ANALYSIS OF THE NEW JERSEY
FISCAL YEAR 2003 - 2004 BUDGET

DEPARTMENT OF HEALTH AND SENIOR SERVICES

PREPARED BY
OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE
APRIL 2003
NEW JERSEY STATE LEGISLATURE

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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 A. 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).
Fiscal Summary ($000)

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Personnel Summary - Positions By Funding Source

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<th>Revised FY 2003</th>
<th>Funded FY 2004</th>
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<td>State</td>
<td>973</td>
<td>888</td>
<td>908</td>
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<td>Federal</td>
<td>784</td>
<td>695</td>
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<td>Other</td>
<td>232</td>
<td>211</td>
<td>290</td>
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<td>Total Positions</td>
<td>1,989</td>
<td>1,794</td>
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FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 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 various health services directly or by contract with public, nonprofit and private health agencies 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.

Health Administration provides central support services and operates the Office of Minority and Multicultural Health.

Senior Services administers various Medicaid programs related to nursing homes and long term
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 A. Hershberg.

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care alternatives, the Pharmaceutical Assistance to the Aged and Disabled and Senior Gold programs, the two Lifeline programs, social services 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)

- The various Personal Services accounts throughout the department reflect savings of $1.7 million for FY 2004: Attrition ($0.7 million) and the Early Retirement Incentive extensions ($1.0 million).

- Program costs for the two Lifeline programs ($72.4 million), which provide $225 in annual energy assistance to certain elderly and disabled recipients, are shifted to the Board of Public Utilities whose Universal Service Fund (supported by all energy consumers) will become the revenue source to fund the program.

- Agencies under contract to the department will not receive a cost-of-living adjustment to offset higher operating costs. In FY 2003, agencies received approximately $4.8 million in cost-of-living adjustments.

HEALTH SERVICES

Direct State Services. Recommended appropriations decrease 46.2 percent, from $76.6 million to $41.3 million, as various Special Purpose accounts are eliminated, reduced or shifted to off-budget revenue sources:

- **Vital Statistics:** Funding for the Electronic Death Certificate project ($125,000) is discontinued.

- **Family Health Services:** Funding for the Identification System for Children's Health and Disabilities is reduced from $0.9 million to $0.3 million; and the Newborn Screening, Follow-up and Treatment program will be funded from a hospital fee, saving $3.1 million.

- **Public Health Protection Services:** The Medical Emergency Disaster Preparedness for Bioterrorism program ($5.0 million), the Animal Population Control Program ($0.3 million) and the Rabies Control Program ($0.5 million) are shifted off-budget and supported by various fees or reallocated trust funds. Funding is eliminated for the Expansion of Cancer Initiatives program ($3.3 million).

- **Addiction Services:** Recommended appropriations decrease $20.0 million as various anti-smoking and tobacco control programs/activities are eliminated and the focus of the remaining programs is directed towards young people.

Grants-In-Aid. Recommended appropriations are reduced $10.9 million, or 12.5 percent, from $87.7 million to $76.8 million. Many grants initiated by Governors Whitman and McGreevey, the Legislature or which have been ongoing for many years are eliminated, reduced or shifted to other fund sources:
Key Points (Cont'd)

- **Family Health Services:** Grant funding is reduced by $1.8 million, from $15.0 million to $13.3 million. Among the largest reductions are: Primary Care Services - Dover Free Clinic - $250,000; St. Barnabas Hospital - Institute of Neurology/Neurosurgery - $250,000; and the Camden Optometric Eye Center - $250,000.

- **Public Health Protection Services:** Recommended appropriations decrease $2.6 million, from $23.4 million to $20.8 million, as funding for the Garden State Cancer Center ($0.5 million) is eliminated and funding is reduced by $2.0 million for the Cancer Institute of New Jersey.

- **Addiction Services:** Overall grant funding is reduced by $4.6 million, from $30.3 million to $25.7 million. Funding for Delaney Hall Drug Treatment Program (Newark), a $6.0 Legislative initiative, is not continued. An additional $1.7 million in funds are provided for Community Based Substance Abuse Treatment and Prevention - State Share to offset a reduction in funds from other sources.

- **AIDS Services:** Recommended appropriations for AIDS Grants are reduced by $2.0 million; the budget anticipates that federal funds will absorb these costs. Proposed budget language appropriates up to $2.0 million for costs related to a recently FDA-approved AIDS test.

**State Aid.** Overall appropriations decrease $3.1 million, from $46.0 million to $42.9 million. Funding for the Early Childhood Intervention Program increases by $1.5 million, to $42.9 million. Total State funding, including $4.0 million in Catastrophic Illness in Children Relief Funds made available to the program, is $46.9 million. Public Health Priority Funding (monies distributed by formula to every local health department with a population of over 25,000) of $4.1 million is eliminated. These monies, in combination with other funds, are used to support various mandated public health activities. If local health department are unable to achieve economies in providing such services, additional local funds will be needed to offset the loss of these State funds. In addition, $0.5 million for enhancements to the Local Health Department Information Network (LINCS) (which facilitates communication between and among State and local health departments) is discontinued.

**Other Funds** (including Revolving Funds) increase by 28.0 percent, from $63.2 million to $80.9 million, the result of program costs being shifted off-budget to fees and trust fund balances, as noted above.

**HEALTH PLANNING AND EVALUATION**

**Direct State Services:** Funds for the Implementation of Statewide Health Information Network (HINT) program ($250,000) are not continued, although $1.0 million in certain hospital assessment revenues will continue to support HINT.

**Grants-In-Aid:** Recommended appropriations increase by 54.1 percent, from $28.1 million to $43.3 million. The budget proposes new funding of $25.0 million for the Health Care Subsidy Fund Payments (charity care). A one-time Legislative appropriation for Hospital Assistance Grants, and a $3.0 million supplemental appropriation for Cooper Children’s Hospital (part of the Camden Initiative legislation) are not continued.
Key Points (Cont'd)

HEALTH ADMINISTRATION

Direct State Services: Recommended appropriations decrease by about $0.5 million, from $5.4 million to $4.9 million, as funding for the Office of Minority and Multicultural Health is reduced.

SENIOR SERVICES

Direct State Services (General and Casino Revenue Funds): An additional $2.8 million is provided for the Pharmaceutical Assistance to the Aged and Disabled program, as many of the initiatives to reduce prescription drug costs entail the program's fiscal agent to implement computer system changes.

Grants-In-Aid (General and Casino Revenue Funds): Overall funding decreases $442.1 million, from $1.0 billion to $599.2 million. The key assumptions behind this funding level are:

- Approval by the federal government of the State's request for an additional $440 million in federal Intergovernmental Transfer (IGT) or other federal assistance to support Nursing Homes expenditures. Effective October 2002, federal IGT funds were limited to county nursing homes; to date, the State's FY 2003 request to continue to receive federal IGT funds in excess of the State's county nursing home entitlement has not been approved. Additional State funds had to be made available to offset the FY 2003 $330 million funding shortfall in the Nursing Homes account.

- Approval of a federal waiver that would provide $190.5 million in federal funds to support the FY 2004 PAAD program. The FY 2003 appropriation act assumed $147.8 million in federal funds to support PAAD. As federal approval of the State's waiver application has not been received, the FY 2003 adjusted appropriation reflects a $62.5 million supplemental appropriation. The FY 2003 adjusted appropriation still reflects $45.9 million in federal funds which assumes federal approval of the State's waiver application during Spring 2003; if these federal funds are not forthcoming, additional State funds will have to be provided.

- Various initiatives to reduce prescription drug costs in the PAAD and Senior Gold programs by $28.7 million. Among the initiatives are: a liquid assets test (as specified in budget language) for PAAD recipients of $75,000 and $100,000 for single persons and married couples, respectively; an increase in the discount the State receives when it purchases drugs; implementation of a preferred drug list; and mandatory generic substitution.

- Various initiatives to reduce expenditures on Nursing Homes by $34.1 million. Among the initiatives are: a new assessment on nursing homes that will generate new federal reimbursements (classified as an Other Fund), subject to enabling legislation; eliminating the annual recalculation of nursing home rates; and reducing reimbursement for holding beds while a patient is not in the facility.

- The budget provides $2.0 million in additional funds to reduce the penalty certain nursing homes would realize by not maintaining a 90 percent target occupancy level. The target occupancy level for such nursing homes would be 85 percent.

Additional funding is recommended for the following:
Key Points (Cont'd)

- **Assisted Living Program** - $3.0 million, to accommodate an additional 375 slots (thus increasing the number of slots to 2,250) and the transfer of persons from State supported slots.

- **Medical Day Care Services** - $9.8 million, reflecting growth both in the number of recipients and increased utilization. Approximately $1.0 million in efficiency savings are anticipated.

- **Senior Gold** - $8.1 million, primarily reflecting an increase in enrollment to about 43,300 persons. Up to 16,000 PAAD recipients, disqualified from PAAD due to the assets test, will become eligible for Senior Gold.

Funding is reduced for the following program:

- **ElderCare Initiatives** - $4.9 million. The budget assumes that some of the people, whose costs are being supported with State funds, qualify for Medicaid and their costs can be supported by the **Assisted Living Program**.

- **Casino Revenue Fund**: Recommended appropriations decrease $26.0 million, from $279.0 million to $252.9 million, which is related to the expected receipt of $190.5 million in federal funds for the PAAD program.

The recommended budget shifts approximately $27.4 million Community Care Alternatives General Fund costs to the Casino Revenue Fund. Approximately $3.1 million in Casino Revenue Fund costs for the Congregate Housing Support Services and Senior Citizen Housing - Safe Housing and Transportation programs are shifted off-budget to funds the New Jersey Housing and Mortgage Finance Agency will make available.

- **Federal Funds**: A 9.7 percent increase is anticipated, from $1.44 billion to $1.58 billion. The funding level assumes the availability of $190.5 million in funds for the PAAD program for an entire fiscal year, rather than one-quarter of a fiscal year, and $440 million in IGT funds or other federal assistance to support Nursing Homes costs.

- **Other Funds** increase from $0.7 million to approximately $22.3 million. A proposed assessment on nursing homes that is expected to generate $18.5 million in new revenues (Appropriated Receipts) to support nursing homes; specifics regarding the assessment are not available. Also, the New Jersey Housing and Mortgage Finance Agency will provide $3.1 million to offset costs previously supported by Casino Revenue Funds.

### Background Papers:

- Supplemental Charity Care........................................p. 57.
- Intergovernmental Transfer (IGT) Funds........................p. 58.
- Medical Day Care Services........................................p. 60.
- Initiatives to Reduce PAAD Costs - - The Assets Test and Polypharmacy Review........p. 61.
- Proposed PAAD/Senior Gold Prescription Drug Changes.................................p. 64.
- Medicaid Reimbursement for Certain State/County Expenditures on Behalf of Senior Citizens..........................................................p. 66.
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)

The department's Personal Services accounts reflect savings of $1.7 million for attrition ($0.7 million) and the Early Retirement Incentive extensions ($1.0 million).

Program costs for the two Lifeline programs ($72.4 million), which provides $225 in annual energy assistance to certain elderly and disabled recipients, is shifted to the Board of Public Utilities whose Universal Service Fund (supported by all energy consumers) will fund program costs. The department will provide administrative support (18 FTEs) for Lifeline and will receive $1.6 million in reimbursement from the BPU pursuant to budget language on p. D-200.

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 2004, the program will process 114,000 searches and issue 88,000 certified copies of records.

Family Health Services is involved in many areas of family health, including promoting programs that reduce infant mortality and improve maternal and child health, particularly in cities with above average infant mortality rates, providing medical and rehabilitative services for children with disabilities, administering lead poison control programs, and providing assistance to local health departments for the provision of primary and preventive health services.

During FY 2004, the program will contract with 290 agencies. These programs will provide services to 40,000 physically disabled children; serve 16,000 infants through early intervention programs; screen 113,800 newborns for various disorders; provide family planning services to 108,500 women; identify 8,800 children with lead poisoning; and certify/recertify nearly 8,300 mobile intensive paramedics and EMTs.

Public Health Protection Services is involved in programs to reduce the incidence of sexually transmitted diseases, TB, and other communicable diseases such as hepatitis, measles and polio and also maintains a cancer registry. The program is involved in such diverse activities as: food and milk quality assurance; the prevention of rabies; the training and certification of workers involved in asbestos control and lead abatement; and enforcing provisions of the Worker and Community Right to Know law and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 2004, the program will register 77,000 new cancer reports; treat nearly 3,700 cases of syphilis and gonorrhea; respond to 4,100 telephone calls on environmental health issues; register 490,000 dogs; investigate 100 communicable disease outbreaks; conduct over 550
complaint inspections under PEOSHA; 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 2004, the program will handle 21,000 admissions primarily involving alcohol and 40,000 admissions primarily involving drugs; process 24,000 intoxicated driver cases; and provide information and referral services to 45,000 persons.

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

In FY 2004, the program will analyze 195,000 bacteriology specimens; conduct 145,000 metabolism tests; examine 9,000 blood lead samples; inspect nearly 320 clinical laboratories; and license nearly 185 blood banks.

**AIDS Services** promotes programs and activities that reduce the spread of HIV and provides health and social services to persons with HIV/AIDS. In FY 2004, the program anticipates it will test and counsel nearly 63,000 clients; provide early intervention services to 9,800 clients and provide medications to 6,000 clients through the AIDS Drug Distribution Program.

As of June 2002:

- The State had nearly 43,800 reported AIDS cases. Essex (13,100), Hudson (6,600), Passaic (3,600), Union (3,300), Middlesex (2,500), Monmouth (2,100) and Bergen (1,900) counties have the highest number of reported AIDS cases.

- Approximately 28 percent of cumulative adult-adolescent reported AIDS cases in New Jersey are female, which remains the highest proportion in the country. The State had over 400 pediatric (under 13 years of age) AIDS cases, the third highest total number of pediatric cases in the country.

The recommended FY 2004 General Fund appropriation for **Health Services** is summarized on the next page.

**Vital Statistics**

**Direct State Services.** Funding is reduced by 21.4 percent, from $1.4 million to $1.1 million. **Personal Services** appropriations are reduced by about $0.1 million, from about $1.1 million to $1.0 million, though overall the number of filled positions will increase from 51 to 53. Funding ($125,000) for the Electronic Death Certificate project is not provided. Available information is that project costs will be absorbed within the program's operating budget.

**Federal Funds** for **Vital Statistics** are unchanged at $850,000.
Program Description and Overview (Cont'd)

Family Health Services

Direct State Services. Recommended appropriations decrease 43.5 percent, from $8.5 million to $4.8 million, as various Special Purpose appropriations are reduced by $3.7 million as follows:

- The Identification System for Children's Health and Disabilities was established to implement the recommendations of the Early Intervention Stakeholders Task Force. In FY 2004, funding would be reduced by $0.6 million, from $0.9 million to $0.3 million. The reduction should not affect the Identification System as federal and other funds will be used to support the program. The $0.3 million is to be used for management improvements with respect to client tracking and billing.

- Newborn Screening, Follow-up and Treatment costs are shifted off-budget to be supported by hospital charges. Thus, the $3.1 million appropriation is eliminated.

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<td>TOTAL ($000)</td>
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<tr>
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Grants-In-Aid. Overall funding is reduced by $1.8 million, from $15.0 million to $13.3 million, as funding for various grants is reduced or eliminated. Some of these grants have been ongoing for many years; others are relatively new, having been initiated by Governors Whitman or McGreevey or by the Legislature:

- Family Planning Services, $0.2 million reduction, from $4.2 million to $4.0 million.
Program Description and Overview (Cont'd)

(Actual FY 2002 expenditures were about $3.7 million.) Nineteen agencies receive funding from this grant.

