



ANALYSIS OF THE NEW JERSEY BUDGET

**DEPARTMENT OF
HEALTH AND
SENIOR SERVICES**

FISCAL YEAR

2011 - 2012

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C- 5 to C-6; C-12 to C-13; C-19 to C-21;
C-25; C-27; D-133 to D-162; G-3.

Fiscal Summary (\$000)

	Expended FY 2010	Adjusted Appropriation FY 2011	Recommended FY 2012	Percent Change 2011-12
State Budgeted	\$1,232,443	\$1,278,598	\$1,269,473	(.7%)
Federal Funds	1,954,329	2,278,160	1,847,133	(18.9%)
<u>Other</u>	<u>327,919</u>	<u>397,088</u>	<u>397,061</u>	<u>(0 .0%)</u>
Grand Total	\$3,514,691	\$3,953,846	\$3,513,667	(11.1%)

Personnel Summary - Positions By Funding Source

	Actual FY 2010	Revised FY 2011	Funded FY 2012	Percent Change 2011-12
State	669	625	636	1.8%
Federal	714	685	692	1.0%
<u>Other</u>	<u>296</u>	<u>275</u>	<u>284</u>	<u>3.3%</u>
Total Positions	1,679	1,585	1,612	1.7%

Actual payroll counts are reported for fiscal years 2010 as of December and revised fiscal year 2011 as of January. The Budget Estimate for fiscal year 2012 reflects the number of positions funded. Revolving fund positions are excluded.

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

Highlights

Health Services

- **Direct State Services** appropriations decrease by \$1.3 million, to \$30.7 million.

Recommended appropriations are unchanged for the following programs: Vital Statistics - \$1.3 million; Family Health Services - \$2.2 million; and AIDS Services - \$1.5 million.

Public Health Protection Services funding is reduced by \$0.9 million, to \$10.7 million. The following Special Purpose appropriations are eliminated: School Based Programs and Youth Anti-Smoking - \$0.5 million; New Jersey Domestic Security Preparedness - \$0.3 million; and New Jersey Commission on Cancer Research - \$0.1 million.

Laboratory Services funding is reduced by about \$0.4 million, to \$15.0 million, as a Special Purpose appropriation for New Jersey Domestic Security Preparedness is not continued.

- **Grants in Aid** recommended appropriations increase by \$9.5 million, to \$208.8 million¹, as follows:

Family Health Services grants increase by \$13.4 million, to \$130.7 million. The Early Childhood Intervention Program appropriation increases by over \$13.8 million, to \$100.5 million. The increase offsets reductions in federal funds and provides for an increase in the number of infants/toddlers receiving services. Funding for the Postpartum Education Campaign (\$0.45 million) is eliminated.

The Family Health Services program is responsible for the distribution of \$40 million from the 0.53% hospital revenue assessment to Federally Qualified Health Centers (FQHCs). The Governor's Budget Summary reflects a \$4.6 million reduction in funds to FQHCs. Available information is that this would result in a 10% reduction in FQHC reimbursement per visit. This reduction assumes that additional monies will be made available to FQHCs pursuant to budget language on page B-74 of the FY 2011 Appropriations Handbook. To date, no funds have been appropriated pursuant to this language and the FY 2012 Recommended Budget does not reflect the \$4.6 million in additional funds.

Public Health Protection Services grants decrease by about \$0.2 million, to \$42.9 million, due to a reduction in the Hospital Asset Transformation – Debt Service program.

AIDS Services grants decrease by \$3.7 million, to \$35.2 million, as funding for the AIDS Drug Distribution Program (ADDP) is reduced from \$17.2 million to \$13.5 million. Persons with incomes between 300% and 500% of the federal poverty level (FPL) would be limited to AIDS related drugs only, and persons with incomes above 500% FPL would not be eligible for ADDP. As the program's eligibility criteria are the same

¹ Excludes \$0.5 million in Casino Revenue Fund Grants-in-Aid appropriations.

Highlights (Cont'd)

as in the "Temporary AIDS Supplemental Rebate and Federal Assistance Program," how \$3.7 million in savings will be realized is unclear.

- **Federal Funds** of \$403.6 million are recommended, a \$9.8 million reduction from FY 2011 levels.

Federal Funds for the following programs are unchanged: Vital Statistics - \$1.1 million; Laboratory Services - \$5.9 million; and AIDS Services - \$79.1 million.

In Family Health Services, \$223.5 million is anticipated, a \$9.5 million reduction from FY 2011 levels. Federal funds in the following areas are reduced or eliminated: National Cancer Prevention - \$0.4 million; Early Childhood Intervention - \$5.4 million; and Early Intervention Program-Enhanced Federal Match - \$3.8 million. The reduction in federal funds available to the Early Intervention Program is related to the expiration of funding made available through the federal stimulus legislation.

Federal funds for Public Health Protection Services are reduced by about \$0.3 million, to about \$94.0 million, as less federal Preventive Health and Health Services Block Grant funds are allocated to the program.

- **Other Funds** are reduced by about \$1.6 million, to \$122.3 million.²

Most of the reduction is in the Vital Statistics program where the fee charged by the State Registrar for certain permits is reduced to \$5 from \$15. The Governor vetoed legislation (A 2921/S 2059) which would have kept the fee at \$15. The additional revenues raised by the \$10 fee increase supported the New Jersey Electronic Death Registration Support System.

- The **Casino Revenue Fund** provides \$0.5 million in continuation funds to the Family Health Services program for the Statewide Birth Defects Registry.

Health Planning and Evaluation

- **Direct State Services** appropriations are unchanged at \$6.2 million: Long Term Care Systems - \$4.6 million; and Health Care Systems Analysis - \$1.7 million.
- Recommended **Grants in Aid** appropriations decrease by \$41.9 million, to \$27.2 million.

Although Health Care Subsidy Fund Payments are reduced, the reduction is offset by additional Federal Funds allocated for Charity Care payments. In total, the amount of Charity Care to be distributed will increase by \$10 million, to \$675.0 million (gross), and will be distributed pursuant to proposed budget language on pp. D-148 to D-149. The changes to the Charity Care formula are intended to make "funding more equitable and predictable" and allow "more funds to go to patient care rather than administrative

² The \$122.3 million figure comes from computer printouts made available to this office and includes Revolving Funds. The Governor's recommended budget cites \$113.0 million and does not include Revolving Funds.

Highlights (Cont'd)

costs." Also, pursuant to budget language on D-149, \$30.0 million is available for the Health Care Stabilization Fund which provides competitive grants to hospitals to maintain health services.

- **Federal Funds** of \$203.1 million are anticipated, a \$64.1 million increase over FY 2011 levels.

Federal Funds available for Appropriated Federal Charity Care increase by \$64.1 million, to \$180.8 million. Part of the increase results from Hoboken University Medical Center no longer being eligible for federal disproportionate share hospital funds as the hospital may be sold to a for-profit hospital provider. Also, in FY 2011, due to timing issues, additional federal reimbursement was realized on 75% of the revenue increase from the 0.53% assessment. In FY 2012, federal reimbursement will be realized on 100% of the increase from the 0.53% assessment.

- **Other Funds** available to the program increase by \$6.6 million, to \$132 million.

In the Long Term Care Systems program, the amount of Other Funds is unchanged at \$3.2 million. The Health Care Systems Analysis program will realize an additional \$6.6 million, to \$127.1 million. The increase is related to additional revenues available for the Health Care Cost Reduction Fund from the increase in the 0.53% hospital assessment. Of the monies raised from the assessment, \$40 million is used to support Federally Qualified Health Centers and balance is used for Charity Care.

Health Administration

- **Direct State Services** appropriations are reduced by \$51,000, to approximately \$4.3 million, as funds for Affirmative Action and Equal Employment Opportunity are eliminated.

Senior Services

The Administration has indicated that a Comprehensive Medicaid Waiver will be submitted to the federal government. The FY 2012 recommended budget assumes savings of \$75.0 million from this waiver. There is no waiver application available for review as of this writing.

The waiver may also affect county nursing homes, county welfare agencies, boards of social services and county offices on aging, as such entities administer the Medicaid program and/or provide services that are reimbursed by Medicaid.

