

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2001 - 2002 BUDGET



HEALTH AND SENIOR SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2001

NEW JERSEY STATE LEGISLATURE

SENATE BUDGET AND APPROPRIATIONS COMMITTEE

Robert E. Littell (R), 24th District (Sussex and parts of Hunterdon and Morris), *Chairman*
Peter A. Inverso (R), 14th District (Parts of Mercer and Middlesex), *Vice Chairman*
Martha W. Bark (R), 8th District (Parts of Atlantic, Burlington and Camden)
Wayne R. Bryant (D), 5th District (Parts of Camden and Gloucester)
Anthony R. Bucco (R), 25th District (Part of Morris)
Sharpe James (D), 29th District (Parts of Essex and Union)
Walter J. Kavanaugh (R), 16th District (Parts of Morris and Somerset)
Bernard F. Kenny, Jr. (D), 33rd District (Part of Hudson)
Joseph M. Kyrillos, Jr. (R), 13th District (Parts of Middlesex and Monmouth)

GENERAL ASSEMBLY BUDGET COMMITTEE

Leonard Lance (R), 23rd District (Warren and parts of Hunterdon and Mercer), *Chairman*
Joseph R. Malone, III (R), 30th District (Parts of Burlington, Monmouth and Ocean), *Vice Chairman*
Peter J. Biondi (R), 16th District (Parts of Morris and Somerset)
Francis J. Blee (R), 2nd District (Part of Atlantic)
Barbara Buono (D), 18th District (Part of Middlesex)
Steve Corodemus (R), 11th District (Part of Monmouth)
Marion Crecco (R), 34th District (Parts of Essex and Passaic)
Louis D. Greenwald (D), 6th District (Part of Camden)
Nellie Pou (D), 35th District (Part of Passaic)
Albio Sires (D), 33rd District (Part of Hudson)
Joel M. Weingarten (R), 21st District (Parts of Essex and Union)

OFFICE OF LEGISLATIVE SERVICES

Alan R. Kooney, *Legislative Budget and Finance Officer*
Allan Parry, *Assistant Legislative Budget and Finance Officer*

Glenn E. Moore, III, *Director, Central Staff*
Eleanor Seel, *Section Chief, Human Services Section*

This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Jay Hershberg.

Questions or comments may be directed to the OLS Human Services Section (Tel. 609 292-1646) or the Legislative Budget and Finance Office (Tel. 609 292-8030).

DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-10; C-17 to C-18; C-23; C-27; D-195 to D-227; G-3.

Fiscal Summary (\$000)

	Expended FY 2000	Adjusted. Appropriation FY 2001	Recommended FY 2002	Percent Change 2001-02
State Budgeted	\$1,312,881	\$1,166,504	\$1,049,747	(10.0)%
Federal Funds	934,707	1,315,994	1,633,753	24.1%
<u>Other</u>	<u>981,614</u>	<u>99,388</u>	<u>105,696</u>	<u>6.3%</u>
Grand Total	\$3,229,202	\$2,581,886	\$2,789,196	8.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change 2001-02
State	748	803	909	13.2%
Federal	813	820	919	12.1%
<u>Other*</u>	<u>271</u>	<u>282</u>	<u>301</u>	<u>6.7%</u>
Total Positions	1,832	1,905	2,129	11.8%

FY 2000 (as of December) and revised FY 2001 (as of September) personnel data reflect actual payroll counts. FY 2002 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 programs, 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/State Aid** appropriations of the various programs is \$9.6 million to provide agencies with a Cost of Living Adjustment (COLA):

Family Health Services - \$2,124,000
 Public Health Prevention - \$483,000
 Addiction Services - \$2,859,000
 AIDS Services - \$2,157,000
 Senior Services - \$2,019,000

These funds are to be used primarily to increase the salaries of direct care personnel at agencies under contract to these programs by 3.6 percent. Any monies that remain after direct care personnel receive their increase may be used for other agency expenses.

Elimination of Legislative Grants

The following Legislative **Special Purpose/Grants-In-Aid** accounts, valued at \$15.6 million, are not continued in FY 2002:

Health Services: Animal Population Control Expansion - \$400,000; Interagency Council on Osteoporosis - \$300,000; Best Friends Foundation - \$100,000; BirthHaven, Inc., Newton - \$50,000; Kimball Medical Center, Emergency Room - \$250,000; Trinity Health Center - \$115,000; Monmouth Medical Center, AWARE - \$100,000; New Jersey Institute for Parent Education, Inc. - \$75,000; Parenting Resource Education Network of Southern New Jersey - \$25,000; Child Federation of Atlantic City - \$25,000; School for Children with Hidden Intelligence - Early Intervention - \$75,000; Community Action for Social Affairs - Teen Pregnancy Prevention Program - \$25,000; One Hundred Black Men of New Jersey - Prostate Screening - \$25,000; St. Peter's Hospital - Community Mobile Health Unit - \$145,000; Jersey City Medical Center - Neonatal Intensive Care - \$100,000; AD House, Newark - \$10,000; Jewish Renaissance Foundation - \$150,000; Camden Optometric Eye Center - \$200,000; Meridian Health System, Parker Family Health Center - \$100,000; Epilepsy Foundation of New Jersey - \$65,000; Emanuel Cancer Foundation - \$25,000; Resource Center for Women and Their Families - \$78,000; Paterson Community Health Center - \$75,000; St. Francis Medical Center - St. Clare Mobile Outreach Van - \$150,000; Community Health Law Project - \$50,000; Pet Rescue of Mercer County - \$25,000; Freedom House, Glen Gardner - \$450,000; Daytop, N.J. - \$100,000; Somerset Treatment Services - \$100,000; Rapt Foundation - \$100,000; Sunrise House In-Patient Adolescent Substance Abuse Treatment - \$10,000; Good News for Women - \$25,000; Resolve Community Counseling Center - \$25,000; Sussex

Key Points (Cont'd)

Council on Alcohol and Drug Abuse - Strengthening Families Program - \$10,000; Atlantic Prevention Resources - \$25,000; Catholic Charities - Project Free - \$22,000; Epiphany House - \$100,000; Free Throw for AIDS - \$20,000; and St. Mary's Hospital - F.A.I.T.H - \$50,000.

Health Planning and Evaluation: Cathedral Health Care System, Newark - \$9.5 million; Our Lady of Lourdes Health System - Osborn Family Health Center - \$500,000; and Cooper Health System - Emergency Medicine and Family Medicine - \$1.5 million.

Senior Services: Adult Day Health Center, St. Barnabus Medical Center - \$200,000; and Hunterdon County Department of Human Services - LINK Program - \$100,000.

HEALTH SERVICES

- **Direct State Services.** Recommended appropriations are virtually unchanged at \$62.3 million.

Continuation funding is provided for: **Vital Statistics** - \$1.5 million; **Family Health Services** - \$6.1 million; **Addiction Services** - \$30.7 million; and **AIDS Services** - \$2.8 million.

Funding for **Public Health Protection Services** would decrease 2.1 percent, from \$15.2 million to \$14.9 million, as a Legislative appropriation for Animal Population Control is not continued. A new \$80,000 Special Purpose appropriation for costs related to the West Nile Virus is proposed.

Funding for **Laboratory Services** increases 14.4 percent, from \$5.5 million to \$6.3 million. The additional funding would be used as follows: \$100,000 to employ two nurses to follow-up on children diagnosed with disorders during hospital newborn screenings; and \$690,000 is for a new Special Purpose appropriation related to the West Nile Virus. (When combined with the **Public Health** Special Purpose appropriation, eight additional staff will be available for West Nile Virus activities.)

- **Grants-In-Aid.** Recommended **General Fund** appropriations would increase 6.5 percent, from \$59.4 million to \$63.2 million, primarily due to the previously mentioned COLA.
- **State Aid.** Though recommended appropriations of \$31.0 million are virtually unchanged from FY 2001 levels, the following changes are noted:

Funding for the Early Childhood Intervention Program is reduced from \$26.3 million to \$26.0 million as one-time data processing costs are not continued.

FY 2001 budget language that allowed health departments with populations between 20,000 and 25,000 - - Bergenfield, Maplewood, Englewood, Montville, Mt. Olive, Ringwood, Vernon and Cranford - - to receive Public Health Priority Funding, is not continued, saving \$65,000. However, 2000 Census data indicates that Bergenfield, Englewood and Montville will qualify for funds as their population now exceeds 25,000.

- **Capital Construction.** Funding is recommended for: Laboratory Equipment/Improvements - \$2.1 million; and a New State Health Laboratory - \$12.0 million.
- **Federal Funds.** A 1.0 percent decrease, from \$296.7 million to \$293.9 million, is anticipated. Fewer federal funds are anticipated in **Family Health Services** (\$0.5 million);

Key Points (Cont'd)

Public Health Protection Services (\$1.5 million); and **Addiction Services** (\$1.9 million). **AIDS Services** receives an additional \$1.1 million.

- **Other Funds** are expected to increase by about 15.0 percent, from \$45.6 million to \$52.5 million, primarily in **Family Health Services** (\$1.8 million); **Addiction Services** (\$1.0 million); and **AIDS Services** (\$3.6 million).

HEALTH PLANNING AND EVALUATION

- **Direct State Services.** Recommended funding of \$6.5 million is largely unchanged from FY 2001 levels, though additional funds are provided for the Nursing Home Background Checks/Nursing Aide Certification Program.
- **Grants-In-Aid.** Recommended appropriations would increase 27.8 percent, from \$94.6 million to \$121.0 million.

Health Care Subsidy Fund Payments increases from \$65.0 million to \$102.9 million. The additional **General Funds** offset a reduction in the amount of Unemployment Insurance revenues allocated for charity care. (Pursuant to budget language, D-213, \$6.0 million will come from revenues generated by a \$10.00 per adjusted admission imposed on hospitals by the Admission Charge Hospital Assessment program.)

Supplemental Charity Care funding is unchanged at \$18.1 million. The Commissioner of Health and Senior Services will have greater discretion in allocating monies among hospitals under proposed budget language, D-213. (The Tobacco Settlement Fund supports the cost of this program.)

- **Federal Funds.** Funding increases from \$28.1 million to \$28.6 million. Most federal funds are related to Supplemental Charity Care (\$18.1 million) and Medicare/Medicaid Inspection of Nursing Facilities (\$8.7 million).
- **Other Funds.** Though funding decreases from \$48.5 million to \$48.0 million, significant unexpended balances are expected to be retained by the various programs. Most of the **Other Funds** are from the 0.53 percent assessment imposed on hospitals (capped at \$40 million) and the Admission Charge Hospital Assessment program (\$7.2 million). These monies support such projects as Expansion of Medicaid - Pregnant Women and Children, the Infant Mortality Reduction Program and Health Care Planning.

HEALTH ADMINISTRATION

- **Direct State Services.** Recommended appropriations increase 33.0 percent, from \$4.5 million to \$6.0 million. An additional \$1.5 million is provided for the Services Other Than Personal accounts for "information processing" related to "E" Public Health.
- **Capital Construction.** Though no new funds are recommended, unexpended funds from the \$1.8 million appropriated for Information Processing Network - Infrastructure Upgrade and "E" Public Health (to improve the department's technological infrastructure) will be available in FY 2002.
- **Federal Funds.** Recommended appropriations increase from \$0.5 million to \$0.6 million due to a new AIDS grant.

Key Points (Cont'd)

- **Other Funds.** Proposed funding decreases from \$4.7 million to \$4.5 million because less indirect cost recoveries are allocated back to the department. As unexpended balances are retained by the program, sufficient funds will be available.

SENIOR SERVICES

- **Direct State Services.** Funding increases 13.6 percent, from \$17.0 million to \$19.4 million.

Continuation funding is provided for: **Pharmaceutical Assistance to the Aged and Disabled** - \$7.1 million; **Lifeline** - \$2.0 million; **Programs for the Aged** - \$1.1 million; and the **Office of the Public Guardian** - \$0.7 million.

Medical Services for the Aged. Funding increases 25.2 percent, from \$5.4 million to \$6.8 million, as additional funds are requested for the Fiscal Agent - Medical Services for the Aged account.

Office of the Ombudsman. Funding would increase 58.1 percent, from about \$0.6 million to \$1.6 million. An additional seven positions are being funded to maintain the current level of hospital and nursing home inspections.

- **Grants-In-Aid.** Recommended appropriations decrease 33.1 percent, from \$598.7 million to \$400.7 million as discussed below:

Medical Assistance to the Aged. Funding decreases 53.5 percent, to \$205.6 million, as an additional \$247.3 million in federal Intergovernmental Transfer (IGT) funds are used to offset State Nursing Home appropriations.

IGT 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 four counties that are administratively involved in the IGT receive certain financial benefits in return for their assistance. Also, pursuant to budget language, in FY 2002 (D-277), the State would provide those counties who are not involved in IGT with 50 percent of the local match required to earn federal Peer Grouping funds, if the State receives at least \$266.8 million in IGT funds. This proposed budget language represents a change from FY 2001 budget language wherein counties received two payments based on the State's receipt of \$266.8 million and \$292.5 million in IGT funds.