- **Hemophilia Services**, $0.1 million reduction, from about $1.0 million to about $0.9 million. (Actual FY 2002 expenditures were about $1.0 million.)

- **Testing for Specific Hereditary Diseases** ($133,000) and **Newborn Screening, Follow-up and Treatment for Hemoglobins** ($152,000) funding for these programs is eliminated. As these programs are related to the Newborn Screening program, which is to be supported by hospital charges, costs associated with these programs may also be funded through hospital charges.

- **Chronic Renal Disease Services**, $41,000 reduction, from $424,000 to $383,000. (Actual FY 2002 expenditures were about $400,000.) One agency has a contract to administer this program.

- **Primary Care Services - Dover Free Clinic**, $250,000 in funding is eliminated. (This grant was initiated by Governor Whitman. The clinic serves a largely Hispanic population.)

- **Cleft Palate Programs**, $61,000 reduction, from $626,000 to $565,000. (Actual FY 2002 expenditures were about $600,000.) Five hospital-based programs receive funding from this grant.

- **Tourette Syndrome Association of New Jersey**, $0.1 million reduction, from $0.2 million to $0.1 million. (This grant was added to the budget by the Legislature.)

- **Services to Victims of Huntington’s Disease**, $138,000 reduction, from $276,000 to $138,000. (Actual FY 2002 expenditures were $262,000.) One agency has a contract to administer this program.

- **St. Barnabas Hospital - Institute of Neurology /Neuroservice**, $250,000 in funding is eliminated. (This grant was initiated by Governor McGreevey.)

- **Camden Optometric Eye Center**, $250,000 in funding is eliminated. (The Legislature has included funds for the center in the budget for several years.)

**State Aid** of $42.9 million is recommended for the Early Childhood Intervention Program, a $1.5 million increase from FY 2003 levels. An additional $4.0 million is being made available from the Catastrophic Illness in Children Relief Fund through budget language (p. D-187) to offset an increase in the number of children being served from 14,000 (FY 2003) to 16,000 (FY 2004). In addition to $46.9 million in State funds, $17.0 million in federal and Medicaid funds is also available.

The recommended budget assumes that $3.5 million in Early Childhood savings will be achieved through restructuring. The specific restructuring the program will undergo to achieve the savings is not known. Also, as authorized by federal law, a sliding fee is to be adopted that will generate some revenues; how much revenues might be realized is not known.

**Casino Revenue Funds.** Recommended funding is unchanged at $0.5 million for the
Program Description and Overview (Cont'd)

Statewide Birth Defects Registry grant.

Federal Funds of $145.7 million are anticipated, a 4.4 percent reduction from FY 2003 levels of $152.4 million. The reduction is primarily related to a $4.0 million reduction in the Maternal and Child Health Block Grant, from $16.7 million to $12.7 million.

For the most part, the amount of federal funds received by individual programs is unchanged from FY 2003 levels. Some new federal grants are expected, while funding for several grants ends. As these projects are short-term in nature or scope, their addition or elimination has little overall impact.

Overall, the Supplemental Food Program - W.I.C. is the largest federal program, with $90 million anticipated for food and related costs. The Early Intervention Program for Medicaid Recipients (Part H) and Early Intervention Program for Medicaid Recipient anticipate $12.0 million and $5.0 million, respectively, to support the $46.9 million in State funds for the program.

Other Funds are expected to increase $7.1 million, from $27.6 million to $34.7 million. The additional funds are: a proposed $3.1 million assessment on hospitals to support the Newborn Screening program, previously supported by General Funds; and $4.0 million in Appropriated Receipts from the Catastrophic Illness in Children Relief Fund to support the Early Childhood Intervention Program.

Public Health Protection Services

Direct State Services. Recommended appropriations are reduced $10.6 million, from $25.5 million to $14.9 million.

One-time funding of $1.0 million for Services Other Than Personal expenses is not continued and $9.5 million in various Special Purpose appropriations are reduced, eliminated or shifted off-budget:

- The Medical Emergency Disaster Preparedness for Bioterrorism program is shifted off-budget and will be supported by $5.0 million in Emergency Medical Technician Training Fund balances. (An additional $7.5 million from a surcharge on vehicle rentals is also provided.) The monies are being used to implement the recommendations of the Medical Emergency and Disaster Prevention and Response Expert Panel which include: the establishment of an incident command structure; the improvement of communications among health providers and the State on disease surveillance and response; the purchase and distribution of medications and equipment; and better training.

- Rabies Control Program ($0.5 million) and Animal Population Control Program ($0.3 million) are reclassified as off-budget expenditures and transferred to Other Funds with their own dedicated funding stream.

- Advisory Council to Promote the Profession of Nursing. $25,000 in funding is eliminated. The FY 2003 funds have been placed in reserve and are not available for expenditure.

- Timely Issuance of Export of Certificates of Free Sale. $50,000 in funding is eliminated. This program attempted to expedite exports by certifying the sanitary conditions of
Program Description and Overview (Cont'd)

manufacturing facilities and proper labeling of products.

- **Evaluation of Human Exposure to Hazardous Waste.** $200,000 in funding is eliminated. This program increased the number of public health assessments the State conducted.

- **Expansion of Cancer Initiatives.** $3.3 million in funding is eliminated. This is a new FY 2003 program. Information as to how the monies were expended is not available.

- **West Nile Virus - Public Health.** $80,000 in funding is available. These monies are used for data processing.

- **Medical Waste Management Program.** funding is reduced by $100,000, to approximately $0.8 million. FY 2002 expenditures were approximately $750,000.

With the exception of the Cancer Initiatives and the Advisory Council, most of the monies in the Special Purpose accounts were for personnel costs. As the number of funded positions is expected to increase, the elimination or reduction in funds should not impact program operations.

**Grants-In-Aid** funding is reduced by $2.6 million, from $23.4 million to $20.8 million, with reductions affecting two new programs funded in the FY 2003 budget:

- **Garden State Cancer Center.** $0.5 million in funding is eliminated,

- **Cancer Institute of New Jersey.** funding is reduced by $2.0 million, from $20.0 million to $18.0 million. Among the projects the Cancer Institute was to undertake was to improve the quality of cancer care in Camden and Newark; raise the State's academic prestige; and develop a "reverse tumor registry."

- **Emergency Medical Services.** $58,000 in funding is eliminated.

What impact the above reductions will have cannot be determined at this time and will depend on the other financial resources available to grantees.

**State Aid** funding of $4.6 million is eliminated:

- The $4.1 million in Public Health Priority Funding (equal to approximately $0.40 cents per capita) that every local health department, with a population of 25,000 or more, receives from the State is eliminated. Local health department use these monies, along with other funds, to perform various public health functions and activities ranging from restaurant inspections to AIDS testing to childhood immunizations. If local health department are unable to achieve economies in providing such services, additional local funds will be needed to offset the loss of these State funds.

- About $0.5 million in funding for the Local Health Department Information Network (LINCS) is discontinued. LINCS facilitates communication on various public health issues between and among the State, local health departments and public/private organizations, and is available in all counties and Jersey City, Newark and Paterson. Additional program enhancements to LINCS will not be undertaken unless other funds can be used for this purpose.
Program Description and Overview (Cont'd)

A $9.2 million increase in Federal Funds is anticipated, from $53.1 million to $62.2 million, and is largely related to an additional $21.0 million in Emergency Preparedness for Bioterrorism monies. These new funds offset a $10.6 million reduction in Bioterrorism Hospital Emergency Preparedness funds.

For the most part, continuation funding is anticipated for most of the major programs that receive federal funds such as: Preventive Health and Health Services Block Grant - $1.5 million; Tuberculosis Control Program - $15.8 million; Venereal Disease Project - $3.5 million; and Immunization Project - $6.4 million.

Other Funds increase $5.5 million, from $14.0 million to $19.5 million, as General Fund expenses are being shifted off-budget:

- $5.0 million in unexpended Emergency Medical Technician Training Fund balances are allocated for Medical Emergency Disaster Preparedness for Bioterrorism program costs.

- Program costs related to the Rabies Control and Animal Population Control Program of approximately $0.8 million are shifted off-budget.

Major programs supported by Other Funds include: New Jersey Emergency Medical Service Helicopter Response Program Fund ($1.9 million); Emergency Medical Technician Training Fund ($2.0 million) and Vehicle Rental Surcharge to support the Medical Emergency Disaster for Bioterrorism program ($7.5 million).

Addiction Services

Direct State Services appropriations are reduced $20.0 million, from $30.5 million to $10.5 million, as $24.0 million in various Special Purpose appropriations (initiated by Governor Whitman) are reduced or eliminated:

- School Based Programs and Youth Anti-Smoking (to create an anti-smoking media campaign targeted at children and young adults). Funding is reduced $5.3 million, from $11.3 million to $6.0 million.

- Smoking Cessation Programs for Addicted Adults and Youth (to establish a toll-free hotline and incentives to public/private health care plans to include comprehensive cessation services). Funding of $8.7 million is eliminated.

- Research, Surveillance, Evaluation & Assistance for Anti-Smoking Program. Funding of $3.0 million is eliminated.

- Community Based Tobacco Control Programs (to alter the way tobacco is promoted, sold and used). Funding of $7.0 million is eliminated.

A new $4.0 million Anti-Smoking Programs appropriation is proposed. Though specifics regarding this program are not available, anti-smoking programs are to be refocused to serve "young people".
Program Description and Overview (Cont'd)

Grants-In-Aid. Recommended appropriations of $25.7 million reflect a $4.6 million reduction from FY 2003 levels. No funding is included for the Delaney Hall Drug Treatment Program (Newark) which received a $6.0 million Legislative appropriation. An additional $1.7 million is provided to the Community Based Substance Abuse Treatment and Prevention - State Share program, from $19.2 million to $20.9 million, to offset a comparable reduction from the Drug Enforcement and Demand Reduction Fund and the Alcohol, Education, Rehabilitation and Enforcement Fund.

Grant funding is also eliminated for the Drugs are Ugly and Uncool Campaign ($0.2 million), a public relations campaign, and the Vocational Adjustment Centers ($0.1 million) that provided vocational assessments to clients enrolled in substance abuse programs to develop appropriate job training and placement activities.

Federal Funds of $52.8 million are anticipated, a $5.1 million reduction from FY 2003 levels. The reduction is largely in the Substance Abuse Block Grant where funding will be reduced by $4.0 million, from $55.0 million to $51.0 million. As sufficient unexpended federal balances appear available, the reduction should not impact on services.

Other Funds increase by $4.2 million, to $8.4 million. The Alcohol Treatment Programs Fund will provide $4.5 million while the Alcohol Education Rehabilitation and Enforcement Fund and the Drug Enforcement Demand Reduction Fund will provide $2.0 million and $1.0 million, respectively.

Laboratory Services

Direct State Services. Recommended appropriations are reduced 3.2 percent, from $8.4 million to $8.1 million, primarily in the Personal Services account. However, as the overall number of filled positions is expected to increase from 111 to 140, it is likely that Federal and Other (Revolving) Funds will be used to offset the reduction.

Capital Construction funding of $0.6 million is recommended for Laboratory Equipment - $0.5 million and Improvements to Laboratories and Installed Equipment - $ 0.1 million. (In addition, these accounts retain any unexpended funds. In FY 2003, nearly $0.8 million in unexpended funds were available.)

Federal Funds available to the program increase by about $2.8 million, from $1.5 million to $4.4 million, and are related to an additional $3.2 million for Emergency Preparedness for Bioterrorism - Laboratories.

Other Funds, consisting of Laboratory Services Revolving Funds and Clinical Laboratory Improvement Service fees, increase by $0.4 million, from $8.2 million to $8.6 million.

As noted above, increases in Federal and Other (Revolving) Funds will be used to offset the $0.3 million Direct State Services funding reduction.

AIDS Services

Direct State Services recommended appropriations decrease $0.5 million, from $2.4 million to $1.9 million, primarily in the Personal Services account. However, as the number of
Program Description and Overview (Cont'd)

filled positions is expected to increase from 127 to 134, it is likely that Federal and Other Funds will be used to offset this reduction.

Grants-In-Aid funding for AIDS Grants is reduced by $2.0 million, from $19.0 million to $17.0 million. The recommended budget assumes that Federal Funds will be able to offset this reduction.

Proposed budget language (D-187) would appropriate up to $2.0 million in State funds for "education and public awareness" activities related to the recently approved FDA rapid AIDS test that will enable AIDS test results to be available in minutes. As the $2.0 million reduction in AIDS Grants could affect education related activities, the proposed budget language could be used to offset the AIDS Grants reduction if Federal Funds are not forthcoming.

Federal Funds of $92.6 million are largely unchanged from FY 2003 levels of $92.2 million. However, it appears that significant unexpended federal funds balances will also be available in FY 2004. A significant portion of the monies, $63.0 million, is from the Ryan White Act (Comprehensive AIDS Resources Grant) and an additional $18.0 million is from the HIV/AIDS Prevention and Education Act.

Other Funds of $9.8 million are anticipated from the AIDS Drug Distribution Program ($6.5 million) and the Philadelphia AIDS Grant ($3.3 million) for services in the Camden area.

HEALTH PLANNING AND EVALUATION

Health Planning and Evaluation consists of two programs:

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

In FY 2004, Long Term Care Systems Development and Quality Assurance will license 865 health care facilities with 80,600 beds; conduct 3,700 inspections and initiate 130 administrative actions/penalties on health care providers and 1,600 federal enforcement actions.

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 2004, Health Care Systems Analysis will process 100 certificate of need applications and 6,700 complaints against HMOs. As HMOs are assessed for the State's oversight function, the General Fund anticipates about $2.3 million in assessment revenues.

The recommended FY 2004 General Fund appropriation for Health Planning and Evaluation is summarized as follows:
Program Description and Overview (Cont'd)

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<tr>
<td>Health Care Systems</td>
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Long Term Care Systems Development and Quality Assurance

Direct State Services appropriations decrease $0.3 million, from $4.3 million to $3.9 million, due to a reduction in the Personal Services account. However, as the number of filled positions will increase from 137 to 144, the reduction will not have an impact on staffing. Continuation funding for the Nursing Home Background Checks/Nursing Aide Certification Program - $1.0 million is provided.

Federal Funds of about $12.0 million are unchanged from FY 2003 levels. Most of the federal monies are for Medicare/Medicaid Inspections of Nursing Facilities ($9.5 million) and the Nurse Aide Certification Program ($2.0 million).

Other Funds of $0.03 million are anticipated and represent monies to the Health Care Quality Monitoring Fund.

Health Care Systems Analysis

Direct State Services. Recommended appropriations decrease by $350,000, from $1.5 million to $1.2 million. The Personal Services account is reduced by about $0.1 million, but as the total number of filled positions in the program will increase, the reduction will not impact on the program. The balance of the reduction, $250,000, reflects the elimination of funding for the Implementation of Statewide Health Information Network (HINT) program. HINT will continue to receive $1.0 million in Other Funds from the 0.53 percent assessment on hospitals.

Grants-In-Aid funding would increase from $28.1 million to $43.3 million:

- Continuation funding of $18.1 million (plus federal matching funds) is provided for the Supplemental Charity Care program that provides funding to certain hospitals that receive less than $0.30 per dollar of charity care.

