days are expected to be unchanged at about 12.1 million. Medicaid reimbursement rates are expected to increase by about 1 percent, to nearly \$96 per day.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The recommended appropriation incorporates \$14.4 million in savings to be implemented through the regulatory process. The largest savings include: adjusting the inflation increase nursing homes receive (\$6.0 million); eliminating a duplicative reimbursement for maintenance equipment (\$1.0 million); and requiring nursing homes to bill Medicare first for certain patient days (\$1.0 million).

Medical Day Care Services	\$16,200	\$21,840	\$5,640	34.8%	D-175
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The recommended appropriation brings appropriations in line with projected FY 1999 expenditures.

ElderCare Initiatives	\$0	\$10,337	\$10,337	—	D-175
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The new appropriation provides initial funding to offer the elderly additional alternatives to nursing home care. (Approximately \$7.7 million in federal Medicaid reimbursement for the ElderCare Initiatives is also anticipated.) The following programs will be funded:

- Additional Statewide Respite Care Programs - \$1.0 million.
- Caregiver Assistance Program for the purchase of home-care services and products - \$2.3 million.
- Jersey Assistance for Community Caregivers to provide services to non-Medicaid clients and their caregivers - \$2.5 million.
- NJEASE Home Care to provide in-home services from home health and homemaker agencies - \$2.2 million.
- Community Choice Counseling Program to facilitate the transfer of Medicaid nursing home clients who do not need nursing home care and prefer to be in the community, into community programs. Universal Screening Program to provide every senior eligible to enter a nursing home an opportunity to discuss long-term care options. These two programs will cost \$2.2 million.
- Toll-free telephone hotline - \$0.1 million.

The ElderCare Initiatives will be phased-in over three years and are expected to cost \$60 million (\$36 million State/\$24 million federal) in FY 2002.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 1999</u>	<u>Recomm. FY 2000</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Pharmaceutical Assistance to the Aged and Disabled - Claims	<u>\$223,850</u>	<u>\$232,536</u>	<u>\$8,686</u>	<u>3.9%</u>	
General Fund	\$30,230	\$25,850	(\$4,380)	(14.5)%	D-175
Casino Revenue Fund	\$193,620	\$206,686	\$13,066	6.7%	D-175

Total program costs are expected to increase 3.9 percent, to \$232.5 million. Savings of \$18.3 million are anticipated. The most significant savings include: requiring pharmacies to bill Medicare for diabetic supplies and certain drugs (\$8.7 million); and reducing the backlog of disputes as to the amount of manufacturers' rebates (\$7.2 million).

PAAD also anticipates \$16.3 million in recoveries and \$40.4 million in manufacturers' drug rebates.

In FY 2000, the General Fund will provide services to approximately 23,200 elderly persons; the Casino Revenue Fund will provide services to approximately 138,500 elderly and 22,400 disabled persons. Average prescription costs for the elderly are projected at about \$47 per claim; for the disabled, the average prescription will cost about \$70 per claim.

Cost of Living Adjustment	n.a.	\$440	\$440	—	D-175
Cost of Living Adjustment, Deferred	n.a.	\$440	\$440	n.a.	D-175

These funds provide a 1.6 percent adjustment to be distributed to community providers serving the elderly in July 1999 and January 2000, respectively.

County Office on Aging	\$1,163	\$863	(\$300)	(25.8)%	D-176
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Additional funding provided by the Legislature in the FY 1999 appropriations act is not continued.

Home Care Expansion	\$1,027	\$743	(\$284)	(27.7)%	D-175
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Program costs are expected to decline as services can only be provided to persons enrolled in the program on June 30, 1996. As of December 1998, 80 persons were receiving services.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 1999</u>	<u>Recomm.</u> <u>FY 2000</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Demonstration Adult Day Care Center Program - Alzheimer's Disease	\$1,662	\$912	(\$750)	(45.1)%	D-176

The Legislature had increased funding for this grant in FY 1998 and FY 1999. The budget recommendation reduces funding to the approximate amount initially recommended in FY 1998.

Language Provisions

HEALTH SERVICES

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-70.

p. D-165.

Notwithstanding the provisions of the "Worker and Community Right to know Act, " P.L. 1983, c. 315 (C.34:5A-1 et seq.), the amount hereinabove for the Worker and Community Right to Know account is payable out of the Worker and Community Right to Know Fund. If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionately.

Similar language, except that the amount payable from the Worker and Community Right to Know Fund is limited to \$1,362,000.

Explanation

Proposed language limits the amount charged to the Worker and Community Right to Know Fund to \$1,362,000, the amount charged in FY 1999. Tobacco Settlement Funds deposited into the General Fund would support the balance of the FY 2000 appropriation, \$630,000.

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-71.

p. D-165.

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.

Similar language, except that the amount is \$1,300,000.

Explanation

Proposed language would reduce the additional funds appropriated from the Worker and Community Right to Know Fund from \$1.9 million to \$1.3 million based on the amount of monies anticipated to be available in the fund.

Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. C-14.

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.

No comparable language provision.

Explanation

Budget language had charged \$955,000 of FY 1999 program expenditures to the Drug Enforcement and Demand Reduction Fund. By not continuing the language, program costs would be supported by General Funds.



1999 Appropriations Handbook

2000 Budget Recommendations

p. C-14.

The unexpended balance as of June 30, 1998 in the Advisory Council on Adolescent Pregnancy account is appropriated.

No comparable language provision.

Explanation

Budget language is no longer required as the account has no unexpended balances.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language provision.

p. D-166.

Notwithstanding the provisions of any law to the contrary, there is transferred \$500,000 to the Department of Health and Senior Services from the Drug Enforcement and Demand Reduction Fund for the Sub-Acute Residential Detoxification Program.

