DEPARTMENT OF HUMAN SERVICES

FISCAL YEAR 2007 - 2008
NEW JERSEY STATE LEGISLATURE

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

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

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

Budget Pages.... C-10, C-18, C-25, D-188 to D-256, E-2, G-3 to G-4.

Fiscal Summary ($000)

<table>
<thead>
<tr>
<th></th>
<th>Expended FY 2006</th>
<th>Adjusted Appropriation FY 2007</th>
<th>Recommended FY 2008</th>
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<tr>
<td>State Budgeted</td>
<td>$4,671,246</td>
<td>$4,636,481</td>
<td>$4,900,645</td>
<td>5.7%</td>
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<tr>
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<td>733,937</td>
<td>717,395</td>
<td>713,462</td>
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<td>Grand Total</td>
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<td>$9,323,994</td>
<td>$9,596,822</td>
<td>2.9%</td>
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Personnel Summary - Positions By Funding Source

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<td>51</td>
<td>44</td>
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<td>15,624</td>
<td>15,967</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded. FY 2006 also includes Arthur Brisbane Child Treatment Center which closed December 2005.

Key Points

Division of Mental Health Services

- **Direct State Services.** Recommended funding for Administration and Support Services and the State Psychiatric Hospitals increases by $1.8 million, from $281.3 million to $283.1 million as follows:

  Administration and Support Services increase by $9.0 million, from $4.5 million to $13.5 million. This increase is related in part to a reallocation of $9.3 million in federal Title XIX Indirect Costs recoveries to the psychiatric hospitals. (The State has discretion as to how such federal recoveries are expended.)

  The Nursing Incentive Program is discontinued, saving $0.2 million.

Psychiatric Hospitals appropriations decrease by about $7.2 million, from $276.8 million to $269.6 million. This reduction is offset by $9.3 million federal Title XIX Indirect Costs recoveries noted above.
Key Points (Cont'd)

The census of the five psychiatric hospitals is expected to decrease by 54 patients, (to over 2,200), primarily at Greystone (43) and Trenton (11).

- **Grants-in-Aid.** Recommended funding increases by $19.6 million, from $280.2 million to $299.8 million as follows:

  Community Care funding increases $7.5 million, to $252.1 million, of which $6.6 million is for programs recommended by the Governor’s Task Force on Mental Health.

  Olmstead Support Services funding increases by $12.1 million, to $22.1 million. These monies are to develop programs for State psychiatric hospital patients who can be discharged if community programs are available.

- **State Aid.** Recommended funding to reimburse the six county hospitals for services increases $13.9 million, to $122.0 million. The hospitals will provide services to nearly 600 patients daily.

- **Federal Funds** are expected to increase from $25.8 million to $27.8 million. Approximately $14.1 million supports community programs, $4.4 million is used for administrative operations, and $9.3 million is distributed to the State psychiatric hospitals.

Division of Medical Assistance and Health Services

- **Direct State Services.** Recommended funding is reduced by about $1.0 million, from $25.2 million to $24.2 million. As there is a $1.3 million increase in federal Title XIX administrative funds related to NJ FamilyCare, and up to $6.0 million of the NJ FamilyCare appropriation may be used for administration pursuant to budget language (p. D-216), the reduction should have little overall impact.

- **Grants-in-Aid.** Recommended funding increases $211.7 million, from $2.428 billion to $2.640 billion. The recommended appropriation includes the following changes to improve programs and reduce expenditures:

  Pediatric Provider Reimbursement increase effective January 2008 - $5.0 million.

  Adult NJ FamilyCare funding shift (from 65% federal to 50% federal) - $40 million.

  Co-payments on prescription drugs ($2.00 per prescription, capped at $10 per month), hospital outpatient visits ($3.00 per visit) capped at $12.00 per month and non-emergency hospital visits ($6.00 per visit) - $7.7 million.

  Prior Authorization of brand name drugs used by General Assistance recipients - $1.0 million.

  Audit Savings - $0.7 million.

  Managed Care enrollment of the disabled - $1.1 million.

  Increase in pharmaceutical manufacturers rebates - $23.1 million (State/Federal).
Key Points (Cont'd)

It is noted that proposed budget language, page D-215, eliminates the provision that pharmacies be reimbursed on the basis of Average Wholesale Price less 12.5% for legend (brand name) and non-legend (generic) drugs and nutritional supplements. Reimbursement would be in “accordance with the federal Deficit Reduction Act of 2005” (DRA). The DRA only addresses reimbursement for most generic drugs and leaves the reimbursement of brand name drugs and nutritional supplements up to the State. Thus, the specific methodology the State will use to reimburse pharmacies for brand name drugs and nutritional supplements is not clear. It is probable that the State will use a reimbursement methodology that is similar to the one used to reimburse for generic drugs, which is based on Average Manufacturers Price.

- **Federal Funds.** Overall, federal funds are expected to increase by $29.3 million, from $2.268 billion to $2.297 billion. Approximately $84.2 million will be used for administration, and over $2.2 billion is for health care services.

Included within the $2.297 billion in Federal Funds is approximately $275.9 million in SCHIP funds for the NJ FamilyCare program: $145.9 million for adults and $130.0 million for children. At this time, it is uncertain how much SCHIP funds the State will receive as the State relies on the reallocation of unexpended SCHIP funds from other states. These unexpended balances have been declining. Also, the SCHIP program must be reauthorized by Congress in 2007 and what the final legislation will include in terms of coverage and funding is uncertain.

- **Other Funds.** Appropriations decrease by $2.2 million, from $619.1 million to $616.8 million, and consists of funds to support NJ Family Care (children) - $70.9 million and to provide New Jersey Health Care Hospital Payments - $546.0 million.

**Division of Disability Services**

- **Direct State Services.** Recommended funding is unchanged at about $1.3 million.

- **Grants-in-Aid.** Total funding is reduced by $12.5 million, from $183.8 million to $171.3 million as follows:

  **General Fund** appropriations decrease $12.5 million, from $103.5 million to about $91.0 million.

  Within the recommended $91 million appropriation, funding for the Personal Assistance Services Program increases $3.5 million, to $7.2 million, to eliminate the program’s waiting list. Though funding for the Personal Care program is reduced by $16.0 million, to $75.2 million, the reduction is based on existing expenditure and utilization patterns and should not affect the program.

  An additional $80.3 million in Casino Revenue Funds is recommended to support State program costs, the same as in FY 2007.

- **Federal Funds** appropriations are reduced by $17.2 million, from $184.6 million to $167.4 million based on the reduction in State Personal Care appropriations.
Key Points (Cont'd)

Division of Developmental Disabilities

- **Direct State Services.** Overall, recommended appropriations for the division's Administration and Support Services, Community Programs and the seven developmental centers increases by $1.2 million, from $111.1 million to $112.3 million, as discussed below:

  DDD Administration and Support Services: Recommended appropriations are reduced by $0.2 million as the Nursing Incentive Program is eliminated.

  Community Programs Administration and Support: Proposed appropriations increase $0.7 million, from $4.1 million to $4.8 million, and reflect the incorporation of various Grants-in-Aid funds that were used for administration and are now being permanently distributed among the division's various operating accounts.

  State Developmental Centers: Recommended appropriations for the seven facilities increase by $0.7 million, from $103.4 million to $104.1 million. (Including Federal Funds, overall funding will increase by $30.2 million, to $388.8 million.)

The recommended budget does not reflect any overall reduction in the census of the developmental centers (with over 3,000 clients). As the State has to reduce the census of New Lisbon and Woodbridge as part of the settlement with the U.S. Department of Justice and the division will be awarding contracts to implement the Olmstead Group Homes initiative, the census figures may be overstated.

- **Grants-in-Aid.** Recommended funding increases by $10.3 million, from $531.1 million to $541.4 million. (Including Federal and Other Funds, funding will increase by $13.1 million to $833.8 million.)

Only one new program is recommended: $5.0 million for Addressing the Needs of the Autism Community. While no specific programs are cited, the monies will support implementation of legislation pending before the Legislature.

FY 2007 funding for Capital Improvement for Olmstead Group Homes ($3.0 million) is not continued, and legislative appropriations for Cerebral Palsy of Middlesex County ($0.5 million) and Asperger's Syndrome Pilot Program ($0.3 million) are not continued. However, proposed budget language, page D-227, would allow unexpended FY 2007 funds from the Olmstead Group Homes and Asperger's Syndrome accounts to be available in FY 2008.

The Grants-in-Aid recommended appropriation incorporates funding from various Grants-in-Aid accounts that are discontinued, such as: Community Nursing Care Initiative – FY 2002; Community Services Waiting List Reduction Initiative – FY 2002; CSWL Initiative Development; Developmental Center Enhancement; and Community Transition Initiative – FY 2002.

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).
Key Points (Cont’d)

- **Federal Funds.** Appropriations increase $39.1 million, from $540.8 million to $579.9 million, and are to be used as follows: DDD Administration - $41.6 million; Developmental Center Operations - $284.7 million; and Grants-in-Aid - $253.6 million.

  **Commission for the Blind and Visually Impaired**

- Recommended funding for Direct State Services ($9.8 million), Grants-in-Aid ($4.3 million), Federal Funds ($12.3 million) and Other Funds ($0.8 million) is virtually unchanged from FY 2007 levels.

**Division of Family Development**

- **Direct State Services.** Recommended funding decreases $2.4 million, from $30.9 million to $28.5 million. However, excluding a $6.0 million supplemental appropriation, FY 2008 funding increases by $3.6 million from FY 2007. The additional funds are for Work First New Jersey – Technology Investment.

- **Grants-in-Aid.** Recommended funding increases by $12.3 million, from $258.5 million to $270.7 million.

  An additional $4.1 million is provided for Work First New Jersey – Training Related Expenses to enable the State to meet the 50% work participation requirements of Pub.L. 109-149. Failure to meet this requirement could result in a reduction in federal funds and a mandatory increase in State appropriations.

  An additional $19.4 million is recommended for Substance Abuse Initiatives to address projected caseload increases and offsets shortfalls in other financial support.

  Offsetting these increases, $6.0 million in State funds for the Work First New Jersey – Breaking the Cycle program is eliminated. This may result in some programs being eliminated. An additional $20.0 million is to be saved “by reforming co-payments for after school and summer child care” (page D-189), although at this time, no information is available regarding this proposal. It is noted that the Legislature has rejected similar budget proposals in the past.

- **State Aid.** Recommended funding is reduced by $8.8 million, from $293.9 million to $285.1 million, as follows:

  **WFNJ Client Benefits.** The appropriation is reduced by $5.7 million, to $12.0 million, as average monthly caseloads are expected to decline by over 5,900 persons. (The balance of the $117.6 million appropriation represents federal TANF funds.)

  **WFNJ Emergency Assistance.** No State appropriation is recommended, saving about $6.0 million. Federal TANF funds will support the entire $67.8 million appropriation.

  Offsetting the $11.6 million reduction in the WFNJ Client Benefits/Emergency Assistance program, are increases in Payments for Supplemental Security Income ($3.1 million), due to expected higher caseloads, and a $1.0 million increase in mandatory payments to the federal government, State Supplemental Security Income Administrative Fee to SSA.
Key Points (Cont’d)

Division of Addiction Services

- **Direct State Services.** Recommended funding increases $0.6 million, from about $0.5 million to over $1.1 million. The additional funds will be used to hire nine new employees to improve contract oversight and monitoring. Two reports by the Inspector General were critical of the division’s performance in this area.

- **Grants-in-Aid.** Recommended funding decreases by $5.1 million, from over $45.3 million to over $40.2 million, primarily for Community Based Substance Abuse Treatment and Prevention- State Share. However, excluding a proposed $10.0 million supplemental appropriation, FY 2008 appropriations increase $4.9 million from FY 2007. An additional $3.1 million is appropriated pursuant to proposed language (page D-251): $3.1 million from the Drug Abuse Education Fund ($1.5 million) and $1.6 million from the Drug Enforcement Demand Reduction Fund.

The $2.0 million FY 2007 appropriation for Capital Improvements for Substance Abuse Treatment and Recovery Centers is not continued. However, pursuant to proposed language (page D-252), any unexpended FY 2007 funds would be available for expenditure in FY 2008.

- **State Aid.** Recommended funding for the Essex County – County Jail Substance Abuse Programs increases $5.0 million, to $20.0 million.

Division of the Deaf and Hard of Hearing

- **Direct State Services.** FY 2008 recommended funding of about $0.8 million is unchanged from FY 2007 adjusted levels.

Division of Management and Budget

- **Direct State Services.** Recommended funding increases $8.9 million, from $17.1 million to $26.0 million. Personal Services appropriations increase $10.2 million as a result of intradepartmental reallocations. In FY 2007, efficiency savings mandated by the FY 2007 appropriations act were taken from the central office’s Personal Services account, rather than reflected among the various divisions. The FY 2008 recommendation includes the amounts that the various divisions reimbursed central office.

- **Grants-in-Aid.** Funding is increased by $13.7 million, from $2.6 million to $16.2 million. Approximately $15.5 million is for a 2% Community Provider Cost of Living Adjustment, effective January 2008. A legislative grant for the United Way 2-1-1 System is not continued.

- Capital Construction. Funds of $2.8 million are requested for the Hunterdon Developmental Center – Replace Underground Water Lines project and will increase funds available for the project to $6.0 million.
Key Points (Cont’d)

Background Papers:

- Overtime Expenditures and Hours at State Developmental Center and Psychiatric Hospitals ................................................p. 57.
- Greystone Construction Fund .........................................................p. 61.
- The Cost of Community Programs for Developmental Center Clients........p. 63.
## Fiscal and Personnel Summary

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

<table>
<thead>
<tr>
<th></th>
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<tr>
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<tr>
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<td>$112,844</td>
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<td><strong>Casino Control Fund</strong></td>
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### PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

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<th></th>
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<td>1.2%</td>
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</tr>
</tbody>
</table>

FY 2006 (as of December) and revised FY 2007 (as of September) personnel data reflect actual payroll counts. FY 2008 data reflect the number of positions funded. FY 2006 also includes the Arthur Brisbane Child Treatment Center which closed December 2005.