- A $7.0 million Legislative appropriation for Hospital Assistance Grants is not continued. Under the program the following hospitals each received about $1,170,000: East Orange General Hospital, Monmouth Medical Center, Palisades Medical Center, Jersey City Medical Center, Irvington General and Bon Secours and Canterbury Partnership for Care (Hudson County).

- A $3.0 million appropriation included in the Camden economic recovery legislation for
Program Description and Overview (Cont'd)

Cooper Children's Hospital Neonatal Unit, is not continued.

- A new $25.2 million appropriation for Health Care Subsidy Fund Payments (charity care) is recommended. This supplements the $466.1 million in Other Funds included within the Division of Medical Assistance and Health Services for charity care and other related hospital purposes.

Federal Funds are essentially unchanged at about $19.4 million. Most of the monies are for Supplemental Charity Care ($18.1 million) and Medicare/Medicaid Facilities Inspection Program ($1.3 million).

Other Funds. These monies primarily represent revenues generated from: Admission Charge Hospital Assessment, a $10.00 per adjusted admission fee imposed on hospitals; Health Care Cost Reduction Fund, a 0.53 percent assessment on hospital revenues (capped at $40.0 million); and Certificate of Need fees. These monies are used to support departmental administrative operations and to support various health care expenditures, although $6.0 million of Hospital Assessment revenues are deposited into the General Fund.

Recommended FY 2004 appropriations of $46.8 million are essentially unchanged from FY 2003. In addition, the various programs retain their unexpended FY 2003 balances, which could be significant: FY 2002 unexpended balances, available in FY 2003, total $13.5 million.

The following programs are supported by Other Funds:

- Certificate of Need Program - $0.5 million, plus unexpended balances. (At the end of FY 2002, unexpended balances were $0.5 million.)

- Managed Care Initiatives - $3.1 million, plus unexpended balances. (At the end of FY 2002, unexpended balances were $1.0 million.) Managed care organizations are assessed for the department's managed care activities and approximately $2.3 million in revenues are anticipated by the General Fund.

- Expansion of Medicaid - Pregnant Women and Infants - $18.0 million from the 0.53 percent hospital assessment. These funds reimburse the Medicaid program for costs associated with providing services to pregnant women and infants with incomes between 100 and 185 percent of the poverty level.

- Health Care Cost Reduction Fund - $14.8 million from the 0.53 percent hospital assessment, plus unexpended balances. (In FY 2002, unexpended balances were $0.8 million.) Programs funded include: Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; competitive initiatives; federally qualified health centers; Emergency Medical Services for Children Program; Implementation of Statewide Information Network.

- Health Care Planning - $7.2 million from the $10.00 per adjusted admission fee imposed on hospitals, plus unexpended balances. (In FY 2002, unexpended balances were $9.5 million.)
Program Description and Overview (Cont'd)

HEALTH ADMINISTRATION

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

Direct State Services. Recommended funding decreases about $0.5 million, from $5.4 million to $4.9 million, as funding for the Office of Minority and Multicultural Health is reduced. As the office received a significant funding increase in FY 2003 for start-up costs and the awarding of new grants, the reduction should have little impact on the office's operations.

Federal Funds. Appropriations of $1.3 million are unchanged from FY 2003 levels and reflect funding from various federal grants/programs.

Other Funds. These monies represent $3.6 million in Printing and Management Information Revolving Fund and $1.3 million in Administrative Overhead (indirect cost recoveries) that are returned to the department and used for administrative operations, and support nearly 60 positions. In addition, unexpended balances are retained, which at the end of FY 2002 totaled about $9.0 million.

SENIOR SERVICES

Senior Services consists of 6 programs:

Medical Services for the Aged administers various Medicaid services involving long term care and community alternatives. In FY 2004, 10.6 million nursing home days will be provided to Medicaid clients and about 7,500 persons 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 $20,016 (single) and $24,542 (married). Eligible persons pay a $5.00 copayment for each prescription drug. Persons eligible for PAAD may also receive up to $100 annually in assistance in the purchase of a hearing aid. During FY 2004, it is estimated that about 179,000 persons (151,800 elderly and 27,200 disabled) will be eligible for the program.

Senior Gold provides pharmaceutical assistance to single persons with income between $20,016 and $30,016 and to married couples with incomes between $24,542 and $34,542. Eligible persons have a $15 copayment plus 50 percent of the remaining balance. Out-of-pocket costs are capped at $2,000 and $3,000, respectively, for single and married persons, at which point the eligible person is ONLY responsible for the $15 copayment. During FY 2004, approximately 43,300 persons (41,000 elderly and 2,300 disabled) will be eligible for the program.

Programs for the Aged supports programs which improve the quality of life for the State's older citizens through technical assistance and grants to county offices on aging. Funded programs include congregate and home delivered meals, personal care, legal services and case management.

During FY 2004, 2.1 million congregate meals will be served, nearly 756,000 units of personal care services will be provided, 75,000 persons will receive health insurance counseling and adult protective services will be offered to about 4,600 persons.
Program Description and Overview (Cont'd)

The Office of the Ombudsman for the Institutionalized Elderly receives, investigates and resolves complaints concerning health care facilities serving the elderly. The office also reviews requests for the withdrawal or withholding of life-sustaining treatment for persons without advance directives for health care. During FY 2004, nearly 7,000 on-site investigations will be conducted, nearly 4,000 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken, and 400 cases will be referred to enforcement authorities.

The Office of the Public Guardian provides guardianship services for elderly adults who have been deemed by the courts to be in need of a guardian or conservator. Among the services provided by the office are legal assistance, development of individualized social service plans and financial management of an elderly person's resources. During FY 2004, about 1,800 cases will be handled and the office will be appointed guardian by the court in 170 cases.

The FY 2004 General Fund appropriation for Senior Services is summarized below:

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(a) The State Board of Public Utilities will provide about $1.6 million for administrative costs related to the Lifeline programs.

Medical Services for the Aged

Direct State Services. Appropriations decrease $0.3 million, from $5.2 million to $4.9 million, due to a reduction in the Personal Services-Medical Services for the Aged account. The number of filled positions in the program will be reduced by two, to 189, in FY 2004.
Program Description and Overview (Cont'd)

**Grants-In-Aid.** Funding is reduced $354.7 million, from $615.8 million to $261.1 million, as follows:

- **Eldercare Initiatives** funding is reduced by $4.9 million, from $19.9 million to $15.0 million. The reduction assumes that a portion of the 1,500 people receiving services from the State-funded Jersev Assistance for Community Caregiving program will qualify for the Caregiver Assistance Program, which is part of the Medicaid Enhanced Community Options waiver.

- **Community Care Alternatives** program costs of about $27.4 million are shifted to the Casino Revenue Fund.

- **Nursing Homes.** Funding is reduced by $335.2 million, from $496.5 million to $161.3 million. Various savings are assumed including:
  
  A provider assessment (subject to enabling legislation) - $18.5 million in Other Funds;
  
  Eliminating the annual recalculation of rates based on more current cost data - $9.4 million;
  
  Reducing reimbursement for holding beds for hospitalized patients from 90 percent to 50 percent for the first ten days - $5.2 million; and
  
  Miscellaneous savings - $1.0 million.

The largest savings is the budget's assumption that the federal government will approve the State's waiver request and allow the State to continue to receive $440 million in federal Intergovernmental Transfer Funds (IGT) (see Background Paper) or provide other federal assistance. A similar assumption in FY 2003 that $330 million in federal IGT funds would be received has not materialized. Thus, upwards of $330 million in State funds have been transferred into the Nursing Homes account.

Offsetting the above savings and receipt of federal IGT funds or other federal assistance, the recommended budget includes $2.0 million to enable the target occupancy threshold nursing homes must meet to avoid financial penalties to be lowered from 90 percent to 85 percent. Lowering the target occupancy figure would subject fewer nursing homes to financial penalties.

Another important feature of the Nursing Homes appropriation is the elimination of FY 2003 budget language that supported costs associated with the development and implementation of a new nursing home rate setting system. The elimination of this budget language may mean that a new nursing home rate setting system will not be implemented.

Additional appropriations are provided for the following programs:

- **Assisted Living Program.** Costs will increase by nearly $3.0 million, from $14.0 million to $16.9 million as an additional 375 slots will be added to the program. This will increase the number of slots to about 2,250.

- **Medical Day Care.** Appropriations increase from $49.0 million to $58.9 million. Despite a moratorium on issuing new licenses to providers, increases in both utilization and
Program Description and Overview (Cont'd)

recipients are increasing costs beyond the amount appropriated. The recommended appropriation assumes $1.0 million in savings initiatives that are not identified.

Finally, continuation funding of $9.0 million is provided for the Medicaid High Occupancy Nursing Homes program.

Federal Funds of approximately $1.35 billion are virtually unchanged from FY 2003 levels and incorporate $440 million in federal IGT funds the State seeks from the federal government and which are earmarked for Nursing Homes. Failure to receive all or part of these monies will result in a shortfall of up to $440 million in federal funds.

Casino Revenue Funds of $31.1 million are recommended, a $27.2 million increase over FY 2003. The increase is related to the transfer of $27.4 million in General Fund costs associated with the Community Care Alternatives program. Funding for the Hearing Aid Assistance for the Aged and Disabled and Home Care Expansion programs are reduced by $50,000 and $0.1 million, respectively, to reflect lower costs.

PAAD

Direct State Services. Recommended appropriations of $9.7 million reflect a $2.8 million increase over the $6.9 million FY 2003 adjusted appropriation. (This appropriation is supplemented by up to $3.8 million in Senior Gold funds and $1.6 million from the State Board of Public Utilities for administrative costs related to the Lifeline program.)

The increase is related to the many initiatives to control prescription drug costs in the PAAD/Senior Gold programs which involve additional administrative expense. To this end, Personal Services appropriations increase $750,000, to nearly $4.0 million, and Payments to Fiscal Agent - PAA appropriations increase by $2.0 million, to $4.1 million. Finally, $1.2 million in unidentified administrative savings are assumed.

Grants-In-Aid. Total funding (General and Casino Revenue Funds) decreases $110.4 million, from $393.1 million to $282.7 million, for both the PAAD and Senior Gold programs:

- Senior Gold program costs are expected to increase from $28.1 million to $36.3 million, largely due to the expected transfer of about 16,000 recipients from PAAD whose assets will exceed the proposed limits.

- PAAD. Total General and Casino Revenue Fund expenditures are expected to decrease $118.6 million, from $365.0 million to $246.4 million. The key assumption involves federal approval of the State's request for federal funds to support PAAD.

The FY 2003 adjusted appropriation assumes federal approval of the waiver during Spring 2003 and $45.9 million in federal funds. Assuming federal approval, in FY 2004, $190.5 million in federal funds are expected. To the extent that federal approval is not forthcoming in either FY 2003 or FY 2004, additional State funds would be needed.

In addition to the $190.5 million in federal funds, the PAAD/Senior Gold appropriations incorporate initiatives intended to reduce program costs by about $27.6 million. These initiatives include:
Program Description and Overview (Cont'd)

- Increase the State's discount for drug purchases from 10 percent to 15 percent Average Wholesale Price - $9.8 million.
- Implement a preferred drug list - $7.4 million.
- Adopt an assets test of $75,000 for single persons and $100,000 for married couples - $4.2 million. (Proposed budget language on p. D-202 identifies what will be considered an asset.)
- Mandatory generic substitution, if available - $3.9 million.
- Clinical review of prescriptions if more than 10 per month are used - $1.3 million.
- Expedited availability of generic drugs by eliminating the Drug Utilization Review Council - $1.0 million.

Key statistics regarding PAAD and Senior Gold are presented below:

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<td>$103.10</td>
<td>Disabled</td>
<td>$30.20</td>
</tr>
</tbody>
</table>

Federal Funds. As noted, the budget assumes approval of the State’s waiver request for federal assistance during Spring 2003. Accordingly, $45.9 million in federal funds are assumed in FY 2003 and $190.5 million are assumed for FY 2004. Failure to receive all or part of these federal monies will require additional State appropriations in FY 2003 and FY 2004.

Casino Revenue Funds to support PAAD claims costs are reduced from $259.9 million to $209.7 million as discussed above.

Programs for the Aged

Direct State Services. Recommended appropriations are virtually unchanged at $462,000, though there is a small reduction in the Personal Services account.

Grants-In-Aid. Recommended appropriations are reduced by about $1.3 million, from $14.3 million to $13.0 million, as follows:

- Arthritis Quality of Life Initiative Act (to fund two regional pilot arthritis centers pursuant to P.L. 1999, c.72) - is reduced by over $0.2 million; and
- ElderCare Advisory Commission Initiatives (to provide additional fiscal support for Meals on Wheels, Congregate Housing Services, elder abuse programs and care management) -
Program Description and Overview (Cont'd)

is reduced $1.0 million.

Funding for other grant programs is unchanged from FY 2003 levels: Purchase of Social Services - $8.7 million; Alzheimer's Disease Program - $0.8 million; and Adult Protective Services - $0.8 million.

State Aid of $7.1 million is unchanged from FY 2003 levels and provides for the Older Americans Act State Share - $4.3 million; and for County Offices on Aging - $2.8 million.

Casino Revenue Fund. Recommended appropriations are reduced from $14.4 million to $11.3 million. Approximately $3.1 million in costs for Congregate Housing Support Services ($1.9 million) and Senior Citizen Housing - Safe Housing and Transportation ($1.1 million) are shifted off-budget, and supported the New Jersey Housing and Mortgage Finance Agency.

Continuation funding is provided for Demonstration Adult Day Care Center Program - Alzheimer's Disease ($2.6 million); Adult Protective Services ($1.8 million); Respite Care for the Elderly ($5.3 million); Home Delivered Meals Expansion ($1.0 million); and administration ($0.9 million). Due to the transfer of $1.1 million in expenses noted above, only $0.5 million in Casino Revenue Funds are provided for Senior Citizen Housing - Safe Housing and Transportation program. (It is noted that the amount of monies made available to the Respite Care program from the Casino Revenue Simulcasting Fund is being reduced from $2,000,000 to $750,000. Thus, additional Casino Revenue Funds are being made available to maintain program funding.)

Federal Funds. Approximately $45.0 million is anticipated, a slight reduction from FY 2003 levels of $45.3 million. Virtually all of the federal funds are related to the various Older American Act Title III programs for food and services and the Social Services Block Grant.

Primarily due to the shift of $3.1 million in Casino Revenue Fund expenditures the New Jersey Housing and Mortgage Finance Agency. Other Funds increase to over $3.2 million.

Office of the Ombudsman for the Institutionalized Elderly

Recommended General Fund appropriations of $0.8 million are unchanged from FY 2003 levels. Federal Funds (Medicaid related) are expected to increase from about $0.2 million to $0.6 million, and are to be used for additional personnel related costs.

