ANALYSIS OF THE NEW JERSEY

FISCAL YEAR 2003 - 2004 BUDGET

DEPARTMENT OF HUMAN SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

APRIL 2003

NEW JERSEY STATE LEGISLATURE

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Department of Human Services

Budget Pages....... C-11; C-18; C-25 to C-26; C-29;
D-207 to D-280; G-3 to G-4.

Fiscal Summary ($000)

	Expended FY 2002	Adjusted Appropriation FY 2003	Recommended FY 2004	Percent Change 2003-04
State Budgeted	$3,666,677	$4,187,590	$4,186,940	0.0%
Federal Funds	3,408,221	3,563,194	3,736,341	4.9%
Other	793,043	593,712	600,706	1.2%
Grand Total	$7,867,941	$8,344,496	$8,523,987	2.2%

Personnel Summary - Positions By Funding Source

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2003-04
State	13,249	13,345	14,048	5.3%
Federal	5,122	5,034	5,502	9.3%
Other	524	471	465	(1.3)%
Total Positions	18,895	18,850	20,015	6.2%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

Introduction

The Department of Human Services serves more than one million persons through nine operating divisions:

- Division of Mental Health Services will serve 2,150 patients at six State psychiatric hospitals and provide nearly 311,000 episodes of community mental health services.
- Division of Medical Assistance and Health Services will provide various health services to 703,700 Medicaid recipients, 101,700 children in NJ KidCare and 64,000 adults in the NJ FamilyCare program.
- Division of Disabilities Services will provide nearly 500 clients with Personal Assistant Services and various Medicaid services such as Personal Care and specialized Waiver Services to several thousand additional persons.

Introduction (Cont'd)

- **Division of Developmental Disabilities** will serve about 3,300 patients at seven State developmental centers and will provide various community services to nearly 29,600 persons.
- **Commission for the Blind and Visually Impaired** provides education, vocational rehabilitation, prevention and social services to blind and visually impaired clients and operates the Kohn Residential Center.
- **Division of Family Development** provides financial assistance to about 270,000 recipients monthly in the General Assistance, Work First New Jersey Client Benefits and SSI programs; provides Food Stamp benefits to nearly 324,100 persons monthly; and provides child care services to over 54,100 children monthly.
- **Division of Youth and Family Services**, as the State's lead agency for services to children, provides foster care, adoption assistance, residential and other social services to 49,300 children/25,800 families monthly.
- **Division of the Deaf and Hard of Hearing** advocates for the rights of deaf and hearing impaired persons, provides information and referral services and publishes a monthly newsletter.
- **Division of Management and Budget** provides centralized support services, sets department policy and administers certain grant programs.

Key Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

- Incorporated in the Personal Services accounts of the divisions is $2.1 million in savings from attrition ($0.6 million) and from the Early Retirement Initiative ($1.5 million).

- Contract Reform savings ($3.3 million) are incorporated in the **Grants-in-Aid** accounts of the divisions.

- Agencies under contract to the department will not receive a cost-of-living adjustment to offset higher operating costs. In FY 2003, agencies received approximately $24.3 million in cost-of-living adjustments.

- The budget assumes that the Legislature will approve legislation to redirect $325 million in payroll taxes to support hospital charity care payments.

DIVISION OF MENTAL HEALTH SERVICES

Grants-In-Aid. Recommended appropriations increase 1.9 percent, from $230.3 million to $234.8 million, and include:

- Funding for the Greystone Park Psychiatric Hospital Bridge Fund will increase by $10.0 million, to $22.8 million, for ongoing and new costs associated with various mental health programs that are being developed or expanded.

- Expected increases in federal Medicaid reimbursements and a new licensing fee on community mental health agencies contribute to a $5.6 million reduction in Community Care appropriations, from $199.5 million to $193.9 million.

State Aid to six county psychiatric hospitals is reduced by $1.0 million, to $93.5 million.

Key Points (Cont'd)

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Direct State Services. An additional $1.0 million is provided for Payments to Fiscal Agent to implement the various eligibility and service restrictions proposed for Medicaid services and NJ FamilyCare.

Grants-In-Aid. Although recommended appropriations increase by $17.5 million, from $1.89 billion to $1.91 billion, significant changes are proposed that affect program eligibility, limit or restrict services and impose copayments or alter service reimbursement. These changes total about $190 million and include:

- Eligibility limitations in NJ FamilyCare that may exclude upwards of 60,000 persons from coverage.
- Eliminate Medicaid coverage for dental and chiropractic services.
- Develop a preferred drug formulary, increase the State's discount to 15 percent when drugs are purchased and adopt other prescription drug changes.
- Impose a copayment on drugs and non-emergency hospital services.

Incorporated within the $1.91 billion request is over $207 million in program growth due to increased utilization, including $3.0 million for the Partnership for Childrens program (formerly the Children's System of Care Initiative).

DIVISION OF DISABILITY SERVICES

Grants-in-Aid appropriations are reduced by $73.6 million, from $148.3 million to $75.7 million, as costs for the Personal Care and Waiver Initiatives programs are transferred to the Casino Revenue Fund. Total funding for Personal Care would increase slightly from $122.5 million to $123.1 million while funding for the various Waiver Initiatives would decrease from $18.5 million to $16.5 million. These funding levels assume $12.7 million in savings through the imposition of a $3.00 copay and a limitation on the number of hours of personal care services to 25 per week, with an additional 15 hours being available in certain instances.

DIVISION OF DEVELOPMENTAL DISABILITIES

Grants-In-Aid. Although recommended State General and Casino Revenue Fund appropriations of $412.8 million (General Fund - $393.2 million and Casino Revenue Fund - $19.6 million) are largely unchanged from FY 2003 levels, an additional $5.6 million is provided for the following initiatives, reflecting an increase in the number of clients expected to receive services during FY 2004: Community Services Waiting List Reduction Initiatives - FY 2000, FY 2001 and FY 2002; Community Transition Initiatives - FY 2001 and FY 2002; and the Community Nursing Care Initiative.

Offsetting these increases, funding for the Group Homes and Purchase of Adult Activity Services programs is reduced by $6.3 million.

The New Jersey Housing and Mortgage Finance Agency will provide $3.3 million to offset a $4.3 million reduction in the amount of General Funds allocated for Group Homes.

New budget language would cap federal expenditures on community programs at $184.3 million; expenditures in excess of $184.3 million requires the approval of the Director of the Division of Budget and Accounting.

Key Points (Cont'd)

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Grants-in-Aid appropriations are reduced by about $0.3 million, to about $4.1 million, with the reduction being taken in the Services to Rehabilitation Clients account. Other monies available to the commission will offset this reduction. Proposed budget language would make $0.3 million from the Governor's Literacy Initiative available for Braille lessons.

DIVISION OF FAMILY DEVELOPMENT

Direct State Services. Recommended appropriations decrease 23.8 percent, from $35.1 million to $26.7 million. The following accounts are reduced by $8.3 million: Services Other Than Personal; Electronic Benefits Transfer/Distribution System; Work First New Jersey (WFNJ) - Child Support Initiatives; and WFNJ - Technology Initiatives.

Grants-In-Aid appropriations are reduced by about $25.7 million, from $287.2 million to $261.5 million:

- Funding for the following grants is eliminated, saving about $1.4 million: Family Day Care Registration Act; EITC Marketing; Mini Child Care Center Project Grants; and Kinship Care Navigator.

- Funding for the following grants is reduced by $31.1million: WFNJ Training Related Expenses; WFNJ Work Activities; WFNJ Breaking the Cycle; Kinship Care Guardianship and Subsidy; and TANF Abbott Expansion.

- An additional $5.0 million is provided for the Substance Abuse Initiative and a new $1.3 million appropriation is recommended for a Pharmaceuticals for Working GA Clients program.

State Aid. Funding increases 3.7 percent, from $188.8 million to $195.7 million because General Assistance costs and SSI payments increase by $2.8 million and $3.9 million, respectively. The expenditure increases in GA and SSI are largely related to caseload growth. The New Jersey Housing and Mortgage Finance Agency will provide $6.1 million to support General Assistance Emergency Assistance expenditures and reduce General Fund appropriations.

DIVISION OF YOUTH AND FAMILY SERVICES

The Division of Youth and Family Services, as currently organized and funded, is to be reorganized into the Division of Child Protection and Permanency. The recommended budget affecting the division and the department's other operational units may have to be restructured as part of the final appropriations act to reflect these changes.

Direct State Services appropriations increase 20.1 percent, from $73.1 million to $87.8 million. The increase provides an additional $14.3 million for the DYFS Reform Initiative for upwards of 275 new caseworkers, supervisors, support and security personnel and the purchase of additional vehicles and equipment.

Grants-In-Aid. Although appropriations decrease by about $1.3 million, from $239.1 million to $237.8 million, various increases/decreases in individual grant accounts relate to a reallocation of funds to better reflect expenditures after the transfer of most residential services to the Partnership for Children accounts within the Medicaid budget.

Key Points (Cont'd)

DIVISION OF MANAGEMENT AND BUDGET

Direct State Services appropriations increase 5.4 percent, from $28.8 million to $30.3 million. The overall increase is related to a $3.1 million request to pay Debt Service on Human Services Buses, which were financed through a lease purchase arrangement. Though recommended appropriations for Services Other Than Personal decrease by $1.5 million, the reduction is not a true reduction as an annual supplemental appropriation to reimburse consultants for certain services is omitted.

Grants-In-Aid appropriations decrease $5.6 million, from $19.4 million to $13.7 million. One-time Social Services Emergency Grants of $2.0 million provided by the Legislature is not continued and funding for the New Jersey Youth Corps, Family Friendly Centers and School Based Youth Services Program is reduced by $3.6 million.

An additional $5.6 million in Capital Construction is provided for the Statewide Automated Child Welfare Information System.

Proposed budget language in the Department of Health and Senior Services appropriates $4.0 million from the Catastrophic Illness in Children Relief Fund to support the Early Childhood Intervention Program.

Background Papers:

Program Description and Overview

DEPARTMENT OF HUMAN SERVICES (GENERAL)

The Personal Services accounts of the divisions incorporate $2.1 million in attrition ($0.6 million) and Early Retirement Initiative ($1.5 million) savings. Despite these savings, the number of State funded positions will increase 5.3 percent, to over 14,000, due to additional staff for the Division of Youth and Family Services and State institutions.

Contract Reform savings ($3.3 million) are incorporated in the Grants-in-Aid accounts of the divisions.

DIVISION OF MENTAL HEALTH SERVICES (DMHS)

DMHS operates five psychiatric hospitals (Ancora, Greystone, Trenton, the Arthur Brisbane Child Treatment Center and the Senator Hagedorn Gero-Psychiatric Hospital) and the Ann Klein Forensic Psychiatric Center for persons who are criminally dangerous or are dangerous in other institutional settings. These facilities will serve about 2,150 clients during FY 2004. All psychiatric facilities are accredited by the Joint Commission on the Accreditation of Healthcare Organizations, which enables the State to receive federal Medicare, Medicaid and disproportionate share reimbursements.

The division contracts with over 120 agencies to provide nearly 311,000 units of mental health services such as partial care, residential and case management. (Other community mental health expenditures are funded through the Medicaid budget.)

DMHS reimburses six county psychiatric hospitals 90 percent of the cost of non-Medicaid patients; certain patients are reimbursed at 100 percent. The county hospitals will provide services to 700 patients daily.

In FY 2004, the General Fund anticipates $51.5 million in various psychiatric hospital reimbursements and $171.5 million in federal disproportionate share reimbursements for non-Medicaid patients at accredited State and county hospitals.

DMHS' FY 2004 recommended General Fund appropriation is summarized on the next page.

Direct State Services. Continuation funding of $10.6 million is provided for Community Services ($5.5 million) and Administration and Support Services ($5.1 million). Funding for the six Psychiatric Hospitals decreases slightly from $239.9 million to $239.2 million.

Institutional populations are expected to decline by over 100 patients, from 2,260 to about 2,150; the largest census reductions occur at Ancora (30+), Greystone (50+) and Trenton (30+).

Grants-In-Aid. Overall appropriations increase 1.9 percent, from $230.3 million to $234.8 million:

- Funding for the main program for providing mental health services, Community Care, is reduced by $5.6 million. This reduction is offset, for the most part, by additional federal Medicaid reimbursements and other revenues: adult residential services - $3.4 million; integrated case management services - $0.8 million; enrollment as a Medicaid provider of an Atlantic county program - $0.1 million; and licensing fee revenues - $0.3 million.

Program Description and Overview (Cont'd)

Major services supported by the Community Care account include: Residential - $50.8 million; Outpatient Services - $35.9 million; and Emergency Services - $29.6 million.

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$577,878	$578,060	- -
Direct State Services:	$250,454	$249,799	(0.3%)
DMHS Central Office	$10,599	$10,580	(0.2%)
Psychiatric Hospitals	239,855	239,219	(0.3%)
Grants-In-Aid:	$230,314	$234,751	1.9%
Community Care	$199,499	$193,936	(2.8%)
Greystone Bridge Fund	12,750	22,750	78.4%
Other Grants	18,065	18,065	- -
State Aid	$94,510	$93,510	(1.1%)
Capital Construction	$3,000	$0	(100%)

- An additional $10.0 million is provided for the Greystone Park Psychiatric Hospital Bridge Fund. Under the program upwards of 400 clients from psychiatric facilities will be placed into various residential placements and existing community programs (such as integrated case management and programs for assertive community treatment) will be enhanced to reduce admissions/readmissions to State hospitals. In FY 2004, residential placements are expected to increase from about 130 to over 260.

  Final plans and costs associated with the construction/reconstruction of Greystone are not available. At present, construction costs are to be financed by the New Jersey Health Care Facilities Financing Authority without seeking voter approval.

State Aid to reimburse six county hospitals (Support of Patients in County Psychiatric Hospitals) for services to approximately 700 patients daily is reduced by $1.0 million, from $94.5 million to $93.5 million. The reduction assumes that: sufficient unexpended FY 2003 balances will be available; county hospitals will increase third party recoveries for patient care; and patient days will decline. If these assumptions are not realized, additional monies to reimburse counties will have to be made available.

Capital Construction. No funds are provided. (In FY 2003, $3.0 million was appropriated to replace a steam and condensate line at Trenton; although these funds are in reserve and cannot be spent, the funds have not been identified as monies that will be lapsed.)

Federal Funds of $15.7 million are used for community programs: Mental Health Block Grant ($12.1 million); the PATH program ($1.3 million); and the Burlington Partnership Program ($2.0 million).

Other Funds of $2.8 million are recommended. Approximately $0.9 million is related to a Revolving Fund (Regional Laundry at Ancora) and $1.6 million is for education-related programs at the various hospitals. A new licensing fee the division will impose on agencies will generate $0.3

Program Description and Overview (Cont'd)

million and will support the Grants-in-Aid accounts.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS)

DMAHS is the largest division within the department in terms of persons served and expenditures. The division administers the Medicaid program, which provides services to about 703,700 persons monthly, and the NJ FamilyCare program, which will serve about 101,700 children and 64,000 adults monthly.

The State's Medicaid program is one of the nation's most generous, as it provides most medical services permitted by federal law such as in/out patient hospital care, physician services and prescription drugs. The State establishes reimbursement for most services, within federal guidelines. Over 188,000, or about 96 percent, of the State's Work First New Jersey families with dependent children, are enrolled in Medicaid managed care. Surveys indicate that, in general, Medicaid recipients are satisfied with the health care services provided by managed care. Managed care is being extended to disabled persons (not on Medicare) and on a voluntary basis to those with Medicare coverage; at present, about 50,000 disabled persons (out of about 200,000) are enrolled in managed care plans.

DMAHS' FY 2004 recommended General Fund appropriations are on the next page.

Direct State Services expenditures increase from $26.1 million to $26.9 million. Due to the many computer system changes required to implement aspects of the Grants-in-Aid reductions affecting eligibility, eliminating certain services, imposing copayments on certain services and changes to prescription drugs services, Payments for Fiscal Agent costs are expected to increase by $1.0 million, from $5.6 million to $6.6 million. Offsetting this increase, the Personal Services and Services Other Than Personal accounts are reduced by $0.2 million. These reductions should not impact administrative functions.

