

ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
HEALTH AND
SENIOR SERVICES**

FISCAL YEAR

2005 - 2006

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-11; C-18; C-24 to C-26; C-29;
C-31; C-32; C-33; D-133 to D-164;
E-2; G-3; H-2; H-10; H-16; H-27.

Fiscal Summary (\$000)

	Expended FY 2004	Adjusted Appropriation FY 2005	Recommended FY 2006	Percent Change 2005-06
State Budgeted	\$1,217,444	\$1,863,495	\$1,617,867	(13.2)%
Federal Funds	1,625,281	1,470,737	1,615,305	9.8%
<u>Other</u>	<u>146,188</u>	<u>135,662</u>	<u>136,572</u>	<u>0.7%</u>
Grand Total	\$2,988,913	\$3,469,894	\$3,369,744	(2.9)%

Personnel Summary - Positions By Funding Source

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change 2005-06
State	868	875	891	1.8%
Federal	732	803	873	8.7%
<u>Other (a)</u>	<u>332</u>	<u>340</u>	<u>355</u>	<u>4.4%</u>
Total Positions	1,932	2,018	2,119	5.0%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

(a) Excludes positions supported by 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; 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 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.

Background Papers:

C	Summary of Proposed Federal FY 2006 Budget Proposals.....	p. 47.
C	AIDS Drug Distribution Program.....	p. 48.
C	The Cancer Institute of New Jersey.....	p. 50.
C	Charity Care.....	p. 52.
C	PAAD/Senior Gold and the Medicare Prescription Drug Program.....	p. 55.

Program Description and Key Points

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)

Key Points

- ! The department's **Direct State Services** and **Grants-in-Aid** accounts, respectively, incorporate approximately \$4.9 million and \$1.5 million in unspecified efficiencies.

HEALTH SERVICES

Health Services consists of six 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 their appointment. In FY 2006, the program will process 84,500 searches and issue 65,000 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. It also provides medical and rehabilitative services for children with disabilities; administers lead poisoning programs; and provides assistance to local health departments for the provision of primary and preventative health services.

During FY 2006, the program will contract with 450 agencies. These programs will provide services to 42,500 physically disabled children; serve 19,750 infants through early intervention programs; screen 133,000 newborns for various disorders; provide family planning services to 120,000 women; and identify 5,000 children with lead poisoning.

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, lead abatement and emergency medical services; and enforcing provisions of the Worker and Community Right to Know Law and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 2006, the program will register 80,000 new cancer reports; bring 3,850 cases of syphilis and gonorrhea to treatment; conduct 4,300 telephone consultations on environmental health issues; register 490,000 dogs; investigate 100 communicable disease outbreaks; conduct over 500 complaint inspections under PEOSHA; inspect 600 public/private workplaces under the Right to Know Law; audit 100 asbestos and lead training agencies; and certify or recertify nearly 800 mobile intensive care paramedics and 8,000 emergency medical technicians.

Program Description and Key Points (Cont'd)

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 2006, the program will analyze 180,000 bacteriology specimens; conduct 145,000 metabolism tests; examine 8,000 blood lead samples; inspect 380 clinical laboratories; and license 240 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 2006, the program anticipates that it will test and counsel 68,500 clients; provide early intervention services to 9,000 clients and provide medications to 7,500 clients through the AIDS Drug Distribution Program.

As of June 2004, the State had 46,664 reported AIDS cases. Essex (13,789), Hudson (6,971), Passaic (3,832), Union (3,538), Middlesex (2,672), Monmouth (2,245) and Bergen (2,048) counties have the highest number of reported AIDS cases. Approximately 31% of the total number of adult-adolescent reported AIDS cases in New Jersey are female, which remains the highest proportion in the country. The State ranks third in the number of children (under 13 years of age) living with AIDS. African Americans and Latinos/Hispanics account for 75% of the total number of HIV/AIDS cases Statewide.

The recommended FY 2005 General Fund appropriation for **Health Services** is summarized below:

	Adj. Approp. FY 2005	Recomm. FY 2006	\$ Change	% Change
TOTAL (\$000)	<u>\$246,918</u>	<u>\$221,223</u>	<u>\$25,695</u>	<u>(10.4%)</u>
Direct State Services:	<u>\$50,838</u>	<u>\$43,688</u>	<u>(\$7,150)</u>	<u>(14.1%)</u>
Vital Statistics	\$1,627	\$1,627	\$0	--
Family Health Services	7,079	2,079	(5,000)	(70.6%)
Public Health...	32,545	30,395	(2,150)	(6.6%)
Laboratory Services	7,697	7,697	0	--
AIDS Services	1,890	1,890	0	--
Grants-In-Aid:	<u>\$193,151</u>	<u>\$174,606</u>	<u>(\$18,545)</u>	<u>(9.6%)</u>
Family Health Services	\$98,169	\$118,369	\$20,200	20.6%
Public Health...	54,586	22,841	(31,745)	(58.2)%
AIDS Services	40,396	33,396	(7,000)	(17.3%)
State Aid:	<u>\$2,400</u>	<u>\$2,400</u>	<u>\$0</u>	<u>--</u>
Public Health...	\$2,400	\$2,400	\$0	--
Casino Revenue Fund:	<u>\$529</u>	<u>\$529</u>	<u>\$0</u>	<u>--</u>
Family Health Services	\$529	\$529	\$0	--

Program Description and Key Points (Cont'd)

Key Points

Direct State Services. Overall funding decreases by \$7.1 million from \$50.8 million to \$43.7 million. This decrease is largely due to the elimination of the following programs, which were created in FY 2005:

- C The Women's Health Awareness Program (\$5 million), was established to provide a public awareness campaign on preventative care, with an emphasis on cancer, HIV/AIDS, autoimmune diseases, osteoporosis, arthritis and heart disease.
- C The Cardiovascular Program (\$2 million), was established to promote awareness of heart disease, its prevention, effective therapeutic interventions and resources available within the State.

In addition, a one-time supplemental appropriation of \$250,000 for Nut and Food Allergies is not continued.

These savings are partially offset by a \$100,000 increase in funding for Animal Welfare, from \$200,000 to \$300,000.

Grants-in-Aid. Although some new grants are proposed, and funding for several grants is increased, overall funding decreases by \$18.6 million, from \$193.2 million to \$174.6 million. The largest reduction concerns cancer centers, as funding for the Cancer Institute of New Jersey is reduced by \$23.8 million, and grants are eliminated for the Garden State Cancer Center (\$1 million) and the St. Barnabas Medical Center Cancer Center (\$3.25 million).

The budget also proposes a \$2 million reduction in funding for AIDS Grants, from \$20.7 million to \$18.7 million; and a \$5 million reduction in funding for the AIDS Drug Distribution Program from \$14 million to \$9 million, to be offset by savings through changes to the program's drug formulary, pursuant to budget language (p. D-146).

In addition, Legislative initiatives providing grant monies to Camden Optometric Eye Center (\$300,000), New Jersey Collaborating Center for Nursing (\$345,000) and Hackensack Medical Center Stem Cell Research Institute (\$900,000), are not continued. A one-time \$3 million supplemental appropriation for Stroke Centers is also not continued, reducing funding from \$6 million to \$3 million.

It is also noted that FY 2005 language to provide the Coriell Institute for Medical Research - NJ Cord Blood Resource Center with \$2.5 million, is not continued. However, pursuant to budget language (p. D-146), any unexpended balances from the account at the end of the fiscal year are reappropriated.

The above reductions and eliminations are partially offset by shifting \$11 million in Funding for Federally Qualified Health Centers - Services to Family Care Clients, from the Health Care Subsidy Fund to a Grants-in-Aid account in Family Health Services. In addition, the following new grants, and increases are proposed:

- C A new appropriation of \$2.5 million for a Post Partum Education Campaign to educate the public on postpartum depression, including its signs and symptoms; and to instruct women

Program Description and Key Points (Cont'd)

and their families on how to get needed help.

- C A new appropriation of \$2 million for Post Partum Screening which is intended to cover the cost of treating postpartum depression among uninsured women.
- C A \$3 million increase in funding for the Early Childhood Intervention Program, from \$57 million to \$60 million.
- C A \$5 million increase in Funding for Federally Qualified Health Centers - Services to Family Care Clients, from \$21 million to \$26 million, to enable existing Federally Qualified Health Centers (FQHCs) to treat more uninsured patients and to develop new service locations. (In FY 2005, \$10 million was provided under Health Planning and Evaluation, and \$11 million was provided off-budget through the Health Care Subsidy Fund.)

Federal Funds. Overall federal funding is expected to remain relatively stable, an estimated \$305.9 million, compared to FY 2005 adjusted levels of \$304.7 million.

Funding for the following grant programs is anticipated to generally remain at FY 2005 adjusted levels:

- C Ryan White Act (Comprehensive AIDS Resource Emergency Grant), is anticipated at \$50.4 million for FY 2006, compared to \$50.9 million in FY 2005.
- C Early Intervention Program for Medicaid Recipients and Early Intervention Program for Infants and Toddlers with Disabilities (Part H), at \$5 million and \$13 million, respectively.
- C Bioterrorism Hospital Emergency Preparedness, at \$14 million.

An increase in funding of \$4 million is anticipated for the Supplemental Food Program - W.I.C., from \$90 million to \$94 million.

Funding for Emergency Preparedness for Bioterrorism, is expected to decrease by \$2.7 million, from \$15.7 million to \$13 million. However, it appears that unexpended federal fund balances will offset this reduction.

Other Funds. Overall funding is expected to increase by \$12.2 million, from \$65.7 million to \$77.9 million. This is largely due to a \$14.6 million increase in AIDS Drug Distribution Program Rebates.

This increase is offset by a \$2.8 million reduction in the amount of funding available to the Medical Emergency Preparedness for Bioterrorism program from a surcharge on car rentals, pursuant to budget language (p. D-146).

As was previously mentioned, another notable change is that \$11 million in Funding for Federally Qualified Health Centers - Services to Family Care Clients, previously funded by the Health Care Subsidy Fund, has been brought on-budget.

Program Description and Key Points (Cont'd)

HEALTH PLANNING AND EVALUATION

Health Planning and Evaluation consists of two programs:

Long Term Care Systems inspects and licenses all health care facilities, develops and revises standards concerning health care facilities. 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 2006, **Long Term Care Systems** will license nearly 900 health care facilities with 85,000 beds; conduct over 3,800 inspections; initiate 115 administrative actions/penalties on health care providers; and initiate over 1,500 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 2006, **Health Care Systems Analysis** will process 60 certificate of need applications and process 4,000 complaints against HMOs. As HMOs are assessed to pay for the State's oversight function, the **General Fund** anticipates about \$2.6 million in assessment revenues.

The recommended FY 2006 appropriation for **Health Planning and Evaluation** is summarized below.

	Adj. Approp. FY 2005	Recomm. FY 2006	\$ Change	% Change
GRAND TOTAL (\$000)	<u>\$447,001</u>	<u>\$227,455</u>	<u>(\$219,546)</u>	<u>(49.1%)</u>
Direct State Services:	<u>\$5,074</u>	<u>\$4,874</u>	<u>(\$200)</u>	<u>(3.9%)</u>
Long Term Care Systems	2,949	3,749	800	27.1
Health Care Systems...	2,125	1,125	(1,000)	(47.1%)
Grants-In-Aid:	<u>\$300,725</u>	<u>\$119,725</u>	<u>(\$181,000)</u>	<u>(60.2%)</u>
Health Care Systems...	\$300,725	119,725	(181,000)	(60.2%)
Federal:	<u>\$88,111</u>	<u>\$62,403</u>	<u>(\$25,708)</u>	<u>(29.2%)</u>
Long Term Care Systems	15,672	16,826	1,154	7.4%
Health Care Systems...	72,439	45,577	(26,862)	(37.1%)
Other Funds:	<u>\$53,091</u>	<u>\$40,453</u>	<u>(\$12,638)</u>	<u>(23.8%)</u>
Long Term Care Systems	117	117	--	--
Health Care Systems...	52,974	40,336	(12,638)	(23.9%)

Key Points

Direct State Services overall funding is reduced by \$0.2 million, to \$4.9 million. The Personal Services account within Health Systems Analysis program is reduced by \$1.0 million, part of the \$4.9 million in operational efficiencies the department is expected to achieve.

Program Description and Key Points (Cont'd)

Offsetting this reduction, an additional \$0.2 million is recommended for the Nursing Home Background Checks program (to process applications and to cover higher fees charged by the State Police); and \$0.6 million is recommended for initial costs of the Patient Safety Act (which established a confidential medical error reporting system at health care facilities to identify and reduce medical errors).

Grants-In-Aid. Recommended appropriations are reduced by \$181 million, to \$119.7 million, as follows:

- C A one-time \$20.0 million legislative appropriation, Hospital Assistance Grants, which provided between \$0.5 million and \$4.0 million each to 10 primarily urban hospitals/hospital systems (identified by budget language), is not continued.
- C Recommended appropriations for the Health Care Subsidy Fund Payments account are reduced by \$161 million.

Total funding for Charity Care would be reduced by \$51.0 million, to \$532.4 million, and would come from the following sources: payroll taxes redirected from the Unemployment Compensation Fund - \$200 million; Cigarette Tax revenues - \$155 million; Health Maintenance Organization assessment - \$55.0 million; Ambulatory Medical Facility Assessment - \$25 million; Cosmetic Surgery Procedure Assessment - \$7.0 million; federal revenue - \$42.6 million; Other Revenues - \$5.7 million; and General Fund - \$42.1 million.