### AFFIRMATIVE ACTION DATA

| Total Minority Percent | 58.0% | 58.3% | 58.3% |   |   |
## Significant Changes/New Programs ($000)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
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<tr>
<td><strong>Division of Mental Health Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services: Personal Services</td>
<td>$2,587</td>
<td>$11,789</td>
<td>$9,202</td>
<td>355.7%</td>
<td>D-197</td>
</tr>
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</table>

The increase in General Fund appropriations is primarily related to a reallocation of federal Title XIX Indirect Costs recoveries from Central Office operations to the State psychiatric hospitals. (The State has discretion in how such federal recoveries are expended.)

Pursuant to proposed budget language, page D-198, of the amount appropriated for Personal Services, the Office of Disaster Mental Health is to receive $330,000. (The Office was established pursuant to a recommendation of the Governor’s Task Force on Mental Health.)

| Direct State Services: Nursing Incentive Program | $200       | $0         | ($200)       | (100.0%)   | D-197       |

Funding is discontinued. No explanation is provided as to why the program is eliminated at a time when State psychiatric hospitals confront difficulties recruiting and retaining nursing personnel.

| Grants-in-Aid: Olmstead Support Services | $10,000       | $22,136   | $12,136      | 121.4%      | D-197       |

Funding is increased by about $12.1 million, to $22.1 million. As of January 2007, approximately $6.1 million of the FY 2007 appropriation has been expended.

The program develops community services to enable patients at State hospitals who are classified as Conditional Extension Pending Placement (CEPP) to be discharged, if appropriate community services are available. To date, the number of patients classified as CEPP has not been reduced: June 2006 - about 1,000 and December 2006 - about 1,100.

| Grants-in-Aid: Community Care | $252,113       | $259,568  | $7,455       | 3.0%         | D-197       |

Of the $7.5 million increase, about $6.6 million is directed at various mental health program or to establish new mental health programs as recommended by the Governor’s Task Force on Mental Health (D-198). Specifically, additional funds are provided to: Mental Health Screening Centers - $2.6 million; Psychiatric Services - $1.4 million; Supported Employment Services - $0.8 million; Additional Jail Diversion Programs - $0.7 million; and Treatment of Co-Occurring Disorders - $1.1 million.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
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<th>Dollar Change</th>
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<tr>
<td>State Aid:</td>
<td></td>
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<tr>
<td>Support of Patients in County Psychiatric Hospitals</td>
<td>$108,175</td>
<td>$122,039</td>
<td>$13,864</td>
<td>12.8%</td>
<td>D-198</td>
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</table>

An additional $13.9 million is recommended to reimburse the six county hospitals for services to approximately 600 patients daily.

Also, proposed budget language, page D-199, would require county psychiatric hospitals to obtain the department’s approval before undertaking changes to their programs that may have “a material impact” on State Aid payments.

Direct State Services:

<table>
<thead>
<tr>
<th>PSYCHIATRIC HOSPITALS TOTAL</th>
<th>$276,818</th>
<th>$269,591</th>
<th>($7,227)</th>
<th>(2.6%)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Greystone Park Psychiatric Hospital</td>
<td>$68,177</td>
<td>$65,939</td>
<td>($2,238)</td>
<td>(3.3%)</td>
<td>D-199 to D200</td>
</tr>
<tr>
<td>Trenton Psychiatric Hospital</td>
<td>$65,645</td>
<td>$63,491</td>
<td>($2,154)</td>
<td>(3.3%)</td>
<td>D-201 to D202</td>
</tr>
<tr>
<td>Klein Forensic Center</td>
<td>$23,075</td>
<td>$22,305</td>
<td>($770)</td>
<td>(3.3%)</td>
<td>D-202 to D203</td>
</tr>
<tr>
<td>Ancora Psychiatric Hospital</td>
<td>$82,670</td>
<td>$81,814</td>
<td>($856)</td>
<td>(1.0%)</td>
<td>D-204 to D205</td>
</tr>
<tr>
<td>Hagedorn Gero-Psychiatric Psychiatric Hospital</td>
<td>$37,251</td>
<td>$36,042</td>
<td>($1,209)</td>
<td>(3.2%)</td>
<td>D-207 to D208</td>
</tr>
</tbody>
</table>

The overall funding reductions at the five State psychiatric hospitals are confined to the Administration and Support Services. Appropriations for Patient Care and Health Services is not reduced.

The reduction in Administration and Support Services will be offset by the reallocation of federal Title XIX Indirect Costs recoveries that were used to support the division’s central office operations.

Overall, the census at the State hospitals is expected to be reduced by 54 patients, primarily at Greystone (43) and Trenton (11).
## Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Division of Medical Assistance and Health Services</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Direct State Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Personal Services</td>
<td>$14,829</td>
<td>$13,919</td>
<td>($910)</td>
<td>(6.1%)</td>
<td>D-211</td>
</tr>
<tr>
<td><strong>Grants-in-Aid:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Payments for Medical Assistance Recipients (Medicaid):</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL MEDICAID</td>
<td>$2,155,458</td>
<td>$2,291,780</td>
<td>$136,322</td>
<td>6.3%</td>
<td>D-212</td>
</tr>
<tr>
<td>Adult Mental Health</td>
<td>$23,771</td>
<td>$26,323</td>
<td>$2,552</td>
<td>10.7%</td>
<td></td>
</tr>
<tr>
<td>Managed Care Initiative</td>
<td>$674,659</td>
<td>$762,749</td>
<td>$88,090</td>
<td>13.1%</td>
<td>D-212</td>
</tr>
<tr>
<td>Inpatient Hospital</td>
<td>$282,376</td>
<td>$308,660</td>
<td>$26,284</td>
<td>9.3%</td>
<td>D212</td>
</tr>
<tr>
<td>Prescription Drugs</td>
<td>$554,494</td>
<td>$540,176</td>
<td>($14,318)</td>
<td>(2.6%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Outpatient Hospital</td>
<td>$168,874</td>
<td>$189,132</td>
<td>$20,258</td>
<td>12.0%</td>
<td>D-212</td>
</tr>
<tr>
<td>Physician Services</td>
<td>$33,000</td>
<td>$41,005</td>
<td>$8,005</td>
<td>24.3%</td>
<td>D-212</td>
</tr>
<tr>
<td>Home Health Care</td>
<td>$10,639</td>
<td>$12,787</td>
<td>$2,148</td>
<td>20.2%</td>
<td>D-212</td>
</tr>
<tr>
<td>Medicare Premiums</td>
<td>$127,991</td>
<td>$143,043</td>
<td>$15,052</td>
<td>11.8%</td>
<td>D-212</td>
</tr>
<tr>
<td>Dental Services</td>
<td>$14,159</td>
<td>$12,459</td>
<td>($1,700)</td>
<td>(12.0%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Psychiatric Hospital</td>
<td>$11,054</td>
<td>$9,740</td>
<td>($1,314)</td>
<td>(11.9%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>$20,489</td>
<td>$25,633</td>
<td>$5,144</td>
<td>25.1%</td>
<td>D-212</td>
</tr>
<tr>
<td>Clinic Services</td>
<td>$74,152</td>
<td>$60,497</td>
<td>($13,655)</td>
<td>(18.4%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Transportation Services</td>
<td>$55,485</td>
<td>$58,647</td>
<td>$3,162</td>
<td>5.7%</td>
<td>D-212</td>
</tr>
</tbody>
</table>

The proposed reduction in Personal Services is offset by an increase in the amount of available federal SCHIP funds related to personnel, and the availability of up to $6.0 million in funds from the NJ FamilyCare appropriation.
## Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Programs for Assertive Community Treatment</td>
<td>$5,911</td>
<td>$6,765</td>
<td>$854</td>
<td>14.4%</td>
<td>D-212</td>
</tr>
<tr>
<td>Other Medicaid*</td>
<td>$98,404</td>
<td>$94,164</td>
<td>($4,240)</td>
<td>(4.3%)</td>
<td></td>
</tr>
</tbody>
</table>

*Includes Other Services, Hospital Relief Offset Payments and ICF/MR.

The FY 2008 recommended budget provides $5.0 million to increase reimbursement to physicians that provide pediatric services. The increase is intended to improve access to primary care and reduce utilization of hospital emergency room services. As most children are already enrolled in managed care programs, which provides higher reimbursement rates than Medicaid, it is not clear how access will be improved.

The recommended appropriation incorporates the following savings:

- **Audit savings** - $0.7 million.

- **Enrollment of disabled Medicaid recipients into Managed Care programs** - $1.1 million.

- **Co-payment savings** - $7.6 million.

The following co-payments are proposed: A $2.00 co-pay per prescription drug, capped at $10.00 per month ($7.0 million); and a $3.00 co-pay on outpatient hospital visits and a $3.00 co-pay on all non-emergency visits to hospital emergency rooms, capped at $12.00 per month ($0.6 million).

Co-payments would not apply to children under the age of 18, pregnant women, institutionalized patients and persons who receive family planning services.

- **Increase in the amount of rebates received from pharmaceutical manufacturers** - $23.1 million (State/Federal).

The following is also noted:

- Approximately $286 million of the $540.2 million recommended for prescription drugs represents payments to the federal government for the Medicare Part D Prescription Drug Program. This reimbursement to the federal government is generally known as "clawback" and is mandated in the federal legislation that established the Medicare Part D Prescription Drug program.
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
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<th>Percent Change</th>
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</tr>
</thead>
<tbody>
<tr>
<td>Proposed budget language, page D-215, eliminates the provision that pharmacies be reimbursed on the basis of Average Wholesale Price less 12.5% for legend (brand name) and nutritional supplements. Reimbursement would be in accordance with the federal Deficit Reduction Act of 2005 (DRA).</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The DRA only addresses reimbursement for generic drugs and leaves the reimbursement of brand name drugs and nutritional supplements up to the State. Thus, the specific methodology the State will use to reimburse pharmacies for brand name drugs and nutritional supplements is not clear. It is probable that the State will use a reimbursement methodology that is similar to the one used to reimburse for generic drugs, which is based on Average Manufacturer's Price.</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Information is not available as to how much the State expects to save by adopting a new methodology to reimburse pharmacies for brand name drugs and nutritional supplements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Unit Dose Contract Services</td>
<td>$5,125</td>
<td>$4,815</td>
<td>($310)</td>
<td>(6.0%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Consulting Pharmacy Services</td>
<td>$3,704</td>
<td>$4,130</td>
<td>$426</td>
<td>11.5%</td>
<td>D-212</td>
</tr>
<tr>
<td>Eligibility Determination Services</td>
<td>$5,136</td>
<td>$4,729</td>
<td>($407)</td>
<td>(7.9%)</td>
<td>D-212</td>
</tr>
<tr>
<td>Costs for these contracted services are expected to increase or decrease based on current utilization and expenditure estimates.</td>
<td></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Health Benefits Coordination Services</td>
<td>$4,729</td>
<td>$8,556</td>
<td>$3,827</td>
<td>80.9%</td>
<td>D-212</td>
</tr>
<tr>
<td>The implementation of mandatory enrollment of many disabled Medicaid recipients into managed care will increase the workload of the company under contract to assist recipients in selecting a managed care provider. This will increase program expenditures.</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>General Assistance Medical Services</td>
<td>$133,270</td>
<td>$143,965</td>
<td>$10,695</td>
<td>8.0%</td>
<td>D-212</td>
</tr>
<tr>
<td>Based on existing utilization patterns, program costs are expected to increase by $10.7 million, to $144.0 million. The recommended appropriation incorporates $1.0 million in savings by requiring prior authorization for all brand name prescription drugs that are dispensed.</td>
<td></td>
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</tr>
</tbody>
</table>
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>NJ FamilyCare – Affordable and Accessible Health Coverage Benefits</td>
<td>$120,469</td>
<td>$181,611</td>
<td>$61,142</td>
<td>50.8%</td>
<td>D-212</td>
</tr>
</tbody>
</table>

The proposed appropriation reflects the estimated cost of providing services to over 114,700 adults and incorporates $40 million in additional costs associated with funding the costs of Medicaid eligible parents at the 50% federal Medicaid reimbursement rate rather than 65% federal reimbursement rate available under SCHIP. The FY 2008 recommended appropriation also includes funds to implement the provisions of P.L. 2005, c.156 that extend coverage to parents of eligible children with income up to 133% of the Federal Poverty Level (roughly $22,800 for a three-person household), effective September 2007. This is expected to increase the number of adults participating in the program, from 99,300 (FY 2007) to 114,700 (FY 2008).

Federal funds of $145.9 million are anticipated for the program. This includes federal funds that are available under both the 65% federal SCHIP rate and 50% federal Medicaid rate.

The key uncertainty regarding NJ FamilyCare is the amount of federal funds that will be available. The recommended budget assumes a total of $276.9 million, Schedule 2, for both children and adults. Until the SCHIP program is renewed by the federal government, both the amount of funding available and coverage issues are uncertain.

Division of Disability Services

Grants-in-Aid:
Personal Assistance Services Program $3,671 $7,171 $3,500 95.3% D-219

Funding for the Personal Assistance Services Program, which provides various non-medical services to disabled persons to enable such persons to be employed, increases by $3.5 million, from $3.7 million to $7.2 million. The additional funds will eliminate the 150 person waiting list for services.

Grants-in-Aid:
Payments for Medical Assistance Recipients
– Personal Care $151,305 $135,305 ($16,000) (10.6%) D-219
General Fund $91,213 $75,213 ($16,000) (17.5%) D-219
Casino Revenue Fund $60,092 $60,092 $0 — D-220
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The $16.0 million reduction in General Fund appropriations for the Personal Care program will have no impact, as FY 2007 expenditures are projected to be around $130 million (State). The recommended FY 2008 appropriation incorporates a $4.7 million Personal Care Salary Increase provided by the Legislature in FY 2007.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Overall, increases in Personal Care expenditures have moderated since the division required services to be prior authorized.</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Division of Developmental Disabilities**

**Direct State Services:**

- **Nursing Incentive Program**
  - $200
  - $0
  - ($200)
  - (100.0%)
  - D-222

  Funding is discontinued. No explanation is provided as to why the program is eliminated at a time when State developmental centers confront difficulties recruiting and retaining nursing personnel.