Office of the Public Guardian

Recommended General Fund appropriations of $0.7 million are unchanged from FY 2003 levels. Federal Funds (Medicaid related) and Other Funds (fees) will increase to $0.5 million and $0.6 million, respectively, and are used to support administrative functions.
## Fiscal and Personnel Summary

### AGENCY FUNDING BY SOURCE OF FUNDS ($000)

#### DEPARTMENT OF HEALTH AND SENIOR SERVICES (TOTAL)

<table>
<thead>
<tr>
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<tbody>
<tr>
<td><strong>General Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services</td>
<td>$96,390</td>
<td>$102,006</td>
<td>$67,846</td>
<td>-29.6%</td>
<td>-33.5%</td>
</tr>
<tr>
<td>Grants - In - Aid</td>
<td>670,203</td>
<td>879,012</td>
<td>467,150</td>
<td>-30.3%</td>
<td>-46.9%</td>
</tr>
<tr>
<td>State Aid</td>
<td>37,541</td>
<td>53,134</td>
<td>50,054</td>
<td>33.3%</td>
<td>-5.8%</td>
</tr>
<tr>
<td>Capital Construction</td>
<td>1,218</td>
<td>650</td>
<td>620</td>
<td>-49.1%</td>
<td>-4.6%</td>
</tr>
<tr>
<td>Debt Service</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$805,352</strong></td>
<td><strong>$1,034,802</strong></td>
<td><strong>$585,670</strong></td>
<td>-27.3%</td>
<td>-43.4%</td>
</tr>
<tr>
<td><strong>Property Tax Relief Fund</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Direct State Services</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Grants-In-Aid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>State Aid</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Sub-Total</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>Casino Revenue Fund</strong></td>
<td><strong>$342,680</strong></td>
<td><strong>$279,464</strong></td>
<td><strong>$253,447</strong></td>
<td>-26.0%</td>
<td>-9.3%</td>
</tr>
<tr>
<td><strong>Casino Control Fund</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td><strong>$0</strong></td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td><strong>State Total</strong></td>
<td><strong>$1,148,032</strong></td>
<td><strong>$1,314,266</strong></td>
<td><strong>$839,117</strong></td>
<td>-26.9%</td>
<td>-36.2%</td>
</tr>
<tr>
<td><strong>Federal Funds</strong></td>
<td>$1,386,017</td>
<td>$1,834,621</td>
<td>$1,975,661</td>
<td>42.5%</td>
<td>7.7%</td>
</tr>
<tr>
<td><strong>Other Funds (a)</strong></td>
<td>$1,213,115</td>
<td>$115,031</td>
<td>$155,238</td>
<td>-87.2%</td>
<td>35.0%</td>
</tr>
<tr>
<td><strong>Grand Total</strong></td>
<td><strong>$3,747,164</strong></td>
<td><strong>$3,263,918</strong></td>
<td><strong>$2,970,016</strong></td>
<td>-20.7%</td>
<td>-9.0%</td>
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</table>

(a) Includes Revolving Funds.

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

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</thead>
<tbody>
<tr>
<td>State</td>
<td>973</td>
<td>888</td>
<td>908</td>
<td>-6.7%</td>
<td>2.3%</td>
</tr>
<tr>
<td>Federal</td>
<td>784</td>
<td>695</td>
<td>734</td>
<td>-6.4%</td>
<td>5.6%</td>
</tr>
<tr>
<td>All Other(b)</td>
<td>232</td>
<td>211</td>
<td>290</td>
<td>25.0%</td>
<td>37.4%</td>
</tr>
<tr>
<td><strong>Total Positions</strong></td>
<td><strong>1,989</strong></td>
<td><strong>1,794</strong></td>
<td><strong>1,932</strong></td>
<td><strong>-2.9%</strong></td>
<td><strong>7.7%</strong></td>
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</table>

FY 2002 and revised FY 2003 personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

### AFFIRMATIVE ACTION DATA

<table>
<thead>
<tr>
<th>Total Minority Percent</th>
<th>30.0%</th>
<th>31.9%</th>
<th>31.9%</th>
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</thead>
</table>

23
## Significant Changes/New Programs ($000)

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</thead>
<tbody>
<tr>
<td><strong>DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)</strong></td>
<td></td>
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</tr>
<tr>
<td>The various <em>Personal Services</em> accounts throughout the department are reduced by about $1.7 million to reflect attrition ($0.7 million) and Early Retirement Incentive extensions ($1.0 million) savings. The salary accounts of <em>Vital Statistics</em>, <em>Public Health Protection Services</em>, <em>Addiction Services</em>, <em>Laboratory Services</em> and <em>AIDS Services</em> are reduced by varying amounts; similarly, the salary accounts of <em>Long Term Care Systems</em> and <em>Health Care Systems Analysis</em> programs are reduced by about $0.4 million. The reductions should have little impact as the overall number of funded positions in the various programs will increase in FY 2004.</td>
<td></td>
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<tr>
<td><strong>HEALTH SERVICES</strong></td>
<td></td>
<td></td>
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<tr>
<td>Services Other Than Personal</td>
<td>$2,029</td>
<td>$1,029</td>
<td>($1,000)</td>
<td>(49.3)%</td>
<td>D-179</td>
</tr>
<tr>
<td>A one-time supplemental appropriation for public awareness activities in the <em>Public Health Protection Services</em> program is not continued.</td>
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</tr>
<tr>
<td>Vital Statistics - Special Purpose</td>
<td>$125</td>
<td>$0</td>
<td>($125)</td>
<td>(100.0)%</td>
<td>D-179</td>
</tr>
<tr>
<td>The appropriation for the <em>Electronic Death Certificate</em> program that allowed the filing on an electronic death certificate is not continued. Available information is that the overall <em>Vital Statistics</em> appropriation will be used to continue this project.</td>
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</tr>
<tr>
<td>Family Health Services - Special Purpose</td>
<td>$7,377</td>
<td>$3,677</td>
<td>($3,700)</td>
<td>(50.2)%</td>
<td>D-180</td>
</tr>
<tr>
<td>Funding for the <em>Identification System for Children’s Health and Disabilities</em> is reduced from $900,000 to $300,000. Available information is that the program will be continued using federal and other funds. The $300,000 appropriation will be used to improve program operations and implement a billing system.</td>
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<tr>
<td>Funding for the <em>Newborn Screening, Follow-up and Treatment</em> program is shifted off-budget, saving $3.1 million. Newborn screening activities will be supported through hospital charges.</td>
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<tr>
<td>Public Health Protection Services-</td>
<td>$15,934</td>
<td>$6,420</td>
<td>($9,514)</td>
<td>(59.7)%</td>
<td>D-180</td>
</tr>
<tr>
<td>Special Purpose</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>The following <em>Special Purpose</em> items are shifted off-budget:</td>
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</table>
Significant Changes/New Programs ($000) (Cont'd)

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</thead>
<tbody>
<tr>
<td>Medical Emergency Disaster Preparedness for Bioterrorism</td>
<td></td>
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</tr>
<tr>
<td>This program will be supported by $5.0 million in Emergency Medical Technician Training Fund balances. An additional $7.5 million in vehicle rental surcharges is also available for the program.</td>
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<tr>
<td>The Animal Population Control Program and the Rabies Control Program are supported with their own dedicated revenues of $550,000 and $475,000, respectively.</td>
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</table>

The following Special Purpose items are not funded:

- Advisory Council to Promote the Profession of Nursing ($25,000). This activity was initiated by Governor McGreevey. As of this writing, the $25,000 appropriation has been placed in reserve.

- Timely Issuance of Export of Certificates of Free Trade ($50,000). This activity was initiated by Governor Whitman to expedite exports by certifying the sanitary conditions of manufacturing facilities and proper labeling of products.

- Evaluation of Human Exposure to Hazardous Waste ($200,000). This activity was initiated by Governor Whitman to increase the number of public health assessments conducted by the State.

- Expansion of Cancer Initiatives ($3,250,000). This activity was initiated by Governor McGreevey and is not continued. As of this writing, approximately $2.2 million has been expended or obligated. No information is available as to the specific cancer initiatives undertaken.

- West Nile Virus - Public Health ($80,000). This activity was initiated by Governor Whitman and is primarily used for data processing related expenses.

The following Special Purpose item is reduced:

- Medical Waste Management Program is reduced $100,000, from $874,000 to $774,000. As most program costs are for personnel, the recommended appropriation is sufficient to support this expense.

The funding eliminations/reductions listed above will have varying impacts. Most of the cost associated with the Certificates of Free Trade, Evaluation of Human Exposure and Medical Waste Management Program are personnel related. As the number of filled positions in the Public Health Protection Services program will increase in FY 2004, the funding reductions should not have minimal impact. (The department may seek authority to charge a fee for the Certificate of Free Trade program.)

Most of the West Nile Virus funds were used for data processing and such costs can be absorbed within the overall appropriation.
Significant Changes/New Programs ($000) (Cont'd)

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</thead>
<tbody>
<tr>
<td>Addiction Services - Special Purpose</td>
<td>$30,000</td>
<td>$10,000</td>
<td>($20,000)</td>
<td>(66.7)%</td>
<td>D-180 to D-181</td>
</tr>
</tbody>
</table>

The following Special Purpose accounts related to smoking control initiated by Governor Whitman are eliminated or reduced:

- **Smoking Cessation Programs for Addicted Adults and Youth** ($8.7 million) which provides a toll-free hot line and incentives to health insurance plans to cover comprehensive smoking cessation services is eliminated.

- **Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs** ($3.0 million) is eliminated.

- **Community Based Tobacco Control Programs** ($7.0 million) which intends to alter the way tobacco is promoted, sold and used is eliminated.

- **School Based Programs and Youth Anti-Smoking** to promote an anti-smoking campaign targeted at children and young adults, is reduced by $5.3 million, from $11.3 million to $6.0 million.

Offsetting the $24 million reduction in the above anti-smoking programs, a new $4.0 million **Anti-Smoking Programs** appropriation is proposed. Though specifics regarding this new appropriation are not available, the State's anti-smoking activities are to be refocused at "young people," as opposed to the general population.

**Family Health Services: Grants-in-Aid (General Fund)**

|                        | $15,037 | $13,271 | ($1,766) | (11.7)% | D-181 to D-183 |

The following Grants are shifted off-budget:

- **Testing for Specific Hereditary Diseases** ($133,000) and **Newborn Screening Follow-up and Treatment for Hemoglobins** ($152,000). Available information is that the **Newborn Screening** grant will be supported through hospital charges. As the **Hereditary Diseases** program is also a screening program, it is possible that hospital charges will be used to support program costs.

Funding for the following grants are reduced:

- **Family Planning Services**, $200,000 reduction, from $4,180,000 to $3,980,000. Actual FY 2002 expenditures were about $3.7 million.

- **Hemophilia Services**, $104,000 reduction, from $1,043,000 to $939,000. Actual FY 2002
Significant Changes/New Programs ($000) (Cont'd)

|-------------------------------------------------|-----------------------|-----------------|---------------|----------------|-------------|

Expenditures were $979,000.

- **Chronic Renal Disease Services**, $41,000 reduction, from $424,000 to $383,000. Actual FY 2002 expenditures were $402,000.

- **Cleft Palate Programs**, $61,000 reduction, from $626,000 to $565,000. Actual FY 2002 expenditures were $594,000.

- **Services to Victims of Huntington's Disease**, $138,000 reduction, from $276,000 to $138,000.

Funding for the following grants is eliminated:

- **Primary Care Services - Dover Free Clinic** ($250,000). This grant, initiated by Governor Whitman, provided funds to a clinic that served a largely Hispanic population in Morris County.

- **St. Barnabas Hospital - Institute of Neurology/Neuroservice** ($250,000). This grant was initiated by Governor McGreevey.

- **Camden Optometric Eye Center** ($250,000). This grant has been included in the budget by the Legislature for several years.

The impact the above reductions or eliminations will vary depending on the overall financial strength of the agencies that provide these services.

**Public Health Protection Services:**

Grants-in-Aid

| Grants-in-Aid | $23,362 | $20,804 | ($2,558) | (10.9)% | D-181; D-183 |

Funding for the following grants is reduced or eliminated, including two cancer grants that were priorities of Governor McGreevey in FY 2003:

- **Garden State Cancer Center**, $500,000 in funding is eliminated.

- **Cancer Institute of New Jersey**, funding is reduced by $2.0 million, from $20 million to $18 million.

- **Emergency Medical Services**, $58,000 in funding is eliminated.

The funding reductions/eliminations will have varying impact, depending on the overall financial strength of the agencies that provide these services.
Significant Changes/New Programs ($000) (Cont'd)

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</thead>
<tbody>
<tr>
<td>Addiction Services:</td>
<td>D-181;</td>
<td></td>
<td></td>
<td></td>
<td>D-183 to</td>
</tr>
<tr>
<td>Grants-in-Aid</td>
<td>$30,287</td>
<td>$25,672</td>
<td>($4,615)</td>
<td>(15.2)%</td>
<td>D-184</td>
</tr>
</tbody>
</table>

Funding is eliminated for the following grants:

- **Drugs are Ugly and Uncool Campaign**, a billboard campaign targeted to urban areas ($211,000).
- **Vocational Adjustment Center**, which provides vocational assessments and job training and placement services to clients at substance abuse clinics ($104,000).
- **Delaney Hall Drug Treatment Program** ($6.0 million). This grant was provided by the Legislature.

Offsetting the above grant eliminations, an additional $1.7 million is provided to the **Community Based Substance Abuse Treatment and Prevention - State Share** grant account to replace reduction in **Drug Enforcement and Demand Reduction** ($0.7 million) and **Alcohol Education, Rehabilitation and Enforcement** ($1.0 million) funds.

AIDS Services: Grants-in-Aid

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</thead>
<tbody>
<tr>
<td>AIDS Services: Grants-in-Aid</td>
<td>$19,012</td>
<td>$17,012</td>
<td>($2,000)</td>
<td>(10.5)%</td>
<td>D-184</td>
</tr>
</tbody>
</table>

The reduction is to be offset with federal funds, according to available information.

Family Health Services:

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<tbody>
<tr>
<td>State Aid</td>
<td>$41,446</td>
<td>$42,946</td>
<td>$1,500</td>
<td>3.6%</td>
<td>D-184; D-185</td>
</tr>
</tbody>
</table>

Funding for the **Early Childhood Intervention Program** will increase by $1.5 million. In addition, $4.0 million in **Catastrophic Illness in Children Relief Funds** will be made available to the program pursuant to budget language (p. D-187). Medicaid and other federal funds of $17.0 million will be available and additional revenues are expected through implementation of a sliding fee. It is assumed that $3.5 million in savings will be achieved through a "program restructuring."