Proposed budget language, p. D-150, would allow 13 hospitals that received a charity care subsidy of 96% or greater in FY 2005 to receive the same amount of charity care that they received in FY 2005; hospitals with a charity care subsidy of under 96% would have their charity care reduced 18.8%, for a total of \$51.0 million. Should revenues from the cosmetic surgery assessment exceed estimates, additional charity care would be available for distribution, up to a total of \$583.4 million. (The proposed budget language only references the cosmetic surgery assessment. The Budget in Brief also referenced an increase in ambulatory care assessment revenues.)

Federal Funds are reduced by \$25.7 million, to \$62.4 million, primarily due to a reduction in federal reimbursement for Charity Care. Offsetting this reduction, an additional \$2.5 million in Medicare/Medicaid Facilities Inspection Program (\$16.7 million) funds are expected.

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 .53% assessment on hospital revenues, capped at \$40.0 million; and Certificate of Need fees. These monies support departmental administrative operations and various health care expenditures (such as infant mortality reduction programs and Medicaid expansion for pregnant women), although \$6.0 million of Admission Charge Hospital Assessment revenues are deposited in the **General Fund**. These programs also retain their unexpended balances, which at the end of FY 2004 totaled \$18.9 million.

Recommended FY 2006 appropriations are reduced by \$12.6 million, to \$40.5 million. As the amount of revenues available to the program are fairly stable at around \$50 million, unexpended balances should increase during FY 2006.

Program Description and Key Points (Cont'd)

HEALTH ADMINISTRATION

Health Administration consists of the **Administration and Support Services** program, which provides department wide services. The FY 2006 recommended appropriation for **Health Administration** is unchanged at \$17.5 million (gross): **Direct State Services** - \$6.0 million (including \$1.5 million for the Office of Minority and Multicultural Health); **Federal** - \$4.7 million; and **Other** - \$6.8 million. (**Other Funds** includes the Printing and Office Revolving Fund, which is not reflected in the program's budget, and administrative overhead recoveries. These accounts retain their unexpended balances which totaled \$10.8 million at the end of FY 2004.)

SENIOR SERVICES

Senior Services consists of 6 programs:

Medical Services for the Aged administers various health care services involving long term care and community alternatives primarily, but not exclusively, to Medicaid recipients. In FY 2006, 10.4 million nursing home days will be provided to Medicaid clients and about 8,800 persons will participate in various Medicaid waivers that provide services in the community.

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 \$20,989 (single) and \$25,735 (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 2006, 193,800 persons (165,100 elderly and 28,700 disabled) will be eligible for the program.

Senior Gold provides pharmaceutical assistance to single persons with income between \$20,989 and \$30,989 and to married couples with incomes between \$25,735 and \$35,735. Eligible persons pay 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 2006, approximately 30,600 persons (28,800 elderly and 1,800 disabled) will be eligible for the program.

Both the PAAD and Senior Gold programs are affected by the new voluntary Medicare Part D prescription drug program which will take effect on January 1, 2006. Though the recommended budget reflects \$90 million in federal funds to offset PAAD claims expenses, the State does not actually receive any federal Medicare funds for PAAD claims expenses. While State PAAD claims expenditures should be reduced, the actual amount will not be known until the Medicare D program is implemented. Actual savings will depend on what costs the State assumes on behalf of PAAD recipients. A Background Paper provides information on the Medicare Part D program and PAAD.

Programs for the Aged encompasses 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 2006, 2.1 million congregate and 3.6 million home delivered meals will be served, congregate housing services will be provided to 3,000 persons, 75,000 persons will receive health insurance counseling, and adult protective services will be offered to about 5,300 persons.

The **Office of the Ombudsman for the Institutionalized Elderly** receives, investigates and

Program Description and Key Points (Cont'd)

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 2006, over 10,300 on-site investigations will be conducted, over 4,900 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken, and over 400 cases will be referred to enforcement authorities.

The **Office of the Public Guardian** provides legal assistance and financial management to elderly adults who have been deemed by the courts to be in need of a guardian or conservator. During FY 2006, over 1,900 cases will be handled and the office will be appointed guardian by the court in 160 cases.

The FY 2006 recommended appropriation for **Senior Services** is summarized below:

	Adj. Approp. FY 2005	Recomm. FY 2006	\$ Change	% Change
GRAND TOTAL (\$000)	<u>\$2,378,914</u>	<u>\$2,509,241</u>	<u>\$130,327</u>	<u>5.5%</u>
Direct State Services:	<u>\$16,262</u>	<u>\$12,461</u>	<u>(\$3,801)</u>	<u>(23.4%)</u>
Medical Services...Aged	5,733	5,793	60	1.0%
PAAD (Admin.)	8,560	4,699	(3,861)	(45.1%)
Programs for the Aged	462	462	--	--
Ombudsman	826	826	--	--
Public Guardian	681	681	--	--
Grants-In-Aid:	<u>\$923,106</u>	<u>\$915,365</u>	<u>(7,741)</u>	<u>(0.8%)</u>
Medical Services...Aged	781,780	764,768	(17,012)	(2.2%)
PAAD	125,554	136,825	11,271	9.0%
Programs for the Aged	15,772	13,772	(2,000)	12.7%
Casino Revenue Fund:	<u>\$357,812</u>	<u>\$331,054</u>	<u>(\$26,758)</u>	<u>(7.5%)</u>
Medical Services...Aged	28,461	30,531	2,070	7.3%
PAAD	313,596	284,768	(28,828)	(9.2%)
Programs for the Aged	15,755	15,755	--	--
State Aid:	<u>\$7,585</u>	<u>\$7,152</u>	<u>(\$433)</u>	<u>(5.7%)</u>
Programs for the Aged	\$7,585	\$7,152	(433)	(5.7%)
Federal:	<u>\$1,073,233</u>	<u>\$1,242,309</u>	<u>\$169,076</u>	<u>15.8%</u>
Medical Services...Aged	924,800	1,092,916	168,116	18.2%
PAAD	102,360	102,360	--	--
Programs for the Aged	44,472	45,432	960	2.2%
Ombudsman	800	800	--	--
Public Guardian	801	801	--	--
Other	<u>\$916</u>	<u>\$900</u>	<u>(\$16)</u>	<u>(1.7%)</u>

Key Points

Direct State Services. Total **General Fund** appropriations for the Senior Services program decrease by \$3.8 million, to \$12.5 million. The reduction is attributable to the Pharmaceutical

Program Description and Key Points (Cont'd)

Assistance to the Aged and Disabled program where \$3.9 million in administrative costs will be charged off to a \$11.4 million federal grant the State received to assist in the implementation of the Medicare Part D prescription drug program.

Grants-In-Aid. Total **General Fund** appropriations are reduced by \$7.7 million, to \$915.4 million, largely due to an increase in federal funds.

Medical Services for the Aged. Recommended appropriations are reduced by \$17.0 million, from \$781.8 million to \$764.8 million, due to a \$168.1 million increase in federal funds. Within the overall account there are the following changes:

C Assisted Living Program. Recommended appropriations increase by \$2.5 million, to \$26.0 million, as an additional 375 program slots will become available. The total number of program slots will then be 3,575.

C Residential Health Care Facilities (RHCFs). This new \$2.2 million appropriation is part of the Governor's mental health initiative and are intended to improve conditions at these facilities. Provider reimbursement would increase by \$50 per patient per month and residents would receive a \$10 increase in their monthly personal needs allowance. (As these monies will be distributed through an increase in the State SSI supplement, these funds will be transferred to the Department of Human Services which administers the SSI Supplement.) In addition, the Department of Community Affairs would assume responsibility for monitoring and inspecting most RHCFs (Reorganization Plan 002-2005).

C Payments for Medical Assistance Recipients - Nursing Homes. State appropriations are reduced by \$43.8 million, from \$680.9 million to 637.1 million. In addition to a nearly \$121 million increase in federal Medicaid funds, including \$51.5 million in federal Nursing Facility Assessment Revenues, \$36.6 million in savings are assumed:

Nursing home rates will not be adjusted for inflation - \$23.4 million;

Reimbursement for bedhold days will be reduced from 90% to 50% of a facility's rate - \$6.4 million;

An unspecified adjustment to the county nursing home rate setting methodology - \$6.0 million; and

Increased audit recoveries - \$0.8 million.

The following are noted:

Proposed budget language would freeze nursing home reimbursement for Special Care Nursing Facilities at FY 2005 levels. This saving may be included within the \$23.4 million savings cited above.

The \$6.0 million in savings to be achieved from county nursing homes, while mentioned in the Budget in Brief, is not referenced in the Governor's Recommended Budget document itself; nor is budget language proposed to implement the change in reimbursement methodology.

C Medical Day Care Services. A \$22.1 million increase, to \$70.6 million, is recommended.

Program Description and Key Points (Cont'd)

The increase is misleading in that FY 2005 expenditures will exceed the \$48.4 million appropriation as proposed regulations to implement a prior authorization program are not likely to be adopted by the end of the fiscal year.

The FY 2006 recommended appropriation assumes that the prior authorization system will be operational during FY 2006, and that the imposition of a \$3.00 co-pay for services will save \$3.2 million.

Though the recommended budget assumes that reimbursement for Medical Day Care Services will be at FY 2004 levels, P.L.2005, c.69, eliminated budget language from the FY 2005 appropriations act that required Medical Day Care Services to be reimbursed at FY 2004 rates. As proposed language provisions in the FY 2006 recommended budget would continue to reimburse Medical Day Care Services at FY 2004 levels and made certain technical changes concerning the determination of Medical Day Care Services reimbursement, these language provisions should be reviewed in light of P.L.2005, c.69. As the freeze on Medical Day Care Services reimbursement rates was supposed to save \$1.8 million in State funds, the recommended appropriation for Medical Day Care Services may have to be increased by \$1.8 million.

Pharmaceutical Assistance to the Aged and Disabled. Total **General and Casino Revenue Fund** appropriations for the PAAD and Senior Gold programs are reduced by \$17.6 million, from \$439.2 million to \$421.6 million. Savings of \$62.4 million are assumed, primarily in the PAAD program:

- C An accounting adjustment to accrue rebates to be received in FY 2007 to be used to support FY 2006 program costs - \$50.0 million;
- C Updating drug prices monthly rather than weekly - \$7.9 million; and
- C Allowing refills after 85% of a prescription has been used, rather than 75% - \$4.5 million.

While proposed language provides the department with the "authority to coordinate [PAAD] benefits" with the federal Medicare Part D drug program, the nature and extent of the coordination is not specified. A Background Paper provides information on the new Medicare Part D program.

- C In PAAD, **General Fund** expenditures for low income elderly and the disabled will increase by \$12.2 million, from \$100.6 million to \$112.8 million. **Casino Revenue Fund** expenditures will decrease \$28.8 million, from \$313.6 million to \$284.8 million.
- C In Senior Gold, **General Fund** expenditures will decrease by about \$0.9 million, from \$24.9 million to \$24.0 million. Approximately \$3.9 million of the recommended appropriation may be used for program administrative costs pursuant to budget language.

Programs for the Aged. Recommended **General Fund** appropriations are reduced by \$2.0 million, to \$13.8 million, as the New Jersey Caring for Caregivers program is discontinued. This is a new program that is still being implemented, and few people currently receive services. Though State funding is discontinued, persons receiving services will be transferred to, and receive services from, the federal National Family Caregivers Program.

Casino Revenue Funds. Recommended appropriations decrease by \$26.8 million, from \$357.8 million to \$331.1 million, primarily reflecting a reduction in PAAD costs previously discussed. Costs associated with the Community Care Alternatives program, which primarily supports

Program Description and Key Points (Cont'd)

the CCPED waiver, are expected to increase by \$2.1 million, to \$30.1 million.

Federal Funds. The overall amount of federal funds to support **Senior Services** is expected to increase by \$169.1 million, to \$1.24 billion. Federal funds related to Nursing Homes (including the recently approved nursing home assessment) are expected to increase by \$120.7 million, from \$720.4 million to \$841.1 million; federal funds for Medical Day Care Services are expected to increase \$20.1 million, from \$50.5 million to \$70.6 million; and federal funds for various community care programs are expected to increase by \$25.2 million, from \$65.5 million to \$90.7 million.

The recommended budget includes \$90 million in federal Medicare Part D prescription drug offsets in the PAAD program for the January - June 2006 period. The actual amount PAAD costs may be reduced once Medicare Part D is implemented will not be known until 2006 and the number of PAAD recipients that qualify for the various federal subsidies is identified.

