Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES – GENERAL

1. The Governor’s recommended budget assumes $15.0 million in savings from a “hiring freeze and other employee actions.”

   • Question: How much in savings is the department expected to generate? What specific actions will the department initiate to achieve such savings?

   • Answer: This assessment is not known at this time. The Department has been under a hiring freeze for a number of years and since 2006 we have reduced our staffing levels by nearly 20 percent.

2.a. The FY 2010 appropriations act included budget language that allowed the commissioner to allocate up to $3.0 million in unexpended balances in the Health Care Subsidy Fund for one-time grants to federally qualified health centers in financial distress.

   • Questions: How much, if any, funds were awarded pursuant to this budget language? If no funds have been awarded, are unexpended balances available that may be lapsed at the end of FY 2010?

   • Answer: $2.5 million in one-time grants to three Federally Qualified Health Centers, in distress, were awarded using uncommitted balances of the SFY 2009 $40 million allocation. Any balances in the Health Care Subsidy Fund were used to close the current year budget gap.

2.b. The FY 2010 appropriations act included budget language that allowed the department to expend funds to promote awareness of and to increase participation in programs the department administers.

   • Questions: How much, if any, funds have been expended to promote awareness and to increase participation in department programs in FY 2010?

   • Answer: The language was never used.

HEALTH SERVICES

3. P.L.2009, c.268 provided for an increase in Medicaid reimbursement for family planning services provided by family planning clinics, to at least 90% of the amount of the actual cost of services provided during an office visit. The 10% State share of the increase was to be funded by adjusting the Family Planning Services account and transferring the funds to Medicaid. As no funds are recommended for Family Planning Services, there are no monies to transfer to Medicaid. Thus, the State share of funds are not available to fund a Medicaid reimbursement increase.

   • Questions: Is P.L.2009, c.268 being implemented in FY 2011? If yes, are monies included in the Medicaid budget to support the 10% State cost?

   • Answer: It is our understanding that the rate increase is in the base budget of the Department of Human Services.

4. A new $26.8 million account, Maternal, Child and Chronic Health Services is established for FY 2011. The account consolidates numerous individual Grants-in-Aid accounts that have been established over the years, some of which were established by Statute. According to the Budget in Brief, “an open and competitive
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grantmaking process” will be initiated to award these funds.

- **Questions:** Will existing grants be continued and at what amount, pending the release of a Request for Proposal to obtain bids for the services currently being provided?

- **Answer:** A total of 17 grant lines where combined into one grant line called Maternal, Child and Chronic Health Services. The combined total for both FY 2010 and FY 2011 is $26.756 million, so there was no increase or decrease and we anticipated funding to be allocated in a competitive fashion.

5. The department was awarded over $40 million in federal funds related to H1N1 Influenza in September 2009: $20 million for county and local public health departments; $9 million to New Jersey hospitals and federally qualified health centers, etc.; $2 million to five regional health facilities for supplies; $7 million for State activities; $1.8 million for laboratory related activities; and $1 million in reserve.

- **Questions:** As the H1N1 Influenza season was relatively mild, how much unexpended federal funds are anticipated? Will the State be able to retain these funds for similar activities in FY 2011?

- **Answer:** To clarify, the flu season was not necessarily mild, but instead, the public health response was a major factor in controlling what is potentially a deadly virus. With respect to use of federally awarded pandemic influenza funds for FY 2011; at the CDC program level, a portion of the funds are suggested as eligible for carry-forward, however, a final decision from the federal Department of Health and Human Services has not been made. It should be noted that we anticipate spending the majority of this funding by the end of the federal fiscal year.

6. In October 2009, the Departments of Health and Senior Services and Human Services announced an “Insured for Sure” program under which no newborn would leave the hospital without health insurance. Under the program, hospital staff would verify if a newborn has health insurance coverage or submit a one-page NJ FamilyCare application.

- **Question:** To date, how many newborns have been enrolled in NJ FamilyCare?

- **Answer:** We have referred this question to the Department of Human Services.

7. The FY 2010 appropriations act assumed $7.0 million in Early Intervention Program (EIP) co-payments. Available data indicate that about $5.4 million in co-payment revenues will be realized, about $1.6 million less than anticipated.

The FY 2011 recommended budget proposes that EIP co-payments be increased by $12.0 million, to $19.0 million. Information is not available at this time regarding the new co-payment amounts or the income levels that would now be subject to co-payments.

