

ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2000 - 2001 BUDGET



DEPARTMENT OF HEALTH AND SENIOR
SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

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NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-10; C-17 to C-18; c-23 to C-24;
C-27; D-167 to D-197; G-3; H-2;
H-8; and H-12.

Fiscal Summary (\$000)

	Expended FY 1999	Adjusted Appropriation FY 2000	Recommended FY 2001	Percent Change 2000-01
State Budgeted	\$1,134,686	\$1,261,906	\$1,063,363	(15.7)%
Federal Funds	925,976	1,000,383	1,293,279	29.3%
<u>Other</u>	<u>72,313</u>	<u>102,872</u>	<u>99,388</u>	<u>(3.4)%</u>
Grand Total	\$2,132,975	\$2,365,161	\$2,456,030	3.8%

Personnel Summary - Positions By Funding Source

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change 2000-01
State	691	716	761	6.3%
Federal	798	804	854	6.2%
<u>Other*</u>	<u>260</u>	<u>283</u>	<u>298</u>	<u>5.3%</u>
Total Positions	1,749	1,803	1,913	6.1%

FY 1999 and revised FY 2000 personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded.

*Excludes positions funded through 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, nonprofit 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 and operates the Office of Minority Health.
- **Senior Services** administers various Medicaid programs related to nursing homes and long term care alternatives, the Pharmaceutical Assistance to the Aged and Disabled, 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

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Services Workers

Included within the recommended **Grants-In-Aid** and **State Aid** appropriations is \$4.7 million for a Cost of Living Adjustment (COLA) to provider agencies, and \$6.4 million for a Salary Supplement for Direct Services Workers to direct care employees of provider agencies:

	COLA	SALARY SUPPLEMENT	TOTAL
Family Health Services	\$914,000	\$1,607,000	\$2,521,000
Public Health Protection...	\$273,000	\$262,000	\$535,000
Addiction Services	\$1,588,000	\$1,516,000	\$3,104,000
AIDS Services	\$862,000	\$1,614,000	\$2,476,000
HEALTH SERVICES TOTAL	\$3,637,000	\$4,999,000	\$8,636,000
SENIOR SERVICES TOTAL	\$1,026,000	\$1,428,000	\$2,454,000
DEPARTMENT TOTAL	\$4,663,000	\$6,427,000	\$11,090,000

Pursuant to proposed budget language on p. D-197 the funds provided for COLA and Salary Supplement are intended to provide direct care employees with a minimum 3.6 percent salary adjustment. Any remaining COLA funds, after direct care employees receive their minimum salary adjustment, may be used for other agency operating expenses, including providing salary increases to non-direct care employees.

Elimination of Legislative Grants

The following Legislative grants, valued at \$8.5 million, are not continued in FY 2001:

Health Services: Angel Connection - \$50,000; Epiphany House - \$50,000; Atlantic Prevention Resources - \$25,000; AWARE Program, Monmouth Medical Center - \$100,000; Good New Home for Women - \$75,000; Sunrise House In-Patient Adolescent Substance Abuse Treatment - \$25,000; Rapt Foundation, Inc. - \$65,000; Freedom House, Glen Gardner - \$400,000; "To Your Health" Program - \$75,000; Children's Hospital of New Jersey - Pediatric Mobile Van - \$100,000; St. Clare's Health Services - Homeless Health Outreach Program - \$89,000; Jersey City Women, Infants and Children Program - \$120,000; Sexual Assault Nurse Examiner Program, Monmouth

Key Points (Cont'd)

County - \$90,000; Meridian Health System - Pediatric Asthma Education and Resource Center - \$100,000; Camden Optometric Eye Center - \$150,000; Family Health Center at Monmouth Medical Center, Long Branch - \$100,000; Maternity and Child Health Center at St. Clare's Hospital, Denville - \$100,000; Jersey City Medical Center - Pediatric Services - \$998,000; St. Peter's Hospital Community Health Unit - \$145,000; Tourette Syndrome Association of New Jersey - \$133,000; Karen Ann Quinlan Center of Hope Hospice - \$50,000; Early Intervention Program of Monmouth and Ocean Counties - Emergency Funding - \$75,000); Child Federation of Atlantic County - \$25,000; Parenting Resources Education Network of Southern New Jersey - \$25,000; New Jersey Institute for Parent Education, Inc. - \$40,000; Birth Haven Inc, Newton - \$50,000; Mary's Manor - \$25,000; Best Friends Foundation - \$50,000; Center for Hope Hospice, Union County - \$350,000; Cancer Awareness, Education and Research Program - \$600,000; National Council on Alcohol Dependency - \$450,000; and Daytop - NJ: Female Adolescent Substance Abuse Program - \$400,000.

Health Planning and Evaluation: Southern New Jersey Emergency Medicine Center, Cooper Health System - \$1.0 million; Pediatric Trauma Education Program, Cooper Health System - \$1.0 million; Family Medicine/Preventive Medicine Center, Cooper Health System - \$1.0 million; and Kimball Medical Center's Neighborhood Health Center - \$200,000.

Senior Services: Adult Day Health Center, St. Barnabus Medical Center - \$100,000; Interfaith Caregivers, Inc. of Burlington County - \$37,000; and American Red Cross, Union County and Plainsboro Chapter - \$50,000.

Proposed Budget Language Concerning Debt Service - General Fund Provisions

Proposed budget language, p. F-2, would appropriate up to \$8.0 million, subject to various conditions, "to meet outstanding debt service payments on bonds issued for capital construction completed before July 1, 1999 for hospitals that cease acute care operations after July 1, 2000...."

HEALTH SERVICES

! **Direct State Services.** Recommended appropriations increase 22.9 percent, from \$49.1 million to \$60.4 million. The following programs are funded at FY 2000 levels:

Vital Statistics - \$1.4 million.

Public Health Protection Services - \$14.2 million.

Laboratory Services - \$4.6 million.

AIDS Services - \$2.8 million.

Family Health Services. Funding decreases 2.9 percent, from \$7.0 million to \$6.8 million because the Special Purpose appropriation, Service Recognition Program for EMT Volunteers (\$25,000), is eliminated and funding for the Special Purpose appropriation, First Response EMT Cardiac Training Program (to train and provide EMTs with defibrillators), is reduced from \$500,000 to \$125,000. However, proposed budget language on p. D-180 would appropriate \$2.0 million from the Emergency Medical Technician Training Fund to purchase defibrillators.

Offsetting these reductions, a new recommended \$200,000 Special Purpose appropriation for the New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment.

Addiction Services. Funding would increase 59.4 percent, from \$19.2 million to \$30.7

Key Points (Cont'd)

million. Additional funds are provided for the following Special Purpose programs: Youth Anti-Tobacco Awareness Media Campaign - \$1.0 million; Smoking Cessation Programs for Addicted Adults and Youth - \$3.4 million; Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs - \$1.3 million; School Based Programs for the Prevention of Tobacco Use - \$1.4 million; and Community Based Tobacco Control Programs - \$4.3 million. (These Special Purpose programs would be funded from the Tobacco Settlement Funds.)

- ! **Grants-In-Aid.** Recommended appropriations increase 2.5 percent, from \$54.7 million to \$56.0 million.
- ! **State Aid.** Recommended appropriations increase 1.6 percent, from \$26.4 million to \$26.9 million. FY 2000 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, is not continued, saving \$65,000.
- ! **Capital Construction.** Approximately \$1.7 million is recommended for the following: Laboratory Equipment - \$0.7 million; a New State Health Laboratory - \$0.8 million; and Clinical Laboratory Services, Automation - \$0.2 million.
- ! **Casino Revenue Funds.** Funding of \$500,000 is unchanged from FY 2000 levels and is used for the Statewide Birth Defects Registry.
- ! **Federal Funds.** A 1.8 percent increase, from \$282.8 million to \$287.8 million, is anticipated. The following programs have a significant decrease or increase:
 - **Public Health Protection Services**, a 13.1 percent decrease, from \$28.4 million to \$24.6 million.
 - **Addiction Services**, a 6.8 percent decrease, from \$54.2 million to \$50.5 million.
 - **AIDS Services**, a 13.2 percent increase, from \$64.1 million to \$72.6 million.
- ! **Other Funds** are expected to decrease by about 6.0 percent, from \$40.5 million to \$38.1 million. Reductions are anticipated in the **Public Health Protection, Addiction Services and AIDS Services** programs.

HEALTH PLANNING AND EVALUATION

- ! **Direct State Services.** Funding of \$6.4 million is unchanged from FY 2000 levels.
- ! **Grants-In-Aid.** Recommended appropriations decrease 22.1 percent, from \$102.9 million to \$80.1million.

Health Care Subsidy Fund Payments. Funding decreases 34.8 percent, from \$99.7 million to \$65.0 million, as \$32.8 million is transferred to a newly established Hospital Relief Offset Payment account within the Department of Human Services' Medicaid accounts. (Tobacco Settlement Funds of \$68.5 million will be used to offset General Fund contributions to the Health Care Subsidy Fund.) Of the \$65.0 million recommended for Charity Care, \$6.0 million will come from the \$10.00 Admission Charge Hospital Assessment account. (While

Key Points (Cont'd)

Charity Care funds are being shifted around among various accounts, it is intended that the overall amount of Charity Care being distributed would remain unchanged.)

Minimum Charity Care. This new \$15.1 million account would provide assistance to hospitals that do not receive Charity Care payments. Information provided by the department indicates that 41 hospitals will receive payments under the program pursuant to the formula specified on p. D-185. (Funding for this program would come from the Tobacco Settlement Fund.)

- ! **Federal Funds.** Funding increases 214.5 percent, from \$8.3 million to \$26.2 million, and primarily represents federal reimbursement for Minimum Charity Care.
- ! **Other Funds.** Funding decreases 1.6 percent, from \$49.3 million to \$48.5 million. Most of the **Other Funds** are from the 0.53 percent assessment imposed on hospitals (capped at \$40 million); these monies support such projects as Expansion of Medicaid - Pregnant Women and Children and the Infant Mortality Reduction Program.

HEALTH ADMINISTRATION

- ! **Direct State Services.** Recommended appropriations increase 16.2 percent, from \$2.6 million to \$3.0 million, as additional funds are provided for Services Other Than Personal.
- ! **Capital Construction.** Recommended funding of \$3.0 million is provided for: Information Processing Network - Infrastructure Upgrade - \$665,000; and "E" Public Health (to improve the department's technological infrastructure) - \$2.3 million. (Pursuant to budget language on p. D-187, up to \$4.6 million in additional funds may be appropriated for "E" Public Health.)
- ! **Federal Funds.** Recommended appropriations are unchanged at approximately \$0.5 million.
- ! **Other Funds.** Recommended appropriations decrease 12.3 percent, from \$2.4 million to \$2.1 million, as less indirect cost recoveries are allocated back to the department.

SENIOR SERVICES

- ! **Direct State Services.** Funding of \$15.8 million is virtually unchanged from FY 2000 adjusted levels. The following programs are funded at FY 2000 levels:

Pharmaceutical Assistance to the Aged and Disabled - \$6.7 million.

Lifeline - \$14.2 million.

Office of the Ombudsman - \$0.6 million.

Office of the Public Guardian - \$0.7 million.

Medical Services for the Aged. Funding decreases 1.1 percent, to less than \$4.7 million, due to a reduction in the Personal Services account.

Programs for the Aged. Funding increases 12.4 percent, from about \$1.0 million to over \$1.1 million, and is related to a \$170,000 Special Purpose appropriation for the Arthritis Quality of Life Initiative Act, P.L.1999, c.72.

Key Points (Cont'd)

- ! **Grants-In-Aid.** Recommended appropriations decrease 28.1 percent, from \$726.5 million to \$522.5 million. The reduction assumes \$250 million in additional federal Nursing Homes reimbursement through a mechanism known as Intergovernmental Transfer. Though limited information is available regarding the Intergovernmental Transfer, the Intergovernmental Transfer involves certain county operated nursing homes being reimbursed at the higher Medicare rate for nursing home services provided at county and non-governmental facilities with the State retaining the difference between the Medicare and Medicaid rate. The counties that are involved in the Intergovernmental Transfer would receive certain financial benefits in return for their assistance.

Recommended increases include:

Medical Day Care Services. Due to an increase in the number of persons receiving services, costs are expected to increase 13.3 percent, from \$21.8 million to \$24.7 million.

ElderCare Initiatives. Second year costs of this new program which support the CareGiver Assistance Program (\$5.4 million), Jersey Assistance for Community Caregivers (\$5.9 million), NJEASE Home Care (\$5.2 million), Community Choice Counseling Program/Universal Screening Program (\$2.2 million) and Family Caregivers (Respite) (\$1.2 million) programs are projected to increase 92.3 percent, from \$10.3 million to \$19.9 million. (These programs are funded from the Tobacco Settlement Fund.)

Pharmaceutical Assistance to the Aged and Disabled - Claims (PAAD). Higher drug costs and increased utilization increase costs 53.5 percent, from \$54.5 million to \$83.6 million. The **General Fund** will assume \$49.5 million in **Casino Revenue Fund** costs related to the disabled as insufficient **Casino Revenue Funds** are available to support expenditures. (Approximately \$70 million in Tobacco Settlement Funds will be used for PAAD expenditures.)