**Direct State Services:**

- **Community Programs**
  - TOTAL: $31,305
  - $38,670
  - $7,365
  - 23.5%
  - D-224

  - State: $4,069
    - $4,786
    - $717
    - 17.6%
    - D-224

  - Federal: $27,236
    - $33,884
    - $6,648
    - 24.4%
    - D-224

  The overall increase incorporates administrative costs related to various Grants-in-Aid accounts whose funding has been distributed among the division’s various operating accounts.

**Grants-in-Aid:**

- **Private Institutional Care TOTAL**
  - $44,739
  - $69,737
  - $24,998
  - 55.9%
  - D-225

- **State**
  - $43,428
  - $68,426
  - $24,998
  - 57.6%
  - D-225

- **Casino Revenue Fund**
  - $1,311
  - $1,311
  - $0
  - —
  - D-225

In FY 2008, nearly 700 clients with developmental disabilities will be served at a per capita cost of nearly $101,400.

Private Institutional Care appropriations increase by $25.0 million and incorporate funding from various Grants-in-Aid programs whose funding has been redistributed.
### Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
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<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Skill Development Homes</td>
<td>$27,646</td>
<td>$29,775</td>
<td>$2,129</td>
<td>7.7%</td>
<td>D-225</td>
</tr>
<tr>
<td>Grants-in-Aid: Skill Development Homes (Casino Revenue Fund)</td>
<td>$1,141</td>
<td>$1,141</td>
<td>$0</td>
<td>—</td>
<td>D-225</td>
</tr>
</tbody>
</table>

In FY 2008, over 1,300 clients with developmental disabilities will be served at a per capital cost of about $23,200.

Total Skill Development Homes appropriations increase by $2.1 million, from $28.8 million to $30.9 million and incorporate funding from various Grants-in-Aid programs whose funding has been redistributed. The $30.9 million recommended for Skill Development Homes in FY 2008, includes $17.3 million in General Funds, $1.1 million in Casino Revenue Funds and $12.5 million in Other Funds, primarily recoveries from clients.

#### Grants-in-Aid: Group Homes

<table>
<thead>
<tr>
<th></th>
<th>$434,460</th>
<th>$482,411</th>
<th>$47,951</th>
<th>11.0%</th>
<th>D-225</th>
</tr>
</thead>
</table>

The Group Homes program supports various community residential programs such as Group Homes, Supervised Apartments and Supported Living. In FY 2008, at an average cost of nearly $75,500 per person, this program will serve 7,400 clients: Group Homes – 5,020, Supervised Apartments – 1,220, and Supported Living – 1,160.

The FY 2008 recommended appropriation incorporates funding from various Grants-in-Aid programs whose funding has been redistributed.

Total Group Homes appropriations increase by about $48.0 million, from $454.8 million to $502.8 million and incorporate funding from various Grants-in-Aid programs whose funding has been redistributed. The $502.8 million recommended for Group Homes, includes $271.4 million in General Funds, $197.5 million in Federal Funds, $20.4 million in Casino Revenue Funds and $13.5 million in Other Funds, primarily recoveries from clients.
### Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Capital Improvements for Olmstead Group Homes</td>
<td>$3,000</td>
<td>$0</td>
<td>($3,000)</td>
<td>(100.0%)</td>
<td>D-225</td>
</tr>
</tbody>
</table>

These monies were to develop additional community residences for clients at developmental centers who can and would prefer to live in the community.

No additional funds are proposed for FY 2008, though proposed budget language (page D-227) would enable the program to retain and use any unexpended FY 2007 funds in FY 2008. As of this writing, about $2.1 million has been expended or encumbered and about $0.9 million in funds are “uncommitted.” The capital improvements to be undertaken are expected to assist 70 clients with developmental disabilities.

In addition, $50 million in one-time federal funds was made available in the FY 2007 appropriation act to supplement the Olmstead appropriation. In FY 2008, approximately $39.5 million will be available (page D-256).

| Grants-in-Aid: Family Care | $5,135 | $133 | ($5,002) | (97.4%) | D-225 |

The reduction in the FY 2008 recommended appropriation reflects the redistribution of most of the appropriation into various other Grants-in-Aid accounts.

<table>
<thead>
<tr>
<th>Grants-in-Aid: Community Nursing Care Initiative – FY 2002 TOTAL</th>
<th>$1,604</th>
<th>$0</th>
<th>($1,604)</th>
<th>(100.0%)</th>
<th>D-225</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1,169</td>
<td>$0</td>
<td>($1,169)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$435</td>
<td>$0</td>
<td>($435)</td>
<td>(100.0%)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Grants-in-Aid: Community Services Waiting List Reduction Initiative – FY 2002 TOTAL</th>
<th>$28,579</th>
<th>$0</th>
<th>($28,579)</th>
<th>(100.0%)</th>
<th>D-225</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$19,456</td>
<td>$0</td>
<td>($19,456)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$9,123</td>
<td>$0</td>
<td>($9,123)</td>
<td>(100.0%)</td>
<td></td>
</tr>
</tbody>
</table>
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
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</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: CSWL Initiative Development TOTAL</td>
<td>$20,713</td>
<td>$0</td>
<td>($20,713)</td>
<td>(100.0%)</td>
<td>D-225</td>
</tr>
<tr>
<td>State</td>
<td>$15,450</td>
<td>$0</td>
<td>($15,450)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$5,263</td>
<td>$0</td>
<td>($5,263)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Grants-in-Aid: Developmental Center Enhancement TOTAL</td>
<td>$10,258</td>
<td>$0</td>
<td>($10,258)</td>
<td>(100.0%)</td>
<td>D-226</td>
</tr>
<tr>
<td>State</td>
<td>$6,789</td>
<td>$0</td>
<td>($6,789)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$3,469</td>
<td>$0</td>
<td>($3,469)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Grant-in-Aid: Community Transition Initiative – FY 2002 TOTAL</td>
<td>$9,919</td>
<td>$0</td>
<td>($9,919)</td>
<td>(100.0%)</td>
<td>D-226</td>
</tr>
<tr>
<td>State</td>
<td>$6,724</td>
<td>$0</td>
<td>($6,724)</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$3,195</td>
<td>$0</td>
<td>($3,195)</td>
<td>(100.0%)</td>
<td></td>
</tr>
</tbody>
</table>

Overall funding of $71.1 million (gross) from the Community Nursing Care Initiative – FY 2002, Community Services Waiting List Reduction Initiative – FY 2002, CSWL Initiative Development, Developmental Center Enhancement and Community Transition Initiative – FY 2002 accounts are redistributed into the division’s administrative accounts and other grant accounts as appropriate. The projects that were intended to develop additional community programs and make improvements at the New Lisbon and Woodbridge Developmental Center have been completed.

### Grants-in-Aid: Addressing the Needs of the Autism Community

| | $0 | $5,000 | $5,000 | D-226 |

According to the Budget in Brief these new funds would address the needs of the autism community. Though specific programs these funds would support are not identified, the monies will be used to implement autism legislation pending before the Legislature.
### Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Cerebral Palsy of Middlesex County</td>
<td>$500</td>
<td>$0</td>
<td>($500)</td>
<td>(100.0%)</td>
<td>D-226</td>
</tr>
<tr>
<td>Grants-in-Aid: Asperger’s Syndrome Pilot Project</td>
<td>$300</td>
<td>$0</td>
<td>($300)</td>
<td>(100.0%)</td>
<td>D-226</td>
</tr>
</tbody>
</table>

Funding for these two legislative initiatives is not continued in FY 2008. As of this writing, neither program has expended any funds.


- **Grants-in-Aid: Real Life Choices TOTAL**  
  - State: $5,706 → $9,238 | $3,532 | 61.9% 
  - Federal: $13,525 → $15,042 | $1,517 | 11.2%

  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 according to their needs. As of this writing, about 550 persons are involved in the program. In FY 2008, the budget anticipates that 750 persons will participate at an average cost of about $32,400 per client.

  The increase in FY 2008 recommended appropriations incorporates funding from various Grants-in-Aid programs whose funding has been redistributed.

- **Grants-in-Aid: Purchase of Adult Activity Services**  
  - $131,560 → $139,623 | $8,063 | 6.1% | D-226

- **Grants-in-Aid: Purchase of Adult Activity Services (Casino Revenue Fund)**  
  - $7,374 → $7,374 | $0 | 0% | D-226

  In FY 2008, over 8,900 clients with developmental disabilities are expected to receive adult activity services at an average cost of about $16,000.
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Direct State Services:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Developmental Centers TOTAL</td>
<td>$358,669</td>
<td>$388,845</td>
<td>$30,176</td>
<td>8.4%</td>
<td>D-227 to D-239</td>
</tr>
<tr>
<td>Green Brook Regional Center</td>
<td>$12,935</td>
<td>$13,279</td>
<td>$344</td>
<td>2.7%</td>
<td>D-228</td>
</tr>
<tr>
<td>Vineland Developmental Center</td>
<td>$65,962</td>
<td>$65,760</td>
<td>($202)</td>
<td>(0.3%)</td>
<td>D-230</td>
</tr>
<tr>
<td>North Jersey Developmental Center</td>
<td>$40,064</td>
<td>$52,797</td>
<td>$12,733</td>
<td>31.8%</td>
<td>D-231</td>
</tr>
<tr>
<td>Woodbine Developmental Center</td>
<td>$56,490</td>
<td>$51,152</td>
<td>($5,338)</td>
<td>(9.4%)</td>
<td>D-233</td>
</tr>
<tr>
<td>New Lisbon Developmental Center</td>
<td>$67,341</td>
<td>$90,958</td>
<td>$23,617</td>
<td>35.1%</td>
<td>D-235</td>
</tr>
<tr>
<td>Woodbridge Developmental Center</td>
<td>$61,839</td>
<td>$61,726</td>
<td>($113)</td>
<td>(0.2%)</td>
<td>D-236</td>
</tr>
<tr>
<td>Hunterdon Developmental Center</td>
<td>$54,038</td>
<td>$53,173</td>
<td>($865)</td>
<td>(1.6%)</td>
<td>D-238</td>
</tr>
</tbody>
</table>

Total Adult Activity appropriations increase by $8.1 million, from $138.9 million to about $147.0 million and incorporate funding from various Grants-in-Aid programs whose funding has been redistributed. The $147.0 million recommended for Adult Activity Services in FY 2008 includes $95.0 million in General Funds, $7.4 million in Casino Revenue Funds and $44.6 million in Federal Funds.

Overall funding of the seven developmental centers increases by $30.2 million (gross), from $358.7 million to $388.8 million as follows: General Fund - $104.1 million; Federal Funds - $284.7 million; and Other Funds – Under: $0.1 million.

The amount of General Funds recommended to support the developmental centers would increase by about $0.7 million, to $104.1 million, while the amount of Federal Funds would increase by about $29.5 million, to $284.7 million.

Most of the increase is at North Jersey ($12.7 million) and at New Lisbon ($23.6 million). Though recommended appropriations to Woodbine would be reduced by about $5.3 million, the reduction should not have any impact on overall operations.
**Significant Changes/New Programs ($000) (Cont'd)**

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Direct State Services:</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Work First New Jersey – Technology Investment TOTAL</td>
<td>$62,753*</td>
<td>$60,597</td>
<td>($2,156)</td>
<td>(3.4%)</td>
<td>D-245</td>
</tr>
<tr>
<td>State</td>
<td>$10,345*</td>
<td>$8,189</td>
<td>($2,156)</td>
<td>(20.8%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$52,408</td>
<td>$52,408</td>
<td>$0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
* Includes a proposed $6.0 million supplemental appropriation.

The FY 2008 recommended budget does not reflect any reduction in the overall census of the seven developmental center which remains at about 3,040. As the State must reduce the census at the New Lisbon and Woodbridge to comply with agreements with the U.S. Department of Justice and as the division will be awarding contracts related to the transfer of appropriate clients from developmental centers into the community as part of the Olmstead initiative, the census estimate may be overstated.

**Division of Family Development**

**Direct State Services:**

**Work First New Jersey – Technology Investment TOTAL**

<table>
<thead>
<tr>
<th></th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$10,345*</td>
<td>$8,189</td>
<td>($2,156)</td>
<td>(20.8%)</td>
</tr>
</tbody>
</table>

The overall reduction is related to a pending $6.0 million supplemental appropriation for additional costs related to the development of an updated computer system for child support enforcement, *Automated Child Support Enforcement System*. These supplemental funds are not continued in FY 2008. Excluding this supplemental appropriation, FY 2008 funding would increase $3.8 million.

**Grants-in-Aid: Work First New Jersey – Training Related Expenses TOTAL**

<table>
<thead>
<tr>
<th></th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$1,215</td>
<td>$5,315</td>
<td>$4,100</td>
<td>337.4%</td>
</tr>
</tbody>
</table>

Pub.L. 106-149 made 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%, subject to adjustment based on a reduction in a state’s caseload. Failure to meet this requirement may result in a loss of federal funds and a mandatory increase in State spending. In October 2006, the State’s participation rate was about 41%.

Additional funds are recommended for training related expenses necessary to increase job training and related work activities in order to meet the 50% requirement. It is noted that the number of recipients expected to utilize this benefit in FY 2008 is unchanged at about 5,850 persons monthly.
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Work</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>First New Jersey – Child Care TOTAL</td>
<td>$397,072</td>
<td>$379,453</td>
<td>$17,619</td>
<td>(4.4%)</td>
<td>D- 246</td>
</tr>
<tr>
<td>State*</td>
<td>$200,435</td>
<td>$190,653</td>
<td>($9,782)</td>
<td>(4.9%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$196,637</td>
<td>$188,800</td>
<td>($7,837)</td>
<td>(4.0%)</td>
<td></td>
</tr>
</tbody>
</table>

* Includes funds designated as TANF Abbott Expansion: FY 2007 - $119.0 million and FY 2008 - $99.0 million.

The Governor’s recommended budget (Budget in Brief, A-3) indicates $20.0 million in savings through “reform co-payment for after school/summer child care.” At this time, no information is available regarding this proposal. Similar proposals included in previous budget recommendations failed to obtain the Legislature’s approval.

Available budget information indicates that the average number of children receiving child care services will decline by over 7,150 per month, from about 77,100 (FY 2007) to 70,000 (FY 2008).