Explanation

Proposed budget language would charge \$500,000 of Sub-Acute Residential Detoxification Program costs to the Drug Enforcement and Demand Reduction Fund.



1999 Appropriations Handbook

2000 Budget Recommendations

p. D-9.

Notwithstanding the provisions of subsection (k) of section 3 of P.L. 1966, c. 36 (C.26:2F-3) to the contrary, the "minimum population" necessary for a local health agency to receive Public Health Priority Funding from the amount appropriated hereinabove shall be reduced from 25,000 to 20,000.

No comparable language provision.

Explanation

The language provision which reduced the "minimum population" necessary for a health department to receive funds had been included by the Legislature. By not continuing the language, eight health departments with populations between 20,000 and 25,000 (Bergenfield, Maplewood, South Plainfield, Montville, Mt. Olive, Ringwood, Vernon and Cranford) will not qualify for about \$65,000 in total funds.



Language Provisions (Cont'd)

HEALTH PLANNING AND EVALUATION

1999 Appropriations Handbook

2000 Budget Recommendations

p. C-15.

In addition to the amount hereinabove for Charity Care Hospital Payments, there may be appropriated such sums as are determined to be necessary for payment to hospitals on account of the provision of uncompensated health care services, subject to the enactment of enabling legislation. Such sums may include proceeds of any settlement as may be received by the State as a result of State of New Jersey v. R.J. Reynolds Tobacco Company, et al.

No comparable language provision.

Explanation

Language is no longer required according to the Office of Management and Budget. The language provided that proceeds from the State's pending tobacco settlement would be used for charity care.



1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language provision.

p. D-169.

There are appropriated such sums as are necessary to pay prior year obligations of programs within the Health Care Subsidy Fund, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would allow the Health Care Subsidy Fund to pay prior year obligations with current appropriations. The amount of prior year Health Care Subsidy Fund obligations that may be reimbursed will not be known until payment requests are submitted.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language provision.

p. D-169.

Notwithstanding any law to the contrary, all revenues from health maintenance organizations covering ACCESS clients shall be deposited into the General Fund, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The ACCESS program receives refunds from health maintenance organizations that cover ACCESS clients, if expenditures on health care are less than 80 percent of the premiums paid. Such refunds would be deposited into the General Fund. The amount of refunds will vary from year to year, but has been in the \$2 to \$3 million range.

1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language provision.

p. D-169.

Notwithstanding any law to the contrary, \$20,400,000 of the amount hereinabove within the Health Care Subsidy Fund payments account supporting Charity Care payments to hospitals is appropriated from the Admission Charge Hospital Assessment revenue item.

Explanation

Proposed language appropriates \$20.4 million from the Admission Charge Hospital Assessment revenues to pay for Health Care Subsidy Fund payments. Hospitals are assessed \$10.00 per adjusted admission which generates approximately \$14.4 million in revenues annually: \$1.2 million is deposited into the General Fund pursuant to budget language on p. D-180 and \$12.2 million is used for administrative and health planning costs.

Though the proposed language does not mention how much of each \$10.00 fee will be used to support Charity Care payments, available information is that \$4.00, or \$5.8 million, will be used for Charity Care payments; the remaining \$14.6 million will be from unexpended assessment balances from this and prior fiscal years.

Language Provisions (Cont'd)

SENIOR SERVICES

1999 Appropriations Handbook

2000 Budget Recommendations

No comparable language

p. D-178; D-180.

Notwithstanding the provisions of any law to the contrary, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program shall be expended unless participating pharmacies are also approved medical suppliers in the Medicare program. Beneficiaries would be responsible for the applicable PAA/D copayment.

Explanation

The Medicare program covers certain diabetic testing materials and prescription drugs used to treat certain medical conditions. The proposed language would require pharmacies to participate in the Medicare program and to bill Medicare first before billing PAAD. The PAAD program expects to save \$8.7 million.



1999 Appropriations Handbook

2000 Budget Recommendations

p. G-16.

Notwithstanding any law to the contrary, of the amount appropriated hereinabove for the Respite Care for the Elderly account, \$165,000 shall be charged to the Casino Simulcasting Fund.

No comparable language provision.

Explanation

Budget language in the FY 1999 appropriations act had charged \$165,000 of the \$4.8 million appropriated for Respite Care for the Elderly costs to the Casino Simulcasting Fund. In FY 2000, Respite Care for the Elderly costs (\$4.8 million) would be supported by Casino Revenue Funds.



Language Provisions (Cont'd)

DEPARTMENT OF HEALTH (GENERAL)

1999 Appropriations Handbook

No comparable language provision.

2000 Budget Recommendations

p. D-180.

In order to permit flexibility in implementing the Elder Care Initiatives within the Medical Services for the Aged program classification, amounts may be transferred between Direct State Services and Grants-In-Aid accounts, subject to the Director of the Division of Budget and Accounting. Notice thereof shall be provided to the Legislative Budget and Finance Officer on the effective date of the approval transfer.

Explanation

This language would permit the transfer of funds from the Grants-In-Aid accounts to Direct State Services for administrative costs without formal legislative approval. How much of the \$10.3 million ElderCare appropriation would be used for administration is not known.



Language Provisions (Cont'd)

1999 Appropriations Handbook

p. B-75.

