



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
HEALTH AND
SENIOR SERVICES**

FISCAL YEAR

2010 - 2011

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... D-139 to D-169

Fiscal Summary (\$000)

	Expended FY 2009	Adjusted Appropriation FY 2010	Recommended FY 2011	Percent Change 2010-11
State Budgeted	\$1,450,386	\$1,254,224	\$1,177,149	(6.1%)
Federal Funds	1,819,695	2,172,238	2,266,118	4.3%
<u>Other</u>	<u>350,017</u>	<u>356,670</u>	<u>397,887</u>	<u>11.6%</u>
Grand Total	\$3,620,098	\$3,783,132	\$3,841,154	1.5%

TO THE READER

The Office of Legislative Services presents its analysis of the New Jersey Budget for Fiscal Year 2010-2011 in truncated form due to extraordinary time constraints. Unlike those of previous years, this year's analysis is confined to a review of significant changes in appropriations and language provisions, respectively, recommended by the Governor. It also presents one or more background papers on selected topics pertinent to this agency's mission. Discussion points, long a feature of annual OLS budget analyses, will be made available under separate cover and on the Internet, together with agency responses, from time to time as they are received.

Link to Website: <http://www.njleg.state.nj.us/legislativepub/finance.asp>

Office of Legislative Services
Legislative Budget and Finance Office
April 2010

Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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HEALTH SERVICES

Direct State Services	\$37,483	\$31,647	(\$5,836)	(15.6%)	D-146 to D-147
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Recommended appropriations for VITAL STATISTICS (\$1.3 million) and AIDS SERVICES (\$1.4 million) are unchanged from FY 2010 levels.

FAMILY HEALTH SERVICES. Recommended appropriations are reduced by \$500,000, to \$1.7 million. The \$500,000 appropriated for the Governor’s Council for Medical Research and Treatment of Autism in FY 2010 is not continued. Proposed budget language allocates \$500,000 from the Autism Medical Research and Treatment Fund to support the operations of the Governor’s Council

PUBLIC HEALTH PROTECTION SERVICES appropriations are reduced by approximately \$9.3 million, from \$20.3 million to \$11.1 million:

New Jersey Domestic Security Preparedness is reduced from \$1,450,000 to \$260,000. No information is available as to why funding is reduced or the impact this reduction will have on the overall program.

School Based Programs and Youth Anti-Smoking is reduced by \$5.3 million, to about \$0.4 million. A related appropriation, Anti-Smoking Programs, is reduced from \$1.8 million to \$43,000.

The Budget in Brief indicates that “increases in cigarette taxes ... have been a successful deterrent to smoking, especially among teenagers.”

Funding for the New Jersey State Commission on Cancer Research is reduced from \$1.0 million to about \$0.1 million. This level of funding would allow existing grants to be monitored. As no Grants-in-Aid funds are recommended, no new cancer research grants will be awarded. Thus, no staff are needed to handle the paperwork associated with processing and monitoring new grants, and personnel costs are reduced from about \$0.3 million to \$0.1 million. Further, the administrative costs of the commission had been supported by the Cancer Research Fund. However, proposed budget language would transfer \$1.0 million in Cancer Research Funds to the General Fund.

Support for the New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment is reduced from \$200,000 to \$85,000, affecting personnel related costs.

LABORATORY SERVICES funding would increase by nearly \$4.0 million, from \$12.2 million to \$16.2 million. The increase is related to the anticipated opening of a new State Laboratory in West Trenton. Costs related to Personnel Services, Services Other Than Personal and Maintenance and Fixed Charges and Additions, Improvements and Equipment increase. Offsetting these increases, Special Purpose appropriations related to New Jersey Domestic Security Preparedness decrease by nearly \$1.4 million, from \$1.8 million to about \$0.4 million. Information is not available regarding this reduction, though some of the reductions may represent reallocations to the program’s

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
operating accounts.					
HEALTH SERVICES (General Fund):					
Grants-in-Aid	\$234,259	\$199,303	(\$34,956)	(14.9%)	D-147
HEALTH SERVICES (Casino Revenue Fund):					
Grants-in-Aid	\$529	\$529	0	0	D-147
Less Enhanced Federal Medicaid Matching Percentage		(\$3,768)	n.a	n.a	D-147
Less Federal Economic Stimulus	(\$10,800)		n.a.	n.a.	D-147
Grants-in-Aid NET	\$223,988	\$196,064	(\$27,924)	(12.5%)	D-147

The overall recommended appropriations for the Grants-in-Aid accounts decreases by \$27.9 million. As the budget does not identify which particular program benefited from the additional federal monies made available to the State in FY 2010 or in FY 2011, the individual program Grants-in-Aid appropriations are discussed below without regard to the additional federal funds the State has or expects to receive.

Family Health Services (General Fund): Grants-in- Aid	\$139,159	\$117,333	(\$21,826)	(15.7%)	D-147
Family Health Services (Casino Revenue Fund): Grants-in-Aid	\$529	\$529	0	0	D-147
Grants-in-Aid TOTAL	\$139,688	\$117,862	(\$21,826)	(15.6%)	D-147

FAMILY HEALTH SERVICES recommended appropriations are reduced \$21.8 million from \$139.7 million to \$117.9 million.

The recommended budget creates a new Grants-in-Aid account called Maternal, Child and Chronic Health Services and appropriates approximately \$26.8 million to this account. The Budget in Brief states that "eliminating the special grants would enable other providers access to funds and will result in "an open and competitive grantmaking process."

The following Grants-in-Aid accounts are not continued and their appropriations have been consolidated in the new Maternal, Child and Chronic Health Services account. Some of the grants may have been established by legislation and some may have been included by the Legislature in the annual appropriations act:

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Hemophilia Services - \$1,245,000					
Special Services for Handicapped Children - \$2,516,000					
Chronic Renal Disease Services - \$488,000					
Pharmaceutical Services for Adults with Cystic Fibrosis - \$379,000					
Birth Defects Registry - \$35,000					
Maternal and Child Health Services - \$6,113,000					
Lead Poisoning Program - \$987,000					
Cleft Palate Programs - \$693,000					
Tourette Syndrome Association of New Jersey - \$950,000					
SIDS Assistance Act - \$221,000					
Services to Victims of Huntington's Disease - \$317,000					
New Jersey Council on Physical Fitness and Sports - \$50,000					
Infant Mortality Reduction Program - \$2,000,000					
Cancer Screening – Early Detection and Education Program - \$6,034,000					
Post Partum Screening - \$2,000,000					

In addition, two Grant-in-Aid accounts from the PUBLIC HEALTH PROTECTION SERVICES program have been consolidated within the new Maternal, Child and Chronic Health Services account:

Tuberculosis Services - \$1.8 million
 Immunization Services - \$0.9 million

Since no new language is proposed applicable to the allocation of this new account and since language is included that permits transfer of funds to administrative accounts, it is unclear whether the level of grant funding in FY 2011 will equal that of FY 2010. Also, information is not available at this time as to whether all the grants that are eliminated will be continued pending the release of Requests for Proposals and the awarding of contracts for services.

A Grants-in-Aid program that is not continued and is not incorporated in the new Maternal, Child and Chronic Health Services account is the \$7.5 million in funding for Family Planning Services. Funding for the Postpartum Education Campaign is reduced from \$2,000,000 to \$450,000.

The following is noted with respect to the elimination of Family Planning Services grants:

- Federal funds of \$6.1 million are available for family planning services.
- Medicaid and NJ FamilyCare recipients who receive family planning services can receive services through other types of providers, such as Federally Qualified Health Centers. However, the cost of providing those services by other providers may be greater than the cost at family planning agencies.
- In 2009, the State applied for a Family Planning Demonstration Waiver to enable family planning services and supplies to be provided to persons between the ages of 18 and 49 with income below 200% of the federal poverty level. Available information is that the

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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State has withdrawn its application. However, the new federal health care legislation would permit Medicaid to expand coverage to 200% of the federal poverty level for family planning services without applying for a waiver. It is not known whether the State will pursue this option.

- P.L.2009, c.268 increased Medicaid reimbursement to at least 90% of the amount of the actual cost of services provided during an office visit. The 10% State share of the increased cost 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 in FY 2011, there will not be any monies to transfer to Medicaid to fund a Medicaid reimbursement increase. It is not known whether the overall Medicaid budget includes the needed monies to increase reimbursement for family planning services.

Funding for the Early Childhood Intervention Program is reduced \$15.6 million, to \$86.6 million, and incorporates \$2.4 million in program growth based on current utilization trends.

Offsetting the reduction in General Fund appropriations, \$7.3 million in additional Medicaid reimbursements are anticipated and an increase in Early Intervention Program Co-payments¹ is expected to generate an additional \$12 million in revenues.

To generate the additional \$12 million in co-payments, the income level at which co-payments are required may have to be lowered: At present, a two-person household is exempt from a co-payment if their income is less than \$51,000; and a three-person household is not subject to a co-payment if their income is less than \$64,500. Also, the co-payment amounts may have to be increased to generate the additional revenues. At present, even though the FY 2010 appropriations act anticipates \$7.0 million in co-payments, available data indicate that only \$5.4 million in co-payment revenues will be realized.

It is noted that proposed budget language appropriates “such additional sums as may be necessary” to the Early Childhood Intervention Program.” Thus, if the amount generated by an increase in co-payments is less than \$12.0 million, additional State appropriations are available to offset this shortfall.

Public Health

Protection Services:

Grants-in-Aid	\$60,022	\$43,099	(\$16,923)	(28.2%)	D-147 to D-148
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Recommended Grants-in-Aid appropriations are reduced by \$16.9 million, or 28.2%, to \$43.1 million.

The following grants are not continued but have been incorporated within new grant accounts: Tuberculosis Services (\$1.8 million Immunization Services (\$0.9 million); and AIDS Communicable Disease Control (\$0.5 million). The following grants are not continued: Medical Emergency Disaster Preparedness for Bioterrorism (\$4.0 million); and Cancer Research (\$10.0 million). Grant

¹ The \$12 million in additional co-payment revenues is classified as a “programmatic efficiency” in budget documents.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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funding for Implementation of Comprehensive Cancer Control Program is reduced by \$0.3 million, to \$1.2 million.

As a dedicated revenue supports the Medical Emergency Disaster Preparedness for Bioterrorism program, the \$4.0 million reduction may be offset by the dedicated revenues available to the program. Also, \$27.5 million in federal funds are available for bioterrorism activities.

Appropriations for the Cancer Institute of New Jersey (\$18.0 million) and the Cancer Institute of South Jersey – Debt Services (\$5.4 million) are unchanged from FY 2010 levels.

Funding for the Hospital Asset Transformation Program – Debt Service increases by over \$0.6 million, from \$17.6 million to \$18.2 million. Established pursuant to P.L.2000, c.98 (N.J.S.A.26:21-7g(1)), this program helps pay some of the costs associated with closing a hospital. In addition, proposed budget language appropriates “such additional sums as are required” to support contracts between the State and the New Jersey Health Care Facilities Financing Authority, which administers the program. At present, St. Mary’s Hospital (Passaic) and St. Michael’s Medical Center (Newark) participate in the program. A third hospital, Muhlenberg, has applied for assistance.

AIDS Services: Grants-in-Aid	\$35,078	\$38,871	\$ 3,793	10.8%	D-147 to D-149
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Though overall appropriations increase, \$4.2 million in funds for Rapid AIDS Testing is eliminated. No information has been provided regarding the elimination of Rapid AIDS Testing funding. However, as the State and local government entities that receive AIDS funds directly from the federal government have discretion with respect to the use of these federal monies, it is possible that they may allocate federal funds to continue rapid AIDS testing.