Also, the amount of federal funds for the National Family Caregivers Program is expected to increase from \$4.1 million to \$4.8 million. The increase should be sufficient to provide services to persons from the discontinued New Jersey Caring for Caregivers Program.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2004	Adj. Approp. FY 2005	Recom. FY 2006	Percent Change	
				2004-06	2005-06
General Fund					
Direct State Services	\$87,642	\$78,187	\$67,036	(23.5)%	(14.3)%
Grants-In-Aid	693,357	1,416,982	1,209,696	74.5%	(14.6)%
State Aid	9,380	9,985	9,552	1.8%	(4.3)%
Capital Construction	216	0	0	(100.0)%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$790,595	\$1,505,154	\$1,286,284	62.7%	(14.5)%
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$426,849	\$358,341	\$331,583	(22.3)%	(7.5)%
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,217,444	\$1,863,495	\$1,617,867	32.9%	(13.2)%
Federal Funds	\$1,625,281	\$1,470,737	\$1,615,305	(0.6)%	9.8%
Other Funds	\$146,188	\$135,662	\$136,572	(6.6)%	0.7%
Grand Total	\$2,988,913	\$3,469,894	\$3,369,744	12.7%	(2.9)%

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2004	Revised FY 2005	Funded FY 2006	Percent Change	
				2004-06	2005-06
State	868	875	891	2.7%	1.8%
Federal	732	803	873	19.3%	8.7%
All Other*	332	340	355	6.9%	4.4%
Total Positions	1,932	2,018	2,119	9.7%	5.0%

FY 2004 (as of December) and revised FY 2005 (as of September) personnel data reflect actual payroll counts. FY 2006 data reflect the number of positions funded.

* Excludes positions supported by Revolving Funds.

AFFIRMATIVE ACTION DATA

Total Minority Percent	33.7%	33.7%	33.7%	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

The department's **Direct State Services** and **Grants-in-Aid** accounts, respectively, incorporate approximately \$4.9 million and \$1.5 million in unspecified efficiencies.

HEALTH SERVICES

Family Health Services:

Special Purpose	\$5,977	\$977	(\$5,000)	(83.7)%	D-141
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The \$5 million decrease is attributed to the elimination of the Women's Health Awareness Program, which was established in FY 2005 to provide a public awareness campaign on preventative care, with an emphasis on cancer, HIV/AIDS, autoimmune diseases, osteoporosis, arthritis and heart disease. Approximately \$4.9 million of the appropriation has been expended, mostly on a professional services contract with a communications firm.

Public Health

Protection Services:

Special Purpose	\$23,903	\$21,753	(\$2,150)	(9.0)%	D-141, D-142
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Funding is eliminated for the following:

- C Cardiovascular Program, \$2 million: The program was established in FY 2005 to promote awareness of heart disease, its prevention, effective therapeutic interventions and resources available within the State. As of this writing, all FY 2005 monies have been expended or obligated.
- C A one-time \$250,000 supplemental appropriation for Nut and Food Allergies to assist the department in developing and distributing fact sheets on food allergies to restaurants. As the program was signed into law at the end of January 2005, no funds have been expended or obligated as of this writing.

These savings are partially offset by a \$100,000 increase in funding for Animal Welfare, from \$200,000 to \$300,000. As of this writing, approximately \$112,000 of the FY 2005 appropriation has been expended.

Family Health Services:

Grants-in-Aid (General Fund)	\$98,169	\$118,369	\$20,200	20.6%	D-142, D-143
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The \$20.2 million increase is largely attributed to the shifting of \$11 million in Funding for Federally Qualified Health Centers - Services to Family Care Clients, previously funded within the Health Care Subsidy Fund, to a Grants-in-Aid account in Family Health Services.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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A \$5 million increase is also provided for Funding for Federally Qualified Health Centers - Services to Family Care Clients, increasing total funding from \$21 million in FY 2005 to \$26 million in FY 2006. (In FY 2005, \$10 million was provided to the program under Health Planning and Evaluation, and \$11 million was provided off-budget through the Health Care Subsidy Fund.)

The additional funding is intended to enable existing Federally Qualified Health Centers (FQHCs) to develop new service locations in areas designated as medically underserved by the U.S. Department of Health and Human Services. It is estimated that doing so will provide health care to an additional 30,000 State residents.

The following new grants and increases are also proposed:

- C A new appropriation of \$2.5 million for a Post Partum Education Campaign to educate the public on postpartum depression, including its signs and symptoms; and to instruct women and their families on how to get needed help.
- C A new appropriation of \$2 million for Post Partum Screening which is intended to cover the cost of treating postpartum depression among uninsured women.
- C A \$3 million increase in funding for the Early Childhood Intervention Program, from \$57 million to \$60 million. The number of children using early intervention services is expected to grow from 17,800 in FY 2005 to 19,750 in FY 2006. Medicaid and other federal funds in the amount of \$18 million are also anticipated to support the program, as well as \$3.5 million in copayments.

These increases are partially offset by the elimination or reduction in funding for the following:

- C Funding for Stroke Centers is reduced from \$6 million to \$3 million, as a one-time supplemental appropriation for the department to award grants to acute care hospitals to establish stroke centers, is not continued. Available information indicates that \$3 million of the FY 2005 appropriation will lapse back to the General Fund.
- C A \$300,000 grant to Camden Optometric Eye Center, which has been included by the Legislature for several years, is eliminated. All grant monies awarded in FY 2004 were expended, and all FY 2005 funds have been committed. The impact of this elimination will depend on the overall financial strength of the center.

Public Health

Protection Services:					D-143,
Grants-in-Aid	<u>\$54,586</u>	<u>\$22,841</u>	<u>(\$31,745)</u>	<u>(58.2)%</u>	D-144
Cancer Institute of New Jersey	\$42,000	\$18,250	(\$23,750)	(56.5)%	D-144

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Other Grants	\$12,586	\$4,591	(\$7,995)	(63.5%)	D-144

The \$31.7 million decrease in Grants-in-Aid funding is primarily attributed to the reduction or elimination of funding for several cancer initiatives, with the largest being a reduction in funding for the Cancer Institute of New Jersey.

Funding for the Cancer Institute of New Jersey, through the Department of Health and Senior Services, is reduced by \$23.8 million, from \$42 million to \$18.25 million. This reduction presumably eliminates funding for a program at the University of Medicine and Dentistry - Newark and for the South Jersey Program at Cooper University Hospital. It also discontinues funding provided by the Legislature through an FY 2005 supplemental appropriation.

It is noted that the Institute is not solely dependent on State funding, as it also receives revenue from professional fees and contracts, partners and affiliates, fundraising, contracted services, grants and clinical trials and local charities.

In addition, grants for the following other cancer centers are eliminated:

- C Garden State Cancer Center, \$1 million: All grant monies awarded in FY 2005 were expended.
- C St. Barnabas Medical Center - Cancer Center, \$3.25 million: All grant monies awarded in FY 2005 have been committed.

The following FY 2005 Legislative initiatives are also not funded in the proposed budget:

- C Hackensack Medical Center Stem Cell Research Institute, \$900,000: As of this writing, none of the funds appropriated in FY 2005 have been expended or committed, and it is unclear if these monies will be spent by the end of the fiscal year.
- C New Jersey Collaborating Center for Nursing, \$345,000: This initiative was included in the FY 2005 Appropriations Act by the Legislature. The center was established in 2002 to examine issues facing nursing professionals, and to address the nursing shortage. All of the funds appropriated in FY 2005 were expended.
- C In addition, both the FY 2005 supplemental appropriation of \$2.5 million to the Coriell Institute for Medical Research - NJ Cord Blood Resource Center and the language which authorized that funding are not continued. Pursuant to budget language (p. D-146), any unexpended balances from the account at the end of the fiscal year are reappropriated.

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

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
AIDS Services: Grants-in-Aid	\$40,396	\$33,396	(\$7,000)	(17.3)%	D-144

Funding for AIDS Grants is reduced by \$2.0 million, from \$20.7 million to \$18.7 million, and FY 2005 budget language which provided \$2 million from the AIDS Grants appropriation for programs providing education about HIV/AIDS prevention and treatment programs is not included in the recommended budget. Thus, the reduction will result in the elimination of State funding for these public awareness activities.

Funding for the AIDS Drug Distribution Program is also reduced by \$5 million, from \$14 million to \$9 million. Of the \$14 million FY 2005 adjusted amount, \$11.7 million was through the FY 2005 Appropriations Act, and \$2.3 million is anticipated through passage of a supplemental appropriations bill (A-3704/S-1803).

The FY 2006 proposed reduction is offset by savings through changes to the program's formulary (pursuant to budget language, p. D-146). It also assumes an increase in revenue generated by pharmaceutical rebates. In addition to these monies, the program is supported by federal funds through the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act, monies from the State's General Assistance welfare program and third-party recoveries.

HEALTH PLANNING AND EVALUATION

Personal Services	\$3,787	\$2,787	(\$1,000)	(26.4)%	D-148
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The Salaries and Wages for the Health Care Systems Analysis program is reduced by \$1.0 million, from about \$2.1 million to \$1.1 million as part of the \$4.9 million in operational efficiencies the department is expected to achieve.

**Nursing Home
Background Checks/
Nursing Aide
Certification Program**

	\$979	\$1,179	\$200	20.4%	D-148
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Funding increases by \$0.2 million to process applications and to offset the higher fees charged by the State Police for this service.

**Implement Patient
Safety Act**

	\$0	\$600	\$600	—	D-148
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The Patient Safety Act, P.L. 2004, c.9, established a medical error reporting system for health care facilities to confidentially disclose information to the State. These monies will be used to implement the legislation, though the specific uses of the funds have not been identified.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2005</u>	<u>Recomm.</u> <u>FY 2006</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Health Care Subsidy					
Fund Payments	\$280,725	\$119,725	(\$161,000)	(57.4)%	D-149

Total funding for Charity Care is reduced from \$583.4 million to \$532.4 million as lower revenues are being realized from the cosmetic surgery and ambulatory facility gross receipts assessments (Budget in Brief, p. 21). Given this level of Charity Care funding, the **General Fund** appropriation to the Health Care Subsidy Fund is reduced to reflect a \$150 million increase in redirected payroll taxes from the Unemployment Compensation Fund.

Charity Care funding would come from the following sources: payroll taxes redirected from the Unemployment Compensation Fund - \$200 million; Cigarette Tax revenues - \$155 million; Health Maintenance Organization assessment - \$55.0 million; Ambulatory Medical Facility Assessment - \$25 million; Cosmetic Surgery Procedure Assessment - \$7.0 million; federal [Medicaid] revenue - \$42.6 million; Other Revenues - \$5.7 million; and General Fund - \$42.1 million.

Proposed budget language imposes the \$51.0 million reduction in charity care on hospitals that received less than a 96% subsidy in FY 2005. Hospitals that received a subsidy of 96% or more in FY 2005 would receive the same amount of charity care in FY 2006 that they received in FY 2005. Available information is that the following hospitals would receive the maximum subsidy: Atlantic City (City Division); Bergen Regional; Capital Health (Fuld); Cathedral; Cooper; East Orange; Jersey City Medical; Memorial (Salem); South Jersey (Bridgeton/Vineland); St. Mary (Hoboken); St. Mary (Passaic); Trinitas; and University (UMDNJ).

Hospitals that received a subsidy of 96% or less in FY 2005 would have the amount of charity care they receive reduced by 18.8% in FY 2006.

In the event that revenues from the cosmetic surgery assessment are greater than anticipated (proposed budget language p. D-150), the excess revenues are to be distributed as additional charity care, up to a total of \$583.4 million. (It is noted that while the proposed budget language only cites the cosmetic surgery assessment, the Budget in Brief also references the ambulatory fee assessment.)

Hospital Assistance					
Grants	\$20,000	\$0	\$0	(100.0)%	D-149

This Legislative grant is not continued. Grants of between \$0.5 million and \$4.0 million were distributed to 10 primarily urban hospitals/hospital systems identified in the appropriations act.

SENIOR SERVICES

Direct State Services:					
PAAD	\$8,560	\$4,699	(\$3,861)	(45.1)%	D-155

A portion of PAAD's administrative costs (Personal Services) is being shifted to the \$11.5 million in federal funds the State will receive to assist with the implementation of the Medicare Part

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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D drug program.

Assisted Living Program	\$23,540	\$26,040	\$2,500	10.6%	D-156
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An additional \$2.5 million is provided to increase the number of program slots by 375, for a total of 3,575.

**Community Care
Alternatives (Casino
Revenue Fund)**

\$28,026	\$30,141	\$2,115	7.5%	D-156
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This program primarily supports the Community Care Program for the Elderly and Disabled Medicaid waiver. The State share of program costs are expected to increase by \$2.1 million.

**Residential Health Care
Facilities (RHCfs)**

\$0	\$2,200	\$2,200	—	D-156
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These funds are for the purpose of improving conditions in RHCfs and are part of the Governor's mental health initiatives. Provider reimbursement would increase by \$50 per patient per month and residents would receive a \$10 increase in their monthly personal needs allowance. (As these additional monies will be distributed through an increase in the State SSI supplement, the monies will have to be transferred to the Department of Human Services which administers the State SSI supplement.)

Pursuant to Reorganization Plan 002-2005, monitoring and inspecting most RHCfs will be transferred to the Department of Community Affairs.

**Payments for Medical
Assistance Recipients -
Nursing Homes**

\$680,917	\$637,100	(\$43,817)	(6.4)%	D-156
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The recommended appropriation assumes \$36.6 million in savings:

- C Medicaid reimbursement rates will not include an inflation factor adjustment - \$23.4 million;
- C Reimbursement to hold beds for patients who are hospitalized or on leave from the nursing facility is reduced from 90% to 50% of the facility's rate - \$6.4 million;
- C An "enhancement" to the county nursing home rate setting methodology will be made - \$6.0 million; and
- C Audit savings are anticipated - \$0.8 million.

The following are also noted:

- C Savings from a proposed freeze on reimbursement at Special Care Nursing Facilities,

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2005</u>	<u>Recomm. FY 2006</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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pursuant to budget language, may be included with the \$23.4 million in savings cited on the previous page; and

- C Though the Budget in Brief specifically mentions \$6.0 million in savings to be achieved at county nursing homes through an "enhancement" to the "peer grouping methodology", the actual budget document does not reference this change, nor is budget language proposed to implement such a change.

