Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES – GENERAL

1. The Governor's budget incorporates an estimated $5.183 billion over two fiscal years in federal stimulus funding provided by the American Recovery and Reinvestment Act (ARRA) of 2009. According to a table on page 42 of the Governor's abbreviated budget, the State will use $3.074 billion ($854 million in FY09 and $2.220 billion in FY10) from ARRA for budget relief. In addition to these funds which will offset revenue shortfalls, $2.109 billion will be used for new or expanded programs or initiatives. The ARRA allocates funds to states both by formula and by competitive awards. The Governor's FY 2010 budget includes $509 million from ARRA for the Department of Health and Senior Services: $180.6 million in FY 2009 and $328.4 million in FY 2010 as shown of pp. C-21 and C-22.

- *Question:* **Please itemize the federal stimulus funding, if any, other than portions of the $3.074 billion allocated for budget relief, included in the department's budget, by fiscal year and federal program, setting forth program goals and eligible uses together with the amount for state administrative expenses and the amount for allocation to local public and private recipients, respectively. Please identify intended and actual recipients and the process by which the department determines recipients and funding awards. Are there ARRA funds that flow through your department for which the State has no discretion? Please also set forth the timetable for obtaining federal approval of funding, obligation and allocation of funding to recipients, and use by recipients. Could any of this funding be used to offset other State appropriations, and if so, what programs and in what amount? What additional positions, if any, have been and will be hired with these funds? If this money is being used for new or expanded activities, will the new or expanded activities be continued in FY 2011? If so, how will they be funded?**

  Answer: Federal American Recovery & Reinvestment Act of 2009 (ARRA) funds included in the department's FY 2009 and 2010 budget include:

  <u>Senior Nutrition Program</u> – New Jersey has been allocated $2.8 million for its Senior Nutrition Program. The funding is for FFY 2009 and FFY 2010. Funds must be obligated by September 30, 2010 and expended by December 30, 2010. This funding is part of the $100 million made available for the Senior Nutrition Program nationwide through the federal Agency on Aging (AoA). New Jersey's share was determined by AoA's Interstate funding formula. Of the nearly $2.8 million, $1.9 million is to be used for congregate nutrition programs and $900,000 for home delivered meals. The funding will be distributed to the 21 Counties through their respective Agency on Aging (AoA) using the current Intrastate funding formula. This will provide tens of thousands of nutritious meals to an additional 3,000 senior recipients (over 65 years of age). The accounts are set up in the department and the funds are expected immediately.

  <u>Early Intervention</u> – The ARRA award for New Jersey Part C of Early Intervention Services is for $10.8 million. This funding will be divided into two payments of $5.4 million which is anticipated in early April 2009 for SFY 2010 and $5.4 million on September 30, 2009, which will be used in SFY 2011. The department is in contact with the U.S. Department of Education, Office of Special Education Programs (OSEP). The Department is awaiting OSEP to issue timelines and federal guidance on the use and release of the Part C funds. The funding allocation is determined by formula to assist in the offset of the growth in child services in the State Early Intervention Program.

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Women, Infants and Children (WIC) – The ARRA provides a total of $500 million for the WIC Program nationwide. Of this amount, $400 million has been provided as contingency funds to support participation should the Secretary of the US Department of Agriculture determine that costs or participation exceed federal budget estimates. ARRA also is providing $100 million in total to establish, improve, or administer management information systems. New Jersey anticipates receiving $7-10 million from these ARRA funds for SFY 2010 based on contingency needs. The funds are directed to vendors and food suppliers. New Jersey's WIC Program is already serving anyone eligible for WIC with no waiting list. The department is awaiting the federal Food and Nutrition Service to develop mechanisms to provide funding to State agencies.

Federal Medical Assistance Percentages (FMAP) –The current New Jersey rate for Medicaid reimbursement is 50 percent. The economic recovery package increases the FMAP percentages for the period of October 1, 2008, through December 31, 2010. The amount of funding received will be determined by actual medical expenditures as well New Jersey's Unemployment Rate.

It is important to note that the additional funding during this period is designed to provide financial support for the anticipated increase to the existing caseload and to prevent any reductions in services during the recession. There is a requirement that states must not have more restrictive eligibility standards, methodologies, or procedures than those in effect as of July 1, 2008. In order to continue receiving the increased FMAP, New Jersey will continue to cover only individuals currently eligible for Medicaid.

- *Question:* **In addition to funding incorporated in the FY 2010 budget, what specific competitive grant opportunities has the department identified that it is eligible to pursue, has applied for, and has been awarded, respectively?**

  Answer: In response to Federal ARRA competitive grant opportunities, the Department is closely monitoring the ARRA website and has identified several competitive grants that we will apply for. We are awaiting the guidance from the appropriate federal agencies to apply for the funding.