State appropriations for the AIDS Drug Distribution Program (ADDP) increase by \$7.5 million, from \$9.8 million to \$17.2 million, based on existing expenditure and utilization trends. Savings of \$7.9 million are anticipated by limiting eligibility to persons with incomes of less than 300% of the federal poverty level (approximately \$32,500 for a one-person household) and by eliminating drugs that treat some of the side effects associated with the treatment of AIDS, such as baldness, weight loss, vitamin depletion, etc. The current income eligibility limit is 500% of the federal poverty level.) Approximately 600 to 700 persons would be affected by the 300% of the federal poverty level income limit.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Public Health

Protection Services:

State Aid	\$2,400	\$0	(\$2,400)	(100.0%)	D-149
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Funding received by non-county based health departments through the Public Health Priority Funding program is eliminated.

Health Services:

Federal Funds	\$413,930	\$404,406	(\$9,524)	(2.3%)	D-149
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The amount of available Federal Funds to support VITAL STATISTICS (\$1.1 million) and LABORATORY SERVICES (\$5.9 million) are unchanged from FY 2010 levels.

Federal Funds available to the FAMILY HEALTH SERVICES program increase by \$6.1 million, to \$225.7 million, due to additional federal Medicaid funds for the Early Childhood Intervention Program.

The PUBLIC HEALTH PROTECTION SERVICES program expects a \$17.7 million reduction in Federal Funds, to \$94.2 million. The reduction is related to the H1N1 Public Health Emergency Response program, though unexpended FY 2010 funds related to the H1N1 program may continue to be available in FY 2011.

An additional \$2.1 million in Federal Funds are anticipated in the AIDS SERVICES program, to \$77.4 million, and is related to the AIDS Drug Distribution Program.

Health Services: Other

Funds	\$103,208	\$115,293	\$12,085	11.7%	D-149 to D-150
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The overall amount of Other Funds available to the HEALTH SERVICES program is expected to increase by \$12.1 million, to \$115.3 million, as follows:

VITAL STATISTICS anticipates a \$0.5 million reduction, to \$2.4 million, as it expects less Appropriated Receipts for the services it provides.

An additional \$12.0 million for FAMILY HEALTH SERVICES, to \$73.5 million, is anticipated and is related to Early Intervention Program Co-payments. As noted earlier, though the FY 2010 appropriations act anticipated \$7.0 million in co-payments, approximately \$5.4 million will be realized in FY 2010. A \$12.0 million increase in copayments will likely result in a lowering of the income threshold at which a copayment will be required, and an increase in the copayment amount. At this time, no information is available as to what the new income limits or copayment amount will be to generate an additional \$12 million in revenues.

PUBLIC HEALTH PROTECTION SERVICES anticipates a \$0.6 million increase in Other Funds, to \$13.6 million, related to Special Revenue.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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Other Funds available to LABORATORY SERVICES decrease by \$1.1 million, to \$10.8 million. The reduction is related to the program's Revolving Fund and should have little impact as unexpended balances are available for expenditure, if needed. (The \$10.8 million amount includes funds that are referenced in other budget documents provided to the Office of Legislative Services and that are not included in the totals displayed above)

AIDS SERVICES funds are unchanged at \$25.0 million. These monies represent AIDS Drug Distribution Program Rebates from pharmaceutical manufacturers. As the new federal health care legislation increases rebates manufacturers will pay the Medicaid program, it is possible that additional rebates will be received by this program.

HEALTH PLANNING AND EVALUATION

Health Care Systems

Analysis: Grants-in-Aid	\$27,789	\$61,995	\$34,206	123.1%	D-154
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The General Fund appropriation related to Charity Care increases \$34.2 million, to \$62.0 million.

Available information is that \$695 million in State/federal funds will be distributed to hospitals: \$665 million in Charity Care, and \$30 million in Health Care Stabilization Funds as determined by the commissioner upon the submission and review of funding applications submitted by hospitals.

The distribution of Charity Care is specified by budget language on p. D-157. One of the more significant changes with respect to the distribution of Charity Care in FY 2011 is that hospitals will be classified into two tiers, based on their Relative Charity Care Percentage (RCCP), as opposed to three tiers based on their RCCP in FY 2010.

To make available \$695 million in State/federal funds to hospitals, the budget eliminates the \$40 million cap on the amount of monies raised by the 0.53% assessment on approved hospital revenues. This will raise an additional \$38.7 million in FY 2011. In addition, the \$200,000 cap on the amount an ambulatory care facility subject to Ambulatory Care Facility Gross Receipts Assessment would be required to pay is eliminated, and is expected to raise an additional \$6.3 million. The \$45 million in additional revenues would generate \$45 million in federal Disproportionate Share Hospital (DSH) funds to be distributed to hospitals.

Federal Funds	\$141,179	\$139,079	(\$2,100)	(1.5%)	D-154
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Overall, approximately \$139.1 million in federal funds are anticipated, a \$2.1 million reduction from FY 2010 levels, as follows:

In the LONG TERM CARE SYSTEMS program, federal funds are unchanged at \$19.5 million. These monies primarily represent Medicare/Medicaid Inspections of Nursing Facilities monies (\$16.7 million).

The HEALTH CARE SYSTEMS ANALYSIS (HCSA) program expects \$119.6 million, a \$2.1 million reduction. This is attributable to less Medicaid administrative reimbursement for the HCSA

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Medicaid program. The amount of Appropriated Federal Charity Care Funds is unchanged at \$116.7 million.

Other Funds	\$96,843	\$125,535	\$28,692	29.6%	D-154
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Approximately \$125.5 million in various Other Funds are anticipated, as follows:

LONG TERM CARE SYSTEMS anticipates \$3.5 million in funds, unchanged from FY 2010 levels. These primarily represent Appropriated Receipts.

In the HEALTH CARE SYSTEMS ANALYSIS program, the \$28.7 million increase in various Other Funds, to \$122.1 million, is due to the additional revenues generated by lifting the \$40 million cap on the amount of revenues the 0.53% assessment on hospital revenues will generate. This is expected to produce \$38.7 million in FY 2011². Offsetting the \$38.7 million increase in the hospital assessment is a \$10 million reduction in Health Care Stabilization Fund.

SENIOR SERVICES

Direct State Services					D-160 to
GENERAL FUND	\$13,299	\$11,026	(\$2,273)	(17.1%)	D-161

Recommended appropriations for PROGRAMS FOR THE AGED (\$0.3 MILLION) and OFFICE OF THE PUBLIC GUARDIAN (\$0.6 million) are unchanged from FY 2010 levels. (Casino Revenue Funds for PROGRAMS FOR THE AGED are also unchanged at \$0.9 million.)

Funds for MEDICAL SERVICES FOR THE AGED decrease by \$0.5 million, to about \$4.0 million. The reduction is in the Fiscal Agent – Medical Services for the Aged account.

A \$1.7 million reduction is proposed for the PHARMACEUTICAL ASSISTENCE TO THE AGED AND DISABLED PROGRAM, to \$6.1 million. The reduction is in the Payments to Fiscal Agent – PAA account

Available information is that the Fiscal Agent funds are now included within a similar account in the Department of Human Services, Division of Medical Assistance and Health Services.

² In future years, upwards of \$50 million may be generated by lifting the \$40 million cap, as there is a three-month lag period in collecting the assessment from hospitals.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
SENIOR SERVICES:					
Grants-in-Aid TOTAL	\$1,242,259	\$1,168,366	(\$73,893)	(5.9%)	D-161
General Fund	\$1,094,384	\$1,056,993	(\$37,391)	(3.4%)	D-161
Casino Revenue Fund	\$147,875	\$111,373	(\$36,502)	(24.7%)	D-161
Less Enhanced Federal Medicaid Match	(\$310,401)	(\$309,323)	n.a.	n.a.	D-161
State Appropriation (NET)	\$931,858	\$859,043	(\$72,815)	(7.8%)	D-161

Net Grants-in-Aid appropriations decrease \$72.8 million, to \$859.0 million, based on the receipt of \$309.3 million in Enhanced Federal Medicaid Match funds. The overall appropriation may also include \$15.0 million in Anti-Fraud Efficiencies.³

As the budget does not identify which particular program benefited from the additional federal monies made available to the State in FY 2010 or in FY 2011, the individual program Grants-in-Aid appropriations are discussed below without regard to the additional federal funds the State has or expects to receive.

Medical Services for the Aged: Grants-in-Aid TOTAL	\$979,482	\$946,181	(\$33,301)	(3.4%)	D-161
General Fund	\$951,652	\$946,061	(\$5,591)	(0.6%)	D-161
Casino Revenue Fund	\$27,830	\$120	(\$27,710)	(99.6%)	D-161

Appropriations for the Global Budget for Long Term Care program decrease by about \$0.6 million, to \$94.5 million. In FY 2011, the General Fund will assume \$27.6 million in costs that had been supported by the Casino Revenue Fund.

Available information is that the Global Budget will provide services to nearly 11,800 clients, compared to 11,100 clients in FY 2010 levels, at a total cost of \$189.0 million (gross).

The ElderCare Initiatives program and its \$14.9 million appropriation is transferred to PROGRAMS FOR THE AGED and incorporated within a new Community Based Senior Programs account.

Payments for Medical Assistance Recipients – Nursing Homes recommended appropriation of \$755.2 million represents a \$2.9 million increase over FY 2010 levels. However, as the Nursing Home appropriation incorporates the \$9.0 million Medicaid High Occupancy Nursing Home appropriation, Nursing Home funding is actually reduced by \$6.1 million.

³ Budget documents identify \$15.0 million in Anti-Fraud Efficiencies, but do not identify the program to which such savings will accrue. It is assumed that the Anti-Fraud efficiencies refer to Medicaid related programs operated by the Senior Services program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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As indicated in the Budget in Brief, \$56.6 million is not recommended for a projected 6% per diem rate increase for nursing homes and for an increase in the number of Medicaid patient days. Savings of \$2.2 million are expected to be realized through Enhanced Nursing Home Acuity Audits.

The consolidation of the \$9.0 million Medicaid High Occupancy Nursing Home appropriation within the overall Nursing Home account is related to the implementation of a new nursing home rate setting system in FY 2011. Although both the department and the nursing home industry agreed that the account should be consolidated and enhanced funding continue to be distributed to nursing homes with high Medicaid occupancy levels, the elimination of budget language that specified how the \$9.0 million is distributed removes assurances that the monies will go to nursing homes with high Medicaid occupancy levels. Also, in the absence of a specific amount appropriated to reimburse nursing homes with high Medicaid occupancies, the department could allocate less than \$9.0 million for that purpose.

A key feature of the new nursing home rate setting system is that except for Special Care Nursing Facilities, all nursing home rates will be within \$5.00 of their FY 2010 rate as specified in budget language on p. D-164. Special Care Nursing Facilities will receive the same per diem rate as in FY 2010.

The FY 2011 recommended budget includes \$136.0 million in Other Revenues generated by the Nursing Home Provider Assessment Fee.

Approximately 10.6 million in Medicaid patient days of nursing home services will be provided in FY 2011, roughly the same as in FY 2010 .

Medical Day Care Services recommended appropriations of \$96.3 million incorporate \$9.3 million in cost increases based on current expenditure and utilization trends, and represent a \$11.7 million reduction from FY 2010 levels. Savings of \$21.0 million will be realized through a \$3 co-payment, capped at \$25 per month, and restrictions on eligibility for services. The number of days of service provided in FY 2011 is expected to decrease by over 280,000 days, to nearly 2.2 million.

