This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary authors were Jay Hershberg and Stefanie Loh. Michele Leblanc authored the background paper entitled “Adolescent Substance Abuse Treatment Initiative”. Stefanie Loh authored the background paper entitled “Moms’ Substance Abuse Treatment Initiative”.

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

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
<th>Expended FY 2005</th>
<th>Adjusted Appropriation FY 2006</th>
<th>Recommended FY 2007</th>
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<tr>
<td>State Budgeted</td>
<td>$4,608,926</td>
<td>4,615,983</td>
<td>4,350,846</td>
<td>(5.7%)</td>
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<tr>
<td>Federal Funds</td>
<td>3,585,610</td>
<td>3,930,644</td>
<td>3,941,664</td>
<td>.3%</td>
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<tr>
<td>Other</td>
<td>740,537</td>
<td>738,963</td>
<td>1,127,105</td>
<td>52.5%</td>
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<td>Grand Total</td>
<td>$8,935,073</td>
<td>$9,285,590</td>
<td>$9,419,615</td>
<td>1.4%</td>
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</table>

Personnel Summary - Positions By Funding Source

<table>
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<tr>
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<th>Actual FY 2005</th>
<th>Revised FY 2006</th>
<th>Funded FY 2007</th>
<th>Percent Change 2006-07</th>
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</thead>
<tbody>
<tr>
<td>State</td>
<td>10,829</td>
<td>10,934</td>
<td>10,871</td>
<td>(.6%)</td>
</tr>
<tr>
<td>Federal</td>
<td>4,690</td>
<td>4,818</td>
<td>4,963</td>
<td>3.0%</td>
</tr>
<tr>
<td>Other</td>
<td>68</td>
<td>57</td>
<td>50</td>
<td>(12.3%)</td>
</tr>
<tr>
<td>Total Positions</td>
<td>15,587</td>
<td>15,809</td>
<td>15,884</td>
<td>.5%</td>
</tr>
</tbody>
</table>

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

Key Points

Division of Mental Health Services

- **Direct State Services.** Overall, FY 2007 recommended appropriations are reduced by $4.7 million, or 1.8%, from $268.7 million to $264.0 million as follows:

  Recommended appropriations for Administration and Support Services are reduced by $5.6 million, from $9.7 million to $4.2 million. This reduction will be offset by federal Title XIX Indirect Costs recoveries.

To address staffing and accreditation issues, the FY 2007 recommended appropriations for the five State psychiatric hospitals increase by about $0.8 million, from $259.0 million to $259.8 million. However, if the $5.5 million appropriation for the closed
Key Points (Cont'd)

Arthur Brisbane Child Treatment Center is excluded from the FY 2006 base, overall appropriations for the State psychiatric hospitals increase by $6.4 million.

The census of the five adult psychiatric hospitals is expected to decline by 70 patients, about 3%, to 2,200, primarily at Ancora, Greystone and Trenton.

- **Grants-in-Aid.** Recommended funding decreases by $13.7 million, or 4.7%, from $289.9 million to $276.1 million, due to the transfer of mental health services for children to the proposed Department of Children and Families.

  The $248.1 million Community Care appropriation incorporates funds for the Greystone Park Psychiatric Hospital Bridge Fund and an additional $5.6 million for programs recommended by the Governor’s Task Force on Mental Health.

  A new $10.0 million appropriation, Olmstead Support Services, is recommended to develop programs for State psychiatric hospital patients who can be discharged if community programs are available.

- **State Aid.** Appropriations to reimburse the six county hospitals for services increase by 11.5%, from $104.6 million to $116.6 million. As FY 2006 expenditures will exceed the adjusted appropriation, the FY 2007 recommendation may be insufficient.

- **Federal Funds** are expected to increase from $16.5 million to $26.1 million, due to an increase in federal Title XIX Indirect Cost Recoveries ($9.3 million). The federal funds are used to support community mental health programs and the division’s administrative costs.

  **Division of Medical Assistance and Health Services**

- **Direct State Services.** FY 2007 recommended appropriations are reduced by $0.4 million, from $26.2 million to $25.8 million. The reduction will be absorbed within the division’s ongoing operations and through efficiencies.

- **Grants-in-Aid.** FY 2007 recommended appropriations decrease $70.6 million, or 3.1%, from $2.255 billion to $2.184 billion. The recommended appropriation includes the following initiatives to offset program growth and reduce expenditures:

  A Hospital Provider Assessment Fee which would provide $215 million in revenues for the General Fund.

As proposed, a 5.5% per bed assessment on a hospital’s non-Medicare revenues would generate $430 million. After the State takes $215 million, the remaining $215 million would be matched by $215 million in federal Medicaid funds and used to increase Medicaid reimbursement to hospitals by a total of $430 million. (The $430 million is classified as an Other Fund for State budget purposes.) Available information is that urban hospitals would generally realize more Medicaid reimbursement than they are assessed, while non-urban hospitals would generally realize less Medicaid reimbursement than they are assessed. A Background Paper provides additional information on the assessment as well as a list as to the amount each hospital may gain or loss if the assessment is adopted.
Key Points (Cont'd)

Enhanced fraud activities - $50 million.

Prescription drug changes such as bulk purchasing of prescription drugs in conjunction with other State programs, an increase in the reimbursement discount the State obtains when it reimburses pharmacies for drugs from 12.5% to 15% during July – December 2006, and other programmatic changes and federally mandated reimbursement changes that become effective January 2007 - $69.7 million.

Co-payments on prescription drugs, hospital outpatient visits and non-emergency hospital visits affecting certain Medicaid recipients - $14.1 million.

Partial hospitalization reimbursement changes affecting hospitals - $7.5 million.

Competitive bidding of transportation and durable medical equipment - $0.6 million.

General Assistance Medical Services savings - $16.5 million.

Pursuant to budget language on D-166, $5.0 million in Charity Care appropriations to the Department of Health and Senior Services are available to increase the number of children enrolled in NJ FamilyCare by 50,000 during FY 2007.

- Federal Funds. Various initiatives intended to reduce Medicaid costs will result in $58.6 million less federal funds, from $2.212 billion to $2.154 billion. However, as $215 million of the $430 million in Other Funds (the Hospital Provider Assessment Fee) are Federal Funds, there is no overall reduction in Federal Funds.

Included within the $2.15 billion in Federal Funds is approximately $231.6 million for the NJ FamilyCare program: $91.5 million for Adults and $140.1 million for Children. As the State’s share of federal Children’s Health Insurance Program (CHIP) is approximately $90.0 million, the budget assumes that the federal government will reallocate over $140 million in unexpended CHIP funds to New Jersey. If less unexpended federal CHIP funds are allocated to New Jersey, additional State funds may be required to support NJ FamilyCare.

- Other Funds. Overall appropriations increase by $395.9 million, from $652.9 million to $1.049 billion. Of the $1.049 billion, $430.0 million would increase Medicaid reimbursement to hospitals as part of the proposed Hospital Provider Assessment Fee. The balance, $618.8 million, represents funds to support NJ FamilyCare (Children) - $72.8 million and to provide New Jersey Health Care Hospital Payments - $546.0 million.

Division of Disability Services

- Direct State Services recommended appropriations are unchanged at about $1.1 million

- Grants-in-Aid. FY 2007 recommended General Fund appropriation decreases $4.6 million, or 4.4%, from $103.3 million to $98.7 million for the Personal Assistance Services Program and various Medicaid services administered by the division. The reduction should have no impact on persons requiring services as the reduction is based on current cost projections. (An additional $80.3 million in Casino Revenue Funds is recommended to support State program costs, the same amount as in FY 2006.)
Key Points (Cont'd)

- **Federal Funds** appropriations are reduced by $4.6 million, or 2.5%, from $189.2 million to $184.5 million based on current expenditure trends for the various Medicaid services.

Division of Developmental Disabilities

- **Direct State Services.** Overall, recommended appropriations are reduced by $122.9 million, or 56.6%, from $217.4 million to $94.4 million, as discussed below.

  Administration and Support Services – Community Programs: Though recommended appropriations are reduced from $6.2 million to $3.7 million, the $2.5 million reduction in the Developmental Center Enhancement reflects a shift of monies to a similar Grants-in-Aid account. (The Developmental Center Enhancement account provides funds to address deficiencies at the New Lisbon and Woodbridge Developmental Centers identified by the U.S. Department of Justice.)

  **State Developmental Centers:** Recommended appropriations for the seven facilities decrease by 58%, or $120.4 million, from $207.8 million to $87.4 million.

  The reduction in State appropriations will be offset by increased federal funds resulting from additional FY 2006 federal reimbursements for expenditures in prior federal fiscal years, pursuant to budget language on D-250. As the department did not finalize rates used to obtain federal reimbursement for community programs on a timely basis, State funds were used exclusively to pay for these programs. Now that reimbursement rates for past fiscal years were finalized, the federal revenues the State obtains can be expended as the State chooses because the federal funds represent reimbursements for expenses the State incurred. This is similar to a rebate a consumer may receive from a manufacturer after the consumer purchases a product. (In FY 2008, State funds may be needed to offset these one-time federal funds.)

  During FY 2007, the census of the developmental centers is expected to decline by over 4.0%, to about 2,900. The largest reductions are anticipated at New Lisbon (50) and Woodbridge (39) as part of the settlement agreement with the U.S. Department of Justice.

- **Grants-in-Aid.** FY 2007 recommended appropriations increase 4.5%, or $21.0 million, from $471.5 million to $492.5 million.

  Only one new program is recommended: A $3.0 million appropriation for Capital Improvements for Olmstead Group Homes to develop community residential programs for persons at the State developmental centers who can be placed in the community. These funds may be supplemented by up to $50.0 million in FY 2006 recoveries to develop up to 180 community placements for persons from State developmental centers over the next three years, pursuant to proposed budget language on D-250. Also, $12.5 million in federal recoveries not identified in the budget would be available for Respite Services ($3.6 million), Adult Activities ($4.6 million) and Real Life Choices ($4.4 million) to implement a program expansion announced October 2005. (See Direct State Services discussion above.)
Key Points (Cont'd)

The $492.5 million budget recommendation annualizes the cost of placements made during FY 2006 ($11.1 million), eliminates funding for excess capacity in supported employment programs ($1.0 million), and includes $2.5 million in former Direct State Services funding for Developmental Center Enhancement.

The General Fund appropriation is supplemented by $32.5 million in Casino Revenue Funds and $38.6 million in Other Funds (primarily cost recoveries and client fees).

A $125,000 legislative appropriation to the Bancroft School is not continued.

• Federal Funds. Appropriations increase by 7.6%, or $37.8 million, from $495.5 million to $533.3 million: $255.2 million will support the operations of the seven State Developmental Centers and $278.1 million will support Community Programs.

In addition to the Federal Funds identified in the recommended budget, additional federal recoveries will be used to offset a $120.4 million reduction in General Fund appropriations to the Developmental Centers and $50 million would be available to develop community programs for 180 clients at developmental centers over the next three years. (See discussion on federal recoveries on previous page.)

Commission for the Blind and Visually Impaired

• Recommended Direct State Services and Grants-in-Aid appropriations are unchanged from FY 2006 adjusted levels of $9.2 million and $4.2 million, respectively.

Division of Family Development

• Direct State Services. FY 2007 recommended appropriations are reduced by $0.3 million, from $27.3 million to $27.0 million. The reduction in Personal Services will be absorbed within the division’s ongoing operations, and through efficiencies and additional federal administrative funds.

• Grants-in-Aid. Recommended funding is increased $9.4 million, or 3.8%, from $248.6 million to $258.0 million.

Additional funds are provided for Work First New Jersey – Training Related Expenses and Support Services and Child Care to enable the State to meet more stringent work participation requirements mandated by the federal government (Pub.L 109-149), and to replace $10 million in New Jersey Workforce Development Partnership Funds that were available to the division in FY 2006. Failure to meet the 50% federal work participation requirement could result in federal financial penalties.

Funding for the Kinship Care Guardianship and Subsidy program is increased by $12.4 million and largely offsets a comparable reduction in the amount of federal funds allocated for the program.

Offsetting these increases, $30 million in savings is expected to be achieved by having higher income families that reside in Abbott Districts pay all or a portion of their child care costs.
Key Points (Cont’d)

A $3.0 million supplemental appropriation, P.L.2005, c. 300, for the New Jersey Low Income Home Energy Assistance Program (NJ LIHEAP) is not continued.

**State Aid.** Recommended appropriations are reduced by $52.8 million, or 15.0%, from $352.3 million to $299.5 million, as follows:

General Assistance program appropriations are reduced by $23.9 million, as FY 2006 expenditure trends are lower than had been anticipated and the division has increased its oversight of county and municipal welfare agencies that administer the program.

An additional $3.3 million is being requested for the two Supplemental Security Income programs to offset higher caseloads and expenditures and to reimburse the federal government for administrative costs.

Overall funding for WFNJ Client Benefits is reduced by $3.2 million, to $136.6 million, due to an anticipated reduction in public assistance caseloads.

**Federal Funds** available to the division increase by $27.2 million, from $854.0 million to $881.2 million, and are used to support existing programs. A significant portion of these monies are passed through to the County Welfare Agencies which administer public assistance, child support, Medicaid, etc., on a daily basis. Additional Federal Funds are anticipated for Child Care ($20.5 million), County Administration of Medicaid ($3.0 million) and Federal Low Income Home Energy Assistance ($29.5 million), and are offset by reductions in various other federal programs such as Federal Title IV-E ($15.2 million).

Division of Addiction Services

**Grants-in-Aid.** Appropriations decrease by 32.7%, or $16.6 million, from $50.8 million to $34.2 million, largely due to the shift of $21 million in funds for Substance Abuse Services – Child Welfare Reform to the proposed Department of Children and Families.

In addition, two legislative grants to Integrity, Inc. and Turning Point Alcohol and Drug Rehabilitation Program are discontinued, saving $600,000.

The reductions are offset by: a $3 million increase for Community Based Substance Abuse Treatment in Prevention State Share, from $24.2 million to $27.2 million, to replace funding from the Drug Enforcement and Demand Reduction Fund, and a new $2 million appropriation for Capital Improvements for Substance Abuse Treatment and Recovery Centers.

**Federal Funds.** Appropriations decrease by $1.4 million, from $57.5 million to $56.1 million, primarily due to a reduction in funding from the Substance Abuse Block Grant, from $53.6 million to $51.9 million.

**Other Funds.** Appropriations increase by 22.6%, or $2.1 million, from $9.3 million to $11.4 million due to: a $500,000 increase in the Alcohol Rehabilitation and Enforcement Fund, from $1.8 million to $2.3 million, and a $1.5 million increase in the Alcohol Treatment Fund Program, from $6 million to $7.5 million.
Key Points (Cont'd)

Division of the Deaf and Hard of Hearing

- **Direct State Services.** FY 2007 recommended appropriations of about $750,000 are unchanged from FY 2006 adjusted appropriation levels.

Division of Management and Budget

- **Direct State Services.** Recommended appropriations are reduced 35.3%, or $16.8 million, from $47.5 million to $30.7 million. Approximately $15.0 million of the reduction reflects the transfer of funds and programs to the proposed Department of Children and Families. An additional $0.7 million in reductions will be absorbed within the division's ongoing operations or through efficiencies. Also, the FY 2007 recommended appropriation does not reflect a proposed $1.2 million FY 2006 supplemental appropriation.

- **Grants-in-Aid.** Funding is reduced by $0.3 million, to $0.7 million, as a legislative grant for the United Way 2-1-1 System is not continued.

- **Capital Construction.** Funds of $7.7 million are requested for HVAC Improvements at DHS Institutions ($4.5 million) and for the Hunterdon Developmental Center — Replace Underground Water Lines ($3.2 million). Certain capital expenditures for community programs in the Divisions of Addiction Services, Developmental Disabilities and Mental Health Services are classified as Grants-in-Aid and are reflected in those accounts. An additional $50 million in recoveries that become available in FY 2006 are available to develop community programs for persons at State developmental centers pursuant to budget language on p. D-250. (See discussion on p. 4 for additional information.)