The submission of a Comprehensive Medicaid Waiver does not mean that the federal government will approve the waiver application and the State cannot determine when the federal government will act upon the application. The application that is submitted may not be the application that is finally approved. Discussions between the federal government and the State will likely result in significant changes to any application that is submitted.

- **Direct State Services. General Fund** appropriations are unchanged at \$11.0 million as follows: Medical Services for the Aged - \$4.0 million; Pharmaceutical Assistance to the

Highlights (Cont'd)

Aged and Disabled - \$6.1 million; Programs for the Aged - \$0.4 million; and Office of the Public Guardian - \$0.6 million.

- **Grants in Aid** recommended General and Casino Revenue Fund appropriations decrease by \$148.1 million to \$1.05 billion, before taking into account savings of \$75 million from a Comprehensive Medicaid Waiver and the loss of \$243.9 million in Enhanced Federal Medicaid Matching Percentage funds.

Due to the manner in which Grants-in-Aid appropriations are displayed, the discussion will reference the total appropriation as it will provide a clearer picture as to what is happening in the individual programs.

Recommended Medical Services for the Aged appropriations decrease by \$66.7 million, to \$906.9 million, as follows:

Payments for Medical Assistance Recipients – Nursing Homes. Appropriations are reduced by \$108.6 million, to \$646.6 million:

Nursing home rates would be reduced by 3%, saving \$25.0 million.

An additional \$7.5 million is saved by not reimbursing nursing homes for holding beds for up to 10 days for patients who are admitted to hospitals.

Special care nursing facilities reimbursement for administrative costs is reduced by \$4.7 million.

The hold harmless provision as to the rates nursing homes will receive under the new rate setting methodology is increased from plus or minus \$5.00 per patient per day to plus or minus \$10.00 per patient per day.

Global Budget for Long Term Care appropriations increase \$47.6 million, to \$157.1 million. The number of clients who will receive community services as an alternative to care in a nursing home is expected to increase by 950, to nearly 12,900 clients.

Recommended appropriations for Medical Day Care Services decrease \$5.7 million, to \$103.0 million. Persons utilizing Medical Day Care Services would be subject to a \$3 co-pay with a cap of \$25 per month. This would save \$1.9 million.

General and Casino Revenue Fund appropriations for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program, including the Senior Gold program decrease by \$81.4 million, to \$95.7 million.

Savings of \$81.4 million are expected as follows: \$61.3 million based on PAAD/Senior Gold Trend and \$20.1 million in PAAD efficiencies.

It is noted that General Fund costs for the Senior Gold Prescription Discount Program increase by \$5.7 million, to \$10.8 million, as the account had been underfunded in prior years.

Highlights (Cont'd)

In FY 2012, PAAD will assist 142,200 persons: Elderly – 114,600 and Disabled – 27,600. Senior Gold will assist 23,00 persons: Elderly – 20,700 and Disabled – 2,300.

Grants funding for Programs for the Aged for Community Based Senior Programs is unchanged at \$30.4 million.

- **State Aid** is unchanged at \$7.2 million and provides funding for the County Office on Aging (\$2.5 million) and the Older Americans Act – State Share (\$4.7 million).
- **Federal Funds** are expected to decrease by \$485.3 million, to nearly \$1.24 billion, as follows:

The amount of federal funds available to the Programs for the Aged (\$47.9 million) and the Office of the Public Guardian (\$1.3 million) are unchanged from FY 2011 levels.

The Medical Services for the Aged program federal funds are reduced by \$485.3 million, to \$1.19 billion, primarily due to the loss of enhanced federal Medicaid matching funds and cost reductions incorporated into the various accounts.

- Approximately \$132.5 million in **Other Funds** are expected, a \$5.0 million reduction from FY 2011 levels. While the amount of fees the Office of the Public Guardian anticipates is unchanged at \$1.3 million, the Nursing Home Provider Assessment Fee is expected to generate \$131.0 million, compared to \$136.0 million in FY 2011. It is not known whether the reduction in the assessment is related to a reduction in the number of nursing home days, the proposed federal reduction in the assessment percentage a state may impose, or both.
- **Casino Revenue Funds** of \$89.8 million are recommended in support of both Direct State Appropriations and Grants-in-Aid, a \$4.9 million decrease from FY 2011 levels. This funding was discussed above in relation to the Medical Services for the Aged programs and the Pharmaceutical Assistance to the Aged and Disabled program.

Background Papers:

- Charity Care Distribution..... p. 38
- Nursing Home Reductions p. 41

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

	Expended FY 2010	Adj. Approp. FY 2011	Recom. FY 2012	Percent Change	
				2010-12	2011-12
General Fund					
Direct State Services	\$88,166	\$53,552	\$52,216	(40.8%)	(2.5%)
Grants-In-Aid	923,580	1,122,733	1,119,822	21.2%	(0.3%)
State Aid	8,624	7,152	7,152	(17.1%)	0.0%
Capital Construction		0		0.0%	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$1,020,370	\$1,183,437	\$1,179,190	15.6%	(0.4%)
Property Tax Relief Fund					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
Casino Revenue Fund	\$212,073	\$95,161	90,283	(57.4%)	(5.1%)
Casino Control Fund	\$0	\$0	\$0	0.0%	0.0%
State Total	\$1,232,443	\$1,278,598	\$1,269,473	3.0%	(0.7%)
Federal Funds	\$1,954,329	\$2,278,160	\$1,847,133	(5.5%)	(18.9%)
Other Funds	\$327,919	\$397,088	\$397,061	21.1%	(0.0%)
Grand Total	\$3,514,691	\$3,953,846	\$3,513,667	(0.0%)	(11.1%)

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2010	Revised FY 2011	Funded FY 2012	Percent Change	
				2010-12	2011-12
State	669	625	636	(4.9%)	1.8%
Federal	714	685	692	(3.1%)	1.0%
All Other	296	275	284	(4.1%)	3.3%
Total Positions	1,679	1,585	1,612	(4.0%)	1.7%

Actual payroll counts are reported for fiscal years 2010 as of December and revised fiscal year 2011 as of January. The Budget Estimate for fiscal year 2012 reflects the number of positions funded. Revolving Fund positions are excluded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	37.2	36.7	37.2	---	---
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approp. FY 2011</u>	<u>Recomm. FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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Health Services

**Direct State Services -
Public Health**

Protection Services	\$11,600	\$10,679	(\$ 921)	(7.9%)	D-140
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Public Health Protection Services funding is reduced by over \$0.9 million. The following Special Purpose appropriations are eliminated: New Jersey Domestic Security Preparedness (\$0.3 million), School Based Programs and Youth Anti-Smoking/Anti-Smoking Programs (\$0.5 million), New Jersey State Commission on Cancer Research (\$0.1 million), and New Jersey Coalition to Promote Cancer Prevention, Early Detection and Treatment (\$0.1 million).

**Direct State Services -
Laboratory Services**

	\$15,397	\$15,033	(\$ 364)	(2.4%)	D-140
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Funding is reduced by \$0.4 million as a Special Purpose appropriation for New Jersey Domestic Security Preparedness is not continued.

**Grants-in-Aid: Early
Childhood**

Intervention Program	\$86,648	\$100,493	\$13,845	16.0%	D-142
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The increase offsets a loss of \$9.2 million in one-time federal stimulus funds. Funds are also provided for an increase in the number of infants/toddlers who receive services, from 22,900 to 23,900 infants/toddlers.

In total, in FY 2012, approximately \$154.5 million (gross) is available for the program.

It is noted that the FY 2011 appropriations act and the FY 2012 recommended budget assume \$19 million in co-pay income will be generated. Available FY 2011 data indicate that less than \$6 million in co-pay revenues may be generated.

**Grants-in-Aid:
Postpartum Education**

Campaign	\$450	\$0	(\$ 450)	(100.0%)	D-142
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Funding is eliminated for this program. It is noted that federal health care reform legislation may provide funding for this type of program. Any federal monies would be made available through the federal Department of Health and Human Services, and to date, there have been no announcements regarding the availability of funds for this type of program.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2011</u>	<u>Recomm. FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Grants-in-Aid: Hospital Asset Transformation Program – Debt Service	\$18,218	\$18,041	(\$ 177)	(1.0%)	D-142

This program assists three hospitals - - St. Mary’s (Passaic), St. Michael’s (Newark), and J.F.K Medical Center (Edison) in meeting their debt obligations to the New Jersey Health Care Facilities Financing Authority. Though the recommended appropriation is reduced, budget language on D-145 would enable additional funds to be appropriated, if needed.