Grants-In-Aid. Recommended appropriations increase from $1.89 billion to approximately $1.91 billion. Approximately $207 million is due to program growth and routine cost increases for Medicaid Services ($193.2 million), General Assistance Medical Services ($11.2 million) and the Partnership for Children (formerly the Children's System of Care Initiative - $3.0 million).

The recommended appropriation incorporates nearly $190 million in reductions/savings that will terminate eligibility for upwards of 60,000 NJ FamilyCare recipients, impose copayments on certain services, eliminate coverage for certain services and reduce prescription drug costs:

- Eligibility Limitations - NJ FamilyCare a $75.8 million reduction would result from limiting program eligibility to parents with incomes under 133 percent of the federal poverty level ($30.0 million); excluding non-General Assistance adults without children ($28.0 million); excluding resident aliens ($15.0 million); and excluding clients that had been enrolled in the Department of Health and Senior Services ACCESS program ($2.8 million). Upwards of 60,000 persons are expected to lose health coverage due to the proposed changes.)

- Prescription Drug Savings a $45.8 million reduction in drug costs would be realized by implementing a preferred drug list ($24.1 million); increasing the drug discount from 10 percent to 15 percent Average Wholesale Price ($11.1 million); mandating generic substitution ($8.1 million); reducing the rate of increase in drug costs at State psychiatric hospitals ($1.5 million); and expediting the approval of generic drugs by eliminating the Drug Utilization Review Council ($1.0 million).

Program Description and Overview (Cont'd)

- Reimbursement Limitations freezing outpatient hospital rates would save $24.0 million.

- Copayments savings of $18.9 million would be realized by requiring a $3.00 prescription drug copayment for certain recipients ($17.1 million); and either a $3.00 or $25.00 copayment for non-emergency services in outpatient hospital settings ($1.8 million).

- Service Exclusions are expected to save $15.0 million by eliminating dental services for certain eligibility groups ($15.0 million); and eliminate chiropractor services (under $0.1 million)

- Miscellaneous Savings of $10.3 million are expected to be achieved by obtaining federal reimbursement for certain DYFS medical expenditures ($5.5 million); through savings initiatives undertaken during FY 2003 ($3.8 million); and by expanding third party liability recovery effort ($1.0 million).

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$1,916,204	$1,934,445	1.0%
Direct State Services	$26,058	$26,853	3.1%
Grants-In-Aid:	$1,890,146	$1,907,592	0.9%
Personal Care	$5,694	$8,860	55.6%
Managed Care Initiative	523,707	536,078	2.4%
Other Treatment Facilities	5,567	11,290	102.8%
Inpatient Hospital	206,904	231,216	11.8%
Prescription Drugs	339,321	332,891	(1.9%)
Outpatient Hospitals	166,754	193,305	15.9%
Physician	22,266	28,884	29.7%
Home Health	19,105	12,447	(34.8%)
Medicare Premiums	67,425	74,368	10.3%
Clinic	45,138	51,882	14.9%
Transportation	33,200	36,051	8.6%
Dental	10,724	2,771	(74.2%)
Medical Supplies	14,958	12,123	(19.0%)
NJ FamilyCare	163,388	87,951	(46.2%)
General Assistance Medical	84,000	95,158	13.3%
Unit Dose Contract Services	10,253	7,803	(23.9%)
Partnership for Children	12,179	15,179	24.6%
Partnership for Children - Residential	88,762	88,762	- -
Other Grants	70,801	80,573	13.8%

Background Papers on Medicaid Mandatory/Optional Services and Cost Sharing Options and Medicaid Prescription Drug Changes later in this report provide additional information on these proposals.

Federal Funds are expected to increase from $1.9 billion to $2.0 billion. Approximately $52.2 million is included for Medicaid administrative costs. Approximately $247 million in federal funds is related to NJ FamilyCare program (adults - $163.3 million and children - $83.7 million).

Program Description and Overview (Cont'd)

The division and county welfare agencies may lose $14.6 million if Congressional proposals, supported by the President, are adopted that would reduce federal Medicaid administrative funding to support other aspects of welfare reauthorization.

Other Funds represent redirected unemployment insurance and cigarette tax revenues. The budget assumes that the Legislature will approve the continued redirection of $325 million in unemployment insurance taxes to hospitals for charity care.

Funds in this category decrease from $511.3 million to $508.9 million, due to a reduction in administrative costs related to the children's portion of NJ FamilyCare from $4.1 million to $1.7 million. Overall, funds are used for:

- New Jersey Health Care Hospital Payments, including the Health Care Subsidy Fund (which provides funding to approximately 40 hospitals that serve a large number of patients with mental illness, AIDS/HIV, etc.) - $466.1 million.

- NJ KidCare which provides health coverage to children with gross family income of up to 350 percent of the federal poverty level (two person household - $42,420; four person household - $64,400) - $42.8 million. Enrollment is expected to increase to 101,700 children by the end of FY 2004. At present, over 89,300 children are enrolled.

DIVISION OF DISABILITY SERVICES (DDS)

DDS provides information and referral services to persons with disabilities (that are not served by other programs) and their families. The division also administers various Medicaid programs such as the NJ WorkAbility program (which allows working disabled persons to qualify for Medicaid based on their income), personal care/personal preference services and various home and community based waiver programs such as Traumatic Brain Injury and Community Resources for People with Disabilities.

DDS' FY 2004 recommended General and Casino Revenue Fund appropriations are summarized on the next page.

Direct State Services appropriations of $1.0 million are unchanged from FY 2003 levels.

Grants-in-Aid appropriations are reduced from $148.3 million to $75.7 million, as $72.6 million in Personal Care and Waiver Initiatives costs are shifted to the Casino Revenue Fund. Casino Revenue Fund appropriations would increase from $3.7 million to $76.1 million reflecting the transfer of certain General Fund expenses.

Overall General and Casino Revenue Funds for the Personal Care program will increase from about $122.5 million to $123.1 million, while funding for the various Waiver Initiatives will decrease from $18.5 million to $16.5 million. These appropriations reflect $12.7 million in savings to be achieved by imposing a $3.00 copayment on Personal Care services and by limiting the number of hours of services that persons may receive to 25, with an additional 15 hours being available for "emergency utilization" (proposed budget language, D-237).

Program Description and Overview (Cont'd)

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$152,977	$152,784	- -
Direct State Services	$986	$984	- -
Grants-In-Aid:	$148,257	$75,672	(49.0%)
Personal Care	$122,534	$67,252	(45.1%)
Personal Assistance Services	3,251	3,251	- -
Community Supports ...	2,000	2,000	- -
Waiver Initiatives	18,471	0	(100%)
Other Services	2,001	3,169	58.4%
Casino Revenue Fund:	$3,734	$76,128	n.a.
Personal Assistance Services	$3,734	$3,734	- -
Personal Care	- -	55,892	n.a.
Waiver Initiatives	- -	16,502	n.a.

Federal Funds of approximately $141.0 million are recommended, largely unchanged from FY 2003 levels. Most of these monies are used to provide Personal Care and Waiver Initiative services.

DIVISION OF DEVELOPMENTAL DISABILITIES (DDD)

DDD evaluates various medical, social, and other factors of an individual to determine whether the person is developmentally disabled and qualifies for DDD's various residential/non-residential services. DDD serves a broad range of individuals, including persons with mental retardation, cerebral palsy, epilepsy, spina bifida and other neurological impairments which were present before age 22, are likely to continue indefinitely and result in substantial functional limitations in certain areas of major life activities. DDD provides autism services, services to adolescents "aging out" of DYFS and administers the Family Support Act. DDD has under supervision and provides day training, adult activities and other community services such as case management and group and skill development homes, to nearly 29,600 persons. In FY 2004, approximately $204.6 million in federal Community Care Waiver reimbursements will be received for these community services.

The division's seven developmental centers (Green Brook, Hunterdon, New Lisbon, North Jersey, Vineland, Woodbine and Woodbridge) provide residential care, habilitation, health services, education and training to about 3,300 clients. All developmental centers are currently accredited, resulting in an expected $211.0 million in federal ICF-MR reimbursements in FY 2004. At present, Woodbridge is the only developmental center that may lose its accreditation; if this occurs, the State would lose between $35 and $40 million in federal reimbursements.

DDD's FY 2004 recommended General and Casino Revenue Fund appropriations are summarized on the next page.

Direct State Services funding of $237.3 million represents a slight reduction from FY 2003 levels of $236.5 million. Funding for Administration and Support Services (Central Office) and Community Programs of $25.7 million is proposed, while $210.8 million is recommended for the

Program Description and Overview (Cont'd)

seven Developmental Centers. During FY 2004, the census at the centers will be little changed at about 3,300 clients. (The census figures do not reflect planned transfers through the two Community Transition Initiatives or normal attrition).

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$650,757	$649,293	(0.2%)
Direct State Services:	$237,296	$236,502	(0.3%)
Administration	$4,361	$4,351	(0.2%)
Community Programs	21,440	21,394	(0.2%)
Developmental Centers	211,495	210,757	(0.3%)
Grants-In-Aid:	$393,826	$393,156	(0.2%)
Group Homes	$170,667	$166,351	(2.5%)
Comm. Nursing Init. FY 2002	547	1,079	97.3%
Comm. WL Init. FY 2000	8,175	9,506	16.3%
Comm. WL Init. FY 2001	18,954	20,579	8.6%
Comm. WL Init. FY 2002	15,652	16,821	7.5%
Comm. Transition FY 2001	2,947	3,216	9.1%
Comm. Transition FY 2002	3,354	4,074	21.5%
Adult Activities	79,275	77,275	(2.5%)
Other Grants	94,255	94,255	- -
Casino Revenue Fund	$19,635	$19,635	- -

Grants-In-Aid. Recommended General and Casino Revenue Fund appropriations decrease from $413.5 million to $412.8 million. Total grant funding - including federal and Other Funds - will increase, from $647.0 million to $652.0 million. Additional funding is recommended for the following:

- Community Services Waiting List Reduction Initiative - FY 2000 - $1.3 million increase. The FY 2000 Initiative provides for 500 community placements, 400 day program slots and additional funding for family support services. As of December 2002, over 330 placements have occurred.

- Community Services Waiting List Reduction Initiative - FY 2001 - $1.6 million increase. The FY 2001 Initiative provides for 500 community placements, 400 day program slots and additional funding for family support services. As of December 2002, nearly 230 placements have occurred.

- Community Services Waiting List Reduction Initiative - FY 2002 - $1.2 million increase. The FY 2002 Initiative provides for 500 community placements, 400 day program slots and additional funding for family support services. As of December 2002, fewer than 140 placements have occurred.

- Community Transition Initiative - FY 2001 - $0.3 million increase. The Transition FY 2001 would relocate 144 clients from developmental centers to community programs. As of December 2002, fewer than 50 clients have been relocated.

Program Description and Overview (Cont'd)

- Community Transition Initiative - FY 2002 - $0.7 million increase. The Transition FY 2002 would relocate 200 clients from developmental centers to community programs. As of December 2002, fewer than 50 clients have been relocated.

- Community Nursing Care Initiative - FY 2002 - $0.5 million increase. The Nursing Care Initiative would relocate 25 developmentally disabled nursing home clients to community programs. As of December 2002, only 5 clients have been relocated.

Though funding for the following grants are reduced, there should be no reduction in the number of clients being served:

- Group Homes - $4.3 million reduction. The reduction is offset with $3.3 million in Other Funds (see below). Available information indicates that the FY 2004 appropriation of $322.3 million (gross) will serve about 7,400 clients.

- Purchase of Adult Activity Services - $2.0 million reduction, to $114.9 million (gross). Approximately 8,300 people will receive services.

Casino Revenue Fund. Appropriations of $19.6 million supplement Grants-In-Aid accounts such as Group Homes ($7.5 million) and Purchase of Adult Activity Services ($7.4 million).

Federal Funds increase 1.3 percent, from approximately $389.2 million to $394.4 million. ICF-MR ($211 million) and Community Care Waiver ($204.6 million) are the primary federal revenue sources. (A portion of these federal revenues reimburse the Department of the Treasury for fringe benefit expenses.) The allocation of federal ICF-MR and Community Care Waiver funds among the various programs is discretionary.

Proposed budget language (p. D-244) would limit federal expenditures on community programs to $184.3 million. Since the budget projects federal expenditures of $197.3 million, the department must submit a plan to and obtain the approval of the Director of the Division of Budget and Accounting before the additional $13 million in federal funds can be expended.

Other Funds increase by $3.0 million, from $58.3 million to $61.2 million. The increase is due to $3.3 million from the New Jersey Housing and Mortgage Finance Agency to reduce General Fund appropriations for Group Homes. Recoveries of $38.6 million are anticipated and are used to support various Purchased Residential Care programs such as Group Homes and Skill Development Homes and Waiting List Reduction Initiatives. The remaining $19.3 million represent State Facilities Education Funds to support the Education and Day Training program and education programs at developmental centers.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)

CBVI will provide education services to 2,800 clients, vocational rehabilitation services to 2,400 clients, independent living services to over 4,200 persons, and eye screenings to 45,000 persons. Services are provided through four offices (Camden, Newark, Pleasantville and Toms River). Certain services such as college and career counseling, screening programs and the operation of a toll-free telephone number are provided on a Statewide basis. CBVI operates the Kohn Residential Center (New Brunswick),which evaluates the vocational skills of clients and provides training programs for clients to enable them to live and function independently. The center serves about 200 clients annually.

Program Description and Overview (Cont'd)

The commission's programs are accredited by the National Accreditation Council for Agencies Serving the Blind and Visually Impaired.

Direct State Services. Continuation funding of $8.3 million is recommended, including $0.8 million for Technology for the Visually Impaired.

Grants-In-Aid funding decreases by about $0.3 million, from $4.5 million to $4.2 million. The Services to Rehabilitation Clients account will be reduced, nominally affecting prevention services for clients under the age of 21, the acquisition of low vision equipment and volunteer matching for persons over the age of 55. Available information is that the commission will reallocate federal or other funds over which it has funding discretion to minimize the reduction's impact.

Capital Construction. No funds are provided. (In FY 2003, $1.2 million was appropriated for emergency equipment upgrades at the Kohn Rehabilitation Center; although these funds are in reserve and cannot be spent, the funds have not been identified as monies that will be lapsed.)

Federal Funds. Approximately $10.3 million is anticipated, unchanged from FY 2003 levels. Most of the federal funds are for Vocational Rehabilitation services ($9.6 million) and the monies are to be used to offset the Grants-In-Aid funding reductions.

Other Funds of $ 0.8 million are anticipated: $0.5 million in appropriated receipts and $0.3 million in Social Security Administration reimbursements used for vocational rehabilitation services.

DIVISION OF FAMILY DEVELOPMENT (DFD)

DFD supervises local administration of the federal Temporary Assistance for Needy Families (TANF) Block Grant, General Assistance (GA), Food Stamp, Low Income Home Energy Assistance, and federally mandated child support enforcement programs. (Other child support activities are administered by the Administrative Office of the Courts.) DFD's primary responsibility has changed from supervision of county and municipal welfare programs to one involving job training, employment and requiring TANF recipients to assume more responsibility over their lives and financial circumstances.

DFD administers the Work First New Jersey (WFNJ) program which succeeds previous programs that attempted to train and find employment for welfare clients such as WIN, JPTA, REACH, JOBS and the Family Development Program. In general, the program emphasizes employment and job training and provides financial assistance, child care, transportation, extended Medicaid benefits and on-going case management support. WFNJ also provides education and job training to GA recipients, although the GA program does not qualify for federal reimbursement.

Increases or reductions in General Fund appropriations for specific WFNJ activities are discretionary so long as $304 million in State funds are expended annually, its Maintenance of Effort requirement. This enables the State to obtain its annual allotment of approximately $404 million in federal TANF funds. As the State has discretion in allocating federal TANF funds among WFNJ programs, a reduction in State funding does not mean an overall funding reduction.

DFD's FY 2004 recommended General Fund appropriation is summarized below.