New federal regulations (January 2001) will virtually eliminate the State's receipt of IGT funds by the end of FY 2003.

During FY 2002, approximately 11.6 million patient days of Nursing Home services will be provided at an average daily cost of \$111. Due to the use of IGT funds, the State appropriation is reduced from \$362.8 million to \$118.4 million.

Recommended appropriations for Medical Day Care Services increases 31.4 percent, to \$32.5 million, due to increased utilization of services. Proposed funding for Community Care Alternatives increases from \$25.3 million to \$25.8 million to raise reimbursement to providers by \$1.00 per hour wage. Finally, funding for ElderCare Initiatives is unchanged at \$19.9 million as the number of people being served by the program has been less than anticipated. (The Tobacco Settlement Fund supports the cost of this program.)

Key Points (Cont'd)

Pharmaceutical Assistance to the Aged and Disabled - Claims (PAAD). Recommended appropriations would increase 72.9 percent, from \$83.2 million to \$143.9 million:

- \$50 million is recommended for the Senior Gold Prescription Assistance Program to provide pharmaceutical assistance to persons with incomes up to \$10,000 greater than the current PAAD income limits (subject to the enactment of enabling legislation), of which up to \$4.3 million will be used for 51 staff and other administrative costs. (The Tobacco Settlement Fund will support program costs.)
- PAAD costs for certain elderly and disabled persons increase 12.8 percent, from \$83.2 million to \$93.9 million.
- PAAD savings initiatives of \$8.6 million are assumed: prior authorization for the use of brand name drugs for which a generic is available; an increase in the discount the State receives from certain high volume pharmacies from 10 to 15 percent; a Voluntary Discount Plan which would reduce the copay to \$2.00 and encourage the use of mail order prescriptions; and obtaining Medicare reimbursement for certain drugs covered by Medicare.

In FY 2002, approximately 193,300 persons (167,400 elderly and 25,900 disabled) will use PAAD at an average cost per prescription of \$63.

Lifeline. Recommended funding decreases 38.9 percent, from \$59.2 to \$36.2 million for the Payments for Tenants Assistance Rebates. The reduction is attributable to P.L. 2001, c.24 which provides a one-time supplemental appropriation for various energy assistance programs.

Programs for the Aged. The recommended increase is due to the previously mentioned COLA.

- **State Aid**. Overall funding increases 10.5 percent, to \$6.5 million, due to the previously mentioned COLA. Continuation funding is provided for the County Offices on Aging (\$2.7 million) and the Older Americans Act - State Share (\$3.2 million).
- **Casino Revenue Fund**. Proposed funding increases from \$283.2 million to \$318.6 million. An additional \$35.5 million is allocated for PAAD program costs.
- **Federal Funds**. A 32.3 percent increase is anticipated, from \$990.7 million to \$1.31 billion. Most of the increase is related to the aforementioned Intergovernmental Transfer and the monies will be used to offset appropriations for Nursing Homes.
- **Other Funds**. A 22.8 percent increase is anticipated, from \$570,000 to \$700,000, and is related to an increase in fees received by the **Office of the Public Guardian**.

Key Points (Cont'd)

BACKGROUND PAPERS:

- Supplemental Charity Care p. 50
- Medical Day Care Appropriation p. 52
- ElderCare Initiatives p. 53
- Ombudsman Expansion p. 54

Program Description and Overview

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

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Services Workers

The **Grants-In-Aid/State Aid** accounts of the various programs include \$9.6 million for a Cost of Living Adjustment. A listing of the amounts recommended and how the monies are to be used is on p. 2, **Key Points**.

Legislative Grants

The **Special Purpose/Grants-In-Aid** accounts of the various programs eliminate about \$15.6 million in items added by the Legislature. A listing of those items which are not continued is on pp. 2- 3, **Key Points**.

Proposed Budget Language Concerning Debt Service - General Fund Provisions

Proposed budget language, 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 2002, 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 poisoning control programs, and providing assistance to local health departments for the provision of primary and preventive health services.

During FY 2002, the program will provide health services grants to 235 agencies. These programs will provide services to 52,000 physically disabled children; serve 10,000 infants through early intervention programs; provide family planning services to 105,000 women; screen 200,000 children for lead poisoning; serve 350 adults and families with Huntington's disease or Cystic Fibrosis; and certify/recertify 9,000 Emergency Medical Technicians.

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 2002, the program will register 77,000 new reports of cancer cases and 600 cases of TB; treat 3,000 cases of syphilis and gonorrhea; conduct nearly 7,800 environmental and sanitary inspections/investigations; register 460,500 dogs; investigate 90 communicable disease outbreaks; conduct nearly 250 complaint inspections under PEOSHA inspections; inspect 800 public/private workplaces under the Right to Know law; and audit 100 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 2002, 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 on addiction 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 2002, the program will analyze 193,000 bacteriology specimens; conduct 140,000 metabolism tests; examine 9,000 blood lead samples; inspect 300 clinical laboratories; and license nearly 200 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 2002, the program anticipates it will test and counsel 58,000 clients; provide early intervention services to 11,000 clients and provide medications to 4,700 clients through the AIDS Drug Distribution Program.

As of December 2000: The State had 41,300 reported AIDS cases with Essex (12,400) and Hudson (6,300) having about 45 percent of total cases; approximately 28 percent of cumulative adult-adolescent reported AIDS cases in New Jersey are female and the State had over 700 cases of pediatric AIDS (under 13 years of age), the fourth highest total number of pediatric cases in the country; and the number of deaths due to AIDS has declined from about 3,000 (1995) to about 1,100 (1999).

The recommended FY 2002 General and Casino Revenue Fund appropriations for **HEALTH SERVICES** is summarized on the next page.

Vital Statistics

Direct State Services. Continuation funding of \$1.5 million is recommended and provides \$250,000 for the Electronic Death Certificate project. In addition, \$850,000 in **Federal Funds** are anticipated.

Program Description and Overview (Cont'd)

	Adj. Approp.. FY 2001	Recomm. FY 2002	Percent Change
TOTAL (\$000)	\$154,237	\$171,009	10.9%
Direct State Services:	<u>\$61,795</u>	<u>\$62,265</u>	<u>0.8 %</u>
Vital Statistics	\$1,506	\$1,506	---
Family Health Services	6,114	6,114	---
Public Health...	15,247	14,927	(2.1)%
Addiction Services	30,687	30,687	---
Laboratory Services	5,488	6,278	14.4%
AIDS Services	2,753	2,753	---
Grants-In-Aid:	<u>\$59,370</u>	<u>\$63,213</u>	<u>6.5%</u>
Family Health Services	14,113	\$13,719	(2.8)%
Public Health...	2,536	2,794	10.2%
Addiction Services	26,297	28,189	7.2%
AIDS Services	16,424	18,511	12.7%
State Aid:	<u>\$30,912</u>	<u>\$30,952</u>	<u>0.1%</u>
Family Health Services	\$26,267	\$26,372	0.4%
Public Health...	4,645	4,580	(1.4)%
Capital Construction:	<u>\$1,660</u>	<u>\$14,079</u>	<u>748.1%</u>
Laboratory Services	\$1,660	\$14,079	748.1%
Casino Revenue Fund:	<u>\$500</u>	<u>\$500</u>	---
Family Health Services	\$500	\$500	---

Family Health Services

Direct State Services. Continuation funding of \$6.1 million is recommended and provides funding for such programs as Public Awareness Campaign for Black Infant Mortality (\$500,000) and Cancer Screening - Early Detection and Education Program (\$2.7 million).

Grants-In-Aid funding decreases from \$14.1 million to \$13.7 million, as Legislative grants are eliminated. Continuation funding is provided for grants such as: Family Planning (\$3.7 million); Special Health Services for Handicapped Children (\$1.9 million); Maternal and Child Health (\$1.3 million); and the Child Health Institute of New Jersey (\$1.0 million).

State Aid of \$26.4 million is virtually unchanged from FY 2001 levels.

Though Early Childhood Intervention Program funding is reduced by about \$300,000, to \$26.0 million, services are not affected as one-time data processing expenses are not continued. (Total program funding, including federal and Medicaid funds, is about \$41.0 million.)

Casino Revenue Funds. Continuation funding of \$500,000 is provided for the Statewide Birth Defects Registry.

Federal Funds. The \$140.0 million recommended is largely unchanged from FY 2001 levels.

Program Description and Overview (Cont'd)

In FY 2002, the following amounts of federal funds are anticipated for various programs: Supplemental Food Program - W.I.C. - \$90.0 million; Preventive Health and Health Services Block Grant - \$2.4 million; Early Intervention Program for Infants and Toddlers with Disabilities - \$11.0 million; Family Planning Program - Title X - \$3.5 million; Maternal and Child Health Block Grant - \$12.7 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 - \$4.0 million.

Other Funds of \$29.4 million are anticipated, a 6.4 percent increase from FY 2001 levels, and is related to the Spinal Cord Research Fund (\$3.3 million). The following amounts are anticipated for the following programs: WIC Rebates - \$22.5 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 \$14.9 million represent a 2.1 percent reduction from FY 2001 levels of \$15.2 million, as a \$400,000 Legislative appropriation related to Animal Population Control is not continued. To implement the interdepartmental **West Nile Virus Response Plan**, a new \$80,000 Special Purpose appropriation is recommended for prevention activities related to the West Nile Virus.

Grants-In-Aid. Proposed funding increases 10.2 percent, from \$2.5 million to \$2.8 million, due to a COLA for provider agencies. Continuation funding is provided for the New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment (\$200,000), the Cancer Registry (\$400,000) and other grants.

State Aid. Though Public Health Priority Funding is unchanged at \$0.40 per capita, funding is reduced from \$4.65 million to \$4.6 million. The reduction is related to budget language that is not continued which reduced the population criteria for receiving funds from 25,000 to 20,000. Eight health departments (Bergenfield, Cranford, Englewood, Maplewood, Montville, Mt. Olive, Ringwood and Vernon) are affected and will lose funding. However, 2000 Census data indicates that Bergenfield, Englewood and Montville will qualify for funds as their population now exceeds 25,000.

Included within the Public Health Priority Funding account is approximately \$0.5 million to continue data processing activities such as NJ LINCS (Local Information Network and Communications Systems).

Federal Funds are expected to decline 5.4 percent, from \$28.3 million to \$26.8 million. Although many programs anticipate fewer federal funds, the major reduction is in the Demonstration Program to Conduct Health Assessments program where federal funds will be reduced from \$2.1 million to about \$0.8 million.

Other Funds increases 31.9 percent, from \$1.6 million to \$2.1 million. Most of the increase is related to the Conquer Cancer license plates program (\$300,000) and the Bottled Water Certification Program (\$175,000).

Program Description and Overview (Cont'd)

Addiction Services

Direct State Services. Continuation funding of \$30.7 million is recommended including funds provided for various initiatives to reduce smoking: Youth Anti-Tobacco Awareness Media Campaign - \$6.3 million; Smoking Cessation Programs for Addicted Adults and Youth - \$8.7 million; Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs - \$ 3.0 million; School Based Programs for the Prevention of Tobacco Use - \$5.0 million; and Community Based Tobacco Control Programs - \$ 7.0 million. These programs are supported by Tobacco Settlement Funds.

Grants-In-Aid funding increases 7.2 percent, from \$26.3 million to \$28.2 million, due to the COLA for contract agencies. Funding for Community Based Substance Abuse Treatment and Prevention (\$20.5 million) and other treatment activities is unchanged.

Federal Funds are expected to decline 3.8 percent, from \$50.9 million to \$49.0 million. Various federal grants, many of a one-time nature, are reduced or discontinued. The major reduction is in the Comprehensive State Based Tobacco Use Prevention Programs where \$1.3 million fewer funds are expected. The largest federal program, Substance Abuse Block Grant, expects \$45.1 million in funds, the same as in FY 2001.

Other Funds increases 33.9 percent, from \$3.0 million to \$4.0 million as \$1.1 million in Drug Enforcement Demand Reduction Fund are made available. Other program funding is unchanged: Alcohol Education Rehabilitation and Enforcement Fund (\$1.9 million) and Retail Tobacco Licenses -Vendor Compliance (\$1.1 million).

Laboratory Services

Direct State Services funding increases 14.4 percent, from \$5.5 million to \$6.3 million. An additional \$100,000 for Personal Services is provided to employ two nurses to follow up on children who are diagnosed with disorders based on newborn hospital screenings. To implement the interdepartmental **West Nile Virus Response Plan**, a new \$690,000 Special Purpose account is established for laboratory testing activities related to the West Nile Virus. (When combined with a similar **Public Health** Special Purpose appropriation, \$770,000 would be available for West Nile Virus activities and eight additional staff positions would be employed.)

Capital Construction funding of \$14.1 million is recommended: Laboratory Equipment/Automation - \$2.1 million; and New State Health Laboratory (architectural and design work) - \$12.0 million.