In total, the PAAD programs will provide benefits to about 179,900 persons (155,800 elderly and 24,100 disabled) at an average cost per prescription of over \$58.40.

Proposed language on p. D-195 would require pharmacies to submit a provider enrollment application to the Medicare program by September 1, 2000 in order to participate in the PAAD program. The State, not pharmacies, would be responsible for obtaining Medicare reimbursement; \$4.0 million is expected to be realized by billing Medicare for eligible drugs.

Arthritis Quality of Life Initiative Act. Continuation funding of \$0.5 million is provided for two regional pilot centers (Atlantic Health System Hospital Corp. and VituaHealth/West Jersey Health System) established pursuant to P.L. 1999, c.72.

ElderCare Advisory Commission Initiatives. New funding of \$3.5 million is proposed for: Meals on Wheels (\$1.0 million), Congregate Housing (\$1.0 million), Elder Abuse programs (\$1.0 million) and NJ Ease Care Management (\$0.5 million). (These programs are funded from the Tobacco Settlement Fund.)

The most significant proposed reduction involves the Payments for Medical Assistance Recipients - Nursing Homes account. State appropriations are reduced 44.8 percent, from \$560.4 million to \$309.4 million, while an additional \$250 million in federal funds is to be realized through a mechanism known as Intergovernmental Transfer (previously

Key Points (Cont'd)

discussed).

Nursing home reimbursement increases 2.5 percent, to \$101 per day, and approximately 12.1 patient days of nursing services will be provided. Various changes to the nursing home rate setting process are expected to save \$19.8 million.

- ! **State Aid.** Funding increases 18.1 percent, from \$4.3 million to \$5.1 million. Continuation funding is provided for the County Offices on Aging (\$1.2 million) and the Older Americans Act - State Share (\$3.1 million).
- ! **Casino Revenue Fund.** Recommended appropriations increase 4.0 percent, from \$271.2 million to \$282.0 million. An additional \$11.1 million is allocated for PAAD costs resulting from higher drug costs and increased utilization.
- ! **Federal Funds.** A 38.1 percent increase is anticipated, from \$708.8 million to \$978.9 million. Most of the increase is related to an increase in Medicaid Nursing Home reimbursement as a result of the aforementioned Intergovernmental Transfer.
- ! **Other Funds.** A 7.5 percent increase is anticipated, from \$530,000 to \$570,000. The increase occurs in the **Office of the Public Guardian**.

BACKGROUND PAPERS:

Middle School Survey on Substance Abuse..... p. 46

New State Health Laboratory..... p. 48

"E" Public Health..... p. 49

Supplemental Charity Care Distribution..... p. 51

A Summary of Nursing Home Reimbursement Changes - FY 1992 to FY 2000..... p. 53

The Intergovernmental Transfer..... p. 55

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.**

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Services Workers

The **Grants-In-Aid** and **State Aid** accounts of the various programs include \$4.7 million for a Cost of Living Adjustment and \$6.4 million Salary Supplement for Direct Services Workers. A **listing** of the amounts and a discussion as to how these funds are to be used is provided on p. 2 of the **Key Points** section of this analysis.

Legislative Grants

The **Grants-In-Aid** accounts of the various programs eliminate about \$8.5 million in Legislative grants. A **listing** is provided on pp. 2-3 of the **Key Points** section of this analysis.

Proposed Budget Language Concerning Debt Service - General Fund Provisions

Proposed budget language, p. F-2, would appropriate up to \$8.0 million, subject to various conditions, "to meet outstanding debt service payments on bonds issued for capital construction completed before July 1, 1999 for hospitals that cease acute care operations after July 1, 2000...."

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 2001, the program will process 109,000 searches and issue 69,000 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 2001, the program will provide health services grants to 225 agencies. These programs will provide services to 32,000 physically disabled children; serve 9,000 infants through early intervention programs; screen 110,000 newborns for various disorders; provide family planning services to 101,000 women; screen 100,000 children for lead poisoning; and serve nearly 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

Program Description and Overview (Cont'd)

Community Right to Know and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 2001, the program will register 77,000 reports of new cancer cases and 635 cases of TB; treat 2,900 cases of syphilis and gonorrhea; respond to 4,100 telephone calls on environmental health issues; register 460,000 dogs; investigate 90 communicable disease outbreaks; conduct over 250 complaint/inspections under PEOSHA; 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 2001, 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.

In FY 2001, the program will analyze 203,000 bacteriology specimens; conduct 135,000 metabolism tests; examine 11,000 blood lead samples; inspect 480 clinical laboratories; and license 185 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 2001, the program anticipates it will test and counsel 66,800 clients; provide early intervention services to 12,500 clients and provide medications to 4,200 clients through the AIDS Drug Distribution Program.

As of December 1999:

- The State had over 39,400 reported AIDS cases. Essex (11,800), Hudson (6,050), Passaic (3,350), Union (2,950), Middlesex (2,250), Monmouth (1,900) and Bergen (1,700) 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 over 1,500 cases of pediatric AIDS (under 13 years of age), the fourth 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. Due to new drug therapies, there has been a reduction in the number of deaths to about 1,000 in 1998.

The recommended FY 2001 General Fund appropriation for **Health Services** is summarized on the next page.

Program Description and Overview (Cont'd)

	Adj. Appr. FY 2000	Recom. FY 2001	Percent Change 2000-01
TOTAL (\$000)	\$132,235	\$145,394	9.8%
Direct State Services:	<u>\$49,139</u>	<u>\$60,377</u>	<u>22.9 %</u>
Vital Statistics	\$1,409	\$1,409	--
Family Health Services	6,981	6,781	(2.9)%
Public Health...	14,150	14,150	--
Addiction Services	19,249	30,687	59.4%
Laboratory Services	4,597	4,597	--
AIDS Services	2,753	2,753	--
Grants-In-Aid:	<u>\$54,654</u>	<u>\$56,003</u>	<u>2.5%</u>
Family Health Services	13,641	\$11,710	(14.2)%
Public Health...	2,169	2,368	9.2%
Addiction Services	24,412	25,510	4.5%
AIDS Services	14,432	16,415	13.7%
State Aid:	<u>\$26,434</u>	<u>\$26,854</u>	<u>1.6%</u>
Family Health Services	\$22,269	\$22,754	2.2%
Public Health...	4,165	4,100	(1.6)%
Capital Construction:	<u>\$1,508</u>	<u>\$1,660</u>	<u>10.1%</u>
Laboratory Services	\$1,508	\$1,660	10.1%
Casino Revenue Fund:	<u>\$500</u>	<u>\$500</u>	<u>--</u>
Family Health Services	\$500	\$500	--

Vital Statistics

Direct State Services. Recommended funding of \$1.4 million is unchanged from FY 2000 levels and provides \$250,000 for the Electronic Death Certificate program.

Federal Funds for Vital Statistics increase from \$740,000 to \$850,000.

Family Health Services

Direct State Services. Recommended appropriations would decrease 2.9 percent, from \$7.0 million to \$6.8 million as follows:

- A one-time \$25,000 Special Purpose appropriation, Service Recognition Program for EMT Volunteers (for an awards banquet to acknowledge the services of volunteers) is eliminated.
- The Special Purpose appropriation, First Response EMT Cardiac Training Program (to promote early defibrillation and to provide each EMT agency with a semi-automatic defibrillator) is reduced from \$500,000 to \$125,000. Proposed budget language on p. D-180 offsets this reduction by appropriating \$2.0 million from the Emergency Medical Technician Training Fund to purchase defibrillators.

Grants-In-Aid funding would decrease 14.2 percent, from \$13.6 million to \$11.7 million and provides for a COLA/salary adjustment and the elimination of Legislative grants. (See pp. 2-3 of the **Key Points**.)

Program Description and Overview (Cont'd)

State Aid of \$22.8 million represents a 2.2 percent increase from FY 2000 levels.

Funding for the Early Childhood Intervention Program is unchanged at \$22.3 million and, when combined with approximately \$13.0 million in various federal and Medicaid funds, will serve 9,000 infants and children up to the age of three. In addition, proposed budget language on p. D-181 appropriates an unspecified amount from the General Fund "to cover additional costs of the program to maintain federal compliance."

Casino Revenue Funds. Recommended funding is unchanged at \$500,000 for the Statewide Birth Defects Registry grant.

Federal Funds. A 3.0 percent increase is anticipated, from \$133.7 million to \$137.7 million. The increase is primarily in the Supplemental Food Program - W.I.C. program where a \$4.0 million increase, from \$86.0 million to \$90.0 million, is anticipated. Various other federal grant programs experience either small increases or reductions in the amount of funds expected; many of the increases/reductions are in one-time grant programs.

In FY 2001, the following amounts of federal funds are anticipated for these programs: Preventive Health and Health Services Block Grant (\$2.4 million); Early Intervention Program for Medicaid Recipients (\$11.0 million); Family Planning Program - Title X (\$3.5 million); Maternal and Child Health Block Grant (\$12.7 million); Childhood Lead Poisoning (\$1.0 million); Social Services Block Grant - Family Planning (\$1.9 million); Pediatric AIDS Health Care Demonstration Project (\$2.5 million); Comprehensive Breast and Cervical Cancer (\$3.2 million) and Early Intervention Program for Medicaid Recipients (\$2.0 million).

Other Funds of \$27.7 million are anticipated, unchanged from FY 2000 levels. Funding is provided for: WIC Rebates (\$24.0 million); the New Jersey Emergency Medical Service Helicopter Response Program (\$1.9 million) and the Emergency Medical Technician Training Fund (\$1.8 million).

Public Health Protection Services

Direct State Services. Recommended appropriations of \$14.2 million are unchanged from FY 2000 levels. Pursuant to proposed budget language on p. D-180, an additional \$1.3 million is appropriated from the Worker and Community Right to Know Fund.

Grants-In-Aid funding is increased 9.2 percent, from \$2.2 million to \$2.4 million and provides funds for a COLA/salary adjustment and the elimination of Legislative grants. (See pp. 2-3 of the **Key Points**.)

State Aid. Public Health Priority Funding is reduced by \$65,000, to \$4.1 million. The 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 2001 recommended budget, funding is reduced.

Per capita funding remains unchanged at \$0.40.

A 13.1 percent reduction in **Federal Funds** is anticipated, from \$28.4 million to \$24.6 million. Funding is reduced for the following programs: Federal Lead Abatement Program - \$300,000; Preparedness and Response for Bioterrorism - \$350,000; HIV-AIDS Prevention Project -

Program Description and Overview (Cont'd)

\$240,000; Tuberculosis Control Program - \$900,000; Toxic Substances Control Act - \$100,000; and Venereal Disease Project - \$200,000; and Intervention Effectiveness in Small Business - \$200,000.

Other Funds are anticipated to be reduced 29.0 percent, from \$2.3 million to \$1.6 million. Various restricted grants are reduced, the largest being a nearly \$500,000 grant related to a Epidemiology of Mid-Gastrointestinal Tract Cancers study.

Addiction Services

Direct State Services. Recommended appropriations increase 59.4 percent, from \$19.2 million to \$30.7 million. Funding for various tobacco related Special Purpose programs initiated in FY 2000 are increased:

- Youth Anti-Tobacco Awareness Media Campaign (to create an anti-smoking media campaign targeted at children and young adults) - from \$7.3 million to \$8.3 million.
- 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) - from \$2.6 million to \$6.0 million.
- Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs - from \$1.7 million to \$3.0 million.
- School Based Programs for the Prevention of Tobacco Use (to teach youth skills to resist or successfully stop smoking) - from \$2.2 million to \$3.6 million.
- Community Based Tobacco Control Programs (to alter the way tobacco is promoted, sold and used) - \$4.8 to \$9.1 million.

Tobacco Settlement Funds are used to support the above programs.

Grants-In-Aid funding increases 4.5 percent, from \$24.4 million to \$25.5 million and provides funds for a COLA/salary adjustment and the elimination of Legislative grants. (See pp. 2-3 of the **Key Points**.)

Federal Funds decrease 6.8 percent, from \$54.2 million to \$50.5 million. Various federal grants, many of a one-time nature, are reduced or discontinued such as: State Treatment Performance Outcomes Study (\$300,000); NJ Targeted Seabrook Capacity Expansion Project (\$600,000); Target Capacity Expansion (\$500,000); Implementation of Uniform Substance Abuse Data Collection System (\$100,000); Substance Abuse Block Grant (\$750,000); Demand and Needs Assessment for Alcohol and Drug Abusers (\$100,000); and American Stop Smoking Intervention Study (\$100,000).

Other Funds are expected to decrease 11.4 percent, from \$3.4 million to \$3.0 million. Funding from the Drug Enforcement Demand Reduction Fund is reduced by \$700,000. Offsetting this reduction, Retail Tobacco Licenses - Vendor Compliance program funding is increased from \$750,000 to about \$1.1 million. Alcohol Education Rehabilitation and Enforcement Fund (\$1.9 million) is unchanged from FY 2000 levels.