Federal Funds to support Nursing Homes are expected to increase by \$120.7 million, to \$891.1 million. This amount may include an estimated \$51.0 million the State retains from the recently approved nursing home assessment.

The appropriation is expected to pay for approximately 10.4 million patient days of service, a 100,000 decrease from FY 2005 levels.

Medical Day Care Services	\$48,446	\$70,551	\$22,105	45.6%	D-156
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The \$22.1 million increase is misleading because the FY 2005 appropriation reflected savings from a prior authorization system and a freeze on reimbursement rates that were to have been implemented. A prior authorization system will not be operational during FY 2005, so actual Medical Day Care Services expenditures will be around \$65 - \$70 million, rather than \$48.4 million. P.L.2005, c.69, which repealed language in the FY 2005 appropriations act that froze reimbursement rates at FY 2004 levels, will increase program expenditures by \$1.8 million.

The FY 2006 recommended appropriation assumes that a prior authorization system will be operational, that \$3.2 million will be saved by a proposed \$3.00 service co-pay, and that reimbursement rates will remain frozen at FY 2004 levels.

Enactment of P.L.2005, c.69 will require a reexamination of proposed budget language provisions that would continue the freeze on reimbursement for Medical Day Care Services and which would change the manner in which Medical Day Care Services reimbursement is calculated.

Pharmaceutical Assistance to the Aged and Disabled - Claims	<u>\$414,203</u>	<u>\$397,571</u>	<u>(\$16,632)</u>	<u>(4.0)%</u>	
PAA Claims (General Fund)	\$29,835	\$29,835	\$0	0.0%	D-156
PAAD Claims (General Fund)	\$70,772	\$82,968	\$12,196	17.2%	D-156
PAAD Claims (Casino)	\$313,596	\$284,768	(\$28,828)	(9.2)%	D-157

Language Provisions

State **General** and **Casino Revenue Fund** appropriations are expected to decrease by \$16.6 million due to \$62.4 million in savings related to:

- C An accounting adjustment to accrue certain rebates to be received in FY 2007 to support FY 2006 program expenditures - \$50.0 million;
- C Updating drug pricing monthly rather than weekly - \$7.9 million; and
- C Allowing refills after 85% of a prescription has been used rather than 75% - \$4.5 million.

PAAD savings of \$90 million are anticipated due to federal Medicare spending, but the actual amount of federal Medicare offsets and the savings the State will realize will not be known until after the Medicare Part D program is implemented. (Though the budget reflects \$90 million in Federal Medicare Relief, the State Treasury does not actually receive any of these federal monies.)

There are various proposed language provisions, p. D-161, that address Medicare Part D issues. The main provision vests the department with the "authority to coordinate [PAAD] benefits" with Medicare Part D, but does not specify what coordination will involve.

NJ Caring for Caregivers Initiative	\$2,000	\$0	(\$2,000)	(100.0)%	D-157
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State funding for this new program is discontinued. The program was initiated in FY 2005, and \$1.6 million was to be distributed to 14 counties to provide various services in caregivers' homes; and \$0.4 million was to be distributed among seven counties to support 70 caregiving families in a consumer-directed pilot program.

The New Jersey program was similar to the federal National Family Caregiver Program.

As funding was not distributed to counties until the end of 2004, persons currently being served by this program can be transferred to the federal program where funding is expected to increase from \$4.1 million to \$4.8 million.

County Offices on Aging	\$2,931	\$2,498	(\$433)	(14.8)%	D-157
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State Aid funding to the county offices is reduced by \$433,000 as federal Medicaid reimbursement for a portion of the offices' administrative costs is anticipated.

HEALTH SERVICES

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-75.

p. D-146.

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

Notwithstanding the provisions of the “Worker and Community Right to Know Act,” P.L.1983, c.315 (C.34:5A-1 et seq.), the amount hereinabove for the Worker and Community Right to Know account is payable out of the Worker and Community Right to Know Fund, and the receipts in excess of the amount anticipated, not to exceed \$763,000, are appropriated. If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionately.

Similar language, except the following language provision has been eliminated:

and the receipts in excess of the amount anticipated, not to exceed \$763,000, are appropriated.

Explanation

The proposed language eliminates a provision giving the Worker and Community Right to Know Program the authority to spend an additional \$763,000 from the Worker and Community Right to Know Fund, if receipts to the fund are greater than anticipated. Actual program expenditures in FY 2004 were approximately \$2 million, indicating that the proposed \$2.1 million FY 2006 Direct State Service appropriation should be sufficient to support the program.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-75.

p. D-146.

Receipts derived from the agency surcharge on vehicle rentals pursuant to section 54 of P.L. 2002, c.34 (C.App.A:9-78), not to exceed \$7,500,000, 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.

Similar language, except the amount is **\$4,722,000.**

Explanation

The amended language reduces the amount of funding available to the Medical Emergency Disaster Preparedness for Bioterrorism program from a surcharge on car rentals, from \$7.5 million to \$4.7 million. The program was established in 2002 to carry out the recommendations of the State's Medical Emergency and Disaster Prevention and Response Expert Panel (MEDPREP); and many of its recommendations have been implemented. In addition to this funding, the proposed budget continues a \$4 million Direct State Service appropriation.

Language Provisions (Cont'd)

**2005 Appropriations Handbook**

No comparable language provision.

2006 Budget Recommendations**p. D-146.**

Of the amounts appropriated hereinabove for the two anti-smoking program accounts (School Based Programs and Youth Anti-Smoking programs and Anti-Smoking Programs), such amounts shall be used to maintain the smoking cessation programs at the same operational level as fiscal year 2005 and shall maintain the most effective programs while those without direct contact or impact may be reduced/eliminated.

Explanation

The proposed language holds funding for School Based Programs and Youth Anti-Smoking Programs and Anti-Smoking Programs at the combined \$11 million appropriated in FY 2005. The language also provides that funding for anti-smoking programs that do not achieve their intended results may be eliminated or reduced in FY 2006.



Language Provisions (Cont'd)**2005 Appropriations Handbook**

No comparable language provisions.

2006 Budget Recommendations**p. D-146.**

Of the amount appropriated hereinabove for Cancer Screening – Early Detection and Education Program, an amount may be transferred to Direct State Services in the Department of Health and Senior Services to cover administrative costs of the program, subject to the approval of the Director of the Division of Budget and Accounting.

Of the amount appropriated hereinabove for the Implementation of Comprehensive Cancer Control Program, an amount may be transferred to Direct State Services in the Department of Health and Senior Services to cover administrative costs of the program and to the corresponding program in Family Health Services in the Department of Health and Senior Services for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

In FY 2005, no language was required concerning these programs as they were part of **Direct State Services**. As the programs are now classified as **Grants-in-Aid**, the two new language provisions allow a portion of the FY 2006 funding recommended for cancer control and prevention programs to be used for administrative costs.

The first provision allows the Cancer Screening – Early Detection and Education Program to use a part of the \$5.4 million recommended in FY 2006 for administrative costs. Since the program was expanded in FY 2005 to provide cancer screening and diagnostic tests to 20,000 women, more monies may be needed for administrative costs.

The second provision is similar as it allows the Implementation of Comprehensive Cancer Control Program to use a portion of the \$1.5 million recommended in FY 2006 for administrative costs. The provision also authorizes the Cancer Screening – Early Detection and Education Program to access to these monies to further cover its administrative costs.

Both programs have similar purposes in seeking to reduce the incidence, morbidity, and mortality of cancer through prevention, early detection and treatment.



Language Provisions (Cont'd)**2005 Appropriations Handbook****p. B-76.**

Such sums as are necessary for a grant, loan or loans to the Coriell Institute for Medical Research – New Jersey Cord Blood Resource Center are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. The Commissioner of Health and Senior Services shall issue such a grant or loans upon the Coriell Institute's execution of an agreement with any qualified New Jersey-based entities as determined appropriate by the Commissioner for the purpose of establishing a Statewide New Jersey Allogenic Cord Blood Bank. Grant or loan funds shall be used solely for the collection and long-term storage of cord blood samples and for research directed at the growth of stem cells in such samples. The collection and storage of cord blood samples shall occur in New Jersey and shall be done on a not-for-profit basis. Funds loaned pursuant to this appropriation shall be loaned on an interest-free basis and shall be repaid under terms to be determined by the Commissioner.

2006 Budget Recommendations**p. D-146.**

The unexpended balance at the end of the preceding fiscal year, in the Coriell Institute for Medical Research - New Jersey Cord Blood Resource Center account is appropriated.

Explanation

FY 2005 language, which provided a \$2.5 million supplemental appropriation for the Coriell Institute for Medical Research - NJ Cord Blood Resource Center to establish a New Jersey Allogenic Cord Blood Bank, is not continued. No funding is recommended for the Institute in FY 2006. Instead, for FY 2006, language is included to reappropriate any unexpended balances from the Institute's FY 2005 funding. At this time, it is not known if any such balances will exist at the end of FY 2005.

Language Provisions (Cont'd)**2005 Appropriations Handbook****p. B-76.**

From the amount appropriated hereinabove for the Cancer Institute of New Jersey, \$250,000 shall be provided to the Ovarian Cancer Research Fund, \$9,000,000 shall be provided to the Cancer Institute of New Jersey, South Jersey Program to be used by Cooper University Hospital, an affiliate of the Cancer Institute of New Jersey, to develop a cancer treatment program for southern New Jersey to be located in Voorhees, with the participation of UMDNJ – Robert Wood Johnson Medical School – Camden and the UMDNJ – School of Osteopathic Medicine – Stratford, and \$9,000,000 shall be provided to the UMDNJ in Newark for its cancer program.

2006 Budget Recommendations**p. D-146.**

From the amount appropriated hereinabove for the Cancer Institute of New Jersey, \$250,000 is appropriated to the Ovarian Cancer Research Fund.

Explanation

In the FY 2005 Appropriations Act, the Legislature increased funding for the Cancer Institute of New Jersey from the \$18.25 million recommended by Governor McGreevey, to \$36 million. It also added language to specify that the South Jersey Program at Cooper University Hospital and the University of Medicine and Dentistry - Newark were each to receive \$9 million of the Cancer Institute of New Jersey appropriation, with the rest, approximately \$18 million, for the New Brunswick facility.

The proposed FY 2006 budget reduces funding for the Cancer Institute of New Jersey to \$18.25 million, presumably eliminating funding for both the North Jersey Program and the South Jersey Program. Thus, language specifying how monies are to be distributed is no longer necessary.

The FY 2006 proposed language provision, which appropriates monies to the Ovarian Cancer Research Fund was the original provision included in the FY 2005 recommended budget before any legislative additions. It has been recommended by the Governor and approved by the Legislature for the last several years.



Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-76.

Of the amount appropriated hereinabove for AIDS Grants, an amount not to exceed \$2,000,000, may be transferred to Direct State Services in the Department of Health and Senior Services to provide education and public awareness of HIV and AIDS prevention and treatment programs, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The recommended budget reduces funding for AIDS Grants by \$2.0 million, from \$20.7 million to \$18.7 million. The elimination of language authorizing \$2.0 million of the AIDS Grants appropriation to be used for programs which provide education about HIV/AIDS prevention and treatment programs assures that these public education programs will not be continued.

HEALTH PLANNING AND EVALUATION

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-78.

P. D-150.

Notwithstanding the provisions of any law to the contrary, the amounts appropriated hereinabove for Health Care Subsidy Fund Payments and Hospital Assistance Grants shall be charged to the proceeds of the increase in the cigarette tax, pursuant to the passage of enabling legislation, and to the proceeds of the Second Referral Debt Collection—Hospitals revenue item.

Similar language except that reference to **Hospital Assistance Grants** is eliminated.

Explanation

Reference to Hospital Assistance Grants is eliminated as funding for Hospital Assistance Grants is not continued.

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-78.

The amount appropriated hereinabove for the Hospital Assistance Fund shall be distributed as grants as follows: Saint Mary’s Hospital, Hoboken, \$500,000; Palisades General Hospital, \$3,750,000; Cooper University Hospital, \$3,000,000; Hackensack University Medical Center, \$1,000,000; Cathedral Health Care System, \$1,000,000; Saint Barnabas Health Care System, \$3,000,000; East Orange General Hospital, \$2,000,000; Solaris Hospital System, \$4,000,000; Our Lady of Lourdes, Willingboro, \$750,000; CentraState Health Care System, \$1,000,000.

No comparable language provision.

Explanation

The \$20 million Hospital Assistance Fund and accompanying language regarding the distribution of monies were included in the FY 2005 appropriations act by the Legislature and are not continued in the FY 2006 recommended budget.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-78.

Notwithstanding any provision of law to the contrary, in fiscal year 2005 reimbursed documented charity care shall be priced at the Medicaid rate for calendar year 2002 as published by the Department of Health and Senior Services in September 2003; except that the total amount distributed in fiscal year 2005 shall not exceed \$583,400,000, and if the charity care payments to hospitals pursuant to P.L. , c. (C.) (now pending before the Legislature as Senate Bill No. 1214 or Assembly Bill No. 2406 of 2004) result in any remainder, the Commissioner of Health and Senior Services shall prorate and distribute the remainder in accordance with the methodology provided pursuant to P.L. , c. (C.) (now pending before the Legislature as Senate Bill No. 1214 or Assembly Bill No. 2406 of 2004).

p. D-150.