### Grants-in-Aid: Work
First New Jersey – Breaking the Cycle

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>$7,167</th>
<th>$1,055</th>
<th>($6,112)</th>
<th>(85.3%)</th>
<th>D-246</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$6,004</td>
<td>$0</td>
<td>$6,004</td>
<td>(100.0%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$1,163</td>
<td>$1,055</td>
<td>$8</td>
<td>(9.3%)</td>
<td></td>
</tr>
</tbody>
</table>

This program supports such programs as: Post-TANF Transportation, Homeless Initiatives, Hispanic Outreach and Faith Based Initiatives.

State funding for this program is discontinued, and only $1.1 million in federal funds will be available in FY 2008. Accordingly, funding for most of these programs will be eliminated or significantly reduced.

### Grants-in-Aid: Kinship Care Guardianship and Subsidy TOTAL

<table>
<thead>
<tr>
<th>TOTAL</th>
<th>$3,649</th>
<th>$3,083</th>
<th>($566)</th>
<th>(15.5%)</th>
<th>D-246</th>
</tr>
</thead>
<tbody>
<tr>
<td>State</td>
<td>$566</td>
<td>$0</td>
<td>($566)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$3,083</td>
<td>$3,083</td>
<td>$0</td>
<td>—</td>
<td></td>
</tr>
</tbody>
</table>

### Grants-in-Aid: Kinship Care Initiatives

| TOTAL                     | $6,571       | $7,137       | $566         | 8.6%          | D-246        |

22
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grants-in-Aid: Social Services for the Homeless</td>
<td>$12,174</td>
<td>$11,767</td>
<td>($407)</td>
<td>(3.4%)</td>
<td>D-247</td>
</tr>
</tbody>
</table>

This program distributes funds to counties to be used to provide various social services to persons that are not eligible for existing federal or State assistance programs. There is no overall decrease in the program as the reduction reflects the transfer of funds to support the Division of Mental Health Services PATH program.

Grants-in-Aid: Substance Abuse Initiatives TOTAL | $18,720 | $38,162 | $19,442 | 103.9% | D-247 |

State | $16,538 | $35,980 | $19,442 | 117.6% |

Federal | $2,182 | $2,182 | $0 | — |

Previous appropriations acts had assumed certain levels of Medicaid reimbursements and the assumption of certain costs by the Division of Addiction Services which were not realized. Thus, some portion of the $19.4 million increase reflects costs that could not be supported by other funding sources.

The balance of the increase represents projected growth in the number of persons that will receive services. It is noted, however, that program data do not reflect a significant increase in overall caseloads: June 2006 – 5,200, and December 2006 – 5,800 (annualized).

State Aid: Work First
New Jersey Client Benefits TOTAL | $126,729 | $117,624 | ($9,105) | (7.2%) | D-247 |

State | $17,705 | $12,000 | ($5,705) | (3.2%) |

Federal | $109,024 | $105,624 | ($3,400) | (3.1%) |

The average monthly caseload is expected to decline from 104,450 (FY 2007) to approximately 98,500 (FY 2008), and overall funding is reduced by $9.1 million. (The proportional allocation of State and federal funds is discretionary on the State’s part.)
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Aid: Work First</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>New Jersey Emergency Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$71,587</td>
<td>$67,836</td>
<td>($3,751)</td>
<td>(5.2%)</td>
<td>D-247</td>
</tr>
<tr>
<td>State</td>
<td>$5,987</td>
<td>$0</td>
<td>($5,987)</td>
<td>(100%)</td>
<td></td>
</tr>
<tr>
<td>Federal</td>
<td>$65,600</td>
<td>$67,836</td>
<td>$2,236</td>
<td>3.4%</td>
<td></td>
</tr>
</tbody>
</table>

The average monthly caseload is expected to decline by about 800 persons, from 15,800 (FY 2007) to 15,000 (FY 2008), and overall funding is reduced by about $3.8 million. (The proportional allocation of State and federal funds is discretionary on the State’s part. In FY 2008, no State funds are allocated to the program.)

<table>
<thead>
<tr>
<th>General Assistance</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>$136,143</td>
<td>$136,223</td>
<td>$80</td>
<td>.1%</td>
<td></td>
</tr>
<tr>
<td>State Aid: General Emergency Assistance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance Program</td>
<td>$70,010</td>
<td>$68,548</td>
<td>($1,462)</td>
<td>(2.1%)</td>
<td>D-247</td>
</tr>
<tr>
<td>State Aid: Payments for Cost of General</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistance</td>
<td>$66,133</td>
<td>$67,675</td>
<td>$1,542</td>
<td>2.3%</td>
<td>D-247</td>
</tr>
</tbody>
</table>

The average number of persons receiving emergency assistance will decrease by 100 persons, from 7,100 (FY 2007) to 7,000 (FY 2008), and overall funding is reduced by about $1.5 million.

General Assistance benefits are expected to increase due to a slight rise in the average monthly caseloads, coupled with more cases being classified as “unemployable” rather than “employable,” which entitles such persons to higher monthly assistance benefits, $210 compared to $140.

| State Aid: Payments                          |                       |                 |               |                |             |
| for Supplemental Security Income             |                       |                 |               |                |             |
| $80,056                                      | $83,134               | $3,078          | 3.8%          | D-247          |

The increase is related to an additional 3,300 persons qualifying for federal SSI benefits and their entitlement to a State supplement, emergency assistance and burial expenses.
Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp.</th>
<th>Recomm.</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Aid: State Supplemental Security Income</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Administrative Fee to SSA</td>
<td>$17,149</td>
<td>$18,188</td>
<td>$1,039</td>
<td>6.1%</td>
<td>D-247</td>
</tr>
</tbody>
</table>

The increase reflects a federally mandated fee increase to reimburse the federal government for processing the State’s supplemental payments to SSI recipients. State efforts to privatize this function or administer the program in-house have not been successful.

Division of Addiction Services

Direct State Services:
Personal Services                                      | $442         | $1,049  | $607          | 137.9%         | D-250       |

The additional funds will be used to hire nine employees to improve the division’s contract monitoring activities. The division’s contract oversight was criticized in two reports from the Office of the Inspector General following investigation of the actions of the former division director/Assistant Commissioner.

Grants-in-Aid: Capital Improvements for Substance Abuse Treatment and Recovery Centers | $2,000       | $0      | ($2,000)      | (100.0%)       | D-250       |

No additional funding is recommended in FY 2008. As of this writing, no FY 2007 funds have been expended. The division issued a Request for Proposal in order to distribute the funds and awards are to be announced during Spring 2007.

Pursuant to proposed budget language, D-251, any unexpended FY 2007 funds will be available for expenditure in FY 2008.

Grants-in-Aid:
Community Based Substance Abuse Treatment and Prevention – State Share | $38,244*     | $37,273 | ($971)        | (2.5%)         | D-250       |

* Includes a proposed $10.0 million supplemental appropriation.

There is no reduction in the program as the FY 2007 adjusted appropriation reflects a proposed $10.0 million supplemental appropriation.
Significant Changes/New Programs ($000) (Cont'd)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>State Aid: Essex County – County Jail Substance Abuse Programs</td>
<td>$15,000</td>
<td>$20,000</td>
<td>$5,000</td>
<td>33.3%</td>
<td>D-250</td>
</tr>
</tbody>
</table>

In addition to the $37.3 million recommended, proposed budget language appropriates an additional $3.1 million to the program from the Drug Abuse Education Fund ($1.5 million) and the Drug Enforcement Demand Reduction Fund ($1.6 million) and approximately $47.8 million in federal funds are appropriated. Thus, upwards of $88.2 million is available for substance abuse treatment and prevention.

This program, generally referred to as Delaney Hall, is provided to Essex County and to reduce county expenditures. Funding was initially included by the Legislature in the FY 2003 appropriations act and funding has been included and increased in subsequent appropriations acts. No information is available regarding the proposed $5.0 million funding increase.

Delaney Hall is not licensed by the division. The division receives little information concerning the program’s operations.

Division of Management and Budget

Direct State Services: Personal Services

$5,478 $15,715 $10,240 86.9% D-254

Direct State Services: Services Other Than Personal

$6,913* $5,597 ($1,316) (19.0%) D-254

* Includes a proposed $1.2 million supplemental appropriation.

The recommended $10.2 million increase in Personal Services is the result of intradepartmental reallocations and does not reflect a true increase in appropriations. The FY 2007 appropriations act included efficiency savings that were taken from this one account, rather than from each division or institution. The FY 2008 budget recommendation reflects the reallocation of funds from each division and institution.

The $1.3 million Services Other Than Personal reduction is related to a FY 2007 supplemental appropriation that is not continued in FY 2008. As this type of supplemental appropriation has occurred in previous fiscal years, it will likely occur in FY 2008. Thus, the reduction is not a true reduction in expenditures.
## Significant Changes/New Programs ($000) (Cont’d)

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</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-254</td>
</tr>
</tbody>
</table>

This appropriation was a legislative initiative that is not continued.

Cost of Living Adjustment (Community Care Providers)  

- **$1,550*** | **$15,516** | **$15,516** | n.a. | D-254 

* An additional $22.0 million has been allocated among the various divisions.

The recommended budget includes funds for a 2% cost of living adjustment for community provider agencies, effective January 2008.

<table>
<thead>
<tr>
<th>Budget Item</th>
<th>Adj. Approp. FY 2007</th>
<th>Recomm. FY 2008</th>
<th>Dollar Change</th>
<th>Percent Change</th>
<th>Budget Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Construction HVAC Improvements at DHS Institutions</td>
<td>$7,700</td>
<td>$2,800</td>
<td>($4,900)</td>
<td>(63.6%)</td>
<td>D-254 to D-255</td>
</tr>
<tr>
<td>Hunterdon Developmental Center- Replace Underground Water Lines</td>
<td>$4,500</td>
<td>0</td>
<td>($4,500)</td>
<td>(100.0%)</td>
<td>D-255</td>
</tr>
<tr>
<td>Lines</td>
<td>$3,200</td>
<td>$2,800</td>
<td>($400)</td>
<td>(12.5%)</td>
<td>D-255</td>
</tr>
</tbody>
</table>

The $2.8 million recommendation will increase total funding to Replace Underground Water Lines at Hunterdon Developmental Center to $6.0 million.
Language Provisions

Division of Mental Health Services

FY 2007 Appropriations Handbook

p. B-94.

Of the amounts hereinabove appropriated for Community Care, $30,905,000 shall be expended consistent with the recommendations in the final report of the Governor’s Task Force on Mental Health as follows: $11,500,000 for Mental Health Screening Centers; $2,637,000 for Self-Help Centers; $3,625,000 for psychiatric services; $5,125,000 for support services for permanent supportive housing; $600,000 for jail diversion in Atlantic County; $600,000 for jail diversion in Essex County; $600,000 for jail diversion in Union County; $2,868,000 for bilingual and culturally competent services; $1,000,000 for Short-Term Care Facilities; $850,000 for Community Health Law Project; and $1,500,000 for Special Case Management services.

2008 Budget Recommendations


Comparable language with the following changes in bold:

Of the amounts hereinabove appropriated for Community Care, $37,459,000 shall be expended consistent with the recommendations in the final report of the Governor’s Task Force on Mental Health as follows: $14,106,000 for Mental Health Screening Centers; $2,637,000 for Self-Help Centers; $4,993,000 for psychiatric services; $5,125,000 for support services for permanent supportive housing; $789,000 for supported employment services; $600,000 for jail diversion in Atlantic County; $600,000 for jail diversion in Essex County; $600,000 for jail diversion in Union County; $729,000 for additional jail diversion programs; $2,868,000 for bilingual and culturally competent services; $1,062,000 for treatment of co-occurring disorders; $1,000,000 for Short-Term Care Facilities; $850,000 for Community Health Law Project; and $1,500,000 for Special Case Management services.

Explanation

Recommended FY 2008 Community Care appropriations increase by about $7.5 million, from $252.1 million to $259.6 million. Of the $7.5 million increase, about $6.6 million is directed to various mental health programs or to establish new mental health programs as recommended by the Governor’s Task Force on Mental Health (highlighted in bold above).
Language Provisions (con’t)

2007 Appropriations Handbook

p. B-94.

The Commissioner of Human Services shall provide the Governor’s Task Force on Mental Health with quarterly reports, due within 60 days after the end of each quarter, containing written statistical and financial information on the amounts hereinabove appropriated in Community Care for the Governor’s Task Force on Mental Health’s final recommendations.

2008 Budget Recommendations

No comparable language provision.

Explanation

The language is no longer necessary because the Governor’s Task Force on Mental Health established by Governor Codey in 2004 is no longer active.

2007 Appropriations Handbook

p. B-94.

State Aid reimbursement payments for maintenance of patients in county psychiatric facilities shall be limited to inpatient services only, except that such reimbursement shall be paid to a county for outpatient and partial hospitalization services as defined by the Department of Human Services, if outpatient and/or partial hospitalization services had been previously provided at the county psychiatric facility prior to January 1, 1998. These outpatient and partial hospitalization payments shall not exceed the amount of State Aid funds paid to reimburse outpatient and partial hospitalization services provided during calendar year 1997.

2008 Budget Recommendations


Comparable language with the addition of the following sentence at the end of the existing paragraph:

In addition, any revision or expansion to the number of inpatient beds or inpatient services provided at such hospitals which will have a material impact on the amount of State Aid payments made for such services, must first be approved by the Department of Human Services before such change is implemented.

Explanation

The new sentence provides the department with approval authority over actions taken by county psychiatric hospitals that could increase State costs. The language was necessitated because a county recently constructed a new $58.3 million facility and initiated new mental health programs that will be funded by 90% State funds.
Language Provisions (con’t)

Division of Medical Assistance and Health Services

2007 Appropriations Handbook


Rebates from pharmaceutical manufacturing companies during the current fiscal year for prescription expenditures made to providers on behalf of Medicaid clients are appropriated for the Payments for Medical Assistance Recipients-Prescription Drugs account. Provided further that for fiscal year 2007, the Commissioner 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.