Pharmaceutical Assistance to the Aged and Disabled: Grants-in-Aid TOTAL					
	<u>\$232,577</u>	<u>\$177,037</u>	<u>(\$55,540)</u>	<u>(23.9%)</u>	
General Fund:	<u>\$127,209</u>	<u>\$80,532</u>	<u>(\$46,677)</u>	<u>(36.7%)</u>	D-161
PAAD	\$115,040	\$75,366	(\$39,674)	(34.5%)	D-162
Senior Gold	\$12,169	\$5,166	(\$7,003)	(57.5%)	D-162
Casino Revenue Fund (PAAD)	<u>\$105,368</u>	<u>\$96,505</u>	<u>(\$8,863)</u>	<u>(8.4%)</u>	D-162

The recommended \$177.0 million gross appropriation for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold Prescription Program (Senior Gold) assumes the following savings:

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2010</u>	<u>Recomm.</u> <u>FY 2011</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
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- Savings of \$14.9 million by increasing the co-payment for brand name drugs from \$7 to \$15 per prescription and reducing the co-pay for generic drugs from \$6 to \$5 per prescription. Available information provided by the department is that nearly 134,800 beneficiaries will be affected by the increase in the co-payment for brand name drugs. About 35,000 persons will not be affected by the increase in the co-payment as they receive federal assistance. As 60% of prescriptions filled in the two programs are generic, recipients who use generic drugs will realize a reduction in costs.
- Savings of \$39.7 million by requiring recipients to pay a \$310 annual deductible. The department has indicated that this will affect 134,000 recipients, while 40,000 beneficiaries will not be affected by the deductible as they receive federal assistance.
- Savings of \$0.9 million based on current expenditure and utilization trends in the two programs.

These savings initiatives were proposed before the enactment of federal health care legislation, which would:

- Provide PAAD/Senior Gold recipients with a \$250 rebate if their prescription drug expenditures reached the Medicare Part D “donut hole”;
- Increase rebates paid by drug manufacturers to the Medicaid/PAAD programs.

As a result of the federal health care legislation, the State is likely to realize additional PAAD/Senior Gold savings beyond those anticipated in the budget.

For FY 2011, PAAD enrollment of 152,600 is anticipated: 124,300 elderly and 28,200 disabled. Senior Gold enrollment of 22,400 is expected: 20,800 elderly and 1,600 disabled.

Programs for the Aged:					
Grants-in-Aid TOTAL	\$30,200	\$45,148	\$14,948	49.5%	D-161
General Fund	\$15,523	\$30,400	\$14,877	95.8%	D-161
Casino Revenue Fund	\$14,677	\$14,748	\$71	0.5%	D-161

Though overall appropriations increase by \$14.9 million (gross), the increase reflects the transfer of General Fund appropriations to ElderCare Initiatives program (\$14.9 million) from MEDICAL SERVICES FOR THE AGED to PROGRAMS FOR THE AGED.

The recommended budget consolidates numerous individual grants, some of which were initiated by the Legislature, into one grant, Community Based Senior Services.

The Budget in Brief states that eliminating the special grants would enable other providers access to funds and will result in “an open and competitive grantmaking process.”

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2010</u>	<u>Recomm. FY 2011</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The following **General Fund** and **Casino Revenue Fund** grants appear to have been consolidated into the new grant:

General Fund

- ElderCare Initiatives - \$14.9 million
- Demonstration Adult Day Care Center Program – Alzheimer’s Disease - \$0.5 million
- Purchase of Social Services - \$10.6 million
- ElderCare Advisory Commission Initiatives - \$2.5 million
- Alzheimer’s Disease Program - \$0.9 million
- Adult Protective Services - \$1.0 million

Casino Revenue Fund

- Demonstration Adult Day Care Center Program – Alzheimer’s Disease - \$2.7 million
- Senior Citizen Housing – Safe Housing and Transportation - \$1.7 million
- Respite Care for the Elderly - \$5.4 million
- Congregate Housing Support Services - \$2.0 million
- Adult Protective Services - \$1.8 million
- Home Delivered Meals - \$1.0 million
- Home Care Expansion - \$0.1 million

Information is not available as to whether the grants that are eliminated will be continued pending the release of Requests for Proposals and the awarding of contracts for services. It is also noted that:

- The Home Care Expansion program is an entitlement program that has essentially been replaced by the Global Options program. Only six people remain eligible for the program.
- The parameters of the Respite Care for the Elderly program is established in legislation (N.J.S.A.30:4F-1 et.seq.)

Significant Language Changes

FAMILY HEALTH SERVICES

2010 Appropriations Handbook

No comparable language provision.

2011 Budget Recommendations

p. D-150.

Notwithstanding the provisions of any law to the contrary, there is appropriated \$500,000 from the Autism Medical Research and Treatment Fund for the operations of the Governor’s Council for Medical Research and Treatment of Autism.

Explanation

The proposed language would make \$0.5 million available to the Governor’s Council for Medical Research and Treatment of Autism from the Autism Medical Research and Treatment Fund and offset a \$0.5 million reduction in General Fund appropriations.

2010 Appropriations Handbook

p. B-77.

The amount hereinabove appropriated for the New Jersey State Commission on Cancer Research is charged to the Cancer Research Fund pursuant to section 5 of P.L.1982, c.40 (C.54:40A-37.1).

2011 Budget Recommendations

p. D-151.

Notwithstanding the provisions of any law to the contrary, \$1,000,000 from the Cancer Research Fund established pursuant to P.L.1982, c.40 (C.54:40A-37.1) is transferred to the General Fund.

Explanation

In FY 2010 and prior fiscal years, the \$1.0 million appropriation for administrative costs of the New Jersey State Commission on Cancer Research was charged to the Cancer Research Fund. In FY 2011, the commission’s budget is being reduced from \$1.0 million to \$94,000. The \$94,000 appropriation will be paid with General Fund revenues, and \$1.0 million in Cancer Research Fund revenues will be transferred to the General Fund for general governmental operations.

2010 Appropriations Handbook

p. B-77.

In order to permit flexibility in the handling of the various appropriations for anti-tobacco initiative accounts hereinabove, funds may be transferred to and from the following items of appropriations: School Based Programs and Youth Anti-Smoking, and Anti-Smoking Programs. Such transfers are subject to the **(Continued on the next page)**

2011 Budget Recommendations

No comparable language provision.

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-77.

approval of the Director of the Division of Budget and Accounting. Notice thereof shall be provided to the Legislative Budget and Finance Officer on the effective date of the approved transfer.

Explanation

The FY 2011 recommended budget reduces funding for anti-tobacco initiatives significantly, from \$7.5 million to \$0.5 million. The language is not considered necessary as there are limited funds available to transfer among programs.

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-76.

Of the amounts hereinabove appropriated for Family Planning Services, \$2,500,000 shall be appropriated to the Office of Maternal and Child Health in the Department of Health and Senior Services for family planning.

No comparable language provision.

Explanation

As the recommended budget eliminates \$7.5 million in Family Planning Services grants, there are no monies to provide to the Office of Maternal and Child Health. Therefore, the language is not continued.

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-77.

Of the amount hereinabove appropriated for the Implementation of Comprehensive Cancer Control Program, an amount may be transferred to Direct State Services in the Department of Health and Senior Services to cover administrative costs of the program and to the corresponding program in Family Health Services in the Department of Health and Senior Services for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.

p. D-151.

Of the amount hereinabove appropriated for Maternal, Child and Chronic Health Services an amount may be transferred to Direct State Services in the Department of Health and Senior Services to cover administrative costs of the program, subject to the approval of the Director of the Division of Budget and Accounting.

Significant Language Changes (Cont'd)

Explanation

In FY 2010 and in prior fiscal years, a portion of the monies appropriated to the Implementation of Comprehensive Cancer Control Program was available for transfer to other appropriate accounts for administrative purposes. In FY 2011, overall funding for the program is being reduced by \$0.3 million, to \$1.2 million, and the entire \$1.2 million will be used exclusively for grants, and no administrative costs will be charged to the program.

The FY 2011 language would allow a portion of the \$26.8 million recommended for the new Maternal, Child and Chronic Health Services grant account to be transferred to the appropriate accounts for administrative purposes. It is not known how much of the \$26.8 million appropriation will be used for administrative purposes at this time.

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-78.

In order to permit flexibility in the handling of appropriations, the amount hereinabove appropriated for the Medical Emergency Disaster Preparedness for Bioterrorism program may be transferred to Direct State Service accounts as required, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

As no General Funds are appropriated for the program, there are no monies available for transfer. Thus the language is not necessary. (It is noted that the program has available federal funds and receives monies from a dedicated, off-budget fund.)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-76.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the Early Childhood Intervention Program shall be conditioned on the Early Childhood Intervention Program's family cost sharing program involving a progressive charge for each hour of direct services provided to the child and/or the child's family in accordance with the child's Individualized Family Service Plan, based upon household size and gross income as set forth in the New Jersey Early

p. D-151.

Similar language, except the reference to August 2007 is eliminated.

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-76.

p. D-151.

Intervention System Family Cost Participation Handbook (August 2007).

Explanation

The recommended budget proposes an increase in co-payments to families who participated in the program. An additional \$12.0 million is to be raised by the new co-payment schedule. An updated New Jersey Early Intervention System Family Cost Participation Handbook will likely be published and replace the August 2007 edition. Thus, reference to the August 2007 edition is eliminated.



2010 Appropriations Handbook

2011 Budget Recommendations

p. B-78.

From the amount hereinabove appropriated to Cancer Research, an amount up to \$10,000,000 is appropriated for competitive grants to be made by the New Jersey Commission on Cancer Research, for cancer research, treatment and prevention, provided that: (1) the award of such grants funds are made in consultation with the New Jersey Department of Health and Senior Services; (2) the notice of grant availability is published in the New Jersey Register; (3) not more than 5% of the total amount hereinabove appropriated may be transferred to various accounts as required, including Direct State Services accounts, and is appropriated for a comprehensive scientific peer review process, subject to the Director of the Division of Budget and Accounting; (4) funds are expended within this State and benefit New Jersey residents; and (5) the Department of Health and Senior Services shall execute the grant agreements and the New Jersey Commission on Cancer Research shall oversee and administer the grant agreements.

No comparable language provision.

Significant Language Changes (Cont'd)

Explanation

As the FY 2011 recommended budget does not provide any funds for Cancer Research, the language that specified the manner in which the grant funds were awarded is not necessary.

2010 Appropriations Handbook

p. B-78.

The unexpended balance at the end of the preceding fiscal year in the Cancer Institute of New Jersey Research, South Jersey Program - Debt Service account and any unexpended balance from preceding fiscal years that are transferred to the program are appropriated to the program for cancer-related capital equipment, design, engineering and construction expenses.

2011 Budget Recommendations

p. D-152.

The unexpended balance at the end of the preceding fiscal year in the Cancer Institute of New Jersey South Jersey Program – Debt Services account is appropriated to the program for cancer-related capital equipment, design, engineering and construction expenses.

Explanation

The FY 2011 language eliminates the word “research” from the account title. Though no explanation is provided regarding the elimination of the word “research,” its elimination may not be significant as research is an integral part of its overall mission.

The FY 2011 language also eliminates the phrase “any unexpended balance from preceding fiscal years that are transferred to the program.” Thus, such unexpended balances would not be available to the South Jersey program. Information is not available as to the amount of “unexpended balances from preceding fiscal years that are transferred to the program” which would not be available to the South Jersey program in FY 2011.

