BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

1. For each line item reduction in the department’s or unit’s budget, specify the change, if any, in the nature, breadth or level of service or benefit that will be provided and identify and quantify the population that may be affected.

- **Early Childhood Intervention Program – $12 million**
  Changes to family cost share co-payments are reflected in the budget to offset a $12 million reduction in state appropriations. Earliest effective date is September 1, 2010. Currently, 3,000 families (>=350FPL) are subject to cost share, this number would need to increase. The program would need to begin co-payments for families at 250% of federal poverty level (FPL) or an additional 1,200 families. If the entire $12 M is to be offset by fee increases, co-payments are likely to increase at least three fold. The Department is exploring alternative means to reach the $12 million reduction, such as decreasing provider reimbursement rates and/or provider furloughs in order to limit the impact of the family cost share.

- **Family Planning – $7.4 million**
  This reduction has the potential to impact access to comprehensive reproductive health services. The Department will make every effort to fully maximize available federal funds, however the loss of these funds may have the potential to reduce services. State funding elimination will also result in the closure or reduction in the hours of services for some grantee agencies now providing family planning services.

- **Tobacco – $7.1 million**
  Tobacco users will lose treatment services from Quit Centers. Quitline services will be maintained with federal funding and Quitnet will be maintained through the national Quitnet Program. The Department is working to integrate this program into our comprehensive chronic disease prevention activities in order to maximize existing federal revenue.

- **Change in co-pays for PAAD beneficiaries. Increases from $7 to $15 for brand name drugs and decreases the co-payment on generic drugs from $6 to $5 – $14.9 million.**
  Population Affected: 140,051 PAAD beneficiaries must be at least 65 years of age or permanently and totally disabled and have income below $24,432 if single or $29,956 if married. 134,789 PAAD beneficiaries have an average of 14 brand name prescriptions per year.
  - Some beneficiaries will see little or no impact.
    - 40,000 PAAD beneficiaries, have the low income subsidy under Medicare Part D which provides lower co-pay amounts. These beneficiaries will have access to either the PAAD or Medicare Part D cost share options, which ever is less. In many
cases, the Medicare Part D co-pays are significantly lower - $1.10 for generics and $6.30 for brand name drugs.

- Over 60% of PAAD prescriptions are generic. The proposal will save beneficiaries $1.00 on each of these claims.

- Some individuals will be able to minimize the impact of the co-pay by switching to generic drugs, however, there are some individuals that take a brand name drug which has no generic substitution and will be subject to the $15 copay.

- In order to receive a brand name drug that has a generic equivalent under PAAD, the beneficiary’s physician must go through a prior authorization process and document the reason why the brand name drug is medically necessary.

- **Deductible of $310 for PAAD/Senior Gold beneficiaries – $39.7 million**

  Population Affected:

  - 140,051 PAAD beneficiaries must be at least 65 years of age or permanently and totally disabled and have income below $24,432 if single or $29,956 if married. Included in this total are 40,000 individuals who will be minimally impacted as they are covered by the Medicare Part D Low Income Subsidy. Their PAAD deductible would be picked up by the federal government’s Medicare Part D benefit.
  - 23,235 Senior Gold beneficiaries must be at least 65 years of age or permanently and totally disabled and have income below $34,432 if single or $39,956 if married.

- **Nursing Home Rate Freeze – $56 million**

  Nursing homes will not receive a cost of living increase in Medicaid reimbursement rates for FY11. The 359 nursing homes serve approximately 29,000 Medicaid patients. The Department of Health and Senior Services has been working with the industry to implement a new rate setting methodology effective July 1, 2010. During the implementation phase, no nursing home will see a change in their FY11 per diem rate greater than or lesser than $5 from their FY10 rate which minimizes their financial risk.

- **Adult Day Health Services – $21 million**

  The Adult Day Health Services program currently serves over 12,000 clients. New Jersey has 140 providers and has experienced significant growth over the last decade, in 2000 there were 54 facilities.

  New budget language will modify the prior authorization criteria for Adult Day Health Services (ADHS) that eliminates access based exclusively on the need for medication administration and imposes a co-payment on all beneficiaries.

  Under the current regulation NJAC 8:86, individuals who do not meet nursing facility level of care, can attend ADHS only for medication administration. These individuals can access more appropriate services in alternative settings in the community. A 45-day transition period will be provided to allow for discharge planning of clients to alternate levels of care.
In addition, the Department is adding a co-pay to also help achieve savings. The co-pay, which is to be collected by the provider, is $3 per day and is capped at $25 per month for all beneficiaries.

- **Rapid AIDS Test – $4.2 million**

  The elimination of this funding would reduce funding to fifteen grantees, which could reduce our ability to provide access to routine rapid HIV testing. 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.

- **ADDP – $7.9 million**

  The Budget proposes savings of $7.9 million in the ADDP Program by reducing eligibility 500% FPL to 300% FPL as well as elimination of certain lifestyle drugs. This will impact approximately 950 clients over the course of a year. This reduction will bring the ADDP Program more in line with the PAAD Program in terms of eligibility.

- **The New Jersey Commission on Cancer Research and Cancer Research grants – $11 million**

  This budget eliminates funding for the Commission on Cancer Research, but we will maintain funding support for the Cancer Institute of New Jersey (CINJ). The Commission will still have two off-budget funding sources (tax check off and dedicated license plate revenue) to award grants. The Department is exploring ways to consolidate our various research commissions in order to maximize available funding.

  The funding reduction of $10 million for Cancer Research was a continuation of the current year lapse of this account. This program did not exist prior to FY 2009.