Grants-in-Aid: AIDS Drug Distribution Program	\$17,220	\$13,509	(\$3,711)	(21.6%)	D- 142
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Savings of \$3.7 million are anticipated. The program would limit coverage for persons with income between 300% and 500% of the federal poverty level (FPL) to AIDS related drugs only. Persons with income greater than 500% FPL from the program would not be eligible for the program. As these provisions are the same as those provided in the DHSS’ current “Temporary AIDS Supplemental Rebate and Federal Assistance Program,” it is not clear how \$3.7 million in savings will be realized.

Health Care Systems Analysis

Health Care Subsidy Fund Payments	\$69,093	\$27,202	(\$41,891)	(60.6%)	D-144
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Although the General Fund appropriation related to Charity Care is reduced by \$41.9 million, the gross amount of Charity Care to be distributed to hospitals will increase by \$10 million, to \$675.0 million.

The distribution of Charity Care is specified by complex budget language on pp. D-148 to D-149. The distribution formula is significantly different from the FY 2011 distribution formula. The changes to the formula are intended to make “funding more equitable and predictable” and allow “more funds to go to patient care rather than administrative costs.”

In FY 2012, Federal Funds available for Appropriated Federal Charity Care will increase by \$64.1 million, to \$180.8 million. Additional federal reimbursements will be available from the lifting of the \$40 million cap from the 0.53% assessment on hospital revenues: Due to timing issues as to when hospitals are assessed, only 75% of the annual value of the increase would be realized in FY 2011; in FY 2012, the State will realize 100% of the assessment increase. The additional three months of revenues may generate about \$13 million. Also, as Hoboken University Medical Center may be purchased by a private entity, approximately \$11 million in

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2011</u>	<u>Recomm. FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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federal disproportionate share monies the hospital had received will now be available for distribution to other hospitals for Charity Care.

Medical Services for the Aged

The Administration has indicated that a Comprehensive Medicaid Waiver will be submitted to the federal government. The FY 2012 recommended budget assumes savings of \$75.0 million from this waiver. There is no waiver application available for review as of this writing.

The waiver may also affect county nursing homes, county welfare agencies, boards of social services and county offices on aging, as such entities administer the Medicaid program and/or provide services that are reimbursed by Medicaid.

The submission of a Comprehensive Medicaid Waiver does not mean that the federal government will approve the waiver application and the State cannot determine when the federal government will act upon the application. The application that is submitted may not be the application that is finally approved. Discussions between the federal government and the State will likely result in significant changes to any application that is submitted.

The FY 2012 Grants-in-Aid amounts listed below for Global Budget for Long Term Care, Payments for Medical Assistance Recipients – Nursing Homes and Medical Day Care Services DO NOT take into account the \$75 million in savings the waiver may produce.

Grants-in-Aid: Global Budget for Long Term Care TOTAL	<u>\$109,501</u>	<u>\$157,112</u>	<u>\$47,611</u>	<u>43.5%</u>	
General Fund	\$109,501	\$137,112	\$27,611	25.2%	D-155
Casino Revenue Fund	\$0	\$20,000	\$20,000	—	D-155

The recommended \$47.6 million increase in General and Casino Revenue Funds will allow over 950 additional persons to receive community services as an alternative to nursing home care. In total, nearly 12,900 persons will receive services from the program.

In addition to services available through the Medicaid program, the Global Budget program provides these additional services: initial and ongoing case management; home-based support care, assisted living/adult family care, and other services.

Payments for Medical Assistance Recipients – Nursing Homes	\$755,215	\$646,605	(\$108,610)	(14.4%)	D-155
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Appropriations are reduced by \$108.6 million, to \$646.6 million, as follows:

- Nursing home rates would be reduced by 3%, or \$25.0 million.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2011</u>	<u>Recomm. FY 2012</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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- Nursing homes would not be reimbursed for holding beds for up to 10 days for patients who are admitted to hospitals, saving \$7.5 million.
- Special care nursing facilities would have their administrative reimbursement reduced by \$4.7 million.

In addition to the above reductions, budget language that held nursing home rates harmless within plus or minus \$5.00 per patient per day under the new nursing home rate setting system is being amended. The hold harmless amount will now be plus or minus \$10.00 per patient per day. Thus, some nursing homes may gain revenues, while other nursing homes may lose revenues.

The Nursing Home Provider Assessment Fee is expected to generate \$131.0 million, a \$5.0 million reduction from FY 2011 levels. It is not clear whether the \$5.0 million reduction is attributable to a reduction in Medicaid patient days, the proposed federal budget which includes a reduction in the assessment percentage a state may impose for purposes of obtaining federal reimbursement, or a combination of both.

The FY 2012 recommended budget assumes that Medicaid patient days will be reduced by about 47,000, to 10.5 million days.

Medical Day Care Services	\$108,724	\$103,046	(\$5,678)	(5.2%)	D-155
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Recommended appropriations decrease \$5.7 million, to \$103.0 million. Savings of \$1.9 million are anticipated by imposing a \$3 co-pay with a cap of \$25 per month. Additional savings are anticipated through a 100,000 decrease in the number of days of service that will be provided.

Grants-in-Aid: Pharmaceutical Assistance to the Aged and Disabled – Claims TOTAL	<u>\$171,871</u>	<u>\$84,833</u>	<u>(\$87,038)</u>	<u>(50.6%)</u>	
General Fund	\$92,978	\$30,818	(\$62,160)	(66.9%)	D-155
Casino Revenue Fund	\$78,893	\$54,015	(\$24,878)	(31.5%)	D-155

Savings of \$81.4 million are anticipated based on existing “trends,” and through “efficiencies.” Efficiencies may include proposed changes to the methodology upon which drugs are reimbursed, as specified by budget language on D-160, D-161 to D-162, and federal health care reform improvements to the Medicare D Prescription Drug Program.

The FY 2012 recommended budget assumes that overall PAAD caseloads will decrease by from about 143,400 recipients to 142,200 recipients: Elderly – 114,600 and Disabled – 27,600.

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

<u>Budget Item</u>	<u>Adj. Approp.</u> <u>FY 2011</u>	<u>Recomm.</u> <u>FY 2012</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>	<u>Budget</u> <u>Page</u>
Grants-in-Aid: Senior Gold Prescription Discount Program	\$5,166	\$10,829	\$ 5,663	109.6%	D-155

Funding for the Senior Gold program will increase by \$5.7 million, to \$10.8 million, in FY 2012. This increase reflects program underfunding in prior fiscal years, as previous appropriations did not take into account \$3.9 million for administrative costs. In FY 2011, the program has only \$1.3 million to pay claims. Funds had to be transferred into the account from other programs to pay claims. The FY 2012 recommended appropriation is more in line with actual expenditures.

The FY 2012 recommended budget assumes that caseloads will remain unchanged at about 23,000 recipients.

Significant Language Changes

The Governor’s FY2012 recommended budget eliminates many language provisions that are procedural in nature, since they are unnecessary or duplicative of authority provided in General Provisions to the Director of the Division of Budget and Accounting.

Rather than list all these language provisions and explain why these language provisions are no longer necessary, the focus of this section will be on language provisions that have policy implications or which have significant fiscal implications.

Health Services

2011 Appropriations Handbook

2012 Recommended Budget

p. B-75

p. D-144

Notwithstanding the provisions of the “Worker and Community Right to Know Act,” P.L.1983, c.315 (C.34:5A-1 et seq.), the amount hereinabove appropriated for the Worker and Community Right to Know account is payable from the “Worker and Community Right to Know Fund,” and the receipts in excess of the amount anticipated, not to exceed \$614,000, are appropriated. If receipts to that fund are less than anticipated, the appropriation shall be reduced proportionately.

Notwithstanding the provisions of the “Worker and Community Right to Know Act,” P.L.1983, c.315 (C.34:5A-1 et seq.), the amount hereinabove appropriated for the Worker and Community Right to Know account is payable from the “Worker and Community Right to Know Fund.”

Explanation

As no excess receipts are anticipated in the Worker and Community Right to Know Fund, the language appropriating up to \$614,000 in excess receipts is not necessary.