Public Health Protection Services:

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</thead>
<tbody>
<tr>
<td>State Aid</td>
<td>$4,580</td>
<td>$0</td>
<td>($4,580)</td>
<td>(100.0)%</td>
<td>D-184; D-185</td>
</tr>
</tbody>
</table>

**Public Health Priority Funding** of $4.1 million, which provides local health departments with populations of 25,000 or more with $0.40 per capita, is eliminated. To the extent that local health departments cannot absorb the funding reductions and continue to provide the same level of services, additional local funds will be needed to offset the loss of these State funds.
Significant Changes/New Programs ($000) (Cont'd)

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<tbody>
<tr>
<td>Local Health Department Information Network (LINCS) funding of $480,000 is not continued. LINCS is a system that facilitates communication between and among the State and local health departments on public health matters. As no local funds are directly expended on this system, there is little direct financial impact on local health departments. It may be possible to use other State and federal monies available for bioterrorism activities to support aspects of LINCS.</td>
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<tr>
<td><strong>HEALTH PLANNING AND EVALUATION</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Implementation of Statewide Health Information Network</td>
<td>$250</td>
<td>$0</td>
<td>($250)</td>
<td>(100.0)%</td>
<td>D-189</td>
</tr>
<tr>
<td>Funding for the Implementation of Statewide Health Information Network (HINT) Special Purpose account ($250,000) is not continued. The program will continue to receive $1.0 million from the 0.53 percent hospital assessment to support operations.</td>
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<tr>
<td>Health Care Systems Analysis: Grants-In-Aid</td>
<td>$28,116</td>
<td>$43,316</td>
<td>$15,200</td>
<td>54.1%</td>
<td>D-189</td>
</tr>
<tr>
<td>Overall funding increases by $15.2 million as $25.2 million is recommended for Health Care Subsidy Fund Payments to hospitals for charity care. (An additional $466.1 million in Other Funds is included in the Division of Medical Assistance and Health Services budget to reimburse hospitals for charity care and other activities.)</td>
<td></td>
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<tr>
<td>Offsetting this increase, legislative appropriations of $10 million are not continued:</td>
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<tr>
<td>• Hospital Assistance Grants - $7.0 million. The following hospitals each received $1,166,666: East Orange General Hospital, Monmouth Medical Center, Palisades Medical Center, Jersey City Medical Center, Irvington General and Bon Secours and the Canterbury Partnership for Care (Hudson County). The criteria for determining which hospitals were eligible for the funds was specified in the Appropriations Act.</td>
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<tr>
<td>• Cooper Children's Hospital Neonatal ICU - $3.0 million. These monies were included in P.L.2002, c.43, the Municipal Rehabilitation and Economic Recovery Act.</td>
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<tr>
<td><strong>HEALTH ADMINISTRATION</strong></td>
<td></td>
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</tr>
<tr>
<td>Office of Minority and Multicultural Health</td>
<td>$1,500</td>
<td>$1,000</td>
<td>($500)</td>
<td>(33.3)%</td>
<td>D-192</td>
</tr>
<tr>
<td>The office's mission was expanded in FY 2003 and start-up funds were provided for administration and grants. These start-up funds of $500,000 are not continued.</td>
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## Significant Changes/New Programs ($000) (Cont'd)

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<tbody>
<tr>
<td><strong>SENIOR SERVICES</strong></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Payments to Fiscal Agent - PAA</td>
<td>$2,134</td>
<td>$4,134</td>
<td>$2,000</td>
<td>93.7%</td>
<td>D-197</td>
</tr>
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<tr>
<td></td>
<td>The increases in Painment to Fiscal Agent - PAA costs relate to proposals affecting the program, such as the implementation of an assets test. These tasks will require computer system changes. (These funds will be supplemented with $1.6 million from the State Board of Public Utilities for Lifeline related administrative functions and up to $3.8 million from the Senior Gold program.)</td>
<td></td>
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</tr>
<tr>
<td>Assisted Living Program</td>
<td>$13,973</td>
<td>$16,940</td>
<td>$2,967</td>
<td>21.2%</td>
<td>D-197</td>
</tr>
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<tr>
<td></td>
<td>An additional $3.0 million is provided for the Assisted Living Program. These additional monies will provide funding for 375 more slots in the Enhanced Community Options waiver, increasing the number of slots to about 2,250.</td>
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</tr>
<tr>
<td>Community Care Alternatives (Total)</td>
<td>$30,623</td>
<td>$30,623</td>
<td>$0</td>
<td>0.0%</td>
<td>D-197</td>
</tr>
<tr>
<td>General Fund</td>
<td>$27,370</td>
<td>$0</td>
<td>($27,370)</td>
<td>(100.0)%</td>
<td>D-197</td>
</tr>
<tr>
<td>Casino Revenue Fund</td>
<td>$3,253</td>
<td>$30,623</td>
<td>$27,370</td>
<td>841.4%</td>
<td>D-197</td>
</tr>
<tr>
<td></td>
<td>Overall funding is unchanged. Approximately $27.4 million in costs is shifted from the General Fund to the Casino Revenue Fund.</td>
<td></td>
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</tr>
<tr>
<td>Payments for Medical Assistance Recipients - Nursing Homes</td>
<td>$496,497</td>
<td>$161,306</td>
<td>($335,191)</td>
<td>(67.5)%</td>
<td>D-197</td>
</tr>
<tr>
<td></td>
<td>The reduction assumes the following:</td>
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<tr>
<td></td>
<td>• Federal approval of the State's request to receive $440 million in additional Intergovernmental Transfer (IGT) funds or other federal assistance.</td>
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<tr>
<td></td>
<td>IGT involves billing for services for services at nursing homes at the higher Medicare rate, with the State retaining the difference between the Medicare and Medicaid rate. (For administrative convenience, county nursing homes in Bergen, Monmouth, Morris and Passaic are used to obtain the IGT funds.)</td>
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<tr>
<td></td>
<td>Federal regulations adopted in 2001 required the State to phase out the use of IGT for non-governmental nursing homes, effective October 2002, after which IGT would be limited</td>
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</table>
Significant Changes/New Programs ($000) (Cont'd)

|----------------------|-----------------------|-----------------|---------------|----------------|-------------|

to nursing home services provided at county facilities. This limitation would result in the State receiving about $157 million annually. Notwithstanding the October 2002 federal phase-out of IGT, the FY 2003 budget assumed continued receipt of an additional $330 million in IGT funds. As of this writing, the request has not been approved and $330 million in State funds were transferred into the Nursing Homes account from other accounts.

- Adoption of a new Provider Assessment on nursing homes that will generate $18.5 million in federal revenues ( Appropriated Receipts). Details regarding the assessment are not available at this time; legislation is expected to be introduced to implement the assessment. (A similar provider assessment was enacted in 1998 with respect to the State developmental centers.)

- Savings of $9.4 million by eliminating the annual recalculation of nursing home rates and adjusting for inflation only.

- Savings of $5.2 million by reducing reimbursement for holding patients' beds when they are hospitalized.

- Unspecified savings initiatives of $1.0 million.

Offsetting the above reduction, an additional $2.0 million is provided to reduce the nursing home target occupancy level from 90 percent to 85 percent for certain nursing homes, so that certain nursing homes who were to be penalized because their occupancy level was less than 90 percent will not be penalized, assuming their occupancy level is greater than 85 percent.

Medical Day Care

| Services         | $49,046 | $58,863 | $9,817 | 20.0% | D-197 |

An additional $9.8 million is provided due to increases in the number of people receiving services and utilization, despite a moratorium on new licenses being issued. The recommended appropriation assumes $1.0 million in savings initiatives.

ElderCare Initiatives

| $19,877 | $15,000 | ($4,877) | (24.5)% | D-197 |

The funding reduction assumes that some recipients currently enrolled in the Jersey Assistance for Community Caregiving program, funded entirely with State funds, will qualify for and be shifted to the Caregiving Assistance Program which qualifies for federal reimbursement.

Hearing Aid Assistance

| for the Aged and Disabled (Casino Revenue Funds) | $250 | $200 | ($50) | (20.0)% | D-198 |
## Significant Changes/New Programs ($000) (Cont'd)

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<tbody>
<tr>
<td>Pharmaceutical Assistance to the Aged and Disabled - Claims</td>
<td>$410,891</td>
<td>$436,892</td>
<td>$26,001</td>
<td>6.3%</td>
<td></td>
</tr>
<tr>
<td>General Fund - Elderly</td>
<td>$105,085</td>
<td>$36,626</td>
<td>($68,459)</td>
<td>(65.1)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Casino Revenue Fund</td>
<td>$259,874</td>
<td>$209,728</td>
<td>($50,146)</td>
<td>(19.3)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>$45,932</td>
<td>$190,538</td>
<td>$144,606</td>
<td>314.8%</td>
<td>D-199</td>
</tr>
<tr>
<td>Senior Gold</td>
<td>$28,093</td>
<td>$36,315</td>
<td>$8,222</td>
<td>29.3%</td>
<td>D-198</td>
</tr>
</tbody>
</table>

The reduction reflects actual FY 2002 expenditures of about $190,000.

The key assumption behind the recommended appropriation for PAAD is that the federal government will approve the State's request for federal support of the program during Spring 2003 and that the State will receive $45.9 million and $190.5 million in federal funds, respectively, in FY 2003 and FY 2004.

The FY 2004 recommended budget includes various initiatives intended to reduce PAAD and Senior Gold costs:

- Increasing the discount the State receives when it reimburses pharmacies from 10 percent to 15 percent Average Wholesale Price - $9.8 million.
- Implementing a preferred drug list (January 2004) - $7.4 million.
- Implementing an assets test for PAAD recipients of $75,000 for single persons and $100,000 for married couples, excluding homes and a primary automobile (January 2004) - $4.4 million.
- Mandating generic substitution - $3.9 million.
- Reviewing the clinical appropriateness of drugs, when more than 10 per month are prescribed - $1.3 million.
- Eliminating the Drug Utilization Review Council role in approving generic drugs - $1.0 million.

Senior Gold costs would increase largely due to the expected transfer of nearly 16,000 PAAD recipients whose assets exceed specified limits to the program.
## Significant Changes/New Programs ($000) (Cont'd)

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<tbody>
<tr>
<td>Arthritis Quality of Life Initiative Act</td>
<td>$464</td>
<td>$232</td>
<td>($232)</td>
<td>(50.0)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Grant funding to two hospitals that operate regional arthritis centers is reduced.</td>
<td></td>
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</tr>
<tr>
<td>ElderCare Advisory Commission Initiatives</td>
<td>$3,500</td>
<td>$2,500</td>
<td>($1,000)</td>
<td>(28.6)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Funding is reduced for these initiatives intended to eliminate a waiting list for the Meals on Wheels program, provide additional Congregate Housing Services and provide additional staff support for elder abuse programs and NJ Ease Care Management Services.</td>
<td></td>
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</tr>
<tr>
<td>Senior Citizen Housing - Safe Housing and Transportation: Casino Revenue Fund</td>
<td>$1,668</td>
<td>$534</td>
<td>($1,134)</td>
<td>(68.0)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Congregate Housing Support Services</td>
<td>$1,938</td>
<td>$0</td>
<td>($1,938)</td>
<td>(100.0)%</td>
<td>D-198</td>
</tr>
<tr>
<td>Approximately $3.1 million in Casino Revenue Fund costs for the above programs is being shifted off-budget and supported by the New Jersey Housing Mortgage and Finance Agency.</td>
<td></td>
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</tbody>
</table>
Language Provisions

HEALTH SERVICES

2003 Appropriations Handbook

p. B-70.

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 training, testing and recruitment of emergency medical personnel who serve on volunteer ambulance squads, first aid or rescue squads, including, but not limited to, the purchase of computers and internet access for volunteer squads for distance learning purposes and grants to accredited training sites for equipment and educational materials.

2004 Budget Recommendations


In addition to the amount hereinabove for Medical Emergency Disaster Preparedness for Bioterrorism, there is appropriated $5,000,000 from the Emergency Medical Technician Training Fund for the same purpose.

Explanation

In FY 2003, the Governor recommended and the Legislature approved language that provided that $2.0 million from the Emergency Medical Technician Training Fund be used for certain purposes related to emergency medical technician training.

In FY 2004, the Governor recommends that $5.0 million in from the fund be used for the Medical Emergency Disaster Preparedness for Bioterrorism program, which may involve the emergency medical community.

2003 Appropriations Handbook

p. B-70.

The unexpended balance, as of June 30, 2002, in the Rabies Control Program account, together with any receipts in excess of the amount anticipated, is appropriated.

The amount hereinabove for the Rabies Control Program account is payable out of the Rabies Control Fund. If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionally.

2004 Budget Recommendations

No comparable language provisions.

(Continued on the next page.)
Language Provisions (Cont'd)

2003 Appropriations Handbook

The unexpended balance, as of June 30, 2002 in the Animal Population Control Program account, together with any receipts in excess of the amount anticipated, is appropriated.

The amount hereinabove for the Animal Population Control Program account is payable out of the Animal Population Control Fund. If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionately.

2004 Budget Recommendations

Explanation

The Rabies Control and the Animal Population Control Programs are being shifted off-budget as dedicated accounts. Thus, language provisions concerning these programs is no longer necessary. This will reduce General Fund revenues and appropriations by about $0.8 million.

2003 Appropriations Handbook


In order to permit flexibility in the handling of the various appropriations for anti-tobacco initiative accounts hereinabove, funds may be transferred to and from the following items of appropriation: Youth Anti-Tobacco Awareness Media Campaign; Smoking Cessation Programs for Addicted Adults and Youth; Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs; School Based Programs for the Prevention of Tobacco Use; and Community Based Tobacco Control Programs. Such transfers are 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.

(Continued on the next page.)

2004 Budget Recommendations


Similar language provisions except that the programs referenced are: School Based Programs and Youth Anti-Smoking and Anti-Smoking Programs.
Language Provisions (Cont'd)

Notwithstanding the provisions of any law to the contrary, the amounts appropriated hereinabove for the five anti-tobacco programs (Community Based Tobacco Control Programs, Youth Anti-Tobacco Awareness Media Campaign, Smoking Cessation Programs for Addicted Adults and Youth, School Based Programs for the Prevention of Tobacco Use and Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs) shall be charged to the proceeds of the increase in the cigarette tax, established pursuant to P.L.2002, c.33.

Explanation

The Governor's recommended budget reduces the overall funding for various antismoking initiatives from $30 million to $10 million and changes the funding priorities to emphasize prevention programs targeted at young people. Thus, technical language provisions related to these programs are amended accordingly.

---

2003 Appropriations Handbook


Receipts derived from the agency surcharge on vehicle rentals pursuant to P.L.2002, c.34, not to exceed $12,500,000, are appropriated for the Medical Emergency Disaster Preparedness for Bioterrorism program and shall be deposited into a dedicated account, the expenditure of which shall be subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The amended language reduces the amount of funds available to the Medical Emergency Disaster program from a surcharge on car rentals from $12.5 million to $7.5 million. Total funding will remain unchanged at $12.5 million as proposed budget language, previously mentioned, appropriates $5.0 million in unexpended Emergency Medical Technician Training Funds to the Medical Emergency Disaster program.

---

2004 Budget Recommendations


Similar language except that the amount is reduced to $7,500,000.
Language Provisions (Cont'd)

2003 Appropriations Handbook


Of the amounts appropriated for Maternal and Child Health Services, there shall be available $300,000 for the Perinatal Addictions Initiative, $450,000 for Fetal Alcohol Clinics and $400,000 for the Maternal and Child Health Nutrition Initiative.

2004 Budget Recommendations

No comparable language provision.

Explanation

The FY 2003 language directed that certain dollar amounts be allocated for certain Maternal and Child Health Services. Elimination of such language means that monies in question could be used for other Maternal and Child Health Services as determined by the department.

---

2003 Appropriations Handbook


An amount, not to exceed $600,000, collected by the Casino Control Commission is payable to the General Fund pursuant to section 145 of P.L.1977, c.110 (C.5:12-145). The unexpended balance, as of June 30, 2002, in the Compulsive Gambling account is appropriated to the Department of Health and Senior Services to provide funds for compulsive gambling grants.

2004 Budget Recommendations


An amount, not to exceed $600,000, collected by the Casino Control Commission is payable to the General Fund pursuant to section 145 of P.L.1977, c.110 (C.5:12-145).

In addition to the amount hereinabove for Compulsive Gambling, an amount not to exceed $200,000 is appropriated from the annual assessment against permit holders to the Department of Health and Senior Services for prevention, education and treatment programs for compulsive gambling pursuant to the provisions of P.L.2001, c.199 (C.5:5-159), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2003 language is amended to eliminate reference to the Compulsive Gambling account's unexpended balance as there may not be any unexpended balances in the account at the end of FY 2003. As Compulsive Gambling expenditures exceed $600,000, the additional language provision provides up to $200,000 in additional revenues to support Compulsive Gambling programs.