Notwithstanding any provision of law to the contrary, the appropriation for Health Care Subsidy Fund payments shall be conditioned upon the following provision: fiscal year 2006 charity care allocations will be based upon the fiscal year 2005 distribution as published by the Department of Health and Senior Services on August 6, 2004. Each hospital that received a 96% or greater subsidy in fiscal year 2005 shall receive the same subsidy amount in fiscal year 2006. The rank ordering of the remaining hospitals shall be maintained, but their subsidy shall be prorated so that the total amount distributed in fiscal year 2006 does not exceed \$532,430,000. In the event that revenues from the assessment on cosmetic surgery procedures exceed current estimates the total amount available for Charity Care

(Continued on the next page.)

Language Provisions (Cont'd)

may be increased by this excess amount, plus the associated federal revenue, not to exceed a total of \$583,400,000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The revised language concerns itself with the distribution of \$532.4 million in charity care funding for FY 2006.

As proposed, hospitals that received a 96% or greater subsidy in FY 2005 would receive the same amount of charity care as they received in FY 2006. Available information is that the following hospitals would receive the same amount as in FY 2005: Atlantic City (City Division); Bergen Regional; Capital Health (Fuld); Cathedral; Cooper; East Orange; Jersey City Medical; Memorial (Salem); South Jersey (Bridgeton/Vineland); St. Mary (Hoboken); St. Mary (Passaic); Trinitas; and University (UMDNJ).

The remaining hospitals, whose FY 2005 charity care subsidy was less than 96%, would receive \$51.0 million less in charity care funding in FY 2006, a reduction of 18.8% from FY 2005 levels.

Should available revenues from the cosmetic surgery assessment exceed estimates, the additional revenues would be distributed up a total charity care distribution of \$583.4 million. (It is noted that the Budget in Brief also mentions increased revenue from the ambulatory facility assessment, but the proposed budget language is limited to the cosmetic surgery assessment.)



2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language provision.

p. D-150.

Notwithstanding any law to the contrary, effective commencing with the start of the fiscal year, all revenues collected from the tax on cosmetic surgery procedures enacted by P.L.2004, c.53 shall be deposited in the Health Care Subsidy Fund established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-18.58).

Explanation

At present, the revenues from the cosmetic surgery assessment are deposited in the **General Fund** even though the revenues were to be used for charity care. The proposed language would deposit the revenue directly in the fund used to support charity care.



Language Provisions (Cont'd)**SENIOR SERVICES****2005 Appropriations Handbook****p. B-81.**

Such sums as may be necessary, not to exceed \$1,591,000, may be credited from the Energy Assistance program account in the Board of Public Utilities to the Lifeline program account and 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.

2006 Budget Recommendations**p. D-158**

Similar language except the amount has been increased to **\$1,628,000**.

Explanation

The Board of Public Utilities will provide the department with \$1.6 million for administrative costs associated with distributing Lifeline benefits to eligible elderly and disabled households.

2005 Appropriations Handbook**p. B-82.**

Notwithstanding the provisions of any other law to the contrary, effective July 1, 2004, reimbursement for nursing facility services, which are funded hereinabove in the Payments for Medical Assistance Recipients – Nursing Homes account, 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.

2006 Budget Recommendations**p. D-158 to D-159.**

Similar language except the percentage has been reduced to **50%**.

Explanation

This language implements one of the Nursing Home savings initiatives assumed in the FY 2006 recommended budget. Reducing reimbursement for holding beds for patients who are hospitalized from 90% to 50% is expected to save \$6.4 million.

Language Provisions (Cont'd)

2005 Appropriations Handbook

No comparable language provision.

2006 Budget Recommendations

p. D-160.

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, as per P.L.2004, c.41, "Nursing Home Quality of Care Improvement Fund Act," subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed language authorizes additional State appropriations for increased costs that may result from the nursing home provider assessment, established pursuant to N.J.S.A. 26:2H-91 et seq. Whether additional funds will be required is not known.

2005 Appropriations Handbook

No comparable language provision.

2006 Budget Recommendations

p. D-160.

Notwithstanding the provisions of any law or regulation to the contrary, the appropriations hereinabove for Medical Day Care Services is conditioned upon rate increases for the nursing home provider assessment not being included in the calculation of the Adult/Pediatric Day Care payment rates.

Explanation

The proposed language provision would change the methodology by which Medical Day Care Services reimbursement is calculated. At present, reimbursement is calculated based on Medicaid reimbursement at Nursing Facilities. As such rates will now include a provider assessment imposed on most nursing facilities (N.J.S.A. 26:2H-91 et seq.), Medical Day Care Services providers would be entitled to a higher rate. The proposed language would exclude the additional reimbursement Nursing Facilities receive from a provider assessment in determining reimbursement to Medical Day Care Services providers. For example, if Nursing Facilities reimbursement with a provider assessment is \$135 per day and Nursing Facilities reimbursement without a provider assessment is \$125 per day, Medical Day Care Services reimbursement would be based on the \$125 per day amount.

The significance of this proposed language provision is unclear if the proposed language that would freeze rates (p. D- 160) is adopted.

Language Provisions (Cont'd)**2005 Appropriations Handbook**

No comparable language provisions.

2006 Budget Recommendations**pp. D-161; D-163.**

Notwithstanding the provisions of any law or regulation to the contrary, the appropriations hereinabove to the Pharmaceutical Assistance to the Aged and Disabled (PAA/D) programs are conditioned upon the Department of Health and Senior Services having the authority to coordinate the benefits of the PAA/D programs with the prescription drug benefits of the federal Medicare Modernization Act of 2003 as the primary payer due to the current federal prohibition against State automatic enrollment of PAA/D recipients in the new federal program. The PAA/D benefit and reimbursement shall only be available to cover the beneficiary cost share to network pharmacies.

Notwithstanding the provisions of any other law or regulation to the contrary, effective January 1, 2006, no funds appropriated in the Pharmaceutical Assistance to the Aged or Pharmaceutical Assistance to the Aged and Disabled (PAA/D) accounts, shall be available as payment as a PAA/D benefits to any pharmacy that is not enrolled as a participating pharmacy in a pharmacy network under federal Medicare Part D.

(Continued on next page.)

Language Provisions (Cont'd)

Commencing with the start of the fiscal year and consistent with the requirements of the federal Medicare Modernization Act (MMA) of 2003 and the current prohibition against State automatic enrollment of Pharmaceutical Assistance to the Aged and Pharmaceutical Assistance to the Aged and Disabled (PAA/D) recipients, no funds appropriated hereinabove from the PAA/D accounts shall be expended unless any individual enrolled in the PAA/D programs provides all data that may be necessary to enroll them in the federal Medicare Part D drug program, including data required for the subsidy assistance, as outlined by the Centers for Medicare and Medicaid Services.

Explanation

The three proposed language provisions address the new Medicare Part D Prescription Drug program that takes effect January 1, 2006.

The first language provision provides the department with the authority to "coordinate the benefits" between PAAD and the Medicare Part D program. What "coordinate" may consist of is not specified, though the department has indicated that it intends to cover on behalf of PAAD recipients any monthly premium, deductible, copay in excess of \$5.00, coverage gap and prescription drugs that may not be on the Medicare Part D formulary.

The second language provision would allow only pharmacies that are in the Medicare Part D provider network to participate in PAAD. Thus, pharmacies that are not part of the Medicare Part D provider network could not participate in PAAD. There is a possibility that some pharmacies that participate in PAAD may not be network providers under Medicare Part D.

The third language provision requires PAAD recipients to cooperate with the Medicare Part D program to ensure their enrollment in Medicare Part D. A PAAD recipient who does not cooperate and provide Medicare Part D with all necessary financial information would be excluded from PAAD.



Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language provision.

p. D-161.

Notwithstanding the provisions of any law or regulation to the contrary, effective commencing with the start of this fiscal year, reimbursement for Special Nursing Facility (SCNF) Rates, as appropriated hereinabove in the Payments for Medical Assistance Recipients - Nursing Homes account, shall be limited to the rates in effect in fiscal year 2005.

Explanation

The proposed language would freeze reimbursement to SCNFs to the rates in effect in FY 2005. There are 29 facilities that would be affected by this rate freeze. These facilities receive per diem rates that range from about \$302 to nearly \$718.

Though there is no mention as to how much savings will be realized by freezing SCNF rates, it has been indicated that the savings are included as part of the \$23.4 million in savings anticipated by not providing an inflation adjustment to the FY 2006 Medicaid reimbursement rates.



2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language provisions.

pp. D-161; D-163.

Notwithstanding the provisions of any other law or regulation to the contrary, effective commencing with the start of the fiscal year, the appropriations hereinabove for the Pharmaceutical Assistance to the Aged, Pharmaceutical Assistance to the Aged and Disabled, and Senior Gold programs shall be conditioned upon the following provision: no funds shall be appropriated for the refilling of a prescription drug until such time as the original prescription is 85% finished.

(Continued on next page.)

Language Provisions (Cont'd)

Notwithstanding the provisions of any other law or regulation to the contrary, effective commencing with the start of the fiscal year, the appropriations hereinabove for the Pharmaceutical Assistance to the Aged, Pharmaceutical Assistance to the Aged and Disabled, and Senior Gold programs shall be conditioned upon the following provision: the frequency of pricing updates to the reimbursement rates paid for PAA, PAAD, and Senior Gold prescription drugs shall be decreased from once a week to once a month.

Explanation

The first language provision would increase the refill threshold from 75% to 85% and is expected to save \$4.5 million. This higher threshold will mean that PAAD/Senior Gold recipients will have to wait until more of a prescription is used before it can be refilled.

The second language provision would reduce the frequency of drug price updates from weekly to monthly and is expected to save \$7.9 million.

These requirements only affect PAAD recipients until January 2006 when Medicare Part D takes effect. What Medicare Part D policies will be with respect to refilling prescription drugs and drug pricing updates will be determined by the four Private Drug Providers (PDPs) that will administer the program in New Jersey. As the department intends to provide "wraparound" coverage to PAAD recipients, the State will have to comply with whatever federal policies are in effect.



2005 Appropriations Handbook

2006 Budget Recommendations

No comparable language provision.

p. D-161.

Notwithstanding the provision of any other law or regulation to the contrary, effective commencing with the start of the fiscal year, the appropriations hereinabove for Medical Day Care Services shall be conditioned upon the following provision: all Department of Health and Senior Services beneficiaries will be required to provide a \$3.00 copayment for each Medical Day Care Services visit.

Explanation

The proposed language provision would impose a \$3.00 per visit copayment for participants in the

Language Provisions (Cont'd)

Medical Day Care Services, and is expected to save \$3.2 million.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-84.

p. D-160.

Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2004, reimbursement for pediatric and adult day health services, including services provided in nursing home-based, hospital-based, and freestanding facilities, as appropriated hereinabove in the Medical Day Care Services account, shall be limited to the rates in effect in FY 2004.

The rates to be paid to Adult and Pediatric Day Health Services providers, effective commencing with the start of the fiscal year, as appropriated hereinabove in the Medical Day Care Services account, shall be computed on the basis of the nursing home per diem data in effect as of July 1, 2004, in accordance with the existing methodology for adult and pediatric day health services.

Explanation

P.L.2005, c.69 eliminates budget language from the FY 2005 appropriations act that reimbursed providers of Medical Day Care Services on the basis of their FY 2004 rates. The elimination of this budget language provision will increase program costs by \$1.8 million (State) in FY 2005. As the recommended FY 2006 budget included language that would have continued to reimburse providers on the basis of their FY 2004 rates (p. D-160), this language would have to be reviewed as to whether it should be included in the FY 2006 appropriations act. If the FY 2006 proposed language is not continued, \$1.8 million would have to be added to the \$70.6 million recommended for Medical Day Care Services.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-84.

From the amount appropriated for the Payments for Medical Assistance Recipients - Nursing Homes account, funds shall be made available to supplement the Assisted Living Program account in order to increase the number of Assisted Living (AL) services slots, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The FY 2005 appropriations act accelerated the number of new slots that would become available in the Assisted Living Program. The language was included in the event that program costs exceed

Language Provisions (Cont'd)

the available appropriation; in that case, Nursing Homes appropriations could be used to fund the additional costs. The language is not continued in FY 2006 as it appears that sufficient funds are available in the account.



2005 Appropriations Handbook

2006 Budget Recommendations

p. B-86

p. D-162.

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

Similar language except that the amount has been increased to **\$800,000**.

Explanation

In FY 2006, \$800,000 of program costs for the Respite Care for the Elderly program will be charged off to the Casino Simulcasting Fund. This allows reallocation of \$100,000 of other Casino Revenue Fund resources to other programs without affecting the funding level of the respite care program.



Language Provisions (Cont'd)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

2005 Appropriations Handbook

2006 Budget Recommendations

p. B-87.

p. D-163.