Program Description and Overview (Cont'd)

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$511,056	$483,935	(5.3%)
Direct State Services:	$35,060	$26,702	(23.8%)
Administration	$17,127	$16,614	(3.0%)
Child Support Initiatives	3,702	1,702	(54.0)%
WFNJ Technology	9,690	4,345	(55.2%)
Misc.	4,541	4,041	(11.0%)
Grants-In-Aid:	$287,154	$261,498	(8.9%)
WFNJ Related Activities	$132,646	$109,296	(17.6%)
TANF Abbott Expansion	121,000	114,500	(5.4%)
Kinship Programs	8,450	7,200	(14.8%)
Substance Abuse	11,455	16,455	43.6%
Misc.	13,603	14,047	3.3%
State Aid:	$188,842	$195,735	3.7%
General Assistance Benefits	$73,531	$76,294	3.8%
WFNJ Client Benefits	3,272	3,272	- -
SSI Programs	80,211	84,341	5.1%
Misc. State Aid	31,828	31,828	- -

Direct State Services. Recommended State appropriations decrease 23.8 percent, from $35.1 million to $26.7 million, as follows:

- Services Other Than Personal funding is reduced from $6.0 million to $5.5 million. As most of the monies in this account reimburse the Office of Information Technology (OIT) for data processing costs, it is probable that this expenditure is being reduced. However, additional funds will be made available to OIT, if needed.

- Funding is reduced for the following Special Purpose accounts: WFNJ Child Support Initiatives (including centralized collection of child support, New Hires reporting system, license revocation and public awareness) decrease from $3.7 million to $1.7 million.; Electronic Benefit Transfer/Distribution System (for costs associated with providing various benefits through ATMs and other electronic devices) decrease from $1.2 million to $0.7 million; and WFNJ Technology Investment (for various data processing projects) appropriations decrease from $9.7 million to $4.3 million.

  As sufficient unexpended State and federal funds are likely to be available, the reductions should have little impact. Also, proposed budget language appropriates an additional $3.0 million for WFNJ Technology Investment, if needed.

Grants-In-Aid. Recommended appropriations decrease by about $25.7 million, from $287.2 million to $261.5 million.

Appropriations for various WFNJ activities decrease from $144.1 million to $125.8 million:

Program Description and Overview (Cont'd)

	FY 2003	FY 2004
WFNJ -Training Related Expenses	$2,415	$1,215
WFNJ - Work Activities	$55,500	$34,850
WFNJ - Community Housing for Teens	$200	$200
WFNJ - Child Care	$66,847	$66,847
WFNJ - Breaking the Cycle Pilots	$7,684	$6,184
Substance Abuse Initiative	$11,455	$16,455

Including federal funds, total WFNJ expenditures for the above activities decrease $10.3 million, from $459.4 million to $449.1 million.

The monies listed above will provide: training related expenses to about 3,500 recipients monthly; vocational training and education to over 5,300 teen parents monthly; nearly 1,500 recipients monthly with community work experience projects; and child care to 54,100 children monthly. Approximately 1,200 recipients monthly will enter employment. (With respect to child care, available information indicates that both the number of children receiving transitional child care and the number of children on the waiting list receiving services and related expenditures are expected to decline by about 4,500 children and $17.4 million, respectively.)

Proposed budget language would:

- Supplement State appropriations for Training Related Expenses/Work Activities with up to $25 million from the Workforce Development Partnership Fund.

- Transfer $35 million to the General Fund for Training Related Expenses/Work Activities appropriations from the Workforce Development Partnership Fund. Thus, only $1.1 million in General Funds are actually being spent on Training Related Expenses/Work Activities.

In addition to the above WFNJ activities, funding is reduced for the following programs:

- TANF Abbott Expansion - $ 6.5 million reduction, to $114.5 million. Available information from the Department of Education is that enrollment in the Abbott districts for full day, year round child care programs is below the initial estimates of 25,000 children. Also, $15.5 million in FY 2003 funds were transferred from the account to the Medicaid Nursing Homes account.

- Kinship Care Guardianship and Subsidy - $1.3 million reduction, to $1.0 million. The reduction will have little impact as $8.6 million in additional federal funds are recommended.

Funding for the following programs are eliminated:

- EITC [Earned Income Tax Credit] Marketing, $0.1 million. The elimination of funding should have no impact as the $86 million appropriation for the Earned Income Tax Credit supports related administrative expenses.

Program Description and Overview (Cont'd)

- Family Day Care Registration Act, $0.4 million. No funds were expended in FY 2002 or FY 2003 (to date). Program costs are probably being supported by the WFNJ Child Care program which supports administrative costs related to child care programs.

- Mini-Child Care Center Project Grants, $0.3 million. Though an explanation as to why this program is eliminated has not been provided, no funds were expended in FY 2002 or FY 2003 (to date).

- Kinship Care Navigator, $0.5 million. Though funding is eliminated, aspects of the program can be handled by Kinship Care Initiatives, whose funding increases by $0.5 million, to $6.3 million.

Finally, the budget recommends $1.3 million for a new program, Pharmaceuticals for Working GA Clients. No information is available as to the number of persons this program will support.

State Aid appropriations increase 3.7 percent, from $188.8 million to $195.7 million, as follows:

- General Assistance (GA) Benefits. Total recommended appropriations increase from $73.5 million to $76.3 million.

  Emergency Assistance appropriations decrease from $28.2 million to $27.0 million. The reduction is misleading as $6.1 million in Other Funds will supplement the appropriation. Including these Other Funds, total expenditures increase by $4.9 million, to $33.1 million.

  Caseloads are expected to increase from 3,650 to over 3,700 persons monthly and average monthly costs are expected to increase by over $30, to $745.

  Payments to Municipalities appropriations increase from $45.3 million to $49.2 million and are attributable to caseload growth.

  In FY 2004, approximately 27,100 persons (14,600 employable and 12,500 unemployable) will receive assistance, compared to 25,900 (13,900 employable and 12,000) in FY 2003.

- WFNJ Emergency Assistance (Federal Funds). Federal appropriations increase from $41.6 million to $46.7 million, due to caseload growth, from 7,150 to nearly 7,950.

- Payments for Supplemental Security Income. Recommended appropriations increase from $64.6 million to $68.6 million, due to higher caseloads and higher emergency assistance and burial expenses. Approximately 143,900 aged and disabled persons will receive benefits monthly.

  State appropriations for other State Aid programs are virtually unchanged:

- Work First New Jersey - Client Benefits (to provide monthly assistance to eligible households). Gross appropriations are reduced by $1.0 million, to $119.0 million, as caseloads are expected to decline to 98,800 persons and assumes that more children will participate in the Kinship Care Guardianship and Subsidy program.

- State Supplemental Security Income Administrative Fee to SSA (to reimburse the federal

Program Description and Overview (Cont'd)

government for certain administrative expenses). Appropriations increase by about $0.2 million, to $15.8 million, as caseloads will increase to 143,900 recipients.

- General Assistance County Administration (to reimburse county welfare agencies for General Assistance administrative expenses). The budget recommends $21.5 million.

- Food Stamp Administration - State (to reimburse county welfare agencies for the loss of federal Food Stamp administrative funds). The budget recommends $8.6 million.

- Food Stamps for Legal Aliens (to provide Food Stamps to certain persons that lost federal Food Stamp benefits). The budget recommends $3.0 million.

Federal Funds. Recommended appropriations increase by nearly $40 million, from $875.7 million to $915.2 million. These federal funds are from a variety of sources such as Food Stamps, Child support, and home energy assistance, though the largest single source of funds is the TANF Block Grant.

The State continues to spend down the balances of prior federal TANF Block Grant allocations. In FY 2003 and FY 2004, TANF expenditures will be $529.8 million and $572.8 million, respectively, compared to the State's $404 million annual allocation. Among the major programs supported by federal TANF monies are Client Benefits/Emergency Assistance ($162.4 million); the Earned Income Tax Credit ($86 million) and Child Care ($69.1 million).

DIVISION OF YOUTH AND FAMILY SERVICES (DYFS)

DYFS is responsible for investigating all reports of child abuse and neglect; providing services to abused, neglected and delinquent children and their families; supervising the provision of social services by county welfare agencies; and approving and monitoring county Youth Services Plans. DYFS has regulatory responsibility for licensing and monitoring child care centers, family day care providers, residential programs, foster care and other programs. The division operates 36 district offices, six adoption centers and three residential facilities.

The division is to be restructured into the Division of Child Protection and Permanency. DYFS' budget and the budgets of other divisions that may be affected by this reorganization may have to be reconfigured in the final FY 2004 appropriations act to reflect the planned changes.

DYFS' FY 2004 General Fund appropriation is summarized on the next page:

Direct State Services appropriations increase 20.1 percent, from $73.1 million to $87.8 million, and are related to:

- Annualized funding provided by the Legislature for additional staff at the Adoption Resource Centers and District Offices.

- An additional $14.3 million for the Children First Reform Initiative that will enable DYFS to hire upwards of 270 personnel as follows: supervisors - 47; caseworkers - 65; various support staff - 127; and security personnel - 32. The additional personnel are intended to improve supervision, reduce caseload size and enhance support services. The monies will also used for equipment such as cellphones and vehicles.

Program Description and Overview (Cont'd)

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$312,161	$325,536	4.3%
Direct State Services	$73,106	$87,774	20.1%
Grants-In-Aid:	$239,055	$237,762	(0.5%)
Treatment Homes	$10,474	$1,961	(81.3%)
Foster Care	51,705	50,268	(2.8%)
Subsidized Adoption	43,832	52,191	19.1%
Residential Placements	9,577	6,985	(27.1%)
Purchase of Social Services	15,101	13,808	(8.6%)
Other Grants	108,366	112,549	3.9%

In January 2003, as a percentage of the Child Welfare League of America standard, staffing levels at the various District Offices and Adoption Resource Centers were:

Central DOs - 94.2%
Metropolitan DOs - 77.6%
Northern DOs - 87.0%
Southern DOs - 75.4%
ARCs - 84.6%

Grants-In-Aid appropriations decrease from $239.1 million to $237.8 million.

While there are significant increases/decreases in various Grants-In-Aid accounts, available information indicates that these changes are intended to better reflect anticipated spending levels after the reallocation of monies in FY 2003 to the Partnership for Children (Children's System of Care Initiative) program. Therefore, the various increases/decreases do not represent either an expansion of, or a reduction in, various grant activities. **Total grant funding, including Federal, decrease from $294.0 million to $292.7 million.**

The number of Subsidized Adoptions is expected to increase by about 400, to nearly 8,100, in FY 2004, in line with prior year increases. The division was awarded $1.2 million in federal incentive monies in acknowledgment of its adoption placement activities. In the area of Foster Care, however, the number of children in paid/unpaid placements continues to increase despite efforts to reduce such placements. Between January 2002 and January 2003, the number of children in paid/unpaid Foster Care placements increased from about 8,000 to nearly 8,600.

Federal Funds of approximately $191.3 million are recommended, an increase from the $187.5 million expected in FY 2003. The division receives funds from various federal programs such as TANF, Titles IV-A, B and E and XIX, etc. It appears that the amount of federal Title IV-E funds anticipated has increased by $14.5 million. Though a consultant has been retained to increase IV-E collections (on a contingency fee basis), it is uncertain how much additional federal revenues will be attained. To the extent that such additional federal revenues are not realized, State funds will be needed to offset the shortfall.

Other Funds of $5.2 million are recommended and represent restricted grants and various recoveries from legally responsible relatives.

Program Description and Overview (Cont'd)

DIVISION OF THE DEAF AND HARD OF HEARING (DDHH)

The division advocates on behalf of the deaf with public and private organizations and conducts training programs for such groups. DDHH distributes information on telecommunication devices, decoders and other auxiliary aids for the deaf and hearing impaired; provides public information and publishes the Monthly Communicator newsletter; and acts as the certifying agency for the 25 percent rate reduction for phone customers who use a telecommunication device for the deaf and for the half-fare transportation card for the disabled.

Continuation funding of $0.7 million is recommended and includes $0.3 million to continue a Legislative initiative, Services to Deaf Clients, to expand services to the deaf.

DIVISION OF MANAGEMENT AND BUDGET (DMB)

DMB implements legislation, formulates policy and coordinates program planning activities among the seven other operating divisions. The division provides various centralized services to the other divisions such as financial management, auditing, purchasing and security services; prepares cost reports for the State developmental centers and psychiatric hospitals; and develops per diem rates for these facilities, subject to the approval of the State House Commission. The Catastrophic Illness in Children Relief Fund is included in the division for organizational purposes.

The division's FY 2004 recommended **General Fund** appropriation is summarized below.

	Adj. Appropriation FY 2003	Recommended FY 2004	Percent Change
TOTAL ($000)	$51,422	$49,660	(3.4%)
Direct State Services	$28,772	$30,322	5.0%
Grants-In-Aid	$19,350	$13,738	(29.0%)
Capital Construction	$3,300	$5,600	70.0 %

Direct State Services. The recommended appropriation of $30.3 million represents a 5.0 percent increase from FY 2003.

Services Other Than Personal expenditures decrease by $1.5 million, to about $7.0 million. The reduction is misleading as $1.4 million involves a FY 2003 supplemental appropriation to reimburse a vendor for services. Even though a supplemental appropriation of this type occurs annually, the FY 2004 recommended budget does not recognize the appropriation until it occurs.

A new $3.1 million appropriation for Debt Service on Human Services Buses is recommended. This appropriation involves the purchase of buses through a lease purchase financing arrangement that will be repaid over a three-year period.

Grants-In-Aid funding is reduced 29.0 percent, from $19.4 million to $13.7 million. A one-time $2.0 million Legislative appropriation (which was subsequently increased to over $4.0 million through transfers) for Social Services Emergency Grants is not continued. In addition, grant funding for the following is reduced: School Based Youth Services Program ($2.6 million), Family Friendly

Program Description and Overview (Cont'd)

Center ($0.7 million), and the New Jersey Youth Corps ($0.3 million).

Capital Construction. The budget recommends $5.6 million in additional funds for the Statewide Automated Child Welfare Information System which will be used to replace an existing computer system that is over 20 years old. The system's final cost will not be known until a Request for Proposal is issued and a contract is awarded.

Federal Funds represent reimbursement for fringe benefits and indirect cost recoveries chargeable to federal programs. Approximately $67.8 million is anticipated.

Other Funds, including Revolving Funds, of approximately $8.5 million are recommended and will be used for the following: Catastrophic Illness in Children Relief Fund (administration) - $1.1 million; Children's Trust Fund - $0.5 million; State Facilities Education- $5.0 million; CapKold Food Production System (revolving fund) - $1.3 million; and Personal Needs Allowances for persons in institutions - $0.6 million.

Proposed language in the **Department of Health and Senior Services** budget would appropriate $4.0 million in unexpended balances from the Catastrophic Illness in Children Relief Fund for use in the Early Childhood Intervention Program.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

DEPARTMENT OF HUMAN SERVICES (TOTAL)

	Expended FY 2002	Adj. Approp. FY 2003	Recom. FY 2004	Percent Change 2002-04	Percent Change 2003-04
General Fund					
Direct State Services	$668,087	$660,811	$667,985	0.0%	1.1%
Grants - In - Aid	2,694,615	3,212,558	3,128,347	16.1%	-2.6%
State Aid	272,087	283,352	289,245	6.3%	2.1%
Capital Construction	8,565	7,500	5,600	-34.6%	-25.3%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	$3,643,354	$4,164,221	$4,091,177	12.3%	-1.8%
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	$0	$0	$0	0.0%	0.0%
Casino Revenue Fund	$23,323	$23,369	$95,763	310.6%	309.8%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	$3,666,677	$4,187,590	$4,186,940	14.2%	0.0%
Federal Funds	$3,408,221	$3,563,194	$3,736,341	9.6%	4.9%
Other Funds (a)	$793,043	$593,712	$600,706	-24.3%	1.2%
Grand Total	$7,867,941	$8,344,496	$8,523,987	8.3%	2.2%

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2002	Revised FY 2003	Funded FY 2004	Percent Change 2002-04	Percent Change 2003-04
State	13,249	13,345	14,048	6.0%	5.3%
Federal	5,122	5,034	5,502	7.4%	9.3%
All Other (b)	524	471	465	-11.3%	-1.3%
	18,895	18,850	20,015	5.9%	6.2%

FY 2002 (as of December) and revised FY 2003 (as of September) personnel data reflect actual payroll counts. FY 2004 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	56.4%	56.4%	56.4%	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

DEPARTMENT OF HUMAN SERVICES (GENERAL)

Approximately $2.1 million in savings from attrition ($0.6 million) and from the Early Retirement Initiative ($1.5 million) are incorporated in the Personal Services accounts of the various division.