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Language Provisions (Cont'd)

2003 Appropriations Handbook


In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention - State Share program, there is appropriated $3,700,000 from the Drug Enforcement and Demand Reduction Fund for the same purpose.

In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention - State Share program, there is appropriated $1,000,000 from the Alcohol, Education, Rehabilitation and Enforcement Fund for the same purpose.

2004 Budget Recommendations


Similar language except that the amount is reduced to $3,000,000.

No comparable language provision.

Explanation

In FY 2004, the Drug Enforcement and Demand Reduction (DEDR) Fund will provide $3.0 million, instead of $3.7 million for substance abuse programs. An additional $0.7 million in General Funds are being made available to offset the DEDR reduction.

Language concerning the $1,000,000 provided by the Alcohol, Education, Rehabilitation and Enforcement Fund is not continued. An additional $1.0 million in General Fund appropriations is recommended for FY 2004 to offset the reduction.

2003 Appropriations Handbook


No comparable language provision.

2004 Budget Recommendations

Notwithstanding any law to the contrary, an amount not to exceed $2,000,000 is appropriated to the Department of Health and Senior Services to provide education and public awareness concerning the use of the new rapid AIDS test, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Food and Drug Administration recently approved a new AIDS test that can determine whether a person has HIV in minutes. The proposed language would permit the appropriation of $2.0 million for activities surrounding this new test.
Language Provisions (Cont'd)

2003 Appropriations Handbook       2004 Budget Recommendations


The capitation is set not to exceed 40 cents for the year ending June 30, 2002 for the purposes prescribed in P.L.1966, c.36 (C.26:2F-1 et seq.)

No comparable language provision.

Explanation

The proposed budget eliminates the $4.1 million appropriation for the Public Health Priority Funding program, so the language establishing a 40 cent capitation rate is not necessary. As these monies are distributed to health departments with a population greater than 25,000, virtually all local health departments in the State will lose funding.

---

2003 Appropriations Handbook       2004 Budget Recommendations


In addition to the amount hereinabove for the Early Childhood Intervention Program, such additional sums as may be required are appropriated from the General Fund to cover additional costs of the program to maintain federal compliance, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

No comparable language provision.

Notwithstanding any law to the contrary, in addition to the amounts hereinabove for the Early Childhood Intervention Program, an amount not to exceed $4,000,000 is appropriated from the Catastrophic Illness in Children Relief Fund (P.L.1987, c.370), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2003 language provision that appropriated "such additional sums as may be required" is not continued. It appears that sufficient funds will be available to "maintain federal compliance."

Proposed FY 2004 language allocates $4.0 million in unexpended Catastrophic Illness in Children Relief Funds to the Early Intervention program. Thus, up to $46.9 million in State funds will be available to the program.
Language Provisions (Cont'd)

HEALTH PLANNING AND EVALUATION

2003 Appropriations Handbook


In addition to the amount appropriated above for the Implementation of Statewide Health Information Network, $1,000,000 is appropriated from the annual .53% assessment on New Jersey hospitals, established pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62), for establishing HIPAA compliance.

From the amounts appropriated above for the Implementation of Statewide Health Information Network, $250,000 shall be allocated to Thomas A. Edison State College.

2004 Budget Recommendations

p. D-190.

In addition to the amount appropriated above for the Implementation of Statewide Health Information Network, $1,000,000 is appropriated from the annual .53% assessment on New Jersey hospitals, established pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62), for establishing HIPAA compliance. Of the amount $250,000 shall be allocated to Thomas Edison State College.

Explanation

The proposed technical language merely combines two language provisions into one provision.

2003 Appropriations Handbook


The amount appropriated hereinabove for Hospital Assistance Grants shall be distributed as grants to private non-profit general hospitals located in municipalities with a population of less than 250,000 within counties with a population of at least 600,000 in which at least 15% of the residents live in poverty or at least 25% of residents are under 18 years old, as determined by the most recent United States Census data. Eligible hospitals shall have Medicaid charges constituting at least 9% of their gross charges according to 3rd quarter 2001 financial data from a data set approved by the commissioner of Health and Senior Services.

2004 Budget Recommendations


No comparable language provision.

Explanation

This FY 2003 language and the corresponding $7.0 million appropriation was included in the FY
Language Provisions (Cont'd)

2003 appropriations act by the Legislature and is not continued in FY 2004. Pursuant to this language, East Orange General Hospital, Monmouth Medical Center, Palisades Medical Center, Jersey City Medical Center, Irvington General and Bon Secours and Canterbury Partnership for Care (Hudson County) each received approximately $1,170,000.

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SENIOR SERVICES

2003 Appropriations Handbook

No comparable language provision.

2004 Budget Recommendations


Such sums as may be necessary, not to exceed $1,591,000 may be transferred from the Energy Assistance program account in the Board of Public Utilities to the Lifeline Program account shall be applied in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The FY 2004 recommended budget transfers the two Lifeline programs to the State Board of Public Utilities which will pay for the two Lifeline programs through the Universal Service Fund (supported by all energy consumers). The Department of Health and Senior Services will still handle administrative functions of the Lifeline programs and this language establishes the mechanism to reimburse the department for such administrative costs.

---

2003 Appropriations Handbook

p. B-77.

Notwithstanding the provisions of any other law to the contrary, effective July 1, 1996, reimbursement for nursing facility services shall be 90% of the per diem rate when a Medicaid beneficiary is hospitalized. These payments shall be limited to the first 10 days of the hospitalization. Medicaid reimbursement for nursing facility services shall be discontinued beyond the 10th day of the hospitalization.

2004 Budget Recommendations


Similar language except that the percentage amount is reduced to 50%.
Language Provisions (Cont'd)

Explanation

The amended language provision would reduce reimbursement to nursing homes for holding beds for patients who are hospitalized, from 90 percent to 50 percent. This reduction is expected to save the State $5.2 million.

---

2003 Appropriations Handbook

p. B-77.

From the amount appropriated for the Payments for Medical Assistance Recipients - Nursing Homes account, funds shall be available to develop and implement a new nursing home rate-setting system, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The elimination of the language that supported costs to develop and implement a new rate setting system may mean that a new rate setting system will not be implemented.

---

2003 Appropriations Handbook

pp. B-78; B-80.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2002, each prescription order dispensed in the Pharmaceutical Assistance to the Aged and Disabled program and the Senior Gold Prescription Discount Program 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 overcome 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 (Continued on the next page.)

(New language continued on the next page.)
Language Provisions (Cont'd)

substitution and federal upper limits for MAC
drugs as administered by the State Medicaid
Program.

No comparable language provision.

Notwithstanding the provisions of any other
law or regulation to the contrary, effective July
1, 2003, no State funds are appropriated for a
Drug Utilization Review Council in the
Department of Health and Senior Services and
therefore the functions of the Council shall cease.

Explanation

The amended and proposed language provisions eliminate the Drug Utilization Review Council
and, therefore its role in approving the use of generic drugs in the State. The State will rely on the
federal Food and Drug Administration's approval of generic drugs exclusively. Elimination of the
council is expected to save the State $1.0 million as generics will be available more quickly.

2003 Appropriations Handbook
pp. B-78; B-80.

Notwithstanding the provisions of any other
law or regulation to the contrary, effective July
1, 2002 in the Pharmaceutical Assistance to
the Aged and Disabled and Senior Gold
program classification shall be expended
except under the following conditions: (a)
reimbursement for prescription drugs shall be
based on the Average Wholesale Price less a
10% discount; (b) 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, 2002 shall remain in effect through
fiscal year 2003, including the current
increments for patient consultation, impact
allowances and allowances for 24-hour
emergency services.

20043 Budget Recommendations
pp. D-201; D-203.

Similar language except that in (a) the discount
is increased from 10% to 15%.

Also a new section (d) is added which reads as
follows:

(d) multisource generic and single source
brand name drugs shall be dispensed without
prior authorization but multisource brand
name drugs shall require prior authorization by
the Department of Health and Senior Services
or its authorizing agent. Certain multisource
brand name drugs with a narrow therapeutic
index or brand name drugs with lower cost per
unit than the generic, may be excluded from
prior authorization by the Department of
Health and Senior Services.
Language Provisions (Cont'd)

Explanation

The amended language would:

- increase the discount the State receives when it reimburses pharmacies for drugs from 10 percent to 15 percent Average Wholesale Price. This will save about $9.8 million.

- mandate the use of generic drugs (when available and when less expensive than a brand name drug) and requires prior authorization for the use of certain brand name drugs. This requirement is expected to save $3.9 million.

2003 Appropriations Handbook

No comparable language provisions.

2004 Budget Recommendations

pp. D-201; D-203.

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2003, the Department of Health and Senior Services shall establish a voluntary prescription drug mail-order program.

No funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled and Senior Gold programs shall be expended for prescriptions in excess of 10 a month per client unless approved by the Department of Health and Senior Services under a program to review the necessity and safety of drugs prescribed for those clients who exceed this amount.

Notwithstanding the provisions of any law or regulation to the contrary, the Commissioner of Health and Senior Services shall establish a list of preferred drugs for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold programs upon the recommendation of a Pharmacy and Therapeutics Committee which he/she shall appoint. No funds may be expended to reimburse non-preferred drugs through the PAAD or Senior Gold programs unless there is medical justification received through a prior authorization process.
Language Provisions (Cont'd)

**Explanation**

The three new language provisions establish: a system by which persons who fill more than 10 prescriptions per month will have their prescriptions reviewed and approved before the prescription can be filled; a voluntary mail order system; and a preferred drug formulary in which drugs not on the formulary will require prior authorization.

The polypharmacy review, mandatory generic substitution and the preferred drug formulary are expected to save $1.3 million, $3.9 million and $7.4 million, respectively. No specific savings have been identified for a voluntary mail order system.

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**2003 Appropriations Handbook**

No comparable language provision.

**2004 Budget Recommendations**

pp. D-202; D-203.

Notwithstanding the provisions of any law or regulation to the contrary, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program are available to meet the costs of benefits for any beneficiaries who have liquid assets in excess of $75,000 for single persons and $100,000 for married couples, where liquid assets include but are not limited to savings accounts, checking accounts, stocks, bonds, certificates of deposit, annuities, trusts, savings bonds, money market funds, mutual funds, Treasury notes, Treasury bills and Treasury bonds. Liquid assets do not include the beneficiary's principal place of residence and one automobile. An applicant shall be considered ineligible for PAAD benefits if the applicant or his spouse has disposed of resources of less than fair market value at anytime within the 36-month period prior to his applying in order to become eligible for PAAD benefits. Any PAAD applicant found ineligible for the PAAD program solely because of this asset test shall become eligible for Senior Gold as his/her income remains below the Senior Gold eligibility requirements. Any PAAD applicant found ineligible for the PAAD program solely because of this asset test, shall remain eligible to receive Lifeline Tenants or Lifeline Credits benefits and Hearing Aid Assistance.
Language Provisions (Cont'd)

Explanation

The proposed language establishes a PAAD assets test and defines assets. The proposed language also prohibits an asset from being transferred at less than fair market value with 36-months of applying for PAAD, a policy similar to one used in the Medicaid program. Persons who are disqualified from PAAD due to assets would be eligible for the Senior Gold program and would also be eligible to receive various other benefits (Lifeline and Hearing Aid Assistance) that PAAD recipients are entitled to. A PAAD assets test is expected to save $4.2 million.

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2003 Appropriations Handbook
pp. B-79; B-81.

At any point during the year and notwithstanding the provisions of any other law or regulation to the contrary, subject to the approval of a plan by the commissioner of Health and Senior Services, no funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled program, pursuant to P.L.1975, c.194 (C.30:4D-20 et seq.), or the Senior Gold Prescription Discount Program, pursuant to P.L.2001, c.96 (C.30:4D-43 et seq.), shall be expended unless participating pharmaceutical manufacturing companies execute contracts with the Department of Health and Senior Services, through the Department of Human Services, providing for the payment of rebates to the State on the same basis as provided for in section 1927 (a) through (c) of the federal Social Security Act, 42 U.S.C. s.1396r-8(a)-(c).

Explanation

The amended language allows for the implementation of a preferred drug list and will require drug manufacturers to agree to provide the State with additional rebates over and above current federal requirements of 11 percent (generics) and 15 percent (brand names) of the Average Manufacturer Price. Implementation of a preferred drug list is expected to save about $7.4 million.

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2004 Budget Recommendations
pp. D-201; D-204.

Similar language except that the following new sentence is added at the end of the provision:

"and (ii) additional rebates on drugs on the preferred list as determined by the Commissioner."
Language Provisions (Cont'd)

**2003 Appropriations Handbook**

p. B-79.

From the amount appropriated hereinabove for the Senior Gold Prescription Discount 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.

**2004 Budget Recommendations**


Similar language except the amount has been reduced to $3,750,000.

**Explanation**

The amended language reduces the amount that may be used for Senior Gold administrative costs to $3,775,000. As Senior Gold enrollment has been below original estimates, less monies are needed for administration.

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**2003 Appropriations Handbook**


No comparable language provision.

**2004 Budget Recommendations**

Notwithstanding the provisions of any other law to the contrary, effective July 1, 2003, reimbursement for nursing facility services, including Special Patient Care rates, shall be limited with the exception of the target occupancy adjustment, to the base rates established during FY 2003 adjusted for inflation as calculated in N.J.A.C. 10:63.

**Explanation**

At present, Medicaid nursing home reimbursement rates are determined annually, based on cost reports submitted by the homes. The proposed language would no longer adjust Medicaid nursing home reimbursement rates annually. Instead, for FY 2004, Medicaid reimbursement rates would be adjusted for inflation and the appropriate target occupancy adjustment factor. This is expected to save $9.4 million.

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Language Provisions (Cont'd)

2003 Appropriations Handbook

p. B-79.

The unexpended balances as of June 30, 2002 in the payments for Medical Assistance Recipients-Nursing Homes account are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

2004 Budget Recommendations


No comparable language provision.

Such sums as may be necessary are appropriated from the General Fund for the payment of increased nursing home rates to reflect the costs incurred due to the payment of a nursing home provider assessment (pending enactment of legislation), subject to the approval of the Director of the Division of Budget and Accounting of a plan to be submitted by the Commissioner of Health and Senior Services.

Explanation

The language provision concerning the unexpended balances in the nursing home account is not needed as no unexpended balances are anticipated.

The language provision concerning the nursing home assessment is related to legislation the Administration will propose that would enable the State to impose an assessment on nursing homes that will generate $18.5 million in new federal funds (at no additional State expense). A similar assessment was enacted several years ago with respect to the State developmental centers and generates over $10 million in federal reimbursements.

2003 Appropriations Handbook

p. B-79.

The unexpended balance as of June 30, 2002 in the Senior Gold Prescription Assistance Program is appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

2004 Budget Recommendations

Explanation

FY 2003 language provision is not necessary as no unexpended balances are anticipated.
Language Provisions (Cont'd)

2003 Appropriations Handbook

pp. D-80; D-81.

Notwithstanding the provisions of P.L.1979, c.197 (C.48:2-29.15 et seq.), the provisions of P.L.1981, c.210 (C.48:2-29.30 et seq.) or any other law to the contrary, the benefits of the Lifeline Credit Program and the Tenants; Lifeline Assistance Program may be distributed throughout the entire year from July through June, and are not limited to an October to March heating season; therefore, applications for Lifeline benefits and benefits from the Pharmaceutical Assistance to the Aged and Disabled program may be combined.