  - The federal Centers for Disease prevention and Control (CDC) will soon announce in May the availability of competitive grants for vaccine related surveillance, research, public health response, interagency collaboration, through six requests for proposals (RFAs). DHSS will apply for funding to enhance vaccine related initiatives under our Vaccine Preventable Disease Program.
  - DHSS is also awaiting specific guidance from CDC regarding the $50 million ARRA funding available to states to expend their Healthcare Associated Infection (HAI) Programs. DHSS plans to apply for funds to enhance New Jersey HAI efforts.
  - The ARRA also allocated $700 million to a Prevention and Wellness Fund administered by CDC. The DHSS has advocated to CDC our interest in competing for funds when available for various initiatives including prenatal care, Asthma and Diabetes and Chronic Disease Management for Seniors.
  - The National Institutes of Health (NIH) has announced that $11.1 billion has been allocated to support $10 billion of conventional medical research, including research-related construction, as well as a new $1.1 billion fund to examine the effectiveness of existing approved treatments. There are multiple state agencies that may be eligible that DHSS is working to facilitate, including autism-related funding, cancer research and stem cell research funding.
  - The Federal Department of Health and Human Services will be making available multiple rounds of ARRA funding for health IT. An interdepartmental group has been intensively planning in anticipation of funding opportunity announcements to come later this year. NJDHSS has been working closely with the Governor's Office of Policy Counsel, the Department of Banking and

Discussion Points (Cont'd)

Insurance, the Department of Human Services and the Office of Information Technology to develop a statewide health IT funding proposal.

2. Over the past several years, the overall staffing level in the Executive branch has been reduced through restrictions on hiring and an early retirement program. The FY 2010 budget proposal envisions continuation of the hiring restrictions coupled with possible furloughs or further reductions in positions.

- ***Question:*** **How has the reduction in staffing affected your department? What strategies has the department employed to deal with staff reductions? What projects, work products or functions has the department discontinued or deferred because of staffing levels? Will the department be able to accommodate furloughs in FY 2010 without increasing spending for overtime?**

  Answer: Since January 2006, the department has reduced its FTEs by 340 which equates to a 16 percent reduction in staff through retirements, terminations and ERI. The DHSS achieved a FY 2009 budget savings of $4.583 million (state dollars for salaries) as a result of the ERI. In addition, the hiring freeze resulted in an additional $2.3 million in attrition savings in the FY 2009 budget.

  In order to continue to meet our core responsibilities the reduction in staffing has required that the Department of Health and Senior Services streamline its functions and maximize its efficiencies. All divisions within the department have prioritized their functions in an effort to strategically reassign staff to cover the core functions. Where appropriate, our divisions are relying more heavily on information technology.

  For example, DHSS has eliminated our labor intensive paper based payroll system and implemented an electronic payroll system. Our Vital Statistics division has implemented an Electronic Death Registry System (EDRS) statewide. This system not only increases efficiency for DHSS by reducing the FTEs required for manual processing but also streamlines the process for our community partners who utilize the system. The transition to this fully automated program will be complete when it use is mandated for all users after the medical community has been fully trained. In the future, DHSS is planning for the implementation of an electronic birth certificate system.

  Other divisions have changed the way that we do business by changing our processes and strengthening our partnerships with sister agencies and local organizations to preserve services. For example, DHSS has regionalized our Preparedness and Response Program staff from 22 worksites to 5 statewide. These employees are planners, which support both Local Health Departments and DHSS functions.

  In addition, we have changed the process for ambulance inspections from routine planned inspections to spot inspections which allows for a more effective evaluation with a lower FTE requirement. For hospital inspections we have deemed the Joint Commission Survey sufficient for routine hospital inspections and have refocused staff towards complaint inspections. This was strongly supported by the hospital community.

  In some cases, DHSS has eliminated functions that are no longer deemed necessary. For example, DHSS eliminated the pre-existing function of the nursing home report card. The Federal Government initiated a new 5 star rating system for nursing homes on December 18, 2008. Now the DHSS website links to this CMS report card and DHSS resources have been redirected to the core functions of inspections and licensing.

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In addition, consistent with the FY 2009 budget nursing home rates were not rebased. This has allowed staff to focus their efforts toward eliminating the backlog of existing rate recalculations.