The Grants-In-Aid accounts of the various divisions incorporate $3.3 million in anticipated Contract Reform savings.

DIVISION OF MENTAL HEALTH SERVICES

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Greystone Park Psychiatric Hospital Bridge Fund	$12,750	$22,750	$10,000	78.4%	D-214

The appropriation is used to develop, expand and enhance community programs (including group and independent living arrangements, integrated case management, and Programs for Assertive Community Treatment) for about 400 patients at the various State hospitals. The programs will cost over $35 million when fully developed and phased-in.

The division intends to have the New Jersey Health Care Facilities Financing Authority finance construction related to a new Greystone facility. Costs are not known at this time.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Community Care	$199,499	$193,936	($5,563)	(2.8)%	D-214

Recommended appropriations are reduced due to additional Medicaid revenues: For adult residential services ($3.4 million); for integrated case management services ($0.8 million); and for certification of an Atlantic county residential program ($0.1 million). A new licensing fee on community mental health agencies will generate $0.3 million in revenues.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Support of Patients in County Psychiatric Hospitals	$94,510	$93,510	($1,000)	(1.1)%	D-215

State Aid reimbursement for the six county psychiatric hospitals is reduced by $1.0 million. The reduction will not affect the hospitals if sufficient unexpended FY 2003 balances are available, if the hospitals realize additional third party recoveries or if the number of patient days of care decline. If such assumptions are not realized, additional funds would have to be provided.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Trenton Psychiatric Hospital: Capital Construction	$3,000	$0	($3,000)	(100.0)%	D-219

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

The $3.0 million appropriation to Trenton is to replace a steam and condensate line at the facility. The $3.0 million is in reserve and is unavailable for expenditure. The project's future status is uncertain.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

Payments to Fiscal Agents	$5,641	$6,641	$1,000	17.7%	D-229

The State's fiscal agent will incur additional expenses to implement system changes to restrict eligibility, limit and impose copayments on various Medicaid services and change how prescription drugs are reimbursed.

Payments for Medical Assistance Recipients: Personal Care	$5,694	$8,860	$3,166	55.6%	D-229
Managed Care Initiative	$523,707	$536,078	$12,371	2.4%	D-229
Other Treatment Facilities	$5,567	$11,290	$5,723	102.8%	D-229
Inpatient Hospital	$206,904	$231,216	$24,312	11.8%	D-229
Prescription Drugs	$339,321	$332,891	($6,430)	(1.9)%	D-229
Outpatient Hospital	$166,754	$193,305	$26,551	15.9%	D-229
Physician	$22,266	$28,884	$6,618	29.7%	D-229
Home Health	$19,105	$12,447	($6,658)	(34.9)%	D-229
Medicare Premiums	$67,425	$74,368	$6,943	10.3%	D-229
Dental	$10,724	$2,771	($7,953)	(74.2)%	D-229
Transportation	$33,200	$36,051	$2,851	8.6%	D-229
Medical Supplies	$14,958	$12,123	($2,835)	(19.0)%	D-230
Clinics	$45,138	$51,882	$6,744	14.9%	D-230
Other Services	$11,777	$21,071	$9,294	78.9%	D-230

The amounts listed above are estimated FY 2004 costs to provide services to Medicaid eligible clients. The FY 2004 budget incorporates $193.2 million in program growth and $114 million in program reductions such as:

- Copayments - $3.00 for prescription drugs ($17.1 million) and copayment of $3.00 or

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

$25.00 for visits to a outpatient hospital or hospital emergency room, respectively, for non-emergencies ($1.8 million).

- Reimbursement Limits - Freeze outpatient hospital rates ($24.0 million).

- Service Exclusions - Eliminate non-medical/surgical dental procedures ($15.0 million) and eliminate chiropractic services (less than $0.1 million) for most Medicaid recipients.

- Prescription Drug Savings - Implement a preferred drug formulary ($24.1 million); increase the discount the State receives when it purchases drugs from Average Wholesale Price less 10 percent, to 15 percent ($11.1 million); mandatory generic substitution ($8.1 million); reduce the rate of increase in State psychiatric hospital pharmacy costs ($1.5 million); expedite the introduction of generic drugs by eliminating the Drug Utilization Review Council ($1.0 million).

- Miscellaneous Savings - Annualized FY 2003 savings ($3.8 million); expand third party liability efforts ($1.0 million) and DYFS medical savings ($5.5 million).

Unit Dose Contract Services	$10,253	$7,803	($2,450)	(23.9)%	D-230

As FY 2003 expenditures are projected at around $7.5 million, FY 2004 appropriations are being reduced.

General Assistance Medical Services	$84,000	$95,198	$11,198	13.3%	D-230

This program was implemented in FY 2003 to provide General Assistance recipients who were removed from the NJ FamilyCare program with non-hospital services. As General Assistance enrollment is expected to increase from 25,800 to 27,100 during FY 2004, additional funds are recommended.

NJ FamilyCare - Affordable and Accessible Health Coverage Benefits	$163,388	$87,951	($75,437)	(46.2)%	D-230

Upwards of 60,000 persons may lose benefits as the program is further scaled back for budgetary considerations. The reductions include:

- Limit eligibility to parents with incomes up to 133 percent of the federal poverty level - $30 million. (The 2003 federal poverty levels at 133 percent are as follows: two-person household - $16,120; three-person household - $20,296; and four-person household - $24,472.)

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

- Exclude non-General Assistance adults without children from the program - $28.0 million.
- Exclude resident aliens - $15.0 million.
- Eliminate clients that had been part of the Department of Health and Senior Services ACCESS program - $2.8 million.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Partnership for Children	$12,179	$15,179	$3,000	24.6%	D-230

Formerly known as the Children's System of Care Initiative, an additional $3.0 million is provided to expand and enhance existing services. The program is coordinated by a contracted systems administrator (Value Options) and services are provided on a county level by a care management organization, a family support organization and mobile outreach and stabilization units. Counties currently participating in the program are: Atlantic/Cape May, Bergen, Burlington, Mercer, Monmouth and Union. Hudson and Middlesex counties are expected to be added to the program during FY 2003.

DIVISION OF DISABILITY SERVICES

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Personal Care (Total)	$122,534	$123,144	$610	0.5%	
General Fund	$122,534	$67,252	($55,282)	(45.1)%	D-236
Casino Revenue Fund	$0	$55,892	$55,892	—	D-236
Waiver Initiatives (Total)	$18,471	$16,502	($1,969)	(10.7)%	
General Fund	$18,471	$0	($18,471)	(100.0)%	D-237
Casino Revenue Fund	$0	$16,502	$16,502	—	D-237

Approximately $72.4 million in costs associated with the Personal Care and Waiver Initiatives programs are shifted from the General Fund to the Casino Revenue Fund. Also, proposed budget language provisions will:

- Require a $3 per day of service cost share.
- Limit the number of hours of service that can be provided to 25, except for an additional 15 hours for "emergency utilization" for the Personal Assistance Services and the Personal Care programs.

These provisions are expected to reduce program costs by about $12.7 million (including savings that the Division of Medical Assistance and Health Services will realize).

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

DIVISION OF DEVELOPMENTAL DISABILITIES

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Group Homes (Total)	$323,277	$322,277	($1,000)	(0.3)%	D-242
General Fund	$170,667	$166,351	($4,316)	(2.5)%	
Federal	$129,637	$129,637	$0	—	
Other Funds	$15,500	$15,500	$0	—	
Casino Revenue Fund	$7,473	$7,473	$0	—	
Group Home Mortgages - HFMA Offset	$0	$3,316	$3,316	—	

Overall, Group Homes funding is reduced by $1.0 million. Approximately $3.3 million in General Fund expenses will be supported by the New Jersey Housing and Mortgage Finance Agency. In FY 2004, the number of persons receiving residential services is expected to increase from over 6,900 to about 7,400 clients.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Community Nursing Care Initiative - FY 2002 (Total)	$984	$1,470	$486	49.4%	D-242
General Fund	$547	$1,079	$532	97.3%	
Federal	$437	$391	($46)	(10.5)%	

This initiative would provide community services to 25 developmentally disabled nursing home clients at a cost of $1.6 million. As of December 2002, 5 clients have been placed. At a cost of about $65,000 per placement, the recommended appropriation would support 23 placements.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Community Services Waiting List Reduction Initiative - FY 2000 (Total)	$27,687	$29,734	$2,047	7.4%	D-242
General Fund	$8,175	$9,506	$1,331	16.3%	
Federal	$8,882	$9,598	$716	8.1%	
Other Funds	$10,630	$10,630	$0	—	
Community Services Waiting List Reduction Initiative - FY 2001 (Total)	$29,308	$30,715	$1,407	4.8%	D-242
General Fund	$18,954	$20,579	$1,625	8.6%	

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Federal	$10,354	$10,136	($218)	(2.1)%	
Community Services Waiting List Reduction Initiative - FY 2002 (Total)	$20,296	$24,646	$4,350	21.4%	D-242
General Fund	$15,652	$16,821	$1,169	7.5%	
Federal	$4,644	$7,825	$3,181	68.5%	

Each initiative, over a two-year period, was to provide 500 community placements, 400 day program slots and additional funds for family support services. As of December 2002, the following placements have occurred: FY 2000 Initiative - over 330 placements; FY 2001 Initiative - about 230 placements; and FY 2002 Initiative - over 130 placements.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Community Transition Initiative - FY 2001 (Total)	$4,716	$4,662	($54)	(1.1)%	D-242
General Fund	$2,947	$3,216	$269	9.1%	
Federal	$1,769	$1,446	($323)	(18.3)%	
Community Transition Initiative - FY 2002 (Total)	$6,176	$5,964	($212)	(3.4)%	D-242
General Fund	$3,354	$4,074	$720	21.5%	
Federal	$2,822	$1,890	($932)	(33.0)%	

Over a two-year period, the FY 2001 and FY 2002 Community Transition Initiatives were to relocate 144 and 200 developmental center clients to community programs, respectively. As of December 2002, the two initiatives have placed over 90 clients.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Adult Activities (Total)	$116,941	$114,941	($2,000)	(1.7)%	D-243
General Fund	$79,275	$77,275	($2,000)	(2.5)%	
Federal	$30,292	$30,292	$0	0.0%	
Casino Revenue Fund	$7,374	$7,374	$0	0.0%	

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

These funds would provide Adult Activities services to about 8,300 persons, an increase of about 200 from 8,100 in FY 2003.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Services to Rehabilitation Clients	$2,031	$1,753	($278)	(13.7)%	D-260

The reduction would affect: prevention services to clients under the age of 21; the acquisition of low vision equipment on behalf of clients; and providing volunteers to clients over the age of 55. The commission will offset these reductions by reallocating federal and other funds over which it has spending flexibility.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Emergency Equipment Upgrades - J. Kohn Rehabilitation Center: Capital Construction	$1,200	$0	($1,200)	(100.0)%	D-261

The $1.2 million in capital monies was for certain emergency equipment upgrades. The monies are in reserve and are unavailable for expenditure. Whether the project will move forward in FY 2003 is uncertain.

DIVISION OF FAMILY DEVELOPMENT

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Services Other Than Personal (Total):	$20,682	$20,201	($481)	(2.3)%	D-265
General Fund	$5,997	$5,516	($481)	(8.0)%	
Federal	$14,685	$14,685	$0	—	

The Services Other Than Personal account, specifically the account to reimburse the Office of Information Technology (OIT) is reduced by about $0.5 million. The funding reduction will have little impact as OIT will be reimbursed even if insufficient funds are appropriated.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Electronic Benefits Transfer/Distribution System (Total)	$3,673	$3,173	($500)	(13.6)%	D-265
General Fund	$1,104	$604	($500)	(45.3)%	
Federal	$2,569	$2,569	$0	0.0%	

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Support Initiatives (Total)	$12,032	$10,032	($2,000)	(16.6)%	D-265
General Fund	$3,702	$1,702	($2,000)	(54.0)%	
Federal	$8,330	$8,330	$0	0.0%	
Work First New Jersey - Technology Investment (Total)	$24,798	$20,162	($4,636)	(18.7)%	D-265
General Fund	$9,690	$4,345	($5,345)	(55.2)%	
Federal	$15,108	$15,817	$709	4.7%	

The Electronic Benefits system provides cash benefits and Food Stamps to eligible recipients through use of ATMs and is to be extended to the General Assistance program. The Child Support Initiative account supports various child support projects, including the New Hires monitoring system, centralized child support collections, financial institutions data match and various public relations activities. The Technology Investment appropriation supports various data processing projects affecting welfare, child support and General Assistance.

Though State funding for the three programs is reduced, sufficient unexpended State funds and federal funds should be available to support program costs in FY 2004. In addition, proposed budget language on p. D-268 would appropriate an additional $3.0 million for the Technology Investment account, if needed.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Work Activities (Total)	$123,362	$121,541	($1,821)	(1.5)%	D-266
General Fund	$55,500	$34,850	($20,650)	(37.2)%	
Federal	$67,862	$86,691	$18,829	27.7%	

The $121.5 million (gross) for Work Activities is expected to provide 3,500 clients with supported work projects, 400 clients with on-the-job training, 15,400 clients with alternative work experience, 1,500 clients with community work experience, 5,300 teen parents with vocational training/education and 5,800 persons with other work activities, on a monthly basis.

The proposed budget funds $35 million of the $36.1 million in Work Activities and Training Related Expenses **General Fund** appropriation with revenues transferred from the Workforce Development Partnership Fund; thus, the **General Fund** is contributing only $1.1 million in funds. Another language provision would appropriate up to $25 million in additional Workforce Development Partnership Funds for Work Activities and Training Related Expenses.

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Child Care (Total)	$276,855	$264,864	($11,991)	(4.3)%	D-266
General Fund	$66,847	$66,847	$0	0.0%	
Federal	$210,008	$198,017	($11,991)	(5.7)%	

The $264.9 million (gross) for Child Care supports administrative costs and will provide services to approximately 54,100 children monthly, a slight decline from the estimated 56,600 children expected to receive services in FY 2003. Funding for transitional child care (for persons leaving public assistance) and for children on the waiting list for child care services will be reduced by $3.7 million and $13.6 million, respectively.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
TANF Abbott Expansion	$121,000	$114,500	($6,500)	(5.4)%	D-266

Funding is to reduced based on State Department of Education enrollment projections. In FY 2003, $15.5 million was transferred to the Medicaid Nursing Homes account.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Work First New Jersey - Breaking the Cycle (Total)	$20,884	$19,384	($1,500)	(7.2)%	D-266
General Fund	$7,684	$6,184	($1,500)	(19.5)%	
Federal	$13,200	$13,200	$0	0.0%	

The reduction should have minimal impact as this program funds various projects that are generally short term and limited in scope. Among the programs funded are: Faith-Based Initiatives; Teen Pregnancy programs; Post TANF Transportation; and various housing programs.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Kinship Care Guardianship and Subsidy (Total)	$8,132	$15,733	$7,601	75.1%	D-266
General Fund	$2,200	$950	($1,250)	(56.8)%	
Federal	$5,932	$14,783	$8,851	94.5%	

The overall funding is increased as the number of persons who become guardians is expected to increase, even though fewer than 100 persons have become guardians. (The kinship legal guardianship program was established pursuant to P.L. 2001, c.250, effective January 1, 2002, and provides monthly cash subsidies of up to $250 to low income individuals who raise children whose parents are unable or unwilling to do so. It had been estimated that 8,000 children would benefit from the program.)