Background Papers:

- Overtime Expenditures and Hours at State Institutions........................................p. 49.
- Governor's Task Force on Mental Health Funding Status Report..........................p. 52.
- Interest Costs in Mental Health Contracts.........................................................p. 54.
- Proposed NJ FamilyCare Expansion..................................................................p. 55.
- The Proposed Hospital Provider Assessment.....................................................p. 57.
- Substance Abuse Initiative (SAI).........................................................................p. 59.
- Moms' Substance Abuse Treatment Initiative......................................................p. 61.
- Adolescent Substance Abuse Treatment Initiative..............................................p. 64.
## Fiscal and Personnel Summary

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

<table>
<thead>
<tr>
<th></th>
<th></th>
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<td><strong>Sub-Total</strong></td>
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<td><strong>0.0%</strong></td>
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<td>Casino Revenue Fund</td>
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<td>$112,844</td>
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<tr>
<td>Casino Control Fund</td>
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<td>$0</td>
<td>$0</td>
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</table>

### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

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<td>5.8%</td>
<td>3.0%</td>
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<tr>
<td>All Other</td>
<td>68</td>
<td>57</td>
<td>50</td>
<td>(26.5%)</td>
<td>(12.3%)</td>
</tr>
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<td><strong>0.5%</strong></td>
</tr>
</tbody>
</table>

FY 2005 (as of December) and revised FY 2006 (as of September) personnel data reflect actual payroll counts. FY 2007 data reflect the number of positions funded.

### AFFIRMATIVE ACTION DATA

| Total Minority Percent   | 57.7%          | 58.0%          | 58.7%          |

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8
Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct State Services</td>
<td></td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>– Personal Services</td>
<td>$8,205</td>
<td>$2,173</td>
<td>$(6,032)</td>
<td>(73.5%)</td>
<td>D-190</td>
</tr>
</tbody>
</table>

The reduction is offset by Medicaid Title XIX Indirect Costs recoveries. The number of State supported positions is unchanged at about 150. Pursuant to proposed budget language, D-191, of the amount appropriated for Personal Services, the Office of Disaster Mental Health is to receive $330,000, an $80,000 increase from the $250,000 available in FY 2006.

Governor's Council on Mental Health Stigma

- Stigma
  - $250
  - $350
  - $100
  - 40.0%
  - D-190

Though as of this writing none of the FY 2006 appropriation has been expended, the recommended budget increases funding by $100,000, to $350,000.

Greystone Park Psychiatric Hospital

- $62,760
- $63,911
- $1,151
- 1.8%
- D-192 to D-193

Trenton Psychiatric Hospital

- $59,691
- $61,685
- $1,994
- 3.3%
- D-194

Ancora Psychiatric Hospital

- $74,630
- $77,589
- $2,959
- 4.0%
- D-197 to D-198

Recommended funding for Patient Care and Health Services at Greystone, Trenton and Ancora increases to address staffing and accreditation concerns. Under the proposed FY 2007 budget, the average daily census of the three hospitals is reduced by 65 patients, to about 1,740, as follows: Greystone – 35, Trenton – 12, and Ancora – 18.

Greystone Park Psychiatric Hospital Bridge Fund

- $32,725
- 0
- $(32,725)
- (100.0%)
- D-190

Arthur Brisbane Child Treatment Center Bridge Fund

- $7,980
- 0
- $(7,980)
- (100.0%)
- D-190

Arthur Brisbane Child Treatment Center

- $5,542
- 0
- $(5,542)
- (100.0%)
- D-199

The Greystone ... Bridge Fund appropriations have been incorporated within the Community Care appropriation. The fund, established in FY 2002, supported the development, expansion and enhancement of community programs to enable the transfer of 400 patients from various psychiatric hospitals and to reduce admissions to the State hospitals.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
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</tr>
</thead>
</table>

The Brisbane Bridge Fund has been incorporated into the Grants-in-Aid accounts of the proposed Department of Children and Families.

The Arthur Brisbane Child Treatment Center was closed in December 2005 as part of Child Welfare Reform. Staff were reassigned to positions at other State facilities, within the division or within the proposed Department of Children and Families.

**Olmstead Support Services**

|          | 0       | $10,000  | $10,000      |                | D-190       |

This appropriation is to provide funds to develop community services to enable patients at State hospitals who can be discharged, if appropriate community services are available. As of December 2005, there were over 1,000 patients in the classification referred to as Conditional Extension Pending Placement.

**Community Care**

|          | $231,102 | $248,068  | $16,966      | 7.3%           | D-190       |

The recommended appropriation incorporates funds for the Greystone Park Psychiatric Bridge Fund, transfers children’s behavioral health services to the proposed Department of Children and Families, and provides an additional $5.6 million for projects identified by the Governor’s Task Force on Mental Health and specifies the amounts that are to be expended on such projects pursuant to budget language, D-191.

**Support of Patients in County Psychiatric Hospitals**

|          | $104,575 | $116,575  | $12,000      | 11.5%          | D-190       |

An additional $12.0 million is recommended to reimburse the six county hospitals. As the FY 2006 reimbursements to county hospitals may exceed $115 million, the FY 2007 recommended appropriation may be insufficient.

**Division of Medical Assistance and Health Services**

**Direct State Services**

- **Personal Services**

|          | $14,510  | $14,068   | ($442)       | (3.0%)         | D-204       |

The proposed reduction would be absorbed by the division or achieved through operational efficiencies.

**Payments for Medical Assistance Recipients:**

|          | $16,230  | $23,771   | $7,541       | 46.5%          | D-204       |

**Managed Care Initiative**

|          | $605,522 | $674,659  | $69,137      | 11.4%          | D-204       |
### Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inpatient Hospital</td>
<td>$237,990</td>
<td>$58,376</td>
<td>($179,614)</td>
<td>(75.5%)</td>
<td>D-204</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>$536,378</td>
<td>$540,291</td>
<td>$3,913</td>
<td>.7%</td>
<td>D-205</td>
</tr>
<tr>
<td>Outpatient Hospital</td>
<td>$172,681</td>
<td>$167,774</td>
<td>($4,907)</td>
<td>(2.8%)</td>
<td>D-205</td>
</tr>
<tr>
<td>Physician Services</td>
<td>$36,244</td>
<td>$33,000</td>
<td>($3,244)</td>
<td>(9.0%)</td>
<td>D-205</td>
</tr>
<tr>
<td>Home Health Care</td>
<td>$17,733</td>
<td>$10,639</td>
<td>($7,094)</td>
<td>(40.0%)</td>
<td>D-205</td>
</tr>
<tr>
<td>Medicare Premiums</td>
<td>$113,964</td>
<td>$127,991</td>
<td>$14,027</td>
<td>12.3%</td>
<td>D-205</td>
</tr>
<tr>
<td>Psychiatric Hospital</td>
<td>$13,634</td>
<td>$11,054</td>
<td>($2,580)</td>
<td>(18.9%)</td>
<td>D-205</td>
</tr>
<tr>
<td>Clinic Services</td>
<td>$57,294</td>
<td>$74,152</td>
<td>$16,858</td>
<td>29.4%</td>
<td>D-205</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>$45,397</td>
<td>$53,685</td>
<td>$8,288</td>
<td>18.3%</td>
<td>D-205</td>
</tr>
<tr>
<td>Other Medicaid Services</td>
<td>$118,722</td>
<td>$133,052</td>
<td>$14,330</td>
<td>12.1%</td>
<td>D-205</td>
</tr>
<tr>
<td><strong>TOTAL MEDICAID</strong></td>
<td><strong>$1,971,789</strong></td>
<td><strong>$1,908,444</strong></td>
<td><strong>($63,345)</strong></td>
<td><strong>(3.2%)</strong></td>
<td></td>
</tr>
</tbody>
</table>

The recommended appropriation for Medicaid related expenditures incorporates the following savings:

- A 5.5% provider assessment on non-Medicare hospital revenues, pending enactment of enabling legislation and federal approval, would generate $430 million. Half of that amount, $215 million, would be available for **General Fund** purposes, and the remaining $215 million would be matched by federal funds and used to increase Medicaid hospital reimbursement by $430 million.

Available information is that hospitals in urban areas would generally receive more Medicaid reimbursement than they would be assessed, while hospitals in non-urban areas would generally be assessed more than they would receive in additional Medicaid reimbursement. (A Background Paper provides data as to the amounts individual hospitals gain or lose as a result of the assessment.) The $430 million is classified as an **Other Fund** for budget purposes.

- Enhanced Medicaid fraud activities - $50 million.
- Prescription drug bulk purchasing - $30.7 million.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
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</tr>
</thead>
</table>

- Enrollment of institutionalized Medicare recipients into the Medicare Part D Prescription Drug Program - $14.9 million.

- Federal prescription drug reimbursement changes, effective January 2007, and a 2.5% increase, to 15% Average Wholesale Price, in the discount Medicaid receives when it purchases prescription drugs during the July – December 2006 - $13.8 million.

- A $2.00 per prescription co-payment, capped at $10.00 per month, a $3.00 co-payment on outpatient hospital services, capped at $12 per month, and a $6.00 co-payment on non-emergency hospital visits - $14.1 million. The co-payment would not apply to children under the age of 18, pregnant women, institutionalized patients and persons who receive family planning services.

- Prior authorization of brand name psychotropic medication, irrespective of whether a generic is available - $8.8 million.

- Partial hospitalization rate reduction affecting hospital based providers - $7.5 million.

- Prohibition on the dispensing of sexual or erectile dysfunction medication - $1.5 million.

- Competitive bidding of transportation services and durable medical equipment - $0.6 million.

**General Assistance**

**Medical Services**

$145,790  $130,724  ($15,066)  (10.3%)  D-205

Retroactive Medicaid reimbursements are expected to generate $14.1 million in annual savings. An additional $2.4 million in savings is anticipated through program audits.

**NJ FamilyCare – Affordable and Accessible Health Coverage Benefits**

$113,161  $120,469  $7,308  6.5%  D-205

The proposed appropriation reflects the estimated cost of providing services to about 98,700 adults. Pursuant to P.L. 2005, c.156, effective September 2006, parents of eligible children with income up to 115% of the Federal Poverty Level will qualify for the program and this is expected to increase the number of adults participating in the program. Federal funds of $91.5 million are expected to serve the adult population.

NJ FamilyCare costs associated with children ($72.8 million) are considered Other Funds and are not reflected in the $120.5 million General Fund appropriation. Pursuant to proposed language in the Department of Health and Senior Services budget, D-166, $5.0
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
</table>

million will be made available to increase the number of children enrolled in the program by 50,000 during FY 2007. As discussed in a Background Paper:

- It is uncertain whether during FY 2007, enrollment can be increased by 50,000 (net) children;
- If enrollment is increased by 50,000 children, the $5.0 million State appropriation is insufficient to cover the State share of program costs; and
- It is uncertain whether the State will receive the $231.6 million in federal funds to support NJ FamilyCare that the FY 2007 recommended budget assumes.

**Division of Disability Services**

Grants-in-Aid (TOTAL)  
<table>
<thead>
<tr>
<th></th>
<th>$183,611</th>
<th>$179,028</th>
<th>($4,583)</th>
<th>(2.5%)</th>
<th>D-212</th>
</tr>
</thead>
<tbody>
<tr>
<td>General Fund</td>
<td>103,283</td>
<td>98,700</td>
<td>($4,583)</td>
<td>(4.4%)</td>
<td></td>
</tr>
<tr>
<td>Casino Revenue Fund</td>
<td>$80,328</td>
<td>$80,328</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

These funds support the State funded Personal Assistance Services Program (PASS) and the following Medicaid programs: Personal Care and various Waiver Initiatives such as the Traumatic Brain Injury and the AIDS Community Care Alternative Program. The General Fund appropriation is supplemented with $80.3 million in Casino Revenue Funds.

The overall funding reductions are based on projections that indicate lower program costs. As a result, the overall amount of federal funds available to support the division’s programs will decrease from $189.2 million to $184.5 million. With the exception of PASS which is a State-supported program with no federal reimbursement, the funding reductions in Medicaid related programs will not have an impact on persons that require services. As Medicaid programs are entitlements, if program costs exceed the amount appropriated, additional funds would have to be made available.

**Division of Developmental Disabilities**

Direct State Services:  
Developmental Center Enhancement Fund TOTAL  
<table>
<thead>
<tr>
<th></th>
<th>$4,298</th>
<th>0</th>
<th>($4,298)</th>
<th>(100.0%)</th>
<th>D-217</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$2,500</td>
<td>0</td>
<td>($2,500)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$1,798</td>
<td>0</td>
<td>($1,798)</td>
<td>(100.0%)</td>
<td></td>
</tr>
</tbody>
</table>
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Developmental Center Enhancement Fund TOTAL</td>
<td>$2,894</td>
<td>$10,258</td>
<td>$ 7,364</td>
<td>254.5%</td>
<td>D-218</td>
</tr>
<tr>
<td>State</td>
<td>$1,984</td>
<td>$6,789</td>
<td>$ 4,805</td>
<td>242.2%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$1,000</td>
<td>$3,469</td>
<td>$ 2,469</td>
<td>246.9%</td>
<td></td>
</tr>
</tbody>
</table>

The Developmental Center Enhancement Fund was established in FY 2005 to correct problems identified at the New Lisbon Developmental Center by the U.S. Department of Justice. In FY 2006, the Fund was extended to address problems identified by the Justice Department at the Woodbridge Developmental Center.

The monies are used to improve staffing and services to clients at the two facilities and to reduce the census at the facilities by developing appropriate community placements.

Overall appropriations to the fund would increase by about $3.1 million in FY 2007. In addition, the program will retain any FY 2006 unexpended balances. While the amount of unexpended balances that may be available at the end of FY 2006 is not known, the accounts had over $11.1 million in unexpended balances in FY 2005. Thus, the total amount of funds available to the program in FY 2006 is approximately $18.3 million.

| Private Institutional Care TOTAL        | $43,189              | $44,739         | $ 1,550       | 3.6%           |             |
| State                                   | $41,878              | $43,428         | $ 1,550       | 3.7%           | D-217       |
| Casino Revenue Fund                     | $1,311               | $1,311          | 0             | —              | D-217       |

The additional $1.6 million being requested for the program reflects increased utilization as the number of clients receiving services is expected to be unchanged at 659 and program costs are unchanged at about $81,800 per year.

It is noted that one of the larger Private Institutional Care providers is in the process of becoming an approved Medicaid provider. The recommended appropriation does not reflect federal Medicaid reimbursements the provider would receive which should reduce State expenditures.
### Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Group Homes TOTAL</td>
<td>$441,367</td>
<td>$451,669</td>
<td>$10,302</td>
<td>2.3%</td>
<td>D-217 to D218</td>
</tr>
<tr>
<td>State</td>
<td>$228,455</td>
<td>$240,404</td>
<td>$11,949</td>
<td>5.2%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$177,058</td>
<td>$175,411</td>
<td>($1,647)</td>
<td>(.9%)</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$15,500</td>
<td>$15,500</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Casino Revenue Fund</td>
<td>$20,354</td>
<td>$20,354</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Group Home program supports various community residential programs such as Group Homes, Supervised Apartments and Supported Living. In FY 2007, this program will serve about 6,700 clients: Group Homes – 4,800, Supervised Apartments – 1,200, and Supported Living – 700.

Though the FY 2007 recommended appropriation does not reflect an increase in the number of persons served, additional clients are provided services through other programs such as Community Nursing Care Initiative – FY 2002, the Community Services Waiting List Reduction Initiative – FY 2002 and the CSWL Initiative Development.

#### Capital Improvements for Olmstead Group Homes

<table>
<thead>
<tr>
<th></th>
<th>0</th>
<th>$3,000</th>
<th>$3,000</th>
<th>—</th>
<th>D-218</th>
</tr>
</thead>
</table>

The $3.0 million is for the purpose of developing additional community residences for clients at developmental centers who can and would prefer to live in the community. While the type of residential facilities that will be developed is not known, at current costs, the $3.0 million appropriation would enable up to 10 facilities to be developed to provide services to 40 - 60 clients.