DHSS does not anticipate an increase in overtime spending as a result of the proposed furlough days for FY 2010. Rolling furloughs will be implemented in programs that require consistent coverage so that overtime will not be necessary. Generally, overtime in our department is primarily driven by activities in the Labs, PAAD and the Division of Vital Statistics. In all of these operations the utilization of overtime is the appropriate management tool to meet short term goals or one time projects.

3. The FY 2009 appropriations act anticipated that $25 million in procurement savings would be achieved by Executive departments. A chart on page 75 of the Budget in Brief categorizes those savings and indicates they will continue into FY 2010. The FY 2010 budget includes another $25 million from procurement savings (Budget in Brief, Appendix I, page 8).

- *Question:* **Please indicate the FY 2009 amount of procurement savings achieved by your department, by the categories set forth in the referenced table, and the sources of those savings by department program? What is the annual amount of these savings as continued into FY 2010? How have these reductions affected the department? What projects, work products or functions has the department discontinued or deferred in order to achieve these savings?**

  Answer: Treasury has advised DHSS that they will be providing a response to this question centrally on behalf of all Departments.

4. The Governor's FY 2010 budget estimates $790,000 in Licenses, Fines, Permits, Penalties and Fees (Schedule I). Actual revenues realized in both FY 2007 and FY 2008 from these sources were $7.6 million and $7.9 million.

- *Question:* **Can these Schedule I revenues be increased?**

- ***Answer:*** No, since we do not plan on raising fees. The funds in "excess" of the amount in Schedule 1 are "appropriated receipts" and have been essentially level for a number of years. This revenue that is collected is used to support the operational cost of the programs that the fees are collected in. These receipts have been factored into the Department's annual budget and are reflected as a receipt is the Department's Salary Detail Worksheets and in the Department BB103 revenue statement. This revenue supports approximately 100 jobs, mainly in the area of inspections of various health care facilities.

HEALTH SERVICES

5. The FY 2010 recommended budget would reduce grant funds for Family Planning Services, Cleft Palate Programs, Chronic Renal Disease Services, Services to Victims of Huntington's Disease, etc. by varying amounts.

There are various federal programs within the department that anticipate additional federal revenues or which have unexpended federal funds available such as the Maternal and Child Health Block Grant, State Based Diabetes Program, etc.

- *Question:* **Can existing federal programs offset some or all of the proposed funding reductions?**

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Answer: Federal Title X Family Planning funding was increased by $7 million nationally. However, New Jersey's FFY 2009 grant award was at level funding. The program does anticipate a small increase of about 2 percent ($68,000) but it is not known at this time if this increase will be realized.

We also anticipate that the Department of Human Services will apply for an 1115 demonstration Medicaid waiver to increase family planning services to women under 200 percent of the federal poverty level which will off set some of the state funding reduction.

The Cleft palate funding reduction may be offset if there is any unexpended federal Maternal and Child Health Block Grant funding. However, due to the lack of certainty regarding receipt of this federal funding, we can not assume that it will be available to offset the state funding. The reductions in chronic renal disease and Huntington's disease cannot be offset with federal resources. Preventive Block Grant funding and the diabetes grant funding cannot be used to support direct treatment services provided by the renal and Huntington's Disease programs.

6. In an effort to reduce black infant mortality rates, the department awarded contracts to seven agencies and the Black Infant Mortality Reduction and Resource Center. The programs focused on outreach, community education and awareness, professional education, and support services.

The department had previously indicated that one agency might lose its funding if sufficient progress at meeting contract objectives was not met.

- ***Questions:* What is the status of the contract with that one agency? If funding was terminated, which agency was awarded a new contract?**

Answer: One contract was terminated but no new contract was issued. The Prenatal Care Task Force convened by Commissioner Howard recommended that the combined federal and state funding resources dedicated to infant mortality reduction and improved pregnancy outcomes be redirected and re-competed. Therefore, grants for Black Infant Mortality Reduction, Infant Mortality Reduction and improved pregnancy outcomes will be combined with federal maternal and child health block grant funding for a competitive request for applications expected to be issued in early May 2009.

7.a. The FY 2009 appropriations act included $7.0 million in Early Intervention Program (EIP) co-payments. Available data project that co-payments will produce about $5.8 million or about $1.2 million less than anticipated.

- ***Question:* Are sufficient funds available to offset this potential $1.2 million shortfall in co-pay revenues?**

Answer: Yes. The $7 million provides the Department with the authorization to collect up to that amount. However, the amount of family cost share revenue is projected to continue to be about $6 million. The program uses the $6 million, not $7 million of revenue when projecting annual costs.

7.b. The FY 2010 recommended budget estimates $7.0 million in EIP co-payment revenues.