2010 Appropriations Handbook

No comparable language provisions.

2011 Budget Recommendations

p. D-152.

Notwithstanding the provision of any law or regulation to the contrary, no amounts hereinabove appropriated for the AIDS Drug Distribution Program shall be expended for vitamins, cough/cold medications, drugs used for the treatment of erectile dysfunction, or cosmetic drugs, including but not limited to drugs used for baldness and weight loss.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the AIDS Drug

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

p. D-152.

Distribution Program shall be conditioned upon the following provision: the annual income eligibility for participation in the program shall not exceed 300% of the federal poverty level. No funds shall be expended for recipients earning greater than 300% of the federal poverty level.

Explanation

Savings of \$7.9 million are anticipated by limiting eligibility to persons with incomes of less than 300% of the federal poverty level (approximately \$32,500 for a one-person household) and by eliminating drugs that treat the side-effects of drugs used to treat AIDS/HIV such as baldness, weight loss, vitamin depletion, etc.

Approximately 600 to 700 persons may be affected by limiting enrollment in the AIDS Drug Distribution program to persons with incomes below 300% of the federal poverty level. Currently, eligibility is limited to persons with income less than 500% of the federal poverty level.

2010 Appropriations Handbook

2011 Budget Recommendations

p.B-78.

The capitation for Public Health Priority Funding is set not to exceed \$0.40 for the fiscal year ending June 30, 2010 for the purposes prescribed in P.L.1966, c.36 (C.26:2F-1 et seq.).

No comparable language provisions.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the Public Health Priority Funding shall not be allocated to county health departments.

Explanation

The FY 2011 recommended budget eliminates the \$2.4 million provided to non-county operated health departments through the Public Health Priority Funding program. As such, the two language provisions are not necessary.

2010 Appropriations Handbook

2011 Budget Recommendations

p. D-152.

Significant Language Changes (Cont'd)**2010 Appropriations Handbook**

No comparable language provision.

2011 Budget Recommendations**p. D-152.**

Notwithstanding the provisions of any law or regulation to the contrary, none of the monies appropriated to the Department of Health and Senior Services are appropriated to public health priority programs under P.L.2008, c.29 (N.J.S.A.26:2F-1 et seq.)

Explanation

The proposed language would preclude the use of any monies appropriated to the department to support public health priority funding programs. It is noted that reference to P.L.2008, c.29 is in error as the P.L.2008, c.29 does not pertain to Public Health Priority Funding matters.

HEALTH PLANNING AND EVALUATION
2010 Appropriations Handbook**p. B-82.**

Notwithstanding the provisions of any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year (SFY) 2010 shall be calculated pursuant to section 3 of P.L.2004, c.113 (C.26:2H-18.59i), except that:

(a) in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data used shall be from calendar year 2008 for documented charity care claims data and hospital-specific gross revenue for charity care patients, and shall include all adjustments and void claims related to calendar year 2008 and any prior year submitted claim, as submitted by each acute care hospital or determined by the Department of Health and Senior Services (DHSS);

(b) in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data used for each hospital's total gross revenue for all patients shall be from the Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DHSS advance submission request dated February 23, 2009, as submitted by each acute care hospital by March 25, 2009, and source data used for Medicare Cost Report data shall be from calendar year 2007;

2011 Budget Recommendations**p. D-155.**

Notwithstanding the provisions of any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year 2011 shall be calculated pursuant to section 3 of P.L.2004, c.113 (C.26:2H-18.59i), except that:

(a) in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data used shall be from calendar year 2009 for documented charity care claims data and hospital-specific gross revenue for charity care patients, and shall include all adjustments and void claims related to calendar year 2009 and any prior year submitted claim, as submitted by each acute care hospital or determined by the Department of Health and Senior Services (DHSS);

(b) in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data used for each hospital's total gross revenue for all patients shall be from the Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data and shall be according to the DHSS advance submission request dated February 11, 2011, as submitted by each acute care hospital by March 11, 2010, and source data used for Medicare Cost Report data shall be from calendar year 2008;

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

p. B-82.

(c) for an eligible hospital that failed to submit its total gross revenue for all patients from the Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DHSS advance submission request dated February 23, 2009, in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data from calendar year 2007 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E;

(d) each eligible hospital shall be assigned to one of three tiers based on its initial Relative Charity Care Percentage (RCCP) as calculated in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, with Tier 1 hospitals having an initial RCCP greater than 7.5%, Tier 2 hospitals having an initial RCCP less than Tier 1 and greater than 3.6% and Tier 3 hospitals having an initial RCCP less than Tier 2;

(e) the hospital-specific subsidy initially calculated in accordance with subsections a. and b. of section 3 of P.L.2004, c.113 for each eligible hospital shall be reduced by 5% for Tier 1 hospitals, 49% for Tier 2 hospitals and 89% for Tier 3 hospitals;

(f) for each eligible hospital the difference shall be calculated between its initial calculated SFY 2010 charity care subsidy and its total SFY 2009 charity care allocation including any reallocations;

(g) if an eligible hospital's initial calculated SFY 2010 charity care subsidy is more than its total SFY 2009 amount including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2009 amount plus **50%** of the difference calculated above;

(h) if an eligible hospital's initial calculated SFY 2010 charity care subsidy is less than its total SFY 2009 amount including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2009 amount including any reallocations minus 50% of the difference calculated above;

(i) the hospital-specific subsidy for University of

2011 Budget Recommendations

p. D-155.

(c) for an eligible hospital that failed to submit its total gross revenue for all patients from the Acute Care Hospital Cost Report as defined by Form E4, Line 1, Column E data according to the DHSS advance submission request dated February 11, 2011, in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, source data from calendar year 2008 shall be used for hospital-specific gross revenue for charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E;

(d) each eligible hospital shall be assigned to one of two tiers based on its initial Relative Charity Care Percentage (RCCP) as calculated in paragraph (1) of subsection b. of section 3 of P.L.2004, c.113, with Tier 1 hospitals having an initial RCCP greater than 5%, Tier 2 hospitals having an initial RCCP less than Tier 1;

(e) the hospital-specific subsidy initially calculated in accordance with subsections a. and b. of section 3 of P.L.2004, c.113 for each eligible hospital shall **not** be reduced for Tier 1 hospitals and shall be reduced by 50% for Tier 2 hospitals;

(f) for each eligible hospital the difference shall be calculated between its initial calculated SFY 2011 charity care subsidy and its total SFY 2010 charity care allocation including any reallocations;

(g) if an eligible hospital's initial calculated SFY 2011 charity care subsidy is more than its total SFY 2010 amount including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2010 amount plus **55%** of the difference calculated above;

(h) if an eligible hospital's initial calculated SFY 2011 charity care subsidy is less than its total SFY 2010 amount including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2010 amount including any reallocations minus **55%** of the difference calculated above;

(i) the hospital-specific subsidy for an eligible hospital assigned to Tier 2 shall not be less than 15% of its documented charity care for calendar

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

p. B-82.

Medicine and Dentistry of New Jersey (UMDNJ) shall be equal to its total SFY 2009 amount excluding any reallocations;

(j) if the hospital-specific subsidy calculated thus far for an eligible hospital is calculated to be more than 100% of its documented charity care for calendar year 2008, the hospital-specific subsidy for each hospital shall be reduced to 100% of its documented charity care; and

(k) the hospital-specific subsidy for an eligible hospital assigned to Tier 3 shall be equal to 5% of its documented charity care for calendar year 2008. The resulting number will constitute each eligible hospital's SFY 2010 charity care subsidy allocation. A proportionate increase will be applied to all hospitals except UMDNJ and eligible hospitals assigned to Tier 3 if necessary such that the calculated SFY 2010 charity care subsidy allocation for all hospitals totaled shall not exceed \$605,000,000. Each eligible hospital's SFY 2010 charity care subsidy allocation as calculated above shall be reduced by one-twelfth for payments payable in SFY 2010. Each eligible hospital that received a SFY 2009 charity care subsidy allocation shall receive an amount payable in SFY 2010 equal to one-twelfth of its SFY 2009 charity care subsidy allocation, except for any hospital's SFY 2009 charity care subsidy allocation that was fully paid as calculated in SFY 2009.

2011 Budget Recommendations

p. D-155.

year 2009. The resulting number will constitute each eligible hospital's SFY 2011 Charity Care subsidy allocation. A proportionate increase will be applied to all hospitals if necessary such that the calculated SFY 2011 charity care subsidy allocation for all hospitals totaled shall not exceed **\$665,000,000**.

Explanation

In FY 2011, the recommended budget distributes \$665 million in Charity Care payments to hospitals, in comparison to the \$605 million to be distributed during FY 2010. (In February 2010, a \$12.5 million reduction in the amount of Charity Care distributed during FY 2010 was proposed, equivalent to about a 2.1% overall reduction.)

Significant Language Changes (Cont'd)

Major changes include the following:

FY 2010 APPROPRIATIONS ACT LANGUAGE	FY 2011 PROPOSED LANGUAGE
Subsection d. Hospitals classified into three tiers based on their Relative Charity Care Percentage (RCCP). <u>Tier 1 hospitals</u> have a RCCP greater than 7.5%; <u>Tier 2 hospitals</u> have a RCCP greater than 3.6% but less than 7.5%; and <u>Tier 3 hospitals</u> have a RCCP less than 3.6%	Subsection d. Hospitals classified into two tiers based on their RCCP. <u>Tier 1 hospitals</u> have a RCCP greater than 5%; and <u>Tier 2 hospitals</u> have a RCCP of less than 5%.
Subsection e. Provides for the following reductions: <u>Tier 1 hospitals</u> - 5%; <u>Tier 2 hospitals</u> - 49%; and <u>Tier 3 hospitals</u> - 89%.	Subsection e. No funding reduction for <u>Tier 1 hospitals</u> . <u>Tier 2 hospitals</u> will have funding reduced by 50%.
Subsection g. Hospitals that receive more in Charity Care in 2010 than in 2009 will receive 50% of the difference between their 2009 and 2010 Charity Care amounts.	Subsection g. Hospitals that receive more in Charity Care in 2011 than in 2010 will receive 55% of the difference between their 2010 and 2011 Charity Care amounts.
Subsection h. Hospitals that receive less Charity Care in 2010 than in 2009 will have their allocation reduced by 50% of the difference between their 2009 and 2010 Charity Care amounts.	Subsection h. Hospitals that receive less Charity Care in 2011 than in 2010 will have their allocation reduced by 55% of the difference between their 2010 and 2011 Charity Care amounts.
Subsections i. Deals with UMDNJ subsidy. Subsection j. Deals with hospitals whose subsidy would be greater than their documented Charity Care. Subsection k. Deals with Tier 3 hospitals.	New Subsection i. Tier 2 hospitals are to receive at least 15% of their documented 2009 Charity Care. Provides for adjustments so that total Charity Care distributed shall not exceed \$665 million. No Subsection j or k.

The Office of Legislative Services does not have access to the source data used to calculate the charity care distribution and, therefore, cannot determine how the charity funding will be distributed in FY 2011.

2010 Appropriations Handbook

p. B-82

Of the amount hereinabove appropriated for Health Care Subsidy Fund Payments, any amounts not allocated to a hospital-specific State fiscal year 2010 charity care subsidy is appropriated, subject to the approval of the Director of the Division of Budget and Accounting, to the Health Care Stabilization Fund established pursuant to P.L.2008, c.33 and applied as set forth in such act. Combined funding for charity care and the Health Care

2011 Budget Recommendations

p. D-155.