Federal Funds of \$1.8 million are essentially unchanged from FY 2001 levels. Most federal funds are used for: Clinical Laboratory Improvement Amendments Program - \$0.6 million; Tuberculosis Control - \$0.4 million; and Venereal Disease Project - \$0.5 million.

Other Funds are virtually unchanged at \$7.9 million and represent Laboratory Services Revolving Funds (\$7.5 million) and Clinical Laboratory Improvement Service fees (\$0.4 million).

AIDS Services

Direct State Services. Continuation funding of \$2.8 million is recommended.

Program Description and Overview (Cont'd)

Grants-In-Aid. Proposed funding increases 12.7 percent, from \$16.4 million to \$18.5 million, due to the COLA for contract agencies. The amount available for AIDS Grants is unchanged at \$16.4 million.

Federal Funds are expected to increase from \$74.3 million to \$75.4 million. The following programs anticipate additional federal monies: Housing Opportunities for Persons with AIDS - \$400,000; HIV/AIDS Prevention and Education Grants - \$700,000; Comprehensive AIDS Resources Grant - \$2.0 million; and Evaluation Client-Centered HIV Prevention Counseling - \$200,000. The HIV/AIDS Surveillance Grant anticipates \$1.8 million less federal support.

Other Funds. Funding increases by 66.7 percent, from \$5.4 million to \$9.0 million, as an additional \$3.0 million in AIDS Drug Distribution Program Rebates and a \$600,000 increase in the Philadelphia AIDS Grant are anticipated.

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.

In FY 2002, **Long Term Care Systems Development and Quality Assurance** will issue 760 licenses for 73,000 beds; conduct 4,000 inspections and initiate nearly 400 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. The program regulates HMOs and monitors complaints against these organizations.

During FY 2002, **Health Care Systems Analysis** will process over 75 certificate of need applications., conduct nearly 1,650 inspections of acute care facilities and process 10,000 complaints against HMOs.

The recommended FY 2002 General Fund appropriation for **HEALTH PLANNING AND EVALUATION** is summarized on the next page.

Long Term Care Systems Development and Quality Assurance

Direct State Services. Recommended appropriations increases 1.3 percent, to about \$4.5 million. Funding for the Nursing Home Background Checks/Nursing Aide Certification Program increases from \$918,000 to \$979,000; and continuation funding of \$155,000 is provided for the Resident Satisfaction - Long Term Care program.

Federal Funds. The increase from \$8.9 million to \$9.3 million is related to the receipt of \$400,000 in funds for the Nurse Aide Certification Program. Most federal funds are for the Medicare/Medicaid Inspections of Nursing Facilities program (\$8.7 million).

Program Description and Overview (Cont'd)

	Adj. Approp. FY 2001	Recomm. FY 2002	Percent Change
TOTAL (\$000)	\$101,079	\$127,520	26.2%
Direct State Services:	<u>\$6,443</u>	<u>\$6,504</u>	<u>0.9%</u>
Long Term Care Systems..	\$4,430	\$4,491	1.3%
Health Care Systems...	2,013	2,013	---
Grants-In-Aid:	<u>\$94,636</u>	<u>\$121,016</u>	<u>27.9%</u>
Health Care Systems...	\$94,636	\$121,016	27.9%

Other Funds are expected to increase from \$343,000 to \$392,000, as additional fines are to be collected by the Health Care Quality Monitoring Fund.

Health Care Systems Analysis

Direct State Services. Continuation funding of \$2.0 million is recommended and includes \$1.0 million for the Implementation of Statewide Health Information Network (HINT) project.

Grants-In-Aid appropriations increase 27.9 percent, from \$94.6 million to \$121.0 million:

- Health Care Subsidy Fund Payments increase 58.3 percent, from \$65.0 million to \$102.9 million. The **General Fund** increase is related to a scheduled reduction in the amount of Unemployment Insurance revenues allocated for charity care.

Of the \$102.9 million recommended, \$6.0 million comes from the \$10.00 per adjusted admission imposed on hospitals by the Admission Charge Hospital Assessment revenues pursuant to budget language on D-213.

- \$18.1 million (plus matching federal funds) is recommended for Supplemental Charity Care to be distributed to hospitals that do not receive Charity Care or receive insufficient Charity Care funds under the existing formula. Proposed budget language (D-213) would grant the Commissioner of Health and Senior Services greater discretion in devising a methodology to allocate these funds. Only hospitals that have not received at least \$0.30 per dollar of charity care provided are eligible to receive Supplemental Charity Care, and the amount of supplemental Charity Care such hospitals may receive is limited to the \$36.2 million in State and federal funds appropriated. A listing of those hospitals and the amounts they received in FY 2001 is on p. 51.

In total, approximately \$424 million is available for Charity Care/Supplemental Charity Care.

Federal Funds increase from \$19.1 million to \$19.3 million and primarily represent federal Supplemental Charity Care funds (\$18.1 million).

Other Funds are reduced from \$48.2 million to \$47.6 million. However, as these accounts retain unexpended FY 2001 balances, the reduction will not impact programs. These funds are used to support departmental administrative operations and to support various program expenditures.

Program Description and Overview (Cont'd)

The **Other Funds** represent revenues generated from: Admission Charge Hospital Assessment a \$10.00 per adjusted admission fee imposed on hospitals (\$7.2 million); Health Care Cost Reduction Fund a 0.53 percent assessment on hospital revenues (capped at \$40.0 million); and Certificate of Need fees (\$0.5 million). These monies support the following programs:

- Certificate of Need Program - \$0.5 million, in addition to unexpended FY 2001 balances. (In FY 2000, unexpended balances were \$2.2 million.)
- Managed Care Initiatives (\$3.6 million) and Health Facilities Licensing and Inspections (\$2.6 million), in addition to unexpended FY 2001 balances. (In FY 2000, unexpended balances in the two programs were over \$3.3 million.) These programs are funded from the 0.53 percent hospital assessment.
- Expansion of Medicaid - Pregnant Women and Infants - \$19.0 million. (These funds reimburse Medicaid for services to pregnant women and infants with incomes between 100 and 185 percent of the poverty level.) This program is funded from the 0.53 percent hospital assessment.
- Health Care Cost Reduction Fund - \$14.7 million, in addition to unexpended FY 2001 balances. (In FY 2000, unexpended balances were \$7.1 million.) The Fund supports the following activities: Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; Emergency Medical Services for Children Program; Implementation of Statewide Information Network; and Federally Qualified Health Centers. Once these programs are funded, the commissioner may allocate funds for Competitive Initiatives. These programs are funded from the 0.53 percent hospital assessment.
- Health Care Planning - \$7.2 million, in addition to unexpended FY 2001 balances. (In FY 2000, nearly \$10.6 million in funds were unexpended.) This program is supported by the \$10.00 per adjusted admission fee imposed on hospitals. Pursuant to proposed budget language on D-213, \$6.0 million is used for Health Care Subsidy Fund Payments. Also, the first \$1.2 million in admission fee revenue is deposited in the General Fund to be used for "health related purposes" (D-226).

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. Proposed funding increases 33.0 percent, from \$4.5 million to \$6.0 million, and is related to an additional \$1.5 million for Services Other Than Personal accounts. These monies will be used for "information processing" costs related to "E" Public Health.

Though no new **Capital Construction** are provided, projects initiated in FY 2001 will have sufficient unexpended balances to continue in FY 2002: Information Processing Network - Infrastructure Upgrade (to replace network wiring and equipment at five locations) and "E" Public Health ("a multi-year initiative...[to] help build the department's technological infrastructure in order to improve data collection, analysis, and information exchange"). As of this writing, none of the \$1.8 million for Information Processing Network/"E" Public Health has been expended. (As noted above, \$1.5 million is included in the Services Other Than Personal accounts for "E" Public Health data processing activities.)

Program Description and Overview (Cont'd)

Federal Funds will increase from \$460,000 to \$610,000 due to a new \$150,000 Minority AIDS Demo grant.

Other Funds (including revolving funds) of approximately \$4.5 million is anticipated, compared to \$4.7 million in FY 2001. These monies represent revolving funds (\$2.6 million) and indirect cost recoveries returned to the department and used for administrative operations (\$1.9 million). In FY 2002, fewer indirect cost recoveries are returned to the department. As these accounts retain unexpended balances, sufficient funds will be available in FY 2002 to offset the reduction.

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 2002, 11.6 million nursing home days will be provided to Medicaid clients and 6,200 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 \$19,238 (single) and \$23,589 (married). Eligible persons pay a \$5.00 copay for each prescription drug. Persons eligible for PAAD may also receive up to \$100 in assistance in the purchase of a hearing aid. During FY 2002, assistance will be provided to about 193,300 persons: 167,400 elderly and 25,900 disabled, at an approximate average cost per prescription drug of about \$63 (gross).

The proposed Senior Gold program expands pharmaceutical assistance to single persons and married couples with income up to \$10,000 above current PAAD limits: \$19,238 for single persons and \$23,589 for married couples. Eligible persons would have a copay of \$15 plus 50 percent of the remaining balance. Out-of-pocket costs would be capped at \$2,000 and \$3,000, respectively, for single persons and married couples, after which only a \$15 copay would apply.

Lifeline provides eligible households with either a \$225 credit on their electric/gas bill or a \$225 check to offset their energy costs. (P.L. 2001, c.24 will provide eligible Lifeline households with a one-time benefit increase of approximately \$48.) 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 2002, 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. Funded programs include congregate and home delivered meals, personal care, legal services and case management.

During FY 2002, 2.2 million congregate meals will be served, nearly 600,000 units of personal care services will be provided, 112,000 persons will receive health insurance counseling and adult protective services will be offered to over 5,300 persons.

The **Ombudsman's Office** receives, investigates and resolves complaints concerning health care facilities serving the elderly. The office also review requests for the withdrawal or withholding of life-sustaining treatment for persons without advance directives for health care. During FY 2002,

Program Description and Overview (Cont'd)

8,000 on-site investigations will be conducted, nearly 4,600 visits to nursing homes, boarding homes and other facilities where the elderly may reside will be undertaken and 500 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 2002, over 1,500 cases will be handled and the office will be appointed guardian by the courts in 150 cases.

The FY 2002 General and Casino Revenue Fund appropriations for **SENIOR SERVICES** is summarized below.

	Adj. Approp. FY 2001	Recomm. FY 2002	Percent Change
TOTAL (\$000)	\$904,838	\$745,173	(17.6)%
Direct State Services:	<u>\$17,033</u>	<u>\$19,351</u>	<u>13.6</u>
Medical Services...Aged	\$5,421	\$6,789	25.2%
PAAD (Admin.)	7,124	7,124	---
Lifeline (Admin.)	2,038	2,038	---
Programs for the Aged	1,115	1,115	---
Ombudsman	601	1,551	158.1%
Public Guardian	734	734	---
Grants-In-Aid:	<u>\$598,681</u>	<u>\$400,657</u>	<u>(33.1)%</u>
Medical Services...Aged	\$442,377	\$205,584	(53.5)%
PAAD	83,182	143,852	72.6%
Lifeline	59,171	36,171	(38.9)%
Programs for the Aged	13,951	15,050	7.9%
Casino Revenue Fund:	<u>\$283,211</u>	<u>\$318,622</u>	<u>12.5</u>
Medical Services...Aged	\$3,946	\$3,857	(2.5)%
PAAD	229,918	265,428	15.4%
Lifeline	34,669	34,669	---
Programs for the Aged	14,678	14,678	---
State Aid	<u>\$5,913</u>	<u>\$6,533</u>	<u>10.5%</u>
Programs for the Aged	\$5,913	\$6,533	10.5%

Medical Services for the Aged

Direct State Services. Recommended funding increases 25.2 percent, from \$5.4 million to \$6.8 million; an additional \$1.4 million for Fiscal Agent - Medical Services for the Aged is requested. Fiscal Agent costs are expected to increase as the number of persons receiving ElderCare Initiatives services and the number of providers participating in the program increase. The Community Choice/Acuity Audits program is provided continuation funding of \$703,000.

Grants-In-Aid. The recommended appropriation decreases 53.5 percent, from \$442.4 million to \$205.6 million and reflects the use of \$247.3 million in federal Intergovernmental

Program Description and Overview (Cont'd)

Transfer (IGT) funds to offset State appropriations for the Payments to Medical Assistance Recipients - Nursing Homes account. (The reduction is in addition to the \$250 million that was charged to IGT in FY 2001.)

Under IGT, four county operated nursing homes (Bergen, Monmouth, Morris and Passiac) make a payment to the State which is then returned to the counties; the State claims the payment as a Medicaid expense and obtains 50 percent federal Medicaid reimbursement. The county expenditure reflects payment for all nursing home patients at the higher Medicare nursing home rate. The State retains the difference between the higher Medicare rate and the Medicaid rate. In return for assisting the State in this financial transaction, the counties involved in the transaction receive certain financial benefits. In addition, those counties not involved in the actual IGT transaction receive certain financial benefits:

In FY 2001, counties received State funds for 50 percent of the local share of monies needed to obtain federal Peer Grouping funds if the State received \$266.8 million and \$292.5 million in IGT funds, respectively. Counties will receive \$18 million in funds under the FY 2001 provision.