- ***Question:* As current co-payments collections approximate $5.8 million, what is the basis for the $7.0 million estimate?**

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Answer: The $7 million is the authorized amount to allow for collection up to that level. The DHSS expects to generate around $6 million in revenue.

7.c. The FY 2009 appropriations act and the FY 2010 recommended budget assume $15.0 million in federal Medicaid reimbursement to support EIP. Available Medicaid data indicate that such revenues will exceed $18.0 million.

- *Questions:* **Does the $15.0 million estimate reflect the enhanced federal Medicaid reimbursement? Based on projected FY 2009 federal Medicaid EIP reimbursements of $18.0 million, can the $15.0 million estimate be increased?**

  Answer: No, we would not recommend changes at this time. The early intervention program is undergoing a Medicaid audit and anticipates claims adjustments based on the findings. At this time over $430,000 in claims are being voided. Until the audit is compete and all claim adjustments are made we should not increase the $15 million estimate of Medicaid revenue.

8. As originally envisioned, the $17.0 million FY 2009 appropriation for Cancer Research was to be expended as follows: $7.0 million for grants to hospitals for treatment and prevention programs and $10.0 million for various forms of cancer research grants.

Due to the State's budget difficulties, only $10.0 million is now available for expenditure and $7.0 million is in reserve and may not be spent.

- *Question:* **Of the $10.0 million to be awarded, how much is for treatment and prevention programs and how much is for cancer research grants?**

  Answer: At this time, the plan is for 50 percent to be dedicated to research and 50 percent for prevention and treatment.

9. Recommended appropriations for the Hospital Asset Transformation Program – Debt Service will increase $4.0 million, to $16.5 million. Available information is that $3.7 million of the $12.5 million FY 2009 appropriation is in reserve and may lapse.

- *Question:* **As actual expenditures from the account may total $8.8 million, on what basis are expenditures anticipated to increase to $16.5 million in FY 2010?**

  Answer: Actual expenditures for FY 2009 are projected to reach $8.8 million based on the cash flow forecasts provided by the hospitals participating in the HATP. The amounts appropriated for FY 2009 were based on a debt service schedule that did not represent a full year.

10. The FY 2009 appropriations act adopted the Governor's recommendation to eliminate funding for the West Nile Virus – Laboratory. The FY2010 recommended budget restores funding for the laboratory.

- *Question:* **Why was funding eliminated in FY 2009, only to be restored in FY 2010?**

  Answer: West Nile activities were funded from one-time balances in FY 2009. These balances do not exist in FY 2010. In conjunction with DEP mosquito surveillance, the Department tested approximately 9,000 mosquito pools for the presence of West Nile Virus. This could not be accomplished without this appropriation and would leave a gap in our surveillance activities for this dangerous pathogen.

Discussion Points (Cont'd)

11. The FY 2010 budget recommends $4.2 million for Additions, Improvements and Equipment and Services Other Than Personal related to the relocation to a new $150 million laboratory under construction in West Trenton.

- *Question:* **Are monies available within the $150 million in construction funds for the new laboratory to support such costs?**

  Answer: No. The construction of the new State Public Health, Environmental and Agriculture Laboratory in West Trenton is funded as a bonded initiative through the New Jersey State Building Authority. Funding derived from the sale of bonds cannot be used for these costs.

12.a. The FY 2010 recommended budget indicates that Emergency Medical Technician Training Fund (EMTTF) expenditures will be reduced from approximately $2.0 million to $0.4 million.

- *Question:* **What accounts for the reduction?**

  Answer: FY 2009 and FY 2010 estimated expenditures for the Emergency Medical Technician Training Fund on Page H-2 reflect $2.8 million in each fiscal year.

12.b. In FY 2008, about $0.4 million was transferred from the EMTTF. In FY 2009, approximately $4.5 million was transferred from the fund.

- *Question:* **For what purpose/programs was the $4.5 million transfer?**

  Answer: Interest earnings from this account, since the inception of this Fund were lapsed to balance out the current year revenue shortfall. This $4 million is reflected in Schedule 1 as an Interfund Transfer.

13. At the end of FY 2008, the Governor's Council for Medical Research and Treatment of Autism had approximately $10.3 million in unexpended funds and the Brain Injury Research Fund had approximately $16.5 million in unexpended funds. These unexpended balances are primarily due to members not being appointed to oversee the programs on a timely basis, which resulted in an accumulation of revenues.