Notwithstanding the provision of any other law to the contrary, no funds appropriated in the Payments for Medical Assistance Recipients-Prescription Drugs line item shall be expended for the payment of claims for pharmaceuticals not included in the Part D provider formularies of Medicare Part D eligibles unless participating pharmaceutical manufacturing companies execute contracts with the Department of Human Services providing for the payment of rebates to the State on the same basis as provided for in section 1927 (a) through (c) of the federal Social Security Act, 42 U.S.C. s.1396r-8(a) - (c). All rebates received are appropriated for the Medical Assistance Recipients-Prescription Drugs account. Provided further that for fiscal year 2007, the Commissioner of Human Services, in consultation with the State Treasurer, shall negotiate and implement additional measures to maximize (continued on the next page)

2008 Budget Recommendations


Comparable language provisions except that the last sentence (as provided below) is deleted:

Provided further that for fiscal year 2007, the Commissioner 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.
Language Provisions (con’t)

2007 Appropriations Handbook


savings and cost recoveries in the Payments for Medical Assistance Recipients-Prescription Drugs program to ensure that the State of New Jersey is an aggressively cost-conscious purchaser of prescription drugs.

2008 Budget Recommendations


Explanation

The deleted sentence directed the Commissioner of Human Services to take additional measures to maximize savings and cost recoveries in pharmaceutical benefits under the Medicaid and General Assistance programs. To date, the department has not taken any actions to implement the requirement.

2007 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 the Average Wholesale Price (AWP) less a 12.5% discount;

(b) effective January 1, 2007, reimbursement for the cost of legend and non-legend drugs shall be in accordance with the federal Deficit Reduction Act of 2005; (c) the current prescription drug dispensing fee structure set as a variable rate of $3.73 to $4.07 shall remain in effect through the current fiscal year, including the

(continued on the next page)

2008 Budget Recommendations


Comparative language except that the following provision is deleted:

(a) reimbursement for the cost of legend, and non-legend drugs, and nutritional supplements, shall not exceed the Average Wholesale Price (AWP) less a 12.5% discount.

Subsections (b) – (d) have been re-lettered to (a) (c), with other minor changes.
Language Provisions (con't)

2007 Appropriations Handbook


2008 Budget Recommendations


current increments for patient consultation, impact allowances, and allowances for 24-hour emergency services; and (d) multisource generic and single source brand name drugs shall be dispensed without prior authorization but multisource brand name drugs shall require prior authorization 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 therapeautic 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.

Explanation

Eliminating the language that prescription drug reimbursement shall not exceed the Average Wholesale Price (AWP) less a 12.5% discount may change the manner in which Medicaid reimburses pharmacies for legend (brand name) drugs and nutritional supplements.

Under the federal Deficit Reduction Act (DRA), effective January 2007, reimbursement for most generic drugs shall be equal to 250% of the Average Manufacturers’ Price (AMP). The State currently reimburses pharmacies for generic drugs in accordance with the DRA. However, under DRA states are still allowed to establish the methodology to reimburse pharmacies for brand name drugs and nutritional supplements, and for the January – June 2007 period, New Jersey bases reimbursement for brand name drugs and nutritional supplements on AWP less a 12.5% discount for brand name drugs. This can change under the proposed budget language.

It is probable that beginning July 2007, the State will base reimbursement on AMP, rather than AWP. Numerous federal reports have criticized the use of AWP as the basis for reimbursing pharmacies because AWP does not accurately reflect pharmacists’ acquisition costs and may inflate the cost of pharmaceuticals.
Language Provisions (con't)

If reimbursement to pharmacies for brand name and nutritional supplements is based on AMP, it is likely that Medicaid reimbursement to pharmacies will be reduced. However, until the department provides information as to how pharmacies will be reimbursed for brand name drugs and nutritional supplements, the financial impact on pharmacies cannot be determined.

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2007 Appropriations Handbook

p. B-103.

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 psychiatric services provided as an outpatient hospital service to eligible individuals age 22 or older, shall be paid at the lower of charges or prospective hourly rates as established by the Commissioner of Human Services. Costs related to such services shall be excluded from outpatient hospital costs settlements.

Explanation

The FY 2007 budget language is no longer required because the Medicaid program adopted new regulations concerning outpatient hospital reimbursement for psychiatric services, N.J.A.C. 10:52A et seq. These regulations implement measures to attain $15 million (gross) in savings assumed in the FY 2007 appropriations act.

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2008 Budget Recommendations


Notwithstanding the provisions of any law or regulation to the contrary, all financial recoveries obtained through the efforts of any entity authorized to undertake the prevention and detection of Medicaid fraud, waste and abuse, are appropriated to General Medical Services in the Division of Medical Assistance and Health Services.
Language Provisions (con’t)

Explanation

The proposed language overrides provisions of P.L. 2007, c. 58, the “Medicaid Program Integrity and Protection Act,” which establishes the Office of the Medicaid Inspector General and a “Medicaid Fraud Control Fund” in the Department of the Treasury in which 25% of the Medicaid monies recovered are to be deposited, beginning July 1, 2007.

Under the proposed language, all recoveries would be used to support the overall General Medical Services account and would not be available to the Office of the Medicaid Inspector General.

2007 Appropriations Handbook

No comparable language provisions.

2008 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 Year 2008, the appropriation hereinabove for Payments to Medical Assistance Recipients – Outpatient Hospital shall be subject to the following condition: 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 co-payment for each emergency room visit that is determined to be for a non-emergent visit. Qualifying beneficiaries will be charged a $3 co-payment for outpatient hospital visits. Beneficiary cost-sharing responsibility for certain outpatient hospital services will not exceed $12 per month.

Notwithstanding the provisions of any law or regulation to the contrary, and subject to the notice provisions of 42 CFR 447.205 where applicable, effective State Fiscal Year 2008, the appropriations hereinabove for Managed Care Initiative, Payments to Medical Assistance Recipients – Prescription Drugs, (continued on the next page)
Language Provisions (con’t)

2007 Appropriations Handbook

2008 Budget Recommendations


and General Assistance Medical Services shall be subject to the following condition:
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 co-payment per
prescription drug. The maximum amount a beneficiary will be charged each month is
$10.

Explanation

The first language provision would require certain Medicaid recipients (non-
pregnant women over the age of 21 and men) to pay $6.00 for each emergency room visit
that is not deemed an emergency, and to pay a $3.00 copay for each outpatient hospital
visit, capped at $12 per month. This is expected to save $550,000 (State).

The second language provision would require most Medicaid recipients to pay a
$2.00 co-payment for prescription drugs, capped at $10 per month. This is expected to
save $7.0 million (State).

2007 Appropriations Handbook

No comparable language provision.

2008 Budget Recommendations


Notwithstanding the provisions of any law or regulation to the contrary, the appropriation
hereinabove for Payments to Medical Assistance Recipients – Outpatient Hospital
shall be subject to the following condition: Hospitals may provide continued services to
eligible individuals age 22 or older in partial hospitalization programs in need of
additional care beyond the 24 month limit may and shall be billed for these extended
services at the community partial care rate of $77 per day. Costs related to such services
shall be excluded from outpatient hospital cost settlements.
Language Provisions (con’t)

Explanation

The proposed language would allow persons age 22 or older to receive partial hospitalization services beyond 24 months and would allow hospitals to bill the Medicaid program for such services at a $77 per day rate. The proposed language would address concerns raised by providers and in testimony to various legislative committees concerning recently adopted regulations at N.J.A.C. 10:52A et seq., which establish partial hospitalization program requirements.

Division of Disability Services

2007 Appropriations Handbook

p. 104.

The funds hereinabove appropriated for Payments for Medical Assistance Recipients-Personal Care Salary Increase shall be used to provide direct care workers who provide personal care services with an increase in their compensation.

Explanation

The FY 2007 budget language applies to the distribution of $4.7 million in one-time funds added by the Legislature. As the monies have been distributed and are incorporated in the FY 2008 recommended appropriation, the language is no longer considered necessary.

Division of Developmental Disabilities

2007 Appropriations Handbook

p. B-107; B-108.

Of the amounts hereinabove appropriated for the Developmental Center Enhancement, such sums as are necessary may be transferred to Grants-in-Aid for the Developmental Center Enhancement or to the Woodbridge Developmental Center, subject to the approval of the Director of the Division of Budget and Accounting.

(continued on the next page)
Language Provisions (con’t)

**2007 Appropriations Handbook**

p. B-107; B-108.

The total amount appropriated in the Community Services Waiting List Reduction Initiative – FY 2002, the Community Transition Initiative – FY 2002, and the Community Nursing Care Initiative – FY 2002 accounts are available for transfer to community support programs, subject to the approval of the Director of the Division of Budget and Accounting.

From the amounts hereinabove appropriated from the Community Services Waiting List Reduction Initiative – FY 2002 and the Community Transition Initiative – FY 2002 accounts, such funds as are necessary may be transferred to various administrative accounts as required, subject to the approval of the Director of the Division of Budget and Accounting.

The unexpended balance at the end of the preceding fiscal year in the Developmental Center Enhancement account is appropriated.

**Explanation**

Language provisions concerning the Developmental Center Enhancement, the Community Services Waiting List Reduction Initiative – FY 2002, the Community Transition Initiative – FY 2002 and the Community Nursing Care Initiative – FY 2002 accounts are no longer required. The accounts are incorporated in the division’s other operating accounts in FY 2008.

**2007 Appropriations Handbook**


Cost recoveries from developmentally disabled patients and residents collected during the fiscal year ending June 30, 2007, not to exceed $5,500,000, are appropriated (continued on the next page)
Language Provisions (con’t)

2007 Appropriations Handbook

p. B-107; B-108.

for the continued operation of the Group Homes program, and an additional amount, not to exceed $20,630,000, is appropriated for Community Services Waiting List Reduction Initiatives, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This is a technical consolidation of the language provisions from FY07. The total amount of appropriated cost recoveries is unchanged at $26,130,000.

2008 Budget Recommendations


continued operation of the Group Homes program, subject to the approval of the Director of the Division of Budget and Accounting.

2007 Appropriations Handbook

p. B-108; B-111.

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 $268,712,000. Federal funding received above this level must be approved by the Director of the Division of Budget and Accounting in accordance with a plan submitted by the Department of Human Services.

The State appropriation is based on ICF/MR revenues of $314,562,000 provided that if the ICF/MR revenues exceed $314,562,000 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.

Explanation

The first language provision involves the federal Community Care Waiver (CCW) that provides federal reimbursement for services to eligible clients in community programs.

2008 Budget Recommendations

p. D-227; D-239.

Similar language except that the amount of federal Community Care Waiver funds that can be expended is capped at $273,410,000.

Similar language except that the amount of ICF/MR revenues anticipated is $330,505,000.
Language Provisions (con’t)

The amended budget language increases the cap as to the amount of federal CCW funds that can be expended on community programs by about $4.7 million, to $273.4 million.

The second language provision involves the federal ICF-MR program that provides federal reimbursement for services to eligible clients that reside in one of the State's seven developmental centers. The amended budget language increases the amount of federal ICF-MR revenues anticipated in FY 2008 by $15.9 million, to $330.5 million.

2007 Appropriations Handbook

No comparable language provisions.

2008 Budget Recommendations


The unexpended balance at the end of the preceding fiscal year in the Capital Improvements for Olmstead Group Homes account is appropriated.

The unexpended balance at the end of the preceding fiscal year in the Asperger’s Syndrome Pilot Program account is appropriated.

Explanation

Proposed language provisions would allow any unexpended funds at the end of FY 2007 to be available in FY 2008. No funds are recommended for these programs in FY 2008.

The amount of unexpended funds that may be available to the two programs in FY 2008 is not known at this time. The Olmstead Group Homes account, which provided funds to establish programs to relocate clients from developmental centers to community programs, has about $0.9 million in “uncommitted” funds as of this writing. As of this writing, none of the $0.3 million for the Asperger’s Syndrome Pilot Program has been expended. The $0.3 million will likely be used to implement pending legislation, Senate Bill No. 690/Assembly Bill No. 2291.
Language Provisions (con’t)

Division of Family Development

2007 Appropriations Handbook


Additional funds as may be allocated by the federal government for New Jersey’s Low Income Energy Assistance Block Grant Program (LIHEAP) are appropriated subject to the approval of the Director of the Division of Budget and Accounting. A pro-rata share of Low Income Energy Assistance Block Grant funds received by the Department of Human Services is to be allocated immediately upon receipt to the Departments of Community Affairs and Health and Senior Services to enable these departments to implement programs funded by this block grant.

2008 Budget Recommendations

No comparable language provision.

Explanation

The administration of the Low Income Home Energy Assistance Program has been transferred to the Department of Community Affairs. Thus, the language is no longer required in the budget of the Division of Family Development.

2007 Appropriations Handbook

p. D-249.

No comparable language provision.

2008 Budget Recommendations

p. D-249.

In addition to the amounts hereinabove appropriated, such additional sums as may be required are appropriated to maintain funding for county welfare agencies in administering their child support programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

There are various division and county work groups that are examining the impact of proposed federal policy that would prevent child support incentive funds distributed by the federal government from being used as the federal match for child support costs. The amount in federal incentive funds the State receives varies from year to year based on how well the State does in meeting federal performance levels for paternity establishment, child
Language Provisions (con’t)

support order establishment, current child support collections, collection of child support arrearages and cost-effectiveness.

Though the proposed language would appropriate an unspecified amount of monies to support the administrative operations of child support programs at county welfare agencies, it is not known whether this will be recommended by the various work groups.

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Division of Addiction Services

<table>
<thead>
<tr>
<th>2007 Appropriations Handbook</th>
<th>2008 Budget Recommendations</th>
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</thead>
</table>

In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention – State Share, there is appropriated $1,500,000 from the “Drug Abuse Education Fund” for the same purpose.

In addition to the amount hereinabove for Community Based Substance Abuse Treatment and Prevention – State Share, there is appropriated $1,600,000 from the “Drug Abuse Education Fund” for the same purpose.

Explanation

These two language provisions provide the Community Based Substance Abuse Treatment and Prevention – State Share program with an additional $3.1 million, and increase available funding for this program to nearly $40.4 million. Over 22,700 person with alcoholism and 52,600 persons with other drug problems will receive services in FY 2008.