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p. B-74

p. D-144

Of the amount hereinabove appropriated for Cancer Screening - Early Detection and Education 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, **(Continued on the next page)**

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 **(Continued on the next page)**

Significant Language Changes (Cont'd)

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subject to the approval of the Director of the Division of Budget and Accounting.

Director of the Division of Budget and Accounting.

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.

Explanation

The FY 2011 appropriations act did not incorporate language for Cancer Screening – Early Detection and Education Program into the language provision affecting the Maternal, Child and Chronic Health Services program even though the Cancer Screening program was incorporated into the Maternal, Child and Chronic Health Services program.

The FY 2012 recommended budget eliminates the language concerning the Cancer Screening program as being unnecessary, as the provisions of the Maternal, Child and Chronic Health Services language will apply to that program.



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p. D-145

No comparable language provision.

In addition to the amount hereinabove appropriated for Cancer Institute of New Jersey, South Jersey Program an amount not to exceed \$11,143,923 is appropriated for construction of the comprehensive cancer center in South Jersey, subject to the approval of the Director of the Division of Budget and Accounting, provided that no monies from this appropriation shall be disbursed until all funding from all other sources has been used.

Significant Language Changes (Cont'd)

Explanation

The recommended budget provides \$5.4 million for the Cancer Institute of New Jersey, South Jersey Program. The proposed language would make up to \$11.1 million in additional funds available to the South Jersey program for construction related expenses, under certain conditions.



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p. B-77

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the AIDS Drug Distribution Program shall be conditioned upon the following provision: the annual income eligibility for participation in this program shall not exceed 300% of federal poverty level. No funds shall be expended for recipients earning greater than 300% of the federal poverty level.

p. D-145

Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated for the AIDS Drug Distribution Program shall be conditioned upon the following, individuals whose income does exceed 300% if the federal poverty level shall be eligible for all AIDS-related drugs and all other drugs; individuals whose income exceeds 300% of the federal poverty level but does not exceed 500% of the federal poverty level shall be eligible for only AIDS-related drugs; and individuals whose income exceeds 500% of the federal poverty level shall not be eligible for any drugs pursuant to the appropriation.

Explanation

The revised language provides for the same program benefits for persons whose income is between 300% and 500% of the federal poverty level as those currently provided in the department's "Temporary AIDS Supplemental Rebate and Federal Assistance Program."

As such, it is not clear how the AIDS Drug Distribution Program will save the \$3.7 million identified in the recommended budget.



Significant Language Changes (Cont'd)

Health Planning and Evaluation

The language concerning the distribution of Charity Care has been reformatted to assist in reading the language provision.

2011 Appropriations Handbook

p. B-80

Notwithstanding the provisions of any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year (SFY) 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, 2010, 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; (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, 2010, 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
(Continued on the next page)

2012 Recommended Budget

pp. D-148 – 149

Notwithstanding the provisions of section 3 of P.L.2004, c.113 (C.26:2H-18.59i) or any law or regulation to the contrary, the appropriation for Health Care Subsidy Fund Payments in State Fiscal Year (SFY) 2012 shall be calculated using a multiple regression based formula such that:

(a) source data shall be from:

1) Hospital Patient Discharge Uniform Billing Data (UB) from calendar year 2009 as released by the Department of Health and Senior Services (DHSS),

2) charity care subsidy allocation for SFY 2011 as announced by DHSS in July 2010, and

3) charity care subsidy allocation for SFY 2010 as announced by DHSS in July 2009 and including any subsequent reallocations;

(b) the SFY 2010 charity care subsidy allocation shall be proportionally increased for each eligible hospital to increase the total subsidy to \$675,000,000 for this calculation purpose;

(c) the SFY 2012 charity care subsidy allocation for each eligible hospital shall begin with a constant value of \$674,269.40 and be increased by 88.38172% of its charity care subsidy allocation for SFY 2010 as calculated in subsection (b) above;

(d) the SFY 2012 charity care subsidy allocation calculated thus far for each eligible hospital shall be increased by 2.06784% of the total charges from the payer category "self pay" in the calendar year 2009 UB data and then decreased by 0.12446% of the total charges from all payer categories in the calendar year 2009 UB data;

(Continued on the next page)

Significant Language Changes (Cont'd)

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
<p>charity care patients and for hospital total gross revenue for all patients as defined by Form E4, Line 1, Column E;</p> <p>(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%, and Tier 2 hospitals having an initial RCCP less than Tier 1;</p> <p>(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;</p> <p>(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;</p> <p>(g) if an eligible hospital's initial calculated SFY 2011 charity care subsidy is more than its total SFY 2010 subsidy allocation including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2010 subsidy allocation including any reallocations plus 55% of the difference calculated above;</p> <p>(h) if an eligible hospital's initial calculated SFY 2011 charity care subsidy is less than its total SFY 2010 subsidy allocation including any reallocations, the hospital-specific subsidy calculation for each eligible hospital shall be its total SFY 2010 subsidy allocation including any reallocations minus 55% of the difference calculated above;</p> <p>(i) if the hospital-specific subsidy calculated thus far for an eligible hospital is calculated to be more than 98% of its documented charity care for calendar year 2009, the hospital-specific subsidy for each hospital shall be reduced to 98% of its documented charity care; and</p>	<p>(e) the SFY 2011 charity care subsidy allocation for each eligible hospital shall be divided by the total charges for the payer category "self pay" in the calendar year 2009 UB data to generate a ratio for this calculation purpose and then multiplied by a constant value of \$4,239,097;</p> <p>(f) the SFY 2012 charity care subsidy allocation calculated thus far in subsection (d) above for each eligible hospital shall be reduced by the amount calculated in subsection (e) above;</p> <p>(g) if the SFY 2012 charity care subsidy allocation calculated thus far is less than \$175,000 for any eligible hospital, the SFY 2012 charity care subsidy allocation thus far shall be increased to \$175,000;</p> <p>(h) the SFY 2012 charity care subsidy allocation calculated thus far for each eligible hospital shall be proportionally increased or decreased so that the total initial calculated SFY 2012 charity care subsidy shall be equal to \$675,000,000;</p> <p>(i) the SFY 2012 charity care subsidy allocation calculated thus far for each eligible hospital shall be multiplied by 25%;</p> <p>(j) the SFY 2011 charity care subsidy allocation for each eligible shall be multiplied by 75%;</p> <p>(k) the amounts calculated in subsection (i) and (j) above shall be added together for each eligible hospital producing the SFY 2012 charity care subsidy allocation for each eligible hospital;</p> <p>(l) the resulting number will constitute each eligible hospital's SFY 2012 charity care subsidy allocation.</p> <p>A proportionate increase or decrease shall be applied to all hospitals if necessary such that the calculated SFY 2012 charity care subsidy allocation for all hospitals totaled shall not exceed \$675,000,000.</p>

(Continued on the next page)

Significant Language Changes (Cont'd)

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(j) 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 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

The formula by which \$675.0 million in Charity Care funds are distributed among hospitals is revised for FY 2012.

The Charity Care distribution formula for FY 2012 appears to be more complex than the formula used in FY 2011. The changes to the formula are intended to make "funding more equitable and predictable" and allow "more funds to go to patient care rather than administrative costs."



2011 Appropriations Handbook

2012 Recommended Budget

p. B-80

p. D-149

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 Stabilization Fund shall not exceed \$695,000,000.

Similar language, except the total amount is increased to \$705,000,000.

Significant Language Changes (Cont'd)

Explanation

The \$705.0 million amount represents the total amount to be distributed to hospitals in FY 2012 for Charity Care (\$675.0 million) and Health Care Stabilization (\$30.0 million).

The distribution of Health Care Stabilization Funds is discretionary. Hospitals must submit applications for these funds to the department. The commissioner has discretion in determining which hospitals will receive funds, the amount of funds hospitals will receive, and the conditions a hospital must agree to in order to receive these funds.

The New Jersey Health Care Facilities Financing Authority will provide administrative assistance to the department with respect to the Health Care Stabilization Fund and will absorb 75% of the associated cost.