- *Question:* **What is the status of these programs?**

  Answer: Governor's Council for Medical Research and Treatment of Autism - As per P.L. 2007, c. 168, the Council was transitioned into DHSS. In May 2008, Dr. Michael A. Gallo, Jr., Ph.D., was appointed by Commissioner Howard as Executive Director to the Council. Ten of the fourteen member seats on the Council have been appointed by the Governor's Office. Dr. Caroline Eggerding, Executive Vice President of Pediatric and Adolescent Services for Bancroft Neurohealth, and the State Assembly Speaker Appointee to the Council, was elected Chair of the Council.

  - $2.5 million has been awarded for eleven basic science research grants that are ending their second year of a two year grant cycle. The Council has approved earmarking $5 million for a new round of basic science and clinical research grants. A request for application (RFA) for this grant initiative is expected to be announced in April 2009.

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- $3 million for each of two years is awarded for the Clinical Enhancement Center grant initiative. This program enables clinical autism centers across New Jersey to enhance their staffing of clinical personnel and to increase the number of multi-disciplinary evaluations that they can provide to children suspected of being on the autism spectrum. These grants represent a patient-oriented initiative aimed at establishing centers of clinical excellence in New Jersey that, in the long term, will provide uniform and high quality diagnostic, treatment and outreach services to the increasing autism spectrum disorder population.

The New Jersey Commission on Brain Injury Research (NJCBIR) has completed three grant cycles to date; the awards are as follows:

1st Grant cycle	5 grants awarded in 4/1/07 for the total amount of $1,343,601
2nd Grant cycle	7 grants awarded in 6/1/08 for the total amount of $5,353,297
3rd Grant cycle	3 grants awarded in 6/1/09 for the total amount of $1,248,877

A total amount of $7,945,775 has been awarded to date for research from the NJCBIR, as noted above. The Commission has announced its fourth grant cycle, as of 4/1/09 for a total not to exceed $8,000,000 which is available on a competitive basis to New Jersey researchers for the following (5) grant categories: Individual Research Grant; Multi-Investigator Grant; Postdoc/Graduate Student Fellowship Grant; Pilot Grant; NJBI Scholar grant. The awards will be made in June 2009.

14. The Spinal Cord Research Fund awards various grants for research into finding cures for spinal cord injuries. In some instances, the researchers who are awarded grant funds are overdue in submitting their final research project. Researchers do not receive additional funding to complete projects that are overdue.

However, in several instances a researcher was awarded a new spinal cord research grant even though an existing research project may two or more years overdue.

- *Question:* **Should researchers who are more than two years overdue in completing an existing research project be precluded from being awarded a new spinal cord research grant?**

  Answer: It is the policy of the NJCSCR to withhold funding of any new grant to a holder of an existing grant if the grantee is delinquent in submitting either interim reports or final reports. In addition, the NJCSCR will withhold final payment on a current grant pending receipt of a grantee's final report. The NJCSCR will accept a new grant application from a grantee whose reports on a currently funded grant may be tardy, and the Commission may vote to fund it. However, actual funding will not commence until the grantee has brought all reporting obligations up to date.

  The NJCSCR has upon request of a researcher, granted a one-year no-cost (i.e. no additional funding) extension if necessary to complete a project. The NJCSCR will withhold funding in appropriate circumstances as noted above. Instances in the past where a new grant was awarded a considerable time after the nominal "due date" of an outstanding grant have been satisfactorily resolved. Unduly tardy researchers and overdue grants are not a current issue.

15. The Governor's FY 2010 recommended budget would reduce funding for Anti-Smoking Programs and School Based Programs and Youth Anti-Smoking programs by over $1.0 million. Compared to FY 2008 expenditures, recommended appropriations for anti-smoking programs are reduced by $2.8 million.

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- ***Question:*** **What specific programs are being either reduced or eliminated?**

  Answer: The following is a summary of the anticipated cuts:

Communications elimination: (media, web site and outreach)	$-300,000
Elimination of Some CTCP Programming: (youth and community training)	$- 65,713
Reduction of Quitline and Quitnet Services:	$-125,000
CTCP Program Reductions by 5%: (youth programs, community partnerships, Quit Centers)	$-272,550
CTCP Evaluation/Operation Costs: (evaluation, staff attrition)	$-276,737
	$1,040,000

16a. The FY 2010 recommended budget assumes savings of $1.4 million by requiring a $6.00 - $30.00 co-payment per prescription for persons enrolled in the AIDS Drug Distribution Program (ADDP) with incomes greater than 100% of the federal poverty level (FPL).