In addition, proposed budget language (p. D-250) would provide up to $50.0 million in unexpended federal recoveries over the next three years to develop at least 180 community placements for persons at State developmental centers.

#### Real Life Choices

<p>| | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$13,890</td>
<td>$19,231</td>
<td>$5,341</td>
<td>38.5%</td>
<td>D-218</td>
</tr>
<tr>
<td>State</td>
<td>$5,706</td>
<td>$5,706</td>
<td>0</td>
<td></td>
<td>—</td>
</tr>
<tr>
<td>Federal</td>
<td>$8,184</td>
<td>$13,525</td>
<td>$5,341</td>
<td>65.3%</td>
<td></td>
</tr>
</tbody>
</table>

Real Life Choices provides participants with an annual budget of between $14,300 and $63,500, depending on need, which participants can use to purchase various services.
### Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bancroft School</td>
<td>$125</td>
<td>0</td>
<td>($125)</td>
<td>(100.0%)</td>
<td>D-218</td>
</tr>
</tbody>
</table>

Funding included in the FY 2006 appropriations act by the Legislature is not continued.

#### Developmental Centers TOTAL

<table>
<thead>
<tr>
<th></th>
<th>$431,278</th>
<th>$342,630</th>
<th>($88,648)</th>
<th>(20.6%)</th>
<th>D-220 to D-231</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$207,775</td>
<td>$87,362</td>
<td>($120,413)</td>
<td>(58.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$223,447</td>
<td>$255,212</td>
<td>$31,765</td>
<td>14.2%</td>
<td></td>
</tr>
<tr>
<td>Other</td>
<td>$56</td>
<td>$56</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The $120.4 million reduction in General Fund appropriations to the seven developmental centers (Green Brook, Hunterdon, New Lisbon, North Jersey, Vineland, Woodbine and Woodbridge) will be supplemented by federal recoveries the State realized in FY 2006, pursuant to proposed budget language (p. D-250). Thus, there is no overall reduction in funding for developmental centers operations. These one-time federal monies may not be available in FY 2008, and additional State funds will be required.

During FY 2007, the census at the developmental centers is expected to decline by over 4.0%, about 120 patients, to about 2,900. The largest reductions will occur at New Lisbon (50) and Woodbridge (39) as part of the settlement agreement with the U.S. Department of Justice.

### Division of Family Development

#### Direct State Services
- **Total**
  - $29,065
  - $29,537
  - $472
  - 1.6%
  - D-238
- **State**
  - $11,517
  - $11,218
  - ($299)
  - (2.6%)
- **Federal**
  - $17,548
  - $18,319
  - $724
  - 1.6%

16
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electronic Benefit Transfer/Distribution System TOTAL</td>
<td>$3,683</td>
<td>$2,933</td>
<td>($750)</td>
<td>(20.4%)</td>
<td>D-238</td>
</tr>
<tr>
<td>General Fund</td>
<td>$604</td>
<td>$604</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$3,079</td>
<td>$2,329</td>
<td>($750)</td>
<td>(24.4%)</td>
<td></td>
</tr>
</tbody>
</table>

The proposed reduction in General Fund appropriations should not affect operations. Efficiencies and an increase in federal funds will offset the reduction.

The reduction in federal funds will have no affect on the program according to the division.

<table>
<thead>
<tr>
<th>Work First New Jersey – Child Support Initiatives TOTAL</th>
<th>$10,032</th>
<th>$10,578</th>
<th>$546</th>
<th>5.4%</th>
<th>D-238</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1,702</td>
<td>$1,702</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$8,330</td>
<td>$8,876</td>
<td>$546</td>
<td>6.6%</td>
<td></td>
</tr>
</tbody>
</table>

Additional federal reimbursement is anticipated for costs associated with various child support related projects, particularly the development and implementation of a new child support information system.

<table>
<thead>
<tr>
<th>Work First New Jersey – Technology Investment TOTAL</th>
<th>$57,598</th>
<th>$51,351</th>
<th>($6,247)</th>
<th>(10.8%)</th>
<th>D-238</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$4,345</td>
<td>$4,345</td>
<td>0</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$53,253</td>
<td>$47,006</td>
<td>($6,247)</td>
<td>(11.7%)</td>
<td></td>
</tr>
</tbody>
</table>

The overall reduction in federal funds available to the program will have no impact as sufficient unexpended federal balances are available to continue the various data processing projects that have been and will be undertaken.
## Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Work First New Jersey – Support Services TOTAL</td>
<td>$74,003</td>
<td>$75,664</td>
<td>$1,661</td>
<td>2.2%</td>
<td>D-239</td>
</tr>
<tr>
<td>State</td>
<td>$18,754</td>
<td>$31,504</td>
<td>$12,750</td>
<td>68.0%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$55,249</td>
<td>$44,160</td>
<td>($11,089)</td>
<td>(20.1%)</td>
<td></td>
</tr>
</tbody>
</table>

Additional General Funds are required to offset the loss of $10.0 million in New Jersey Workforce Development Partnership Funds. The reduction in federal funds is offset by an increase in federal funds in the Department of Labor and Workforce Development for similar activities.

| Work First New Jersey – Child Care TOTAL         | $270,586              | $275,558        | $4,972        | 1.8%           | D-239       |
| State                                            | $77,742               | $78,921         | $1,179        | 1.5%           |             |
| Federal                                          | $192,844              | $196,637        | $3,793        | 2.0%           |             |

Pub.L. 106-149 adopted various changes to the federal Temporary Assistance to Needy Families program including the requirement that states increase the percentage of clients involved in work activities to 50%. Additional child care services will be necessary to meet this requirement. The recommended budget would provide child care to an additional 1,300 children, or 50,600 in total.

| Work First New Jersey – Breaking the Cycle TOTAL | $8,166                | $7,167          | ($999)        | (12.2%)        | D-239       |
| State                                            | $2,854                | $6,004          | $3,150        | 110.4%          |             |
| Federal                                          | $5,312                | $1,163          | ($4,149)      | (78.1%)         |             |

This program supports projects that are time limited in nature or test new approaches to welfare related problems. The amount of federal funds allocated to the program is discretionary and is reduced by $4.1 million. An additional $3.2 million in State funds is allocated to the program to partially offset the reduction.
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>TANF Abbott Expansion TOTAL</td>
<td>$109,594</td>
<td>$92,166</td>
<td>($17,428)</td>
<td>(15.9%)</td>
<td>D-239</td>
</tr>
<tr>
<td>State</td>
<td>$105,594</td>
<td>$88,166</td>
<td>($17,428)</td>
<td>(16.5%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$4,000</td>
<td>$4,000</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The FY 2007 recommended appropriation assumes $30.0 million in savings through the imposition of a co-pay for after-school and summer child care in the Abbott districts for higher income families. It is estimated that 2,100 families earning between $60,000 - $75,000 would pay 50% of the annual cost, and 5,100 families earning more than $75,000 will pay the full annual cost of the service. Administrative details as to how family income would be calculated, how providers would be informed as to the amount families would have to pay and how the co-pay would be enforced are not available.

<table>
<thead>
<tr>
<th>Kinship Care</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Guardianship and Subsidy TOTAL</td>
<td>$15,750</td>
<td>$17,317</td>
<td>$1,567</td>
<td>9.9%</td>
<td>D-239</td>
</tr>
<tr>
<td>State</td>
<td>$1,805</td>
<td>$14,234</td>
<td>$12,429</td>
<td>688.6%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>13,945</td>
<td>3,083</td>
<td>($10,862)</td>
<td>(77.9%)</td>
<td></td>
</tr>
</tbody>
</table>

The increase in General Funds offsets a reduction in the amount of federal funds allocated to the program. In addition, Kinship families are also eligible for a higher subsidy based on the increase in resource family reimbursement rates. It is noted that the allocation of federal TANF funds among the various programs is discretionary on the division's part.

| School Based Youth Services TOTAL        | $12,674                | 0               | ($12,674)     | (100.0%)       | D-239        |
| State                                    | $8,624                 | 0               | ($8,624)      | (100.0%)       |              |
| Federal                                  | $4,050                 | 0               | ($4,050)      | (100.0%)       |              |

| Family Friendly Centers                  | $2,091                 | 0               | ($2,091)      | (100.0%)       | D-239        |

| New Jersey Low Income Energy Assistance Program State Funds | $3,000 | 0 | ($3,000) | (100.0%) | D-239 |
**Department of Human Services**  
**FY 2006-2007**

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

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Social Services for the Homeless TOTAL</strong></td>
<td>$12,467</td>
<td>$11,524</td>
<td>($943)</td>
<td>(7.6%)</td>
<td>D-240</td>
</tr>
<tr>
<td>State</td>
<td>$10,467</td>
<td>$11,524</td>
<td>$1,057</td>
<td>10.1%</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$2,000</td>
<td>0</td>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

There is no overall reduction in the program as federal funds are allocated to support the program, even though the federal funds are not reflected in the recommended budget. In FY 2005 and FY 2006, over $2.2 million and $2.0 million, respectively, in federal funds were allocated to the program. Why the FY 2007 recommended appropriation does not reflect federal funds is not known.

| Substance Abuse Initiatives TOTAL | $19,747              | $18,652         | ($1,095)       | (5.5%)         | D-240       |
| State                            | $6,523               | $16,470         | $9,947         | 152.5%         |             |
| Federal                          | $13,224              | $2,182          | ($11,042)      | (83.5%)        |             |

Certain program costs related to families under the supervision of the proposed Department of Children and Families will be supported with State funds, as it is uncertain whether these families qualify for federal funding.

| WFNJ Client Benefits TOTAL      | $139,797             | $136,624        | ($3,173)       | (2.3%)         | D-240       |
| State                           | $55,823              | $23,573         | ($32,250)      | (57.8%)        |             |
| Federal                         | 83,974               | 113,051         | $29,077        | 34.6%          |             |

The average monthly caseload is expected to decline from about 114,000 recipients (FY 2006) to about 111,300 recipients (FY 2007), and overall funding is reduced by about $3.2 million.
**Significant Changes/New Programs ($000) (Cont'd)**

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>WFNJ Emergency Assistance TOTAL</strong></td>
<td>$77,181</td>
<td>$74,798</td>
<td>($2,383)</td>
<td>(3.1%)</td>
<td>D-240</td>
</tr>
<tr>
<td>State</td>
<td>$5,987</td>
<td>$5,987</td>
<td>0</td>
<td>—</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>71,194</td>
<td>68,811</td>
<td>($2,383)</td>
<td>(3.3%)</td>
<td></td>
</tr>
</tbody>
</table>

For FY 2007, the division has allocated an additional $29.1 million in federal funds and has allocated $32.3 million less in State funds to fund the program. The amount of State and federal monies that are allocated among the various programs related to the federal Temporary Assistance to the Needy Families is discretionary.

The average monthly caseload is expected to decline from about 17,400 recipients (FY 2006) to 17,100 recipients in (FY 2007), and overall funding is reduced by about $3.2 million.

| General Assistance TOTAL     | $160,034             | $136,143        | ($23,891)     | (14.9%)        |             |
| General Assistance Emergency Assistance Program | $79,508               | $70,010         | ($9,498)      | (11.9%)        | D-240       |
| Payments for Cost of General Assistance | $80,526               | $66,133         | ($14,393)     | (17.9%)        | D-240       |

As revised FY 2006 data indicates, expenditures are less than had been appropriated for the two programs. This expenditure trend is expected to continue in FY 2007.

The FY 2007 recommended budget assumes that approximately 37,600 persons will require assistance monthly (21,900 employable recipients and 15,700 unemployable recipients); and that about 7,400 persons monthly will require Emergency Assistance.

| Payments for Supplemental Security Income | $76,933               | $80,056         | $3,123        | 4.1%           | D-240       |

The increase is related to an additional 2,100 persons qualifying for federal SSI benefits and the supplement the State provides to the basic federal SSI benefit.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Division of Addiction Services</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grants-in-Aid</td>
<td>$50,787</td>
<td>$34,240</td>
<td>($16,547)</td>
<td>(32.6%)</td>
<td>D-244</td>
</tr>
</tbody>
</table>

The reduction is largely due to the shift of $21 million in Substance Abuse Services – Child Welfare Reform funding to the proposed Department of Children and Families. Legislative funding initiatives to Integrity, Inc. ($400,000) and Turning Point Alcohol and Drug Rehabilitation Program ($200,000) are not continued.

Partially offsetting the reduction, funding for Community Based Substance Abuse Treatment in Prevention State Share is increased by $3.0 million, from $24.2 million to $27.2 million, to replace financial support from the Drug Enforcement and Demand Reduction Fund. Finally, new funding of $2 million is provided for Capital Improvements for Substance Abuse Treatment and Recovery Centers to support additional outpatient service slots, residential beds and capital repairs.

Division of Management and Budget

| Personal Services                  | $28,100               | $15,678         | ($12,422)     | (44.2%)        | D-248       |
| Services Other Than Personal       | $9,601                | $8,194          | ($1,407)     | (14.7%)        | D-248       |
| Special Purpose: Information Technology – Child Welfare Reform | $2,703                | 0               | ($2,703)     | (100.0%)       | D-248       |
| Special Purpose: Health Care Billing System | $293                 | $470            | $177         | 60.4%          | D-248       |

Most of the $12.4 million reduction in Personal Services reflects a shift of monies and personnel to the proposed Department of Children and Families. About $0.7 million of the reduction is to be absorbed by existing staff or through operational efficiencies.

The Services Other Than Personal funding is reduced by $1.4 million. Most of the reduction, $1.2 million, is related to a FY 2006 supplemental appropriation that is not continued in FY 2007. As this type of supplemental appropriation has occurred in previous fiscal years, it will likely occur in FY 2007. Thus, the reduction may not be realized.

The Information Technology – Child Welfare Reform reduction reflects the transfer to the proposed Department of Children and Families.
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>United Way 2-1-1 System</td>
<td>$350</td>
<td>0</td>
<td>($350)</td>
<td>(100.0%)</td>
<td>D-248</td>
</tr>
</tbody>
</table>

Funding for the program was included in the FY 2006 appropriations act by the Legislature and is not continued.

| HVAC Improvements at DHS Institutions             | 0                    | $4,500          | $4,500        |                 | D-248       |

| Hunterdon Developmental Center – Replace Underground Water Lines | 0 | $3,200 | $3,200 | — | D-248 |

| Vineland Developmental Center – HVAC              | $3,000               | 0               | ($3,000)      | (100.0%)       | D-249       |

| Sewer Connection – Camden County Municipal Utilities Authority | $5,100 | 0 | ($5,100) | (100.0%) | D-249 |

| Statewide Automated Child Welfare Information System | $3,500 | 0 | ($3,500) | (100.0%) | D-249 |

Capital Construction funds of $7.7 million are recommended in FY 2007, $3.9 million less than in FY 2006, for various projects at State institutions.

FY 2006 appropriations for projects at the Vineland Developmental Center – HVAC ($3.0 million) and the Sewer Connection ($5.1 million) have been encumbered. The adequacy of the appropriations will not be known until the projects are completed.

Included in the budget for the proposed new Department of Children and Families is $10.0 million in Capital Construction funds for the Statewide Automated Child Welfare Information System. The FY 2006 $3.5 million appropriation included in the Department of Human Services budget, along with $4.6 million in unexpended funds related to the project, will be transferred to the new department.
Language Provisions

Division of Mental Health Services

2006 Appropriations Handbook

pp. B-87; B-88.

Of the amounts hereinabove appropriated for Salaries and Wages, $250,000 shall be expended consistent with the recommendations in the final report of the Governor’s Task Force on Mental Health as follows: $250,000 for the Office of Disaster Mental Health.