In FY 2002, pursuant to proposed budget language (D-227), counties will receive 50 percent of the local share of monies needed to obtain federal Peer Grouping funds if the State receives \$266.8 million in IGT funds. Thus, counties will receive \$9 million less than they will receive in FY 2001.

Under new federal regulations (January 2001), by the end of FY 2003, the State's use of IGT will be curtailed; the State will only be able to claim IGT funds for patient days at county nursing homes, rather than all nursing homes. These new regulations will reduce the amount of federal IGT funds the State receives from about \$400 million to about \$48 million.

While the proposed budget does not include funds for IGT Administrative Costs, P.L. 2000, c. 28 appropriates "such additional sums ... as necessary" to pay for such expenses. Based on the amounts reflected in the recommended budget, FY 2002 IGT Administrative Costs might be around \$600,000.

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

- Community Care Alternatives. Service providers would receive a \$1.00 per hour salary increase and recommended appropriation increases from \$25.3 million to \$25.8 million.
- Medical Day Care. The recommended appropriation increases 31.4 percent, from \$24.7 million to \$32.5 million, reflecting increased utilization.
- ElderCare Initiatives (Funded by Tobacco Settlement Funds). Continuation funding of \$19.9 million is provided as implementation has been slower than anticipated. For example, the FY 2001 budget had estimated that 2,200 persons would obtain the services; the FY 2002 budget estimates that only 2,300 persons would receive services. (When first proposed in FY 2000, Initiative expenditures were to have been about \$36 million in FY 2002.)

Casino Revenue Fund. Appropriations decrease 2.5 percent, from \$3.9 million to \$3.8 million. Home Care Expansion appropriations would decrease from about \$440,000 to \$350,000, as enrollment is limited to those enrolled as of June 30, 1996. Continuation funding is provided for

Program Description and Overview (Cont'd)

the Hearing Aid Assistance for the Aged and Disabled (\$250,000) and Community Care Alternatives (\$3.3 million) programs.

Federal Funds. A 33.7 percent increase is anticipated, from \$949.1 million to \$1.27 billion. Most of the increase reflects an additional \$309 million in federal Medicaid reimbursement for Medicaid Nursing Home services due to IGT funds.

In addition, federal administrative funds increase by about \$2.0 million, to \$12.0 million, and Medical Day Care funds will increase \$7.8 million, to \$32.5 million. Federal funds for ElderCare Initiatives (\$22.2 million) and Community Care Alternatives (\$29.1 million) are virtually unchanged from FY 2001 levels.

PAAD

Direct State Services. Continuation funding of \$7.1 million is recommended.

Grants-In-Aid. Total funding (**General and Casino Revenue Funds**) increases 30.7 percent, from \$313.1 million to \$409.3 million, as discussed below.

The budget recommends \$50 million in Tobacco Settlement Funds for the Senior Gold Prescription Assistance Program, subject to the enactment of enabling legislation. Up to \$4.3 million of the appropriation will be used for 51 staff and related administrative costs.

PAAD program costs (**General and Casino Revenue Funds**) are expected to increase 30.6 percent, from \$313.1 million to \$409.3 million, due to increases in the number of eligibles (from about 188,900 to 193,300), prescriptions filled (from 6.4 million to 6.6 million) and prescription drug costs (from \$58 to \$63 per claim).

Rebates from pharmaceutical manufacturers of \$50 million are unchanged and recoveries, primarily from other drug insurance coverage, is \$9.3 million, \$1.6 million below FY 2001.

Several initiatives that would save \$3.9 million are proposed:

- Prior authorization whenever a brand name drug is prescribed, if a generic is available.
- Increase from 10 to 15 percent the discount the State receives when it reimburses high volume pharmacies (as defined by the commissioner) for drugs.
- Encourage participation in a Voluntary Discount Plan wherein the copay would be reduced to \$2.00 when certain pharmacies are used and when prescriptions are obtained via mail order.

An additional \$4.7 million in Medicare reimbursements for drugs is also anticipated.

Casino Revenue Fund. As discussed above, PAAD related appropriations would increase 15.4 percent, from \$229.9 million to \$265.4 million. Approximately \$58.4 million in costs associated with the Disabled are being absorbed by the **General Fund**.

Program Description and Overview (Cont'd)

Lifeline

Direct State Services. Continuation funding of \$2.0 million is recommended.

Grants-In-Aid. Recommended funding is reduced 38.9 percent for Payments for Tenants Assistance Rebates, from \$59.2 million to \$36.2 million, as a one-time \$23.0 million supplemental appropriation (P.L.2001, c.24) to be used for various energy assistance programs targeted to low-income persons and households is not continued. Under the legislation, Lifeline households would receive an additional \$48 in Tenants Assistance Rebates/Lifeline Credits in FY 2001.

Casino Revenue Funds. The recommended \$34.7 million appropriation for Lifeline Credits is unchanged from FY 2001 levels.

Programs for the Aged

Direct State Services. Continuation funding of \$1.1 million is recommended, including \$170,000 for the Arthritis Quality of Life Initiative Act and \$100,000 for the NJ EASE program.

Grants-In-Aid. Recommended appropriations increase 7.9 percent, from \$14.0 million to \$15.1 million, due to the COLA for contract agencies. Continuation funding is provided for the following grants: Arthritis Quality of Life Initiative Act (\$464,000); ElderCare Advisory Commission Initiatives (\$3.5 million); Purchase of Social Services (\$8.1 million); Alzheimer's Disease Program (\$0.7 million); and Adult Protective Services (\$0.8 million).

State Aid. The recommended appropriation increases 10.5 percent, to \$6.5 million, due to the COLA for contract agencies. Continuation funding is recommended for the Older Americans Act State Share (\$3.2 million) and for County Offices on Aging (\$2.7 million).

Casino Revenue Fund. The recommended appropriation of \$14.7 million is unchanged from FY 2001 levels. Continuation funding is provided for Demonstration Adult Day Care Center Program - Alzheimer's Disease (\$2.5 million); Adult Protective Services (\$1.8 million); Senior Citizen Housing - Safe Housing and Transportation (\$1.6 million); Respite Care for the Elderly (\$5.1 million); Congregate Housing Support Services (\$1.9 million); and Home Delivered Meals Expansion (\$1.0 million).

Federal Funds. Approximately \$41.1 million is anticipated, virtually unchanged from FY 2001. The following amounts are recommended for various programs: Support Services - Older Americans Act Title III (\$14.9 million); 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.

Ombudsman's Office

Direct State Services funding increases 158.1 percent, from \$600,000 to about \$1.6 million. The additional funding will be used to hire seven staff to maintain the same number of nursing home and hospital inspections.

Federal Funds of \$420,000 are anticipated and represent Medicaid reimbursements.

Program Description and Overview (Cont'd)

Office of the Public Guardian

The recommended **General Fund** appropriation of \$0.7 million is unchanged from FY 2001 levels. **Other Funds** of \$800,000 are anticipated: \$250,000 in federal Medicaid reimbursements and \$550,000 in services fees.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (TOTAL)

	Expended FY 2000	Adj. Approp. FY 2001	Recom. FY 2002	Percent Change	
				2000-02	2001-02
General Fund					
Direct State Services	\$74,893	\$89,816	\$94,165	25.7%	4.8%
Grants - In - Aid	868,540	752,687	584,886	-32.7%	-22.3%
State Aid	29,851	36,825	37,485	25.6%	1.8%
Capital Construction	730	3,465	14,079	1828.6%	306.3%
Debt Service				0.0%	0.0%
Sub-Total	\$974,014	\$882,793	\$730,615	-25.0%	-17.2%
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	\$338,867	\$283,711	\$319,112	-5.8%	12.5%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,312,881	\$1,166,504	\$1,049,727	-20.0%	-10.0%
Federal Funds	\$934,707	\$1,315,994	\$1,633,753	74.8%	24.1%
Other Funds (a)	\$981,614	\$99,388	\$105,696	-89.2%	6.3%
Grand Total	\$3,229,202	\$2,581,886	\$2,789,176	-13.6%	8.0%

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2000	Revised FY 2001	Funded FY 2002	Percent Change	
				2000-02	2001-02
State	748	803	909	21.5%	13.2%
Federal	813	820	919	13.0%	12.1%
All Other(b)	271	282	301	11.1%	6.7%
Total Positions	1,832	1,905	2,129	16.2%	11.8%

FY 2000 and revised FY 2001 personnel data reflect actual payroll counts. FY 2002 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	30.1%	31.0%	31.0%	----	----
------------------------	-------	-------	-------	------	------

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
--------------------	---------------------------------	----------------------------	--------------------------	---------------------------	------------------------

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Care Workers

The recommended **Grants-In-Aid/State Aid** appropriations include approximately \$9.6 million for a Cost of Living Adjustment to provider agencies. These monies are primarily to be used to increase the salaries of direct care workers at these agencies by 3.6 percent. A listing of the amounts allocated to each program and how these funds are to be used may be found on p. 2, **Key Points**.

Elimination of Legislative Grants

A listing of the Legislative **Special Purpose/Grants-In-Aid** accounts, valued at \$15.6 million, that are not continued appears on pp. 2 - 3, **Key Points**.

HEALTH SERVICES

Laboratory Services	\$5,488	\$6,278	\$790	2.2%	D-202
---------------------	---------	---------	-------	------	-------

An additional \$100,000 is provided in the Salaries and Wages account to employ two nurses to conduct follow-up activities for children diagnosed with disorders during newborn hospital screenings. The balance, \$690,000, is for West Nile Virus Laboratory Services activities discussed below.

West Nile Virus (Total):	<u>\$0</u>	<u>\$770</u>	<u>\$770</u>	=	
Public Health					
Protection Services: (Special Purpose)	\$0	\$80	\$80	—	D-203
Laboratory Services: (Special Purpose)	\$0	\$690	\$690	—	D-203

Pursuant to the interdepartmental West Nile Virus Response Plan, \$770,000 in new Special Purpose funds are recommended for personnel costs of eight employees involved in testing, combating and distributing educational materials on the West Nile Virus in the **Public Health** and **Laboratory Services** programs.

Early Childhood Intervention Program	\$26,267	\$25,967	(\$300)	(1.1)%	D-207
---	----------	----------	---------	--------	-------

One-time data processing costs included in the grant account are not continued.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Public Health Priority Funding	\$4,645	\$4,580	(\$65)	(1.4)%	D-207

Budget language that allowed eight health departments (Bergenfield, Cranford, Englewood, Maplewood, Montville, Mt. Olive Ringwood and Vernon) with populations of between 20,000 - 25,000 to receive funds is not continued, saving about \$65,000. However, 2000 Census data indicates that Bergenfield, Englewood and Montville will now qualify for funds as their population exceeds 25,000.

Capital Construction	\$1,660	\$14,079	\$12,419	747.9%	D-207
----------------------	---------	----------	----------	--------	-------

The following Capital Construction projects are funded: Improvements to Laboratories.... - \$0.4 million; Laboratory Equipment - \$1.5 million; New State Health Laboratory (architectural and design work) - \$12.0 million; and Clinical Laboratory Services - Automation - \$0.2 million.

HEALTH PLANNING AND EVALUATION

Nursing Home Background Checks/Nursing Aide Certification Program	\$918	\$979	\$61	6.6%	D-212
---	-------	-------	------	------	-------

Additional funds are recommended because the number of persons subject to background checks is increasing.

Health Care Subsidy Fund Payments (P.L. 1997, c.263)	\$65,020	\$102,900	\$37,880	58.3%	D-212
--	----------	-----------	----------	-------	-------

The funding increase is due to a reduction in the amount of Other Funds (Unemployment Insurance) allocated for charity care. Overall, hospitals should continue to receive the same amount of charity care funds, depending on the various financial data used to determine how much a hospital receives, though the monies may come from different sources. (The total amount for Charity and Supplemental Charity Care is approximately \$424 million.)

HEALTH ADMINISTRATION

Services Other Than Personal	\$718	\$2,218	\$1,500	208.9%	D-215
------------------------------	-------	---------	---------	--------	-------

Services Other Than Personal costs would increase by \$1.5 million, to approximately \$2.2

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
--------------------	---------------------------------	----------------------------	--------------------------	---------------------------	------------------------

million. The additional monies will be used for information processing and professional services (consultants) for the "E" Public Health project.

Capital Construction	\$1,805	\$0	(\$1,805)	(100.0)%	D-215
-----------------------------	----------------	------------	------------------	-----------------	--------------

The FY 2001 budget provided \$1.1 million for the "E" Public Health project and \$0.7 million for Information Processing Network - Infrastructure Upgrade. Though no additional Capital Funds are recommended for these activities, any unexpended monies would be available in FY 2002. As of this writing, no monies have been expended, though some funds have been encumbered. (The Services Other Than Personal account includes \$1.5 million for "E" Public Health related costs.)