Program Description and Overview (Cont'd)

Laboratory Services

Direct State Services funding of \$4.6 million is recommended, unchanged from FY 2000 levels.

Capital Construction funding of \$1.7 million is recommended. These funds would be used as follows:

- Laboratory Equipment - \$720,000.
- Clinical Laboratory Services - Automation - \$190,000.
- New State Health Laboratory (to determine the location of and the specifications for a new facility) - \$750,000.

Federal Funds are expected to be reduced 7.7 percent, from approximately \$1.7 million to \$1.6 million, as less Clinical Laboratory Improvement Amendments Program funds are anticipated.

Other Funds are expected to be reduced 11.1 percent, from approximately \$450,000 to \$400,000, as less Clinical Laboratory Improvement Service revenues are anticipated.

AIDS Services

Direct State Services recommended appropriations of \$2.8 million are unchanged from FY 2000 levels.

Grants-In-Aid funding increases 13.7 percent, from \$14.4 million to \$16.4 million and provides funds for a COLA/salary adjustment and the elimination of Legislative grants. (See pp. 2-3 of the **Key Points**.)

Federal Funds. A 15.9 percent increase, from \$64.1 million to \$72.6 million, is anticipated. Comprehensive AIDS Resources Grant funding is expected to increase from \$43.0 million to \$48.0 million. Various other federal grants anticipate additional funds: Housing Opportunities for Persons with Aids - \$100,000; HIV/AIDS Surveillance Grant - \$1.1 million; and HIV/AIDS Prevention and Education Grant - \$2.2 million.

Other Funds. A 20.1 percent reduction is anticipated, from \$6.8 million to \$5.4 million, as Title I Ryan White CARE geographic areas such as Bergen/Passaic, Newark, Middlesex, Cumberland, Hudson, and Union are not expected to provide funds for costs associated with the AIDS Drug Distribution Program.

HEALTH PLANNING AND EVALUATION

Health Planning and Evaluation consists of two programs:

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

Program Description and Overview (Cont'd)

In FY 2001, **Long Term Care Systems Development and Quality Assurance** will issue 730 licenses for nearly 69,400 beds; conduct 3,200 inspections and initiate 390 administrative actions/penalties against 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.

During FY 2001, **Health Care Systems Analysis** will process over 100 certificate of need and will process 10,000 complaints against health maintenance organizations (HMOs).

The recommended FY 2001 General Fund appropriation for **Health Planning and Evaluation** is summarized as follows:

	Adj. Appro. FY 2000	Recom. FY 2001	Percent Change 2000-01
TOTAL (\$000)	\$109,325	\$86,561	(20.8)%
Direct State Services:	\$6,425	\$6,425	%
Long Term Care Systems..	\$4,412	\$4,412	--
Health Care Systems...	2,013	2,013	--
Grants-In-Aid:	\$102,900	\$80,136	(22.1)%
Health Care Systems...	\$102,900	\$80,136	(22.1)%

Long Term Care Systems Development and Quality Assurance

Direct State Services appropriations of \$4.4 million are unchanged from FY 2000 levels and provides continuation funding for a Resident Satisfaction System - Health Information Network (\$155,000) and Nursing Home Background Checks/Nursing Aide Certification Program (\$900,000).

Federal Funds. Funding increases 41.9 percent, from \$7.1 million to \$10.0 million. The increase is related to approximately \$3.3 million expected for Medicare/Medicaid Inspections of Nursing Facilities.

Other Funds. Funding decreases 11.6 percent, from about \$400,000 to about \$350,000 due to a reduction in fines collected in the Health Care Quality Monitoring Fund.

Health Care Systems Analysis

Direct State Services. Appropriations of approximately \$2.0 million are unchanged from FY 2000 adjusted levels.

Grants-In-Aid. Appropriations decrease 22.1 percent, from \$102.9 million to \$80.1 million, as follows:

- Health Care Subsidy Fund Payments decrease 34.8 percent, from \$99.7 million to \$65.0 million. The reduction offsets a new \$32.8 million appropriation in the Department of Human Services' Medicaid budget for Hospital Relief Offset Payment. The shift is being done to draw down federal Medicaid reimbursements as the State is close to the \$1.03

Program Description and Overview (Cont'd)

billion maximum amount it can claim in disproportionate share revenues.

Of the \$65.0 million recommended appropriation, \$6.0 million will come from the \$10.00 per adjusted admission imposed on hospitals through the Admission Charge Hospital Assessment revenues pursuant to budget language on p. D-185.

- A new \$15.1 million appropriation is recommended for Supplemental Charity Care to be distributed according to a formula specified on p. D-185. The basic intent of the program is to provide some charity care reimbursement to hospitals that do not currently receive charity care. A listing of those hospitals that are eligible to receive monies and the amount of funds they may receive can be found in a Background Paper on p. 51.

Federal Funds increase from \$1.3 million to \$16.1 million. The increase is related to \$15.1 million for the new Supplemental Charity Care program.

Other Funds. These monies primarily represent revenues generated from: (a) Admission Charge Hospital Assessment, a \$10.00 per adjusted admission fee imposed on hospitals and (b) Health Care Cost Reduction Fund, a 0.53 percent assessment on hospital revenues (capped at \$40.0 million); and (c) Certificate of Need fees. These monies are used to support departmental administrative operations and various program expenditures.

Recommended FY 2001 appropriations decrease 1.5 percent, from \$48.9 million to \$48.2 million. However, as unexpended FY 2000 balances are retained by the various programs, the reduction should have no impact on programs. (In FY 1999, total unexpended balances were \$28.9 million.)

The following programs are supported by **Other Funds**:

- Certificate of Need Program - \$1.0 million. (Personal Services expenditures of over \$700,000 account for most of the program expenditures.)
- Managed Care Initiatives (\$2.3 million) and Health Facilities Licensing and Inspections (\$3.3 million). (Funded from the 0.53 percent hospital assessment.) In addition, these accounts retain unexpended FY 2000 funds; in FY 1999, over \$2.8 million was unexpended.
- 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 - \$14.9 million. (Funded from the 0.53 percent hospital assessment.) Programs funded include: Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; Emergency Medical Services for Children Program; Implementation of Statewide Information Network. Once these and other programs are funded, the commissioner has discretion as to the amount of funds allocated for Competitive Initiatives and Federally Qualified Health Centers.)
- Health Care Planning - \$7.2 million (funded from the \$10.00 per adjusted admission fee imposed on hospitals). In addition, this program retains any unexpended FY 2000 funds and in FY 1999, nearly \$5.6 million in funds was unexpended. Pursuant to proposed budget

Program Description and Overview (Cont'd)

language on p. D-197, the first \$1.2 million in revenues generated by the admission fee is deposited into the **General Fund** for "health related purposes".

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 increases 16.2 percent, from \$2.6 million to \$3.0 million. Approximately \$0.5 million in additional funds are recommended for the Services Other Than Personal accounts.

Capital Construction. Approximately \$3.0 million is recommended to be used as follows:

- Information Processing Network - Infrastructure Upgrade to replace network wiring and equipment at five locations - \$665,000.
- "E" Public Health is "a multi-year initiative...[to] help build the Department's technological infrastructure in order to improve data collection, analysis, and information exchange" - \$2.3 million. In addition, proposed budget language on p. D-187 would appropriate up to \$4.6 million for the project. Thus, up to \$6.9 million would be available for this program. Among the projects to be initiated are:

Monitoring infectious diseases;
Developing a long distance learning system to improve the public health workforce;
Monitoring of quality of care in hospital settings;
Alerting hospitals to emerging diseases and outbreaks;
Creating a hospital outcomes performance report;
Improving the evaluations and frequency of the Nursing Home Report Card; and
Linking existing health databases.

Federal Funds. Appropriations of \$460,000 are unchanged from FY 2000 levels.

Other Funds. These monies represent indirect cost recoveries that are returned to the department and are used for administrative operations. Approximately \$2.1 million is anticipated, a 12.3 percent reduction from the \$2.4 million allocated in FY 2000. These monies will support about 70 positions.

SENIOR SERVICES

Senior Services consists of 6 programs:

Medical Services for the Aged administers various Medicaid services involving long term care and long term care alternatives. In FY 2001, 12.1 million nursing home days will be provided to Medicaid clients and 6,000 clients will be served in various community settings.

Pharmaceutical Assistance to the Aged and Disabled (PAAD) provides prescription drugs, and certain equipment used by diabetics, to qualified elderly and disabled persons whose incomes are less than \$18,587 (single) and \$22,791 (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

Program Description and Overview (Cont'd)

purchase of a hearing aid through the Hearing Aid Assistance to the Elderly and Disabled program. During FY2001, assistance will be provided to about 179,900 persons: 155,800 elderly and 24,100 disabled, at an approximate average cost per prescription drug of about \$58.40.

Lifeline provides eligible households with either a \$225 credit on their electric/gas bill or a \$225 check to offset their energy costs. Lifeline eligibility is similar to that of PAAD, although persons receiving federal SSI benefits and persons not eligible for PAAD benefits because of other prescription drug coverage may qualify for Lifeline benefits. In FY 2001, 154,100 households 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. Some of the programs funded programs are congregate and home delivered meals, personal care, legal services and case management.

During FY 2001, 2.3 million congregate meals will be served, 577,000 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 5,400 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 2001, over 5,200 on-site investigations will be conducted, over 3,500 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken and over 400 cases will be referred to enforcement authorities.

The **Office of the Public Guardian** provides guardianship services for elderly adults who have been deemed by the courts to be in need of a guardian or conservator. Among the services provided by the office are legal assistance, development of individualized social service plans and financial management of an elderly person's resources. During FY 2001, over 1,200 cases will be handled and the office will be appointed guardian by the courts in 150 cases.

The FY 2001 General Fund appropriation for **Senior Services** is summarized on the next page.

Medical Services for the Aged

Direct State Services. Appropriations of \$4.7 million is virtually unchanged from adjusted FY 2000 levels.

Grants-In-Aid. Appropriations would decrease 38.0 percent, from \$626.0 million to \$387.9 million. The reduction is due to an initiative referred to as Intergovernmental Transfer which would increase federal reimbursement for Nursing Home expenditures by about \$250 million. The Intergovernmental Transfer initiative enables the recommended State appropriation for Payments to Medical Assistance Recipients - Nursing Homes to be reduced 44.8 percent, from \$560.4 million to \$387.9 million. Available information is that under the Intergovernmental Transfer, certain county operated nursing homes would make a payment to the State which would then be returned to the counties; the State would then claim the payment as a Medicaid expense and would obtain 50 percent federal Medicaid reimbursement. The county expenditure would reflect payment for all nursing home patients at the higher Medicare nursing home rate. The State would retain the difference between the higher Medicare rate and the Medicaid rate. In return for assisting the State

Program Description and Overview (Cont'd)

in this financial transaction, the counties involved in the transaction - Bergen, Monmouth, Morris and Passaic - would receive certain financial benefits. Though the FY 2001 recommended budget reflects \$250 million in federal Medicaid revenues, as much as \$450 million in federal Medicaid reimbursement may be received in FY 2001; also, the State will submit a retroactive Intergovernmental Transfer claim which if approved by the federal government could result in additional federal reimbursements in FY 2000.

	Adj. Appro. FY 2000	Recom. FY 2001	Percent Change 2000-01
TOTAL (\$000)	\$1,017,750	\$825,427	(18.9)%
Direct State Services:	<u>\$15,760</u>	<u>\$15,833</u>	<u>0.5%</u>
Medical Services...Aged	\$4,715	\$4,665	(1.1)%
PAAD (Admin.)	6,724	6,724	--
Lifeline (Admin.)	1,994	1,994	--
Programs for the Aged	992	1,115	12.4%
Ombudsman	601	601	--
Public Guardian	734	734	--
Grants-In-Aid:	<u>\$726,513</u>	<u>\$522,537</u>	<u>(28.1)%</u>
Medical Services...Aged	\$626,021	\$387,861	(38.0)%
PAAD	54,464	83,582	53.5%
Lifeline	36,171	36,171	--
Programs for the Aged	9,857	14,923	51.4%
State Aid	<u>\$4,279</u>	<u>\$5,052</u>	<u>18.1%</u>
Programs for the Aged	\$4,279	\$5,052	18.1%
Casino Revenue Fund:	<u>\$271,198</u>	<u>\$282,005</u>	<u>4.0%</u>
Medical Services...Aged	\$4,246	\$3,946	(7.1)%
PAAD	218,811	229,918	5.1%
Lifeline	34,669	34,669	--
Programs for the Aged	13,472	13,472	--

In addition to the Intergovernmental Transfer initiative, \$19.8 million in other Nursing Home savings to be implemented through the regulatory process are assumed. These include: Eliminating a duplicate reimbursement for certain maintenance equipment - \$6.4 million; adding an inflation factor to the previous year's reimbursement rate rather than recalculating rates annually based on the previous year's cost - \$12.0 million; and additional FY 2000 savings related to modified reimbursement cost centers - \$1.4 million.