Of the amounts hereinabove appropriated for Community Care, $25,500,000 shall be expended consistent with the recommendations in the final report of the Governor’s Task Force on Mental Health as follows: $10,000,000 for Mental Health Screening Centers; $2,100,000 for Self-Help Centers; $2,500,000 for psychiatric services; $5,000,000 for support services for permanent supportive housing; $600,000 for jail diversion in Atlantic County; $600,000 for jail diversion in Essex County; and $600,000 for jail diversion in Union County; $1,000,000 for bilingual and culturally competent services; $1,000,000 for Short-Term Care Facilities; $600,000 for Community Health Law Project; $1,500,000 for Special Case Management Services.

2007 Budget Recommendations


Similar language except the amount has been increased to $330,000.

Similar language except that $30,905,000 is to be expended on services identified by the Governor’s Task Force on Mental Health. Funding is increased for the following services:

- Mental Health Screening Centers - $11,500,000;
- Self-Help Centers - $2,637,000;
- Psychiatric Services - $3,625,000;
- Support Services for Permanent Supportive Housing - $5,125,000;
- Bilingual and Culturally Competent Services - $2,868,000;
- Community Health Law Project - $850,000.

Funding for the following services are unchanged from FY 2006 levels: Jail Diversion Projects in Atlantic, Essex and Union Counties - $1,800,000; Short Term Care Facilities - $1,000,000; and Special Case Management Services - $1,500,000.

Explanation

The two language provisions allocate an additional $5.5 million of recommended FY 2007 Direct State Services and Grants-in-Aid appropriations to programs identified by the Governor’s Task Force on Mental Health.
Language Provisions (Cont’d)

Division of Medical Assistance and Health Services

2006 Appropriations Handbook

p. B-95.

Rebates from pharmaceutical manufacturing companies during the fiscal year ending June 30, 2006 for prescription expenditures made to providers on behalf of Medicaid clients are appropriated for the Payments for Medical Assistance Recipients – Prescription Drugs account.

2007 Budget Recommendations


Similar language except the following new sentence has been added:
Provided further that for fiscal 2007, the Commissioner of the Department of Human Services, in consultation with the State Treasurer, shall negotiate and implement additional measures to maximize savings and cost recoveries in the Payments for Medical Assistance Recipients – Prescription Drugs, NJ FamilyCare, and General Assistance Medical Services prescription drugs programs to ensure that the State of New Jersey is an aggressively cost-conscious purchaser of prescription drugs.

Explanation

The additional language authorizes implementation of additional measures to reduce prescription drug costs, in particular the adoption of bulk purchasing by various State prescription drug programs. It is estimated that bulk purchasing of prescription drugs may save Medicaid $30.7 million.

2006 Appropriations Handbook


Notwithstanding the provisions of any other law or regulation to the contrary, and subject to 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 the cost of legend, and non-legend drugs, and nutritional supplements, shall not exceed their Average Wholesale Price (AWP) less a 12.5% discount; (b) the current prescription drug dispensing fee structure set as a variable rate of $3.73 to $4.07 in effect on June 30, 2005

2007 Budget Recommendations


Notwithstanding the provisions ... (a) reimbursement for the cost of legend, and non-legend drugs, and nutritional supplements, shall not exceed the Average Wholesale Price (AWP) less a 15% discount from July 1, 2006, through December 31, 2006. In accordance with the federal Deficit Reduction Act, effective January 1, 2007, reimbursement for multiple source drugs shall not exceed 250% of the lowest Average Manufacturer’s Price (AMP) or AWP less a 20% discount whichever is lower, and reimbursement for single source innovator drugs will be calculated using the retail survey price or AWP less a 20% discount, whichever is lower; (b)
Language Provisions (Cont'd)

2006 Appropriations Handbook
shall remain in effect through fiscal year 2006, including the current increments for patient consultation, impact allowances, and allowances for 24-hour emergency services; and (c) multisource brand name drugs shall require prior authorization issued by the Division of Medical Assistance and Health Services or its authorizing agent, however, a 10-day supply of the multisource brand name drug shall be dispensed pending receipt of prior authorization. Certain multisource brand name drugs with a narrow therapeutic index, other drugs recommended by the Drug Utilization Board or brand 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. The funds appropriated for the Payments for Medical Assistance Recipients-Prescription Drugs may also be expended for a temporary program to provide additional compensations to pharmacies which serve a disproportionate share of Medicaid participants due to a significant decline in a pharmacy’s total prescription drug dispensing fee compensation resulting from changes in federal law. A pharmacy shall be eligible for such additional compensation if it: (a) is classified by the Division of Medical Assistance and Health Services during calendar year 2005 as a pharmacy receiving an impact allowance pursuant to N.J.A.C.10:51-1.7(a)(3); (b) is not considered a long-term care pharmacy; and (c) has not filled more than 8,562 Medicaid prescriptions during calendar year 2005. The additional compensation shall equal $2 for each Medicaid prescription filled between January 1, 2005 and June 30, 2005.

2007 Budget Recommendations
(unchanged); and (c) with the exception of psychotropic medications, multisource generic and single source brand names shall be dispensed without prior authorization but multisource brand name drugs shall require prior authorization issued by the Division of Medical Assistance and Health Services or its authorizing agent, however, a 10-day supply of the multisource brand name drug shall be dispensed pending receipt of prior authorization. In the case of psychotropic medications, prescriptions without a generic equivalent must be prior authorized. Certain multisource brand name drugs with a narrow therapeutic index, other drugs recommended by the Drug Utilization Board or brand 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.
Language Provisions (Cont'd)

Explanation

The amended language provision does the following:

- Budget language, authorized by P.L.2005, c.363, to provide additional reimbursement to pharmacies to offset the loss of revenue due to the implementation of the Medicare Part D Prescription Drug Program in January 2006, is not continued. Available information is that affected pharmacies have not received additional reimbursement.
- Implements various provisions of the federal Deficit Reduction Act of 2005, Pub.L.109-149, affecting Medicaid reimbursement for prescription drugs, effective January 2007. Also, during the July – December 2006, the 12.5% discount off Average Wholesale Price that Medicaid obtains in reimbursing for prescription drugs is increased to 15%. These two reimbursement changes are expected to save $13.8 million.
- Prior authorization would be required for psychotropic medications, even if there is no generic equivalent available for drugs such as Risperdal and Zyprexa. This requirement is expected to save $8.8 million.

2006 Appropriations Handbook

p. B-95.

Notwithstanding any laws or regulations to the contrary, payments from the Payments for Medical Assistance Recipients – Prescription Drugs account, the General Assistance drug program or the fee-for-service portion of NJ FamilyCare shall not cover quantities of erectile dysfunction drug therapies in excess of four treatments per month. Moreover, payments will only be provided if the diagnosis of erectile dysfunction is written on the prescription form and the treatment is provided to males over the age of 18 years.

Explanation

As authorized by federal law, Pub.L. 109-91, Medicaid and related federal programs will no longer cover prescription drugs used to treat erectile dysfunction. The State is extending this prohibition to the General Assistance program. Savings of $1.5 million are anticipated.

2007 Budget Recommendations

No comparable language provision.
Language Provisions (Cont'd)

2006 Appropriations Handbook  


Notwithstanding the provisions of any law or regulation to the contrary, the appropriations herein above for Payments for Medical Assistance Recipients- Other Services and NJ FamilyCare are conditioned upon rate increases for the provider tax not being included in the calculation of the hospice per diem room and board payment rates.

2007 Budget Recommendations

No comparable language provision.

Explanation

The FY 2006 budget language was contrary to federal guidance and was not implemented during FY 2006 and is not continued in FY 2007.

2006 Appropriations Handbook  

No comparable language provision.

2007 Budget Recommendations


Notwithstanding the provisions of any other law or regulation to the contrary, effective July 1, 2006, from the revenues generated by the New Jersey Acute Care Hospital Licensed Bed Assessment, such sums as may be necessary are appropriated to the Division of Medical Assistance and Health Services to increase Medicaid and NJ FamilyCare hospital reimbursement rates according to a plan developed by the Commissioner of Human Services and approved by the Director of the Division of Budget and Accounting.

Explanation

As proposed, and subject to both enactment of State enabling legislation and federal approval, a 5.5% assessment on non-Medicare hospital revenue, equivalent to a $1,424 per licensed bed per month assessment, would be imposed and would generate $430 million.

Half of that amount, $215 million, would be available to the General Fund and the remaining $215 million would generate $215 million in federal Medicaid revenue to be used to increase Medicaid reimbursement to hospitals. In the aggregate, the $430 million in increased Medicaid reimbursement would offset the $430 million assessment. On a hospital-by-hospital basis, some hospitals (primarily urban) will realize additional Medicaid
Language Provisions (Cont'd)

reimbursement in excess of their assessment, while other hospitals (primarily suburban and rural) will realize less Medicaid reimbursement than their assessment.

<table>
<thead>
<tr>
<th>2006 Appropriations Handbook</th>
<th>2007 Budget Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No comparable language provision.</td>
<td>Notwithstanding the provision of any other law or regulation to the contrary, effective July 1, 2006, distribution of the Graduate Medical Education (GME) payment to eligible acute care hospitals shall not be in excess of, or cause an individual hospital to exceed its federal Disproportionate Share Hospital upper payment limits.</td>
</tr>
</tbody>
</table>

**Explanation**

The proposed language provision affects only one hospital, University Hospital. About $8.0 million in GME payments would be redistributed to other hospitals with GME expenses.

<table>
<thead>
<tr>
<th>2006 Appropriations Handbook</th>
<th>2007 Budget Recommendations</th>
</tr>
</thead>
<tbody>
<tr>
<td>No comparable language provision.</td>
<td>Notwithstanding the provisions of any other law or regulation to the contrary, and subject to the notice provisions of 42 CFR 447.205 where applicable, effective state fiscal 2007, all qualifying beneficiaries, in accordance with 42 CFR 447.53, of the Division of Medical Assistance and Health Services will be responsible for a $6 copayment for each emergency room visit that is determined to be for a non-emergent visit. Qualifying beneficiaries will be charged a $3 copayment for each outpatient hospital visit. Beneficiary cost-sharing responsibility for certain out patient services will not exceed $12 per month.</td>
</tr>
</tbody>
</table>

**Explanation**

The proposed language authorizes the imposition of a $3.00 copayment on outpatient hospital visits, capped at $12 per month, and a $6.00 copayment per emergency room visit for non-emergency services. The copayment would not be imposed on children under the age of
Language Provisions (Cont'd)

18, pregnant women, institutionalized patients and persons receiving family planning services pursuant to federal law. Savings of $1.1 million are anticipated.

2006 Appropriations Handbook

No comparable language provision.

2007 Budget Recommendations


Notwithstanding the provisions of any other law or regulation to the contrary, and subject to the notice provisions of 42 CFR 447.205 where applicable, effective State fiscal 2007, all qualifying beneficiaries, in accordance with 42 CFR 447.53, of the Division of Medical Assistance and Health Services will be responsible for a $2 copayment per prescription drug. The maximum amount a beneficiary will be charged each month is $10.

Explanation

The proposed language authorizes a $2.00 per prescription copayment, capped at $10 per month, and would save $13 million. The copayment would not be imposed on children under the age of 18, pregnant women, institutionalized patients and persons receiving family planning services pursuant to federal law.

It is noted that while some Medicaid recipients would be subject to this copayment, the State will continue to pay any copayment for Medicaid recipients who qualify for the Medicare Part D prescription drug program.

2006 Appropriations Handbook

No comparable language provision.

2007 Budget Recommendations


Notwithstanding the provision of any other law or regulation to the contrary, effective October 1, 2006, payments from the Payments for Medical Assistance Recipients – Outpatient Hospital account for outpatient hospital reimbursement for partial care hospitalization services provided as an outpatient hospital service shall be paid at the lower of charges or a prospective hourly rate for individual therapy and the lower of charges or a prospective hourly rate for group therapy as established by the
Language Provisions (Cont'd)

2006 Appropriations Handbook

2007 Budget Recommendations


Commissioner of Human Services. Costs related to such services shall be excluded from outpatient hospital costs settlements.

Explanation

The proposed language would reduce Medicaid reimbursement for partial care mental health services provided by hospitals. Savings of $7.5 million (State)/$15 million (gross) are anticipated.

2006 Appropriations Handbook

No comparable language provision.

2007 Budget Recommendations


The amounts hereinabove appropriated for Personal Care, Managed Care, Hospital Relief Offset Payments, Other Treatment Facilities, Inpatient Hospital, Prescription Drugs, Outpatient Hospital, Physician Services, Home Health Care, Medicare Premiums, Dental Services, Psychiatric Hospital, Medical Supplies, Clinic Services, Transportation Services, Other Services, Eligibility Determination Services and Health Benefit Coordination Services are conditioned upon the Commissioner of the Department of Human Services making changes to such programs to make them consistent with the Deficit Reduction Act of 2005.

Explanation

The proposed language would grant the Commissioner of Human Services authority to adopt regulatory changes consistent with Pub.L.109-149, the federal Deficit Reduction Act of 2005. What additional regulatory changes may be adopted pursuant to this language are not known.
Language Provisions (Cont’d)

Division of Developmental Disabilities

2006 Appropriations Handbook

p. B-101; D-105

Notwithstanding the provisions of any other law to the contrary, expenditures of federal Community Care Waiver funds received for community-based programs in the Division of Developmental Disabilities are limited to $238,655,000. Federal funding received above this level must be approved by the Director of the Division of Budget and Accounting.

The State appropriation is based on ICF/MR revenues of $278,905,000, provided that if the ICF/MR revenue exceed $278,905,000, 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.

2007 Budget Recommendations


Similar language except that the amount of federal Community Care Waiver funds that can be expended is capped at $268,712,000.

Similar language except that the amount of ICF/MR revenues anticipated is $314,562,000.

Explanation

The first language provision involves the federal Community Care Waiver (CCW). The amended budget language would increase the cap as to the amount of CCW funds that can be expended on community programs by about $30.1 million, to $268.7 million.

It is noted that Schedule 2 identifies CCW revenues of $268.2 million (FY 2006). The actual amount of FY 2006 CCW revenues will exceed $262.2 million. These excess CCW revenues will be used for various developmental disabilities purposes in FY 2007, pursuant to budget language, D-250.

The second language provision involves the federal ICF-MR program. The proposed budget language would increase the amount of federal ICF-MR revenues anticipated in FY 2007 by $35.7 million, to $314.6 million.

It is noted that while Schedule 2 identifies $282.1 million in ICF-MR revenues (FY 2006), actual Medicaid ICF-MR claims processed indicate that revenues will exceed $282.1 million.
Language Provisions (Cont'd)

Division of Family Development

2006 Appropriations Handbook


Notwithstanding any law to the contrary, in addition to the amounts hereinabove for the Work First New Jersey Work Activities and Work First New Jersey Training Related Expenses accounts, an amount not to exceed $10,000,000 is appropriated from the New Jersey Workforce Development Partnership Fund, section 9 of P.L.1992, c.43 (C.34:15D-9), subject to the approval of the Director of the Division of Budget and Accounting.

2007 Budget Recommendations

No comparable language provision.

Explanation

The language is not required as additional funds from the New Jersey Workforce Development Partnership Fund are not available to the division to supplement its recommended appropriations. Available information is that $10 million in General Funds will be made available to support these and other work related programs.

2006 Appropriations Handbook


No comparable language provision.

2007 Budget Recommendations

Notwithstanding any law or regulation to the contrary, payments of TANF Abbott Expansion funds to a community provider or school district providing wrap around programs for three and four year olds will be contingent on the assessment of a co-payment consistent with a schedule to be published by the Department of Human Services in the New Jersey Register.

Explanation

The FY 2007 recommended budget assumes $30 million in savings by requiring co-payments from higher income families who live in Abbott districts and who utilize child care services. It is estimated that 2,100 families earning between $60,000 - $75,000 will pay 50% of the annual cost, and 5,100 families earning more than $75,000 will pay the full annual cost of the services. At this time, as regulations to implement this co-payment have not been proposed, it is not known how family income will be determined, how providers would be notified as to who has a co-payment and what their co-payment amounts are, or how the division would monitor and enforce the collection of co-payments.
Language Provisions (Cont'd)

Division of Addiction Services

2006 Appropriations Handbook

p. B-110

In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention – State Share program, there is appropriated $2,700,000 from the “Drug Enforcement and Demand Reduction Fund” for the same purpose.