Similar language, except that the amount referenced is \$695,000,000.

Significant Language Changes (Cont'd)**2010 Appropriations Handbook****2011 Budget Recommendations****p. B-82****p. D-155.**

Stabilization Fund shall not exceed \$645,000,000.

Explanation

The \$695.0 million amount represents the total amount to be distributed to hospitals in FY 2011 for Charity Care (\$665.0 million) and Health Care Stabilization (\$30.0 million). The distribution of Health Care Stabilization Funds is discretionary as hospitals must submit applications for such funds to the department and the commissioner has discretion in determining which hospitals will receive stabilization funds, the amount of stabilization funds hospitals will receive, and the conditions imposed on hospitals that receive such funds.

SENIOR SERVICES
2010 Appropriations Handbook**2011 Budget Recommendations****p. B-85.**

The unexpended balances at the end of the preceding fiscal year in the Payments to Fiscal Agent - PAA account are appropriated.

No comparable language provision.

Explanation

Language that allowed the Payments to Fiscal Agent – PAA account to retain unexpended balances from the prior fiscal year is not continued. The funds have been shifted to the Department of Human Services, Division of Medical Assistance and Health Services fiscal agent account.

2010 Appropriations Handbook**2011 Budget Recommendations****p. B-86.**

Notwithstanding the provisions of any law or regulation to the contrary, and subject to the notice provisions of 42 CFR 447.205, for rates implemented on or after July 1, 2000, target occupancy as determined pursuant to N.J.A.C.8:85-3.16 shall not apply to those facilities receiving enhanced rates of reimbursement pursuant to N.J.A.C.8:85-2.21. The per diem amounts for all other expenses of the enhanced rates shall be based upon reasonable base period costs divided by actual base period patient days, but no less than 85%

No comparable language provisions.

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-86.

of licensed bed days shall be used.

The funds hereinabove appropriated for Medicaid High Occupancy-Nursing Homes shall be distributed for patient services among those nursing homes where the Medicaid patient day occupancy level is at or above 75%. Each such facility shall receive its distribution through a prospective per diem adjustment using actual days reported on the most recent cost report.

From the amount hereinabove appropriated for Payments for Medical Assistance Recipients-Nursing Homes, the Commissioner of Health and Senior Services shall increase the reasonableness limit for total nursing care up to 120% of the median costs in the Medicaid nursing home rate-setting system during the current fiscal year.

Explanation

The three language provisions have appeared in the annual appropriations act for many years. Though no information has been provided regarding their elimination, their elimination is related to a new nursing home reimbursement system to be implemented during FY 2011. (Regulations to implement the new rate setting system are to be published within the next few months.) The intent of the language provisions was incorporated in the development of the new nursing home rate setting system.

The \$9.0 million appropriation that had been associated with the Medicaid High Occupancy language has been incorporated within the overall Nursing Home appropriation. Discussions at meetings of the working group involved in the development of the new nursing home rate setting system indicate that the \$9.0 million will continue to be distributed to nursing homes with high Medicaid occupancy levels. However, the language's elimination could result in the \$9.0 million being distributed on the basis of other criteria, not only the basis of high Medicaid occupancy levels.



Significant Language Changes (Cont'd)

2010 Appropriations Handbook

p. B-87.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for Medical Day Care Services is conditioned upon rate increases for the nursing home provider assessment not being included in the calculation of the Adult/Pediatric Day Care payment rates.

2011 Budget Recommendations

No comparable language provision.

Explanation

The language is not considered necessary as Medical Day Care Services per diem rates are capped at \$78.50.

2010 Appropriations Handbook

p. B-87.

Notwithstanding the provisions of N.J.A.C.8:85 or any other law to the contrary, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients - Nursing Homes shall be conditioned upon the following provision: no facility shall receive a per diem rate increase as the result of the annual rebasing of facility submitted costs or the inflation adjustment as defined in N.J.A.C.8:85-3.19. In addition, for a nursing facility that has a cost reporting period ending on other than December 31, the Medicaid per diem reimbursement rate shall be adjusted to remove any inflation that is applicable to State fiscal year 2010.

2011 Budget Recommendations

p. D-164.

Notwithstanding the provisions of N.J.A.C.8:85 or any other law to the contrary, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients - Nursing Homes and Global Budget for Long Term Care shall be conditioned upon the following: (1) each Special Care Nursing Facility shall receive the same per diem reimbursement rate as that nursing facility was entitled to receive in fiscal year 2010; (2) the per diem reimbursement rates effective July 1, 2010, for all other nursing facilities shall be developed according to the new rate setting methodology that shall be codified under N.J.A.C.8:85 during fiscal year FY 2011; and (3) regardless of the actual calculated reimbursement per diem rate arising from implementation of this methodology, a nursing facility's per diem reimbursement rate shall not vary more than \$5.00 from the per diem reimbursement rate received by that facility during fiscal year 2010. In addition, total State funding amounts used in the calculation of fiscal year 2011 rates shall not exceed the total State funding provided for nursing home reimbursement during fiscal year 2010. For the purposes of this paragraph, a nursing facility's per diem

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

p. B-87.

2011 Budget Recommendations

p. D-164.

reimbursement rate shall not include, if the nursing facility is eligible for reimbursement, the difference between the full calculated Provider Tax add-on and the Quality Care portion of the Provider Tax.

Explanation

The amended language deals with the implementation of a new nursing home rate setting system during FY 2011. Under the new nursing home rate setting system:

- Special Care Nursing Facilities which treat certain types of complicated cases will receive the same rate in FY 2011 as they would have received during FY 2010; and
- The per diem rates for all other nursing homes will be within \$5.00 from the rate received during FY 2010.

This information has already been distributed to all nursing homes by the department.

2010 Appropriations Handbook

No comparable language provisions.

2011 Budget Recommendations

p. D-165.

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Medical Day Care shall be conditioned upon the following provision: effective August 15, 2010, all adult medical day care services shall be subject to a \$3.00 per day copayment up to a maximum amount of \$25.00 per recipient per month.

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Medical Day Care Services shall be conditioned on the following provision: effective August 15, 2010, no payments for Medicaid adult medical day care services shall be provided on behalf of any beneficiary who received prior authorization for these services based exclusively on the need for medication administration.

Explanation

Significant Language Changes (Cont'd)

The proposed \$3.00 per day copayment, up to a maximum of \$25.00 per recipient per month, coupled with a restriction that a person would not be eligible for services based solely on the need for medication administration, is expected to save over \$21.0 million.

2010 Appropriations Handbook

2011 Budget Recommendations

p.B-87.

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the ElderCare Initiatives program shall be conditioned upon the following provision: State-funded home and community care (Jersey Assistance for Community Caregiving (JACC)) benefits paid incorrectly on behalf of JACC beneficiaries may be recovered from individuals found ineligible.

No comparable language provision.

Explanation

The language is not necessary as the ElderCare Initiatives program has been incorporated within the Global Budget for Long Term Care program. The Global Budget program already has provisions regarding the recovery of benefits that are incorrectly paid.

2010 Appropriations Handbook

2011 Budget Recommendations

pp. B-87, B-92.

The amounts hereinabove appropriated for Payments for Medical Assistance Recipients-Nursing Homes, Medical Day Care Services, Global Budget for Long Term Care, and Medicaid High Occupancy-Nursing Homes are conditioned upon the Commissioner of Health and Senior Services making changes to such programs to make them consistent with the federal Deficit Reduction Act of 2005.

No comparable language provisions.

The amounts hereinabove appropriated for Global Budget for Long Term Care are conditioned upon the Commissioner of Health and Senior Services making changes to such program to make it consistent with the federal Deficit Reduction Act of 2005.

Explanation

The two Language provisions are no longer necessary. Any changes necessitated by the federal

Significant Language Changes (Cont'd)

Deficit Reduction Act of 2005 have been adopted.

2010 Appropriations Handbook

2011 Budget Recommendations

pp. B-87, B-90.

pp. D-165, D-167.

Of the amount hereinabove appropriated in the Pharmaceutical Assistance to the Aged and Disabled - Claims program, notwithstanding the provisions of section 3 of P.L.1975, c.194 (C.30:4D-22) to the contrary, the copayment in the Pharmaceutical Assistance to the Aged and Disabled program shall be \$6.00 for generic drugs and \$7.00 for brand name drugs.

Similar language, except that the co-payment for generic drugs is reduced to \$5.00 and the co-payment for brand name drugs is increased to \$15.00.

Explanation

The co-payment increase for brand name drugs, from \$7.00 to \$15.00 per prescription, along with the reduction in the co-payment for generic drugs from \$6.00 to \$5.00 per prescription, is part of the \$54.6 million in savings the PAAD and Senior Gold programs will realize in FY 2011.

Available information provided by the department is that nearly 134,800 beneficiaries will be affected by the increase in the co-payment for brand name drugs and about 35,000 persons will not be affected by the increase in the co-payment because they receive federal assistance. As generic drugs account for 60% of all prescriptions filled, recipients who primarily use generic drugs will realize a reduction in costs.

2010 Appropriations Handbook

2011 Budget Recommendations

pp. B-88; B-91.

pp. D-165, D-168.

Notwithstanding the provisions of any other law or regulation to the contrary, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program classification and the Senior Gold Prescription Discount Program account shall be expended for prescription claims with no Medicare Part D coverage except under the following conditions: (1) reimbursement for the cost of **single source brand name legend drugs** and non-legend drugs shall be on the basis of Average Wholesale Price less a **16%** discount and reimbursement for the cost of multisource generic drugs shall be in accordance with the federal Deficit Reduction Act of 2005 upon final adoption of regulations by the Department of Health and Human Services; (2)

Similar language with subsection (1) being amended to read as follows: reimbursement for the cost of **all** legend drugs and non-legend drugs shall be calculated based on the lesser of the Average Wholesale Price less a **17.5%** volume discount, the federal Maximum Allowable Cost, the State Maximum Allowable Cost, or a pharmacy's usual and customary charge;

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

pp. B-88; B-91.

the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$3.99 shall remain in effect through the current fiscal year, including the current increments for impact allowances, as determined by revised qualifying requirements, and allowances for 24-hour emergency services; and (3) 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 Department of Health and Senior Services or its authorizing agent, however, a 10-day supply of the multisource brand name drug shall be dispensed pending receipt of prior authorization. Certain multisource brand name drugs with a narrow therapeutic index, other drugs recommended by the New Jersey Drug Utilization Review Board, or brand name drugs with a lower cost per unit than the generic may be excluded from prior authorization by the Department of Health and Senior Services.

2011 Budget Recommendations

pp. D-165, D-168.

Explanation

The proposed changes to subsection (1) affect how the PAAD and Senior Gold programs reimburse pharmacies for prescription drugs. No specific savings are identified with respect to these pharmacy reimbursement changes. The savings may be incorporated within the \$13.0 million included in the Medicaid budget within the Department of Human Services.

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

No comparable language provision.

pp. D-165, D-167.

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program and the Senior Gold Prescription Discount Program shall be conditioned upon the following provision: prescription drug coverage through PAAD and Senior Gold shall begin only after a recipient meets an annual deductible of \$310. The annual deductible period shall begin on the first day of each calendar year and run concurrent with the deductible period of the Medicare Part D prescription drug benefit.

Explanation

The requirement that PAAD and Senior Gold recipients pay an annual \$310 deductible, beginning January 2011, will save \$39.7 million.