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p. B-80

Notwithstanding the provisions of any law or regulation to the contrary, any additional federal disproportionate share hospital matching funds received as a result of the conversion to a municipal hospital known as Hoboken University Medical Center are appropriated for the Hoboken University Medical Center in an amount to be determined by the Division of Medical Assistance and Health Services, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

The language is deleted as the Administration anticipates that Hoboken University Medical Center will be sold to a for-profit hospital entity. If sold to a for-profit entity, the facility will not be eligible to receive federal disproportionate share funds.



Significant Language Changes (Cont'd)**2011 Appropriations Handbook****p. B-81**

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Health Care Subsidy Fund for charity care payments are subject to the following condition: any hospital which received its entire fiscal year 2010 charity care allocation shall have its fiscal year 2011 charity care allocation reduced by ½ of 1 month of its fiscal 2010 charity care allocation, subject to the Director of the Division of Budget and Accounting.

2012 Recommended Budget**p. D-149**

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Health Care Subsidy Fund for charity care payments are subject to the following condition: In a manner determined by the Commissioner of Health and Senior Services and subject to the Division of Budget and Accounting, eligible hospitals shall receive 1) their Charity Care subsidy payments beginning in July 2011, 2) an aggregate amount of \$10,000,000 of their July and August 2011 payments in October 2011, 3) their September 2011 payments in October 2011, and 4) their January 2012 payments in December 2011.

Explanation

The revised language provision specifies the manner in which Charity Care funds are to be distributed to hospitals. No information is available as to why July and August aggregate payments will not be distributed until October, or why the January payment will be paid in December. The distribution schedule may relate to when monies are available in the Health Care Subsidy Fund for distribution. Hospitals may be adversely affected on a cash-flow basis by this Charity Care payment schedule.



Significant Language Changes (Cont'd)

Senior Services

2011 Appropriations Handbook

2012 Recommended Budget

pp. B-83, B-87

Such sums as may be necessary, not to exceed \$1,860,000, may be credited from the Energy Assistance program account in the Board of Public Utilities to the Lifeline program account and shall be applied in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provisions.

Such sums as may be necessary, not to exceed \$70,840,000, for payments for the Lifeline Credit and Tenants' Lifeline Assistance programs, may be credited from the Energy Assistance Program account in the Board of Public Utilities to the Lifeline program account and shall be applied in accordance with a Memorandum of Understanding between the President of the Board of Public Utilities and the Commissioner of Health and Senior Services, subject to the approval of the Director of the Division of Budgeting and Accounting.

Explanation

The Department of Health and Senior Services provides administrative services to the Board of Public Utilities for the Lifeline programs and the department is reimbursed for this administrative service. As language is included on p. D-366 concerning the administration of the Lifeline programs, the two language provisions are not continued.



Significant Language Changes (Cont'd)

2011 Appropriations Handbook

2012 Recommended Budget

pp. B-84; B-87

Notwithstanding the provisions of any law or regulation to the contrary, payments from the Payments for Medical Assistance Recipients - Nursing Homes account shall be made at 50% only for bedhold days at facilities with total occupancy rates at 90% or higher based on the occupancy percentage reported on each facility's latest cost report; however, nursing homes shall hold a bed for a Medicaid beneficiary who is hospitalized for up to ten days.

Notwithstanding the provisions of any law or regulation to the contrary, payments from the Payments for Medical Assistance Recipients-Nursing Homes account shall be conditioned upon the following provisions: no funding shall be provided for therapeutic days at facilities with total occupancy rates of less than 90% as reported on each facility's latest cost report. Payment for therapeutic days at facilities with occupancy rates of 90% or greater shall be made at 50%.

p. B-159

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for payments for Medical Assistance Recipients- Nursing Homes and Global Budget for Long Term Care are subject to the following condition: nursing facilities shall not receive payments for bed hold or therapeutic leave days for Medicaid beneficiaries; provided that nursing facilities shall continue to reserve beds for Medicaid beneficiaries who are hospitalized or on therapeutic leave as required by N.J.A.C.8:85-1.14.

Explanation

The FY 2011 budget language is not continued as the recommended budget would require nursing homes to hold beds for up to 10 days without reimbursement. This will save \$7.5 million (State).

The proposed budget language would replace two language provisions in the FY 2011 appropriations act and require nursing homes to hold a bed for nursing home patients who are hospitalized for up to 10 days without Medicaid reimbursement. In FY 2011, nursing homes with occupancy rates of 90% or greater received reimbursement for bed hold days at a rate of 50%. This change is expected to save \$7.5 million (State).

Significant Language Changes (Cont'd)

The language concerning nursing home reimbursements has been reformatted to assist in reading the language provision.

2011 Appropriations Handbook

p. B-84

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 2011;
 - (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; and
 - (4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing homes less the portion of those funds to be paid as pass-through payments in accordance with paragraph 1 of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97) shall be combined with amounts hereinabove appropriated for Payments for Medical Assistance Recipients - Nursing Homes and Global Budget for Long Term Care for the purpose of Medicaid reimbursement to nursing facilities according to the new rate setting methodology. For the purposes of this paragraph, a nursing facility's per diem
- (Continued on the next page)**

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p. D-157

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) the per diem reimbursement rates effective July 1, 2011, for 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 2011, including any changes that may be codified during fiscal year 2012.
 - (2) except as otherwise provided in this FY 2012 Appropriations Act, 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 \$10.00 from the per diem reimbursement rate received by that facility during fiscal year 2010; and
 - (3) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing homes less the portion of those funds to be paid as pass-through payments in accordance with paragraph 1 of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97) shall be combined with amounts hereinabove appropriated for Payments for Medical Assistance Recipients - Nursing Homes and Global Budget for Long Term Care for the purpose of Medicaid reimbursement to nursing facilities according to the new rate setting methodology. For the purposes of this paragraph, a nursing facility's per diem
- (Continued on the next page)**

Significant Language Changes (Cont'd)

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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 of Care portion of the Provider Tax add-on.

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 of Care portion of the Provider Tax add-on.

Explanation

The amended budget language:

- Deletes language that provided Special Care Nursing Facilities (SCNFs) with the same reimbursement rate in FY 2011 as SCNFs received in FY 2010. The FY 2012 recommended budget proposes other language concerning SCNFs that is referenced later in this section.
- Bases nursing home reimbursement on regulations for the new rate setting methodology that were proposed in June 2010, and any changes to those proposed regulations that may be adopted.
- In FY 2011, nursing home reimbursement would not vary more than \$5.00 under the new rate setting system compared to what nursing homes would have received under the old rate setting system. For FY 2012, the hold harmless amount is increased to \$10.00.

The recommended budget reduces nursing home reimbursement by 3% and some nursing homes may lose more than \$10.00 per diem as the 3% percent rate reduction would be applied after the \$10.00 home harmless provision is applied.



The prescription drug language provisions have been reformatted to assist the reader.

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pp. B-85, B-89

pp. D-161, D162

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: **(Continued on the next page)**

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 fee-for-service prescription drug claims with no Medicare Part D coverage except under the following conditions: **(Continued on the next page)**

Significant Language Changes (Cont'd)

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
<p>(1) reimbursement for the cost of all legend and non-legend drugs shall be calculated based on the lesser of the Average Wholesale Price less a volume discount not to exceed 17.5% as shall be determined by the Commissioner and the Director of the Division of Budget and Accounting; the federal Maximum Allowable Cost; the State Maximum Allowable Cost; or a pharmacy's usual and customary charge;</p> <p>(2) 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</p> <p>(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.</p>	<p>(1) through August 31, 2011</p> <p>(a) reimbursement for the cost of all legend and non-legend drugs shall be calculated based on the lowest of:</p> <ul style="list-style-type: none"> (i) the Average Wholesale Price less a volume discount not to exceed 17.5% as shall be determined by the Commissioner and the Director of the Division of Budget and Accounting; or (ii) the federal upper limit (FUL); or (iii) the state upper limit (SUL); or (iv) a pharmacy's usual and customary charge; and <p>(b) the current prescription drug dispensing fee structure set as a variable rate of \$3.73 to \$3.99 shall remain in effect through August 31, 2011;</p> <p>(2) on or after September 1, 2011</p> <p>(a) drug cost for all legend and non-legend single source, brand name multi-source, and multi-source drugs shall be calculated based upon, in the discretion of the Commissioner:</p> <ul style="list-style-type: none"> (i) cost acquisition data submitted by providers, suppliers, and/or wholesalers of pharmaceutical services for single source, brand-name multi-source and multi-source drugs; or (ii) the wholesale acquisition cost (WAC) less a one percent volume discount for single-source and multi-source brand name drugs; or (iii) the lesser of the SUL or FUL for multi-source drugs; <p>(3) on or after September 1, 2011, drug reimbursement shall be calculated, in the discretion of the Commissioner, based on either</p> <ul style="list-style-type: none"> (i) the lesser of the acquisition data from providers, suppliers and/or wholesalers for single source, brand-name multi-source, and multi-source drugs plus a professional fee or a provider's usual and customary charge; or (ii) the lesser of WAC less one percent plus a dispensing fee of \$3.73 to \$3.99 for single-source <p>(Continued on the next page)</p>

Significant Language Changes (Cont'd)

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and multi-source brand name drugs or a provider's usual and customary charge; or
(iii) the lesser of SUL or FUL plus \$3.73 to \$3.99 for multi-source drugs or a provider's usual or customary charge.