2007 Budget Recommendations

No comparable language provision.

Explanation

Language which provided $2.7 million from the Drug Enforcement and Demand Reduction Fund (DEDR) to the Community Based Substance Abuse Treatment and Prevention – State Share is not continued. An additional $3 million in General Fund appropriations is recommended.

Department of Human Services - General

2006 Appropriations Handbook

No comparable language provision.

2007 Budget Recommendations


The unexpended balances at the end of the preceding fiscal year due to opportunities for increased recoveries in the Department of Human Services are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. These recoveries may be transferred to the Division of Developmental Disabilities as follows: $50,000,000 for placements of patients from the developmental centers to the community in accordance with a plan approved by the Director of the Division of Budget and Accounting and an amount for operating costs in the developmental centers, subject to the approval of the Director of the Division of Budget and Accounting.
Language Provisions (Cont'd)

Explanation

The proposed language appropriates certain FY 2006 unexpended federal recoveries to the Division of Developmental Disabilities. Upwards of $194 million in recoveries is expected to be realized and is to be expended as follows:

- $50.0 million would be available over the next three years to develop up to 180 community placements for patients at developmental centers who can be placed into community programs;
- $12.5 million would be used to provide Respite Services ($3.6 million), Adult Activities ($4.6 million) and Real Life Choices ($4.4 million) to clients with developmental disabilities who are living at home;
- $6.4 million would be available for emergency community placements; and
- the balance, approximately $125 million, would be used for FY 2006 and FY 2007 State expenditures related to DDD.
Discussion Points

DEPARTMENT OF HUMAN SERVICES – GENERAL

1. The following Schedule 1 revenues were less than the amounts anticipated in the FY 2005 appropriations act:

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>FY 2005 APPROP. ACT (000)</th>
<th>FY 2005 ACTUAL (000)</th>
<th>SHORTFALL (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Periodic Screening Diagnosis and Treatment</td>
<td>$4,000</td>
<td>$139</td>
<td>$3,861</td>
</tr>
<tr>
<td>Medicaid Uncompensated Care – Acute</td>
<td>$319,942</td>
<td>$226,573</td>
<td>$93,369</td>
</tr>
<tr>
<td>School Based Medicaid</td>
<td>$19,000</td>
<td>$4,583</td>
<td>$14,417</td>
</tr>
</tbody>
</table>

- **Question:** What accounts for these shortfalls?

2. In January 2004, the federal government sought repayment from the department of $11.1 million in Medicaid claims submitted by Deloitte Consulting. The department submitted additional data to support these claims.

- **Question:** What is the status of the $11.1 million disallowance? If the State had to repay all or part of the monies, has the State sought restitution from Deloitte?

3. While the number of developmental disabilities and mental health programs the department licenses and inspects increased from approximately 3,700 to 4,500, the number of staff assigned to inspect/monitor these programs has been reduced from 65 to 54.

- **Question:** In view of increasing oversight responsibilities and legislative concerns over client safety and fiscal responsibility, can the department assure adequate oversight with reduced staff?

4.a. In FY 2006, the department indicated that it will expend approximately $120.4 million on information technology, (including the new Department of Children and Families): $50.8 State and $69.6 million federal.

- **Question:** How much State and federal funds are included in the FY 2007 recommended budget for information technology?

4.b. In FY 2006, approximately 300 personnel were involved in information technology as follows: DHS Central Office – 46; Family Development – 65; Addiction Services – 13; Medical Assistance and Health Services – 46; Blind Commission – 8; Developmental Disabilities – 75; and Mental Health – 41.

- **Question:** How many personnel will be involved in information technology services during FY 2007?
Discussion Points (Cont'd)

4.c. Approximately $5.1 million will be expended on information technology consultants during FY 2006.

- **Question:** How much is included in the FY 2007 recommended budget for information technology consultants?

5. Proposed language on p. D-250 appropriates an unspecified amount of FY 2006 unexpended recoveries, and authorizes the use of up to $50 million by the Division of Developmental Disabilities for community placements. Public testimony on the FY 2007 recommended budget indicated that upwards of $200 million in unexpended recoveries may be available. However, Schedule 2 Title XIX Community Care Waiver and Title XIX ICF/MR revenues for both FY 2006 and FY 2007 do not reflect these unexpended recoveries.

- **Question:** How much unexpended recoveries are anticipated? Why are such recoveries not reflected in Schedule 2?

DIVISION OF MENTAL HEALTH SERVICES

6. Funding for the Governor's Council on Mental Health Stigma would increase from $250,000 to $350,000. As of this writing, no monies have been expended.

- **Question:** As no funds have been expended to date, why is an additional $100,000 needed?

7. The chart below provides departmental data on overtime hours at the adult psychiatric hospitals between FY 2002 and FY 2006 (est.):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Ancora</td>
<td>304,000</td>
<td>337,800</td>
<td>291,300</td>
<td>308,800</td>
<td>341,600</td>
</tr>
<tr>
<td>Greystone</td>
<td>294,300</td>
<td>326,100</td>
<td>282,500</td>
<td>244,000</td>
<td>289,700</td>
</tr>
<tr>
<td>Hagedorn</td>
<td>127,200</td>
<td>128,700</td>
<td>100,100</td>
<td>128,200</td>
<td>106,000</td>
</tr>
<tr>
<td>Trenton</td>
<td>266,400</td>
<td>311,200</td>
<td>277,400</td>
<td>250,500</td>
<td>298,700</td>
</tr>
<tr>
<td>TOTAL</td>
<td>991,900</td>
<td>1,103,800</td>
<td>951,300</td>
<td>931,500</td>
<td>1,036,000</td>
</tr>
</tbody>
</table>

Although from FY 2002 - FY 2005, progress was made in reducing the number of overtime hours worked, overtime hours may increase between FY 2005 and FY 2006 by over 11%.

- **Question:** What accounts for the increase in overtime hours at Ancora, Greystone and Trenton?

8. FY 2006 marks the official end of the Greystone Park Psychiatric Hospital Bridge Fund. Initiated in FY 2001, the plan’s multi-year objective was to provide 400 community placements to reduce the census of and admissions to the four adult psychiatric hospitals. Five years later, and after spending about $102.6 million, the total census is higher and the number of admissions has decreased only slightly as detailed below:
Discussion Points (Cont’d)

<table>
<thead>
<tr>
<th></th>
<th>FY 2001</th>
<th>FY 2006 (thru March)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Census</td>
<td>1,929</td>
<td>2,065</td>
</tr>
<tr>
<td>Admissions</td>
<td>2,947</td>
<td>2,928 (annualized)</td>
</tr>
</tbody>
</table>

- **Question:** As there has been no overall reduction in the census and as the number of admissions to the adult psychiatric hospitals is essentially unchanged, what impact did the expenditure of nearly $103 million have?

9. The FY 2007 budget recommends $10.0 million for a new program, Olmstead Support Services, to “develop essential services and community capacity to facilitate the deinstitutionalization of persons living in State psychiatric hospitals....” There are over 1,000 patients classified as Conditional Extension Pending Placement (CEPP) at the psychiatric hospitals, including 350 at Ancora. The objective of this new program is similar to that of the Greystone Park Psychiatric Hospital Bridge Fund.

The proposed expenditure of $10.0 million does not mention any specific numerical placement objectives that are to be attained.

- **Question:** At the end of FY 2007, how many fewer CEPP patients will be hospitalized as a result of this program?

10.a. Available information indicates that about $5.3 million of the FY 2005 Community Care appropriation has been “encumbered,” but not expended.

- **Question:** Can any of the $5.3 million in encumbered funds be lapsed?

10.b. The Divisions of Mental Health Services and Medical Assistance and Health Services are attempting to identify mental health clients who become eligible for federal SSI benefits. By identifying such clients, community mental health agencies could retroactively bill Medicaid for mental health services provided at State expense and reduce Community Care expenditures.

- **Question:** Based on a preliminary review of SSI data, how much additional federal Medicaid revenues may be realized by the agencies?

10.c. A review of various contracts funded by the division indicates that agencies have incurred new debt of upwards of $7.0 million at interest rates of around 6%. The Division of Developmental Disabilities recently refinanced around $9.0 million in contract debt with interest rates of around 7.0% to free up $1.2 million in funds.

- **Question:** How much new debt have community mental health agencies incurred? How much might be saved by refinancing such debt?

10.d. The Medicaid program anticipates saving $15 million (gross) by reducing reimbursement for partial hospitalization mental health services provided by hospitals. A reduction in Medicaid reimbursement could increase Community Care expenditures.

- **Question:** To what extent will Community Care expenditures increase?
Discussion Points (Cont’d)

11.a. The FY 2007 budget recommends $116.6 million for Support of Patients in County Psychiatric Hospitals, an 11.5% increase over the FY 2006 appropriation.

Available expenditure data indicate that FY 2006 expenditures will exceed the $104.6 million appropriation by at least $10 million.

- **Question:** In view of projected FY 2006 expenditures, is the FY 2007 recommended appropriation adequate?

11.b. A new Medicare reimbursement system for psychiatric services was implemented and will affect the six county psychiatric hospitals. To the extent that Medicare reimbursement increases, the amount of State Aid required to reimburse counties may decrease; and to the extent that Medicare reimbursement decreases, the amount of State Aid required to reimburse counties may increase.

- **Question:** How has the new Medicare reimbursement policy affected Medicare reimbursement to county psychiatric hospitals?

**DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES**

12. Savings of $1.5 million by utilizing electronic transmission of provider manuals and newsletters and $20 million through enhanced monitoring of Medicaid payments for outpatient services were to be realized by the division in FY 2006.

- **Question:** How much savings were realized and can such savings be documented?

13.a. Price Waterhouse is in negotiations with the Office of the State Attorney General office concerning its liability in Medicaid fraud committed at Mt. Carmel Guild. To date, no settlement has been announced.

- **Question:** What dollar amount is the State seeking to recover? What is the status of the negotiations?

13.b. Under the terms of its settlement with the State, Mt. Carmel Guild will repay the State for the State share (approximately $20 million) of the fraud over a 30 year period. The federal government has already been credited with its $20 million share.

- **Question:** Did Mt. Carmel Guild actually repay the federal government for the Medicaid fraud or did the State cover this expense by reducing the amount of federal reimbursement due the State? If the State covered Mt. Carmel Guild’s liability, will the State be repaid? Can Mt. Carmel Guild’s repayment schedule be accelerated so that the State is repaid in less than 30 years?

14.a. As part of the Managed Care Initiative, $3.1 million in incentive payments are provided to managed care organizations to improve reporting of EPSDT (Early Periodic Screening Diagnosis Testing) services to children. These monies are passed through to physicians. Despite such incentive payments, managed care organizations do not meet the minimum contract requirements established for EPSDT reporting.
Discussion Points (Cont'd)

- **Question:** If managed care organizations are unable to meet existing EPSDT contract requirements, should any financial incentive payments be provided?

14.b. The Senate Budget and Appropriations and the Assembly Budget committees have questioned whether Medicaid managed care organizations devote sufficient resources to fraud and abuse and third party liability recoveries.

- **Question:** During FY 2004 and FY 2005, how much third party recoveries did managed care organizations realize?

14.c Enrollment of Medicaid recipients who are disabled into the Managed Care Initiative is on a voluntary basis. At present, about 55,000 of the 200,000 disabled persons eligible for Medicaid are enrolled in managed care. At public hearings on the proposed FY 2007 budget, various speakers recommended the mandatory enrollment of the disabled into managed care in order to reduce Medicaid expenditures.

- **Question:** How much would be saved in FY 2007 by enrolling the disabled into managed care?

15.a. Subject to enactment of State enabling legislation and federal approval, the FY 2007 recommended budget proposes a 5.5% Hospital Provider Assessment Fee on non-Medicare hospital revenue. This assessment will generate $430 million in off-budget revenues. Half of the revenues would become State revenues and the remaining $215 million would matched by federal funds and used to increase Medicaid reimbursement to hospitals by $430 million (Schedule 2).

Available information indicates that the federal Centers for Medicare and Medicaid Services will publish new regulations during 2006 to limit provider assessments to 3%. This would apply to new provider assessments, and existing provider assessments would have to be reduced to the 3% level over three years. Whether the federal government would approve a 5.5% assessment, if it proposes to reduce assessments to 3%, is uncertain. If reduced to 3%, the assessment would produce only $235 million.

- **Question:** In view of pending federal regulations to reduce provider assessments to no more than 3%, should the amount of monies anticipated be reduced from $430 million to $235 million?

15.b. Many hospitals will be assessed more than they would receive in the form of increased Medicaid reimbursement. Four hospitals (Bayonne, Pasack Valley, PBI Regional and St. Joseph's Wayne) are being monitored by the New Jersey Health Care Facilities Financing Authority due to concerns about their financial condition.

- **Question:** What impact would the imposition of an assessment have on the financial condition of these four hospitals?

15.c. The double billing for physician services by UMDNJ is a situation that can occur at other hospitals, particularly teaching hospitals.
Discussion Points (Cont’d)

- **Question:** What internal controls are in place to detect such billings? Has Medicaid examined other hospital billings to determine whether they double billed for physician services? Will developments at UMDNJ impact the State’s federal DSH reimbursement?

15.d. In federal FY 2005, the State was eligible to receive a maximum of $606.4 million in federal Disproportionate Share Hospital (DSH) revenues for Inpatient Hospital and Mental Health services. However, the State obtained $580.7 million in federal DSH funds, or $25.7 million less than the maximum it could have received. The $25.7 million shortfall is related to the amount of monies received for the Inpatient Hospital component of DSH.

- **Question:** What accounts for the State’s inability to obtain the maximum amount of federal DSH funds it was entitled to?

16.a. Included within the FY 2007 recommended appropriation for Payments for Medical Assistance Recipients – Prescription Drugs are monies to reimburse the federal government for Medicare Part D prescription drug costs on behalf of Medicare/Medicaid recipients, i.e., dual eligibles. This payment is referred to as “clawback.” New Jersey and several other states have challenged the clawback in federal court.

- **Question:** Of the $540.3 million recommended for Prescription Drugs, how much money is set aside to reimburse the federal government?

16.b. P.L.2005, c.363 authorized the division to “provide additional compensation to pharmacies which serve a disproportionate share of Medicaid recipients due to a significant decline in a pharmacy’s total prescription fee compensation resulting from changes in federal law.”

- **Question:** Will pharmacies receive additional compensation? If yes, how much will they receive?

16.c. Under the recommended budget, Medicaid would reimburse pharmacies at the Average Wholesale Price (AWP) less 15% between July – December 2006. By law, Medicaid must receive the best price for drugs that a pharmacy charges other customers or third party insurers.

Data provided by the State Health Benefits Program (SHBP) indicate that the SHBP reimburses pharmacies AWP less 68% for generic drugs. Thus, Medicaid may be paying more for generics than the SHBP program.

- **Question:** What would the impact be if the Medicaid program paid the same as the SHBP for generic drugs?

16.d. Savings of $8.8 million are anticipated through the greater use of generic psychotropic medications. As the most prescribed psychotropic medications - - Abilify, Risperdal, Seroquel and Zyprexa - - are not available in generic form, it is unclear how $8.8 million in savings will be realized.

- **Question:** How was the $8.8 million in savings determined?
Discussion Points (Cont’d)

16.e. Savings of $13 million are anticipated through a $2.00 per prescription copay, capped at $10 per month.

- **Question:** Does this amount include the General Assistance Medical Services program?

16.f. Available information is that the State will continue to assume any copayments Medicare/Medicaid recipients (“dual eligibles”) would be responsible for under Medicare Part D. Thus, some Medicaid recipients with less income than the dual eligibles would be subject to a $2.00 copayment, while the dual eligibles would have the State assume their copayment.

- **Question:** Should the copay also apply to the dual eligibles?