- ***Questions:*** **Of the 7,000 persons on ADDP, how many have incomes of 101% - $225% FPL? Between 226% - 320% FPL? Over 320% FPL? On average, how many prescriptions do such individuals fill?**

  Answer: On average, an ADDP client fills about 4 prescriptions per month. The current breakdown by income is as follows:

Income Bracket	Clients
<= 100% FPL	2,500
101% - 225% FPL	1,890
226% - 320% FPL	660
320% - 500% FPL	560
	5,610

16.b. Federal funds in support of ADDP are included within the $49.6 million in federal Comprehensive AIDS Resource Grant.

- ***Question:*** **Of the $49.6 million in federal funds, how much is for the ADDP?**

  Answer: The Department anticipated $49.6 million, but we only received $45,581,051. The amount earmarked for ADDP is $33,279,285.

17. The amount of federal HIV/AIDS Prevention and Education Grant funds available in FY 2010 is reduced from $18.0 million to $15.0 million.

- ***Question:*** **What impact will this $3.0 million reduction have on the overall program?**

  Answer: There was no actual reduction in funding. The Department generated the estimate of $18 million in federal prevention funding (from the CDC) almost eighteen months ago. At that time, it

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appeared that that the federal government would be increasing their allocations to states, or would permit them to "carryforward" funding into successive years. Therefore, we anticipated a "federal ceiling" in the FY 2009 budget of this amount. Instead, we received level funding, or the $15 million we had been receiving from the CDC.

18. P.L.2003, c.113 required counties to support their county health department by allocating a portion of monies raised through an increase in the Realty Transfer Fee. During the past two years, the number of home sales has declined with a corresponding reduction in the amount of revenues generated from the increase in the Realty Transfer Fee.

- ***Questions:* Are counties experiencing a shortfall in revenues that provide financial support to their county health department? If so, how much is the shortfall?**

  Answer: In a survey of County Health Departments in which 8 of the 20 responded:

  - Five of the 8 had information regarding county revenues that specifically support public health. Of these, 4 of the 5 reported a decrease in these revenues, ranging from 4% to 20%.
  - Seven of the 8 have experienced cuts in county funding this year, in amounts ranging from 6% to 30%.

HEALTH PLANNING AND EVALUATION

19. The FY 2009 appropriations act reduced funding for the Implement Patient Safety Act program by $0.2 million, to $0.4 million. The reduction was to be offset by $0.2 million in Medicaid reimbursements. The department subsequently indicated a determination had not been made as to whether Medicaid reimbursement would be available for the program.

- ***Question:* Is federal Medicaid reimbursement being obtained for costs associated with the program?**

  Answer: We have not been able to obtain Medicaid reimbursement at this time; however we are still exploring options for ascertaining this Medicaid match.

20. In an effort to reduce Charity Care and expedite enrollment of uninsured persons into Medicaid/NJ FamilyCare, State law requires county welfare agencies to "out-station" personnel at hospitals designated by the Commissioner of Health and Senior Services to accept and process applications for Medicaid/NJ FamilyCare by uninsured persons who utilize hospitals.

The department indicated that it would work with the Medicaid program to determine which counties did not assign staff to hospitals and the adequacy of the staff assigned by counties to hospitals.

- ***Questions:* What was the outcome of this review?**

  Answer: The Departments reviewed the adequacy of resources allocated by the counties to determine Medicaid/NJ FamilyCare eligibility. We noted the variability of these allocations, however due to the unprecedented increase of volume of new applications at the County Welfare Agencies (CWA) resulting from the economic crisis we have not asked the counties to address any shortage at this time. However, we are considering, in consultation with the hospitals and the counties, authorizing hospital

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staff to prepare the applications and then to submit them directly to the county for approval which would facilitate enrollment without further stressing the existing CWA resources.

21. Proposed budget language on D-159 to D-160 makes various changes to the formula by which the $605 million in Charity Care subsidies is to be distributed among hospitals in FY 2010.

- *Questions:* **Please provide a hospital by hospital breakdown as to the amount each hospital will receive in Charity Care subsidies in FY 2010, compared to FY 2009.**

  Answer: As a result of our auditing process, the FY 2010 charity care data is incomplete and additional adjustments are expected which may significantly change the results for some hospitals. The current report would not accurately reflect the final data which is currently being reviewed. We anticipate having a final data reviewed and completed in May.

22. Revenues generated by a tax on cosmetic surgery procedures are used to support Charity Care. Approximately $10 million in revenues are anticipated in FY 2010.

It has been reported in the media that the recession has resulted in fewer cosmetic surgery procedures being performed. This may result in a reduction in the amount of revenues generated by the cosmetic surgery tax.

- *Question:* **Based on existing tax collection trends, is the $10 million estimate valid?**

  Answer: This year's revenue estimate of $10 million is lower than actual collections in past fiscal years in recognition of decreased collections. Therefore, we believe the number is still valid.