In the absence of acquisition data on or after September 1, 2011, reimbursement shall be based on the lesser of 3.ii or 3.iii above.

To effectuate the purposes of this paragraph, which is intended to be budget neutral, the Department of Human Services shall mandate ongoing submission of current drug acquisition data by providers, suppliers, and/or wholesalers of pharmaceutical services for reimbursement of dispensing or administering single source, brand-name multi-source, and multi-source drugs, and no funds hereinabove appropriated shall be paid to any entity that fails to submit required data.

Explanation

The proposed language amends the methodology by which pharmacies are reimbursed for drugs dispensed in the PAAD and Senior Gold programs. (This change would also affect drugs dispensed in the Medicaid program.)

Though the change in reimbursement methodology is intended to be "budget neutral," the Office of Legislative Services is not able to verify this claim.

It is noted that the budget language imposes considerable reporting requirements on "providers, suppliers, and/or wholesalers of pharmaceutical services" as a condition of obtaining reimbursement. Assuming that this information is provided, it is not known what additional costs the State will incur to process the information. Further, the extent to which affected entities will provide this type of business data is not known, even if not submitting the data will result in a loss of reimbursement. While similar information may be submitted to the federal government, the information is considered proprietary and the federal government does not share this information with states.

Significant Language Changes (Cont'd)

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
pp. B-86, B-88	
<p>Notwithstanding the provisions of any law or regulation to the contrary, no funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program and the Senior Gold Prescription Discount Program are available to a pharmacy that has not submitted an application to enroll as an approved medical supplier in the Medicare program, unless it already is an approved Medicare medical supplier. Pharmacies shall not be required to bill Medicare directly for Medicare Part B drugs and supplies, but must agree to allow PAAD to bill Medicare on their behalf by completing and submitting an electronic data interchange form to PAAD. Beneficiaries are responsible for the applicable PAAD or Senior Gold Prescription Discount Program copayment.</p>	<p>No comparable language provision.</p>

Explanation

As almost every pharmacy in the State is an approved Medicare medical supplier, the language is not considered necessary by the Administration.

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
p. B-87	
<p>Notwithstanding the provisions of P.L. 2004, c.41 (C.26:2H-94 et seq.), the State Treasurer shall transfer to the General Fund an amount not to exceed \$17,775,000 per quarter, or \$71,100,000 for the full fiscal year, from revenues collected from the annual assessment on nursing homes, subject to the approval of the Director of the Division of Budget and Accounting.</p>	<p>No comparable language provision.</p>

Significant Language Changes (Cont'd)

Explanation

Under current law, the State receives approximately \$12.9 million each quarter from the annual nursing home assessment. The FY 2011 appropriations act increased that amount to about \$17.8 million as the higher federal Medicaid match resulted in additional federal revenues. The higher federal Medicaid match ends on June 30, 2011, and the amount of monies the State will receive from the assessment will revert back to \$12.9 million each quarter.



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p. D-159

No comparable language provision.

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients - Nursing Homes and Global Budget for Long Term Care are subject to the following condition: Special Care Nursing Facility (SCNF) Medicaid per diem reimbursement rates for FY 2012 shall be adjusted so that amount included in that rate for operating and administrative costs, as determined through the calculation pursuant to N.J.A.C. 8:85-3.7(e) utilizing the most recently verified SCNF cost report data, is the same amount as paid to non-county nursing facilities, other than SCNFs, for the Operating and Administrative Price of the per diem reimbursement rate up to a maximum adjustment of \$41.24 per day.

Explanation

The proposed language would reduce Special Care Nursing Facilities administrative reimbursement and would save about \$4.7 million (State).



Significant Language Changes (Cont'd)

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
No comparable language provision.	<p>p. D-159</p> <p>Notwithstanding the provision of any law or regulation to the contrary, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients – Nursing Homes and Global Budget for Long Term Care are subject to the following condition: Medicaid per diem reimbursement rates for Special Care Nursing Facilities (SCNFs) shall not be subject to the budget adjustment factor pursuant to N.J.A.C. 8:85-3.13 for any reduction in nursing facility funding; however, the provisions of N.J.A.C. 8:85-3.15 and N.J.A.C. 8:85-3.16 shall apply when determining the SCNFs' rates. The reduction in funding for nursing facility reimbursement rates for nursing facilities other than SCNFs shall be implemented consistent with the specifications of N.J.A.C. 8:85-3.13.</p>

Explanation

The proposed budget language would implement the budget recommendation that nursing home rates be reduced by 3%. This reduction is projected to reduce nursing home expenditures by \$25.0 million (State). Special provisions are to be applied when determining the reimbursement rates of SCNFs with respect to property insurance and target occupancy levels (N.J.A.C.8:85-3.15 and 3.16).



<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
No comparable language provision.	<p>p. D-159</p> <p>Notwithstanding the provisions of any law or regulation to the contrary, the amounts appropriated hereinabove for Medical Day Care are subject to the following condition: effective August 15, 2011, 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.</p>

Significant Language Changes (Cont'd)

Explanation

The proposed language would require each recipient of Medical Day Care services to pay a \$3.00 per day copayment, capped at \$25.00 per month. This requirement is expected to save \$1.9 million (State).

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

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p. B-90

Notwithstanding the provisions of any law or regulation to the contrary, the Commissioner of Health and Senior Services shall devise, at the commissioner's discretion, rules or guidelines that allocate reductions in health service grants to the extent possible toward administration, and not client services.

No comparable language provision.

Explanation

The language is not considered necessary by the Administration as the intent of the language - - that funding reductions in grants be allocated to administrative costs and not services provided to clients - - has been implemented.

Significant Language Changes (Cont'd)

<u>2011 Appropriations Handbook</u>	<u>2012 Recommended Budget</u>
<p>p. B-91</p> <p>On or before January 1, 2011, the Department of Health and Senior Services shall provide a report to the Governor, State Treasurer, President of the Senate and Speaker of the General Assembly on the Department's plan for the conversion of the Medicaid fee-for-service long-term care benefit to managed care. The report shall provide an update to the Department's April 2009 report, and shall include but not be limited to details on plan design, included and excluded populations, a rollout schedule for managed care implementation in all 21 counties, and projected savings in Medicaid expenditures relative to fee-for-service projections for fiscal year 2011 through 2015.</p>	No comparable language provision.

Explanation

The language provision applied to FY 2011 only and is not continued in FY 2012. The department submitted the required report on long term care to the officials identified in the language.

Discussion Points

Department of Health and Senior Services (DHSS) – General

1. The FY 2011 appropriations act consolidated numerous grant accounts into two new grant accounts: Maternal, Child and Chronic Health Services and Community Based Senior Program grant accounts. The FY 2012 recommended budget continues these two consolidated accounts.

In consolidating these accounts, DHSS had indicated that all existing grants would be continued in FY 2011 and at the same funding levels as in FY 2010. No information, however, is readily available as to which agencies received funds or the amount of funds provided to each agency.

- **Question:** Please provide information as to the agencies that were provided funds from the two grant accounts and the amount of funds each agency received.

2. The Departments of Children and Families (DCF) and Human Services (DHS) have adopted various contract policies to reduce expenditures at agencies they contract with. These include limitations on executive compensation, travel and education, mileage reimbursement limits, etc.