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

- Medical Day Care. Recommended appropriations increase 13.3 percent, from \$21.8 million to \$24.7 million, as more persons are utilizing this service.
- ElderCare Initiatives. Recommended appropriations increase 92.3 percent, from \$10.3 million to \$19.9 million. This would provide funds for the second year of a three-year Initiative that will cost \$60 million (\$36 million State/\$24 million federal) when completed. The ElderCare Initiative includes the following:

Program Description and Overview (Cont'd)

- CareGiver Assistance Program, to purchase at-home services and products to enable an elderly person to remain at home - \$5.4 million.
- Jersey Assistance for Community Caregivers, to provide outreach to non-Medicaid elderly to help them and their caregivers receive services - \$5.9 million.
- NJEASE Home Care, to provide elderly persons without family support to receive in-home services from home health and homemaker agencies - \$5.2 million.
- Community Choice Counseling Program, to determine whether existing nursing home residents need to be in a nursing home and explore alternative placements, and the Universal Screening Program, to provide every person who can enter a nursing home an opportunity to talk with a counselor to discuss options - \$2.2 million; and
- Family Caregivers services - \$1.2 million.

As these programs are in various stages of implementation, data are not available as to the number of persons being served by these programs. The budget estimates that by the end of FY 2001, over 2,200 persons will receive ElderCare Initiative services.

Federal Funds. A 39.6 percent increase is anticipated, from \$669.1 million to \$934.2 million. Most of the increase represents federal Medicaid reimbursement for ElderCare Initiatives services (\$14.6 million) and for nursing home services (\$249.2 million) due to the previously mentioned Intergovernmental Transfer initiative.

Casino Revenue Fund. Appropriations decrease 7.1 percent, from \$4.2 million to \$3.9 million. Home Care Expansion appropriations decrease 40.4 percent, from about \$750,000 to about \$450,000, as the program serves only those persons who were enrolled as of June 30, 1996. Appropriations for Hearing Aid Assistance for the Aged and Disabled (\$250,000) and Community Care Alternatives (\$3.3 million) are unchanged from FY 2000 levels.

PAAD

Direct State Services. Recommended appropriations of approximately \$6.7 million are unchanged from FY 2000 adjusted levels.

Grants-In-Aid. Total funding (**General and Casino Revenue Funds**) increases 14.7 percent, from \$273.3 million to \$313.5 million.

Average monthly enrollment is expected to decrease by 4.0 percent, from 187,400 to 179,800; and the average prescription drug cost is expected to increase by 11.8 percent, to over \$58.50.

The only new savings initiative being proposed is one requiring pharmacies to submit an application to the federal Medicare program to become a Medicare provider by September 1, 2000 in order to participate in PAAD. By becoming a Medicare provider, the State would be able to bill Medicare on behalf of PAAD recipients and obtain federal Medicare reimbursements. Pharmacies would not be responsible for billing Medicare. This is expected to generate about \$4.0 million in

Program Description and Overview (Cont'd)

Medicare reimbursements. This proposal is distinct from various federal legislative proposals which would have Medicare pay for prescription drugs to some extent.

Rebates from pharmaceutical manufacturers are expected to decrease 6.2 percent, from \$40.4 million to \$37.9 million. Recoveries, primarily from other drug insurance coverage, of \$10.9 million, are expected, unchanged from FY 2000 levels.

The **General Fund Grants-in-Aid** recommended would appropriation would increase 53.5 percent, from \$54.5 million to \$83.6 million. The **General Fund** in FY 2000 and FY 2001 will absorb \$20.0 million and \$49.5 million in expenditures, respectively, on behalf of the disabled due to insufficient Casino Revenue Funds.

Casino Revenue Fund. Recommended appropriations increase 5.1 percent, from \$218.8 million to \$229.9 million. (As previously noted, a portion of the program costs associated with the disabled is being absorbed by the **General Fund**.)

Lifeline

Direct State Services. Recommended appropriations of approximately \$2.0 million are unchanged from FY 2000 adjusted levels.

Grants-In-Aid. The recommended \$36.2 million appropriation for Payments for Tenants Assistance Rebates is unchanged from FY 2000 levels.

Casino Revenue Funds. The recommended \$34.7 million appropriation for lifeline Credits is unchanged from FY 2000 levels.

Programs for the Aged

Direct State Services. Recommended appropriations increase 12.4 percent, from approximately \$1.0 million to slightly more than \$1.1 million. The increase is related to a new \$170,000 Special Purpose appropriation related to the implementation of the Arthritis Quality of Life Initiative Act, P.L. 1999, c. 72.

Grants-In-Aid. Recommended appropriations increase 51.4 percent, from approximately \$9.9 million to \$14.9 million. New grant funding is recommended for:

- Arthritis Quality of Life Initiative Act to fund two regional pilot arthritis centers (Atlantic Health System Hospital Corp. and VituaHealth/West Jersey Health System) pursuant to P.L. 1999, c.72 - \$464,000.
- ElderCare Advisory Commission Initiatives - \$3.5 million.

The \$3.5 million would be used as follows:

- Meals on Wheels, to eliminate a 2,000 person waiting list - \$1.0 million.
- Congregate Housing Services, to serve an additional 733 low- and moderate-income seniors - \$1.0 million;

Program Description and Overview (Cont'd)

- Elder Abuse, to provide additional staff and services to deal with an increase in abuse reports - \$1.0 million; and
- NJ Ease Care Management Services, to provide counties with additional staff support - \$0.5 million.

Grant funding for Purchase of Social Services (\$7.8 million) and Alzheimer's Disease Program (\$0.7 million) and Adult Protective Services (\$0.8 million) is unchanged from FY 2000 levels.

State Aid. Recommended appropriations increase 18.1 percent. (See pp. 2-3 of the **Key Points**.) Continuation funding of \$3.1 million is recommended for the Older Americans Act State Share and for County Offices on Aging (\$1.2 million).

Casino Revenue Fund. Recommended appropriations of \$13.5 million are unchanged from FY 2000 levels. Continuation funding is provided for Demonstration Adult Day Care Center Program - Alzheimer's Disease (\$1.6 million); Adult Protective Services (\$1.7 million); Senior Citizen Housing - Safe Housing and Transportation (\$1.6 million); Respite Care for the Elderly (\$4.8 million); Congregate Housing Support Services (\$1.9 million); and Home Delivered Meals Expansion (approximately \$1.0 million).

Federal Funds. Approximately \$44.0 million is anticipated, a 12.2 percent increase over the \$39.2 million anticipated in FY 2000. The increase is in the Support Services - Older American Act Title III program where funding is expected to increase from \$10.0 million to nearly \$14.6 million.

Funding for the major programs is virtually unchanged from FY 2000 levels: USDA Older Americans Act - Title III programs (\$3.9 million); National Council on Aging - Senior Employment Services Project (\$3.0 million); and Social Services Block Grant - Senior Services (\$2.4 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 \$0.6 million and \$0.4 million (in Medicaid reimbursements), respectively, are unchanged from FY 2000 levels.

Office of the Public Guardian

Recommended **General Fund** appropriations of \$0.7 million are unchanged from FY 2000 levels. The Public Guardian expects to receive \$0.2 million in new federal Medicaid reimbursements. Also, a small increase in **Other Funds** of approximately \$0.4 million, is anticipated and is related to fees the office receives for its services.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (TOTAL)

	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001	Percent Change	
				1999-01	2000-01
General Fund					
Direct State Services	\$54,887	\$73,920	\$85,651	56.1%	15.9%
Grants - In - Aid	748,856	884,067	658,676	-12.0%	-25.5%
State Aid	25,448	30,713	31,906	25.4%	3.9%
Capital Construction	1,383	1,508	4,625	234.4%	206.7%
Debt Service				0.0%	0.0%
Sub-Total	\$830,574	\$990,208	\$780,858	-6.0%	-21.1%
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	\$304,112	\$271,698	\$282,505	-7.1%	4.0%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,134,686	\$1,261,906	\$1,063,363	-6.3%	-15.7%
Federal Funds	\$925,976	\$1,000,383	\$1,293,279	39.7%	29.3%
Other Funds (a)	\$72,313	\$102,872	\$99,388	37.4%	-3.4%
Grand Total	\$2,132,975	\$2,365,161	\$2,456,030	15.1%	3.8%

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 1999	Revised FY 2000	Funded FY 2001	Percent Change	
				1999-01	2000-01
State	691	716	761	10.1%	6.3%
Federal	798	804	854	7.0%	6.2%
All Other(b)	260	283	298	14.6%	5.3%
Total Positions	1,749	1,803	1,913	9.4%	6.1%

FY 1999 and revised FY 2000 personnel data reflect actual payroll counts. FY 2001 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	28.9%	29.4%	29.4%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Care Workers

The recommended **Grants-In-Aid** and **State Aid** appropriations include approximately \$4.7 million for a Cost of Living Adjustment to provider agencies and approximately \$6.4 million for a Salary Adjustment for Direct Services Workers to direct care employees. A listing of the amounts allocated to each program and how these funds are to be used may be found on p. 2 of the **Key Points** section.

Elimination of Legislative Grants

A listing of the Legislative grants, valued at \$8.5 million, that are not continued appears on pp. 2 - 3 pf the **Key Points** section.

HEALTH SERVICES

Family Health Services	\$6,981	\$6,781	(\$200)	(2.9)%	D-174; D-175
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The reduction is attributable to various changes in the Special Purpose accounts:

- Service Recognition Program for EMT Volunteers. A \$25,000 appropriation is not continued.
- First Response EMT Cardiac Training Program - to provide each EMT agency with a semi-automatic defibrillator. Though funding is reduced from \$500,000 to \$125,000, proposed budget language (p. D-180) would appropriate \$2.0 million from the Emergency Medical Technician Fund to purchase defibrillators.
- New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment. A new \$200,000 appropriation is recommended for this organization.

Addiction Services	\$19,249	\$30,687	\$11,438	59.4%	D-175
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Additional funds are recommended for the following Special Purpose appropriations:

- Youth Anti-Tobacco Awareness Media Campaign, to create an anti-smoking campaign targeted at children and young adults - \$1.0 million.
- 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 - \$3.4 million.
- Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs - \$1.3 million.
- School Based Programs for the Prevention of Tobacco Use, to teach youth skills to resist or successfully stop smoking - \$1.4 million.
- Community Based Tobacco Control Programs, to alter the way tobacco is promoted, sold

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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and used - \$4.3 million.

Public Health Priority Funding	\$4,165	\$4,100	(\$65)	(1.6)%	D-178
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The recommended FY 2001 budget omits 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 about \$65,000 would no longer qualify for assistance.

Capital Construction	\$1,508	\$1,660	\$152	10.1%	D-179
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The following Capital Construction projects would be funded:

- Laboratory Equipment - \$720,000.
- New State Health Laboratory location and design work -\$750,000.
- Clinical Laboratory Services - Automation - \$190,000).

HEALTH PLANNING AND EVALUATION

Health Care Subsidy Fund Payments (P.L. 1997, c.263)	\$99,700	\$65,020	(\$34,680)	(34.8)%	D-183
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The reduction is offset by a new \$32.8 million appropriation included within the Division of Medical Assistance and Health Services' budget, Hospital Relief Offset Payment account. The reason for this transfer is that the State is at or near the maximum \$1.03 billion it can claim in disproportionate share reimbursements from the federal government. Transferring payments from disproportionate share reimbursement to regular Medicaid hospital payments enables hospitals to continue to receive reimbursement without the State exceeding the \$1.03 billion limit on disproportionate share payments. Overall, hospitals in total will continue to receive the same amount of monies, though the monies may come from different funding sources.

Supplemental Charity Care	\$0	\$15,116	\$15,116	---	D-184
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These monies (and a similar amount of federal funds) would be distributed to certain hospitals that currently do not qualify for charity care reimbursement pursuant to a formula specified on p. D-185. A Background Paper on p. 51 lists those hospitals that will receive funds and the amount of monies they will receive.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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HEALTH ADMINISTRATION

Administration and Support Services	\$2,596	\$3,016	\$420	16.2%	D-186
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Recommended appropriations for Services Other Than Personal increase from approximately \$250,000 to approximately \$720,000. Though information is not available as to which specific accounts would increase, the data processing and professional services accounts will likely be allocated most of the additional funds.

Capital Construction	\$0	\$2,965	\$2,965	—	D-187
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Capital Construction funds would be used for the following projects:

- Information Processing Network - Infrastructure Upgrade , for computer network wiring and equipment - \$665,000.
- "E" Public Health, to improve the department's data collection, analysis and information exchange with respect to the monitoring of infectious diseases; develop a long distance learning system to improve the public health workforce; monitor quality of care in hospital settings; alerting hospitals to emerging diseases and outbreaks; create a hospital outcomes performance report; improve the evaluations and frequency of the Nursing Home Report Card; and link existing health databases - \$2.3 million.

Up to \$4.6 million in additional funds would be available for the "E" Public Health program pursuant to proposed budget language on p. D-187.

SENIOR SERVICES

Programs for the Aged	\$992	\$1,115	\$123	12.4%	D-190; D-191
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The increase is primarily related to a new \$170,000 Special Purpose appropriation related to the implementation of the Arthritis Quality of Life Initiative Act, P.L. 1999, c. 72.