SENIOR SERVICES

23. The FY 2010 recommended budget indicates $76.9 million in FY 2009 supplemental appropriations as follows: Payments for Medical Assistance Recipients – Nursing Homes - $59.0 million; and Medical Day Care Services - $17.9 million.

- *Question:* **What do these supplemental appropriations represent?**

  Answer: These supplemental appropriations represent shortfalls in the current year appropriations in both accounts based on current projections.

24. Enhanced Federal Medicaid Matching funds of $319.1 million are anticipated which will be used to reduce State Grant-in-Aid appropriations from $1.234 billion to $882.8 million.

- *Question:* **As the enhanced federal matching rate may range from 58.78% to 61.59%, what federal matching rate does the $319.1 million assume?**

  Answer: Based on the most recent NJ Unemployment Rates, 7.3% in January 2009 and 8.2% in February 2009, the State is anticipating the reimbursement rate to be 61.59%.

25. The FY 2010 recommended budget assumes that 10.8 million patient days of Nursing Home Services will be provided, an increase of about 100,000 patient days over estimated FY 2009 levels.

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- *Question:* **As over 1,000 persons have been transferred from nursing homes to community programs and more persons are receiving community services as an alternative to nursing homes, what accounts for the increase in the number of nursing home patient days?**

  Answer: Although there appears to be an increase in nursing home patient days, reports indicate that there is no increase in the number of residents in nursing facilities. The increase in patient days may be attributed to advances in care that translate into patient longevity and, therefore, longer nursing facility stays.

26. In recent years at least two private equity firms or hedge funds, Warburg Pincus and Carlyle Partners, have become owners of New Jersey long term care facilities.

A 2008 New York Times article reported that long term care facilities owned by private equity firms or hedge funds tend to have more licensing violations and fewer direct care staff than facilities not owed by private equity firms or hedge funds.

- *Questions:* **Has the number of violations increased at long term care facilities in which private equity firms or hedge funds have an ownership interest? Have overall staffing levels at such facilities decreased as a result of private equity or hedge fund ownership when compared to staffing under previous ownership?**

  Answer: Comparing 2006 to 2008 data, the average number of deficiencies cited among the two private equity owned chains dropped and is below the statewide average of 5.4. The Division does not track year to year staffing levels. Facilities must comply with minimal staffing requirements under state licensing regulations.

27.a. The department issued a Request for Proposals and is reviewing three bids to develop and implement a new nursing home rate setting system. The department has indicated that any new rate setting system that is developed must be cost neutral, that is, the new rate setting system should not increase total State costs over what costs would have been under the current rate setting system.

In the late 1990's, the State awarded a similar contract with a similar cost neutrality requirement. After spending several hundred thousand dollars, the contract was terminated in the early 2000s when information became available that a new rate setting system would increase overall State expenditures.

- *Questions:* **Approximately how much is included in the FY 2010 recommended budget for costs associated with developing a new rate setting system? In view of the State's previous effort, can a new cost neutral nursing home rate setting system be developed?**

  Answer: The current nursing facility rate setting system is nearly 30 years old, and the Department believes that it is overly complex and outdated. The nursing facility industry and their associations have made it clear to the Department that they are strongly in favor of developing a new system. On many occasions, the nursing facility association representatives have requested that the Department move forward on this initiative. As a result, the Department issued an RFP to develop a new rate setting system. The chosen bidder to develop the new system, including the drafting of regulations and the State Plan Amendment, was Myers and Stauffer at a cost of $536,510, the majority of which would be expended in FY 2010.

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In the past, industry support had waned when increased funding was not available to put into a new system. However, since 2000, the nursing home provider assessment has infused additional Medicaid federal funds into the nursing home rate setting system. It is not known what effect the downturn in the economy will have on support for a new system from the nursing facility industry. However, the industry is still voicing its support of a new rate setting system. Should that support decline, the Department believes that because the existing system is severely outdated we should moving forward with the development of a new system.

27.b. Available information is that since 2005/2006, the department has not conducted any nursing home acuity audits as the department did not fill nursing positions associated with conducting such reviews. As such, nursing homes may receive greater reimbursement than warranted due to the absence of such acuity audits.

- *Questions:* **What is the status of conducting acuity audits? How much would acuity audits have saved had they been conducted?**

  Answer: Due to staffing losses, the last acuity audits were completed in SFY 2005. A staffing freeze and nursing shortage necessitated that the remaining nurses be deployed for inspection purposes that are essential to maintain the health and safety of the residents in nursing facilities. However, during this time period, the Department has continued, through a contract vendor, to perform full and focused cost report audits on nursing facilities. These audits assure that nursing facility costs were appropriately reported on all areas of the cost report, including nursing costs.