SENIOR SERVICES

Office of the Ombudsman	\$601	\$1,551	\$950	158.1%	D-219
------------------------------------	--------------	----------------	--------------	---------------	--------------

The increase provides for seven additional positions to maintain the current number of hospital and nursing home inspections and to offset federal funding reductions: Personal Services costs would increase from \$545,000 to \$945,000 and Services Other Than Personal costs would increase from \$36,000 to \$586,000.

Fiscal Agent - Medical Services for the Aged	\$119	\$1,487	\$1,368	1149.6%	D-219
---	--------------	----------------	----------------	----------------	--------------

Costs associated with the claims processing and other financial services provided by the ElderCare Initiatives program's fiscal agent are expected to increase because the number of people and providers involved in the program are expected to increase.

IGT Administrative Costs	\$585	\$0	(\$585)	(100.0)%	D-220
-------------------------------------	--------------	------------	----------------	-----------------	--------------

As FY 2002 IGT Administrative Costs are not known at this time, no funding is recommended. Should monies be needed, under the terms of P.L. 2000, c.28, "such additional sums ... as necessary" for IGT administrative costs are appropriated.

Community Care Alternatives	\$25,327	\$25,807	\$480	1.9%	D-220
--	-----------------	-----------------	--------------	-------------	--------------

The increase is related to a \$1.00 per hour increase for service providers.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2001</u>	<u>Recomm.</u> <u>FY 2002</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Payments for Medical Assistance Recipients - Nursing Homes	\$362,248	\$118,380	(\$243,868)	(67.3)%	D-220

The reduction in the recommended State appropriation will be offset with an additional \$247.3 million in federal funds the State will receive through the Intergovernmental Transfer (IGT). Including FY 2001 IGT funds, nearly \$500 million in federal IGT funds are being used to offset State appropriations.

IGT involves four county operated nursing homes (Bergen, Monmouth, Morris and Passaic) 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. Other counties which operate nursing homes also receive certain financial benefits by having the State pay a portion of the local match required to obtain federal Peer Grouping Funds.

In January 2001, new federal regulations were adopted which will significantly reduce the amount of funds the State receives from IGT by the end of FY 2003.

The overall State/federal Nursing Homes appropriation will provide 11.6 million patient days at a cost of \$111 per day.

Medical Day Care Services	\$24,740	\$32,520	\$7,780	31.4%	D-220
---------------------------	----------	----------	---------	-------	-------

The recommended appropriation will increase by 31.4 percent, to \$32.5 million, because the number of people using the service is expected to increase.

Senior Gold Prescription Program	\$0	\$50,000	\$50,000	—	D-220
----------------------------------	-----	----------	----------	---	-------

The Senior Gold Prescription Program [to be funded from the Tobacco Settlement Fund] will provide drug benefits to senior citizens and disabled persons with income up to \$10,000 above current PAAD limits. Eligible persons will pay a \$15 copay plus 50 percent of the remaining drug cost. Single persons and married couples who incur out-of-pocket drug costs of \$2,000 or \$3,000, respectively, would have only a \$15 copay.

Pursuant to proposed budget language (D-224), the Senior Gold program would not take effect until the passage of enabling legislation, and up to \$4.3 million could be used for program administration. Available information is that 51 staff positions would be required to administer the program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2001</u>	<u>Recomm. FY 2002</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Pharmaceutical Assistance to the Aged and Disabled - Claims	<u>\$313,100</u>	<u>\$359,280</u>	<u>\$46,180</u>	<u>14.7%</u>	
General Fund - Elderly	\$33,682	\$35,493	\$1,811	5.4%	D-220
General Fund - Disabled	\$49,500	\$58,359	\$8,859	17.9%	D-220
Casino Revenue Fund	\$229,918	\$265,428	\$35,510	15.4%	D-220

Total program costs increase 14.7 percent, to \$359.3 million, due to estimated increases in the number of eligibles, the number of prescription claims processed and higher drug costs.

Savings of \$3.9 million are anticipated through proposed budget language provisions (pp. D-224/225) that would require: prior authorization for the use of brand name drugs for which a generic is available; an increase in the discount the State receives from certain high volume pharmacies from 10 to 15 percent of the drug's Average Wholesale Price; and encouraging participation in a Voluntary Discount Plan in which the copay would be reduced to \$2.00 and beneficiaries would be encouraged to use mail order to obtain some medications. An additional \$4.7 million in Medicare reimbursement for certain drugs covered by Medicare is anticipated.

In FY 2002, approximately 193,300 persons will receive benefits: 167,400 elderly and 25,900 disabled. Average prescription costs are expected to increase 9.6 percent, from approximately \$57.50 to over \$63.

Overall PAAD costs are expected to be reduced through manufacturers' rebates of \$50.0 million and recoveries of \$9.3 million.

Payments for Tenants

Assistance Rebates	\$59,171	\$36,171	(\$23,000)	(38.9)%	D-221
---------------------------	-----------------	-----------------	-------------------	----------------	--------------

The reduction is attributable to a one-time \$23 million supplemental appropriation, P.L. 2001, c.24, which would provide additional energy assistance to certain groups of low-income individuals. Households receiving Lifeline Credit or Tenants Assistance Rebates will receive a one time increase of approximately \$48 in FY 2001.

Language Provisions

HEALTH SERVICES

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-91.

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.

No comparable language provision.

Explanation

Language is no longer necessary as the department, through a competitive bid process, has purchased and is in the process of distributing the equipment to organizations.

2001 Appropriations Handbook

2002 Budget Recommendations

p. B-93.

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 (Bergenfield, Cranford, Englewood, Maplewood, Montville, Mt. Olive, Ringwood and Vernon) will not qualify for about \$65,000 in funds. However, 2000 Census data indicates that Bergenfield, Englewood and Montville will now be entitled to funds as their population exceeds the 25,000 threshold to receive funds.

Language Provisions (Cont'd)**HEALTH PLANNING AND EVALUATION****2001 Appropriations Handbook****p. B-94.**

Notwithstanding the provisions of any law to the contrary, there is established a Supplemental Charity Care 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 disbursed from the Supplemental 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 for fiscal year 2000, pursuant to P.L.1997, c.263. The payments to be made from the Supplemental 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 Supplemental Charity Care Fund only if its charity care subsidy under P.L.1997, c.263 for fiscal year 2000, is less than 50% of the hospital's audited documented charity care, for calendar year 1999, valued at the Medicaid rate, less 1% of the hospital's total annual revenue for calendar year 1998. A hospital that is eligible to receive funding from the Supplemental Charity Care Fund account shall receive from that account the difference between 50% of the hospital's audited documented charity care for calendar year 1999, valued at the Medicaid rate, minus 1% 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 Supplemental 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 Supplemental 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.

2002 Budget Recommendations**p. D-213.**

Notwithstanding the provisions of any law to the contrary, there is established a Supplemental Charity Care Fund account for disbursement of additional charity care funding to hospitals with documented charity care in calendar year 2000. The total amount to be disbursed from the Supplemental Charity Care Fund will not exceed the amount appropriated. Hospitals which have not received payments under the Charity Care Subsidy pursuant to P.L.1997, c.263, equal to at least \$0.30 per dollar of charity care provided, shall be eligible to receive payments from the Supplemental Charity Care Fund pursuant to a methodology established by the Commissioner of Health and Senior Services. These payments will be prorated so that payments to all hospitals from Supplemental Charity Care do not exceed the amount appropriated.

Language Provisions (Cont'd)

Explanation

Revised language provides the commissioner with greater discretion to allocate Supplemental Charity Care funds, and specifically limits the amounts to be disbursed to hospitals to the \$36.2 million in State/federal Supplemental Charity Care appropriated. Hospitals that have not received at least \$0.30 per dollar of Charity Care provided are eligible for Supplemental Charity Care, within the \$36.2 million of available funding. Therefore, eligible hospitals are not guaranteed a minimum amount of per Charity Care dollar provided. A listing of hospitals which received Supplemental Charity Care funds in FY 2001 and the amounts they received may be found at p. 51.

2001 Appropriations Handbook

p. B-95.

Notwithstanding the provisions hereinabove concerning the distribution methodology for monies in the Supplemental Charity Care account, each hospital that provides charity care shall be reimbursed at a rate of not less than \$0.30 per dollar of charity care provided.

2002 Budget Recommendations

No comparable language provision.

Explanation

The above language provision has been incorporated in the language provision on the previous page which deals with Supplemental Charity Care.

HEALTH ADMINISTRATION

2001 Appropriations Handbook

p. B-95.

From the amount appropriated hereinabove, the Commissioner of the Department of Health and Senior Services shall conduct a study of the feasibility of the transfer of the ownership and operation of the University of Medicine and Dentistry of New Jersey University Hospital in Newark to the Newark Beth Israel Hospital or St. Michael's Hospital. The study shall include an estimate of the cost savings for the State of such transfer.

2002 Budget Recommendations

No comparable language provision.

Language Provisions (Cont'd)

Explanation

The above language provision was included in the FY 2001 appropriations act at the request of the Administration. According to the Office of Management and Budget, the study will cost between \$1.5 - \$2 million and the monies will come from the \$9.5 million appropriation to the Cathedral Health Care System account.

SENIOR SERVICES

2001 Appropriations Handbook

p. B-101.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2000, each prescription order dispensed in the Pharmaceutical Assistance to the Aged and Disabled programs for Maximum Allowable Cost (MAC) drugs shall state "Brand Medically Necessary" in the prescriber's own handwriting if the prescriber determines that it is necessary to override generic substitution of drugs, and each prescription order shall follow the requirements of P.L.1977, c.240 (C.24:6E-1 et seq.). The list of drugs substituted shall conform to the Drug Utilization Review Council approved list of substitutable drugs and all other requirements pertaining to drug substitution and federal upper payment limits for MAC drugs as administered by the State Medicaid program.

2002 Budget Recommendations

pp D-224; D-225.

Similar language with the addition of the following sentence at the end of the paragraph:

In addition, effective July 1, 2001, no funds shall be expended for a brand-name drug unless prior authorized by the Medical Exception Process (MEP) vendor under contract with the Department of Human Services.

Explanation

The vendor that has been contracted to do MEP reviews would review and approve all prescription drug claims in which a physician prescribes a brand-name when a lower-cost substitute is available. The vendor will contact the physician or pharmacy to obtain justification for the use of the brand-name medication as opposed to a generic drug or another, less expensive, brand name. This and other initiatives are intended to save the PAAD program \$8.6 million.

Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-102.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2000 consistent with the notice provisions of 42 CFR 447.205 where applicable, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program classification shall be expended except under the following conditions: legend and non-legend drugs dispensed by a retail pharmacy shall be limited to a maximum 34 day supply for an initial prescription and a 34 day or 100 unit dose supply, whichever is greater, for any prescription refill.

2002 Budget Recommendations

p. D-224; D-225.

Similar language with the addition of the following phrase at the end of the paragraph:

... except for those participating in the Voluntary Discount Plan.

Explanation

The proposed Voluntary Discount Plan would allow PAAD recipients to purchase prescription drugs from their local pharmacy for a \$2.00 copay in exchange for the pharmacy receiving a lower reimbursement rate. The Voluntary Discount Plan would also feature a mail order component. This, and other initiatives are intended to save PAAD \$8.6 million.



Language Provisions (Cont'd)

2001 Appropriations Handbook

pp. B-100, 102.

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2000 consistent with the notice provisions of 42 CFR 447.205 where applicable, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program shall be expended except under the following conditions: (a) reimbursement for prescription drugs, excluding those products impacted by the State v. Ven-A-Care settlement, shall be based on the Average Wholesale Price less a 10% discount; (b) prescription drugs dispensed by a retail pharmacy shall be limited to a maximum 34 day supply for the initial prescription and a 34 day or 100 unit dose supply, whichever is greater, for any prescription refill; and (c) the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$4.07 in effect on June 30, 2000 shall remain in effect through fiscal year 2001, including the current increments for patient consultation, impact allowances, and allowances for 24-hour emergency services.

2002 Budget Recommendations

p. D-224; D-225.

Similar language however (a) has been reworded as follows:

Reimbursement for prescription drugs, shall be based on the Average Wholesale Price less a 15% discount for high volume pharmacies as defined by the Commissioner of Health and Senior Services or a 10% discount for all other pharmacies.

Explanation

Reference to the State v. Ven-A-Care settlement has been eliminated due to a change in federal Health Care Financing Administration policy.

Proposed language would also increase the discount from Average Wholesale Price that high volume pharmacies are reimbursed, from 10 to 15 percent. This and other initiatives are intended to save PAAD \$8.6 million.



Language Provisions (Cont'd)

2001 Appropriations Handbook2002 Budget Recommendations

No comparable language provision.

pp. D-224; D-225.

Notwithstanding any law to the contrary, pharmacists or pharmacy discount programs located within or outside of the State of New Jersey, with the approval of the Commissioner of the Department of Health and Senior Services, may competitively waive, discount, or rebate the co-payment charge for the Pharmaceutical Assistance to the Aged and Disabled program, in whole, or in part, and may dispense up to a 90 day supply on prescription refills, with the voluntary participation of the beneficiary.