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<table>
<thead>
<tr>
<th>2007 Appropriations Handbook</th>
<th>2008 Budget Recommendations</th>
</tr>
</thead>
</table>

The unexpended balances at the end of the preceding fiscal year in the Capital Improvements for Substance Abuse Treatment and Recovery Centers account are appropriated, subject to the approval of the (continued on the next page)
Language Provisions (con't)

2007 Appropriations Handbook

2008 Budget Recommendations


Director of the Division of Budget and Accounting.

Explanation

The proposed language provision would allow any unexpended funds in the Capital Improvements for Substance Abuse Treatment and Recovery Centers account at the end of FY 2007 to be available in FY 2008. No funds are recommended for this program in FY 2008.

The amount of unexpended funds that may be available in FY 2008 is not known at this time. As of this writing, none of the $2.0 million appropriation for the program has been expended. The division released a Request for Proposal to obtain agency proposals with respect to these funds. Funds are expected to be distributed during Spring 2007.

Department of Human Services (General)

2007 Appropriations Handbook

p. B-118.

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 and are appropriated as follows: $50,000,000 for residential and other support services and infrastructure for individuals transitioning from the developmental centers to the community and from the community services waiting list, and for family support services 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.

2008 Budget Recommendations

p. D-256.

Comparable language except the amount referenced is $39,532,000.
Language Provisions (con't)

Explanation

This language addresses a three-year program to enable residents of developmental centers who are capable of living in the community to transfer to community-based placements. The FY 2007 appropriations act allocated $50.0 million in one-time federal recoveries to support this program. By the end of FY 2007, approximately $10.5 million of the $50.0 million will be expended, leaving unexpended balances of $39.5 million, which is reflected in the proposed language.
Discussion Points

DEPARTMENT OF HUMAN SERVICES – GENERAL

1.a. The following Schedule 1 revenues were less than the amounts anticipated in the FY 2006 appropriations act:

<table>
<thead>
<tr>
<th>REVENUE</th>
<th>FY 2006 APPROP. ACT (000)</th>
<th>FY 2006 ACTUAL (000)</th>
<th>SHORTFALL (000)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Early Periodic Screening Diagnosis</td>
<td>$4,000</td>
<td>$1,807</td>
<td>($2,193)</td>
</tr>
<tr>
<td>and Treatment</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medicaid Uncompensated Care – Acute</td>
<td>$286,955</td>
<td>$280,367</td>
<td>($6,588)</td>
</tr>
</tbody>
</table>

In FY 2005, these revenues were also less than the amount reflected in the FY 2005 appropriations act.

• Question: What accounts for these shortfalls?


However, the FY 2008 recommended budget, Schedule 1, reflects these amounts: Developmental Disabilities - $15.9 million and Psychiatric Hospitals - $69.4 million.

• Question: What accounts for differences in reported revenues?

1.c. The FY 2008 recommended budget, Schedule 1, reflects a $110 million increase in Medicaid Uncompensated Care – Acute revenues: FY 2007 revised - $140.5 million and FY 2008 - $250.0 million.

• Question: What accounts for the $110 million increase?

1.d. The FY 2007 appropriations act reflected $3.5 million in School Based Medicaid revenues. As revised in the FY 2008 recommended budget, Schedule 1, no School Based Medicaid revenue are anticipated.

• Question: What accounts for the reduction in FY 2007 School Based Medicaid revenues?

2. The Division of Criminal Justice has been in negotiations with Price Waterhouse regarding the firm’s role in the Mt. Carmel Guild Medicaid accounting fraud since August 2005. To date, the issue has not been settled.

• Question: How much does the State seek to recover? What is the status of the negotiations?
Discussion Points (Cont'd)

3. In FY 2006, approximately 109.4 million kilowatt hours (kWh) of electricity was used by the State developmental centers (71 million kWh) and psychiatric hospitals (38.5 million kWh). These facilities have considerable vacant land that may be suitable for solar energy development by the State in conjunction with private developers. The Department of Military and Veterans Affairs is developing a 600,000 kWh solar energy project on approximately 1.75 acres at a net cost to the State of about $1.3 million. This cost might be further reduced through the sale of Solar Renewable Energy Credits.

- **Question:** Has the department discussed with the State Board of Public Utilities the development of vacant institutional property for alternative energy such as solar?

4. In federal FY 2006, 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. The State realized about $574 million in federal DSH funds, about $32 million less than the maximum. The $32 million shortfall is related to the Inpatient Hospital component of DSH.

- **Question:** What accounts for the $32 million shortfall in DSH funds?

5. The Nursing Incentive Program in the Divisions of Developmental Disabilities and Mental Health Services is discontinued, saving $400,000.

- **Question:** In view of the difficulties State institutions have in hiring and retaining nursing personnel, why is the program being eliminated?

6. The FY 2007 appropriations act assumed the following savings: Management Efficiencies - $50 million; Information Technology Efficiencies - $20 million; and Procurement Efficiencies - $15 million.

Though savings were reflected in the Interdepartmental Accounts section of the budget, the various department were to provide the monies to reimburse the Interdepartmental Accounts in direct correlation with identified efficiency improvements.

- **Question:** What was the department's share of the Management Efficiencies, Information Technology Efficiencies and Procurement Savings? What specific efficiencies was the department able to achieve? Are these efficiency savings continued in FY 2008?

**DIVISION OF MENTAL HEALTH SERVICES**

7. The FY 2008 recommended budget includes $350,000 for the Governor's Council on Mental Health Stigma. As of this writing, less than $50,000 of the FY 2007 appropriation has been expended.

- **Question:** Can the appropriation be reduced?
Discussion Points (Cont'd)

8. Of the $11.8 million recommended for Personal Services, $330,000 is allocated for the Office of Disaster Mental Health, but the amount spent on the office is not identified.

• **Question:** How much will be expended on the Office of Disaster Mental Health?

9. Executive Order No. 77 (2005) directed the division to develop a pilot program of Operational Incentives to enable certain providers to “retain 100 percent of the current contracts net savings identified from contract deficiencies,” subject to reasonable restrictions and limits on earned incentives.

• **Question:** Of FY 2006 appropriations, how much Operational Incentives were providers allowed to retain?

10. The FY 2008 recommended budget includes $1.8 million for Jail Diversion Projects in Atlantic, Essex and Union counties. An additional $0.7 million is recommended to expand the program.

   This program provides services to persons with mental illness who might otherwise be placed in a county jail. Though the State funds the entire cost, counties realize all the savings by avoiding an admission to the county jail.

• **Question:** Has there been consideration of having counties share in the program’s costs, particularly if the program is expanded?

11. FY 2008 State Aid reimbursement to the six county psychiatric hospitals would increase by $13.8 million, from $108.2 million to $122.0 million.

   With the exception of some units at Bergen Regional, the CY 2007 rates established for the county psychiatric hospitals increased by less than 10%. Two smaller facilities had no rate increase. In addition, the census at the six county hospitals is unchanged at around 600 patients daily.

• **Question:** What accounts for the appropriations increase?

12. The Psychiatric Hospital budgets include nearly $9.3 million in federal funds that are to be used for Personal Services. However, Personnel Data does not reflect any “federal positions.”

• **Question:** Why are these positions not reflected in the personnel data?

13. Available information is that a new Greystone Park Psychiatric Hospital will be operational during the July – September 2007 period and that construction costs will be significantly less than the $204.1 million in funds available for construction.

• **Question:** What is the NJ Economic Development Authority’s current estimate as to the construction costs of the new Greystone?
14. To reduce the census of Ancora Psychiatric Hospital, the division is examining whether a South Jersey hospital can accept patients for longer treatment periods as an alternative to being admitted to Ancora. Numerous issues are being examined, such as: the number of beds, facility renovations costs, staffing requirements and overall program costs, the amount of Medicaid reimbursement such a facility would generate, etc.

- Question: Have estimates been developed as to the capital and operational costs associated with the project, the amount of Medicaid reimbursement that may be realized and the amount of State funds required to implement such a program?

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

15.a. The FY 2007 appropriations act included budget language limiting new provider enrollment to “new providers whose services are deemed necessary to meet special needs....”

- Question: How many providers, by type, have been denied and approved to participate in the Medicaid program?

15.b. The FY 2007 appropriations act assumes $50 million (State share) in additional recoveries. To generate these additional recoveries, staff are required to review reports and follow-up with clients and providers. However, between December 2005 and December 2006, the division’s full-time employee count was reduced from 580 to about 540, thus fewer staff are available to investigate and follow-up on fraud related matters.

- Question: Will $50 million in recoveries be realized? Are additional staff needed to realize these recoveries?

15.c. As a result of UMDNJ’s double billing for physician services, the division was to undertake additional hospital audits and adopt additional auditing protocols.

- Question: How many additional audits were undertaken? How much has been recovered?

15.d. The FY 2007 appropriations act assumes that competitive bidding of transportation and durable medical equipment services would save $0.6 million

- Question: Have Request for Proposals been issued for such services? Have the bids that have been submitted indicate that such savings will be realized?

Discussion Points (Cont'd)

A Wall Street Journal article indicated that managed care organizations, including some which contract with the State, may be inappropriately charging off corporate administrative costs to the State.

- **Question:** What specific actions have been taken to reduce the possibility of a managed care provider charging inappropriate corporate costs to the program?

16.b. Managed care providers in the Managed Care Initiative must meet various performance standards with respect to the provision of health care services. Though overall performance has improved, available reports to the division indicates that performance is still below the standards specified in the contract.

- **Question:** How much in penalties has been collected from managed care providers who do not meet contract performance standards?

17.a. The proposed budget (D-215) eliminates language that pharmacies be reimbursed for brand name drugs and nutritional supplements on the basis of Average Wholesale Price less 12.5%. Instead reimbursement would be in accordance with the federal Deficit Reduction Act (DRA).

The DRA specified the manner in which states were to reimburse pharmacies for (most) generic drugs, but reimbursement for brand name drugs and nutritional supplements was left up to the states.

- **Question:** How will pharmacies be reimbursed for brand name drugs and nutritional supplements effective July 2007?

17.b. Pharmaceutical manufacturer's rebates are expected to increase by over $23.1 million, from $111.3 million (FY 2007) to $134.4 million (FY 2008).

- **Question:** As most Medicaid recipients either participate in the federal Medicare Part D program or obtain prescription drugs through managed care programs, why are pharmaceutical manufacturer's rebates expected to increase?

18. To assure compliance with the terms and conditions of the ACS State Healthcare Health Benefits Coordinator contract, the division implemented a monitoring plan. The first review was completed around May 2006. Additional reviews may have been completed since then.

Under the contract, 15% of every invoice is retained and may be released after three months after the contractor's performance is reviewed. In addition, "damages" may be assessed if standards are not met with respect to the call center, timeliness and accuracy of NJ FamilyCare eligibility and HMO enrollment.

- **Question:** Is ACS meeting contract standards with respect to: (a) eligibility services and enrollment services; (b) the assignment of premiums; (c) the generation of correct premium notices; and (d) the collection and non-collection
Discussion Points (Cont'd)

of premiums? What amount, if any, of invoice payments have been withheld from the contractor to date?

19. Additional funds were provided in the FY 2007 appropriations act to enable an additional 50,000 children to be enrolled in NJ FamilyCare. The Budget in Brief (p. 30) states that “this initiative is on track.”

Available data indicate that between July – January 2007, the number of children enrolled in NJ FamilyCare (Plans A – D) increased by about 2,500 (net), from 124,700 to 127,200.

- Question: As enrollment has increased by only 2,500 (net) between July 2006 – January 2007, how is the “initiative on track” to enroll 50,000 by the end of FY 2007?

20. 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?

21. The federal Office of Inspector General (May 2006) reported that $51.3 million in federal Medicaid matching funds for school-based health services were unallowable. The State was to provide additional information in support of the expenditures.

- Question: What is the status of the State’s effort to provide additional information that would reverse the $51.3 million disallowance?

DIVISION OF DISABILITY SERVICES

22. The FY 2007 appropriations act provided $4.7 million for Personal Care Salary Increase.

In past years, provider agencies have not have distributed funds allocated by the Legislature to increase the salary of direct care employees. Instead, provider agencies used all or part of the monies to offset other employee costs, such as health care insurance, etc.

- Question: What actions did the division take to insure that $4.7 million was used to increase the salary of direct care workers as intended by the Legislature?

23. The FY 2008 recommended appropriation for Personal Care is reduced $16.0 million (gross), from $151.3 million to $135.3 million, based on current expenditure and utilization patterns.

The number of persons utilizing Personal Care services has remained relatively constant at between 22,000 – 23,000 monthly. Similarly, the number of units of services being provided has remained between 1.2 million – 1.7 million monthly. Barring a
Discussion Points (Cont'd)

significant reduction in either the number of persons receiving services or number of units of service being provided, it is unclear how expenditures will be reduced in FY 2008.

- **Question:** As overall utilization has remained fairly stable in both FY 2006 and FY 2007, what accounts for the $16.0 million reduction in FY 2008 appropriations?

24.a. In CY 2006, a contract was awarded for fiscal and support services related to the Cash and Counseling program. Under the terms of the contract, Section 3.4, the division is to monitor and evaluate the contractor's performance in various specified areas.

- **Question:** Has any formal monitoring of the contractor's performance been conducted? Is the contractor meeting the contract's terms and conditions?

24.b. The contractor's administrative expenses cannot exceed 10% of the total program budget for each year. Further, while the contractor may bill participants for various administrative expenses, the amount billed to participants must be “modest.”

- **Question:** Are the contractor's administrative expenses within the 10% limit? What is the amount being charged program participants and is this amount “modest”?

**DIVISION OF DEVELOPMENTAL DISABILITIES**

25.a. **Schedule 2** estimates that federal Title XIX ICF/MR (ICF-MR) revenues will increase by about $15.9 million, from $314.6 million (FY 2007) to $330.5 million (FY 2008).

Actual Medicaid billings (through December 2006) indicate that FY 2007 federal ICF-MR revenues may be as much as $350 million (cash basis). Also, during the FY 2004 – FY 2006 period, ICF-MR revenues increased between 10.2% - 16.3% annually over the prior fiscal year.

- **Question:** Are FY 2008 federal ICF-MR revenues understated?

25.b. **Schedule 2** estimates that federal Title XIX Community Care Waiver (CCW) revenues will increase by about $4.6 million, from $268.8 million (FY 2007) to $273.4 million (FY 2008).