- **MEDPREP and NJ Domestic Security Preparedness - $7.25 million**

  MEDPREP monies fund health preparedness and response projects. Federal grant restrictions prohibit the use of federal funds for many of MEDPREP funded projects and there is a federal match and maintenance of funding requirement on our federal grants.

  Domestic Security Preparedness Funding is provided to our 21 statewide LINCS Agencies (lead emergency response health departments) to support regional public health emergency preparedness and response activities.

  Maintenance funding of $4.7 million from the vehicle surcharge fund will continue.

- **Public Health Priority Funding - $2.4 million**

  Public Health Priority Funding is restricted to local health agencies serving a minimum population of 25,000; 72 of 93 local health departments.
In FY 2009, over $47.6 million in departmental funding was provided to local and county health departments for a variety of public health activities. This funding represents a five percent reduction from that amount.

2. For each line item reduction in the department’s or unit’s budget, please indicate the number of positions (budgeted, funded and filled or unfilled) that will be eliminated and the number of individuals whose employment will be ended. If appropriate distinguish between staffing actions that may occur before and after January 1, 2011.

**Answer:** In conjunction with the Department's response to Question #1 above, the associated schedule, which will be provided by OMB under separate cover, identifies the number of impacted positions and whether those positions are currently filled or funded vacancies.

It is anticipated that these staffing actions will be completed by the end of FY 2011. The Memorandum of Agreement with the public employee unions will be honored to the extent that classified employees are involved. For those reductions associated with the elimination of funded vacancies, the savings will accrue throughout Fiscal Year 2011 as separations, retirements, and resignations occur.

3. Please identify any reductions in the department’s or unit’s budget that constitute one-time savings that are not likely to recur in Fiscal Year 2012.

**Answer:** There are no one-time savings items in the DHSS portion of the Governor’s Budget Recommendation, other than federal ARRA funding that enhanced the Department’s match for various Medicaid related programs.

4. Please identify each Fiscal Year 2010 mid-year reduction that is recommended for continuation in Fiscal Year 2011.

**Answer:** The mid-year reductions in the Department were generally one-time in nature or represented under spending in the current fiscal year and were not continued into FY11. The only FY10 mid-year reduction that was continued in its entirety was the $10 million Cancer Research line item. Grant lines for family planning, postpartum education, medical emergency management, anti-smoking, and public health priority funding which where identified for partial lapse in FY10, were further reduced or eliminated in FY11.

5. Are any of the appropriations recommended for Fiscal Year 2011 required to compensate for the effects of Fiscal Year 2010 reductions? If so, please identify and explain.

**Answer:** This question is not applicable in DHSS.

6. Please list any anticipated increase in fees, fares or co-payments that are reflected in the FY 2011 budget recommendation, including the amount of revenue or cost reduction, and the intended effective date.

**Answer:** The current cap on both the 0.53 percent assessment on hospital revenue and the cap on the assessment on the gross receipts for ambulatory care facilities was lifted. It is anticipated these two actions, when implemented in October, will raise $45 million for the
Health Care Subsidy Fund. This revenue will be matched with federal dollars and the net impact to the hospital industry is $11.3 million.

7. If additional revenues were to become available during the budget process, which one or two reductions proposed for the department or unit should be top candidates for restoration? Please justify your selections.

Answer: The Governor’s proposed Fiscal year 2011 budget represents the culmination of many tough choices that had to be made in order to balance spending and revenues for next year. The funding proposed for the Department of Health and Senior Services, while reduced, will allow it to meet its core missions and provide vital services to residents and businesses in the State.

In the event that additional revenues become available during the budget process, the Department would welcome the opportunity to work closely with the Legislature to restore funding for important programs. The Department believes that any such restorations should be considered in the context of programs and spending needs throughout the State budget, not only those administered by the Department. The Department looks forward to consulting with the Legislature to ensure that only the programs of greatest value are restored.

8. Please identify proposed budget reductions which require Federal approvals, waivers or similar actions, and the timetable for seeking and obtaining approvals in order to achieve the projected savings. Please indicate whether approvals/waivers have been previously sought and not obtained, and explain why approvals should be expected in this case. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value? Please also identify proposed budget reductions that may reduce the receipt of federal funds, and the estimated loss of federal funds that would result from such reductions.

Answer: The current budget anticipated the need for two federal waivers; the first is for FQHC reimbursement of $20 million. The second is for a Charity Care Provider Tax payment waiver. It is anticipated that both of these waivers will pass.

Federal funds will be reduced in all Medicaid related programs where a reduction was recommended. For example, the reductions stated for medical day care only reflect one half of the reduction to the program.

Finally, some of the reduction may have an impact of the maintenance of effort or match provisions of certain federal funds. It is too early to ascertain the full impact, but the department will make every effort to fully maximize available federal funds.

9. Please describe how the department or unit implemented mandatory workforce furloughs in FY 2010, identifying the amount saved and the proportion of the workforce exempt from furloughs, and detailing the impact on individuals or firms served by or regulated by the department.

Answer: No departmental employees were exempt from the mandatory workforce furloughs in FY 2010. As of today, departmental employees took 12,685 furlough days. Based on an average daily rate of $268, this represents as savings of $3.4 million for all funds.
Generally, since the Department managed the furloughs process to ensure that coverage was available, the impact on the public and regulated community was minimal. There was some minimal impact on overtime in vital statistics and in our departmental laboratories.

10. The Budget in Brief references savings to be achieved both through privatization and “insourcing.” Please identify savings in your budget associated with either of these initiatives. Please provide examples of successes or failures of such initiatives in prior years.

*Answer:* Currently there are no savings in our budget associated with these actions.