The deductible requirement will affect 134,000 recipients, while 40,000 beneficiaries will not be affected as they receive federal assistance in meeting their deductible expense.

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-90.

In addition to the amounts hereinabove appropriated for the Pharmaceutical Assistance to the Aged and Disabled program, and notwithstanding the provisions of P.L.2006 c.83 (C.48:5A-30), there are appropriated from the CATV Universal Access Fund within the Department of the Treasury such sums as may be necessary to administer cable television rebate payments from the Fund, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The elimination of the FY 2010 language would mean that CATV funds would not be made be available to PAAD for use in administering cable television rebate payments payable from the CATV Universal Access Fund. Available information is \$9.1 million in CATV funds will be transferred to the General Fund.

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-91.

Notwithstanding the provisions of section 2 of P.L.1988, c.114 (C.26:2M-10) to the contrary, private for-profit agencies shall be eligible grantees for funding from the Demonstration Adult Day Care Center Program-Alzheimer's Disease account.

No comparable language provision.

Explanation

As the Demonstration Adult Day Care Center Program – Alzheimer's Disease account is being incorporated within a new Community Based Senior Services grant account, the language is not considered necessary. The department will have discretion as which programs are awarded funds and the amount of funds program receive from the new Community Based Senior Services grant account.

2010 Appropriations Handbook

2011 Budget Recommendations

p.B-92.

Notwithstanding the provisions of any law or regulation to the contrary, of the amount hereinabove appropriated for the Respite Care for the Elderly (CRF) account, \$500,000 shall be charged to the Casino Simulcasting Fund.

Similar language, except the dollar amount referenced is \$400,000.

Explanation

The language in question may have to be revised as the recommended budget the Respite Care for the Elderly program will not exist as a separate program. It has been incorporated within the new Community Based Senior Services grant account.

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

2010 Appropriations Handbook

2011 Budget Recommendations

p. B-93.

Consistent with the provisions of P.L.2005, c.237, \$40,000,000 from the surcharge on each general hospital and each specialty heart hospital is appropriated to fund federally qualified health centers. Any unexpended balance at the end of the preceding fiscal year

p. D-169.

Consistent with the provisions of P.L.2005, c.237, \$40,000,000 from the surcharge on each general hospital and each specialty heart hospital is appropriated to fund federally qualified health centers. Any unexpended balance at the end of the preceding fiscal year

Significant Language Changes (Cont'd)

2010 Appropriations Handbook

p. B-93.

in the Health Care Subsidy Fund received through the hospital and other health care initiatives account during fiscal year 2009 is appropriated, and notwithstanding the provisions of P.L.2005, c.237 or any law or regulation to the contrary, an amount not to exceed \$3,000,000 is appropriated from the unexpended balance of such funds, subject to the approval of the Director of the Division of Budget and Accounting, to provide one-time grants to federally qualified health centers in financial distress, as shall be determined by the Commissioner of Health and Senior Services, for the purpose of maintaining adequate access to healthcare within the State; provided further, however, that such one-time grants shall only be awarded pursuant to procedures for applications, criteria for eligibility, qualifications of applicants and any other relevant information as shall be established by the commissioner. The qualifications shall include an agreement by a recipient that the recipient shall allow the Commissioner to review its finances and operational performance to ensure that access to health care is maintained and public funds are utilized for their intended purpose.

2011 Budget Recommendations

p. D-169.

in the Health Care Subsidy Fund received through the hospital and other health care initiatives account during the preceding fiscal year is appropriated for payments to federally qualified health centers.

Explanation

In FY 2010, the language permitted the commissioner discretion in the allocation of unexpended balances, not to exceed \$3.0 million, to assist federally qualified health centers (FQHCs) that were experiencing financial distress. The FY 2011 language would utilize any unexpended balances in the Health Care Subsidy Fund to support all federally qualified health centers without allocating a portion of any unexpended balances to assist FQHCs that experience financial distress.

Significant Language Changes (Cont'd)**2010 Appropriations Handbook****2011 Budget Recommendations****p. B-93.**

Such sums as may be necessary are appropriated or transferred from existing appropriations within the Department of Health and Senior Services for the purpose of promoting awareness to increase participation in programs that are administered by the Department, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The FY 2010 budget language allowed the department to expend funds for “promoting awareness to increase participation in programs” the department administered. This language is not continued in FY 2011. Information is not available as to how much, if any, funds have been expended to promote awareness and to increase participation in programs operated by the department.



Background Paper: Cancer Institute of New Jersey

Budget Page.... D-148, D-149

Funding (\$000)	Expended FY 2009	Adj. Approp. FY 2010	Recomm. FY 2011
Cancer Institute of New Jersey	\$20,000	\$18,000	\$18,000

BACKGROUND

The FY 2011 recommended budget appropriates \$18.0 million for the Cancer Institute of New Jersey (CINJ)⁴. CINJ is scheduled to be reviewed as to its designation as a federal “comprehensive cancer center” sometime during 2010.

Between FY 2004 – FY 2010, CINJ (New Brunswick) was appropriated a total of \$158.8 million. Including the FY 2011 budget recommendation of \$18 million, \$177 million has been made available to CINJ since FY 2004 to support operations⁵. These monies enabled CINJ to be designated a “comprehensive cancer center” by the National Cancer Institute.

The tables on the following pages provide various financial and statistical information regarding CINJ’s operations since FY 2004.

Table I provides information on how CINJ expended its State appropriations during the FY 2004 – FY 2009 period.

Table I. CINJ Expenditures of Grants-in-Aid Appropriations, FY 2004 – FY 2009. (\$000)⁶

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008.	FY 2009
Personnel	\$12,730	\$11,526	\$17,656	\$18,836	\$23,608	\$17,197
Office Expenses	354	694	809	325	144	263
Program Expense	2,258	5,044	3,709	3,063	1,347	2,476
Travel, Conf. and Meetings	565	113		9	150	63
Facility Costs	0	0	76	15	0	0
Equip. & Other Capital Expenditures	2,074	623	0	0	0	0
Sub-Grants⁷	19	24,000	0	0	0	0
TOTAL	\$18,000	\$42,000	\$22,250	\$22,250	\$25,250	\$20,000

During the FY 2004 – FY 2008 period, no restrictions were imposed as to how CINJ could expend its grant funds, and the Department of Health and Senior Services did not question CINJ as to how it intended to expend the grant funds. Beginning in FY 2009, budget language required the

⁴ Proposed FY 2011 budget language directs that \$250,000 of the appropriation is appropriated to the Ovarian Cancer Research Fund. This language has appeared in the budget for the past several years.

⁵ Excludes appropriation to the Cancer Institute of New Jersey – Camden.

⁶ Source: Department of Health and Senior Services. It is noted that there are some minor dollar differences between the final expenditure reports on file at the department and information provided by CINJ.

⁷ Pursuant to budget language, in FY 2004, the Radiation and Public Health Project received approximately \$19,000. Similarly, in FY 2005, budget language directed that the following amounts be disbursed: UMDNJ Newark Cancer Center - \$9.0 million; Robert Wood Johnson University Hospital Cancer Center - \$6.0 million; and CINJ South Jersey Program at Cooper University Hospital - \$9.0 million.

Background Paper: Cancer Institute of New Jersey (Cont'd)

State grant to be used solely for “infrastructure to support cancer research, prevention and treatment.” As virtually all of CINJ’s activities can be classified as “infrastructure to support cancer research, prevention and treatment,” the language does not place significant restrictions on how CINJ expends its grant funds.

Table II provides information on how CINJ intended to expend its \$18.0 million FY 2010 grant, as approved by the Department of Health and Senior Services:

Table II. FY 2010 CINJ Grants-in-Aid Approved Expenditures (\$000)

Personnel	\$15,729
Office Expense	204
Program Expense	1,917
Travel, Conferences and Meetings	150
TOTAL	\$18,000

Table III, on the next page, provides a point in time snapshot of the CINJ’s financial operations, as reflected in the Statement of Revenues and Expenses, FY 2004 – FY 2010⁸.

⁸ For the FY 2004 – FY 2009 period, the statements are as of June 30th. For FY 2010, the statement is as of December 31 2009.

Background Paper: Cancer Institute of New Jersey (Cont'd)**Table III. CINJ Consolidated Statement of Revenue and Expenditures, FY 2004 – FY 2010 (as of December 2009) (\$000)⁹**

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010¹⁰
TOTAL REVENUES	\$60,489	\$69,705	\$66,790	\$71,838	\$77,365	\$82,986	\$41,436
Gross Professional Fees	18,516	22,160	26,342	29,743	30,034	31,067	15,940
Allowances/Bad Debt	(11,537)	(14,444)	(18,188)	(21,736)	(21,877)	(21,988)	(10,344)
Contract Revenue					1,878	1,520	729
Partners Income	2,050	2,050	2,050	1,350	2,104	1,403	450
Affiliates Income	1,519	1,857	1,544	1,450	1,450	1,455	912
Fundraising	1,825	2,402			382	6,288	1,725 ¹¹
State Appropriation Direct	22,421	18,250	22,250	22,250	29,522	20,643	9,000
State Appropriation Indirect	5,941	15,964	11,382	13,202	8,863	14,076	7,360
Contracted Services	4,533	4,901	4,908	7,097	5,822	6,438	3,425
Institutional Overhead			2,424	2,620	2,725	2,911	1,738
Other Income	3,000	3,428	533	685	407	1,017	353
Grants	10,124	11,539	11,659	12,017	13,411	15,580	9,433
Clinical Trials	2,097	1,599	1,887	3,161	2,614	2,575	717
TOTAL EXPENSES	\$60,458	\$69,693	\$66,757	\$71,559	\$76,777	\$82,878	\$41,412
Salaries and Wages	31,693	33,699	36,843	39,264	42,401	46,864	23,542
Fringe Benefits	7,626	8,257	8,567	10,708	11,510	13,220	6,504
Materials and Supplies	4,434	6,161	5,613	6,373	6,101	4,667	2,837
Services	9,190	15,350	9,666	9,164	10,649	12,067	4,977
Provision for Bad Debts	1,879						
Indirect Costs	3,164	3,682	3,472	3,702	4,038	4,345	2,612
Depreciation	1,616	1,798	1,816	1,594	1,345	1,223	598
Interest	856	746	780	755	733	492	343
SURPLUS/(DEFICIT)	\$30	\$12	\$33	\$279	\$588	\$108	\$24

⁹ Source: Cancer Institute of New Jersey. The table was modified by the Office of Legislative Services to fit on one page.

¹⁰ Thru December 2009.

¹¹ May include Fundraising (Unrestricted) funds.

Background Paper: Cancer Institute of New Jersey (Cont'd)

Table IV provides information on CINJ Personnel during the FY 2004 – FY 2010 period.

Table IV. CINJ Full Time Equivalent (FTE) Personnel, FY 2004 – FY 2010 (as of December 2009)

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 ¹²
TOTAL FTEs	435	408	427	432	487	522	512
Staff ¹³	366	336	350	353	403	435	422
Faculty	69	72	77	79	84	87	90

Table V provides information on the number of patient visits to the institute.

Table V. CINJ Patient Visits, FY 2004 – FY 2008 est.

	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010 ¹⁴
Patient Visits	70,300	71,400	73,300	79,600	79,200	83,300	92,000

The number of patient visits to CINJ's New Brunswick facility has increased by nearly 31% during the seven year period. While CINJ has been able to increase the number of patient visits through better scheduling, CINJ's physical plant ultimately limits how many patients the New Brunswick facility can serve.

¹² As of December 2009.