Explanation

The proposed language would permit prescription mail order programs to participate in the PAAD program. The language would also establish incentives for PAAD recipients to use mail order programs by allowing for a reduced co-payment and a greater quantity of drugs to be dispensed. This language is part of the initiatives intended to save PAAD \$8.6 million.

2001 Appropriations Handbook2002 Budget Recommendations

No comparable language provisions.

p. D-224.

From the amount appropriated hereinabove for the Senior Gold Program, an amount not to exceed \$4,300,000 may be transferred to various accounts as required, including Direct State Services accounts, subject to the approval of the Director of the Division of Budget and Accounting.

No funds shall be expended for the Senior Gold Program until enabling legislation is enacted.

Explanation

Proposed language provisions: (a) permit the transfer of up to \$4.3 million from the recommended Senior Gold Program appropriation for administrative costs; and (b) prohibits the expenditure of any funds for the Senior Gold Program until enabling legislation is enacted.

Language Provisions (Cont'd)

2001 Appropriations Handbook

2002 Budget Recommendations

No comparable language provision.

p. D-226.

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

Explanation

Proposed language would charge \$2.0 million of the \$5.2 million Casino Revenue Fund appropriation for the Respite Care program off to the Casino Revenue Simulcasting Fund. Thus, only \$3.2 million in Casino Revenue funds would be used for the program.



DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

2001 Appropriations Handbook

2002 Budget Recommendations

No comparable language provision.

p. D-227.

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 provided to the Legislative Budget and Finance Officer on the effective date of the approved transfer.

Explanation

Proposed language would permit the transfer of the \$3.5 million recommended for ElderCare Advisory Commission Initiatives funds to other Direct State Services and Grants-In-Aid accounts as needed.



Language Provisions (Cont'd)2001 Appropriations Handbook

No comparable language provision.

2002 Budget Recommendations

p. D-226.

In addition to the amount hereinabove, receipts from the Federal Medicaid (Title XIX) Program for health services related to programs throughout the Department of Health and Senior Services are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

Proposed language would appropriate any additional federal Medicaid funds the department may receive that have not been appropriated in the FY 2002 recommended budget. At this time, whether any additional federal Medicaid funds will be received by the department is not known.



Language Provisions (Cont'd)

2001 Appropriations Handbook

p. B-103.

There are appropriated such sums as necessary to counties to satisfy obligations incurred in connection with the execution and delivery of Intergovernmental Transfer Agreements. There are also appropriated such additional sums to make payments to additional counties who have not signed Intergovernmental Transfer Agreements as of July 1, 2000 equal to 50% of the local match required to earn federal Peer Grouping Medicaid matching funds based on Calendar Year 1998 cost reports, contingent upon the receipt by the State of at least \$266,800,000 in federal Intergovernmental Transfer funds, based upon an approved State Plan. There are also appropriated such additional sums to make a second payment to additional counties who have not signed Intergovernmental Transfer Agreements as of July 1, 2000 equal to 50% of the local match required to earn federal Peer Grouping Medicaid matching funds based on Calendar Year 1998 cost reports, contingent upon the receipt by the State of \$292,500,000 in federal Intergovernmental Transfer funds, based upon an approved State Plan. The State Treasurer shall report to the Governor, the President of the Senate and the Speaker of the General Assembly on the Intergovernmental Transfer funds received by the State.

2002 Budget Recommendations

p. D-227.

The language has been amended as follows:

There are appropriated such sums as necessary to counties to satisfy obligations incurred in connection with the execution and delivery of Intergovernmental Transfer Agreements. There are also appropriated such additional sums to make payments to additional counties who have not signed Intergovernmental Transfer Agreements as of July 1, 2001 equal to 50% of the local match required to earn federal Peer Grouping Medicaid matching funds contingent upon the receipt by the State during FY 2002 of at least \$266,800,000 in federal Intergovernmental Transfer funds, based upon an approved State Plan. The State Treasurer shall report to the Governor, the President of the Senate and the Speaker of the General Assembly on the Intergovernmental Transfer funds received by the State.

Explanation

In FY 2001, the State will make two payments to the 13 counties who have not signed an Intergovernmental Transfer Agreement (IGT) to reimburse such counties for 50 percent of their local match to earn federal Peer Grouping Medicaid matching funds based on the State's receipt of \$266.8 million and \$292.5 million, respectively, in federal IGT funds. Counties received \$18 million as a result of the FY 2001 provision.

In FY 2002, the amended language would require the State to make only one payment to the 13 counties who have not signed an IGT Agreement to reimburse such counties for 50 percent of their local match to earn federal Peer Grouping Medicaid matching funds, assuming the State receives \$266.8 million in federal IGT funds. Counties will receive \$9 million as a result of the proposed FY 2002 language provision, or about \$9 million less than in FY 2001.



Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

1. The Department of Human Services (DHS) budget provides for an immediate \$1.00 per hour increase in wages for direct care workers at group homes and other service agencies. A comparable increase is not provided to agencies under contract with the Department of Health and Senior Services (DHSS) which provide alcohol, drug treatment, early intervention services, etc. In many instances, agencies contract with both DHS and DHSS. Thus, some employees would get a \$1.00 per hour raise while other employees would not get any raise.

- **Question:** How much additional funds are needed in FY 2001 and FY 2002 to provide employees of alcohol, drug treatment and other agencies under contract with the department with a comparable salary increase?

2. The Department of Human Services (DHS) has refinanced and reduced the interest rate contract agencies (non-hospitals) incur from about 9 percent to around 6 percent; this refinancing has saved DHS several millions of dollars annually. However, DHS did not refinance contract agency debt where DHSS was the primary agency responsible for the contract. For example, a Daughters of Miriam Center for the Aged 8.74 percent loan for \$5.3 million was not refinanced. Refinancing this loan at 6.0 percent for 10 years would save \$1.0 million.

- **Question:** Has DHSS reviewed contract agency debt to determine whether debt refinancing would reduce contract costs?

HEALTH SERVICES

3. The chart below lists various Family Health Services programs, the amount of funds lapsed in FY 2000, the amount of FY 2001 funds in "reserve" (for purpose of lapsing), actual FY 2001 expenditures (February 2001) and the FY 2002 recommended appropriation:

Program	FY 2000 Lapse	FY 2001 Reserve	Expended February 2001	Recomm. FY 2002
Identification System for Children's Health ...	\$44,000	\$45,000	less than \$75,000	\$900,000
Cancer Screening - Early Detection and Education ...	\$1.5 million	\$1.5 million	less than \$600,000	\$2.7 million
Public Awareness Campaign for Black Infant Mortality	\$51,000	\$0	less than \$100,000	\$500,000

- **Question:** In view of the amount lapsed in FY 2000, the amount in reserve in FY 2001, and expenditures through February 2001, can recommended appropriations be reduced?

4.a. The FY 2002 budget anticipates \$4.0 million in federal Medicaid reimbursements for the Early Intervention Program (EIP). FY 2001 federal Medicaid reimbursements are estimated at about \$4.0 million. If Maximus, the private firm that handles Medicaid reimbursement matters, automates the eligibility and claiming process and obtains reimbursement on behalf of NJ KidCare children, federal Medicaid reimbursements in FY 2002 will likely exceed \$4.0 million.

Discussion Points (Cont'd)

- **Question:** Can State appropriations be reduced as federal Medicaid reimbursements may exceed \$4.0 million in FY 2002?
- 4.b. The State's contract with Maximus requires the eligibility and claiming process to be automated. At this time, it is not automated; it is a manual system.
- **Question:** What penalties can be imposed for not automating the eligibility and claiming process?
- 4.c. Even though EIP is a covered service under NJ KidCare, Maximus does not routinely screen infants/toddlers for NJ KidCare eligibility. As some of the 10,000 infants/toddlers in EIP are enrolled in NJ KidCare, Medicaid reimbursement is being lost.
- **Question:** What penalties can be imposed for not verifying NJ KidCare eligibility and not obtaining Medicaid reimbursement?
- 4.d. Most of the work needed to obtain EIP reimbursement is done by Special Child Health Services (eligibility) and the EIP agencies (completing the attendance records for claiming) with Maximus being the intermediary between the two agencies and Medicaid. Eligibility/claiming errors are referred by Maximus back to the appropriate agency to correct.
- **Question:** Would it be less expensive to provide Special Child Health Services and EIP agencies with computer access to verify Medicaid/KidCare eligibility and to submit claims to Medicaid rather than have Maximus handle these functions?
- 5.a. The First Response EMT Cardiac Training Program receives \$125,000 in continuation funding. Actual expenditures are less than \$25,000 and a sizeable portion of the FY 2001 appropriation may lapse.
- **Question:** Can the recommended appropriation be reduced?
- 5.b. The Emergency Medical Technician Training Fund was established to provide a stable revenue source for training emergency medical personnel. At the end of FY 2001, the Fund will have an unexpended balance of \$8.6 million.
- **Question:** Should the First Response EMT Cardiac Training Program be charged to the Training Fund?
6. Despite significant expenditures of State and federal funds, New Jersey Health Statistics 1998 indicates that departmental objectives to improve maternal and child health, particularly among minority groups, in the areas of:
- Low and Very Low Birth Weight - Black
First Trimester Prenatal Care - Black and Hispanic; and
Births to Females 15 - 19, Minority
- will not be achieved. Yet, existing contracts with agencies will continue despite the inability to meet departmental objectives.
- **Question:** As current funding priorities and contracts with agencies have not been as successful in achieving departmental objectives in improving maternal and child health, what funding changes will be undertaken?

Discussion Points (Cont'd)

7. The chart below lists various federal Family Health Services programs and indicates that more federal funds are being anticipated in FY 2002 than may be expended:

Program	FY 2000 Available	FY 2000 Expended	Recomm. FY 2002
Preventive Health and Health Services Block Grant	\$3.0 million	\$1.4 million	\$2.4 million
Maternal and Child Health	\$16.2 million	\$6.2 million	\$12.7 million
Social Services Block Grant - Family Planning	\$1.9 million	\$1.6 million	\$1.9 million
Family Planning Program - Title X	\$3.9 million	\$3.1 million	\$3.5 million
Comprehensive Breast and Cervical Cancer	\$3.1 million	\$2.2 million	\$3.2 million
Abstinence Education	\$1.0 million	\$0.1 million	\$0.8 million
Center for Birth Defects Research and Prevention	\$1.2 million	\$0.4 million	\$1.6 million
Early Intervention for Infants and Toddlers... (Part H)	\$11.6 million	\$5.8 million	\$11.0 million

It is not clear why actual federal expenditures for Family Planning and Early Intervention is below the amount of funds available, as representatives for such organizations request additional State funds.

- **Question:** Why were actual program expenditures less than the amounts available? In view of actual expenditures, are the amounts recommended for FY 2002 overstated?

8. Continuation funding is provided for the following programs: Child Health Institute of New Jersey - \$1.0 million and New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment - \$200,000.

As of this writing, no funds have been expended in either program.

- **Question:** What is the status of the FY 2001 appropriations? As no FY 2001 funds have been expended on the Child Health Institute of New Jersey or the New Jersey Coalition to Promote Cancer, can recommended appropriations be reduced?

9. In FY 2001, the Legislature appropriated \$400,000 for Animal Population Control Expansion. As of this writing, no funds have been expended.

- **Question:** What is the status of the appropriation?

10. The FY 2001 appropriations act and the proposed FY 2002 budget for Public Health Priority Funding includes approximately \$500,000 for data processing activities. These monies will further develop and implement the NJ LINCS (Local Information Network and Communications System)

Discussion Points (Cont'd)

electronic information system. Information as to the total cost to develop, implement and maintain NJ LINCS is not known. Similarly, it is not readily known how many local health departments currently use the system.

- **Question:** How much has been expended on NJ LINCS to date? How much additional funds are required to extend NJ LINCS to all local health departments? Once operational, how much will it cost local health departments to operate the system annually?

11. The department is to receive a \$2 million federal grant from the Centers for Disease Control and Prevention (CDC) to help combat the West Nile Virus. The federal monies will be used to enhance the department's epidemiology and laboratory capacity related to West Nile Virus activities.

The FY 2002 budget recommends \$770,000 for personnel and laboratory costs related to the West Nile Virus. Information is not available as to whether the \$2 million CDC grant is contingent upon the State spending the \$770,000 included in the FY 2002 budget for West Nile Virus activities.

- **Questions:** Is the \$2.0 million CDC grant contingent upon the State's spending an additional \$770,000 on West Nile Virus activities? If not, can the State appropriation be reduced to reflect the receipt of the CDS grant?

12. The chart below lists various federal Public Health Protection Services programs and indicates that more federal funds are being anticipated in FY 2002 than may be expended:

Program	FY 2000 Available	FY 2000 Expended	Recomm. FY 2002
Venereal Disease Project	\$2.9 million	\$1.6 million	\$2.7 million
Tuberculosis Control...	\$9.6 million	\$5.9 million	\$7.8 million
Immunization Project	\$6.8 million	\$2.1 million	\$6.0 million
Public Employee Occupational Safety...	\$0.5 million	0	\$0.8 million

Why actual expenditures are less than the amounts available for expenditure is not clear, as additional State funds are requested by various organizations and public employee unions for these activities.