- **Questions:** As the amount of revenues generated from the existing co-payment is less than the amount anticipated, is a $12 million increase in co-payment revenues realistic? What will be the new co-payment amounts and the new income limits at which co-payments are imposed? What alternatives to a co-payment increase are available to achieve savings of $12.0 million?

- **Answer:** The DHSS is analyzing different cost share levels to determine revenue projections. The DHSS has not finalized this analysis to specifically state by how much the family cost share will increase. 

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DHSS is working with stakeholders to identify other cost saving measures that would minimize increased costs to families and realize the $12 million target.

8. Grant funding for Tuberculosis Services ($1.8 million), Immunization Services ($0.9 million) and AIDS Communicable Disease Control ($0.5 million) are not continued in FY 2011. No information is provided as to reason for these reductions.

- **Questions:** Why are these grants being eliminated? What impact will these reductions have on the number of persons who receive these services?

- **Answer:** These grants were not eliminated; rather they were combined into the Maternal, Child and Chronic Health Services line item.

9. Funding for Rapid AIDS Testing is eliminated, saving $4.2 million. However, both the State and local entities that receive federal AIDS funds have discretion in the use of federal AIDS funds.

- **Questions:** Will the State use federal AIDS funds to offset this reduction? Have local entities that receive federal AIDS funds directly from the federal government indicated that federal funds will be allocated for this program?

- **Answer:** Rapid HIV testing remains available statewide for the uninsured at various facilities including FQHCs and stand alone counseling and testing venues. In addition, rapid HIV testing is a covered test for insured individuals including those with Medicaid.

10. Recently enacted federal health care legislation will increase rebates paid by drug manufacturers to the Medicaid program. This increase may benefit the AIDS Drug Distribution Program.

- **Questions:** Will the AIDS Drug Distribution Program see an increase in drug rebates as a result of the federal legislation? If yes, to what extent can some of the proposed reductions to the program be reduced or eliminated?

- **Answer:** Yes, but we have no way of knowing the exact amount. All rebates are credited to offset costs and any new rebates would be used in the same manner.

11. Fiscal Year 2010 Budget language allows for the transfer of “savings realized from reduced transportation costs” from the AIDS Grants-in-Aid account to the AIDS Drug Distribution Program.

- **Question:** How much, if any, funds have been transferred as a result of this budget language?

- **Answer:** No funds have been transferred. There is no budget language that addresses the transfer of savings.

12. The recommended budget eliminates the $2.4 million in Public Health Priority Funding received by non-county based health departments, yet such health departments must provide certain levels of public health services irrespective of whether State funds are available.

- **Questions:** In view of the elimination of funds, will public health requirements be made more flexible? Please provide a list of those health departments affected by the elimination of funds and
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the amount of funds the health departments will lose?

- **Answer:** State requirements for local health departments are based on the nationally recognized Ten Essential Public Health Services and the State’s Public Health Practice Standards. DHSS does not intend to vary from these nationally accepted public health requirements, however, the State has always allowed for flexibility on how these services are provided and will continue our flexibility.

Please see attachment 1, detailing the current year PHPF distribution.

HEALTH PLANNING AND EVALUATION

13. A November 2009 federal General Accountability Office report on state nursing homes inspections found that many states have staffing shortages. Further, the report found that 30% of survey staff had less than two years of experience and that this may contribute to the underestimation of nursing home deficiencies and the timely completion of nursing home inspection reports.

- **Questions:** To what extent has the State experienced workforce shortages in its nursing home survey staff? On average, how many years of experience does the State’s survey staff have?

- **Answer:** As a result of prior ERI and hiring freezes DHSS has had some reduction in nursing home inspection staff. The average experience for nursing home inspection staff is nearly 7 years. However, according to CMS, NJ has been in compliance with timeframes regarding nursing homes. Also, CMS conducts follow up surveys and validation surveys of NJ inspections and has not observed any significant deficiencies.

14. Federal Medicaid reimbursement had been anticipated to offset the cost of the Implement Patient Safety Act program. The department indicated during the FY 2010 budget hearings that it was still looking into whether such Medicaid reimbursements would be available.

- **Question:** What is the status of obtaining federal Medicaid reimbursement for the program?

- **Answer:** To date the Department has not been able to obtain federal reimbursement for this program.

15. Proposed budget language on D-155 makes various changes to the formula by which the $665 million in Charity Care is to be distributed among hospitals in FY 2011. In particular, whereas in FY 2010 hospitals were classified into three tiers for the distribution of Charity Care, in FY 2011, hospitals will be classified into two tiers for the distribution of Charity Care.