There is appropriated to the Department of Health and Senior Services from the "Health Care Subsidy Fund" established pursuant to section 8 of P.L. 1992, c. 160 (C.26:2H-18.58) to continue to fund programs established pursuant to section 25 of P.L. 1991, c. 187 (C.26:2H-18.47) through the annual .53 percent assessment on New Jersey hospitals established pursuant to section 12 of P.L. 1992, c.160 (C.26:2H-18.62). However, available funding shall first provide for the Community Care Program for the Elderly and Disabled, the expansion of Medicaid to 185 percent of poverty, and the Infant Mortality Reduction Program. The remaining available funds may be used to fund programs established by section 25 of P.L. 1991, c.187 (C.26:2H-18.47), as determined by the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting. Any unexpended balance as of June 30, 1998 in the Health Care Subsidy Fund received through the .53 percent annual assessment on hospitals made during fiscal year 1998 is appropriated. Furthermore, notwithstanding any other law to the contrary, the established program to provide local health planning shall be limited to a maximum of three specific geographic regions to be designated by the Commissioner of Health and Senior Services.

2000 Budget Recommendations

p. D-180.

Similar language with the two following changes:

After "P.L. 1991, c.187 (C.26:2H-18.47)" reference is made to P.L. 1997, c.192 (C.26:2H-10); and P.L. 1998, c.43 (C.26:2H-7c).

The last sentence dealing with local health planning is eliminated.

Explanation

Proposed language broadens the uses of the .53 percent annual assessment revenues to include Certificate of Need and licensing related activities. As P.L. 1998, c.43 eliminates local health planning agencies, the proposed budget language eliminates reference to them.



Language Provisions (Cont'd)

1999 Appropriations Handbook

2000 Budget Recommendations

p. B-76.

Notwithstanding any provision of law to the contrary, and notwithstanding the terms of any repayment agreement with the Department of Health and Senior Services concerning charity care overpayments, the department shall forgive any repayment due to be made to the department in fiscal year 1999 as repayment of a charity care overpayment that is due from a hospital which meets the following conditions: (a) the hospital received in 1995 less than 50% of that hospital's 1993 "Charity Care" Subsidy payments, exclusive of any supplemental payments received during fiscal year 1996, (b) the hospital receives less than 33% of that hospital's total uncompensated care in subsidy, (c) the hospital did not receive any subsidy payments under the "Other Uncompensated Care" subsidy account in 1995 and (d) the hospital treats a substantial amount of problem billed cases measured by having received at least \$4,000,000 from the Hospital Relief Fund in the Division of Medical Assistance and Health Services in the Department of Human Services during fiscal year 1998.

No comparable language provision.

Explanation

The budget language benefitted the Cathedral Health Care System and was included by the Legislature. It is not continued in FY 2000.



Discussion Points

Health Services

1. The FY 1999 appropriations act included a \$250,000 special purpose appropriation for an Electronic Birth Certificate. Through February 1999, no funds have been expended on the project. The FY 2000 budget recommends \$250,000 in additional funding.

! *Question: What is the project's status and projected cost?*

2.a. The number of infants and children under the age of three to be served by the Early Intervention Program will increase from approximately 7,800 in FY 1998 to 8,900 in FY 2000. Despite an overall increase in the number of participants, some of whom will be Medicaid eligible, federal Medicaid Early Intervention reimbursements are unchanged at \$2.0 million.

! *Question: Is the \$2.0 million in Medicaid reimbursement for early intervention understated?*

2.b. The department contracts with a private vendor to bill Medicaid for Early Intervention Program reimbursement. The vendor is paid a percentage of the amount of Medicaid reimbursement that is realized. Though \$2.0 million in federal Medicaid reimbursements are expected in FY 1999, available Medicaid data project that only \$1.5 million in federal reimbursements will be realized. Similarly, Medicaid data point to significant reductions in the number of eligible infants/children under the age of three for whom billings are made and the number of units of service being provided.

! *Question: What accounts for the reduction in federal Medicaid reimbursements for early intervention services and the number of eligible Medicaid recipients for whom billings are made? Is the vendor responsible for the reduction?*

3.a. The FY 2000 budget recommends funding for three new Special Purpose programs:

- Service Recognition Program for EMT Volunteers - \$25,000.
- First Response EMT Cardiac Training Program - \$500,000.
- Youth Trauma Initiative - \$500,000.

Unexpended balances in the Emergency Medical Technician Training Fund are expected to exceed \$3.0 million at the end of FY 1999.

! *Question: Could unexpended Emergency Medical Technician Training Fund balances support these new Special Purpose appropriations?*

3.b. Annualized Emergency Medical Technician Training Fund expenditures are projected at about \$1.0 million in FY 1999 based on expenditures through February 1999, but Appendix 1A (p. I-8) indicates that FY 1999 expenditures will total nearly \$6.1 million.

! *Question: What additional expenditures will be incurred by the end of FY 1999?*

4. The FY 1999 appropriations act provided \$100,000 for a Middle School Survey on Substance Abuse. Through February 1999, no funds have been expended on the project. The FY 2000 budget increases funding to \$155,000 and expands the survey to 6,300 children in 63 schools. The federal government also prepares similar surveys on substance abuse.

Discussion Points (Cont'd)

! **Question:** What will the State's survey obtain that is not available in federal surveys on substance abuse? As no fund's have as yet been expended, what is the survey's status?

5. Budget language is again proposed to reappropriate the unexpended balance in the New Hope Discovery Foundation/Relocation account. Through February 1999, none of the \$2 million made available for the project in FY 1998 has been expended.

! **Question:** As no expenditures have been incurred, should the amount of carry forward balances be reduced?

Health Planning and Evaluation

6.a. The FY 1999 appropriations act provided \$900,000 for Nursing Home Background Checks. Most of the monies would reimburse the State Police for conducting criminal history record background checks. Through February 1999, only \$34,100 has been expended, equivalent to about 600 background checks. The FY 2000 budget again recommends \$900,000 for this program.

! **Question:** Can the FY 2000 appropriation be reduced?

6.b. Approximately 70 - 75 percent of all nursing home clients are Medicaid eligible. Therefore, it may be possible to obtain federal Medicaid reimbursement for a proportional share of the Nursing Home Background Checks on nurse aides that are to be conducted.