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Family Day Care Registration Act	$400	$0	($400)	(100.0)%	D- 266
EITC Marketing	$140	$0	($140)	(100.0)%	D-266
Mini Child Care Center Project Grants	$316	$0	($316)	(100.0)%	D-266
Kinship Care Navigator	$500	$0	($500)	(100.0)%	D-266

Family Day Care Registration Act. This account funds the registration fee of family day care providers. No monies were expended on this program during FY 2002 and, as of this writing, no funds have been expended during FY 2003. The registration fee may be being paid from the Work First New Jersey Child Care appropriation.

EITC Marketing. The program is similar to IRS and State Division of Taxation activities related to the Earned Income Tax Credit. As the $86.0 million federal appropriation for the Earned Income Tax Credit Program supports related administrative costs, this program can be accommodated within that appropriation.

Mini Child Care Center Project Grants. No monies were expended during FY 2002 and, as of this writing, no funds have been expended during FY 2003.

Kinship Care Navigator. Program expenditures have been less than anticipated. In FY 2002, less than $0.4 million was expended and current expenditures are about $0.3 million. Though funding is to be eliminated, aspects of the Navigator program can be handled by the Kinship Care Initiatives program (discussed below).

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Kinship Care Initiatives	$5,750	$6,250	$500	8.7%	D-266

This program provides various services to persons who care for their relatives' children, such as housing assistance, legal services and child care. This program can also provide general kinship care information, thus filling the gap left by the elimination of the Navigator program.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Social Services for the Homeless	$8,947	$10,947	$2,000	22.4%	D-266
General Fund	$8,947	$8,947	$0	0.0%	
Federal	$0	$2,000	$2,000	—	

These monies are allocated to the 21 counties to provide various services to homeless persons, as determined by each county. There is no overall increase in FY 2004 funding as federal

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

funds are not reflected in the FY 2003 adjusted appropriation.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Pharmaceuticals for Working GA Clients	$0	$1,300	$1,300	—	D-266

The budget recommends $1.3 million for this new program. No information is available as to the numbers of persons the program will assist or the benefits to be provided.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Substance Abuse Initiatives (Total):	$20,174	$25,174	$5,000	24.8%	D-266
General Fund	$11,455	$16,455	$5,000	43.6%	
Federal	$8,719	$8,719	$0	0.0%	

An additional $5.0 million in State funds is recommended for the program. Though no information is available regarding the increase, program data indicates that a higher percentage of General Assistance clients whose treatment costs are more expensive are being served.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Assistance (Total):	$73,531	$82,406	$8,875	12.1%	D-267
Emergency Assistance	$28,212	$27,039	($1,173)	(4.2)%	D-267
GA Emergency Assistance - HMFA Offset	$0	$6,112	$6,112	—	D-267
Payments to Municipalities for Cost of General Assistance	$45,319	$49,255	$3,936	8.7%	D-267

Higher average monthly costs related to Emergency Assistance accounts for a $5.0 million increase in recommended expenditures.

Caseload growth of about 1,300 persons monthly, from 25,800 to 27,100, accounts for a $3.9 million increase in General Assistance Payments.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Workfirst New Jersey - Emergency Assistance (Federal)	$41,647	$46,658	$5,011	12.0%	D-267

Supported entirely by federal TANF funds, caseload growth, from 7,200 to 7,900 persons, accounts for the increase in appropriations.

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Payments for Supplemental Security Income	$64,632	$68,554	$3,922	6.1%	D-267

Increases in caseloads, from 141,600 to 143,900, and higher emergency assistance/burial expenditures account for the $3.9 million in additional appropriations.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Earned Income Tax Credit (Federal)	$70,000	$86,000	$16,000	22.9%	D-267

This appropriation reimburses the Division of Taxation for lost revenue to provide this benefit to eligible households. The credit will increase from 17.5 percent to 20 percent of the corresponding federal benefit level.

DIVISION OF YOUTH AND FAMILY SERVICES

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Division of Youth and Family Services (Total):	$210,819	$229,297	$18,478	8.8%	D-272
General Fund	$73,106	$87,774	$14,668	20.1%	
Federal	$135,733	$139,543	$3,810	2.8%	
Other	$1,980	$1,980	$0	0.0%	

The increase in Direct State Services reflects the:

- Annualized Personal Services cost of additional Adoption Resource Center (ARC) and District Office (DO) staff funding; and
- $14.3 million for the DYFS Reform Initiative which will enable DYFS to hire over 270 additional personnel as follows: supervisors - 47; caseworkers - 65; various support staff - 127; and security personnel - 32; the monies will also be used to purchase additional vehicles and equipment. An additional $3.8 million in federal funds is expected to be realized and will supplement State appropriations.

As of January 2003, DYFS had approximately 1,300 and over 200 case carrying staff at the various DOs and ARCs, respectively. Staffing as a percentage of the Child Welfare League of America standard was at 82 percent at the DOs and 85 percent at the ARCs.

In FY 2004, monthly caseloads of 49,300 children and 25,800 children are expected.

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
Grants-in-Aid (Total)	$294,028	$292,735	($1,293)	(0.4)%	D-273 to D-274

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page
General Fund	$239,055	$237,762	($1,293)	(0.5)%	
Federal	$51,719	$51,719	$0	—	
Other	$3,254	$3,254	$0	—	

Though there are increases/decreases in State appropriations in individual grant accounts, noted below, the increases/decreases do not reflect shifts in the scope or direction of the grants. Rather the increases/decreases, for the most part, reflect a reallocation/realignment of monies resulting from the transfer of much of the division's residential programs to the Partnership for Children (formerly Children's System of Care Initiative) within the Medicaid budget.

Treatment Homes (Total):	$11,043	$2,530	($8,513)
General Fund	$10,474	$1,961	($8,513)
Federal	$569	$569	$0
Residential Placements (Total):	$13,028	$10,436	($2,592)
General Fund	$9,577	$6,985	($2,592)
Federal	$3,451	$3,451	$0
Subsidized Adoptions (Total):	$49,846	$58,205	$8,359
General Fund	$43,832	$52,191	$8,359
Federal	$6,014	$6,014	$0

The allocation of Federal Funds among the various grants accounts is arbitrary and does not reflect the amount of Federal Funds individual programs generate. For example, Subsidized Adoptions generates much more than $6.0 million in Federal Funds, though only $6.0 million in Federal Funds is recommended for the account.

DIVISION OF MANAGEMENT AND BUDGET

Services Other Than Personal	$8,498	$6,982	($1,516)	(17.8)%	D-277

The $1.5 million reduction in the Services Other Than Personal account is not a true reduction. Every year there is a supplemental appropriation to reimburse a vendor for services provided to the department. The recommended appropriation disregards this supplemental

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

appropriation.

Debt Service on Human Services School Buses	$0	$3,100	$3,100	—	D-278

The department purchased school buses for the Office of Education through a financing mechanism known as certificates of participation, at an interest rate of between 2 and 3 percent, rather than through capital appropriations. Over the next three years, the department will repay this purchase and the $3.1 million is the first installment.

Social Services Emergency Grants	$2,000	$0	($2,000)	(100.0)%	D-278
New Jersey Youth Corps	$3,348	$3,048	($300)	(9.0)%	D-278
School Based Youth Services Program	$10,580	$8,000	($2,580)	(24.4)%	D-278
Family Friendly Centers	$2,732	$2,000	($732)	(26.8)%	D-278

Social Services Emergency Grants, a Legislative initiative, is not continued. An additional $2.1 million was transferred into this account, bringing the total amount available for distribution to $4.1 million. About 75 agencies in 18 counties, excluding Hunterdon, Salem and Warren, received funding ranging from $15,000 to $100,000 for various social and health care services.

The Youth Corps operates in 13 municipalities and provides services to high school dropouts between the ages of 16 and 25. The program enables these individuals to obtain a GED and obtain marketable job skills.

The School Based Youth Services Program operates in 45 elementary, middle and high schools and offers student substance abuse and employment counseling, primary and preventive health care, pregnancy prevention programs and learning supports.

Family Friendly Centers, in conjunction with community agencies, offer a range of after-school programs and after-school care to students in 63 elementary and middle schools.

What impact these reductions will have or how they will be implemented is not known.

Statewide Automated Child Welfare Information System: Capital Construction	$3,300	$5,600	$2,300	69.7%	D-278

The $5.6 million in Capital Construction funds is for the Statewide Automated Child

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

Budget Item	Adj. Approp. FY 2003	Recomm. FY 2004	Dollar Change	Percent Change	Budget Page

Welfare Information System, intended to replace a computer system that is over 20 years old. The department is in the process of contracting with a firm to provide project oversight services. A Request for Proposal should be issued during 2003 to hire a firm that will actually develop and implement the system. The total cost of the project is not known. The federal government will provide 50 percent of the funding.

Language Provisions

DIVISION OF MENTAL HEALTH SERVICES

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-85.	
From the amount appropriated hereinabove for the Community Care grant account, $1,000,000 shall be allocated for after-hours coverage.	No comparable language.

Explanation

The FY 2003 language has been in the appropriations act for several years and is no longer required as the monies were allocated for after-hours coverage within agency contracts.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-215.
No comparable language provision.	Revenues that may be received from fees derived from the licensing of all community mental health agencies as specified in subchapter 10 "Licensure of Mental Health Programs" of the Community Mental Health Services Act, N.J.A.C. 10:37-10, are appropriated to the Division of Mental Health Services to offset the costs of performing the required review.

Explanation

The proposed language would allow the division to receive and spend a new licensing fee on community mental health agencies and to retain and expend monies generated by the fee. The fee is expected to generate $0.3 million in FY 2004.

Language Provisions (Cont'd)

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-231.
No comparable language provision.	Notwithstanding any law to the contrary, of the amount appropriated hereinabove funding is available for the Department of Human Services to provide education and public awareness concerning the use of the new rapid AIDS test.

Explanation

The Food and Drug Administration recently approved a new AIDS test that can determine whether a person has HIV in minutes. The proposed language would permit a portion of the overall Grants-In-Aid appropriation to be used for test related activities.

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-91.	p. D-249.
In addition to the amounts hereinabove for payments to providers on behalf of medical assistance recipients, such additional sums as may be required are appropriated from the General Fund to cover costs consequent to the establishment of presumptive eligibility for children and pregnant women in the Medicaid (Title XIX) program, the NJ KidCare program (Children's Health Care Coverage Program) as defined in P.L.1997, c.272 (C.30:4I-1 et seq.) and FamilyCare adults for dates of services prior to April 1, 2002, as defined in P.L.2000, c.71 (C.30:4J-1 et seq.), subject to the approval of the Director of the Division of Budget and Accounting.	In addition to the amounts hereinabove for payments to providers on behalf of medical assistance recipients, such additional sums as may be required are appropriated from the General Fund to cover costs consequent to the establishment of presumptive eligibility for children and pregnant women in the Medicaid (Title XIX) program, and the NJ KidCare program (Children's Health Care Coverage Program) as defined in P.L.1997, c.272 (C.30:4I-1 et seq.).

Explanation

The amended language deletes reference to FamilyCare adults. All adults (with incomes below 134 percent of the federal poverty level) would have to go through the entire enrollment process and could no longer be determined presumptively eligible.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-91.	p. D-232.
Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 447.205, Personal Care Assistant services shall be limited to no more than 25 hours per week. Additional hours, up to 40 per week, shall be authorized by the Division of Medical Assistance and Health Services prior to the provision of services not provided by clinics under contract with the Division of Mental Health Services. The hourly weekend rate shall not exceed $16.	Similar language except that the second sentence has been amended to read: Additional hours for emergency utilization, up to 40 per week....
No comparable language provision.	Notwithstanding the provisions of 42 CFR 447.205, Personal Care Assistant services shall be required to make a $3.00 per day of service cost share with the exception of children under the age of 21 and pregnant women.

Explanation

The amended language restricts any additional hours, in excess of 25, up to 40 hours, of Personal Care Assistant services to "emergency utilization. "Emergency utilization" is not defined.

Proposed new language imposes a $3.00 per day cost sharing provision on the use of Personal Care Assistant services.

These two language provisions, along with similar language in the Division of Disability Services budget, is expected to save about $12.7 million.

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-92.	p. D-232.
Notwithstanding any laws to the contrary, State funding for the New Jersey Health ACCESS program shall cease, and all enrollment shall be terminated as of July 1, 2001, or at such later date as shall be established by the Commissioner of Human Services. Any individuals who are enrolled in New Jersey (Continued on the next page.)	Notwithstanding any laws to the contrary, State funding for the New Jersey Health ACCESS program shall cease, and all enrollment shall be terminated as of July 1, 2001, or at such later date as shall be established by the Commissioner of Human Services.

Language Provisions (Cont'd)

Health ACCESS program as of June 30, 2002 shall be eligible for Plan "D" of the NJFamilyCare program, and shall enroll in a participating health maintenance organization before receiving NJFamilyCare services.

Explanation

The recommended budget disqualifies individuals who had been enrolled in the ACCESS program from eligibility in NJFamilyCare. Therefore, the amended language eliminates reference to such individuals being enrolled in NJFamilyCare's Plan "D" program.

2003 Appropriations Handbook

p. B-93.

Notwithstanding any other law to the contrary, for those hospitals that qualify for a Hospital Relief Subsidy Fund Payment, the New Jersey Medicaid program shall reimburse those hospitals Graduate Medical Education outpatient payments up to the amount the hospital would have received under Medicare principles of reimbursement for Medicaid and New Jersey FamilyCare fee-for-service beneficiaries. Effective July 1, 2002, equal monthly lump sum payments shall be made from the Hospital Relief Offset Payment account, and shall be based on the qualifying hospitals' first finalized 1996 cost reports. The amount that the qualifying hospital would otherwise be eligible to receive from the Hospital Relief Subsidy Fund shall be reduced by the amount of this Graduate Medical Education Outpatient payment. The total amount of these payments shall not exceed an amount approved by the Director of the Division of Budget and Accounting in combined State and federal funds. In no case shall these payments and all other enhanced payments related to those services primarily

(Continued on the next page.)

2004 Budget Recommendations

pp. D-232 to D-233.

Similar language except that the reference to "equal monthly lump sum" has been eliminated and reads: "Effective July 1, 2003, payments ...."

Language Provisions (Cont'd)

used by Medicaid and New Jersey FamilyCare beneficiaries that the hospital receives exceed the amount the hospital would otherwise have been eligible to receive from the Hospital Relief Subsidy Fund in the State fiscal year.

Explanation

The amended language provides the division with the flexibility to provide monthly, quarterly, semi-annual or variable payments, as determined by the division.

2003 Appropriations Handbook

p. B-93.

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2002, or at the earliest date thereafter consistent with the notice provisions of 42 CFR 447.205 where applicable, no funds appropriated for prescription drugs in the Payments for Medical Assistance Recipients - - Prescription Drugs or General Assistance Medical Services account shall be expended except under the following conditions: (a) reimbursement for prescription drugs shall be based on the Average Wholesale Price less a 10% discount; (b) prescription drugs dispensed by a retail pharmacy shall be limited to a maximum 34-day supply for the initial prescription and a 34-day or 100-unit dose supply, whichever is greater, for any prescription refill; and (c) the current prescription drug dispensing fee structure set as a variable rate of $3.73 to $4.07 in effect on June 30, 2002 shall remain in effect through fiscal year 2003, including the current increments for patient consultation, impact allowances and allowances for 24-hour emergency services.

2004 Budget Recommendations

p. D-233.

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

Also new sections (c) and (d) are added as follows:

(c) any prescription shall be filled subject to a $3.00 copayment for the Medicaid fee-for-service beneficiaries and beneficiaries receiving services through the Division of Medical Assistance and Health Services. Copayments do not apply to pregnant women or beneficiaries under 21 years of age; copayments may be implemented for clients enrolled in managed care programs by the Commissioner of Human Services based upon a plan approved by the Director of the Division of Budget and Accounting to ensure features or operations of programs achieve comparable financial performances; and (d) multisource generic and single source brand name drugs shall be dispensed without prior authorization but multisource brand name drugs shall require prior authorization by the Division of Medical Assistance and Health Services or its authorizing agent. Certain

(Continued on the next page.)

Language Provisions (Cont'd)

	multisource brand name drugs with a narrow therapeutic index or band name drugs with lower cost per unit than the generic, may be excluded from prior authorization by the Division of Medical Assistance and Health Services.