- **Questions:** Please provide a hospital by hospital breakdown as to the amount each hospital will receive in Charity Care in FY 2011 compared to FY 2010. Please provide a hospital by hospital classification by tiers for FY 2010 and FY 2011.

- **Answer:** Charity Care claims detail by hospital is in the process of being calculated and the final subsidy allocation will not be complete until May at the earliest. This information, as it is in the process of being aggregated and calculated, is draft and preliminary and still subject to change. Until the claims detail is complete it is premature to provide a hospital by hospital classification. Minor changes due to calculation adjustments can cause significant distribution differences to the subsidy allocation as the funding distribution to each hospital is relative to the others.
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16. As a condition of receiving funds under the Health Care Stabilization Fund during FY 2009, all hospitals that received monies were subject to both generic and hospital-specific requirements. For example:

1. Raritan Bay Medical Center was to complete the sale of the Old Bridge facility and obtain an affiliation agreement that provides for the long term viability of the Perth Amboy facility;
2. Liberty Health was to reduce the per adjusted admission expense and improve the FTE per adjusted occupied bed at the Jersey City Medical Center to the Statewide average; and
3. St. Mary’s Hospital was to implement recommendations included in the JH Cohn consulting report.

- **Questions:** Have hospitals that received Stabilization Funds implemented both the generic and hospital specific recommendations required as a condition of receiving funds?
- **Answer:** Hospitals have complied with implementing generic and specific conditions related to the grant. For example, East Orange met all the generic and hospital-specific conditions. St. Mary’s implemented operational improvements and hired a cash management expert. They were current with debt service payments up until they declared bankruptcy in March 2009. However, St. Mary’s did not sell the 211 Pennington campus, nor did they complete a merger. The inability to meet either condition can be attributed, at least in part, to market conditions. The decline in the real estate market made the 211 Pennington campus much less attractive than expected. While the hospital did review offers to be acquired by other entities, in the end, there was no viable bidder for St. Mary's. Because of the operational improvements made by the hospital, in addition to the recovery of some of the lost admissions, the hospital was able to emerge from bankruptcy as a stand-alone hospital.

Raritan Bay Medical Center reached an agreement in principle with a potential buyer, however the parties reached an impasse over some long-term liabilities and therefore were not able to complete the transaction. Raritan Bay has publicly acknowledged this and has developed an internal strategy to maintain both Raritan Bay Medical Center and the Old Bridge facility.

Jersey City Medical Center did make improvements in expense per adjusted admission and staffing per adjusted occupied bed; though they did not get down to the statewide median.

17. The FY 2011 recommended budget eliminates the $200,000 cap on the amount an ambulatory care facility can be assessed. The elimination of the cap will result in approximately $44.5 million in revenues being raised. However, according to one trade association, the elimination of the $200,000 cap should result in over $50 million being raised by the assessment.

- **Question:** Is the $44.5 million estimate understated? If not, what is the basis for the estimate?
- **Answer:** The Department believes the assessment is accurate, since it reflects an October 1, 2010 start date. The basis for the estimate comes from facility reporting of gross receipts to the Department and the uncapping of the annual 2.95 assessment.

18. Available information indicates that the State anticipates $24.6 million and $20.0 million in federal funds related to FQHC spending in FY 2010 and FY 2011, respectively, as part of the overall Health Care Subsidy Fund.

FQHCs already receive federal reimbursement for services provided to Medicaid/NJ FamilyCare recipients. As most other persons who receive services from FQHCs are not eligible for Medicaid/NJ
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FamilyCare, it is not clear what the $24.6 million and $20.0 million in federal funds represents.

- **Questions:** What do these federal funds attributable to FQHCs represent?
  
  - **Answer:** The funds identified would be available if an 1115 demonstration waiver is approved by the Centers for Medicare and Medicaid. The waiver would create an expansion of eligibility for a specific population served by the Federally Qualified Health Centers (FQHC). The waiver would only cover services provided by a FQHC for the defined population.

19. Within the Other Funds category of expenditures of Health Care Systems Analysis is an account, Health Care Subsidy Fund Payments. For FY 2010, the adjusted appropriation is $40 million and, for FY 2011, the amount is $30 million. It is not clear what these monies represent.

- **Questions:** What do these monies represent? What accounts for the $10 million reduction?
  
  - **Answer:** This represents the funding for the Health Care Stabilization Fund.