! **Question:** Has the department attempted to obtain Medicaid reimbursement for this activity?

7. The FY 2000 budget recommends a new \$155,000 appropriation for a Resident Satisfaction System - Long Term Care. These monies would be used to develop a system to measure how satisfied persons in institutional settings such as nursing homes, assisted living and residential health care facilities are with the services they receive. The department already licenses and inspects such facilities. As part of the licensure and inspection process, clients are interviewed as to their satisfaction with services.

! **Question:** Since the department already interviews clients, as part of its licensure and inspection procedures, what will a Resident Satisfaction System achieve that the current licensing and inspection process does not accomplish? Can existing licensing and inspection procedures be broadened to obtain federal Medicare/Medicaid reimbursement for costs associated with the proposed Resident Satisfaction System?

8. The FY 2000 budget recommends \$1.0 million for the Implementation of the Statewide Health Information Network (HINT) program. An additional \$1.0 million is available to HINT from the .53 percent hospital assessment. In FY 1998, approximately \$120,000 of HINT balances were lapsed. Through February 1999, annualized expenditures are projected at about \$800,000.

! **Question:** Can the FY 2000 recommended appropriation be reduced?

9. The FY 1999 appropriations act provided \$120,000 for Long Term Care Survey Staff for five positions to conduct reviews and surveys of nursing home alternatives. Through February 1999, only \$5,400 has been expended. (The FY 2000 recommended budget incorporates this account within the various operating accounts.)

Discussion Points (Cont'd)

- ! **Question:** What is the program's status? What accounts for the delay in hiring staff and implementing the program?

10.a. Pursuant to State law, hospitals are assessed \$10.00 per adjusted admission. Based on approximately 1,440,000 admissions, \$14.4 million in revenues are generated annually.

- ! **Question:** As managed care has reduced the number of inpatient hospital admissions, is \$14.4 million in revenues attainable?

10.b. Proposed budget language (p. D-169) redirects \$20.4 million in funds from the annual \$10.00 Admission Charge Hospital Assessment revenue item to support Charity Care payments. The language does not specify how much of the \$10.00 fee is to be used to support Charity Care payments. Available information is that \$4.00 from the \$10.00 fee will be used for this purpose. The \$4.00 would generate about \$5.8 million; the remaining \$14.6 million would come from unexpended assessment balances from this and prior fiscal years.

- ! **Question:** Should the budget language specify how much of the \$10.00 fee is to be used to support Charity Care payments?

Senior Services

11.a. The FY 2000 budget recommends a total of \$10.3 million in State funds and \$7.7 million in federal Medicaid revenues for an ElderCare Initiative to provide assistance to minimize nursing home placement. The type and amount of services to be provided would be "tailored" to the individual. At the end of FY 2002, costs of \$60 (\$36 State/\$24 federal) million are projected.

Among the programs to be implemented are: Caregiver Assistance Program - \$2.3 million; Jersey Assistance for Community Caregivers - \$2.5 million; NJEase Home Care - \$2.2 million; and Community Choice Counseling Program/Universal Screening Program - \$2.2 million.

The descriptions of these ElderCare Initiative programs are similar or identical to other existing programs: Community Care Program for the Elderly and Disabled (CCPED); Home Care Expansion; Assisted Living/Alternate Family Care (AL/AFC) waivers; County Offices on Aging Programs; and Pre-Admission Screening.

- ! **Question:** As the proposed Jersey Assistance for Community Caregivers and NJEase Home Care programs are similar to the Home Care Expansion and CCPED programs, could enrollment in the Home Care Expansion program be reopened and the number of CCPED slots be increased rather than establish new programs?

11.b. The State has federal authorization to place up to 1,500 Medicaid recipients in Assisted Living/Alternate Family Care (AL/AFC) slots. Only about 300 slots are currently being used.

- ! **Question:** What accounts for the low number of filled AL/AFC slots?

11.c. The Caregiver Assistance Program authorizes payments to help certain family caregivers of Medicaid beneficiaries to purchase in-home services and products to prevent nursing home placement. In-home services provided by both the Medicare and Medicaid programs must be provided by qualified, licensed personnel at specified reimbursement rates.

Discussion Points (Cont'd)

- ! **Question:** Could Caregiver Assistance Program services be provided by persons who are not qualified or licensed to provide such services? Could reimbursement under the Caregiver Assistance Program exceed Medicare or Medicaid reimbursement for such services? If a client receiving Caregiver Assistance Program services is injured, would the Caregiver Assistance Program be financially liable?

11.d. The Universal Screening Program will provide every senior eligible to enter a nursing home with an opportunity to discuss long term care options. For the past 15 years the State has operated a Pre-Admission Screening program in which every person entering a nursing home is reviewed as to the need for nursing home care and, if appropriate, diverted from nursing homes.

- ! **Question:** How does the Universal Screening Program differ from the Pre-Admission Screening Program?

11.e. Proposed budget language (p. D-180) permits the transfer of ElderCare Initiative funds to Direct State Services accounts (for administrative costs) without formal legislative review and approval. As currently written, all, or a substantial portion, of the \$10.3 million in State funds could be used for administrative costs without legislative approval.

- ! **Question:** Of the \$10.3 million in State funds, how much will be used for ElderCare administration?

12. The FY 1999 appropriations act provided \$703,000 for Community Choice/Acuity Audits to facilitate the placement of 200 nursing home clients in community programs. Through February 1999, only \$209,400 has been expended. Further, monthly Medicaid data does not reveal any significant, sustained reduction in the number of Medicaid clients in nursing homes. (The ElderCare Initiative provides \$2.0 million for Community Choice Counseling Program/Universal Screening Program which is similar to the Community Choice/Acuity Audits program.)