The amounts hereinabove for payments for the Lifeline Credit Program and the payments for Tenants' Lifeline Assistance Program Rebates are available for the payment of obligations applicable to prior fiscal years.

In order to permit flexibility in the handling of appropriations and ensure the timely payment of Lifeline claims, amounts may be transferred from the various items of appropriation within the Lifeline program classification, subject to the approval of the Director of the Division of Budget and Accounting.

2004 Budget Recommendations

No comparable language provisions.

Explanation

The language provisions concerning the two Lifeline programs are no longer necessary as the programs are being transferred to the State Board of Public Utilities and will be supported through a Universal Services Fund. A Memorandum of Understanding between the board and the department will outline various administrative details.

2003 Appropriations Handbook


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

2004 Budget Recommendations

p. D-204.

Similar language except that the amount is reduced to $700,000.
Language Provisions (Cont'd)

Explanation

Amended language would reduce the amount charged to the Casino Revenue Simulcasting Fund from $2,000,000 to $750,000. Additional Casino Revenue Funds are made available to maintain funding of the Respite Care program.

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DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

2003 Appropriations Handbook

p. B-83.

From the monies provided hereinabove for cost of living adjustments throughout the Department of Health and Senior Services, it is intended that these moneys shall be used to fund, at a minimum, a 2% cost of living increase for service workers' salaries, effective July 1, 2002.

Explanation

The FY 2003 language applied only to the cost of living adjustments made available in the FY 2003 appropriations act. As no cost of living adjustment funds are recommended in FY 2004, similar language is not needed.

2004 Budget Recommendations

No comparable language provision.
Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

1. The recommended budget reduces funding for various Grants-in-Aid accounts including, among others, Family Planning Services, AIDS Grants and the Arthritis Quality of Life Initiative Act. These monies are distributed among many agencies.

- **Question:** How will the grant reductions, if approved, be implemented?

2. At last year's budget hearing, in response to a question regarding the distribution of charity care among hospitals, the Commissioner of Health and Senior Services stated that changes were needed with respect to the determination and distribution of charity care. One problem the Commissioner cited was a hospital's ability to submit revised financial data years after charity care was distributed in order to increase the amount of charity care the hospital was entitled to receive.

- **Question:** What is the status of the reforms to the charity care program and formula by which charity care funds are distributed?

HEALTH SERVICES

3. The Newborn Screening, Follow-up and Treatment Program, the Newborn Screening, Follow-up and Treatment for Hemoglobins and, possibly, the Testing for Specific Hereditary Diseases programs are shifted off-budget to be supported by $3.1 million in hospital charges.

- **Question:** As there is no proposed budget language that would have hospitals assume these costs, how will the charge be implemented? As the Testing for Specific Hereditary Disease program is not specifically mentioned as being shifted to hospital charges, are costs associated with the program to be supported by hospital charges?

4. In FY 2001, $750,000 in Capital Construction funds were appropriated for the costs associated with the design and construction of a New State Health Laboratory. Responsibility for the construction of a New State Health Laboratory is assigned to the New Jersey Economic Development Authority (EDA). In addition, as part of the State's bioterrorism preparedness and response capabilities, an expansion of the State's laboratory testing capacity is envisioned.

- **Question:** What is the status of both the construction of a new State health laboratory and the expansion of the existing health laboratory's testing capabilities?

5. The recommended budget reduces the AIDS Grants appropriation by $2.0 million, assuming, perhaps, that federal funds, primarily Ryan White funds, could offset the reduction.

   The Ryan White law, and subsequent federal policy guidance, is clear: Federal funds cannot be used to replace or substitute for other funds. Thus, shifting $2.0 million in State AIDS grants to Ryan White funds may be disallowed by the federal government.

- **Question:** How does the anticipated assumption of $2.0 million in AIDS Grants with federal funds conform with federal law?

6. The Food and Drug Administration has given approval to a new AIDS drug, Fuzeon, that may cost up to $20,000 for a year's supply. New Jersey and several other states are to meet with the manufacturer, Roche AG and Trimeris, to discuss additional rebates to reduce Fuzeon's
Discussion Points (Cont'd)

expected cost.

- **Question:** Will the State as part of the federal AIDS Drug Distribution Assistance Program cover Fuzeon? Will Roche provide additional rebates to reduce the drug's cost?

7.a. The Early Childhood Intervention Program appropriation of $42.9 million plus $4.0 million in unexpended Catastrophic Illness in Children Relief Funds assumes $3.5 million in savings through restructuring.

- **Question:** How will $3.5 million in savings through restructuring be achieved?

7.b. The Early Intervention program intends to implement a sliding fee scale, as authorized by federal law.

- **Question:** Based on other states that have implemented similar sliding fee scales, how much revenue is a sliding fee scale expected to generate?

7.c. The FY 2003 and FY 2004 budgets assumes $5.0 million in federal Medicaid revenues to support the Early Childhood Intervention Program.

Available Medicaid data indicate that annualized federal revenues for FY 2003 are approximately $3.3 million, about $1.7 million less than anticipated.

- **Question:** Will the $5.0 million in Medicaid revenues be realized or will a supplemental appropriation or transfer be needed to offset this shortfall?

7.d. The Early Intervention program relies on a private contractor to handle various administrative functions with respect to Medicaid eligibility and billing. As the private contractor has not automated the eligibility or billing processes, there are significant delays in qualifying children for Medicaid and obtaining federal reimbursement. (The contract is administered by the Department of the Treasury.)

- **Question:** Can the department develop its own eligibility determination and billing systems rather than rely on the private vendor?

8.a. Public Health Priority Funding monies of $4.1 million are discontinued.

- **Question:** Can State Medical Emergency Disaster Preparedness for Bioterrorism monies or federal Emergency Preparedness for Bioterrorism/Bioterrorism Hospital Emergency Preparedness monies be used for Public Health Priority Funding activities?

8.b. Funding for the Local Health Department Information Network (LINCS) program ($0.5 million) is eliminated.

- **Question:** Can State Medical Emergency Disaster Preparedness for Bioterrorism monies or federal Emergency Preparedness for Bioterrorism/Bioterrorism Hospital Emergency Preparedness monies be used for the LINCS program?
Discussion Points (Cont'd)

HEALTH PLANNING AND EVALUATION

9. The Health Planning and Evaluation program is responsible for conducting inspections of the State developmental centers, for the federal government, to determine whether the facilities comply with federal requirements and, thus, eligible to receive Medicaid reimbursements. Separate and apart from the State inspections, the federal government may also conduct its own inspections. During the past two years, federal inspectors nearly decertified several developmental centers because of serious deficiencies in the care and safety of patients. These facilities had been inspected and approved by the Health Planning and Evaluation staff.

- **Question:** Why was there a difference of opinion between federal and State inspectors regarding the accreditation of several developmental centers? What changes have been made to the department's inspection activities relative to developmental centers?

SENIOR SERVICES

10. The recommended budget includes $18.5 million (federal) from a proposed nursing home assessment. While specific information is not available, the assessment will be similar to an assessment imposed on public and private intermediate care facilities - mentally retarded (ICF-MR), 5.8 percent, which currently raises about $10.6 million (federal). However, as the nursing home industry is significantly larger both in terms of the number of clients receiving services and revenue than ICF-MR's, a 5.8 percent assessment should generate more than $18.5 million (federal).

- **Question:** How was the $18.5 million (federal) derived from a 5.8 percent assessment on nursing homes? Will the assessment be imposed on county nursing homes or on Medicare reimbursements to nursing homes?

11. The department contracted with Myers and Stauffer to develop and implement a new Medicaid nursing home reimbursement system. Costs associated with developing a new rate setting system were funded from the Nursing Home account. The FY 2004 recommended budget deletes this funding authority.

- **Question:** Is a new nursing home rate setting system to be implemented? If so, how are program costs associated with developing and implementing such a system to be funded?

12.a. The Medical Day Care Services recommended appropriation of $58.9 million assumes $1.0 million in savings.

- **Question:** What specific initiatives are to be implemented that will reduce program costs by $1.0 million?

12.b. Based on recent Medical Day Care Services expenditure and utilization data, it appears that the recommended $58.9 million appropriation is underfunded by about $5.0 million.

- **Question:** Are additional funds needed in the account based on current expenditure and utilization trends?

13. Administrative efficiencies in the PAAD and Senior Gold programs are expected to achieve about $1.2 million in savings. As many of the proposals to reduce prescription drug costs in both
Discussion Points (Cont'd)

programs involve more, not less, administrative effort, it is not clear how $1.2 million in administrative efficiencies will be achieved.

- **Question:** What specific administrative efficiencies will be undertaken to achieve $1.2 million in savings?

14. Savings of $4.2 million (net) are anticipated through the implementation of a PAAD assets test: $75,000 for single persons and $100,000 for married couples, excluding the value of a home and a primary automobile. Persons who are disqualified from the PAAD program due to the assets test would be eligible for the Senior Gold program.

There are many technical matters that may make implementation of an assets test administratively difficult and could increase the number of appeals to administrative law judges.

- **Question:** How would assets jointly held with a non-senior person be treated? How would assets held in trust for a senior citizen over which the senior citizen has no control be treated? How would the cash value of life insurance policies or the value of a burial plot be treated? How are assets that do not generate a 1099-Int/Div. be uncovered? How is the value of rental properties or a second home to be verified? If an asset is uncovered at a later date that would disqualify a single person or married couple, would benefits be recouped?

15. Savings of $1.3 million are anticipated through the implementation of a clinical review of PAAD recipients who fill 10 or more prescriptions monthly.

Available PAAD utilization data indicate that between October - December 2002, 45 PAAD recipients (out of 190,000 eligibles) averaged 10 or more prescriptions a month. Also, Medicaid has had a similar review program since late 1999. During that time, about 320,000 prescription claims were reviewed. Approximately 1,100 claims, or 0.33 percent, were rejected. The private vendor conducting the review was paid $3.3 million, but the approximate dollar value of the denied claims was only about $63,000.

- **Question:** As available PAAD data indicate that 0.04 percent of all PAAD recipients fill 10 or more prescriptions a month and Medicaid data indicate that polypharmacy review has cost about $3.3 million to deny claims valued at $63,000, is a similar program cost-effective for PAAD?

16. At present, PAAD and Senior Gold recipients are able to refill a prescription when 75 percent of a prescription has been used. Increasing the refill threshold percentage to 85 percent or even 90 percent would result in a one-time savings, as less medications would have to be dispensed.

- **Question:** How much would the PAAD and Senior Gold programs save if the refill threshold were increased to 85 percent or 90 percent?

17. According to p. D-171, the PAAD program will save $9.2 million by increasing the discount the State receives when it reimburse pharmacies for drugs, from 10 percent to 15 percent. However, other budget documents cite $9.8 million in savings by this 5 percent increase.

- **Question:** Which amount is correct?
Discussion Points (Cont'd)

18. After a delay of several years, the Medicare program is paying for certain drugs used by PAAD recipients for diabetes and cancer.

- **Question:** How many prescriptions that would have been paid by PAAD are now being paid by Medicare? What is the dollar value of these claims?

19.a. Savings of $4.9 million in the ElderCare Initiatives program will be achieved by shifting persons receiving services from the State supported Jersey Assistance for Community Caregivers (JACC) program to the Caregivers Assistance Program (CAP), part of the federal Enhanced Community Options waiver.

   JACC is intended for persons who do not qualify for the federal Medicaid program. JACC's assets requirements of $40,000 and $60,000, respectively, for an individual and a couple, are significantly above Medicaid's asset limits; also, JACC covers persons between the ages of 60 and 64 and such people are not considered elderly by the Medicaid program. As such, it is unclear how many of the 1,500 persons currently on JACC may be Medicaid eligible.

- **Question:** Was an audit conducted to determine if a significant number of JACC recipients qualify for the CAP program? If not, how was it determined how many JACC recipients qualify for CAP?

19.b. As noted above, savings of $4.9 million in the ElderCare Initiatives program will be realized by shifting persons from the State funded JACC program to the federally supported CAP program. However, the amount of federal funds reflected for the ElderCare Initiatives for FY 2004 is unchanged at $22.2 million.

- **Question:** As the transfer should increase federal expenditures by $4.9 million, is the $22.2 million federal appropriation adequate?

20. The recommended budget reduces the ElderCare Advisory Commission Initiatives appropriation from $3.5 million to $2.5 million through efficiency savings. The Initiatives that were undertaken at a cost of $3.5 million were intended to: eliminate the 2000 person waiting list for Meals on Wheels; provide an additional 733 low and moderate income seniors with Congregate Housing Services; provide additional staff for Elder Abuse services; and provide counties with additional staff support to administer NJ Ease.

- **Question:** What specific efficiencies will be undertaken to reduce expenditures from approximately $3.5 million to $2.5 million?

21. Programs for the Aged provide many services to the elderly through the 21 county offices on aging. Reliable client specific information is not available regarding the Medicaid status of such individuals; therefore, it is not possible, at present, to determine how many elderly persons receiving services are Medicaid eligible.

In recent years, better record keeping has enabled both the Office of the Ombudsman for the Institutionalized Elderly and the Office of the Public Guardian to obtain Medicaid administrative reimbursement for services to Medicaid recipients. It may be possible to obtain Medicaid administrative reimbursement for services provided by the county offices on aging.
Discussion Points (Cont'd)

- **Question:** Will the department undertake steps to obtain Medicaid administrative reimbursement for the county offices on aging?
Background Paper: Supplemental Charity Care

Summary

Continuation funding of $36.2 million (in State and federal Medicaid funds) is recommended for Supplemental Charity Care. The monies are to be distributed to hospitals that do not receive at least $0.30 per dollar in Charity Care payments. If the $36.2 million in State and federal funds is less than the amount that would have to be distributed, Supplemental Charity Care payments would be reduced on a prorated basis. Hospitals eligible to receive payments in FY 2004 and the amounts they may be entitled to receive are not known at this time.

The hospitals receiving funds in FY 2003 and the amount of funds received (rounded to the nearest $100), as provided by the Department of Health and Senior Services, are listed below. The actual amount hospitals received may differ from the amount indicated below due to adjustments. For example, Jersey Shore was entitled to $1,254,900, but received $977,500; and CentraState received $860,600, although entitled to $839,900.

Atlantic City Medical (Mainland) - $943,700
Bayshore Community - $312,100
Bon Secours (St. Francis) - $116,500
Burdette Tomlin - $330,700
Capital Health System (Mercer) - $1,267,800
CentraState - $839,900
Chilton Memorial - $195,900
Clara Maass - $469,200
Community Medical - $1,096,200
Englewood - $247,400
General Hospital (Passaic) - $228,600
Hackensack - $3,714,200
Hackettstown - $1,112,100
Holy Name - $500,500
Hunterdon - $755,500
Jersey Shore - $1,254,900
JFK Medical (Edison) - $509,700
Kennedy Memorial (Stratford) - $15,700
Kimball Medical - $1,516,800
Meadowlands - $280,300
Medical Center at Princeton - $727,400
Medical Center of Ocean County - $445,200
Memorial (Salem) - $48,500
Monmouth - $916,600
Morristown - $3,681,200
Mountainside - $704,500
Newton - $883,900
Our Lady of Lourdes - $1,375,900
Overlook - $1,097,600
Pascack Valley - $1
Rahway - $322,700
Riverview - $627,900
Robert Wood Johnson - $2,393,600
R.W. Johnson (Hamilton) - $509,700
Shore Memorial - $196,500
Somerset - $754,800
South Jersey Hospital - $1,015,100
South Jersey (Elmer) - $58,600
Southern Ocean County - $81,700
St. Barnabas - $990,400
St. Clare's (Dover) - $408,100
St. Clare's (Sussex) - $9,400
St. Joseph's (Wayne) - $356,300
St. Peter's - $1,594,900
Underwood - $720,300
Union - $281,700
Valley - $457,000
Virtua Health (Burlington) - $288,200
Virtua Health (West Jersey) - $623,600
William B. Kessler - $24,300
Background Paper: Intergovernmental Transfer (IGT) Funds

Budget Pages.... D- 199 (Federal Funds)

SUMMARY

The FY 2004 recommended budget assumes $440 million in federal IGT monies or other federal assistance which will be used to offset increased nursing home costs and reduce State appropriations for nursing homes. If all or part of the $440 million in federal funds being requested is not forthcoming, the State will have to make up the shortfall.