Notwithstanding the provisions of any other law to the contrary, there is appropriated to the Department of Health and Senior Services from the Health Care Subsidy Fund, established pursuant to section 8 of P.L.1992, c.160 (C.26:2H-18.58), to continue to fund programs established pursuant to section 25 of P.L.1991, c.187 (C.26:2H-18.47), section 30 of P.L. 1997, c.192 and section 15 of P.L.1998, c.43, through the hospital and other health care initiatives account established pursuant to section 12 of P.L. 1992, c.160 (C.26:2H-18.62). However, available funding shall first provide for the Community Care Program for the Elderly and Disabled, the expansion of Medicaid to 185% of poverty and the Infant Mortality Reduction Program. Of the funds remaining, \$11,000,000 is available for payments to federally qualified health centers. Any remaining available funds may be used to increase payments to federally qualified health centers and to fund programs established pursuant to section 25 of P.L.1991, c.187 (C.26:2H-18.47), section 30 of P.L.1997, c.192 and section 15 of P.L.1998, c.43, as determined by the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting. Any unexpended balance as of June 30, 2004 in the Health Care Subsidy Fund received through the hospital and other health care initiatives account during fiscal year 2004 is appropriated.

Similar language except that **references to federally qualified health centers and the \$11.0 million to be made available to such facilities are eliminated.**

Explanation

Appropriations for the federally qualified health centers are brought on-budget in FY 2006. Thus, reference to federally qualified health centers and the amount they are to receive from the Health Care Subsidy Fund are no longer necessary.



Language Provisions (Cont'd)**2005 Appropriations Handbook****2006 Budget Recommendations****p. B-87.**

There are appropriated such sums as are necessary to counties with Class II Governmental Nursing Facilities, effective July 1, 2004, to satisfy obligations incurred in connection with the Intergovernmental Transfer Program.

No comparable language provisions.

Notwithstanding the provisions of any other law to the contrary, there are appropriated such amounts to the Department of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting, as are necessary to pay such supplemental payments in accordance with the Medicaid State Plan amendments to any participating governmental entity for certain Class II Governmental Nursing Facilities. There are appropriated to the Department of Health and Senior Services and the Department of the Treasury such additional sums as are necessary to pay costs incurred by the State Treasurer or any other State agency in connection with the execution and delivery of any agreements authorized under P.L.2000, c.28 (C.30:4D-19.2 et seq.), including the costs of professional services and attorneys, and other costs necessary to complete the intergovernmental transfer.

Explanation

The two language provisions deal with the Intergovernmental Transfer program, and are no longer needed. State law, P.L.2000, c.28 (C.30:4D-19.2 et seq.) provides sufficient authority to address these matters.

Language Provisions (Cont'd)

2005 Appropriations Handbook

2006 Budget Recommendations

E-6.

For nonprofit community providers that provide at least 50% of the cost of employees' health benefits, 50% of the Cost of Living Increase shall be dedicated to salaries of employees who work for the nonprofit. The remaining 50% shall be available for the nonprofit to use as it determines. For nonprofit community care providers that provide less than 50% of the cost of employees' health benefits, 70% of the Cost of Living Increase shall be dedicated to salaries of employees who work for the nonprofit. The remaining 30% shall be available for the nonprofit to use as it determines. Departments with appropriations for cost of living increases for nonprofit community care providers may transfer funds available from other appropriations made to those departments, subject to the approval of the Director of the Division of Budget and Accounting, to provide 1/2% cost of living increase to those providers which shall also be subject to other provisions of this section.

No comparable language provision.

Explanation

Language had been included in the FY 2005 appropriations act by the Legislature to provide guidance regarding the use of the monies provided for a Cost of Living adjustment. The language is not continued, and no funds are included in the FY 2006 recommended budget for a Cost of Living adjustment to contract agencies.



Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

1. The FY 2006 recommended budget includes \$4.9 million in Direct State Services efficiencies and \$1.5 million in Grants-in-Aid efficiencies.

! **Question: What specific efficiencies will achieve \$4.9 million in Direct State Services savings and \$1.5 million in Grants-in-Aid savings?**

HEALTH SERVICES

2. In FY 2005, the Legislature appropriated \$5 million for a new Women's Health Awareness Program to provide a public health campaign concerning preventative care. Funding for the program has been eliminated in the proposed FY 2006 budget. Virtually all of the monies appropriated to the program in FY 2005 were expended on a professional services contract with Fleishman Hillard/GMMB Inc., a communications consulting firm.

! **Question: How did the department solicit bids and determine which firm should be awarded the professional services contract? Specifically, what services did the firm provide for the campaign?**

3. The recommended budget includes a new \$2 million grant for Post Partum Screening to cover the cost of treating postpartum depression among uninsured women.

! **Question: How many women throughout the State are estimated to be suffering from Post Partum depression? How many women does the department anticipate serving with this grant? Who will provide the screening services?**

4. The President's proposed FY 2006 budget recommends a national funding increase of \$304 million to establish more health centers in medically underserved areas. Similarly, the Governor's proposed budget increases Funding for Federally Qualified Health Centers - Services to Family Care Clients, by \$5 million, to establish new service locations in medically underserved areas.

! **Question: In consideration of the proposed increase in federal funding which would allow for more services in medically underserved areas, is additional State funding necessary?**

5. The FY 2005 budget appropriated \$36 million to the Cancer Institute of New Jersey (CINJ). Language required the South Jersey Program and the University of Medicine and Dentistry of New Jersey (UMDNJ) - Newark to each receive \$9 million, with the rest, approximately \$18 million, for the New Brunswick facility. CINJ also received a \$6 million supplemental appropriation in FY 2005. The FY 2006 proposed budget reduces CINJ funding to \$18.25 million, and eliminates language concerning funding for the South Jersey Program and UMDNJ - Newark. Available information indicates that a large portion of the funding the New Brunswick facility and the South Jersey Program received was used to support salary lines.

! **Question: How were the CINJ appropriations for Newark used? What will be the effect of the proposed elimination of funding for the Newark and the South Jersey programs?**

6. a. The proposed budget decreases funding for the AIDS Drug Distribution Program (ADDP) from

Discussion Points (Cont'd)

the FY 2005 adjusted amount of \$14 million to \$9 million in FY 2006. Budget documents indicate that this recommendation assumes that \$5 million in savings will be achieved through changes to the program's drug formulary.

! Question: What specific changes will the formulary undergo to achieve these savings? When are these changes expected to be implemented?

6. b. Under Section 340B of the Public Health Service Act, discounted outpatient drugs are available to certain federally funded grantees, including ADDP. Through 340B, a state can opt to use a point-of-purchase system whereby it receives an up-front discount at the time it purchases drugs, or a rebate system whereby it purchases drugs and receives a rebate later from manufacturers. ADDP currently participates in 340B and operates under the rebate model. The federal government encourages states to adopt the point-of-purchase model, claiming that states using the point-of-purchase model realize more savings than those receiving a rebate.

! Question: Has the department looked into adopting the point-of-purchase model for ADDP? Would changing to the point-of-purchase model generate more savings for the program?

6. c. The "Medicare Prescription Drug, Improvement and Modernization Act of 2003," Pub. L. 108-173, establishes a voluntary prescription drug benefit, effective January 2006, known as Medicare Part D. It is possible that as a result of this law, ADDP may be able to achieve savings by shifting Medicare-eligible clients from ADDP to Part D coverage.

! Question: How many ADDP clients are Medicare eligible? Will these clients be encouraged to enroll in the Medicare Part D Prescription Drug Benefit program which begins January 2006? If so, what steps is the program taking to encourage enrollment?

6. d. Depending on a Medicare beneficiary's income and assets, persons who enroll in Medicare Part D may have to pay a monthly premium and be subject to an annual deductible and a coverage gap.

! Question: In the event that an ADDP client enrolls in Part D, will the program cover drugs not included in a Part D plan? Will it subsidize Part D's deductible and cost sharing requirements? Can federal Ryan White Title II funds be used for these purposes?

6. e. As an interim measure before the drug benefit is implemented, Medicare beneficiaries are able to enroll in the voluntary Medicare Prescription Drug Discount Card program through December 2005 and thereby purchase drugs at a reduced cost. For those Medicare beneficiaries with incomes below 135% of the federal poverty level, the discount card also provides a total of \$1,200 in transitional assistance in 2004 and 2005 to be applied towards the purchase of prescription drugs.

! Question: How many ADDP clients are Medicare eligible and have income below 135% of the federal poverty level? Has the program been able to get those clients to enroll in the Medicare Prescription Drug Discount Card program and take advantage of transitional assistance subsidies? If so, how much savings did the program realize?

7. a. Recent amendments to the Child Abuse Prevention and Treatment Act (CAPTA) require states to refer children under three years of age involved in substantiated cases of abuse or neglect to certain federally funded Early Childhood Intervention Program services.

Discussion Points (Cont'd)

! **Question:** How many children are expected to be referred to the program as a result of changes to CAPTA? What is the estimated expense for fulfilling this mandate? Are any federal funds available for this purpose?

7. b. In 2004, the Early Childhood Intervention Program entered into a contract with the vendor Covansys to provide a new electronic financial management system to reimburse providers on a fee-for-service basis. Switching to this system created delays in authorizations, limiting the ability of some providers to submit claims and receive accurate and timely reimbursement. As a short-term solution, the department issued more than \$25 million in advance payments to providers.

! **Question:** Has Covansys corrected this problem? Have any providers left the program as a result of difficulties in obtaining reimbursement? Has Covansys upheld the terms of the contract?

7. c. The FY 2005 budget estimated \$7 million in revenue for the Early Childhood Intervention Program through implementation of a family cost share plan, and \$5 million in federal Medicaid reimbursement. However, FY 2005 adjusted amounts reflect cost share revenues of only \$3.5 million. In addition, Medicaid reports through February 2005 indicate that only \$300,000 in federal Medicaid reimbursement has been realized.

! **Question:** How will the potential \$8 million shortfall, from lower than expected family cost sharing and Medicaid revenues, in the Early Intervention account be addressed?

HEALTH PLANNING AND EVALUATION

8. Additional staff to increase oversight of Residential Health Care Facilities (RHCs) is proposed (p. D-134). However, there is an overall reduction in the various Direct State Services accounts and the number of State supported positions. Also, pursuant to Reorganization Plan 002-2005, the Department of Community Affairs would assume responsibility for licensing and inspecting most RHCs.

! **Question:** As overall State funding and the number of State supported positions are reduced, where are the additional funds to increase staff reflected?

9. The Health Care Systems Analysis Program is recommended to receive \$40.3 million in Other Funds which primarily represent monies received from the 0.53% assessment on hospital revenues (capped at \$40 million), a \$10 per hospital admission assessment and other fees such as Certificate of Need fees. These revenue sources generate about \$50 million annually. The program also retains any unexpended balances realized, which at the end of FY 2004 totaled \$18.8 million.

! **Question:** As recommended appropriations are less than the amount of revenues from Other Funds that will be available, how will the additional revenues be used?

SENIOR SERVICES

10. a. The FY 2005 appropriations act provided the department with additional staff to increase nursing home recoveries by approximately \$0.5 million (State).

! **Question:** How much in recoveries has been and will be realized?

Discussion Points (Cont'd)

10. b. The department contracted with Myers and Stauffer LC to conduct 40 per diem audits of nursing homes and 5 patient income audits annually, at an average cost of around \$750,000.

! **Question: How many audits annually are being completed? How much have these audits identified as potential recoveries, and how much has actually been recovered to date?**

10. c. While the Budget in Brief identifies \$6.0 million in savings to be achieved by an "enhancement" of the rate setting methodology used to determine county nursing home reimbursement, the actual budget document does not reference these savings. Also, no budget language is proposed to implement an "enhancement" to the county nursing home rate setting methodology.

! **Question: Where is the \$6.0 million in savings reflected? What "enhancement" to the county nursing home rate setting methodology is proposed to achieve this savings? Will this result in an increase in county expenditures?**

10. d. Proposed budget language would freeze reimbursement to Special Care Nursing Facilities at FY 2005 levels. Savings may be included as part of the \$23.4 million in savings anticipated by not providing an inflation adjustment to the Medicaid FY 2006 reimbursement rates.

! **Question: How much reimbursement will Special Care Nursing Facilities lose by freezing rates at FY 2005 levels?**

11. The FY 2005 appropriations act provided the Medical Day Care Services account with \$48.4 million (State). Implementation of a prior authorization system and maintaining rates at FY 2004 levels were expected to save \$12.7 million. At present, State program costs are projected at around \$65 million due to delays in implementing a prior authorization system. Projected expenditures would increase by at least \$1.8 million if pending legislation that would lift the rate freeze is enacted.

! **Question: How will the potential shortfall in the Medical Day Care Services account be addressed?**

12. a. Various language provisions are proposed to coordinate PAAD with the new Medicare Part D Prescription Drug Program. One provision would provide the department with the "authority to coordinate [PAAD] benefits" with Medicare Part D.

! **Question: Will the cost of any monthly premium, deductible, copays (in excess of \$5.00), coverage gap and prescription drugs not covered by Medicare Part D be assumed by PAAD?**

12. b. There is no proposed budget language that addresses Senior Gold and the Medicare Part D program.

! **Question: Will the department seek to coordinate Senior Gold with Medicare Part D? To what extent will the State assume the out-of-pocket expenses of Senior Gold beneficiaries?**

12. c. The Medicaid program will transfer responsibility for the prior authorization process from a private vendor that currently handles this function to the Rutgers School of Pharmacy. This will save \$1.0 million. The PAAD/Senior Gold program proposes to continue to use the private vendor until January 2006 when the Medicare Part D program takes effect.

Discussion Points (Cont'd)

! **Question:** Could PAAD/Senior Gold transfer responsibility for prior authorization to the Rutgers School of Pharmacy? If so, how much would PAAD/Senior Gold save through December 2005 by transferring the prior authorization function to the Rutgers School of Pharmacy through the end of the year?