Payments for Medical Assistance Recipients - Nursing Homes	\$560,397	\$309,397	(\$251,000)	(44.8)%	D-191
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The recommended appropriation for nursing homes decreases 44.8 percent. The reduction in the amount of State funds is to be offset by a \$250 million increase in federal reimbursement through a mechanism known as the Intergovernmental Transfer, subject to federal approval. The Intergovernmental Transfer involves certain county operated nursing homes in being reimbursed at the higher Medicare rate for nursing home services provided at county and non-governmental

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2000</u>	<u>Recomm.</u> <u>FY 2001</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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facilities with the State retaining the difference between the Medicare and Medicaid rate. The four counties that are involved in the Intergovernmental Transfer (Bergen, Monmouth, Morris and Passaic) would receive certain financial benefits in return for their assistance. Other states, such as California, Illinois, New York and Pennsylvania, are already doing this and other states have or are considering submitting plans to the federal government for approval.

With respect to the overall Nursing Homes appropriation, patient days are expected to be unchanged at about 12.1 million and Medicaid reimbursement rates are expected to increase by about 2.5 percent, to \$101 per day.

The recommended appropriation incorporates \$19.8 million in savings initiatives to be implemented through the regulatory process:

- Eliminating a duplicative reimbursement for certain maintenance equipment - \$6.4 million.
- Adding an inflation factor to the previous year's reimbursement rate rather than recalculating rates annually based on the previous year's cost - \$12.0 million.
- Additional savings related to the implementation of modified reimbursement cost centers implemented in FY 2000 - \$1.4 million.

Medical Day Care Services	\$21,840	\$24,740	\$2,900	13.3%	D-191
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The recommended appropriation increases 13.3 percent, to \$24.7 million, as additional persons are expected to receive services.

ElderCare Initiatives	\$10,337	\$19,877	\$9,540	92.3%	D-192
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The ElderCare Initiatives program is a three-year project to provide nursing home alternatives and to relocate clients from nursing homes where appropriate. When fully implemented, the program is expected to cost \$60 million: \$36 million in State funds and \$24 million in federal funds.

The ElderCare Initiatives include the following services that are in various stages of implementation: Caregiver Assistance (\$5.4 million); Jersey Assistance for Community Caregivers (\$5.9 million); Family Caregivers (\$1.2 million) Community Choice (\$2.2 million) and NJEASE Home Care (\$5.2 million). The budget estimates that by the end of FY 2001, over 2,200 clients will receive various ElderCare services.

Arthritis Quality of Life Initiative Act	\$0	\$464	\$464	---	D-192
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Though it appears as an increase, the \$464,000 represents continuation funding for two regional pilot arthritis centers (Atlantic Health System Hospital Corp. and VituaHealth/West Jersey Health System) established pursuant to P.L. 1999, c.72.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2000</u>	<u>Recomm. FY 2001</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Pharmaceutical Assistance to the Aged and Disabled - Claims	<u>\$273,275</u>	<u>\$313,500</u>	<u>\$40,225</u>	<u>14.7%</u>	D-191
General Fund - Elderly	\$34,458	\$34,082	(\$376)	(1.1)%	D-192
General Fund - Disabled	\$20,006	\$49,500	\$29,494	147.4%	D-192
Casino Revenue Fund	\$218,811	\$229,918	\$11,107	5.1%	D-192

Total program costs increase 14.7 percent, to \$313.5 million, due to higher drug costs and increased utilization. The **General Fund** will assume \$49.5 million in Casino Revenue Fund costs related to the disabled due to insufficient Casino Revenue Funds being available.

Savings of \$4.0 million are anticipated through proposed budget language (p. D-195) to require pharmacies to enroll as a Medicare provider by September 1, 2000 in order to receive PAAD reimbursement. By pharmacies becoming Medicare providers, the State would be able to bill Medicare for certain drugs covered by the Medicare program. Unlike the FY 1999 proposal where the burden of billing and obtaining Medicare reimbursement would have been the responsibility of pharmacies, the State would bill and obtain reimbursement from Medicare in the FY 2001 proposal.

In FY 2001, approximately 179,900 persons will receive benefits: 155,800 elderly and 24,100 disabled. Average prescription costs are expected to increase 24.0 percent, from approximately \$47.10 to over \$58.40.

Overall PAAD costs are expected to be reduced through manufacturers' rebates of \$37.9 million and recoveries of \$10.9 million.

ElderCare Advisory Commission Initiatives	\$0	\$3,500	\$3,500	---	D-192
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These funds would be used as follows:

- Meals on Wheels, to eliminate a 2,000 person waiting list in the program - \$1.0 million.
- Congregate Housing Services, to serve an additional 733 low- and moderate-income seniors - \$1.0 million.
- Elder Abuse, to provide additional staff and services to deal with an increase in the number reports - \$1.0 million.
- NJ Ease Care Management Services, to provide counties with additional staff support to administer the program - \$0.5 million.

Language Provisions

HEALTH SERVICES

2000 Appropriations Handbook

2001 Budget Recommendations

p. D-180.

No comparable language provision.

Notwithstanding the provisions of any other law to the contrary, there is appropriated \$2,000,000 from the Emergency Medical Technician Training Fund for the purchase of defibrillator equipment.

Explanation

The FY 2000 appropriations act provided \$500,000 in General Funds for the First Response EMT Cardiac Training Program to provide each EMT agency with a semi-automatic defibrillator. In FY 2001, General Fund appropriations are reduced to \$125,000. The proposed language would use a portion of the \$9.1 million in unexpended funds available in the Training Fund to purchase defibrillators.



2000 Appropriations Handbook

2001 Budget Recommendations

p. D-8.

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, was 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

2000 Appropriations Handbook

2001 Budget Recommendations

p. C-19.

p. D-185.

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.

Similar language except that the amount that is to come from the Admission Charge Hospital Assessment revenue item has been reduced to \$6,000,000.

Explanation

Hospitals are assessed \$10.00 per adjusted admission, which generates approximately \$14.4 million in revenues annually.

In FY 2000, \$20.4 million in revenues/unexpended balances generated by the \$10.00 Hospital Assessment was used to pay for Health Care Subsidy Fund payments: \$14.6 million in unexpended balances from prior fiscal years and \$5.8 million in ongoing revenues (equal to about \$4.00 per adjusted admission). In FY 2001, \$6.0 million (equal to about \$4.17 per adjusted admission) would come from the \$10.00 annual Hospital Assessment.



Language Provisions (Cont'd)2000 Appropriations Handbook2001 Budget Recommendations

p. C-20.

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 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 \$9,000,000 from the Hospital Relief Fund in the Division of Medical Assistance and Health Services in the Department of Human Services.

No comparable language provision.

Explanation

The budget language affected the Cathedral Health Care System and was included by the Legislature. It is not continued in FY 2001.



Language Provisions (Cont'd)

2000 Appropriations Handbook

No comparable language provision.

2001 Budget Recommendations

p. D-185.

Notwithstanding the provisions of any law to the contrary, there is established a Minimum Charity Care Fund account within the Health Care Subsidy Fund for disbursement of additional charity care funding to hospitals that exceed a threshold level of charity services to patients. The total amount to be distributed from the Minimum Charity Care Fund in fiscal year 2001 shall not exceed 20% of the excess of the audited documented charity care for calendar year 1999, valued at the Medicaid rate, over the actual charity care payments in fiscal year 2000, pursuant to P.L. 1997, c. 263. The payments to be made from the Minimum Charity Care Fund that are in excess of the amount appropriated are subject to the approval of the Director of the Division of Budget and Accounting. Furthermore, a hospital shall be eligible to receive funding from the Minimum Charity Care Fund only if its charity care subsidy under P.L. 1997, c. 263 for fiscal year 2000, is less than fifty (50) percent of the hospital's total annual revenue for calendar year 1998. A hospital that is eligible to receive funding from the Minimum Charity Care Fund account shall receive from that account the difference between fifty (50) percent of the hospital's total revenues for the calendar year 1998, valued at the Medicaid rate, minus one (1) percent of the hospital's total revenues for the calendar year 1998 and the hospital's fiscal year 2000 charity care subsidy under P.L. 1997, c. 263. Furthermore, the Minimum Charity Care Fund account subsidy does not change the allocation of Charity Care payments made to hospitals under P.L. 1997, c. 263. A detailed reimbursement methodology from the Minimum Charity Care Fund account shall be established by the Commissioner of Health and Senior Services. The methodology shall be consistent with the definitions and other provisions of P.L. 1997, c. 263.

Explanation

Proposed language provides the methodology to distribute the \$15.1 million in State (and matching federal funds) under the new Supplemental Charity Care program. A Background Paper on p. 51

Language Provisions (Cont'd)

lists the amounts 41 hospitals eligible for funds will receive.

HEALTH ADMINISTRATION

2000 Appropriations Handbook

No comparable language provision.

2001 Budget Recommendations

p. D-187.

In addition to the amount appropriated above, an amount not to exceed \$4,600,000 is appropriated from the General Fund for the "E Public Health" initiative, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2001 budget recommends \$2.3 million in Capital Construction funds for the "E" Public Health project, a multi-year program to improve data collection, analysis and information exchange. Among the computer projects to be initiated are programs to:

- Monitoring infectious diseases;
- Develop a long distance learning system to improve the public health workforce;
- Allow monitoring of quality of care in hospital settings;
- Alert hospitals to emerging diseases and outbreaks;
- Create a hospital outcomes performance report;
- Improve the evaluations and frequency of the Nursing Home Report Card; and
- Link existing health databases.

The proposed language would make an additional \$4.6 million available for the project. Thus, up to \$6.9 million might be available for the "E" Public Health project.

Language Provisions (Cont'd)

SENIOR SERVICES

2000 Appropriations Handbook

2001 Budget Recommendations

No comparable language provision.

pp. D-195/196.

Notwithstanding any laws to the contrary, no funds appropriated in the Pharmaceutical Assistance for the Aged and Disabled Programs are available to pharmacies who have not submitted an application to enroll by September 1, 2000 as an approved medical supplier in the Medicare program, unless they already are an approved Medicare medical supplier. Pharmacies will not be required to bill Medicare directly. Beneficiaries are responsible for the applicable PAA/D copayment.

Explanation

Proposed language would require pharmacies to submit an application to the Medicare program to become an approved medical supplier by September 1, 2000 as a condition of being a participating provider in the PAAD program.

By pharmacies becoming a Medicare provider, the State expects to obtain \$4.0 million in reimbursements for certain prescription drugs that Medicare covers. Under the proposal, pharmacies would not be responsible for billing and collecting Medicare reimbursement; the State would be responsible for billing and obtaining Medicare reimbursements.



2000 Appropriations Handbook

2001 Budget Recommendations

p. G-15.

The unexpended balance as of June 30, 1999 in the Demonstration Adult Day Care Center Program - Alzheimer's Disease account is appropriated.

No comparable language provision.

Explanation

Language is not continued as no unexpended balances are expected to be available.



Language Provisions (Cont'd)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

2000 Appropriations Handbook

P.L.1999, c.138.

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) an amount to continue to fund programs established pursuant to section 25 of P.L.1991, c.187 (C.26:2H-18.47) and section 12 of P.L.1992, c.160 (C.26:2H-18.62), 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) and section 12 of P.L.1992, c.160 (C.26:2H-18.62), 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, 1999 in the Health Care Subsidy Fund received through the .53 percent annual assessment on hospitals made during fiscal year 1999 is appropriated.

2001 Budget Recommendations

p. D-197.

Similar language with the following changes in the third sentence beginning with "The remaining available funds...":

Eliminated: Reference to section 12 of P.L.1992, c.160 (C.26:2H-18.62).

Added: Reference to P.L. 1997, c. 192 (C.26:2H-10) and P.L.1998, c. 43 (C.26:2H-7C).

Explanation

The amended language which appears in the FY 2001 budget recommendation is in error. The FY 2000 appropriation act language was incorrectly printed in the FY 2000 Appropriations Handbook (B-66) and deleted reference to P.L.1992, c.160 and included the references to P.L.1997, c.192 and P.L.1998, c.43. As the correct legal reference should be to P.L.1992, c.160, the language needs to be amended to delete reference to P.L.1997, c.192 and P.L.1998, c.43.

Language Provisions (Cont'd)

2000 Appropriations Handbook

2001 Budget Recommendations

No comparable language provision.

p. D-197.

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

Explanation

This language would permit the transfer of funds from the Grants-In-Aid account to Direct State Services for administrative costs associated with implementing the \$3.5 million recommended for the ElderCare Advisory Commission Initiatives.



2000 Appropriations Handbook

2001 Budget Recommendations

pp. B-66, C-19; and C-23.

p. D-197.

The amount hereinabove for Salary Supplement for Direct Service Workers account shall only be expended for direct service workers' cost of living adjustments throughout the Department of Health and Senior Services.

From the amounts provided hereinabove for cost of living adjustments throughout the Department of Health and Senior Services, it is intended that these monies shall be used to fund, at a minimum, a 1.6% cost of living increase for direct service workers salaries, effective July 1, 2000.