BACKGROUND

IGT is a mechanism that enables states to bill for nursing home services provided by county administered facilities at the Medicare rate (known as the Upper Payment Limit, or UPL) rather than the lower Medicaid rate. By billing at the higher Medicare rate, states are able to obtain higher reimbursement for Medicaid services. The additional monies are then transferred into their respective state treasuries for various purposes.

Although the use of IGT has been available since the early 1990s, New Jersey’s use of IGT dates to the FY 2001 Appropriations Act. Around the same time that New Jersey initially proposed the use of IGT, the federal government expressed concern over states’ uses of UPL and IGT funds. In 2001, federal rules were adopted to limit the use of UPL and to phase out the use of IGT. Federal rules provided that:

- Use of UPL would be limited to county nursing homes meaning that states could not apply UPL to non-government nursing homes.
- States would have to phase out their use of IGT for non-governmental nursing homes, and New Jersey, as one of the last states to implement IGT, would have the shortest phase out period, two years, through September 2002.

The effect of these changes is that New Jersey would receive less IGT funds in FY 2003. Instead of receiving about $487 million in IGT funds, New Jersey would receive about $157 million in IGT funds representing 1/4 of a year of IGT funds through September 2002 (before the phase-out period ends) and 3/4 of a fiscal year of IGT funds limited to county nursing homes. Thus, New Jersey lost $330 million in IGT funds under current federal regulations.

The FY 2003 recommended budget and the Appropriations Act assumed receipt of the additional $330 million in federal IGT monies. As federal approval of the State’s IGT request has not been received as of this writing, $330 million was recently transferred into the Nursing Homes account to offset the $330 million in IGT Funds that have not been received.

The Administration has indicated that the FY 2004 recommended budget assumes $440 million in IGT funds, even though such federal funds have not been approved, because the State is entitled to the additional federal funds. In the event the State is not successful in obtaining these federal IGT funds, the budget would rely on the receipt of other federal funds that may become available from either an "economic stimulus or other federal aid." Though the United State Senate has approved a resolution that would temporarily increase the federal Medicaid matching percentage by 3.73 percent and provide other temporary fiscal assistance to states, the outcome of the federal budget process is uncertain at this time.
Background Paper: Intergovernmental Transfer (IGT) Funds

To the extent that the State does not realize an additional $440 million in federal funds, be it IGT, stimulus or a temporary increase in the federal matching percentage, additional State funds will be needed to provide financial support of the Nursing Homes appropriation in FY 2004.
Background Paper: Medical Day Care Services

Budget Pages... D-197

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* Actual expenditures are estimated at $51.8 million.

SUMMARY

Based on FY 1997 - FY 2003 (est.) expenditure data, FY 2004 recommended appropriations for Medical Day Care appear inadequate and should be about $5.0 million higher.

BACKGROUND AND ANALYSIS

The FY 2004 budget recommends $58.9 million (State share) for Medical Day Care Services, which incorporates $1.0 million in savings initiatives.

Medicaid data below indicate that since FY 1997, Medical Day Care expenditures, the average number of monthly recipients receiving these services and the number of units of service provided have increased significantly. A contributing factor has been an increase in the number of Medical Day Care Services providers from 59 (June 1997) to 108 (December 2002) as a result of the elimination of the requirement that a Certificate of Need be obtained before this service could be provided.

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Based on average expenditure increases during the FY 1997 - FY 2003 period, FY 2004 expenditures would be about $130 million (gross), or $65 million State share, if no efforts were undertaken to control program utilization. As the recommended budget assumes $1.0 million in unspecified savings (State share), Medical Day Care expenditures would be reduced to about $64 million. This amount is about $5.0 million more than the budget recommends.
Background Paper: Initiatives to Reduce PAAD Costs - The Assets Test and Polypharmacy Review

Budget Pages.... D-198; Evaluation Data, D-194.

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SUMMARY

Implementation of an assets test is administratively more complicated than other available options to reduce PAAD costs.

Available data indicate that implementation of a polypharmacy program may not be needed and may not be cost effective.

BACKGROUND

The FY 2003 recommended budget includes various options to reduce PAAD and Senior Gold expenditures by about $27.6 million. The focus of this Background Paper involves the assets test ($4.2 million) and the polypharmacy review ($1.3 million). A related Background Paper provides information on the other initiatives.

PAAD Assets Test

As proposed, PAAD recipients would be allowed to retain liquid assets of $75,000 or $100,000 for single persons and married couples, respectively.

Proposed budget language (pp. D-202 and 203), defines liquid assets as: Savings and checking accounts, stocks, bonds, certificates of deposits, annuities, trusts, savings bonds, money market funds, mutual funds and Treasury notes/bills/bonds. Liquid assets exclude the recipient’s principal place of residence and one automobile. Recipients would not be allowed to transfer assets within 36-month prior to applying for eligibility. PAAD recipients who are disqualified because of assets would qualify of the Senior Gold program and such persons would remain eligible for the two Lifeline programs and the Hearing Aid Assistance program.

There are numerous administrative issues associated with an assets test:

- How would assets held jointly with non-senior citizens be treated?
- How would assets held in trust for a senior citizen, which generates income for a senior citizen, but over which the senior citizen has no control, be treated?
- How would the cash value of life insurance policies or the value of a burial plot be treated?
Background Paper: Initiatives to Reduce PAAD Costs - - The Assets Test and Polypharmacy Review

- Certain assets, such as certain U.S. savings bonds, may not pay interest until a bond is redeemed. How are such assets to be uncovered?

- How would assets held in public companies that do not pay a dividend be uncovered?

- Some PAAD applicants receive income from rental properties, which may also be used as a second home. How will the value of a second home or rental properties be verified?

- If assets are uncovered at a later date that disqualify a person or married couple from PAAD, would benefits be recouped?

Polypharmacy Review

Under this proposal, applicants who use 10 or more prescriptions per month would have their prescriptions reviewed and approved before they can be filled. A private vendor would administer this service.

Available data indicate that few PAAD recipients use more than 10 prescriptions a month. During the October - December 2002 period, out of about 190,000 PAAD eligibles, only 45 PAAD recipients averaged 10 or more prescriptions per month (the average number was 12.5 prescriptions). An additional 34 PAAD recipients may have filled 10 or more prescriptions during the quarter though their monthly average was below the threshold. Thus, 0.04 percent of PAAD eligibles fill or may fill 10 or more prescriptions per month.

The Medicaid program has had a polypharmacy review in effect since December 1999. Available data indicate that out of 319,900 prescription reviewed by the vendor, about 1,100 prescriptions (0.33 percent) have been denied.

The vendor that administers the program has been reimbursed $3.3 million for this service. The estimated value of the 1,100 denied prescriptions is about $63,000 (based on the average Medicaid prescription cost since December 1999 of about $57).

ANALYSIS

Assets Test. Implementation of an assets test for PAAD recipients poses numerous administrative complexities. While the issues can be addressed, applicants who are determined to have excess assets may appeal such a decision, which could significantly increase the number of hearings before an administrative law judge.

Polypharmacy Review. Available data indicate that: 0.04 percent of PAAD recipients may fill 10 or more prescriptions a month, and the program may not be cost-effective as administrative costs of the Medicaid review program exceed $3.3 million while the estimated value of the denied claims is about $63,000.

There are numerous other options available to produce the same dollar savings with fewer administrative costs and complications:

- PAAD recipients may refill their prescriptions when a reasonable quantity of medications [approximately 75 percent] has been consumed, N.J.A.C. 8:83C-1.18(a)5. (This 75 percent
Background Paper: Initiatives to Reduce PAAD Costs - The Assets Test and Polypharmacy Review

criteria is also used by Medicaid, but the threshold was increased to 90 percent for certain expensive drugs used by General Assistance recipients.)

Increasing this threshold to 85 percent might produce a one-time savings of $2.5 million.

- A $1.00 copayment increase on all PAAD prescriptions may generate $6.6 million.
- An additional $5.00 copayment on brand name drugs may generate $18.0 million (as about 55 percent of all drugs are brand names). Such an increase would complement the mandatory substitution initiative proposed in the budget.
Background Paper: Proposed PAAD/Senior Gold Prescription Drug Changes

Budget Pages.... D-198; Evaluation Data, D-194.

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**SUMMARY**

The FY 2004 recommended budget includes proposals that would reduce PAAD/Senior Gold prescription drug costs by $27.6 million. Many of these proposals have been previously suggested and not accepted by the Legislature. These proposals are discussed below to provide a basic understanding of their context, intent and impact.

The previous Background Paper discusses the Assets Test and Polypharmacy Review proposals that are estimated to save $4.2 million and $1.3 million, respectively.

**REDUCE AVERAGE WHOLESALE PRICE (AWP) FROM 10 PERCENT TO 15 PERCENT - $9.8 MILLION.**

The PAAD, Senior Gold and Medicaid programs reimburse pharmacies for prescription drugs on the basis of the drug’s AWP less a 10 percent discount, for most prescriptions. Thus, if the AWP for a 30-day supply of ABC is $100, the State will reimburse $90 ($100 less 10 percent), plus the applicable dispensing fee.

If the proposal to increase the discount to 15 percent is adopted, using the above example, the State will pay $85 for the drug that it is now paying $90.

**IMPLEMENT A PREFERRED DRUG LIST (PDL) OR FORMULARY - $7.4 MILLION.**

At present, New Jersey obtains rebates from pharmaceutical manufacturers for drugs purchased based on federal Medicaid law. In general, the manufacturer provides a rebate to the State of 11 percent for generic drugs and 15 percent for brand name drugs of the drug’s Average Manufacturer’s Price (AMP). An additional rebate may be provided if the AMP increase exceeds the cost of living increase.

Several states, most notably Florida and Michigan, have implemented PDLs in which certain drugs that are therapeutically appropriate and less expensive are the “preferred” drugs to be dispensed.

To implement a PDL, a Pharmacy and Therapeutics Committee is established to recommend drugs should be placed on the PDL. For example, if two drugs -- Vioxx and Celebrex--
Background Paper: Proposed PAAD/Senior Gold Prescription Drug Changes

- are equally effective and their costs were roughly equivalent, the one that is most cost effective would be selected. If the manufacturer of Vioxx agreed to provide additional rebates (over and above the current 15 percent), the committee might then consider Vioxx as more cost effective than Celebrex. Thus, Vioxx becomes the preferred drug. Celebrex could still be prescribed, but prior authorization, that is State approval, must be received before a prescription can be filled. As it would be somewhat more difficult to prescribe Celebrex, the physician may prescribe Vioxx instead.

PAAD/Senior Gold are not federal programs, so federal approval is not required for the State to implement a PDL. However, if the federal government approves the State’s application for federal funds to support the PAAD program, federal approval may be required before a PDL can be implemented. To date, court challenges to PDLs by interest groups representing drug manufacturers have not been successful.

Budget language provisions are recommended to begin the process of implementing a PDL, such as the creation of a Pharmacy and Therapeutics Committee. PDL administration would be handled by a third-party vendor at a cost to be determined.

MANDATORY GENERIC SUBSTITUTION - $3.9 MILLION.

State law permits generic substitution unless a box on the prescription blank is checked off to prohibit generic substitution. In the PAAD, Senior Gold and Medicaid programs, in order to have a brand name drug filled, rather than a generic, there is an additional requirement: The physician must write Brand Medically Necessary in order to use the brand name drug.

This proposal would override Brand Medically Necessary and require the use of generic drugs irrespective of whether a physician deems it necessary to use the brand name.

ELIMINATE THE DRUG UTILIZATION REVIEW COUNCIL (DURC) - $1.0 MILLION.

At present, before a generic drug can be used in New Jersey, the DURC (in the Department of Health and Senior Services) must approve of its use.

The proposed budget eliminates DURC, which would expedite the introduction of generics in the State, by adopting the recommendations of the federal Food and Drug Administration.

VOLUNTARY PRESCRIPTION DRUG MAIL-ORDER PROGRAM - NO DOLLAR SAVINGS CITED.

At present, the PAAD/Senior Gold programs do not have a mail order feature. Mail order prescriptions could reduce overall prescription drug costs; however, the recommended budget does not provide any estimate as to how much this proposal might save.
Background Paper: Medicaid Reimbursement for Certain State/County Expenditures on Behalf of Senior Citizens

Budget Pages... Evaluation Data, D-195

SUMMARY

It may be possible to obtain Medicaid administrative reimbursement related to activities involving the 21 county offices on aging. While the amount of federal Medicaid reimbursement that may be obtained is not known, it is not unreasonable to expect $1.0 million in reimbursement in view of the magnitude of expenditures.

BACKGROUND AND ANALYSIS

During CY 2002 the 21 county offices on aging provided nearly $82.2 million in services to nearly 437,000 elderly persons as indicated on the next page. Many of the services provided by the county offices on aging are not Medicaid eligible. To the extent that a service is Medicaid eligible and a client is Medicaid eligible, efforts are made to have the Medicaid program pay for the service.

Presently Medicaid reimbursement for administrative costs at the county offices on aging is not being sought. Medicaid officials indicate that it may be possible to obtain Medicaid reimbursement to offset administrative costs of the various programs if reliable data on the Medicaid status of persons served by county offices on aging were available. This is similar to Medicaid administrative reimbursement that the Offices of the Ombudsman for the Institutionalized Elderly and the Public Guardian currently receive.

All county offices on aging use the same intake form, New Jersey Ease Comprehensive Assessment Tool, to obtain basic information on the elderly who seek assistance. Though the form asks information regarding a person's Medicaid status and obtains other information that might enable a person's Medicaid status to be determined, none of this information is automated. Also, most offices do not have access to the Medicaid eligibility system to ascertain the Medicaid status of applicants and persons receiving services. Therefore, the number of Medicaid eligible elderly persons receiving services from the county offices on aging is not known. Without this basic information, Medicaid administrative reimbursement cannot be obtained.

Establishing a mechanism to determine the Medicaid status of the clients served by the county offices on aging may enable the State/county offices on aging to obtain federal Medicaid reimbursement for some portion of their administrative costs. Counties would either have to conduct a periodic sample of their caseload to ascertain the Medicaid status of their clients or be provided access to the Medicaid eligibility file to permit a person's Medicaid status to be determined.

In view of the magnitude of county offices on aging expenditures, it is not unreasonable to anticipate federal Medicaid administrative reimbursement of at least $1 million at no additional cost to the State, as existing State/county expenditures would serve as the State match to draw down available federal reimbursement.
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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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

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