- ! **Question:** As only \$209,400 has been expended, what is the project's status? How many nursing home clients have been placed into community programs? Of those placed in community programs, how many are still in the community? How many reentered a nursing home or were hospitalized?

13. In the Office of Legislative Services' review of the FY 1999 Department of Human Services contracts and the Medicaid nursing home budget, it was suggested that refinancing debt of contract agencies and nursing homes could reduce State expenditures. The nursing home industry supported the refinancing option as an alternative to the various reductions in nursing home reimbursement proposed by the department.

- ! **Question:** Has any formal review of nursing home debt been conducted to determine whether refinancing such debt could reduce Medicaid costs?

14.a. The Medicare program covers certain diabetic testing materials and certain prescription drugs such as those used in organ transplants. Proposed budget language (pp. D-178/180) requires pharmacies to become Medicare providers and to bill the Medicare program first for such covered items. Savings of \$8.7 million are anticipated. The number of the over 1,800 pharmacies that participate in PAAD and are already Medicare providers is not known. The process of becoming a Medicare provider may take up to six months according to Medicare's fiscal intermediary. In order to become a Medicare provider by July 1, 1999, pharmacies would have to submit the

Discussion Points (Cont'd)

paperwork to become a Medicare provider now, even though there is no statutory authorization to do so.

- ! **Question:** If Medicare has not approved a pharmacy's application to become a Medicare provider by July 1, 1999, would the pharmacy be allowed to continue in PAAD for Medicare eligible drugs, or would the PAAD recipient have to locate a participating Medicare pharmacy to obtain diabetic testing strips and other covered medications?

14.b. The Medicare program requires beneficiaries to pay 20 percent of the cost of a good or services provided. The 20 percent cost sharing requirement could exceed the \$5.00 copay a PAAD beneficiary now pays.

- ! **Question:** If the 20 percent liability exceeds the \$5.00 copay, will PAAD reimburse the beneficiary the difference?

15.a. Prescription drugs purchased by PAAD (and Medicaid) are reimbursed on the basis of either the drug's average wholesale price less 10 percent or its maximum allowable cost (MAC) as determined by the federal government. According to the federal Inspector General (OEI-03-97-00510), the Medicaid program (and, therefore, PAAD) paid more for certain generic drugs than for the brand name or generic made by other manufacturers. PAAD could realize savings by adopting reimbursement policies to prevent reimbursement for a generic drug that is greater than either the brand name or generic produced by other manufacturers.

- ! **Question:** How much could PAAD save if reimbursement for generic drugs could not exceed reimbursement for the brand name or other similar generic drugs?

15. b. The FY 2000 recommended budget assumes an additional \$7.2 million in rebates by resolving rebate disputes with prescription drug manufacturers. Disputes over rebates result from PAAD following federal Medicaid rebate procedure: For Medicaid purposes, the rebate is based on the average manufacturers' price (AMP), not the average wholesale price (AWP), which is the basis for reimbursement. A federal Inspector General report (CIN:A-06-97-00052) suggested that rebates be based on the AWP which would increase the amount of rebates and reduce administrative difficulties. PAAD could administratively adopt the rebate methodology suggested by the federal Inspector General.

- ! **Question:** How much additional rebates would the State realize by changing the PAAD rebate methodology from AMP to AWP?

16. Several years ago the State increased the percent discount for drugs purchased by PAAD from 0 - 6 percent (based on a pharmacy's PAAD/Medicaid volume) to 10 percent (irrespective of volume). Thus, claims processed by Rite Aid, CVS and other chain pharmacies are discounted 10 percent and claims processed by non-chain pharmacies are also discounted 10 percent. Newspaper and other articles on the subject report that chain pharmacies such as Rite Aid and CVS receive discounts from drug manufacturers in excess of 10 percent and that chains provide discounts of least 15 percent (and even more) to obtain health maintenance organization business. If, for example, chain pharmacies provided PAAD with a 12 percent discount, it is estimated that PAAD would save about \$3.1 million.

- ! **Question:** Can the percentage discount provided by chain pharmacies be increased?

Discussion Points (Cont'd)

17. The PAAD program anticipates net savings of \$1.1 million by implementing a system of "hard edits" wherein a prescription may not be filled if the Drug Utilization Review Board determines that the medication should not be dispensed in certain situations. A private vendor is in the process of being hired to implement and administer the system. No identifiable appropriation is noted to reimburse the vendor for these services.

! *Questions:* How much will the vendor be paid per claim? As there is no distinct account to reimburse the vendor, how is the vendor to be reimbursed?

18.a. In the Office of Legislative Services' review of the Office of the Public Guardian's FY 1998 budget, it was indicated that the office might be able to obtain Medicaid administrative reimbursement for costs related to Medicaid clients. Last year, the department indicated that the office would review its caseload to determine how many clients were Medicaid eligible.

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

18.b. The FY 2000 recommended budget anticipates that the Office of the Public Guardian will receive \$380,000 in Other Funds (primarily fees), the same as in FY 1999. A recent State Auditor report identified various weaknesses in the office's financial operations that, if corrected, would increase fee income. The department indicated that it was taking steps to improve the office's financial management.

! *Question:* Is the \$380,000 in Other Funds anticipated by the office understated in light of the pending financial management improvements?

Background Paper: Medicaid Reimbursement for Early Intervention Program Services

Funding (\$000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
Early Intervention Program for Medicaid Recipients (Federal)	\$2,279	\$2,000 (a)	\$2,000

(a) Plus unexpended FY 1998 funds of \$880,000.

SUMMARY

Consideration might be given to terminating the department's contract with the private vendor handling EIP Medicaid billings and assuming this function. The department may be able to increase Medicaid collections and reduce the month to month and year to year variability in the amount of Medicaid EIP reimbursement received, the number of Medicaid eligible infants/toddlers for whom billings are processed and the number of claims processed.