- **Question:** Why were actual program expenditures less than the amounts available? In view of actual expenditures, are the amounts recommended for FY 2002 overstated?

13. Carryforward language is again recommended for the Cord Blood Resource Center. Of the original \$5.0 million appropriated for the Center, only \$500,000 has been expended.

- **Question:** Can the amount of carryforward funds be limited in view of actual expenditures?

Discussion Points (Cont'd)

14. Continuation funding of \$150,000 is provided for 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. One survey, the annual Household Survey on Drug Abuse, now provides statistically accurate state level data. While the various federal surveys and the State survey findings differ, the differences may not be so significant to justify a separate State survey.

- **Question:** As survey findings of drug and substance abuse conducted by the federal government and the department are not significantly different, should funding for the department's survey be discontinued or reduced in scope?

15. The chart below lists various Special Purpose accounts (supported by Tobacco Settlement Funds) that attempt to curb smoking, the amounts appropriated and expended in FY 2000 and the amounts appropriated and estimated FY 2001 expenditures (based on expenditures through March 2001):

Program	FY 2000 Approp.	FY 2000 Expended	FY 2001 Approp.	FY 2001 Expended (Est.)
Youth Anti-Tobacco Awareness Media Campaign	\$7.3 million	\$3.6 million	\$6.3 million	\$4.9 million
Smoking Cessation Programs for Addicted Adults and Youth	\$2.6 million	\$1.0 million	\$8.7 million	\$2.5 million
Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs	\$1.7 million	\$1.7 million	\$3.0 million	\$250,000
School Based Programs for the Prevention of Tobacco Use	\$2.2 million	\$2.0 million	\$5.0 million	\$1.8 million
Community Based Tobacco Control Program	\$4.8 million	\$2.0 million	\$7.0 million	\$5.1 million

It is also noted that in several programs, monies had been placed in "reserve" for the purpose of lapsing. When this was brought to the department attention, monies were taken out of the "reserve" status. It is also noted that the department has "encumbered" much of the above appropriations. However, the fact that funds are encumbered does not mean they will be expended.

- **Question:** As FY 2001 estimated expenditures will be below the amount appropriated, can recommended appropriations be reduced?

16. Of the \$56.7 million in federal Substance Abuse Block Grant funds available in FY 2000, only \$42.0 million was expended. (The remaining \$11.0 million is available for expenditure in FY 2001.) It is not clear why nearly \$11.0 million in federal funds were unexpended in view of the demand for alcohol and drug treatment and requests for additional State funds.

- **Question:** What accounts for the \$11.0 million in unexpended federal Substance Abuse Block Grant funds?

Discussion Points (Cont'd)

17. 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 2002.

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

18. Capital Construction funds of \$12.0 million are proposed for design and architectural costs associated with a New State Health Laboratory. It appears that the department has rejected acquiring existing laboratory space that is available as a result of corporate mergers and consolidation.

- **Question:** What specific laboratory sites were examined and why were these facilities rejected in favor of new construction?

19. The chart below list various federal Laboratory Services programs and indicates that more federal funds are being anticipated in FY 2002 than may be expended:

Program	FY 2000 Available	FY 2000 Expended	Recomm. FY 2002
Venereal Disease Project	\$0.7 million	\$0.3 million	\$0.5 million
Tuberculosis Control...	\$0.6 million	\$0.3 million	\$0.4 million

- **Question:** Why were actual program expenditures less than the amounts available? In view of actual expenditures, are the amounts recommended for FY 2002 overstated?

20. The chart below lists various federal AIDS Services programs and indicates that more federal funds are being anticipated than may be expended:

Program	FY 2000 Available	FY 2000 Expended	Recomm. FY 2002
Housing Opportunities...	\$1.3 million	\$0.6 million	\$2.0 million
HIV/AIDS Surveillance...	\$7.7 million	\$3.8 million	\$5.2 million
HIV/AIDS Prevention...	\$15.3 million	\$11.6 million	\$15.7 million
Comprehensive AIDS...	\$41.2 million	\$37.4 million	\$50.0 million

Why actual expenditures are less than the amounts available for expenditure is not clear as additional State funds are requested by various organizations for these activities.

- **Question:** Why were actual program expenditures less than the amounts available? In view of actual expenditures, are the amounts recommended for FY 2002 overstated?

Discussion Points (Cont'd)

HEALTH PLANNING AND EVALUATION

21. To participate in Medicaid, long term care providers must conduct criminal history background checks on prospective employees/existing employees. Thus, much of the \$979,000 recommended for Nursing Home Background Checks/Nursing Aide Certification Program should qualify for federal Medicaid reimbursement, as a significant percentage of employees will work in Medicaid facilities.

- **Question:** Can the \$979,000 recommended appropriation be reduced as Medicaid reimbursements do not appear to be reflected in the appropriation?

22. As of this writing, none of the \$155,000 Resident Satisfaction System - Long Term Care appropriation has been expended.

- **Question:** As no funds have been expended as of this writing, can the recommended appropriation be reduced?

23. In FY 2000, approximately \$7.4 million of the \$99.7 million appropriation for Health Care Subsidy Fund Payments was lapsed.

- **Question:** What factors contributed to the \$7.4 million lapse?

24. According to hospitals that receive Supplemental Charity Care, the \$36.2 million recommended for the program is insufficient to provide all hospitals with at least \$0.30 per dollar of charity care.

- **Question:** How much additional funds are needed to provide each hospital with at least \$0.30 per dollar of charity care?

25. In FY 2000 only \$4.2 million of the \$9.9 million in federal Medicare/Medicaid Inspections of Nursing Facilities funds was expended. In FY 2002, \$8.7 million in federal funds are proposed for Medicare/Medicaid Inspections.

- **Questions:** What accounts for the inability to spend all available federal inspection funds in view of concerns over the adequacy of nursing home care? As only \$4.2 million was expended in FY 2000, is the FY 2002 amount overstated?

HEALTH ADMINISTRATION

26. The FY 2001 appropriation act included the following Capital Construction appropriations: \$0.7 million for Information Processing Network (IPN) and \$1.1 million of "E" Public Health (EPH). Though no Capital Construction funds are recommended for these projects, these accounts will have sizable unexpended balances available in FY 2002 as only \$27,000 has been expended on IPN and \$89,000 has been expended on EPH as of this writing. In addition, \$1.5 million is included in the Services Other Than Personal account for data processing related activities for EPH. However, the projects being undertaken and their final cost are not known.

- **Question:** What specific projects are being undertaken? What is the total cost of these projects? When will these projects be completed?

Discussion Points (Cont'd)

27. At the request of the Administration, language was included in the FY 2001 appropriations act to conduct a study of the feasibility of the transfer of ownership and operation of the University Hospital to Newark Beth Israel or St. Michael's Hospital. According to the Office of Management and Budget, the study is estimated to cost between \$1.5 - \$2 million.

- **Questions:** What firm was awarded the contract to conduct the study? When is the study expected to be completed?

SENIOR SERVICES

28. Community Choice/Acuity Audits receives continuation funding of \$703,000. In FY 2000, expenditures were about \$450,000; FY 2001 expenditures are estimated at about \$450,000.

- **Question:** As expenditures are about \$450,000, can the recommended appropriation be reduced?

29.a. In FY 2000, to provide \$2.1 million in ElderCare Initiative services, approximately \$7.2 million was expended on administration. As of April 2001, to provide about \$2.3 million in services, approximately \$4.3 million has been allocated for administration. Also, about \$5 million of the FY 2001 appropriation has been put into "reserve" for purposes of lapsing.

- **Question:** In view of the Initiative's high administrative costs, should administrative expenditures be capped?

29.b. When the ElderCare Initiative was proposed in FY 2000, over 200 persons were on the waiting list for the Community Care Program for the Elderly and Disabled (CCPED). At the time, DHSS 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 2001, over 200 people are on the CCPED waiting list.

- **Question:** Should ElderCare Initiative funding be reduced and funding for CCPED increased in order to eliminate the waiting list?

30. The Nursing Homes appropriation assumes 11.6 million patient days of service will be provided. Available data indicate that about 150 clients per month are discharged from nursing homes through the Community Choice program. This rate of discharge would reduce the number of patient days by over 350,000 annually.

- **Question:** As about 150 nursing home patients are being discharged monthly, equal to more than 350,000 patient days, is the 11.6 million patient day estimate overstated?

31.a. Budget language has been included in the appropriations act for many years concerning the following:

- Allowing the Nursing Home account to fund community care alternative initiatives; and
- Appropriating "such sums as ... necessary" for enhanced audit recoveries.

The amounts expended on community care alternatives/enhanced audit recoveries is not known.

Discussion Points (Cont'd)

- **Question:** How much Nursing Home funds have been expended on community care alternatives? How much Nursing Homes funds have been expended on enhanced audit recoveries and how much additional revenues have such audits realized?

31.b. Since FY 2000, budget language has allowed the Nursing Home account to fund the development of a new nursing home rate setting system.

- **Questions:** How much has been expended on the new nursing home rate setting system to date? How much additional funds are required to complete the system?

32.a. The State receives approximately \$100 million per quarter, or about \$400 million annually, in federal Intergovernmental Transfer (IGT) funds. (IGT involves the State being able to bill the federal government for Medicaid nursing home costs at the higher Medicare rate.) In FY 2001, budget language allowed 13 counties with nursing homes that are not part of the actual (IGT) process to benefit financially: The State would funds to those counties equal to 50 percent of the local match required by counties to obtain federal Peer Grouping funds when the State received more than \$266.8 million and \$292.5 million in federal IGT funds, respectively. In FY 2001, counties will receive approximately \$18 million as a result of this provision.

Proposed FY 2002 budget language would provide the 50 percent local match if the State received more than \$266.8 million in federal IGT funds. Counties would not receive State funds if more than \$292.5 million in federal IGT funds are received. Counties would receive approximately \$9.0 million under the revised budget language provision, or about \$9 million less than they will receive in FY 2001

- **Question:** As the State will receive about \$400 million in federal IGT funds, why are Peer Grouping funds to the counties being reduced by about \$9 million?

32.b. The recommended Nursing Home appropriation of \$118.4 million notes that \$247.3 million in federal IGT funds are used to offset the State appropriation. However, the increase in federal Nursing Home appropriations is \$309.2 million.

- **Question:** What does the additional \$61.9 million in federal funds represent?

33. The FY 2002 budget recommends \$32.5 million for Medical Day Care. Expenditure and utilization patterns for the FY 1996 - FY 2001 period project FY 2002 expenditures at \$40.2 million.

- **Question:** Are additional funds needed in the Medical Day Care account?

34. In late 1999, a Medical Exception Process (MEP) was implemented wherein certain PAAD and other drug claims were reviewed by a private vendor against certain recognized medical standards. Reimbursement could be denied if insufficient justification were provided to support the claim.

Through September 2000, approximately 1,200 claims, valued at \$66,000, were denied. The cost to deny these claims, including one-time start up costs, was over \$700,000. Though the Drug Utilization Review Board is of the opinion that MEP has reduced overall PAAD expenditures, this claim cannot be independently verified by reviewing available PAAD statistical data, as numerous factors contribute to an increase/decrease in claims volume or expenditures.

- **Question:** As the State has spent over \$700,000 to deny approximately \$66,000 in PAAD claims, should the contract with the private vendor be reevaluated?

Discussion Points (Cont'd)

35.a. The FY 2001 budget assumed \$4.0 million in Medicare recoveries. As of this writing, no Medicare recoveries have been obtained.

- **Question:** Is the \$4.0 million in Medicare recoveries in FY 2001 still valid? If not, how much will the program receive?

35.b. FY 2002 PAAD recoveries are unchanged at \$9.3 million.

- **Question:** Does the \$9.3 million amount include the \$4.7 million in Medicare reimbursements expected to be received during FY 2002?

36. The FY 2002 recommended budget assumes \$50 million in manufacturers' rebates, the same as in FY 2001, despite increases in prescription drug costs.

- **Question:** Is the amount of manufacturers' rebates understated in view of the increase in prescription drug costs?

37. Various pharmacy initiatives proposed for PAAD are intended to save \$3.9 million:

- The discount the State receives when it reimburses pharmacies for prescription drugs would be increased from 10 to 15 percent for "high volume" pharmacies, as defined by the commissioner.
- Prior authorization would be required whenever a physician prescribes a brand name drug, if a generic is available. (At present, a physician must write, "brand medically necessary" whenever a brand name medication is prescribed.)
- A Voluntary Discount Plan would be established wherein PAAD beneficiaries would pay a \$2.00 copay in return for using certain retail pharmacies and participating in a voluntary mail order program.

a. With respect to the proposed increase in the volume discount the State would receive:

- **Question:** What prescription volume will define high volume? Will the total prescription volume of chain pharmacies (e.g., CVS, Rite Aid, etc.) be considered in determining high volume?

b. With respect to prior authorization:

- **Question:** How many claims would be subject to prior authorization? How much will be saved by requiring prior authorization whenever a brand name is prescribed?

c. With respect to the Voluntary Discount Plan:

- **Questions:** Of the nearly 2,000 pharmacy providers, how many are expected to participate in the Voluntary Discount Plan? How many of the 180,000 PAAD recipients are expected to enroll in the plan?