Actual Medicaid billings (through December 2006) indicate that FY 2007 federal ICF-MR revenues is around $250.0 million (cash basis).

- **Question:** Will the FY 2007 federal CCW revenues be realized? And if not, what is the basis for the $273.4 million?

26. Nearly three years ago, the division began discussions with the federal government regarding the restructuring and expansion of the Community Care Waiver.
Discussion Points (Cont'd)

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

27. Evaluation Data (D-223) indicate that Private Institutional Care costs increased 11.3% in FY 2006 and will increase 22.3% in FY 2007. Program costs are not expected to increase in FY 2008.

- **Question:** Based on prior years’ experience, is the FY 2008 recommended appropriation realistic?

28. The FY 2007 appropriations act provided funds for Cerebral Palsy of Middlesex County ($500,000). As of this writing, these funds are in “reserve” and not available for expenditure.

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

29. As of December 2006, approximately 550 persons were involved in the Real Life Choices (RLC) program. The Governor’s FY 2008 recommended budget anticipates enrollment to increase to 750 persons, with a corresponding expenditure increase from $19.2 million to $24.3 million.

   Under RLC, a client is assigned one of four budgets based on the need: Level I - up to $14,300; Level II - up to $23,500; Level III - up to $36,500; and Level IV - up to $63,500. However, data are not routinely provided as to the number of clients in each of the four levels or average expenditures within each level.

- **Question:** With respect to the 550 persons currently involved in RLC and with respect to the 750 persons that are expected to participate in RLC during FY 2008, how many are clients in each of the four levels? During FY 2006, what was the average expenditure per person in each of the four levels?

30. To comply with agreements with the U.S. Department of Justice, the FY 2007 appropriations act assumed that the census at the New Lisbon and Woodbridge Developmental Centers would be reduced by 50 and 39 clients, respectively. Between July 2006 – January 2007, the census at the two facilities declined by 10 and 3 clients, respectively.

- **Question:** Will the FY 2007 census reduction objectives be achieved? If they are not achieved, what actions may the U.S. Department of Justice take against the State?

31. The division has leased approximately 8,100 sq. feet of space near the Hunterdon Developmental Center for many years. The current lease costs about $130,000 annually, and over the years over $2.0 million has been spent on leased space.

   There is sufficient vacant land at both the developmental center and the adjacent correctional facility to enable a 8,100 sq. foot trailer (or trailers) to be installed. The Department of Corrections has indicated that an 8,100 sq. foot trailer or trailers can be
Discussion Points (Cont'd)

purchased and installed (with utility hookups) for about $550,000. Thus, in about four years, the State would begin saving at least $130,000 in rent annually.

- **Question:** Would the lease or purchase and installation of trailers for administrative space be more cost effective in the long term than paying rent?

32. Division policy requires that certain “respite placements” that extend beyond 30 days are to obtain a Medicaid number in order to obtain federal Medicaid reimbursement.

During January 2007, there were at least five clients in respite with lengths of stay exceeding 30 days. It is not clear whether the division has or is attempting to obtain federal ICF-MR reimbursement of approximately $18,000 per month for such patients, or whether the cost is supported with State funds.

- **Question:** Is the division obtaining federal Medicaid ICF-MR reimbursements for respite placements of clients whose length of stay exceeds 30 days? If not, why not?

**COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)**

33.a. There are approximately 1,000 CBVI clients who are Medicaid eligible. Historically, CBVI has provided these clients with various medical services, such as eye examinations, eye classes, psychological counseling, cataract extraction, etc., at State expense. Over a two-year period, over $200,000 in medical services were authorized.

CBVI is in the process of reviewing and resubmitting paid medical claims to Medicaid to obtain federal Medicaid reimbursement.

- **Question:** What is the status of CBVI’s resubmission of claims to Medicaid?

33.b. Medicaid is in the process of enrolling certain disabled recipients, including persons who are blind, into managed care. Procedures need to be in place to enable CBVI staff to refer Medicaid clients to the appropriate managed care program for health care services currently provided and paid for by CBVI.

- **Question:** What procedures have been or will be proposed to prevent CBVI from paying for medical services on behalf of clients who are Medicaid eligible?

34. Personnel Data indicate that the number of Administration and Support Services staff is being reduced from 58 to 37 in FY 2008.

- **Question:** What impact will this staffing reduction have on the commission’s oversight and monitoring of programs?
Discussion Points (Cont'd)

DIVISION OF FAMILY DEVELOPMENT

35.a. The Governor indicates that a $6.0 million FY 2007 supplemental appropriation is required to develop the new child support enforcement system. Available information is that the monies are to develop computer interfaces with systems of the Administrative Office of the Courts (AOC) and the Division of Family Development.

The initial Request for Proposal (RFP) (March 2005), upon which a contract valued at over $70 million was awarded, required the new child support system to interface with other computer systems operated by the State, including systems maintained by the AOC (Appendix A).

- **Question:** As the RFP required interfaces with existing State computer systems, including those operated by the AOC, why are supplemental funds required? As the $6.0 million would generate additional federal reimbursement, what is the project's total cost?

35.b. Work First New Jersey – Technology Investment appropriations of $60.6 million (gross) are recommended.

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

36.a. The federal Deficit Reduction Act increased state work participation requirements in the Temporary Assistance to Needy Families (TANF) program to 50%, and changed the caseload-reduction credit from FFY 1995 caseloads to FFY 2005 caseloads. Beginning in FFY 2007, the caseload-reduction credit will be based on changes between FFY 2005 and FFY 2006.

For New Jersey, failure to meet the work participation requirement could result in a $20.2 million reduction in federal TANF and a potential increase in State expenditures of $40.2 million according to Federal Funds Information for States (Issue Brief 06-04).

Between FFY 2005 and FFY 2006, caseloads decreased by about 4.7%. (Note. The 4.7% figure is an estimate as the division may calculate caseload reduction differently and develop a different percentage.) The target participation rate starts at 50%, but is reduced by the amount of the percentage decrease in caseloads; therefore, the State’s target participation rate is approximately 45%. As the State’s participation rates during the July – October 2006 period was about 33%, the State may be about 12% below the target participation rate of around 45%. Thus, New Jersey may be subject to a reduction in federal funding and would be required to increase State funding.

- **Question:** Can the State meet the work participation requirements?

36.b. The division recently adopted regulations to establish a pilot project that would allow welfare recipients who work a minimum of 30 hours per week to retain more of their earnings by increasing the earned income disregard. The incentive will increase State welfare expenditures by about $3.3 million annually.
Discussion Points (Cont'd)

- **Question:** How many cases are affected by the regulatory change? How will the pilot project be monitored to determine whether there is an increase in the number of hours worked?

36.c. Work First New Jersey - Training Related Expenses (TRE) appropriations increase from about $14.1 million to $18.2 million (gross). However, available data indicate that the number of persons that will receive such assistance is unchanged at 5,850 monthly.

- **Question:** What accounts for the increase in appropriations when the number of persons receiving TRE being unchanged at 5,580?

36.d The recommended budget indicates that the number of children receiving Child Care services monthly will decline from approximately 77,100 (FY 2007) to about 70,000 (FY 2008). As child care is an essential component of the State meeting the federal work participation requirement, the reduction may impede the State's ability to meet that objective.

- **Question:** Will the reduction in the number of children receiving child care services negatively affect the State's ability to meet federal work participation requirements?

37. In FY 2008 $1.1 million in federal funds are recommended for the Work First New Jersey - Breaking the Cycle program, a $6.1 million reduction from the $7.2 million (gross) appropriated in FY 2007.

The $7.2 million FY 2007 appropriations supports the following activities Post-TANF Transportation, Homeless Initiatives, Hispanic Outreach and Faith Based Initiatives.

- **Question:** What project or projects will be eliminated?

38.a. The FY 2008 recommended budget assumes $20.0 million in savings “by reforming co-payments for after school and summer child care....” As of this writing, no information is available regarding this proposal.

- **Question:** What specific reforms will be proposed?

38.b. The FY 2008 budget recommends $379.5 million (gross) for Work First New Jersey Child Care to provide child care services to approximately 70,000 children monthly.

New Jersey is one of several states that participated in a federal pilot study to determine the error rate in the federal Child Care and Development Block Grant, one of the main funding sources for child care. To the extent that child care services are provided to ineligible children, funds are diverted from children that are eligible.

- **Question:** What percentage of the child care services being provided were ineligible under the block grant for services?
Discussion Points (Cont’d)

39. State funding for the Substance Abuse Initiative increases by $19.4 million in FY 2008. Part of the increase represents additional clients being served by the program, and some of the increase reflects less Medicaid revenues being realized and less financial support from the Division of Addiction Services.

- **Question:** How much of the $19.9 million increase reflects program growth? How much reflects a shortfall in Medicaid reimbursements and Division of Addiction Services’ support?

**DIVISION OF ADDICTION SERVICES**

40. An Office of Inspector General report (November 2006) recommended that the division conduct “risk audits” into certain contracts “to determine whether they were properly awarded and administered and whether funds were used in accordance with State and federal requirements.”

- **Question:** How many “risk audits” were conducted and completed? How much, if any, funds will be recovered as a result of these audits?

41. Both the Department of Children and Families and the Division of Family Development provide substance abuse services to children and families under their supervision. All providers also contract with the division for services.

- **Question:** What fiscal controls are in place to minimize the possibility of a provider agency billing and being reimbursed twice for the same client?

42. A consulting firm is attempting to determine whether and how much federal Medicaid administrative reimbursement can be obtained on behalf of non-hospital based substance abuse agencies.

- **Question:** What is the current status of the project? If undertaken, how much federal Medicaid administrative reimbursement may be realized?

43. Funding for the Essex County – County Jail Substance Abuse Programs would increase by $5.0 million, from $15.0 million to $20.0 million.

    The program, known as Delaney Hall, is operated by a private, for-profit provider and is not licensed by the division. The program provides substance abuse services to incarcerated persons as an alternative to being in the county jail. The Office of Legislative Services has limited information as to the number of clients being served, the average cost per client, program outcomes and recidivism.

- **Question:** Can the division, as the grant administrator, provide any information as the number of clients being served, the average cost per client, program outcomes, etc.? Why is additional $5.0 million required for the program?
Discussion Points (Cont’d)

DIVISION OF THE DEAF AND HARD OF HEARING

44.a. The FY 2008 budget recommends $290,000 for Services to Deaf Clients, the same as in prior fiscal years. In FY 2005 and FY 2006, only $200,000 and $143,000, respectively, was expended. Available FY 2007 expenditures are projected at around $120,000.

- Question: As the division has been unable to spend its current appropriations, can FY 2008 recommended appropriation be reduced?

44.b. The FY 2008 budget recommends $55,000 for the Communication Access Services, the same as in prior fiscal years. In both FY 2005 and FY 2006, only $10,000 and $28,000, respectively, was expended.

- Question: As the division has been unable to spend its current appropriations, can FY 2008 recommended appropriation be reduced?

DIVISION OF MANAGEMENT AND BUDGET

45. The FY 2008 budget recommends $470,000 for the Health Care Billing System, along with budget language that would allow additional funds to be appropriated to the program, if needed. The project currently has $950,000 available and available information is that this amount is sufficient to complete the system.

- Question: Can the FY 2008 recommended appropriation be reduced or eliminated?
Background Paper: Overtime Expenditures and Hours at State Developmental Centers and Psychiatric Hospitals

BACKGROUND AND ANALYSIS

The FY 2008 recommended budget includes about $80 million (State/federal) in the Salaries and Wages accounts of State institutions to fund upwards of 2.7 million hours of overtime, based on estimated FY 2007 overtime expenditures/hours worked at these facilities.¹

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. Overtime may be due to such factors as high turnover in certain positions, difficulty in recruiting certain types of personnel such as nurses and periodic freezes on hiring additional staff.

As compensation is set through the State’s union contract agreement, managing overtime hours is the only way to control expenditures; however, managing overtime hours 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 2005 – FY 2007 (est.) period.

During the FY 2005 – FY 2007 (est.) period, overtime expenditures at the psychiatric hospitals increased by over 30%, from $26.7 million to $34.0 million. At the developmental centers, overtime expenditures increased by about 2.0% from $41.6 million to $42.5 million.

The increase in overtime expenditures at the State psychiatric hospitals may be related to a projected 85% increase in the number of overtime hours worked at the Klein Forensic Hospital.

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.
Figure 1: Overtime Expenditures at Developmental Centers and Psychiatric Hospitals (S000) FY 2005 - FY 2007 (est.)

Source: Department of Human Services reports.

Figure 2 summarizes overtime hours at State institutions for the FY 2005 – FY 2007 (est.).

During the FY 2005 – FY 2007 (est.) period, overtime hours at the psychiatric hospitals increased by 15.4%, from about 1.0 million hours to over 1.14 million hours annually. At the developmental centers, overtime hours decreased by 6.2%, from about 1.7 million hours to about 1.6 million hours annually. As indicated on the previous page, a projected 85% increase in the number of overtime hours at the Klein facility contributes significantly to the increase in overtime hours at the psychiatric hospitals.

Figure 2: Overtime Hours at Developmental Centers and Psychiatric Hospitals (000) FY 2005 – FY 2007 (est.)

Source: Department of Human Services reports.

The ability of the developmental centers to better manage overtime may be related to:

- A slight reduction in the overall census at the developmental centers. In contrast, there was a slight increase in the overall census at the psychiatric hospitals (Figure 3).
Background Paper: Overtime Expenditures and Hours at State Developmental Centers and Psychiatric Hospitals (Cont’d)

- A 4.8% increase in direct care staff at the developmental centers compared to a 1.7% increase in direct care staff at the psychiatric hospitals (Figure 4).
- The Division of Developmental Disabilities’ assignment of staff to monitor overtime beginning in 2005. The Division of Mental Health Services had assigned staff to monitor overtime prior to 2005. The assigned staff have been able to maintain the number of overtime hours worked at between 1.0 million hours to 1.2 million hours since FY 2002.

Figure 3 (next page) indicates that during the FY 2005 – FY 2007 (through December 2006) period, the census at developmental centers decreased by 1.4%. At psychiatric hospitals (excluding the now closed Brisbane), the census increased by about 1.0%.