Of the amounts hereinabove appropriated for cost of living adjustments throughout the Department of Health and Senior Services, 70% shall be expended for direct service workers' salaries, effective July 1, 1999.

The amount hereinabove for Salary Supplement for Direct Service Workers account shall only be used to fund, at a minimum, an additional 2.0% direct service workers' cost of living adjustments throughout the Department of Health and Senior Services.

Explanation

The revised language provisions attempt to assure that direct care employees receive a minimum 3.6 percent salary adjustment. The various Salary Supplement accounts are apparently sufficient to provide direct care employees with a 2.0 percent salary adjustment. Thus, a portion of the funds provided for contract agency Cost Of Living Adjustments is to be used to provide the additional 1.6 percent of the direct care employee salary increase. Any Cost Of Living Adjustment funds which remain after providing funds for direct care employee salary increases may be used for other agency

Language Provisions (Cont'd)

expenses, including salary increases to non-direct care employees.



THE FOLLOWING LANGUAGE PROVISION APPEARS IN THE GENERAL FUND PROVISIONS EVEN THOUGH IT INVOLVES THE DEPARTMENT OF HEALTH AND SENIOR SERVICES.

2000 Appropriations Handbook

No comparable language provision.

2001 Budget Recommendations

p. F-2.

There are appropriated such sums as are necessary not to exceed \$8 million, to meet outstanding debt service payments on bonds issued for capital construction completed before July 1, 1999 for hospitals that cease acute care operations after July 1, 2000, subject to the approval of the Director of the Division of Budget and Accounting and the State Treasurer. No appropriations are available unless the following conditions have been met:

A. Full financial disclosure, as defined by the Director of the Division of Budget and Accounting and the State Treasurer, in consultation with the Commissioner of Health and Senior Services, of the hospital ceasing acute care operations and of any hospital that acquires parts or the entirety of the hospital ceasing acute services must be provided and approved by the Director of the Division of Budget and Accounting, the State Treasurer and the Commissioner of Health and Senior Services.

Language Provisions (Cont'd)

B. Submission of a plan that complies with criteria and program guidelines established by the Commissioner of Health and Senior Services, the Director of the Division of Budget and Accounting and the State Treasurer. The plan should describe the potential disposition of the facility, if such a plan exists. The ongoing access to emergency services to the service area of the hospital ceasing acute care operations should also be identified.

C. Lastly, the State is the payor of last resort and the plan must specify the availability of other resources including, but not limited to:

(1) Funds from bond insurance;

(2) The net revenue likely to accrue to a hospital acquiring the assets of the hospital ceasing acute care operations;

(3) The net liabilities of the hospital ceasing acute care operations; and

(4) The assets of a hospital system whose member is a hospital ceasing acute care operations.

Explanation

Proposed language would appropriate up to \$8.0 million for debt services payments for capital construction projects completed before July 1, 1999 for hospitals that cease acute care operations after July 1, 2000 in certain situations.

The creation of this program is related to the Advisory Commission on Hospitals Final Report 1999 which recommended, among other things:

- "Assistance to hospitals and communities in the transition of hospitals to more efficient organizations providing services in the appropriate physical setting, " and
- "Creation of a Hospital Asset Transformation Program to assist facilities that are no longer needed nor financially viable as acute care hospitals in transitioning to other uses that the market can support."

Information is not available as to the number of hospitals that may cease acute care operations after July 1, 2000, the amount of outstanding debt such hospitals may have or the amount of annual debt service such hospitals have.

Discussion Points

Department of Health and Senior Services (General)

1. The budget provides \$4.7 million for a Cost of Living Adjustment and \$6.4 million for a Salary Supplement for Direct Service Workers. The intent of these two appropriations is to provide direct service workers with a 3.6 percent salary adjustment. To achieve this, a portion of the \$4.7 million COLA is to supplement the \$6.4 million in Salary Supplement monies. Any remaining COLA funds can then be used for other agency operating expenses or to provide other employees (such as clerical support) with a salary adjustment.

! **Question:** Will sufficient COLA funds be available to meet the increase in agency operating costs (e.g., gasoline prices increased by about 50 percent during the past six months) and provide non-direct care employees with a salary adjustment?

2. General Fund Provisions on p. F-2 "appropriate such sums as are necessary not to exceed \$8 million, to help meet outstanding debt service payments on bonds issued for capital construction completed before July 1, 1999 for hospitals that cease acute care operations after July 1, 2000" under certain conditions:

! **Question:** How many hospitals are expected to "cease acute care operations after July 1, 2000"? What is the total amount of debt service payments outstanding for these hospitals? To what extent are these monies to be used to meet debt service on financing issued by the New Jersey Health Care Facilities Financing Authority?

3. Schedule I indicates that \$6.0 million in Admission Charge Hospital Assessment revenues is deposited into the **General Fund**. However, proposed budget language on p. D-197 indicates that "the first \$1,200,000" of such revenues are deposited in the **General Fund** for "health related purposes".

! **Question:** As only \$1.2 million is to be deposited into the General Fund, why does Schedule I indicate \$6.0 million?

Health Services

4. The FY 2001 budget recommends \$250,000 for the Electronic Death Certificate project.

Though the budget indicates that in FY 1999 the entire \$250,000 appropriated for the project was "expended," about \$200,000 has been expended and about \$50,000 has been "encumbered." In FY 2000, out of the \$250,000 appropriated for the project, about \$75,000 has been expended.

! **Question:** Is the \$50,000 "encumbered" in FY 1999 still valid or should all or a portion lapse to the General Fund? As actual program expenditures are less than \$250,000, should FY 2001 funding be reduced?

5. The FY 2001 budget recommends \$900,000 for the Identification for Children's Health and Disabilities activity. As of this writing, none of the FY 2000 funds have been expended. Also, the FY 2000 appropriation included one-time, start-up funds for computer hardware/software that may not be required once an Identification system is operational.

! **Question:** As no funds have been expended to date and the FY 2000 appropriation included various one-time expenses, can FY 2001 funding be reduced?

Discussion Points (Cont'd)

6. Pursuant to budget language in the FY 2000 appropriations act, the Early Childhood Intervention program was appropriated an additional \$2.5 million in General Funds to "maintain federal compliance".

! **Question: Is the \$2.5 million to offset a shortfall in federal funds? What "federal compliance" issues will the \$2.5 million be used for?**

7. The FY 2001 budget anticipates \$2.0 million in federal Medicaid reimbursements for Early Childhood Intervention to supplement other State/federal funds. Medicaid reimbursement rates for Early Childhood Intervention are expected to be increased, which will increase federal Medicaid reimbursements above the \$2.0 million anticipated.

! **Question: Can the State appropriation be reduced?**

8. In FY 1999, WIC Rebates totaled \$18.2 million. In FY 2000 and FY 2001 \$24.0 million each year is anticipated, despite stable WIC enrollment.

! **Question: Is the amount of WIC Rebates to be received in FY 2001 overstated?**

9. The FY 2001 budget anticipates that federal WIC funds will increase from \$86.0 million to \$90.0 million. In FY 1999, actual federal WIC expenditures were \$73.0 million. The federal WIC award is based, in part, on actual expenditures and overall WIC enrollment has been fairly stable.

! **Question: Is the amount of federal WIC funds to be received in FY 2001 overstated?**

10. The FY 2001 budget recommends \$200,000 for the Special Purpose appropriation, Evaluation of Human Exposure to Hazardous Waste. As of this writing, about \$22,000 has been expended.

! **Question: Can the FY 2001 appropriation be reduced in view of actual expenditures to date?**

11. Proposed budget language would reappropriate the unexpended balance in the Cord Blood Resource Center account (P.L.1998, c. 142). As of this writing, none of the \$5.0 million appropriation has been expended.

! **Question: What is the status of the Cord Blood Resource Center?**

12. Approximately \$1.9 million in Other Funds is provided for the New Jersey Emergency Helicopter Response Program. The department had indicated that it would review the fees charged to third parties and increase the fees, if warranted.

! **Question: Has the fee structure been reviewed? If yes, have fees been increased? How much additional revenues would this generate for the Helicopter Response Program?**

13. The FY 2001 budget recommends \$150,000 to continue the Middle School Survey on Substance Abuse.

The federal Department of Health and Human Services conducts at least three surveys that are similar to the department's survey: 1998 Household Survey on Drug Abuse; Monitoring the Future Survey; and the National Youth Tobacco Survey. The findings of the federal survey do not appear to differ significantly from the findings of the department's survey to justify the expenditure

Discussion Points (Cont'd)

of State funds. In fact, the Household Survey is to be expanded to provide data that are statistically valid on a state level.

! **Question:** As the federal government conducts surveys of a similar nature to the department's survey, is funding for the department's survey necessary?

14. The FY 2001 recommended budget increases funding for the following Special Purpose accounts that attempt to curb smoking:

	FY 2000	FY 2001
Youth Anti-Tobacco Awareness Media Campaign	\$7.3 million	\$8.3 million
Smoking Cessation Programs for Addicted Adults and Youth	\$2.6 million	\$6.0 million
Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs	\$1.7 million	\$3.0 million
School Based Programs for the Prevention of Tobacco Use	\$2.2 million	\$3.6 million
Community Based Tobacco Control Programs	\$4.8 million	\$9.1 million

Approximately \$7.3 million of the FY 2000 appropriations has been placed in reserve; few funds have actually been expended as of this writing:

	FY 2000	Reserve	Expended
Youth Anti-Tobacco ...	\$7.3 million	\$3.7 million	\$0.2 million
Smoking Cessation Programs ...	\$2.6 million	\$1.6 million	\$0
Research, Surveillance, Evaluation ...	\$1.7 million	\$0	less than \$50,000
School Based Programs ...	\$2.2 million	\$0.2 million	\$0
Community Based Tobacco ...	\$4.8 million	\$2.8 million	\$0

! **Question:** As a significant portion of the FY 2000 appropriation is in "reserve" and as actual expenditures have been minimal, are the proposed increases in appropriations warranted?

15. For several years budget language has reappropriated the unexpended balances in New Hope Discovery Foundation/Relocation and the Trenton Detox Center-Drug Rehabilitation and Intensive Aftercare/Transition Facility accounts. Similar language is proposed for FY 2001 even though it appears both accounts have significant amounts of unexpended balances.

! **Question:** What is the status of these accounts? Can the amount of unexpended balances to be reappropriated be reduced?

16. The FY 2001 budget recommends \$750,000 in Capital Construction funds to determine the location of and the specifications for a New State Health Laboratory. The projected cost for a new laboratory has been estimated at \$48 million.

Discussion Points (Cont'd)

Recent corporate mergers, consolidations, etc. have or will make laboratory space available. For example, the recent Exxon-Mobil merger may make laboratory space available in Edison and Paulsboro; similarly, Roberts Pharmaceuticals will close its Eatontown facility. These facilities have access to major highways and may meet the department's physical space requirements.

- ! **Question:** Has the department considered acquiring existing laboratory space that is on the market instead of constructing a new laboratory building? Should the \$750,000 be redirected to the acquisition of vacant laboratory space that is or may become available?

17. The AIDS program receives manufacturers' rebates for the AIDS Drug Distribution Program. In FY 1999, approximately \$3.7 million in rebates were received; in FY 2000 and FY 2001, \$3.0 million in rebates is anticipated. As the cost of drugs in general, and AIDS drugs in particular, has increased, the amount of manufacturers' rebates received should increase.

- ! **Question:** Is the \$3.0 million in manufacturers' rebates understated?

Health Planning and Evaluation

18. The FY 2001 budget recommends \$900,000 for Nursing Home Background Checks/Nursing Aide Certification Program. Most of the monies are to reimburse the State Police for conducting these criminal history record background checks. In FY 1999, program expenditures totaled \$811,000; and FY 2000 expenditures are projected at less than \$600,000. Also, as testimony at the public hearings on the State budget has indicated that there are fewer nurses/nurses aides being licensed, the cost for background checks should decrease.

- ! **Question:** As \$811,000 was expended in FY 1999 and as FY 2000 expenditures may total \$600,000, can the recommended appropriation be reduced?

19. In FY 2000, \$155,000 was appropriated for a Resident Satisfaction System - Long Term Care. The program would establish a system to measure the satisfaction of patients in various long term care settings. As of this writing, no funds have been expended.

The FY 2001 budget recommends \$155,000 to continue the Resident Satisfaction System though some aspects such as developing a survey instrument to measure satisfaction were one-time in nature. Also, the federal Health Care Facilities Financing Authority is funding a national study on nursing home quality of life issues that seeks to define aspects of quality of life and whether accurate quality of life measures can be developed.

- ! **Question:** As no funds have been expended to date and as the federal government is funding a national study on the subject, can the recommended appropriation be reduced?

20. Health Care Subsidy Fund Payments are reduced by \$34.7 million, from \$99.7 million to \$65.0 million, in FY 2001. A new \$32.8 million Hospital Relief Offset Payment account is being established within the Department of Human Services' Medicaid budget. This reallocation is being done to maximize federal reimbursement. However, in the process, the overall appropriation is reduced by \$1.9 million.