**SENIOR SERVICES**

20. The recommended budget reduces funding for the two fiscal agent accounts that process claims for the PAAD and Medical Services for the Aged programs. No information has been provided regarding these reductions.

- **Questions:** What is the basis for these reductions?
  
  - **Answer:** This funding was moved to the Department of Human Services to streamline interdepartmental billing in order to eliminate redundant administrative costs.

21. The $9.0 million Medicaid High Occupancy – Nursing Home account, established by the Legislature in the late 1990s, is not continued. Further, budget language that specified how these monies were to be distributed is not continued. These monies have been incorporated within the overall Nursing Home account as part of the implementation of a new nursing home rate setting system.

- **Question:** Will these monies continue to be distributed on the basis the Legislature had intended, to nursing homes with high Medicaid occupancy volumes?
  
  - **Answer:** The funds will be incorporated within the overall Nursing Home Account and distributed as a part of the new rate setting system which has been developed with full input from the nursing home industry and other interested parties.

22. The department had indicated during the FY 2010 budget hearings that at least $2.2 million in nursing home recoveries would be realized during FY 2010.

- **Question:** How much has been recovered to date?
  
  - **Answer:** The Department collected $2,415,292 in the first 6 months SFY 2010.

23. The FY 2011 recommended budget includes $54.6 million in savings to the PAAD and Senior Gold programs: the imposition of a $310 annual deductible on upwards of 134,000 PAAD and Senior Gold recipients.
($39.7 million) and an increase in the co-payment for brand name drugs from $7 to $15 per prescription ($14.9 million).

The recently enacted federal health care legislation provides for a $250 rebate to Medicare Part D beneficiaries who reach the “donut hole.” In addition, the rebate pharmaceutical manufacturers will be required to provide will increase to 23.1% for brand name drugs, with certain exceptions, and 13% for generic drugs.

- **Question:** To what extent can the proposed deductible and co-payment changes be modified or eliminated as a result of the additional federal revenues the State will realize?

- **Answer:** Based on a preliminary analysis of the federal legislation, DHSS estimates $15.6 million in savings for PAAD and Senior Gold for SFY 2011. If these additional revenues were to become available, they would need to be reviewed in the context of programs funded throughout the budget.

24. The FY 2010 recommended budget provides $5.2 million for the Senior Gold program. However, proposed budget language allows for the use of about $3.9 million for administration. Thus, only $1.3 million may be available for the payment of claims.

- **Question:** Are sufficient funds available to pay Senior Gold claims, after $3.9 million is transferred to support administrative costs?

- **Answer:** Yes, we project that sufficient funds are available. It should be noted that the PAAD, Senior GOLD and Lifeline staff are integrated and cross trained.

25.a. A new Community Based Senior Programs account is established and is appropriated $30.4 million in General Funds and $14.7 million in Casino Revenue Funds. The new account consolidates numerous grant accounts that have been established over the years, some of which were established by either Statute or were included in the annual appropriations act by the Legislature. According to the Budget in Brief, “an open and competitive grantmaking process” will be initiated to award these funds.

- **Questions:** Will existing grants be continued and at what amount, pending the release of a Request for Proposal to obtain bids for the services currently being provided?

- **Answer:** We publish and distribute an annual Directory of Grant Programs, which publicizes available grant funding for projects to achieve specific goals for the Department. Prospective applicants submit grant applications showing how the agency will achieve these goals and program staff rank and reviews the applications competitively.

25.b. The Respite Care for the Elderly program ($5.4 million) is one of the programs consolidated within the new Community Based Senior Programs account. However, as the parameters of the Respite Care program are established in law, significant savings or efficiencies are unlikely to be realized by competitive bidding.

- **Questions:** What is the benefit of including the Respite Care program in the new Community Based Senior Programs?

- **Answer:** The Budget consolidated a number of grant programs in order to streamline the grant making process, provide departmental flexibility and limit administrative paperwork for departmental staff.

25.c. Proposed budget language charges off $400,000 in costs for the Respite Care for the Elderly program to
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the Casino Simulcasting Fund. Under the proposed budget, the Respite Care program would no longer exist as a separate account and is incorporated within a new Community Based Senior Programs account.

- **Questions:** Does the proposed budget language have to be amended to reference the Community Based Senior Programs account?

- **Answer:** Yes, budget language will be needed to transfer the Casino Simulcasting Fund to the newly established new Community Based Senior Programs account and this will be corrected during the resolution process.