¹³ Includes both administrative and medical/scientific personnel.

¹⁴ As of December 2009.

Background Paper: Charity Care Distribution

Budget Page.... D-154, D-155

Funding (\$000)	Expended FY 2009	Adj. Approp. FY 2010	Recomm. FY 2011
Health Care Subsidy Fund Payments	\$105,039	\$27,789	\$61,995

BACKGROUND

In FY 2011, hospitals will receive \$665 million (gross) in Charity Care. An additional \$30 million (gross) will be used to support the Health Care Stabilization Program to maintain “access to essential health care in the community.”

Additional monies are being made available to hospitals by:

- Lifting the \$40 million cap on the 0.53% hospital assessment. This will generate an additional \$38.7 million in FY 2011.¹⁵
- Lifting the \$200,000 cap on the ambulatory care facility gross receipts assessment which would generate about \$6.3 million.
- An additional \$45 million in federal Disproportionate Share Hospital revenues.

The distribution formula among hospitals for the \$665 million in Charity Care funds is specified in budget language on page D-155. The most important changes to the formula between the one used in FY 2010 and the one being proposed for FY 2011 are:

- A reduction in the number of hospital tiers from three in 2010 to two in 2011.
- Changes to the Relative Charity Care Percentage used to determine in which tier a hospital is placed.
- Changes to the percentage hospitals are reduced or increased with respect to their Charity Care allocation.

The Office of Legislative Services is unable to provide a hospital by hospital breakdown as to the amount each hospital is to receive in Charity Care payments in FY 2011 as detailed hospital specific data required to make the necessary calculations is not available to the office.

On the following pages is a breakdown as to the amount hospitals received in Charity Care in 2009 and 2010 based on the distribution formulas in effect in those years. The 2010 amount does not reflect a \$12.6 million reduction announced by the Governor in February 2010. The \$12.6 million reduction is equal to an overall reduction of about 2.1%. However, the formula by which Charity Care is distributed in 2010 may result in hospitals receiving a reduction that is greater or less than 2.1%.

¹⁵ In subsequent fiscal years, as much as \$50 million in additional hospital revenues may be realized by lifting the \$40 million cap on the 0.53% assessment. The increase is due to the fact that there is a three-month lag period in collecting the assessment.

Background Paper: Charity Care Distribution (Cont'd)

HOSPITAL	CHARITY CARE (\$000)		Change
	FY 2009	FY 2010	
Atlantic City Medical Ctr.-City	\$13,331	\$16,449	\$3,118
Atlantic City Medical Ctr.-Main	\$ 5,007	\$4,996	(\$11)
Barnert Memorial (Closed)	\$4,073		NA
Bayonne Hospital	\$3,740	\$2,623	(\$1,117)
Bayshore Community Hospital	\$139	\$80	(\$59)
Bergen Regional Medical Center	\$26,988	\$34,229	\$7,241
Cape Regional Medical Center (Burdette Tomlin)	\$874	\$902	\$28
Capital Health System at Fuld	\$14,953	\$18,682	\$3,729
Capital Health System at Mercer	\$4,656	\$6,612	\$1,956
Contrastate Medical Center	\$2,572	\$2,347	(\$225)
Chilton Memorial Hospital	\$268	\$178	(\$90)
Christ Hospital	\$9,809	\$12,311	\$2,502
Clara Maass Medical Center	\$3,021	\$2,382	(\$639)
Columbus Hospital (Closed)	\$2,270		NA
Community Medical Center	\$3,447	\$2,879	(\$568)
Cooper Hospital/Univ. Medical Center	\$34,788	\$33,908	(\$880)
Deborah Heart & Lung Center	\$4,935	\$6,142	\$1,207
East Orange General Hospital	\$9,137	\$9,947	\$810
Englewood Hospital Association	\$830	\$495	(\$335)
Greenville Hospital (Closed)	\$2,882		NA
Hackensack Hospital/Univ. Medical Center	\$11,164	\$9,465	(\$1,699)
Hackettstown Community Hospital	\$136	\$66	(\$70)
Hoboken University Medical Center	\$13,895	\$14,744	\$849
Holy Name Hospital	\$458	\$178	(\$280)
Hunterdon Medical Center	\$1,833	\$1,820	(\$13)
Jersey City Medical Center	\$45,561	\$45,922	\$361
Jersey Shore Medical Center	\$5,224	\$4,639	(\$585)
Kennedy Cherry Hill	\$4,084	\$3,219	(\$865)
Kennedy Stratford	\$2,383	\$2,304	(\$79)
Kennedy Washington Twp.	\$1,922	\$204	(\$1,718)
Kimball Medical Center	\$6,068	\$7,699	\$1,631
Lourdes Medical Center (Burlington)	\$2,080	\$1,776	(\$304)
Meadowlands Hosp Medical Center	\$628	\$588	(\$40)
Memorial Hos. Salem County	\$124	\$278	\$154
Monmouth Medical Center	\$6,972	\$6,237	(\$735)
Morristown Memorial Hospital	\$2,330	\$928	(\$1,402)
Mountainside Hospital	\$2,009	\$319	(\$1,690)
Newark Beth Israel Medical Center	\$38,557	\$35,741	(\$2,816)
Newton Memorial	\$312	\$731	\$419
Ocean Medical Center	\$415	\$204	(\$211)
Our Lady of Lourdes Medical Center	\$3,853	\$3,256	(\$597)
Overlook Hospital	\$783	\$367	(\$416)
Palisades Medical Center of New York	\$5,630	\$6,014	\$384
Pascack Valley Hospital (Closed)	\$67		NA
Raritan Bay - Old Bridge	\$1,101	\$86	(\$1,015)
Raritan Bay - Perth Amboy	\$13,412	\$10,911	(\$2,501)
Riverview Hospital	\$500	\$1,022	\$522
RWJ University Hosp at Hamilton	\$649	\$232	(\$417)
RWJ University Hospital (New Brunswick)	\$7,298	\$6,001	(\$1,297)

Background Paper: Charity Care Distribution (Cont'd)

HOSPITAL	FY 2009	FY 2010	Change
RWJ University Hospital at Rahway	\$1,050	\$1,259	\$209
Shore Memorial Hospital	\$276	\$715	\$439
Solaris JFK/Yelensics	\$3,191	\$4,639	\$1,448
Solaris Muhlenberg (Closed)	\$6,691	\$2,752	(\$3,939)
Somerset Medical Center	\$1,819	\$2,012	\$193
South Jersey Healthcare Regional	\$2,702	\$2,445	(\$257)
South Jersey Hospital - Elmer	\$69	\$53	(\$16)
Southern Ocean County Hospital	\$268	\$96	(\$172)
St. Barnabas Medical Center	\$755	\$353	(\$402)
St. Clare's Hospital/Denville	\$5,751	\$9,045	\$3,294
St. Clare's Hospital/Dover	\$2,069	\$1,398	(\$671)
St. Clare's Hospital/Sussex	\$212	\$163	(\$49)
St. Francis Medical Center	\$8,546	\$11,672	\$3,126
St. James Hospital (Closed)	\$6,956		NA
St. Joseph's Hospital	\$57,278	\$64,872	\$7,594
St. Joseph's Wayne Hospital	\$944	\$87	(\$857)
St. Mary's Hospital (Passaic)	\$12,048	\$10,919	(\$1,129)
St. Michael's Medical Center	\$23,763	\$26,551	\$2,788
St. Peter's Medical Center	\$934	\$2,650	\$1,716
Trinitas Hospital	\$38,408	\$41,447	\$3,039
Underwood Memorial Hospital	\$1,953	\$1,600	(\$353)
Union Hospital (Closed)	\$844		NA
University Hospital (UMDNJ)	\$96,044	\$96,044	\$0
University Medical Center At Princeton	\$1,306	\$296	(\$1,010)
Valley Hospital	\$385	\$205	(\$180)
Virtua Health Sys., Burlington	\$1,319	\$1,686	\$367
Virtua - Berlin	\$447	\$649	\$202
Virtua - Marlton	\$190	\$130	(\$60)
Virtua - Voorhees	\$286	\$153	(\$133)
Warren	\$1,248	\$998	(\$250)
Wm.B.Kessler Mem. Hospital (Closed)	\$78	\$38	(\$40)
Total (may not add due to rounding)	\$605,000	\$605,000	

Charity Care received by hospitals that have closed or may close will be redistributed, primarily to hospitals in the surrounding geographic area.

Background Paper: Health Care Stabilization Fund

Budget Page.... D-155.

Summary

P.L.2008, c.33 established a Health Care Stabilization Fund to provide emergency grants to hospitals and other licensed health care providers to ensure access and availability of health care services in communities served by a hospital or health care provider facing closure or a significant reduction in services due to financial distress.

Pursuant to this law, \$44.0 million was distributed in FY 2009 and \$40 million was distributed in FY 2010. The FY 2011 recommended budget would allow for the distribution of \$30 million in State/federal funds.

Below is a table listing the hospitals that received funds from the Health Care Stabilization Fund in FY 2009 and FY 2010 and the amount of stabilization funds hospitals received:

HOSPITAL	FY 2009	FY 2010
Christ Hospital	0	\$7,000,000
East Orange General Hospital	\$5,000,000	\$2,500,000
Hoboken University Medical Center	0	\$7,000,000
Jersey City Medical Center (Liberty Health)	\$22,000,000	\$7,000,000
Kimball Medical Center	\$1,000,000	0
Newark Beth Israel Medical Center	\$5,000,000	\$4,000,000
Raritan Bay Medical Center (Perth Amboy)	\$4,000,000	\$1,000,000
Saint Clare's Health System (Boonton)	0	\$1,000,000
St. Mary's Hospital (Passaic)	\$7,000,000	\$9,500,000
Trinitas Regional Medical Center	0	\$1,000,000
TOTAL	\$44,000,000	\$40,000,000

The following conditions were imposed on all hospitals that received FY 2009 stabilization funds¹⁶:

- Monthly progress reports on performance and quality conditions.
- Progress in enrolling persons into the Medicaid or NJ FamilyCare programs.
- Revenue improvements.
- Provision of data on 30 day readmission rates and managed care denials.
- State representation on hospital board.

In addition to the conditions imposed on all hospitals that received FY 2009 stabilization funds, the following hospital specific conditions listed on the next page, were imposed:

¹⁶ At this time information is not available as to what conditions the department imposed on those hospitals that received stabilization funds during FY 2010.

Background Paper: Health Care Stabilization Fund (Cont'd)

HOSPITAL	HOSPITAL SPECIFIC CONDITIONS
East Orange General Hospital	Conduct review of clinic services. Implement recommendations of the CAMBIO consulting report. Reduce case mix adjusted average length of stay by ½ day. Identify strategic partnerships for the provision of services. Improve quality scores by 7.5% with respect to heart attacks, surgical care and heart failure.
Kimball Medical Center	Identify strategic partnerships for the provision of services. Implement recommendations of the Accenture consulting report. Conduct a review of clinic services. Improve surgical care quality score to the State median of 90%.
Jersey City Medical Center (Liberty Health)	Review alternative uses for Meadowlands Hospital operated by Liberty Health. Examine and report on declining charity care volume and hospital expenses. Improve expense per adjusted admission and FTE per adjusted occupied bed to Statewide average. Review regional impact of cardiac services on access for low-income and minority populations.
Raritan Bay Medical Center (Perth Amboy)	Complete sale of Old Bridge facility. Obtain an affiliation agreement for Perth Amboy that assures facility's viability. Implement recommendations of the Accenture consulting report. Reduce case mix adjusted average length of stay by ½ day. Improve performance on scores for surgical care by 7.5%.
Newark Beth Israel Medical Center	Conduct review of clinic services. Improve FTE per adjusted occupied bed and expense per adjusted admission to Statewide average. Reduce case mix adjusted average length of stay by ½ day. Implement recommendations of the Accenture consulting report.
St. Mary's Hospital (Passaic)	Complete a merger with a strategic partner to improve market position and reimbursement rates. Sell the Pennington Avenue building by March 31, 2009. Retain services of a cash management expert. Implement recommendations in the JH Cohn consulting report. Use a portion of the Stabilization Grant to pay debt service. Improve performance measures by 7.5% with respect to pneumonia, surgical care and heart failures. Achieve the Statewide median score for heart attacks (97%).