DHSS contracts with many of the same agencies affected by DCF/DHS contract policies. However, DHSS has not adopted similar policies with respect to its contracts. It is, thus, possible for agencies to shift some or all of the denied contract costs to DHSS contracts.

- **Question:** What steps have been taken to prevent agencies from shifting denied expenses to DHSS contracts?

Health Services

3.a. At the end of December 2010, the following amounts of FY 2010 Direct State Services appropriations were still encumbered in the following programs:

- Family Health Services - \$0.4 million.
- Public Health and Protection Services - \$2.5 million.
- AIDS Services - \$0.3 million.
- Laboratory Services - \$0.1 million.

- **Question:** Are these encumbered funds still valid?

3.b. At the end of December 2010, the following amounts of FY 2010 Grants-in-Aid appropriations were still encumbered in the following programs:

- Family Health Services - \$1.1 million.
- Public Health and Protection Services - \$23.5 million.
- AIDS Services - \$1.4 million.

- **Question:** Are these encumbered funds still valid?

Discussion Points (Cont'd)

4. The Vital Statistics program will lose over \$1.9 million in Other Revenues as the fee charged for certain burial permits was reduced from \$15 to \$5. These additional revenues had been used to support administrative costs of the Electronic Death Registration program.

- **Question:** Are sufficient funds available to maintain the Electronic Death Registration program?

5. The FY 2011 appropriations act eliminated State appropriations for family planning services. The department indicated that many persons who received services from family planning agencies would receive family planning services from federally qualified health centers (FQHCs).

- **Questions:** What impact has the elimination of family planning funds had on the operations of family planning agencies? Specifically, how many agencies have closed, reduced or eliminated services, or curtailed hours of service? Have FQHCs seen an increase in the number of people receiving family planning services?

6.a. The FY 2012 recommended budget includes \$22 million in federal Medicaid reimbursement for the Early Intervention Program (EIP).

Available Medicaid data indicate that approximately \$28 million in federal Medicaid revenues will be realized in FY 2011 (based on a 50% federal match).

- **Question:** Is the \$22 million in federal Medicaid revenue understated?

6.b. The FY 2012 recommended budget assumes \$19 million in EIP co-payments. Though the FY 2011 appropriations act also assumed \$19 million in co-payment revenues, actual collections are estimated at \$5.5 million.

- **Questions:** Is \$19 million in co-payment revenue realistic based on projected collections in FY 2011? What impact did the increase in co-payments during FY 2011 have on the number of infants/toddlers receiving services?

7. The FY 2011 appropriations act eliminated \$2.4 million in Public Health Priority Funding to local health departments.

- **Questions:** Did local health departments offset this reduction by increasing local funding or increasing fees? To what extent did local health departments reduce or eliminate services?

8. No funding is recommended for the New Jersey State Commission on Cancer Research.

The commission has awarded grants over the past several years that need ongoing monitoring with respect to the submission of program and expenditure reports.

- **Question:** What provisions have been made to monitor grants previously awarded by the Commission on Cancer Research?

Discussion Points (Cont'd)

9. Language in the FY 2012 recommended budget concerning the AIDS Drug Distribution Program (ADDP) for persons whose income is between 300% - 500% of the federal poverty levels (FPL) provides the same benefits as the department's Temporary AIDS Supplemental Rebate and Federal Assistance Program.

The budget, however, provides for a savings of \$3.7 million in ADDP.

- **Question:** As the population to be served and the benefits to be provided are the same as those currently being provided, how are savings of \$3.7 million to be achieved?

10.a. The New Jersey Health Care Facilities Financing Authority has agreed to support 75% of the administrative costs associated with the Health Care Stabilization Fund.

- **Question:** How much will the department save as a result of this agreement?

10.b. DHSS is required to submit an annual report on the Health Care Stabilization Fund by March 1st. As of this writing, no report for either 2010 or 2011 has been submitted. Similarly, information is not available as to whether any audits of the grant awards have been conducted as required.

- **Question:** What is the status of the annual reports and the required audits?

11. The FY 2012 budget recommends \$2.7 million for Additions, Improvements and Equipment in the Laboratory Services program, the same as in the FY 2011 appropriations act. Available information is that all Additions, Improvements and Equipment funds have been placed in reserve and may lapse.

- **Question:** Can the \$2.7 million recommended appropriation be reduced or eliminated?

Health Planning and Evaluation

12. The FY 2011 appropriations act assumed federal approval of two Medicaid State Plan Amendments (SPAs) with the additional federal funds being used for Charity Care:

- Eliminating the \$40 million cap from the 0.53% assessment on hospital revenues.
- Lifting the cap on the ambulatory care assessment.
- **Questions:** What is the status of each SPA? What issues have federal officials raised concerning the SPAs? Is federal approval anticipated by June 30, 2011? Will additional State funds be required if federal approval is not received by June 30?

13. The FY 2011 appropriations act assumed DHSS would submit and the federal government would approve a demonstration application that would generate an additional \$20 million in federal funds for federally qualified health centers (FQHCs).

- **Questions:** What is the status of the application? Will the additional federal funds for FQHCs be realized in FY 2011?

Discussion Points (Cont'd)

14. Proposed budget language on pp. D-148 to D-149 significantly changes the methodology that will be used in FY 2012 to distribute Charity Care subsidies from that used in FY 2011. The FY 2012 distribution methodology appears much more complex than the methodology used in FY 2011.

- **Question:** In what respects is the FY 2012 Charity Care formula more equitable in the distribution of Charity Care than the formula used in FY 2011?

Senior Services

15.a. At the end of December 2010, the Medical Services for the Aged program had approximately \$1.1 million in FY 2010 Direct State Services appropriations encumbered.

- **Question:** Is the \$1.1 million in encumbered funds still valid?

15.b. At the end of December 2010, the Medical Services for the Aged program had approximately \$0.9 million in various FY 2010 Grants-in-Aid account appropriations encumbered. Much of the encumbered funds were in the ElderCare Initiatives account.

- **Question:** Is the \$0.9 million in encumbered funds still valid?

16. The federal Patient Protection and Affordable Care Act allows states to provide home and community-based attendant services and supports at a higher federal matching rate. For New Jersey, the matching rate would be 56%.

Some services currently provided under the Global Options waiver at 50% federal reimbursement could qualify for the 56% matching rate. For example, the State provides over \$3.7 million per month in homemaker/home health aide services under the waiver. If this service were provided as a regular Medicaid service, State expenditures would be reduced by about \$0.2 million per month, or \$2.4 million annually.

- **Question:** Will the Comprehensive Medicaid Waiver seek to provide these services under the increased federal Medicaid match?

17. The FY 2011 appropriations act assumed that \$15 million in Medicaid "anti-fraud efficiencies" would be achieved.

- **Questions:** Will \$15 million in "anti-fraud efficiencies" be realized? If not, why not?

18.a. The recommended budget would reduce nursing home reimbursement by 3.0%. The recommendation does not consider a nursing home's overall Medicaid/Medicare occupancy level. In addition, the reduction in nursing home reimbursement may result in counties which operate nursing homes having to increase local expenditures to offset the loss of Medicaid revenues.

- **Questions:** Should a variable rate reduction of up to 3%, based on a nursing home's Medicaid/Medicare occupancy rate, be adopted instead of a flat 3% reduction

Discussion Points (Cont'd)

that does not take Medicaid/Medicare occupancy levels into consideration? Should county nursing homes be exempt for the 3% reduction as local property taxes may have to increase to offset the loss of Medicaid reimbursements?

18.b. Proposed budget language on p. D-157 would limit the amount of monies a nursing home can lose or gain when the new rate setting system is implemented, to \$10.00 per diem. It is unclear whether a nursing home that would lose \$15.00 under the proposed 3.0% rate reduction would be limited to a \$10.00 reduction.

- **Question: Does the proposed budget language limit the amount a nursing home may lose in reimbursement to \$10.00 per day, even if a 3% reduction results in a loss greater than \$10.00?**

18.c. The recommended budget estimates that in FY 2012, the Medicaid program will pay for approximately 10.5 million nursing home days, or 47,000 fewer days than in FY 2011.

For the FY 2006 - FY 2011 (est.) period, available Medicaid data indicate that Medicaid has paid for approximately 10.6 million patient days annually. Even with an increase in the number of persons who receive services through Global Options, the number of Medicaid patient days has held constant at around 10.6 million.