17. Recommended funding for Home Health Care is reduced by about $7.1 million, from $17.7 million to $10.6 million (State share). FY 2006 Home Health Care expenditures may total about $32 million, or $16 million (State share). While Home Health Care expenditures have declined in the past several years, a 40.1% reduction in recommended appropriations does not appear to be warranted.

- **Question:** On what basis was the FY 2007 recommended appropriation reduced? Are additional funds required in the Home Health Care account in FY 2007 based on current expenditure patterns?

18. To prevent problems similar to those that occurred when Maximus was the contracted Health Benefits Coordinator for managed care programs, a monitoring plan was implemented to assure that ACS State Healthcare complied with the terms and conditions of the contract. Two of the more critical components to be monitored were: “eligibility services and enrollment services” and “premium assignment and collection.”

- **Question:** Is ACS meeting contract standards with respect to “eligibility services and enrollment services?” If not, what financial penalties have been imposed on ACS? With respect to “premiums” and their collection, are contract standards related to the assignment of premiums, the generation of correct premium notices, and the collection and non-collection of premiums being met?

19.a. The FY 2007 recommended budget includes $14.3 million (gross) to cover an additional 50,000 children in the NJ FamilyCare program by June 2007.

Based on FY 2006 enrollment data, only an additional 10,000 children (net) may be enrolled in NJ FamilyCare despite efforts to increase enrollment this year. To achieve a 50,000 increase in child enrollment during FY 2007, average monthly enrollment would have to increase by about 4,200 (net). Based on estimated January 2007 NJ FamilyCare costs for children enrolled in Plans B – D, the gross cost to enroll 50,000 additional children would be between $40.5 million and $45.2 million (gross).

Further, as the amount of federal monies the State receives is capped at about $90 million, and the budget assumes New Jersey will receive upwards of $141 million in unexpended federal funds from other states, the State may be financially responsible for the entire cost of the additional children if less than $231.6 million in federal funds is received.
Discussion Points (Cont’d)

- **Question:** In view of net FY 2006 enrollment increases, is a 50,000 increase in FY 2007 realistic? Is $5.0 million in State funds sufficient based on the cost of enrolling 50,000 children? As federal funding is capped and the amount of unexpended federal funds the State may receive is uncertain, will sufficient federal funds be available to support a 50,000 increase in enrollment?

19.b. P.L.2005, c.156 directed the department to apply for a federal waiver to cover the adults without dependent children with incomes up to 100% of the Federal Poverty Level.

- **Question:** What is the status of the waiver application?

19.c. The State’s HIFA Waiver expired in January 2006. Under the waiver, custodial parents and caretaker relatives of children enrolled in either the Medicaid or NJ FamilyCare programs, who are not Medicaid eligible and have family income up to 133% of the federal poverty level, would receive a standardized package of health care services that the largest HMO provides to its non-Medicaid clients.

- **Question:** What is the status of the renewal of the waiver?

DIVISION OF DEVELOPMENTAL DISABILITIES

20. About two years ago, the division began discussions with the federal government regarding the restructuring and expansion of the Community Care Waiver to enhance the services that are provided and increase the number of persons that can be served.

- **Question:** What is the status of the new waiver request?

21. During January 2005, the Departments of Community Affairs, Human Services and Labor and Workforce Development announced a $5.6 million repair program to undertake 900 projects (painting, carpentry, heating and air conditioning replacements) in over 700 community residences serving the developmentally disabled.

- **Question:** To date, how many of the 900 repair projects were completed? Out of the $5.6 million allocated for the program, how much has been expended?

22. The chart below provides data on the number of overtime hours incurred at the developmental centers for the FY 2002 – FY 2006 (est.) period:

<table>
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<tr>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Green Brook</td>
<td>37,800</td>
<td>49,200</td>
<td>32,600</td>
<td>28,200</td>
<td>24,400</td>
</tr>
<tr>
<td>Hunterdon</td>
<td>244,300</td>
<td>254,900</td>
<td>295,100</td>
<td>353,900</td>
<td>378,900</td>
</tr>
<tr>
<td>New Lisbon</td>
<td>390,000</td>
<td>371,000</td>
<td>311,100</td>
<td>337,900</td>
<td>290,400</td>
</tr>
<tr>
<td>North Jersey</td>
<td>113,600</td>
<td>143,800</td>
<td>202,600</td>
<td>195,400</td>
<td>188,400</td>
</tr>
<tr>
<td>Vineland</td>
<td>143,000</td>
<td>158,600</td>
<td>174,200</td>
<td>204,100</td>
<td>236,600</td>
</tr>
<tr>
<td>Woodbine</td>
<td>139,500</td>
<td>158,500</td>
<td>165,000</td>
<td>188,000</td>
<td>171,500</td>
</tr>
<tr>
<td>Woodbridge</td>
<td>213,500</td>
<td>285,400</td>
<td>398,900</td>
<td>385,300</td>
<td>267,800</td>
</tr>
<tr>
<td>TOTAL</td>
<td>1,281,700</td>
<td>1,421,400</td>
<td>1,579,500</td>
<td>1,692,800</td>
<td>1,558,000</td>
</tr>
</tbody>
</table>

43
Discussion Points (Cont’d)

Available data indicate that in FY 2006 total overtime hours may be lower than in the previous two years, but at Hunterdon and Vineland overtime hours continue to increase.

- **Question:** What accounts for the continuing increase in overtime hours at the Hunterdon and Vineland developmental centers?

23. In November 2005, a $12.5 million (gross) expansion of services for the developmentally disabled was announced: Respite Services - $3.6 million; Adult Activities - $4.6 million; and Real Life Choices - $4.4 million.

- **Question:** Have contracts been amended to implement this $12.5 million expansion?

24. Despite a $0.8 million appropriation for a Dental Program for Non-Institutionalized Children, obtaining dental services for DDD clients residing in the community is an ongoing problem as many dental providers do not accept Medicaid reimbursement.

Federally qualified health centers (FQHCs), which primarily serve low-income individuals, are required to provide dental services. However, as there is no formal relationship between the division and FQHCs, DDD clients may not be aware of the availability of dental services at FQHCs.

- **Question:** Would a more formal relationship between the division and FQHCs be beneficial to increasing access for dental services? Should State funding for FQHCs be conditioned upon such access?

25. Developmental Center Enhancement Fund appropriations (gross) increase by $3.1 million, from $7.2 million to $10.3 million. These funds can be used for various activities, including the development of community placements for clients at the New Lisbon and Woodbridge developmental centers.

- **Question:** How is the $10.3 million appropriation to be expended?

26. The FY 2007 recommended budget includes $44.7 million (gross) for Private Institutional Care: $43.4 million in General Funds and $1.3 million in Casino Revenue Funds. No federal reimbursement is reflected though one provider, Wood Services, is in the process of becoming a Medicaid provider and obtaining Medicaid reimbursement.

- **Question:** How much retroactive and ongoing Medicaid reimbursements for services provided by Woods Services are expected to be realized?

27. The FY 2007 budget recommends $3.0 million for Capital Improvements for Olmstead Group Homes intended to develop community placements for persons at State developmental centers. In addition, proposed language (D-250) may appropriate $50.0 million in recoveries to develop community placements for patients at the State developmental center.

- **Question:** As up to $50 million in funds will be available for community placements of persons from the developmental centers, is the $3.0 million appropriation necessary?
Discussion Points (Cont’d)

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

28. In November 2005, the Commission announced that it would hire 12 additional Braille instructors at a cost of $900,000. The number of hours of Braille instruction provided to students would increase by two hours, to four - five hours per week.

- **Question:** To date, how many additional instructors have been hired? How many additional hours of Braille instruction is each student being provided?

DIVISION OF FAMILY DEVELOPMENT

29. Work First New Jersey – Technology Investment appropriations of $51.4 million (gross) are recommended.

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

30. Work First New Jersey – Breaking the Cycle appropriations of $7.2 million (gross) are recommended.

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

31.a. The FY 2006 appropriations act reduced Abbott Expansion funding based on the anticipated receipt of $4 million in federal Food Stamp Employment and Training program funds. The Governor has also indicated that a FY 2006 supplemental appropriation (to be introduced) will include $12 million for Abbott Expansion programs.

- **Question:** Will $4.0 million in federal Food Stamp Employment and Training program funds be realized? If not, does the proposed $12 million FY 2006 supplemental appropriation include the $4.0 million in monies that were not realized?

31.b. Savings of $30 million would be realized through a sliding scale copayment for child care in Abbott districts. An estimated 2,100 families earning between $60,000 - $75,000 and 5,100 families earning above $75,000 will be affected by this policy. 2000 Census Data indicates that in 1999 there were approximately 18,500 families with income between $60,000 - $75,000 and 15,500 families with incomes greater than $75,000 who lived in the Abbott districts who had children under the age of 18, though information is not available as to how many families utilize Abbott child care services.

- **Question:** Please provide an income distribution of the families using child care services in Abbott districts upon which the $30 million savings estimate is based. With respect to the implementation of a copayment, how will family income be determined? How will providers be informed that a family is subject to a copayment, and the amount of copayment the family is responsible for? How will the copayment requirement be enforced?

Discussion Points (Cont'd)

In particular, the article stated that DHS has no spending rules for providers of wrap around programs, and that DHS “pays strictly based on enrollment, with no budget required.” Further, even though the DOE suggested that DHS audit Kiddie Land Learning Center, an audit was not conducted. In fact, “[DHS] hardly ever audits preschools – only six or eight have been done over the life of the program, officials said. The [DHS] requires attendance reports and visits the programs yearly.”

- **Question:** Please provide the following:
  1. A list of all wrap around providers.
  2. For each wrap around provider provide the following information: (a) Whether the provider is a school district or community provider; (b) The number of years the provider has been under contract with DHS; and (c) For each year of those years, the number of children served and the amount of funds paid to the provider.
  3. To the extent known, identify community wrap around providers who are also providers of preschool services.
  4. Clarify the contractual arrangements DHS has with wrap around providers including how provider expenditures are monitored, how attendance records are obtained from providers and how those attendance records are verified by DHS.

32. The FY 2007 budget recommends $3.4 million in State/federal funds to continue the Mental Health Assessment program. Since the program’s inception in the early 2000s, several million has been expended on the program.

Available data indicates that few TANF/GA recipients with mental illness have obtained employment as a result of the program.

- **Question:** In view of the program’s limited success, should funding be reduced or discontinued?

33. The division awards $1.1 million to the Department of State, Office of Faith Based Initiatives for outreach services to TANF recipients who leave welfare to enable such individuals to remain independent and avoid returning to welfare: $80,000 for administration and $975,000 for grants of up to $75,000 to 13 community organizations.

Progress reports fail to provide any data as to whether the program’s primary objectives with respect to outreach services are being met.

- **Question:** As no information is provided on whether the contract’s objectives are being met, how does the department determine if the program is successful and cost effective?

34. As part of child welfare reform, the division provided $1.2 million to expand the TANF Initiative for Parents (TIP) program Statewide. The voluntary program provides up to $1,800 in services to about 1,000 TANF/GA cases involving a pregnant mother or a TANF case that involves an infant.
Discussion Points (Cont’d)

- **Question:** How many TANF/GA cases are currently being served and at what cost per slot?

35. Budget language in the FY 2006 Appropriations Act (B-108) earmarked a portion of the School Based Youth Services Program appropriation for the following activities: After School Reading Initiative - $400,000; After School Start-Up Fund - $200,000; School Health Clinics - $400,000, and Positive Youth Development - $530,000.

- **Question:** Which agencies have been awarded funds and how much has each agency received? Which, if any, agencies that receive monies for After School Start Up Fund and the After School Reading Initiative also receives funds from the Department of Education for the New Jersey After 3 program?

36.a. The FY 2006 Substance Abuse Initiative (SAI) appropriation assumed that: (a) $5.0 million in federal Medicaid reimbursements would be realized and (b) the Division of Addiction Services (DAS) would assume/provide $5.0 million in services.

- **Question:** Will $5.0 million in federal Medicaid reimbursements be realized? Will the DAS assume $5.0 million in program costs? If these additional funds are not realized, how will any funding shortfall be resolved?

36.b. SAI provides assessment and treatment services to welfare recipients with substance abuse problems to enable them to become work ready. Available data indicate that between 11% - 14% of all cases are closed due to successful completion of treatment; conversely, between 86% - 89% of the cases are closed for non-compliance and referred to the county welfare agencies for possible sanctions.

- **Question:** Is a 11 – 14% successful treatment rate cost-effective in light of total program expenditures? Of cases referred back to the county welfare agency for non-compliance, how many cases are sanctioned or otherwise penalized?

37. Average monthly caseloads of about 37,600 are expected in FY 2007 for the Payments for Cost of General Assistance program. At present, monthly caseloads are averaging about 36,000.

- **Question:** As current FY 2006 caseloads are about 36,000 and the FY 2007 recommended appropriation assumes caseloads of 37,600, can the recommended appropriation be further reduced?

38. During the FY 2006 budget hearings, a State Senator asked the division to examine Pennsylvania’s program of providing the State SSI supplement, as an alternative to reimbursing the Social Security Administration for this service.

- **Question:** What is the status of the division’s review of Pennsylvania SSI supplement program?

39. The General Assistance County Administration account reimburses county welfare agencies for administrative costs associated with the program, up to a predetermined allocation. Available information indicates that administrative costs in several counties were
Discussion Points (Cont'd)

about $1.6 million less than their allotment. In other counties, the administrative costs exceeded their allotment by about $3.2 million and county funds are used to offset the difference.

- **Question:** Should unexpended State funds be reallocated to reduce expenditure of county funds?

40. A June 2005 federal Inspector General report estimated that 34% of the State's noncustodial parents could pay some or all of the Medicaid costs incurred by their children. The report estimated that Medicaid costs could be reduced by $11.8 million (gross) if the State extended health insurance requirements to Medicaid expenditures.

- **Question:** Is legislation required to extend the health insurance requirement to include Medicaid related expenditures?

41. The amount of federal Title IV-E funds anticipated by the division for child care related services is reduced by $15.2 million, from $16.5 million to $1.3 million.

- **Question:** What accounts for the reduction in federal Title IV-E funds?

DIVISION OF ADDICTION SERVICES

42. Under the Child Welfare Reform Plan, $5 million for capital improvements to residential treatment facilities was provided to increase the number of treatment slots for DYFS-involved mothers by 261 slots, and for adolescents by 131 slots.

The proposed FY 2007 budget includes a new appropriation of $2 million for Capital Improvements for Substance Abuse Treatment and Recovery Centers to expand residential treatment slots.

- **Question:** As $5 million in capital funding was provided to expand residential slots in FY 2005, can this initiative be reduced or eliminated?

43. The Governor's budget establishes a new Department of Children and Families and transfers appropriations for addiction programs established by the Child Welfare Reform Plan to the new department.

- **Question:** Will the division continue to administer these programs? Are any division personnel being reassigned to the new department?

DIVISION OF MANAGEMENT AND BUDGET

44. Between December 2004 and December 2005, the number of full-time State funded personnel at Central Office increased by about 100, from 308 to 403.

- **Question:** What accounts for the increase and to what specific activities were the additional personnel assigned?
Background Paper: Overtime Expenditures and Hours at State Institutions

SUMMARY

The FY 2007 recommended budget includes over $70 million (gross) in the Salaries and Wages accounts of State institutions to fund upwards of 2.7 million hours of overtime, based on estimated FY 2006 overtime expenditures/hours worked at these facilities.

Available data indicate:

- During the FY 2002 – FY 2005 period, overtime expenditures at the psychiatric hospitals increased 1.8%, compared to a 39.3% increase at the developmental centers. The number of overtime hours worked at the psychiatric hospitals decreased 6.7%, compared to a 32.1% increase at the developmental centers.

- In FY 2006, overtime expenditures at the psychiatric hospitals are projected to increase by 10.8% compared to a projected 4.3% reduction at the developmental centers. The number of overtime hours worked at the psychiatric hospitals are projected to increase by 13.2%, compared to a 8.0% reduction at the developmental centers.

BACKGROUND AND ANALYSIS

Overtime is an operational reality at the 12 institutions administered by the Department of Human Services in order to maintain minimum staffing standards mandated by the federal government and due to limitations on hiring staff.