BACKGROUND

EIP provides various social/health services to disabled infants/toddlers up to the age of three; some of the infants/toddlers receiving services are Medicaid eligible. Funding is provided through a combination of State (\$19.5 million), federal Part H (\$11.0 million) and Medicaid (\$2.0 million) funds. (A fee for service component has not been implemented.)

When EIP decided to obtain Medicaid reimbursement for Medicaid eligible infants/toddlers, a private vendor was hired to work with the various EIP agencies to process the necessary information to obtain Medicaid reimbursement. Under the terms of the new contract, the private vendor retains 3.5 percent of Medicaid reimbursement received. Reimbursing the vendor based on a percentage of Medicaid revenues realized provides the vendor with a financial incentive to maximize reimbursement.

How well has the vendor performed? Available FY 1998 and FY 1999 data (on the next page) indicates significant month to month and year to year variations in the amount of Medicaid reimbursement received; the number of Medicaid eligible infants/toddlers; and the units of EIP services billed. Some of the variation may be due to the reprocessing of claims that had been not been approved for various reasons such as using the wrong procedure code or client Medicaid number. These variations make it difficult to estimate Medicaid EIP revenues.

As there are only 44 EIP agencies and the number of Medicaid eligible infants/toddlers receiving EIP services and the type of EIP services provided should be relatively stable on a month to month basis, such month to month and year to year variability should be limited. Once Medicaid eligibility is determined, billing Medicaid should be routine, unless the services provided are changed or the infant/toddler turns age three and is no longer eligible for the program.

ANALYSIS

Initially, it may have made financial sense to use an outside vendor to process EIP claims for Medicaid reimbursement as the amount of work involved was not known. Bringing the Medicaid billing process in-house may now be appropriate as the procedures to obtain Medicaid

Background Paper: Medicaid Reimbursement for Early Intervention Program Services (Cont'd)

reimbursement are relatively routine. The department may be able to process claims on a more consistent and timely basis than the outside vendor and increase Medicaid reimbursements.

Chart 1. Medicaid Reimbursement for Early Intervention Services (\$000)

FY	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
1998	\$436	\$320	\$295	\$518	\$305	\$374	\$84	\$372	\$130	\$291	\$203	\$315
1999	\$259	\$389	\$246	\$85	\$103	\$432	\$131	\$179	na	na	na	na

Chart 2. Medicaid Recipients of Early Intervention Services

FY	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
1998	809	631	503	842	605	526	318	654	361	447	407	483
1999	522	668	431	177	232	452	na	na	na	na	na	na

Chart 3. Medicaid Units of Service Provided

FY	July	Aug.	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	March	April	May	June
1998	3,288	2,550	2,186	3,665	2,251	2,660	689	2,882	1,053	2,075	1,295	2,249
1999	1,176	2,397	1,524	583	683	2,742	na	na	na	na	na	na

Background Paper: Increasing the Drug Discount PAAD Receives from High Volume Pharmacies

Budget Pages.... D-175

Funding (\$000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
PAAD - Claims (Gross):	<u>\$248,484</u>	<u>\$267,965</u>	<u>\$289,202</u>
General Fund	\$35,449	\$31,872	\$27,493
Casino Revenue Fund	213,035	236,093	261,709

SUMMARY

Increasing the drug discount the PAAD program receives from high volume pharmacies/providers from 10 to 12 percent would save an estimated \$3.1 million.*

BACKGROUND

Prescription drugs are reimbursed by PAAD on the basis of either: (a) a drug's "average wholesale price" (AWP) less 10 percent or (b) a drug's maximum allowable cost (as determined by the federal government). Approximately 80 percent of the drugs reimbursed by PAAD are on the basis of AWP less 10 percent. PAAD receives the same 10 percent discount from small volume, independent pharmacies as it receives from large volume, chain pharmacies.

Several years ago, PAAD had received a 0 to 6 percent discount, depending on a pharmacy's Medicaid/PAAD prescription volume. The 0 to 6 percent discount acknowledged that high volume pharmacies are able to purchase drugs at lower cost than low volume pharmacies and could afford to provide the State with a greater percentage discount than low prescription volume pharmacies.

It has been reported in various newspaper articles and journals on the subject that managed care organizations and health insurers obtain discounts in excess of 15 percent from pharmacies that wish to be part of their pharmacy network. (As this information is considered proprietary, the percentage discount individual pharmacies may provide is not readily available.)

ANALYSIS

During CY 1997, high volume chain pharmacies/providers (more than 20,000 PAAD and Medicaid prescriptions**) accounted for about 66 percent of the total prescriptions filled by the PAAD program).

Applying these statistics on the FY 2000 recommended appropriation, approximately 3.7 million prescriptions valued at \$191.2 million (gross) will be filled by high volume pharmacies. A 2 percent increase in the discount the program receives from high volume chain pharmacies would save about \$3.1 million (5.7 million PAAD prescriptions X 66 percent Chain Volume X 80 percent AWP X \$51 per claim X 2 percent additional discount).

Background Paper: Increasing the Drug Discount PAAD Receives From High Volume Pharmacies (Cont'd)

* Though manufacturers' rebates the State obtains would be reduced, the State would still benefit because the \$3.1 million in savings would be realized immediately; the State would not have to wait months to obtain manufacturers' rebates.

** Background Paper focuses on pharmacies with an annual PAAD/Medicaid claims volume of 20,000 or more. The 20,000 claims volume figure tends to exclude pharmacies that are independently owned.