Figure 3: Census at Developmental Centers and Psychiatric Hospitals FY 2005 – FY 2007 (thru Dec, 2006)

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 1.7% (Dec. 2005 – Dec. 2006), from over 3,730 to nearly 3,800. Developmental center direct care staff\(^2\) increased nearly 4.8% during the same period; from about 5,160 to over 5,400, but when coupled with an 1.4% census reduction, the ratio of direct care staff to residents at developmental centers increased by 6.3%. Part of the direct care staff increase is related to the U.S. Department of Justice’s monitoring of, and the State’s agreement to provide additional staff and programs to clients at, the New Lisbon and Woodbridge Developmental Centers.

\(^2\) Excludes over 200 Resident Living Specialists at the Vineland Developmental Center who work at community groups homes, not a developmental center.
Background Paper: Overtime Expenditures and Hours at State Developmental Centers and Psychiatric Hospitals (Cont'd)

Figure 4: Direct Care Staff at Developmental Centers/Psychiatric Hospitals, Dec. 2005 – Dec. 2006

Source: Division of Developmental Disabilities and Division of Mental Health Services reports.
Background Paper: Greystone Construction Fund

SUMMARY

The Budget in Brief, A-1, indicates that $4.5 million is provided for Greystone Facility Debt Service.

Available information indicates that Greystone Park Psychiatric Hospital construction costs may be significantly less than the $200+ million available to finance construction. The unexpended bond monies can be used to:

- Redeem Series 2003 or Series 2005 bonds outstanding in accordance with the terms and conditions outlined in the prospectus.
- Redeem Series 2003 or Series 2005 bonds prior to their maturity.
- Fund annual rent payments to NJHCFFA and reduce State appropriations that might otherwise be required. In FY 2008, this amounts to $4.5 million.
- Support other Division of Mental Health Services’ (DMHS) capital requirements, subject to various approvals regarding the use of the bond funds.

BACKGROUND and ANALYSIS

To finance construction of a new Greystone Park Psychiatric Hospital, the New Jersey Health Care Facilities Financing Authority (NJHCFFA) issued $195.4 million in bonds (Series 2003 and Series 2005). Along with interest earnings and other monies, approximately $204.1 million is available for construction costs.

The approved construction budget is $200.4 million. Available information is that actual construction costs may be significantly lower than $200.4 million, although the precise amount is not known as the hospital is still under construction.

There are four options available to the State regarding the use of the surplus construction funds:

- Redeem Series 2003 or Series 2005 bonds outstanding in accordance with the terms and conditions outlined in the prospectus.

Series 2003 bonds maturing on or after September 15, 2014 and Series 2005 bonds maturing on or after September 15, 2016 (except for bonds maturing on September 15, 2017) are subject to redemption prior to maturity, at the option of NJHCFFA. The amount of Series 2003 bonds and Series 2005 bonds subject to redemption are $7,980,000 and $128,440,000, respectively (plus accrued interest).

Using the excess bond funds to redeem Series 2003 or Series 2005 bonds would reduce the State’s debt burden and financial liability.

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1 In return for the financing, the department has leased its rights to the Greystone property to NJHCFFA, and the department agrees to request an annual appropriation for rent that is sufficient to offset the debt service costs and related administrative costs.
Background Paper: Greystone Construction Fund (Cont'd)

The excess bond funds would be placed in escrow and earn interest until such time as Series 2003 and Series 2005 bonds are redeemed.

- **Redeem Series 2003 or Series 2005 bonds prior to their maturity.**

  Depending on the interest rate environment, NJHCFFA may tender an offer to existing bondholders to redeem outstanding Series 2003 or Series 2005 bonds. This would reduce the amount of outstanding debt.

- **Fund annual rent payments to NJHCFFA and reduce State appropriations that might otherwise be required.**

  The Series 2003 and Series 2005 bonds were issued with the understanding that the annual budget include a request for an amount equal to the rent payable to NJHCFFA to offset the debt service and other administrative costs associated with the bonds.

  The excess bond revenues could be used instead of General Fund appropriations to meet the rent payments payable to NJHCFFA. In FY 2008, $4.5 million is recommended for rent payments.

- **Support other DMHS’ capital requirements, subject to various approvals.**

  DMHS has significant capital requirements. For FY 2008, DMHS’ capital request totaled $47.4 million as follows: Ancora - $20.2 million; Forensic - $0.8 million; Greystone - $0.5 million; Hagedorn - $5.6 million; Trenton - $8.0 million; All Hospitals - $3.0 million; Community Programs - $7.3 million. In addition, there are capital projects that affect both the psychiatric hospitals and developmental centers with respect to roofs, environmental issues, etc.

  Some portion of the DMHS’ capital requirements could be met by redirecting unexpended Series 2003 and Series 2005 bond funds for such purposes. This would require NJHCFFA to amend the terms and conditions of the two bond issues to enable the proceeds to be used for other mental health purposes. State House Commission approval would also be required, as NJHCFFA may have to be provided with certain additional rights with respect to other State properties.
Background Paper: The Cost of Community Programs for Developmental Center Clients

SUMMARY

The Division of Developmental Disabilities (DDD) is preparing a plan to ensure that within eight years, all residents of developmental centers who are capable of living in the community can live in the community.¹ The FY 2007 appropriations act provided $50 million in one-time federal funds to be expended over a three-year period to implement the project and assist over 150 clients.

Assuming that between 750 and 1,000 clients are determined to be able to live in the community, the following one-time and ongoing costs may be incurred over a number of years (at FY 2007 prices):

- **Capital (one-time)**: $45 - $100 million.
- **Operational (annual)**: $80 - $106 million (gross).
- **Medical (annual)**: $6 - $8 million (gross), excluding mental health related services.

However, the amount of federal Medicaid reimbursements the State realizes may be reduced and any saving the State may realize by closing one or more developmental centers is uncertain:

- **Reduction in Federal Medicaid Reimbursements**: $61 million - $82 million. A portion of the reduction may be recovered through higher federal ICF-MR reimbursement for the remaining clients at developmental centers (see next paragraph) or if additional federal reimbursement is made available through the federal Money Follows the Person Program.
- **Possible Closing of State Developmental Centers**: The transfer of between 750 and 1,000 clients is equivalent to closing at least two developmental centers. However, excluding staff who retire or resign, civil service rules will result in most staff being reassigned to other developmental centers. Staff reassignments will increase federal ICF-MR reimbursement rates, increase federal ICF-MR revenues and offset some portion of the reduction in federal ICF-MR revenues previously mentioned. In addition, the State may realize some revenue by selling the developmental center property, but any sale will take years to finalize, and if the property is sold to another government entity, it may be sold at below fair market value.

BACKGROUND AND ANALYSIS

P.L.2006, c.61 required DDD to “develop a plan with established benchmarks to ensure that, within eight years of implementation, each resident ... who expresses a desire to live in the community, and whose individual habilitation plan recommends a community-based setting, can do so” if the client’s family or guardian agrees. DDD is expected to issue a report on the plan by May 2007.

¹ In January 1998, pursuant to State law, the division prepared A Plan to Eliminate the Waiting list for Community Residential Services by 2008. As of December 2007, the waiting list had increased to over 7,900 persons, of whom 3,700 are in the “priority category.”
Background Paper: The Cost of Community Programs for Developmental Center Clients (Cont'd)

Although there have been reports and public testimony by individuals and organizations that approximately 1,500 of the 3,000 clients residing at the seven State developmental centers are capable of living in the community, DDD has asked the Developmental Disabilities Planning Institute (part of New Jersey Institute of Technology) to conduct an independent assessment of developmental center clients. While the results of the review have not been released, experience with the closing of the Johnstone Training and Research Center and North Princeton Developmental Center indicates that between 750 and 1,000 clients may be determined as being capable of living in the community with the approval of their parents or guardians.

This Background Paper provides financial information associated with the transfer of between 750 to 1,000 clients, over a number of years, from developmental centers into community-based programs based on FY 2007 costs.

Capital Costs

Most of the 750 to 1,000 clients will require a group home placement, at least, initially.²

At present, it costs between $300,000 to $400,000 to develop a group home for four to five clients. Thus, from 150 to 250 homes would be required, at a cost of $45 to $100 million.

Capital costs may be reduced if clients are placed into vacancies in existing group homes, or clients, who are initially placed in a group home, can be transferred to less expensive residential settings such as a supervised apartment, thus making available a group home slot.

It is noted that capital funds used to develop residential programs for clients from the developmental centers may reduce the amount of capital funds available to develop residential programs for the 3,700 clients not living in developmental centers, but who are in the priority category of the Waiting List.

Funding for capital related costs may be available from the Special Needs Housing Trust Fund, P.L.2005, c.163, which provides up to $200 million to develop housing for individuals with "special needs" including persons with developmental disabilities. In addition, the FY 2007 appropriations act provided $50 million in one-time federal revenues to be used to develop programs to assist in the placement of over 150 persons from developmental centers to community programs over a three-year period.

² There are currently approximately 6,000 DDD clients in the following residential settings: Group Home – 70%; Supportive Living – 9%; Supervised Apartment – 18%; and Unsupervised Apartment – 3%. It is assumed that the 750 to 1,000 clients will not be considered candidates to return home or be suitable for placement in a Skill Development Home, boarding home or nursing home.
Background Paper: The Cost of Community Programs for Developmental Center Clients (Cont'd)

Residential and Day Program Costs

At present, DDD has estimated the average annual cost of a community living placement including day programs at about $106,000. Thus, the operational cost of providing services to between 750 and 1,000 clients ranges from $80 to $106 million annually.

Costs associated with these clients, however, are likely to be greater than $106,000. In DDD's recent Request for Proposal for Support Coordination for Transition from Developmental Centers, DDD assumed that clients will fall into one of four levels of need, from Level 1 (Lowest Support Time Needed) to Level 4 (High Support Time Needed). In all likelihood, per capita costs will be closer to $120,000, since many of these clients have behavioral and psychiatric problems and are involved with the criminal justice system, and additional staffing and programming will be required.

While federal Medicaid reimbursement through the Community Care Waiver\(^3\) would be available for a portion of these costs, a significant portion of overall costs involve room and board and are not eligible for federal Medicaid reimbursement. Expenses related to room and board are supported with 100% State funds.

Medical

The 750 to 1,000 clients currently have most of their medical costs covered as part of the developmental center's overall per diem rate. Thus, the cost of physician and psychiatric services, nursing services, etc., are already included in the average developmental center's ICF-MR rate of about $600 per day.

The 750 to 1,000 clients will be enrolled in a Medicaid managed care program which covers many routine medical costs, excluding prescription drugs and mental health services. As the FY 2007 Medicaid monthly capitation rate for disabled clients (without Medicare coverage) is about $650 per month, it would cost from $6 to $8 million (gross) to provide clients with medical services.

Additional costs would be incurred for mental health related services. At this time, it is not known how much Medicaid may expend on mental health related services, but such Medicaid expenditures could be significant.\(^4\)

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\(^3\) Federal Medicaid reimbursement under the Community Care Waiver currently averages around $4,000 per client per month.

\(^4\) As prescription drug costs were provided to these clients while in a developmental center, it is assumed that overall prescription drug costs will not significantly change once the client is in a community placement.
Background Paper: The Cost of Community Programs for Developmental Center Clients (Cont'd)

Federal Reimbursements

Federal reimbursements received on behalf of the 750 to 1,000 clients relocated to community programs from developmental centers may be reduced by $61 to $82 million, as follows:

- The current ICF-MR reimbursement rate for the developmental centers averages $600 per day. The transfer of 750 to 1,000 clients would reduce federal Medicaid reimbursement by $82 to $110 million annually. (As discussed on the next page, ICF-MR reimbursement rates for the remaining clients will likely increase and offset some portion of this reduction in federal reimbursement.)

- The average monthly cost of services under the Community Care Waiver (CCW) is around $4,000. The 750 to 1,000 clients would generate between $18 and $24 million annually in federal CCW reimbursements. A primary reason for the reduction in federal reimbursement is that Medicaid does not pay for room and board costs, and such costs are supported with State funds entirely.

  If the State is able to obtain enhanced federal funding available under the Money Follows the Person Program, the $18 - $24 million figure would be reduced. (A joint application submitted to the federal government by the Departments of Health and Senior Services and Human Services was not approved in 2006. The State intends to submit another application in 2007.)

- About $3 to $4 million in federal Medicaid reimbursements for Managed Care services would be realized.

Though less federal reimbursement would be realized with respect to the 750 to 1,000 clients, overall federal reimbursement may not be reduced significantly, as discussed below and on the next page.

Potential Savings and Offsets

The transfer of 750 to 1,000 clients from developmental centers to community programs could result in closure of at least two developmental centers due to a reduced resident census. Past experience with the closing of State institutions indicates that minimal savings are realized.

During the 1980s and 1990s, the State closed three institutions: Johnstone Training and Research Center, Marlboro Psychiatric Hospital and North Princeton Developmental Center.

Other than personnel who retired or resigned, Civil Service rules allowed most personnel to be reassigned to other State institutions or programs. Thus, there was no significant reduction in State personnel costs as a result of the closing of State institutions. To the extent that additional staff may have reduced overtime costs at State institutions, there may have been some savings, but it would be difficult to quantify such savings.
Background Paper: The Cost of Community Programs for Developmental Center Clients (Cont’d)

The transfer of personnel to other developmental centers will increase operational costs of those facilities and result in an increase in the current $600 per day ICF-MR reimbursement rate. In the event no developmental center is closed, the retention of staff will result in an increase in the ICF-MR per diem rate.

The increase in the per diem rate will produce additional federal ICF-MR reimbursements for the remaining clients (as well as provide higher staffing levels and better programming for the remaining clients). This would offset part of the reduction in federal ICF-MR revenue associated with providing services to clients in the community.

If a developmental center were closed, the State could sell the property, but as the closing of Marlboro and North Princeton demonstrate, the sale of any State property is a long process. It took nearly a decade before the 268-acre North Princeton property was sold to Montgomery Township for $5.95 million, and, although closed for nearly a decade, no decision regarding the sale of Marlboro has been reached.
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Individuals wishing information and committee schedules on the FY 2008 budget are encouraged to contact:

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