As compensation is set through the State’s union contract agreement, managing overtime hours is the only way to control expenditures. This, in turn, depends on maintaining minimum direct care staffing requirements, the number of patients and the patients’ clinical condition.

Figure 1 summarizes overtime expenditures at State institutions for the FY 2002 – FY 2006 (est.) period:

Figure 1: Overtime Expenditures ($000) FY 2002 – FY 2006 (est.)

Source: Department of Human Services reports.

1 Overtime expenditures and hours include certain employees who do not work at a State institution. Specifically, pursuant to the union contract, Resident Living Specialists employed by the Vineland Developmental Center are assigned to staff community group homes operated by PAFACOM. While overtime hours and expenditures at State institutions should be adjusted to reflect the Resident Living Specialist titles, data available to OLS does enable the office to exclude these expenditures and hours from the above totals.
Background Paper: Overtime Expenditures and Hours and State Institutions (Cont'd)

In FY 2006, overtime expenditures at the developmental centers may decrease by about 4.3%, while overtime expenditures at the psychiatric hospitals may increase by about 11%.

Figure 2 summarizes overtime hours at State institutions for the FY 2002 – FY 2006 (est.):

Figure 2: Total Overtime Hours (000) FY 2002 – FY 2006 (est.)

Source: Department of Human Services reports.

In general, during the FY 2002 – FY 2005 period, the psychiatric hospitals were better able to manage overtime hours than the developmental centers, despite a 3.8% census increase (Figure 3). A 13.6% increase in direct care staff likely contributed to the ability of the psychiatric hospitals to control the number of overtime hours worked. During the same period, the number of overtime hours worked at the developmental centers increased by over 21%, despite a 8.7% census reduction and a 5.5% increase in direct care staff (Figure 4).

In FY 2006, overtime hours worked at the developmental centers may decrease by about 8.0%. The reduction may be attributable to:

- The Division of Developmental Disability's assignment of personnel to monitor overtime; and

- Increased use of the Inovar scheduling software at the developmental centers. As the psychiatric hospitals have used this software for several years, the benefits in managing overtime may already have been achieved by the hospitals.

Figure 3 indicates that between FY 2002 – FY 2006 (through December 2005), the census at developmental centers decreased by about 300 patients, or 8.7%. At psychiatric hospitals (excluding Brisbane), the census increased by 3.8%, from about 2,200 to 2,300.
Background Paper: Overtime Expenditures and Hours and State Institutions (Cont’d)

Figure 3: Developmental Centers/Psychiatric Hospitals Census, FY 2002 – FY 2006 (thru Dec. 2005)

Source: Division of Developmental Disabilities and Division of Mental Health Services reports.

Figure 4 indicates that “direct care” staff at the psychiatric hospitals increased by about 13.6% (Dec. 2002 – Dec. 2005), from about 3,300 to over 3,700. Developmental center “direct care” staff increased by 5.5% during the same period; from about 5,100 to over 5,350, but when coupled with an 8.7% census reduction, “direct care” staff increased by about the same percentage as the psychiatric hospitals.

Figure 4: Developmental Centers/Psychiatric Hospitals Direct Care Staff, Dec. 2002 – Dec. 2005

Source: Division of Developmental Disabilities and Division of Mental Health Services reports.

\[ ^2 \text{The developmental center staffing data includes approximately 200 Resident Living Specialists at the Vineland Developmental Center whose actual work assignment is community groups homes. If such personnel were excluded from the totals, overall developmental center staffing would have increased by 6.7% during the December 2002 – December 2005 period.} \]
Background Paper: Governor’s Task Force on Mental Health Funding Status Report

Budget Page... p. D-190.

<table>
<thead>
<tr>
<th>Funding ($000)</th>
<th>Expended FY 2005</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community Care</td>
<td>$203,686 (a)</td>
<td>$231,102</td>
<td>$248,068</td>
</tr>
</tbody>
</table>

(a) Includes $5.3 million that has been encumbered, but not expended.

STATUS REPORT

The FY 2006 Community Care appropriation included budget language that targeted $25.5 million in funds for services identified by the Governor’s Task Force on Mental Health Services. The status of these projects is as follows:

Mental Health Screening Centers - $10.0 million: Approximately $6.1 million in funds have been awarded/contracted to existing screening agencies. The balance of the funds should be awarded by the end of FY 2006.

Self Help Centers - $2.1 million: The $2.1 million has been contracted to support 27 self-help centers, and will be fully expended on the phase-in, which includes one-time funding for renovations and equipment.

Psychiatric Services - $2.5 million: The monies are to be used to expand psychiatrist and psychiatric advance practice nurse services, particularly medication management services. A Request for Proposal was issued in February 2006. Bids are due towards the end of March 2006 and awards should be announced in May 2006.

Support Services, Permanent Supportive Housing - $5.0 million: This program is being coordinated in conjunction with the Housing Trust Fund. Three separate rounds of proposals have been received. Awards have been announced for the first and second rounds and it is anticipated that the entire $5.0 million will be expended.

Jail Diversion Projects in Atlantic, Essex and Union counties - $1.8 million: Contracts were awarded to Jewish Family Services (Atlantic), the Mental Health Association of Essex and Trinitas Hospital (Union). Approximately $1.3 million will be expended in FY 2006.

Bilingual and Culturally Competent Services - $1.0 million: Two Requests for Proposals were issued in January 2006 to expand the number of bilingual Master’s level clinicians in contracted programs and to establish three regional Mental Health Cultural Competence Training Centers. Awards are pending for the additional bilingual clinicians positions.

Short Term Care Facilities - $1.0 million: A Request for Proposal is to be issued during the last quarter of FY 2006.

Community Health Law Project - $0.6 million: Monies have been awarded to the agency to provide additional legal services in three counties: Burlington, Hudson and Ocean.
Background Paper: Governor’s Task Force on Mental Health Funding Status Report (Cont’d)

Special Case Management - $1.5 million: These funds were to be expended upon enactment of legislation dealing with outpatient commitment. In the absence of legislation, additional funding will be provided to the 22 agencies that provide Integrated Case Management Services to enable the agencies to hire an additional staff person to deal with referrals from the criminal justice system.
Background Paper: Interest Costs in Mental Health Contract

Budget Page... D-190.

<table>
<thead>
<tr>
<th>Funding ($000)</th>
<th>Expended FY 2005</th>
<th>Adj. Approp. FY 2006</th>
<th>Recomm. FY 2007</th>
</tr>
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<tbody>
<tr>
<td>Community Care</td>
<td>$203,686 (a)</td>
<td>$231,102</td>
<td>$248,068</td>
</tr>
</tbody>
</table>

(a) Includes $5.3 million that has been encumbered, but not expended.

SUMMARY

Refinancing contract agency debt could reduce costs by at least $100,000 annually based on the $7.0 million in new debt agencies have incurred since the last refinancing.

BACKGROUND and ANALYSIS

In April 1998, the Office of Legislative Services noted that the Department of Human Services (DHS) reimbursed contract agencies for mortgages and loans the agencies had incurred at interest rates of between 6% and 10%.

DHS subsequently refinanced contract agency debt through the New Jersey Economic Development Authority at a lower interest rate and saved several million dollars.

The Division of Developmental Disabilities recently refinanced $9.0 million in contract agency debt which had an average interest rate of around 7.063%, thus freeing up about $1.2 million annually in debt service payments for other purposes.

A recent review of some mental health contracts identified agencies that have incurred at least $7.0 million in new debt, at interest rates ranging from 5.6% to 6.5%. (The total amount of new debt is not known as not all contracts were reviewed.) While the actual interest rate the State or the various public authorities would pay to refinance this debt is not known, a 4% to 5% interest rate could save between $72,000 to $120,000 annually.
Background Paper: Proposed NJ FamilyCare Expansion

SUMMARY

Proposed budget language, D-166, appropriates $5.0 million from the Health Care Subsidy Fund Payments account to NJ FamilyCare to support an increase of 50,000 children during FY 2007. An additional $9.3 million in federal funds are expected, which would make $14.3 million available for the expansion.

Available data indicate the following:

- Enrollment of an additional 50,000 children during FY 2007 may be difficult. During FY 2006, annualized enrollment may increase by only 10,000 additional children.

- If an additional 50,000 children were enrolled, an additional $9.2 million to $10.8 million in State funds, in excess of the $5.0 million proposed by the Governor, would be required, assuming the availability of federal matching funds.

- Additional federal funds may not available as federal funds to the program are capped and are not tied to enrollment or expenditures.

BACKGROUND AND ANALYSIS

The NJ FamilyCare program provides health insurance coverage to children with family income of up to 350% of the federal poverty level, or up to $70,000 for a four person household. To increase the number of children enrolled in the program by 50,000, the recommended budget includes $5 million in State funds, which would generate $9.3 million in federal funds, for a total of $14.3 million.

Enrollment

Between FY 2004 and FY 2006 (January), average monthly enrollment increased by 13.0% as follows:

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Plan A</th>
<th>Plan B</th>
<th>Plan C</th>
<th>Plan D</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>34,300</td>
<td>12,600</td>
<td>31,800</td>
<td>21,800</td>
<td>100,600</td>
</tr>
<tr>
<td>2005</td>
<td>34,600</td>
<td>12,100</td>
<td>33,400</td>
<td>25,600</td>
<td>105,700</td>
</tr>
<tr>
<td>2006 (Jan.)</td>
<td>39,000</td>
<td>12,500</td>
<td>35,000</td>
<td>27,200</td>
<td>113,700</td>
</tr>
</tbody>
</table>

Funding

Based on January 2006 expenditure data, adjusted to reflect a 6.6% reimbursement increase Managed Care providers are to receive July 2006 under the proposed budget, January

1 Eligibility for the different plans is based on family income. Plans C and D require cost sharing by the parents, so State costs are lower for Plan C and D enrollees.
Background Paper: Proposed NJ FamilyCare Expansion (Cont'd)

2007 NJ FamilyCare will be between $112 - $125 per month for Plans B - D children) and $149 per month for Plan A Medicaid Children.

   Assuming the program is able to enroll an additional 50,000 children\(^2\) at about 4,200 children per month and based on estimated FY 2007 costs, estimated expenditures would be between $40.5 million to $45.2 million (gross) to provide coverage to 50,000 additional children. Between $9.2 million and $10.8 million in additional State funds would be needed, over and above the $5.0 million included in the FY 2007 budget, and between $26.3 million and $29.3 million in federal funds would be required.

   Federal funding is available for NJ FamilyCare (Children) at a 65% matching rate, but federal funds are capped and do not increase with enrollment or expenditures. The State’s annual federal allotment is approximately $90 million. However, in past years, the federal government has reallocated unexpended federal funds from other states to support the State’s program.

   The FY 2007 recommended budget already assumes that over $140 million in unexpended federal funds from other states will be reallocated to New Jersey to support the current program without any increase in the number of children who are enrolled in the program. Thus, if an additional 50,000 children enrolled in the program, the entire cost may have to be paid with State funds if the federal government does not reallocate sufficient unexpended balances from other states to New Jersey.\(^3\)

\(^2\) It is assumed that the 50,000 children would not be Medicaid eligible (Plan A) and would be eligible for Plan B, C or D.

\(^3\) The amount of unexpended federal funds available from other states has declined in recent years as the number of children enrolled in other state programs and related expenditures have been increasing.
Background Paper: The Proposed Hospital Provider Assessment

The Governor’s FY 2007 recommended budget includes a proposed 5.5% per bed assessment on each hospital’s non-Medicare revenue that would generate $430 million in revenues. The assessment requires both the enactment of enabling State legislation and approval from the federal government. It is noted that the federal Centers for Medicare and Medicaid Services intends to propose regulations during 2006 to reduce provider assessments to 3%. States with approved assessments in excess of 3% would be given three years to phase-down their assessment to 3%.

Of the $430 million, $215 million would be made available for general State uses. The remaining $215 million would be matched by federal Medicaid reimbursement and would be used to increase Medicaid reimbursement to hospitals by $430 million. Thus, in the aggregate, there is no impact on the overall hospital system - - hospitals are assessed $430 million and hospitals receive $430 million in additional Medicaid reimbursement. However, on a hospital-by-hospital basis, the assessment for some hospitals will exceed the amount of additional Medicaid reimbursement they will receive, while other hospitals will receive Medicaid reimbursement in excess of the amount they are assessed.

The table below, based on information provided by the Department of Health and Senior Services, provides a hospital by hospital breakdown as to how individual hospitals will fare under the proposed assessment. It is noted that University Hospital would not receive the entire $24.0 million it would otherwise be eligible to receive, as receipt of such monies would place the hospital above its federal Disproportionate Share Hospital cap. The amount that University Hospital does not receive would be redistributed among the other hospitals.

Four hospitals (Bayonne Hospital, Pascack Valley, PBI Regional and St. Joseph’s Wayne) that would be assessed more than they would receive in terms of increased Medicaid reimbursement are also being monitored by the New Jersey Health Care Facilities Financing Authority with respect to their finances and financial condition.

Provider Tax Assessment, Net Hospital Impact

<table>
<thead>
<tr>
<th>Hospital</th>
<th>FY 2007 ($'000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>University Hospital</td>
<td>24,043</td>
</tr>
<tr>
<td>St. Joseph's Regional Medical</td>
<td>12,760</td>
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<tr>
<td>Center</td>
<td></td>
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<tr>
<td>Jersey City Medical Center</td>
<td>12,718</td>
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<tr>
<td>Newark Beth Israel</td>
<td>11,345</td>
</tr>
<tr>
<td>Trinitas</td>
<td>8,766</td>
</tr>
<tr>
<td>Cooper Hospital</td>
<td>8,179</td>
</tr>
<tr>
<td>Kennedy Hospitals</td>
<td>5,620</td>
</tr>
<tr>
<td>South Jersey</td>
<td>4,379</td>
</tr>
<tr>
<td>Columbus</td>
<td>3,911</td>
</tr>
<tr>
<td>Christ</td>
<td>3,569</td>
</tr>
<tr>
<td>RWJ University Hospital</td>
<td>3,548</td>
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<tr>
<td>Palisades</td>
<td>3,531</td>
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<tr>
<td>St. James</td>
<td>2,881</td>
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<tr>
<td>East Orange</td>
<td>2,437</td>
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<tr>
<td>St. Michael's</td>
<td>1,397</td>
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<tr>
<td>St. Mary's (Passaic)</td>
<td>1,336</td>
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<tr>
<td>Capital Health System - Mercer</td>
<td>1,272</td>
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<tr>
<td>Atlanticare Regional</td>
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</table>
### Background Paper: The Proposed Hospital Provider Assessment (Cont'd)

<table>
<thead>
<tr>
<th>Facility Name</th>
<th>Patients</th>
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<tbody>
<tr>
<td>Our Lady of Lourdes</td>
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<tr>
<td>Hackensack</td>
<td>656</td>
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<tr>
<td>Greenville</td>
<td>629</td>
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<td>Capital Health System – Fuld</td>
<td>430</td>
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<tr>
<td>St. Peter's</td>
<td>227</td>
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<tr>
<td>Barnert</td>
<td>31</td>
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<td>Jersey Shore</td>
<td>21</td>
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<tr>
<td>Raritan Bay</td>
<td>(24)</td>
</tr>
<tr>
<td>Memorial Hospital – Salem</td>
<td>(102)</td>
</tr>
<tr>
<td>Kimball</td>
<td>(104)</td>
</tr>
<tr>
<td>Clara Maass</td>
<td>(337)</td>
</tr>
<tr>
<td>Burdette Tomlin</td>
<td>(571)</td>
</tr>
<tr>
<td>Hacketstown</td>
<td>(751)</td>
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<tr>
<td>Kessler</td>
<td>(760)</td>
</tr>
<tr>
<td>Deborah</td>
<td>(795)</td>
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<td>Southern Ocean County</td>
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<td>St. Mary (Hoboken)</td>
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<tr>
<td>Muhlenberg</td>
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<tr>
<td>Bergen Regional</td>
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<tr>
<td>Newton</td>
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<td>Meadowlands</td>
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<td>PBI Regional</td>
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<td>RWJUH - Hamilton</td>
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<td>Lourdes Medical Center – Burlington</td>
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<td>South Jersey - Elmer</td>
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<td>CentraState</td>
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<td>St. Clare's - Sussex</td>
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<td>St. Joseph's – Wayne</td>
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<td>Hunterdon</td>
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<td>St. Clare's - Denville</td>
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<td>Union</td>
<td>(2,073)</td>
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<tr>
<td>Monmouth Medical</td>
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<td>Underwood Memorial</td>
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<td>Warren</td>
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<tr>
<td>St. Francis (Trenton)</td>
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<td>Ocean Medical</td>
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<tr>
<td>Bayonne</td>
<td>(2,376)</td>
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<tr>
<td>JFK Medical Center/Anthony M. Yelenics</td>
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<td>Bayshore Community</td>
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<td>RWJUH - Rahway</td>
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<td>St. Barnabas</td>
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<td>Chilton Memorial</td>
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<td>Virtua-Memorial Hospital – Burlington</td>
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<tr>
<td>Mountainside</td>
<td>(3,304)</td>
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<tr>
<td>Morristown Memorial</td>
<td>(3,440)</td>
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<td>Somerset Medical</td>
<td>(3,590)</td>
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<td>Holy Name</td>
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<td>Pascack Valley</td>
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<td>Virtua-West Jersey Health System</td>
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<td>Valley</td>
<td>(5,693)</td>
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<td>Englewood Hospital</td>
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<td>Riverview Medical</td>
<td>(6,021)</td>
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<td>Overlook</td>
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</table>
Background Paper: Substance Abuse Initiative (SAI)

Budget Pages.... D-240.