Background Paper: PAAD Expenditures - Elderly Compared to the Disabled

Budget Pages.... D-175

Funding (\$000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
PAAD - Claims (net):	<u>\$204,714</u>	<u>\$223,849</u>	<u>\$232,536</u>
Elderly	\$169,749	\$181,253	\$185,412
Disabled	34,965	42,596	47,124

BACKGROUND AND ANALYSIS

Despite a decline in the number of eligibles from a monthly average of 229,700 (FY 1994) to 203,200 (FY 1998), gross program expenditures (before rebates and recoveries) have increased from approximately \$195.4 million (FY 1994) to \$249.0 million (FY 1998).

Concerns over rising program costs have in the past several years resulted in the Governor's proposing various options to moderate the rate at which expenditures have increased:

- Applying an assets test;
- Reducing the dispensing fee to high volume pharmacies;
- Increasing the copayment to \$7.00 for drugs that cost more than \$40;
- Linking the manufacturers' rebates to changes in the Consumer Price Index;
- Increasing the percentage discount the State receives for drug's purchased by the program;
- Allowing maintenance drugs to be purchased through mail order; and
- Hiring a Pharmacy Benefits Manager to administer the program.

With the exception of increasing the percentage discount the State receives for drugs purchased by the program from 0-6 percent (depending on a pharmacy's Medicaid/PAAD prescription volume) to 10 percent (regardless of volume), the Legislature rejected all of these proposals. The Legislature also agreed to various efforts to control utilization, though it is difficult to determine whether such efforts produce any significant financial savings.

During the Spring of 1999, the PAAD and Medicaid programs will implement P.L. 1998, c.41 which authorized the implementation of: (a) a "medical exception process" in which reimbursement would be denied for certain inappropriate drug use and (b) a "monthly prescription threshold process" in which certain high volume consumers of drugs would have their drug usage reviewed for medical necessity. While savings are anticipated, until the process is implemented it is not certain that savings will exceed administrative costs. The FY 2000 recommended budget anticipates \$18.3 million in savings, the most significant of which would require pharmacies to become Medicare providers and bill Medicare for diabetic supplies and certain prescription drugs.

The efforts to control PAAD program costs is targeted at the entire PAAD population though data indicate that the increase in program costs is attributable primarily to the "disabled" component of the PAAD program as the data on the next page indicates:

- Between FY 1994 and FY 1998, PAAD expenditures on behalf of the disabled increased at an average annual rate of 15.3 percent compared to an average annual increase of 5.3

Background Paper: PAAD Expenditures - Elderly Compared to the Disabled (Cont'd)

percent for the elderly.

FIVE YEARS' STATISTICAL INFORMATION (FY 1994 - FY 1998)

	FY 1994	FY 1995	FY 1996	FY 1997	FY 1998	Avg. % Change 94-98
Total Expenditures GROSS (000) % Change	\$195,423	\$206,735 5.8%	\$212,176 2.6%	\$232,688 9.7%	\$248,966 7.0%	7.0%
Elderly Expenditures (000) % Change	\$167,384	\$174,069 4.0%	\$176,276 1.3%	\$190,724 8.2%	\$200,476 5.1%	5.3%
Disabled Expenditures (000) % Change	\$28,039	\$32,666 16.5%	\$35,900 9.9%	\$41,964 16.9%	\$48,490 15.6%	15.3%
Avg. Monthly Eligibles % Change	229,700	228,900 -0.3%	223,800 -2.2%	213,200 -4.7%	203,200 -4.7%	-3.9%
Elderly % Change	207,000	207,500 -0.7%	201,700 -2.8%	188,300 -6.6%	180,900 -4.7%	-4.1%
Disabled % Change	20,700	21,400 3.4%	22,100 3.3%	22,200 0.5%	22,300 0.5%	1.2%
Cost per Claim % Change	\$37.61	\$37.86 0.7%	\$39.96 5.5%	\$40.71 1.9%	\$44.07 8.2%	5.4%
Elderly % Change	\$36.79	\$36.62 -0.5%	\$38.52 5.2%	\$38.95 1.1%	\$41.72 7.1%	4.4%
Disabled % Change	\$43.42	\$47.17 8.6%	\$48.96 3.8%	\$51.17 4.5%	\$57.41 12.2%	8.8%
Expenditures per Eligible % Change	\$851	\$903 6.2%	\$948 5.0%	\$1,091 15.1%	\$1,225 12.3%	11.3%
Elderly % Change	\$801	\$839 4.7%	\$874 4.2%	\$1,013 15.9%	\$1,108 9.4%	9.8%
Disabled % Change	\$1,355	\$1,526 12.7%	\$1,624 6.4%	\$1,890 16.4%	\$2,174 15.0%	14.0%
Claims Per Recipient	23.4	24.5	24.7	26.7	28.0	5.1%
Elderly	22.4	23.3	23.5	25.3	26.4	4.7%
Disabled	25.0	25.6	27.4	29.6	29.8	3.8%

- Between FY 1994 and FY 1998, expenditures per disabled PAAD eligible increased at an average annual rate of 14.0% compared to an average annual increase of 9.8% for the elderly.

Three factors may explain why PAAD expenditures on behalf of the disabled are increasing more rapidly than expenditures for the elderly:

- **Eligibles.** The number of disabled in the program has increased from 20,700 (FY 1994) to 22,300 (FY 1998); while the number of elderly declined from 207,000 to 180,900 during the same period.
- **Utilization.** The disabled use more prescriptions than the elderly, 29.8 compared to 26.4 in FY 1998. During FY 1998, the average disabled recipient filed 3.4 more claims than the elderly.
- **Prescription Drug Costs.** The average cost per claim (FY 1998) for the disabled is nearly 38

Background Paper: PAAD Expenditures - Elderly Compared to the Disabled (Cont'd)

percent greater than for the elderly, \$57.41 vs. \$41.72.