13. Funding for the New Jersey Caring for Caregivers Initiative is discontinued for FY 2006 and the persons receiving services from this program will in all likelihood be transferred to the federal National Family Caregiver Program. As the program is being discontinued, counties may not need all of the remaining \$1.8 million in encumbered funds.

! **Question:** How much of the \$1.8 million of encumbered funds may be lapsed?

14. State Aid funding to the County Offices on Aging is reduced by \$433,000 based on the receipt of federal Medicaid reimbursement for a portion of the offices' administrative costs. However, there is no identifiable federal Medicaid reimbursement account within the overall program.

! **Question:** Where is the Medicaid reimbursement to the county offices reflected?

Background Paper: Summary of Proposed Federal FY 2006 Budget Proposals

SUMMARY

The President's proposed FY 2006 federal budget has various changes that may affect programs and services provided by the Department of Health and Senior Services. Some of the proposed changes may increase the amount of federal funds the State receives, while others may reduce the amount of federal funds received by the State and may require additional State funds if the programs are to be continued at current levels.

The recommended State FY 2006 budget does not consider these proposed changes. At this time it is uncertain what, if any, changes Congress may adopt.

Below is a list of the changes proposed as part of the federal FY 2006 budget, which could impact the State budget. **The dollar amounts are nationwide totals and do not reflect the specific financial impact on New Jersey.**

Federally Qualified Health Centers: Provides an additional \$304 million to create 1,200 new or expanded health centers to serve an additional 6.1 million persons.

AIDS Drug Distribution Program: Provides an additional \$10 million for the program.

Emergency Medical Services for Children: Terminates program as being "unable to demonstrate meaningful results."

Traumatic Brain Injury: Terminates program as it did not "document an impact on improving the health or well being of individuals...."

Bioterrorism - State and Local Capacity: Reduces funding by \$130 million.

Money Follows the Person Rebalancing Demonstration: Provides federal grant funds to pay for community-based services for people leaving institutions. First year costs would be 100% federal and states must agree to continue care for the subsequent four years at the regular Medicaid matching rate and to reduce institutional long term care use.

Partnership for Long Term Care Insurance: Eliminates the legislative prohibition on developing this program wherein private insurance is used to cover the initial cost of nursing home care and allows the purchaser to maintain their assets. California, Connecticut, Indiana and New York currently operate this program.

Transfer of Assets: Curtails estate planning techniques that enable persons to transfer assets to secure Medicaid benefits for long-term care.

Qualified High-Risk Pools: Provides grant funds to states to provide high risk pools for health insurance coverage.

Abstinence Education: Provides additional grant funds for this purpose.

Background Paper: AIDS Drug Distribution Program

Budget Pages... D-144, D-146.

Funding (\$000)	Expended FY 2004	Adj. Approp. FY 2005	Recomm. FY 2006
AIDS Drug Distribution Program (Total)	<u>\$50,995</u>	<u>\$61,621</u>	<u>\$71,606</u>
State	--	14,000	9,000
Federal*	34,878	36,621	37,000
Other (Rebates primarily)**	16,117	11,000	25,606

* Federal monies are from the Ryan White CARE Act Title II Grant Application. The FY 2006 amount is estimated.

** Includes monies from the Philadelphia AIDS Grant. The FY 2006 amount includes an additional \$8.0 million by counting 18 months of rebates.

SUMMARY

Prior to Fiscal Year (FY) 2005, the AIDS Drug Distribution Program (ADDP) was primarily supported by federal funding. In FY 2005, this funding became inadequate to fully support program costs, leading the Legislature to appropriate \$11.7 million in the annual appropriations act. An additional \$2.3 million is anticipated through passage of a supplemental appropriations bill, bringing FY 2005 adjusted amounts to \$14 million. The proposed FY 2006 budget recommends \$9 million for the program, assuming savings through changes to the program's drug formulary, and assuming an increase in revenues from pharmaceutical rebates. This backgrounder provides information on the program, and discusses trends in expenditures and federal funding.

PROGRAM INFORMATION

ADDP provides medications, at no cost, to low-income individuals with AIDS/HIV. To qualify to participate, an individual must: be a resident of New Jersey at least 30 days prior to the application date; have a total household income less than 500% FPL;¹ present a letter from a physician certifying the need for HIV/AIDS medications, and have no other means of paying for the treatment.² In FY 2006, the program is expected to serve 7,500 clients.

Once enrolled, the client selects a Medicaid-participating pharmacy from which to obtain medications without a copayment. Currently, the program operates through an open formulary and covers all FDA-approved drugs.³ The proposed budget anticipates changes to the formulary,

¹ The current Federal Poverty Levels are:

Family Size	1	2	3	4	5
At 500% FPL	\$44,900	\$60,600	\$76,300	\$92,000	\$107,700

² An individual with private insurance may be eligible to participate in the program if the individual has exhausted benefits allowable under the private plan.

³ Medications covered exclude cosmetic, impotence and fertility enhancement drugs. The drug Fuezon requires prior authorization based on a clinical protocol.

Background Paper: AIDS Drug Distribution Program

which is expected to save \$5 million.

All states administer programs similar to ADDP, although most refer to them as AIDS Drug Assistance Programs (ADAPs). These programs receive federal funding earmarked in Title II of the Ryan White Comprehensive AIDS Resources Emergency (CARE) Act. However, this funding is not based directly on the number of people who need prescription drugs or the actual cost of the medications.

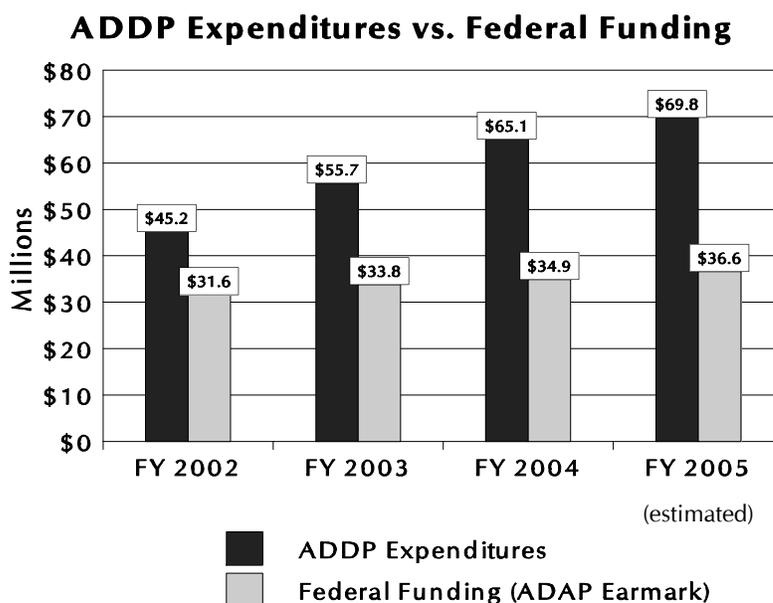
PROGRAM EXPENDITURES AND FEDERAL FUNDING

Prior to FY 2005, ADDP did not receive a State appropriation and was entirely supported by the federal ADAP earmark, monies from the State's General Assistance program, pharmaceutical rebates and third-party recoveries. However, in recent years, ADDP expenditures have grown at a much higher rate than Title II funding, primarily due to the development of new drugs.

ADDP expenditures have increased by an average of 15.6% annually over the last three fiscal years, from \$45.2 million in FY 2002 to an estimated \$69.8 million in FY 2005. During the same period, the ADAP Earmark has increased by an average of 5% annually from approximately \$31.6 million in FY 2002 to an anticipated \$36.6 million in FY 2005.

It is likely that ADDP expenditures will continue to grow as drug treatments improve for those with HIV/AIDS. However, federal funding allows for various cost-containment strategies. In addition to limiting the drug formulary, these strategies include imposing cost-sharing requirements and decreasing the income level required for eligibility. Implementing these strategies could result in additional savings that would lessen the need for State funding.

Although some ADAPs anticipate savings when their clients are shifted to Medicare Part D,⁴ available information indicates that this program will have a negligible impact on the New Jersey ADDP. Most clients in ADDP are under age 65, and thus would only qualify for Part D coverage as a result of a disability. Only a small percentage of ADDP clients meet this criterion.



⁴ The "Medicare Prescription Drug, Improvement and Modernization Act of 2003," Pub. L. 108-173, establishes a voluntary prescription drug benefit, effective January 2006, known as Medicare Part D.

Background Paper: The Cancer Institute of New Jersey

Budget Pages.... D-144, D-146.

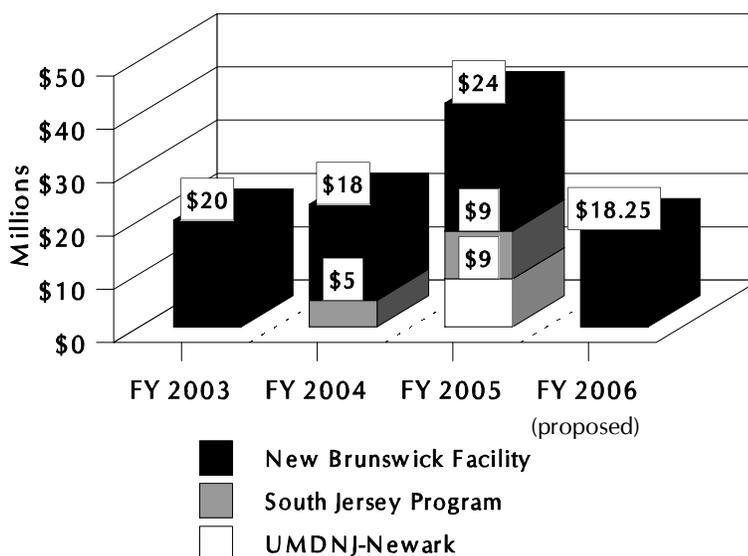
The Cancer Institute of New Jersey (CINJ) received a total of \$85 million in State monies passed through the Department of Health and Senior Services (DHSS) from Fiscal Year (FY) 2003 through FY 2005. ¹ The proposed budget reduces DHSS funding for CINJ, by \$23.75 million, from \$42 million to \$18.25 million.

This background paper provides general information about CINJ and provides a summary of how DHSS Grants-in-Aid funding was expended from FY 2003 - FY 2005.

GENERAL INFORMATION

CINJ was established in 1991 as a center within the University of Medicine and Dentistry of New Jersey (UMDNJ), and opened its own facility in New Brunswick in 1996. In 2001, it was designated by the National Cancer Institute as a Comprehensive Cancer Center, and maintains that status by providing: laboratory and clinical cancer research; cancer treatments involving clinical trials; cancer prevention and control programs; training and education of health care professionals; cancer information services; and community outreach and education. CINJ also has centers for the treatment of various cancers,² and currently sees more than 60,000 patients annually.

**CINJ Grants-in-Aid Funding
(Passed through DHSS)**



FY 2003 - FY 2005 DHSS GRANTS-IN-AID EXPENDITURES

From FY 2003 to FY 2005, DHSS has distributed monies to CINJ as pass-through grants, generally giving the Institute discretion over its spending. However, it should be mentioned that in some years the Legislature has specified which components of CINJ should receive the monies. In FY 2004, the Legislature included two lines in the budget - one appropriating \$18 million to CINJ directly and another appropriating \$5 million to the South Jersey program.

The table that follows provides a summary of how DHSS Grants-in-Aid monies appropriated

¹ Since FY 2002, CINJ has also received monies under the University of Medicine and Dentistry of New Jersey (UMDNJ) budget in the Department of State. In addition to this State funding, the Institute receives revenue from professional fees and contracts, partners and affiliates, fundraising, contracted services, grants and clinical trails and local charities.

² The Institute has established centers for prostate cancer, breast cancer and women's reproductive cancers, and a pediatric oncology program.

Background Paper: The Cancer Institute of New Jersey

to the CINJ facility in New Brunswick in FY 2003 and FY 2004 were expended:

CINJ (NEW BRUNSWICK FACILITY)	FY 2003 EXPENDED	FY 2004 EXPENDED
Personnel Costs	\$11,011,476	\$12,729,866
Office Expenses and Related Costs	\$416,354	\$354,281
Program Expenses and Related Costs	\$6,427,612	\$2,257,598
Travel, Conferences and Meetings	\$0	\$565,250
Equipment and other Capital Expenditures	\$2,144,558	\$2,074,255
Sub-Grants	\$0	\$18,750
<u>GRAND TOTAL</u>	<u>\$20,000,000³</u>	<u>\$18,000,000</u>

The table below provides a summary of how DHSS Grants-in-Aid monies appropriated to the South Jersey program in FY 2004 were expended:

CINJ (SOUTH JERSEY PROGRAM)	FY 2004 EXPENDED
Personnel Costs	\$1,483,787
Consultant/Professional Services Costs	\$300,000
Office Expenses and Related Costs	\$1,966,239
Equipment and other Capital Expenditures	\$1,249,974
<u>GRAND TOTAL</u>	<u>\$5,000,000</u>

In FY 2005, the annual appropriations act provided \$36 million to CINJ. Language required the South Jersey program and UMDNJ in Newark to each receive \$9 million, with the rest, approximately \$18 million, for the New Brunswick facility. In January 2005, the Legislature also provided CINJ with a \$6 million supplemental appropriation. All of these monies have been expended, although a breakdown of expenditures will not be available until the close of the fiscal year.