<table>
<thead>
<tr>
<th>Funding ($000)</th>
<th>Expended FY 2005</th>
<th>Adj. Approp. FY 2006 (a)</th>
<th>Recomm. FY 2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Substance Abuse Initiative (Gross)</td>
<td>$18,409</td>
<td>$19,747</td>
<td>$18,652</td>
</tr>
</tbody>
</table>

a. The FY 2006 appropriation assumed that $5.0 million in federal Medicaid reimbursement will be realized and $5.0 million in services will be provided by the Division of Addiction Services.

SUMMARY

In FY 2006, the SAI program will receive about 8,700 referrals for services, 6,500 persons will be assessed and 5,400 persons will be referred to treatment services. Only 12% of the cases closed represent clients who successfully complete treatment.

The program does not have any performance measures to determine whether the purpose of the program, to assist clients to achieve work readiness by removing substance abuse as a barrier to work, is being met.

BACKGROUND

SAI provides General Assistance, TANF and certain DYFS recipients with time limited substance abuse services intended to remove substance abuse as a barrier to work. The National Council on Alcoholism and Drug Dependence of New Jersey (NCADD-NJ) administers the program, and serves as care coordinator/case manager; authorizes reimbursement for substance abuse treatment services; monitors client compliance; and coordinates with other agencies, such as county welfare agencies, DYFS and the Department of Labor and Workforce Development.

During the FY 2004 - FY 2006 (est.) period:

- NCADD-NJ's administrative costs increased from about $5.9 million to $7.6 million (budgeted); and
- treatment costs increased from about $9.4 million to an estimated $16.7 million.

The graph on the next page provides data on referrals, assessments and treatment referrals for the FY 2004 – FY 2006 (est.) period:
Between FY 2004 and FY 2006:
- Referrals increased from 7,900 to and 8,700 (est.);
- Assessments increased from over 6,200 to 6,500 (est.);
- Treatment referrals increased from 4,800 to 5,400 (est.); and
- The number of cases closed that successfully completed treatment remained in the 600 – 750 range, or between 11% - 14% of those referred to treatment.

ANALYSIS

SAI does not compile data on the number of recipients who achieve “work readiness” or the number of recipients who obtain employment or increase their earnings. SAI’s performance standards and outcome measures do not measure whether work readiness or the removal of substance abuse as a barrier to work are achieved. Rather, the performance standards and outcome measures deal with the number of assessments to be conducted, the number of days to complete an assessment, staffing and personnel, reports to be filed, meetings to be conducted, etc.

Performance measures should include the percentage of clients who will successfully complete treatment and who will achieve work readiness.

Without such an indicator, the State cannot determine whether projected FY 2006 expenditures of $24.3 million to successfully treat 12.2% SAI clients represents a fair return on the State’s investment on substance abuse treatment.

Also, there is little information as to what happens to SAI participants who do not comply with program requirements. Information is provided to the county welfare agencies (CWAs) on cases closed for non-compliance; however, available information indicates that CWAs rarely sanction participants for non-compliance. If SAI participants realize that CWAs are reluctant to impose sanctions for non-compliance, there is little incentive to comply with SAI requirements, which results in an increase in public assistance expenditures beyond what they might be if persons were terminated from the program for non-compliance.
Background Paper: Moms’ Substance Abuse Treatment Initiative

Budget Pages.... D-38

Amounts in ($000)

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<thead>
<tr>
<th>Funding by Treatment Modality</th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>FY 2007 (recomm)</th>
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</thead>
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<td>Residential</td>
<td>$4,012</td>
<td>$5,643</td>
<td>$5,643</td>
</tr>
<tr>
<td>Intensive Outpatient Variable Level Services</td>
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<td>2,084</td>
<td>2,084</td>
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<tr>
<td>Methadone Intensive Outpatient Services</td>
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<td>1,365</td>
<td>1,365</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$7,410</td>
<td>$9,092</td>
<td>$9,092</td>
</tr>
</tbody>
</table>

* In FY 2005, the program was supported by a $5 million transfer from the Division of Family Development (DFD) and a $3 million transfer from the Division of Youth and Family Services (DYFS). In FY 2006 the program was supported through the Substance Abuse Services – Child Welfare Reform appropriation in the Division of Addiction Services (DAS). In FY 2007 (proposed) the program is supported through the Substance Abuse Services appropriation in the Department of Children and Families.

SUMMARY

The Child Welfare Reform Plan (CWRP), issued in February 2004, required an increase in substance abuse services for mothers involved with, referred by, or at-risk of involvement with the child welfare system. Accordingly, the Mom’s Substance Abuse Treatment Initiative was established in the Division of Addiction Services (DAS) in the Department of Human Services to meet these requirements. The Governor’s budget shifts the initiative to a proposed new Department of Children and Families. At this time, it is not known whether DAS will still administer the initiative if the Legislature supports the Governor’s recommendation by establishing the new department. This background paper provides general information on the initiative and discusses client utilization.

PROGRAM INFORMATION

The division contracts with 26 licensed substance abuse treatment providers who offer residential, intensive variable outpatient services or variable methadone outpatient services to mothers who are involved with the Division of Youth and Family Services (DYFS), or at risk for involvement. Prior to the issuance of the CRWP, DAS funded 86 treatment slots for mothers. In response to the plan, the program currently funds 347 treatment slots – 57 residential, 180 intensive variable level outpatient and 110 intensive outpatient methadone.

Most referrals to the program are generated by DYFS caseworkers who send women suspected of substance abuse to Child Protection Substance Abuse Initiative (CPSAI) counselors located in each county, who provide an assessment and, if warranted, a referral to the appropriate treatment modality.
Background Paper: Moms’ Substance Abuse Treatment Initiative (Cont’d)

Depending on the treatment modality and the needs of the mother, providers offer primary medical care, treatment for co-occurring disorders, primary pediatric care, transportation services, therapeutic interventions, family and individual counseling, child care and case management services.

CLIENT UTILIZATION

In calendar year (CY) 2005, 678 women were served through the Moms’ Substance Abuse Treatment Initiative – 59 in residential, 441 in variable level outpatient care and 178 in variable level methadone outpatient care. The charts below illustrate utilization rates by month in CY 2005 for the three treatment modalities:

Residential Treatment

Variable Outpatient Level of Care Treatment
Background Paper: Moms’ Substance Abuse Treatment Initiative (Cont’d)

Variable Methadone Outpatient Treatment

A major start-up issue for the program, as reported by the media, was underutilization, especially for residential treatment. Underutilization is a concern because providers are reimbursed a flat fee-per-slot regardless of whether a slot is filled. The expansion and operationalization of treatment slots for the Moms’ Initiative occurred in about 14 months. Although the initiative did not achieve an optimal utilization rate of 90% each month across all treatment modalities, utilization increased as programs became more established. In the case of residential programs, client utilization was at 49% at the start of 2005 and had increased to 91% by the end of the year. Utilization was around 50% for variable outpatient and variable methadone outpatient treatment in January 2005 and had increased to over 100% by December 2005.

While utilization rates have been brought up to appropriate levels, several other factors which contributed to the initial underutilization may still warrant attention and indicate the need for programmatic improvements. These include: a lack of communication between CPSAI counselors and treatment providers; a lack of familiarity among CPSAI counselors with new or less established substance abuse treatment programs; and CPSAI referrals to other treatment programs. DAS is attempting to correct these issues by monitoring monthly utilization, and working with DYFS caseworkers, CPSAI counselors and the community to increase awareness and understanding about the program. In the future, DAS or the Division of Children and Families, should evaluate the effectiveness of these efforts and continue to monitor utilization rates to ensure that an appropriate number of treatment slots are being funded based on the needs of the population.

1 The rates per slot are: $71,345 for residential; $11,575 for variable outpatient level of care treatment; and $12,410 for variable methadone outpatient treatment.

2 It is difficult for client utilization to consistently be at 100%, especially among residential treatment facilities, as clients are continually transitioning into and out of different treatment modalities.

3 In some cases, providers may have also received additional funding to expand their number of slots at various times throughout the year, which may have resulted in the slots not being filled during the month they were added.

4 Utilization for variable outpatient level of care and variable methadone outpatient slots may exceed 100% as DAS requires providers to treat all clients, regardless of slot availability.
Background Paper: Adolescent Substance Abuse Treatment Initiative

Funding by Treatment Modality

<table>
<thead>
<tr>
<th></th>
<th>FY 2005</th>
<th>FY 2006</th>
<th>FY 2007 (recommended)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential</td>
<td>$1,340</td>
<td>$1,608</td>
<td>$1,608</td>
</tr>
<tr>
<td>Intensive Outpatient Services</td>
<td>1,105</td>
<td>1,105</td>
<td>1,105</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$2,445</td>
<td>$2,713</td>
<td>$2,713</td>
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</table>

*In FY 2006 the program was supported through the Substance Abuse Services – Child Welfare Reform budget line in the Division of Addiction Services. In FY 2007 (proposed), the program is supported through the Substance Abuse Services appropriation in the Department of Children and Families.

**SUMMARY**

The Child Welfare Reform Plan (CWRP), issued in February 2004, called for the expansion of specialized addiction treatment services for adolescents and the creation of an additional 131 treatment slots (25 residential and 106 intensive outpatient) to serve approximately 300 addicted adolescents per year. The Division of Addiction Services (DAS) in the Department of Human Services operates the Adolescent Substance Abuse Treatment Initiative to meet these requirements. The Governor’s budget shifts the initiative to a proposed new Department of Children and Families. At this time, it is not known whether DAS will still administer the initiative if the Legislature supports the Governor’s recommendation by establishing the new department. This background paper provides general program information and discusses program utilization.

**PROGRAM INFORMATION**

DAS executes performance-based contracts with 9 licensed substance abuse treatment providers to administer the adolescent substance abuse treatment program. The providers offer specialized residential and intensive outpatient services to children 13 to 17 years of age who are under Division of Youth and Family Services (DYFS) supervision, including: assessment and treatment for co-occurring disorders; HIV counseling and testing; individual and group counseling; recreational activities; social and life skills training; and case management, transportation and relapse prevention services. Prior to the issuance of the CWRP, a total of 202 treatment slots for adolescents were funded by DAS. By FY 2006, the DAS Adolescent Substance Abuse Treatment Initiative funded an additional 136 substance abuse treatment slots (30 residential and 106 intensive outpatient), for a total of 338 treatment slots.
Background Paper: Adolescent Substance Abuse Treatment Initiative (Cont'd)

CLIENT UTILIZATION

DYFS caseworkers are required to assess the service needs of adolescents and refer them directly to appropriate treatment modalities within 24 hours of identifying a substance abuse problem. In Calendar Year (CY) 2005, 249 adolescents were served through the DAS Adolescent Substance Abuse Treatment Initiative, 55 in residential treatment and 194 in intensive outpatient treatment.

As the following table indicates, in CY 2005, utilization rates averaged 100% for residential treatment slots and 92% for intensive outpatient treatment slots.

<table>
<thead>
<tr>
<th>Treatment Modality</th>
<th>Total Cost per Slot</th>
<th>Total Number of Funded Slots</th>
<th>Monthly Average Number of Occupied Slots</th>
<th>Average % of Occupied Slots</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential Treatment Programs</td>
<td>$53,600</td>
<td>30</td>
<td>30</td>
<td>100%</td>
</tr>
<tr>
<td>Intensive Outpatient Services programs with 1/05 Start Date</td>
<td>$10,424</td>
<td>22</td>
<td>26</td>
<td>118%</td>
</tr>
<tr>
<td>Intensive Outpatient Services programs with 4/05 Start Date</td>
<td>$10,424</td>
<td>54</td>
<td>33</td>
<td>61%</td>
</tr>
<tr>
<td>Intensive Outpatient Services programs with 6/05 Start Date</td>
<td>$10,424</td>
<td>30</td>
<td>29</td>
<td>97%</td>
</tr>
</tbody>
</table>

Based on the information provided in the table above, it appears that some of the programs providing intensive outpatient services are operating above 90%, which would indicate optimal utilization. However, the programs with April 2005 start dates have a lower percentage of client utilization compared to similar programs. These programs have been funded for a higher number of treatment slots, and, when the programs first became operational, it took longer for DYFS to fill the additional slots. As these programs became more established, utilization increased. It should be noted that it is not uncommon for new treatment programs to operate below capacity, and given the utilization rates for the other programs operating within the initiative, it is likely that utilization will continue to increase.

Other possible reasons that explain the low percentage of utilization for the programs that started in April of 2005 may include a lack of communication between DYFS caseworkers and community-based treatment providers and a lack of familiarity among caseworkers with the new or less established treatment programs. DAS is aware of the low percentage of client utilization for some programs providing intensive outpatient services, and is working to address this issue. However, if these programs continue to operate below capacity, DAS or the Department of Children and Families may have to reexamine whether the appropriate number of intensive outpatient treatment slots have been funded for specific programs operating within the initiative.

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1 Utilization for programs providing intensive outpatient services may exceed 100% as DAS requires providers to treat all clients, regardless of slot availability.

2 The programs operated by Catholic Charities and Family Connections were funded for 34 and 20 intensive outpatient treatment slots, respectively.
Background Paper: Adolescent Substance Abuse Treatment Initiative
(Cont'd)

OTHER ISSUES TO CONSIDER

In reviewing the programmatic components of the DAS Adolescent Substance Abuse Treatment Initiative, there are two issues that may impact the effectiveness of the initiative: the lack of residential treatment slots for adolescent girls, and the geographic distribution of intensive outpatient treatment slots throughout the State.

Of the 30 slots allocated to residential treatment programs for adolescents, only one program, Daytop, New Jersey, is located in Mendham, New Jersey. It is funded for 5 treatment slots, offers residential treatment services that specifically address the needs of adolescent girls.

With respect to the geographic distribution of intensive outpatient treatment slots, it should be noted that even though the majority of treatment programs providing intensive outpatient services are operating at or above capacity, these programs are located only in certain parts of the State, specifically, Camden, Essex, Mercer and Ocean counties. These limited locations could make it difficult for adolescents living outside these areas to access the services the programs provide.

These issues could affect the way DYFS refers its adolescent clients to substance abuse treatment providers, and further review by DAS, in consultation with DYFS, may be warranted.

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3 The program, Daytop, New Jersey, is located in Mendham, New Jersey.
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