A review of the top 10 drugs (in dollar terms) used by the disabled and the elderly indicates why drug costs for the disabled exceed those used by the elderly:

Disabled. Among the top 10 drugs used by the disabled are two drugs for AIDS (Epivir and Viracept), one drug for organ transplants (Neoral), five drugs used for mental illness and related disorders (Zyprexa, Clozaril, Prozac, Risperdal and Depakote) and one gastrointestinal drug (Prilosec). With the exception of Clozaril, there are no generic equivalents for these drugs, and less expensive medications that can be used to treat the medical conditions may be less effective and may have more side effects than the newer products.

Elderly. Among the top 10 drugs used by the elderly are drugs that can be used to treat gastro intestinal (Prilosec and Zantac) and cardiovascular (Zocor, Vasotec, Mevacor and Procardia XL) conditions, and generic equivalents may be available for some of the drugs such as Zantac (Ranitidine).

Background Paper: ElderCare Initiatives

Budget Pages.... D-175

Funding (\$000)	Expended FY 1998	Adj. Approp. FY 1999	Recom. FY 2000
<u>ElderCare Initiatives (Total)</u>	--	--	<u>\$18,009</u>
General Fund			\$10,337
Federal			7,672

SUMMARY

There are numerous community-based programs that can be expanded to provide services similar to those proposed for the ElderCare Initiatives. Using existing programs would minimize both start-up problems and administrative costs.

Further, the Legislature may wish to amend proposed budget language on p. D-180 to limit the amount of monies that can be transferred from the ElderCare Initiatives account for administrative purposes without Legislative approval.

BACKGROUND

The Governor's budget recommends \$10.3 million in General Funds and \$7.7 million in federal Medicaid funds for "programs ... tailored to meet the individual needs of each senior -- whether it be assisted living, respite care ... or financial assistance to families...." Among the programs to be initiated include:

- Caregiver Assistance Program for the purchase of home-care services and products - \$2.3 million.
- Jersey Assistance for Community Caregivers to provide services to non-Medicaid clients and their caregivers - \$2.5 million.
- NJEASE Home Care to provide in-home services from home health and homemaker agencies - \$2.2 million.
- Community Choice Counseling Program to facilitate the transfer of Medicaid nursing home clients who do not need nursing home care and who would prefer to be in the community, into community programs. Universal Screening Program to provide every senior eligible to enter a nursing home an opportunity to discuss long-term care options. These two programs would cost \$2.2 million.

An additional \$1.0 million would be provided to the Statewide Respite Care Program. Also, \$100,000 would be used to provide a toll-free telephone hotline.

By the end of FY 2002, these programs are expected to cost \$60 million: \$36 million State and \$24 million federal.

Proposed budget language (p. D- 180) would permit the transfer of ElderCare Initiatives funds to Direct State Services accounts for administration without formal legislative approval. This language could permit up to the entire \$10.3 million to be transferred to and used for administration, rather than services.

Background Paper: ElderCare Initiatives (Cont'd)

Existing Community Care Programs

Since the early 1980s, the State has operated programs similar or identical to those that ElderCare Initiatives would establish:

Community Care Program for the Elderly and Disabled (CCPED). This Medicaid waiver program has served nearly 19,000 persons. Program enrollment is capped at 3,000. A waiting list of about 200 currently exists.

Home Care Expansion. This program for non-Medicaid clients served approximately 550 people monthly at its peak. (The number of persons the program could serve was capped by the amount annually appropriated.) Pursuant to budget language that has appeared in the annual appropriations act since FY 1997 appropriations act, the program serves only those persons that were enrolled as of June 30, 1996; no new applications are being accepted. The program currently serves about 80 people.

Assisted Living/Alternate Family Care (AL/AFC). These Medicaid waivers enable eligible individuals to "age-in-place" rather than in a nursing facility and have served over 400 persons. At present, about 300 out of the 1,500 available slots are being utilized. (Budget Evaluation Data indicate that 540 persons will be served in FY 2000.)

County Offices on Aging Programs. Using federal Older Americans' Act and Social Services Block Grant funds and State funds, counties offer and provide various home care services. Budget Evaluation Data indicate that in FY 2000, the elderly will be provided with 484,000 units of housekeeping and chore services, 553,000 units of personal care services and other services intended to maintain the elderly in the community.

Medicaid Home Health and Personal Care Services. In FY 2000, the Medicaid program is expected to provide over \$260 million in these services, primarily to the elderly and disabled.

Pre-Admission Screening. Established in 1989, virtually all persons entering a nursing home are screened as to their need for nursing home placement. If nursing home placement is not warranted, community alternatives are pursued.

ANALYSIS

New Elder Care Programs

There already exist a number of programs that are similar to those proposed by the ElderCare Initiative. Expanding existing programs would be more cost effective than creating new programs with their inherent start-up problems and high administrative costs:

- The number of persons served by **CCPED** could be increased from the current 3,000 and the services provided could be enhanced (subject to federal approval).
- The existing **Home Care Expansion** program could reopen enrollment.

Background Paper: ElderCare Initiatives (Cont'd)

- The department can attempt to fill the nearly 1,200 unused **AL/AFC** slots.
- Additional funding could be provided to the county offices on aging to increase the number of elderly served or increase the services provided.

Budget Language

Proposed budget language permits the unlimited transfer of up to \$10.3 million in ElderCare Initiatives funds into Direct State Services administrative accounts without formal legislative approval. The Legislature may wish to modify this language to:

- Require Legislative approval of transfers to administrative accounts; or
- Limit the percentage (or dollar amount) of funds that can be transferred to administrative accounts without legislative approval.

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Individuals wishing information and committee schedules on the FY 2000 budget are encouraged to contact:

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