Explanation

The amended language would:

- Increase the discount the State receives when it reimburses pharmacies for drugs from 10 percent to 15 percent Average Wholesale Price, which will save about $11.1 million.
- Impose a $3.00 copayment on prescription drugs which will save $17.1 million.
- Mandate the use of generic drugs (when available and when less expensive than a brand name drug) and require prior authorization for the use of brand name drugs which will save $8.1 million.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-233.
No comparable language provisions.	Notwithstanding the provisions of any law or regulation to the contrary, effective July 1, 2003, the Division of Medical Assistance and Health Services shall establish a voluntary prescription drug mail-order program.

Explanation

Proposed language would permit establishment of a voluntary prescription drug-mail order program. How much a mail-order system may save is not identified.

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-93.	p. D-233.

Language Provisions (Cont'd)

2003 Appropriations Handbook

Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 1999, the following provisions shall apply to the dispensing of drugs through the General Assistance Medical Services account: (a) for all Maximum Allowable Cost (MAC) drugs dispensed shall state "Brand Medically Necessary" in the prescriber's own handwriting if the prescriber determines that it is necessary to override generic substitution of drugs, and each prescription order shall follow the requirements of P.L.1977, c.240 (C.26:6E-1 et seq.). The list of drugs substituted shall conform to the Drug Utilization Review Council approved list of substitutable drugs and all other requirements pertaining to drug substitution and federal upper limits for MAC drugs as administered by the State Medicaid Program.

2004 Budget Recommendations

The last sentence that refers to the Drug Utilization Review Council is eliminated and replaced with the following:

The list of drugs substituted shall conform to all requirements pertaining to drug substitution and federal upper limits for MAC drugs as administered by the State Medicaid Program.

Explanation

The amended language provisions eliminates the Drug Utilization Review Council's role in approving generic drugs. Thus, the State will rely on the Food and Drug Administration's approval of generic drugs exclusively. Elimination of the council's role is expected to save the State $1.0 million.

2003 Appropriations Handbook

No comparable language provision.

2004 Budget Recommendations

p. D-233.

Notwithstanding the provisions of any other law to the contrary, the Commissioner of Human Services and the Division of Medical Assistance and Health Services shall establish a list of preferred drugs for the Payments for Medical Assistance Recipients - Prescription Drugs or General Assistance Medical Services programs upon the recommendation of a Pharmacy and Therapeutics Committee which he/she shall appoint. No funds appropriated may be expended to reimburse non-preferred drugs through the Payments for Medical (Continued on the next page.)

Language Provisions (Cont'd)

Assistance Recipients - Prescription Drugs or General Assistance Medical Service programs unless there is medical justification received through a prior authorization process. Drugs on the preferred list may be subject to additional rebates as determined by the Commissioner.

Explanation

The FY 2004 recommended budget assumes savings of about $24.1 million (State share) by implementing a preferred drug list similar to what other states, most notably Florida and Michigan, have implemented. The proposed budget language authorizes the department to take the needed administrative actions to establish a preferred drug list, most notably the creation of a Pharmacy and Therapeutics Committee to recommend drugs to be included on a preferred drug list. One factor in determining whether a drug is included on a preferred drug list is the manufacturer's willingness to provide additional rebates, over and above the 11 percent (generic) and 15 percent (brand name) required by federal law. Drugs not on the preferred drug list may still be prescribed but would require State approval through a prior authorization process.

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-94.	
The unexpended balances as of June 30, 2002, not to exceed $16,500,000 in the Managed Care Initiative account, related to health maintenance organization maternity claims and an amount not to exceed $15,000,000 from the Payments to Medical Assistance Recipients - Physician accounts are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.	No comparable language.

Explanation

The FY 2003 language had been requested by the Administration and is not continued. Little, if any, balances are expected to be available in any case.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-234.
No comparable language provision.	Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2003, Medicaid beneficiaries and beneficiaries receiving services through the Division of Medical Assistance and Health Services, excluding pregnant women and children, will be charged a $3.00 copayment for any visit to an outpatient hospital for non-emergent care or $25.00 for any non-emergent visit to a hospital emergency room provided under the Medicaid fee-for-service program. Copayments may be implemented for clients enrolled in managed care programs by the Commissioner of Human Services based upon a plan approved by the Director of the Division of Budget and Accounting to ensure features or operations of programs achieve comparable financial performances.

Explanation

Proposed language provision would impose a $3.00 and $25.00 copayment for any non-emergency visit to a hospital outpatient clinic or hospital emergency room, respectively. This is expected to save $1.8 million. "Non-emergent" is not defined.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-234.
No comparable language provision.	Notwithstanding the provisions of any other law to the contrary, reimbursement rates for outpatient hospital services are limited to the payment level in effect during State fiscal year 2003.

Explanation

Proposed language would freeze hospital outpatient reimbursement rates and would save $24.0 million.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-234.
No comparable language provision.	Non-contracted hospitals providing emergency services to Medicaid or NJ FamilyCare members enrolled in the managed care program shall accept, as payment in full, the amounts that the non-contracted hospital would receive from Medicaid for the emergency services and/or any related hospitalization if the beneficiary were enrolled in fee-for-service Medicaid.

Explanation

Proposed language would address this problem: Hospitals that do not contract with a specific managed care organization bill the managed care organizations for services at higher rates than the managed care organization would pay for that service at a contracted hospital. The proposed language would require such hospitals to accept the Medicaid fee-for-service rate for the services provided.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-234.
No comparable language provision.	Notwithstanding the provisions of any other law to the contrary, effective July 1, 2003, non-medical/surgical dental procedures and chiropractic services will no longer be a covered benefit for Medicaid beneficiaries and beneficiaries receiving services through the Division of Medical Assistance and Health Services, excluding pregnant women and children.

Explanation

Proposed language would eliminate Medicaid coverage, in most instances, for dental and chiropractic services. This is expected to save the Medicaid program over $15 million.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-234.

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
No comparable language provisions.	Notwithstanding the provisions of any other law or regulation to the contrary, State funding for restricted aliens enrolled in NJ FamilyCare, excluding pregnant women and children, shall cease and all enrollment shall be terminated as of July 1, 2003. Notwithstanding..., State funding for FamilyCare enrollees who were formerly recipients of New Jersey Health ACCESS programs and who are not otherwise eligible for NJ FamilyCare, shall cease ... July 1, 2003. Notwithstanding ..., State funding for parents or caretakers of children in the NJ FamilyCare program above 134% of the federal poverty level shall cease ... July 1, 2003. Notwithstanding ..., State funding for adults without dependent children in the NJ FamilyCare program, excluding General Assistance clients, shall cease ... July 1, 2003.

Explanation

The proposed language provisions would result in upwards of 60,000 NJ FamilyCare recipients in various eligibility groups being terminated from the program. Program costs will be reduced by $75.8 million.

DIVISION OF DISABILITY SERVICES

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-95.	p. D-237.
Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 447.205, Personal Care Assistant services shall be limited to no more than 25 hours per week. Additional hours, up to 40 per week, shall be authorized by the Division of Disability Services or the Division of Medical Assistance	Similar language except that the second sentence has been amended to read: Additional hours for emergency utilization, up to 40 per week....
(Continued on the next page.)	(Continued on the next page.)

Language Provisions (Cont'd)

and Health Services as appropriate prior to the provision of services not provided by clinics under contract with the Division of Mental Health Services. The hourly weekend rate shall not exceed $16.

No comparable language provision.

Notwithstanding the provisions of 42 CFR 447.205, recipients of Personal Care Assistant services shall be required to make a $3 per day of service cost share with the exception of children under the age of 21 and pregnant women.

Explanation

The amended language restricts any additional hours in excess of 25, and up to 40 hours, of Personal Care Assistant services to "emergency utilization. "Emergency utilization" is not defined.

Proposed new language imposes a $3.00 per day cost sharing provision on the use of Personal Care Assistant services.

These two language provisions, along with similar language in the Division of Medical Assistance and Health Services budget, are expected to save about $12.7 million.

DIVISION OF DEVELOPMENTAL DISABILITIES

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-244.
No comparable language provision.	Notwithstanding any law to the contrary, expenditures of federal funds received for community-base programs in the Division of Developmental Disabilities are limited to $184,282,000. Federal funding received above this level must be approved by the Director of the Division of Budget and Accounting in accordance with a plan submitted by the Department of Human Services.

Explanation

The proposed language caps the amount of federal funds that can be expended on community-based programs at $184.3 million. As the budget recommends $197.3 million in federal funds for such programs, the department will have to submit a plan and receive approval to expend the additional

Language Provisions (Cont'd)

funds.

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-244.
No comparable language provision.	In order to permit flexibility in the handling of appropriations and assure timely payment of provider services, funds may be transferred within the Grants-in-Aid accounts within the Division of Developmental Disabilities, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed language is technical in nature and is identical to similar language provisions that are in the budget for other divisions.

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-102.	p. D-258.
The State appropriation is based on ICF/MR revenues of $211,391,000, provided that if the ICF/MR revenues exceed $211,391,000, there will be placed in reserve a portion of the State appropriation equal to the excess amount of ICF/MR revenues, subject to the approval of the Director of the Division of Budget and Accounting.	Similar language, except that the amount of ICF/MR revenues is $210,984,000.

Explanation

This technical change reflects the amount of federal ICF/MR revenues anticipated in FY 2004, which is about $0.4 million less than in FY 2003.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

Language Provisions (Cont'd)

2003 Appropriations Handbook	2004 Budget Recommendations
	p. D-261.
No comparable language provision.	In addition to the amount hereinabove appropriated, the amount of $300,000 is transferred from the Governor's Literacy Initiative to the Commission for the Blind and Visually Impaired for increase Braille lessons for blind children, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The proposed language provides $300,000 to the commission for Braille lessons for blind children.

DEPARTMENT OF HUMAN SERVICES (GENERAL)

2003 Appropriations Handbook	2004 Budget Recommendations
p. B-110.	
From the monies provided hereinabove for cost of living adjustments throughout the Department of Human Services, it is intended that these moneys shall be used to fund, at a minimum, a 2% cost of living increase for service workers' salaries, effective July 1, 2002.	No comparable language provision.

Explanation

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

Discussion Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1. The Governor's budget estimates School Based Medicaid revenues for FY 2003 and FY 2004 at $34.5 million. At present, it appears that FY 2003 revenues will be closer to $18.7 million.

- *Question:* Based on projected FY 2003 collections, is the $34.5 million FY 2004 estimate realistic? What is the basis for the FY 2004 $34.5 million revenue estimate?

2. The State Board of Public Utilities in 2002 increased the monthly telephone credit certain individuals, including Medicaid recipients, can receive from $7 to $13 per month. However, Medicaid recipients who reside in group homes and other residential programs funded by the department cannot receive this telephone credit because the telephone service is generally in the name of the agency that operates the residential program, not in the Medicaid client's name. Based on the number of persons residing in department funded residential programs, up to $1.3 million in reimbursement annually may be at issue.

- *Question:* Will the department open discussions with the Board of Public Utilities as to whether reimbursement for telephone service paid by the department for Medicaid clients residing in residential settings can be obtained?

3. The Office of Education provides education services to persons under the department's jurisdiction. In FY 2002, approximately $5.0 million was transferred to the office to offset a deficit; a similar transfer of up to $5.0 million will be required in FY 2003 to offset a projected deficit. The funding shortfall results from the State Department of Education's position that it does not have the legal authority to adjust the rates that school districts reimburse for the office's services.

Amending N.J.S.A.18A:7F-24 (as discussed in a Background Paper on the office's deficits) would permit rates to be adjusted to offset a deficit.

- *Question:* Does the department support amending N.J.S.A.18A:7F-24 to resolve the office's deficit by allowing reimbursement rates charged to school districts to be adjusted?

4. Due to last year's Early Retirement Initiative, the number of consultants retained by the department (excluding medical titles at institutions) appears to have increased significantly. Consultant costs are not included in the department's salary accounts but are generally supported by the Services Other Than Personal accounts.

- *Question:* How many non-medical consultants are currently retained by the department compared to the number retained at the end of June 2002?

5. The FY 2003 Appropriations Act provided $6.5 million for a Weekend Staffing Initiative at various developmental centers ($5.0 million) and psychiatric hospitals ($1.5 million) intended, in part, to reduce overtime hours/expenditures at the institutions.

In the FY 2004 recommended budget, monies associated with this Initiative have been incorporated into the overall salary accounts at the various institutions. No information has been provided that the Initiative has reduced overtime hours/expenditures at the facilities.

- *Question:* As the Weekend Staffing Initiative was intended, in part, to reduce overtime hours/costs at various institutions (Ancora, Greystone, Hagedorn, Hunterdon, New Lisbon, North Jersey, Vineland, Woodbine and Woodbridge), provide data on the number of

Discussion Points (Cont'd)

overtime hours/expenditures at each facility in FY 2002 and projected overtime hours/expenditures for FY 2003.

6. The State developmental centers, psychiatric hospitals and residential facilities are large energy consumers. Historically, the Fuel and Utilities accounts at these facilities are underfunded resulting in annual year-end transfers to offset the deficits. As energy costs have significantly increased this year, deficits are probable in FY 2003 and possible in FY 2004.

- *Questions:* What is the magnitude of the deficit in the Fuel and Utilities account in FY 2003? Based on the current energy consumption patterns and projected energy costs, is the amount allocated for Fuel and Utilities sufficient in FY 2004?

7. Department of Human Services Contract Reform initiatives are expected to save $3.3 million in FY 2004. In the 1990s, the department had at least three contract reform initiatives involving: refinancing contract agency debt; limiting contract agency administrative costs; and maximizing federal Medicaid reimbursements.

- *Question:* What specific contract reform initiatives will produce $3.3 million in savings?

DIVISION OF MENTAL HEALTH SERVICES

8. Revenues of $0.3 million are anticipated by charging a fee to agencies the division licenses. As such licensing fees are a reimbursable contract expense, agencies under contract to the division would be reimbursed for this expense. In essence, the division will pay itself the fee through its contracts. Also, budget documents indicate that the $0.3 million in licensing fees is to offset State appropriations for Community Care. But, the proposed budget language indicates that $0.3 million will "offset the costs of performing the required reviews," i.e., offset administrative costs.

- *Question*: Will agencies under contract to the division pay this fee? If so, does this merely redirect grant funds to the division's administrative accounts?

9.a. The division is in the process of obtaining proposals from private, non-profit agencies to operate some of the cottages at Greystone Park Psychiatric Hospital. This privatization effort will result in clients becoming eligible for federal SSI benefits and Medicaid reimbursement for services that are currently provided.

- *Question*: Does the FY 2004 recommended Greystone appropriation incorporate savings from this privatization effort? If yes, what savings are anticipated?

9.b. Trenton Psychiatric Hospital operates the Travers Complex for patients who can be discharged into the community, similar to the cottage program at Greystone that the division intends to partially privatize. If Travers were administered by a community agency and no longer part of Trenton, the program would qualify as a community program and the patients would be eligible to receive both federal SSI payments and Medicaid reimbursement for services. This could reduce the annual operating costs by nearly $1.0 million.

- *Question:* Has consideration been given to converting Travers into a community operated program?

10. The federal government recently sought to decertify the Ann Klein Forensic Center for Medicaid reimbursement because the rooms of convicted criminals and persons awaiting adjudication were locked at night as a security precaution. To maintain accreditation, the division

Discussion Points (Cont'd)

agreed to unlock the rooms and hired about 50 additional staff (at a cost of between $2.0 - $2.5 million, including benefits).

The additional $2.0 - $2.5 million in expenses may only generate between $50,000 and $75,000 in federal Medicaid reimbursement. In fact, if the Forensic Center no longer participated in Medicaid, the State would save $1.6 million ($2.5 million in additional costs to maintain accreditation less $0.9 million in total federal Medicaid revenues).

- *Question:* In view of the added expense associated with federal Medicaid accreditation, is Medicaid accreditation of Forensic in the State's best financial interest?

11. To reduce admissions and, particularly, readmissions to Ancora, Greystone, Hagedorn and Trenton, the division implemented and expanded ICMS (Integrated Case Management Services) and PACT (Program for Assertive Community Treatment) programs.