  Since the SFY 2009 rates were not rebased, there is no need to audit cost reports for this year. The Department has modified the existing audit contract to cover acuity audits, and the vendor has agreed to perform acuity audits of nursing facilities.

  It is not possible to estimate how much would have been recovered if acuity audits had continued, in addition to cost report audits. Many factors affect the actual recovery amount, including appeals and the subjective nature of acuity reporting. It is important to remember that acuity reporting affects payment for nursing costs only, and we do not pay higher than actual costs of a facility's nursing. Acuity audits result in recovery of prior year payment for nursing costs.

27.c. The department has acknowledged that due to a reduction in the number of staff assigned to the nursing home rate setting unit, the number of nursing home rate recalculations conducted has decreased with a corresponding reduction in recoveries.

- *Questions:* **How many rate recalculations were undertaken in FY 2008 and will be conducted in FY 2009? How much in recoveries will be realized in both years as a result of these recalculations?**

  Answer: The Nursing Facility Rate Setting Unit has been operating with less staff for more than a year. However, because nursing home rates were not rebased as part of the FY 2009 budget, staff has been able to eliminate the backlog of recalculations over the last few months.

  Funds recovered from rate recalculations in FY 2009 through March 31, 2009, total $3.2 million. The Department estimates total recoveries during FY 2009 at $4.2 million. These recoveries are a result of 125 audit rate recalculations. During Fiscal Year 2008, funds recovered from rate recalculations totaled $2.5 million based upon 48 rate recalculations. During FY 2009, there were an additional 46 audits that resulted in no recovery either due to the audit making no recoverable findings or the audit

Discussion Points (Cont'd)

adjustments not impacting the Medicaid per diem rate. An additional 64 rate calculations, which are expected to recover an estimated $2.2 million, have been prepared, but due to the length of time for the collection process, the funds are expected to be recovered in FY 2010

28. Savings of $18 million are assumed as part of the Medical Day Care Services recommended appropriation by reimbursing all providers at a $70 per day rate, regardless of whether the provider is a free-standing facility or is based in a hospital or nursing home. At present, the Medicaid reimbursement rate for this service is around $93 per day.

- ***Questions:*** **Have any providers notified the department that their participation in the Medical Day Care Services program may be discontinued if reimbursement is reduced to $70 per day? Is sufficient capacity available to provide services to clients from those facilities that terminate services?**

  Answer: No providers have officially notified the department that they would discontinue participation if reimbursement is reduced. The Department believes there is sufficient capacity to serve all clients requiring Medical Day Care.

29.a. FY 2010 PAAD enrollment estimate for the elderly component is estimated at 136,100. In February 2009, the number of elderly enrolled in PAAD was 134,100, or about 2,000 below the FY 2010 estimate.

- ***Question:*** **Can the FY 2010 PAAD enrollment estimate be reduced?**

  Answer: The Department believes that the FY 2010 PAAD enrollment estimate should not be reduced. We believe that the worsening economy may result in an increase in the number of individuals with incomes that qualify them for PAAD benefits.

29.b. The recommended budget assumes that 12,000 persons will be enrolled in Senior Gold during FY 2010 compared to 17,000 in FY 2009. In February 2009, At present, there were about 21,700 persons enrolled in Senior Gold. Further, Senior Gold enrollment has been stable at between 21,000 – 22,000. Based on existing trends, it appears unlikely that enrollment will reach 17,000 by the end of FY 2009.

- ***Question:*** **Is the FY 2010 Senior Gold enrollment estimate too low?**

  Answer: We agree that current enrollment in Senior Gold is over 21,700 and the estimate of 12,000 persons appears low. Enrollment numbers for Senior Gold have been trending downward since FY 2007. It is estimated that this downward trend will continue as a result of the mandate to enroll in Medicare Part D and as individuals spend down from Senior Gold to PAAD. It should be noted that the amount budgeted is based on an expenditure projection model and not caseload.

30. The recommended appropriation for the Office of the Public Guardian assume $1.3 million in Other Funds, an increase of more than $0.2 million over FY 2009. The office had been considering an increase in the fee charged for its services.

- ***Question:*** **What accounts for the increase?**

  Answer: This represents a revenue increase as a result of caseload growth. In FY 2006, there were 251 new cases, in FY 2007, there were 283 new cases and in FY 2008, there were 302 new cases. For the current fiscal year, the OPG has 242 so far, but expects to reach a total of 330 in FY 2009.