As of this writing, information is not available as to whether the hospitals that received Stabilization Funds in FY 2009 have complied with the various conditions imposed by the department as a condition for receipt of such funds.

Background Paper: 0.53% Hospital Assessment

Budget Page.... D-155.

BACKGROUND

The FY 2011 recommended budget lifts the \$40 million cap on the amount of revenues raised by the 0.53% assessment on each hospital's total operating revenue. The increase is expected to generate approximately \$38.7 million in additional hospital revenue.¹⁷ The recommended budget also would lift the \$200,000 cap on the Ambulatory Care Facility gross receipts assessment, which will raise an additional \$6.3 million¹⁸. In total, \$45 million in additional revenues will be raised, which will result in an additional \$45 million in federal Disproportionate Share Hospital funds.

A total of \$695 million in State/federal funds will be available for Charity Care (\$665 million) and the Health Care Stabilization Fund (\$30 million).

The distribution formula for the \$695 million in Charity Care among hospitals is specified in budget language on page D-155.

Below and on the following pages is a breakdown of how much each hospital is assessed under the 0.53% assessment, capped at \$40 million, and how much each hospital will be assessed once the cap is removed and \$78.7 million generated. Information is not available as to how much hospitals will receive in Charity Care payments and to what extent hospitals will receive more or less in Charity Care in FY 2011 when compared to the additional amount paid as part of the uncapped 0.53% assessment.¹⁹

	0.53% ASSESSMENT		
	FY 2010	FY 2011	Change
TOTAL	\$40,000	\$78,692	\$38,692
HOSPITAL			
Atlantic City Medical Center-City	\$519	\$1,022	\$502
Atlantic City Medical Center-Main	\$699	\$1,376	\$677
Bayonne Hospital	\$199	\$391	\$192
Bayshore Community Hosp.	\$223	\$439	\$216
Bergen Regional Medical Center	\$545	\$1,073	\$528
Cape Regional Medical Center	\$249	\$490	\$241
Capital Health System at Fuld	\$578	\$1,138	\$559
Capital Health System at Mercer	\$489	\$964	\$474
Centrastate Medical Center	\$489	\$962	\$473
Chilton Memorial Hospital	\$343	\$675	\$332
Christ Hospital	\$390	\$767	\$377

¹⁷ Available information is that on an annual basis, an additional \$50 million would be generated by lifting the \$40 million cap as there is a three-month lag in collecting these revenues.

¹⁸ The \$6.3 million estimate was calculated as follows: The Budget in Brief indicates that \$45 million is to be raised by eliminating the two caps. As lifting the \$40 million cap will generate \$38.7 million, subtracting \$38.7 million from \$45 million results in \$6.3 million.

¹⁹ As federal law requires that there must be winners and losers in any assessment in order to qualify for federal funds, it is likely that some hospitals will pay more as part of the uncapped 0.53% assessment than it will realize in additional Charity Care, while some hospitals will realize more in additional Charity Care payments than they will pay as part of the uncapped 0.53% assessment.

Background Paper: 0.53% Assessment (Cont'd)

HOSPITAL	FY 2010	FY 2011	Change
Clara Maass Medical Center	\$473	\$930	\$457
Community Medical Center	\$743	\$1,462	\$719
Cooper Hospital/University Medical Center	\$1,239	\$2,438	\$1,199
Deborah Heart & Lung Center	\$389	\$766	\$376
East Orange General Hospital	\$261	\$513	\$252
Englewood Hospital Association	\$715	\$1,406	\$691
Hackensack Hospital/University Medical Center	\$2,745	\$5,401	\$2,655
Hackettstown Community Hospital	\$206	\$405	\$199
Hoboken University Medical Center	\$324	\$637	\$313
Holy Name Hospital	\$511	\$1,006	\$495
Hunterdon Medical Center	\$471	\$926	\$455
Jersey City Medical Center	\$677	\$1,331	\$655
Jersey Shore Medical Center	\$1,028	\$2,022	\$994
Kennedy Cherry Hill	\$231	\$455	\$224
Kennedy Stratford	\$243	\$477	\$235
Kennedy Washington Twp.	\$389	\$764	\$376
Kimball Medical Center	\$362	\$713	\$351
Lourdes Medical Center of Burlington	\$245	\$482	\$237
Meadowlands Hospital Medical Center	\$196	\$386	\$190
Memorial Hospital of Salem	\$155	\$305	\$150
Monmouth Medical Center	\$593	\$1,167	\$574
Morristown Memorial Hospital	\$1,470	\$2,892	\$1,422
Mountainside Hospital	\$399	\$784	\$386
Newark Beth Israel Medical Center	\$1,191	\$2,344	\$1,152
Newton Memorial	\$283	\$556	\$273
Ocean Medical Center	\$426	\$837	\$412
Our Lady of Lourdes Medical Center	\$656	\$1,290	\$634
Overlook Hospital	\$753	\$1,482	\$729
Palisades Medical Center of New York	\$290	\$570	\$280
Raritan Bay - Old Bridge	\$174	\$342	\$168
Raritan Bay - Perth Amboy	\$360	\$708	\$348
Riverview Hospital	\$422	\$830	\$408
RWJ University Hospital at Hamilton	\$490	\$963	\$474
RWJ University Hospital (New Brunswick)	\$1,571	\$3,090	\$1,520
RWJ University Hospital at Rahway	\$296	\$582	\$286
Shore Memorial Hospital	\$425	\$835	\$411
JFK/ Medical Center at Edison	\$626	\$1,233	\$606
Somerset Medical Center	\$525	\$1,033	\$508
South Jersey Healthcare Regional	\$590	\$1,161	\$571
South Jersey Hospital - Elmer	\$124	\$244	\$120
Southern Ocean County Hospital	\$288	\$567	\$279
St. Barnabas Medical Center	\$1,206	\$2,373	\$1,167
St. Clare's Hospital/Denville	\$393	\$773	\$380
St. Clare's Hospital/Dover	\$197	\$388	\$191
St. Clare's Hospital/Sussex	\$49	\$96	\$47
St. Francis Medical Center	\$277	\$545	\$268
St. Joseph's Hospital	\$1,071	\$2,107	\$1,036
St. Joseph's Wayne Hospital	\$165	\$324	\$160

Background Paper: 0.53% Assessment (Cont'd)

HOSPITAL	FY 2010	FY 2011	Change
St. Mary's Hospital (Passaic)	\$357	\$702	\$345
St. Michael's Medical Center	\$466	\$916	\$451
St. Peter's Medical Center	\$893	\$1,756	\$863
Trinitas Hospital	\$673	\$1,323	\$651
Underwood Memorial Hospital	\$398	\$783	\$385
University Hospital (UMDNJ)	\$1,613	\$3,172	\$1,560
University Medical Center at Princeton	\$507	\$998	\$491
Valley Hospital	\$1,122	\$2,207	\$1,086
Virtua - Burlington	\$756	\$1,486	\$731
Virtua - Berlin	\$138	\$272	\$134
Virtua - Marlton	\$360	\$708	\$348
Virtua - Voorhees	\$798	\$1,570	\$772
Warren Hospital	\$282	\$555	\$273

Background Paper: Proposed PAAD and Senior Gold Changes

Budget Page.... D-160 to D-162

Funding (\$000)	Expended FY 2009	Adj. Approp. FY 2010	Recomm. FY 2011
PAAD TOTAL	\$251,430	\$228,209	\$177,949
General Fund (GF) - Claims	\$5,096	\$115,040	\$75,366
Casino Revenue Fund (CRF) - Claims	234,065	105,368	96,505
PAAD Administration	12,269	7,801	6,078
SENIOR GOLD TOTAL	\$8,969	\$12,169	\$5,166
General Fund (GF) - Claims ²⁰	\$8,969	\$12,169	\$5,166

SUMMARY

The recommended appropriation of \$177.9 million for PAAD and Senior Gold claims assumes \$55.5 million in savings as follows:

- Increasing the co-payment for brand name drugs from \$7 to \$15 per prescription, while reducing the co-payment for generic drugs from \$6 to \$5 per prescription - \$14.9 million;
- Requiring PAAD and Senior Gold recipients to pay a \$310 annual deductible - \$39.7 million; and
- Current expenditure and utilization trends - \$0.9 million.

Available information provided by the department is that:

- Nearly 134,800 persons will be affected by the increase in the co-payment for brand name drugs.

About 35,000 persons will not be affected by the increase in the co-payment due to their low income and the subsidies these persons receive from the federal government.

- As nearly 60% of prescriptions filled in the program are generic drugs, beneficiaries who primarily use generic drugs will see a reduction in their out-of-pocket expenditures.
- About 134,000 beneficiaries will be affected by the \$310 annual deductible, while 40,000 low-income individuals will not be affected as they are eligible for assistance from the federal government.

The co-payment and deductible proposals do not take into account provisions in the recently enacted federal health care legislation, which could offset some of the proposed reductions. Under the federal legislation:

- PAAD/Senior Gold recipients will be provided with a \$250 rebate, if their prescription drug expenditures reach the Medicare Part D "donut hole."
- Rebates paid by drug manufacturers to the Medicaid/PAAD program will be increased.

²⁰ Up to \$3.9 million of the appropriation can be used for administration.

Background Paper: Proposed PAAD and Senior Gold Changes (Cont'd)

Table I below provides a county by county breakdown of PAAD and Senior Gold recipients that could be affected by the FY 2011 budget proposals.

Table 1. Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold Recipients, by County (December 2009)²¹

COUNTY	PAAD RECIPIENTS	SENIOR GOLD RECIPIENTS	TOTAL
ATLANTIC	5,300	700	6,000
BERGEN	12,600	2,300	14,900
BURLINGTON	6,000	1,200	7,200
CAMDEN	10,300	1,400	11,700
CAPE MAY	2,800	500	3,300
CUMBERLAND	4,300	600	4,900
ESSEX	11,400	1,300	12,800
GLOUCESTER	4,900	800	5,700
HUDSON	10,700	1,300	12,000
HUNTERDON	1,300	200	1,500
MERCER	5,300	800	6,100
MIDDLESEX	11,000	2,000	13,000
MONMOUTH	9,600	1,500	11,100
MORRIS	5,300	800	6,100
OCEAN	16,100	3,700	19,800
PASSAIC	8,000	1,300	9,200
SALEM	1,500	200	1,700
SOMERSET	3,100	500	3,600
SUSSEX	2,000	400	2,400
UNION	7,500	1,100	8,600
WARREN	2,200	400	2,600
TOTAL RECIPIENTS	141,100	23,000	164,200

(Numbers may not add due to rounding.)

²¹ Source: DHSS Division of Senior Benefits and Utilization Management, 12/30/09

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Individuals wishing information and committee schedules on the FY 2011 budget are encouraged to contact:

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