Ancora data indicate that the total number of readmissions has increased from about 220 (FY 2001) to nearly 420 (FY 2004). As a percentage of total admissions, the readmission rate has increased from about 20 percent to nearly 34 percent.

- *Question*: What accounts for the increase in readmissions at Ancora?

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

12. The FY 2004 budget recommends $4.8 million for Eligibility Determination Services and $6.1 million for Health Benefits Coordination Services. In FY 2002, Eligibility expenditures were $3.1 million and Health Benefits expenditures were $5.5 million.

The FY 2004 recommended budget would reduce adult enrollment in NJ FamilyCare by nearly 100,000; enrollment of children in NJ FamilyCare will increase by only several thousand; and enrollment of the disabled into managed care has slowed.

- *Question:* As fewer people overall will require eligibility determination and health benefits coordination services, can the recommended appropriations be reduced?

13.a. Savings of $17.1 million are anticipated through a $3.00 copayment for prescription drugs and savings of $1.8 million are anticipated through either a $3.00 or $25.00 copay for any visit to an outpatient hospital or a hospital emergency room for "non-emergent services". The copay would not apply to pregnant women and persons under the age of 21.

Federal law precludes the imposition of copayments on persons in nursing homes and ICF-MR facilities.

- *Question*: Do the savings estimates include copayments from persons receiving nursing home and ICF-MR services who are exempt from such copayments? If the proposed budget language provisions are adopted, do they need to be amended to exclude nursing home and ICF-MR patients?

13.b. Federal law also precludes denial of Medicaid services if a copayment is not collected.

- *Question*: How will the copayment requirement be enforced?

Discussion Points (Cont'd)

13.c. With respect to the imposition of copays, the term "non-emergent" service is not defined. For example, under State law, persons must be screened before they can be involuntarily committed for psychiatric care. The screening centers are all located in hospital emergency rooms. If a person is screened and it is determined that the involuntary commitment is not needed, it is unclear whether the screening would be considered "non-emergent".

- *Question:* What is the department's definition of a "non-emergent" service? Are outpatient and partial care services considered "non-emergent?" Are mental health screenings pursuant to State law considered "non-emergent?"

14. Proposed budget language on p. D-234 addresses a reimbursement problem managed care organizations confront, i.e., when services are provided at hospitals that are not part of the organization's provider network, the managed care organization is billed hospital charges that exceed both what Medicaid would pay and what the organization would pay at a participating hospital. This proposed language would require non-participating hospitals to be reimbursed at the Medicaid rate. Thus, managed care organizations expenditures should be reduced.

- *Question:* How much will managed care organizations save? What impact would this have on the Medicaid capitation rate?

15. The division has contracted with First Health Services (FHS) to review prescription claims of any individual who fills 12 or more prescriptions a month. FHS is paid between $5.34 - $14.19 for each claim reviewed, based on claims volume.

Since December 1999, FHS has reviewed over 319,900 claims and denied reimbursement for about 1,100 claims, about 0.33 percent. FHS has been reimbursed about $3.3 million for this service, but the approximate dollar value of the denied claims is about $63,000.

- *Question*: In light of this cost-benefit ratio, how does the division justify continuation of this portion of the contract?

16. Various initiatives intended to reduce Medicaid drug costs are proposed, several of which are complex to administer. One relatively simple way to reduce drug costs would be to require manufacturers' rebates on drugs provided to non-Medicaid patients at the various State institutions. This could generate $2.6 - $3.6 million in additional rebates.

- *Question:* Should the State seek to obtain rebates on drugs provided to non-Medicaid patients at State facilities?

17.a. The FY 2004 recommended budget provides $15.2 million for the Partnership for Children (formerly Children's System of Care Initiative). It is not clear how the $15.2 million will be expended.

- *Question*: How much will be expended on the Care Management Organizations, the Parent's Caucus, the Family Support Organizations, the Contracted Systems Administrator, the Mobile Crisis Response programs, expansion into other counties and program administration?

17.b. The Partnership for Children program contracts with care management organizations (CMOs) in certain counties to provide services to a 180 children in each county. Their contracts include "flex funds" to be used for expenses not otherwise funded. Though how CMOs expend all

Discussion Points (Cont'd)

their "flex funds" is not readily determined, some of the monies are being spent on housing related items such as rent, security deposits, utilities, moving expenses, etc. Such expenses, if provided to children receiving public assistance (TANF) benefits, can be paid by county welfare agencies. But as CMOs are often unable to determine whether a child receives TANF benefits and as CMOs are not familiar with the TANF program, the CMO absorbs costs that the county welfare agency might pay.

By having county welfare agencies pay this expense or by having county welfare agencies reimburse either the State or CMOs for this expense, Partnership for Children appropriations could be reduced. Alternatively, all "flex fund" expenses, not otherwise reimbursable by federal funds, can be charged to the State's federal TANF allocation.

- *Question*: How much "flex funds" are spent on housing related expenses? Of the total clients being served by CMOs, how many receive TANF benefits? Can county welfare agencies or federal TANF funds be used to support such housing related expenses that are currently being paid with 100 percent State funds?

DIVISION OF DISABILITY SERVICES

18.a. Proposed budget language on pp. D-232 and D-237 would limit the number of hours of <u>Personal Care Assistant</u> services that can be provided by the Divisions of Medical Assistance and Health Services and Disability Services to 25 hours per week. An additional 15 hours could be provided for "emergency utilization." "Emergency utilization" is not defined.

- *Question:* What constitutes "emergency utilization"? By limiting the number of hours in excess of 25 to "emergency utilization", how many fewer hours of Personal Care Assistant services are expected to be provided?

18.b. Proposed budget language on pp. D-232 and D-237 would require recipients of <u>Personal Care Assistant</u> services to pay a $3 per day of service cost share. Federal law precludes denial of Medicaid services if a copayment is not collected.

- *Question*: How will the copayment provision be enforced?

DIVISION OF DEVELOPMENTAL DISABILITIES

19. Between FY 2001 and FY 2003, the number of clients in group home/residential arrangements increased from about 6,000 to over 6,900 and will increase to 7,400 in FY 2004. However, the number of division licensing personnel has remained at between 25 and 30. Thus, the average number of group homes inspectors are responsible for, has increased.

There have been several recent incidents of client deaths and injuries at residential facilities. Legislators have expressed concern as to the adequacy of the division's licensing activities.

- *Question*: Are additional licensing personnel needed to adequately monitor the number of residential programs and facilities that operate under contract to the division?

20. At present, the Woodbridge Developmental Center is the only facility in danger of being decertified. Upwards of $35 million in federal Medicaid reimbursements would be lost in such an event.

Discussion Points (Cont'd)

- *Question:* What is the current status of Woodbridge?

21. Proposed budget language on p. D-244 caps federal expenditures on community-based programs at $184.3 million without approval of the Director of the Division of Budget and Accounting. However, the budget recommends $197.3 million in federal funds for community-based programs. Therefore, it appears that special approval from the director must be received before the additional $13.0 million can be spent.

- *Question:* What, if any, impact will the federal funds cap of $184.3 million have on the division's community-based programs?

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

22. The commission is examining the possibility of obtaining federal Medicaid administrative reimbursement for clients on the commission's caseload who are Medicaid eligible.

- *Question:* To the extent that discussions with the Medicaid program have occurred, is there a preliminary estimate as to the amount of Medicaid administrative reimbursement that can be realized?

23. The commission was appropriated $2.0 million in 1994 bond funds to develop residential programs for blind and visually impaired individuals. To date, the commission has not expended any of these monies.

- *Question*: As the commission has been unable to expend these bond funds should these monies be transferred to another division for expenditure?

DIVISION OF FAMILY DEVELOPMENT

24. The WFNJ - Technology Investment account is recommended to receive $20.2 million in State/federal funds in FY 2004. In addition, unexpended balances will likely be available and proposed budget language would appropriate an additional $3.0 million, if needed.

- *Question*: What specific projects are to be undertaken and at what cost?

25. In an attempt to reduce <u>TANF</u> and <u>General Assistance Emergency Assistance</u> expenditures, $4.0 million (gross) was appropriated in FY 2003 for a <u>DFD Homeless Prevention Initiative</u>. The initiative was to provide $150 per month subsidies to 1,900 TANF and GA clients and provide case management. As of this writing, less than $0.3 million has been spent. The FY 2004 budget recommends $4.0 million to continue the Homeless Prevention program, but an additional $10.0 million (gross) is also requested for higher Emergency Assistance costs.

- *Question*: What success has the Homeless Prevention Initiative had in view of the recommended $10 million increase in Emergency Assistance appropriations in FY 2004? How many TANF and GA clients has the Initiative assisted to date? How much has been expended on case management?

26. <u>Kinship Care Guardianship and Subsidy</u> funding would increase from $8.1 million to approximately $15.7 million (gross). Available information is that fewer than 100 persons have become guardians, and while this is not unusual for a new program, an appropriation increase of

Discussion Points (Cont'd)

this magnitude may not be justified.

- *Question*: As the number of persons becoming guardians is significantly less than had been anticipated, can the appropriation be reduced?

27. A new $1.3 million program, Pharmaceuticals for Working GA [General Assistance] Clients, is proposed. Agencies under contract to the Division of Mental Health Services may already provide prescription drugs to individuals who do not have drug coverage.

- *Question*: Does this new program duplicate pharmaceutical assistance benefits that may already be available through agencies under contract to mental health?

28. Work First New Jersey - Client Benefit appropriations (gross) are expected to decrease from $120.0 million to $119.0 million, due to a reduction in caseloads from 102,100 to 98,800. The reduction assumes an increase in the number of children participating in the Kinship Care Guardianship and Subsidy program.

In recent months, WFNJ caseloads have increased to over 110,000 persons, and fewer than 100 children are involved in the Kinship Guardianship program. Caseload and expenditure estimates for FY2003 and FY 2004 may be underestimated.

- *Question*: Are sufficient funds recommended for the Client Benefit account given that caseloads are increasing?

29. General Assistance caseloads are expected to increase from 25,800 to 27,100 in FY 2004. Despite this increase, the amount of funds recommended to reimburse county welfare agencies for their administrative costs is unchanged at $21.5 million.

- *Question*: In view of the caseload increase, are additional funds required in the account?

30. Payments for Supplemental Security Income (SSI) will increase by nearly $4.0 million, to $68.6 million, due to higher average monthly caseloads and emergency assistance/burial costs.

At present, both the number of SSI recipients receiving emergency assistance (over 600 persons) and related costs ($6.2 million) exceed FY 2003 estimates of about 500 and $4.5 million, respectively.

- *Question*: Are FY 2004 estimated SSI emergency assistance costs understated in view of projected FY 2003 expenditures?

31. The budget recommends $3.0 million for Food Stamps for Legal Aliens. In 2002, federal law restored federal Food Stamp benefits for many legal aliens on a phased basis.

- *Question*: As federal law has restored Food Stamps for many legal aliens, can the State appropriation be reduced?

32. The State receives approximately $404 million in federal TANF monies annually. In prior fiscal years, the State did not expend its entire federal allocation of TANF funds and the unspent balances were held in reserve. In recent years, however, the division has spent down its surplus TANF funds: in FY 2002 and FY 2003, the State expected to spend nearly $511 million and over $531 million in federal TANF funds, respectively. The FY 2004 recommended budget indicates that

Discussion Points (Cont'd)

federal TANF expenditures may total $573 million. At some point, the State will have little unexpended federal TANF monies available and State funds may have to be appropriated to continue the various programs currently supported with these federal funds.

- *Question*: How much unexpended federal TANF funds are expected to be available at the end of FY 2003 and FY 2004, respectively?

DIVISION OF YOUTH AND FAMILY SERVICES

33. The FY 2004 budget recommends $58.2 million (gross) for Subsidized Adoptions and assumes an increase from about 7,600 (FY 2003) to 8,100 (FY 2004) subsidies. At present, however, there are nearly 7,700 Subsidized Adoptions. At the current rate of increase, the division may be close to 8,000 by the end of the year.

- *Question*: Are additional funds needed in the subsidized adoption account in view of caseloads trends?

34. The FY 2003 budget assumed a significant increase in federal Title IV-E reimbursement for foster care and subsidized adoptions from $79.8 million to $106.8 million. A private firm was contracted to assist DYFS to achieve the increase in federal reimbursement. Available information is that the federal government has deferred a significant portion of the private vendor's claims submitted for reimbursement. Thus, the increase in federal Title IV-E reimbursement may not materialize and additional State funds may be needed to offset the shortfall.

- *Questions*: Is the FY 2003 estimate of $106.8 million in federal Title IV-E funds attainable? If not, what amount of State funds will have to be transferred or appropriated to DYFS to balance its accounts? In view of the probable shortfall in federal Title IV-E revenues in FY 2003, is the FY 2004 estimate of $106.8 million attainable?

DIVISION OF MANAGEMENT AND BUDGET

35. The federal government has mandated upgrades to state child welfare computer systems and has made available 50 percent federal matching funds. New Jersey's child welfare computer system is over 20 years old and the system has been identified as a problem in providing caseworkers and administrators with timely information on cases under the department's jurisdiction.

Over the past several years, funds were appropriated for the Statewide Automated Child Welfare Information System (SACWIS) project. Most of these monies were lapsed. In fact the FY 2003 appropriation of $3.4 million had been placed in reserve until the unfortunate death and cases of abuse and neglect that occurred in January 2003. The FY 2004 budget recommends an additional $5.6 million for the Statewide Automated Child Welfare Information System (SACWIS) project, which would make upwards of $9.0 million available for the project. While SACWIS' costs will not be known until a Request for Proposal is issued and a contract awarded, similar systems have been successfully developed and implemented in other states.

- *Question*: Based on those states that have either a population or child welfare caseload similar to New Jersey, how much may it cost to develop and implement SACWIS?

36. A recent federal Department of Health and Human Services audit has disallowed upwards of $54.9 million in claims submitted by Deloitte Consulting on the department's behalf to the federal government. Deloitte was reimbursed for its work on behalf of the department.

Discussion Points (Cont'd)

- Questions: What steps have been taken to recoup payments to Deloitte for these disallowed costs? How much monies will be recouped?

Background Paper: Office of Education Deficits

SUMMARY

Legislative approval may be needed to address an estimated $4.7 million deficit that the Office of Education will incur in FY 2003. Budget language, cited below, could effectively resolve the circumstances leading to these deficits.

BACKGROUND

The Department of Human Services, Office of Education (OOE) provides educational services to children/adolescents that are under the department's jurisdiction. In conjunction with the Department of Education (DOE), a program and spending plan is determined as to the per pupil cost to school districts for these educational services.

Since the State Facilities Education Act was enacted in 1979 through FY 2001, OOE had never experienced a deficit. In FY 2002, OOE incurred a $5.1 million deficit; in FY 2003, a $4.7 million deficit is expected:

	FY 2002	FY 2003
Expected Annual Revenues	$37,279,800	$38,508,600
Total Expenditures	$42,364,900	$43,207,600
Salary Expenditures	$24,356,200	$24,805,300
Other Expenses	$18,008,700	$18,402,200
Deficit	($5,085,100)	($4,699,000)

DOE's position is that N.J.S.A. 18A:7F-1 et seq. does not allow per pupil costs to be revised to offset a deficit. Accordingly, in June 2002, the Joint Budget Oversight Committee approved a transfer of about $5.1 million to offset OOE's deficit. A $4.7 million transfer is expected by June 2003 to address the FY 2003 deficit, if no action is taken as part of the current budget process.

ANALYSIS

Years ago, the Commission for the Blind and Visually Impaired (CBVI) faced a similar problem: The costs of services provided to various school districts exceeded the amount of reimbursement CBVI received from school districts. To address the problem, the annual appropriations act now includes budget language allowing CBVI to bill school districts for "their documented costs".

Language similar to the CBVI language would address OOE's FY 2003 deficit and any subsequent year deficits that may materialize:

Notwithstanding the provisions of N.J.S.18A:7B-2 to the contrary, the approved per pupil cost established pursuant to the provisions of section 24 of P.L.1996, c.138 (C.18A:7F-24) shall be adjusted to offset any documented deficit that may exist for services provided by the Office of Education within the Department of Human Services in FY 2003 and subsequent fiscal years. Local boards of education shall reimburse the Office of Education through the Department of Education for such additional costs; provided however, that each local board shall pay that portion

Background Paper: Office of Education Deficits (Cont'd)

of additional costs which the number of children receiving services bears to the total of such children served. The Department of Education is authorized to deduct such reimbursements from the State aid payment to the local board of education.