- ! **Question:** What accounts for an overall \$1.9 million reduction between the recommended appropriations for the Health Care Subsidy Fund Payments and the Hospital Relief Offset Payment accounts?

Discussion Points (Cont'd)

21. An Office of Management and Budget report indicates that in FY 1999, \$24.6 million was lapsed from the Health Care Subsidy Fund Payments account. The FY 2001 recommended budget indicates that in FY 1999, \$27.6 million was lapsed (\$44.1 million available - \$16.5 million expended) from that account.

! **Question: What circumstances explain the reason for the unexpended funds? What accounts for the apparent \$3.0 million discrepancy in the amount that was lapsed?**

22. Available information indicates that \$7.4 million of the \$99.7 million FY 2000 Health Care Subsidy Fund Payments appropriation has been placed in reserve. When monies are placed in reserve it indicates that the entire appropriation will not be expended.

! **Question: Will the \$7.4 million currently in reserve be expended?**

23. Federal Medicare/Medicaid Inspections of Nursing Facilities appropriations will increase from \$3.6 million to \$5.9 million in FY 2001. In FY 1999, federal Medicare/Medicaid Inspections expenditures totaled \$740,000.

! **Question: In view of actual FY 1999 expenditures, are recommended federal Medicare/Medicaid Inspections appropriations overstated?**

Health Administration

24. Up to \$6.9 million in Capital Construction funds (a \$2.3 million appropriation plus a \$4.6 million language appropriation) is recommended for a multi-year project "E Public Health. The project would build the department's "technological infrastructure to improve data collection, analysis and information exchange." The projects to be undertaken include:

- Assist in monitoring infectious diseases;
- Develop a long distance learning system to improve the public health workforce;
- Allow monitoring of quality of care in hospital settings;
- Create a hospital outcome performance report;
- Improve the evaluations and frequency of the Nursing Home Report Card; and
- Link existing databases.

How much these projects will cost and how much time they will take to complete is not known. The department is in many respects being given funds to initiate projects whose costs, completion dates and benefits are uncertain.

! **Question: How much is each project expected to cost? How long will each project take to complete? In addition to the \$6.9 million provided in FY 2001, what are the future year costs of "E" Public Health?**

Senior Services

25. Through a mechanism known as Intergovernmental Transfer, a minimum of \$250 million in additional federal Medicaid reimbursement is expected to be generated. This would enable the State's General Fund appropriation to be reduced by a minimum of \$250 million. More recent information indicates that federal Medicaid reimbursement may be as much as \$450 million.

Discussion Points (Cont'd)

The Intergovernmental Transfer involves the following:

- Bergen, Monmouth, Morris and Passaic counties would transfer monies to the State which is then returned to the same counties.
- The State would claim the county transfers as a valid Medicaid expenditure and obtain federal reimbursement for that expenditure. (The nursing home expenditure is being claimed at the higher Medicare rate as opposed to the Medicaid rate.)
- The State would retain the federal share of the expenditure; and
- Financial incentives estimated at \$16.5 million would be provided to the four counties that are involved in the transfer.

The methodology to calculate the additional Medicaid payments to qualifying county nursing homes is as follows:

- The department will calculate the **maximum additional payments** that will be made to each qualifying county nursing home each State fiscal year;
- The department will **negotiate** a total additional payment amount with the qualifying county nursing home, which will not exceed the above maximum additional payments;
- Using the most recent cost reports for each qualifying county nursing home, the total Medicaid days will be determined;
- A supplementation factor for each qualifying county nursing home will be calculated by dividing total Medicaid days for the qualifying county nursing home by the total Medicaid days for all qualifying county nursing homes; and
- The additional payments to be made to each qualifying county nursing home will be calculated by multiplying the supplementation factor by the total additional payments that have been negotiated with each qualifying county nursing home.

As many other states already have an Intergovernmental Transfer mechanism in place, the federal government is likely to approve the State's application to implement a similar process.

- ! **Question: Is the additional \$500 and up to \$900 million (gross) that may be anticipated as a result of the Intergovernmental Transfer over and above current Medicaid nursing home expenditures of approximately \$1.2 billion?**

What is the specific financial basis for the estimated \$16.5 million Bergen, Monmouth, Morris and Passaic counties will receive for participating in the Intergovernmental Transfer?

As the Intergovernmental Transfer involves expenditures at all county nursing homes, why are only four counties receiving financial benefits from the transfer?

The FY 2001 recommended budget reflects \$250 million in additional federal Medicaid reimbursement as a result of the Intergovernmental Transfer even though the State may receive as much as \$450 million (not counting an FY 2000 retroactive claim to be

Discussion Points (Cont'd)

submitted). As the additional \$200 million in federal Medicaid funds are not reflected in the recommended budget, how might the additional \$200 million in federal Medicaid reimbursement to be used?

26. The FY 2001 budget indicates that 12.1 million patient days of Nursing Home Services will be provided, the same as in FY 2000. In FY 1999, Medicaid reimbursed for 11.6 million patient days; in FY 2000, it is estimated that Medicaid will also reimburse for 11.6 million patient days. Every 100,000 patient day difference is equal to about \$10.1 million in gross Medicaid reimbursement.

The department indicates that 700 nursing home residents have been returned home or placed into more appropriate community programs. Thus, there should be at least 255,000 (700 patients X 365 days) fewer nursing home days in FY 2001.

! **Question: As 700 clients (representing 255,000 patient days) have been relocated from nursing homes, can the 12.1 million patient day estimate be reduced? Of the 700 patients relocated from nursing homes, how many have been readmitted to nursing homes or are currently hospitalized?**

27. Between FY 1992 and FY 2000, the Governor's recommended budgets have included nursing home reimbursement changes valued at \$70.2 million. The Legislature offset some of these reductions by appropriating \$9.0 million for Medicaid High Occupancy - Nursing Homes and by appropriating an additional \$17.5 million in FY 1999 and FY 2000 for nursing homes.

However, it is not clear whether the various reimbursement changes that have been adopted achieved the savings that had been envisioned. Changes include: expediting acuity audits; increasing estate recoveries; consolidation of generic costs at special care nursing facilities; requiring nursing facilities billing Medicare first; etc.?

! **Question: With respect to the various savings initiatives that have been proposed since FY 1994/FY 1995, which savings initiatives were not implemented? Of the savings initiatives that have been adopted, how much has been saved compared to what had been projected?**

28. The FY 2001 budget assumes a 13.3 percent increase in Medical Day Care expenditures, from \$21.8 million to \$24.7 million. The increase is attributed to increasing caseloads.

During July 1999, the department proposed various regulatory changes to the Medical Day Care program intended to control utilization and to change how Medical Day Care services were reimbursed. As of this writing, the regulations have neither been adopted or rescinded.

! **Question: Does the FY 2001 budget recommendation assume the adoption of either the utilization or reimbursement changes proposed during July 1999?**

29. PAAD recoveries are essentially unchanged at \$10.9 million despite \$4.0 million in savings to be realized by obtaining Medicare reimbursement for certain drugs. (This depends on pharmacies submitting applications to become Medicare providers by September 2000 which would enable the State to file prescription claims with Medicare.)

! **Question: Is the \$4.0 million in Medicare reimbursements included within the \$10.0 million in FY 2001 recoveries?**

Discussion Points (Cont'd)

30. Manufacturers' rebates of \$37.9 million are anticipated, a 6.2 percent reduction from the \$40.4 million anticipated in FY 2000. Manufacturers' rebates are based on the average manufacturers' price (AMP). While the AMP is not known, the reason manufacturers' rebates decrease when the average PAAD claim increases 11.8 percent is not clear.

! **Question: Are manufacturers' rebates of \$37.9 million understated? What accounts for the 6.2 percent reduction in the amount of manufacturers' rebates anticipated?**

31. The FY 2000 appropriations act assumed \$40.4 million in manufacturers' rebates. The revised FY 2000 budget now assumes \$37.9 million in manufacturers' rebates.

! **Question: What accounts for the \$2.5 million reduction in the amount of manufacturers' rebates to be realized in FY 2000?**

32. Included with the initial estimate of \$40.4 million in manufacturers' rebates was \$7.2 million in manufacturers' rebates to be realized by resolving disputes with manufacturers.

! **Question: Will the additional \$7.2 million in manufacturers' rebates be realized? If not, what is the current amount of manufacturers' rebates in dispute?**

33. Funding for the second year of the ElderCare Initiatives would increase from 10.3 million to \$19.9 million. When the ElderCare Initiative was first proposed for FY 2000 it was noted that there was a 200 person waiting list for the Community Care Program for the Elderly and Disabled (CCPED). The department indicated that instead of using ElderCare Initiative monies to increase the number of CCPED slots, ElderCare Initiatives would be flexible enough to eliminate the CCPED waiting list.

As of January 2000, the CCPED waiting list had increased to about 250 persons. There is no guarantee that the ElderCare Initiatives will deal with the CCPED waiting list.

! **Question: Should ElderCare Initiative funds be specifically targeted to reducing the CCPED waiting list?**

34. In comments on the proposed FY 2001 budget, many agencies that provide services to CCPED noted that base CCPED reimbursement rates have not increased since FY 1991 and that CCPED rates do not reimburse for supervisory time.

! **Question: Does the FY 2001 budget recommendation address these concerns? If not, how much additional funds are needed to implement these changes?**

Background Paper: Middle School Survey on Substance Abuse

Budget Pages... D-175.

Funding (\$000)	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001
Special Purpose: Middle School Survey on Substance Abuse	\$100	\$155	\$155

SUMMARY

Funding might be discontinued as the federal Department of Health and Human Services (DHHS) conducts similar surveys.

BACKGROUND

The FY 1999 and FY 2000 appropriations acts provided funding for a middle school survey on substance abuse involving 6,300 students from 63 schools. The FY 2001 budget provides \$155,000 to continue the survey.

The federal DHHS annually conducts two surveys on drug use: a National Household Survey on Drug Abuse and a Monitoring the Future Survey that studies drug use of children in the 8th, 10th and 12th grades. Also, in January 2000, the Centers for Disease Control issued the 1999 National Youth Tobacco Survey.

The chart below summarizes the major findings of the federal and State surveys:

State 1999 Middle School Survey	Federal 1998 Household Survey on Drug Abuse	Federal Monitoring the Future Survey	Federal 1999 National Youth Tobacco Survey
Major Finding - Number of 7th and 8th graders who smoke cigarettes and who use alcohol and other drugs declined.	Major Finding - Illicit drug use decline among young people age 12 -17.	Major Finding - Overall use of illicit drugs among teenagers generally remained unchanged from last year.	Major Finding - 12.8 percent of middle school students currently use some form of tobacco.

The findings between the State and federal surveys may differ with respect to specific drugs. For example, the State survey found that 7 percent of the students had used marijuana in the past month, compared to 8.3 percent in the federal Household Survey and 9.7 percent for 8th graders in the federal Monitoring Survey.

The federal Household Survey is to be expanded to 70,000 interviews each year to provide statistically valid state level substance abuse data.

Background Paper: Middle School Survey on Substance Abuse(Cont'd)**ANALYSIS**

The department's Middle School Survey on Substance Abuse does not appear to provide any additional information than that provided by either the federal National Household Survey on Drug Abuse, the Monitoring the Future Survey or the 1999 National Youth Tobacco Survey.

As the federal government intends to increase the number of interviews in its Household Survey to provide additional state level data, the need for a separate State Middle School Survey may be questioned.

Background Paper: Public Health Laboratory

Budget Pages.... D-179.

Funding (\$000)	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001
Capital Construction: New State Health Laboratory	\$0	\$0	\$750

SUMMARY

Funding is provided to determine the location of, and the specification for, a new laboratory. Rather than study the issue again, the \$750,000 might be better used to purchase and renovate existing laboratory space that may be available on the open market.

BACKGROUND

The Department of Health and Senior Services (DHSS) has sought funding for a new laboratory facility since the mid-1980s when ICF, Inc. recommended in a report to the Commission on Capital Budgeting the construction of a new facility in the central region of the State. Since then, DHSS' efforts to obtain start-up funding for the construction of a new laboratory have not been successful. The department had requested \$10 million in Capital Construction funds for a needs assessment, site acquisition and design study. The total projected cost, including construction, is estimated at \$48 million. Instead the budget recommends \$750,000 to determine the location of, and the specification for, a new laboratory.

The current laboratory, located in Trenton, contains about 60,000 sq. ft. of laboratory space and was constructed in the early 1960s. Independent consultants have determined that the existing laboratory is inadequate and that modernizing the existing laboratory building would not be a cost effective option; also, renovations would interfere with current laboratory capabilities.

Corporate reorganizations, consolidation and downsizing throughout the State has or will make private, corporate laboratory space available. It may be possible to acquire and renovate existing laboratory space at less than the \$48 million to construct a new laboratory.

ANALYSIS

Rather than spend \$750,000 to study the location of, and specifications for, a new State laboratory, it may be more economical for DHSS to purchase and renovate existing private, corporate laboratory space that is available due to various corporate actions than to develop a new laboratory facility. While acquiring existing laboratory space may mean that the laboratory will not be located in the Trenton area, access to reliable transportation to deliver specimens may be of greater importance than geographic proximity to Trenton.