The impact the proposed FY 2006 reduction will have on CINJ is unknown.

³ In FY 2003, total State funding, which included the DHSS and UMDNJ appropriation, and other State monies, comprised 49% of the Institute's total revenue. Similar information on CINJ revenues is not available for FY 2004 and FY 2005.

Background Paper: Charity Care

Budget Pages.... D-149 to D-150.

SUMMARY

The FY 2006 budget recommendation provides that \$532.4 million in Charity Care funds are to be distributed to hospitals, a \$51.0 million reduction from the \$583.4 million distributed in FY 2005. The Budget in Brief (p. 21) attributes the reduction in the amount available for Charity Care to lower revenues being collected from two new assessments on gross receipts of ambulatory care facilities and cosmetic surgery procedures.

Pursuant to proposed budget language, hospitals that received a subsidy of 96% or more in FY 2005 would receive the same amount of Charity Care in FY 2006. The \$51.0 million reduction would be distributed among those hospitals that received less than a 96% subsidy based on their FY 2005 ranking. In FY 2006, these hospitals would have their Charity Care subsidy payment reduced by 18.8% from FY 2005 levels.

In the event that revenues from the assessment on cosmetic surgery procedures are greater than anticipated, Charity Care funding would be increased, up to a total maximum of \$583.4 million. (It is noted that while the proposed budget language only references an increase in revenues from the assessment on cosmetic surgery, the Budget in Brief also referenced an increase in revenues from the ambulatory care facilities assessment.)

Based on data provided by the New Jersey Hospital Association, 13 hospitals received a subsidy of 96% or greater in FY 2005: Atlantic City Medical Center (City Division); Bergen Regional; Capital Health (Fuld); Cathedral; Cooper; East Orange; Jersey City Medical; Memorial (Salem); South Jersey (Bridgeton); St. Mary (Hoboken); St. Mary's (Passaic); Trinitas; and University (UMDNJ). These 13 hospitals should receive \$312.0 million in Charity Care funding in FY 2006.

The chart on the next two pages provides information on the amount of Charity Care the hospitals received in FY 2005 and the estimated amount of Charity Care they should receive in FY 2006. Hospitals that will be held harmless are in **BOLD**.

The FY 2006 numbers are estimates based on the Office of Legislative Services interpretation of the proposed budget language and Charity Care data. The Department of Health and Senior Services will make the final calculations of the amounts to be distributed.

Background Paper: Charity Care

HOSPITAL NAME	FINAL FY 2005 CHARITY CARE SUBSIDY	EST. FY 2006 CHARITY CARE SUBSIDY
Atlantic City Medical Center - City	\$12,879,455	\$12,879,455
Atlantic City Medical Center - Mainland	5,542,344	4,501,472
Barnert Hospital	4,150,234	3,370,805
Bayonne Hospital	3,980,208	3,232,711
Bayshore Community Hospital	870,304	706,858
Bergen Regional Medical Center	21,903,973	21,903,973
Burdette Tomlin Memorial Hospital	785,949	638,345
Capital Health System at Fuld	16,834,345	16,834,345
Capital Health System at Mercer	2,712,764	2,203,297
Cathedral Healthcare System	33,407,499	33,407,499
CentraState Medical Center	2,792,925	2,268,404
Chilton Memorial Hospital	437,460	355,303
Christ Hospital	9,817,020	7,973,348
Clara Maass Medical Center	3,295,968	2,676,973
Columbus Hospital	3,238,951	2,630,664
Community Medical Center	3,167,290	2,572,461
Cooper Hospital/University Medical Center	27,509,602	27,509,602
Deborah Heart & Lung Center	8,839,643	7,179,526
East Orange General Hospital	13,057,136	13,057,136
Englewood Hospital and Medical Center	3,431,641	2,787,166
Greenville Hospital	2,281,274	1,852,842
Hackensack University Medical Center	12,574,697	10,213,123
Hackettstown Community Hospital	477,551	387,865
Holy Name Hospital	1,176,324	955,406
Hunterdon Medical Center	1,750,134	1,421,453
Irvington General Hospital	3,049,626	2,476,895
Jersey City Medical Center	52,215,513	52,215,513
Jersey Shore Medical Center	4,882,456	3,965,513
JFK Medical Center at Edison	998,069	810,628
Kennedy Memorial Hospitals-UMC	6,631,789	5,386,315
Kimball Medical Center	4,215,246	3,423,608
Meadowlands Hospital Medical Center	515,985	419,081
Memorial Hospital of Salem County	128,526	128,526
Monmouth Medical Center	8,740,499	7,099,002
Morristown Memorial Hospital	7,186,052	5,836,485
Mountainside Hospital	2,058,312	1,671,754
Muhlenberg Regional Medical Center	5,809,343	4,718,327
Newark Beth Israel Medical Center	34,044,017	27,650,427
Newton Memorial Hospital	2,692,241	2,186,628
Ocean Medical Center	1,062,443	862,912

Background Paper: Charity Care

HOSPITAL NAME	FINAL FY 2005 CHARITY CARE SUBSIDY	EST. FY 2006 CHARITY CARE SUBSIDY
OLOL MC Camden/Burlington	5,615,298	4,560,725
Overlook Hospital	2,341,696	1,901,917
Palisades Medical Center of New York	2,738,587	2,224,270
Pascack Valley Hospital	637,874	518,079
Passaic Beth Israel Regional Medical	5,875,352	4,771,940
Rahway Hospital	911,583	740,384
Raritan Bay Medical Center	22,402,898	18,195,553
Riverview Medical Center	1,636,217	1,328,930
Robert Wood Johnson University Hospital	8,829,344	7,171,161
RWJ University Hospital at Hamilton	1,374,909	1,116,696
Shore Memorial Hospital	479,546	389,486
Somerset Medical Center	1,153,140	936,576
South Jersey Hospital	2,204,478	2,204,478
South Jersey Hospital, Elmer	180,742	146,798
Southern Ocean County Hospital	407,151	330,687
St. Barnabas Medical Center	4,400,645	3,574,188
St. Clare's Hospital, Denville	8,986,781	7,299,031
St. Clare's Hospital, Sussex	267,582	217,329
St Francis Medical Center (Trenton)	6,388,013	5,188,321
St. Joseph's Hospital & Medical Center	30,889,877	25,088,646
St. Joseph's Wayne Hospital	1,183,877	961,541
St. Mary (Hoboken)	12,744,333	12,744,333
St Mary's Hospital (Passaic)	6,423,566	6,423,566
St. Peter's University	2,758,370	2,240,338
Trinitas Hospital	30,615,445	30,615,445
Underwood Memorial Hospital	1,877,017	1,524,506
Union Hospital	1,391,227	1,129,950
University Hospital/UMDNJ	82,075,599	82,075,599
University Medical Center at Princeton	856,108	695,328
Valley Hospital	1,166,923	947,771
Virtua Health System, Burlington	736,360	598,069
Virtua Health System, West Jersey Hospitals	1,037,547	842,692
Warren Hospital	1,546,135	1,255,765
William B. Kessler Memorial Hospital	120,966	98,248
TOTAL	\$583,399,994	\$532,429,994

Background Paper: PAAD/Senior Gold and the Medicare Prescription Drug Program

Budget Pages.... D-152 to D-153; D-155 to D-157;
D-159 to D-160.

Funding (\$000)	Expended FY 2004	Adj. Approp. FY 2005	Recomm. FY 2006
Pharmaceutical Assistance to the Aged and Disabled (Total):	<u>\$556,796</u>	<u>\$525,123</u>	<u>\$504,630</u>
Administration	12,734	8,560	4,699
General Fund - Claims	161,419	100,607	112,803
Casino Revenue Fund - Claims	382,643	313,596	284,768
Federal Administration	--	12,360	12,360
Federal Claims	--	90,000	90,000
Senior Gold (Total)	20,257	24,947	24,022

The FY 2006 recommended budget assumes that the January 2006 implementation of the voluntary Medicare Part D Prescription Drug Program (Medicare D) will reduce the program's claims costs. While the budget reflects \$90 million in federal funds to offset claims costs, the actual amount PAAD/Senior Gold claims expenditures may be reduced will not be known until Medicare D is actually implemented.

As Medicare Part D is voluntary, the State, pursuant to proposed budget language, will require PAAD recipients to enroll in Medicare Part D and to cooperate in the enrollment process as a condition of continued eligibility for PAAD. Also, pursuant to proposed budget language, the department would be given the "authority to coordinate (PAAD) benefits" with Medicare Part D though the language is not specific as to what coordination will consist of. It is assumed that coordination will mean that the PAAD program will pay the monthly premiums, deductibles, copayments, coverage gap and cover drugs that are not on the formulary, but these activities are not specified in the proposed budget language. Also, there is no similar budget language proposed for the Senior Gold program. The absence of such language could suggest that Senior Gold recipients must make their own decision as to whether they should remain in the Senior Gold program or enroll in the Medicare Part D program.

Eligibility for Medicare Part D and the various federal subsidies will be determined by either the Social Security Administration or the State. Depending on a Medicare recipient's income and assets, senior citizens and disabled persons who enroll in Medicare Part D may have to pay a monthly premium and be subject to an annual deductible and a coverage gap. Income (as a percentage of the federal poverty level), monthly premiums, deductibles, coverage gap and catastrophic coverage will be adjusted annually.

The premium, deductibles, copayments, coverage gap and catastrophic coverage are summarized in the chart on the next page.

Income includes both "earned income" from wages and self-employment and "unearned income." In determining "income," the first \$65 per month plus 50% of the remainder is excluded. "Unearned Income" includes Social Security benefits, Veterans benefits, public and private pensions

Background Paper: PAAD/Senior Gold and the Medicare Prescription Drug Program

and annuities. In determining "unearned income," the first \$20 per month is excluded.

Resources/Assets include cash and property that can be converted to cash within 20 days such as stocks, bonds, mutual fund shares, retirement accounts such as IRAs, life insurance policies and the equity value of property outside of a primary residence. Excluded resources include a primary residence, up to \$1,500 in burial funds and certain other assets. If assets are held jointly with an individual who is not eligible for Medicare Part D, the assets are attributed entirely to the Medicare Part D recipient.

INCOME LEVEL	ANNUAL PREMIUM*	ANNUAL DEDUCTIBLE	RX COPAY	COVERAGE GAP: \$2,250-\$5,100	ASSETS
<100% FPL: 1 person - \$9,570; 2 persons - \$12,830	\$0	\$0	Generic: \$1; Brand: \$3. No copay after total drug expenditures exceed \$5,100.	None.	State specific assets rules apply: 1 person - \$2,000; 2 persons - \$3,000.
>100% FPL, <135% FPL: 1 person - up to \$12,920; 2 persons - up to \$17,321	\$0	\$0	Generic: \$2; Brand: \$5. No copay after total drug expenditures exceed \$5,100.	None.	1 person - \$6,000; 2 persons - \$9,000. (Federal definition of assets will apply.)
>135% FPL, <150% FPL: 1 person - up to \$14,355; 2 persons - up to \$19,245	Variable from \$0 to \$420	\$50	15%. Once total drug expenditures exceed \$5,100, the copayment is: Generic:\$2; Brand: \$5.	None.	1 person - \$10,000; 2 persons - \$20,000. (Federal definition of assets will apply.)
>150% FPL: 1 person - more than \$14,355; 2 persons - more than \$19,245	\$420	\$250	25%, up to first \$2,250 of total drug expenditures. Once total drug expenditures exceed \$5,100, the copayment is the greater of either: Generic:\$2 Brand: \$5 or 5% of the drug's cost.	\$2,850. (This cost may be assumed by the PAAD or Senior Gold program. It is unclear if this applies only to persons currently enrolled in these programs.)	No assets test as there are no federal subsidies for premiums, deductibles and copayments.

*** Medicare beneficiaries who do not enroll in the program once they become eligible for the program will incur a penalty. The penalty will be the greater of either 1% of the base premium for each uncovered month or an amount determined by the Secretary of Health and Human Services.**

Background Paper: PAAD/Senior Gold and the Medicare Prescription Drug Program

DHSS has estimated that there are over 110,000 PAAD recipients with income under 150% of the FPL who may be eligible for federal subsidies for monthly premiums, deductibles, co-pays and the coverage gap. The estimated breakdown by income of these PAAD recipients is:

- C Under 100% of the FPL: Approximately 27,300 persons.
- C Income between 100% - 135% of the FPL: Approximately 58,400 persons.
- C Income between 135% - 150% of the FPL: Approximately 24,600 persons.

Because the Medicare Part D program considers assets in determining who will receive government subsidies, the 110,000 figure will be reduced, possibly significantly. The PAAD program does not consider assets in determining eligibility, therefore it is difficult to determine how many PAAD recipients will meet both the federal income eligibility standards and the assets test.* To the extent that PAAD beneficiaries are not eligible for the various subsidies, State savings would be reduced from the amount that has been anticipated.

* The PAAD program does collect data as to the amount of interest and dividend income beneficiaries receive. It is, thus, possible to estimate how much assets a particular amount of interest and dividend income may represent. For example, if a PAAD applicant reports \$500 of interest or dividend income, there may be a asset worth \$16,700 based on a 3% return. However, there are many assets that not known to the PAAD program such as the face value of U.S. Savings Bonds.

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Individuals wishing information and committee schedules on the FY 2006 budget are encouraged to contact:

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(609) 292-8030 • Fax (609) 777-2442**