Background Paper: Non-Profit Operation of Travers at Trenton Psychiatric Hospital

Budget Pages.... D-218 to D-219

Funding ($000)	Expended FY 2002	Adj. Approp. FY 2003	Recomm. FY 2004
Trenton Psychiatric Hospital	$52,789	$53,607	$53,471

SUMMARY

State expenditures could be reduced by $0.9 million by transferring administrative supervision and control over the Travers Complex to a private, non-profit agency.

BACKGROUND

The FY 2004 budget recommends $53.5 million for Trenton Psychiatric Hospital (TPH), based on an average daily population of 450, or approximately $326 per patient per day.

TPH has different units to treat patients at various stages in their mental illness. Patients who can function independently or need minor staff support may be placed in Travers. From Travers most clients are discharged back to the community. Travers consists of eight cottages with a capacity of 60 clients. The cottages look like buildings that one finds in many urban/suburban communities.

If Travers were: (a) administratively excluded from TPH and (b) operated and administered by a private, non-profit agency, the federal government would consider the patients as living in the community. The patients would qualify for federal SSI benefits of around $580 per month and Medicaid reimbursement would be available for personal care and other mental health services provided to the patients.

Patient contributions (that is, rent) and Medicaid reimbursements would reduce Travers' operating costs and the State would only have to reimburse the non-profit agency for costs not otherwise reimbursed by Medicaid or client contributions.

The State has implemented programs that are similar to this proposal:

- When Marlboro Psychiatric Hospital was in operation, the State transferred administrative and operational control over certain buildings to a non-profit mental health agency. The patients were able to obtain federal SSI benefits which was used to reimburse the mental health agency for room and board with the State reimbursing the mental health agency the difference between the agency's operating costs and client reimbursements.

- As part of the overall Greystone proposal (Redirection II), a portion of the cottage program is to be turned over to a non-profit agency to operate. It is expected that the patients would qualify for federal SSI benefits as the program would not be considered part of the Greystone hospital and that the mental health services provided to patients would be eligible for Medicaid reimbursement.

Background Paper: Non-Profit Operation of Travers at Trenton Psychiatric Hospital (Cont'd)

ANALYSIS

The estimated operational costs of Travers is approximately $7.1million (60 patients X $326 per patient per day X 365). The actual operating costs of Travers are probably less than $326 as clients in Travers are more functional and require less staff assistance.

By allowing a non-profit agency to operate Travers:

- Operating costs would be offset by about $0.4 million in rent from clients.
- Federal Medicaid reimbursement for Personal Care services of about $0.5 million is possible ($1,200 Personal Care costs per client X 60 clients X 12 months X 50 percent federal share).

Additional savings may be realized if the entire complex were operated by non-profit agency staff as salary and benefit levels are less than those available to State employees.

Background Paper: Medicaid Mandatory/Optional Services and Cost Sharing Options

SUMMARY

The Governor's recommended FY 2004 budget includes various changes with respect to Medicaid services: The elimination of dental and chiropractic services; and the imposition of copayments for prescription drugs and using hospital emergency rooms for non-emergencies.

The information below provides general information as to what Medicaid services are mandatory and optional, and what cost sharing options are available to the State. The material was adapted from The Medicaid Resource Book, January 2003, published by the Kaiser Commission on Medicaid and the Uninsured.

Mandatory Services

Physicians services.
Laboratory and X-ray services.
Inpatient and outpatient hospital services.
Early and Periodic Screening, Diagnostic, and Treatment (EPSDT) services for individuals under 21 years of age.
Family planning services and supplies.
Federally Qualified Health Centers.
Rural health clinic services.
Nurse midwife services.
Certified nurse practitioner services.
Nursing facility services for individuals 21 years of age or older.
Home health care services (for individuals entitled to nursing facility services).

Optional Services

Medical care or remedial care furnished by licensed practitioners under State law (e.g., chiropractors, psychologists, etc.).
Prescribed drugs.
Diagnostic, screening, preventive and rehabilitative services.
Clinic services.
Primary care case management services.
Dental services.
Physical therapy and related services.
Prosthetic devices.
Eyeglasses.
TB-related services.
Other specified medical and remedial care.
Inpatient hospital and nursing facility services for individuals over age 65 in an institution for mental diseases.
ICF-MR services.
Inpatient psychiatric hospital services for persons under age 21.
Home health care services.
Case management services.
Respiratory care services for ventilator-dependent individuals.
Personal care services.
Private duty nursing services.
Hospice care.
Services furnished under a PACE program.
Home and community based waiver services.

Background Paper: Medicaid Mandatory/Optional Services and Cost Sharing Options (Cont'd)

With respect to cost-sharing, the following categories of beneficiaries and services are exempt from cost sharing requirements:

Exempt Categories of Medicaid Beneficiaries

Eligible children under the age of 18 with respect to any service.
Pregnant women with respect to any services relating to pregnancy.
Terminally ill individuals receiving hospice care.
Patients receiving inpatient hospital services, nursing facility services or ICF-MR services (in most situations).

Exempt Categories of Services

Emergency services.
Family planning services and supplies.

The following cost sharing provisions apply:

"Nominal" deductible of $2 per month per family.

"Nominal" copayments of between $0.50 to $3.00, depending on the State's reimbursement.

"Nominal" co-insurance requirement of 5 percent of the State's reimbursement rate for a service.

For nonemergency care provided in a hospital emergency room, a deductible or copayment up to twice the "nominal" amount is permissable if the patient had other options to receive the service.

It should be noted that federal Medicaid law provides that if a recipient does not pay or is unable to pay the copay/cost share, the provider may not deny care or service to the recipient. Thus, the only way the Medicaid program can enforce a copay/cost share provision is to reduce provider reimbursement for the service.

Background Paper: Proposed Medicaid Prescription Drug Charges

SUMMARY

The FY 2004 recommended budget includes several proposals that would reduce Medicaid prescription drug costs by $62.9 million (State share). These proposals are discussed below to provide a basic understanding of their context, intent and impact.

IMPLEMENT A PREFERRED DRUG LIST (PDL) OR FORMULARY - $24.1 MILLION.

At present, pursuant to federal law, states obtain rebates from pharmaceutical manufacturers for drugs purchased by Medicaid of 11 percent for generic drugs and 15 percent for brand name drugs of the drug's Average Manufacturer's Price (AMP). An additional rebate may be provided if the AMP increase exceeds the cost of living increase.

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

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

Federal approval must be obtained before a PDL can be implemented. To date, court challenges to PDLs by interest groups representing drug manufacturers have not been successful.

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

IMPLEMENT A $3.00 COPAY FOR PRESCRIPTION DRUGS - $17.1 MILLION.

At present, the State's Medicaid program does not require a copayment on the part of recipients. The recommended budget would require a $3.00 copayment for prescription drugs that would apply to all Medicaid fee-for-service recipients with the exception of pregnant women and persons under the age of 21. Medicaid recipients enrolled in managed care plans in all likelihood will also be required to pay a $3.00 copay.

Federal law also prohibits the imposition of copayments on Medicaid recipients who reside in nursing homes or at developmental centers. Thus, it is not clear why the proposed budget on p. D-233 only mentions pregnant women and children under 21 years of age and does reference other categories of Medicaid recipients who are exempt from this copayment.

As federal law requires a service to be provided even if an individual does not pay or is unable to pay a copayment, the State will likely reduce pharmacy reimbursement by $3.00 per prescription to insure that it realizes a $3.00 per prescription savings. Whether pharmacies collect or do not collect the $3.00 copayment is up to each pharmacy. To the extent that a pharmacy does

Background Paper: Proposed Medicaid Prescription Drug Charges (Cont'd)

not or is unable to collect
the $3.00 copayment, it would represent a revenue loss to the pharmacy.

REDUCE AVERAGE WHOLESALE PRICE (AWP) FROM 10 PERCENT TO 15 PERCENT - $11.1 MILLION.

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

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

MANDATORY GENERIC SUBSTITUTION - $8.1 MILLION.

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

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

REDUCE PHARMACY COSTS AT STATE PSYCHIATRIC HOSPITALS - $1.5 MILLION.

Implementation of a PDL and mandatory generic substitution is expected to reduce the rate at which prescription drug costs are increasing at State hospitals. For example, among the most expensive medications at State hospitals are Risperdal, Zyprexa and, more recently, Abilify. A PDL may require that preference be given to one over the others. Also, even though there is a generic version of Clozoril on the market, the brand name is still widely prescribed. Mandatory generic substitution would require the use of generic Clozoril.

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

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

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

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

At present, the Medicaid program does not have a mail order feature. Mail order prescriptions could reduce overall prescription drug costs; however, the recommended budget does not provide any estimate as to how much this proposal might save.

Background Paper: Additional Prescription Drug Rebates for Non-Medicaid Patients at State Institutions

Budget Pages.... D-227

Collected ($000)	Actual FY 2002	Revised FY 2003	Estimate FY 2004
Pharmaceutical Manufacturer Rebates	$158,523	$139,691	$132,258

SUMMARY

Requiring pharmaceutical manufacturers to provide rebates for prescription drugs to non-Medicaid patients at State institutions might generate $2.6 - $3.6 million annually.

BACKGROUND

Federal law requires manufacturers to provide rebates to states for prescription drugs provided to Medicaid eligible recipients. The State subsequently required manufacturers to provide rebates for prescription drugs provided to persons in the PAAD/Senior Gold programs. Also, by using the federal AIDS Drug Distribution Program, the State obtained rebates for AIDS/HIV drugs provided to GA recipients.

The State does not obtain pharmaceutical manufacturers rebates for non-Medicaid clients residing in State developmental centers, psychiatric hospitals and veterans nursing homes.

Available data indicate that the State will spend upwards of $24 million for prescription drugs to non-Medicaid patients at State institutions.

ANALYSIS

Obtaining rebates from pharmaceutical manufacturers for drugs provided to non-Medicaid patients at State institutions would result in between $2.6 - $3.6 million in additional rebates based on the current 11 percent to 15 percent rebates drug manufacturers currently provide to the Medicaid and PAAD/Senior Gold programs. As the recommended budget proposes to establish a formulary in which drug manufacturers agree to provide additional rebates, the $2.6 - $3.6 million figure may be a conservative estimate.

BACKGROUND AND ANALYSIS

The Division of Youth and Family Services is to be reorganized into the Division of Child Protection and Permanency.

The following data compare for the same point in time (January) to assess the division's progress in improving staffing, increasing the number of adoptions, reducing the number of children in foster care and reducing the time children are in out-of-home placements. The Governor's recommended budgets and the Legislature, between FY 1998 - FY 2003, provided the division with

Background Paper: Division of Youth and Family Services Staffing and Program Statistics (cont'd)

over $250 million in additional funds to accomplish these objectives.

District Office (DO) and Adoption Resource Center (ARC) Staffing (as a Percent of Child Welfare League of America Standard)

	Jan. 1998	Jan. 1999	Jan. 2000	Jan. 2001	Jan. 2002	Jan. 2003
ARCs	62.9%	61.2%	59.8%	66.8%	78.1%	84.6%
Central DOs	80.5%	81.4%	81.0%	75.5%	80.1%	94.2%
Metro. DOs	79.2%	76.0%	80.2%	71.6%	78.7%	77.6%
Northern DOs	85.5%	81.1%	80.9%	75.2%	78.6%	87.0%
Southern DOs	78.5%	73.3%	67.2%	63.1%	70.2%	75.4%
CASE CARRYING WORKERS, DOS AND ARCS	1,199	1,263	1,252	1,327	1,488	1,502

The number of case carrying staff has increased and staffing levels, as a percentage of the CWLA standard, have improved, in some instances significantly, between January 2001 and January 2003.

Additional monies to hire additional caseworkers and to increase the minimum starting salary for caseworkers has increased the number of case carrying workers assigned to the district offices and adoption resource centers by over 25 percent. However, a significant percentage of caseworker staff is relatively new and inexperienced - - approximately 25 percent are classified as "trainees." The relative inexperience of casework and supervisory staff was emphasized by the Commissioner of Human Services in her comments and response to recent events affecting the division.

Also, overall staffing levels at both the Metropolitan District Offices (which includes Newark) and the Southern Region District Offices (which includes Camden) were no better in January 2003 than they were in January 1998.

Average Number of Children in Foster Care (including Para and Kinship Care)

	Jan. 1998	Jan. 1999	Jan. 2000	Jan. 2001	Jan. 2002	Jan. 2003
Number of Children	6,821	6,863	6,961	7,147	8,012	8,594
% Change	n.a.	0.6%	1.4%	2.7%	12.1%	7.3%

Background Paper: Division of Youth and Family Services Staffing and Program Statistics (cont'd)

Despite programs intended to reduce the number of children in foster care, the number of children in foster care has increased and now approaches 8,600. (The figures include children who are in a "free" placement, i.e., the State is not making a foster care payment.)

Avg. Months in Placement for Children in Foster Care with a DYFS Goal to Return Home

All Foster Children			Children with One Placement		Children with Multiple Placements	
	Total # of Children	Avg. Total Months in All Foster Placements	# of Children	Avg. Total Months in Placement	# of Children	Avg. Total Months in All Placements
Jan. 1998	2,399	17.2	1,223	12.6	1,176	22.5
Jan. 1999	2,257	17.4	1,139	13.5	1,118	21.7
Jan. 2000	2,055	16.4	1,046	11.6	1,009	21.4
Jan. 2001	1,955	15.8	1,007	10.8	948	21.0
Jan. 2002	2,221	13.7	1,233	9.7	988	18.7
Jan. 2003	2,823	8.4	1,535	8.7	1,288	15.8

Between January 1998 - January 2002, progress was made in reducing the average months children in foster care with a "return home" goal are in foster care.

The significant increase in the number of children in foster care with a "return home" goal and the significant reduction in the average months in placement reported for January 2002 and January 2003 is attributable to the inclusion of children in kinship foster care. The inclusion of kinship children may also account for the significant reduction in the average length of stay in foster placements as such placements may be for short periods of time.

Average Number of Children in Subsidized Adoptions

	Jan. 1998	Jan. 1999	Jan. 2000	Jan. 2001	Jan. 2002	Jan. 2003
Number of Children	5,769	6,045	6,208	6,594	7,102	7,694
% Change	n.a.	4.8%	2.7%	6.2%	7.7%	8.3%

The number of children in subsidized adoptions has increased. In fact, the federal government provided the State with a $1.1 million bonus for a 25 percent increase in adoptions.

Background Paper: Division of Youth and Family Services Staffing and Program Statistics (cont'd)

Avg. Months in Placement for Children in Foster Care with a DYFS Goal of "Adoption"
(limited to children in foster care assigned to the ARCs)

All Foster Children			Children with One Placement		Children with Multiple Placements	
	Total # of Children	Avg. Total Months in All Placement	# of Children	Avg. Total Months in Placement	# of Children	Avg. Total Months in All Placements
Jan. 1998	2,315	41.5	966	34.7	1,349	46.4
Jan. 1999	2,556	40.5	1,083	33.4	1,472	45.7
Jan. 2000	3,122	39.6	1,350	32.8	1,772	44.8
Jan. 2001	3,274	40.9	1,355	34.2	1,919	45.6
Jan. 2002	3,457	39.7	1,432	32.3	2,024	44.9
Jan. 2003	3,119	39.8	1,177	31.9	1,942	44.5

Consistent with the intent of the federal "Adoption and Safe Families Act" (to make available for adoption children who have been in out-of-home placement for 15 months), the number of children in foster care with an "adoption" goal has increased. However, available data indicate that problems remain:

- Adoption recruitment continues to be difficult despite financial incentives, particularly for children who have had multiple out-of-home placements.

- Adoption recruitment problems contribute to a wait of over 2 1/2 years to nearly 4 years before a child is adopted.

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Individuals wishing information and committee schedules on the FY 2004 budget are encouraged to contact:

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