Discussion Points (Cont'd)

38. The FY 2001 appropriations act provided \$3.5 million to implement ElderCare Advisory Commission Initiatives to:

- Eliminate the 2,000 person Meals on Wheels waiting list.
- Provide Congregate Housing Services to an additional 733 low- and moderate-income seniors.
- Provide additional staff for Elder Abuse services.
- Provide additional staff support to counties for NJ Ease Care Management Services.

Approximately \$1.7 million will be expended, based on current expenditure patterns.

- **Question:** Will the Meals on Wheels waiting list be eliminated? How many additional low- and moderate-income persons will be provided Congregate Housing Services? How many additional staff will be hired for Elder Abuse services? How many additional staff will counties hire for NJ Ease Care Management Services?

39. The chart below lists various federal Programs for the Aged programs and indicates that more federal funds are being anticipated in FY 2002 than may be expended:

Program	FY 2000 Available	FY 2000 Expended	Recomm. FY 2002
USDA Older Americans Act (OAA), Title III	\$5.6 million	\$3.1 million	\$3.9 million
OAA, Title III	\$18.1 million	\$12.5 million	\$17.8 million
Support Services OAA, Title III	\$10.0 million	\$7.5 million	\$14.9 million
Preventive Health OAA, Title III	\$0.6 million	\$0.4 million	\$0.6 million

Why actual expenditures are less than the amounts available is not clear, as senior citizen groups request additional State funds for services that the Older Americans Act funds.

- **Question:** Why were actual program expenditures less than the amounts available? In view of actual expenditures, are the amounts recommended for FY 2002 overstated?

40. The Arthritis Quality of Life Initiative Act program receives continuation funding of \$170,000. As of this writing, annualized FY 2001 expenditures are estimated at \$75,000.

- **Question:** In view of current expenditures, can the recommended appropriation be reduced?

41. In February 2001, the federal government released \$3.5 million to the State for the National Family Caregiver Support Program. A 25 percent State/local match is required, approximately \$0.9 million.

- **Question:** Does the FY 2002 budget reflect the \$3.5 million in federal funds? Can existing State appropriations for similar activities be used as the State match, or does the State match require new State appropriations?

Discussion Points (Cont'd)

42.a. Funding for the Office of the Ombudsman increases from \$0.6 million to \$1.6 million. The additional funds would be used for an additional seven staff to maintain the same level of hospital/nursing home inspections and to offset federal funding reductions.

The Ombudsman's activities qualify for federal Medicaid reimbursement, however, the FY 2002 recommended budget does not reflect any increase in Medicaid reimbursements.

- **Question: Can the \$1.0 million increase in State funds be reduced and federal Medicaid reimbursements increased?**

42.b. Increased funding for the Ombudsman is requested, in part, to offset federal funding reductions. It is unclear what federal funds are being reduced as federal Medicare/Medicaid Inspection funds increase from about \$9.7 million to \$9.8 million.

- **Question: As federal Medicare/Medicaid Inspection funds increase, what federal funding is being reduced?**

42.c . Federal Title III Older Americans Act funds for ombudsman activities are not being 100 percent utilized: In FY 2000, about \$100,000 in federal Title III funds for ombudsman activities were not spent.

- **Question: Can unexpended Title III ombudsman funds offset the recommended appropriation?**

Background Paper: Supplemental Charity Care

Budget Pages.... D-212

Funding (\$000)	Expended FY 2000	Adj. Approp. FY 2001	Recomm. FY 2002
Supplemental Charity Care	n.a.	\$18,116	\$18,116

SUMMARY

Continuation funding of \$18.1 million (plus \$18.1 million in federal Medicaid funds) is recommended for Supplemental Charity Care. Proposed budget language would allow the Commissioner of Health and Senior Services greater discretion in allocating funds. Specifically, only hospitals that have not received at least \$0.30 per dollar of charity care provided are eligible to receive Supplemental Charity Care, and the amount of Supplemental Charity Care such hospitals may receive is limited to the \$36.2 million in State and federal funds appropriated.

The chart on the next page provides information on the hospitals which received funds in FY 2001. The distributions for FY 2002 are not known at this time.

Background Paper: Supplemental Charity Care (Cont'd)

HOSPITAL	DOLLAR AMOUNT
Bayonne	\$38,200
Bayshore Community	\$273,000
Burdette Tomlin	\$370,100
Capital Health System (Mercer)	\$840,400
Centrastate	\$623,700
Chilton Memorial	\$225,000
Columbus	\$682,200
Community Medical	\$994,100
Cooper	\$1,947,900
Elmer Community	\$66,700
Englewood	\$1,305,300
General Hospital at Passaic	\$767,800
Hackensack	\$3,677,700
Hackettstown Community	\$240,800
Holy Name	\$623,500
Hunterdon	\$524,900
Jersey Shore Medical	\$2,497,300
JFK Medical (Edison)	\$456,900
Kennedy Memorial	\$659,600
Meadowlands	\$209,020
Medical Center of Ocean County	\$534,100
Medical Center at Princeton	\$223,600
Memorial Hospital (Burlington)	\$613,400
Memorial Hospital (Salem)	\$207,900
Morristown Memorial	\$2,390,000
Mountainside	\$1,114,200
Newcomb Medical	\$373,600
Newton	\$736,600
Our Lady of Lourdes	\$329,600
Overlook	\$655,500
Pascack Valley	\$152,800
Rahway	\$465,700
Rancocas	\$348,100
Riverview	\$734,200
R.W. Johnson University (Hamilton)	\$347,700
R.W. Johnson University	\$2,190,900
Shore Memorial	\$263,200
Somerset Medical	\$879,100
Southern Ocean County	\$120,900
South Jersey Health Systems	\$852,378
St. Barnabus Medical	\$559,000
St. Clare's (Dover)	\$632,500
St. Peter's Medical	\$1,637,600
Underwood Memorial	\$685,900
Valley	\$564,000
Warren	\$360,100
West Hudson	\$154,200
West Jersey Health System	\$986,800
Kessler Memorial	<u>\$64,300</u>
TOTAL	\$36,232,000

Background Paper: Medical Day Care Appropriation

Budget Pages.... D-220

Funding (\$000)	Expended FY 2000	Adj. Approp. FY 2001	Recomm. FY 2002
Medical Day Care	\$20,843	\$24,740	\$32,520

SUMMARY

Based on current expenditure and utilization patterns, the Medical Day Care account appears under funded by about \$7.7 million.

BACKGROUND

The FY 2002 budget recommends \$32.5 million (State share) for Medical Day Care. Utilization data are not provided.

As indicated below, Medical Day Care expenditures/utilization have increased significantly:

	Fiscal Year						Avg. Annual % Change
	1996	1997	1998	1999	2000	2001 est.	
Gross Expenditures (millions)	\$21.6	\$26.8	\$31.3	\$38.4	\$46.1	\$64.5	24.7%
Avg. Monthly Recipients	2,700	3,100	3,200	3,800	4,500	6,000	17.5%
Total Claims	431,000	507,600	575,000	684,300	797,700	1,040,000	19.4%

DHSS proposed regulations (July 1999) to control utilization and to reduce the rate of increase in Medical Day Care expenditures. Faced with opposition from elected officials and providers, the regulations were withdrawn in April 2000 and a Medical Day Care Task Force was appointed to review the issues. The task force will not complete its work until sometime during FY 2002. Any regulations that may be proposed and adopted will occur late in FY 2002 or FY 2003. Until then, the conditions leading to increases in expenditures/utilization remain in place.

ANALYSIS

Based on current expenditure/utilization patterns, projected FY 2002 Medical Day Care expenditures may be \$40.2 million (State share), approximately \$7.7 million more than the amount recommended in the Governor's budget.

Background Paper: ElderCare Initiatives

Budget Pages.... D-220

Funding (\$000)	Expended FY 2000	Adj. Approp. FY 2001	Recomm. FY 2002
ElderCare Initiatives	\$2,066	\$19,877	\$19,877

SUMMARY

The ElderCare Initiative program is being implemented at a much slower pace than anticipated. The program has high administrative costs relative to service expenditures. No published expenditure data are available to monitor program costs.

BACKGROUND

Continuation funding of \$19.9 million (State share) is recommended for the ElderCare Initiatives program. The monies are used for the following activities which are in various stages of implementation: Caregiver Assistance; Jersey Assistance for Community Caregivers (JACC); Family Caregivers; Community Choice; and NJEASE Home Care.

Implementation. The program was initiated in FY 2000, and by FY 2002, State costs were expected to be about \$36 million. As implementation has been slower than anticipated, FY 2002 recommended program funding is considerably less than the \$36 million originally anticipated. For example, in December 2000, only 200 persons were active in the JACC, and though the ElderCare Initiatives were intended to eliminate the Community Care Program for Elderly and Disabled program waiting list, in December 2000, nearly 230 persons were still on the waiting list.

Administration. In relation to service expenditures, ElderCare administrative costs are high. In FY 2000, approximately \$7.2 million was used for administration to provide \$2.1 million in services; in FY 2001, over \$4.3 million has been allocated for administration to provide \$800,000 in services (February 2001).

Data. After nearly two years of operation, no published data are routinely available on ElderCare expenditures to monitor the program. For example, in December 2000, JACC provided services to about 200 individuals, but the department has not made data available as to which counties the 200 clients were from or how much was expended. Similarly, no expenditure data are available as to the cost of providing services to persons relocated from nursing homes to community programs as part of Community Choice. Without such expenditure data, it is not possible to compare whether total expenditures under Community Choice is less expensive than nursing home care.

ANALYSIS

In the absence of any program or expenditure data concerning ElderCare Initiatives, the \$19.9 million recommended for the program may be excessive. Also, as administrative costs are likely to be high in relation to actual program expenditures, limiting administrative costs may be appropriate.

Background Paper: Ombudsman Expansion

Budget Pages.... D-219

Funding (\$000)	Expended FY 2000	Adj. Approp. FY 2001	Recomm. FY 2002
Office of the Ombudsman	\$602	\$601	\$1,551

SUMMARY

The recommended appropriation can be reduced by \$390,000, reflecting additional federal Medicaid reimbursement the office should receive.

BACKGROUND

Funding for the Office of the Ombudsman would increase from \$0.6 million to \$1.6 million: **Personal Services** - from \$545,000 to \$945,000 and **Services Other Than Personal** - from \$36,000 to \$586,000. The additional funds would be used for seven staff positions to maintain the current level of inspections and to offset federal funding reductions.

Medicaid Reimbursement. Approximately 41 percent of the Ombudsman's costs are reimbursed by the federal Medicaid program. However, the FY 2002 recommended budget does not reflect an increase in Medicaid reimbursements, as only \$420,000 is reflected, the same as in FY 2001.

Federal Funding Reductions. Part of the justification for the increase in appropriations for the Ombudsman is to "maintain the current level of hospital and nursing home inspections" and "to offset federal funding reductions." However, the department's budget does not reflect any federal funding reduction for inspection activities. Approximately \$8.7 million in federal **Medicare/Medicaid Inspections of Nursing Facilities** funds are expected, the same as in FY 2001. In addition, the amount of federal **Medicare/Medicaid Facilities Inspection Program** funds are expected to increase by about \$100,000, to \$1.1 million.

ANALYSIS

The Office of the Ombudsman may require additional staff, but the recommended increase does not reflect additional Medicaid reimbursements the office will receive. Also, the claim that additional staff are needed to offset federal funding reductions is not supported by the department's budget which shows an overall increase in the amount of federal funds available for inspections.

The recommended appropriation can be reduced by \$390,000, which reflects the approximate amount of additional Medicaid reimbursement the office would receive.

OFFICE OF LEGISLATIVE SERVICES

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

The Legislative Budget and Finance Officer is the chief fiscal officer for the Legislature. The Legislative Budget and Finance Officer collects and presents fiscal information for the Legislature; serves as Secretary to the Joint Budget Oversight Committee; attends upon the Appropriations Committees during review of the Governor's Budget recommendations; reports on such matters as the committees or Legislature may direct; administers the fiscal note process and has statutory responsibilities for the review of appropriations transfers and other State fiscal transactions.

The Office of Legislative Services Central Staff provides a variety of legal, fiscal, research and administrative services to individual legislators, legislative officers, legislative committees and commissions, and partisan staff. The central staff is organized under the Central Staff Management Unit into ten subject area sections. Each section, under a section chief, includes legal, fiscal, and research staff for the standing reference committees of the Legislature and, upon request, to special commissions created by the Legislature. The central staff assists the Legislative Budget and Finance Officer in providing services to the Appropriations Committees during the budget review process.

Individuals wishing information and committee schedules on the FY 2002 budget are encouraged to contact:

Legislative Budget and Finance Office
State House Annex
Room 140 PO Box 068
Trenton, NJ 08625

(609) 292-8030

Fax (609) 777-2442