Background Paper: "E" Public Health

Budget Pages.... D-186; D-187.

Funding (\$000)	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001
Capital Construction: "E" Public Health	\$0	\$0	\$2,300*

* As much as \$4.6 million in additional funds are available through a proposed language appropriation.

SUMMARY

Recommended funding for "E" Public Health may be reduced due to insufficient cost information with respect to individual projects and the program in general.

BACKGROUND

Up to \$6.9 million in funds is recommended for "E" Public Health: \$2.3 million in Capital Construction funds and a proposed language appropriation of up to \$4.6 million.

The purpose of "E" Public Health is to facilitate the provision of information between the department and the public. According to the Budget in Brief (p. 79), this multi-year project will:

- Assist in monitoring infectious diseases;
- Develop a long distance learning system to improve the public health workforce;
- Allow monitoring of quality of care in hospital settings;
- Create a hospital outcome performance report;
- Improve the evaluations and frequency of the Nursing Home Report Card; and
- Link existing databases.

It is not known how much these systems will cost or how long they would take to develop.

The following is known about data processing initiatives: Projects often cost more than anticipated; projects often take longer to implement than anticipated; and projects, once completed, need updating.

ANALYSIS

The various "E" Public Health projects are vague on details; no development costs are cited; nor is it known how long these initiatives will take to develop.

Appropriating \$2.3 million for "E" Public Health and allowing the Director of the Division of Budget and Accounting to make available up to \$4.6 million for the project in the absence of details about the project could provide the project with too much latitude to initiate projects. There is no guarantee that projects mentioned in the Budget in Brief will be undertaken as once monies are appropriated, the department can essentially undertake projects of its own choosing. Also, as "E" Public Health is a multi-year initiative, the final costs of the initiative are not known.

Background Paper: "E" Public Health (Cont'd)

Greater control over the projects to be initiated and their costs would be achieved by appropriating a specific amount for individual projects. Thus, if project costs exceed the amount appropriated, the department would have to justify the expenditure of additional monies and would be held accountable for the projects.

Background Paper: Supplemental Charity Care Distribution

Budget Pages.... D-184; D-185.

Funding (\$000)	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001
Supplemental Charity Care	\$0	\$0	\$15,000*

* Plus an additional \$15.0 million in federal Medicaid funds.

SUMMARY

The FY 2001 budget recommends \$15.0 million for a Supplemental Charity Care program (plus an additional \$15.0 million in federal Medicaid reimbursement) to be distributed to certain hospitals that currently are not eligible to receive Charity Care payments. The distribution formula is specified on p. D-185.

Information provided by the department indicates that the following hospitals would receive Supplemental Charity Care funds and the amount of funds they would receive:

HOSPITAL	ESTIMATED SUBSIDY*
Bayshore Community	\$238,200
Burdette Tomlin Memorial	\$382,300
Capital Health System	\$1,336,800
Centrastate	\$923,800
Chilton Memorial	\$234,300
Columbus	\$643,800
Community	\$216,200
Elmer Community	\$37,900
Englewood Hospital	\$1,003,000
General Hospital (Passaic)	\$999,700
Hackensack	\$5,194,100
Hackettstown	\$244,800
Holy Name	\$278,000
Hunterdon	\$308,000
Jersey Shore	\$830,200
JFK (Edison)	\$258,800

Background Paper: Supplemental Charity Care Distribution (Cont'd)

Kennedy Memorial Hospitals	\$324,500
Medical Center of Ocean County	\$182,200
Medical Center at Princeton	\$329,300
Memorial Hospital (Burlington)	\$965,700
Memorial Hospital (Salem)	\$70,800
Morristown Memorial	\$2,313,500
Mountainside	\$633,100
Newcomb	\$203,900
Newton Memorial	\$51,700
Our Lady of Lourdes	\$510,600
Overlook	\$364,800
Rahway	\$520,000
Rancocas	\$293,200
Riverview	\$1,078,100
R.W. Johnson (Hamilton)	\$222,500
R.W. Johnson University	\$1,002,400
Somerset Medical	\$866,800
South Jersey Health Systems	\$1,350,500
St. Clare's (Sussex)	\$51,000
St. Clare's (Dover)	\$359,900
St. Peter's	\$1,842,900
Underwood Memorial	\$612,500
Valley	\$100,400
Warren	\$84,600
West Jersey Health System	\$2,866,100
TOTALS	\$30,231,000

* Rounded to the nearest \$100.

Background Paper: A Summary of Nursing Home Reimbursement Changes - FY 1992 to FY 2000

Budget Pages.... D-191.

Funding (\$000)	Expended FY 1999	Adj. Approp. FY 2000	Recom. FY 2001
Payments for Medical Assistance Recipients - Nursing Homes	\$559,205	\$560,397	\$309,397*

* Assumes an additional \$250 million in federal reimbursement from a mechanism known as Intergovernmental Transfer.

SUMMARY

Between FY 1992 and FY 2000, nursing home reimbursement changes valued at \$70.2 million State share have been proposed and, for the most part, adopted. However, it is uncertain whether an individual reimbursement change actually achieved the amount of savings anticipated.

BACKGROUND

The FY 2001 budget recommends \$309.4 million in General Funds to reimburse Nursing Homes participating in the Medicaid program. Approximately \$19.8 million in savings initiatives are included:

- Eliminate a duplicate reimbursement for maintenance equipment, excluding medical moveable equipment - \$6.4 million.
- Add an inflation factor to the previous year's reimbursement rate instead of recalculating nursing home rates annually, based on previous years's costs - \$12.0 million.
- Additional savings from a FY 2000 initiative which modified reimbursement cost centers - \$1.4 million.

In addition to the proposed reimbursement changes in the FY 2001 recommended budget, below is a listing of major changes to the nursing home reimbursement system that had been proposed in the Governor's recommended budgets and which, for the most part, have been adopted:

FY 1992. A standardized reimbursement rate for nursing salaries was adopted instead of nursing salaries being classified according to low, medium and high salary regions. (This change was mandated by the Legislature.) **Savings - \$0.9 million.**

FY 1994/FY 1995. Numerous changes were recommended. **Savings - \$18.0 million.** Some of the major changes involved:

- Exclude legal expenses related to rate appeals.
- Reduce the administrator screen from 110% to 105%.
- Reduce the assistant administrator screen from 125% to 105%.
- Reduce the utility screen from 150% to 125%.
- Eliminate return on equity as a reimbursable item.
- Limit reimbursement for property capital.
- Include paid bed hold days in calculating the general services/patient care rate components.
- Establish an 85% target occupancy for general services/patient care rate components.

Background Paper: A Summary of Nursing Home Reimbursement Changes - FY 1992 to FY 2000 (Cont'd)

- Eliminate the six month acuity adjustment of the nursing services rate components.
- Eliminate the cooperative purchasing incentive.

Note that the Legislature appropriated \$9.0 million for "Medicaid High Occupancy - Nursing Homes" to offset the financial impact of the reduction on certain nursing homes.

FY 1997. The following changes were recommended. **Savings - \$4.5 million.**

- Reduce the administrator/assistant administrator screens from 105% to 100%.
- Reduce the screen for non-food general services from 105% to 104%.
- Deny reimbursement for hospitalized Medicaid patients if the nursing home's monthly occupancy rate falls below 95%.

FY 1998. The following changes were recommended. **Savings - \$8.3 million.**

- Establish target occupancy levels upon which various cost center rates are calculated.
- Establish a new cost center for housekeeping/dietary/laundry/linen.

FY 1999. The following changes were recommended. **Savings - \$24.1 million.**

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

Note that the Legislature appropriated an additional \$10.0 million to offset a portion of these reductions.

FY 2000. The following changes were recommended. **Savings: \$14.4 million.**

- Reduce the inflation adjustment period from 18 to 12 months.
- Eliminate a duplicate maintenance equipment reimbursement.
- Ensure that nursing facilities bill Medicare for the first 20 days of a client's stay before Medicaid, where appropriate.
- Other minor unspecified changes.

Note that the Legislature appropriated an additional \$7.5 million to offset a portion of these reductions.

Background Paper: The Intergovernmental Transfer

Budget Pages.... D-191.

Funding (\$000)	Expended FY 1999	Adj. Approx.. FY 2000	Recomb. FY 2001
Payments for Medical Assistance Recipients - Nursing Homes	\$559,205	\$560,397	\$309,397*

* Assumes an additional \$250 million in federal reimbursement from a mechanism known as Intergovernmental Transfer.

SUMMARY

The FY 2001 budget anticipates a minimum of \$250 million in additional federal Medicaid revenues, and a corresponding reduction in State General Fund appropriations through a mechanism known as Intergovernmental Transfer. Revised estimates indicate that up to \$450 million in federal funds may be forthcoming. In addition, a retroactive claim for a portion of FY 2000 is to be submitted which may result in additional federal Medicaid reimbursements.

The four counties that have agreed to participate with the State in the Intergovernmental Transfer, in return for certain financial benefits, are Bergen, Monmouth, Morris and Passaic.

BACKGROUND

In 1991, Pub.L. 102-234, the Medicaid Voluntary Contribution and Provider-Specific Tax Amendments of 1991, restricted a state's ability to use voluntary contributions and provider-specific donations in the Medicaid program. However, the law did not restrict Intergovernmental Transfers.

The material below is taken from information provided by the Administration concerning the Intergovernmental Transfer.

- An Intergovernmental Transfer can occur when a state has county-owned and operated nursing homes and it is used to maximize federal Medicaid reimbursement.
- Instead of transferring funds to the State to be used for Medicaid payments, county funds paid to a county nursing home are considered as State payments and qualify for federal reimbursement.
- Maximizing federal funds occurs when the county transfers a large sum of money to the state which is then reimbursed to the county nursing home through Medicaid.
- The amount of Medicaid reimbursement for nursing facilities cannot exceed the aggregate that Medicare would pay for nursing services for the same population. As the Medicare rate for nursing services is greater than the comparable Medicaid rate, additional federal funds would be generated.
- A state must submit a State Plan Amendment to the federal Health Care Financing Authority for review and approval before federal Medicaid funds through the Intergovernmental Transfer can be received. (The federal government can delay its approval of a State Plan

Background Paper: The Intergovernmental Transfer (Cont'd)

Amendment.)

The specific steps needed to implement the Intergovernmental Transfer are:

- A county or counties and the State reach an agreement outlining the obligations of each party and the specific amount of funds a county (or counties) will provide for the Intergovernmental Transfer.
- A bank is selected to handle the Intergovernmental Transfer and each county and the State establishes an account at that bank.
- Each county either borrows or uses its own funds to deposit into its account with the bank. The bank then transfers the monies from the county/counties account to the State's account. **This is the Intergovernmental Transfer.**

In the proposed Intergovernmental Transfer, Bergen, Monmouth, Morris and Passaic counties would transfer a total of \$500 million to the State's account.

- The bank transfers back to each county account the full amount that had been transferred to the State's account. (If a county borrowed the money, it would repay the loan. It is assumed that the State would reimburse the county for any interest expense.) This transfer is considered an eligible Medicaid payment which qualifies for federal matching funds.

In the proposal, \$500 million would be transferred back to the county accounts. The State would claim a Medicaid expenditure of \$500 million and receive 50 percent federal Medicaid reimbursement, or \$250 million.

- The additional federal Medicaid revenue is retained by the State and is available for use by the State.

Under the initial proposal, the \$250 million in additional federal reimbursement would be used by the State to reduce General Fund appropriations to reimburse Nursing Homes for services to Medicaid patients.

Since initially proposed, the contents of a legal advertisement regarding the Intergovernmental Transfer amount indicates the amount has been increased from \$500 million (gross) to \$900 million (gross). Thus, the State could receive up to \$450 million in federal Medicaid funds, or \$200 million more than the \$250 million initially mentioned. The additional \$200 million in federal funds is not reflected in the FY 2001 recommended budget. Nor does the FY 2001 budget reflect additional federal Medicaid funds that may be received if the federal government approves a retroactive reimbursement for FY 2000 expenditures.

ANALYSIS

Many states are already taking advantage of the Intergovernmental Transfer including California, Illinois, New York and Pennsylvania. Thus, it appears that Intergovernmental Transfer included in the FY 2001 recommended budget is feasible.

There are certain issues that have not been addressed at the time of this writing:

Background Paper: The Intergovernmental Transfer (Cont'd)

- What financial benefits are the counties which participate in the Intergovernmental Transfer to receive?
- Does the Intergovernmental Transfer involve merely county nursing home expenditures or will all nursing home expenditures be subject to this initiative?
- Is the \$900 million the final dollar amount of the Intergovernmental Transfer?
- What is the dollar value of the retroactive claim the State intends to receive?
- As the State has indicated in a legal advertisement that the "aggregate increase in expenditures ... will be approximately \$900 million" (gross), or \$450 million federal, how does the State intend to use the additional \$200 million in federal funds that are not reflected in the recommended State budget?

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Individuals wishing information and committee schedules on the FY 2001 budget are encouraged to contact:

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