- **Question: As available data on Medicaid nursing home patient days indicate that about 10.6 million days of care are being provided annually, what is the basis for the budget estimate?**

18.d. The FY 2012 recommended budget indicates that the amount of nursing home assessment revenues will decrease by \$5.0 million, to \$131 million. It is unclear how much of the reduction is due to fewer patient days subject to the assessment or due to a proposed federal reduction in the assessment percentage states can impose, or both.

- **Questions: How much of the \$5.0 million reduction is attributable to fewer patient days subject to the assessment? How much of the reduction is attributable to the proposed federal reduction in the assessment percentage states can impose?**

18.e. The FY 2011 appropriations act had assumed about \$2.3 million in savings due to “enhanced” acuity audits of nursing homes.

- **Question: Will \$2.3 million in acuity audit savings be realized?**

19. In an effort to control costs in the Medicaid Adult Medical Day Care program, various requirements were included in the current and prior appropriations acts to control utilization, such as:

- Prior authorization.
- Prohibiting services for persons who require physical, occupational or speech therapy.
- Prohibiting services for persons who require medication administration.

Discussion Points (Cont'd)

Limited data are available as to the impact these limitations have had on service utilization. For example, data as to the number of persons who have been denied services as a result of prior authorization is not available.

- **Questions:** During CY 2010, how many persons were denied services due to prior authorization requirements? How many persons were denied services because they required medication monitoring? How many persons were denied services because they required physical, occupational or speech therapies? How much was saved as a result of these actions?

20. FY 2012 recommended appropriations for the Pharmaceutical Assistance to the Aged and Disabled program are reduced by \$87.0 million, to \$84.8 million. Approximately \$61.3 million is attributable to "PAAD/Senior Gold Trends."

Available data show that there have been reductions in the number of persons eligible for PAAD and a reduction in the number of prescriptions filled in the PAAD program. In addition, federal health care reform legislation has improved prescription drug coverage under the Medicare Part D program. But these gradual changes do not appear to generate \$61.3 million in PAAD savings.

- **Question:** Please provide additional documentation to support the \$61.3 million savings estimate in the PAAD program in FY 2012.

Background Paper: Charity Care Distribution

Budget Page.... D-147 to D-149

	Expended FY 2010	Adj. Approp. FY 2011	Recomm. FY 2012
Health Care Subsidy Fund Payments	\$3,757	\$69,093	\$27,202

BACKGROUND

In FY 2012, hospitals will receive \$675 million (gross) in Charity Care subsidies. 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.”

The distribution methodology among hospitals for the \$675 million in Charity Care funds hospitals is specified in budget language on pages D-148 to D-149. The proposed distribution methodology is significantly different that the distribution methodology used in FY 2011. The department has indicated that proposed changes are intended to “make funding more equitable and predictable” and would allow “more funds to go to patient care rather than administrative costs.”

The table on the following pages provides information provided by the Department of Health and Senior Services as to the amount of Charity Care subsidies hospitals received in 2011 and will receive in FY 2012 under the revised methodology. Hospitals that will receive less Charity Care subsidies in FY 2012 than they received in FY 2011 are in bold.

Background Paper: Charity Care Distribution (Cont'd)

HOSPITAL	CHARITY CARE (\$000)		
	FY 2011	FY 2012	CHANGE
Atlanticare Regional Medical Center	\$23,989	\$24,514.	\$525
Bayonne Hospital	\$2,904	\$3,073	\$169
Bayshore Community Hospital	\$259	\$387	\$28
Bergen Regional Medical Center	\$37,539	\$37,238	(\$301)
Cape Regional Medical Center (Burdette Tomlin)	\$912	\$1,024	\$112
Capital Health System at Fuld	\$20,657	\$21,111	\$454
Capital Health System at Mercer	\$7,588	\$7,812	\$224
Centrastate Medical Center	\$2,113	\$2,318	\$205
Chilton Memorial Hospital	\$610	\$612	\$2
Christ Hospital	\$12,405	\$12,763	\$358
Clara Maass Medical Center	\$4,592	\$4,425	(\$167)
Community Medical Center	\$2,645	\$2,836	\$191
Cooper Hospital/Univ. Medical Center	\$35,544	\$35,882	\$338
Deborah Heart & Lung Center	\$6,881	\$6,857	(\$24)
East Orange General Hospital	\$11,475	\$11,329	(\$146)
Englewood Hospital	\$1,423	\$1,350	(\$73)
Hackensack Hospital/Univ. Medical Center	\$8,573	\$9,409	\$836
Hackettstown Community Hospital	\$167	\$298	\$131
Hoboken University Medical Center	\$15,054	\$15,464	\$400
Holy Name Hospital	\$934	\$964	\$30
Hunterdon Medical Center	\$1,591	\$1,660	\$69
Jersey City Medical Center	\$48,064	\$48,905	\$841
Jersey Shore Medical Center	\$4,792	\$5,089	\$297
JFK Medical - Yelencics	\$3,793	\$4,350	\$557
Kennedy Hospitals	\$10,844	\$10,414	(\$430)
Kimball Medical Center	\$10,202	\$10,102	(\$100)
Lourdes Medical Center (Burlington)	\$2,571	\$2,641	\$70
Meadowlands Hosp Medical Center	\$542	\$744	\$202
Memorial Hos. Salem County	\$262	\$481	\$219
Monmouth Medical Center	\$9,018	\$8,655	(\$363)
Morristown Memorial Hospital	\$3,276	\$2,697	(\$579)
Mountainside Hospital	\$1,288	\$1,194	(\$94)
Newark Beth Israel Medical Center	\$33,340	\$34,788	\$1,448
Newton Memorial	\$915	\$1,050	\$135
Ocean Medical Center	\$1,359	\$1,210	(\$149)
Our Lady of Lourdes Medical Center	\$2,594	\$3,042	\$448
Overlook Hospital	\$1,523	\$1,365	(\$159)
Palisades Medical Center of New York	\$7,107	\$7,082	(\$25)
Raritan Bay Medical Center	\$10,934	\$11,509	\$575
Riverview Hospital	\$2,771	\$2,492	(\$279)
RWJ University Hosp at Hamilton	\$606	\$623	\$17
RWJ University Hospital (New Brunswick)	\$8,708	\$8,264	\$444
RWJ University Hospital at Rahway	\$1,688	\$1,827	\$139

Background Paper: Charity Care Distribution (Cont'd)

Shore Memorial Hospital	\$786	\$930	\$144
Somerset Medical Center	\$3,352	\$3,280	(\$72)
South Jersey Healthcare Regional	\$1,863	\$2,422	\$559
South Jersey Hospital - Elmer	\$167	\$305	\$38
Southern Ocean County Hospital	\$320	\$435	\$115
St. Barnabas Medical Center	\$1,297	\$1,028	(\$269)
St. Clare's Hospital/Denville	\$11,024	\$11,144.	\$120
St. Clare's Hospital/Sussex	\$334	\$387	\$53
St. Francis Medical Center	\$14,707	\$14,384	(\$324)
St. Joseph's Hospital	\$73,270	\$73,611	\$341
St. Joseph's Wayne Hospital	\$352	\$345	(\$7)
St. Mary's Hospital (Passaic)	\$10,459	\$10,778	\$319
St. Michael's Medical Center	\$25,430	\$26,242	\$812
St. Peter's Medical Center	\$6,551	\$5,820	(\$731)
Trinitas Hospital	\$43,174	\$44,016	\$842
Underwood Memorial Hospital	\$1,324	\$1,664	\$340
University Hospital (UMDNJ)	\$99,298	\$101,012	\$1,714
University Medical Center At Princeton	\$1,032	\$1,094	\$62
Valley Hospital	\$745	\$610	(\$135)
Virtua Health Sys., Burlington	\$2,027	\$2,133	\$106
Virtua – West New Jersey Health System	\$2,497	\$2,383	(\$114)
Warren	\$877	\$1,126	\$249
Wm.B.Kessler Mem. Hospital (CLOSED)	\$62	\$0	(\$62)
Total (may not add due to rounding)	\$665,000	\$675,000	\$10,000

Charity Care received by Kessler was redistributed to hospitals in the same geographic area.

Background Paper: Nursing Home Reductions

Budget Page.... D-155, D-159

Funding (\$000)	Expended FY 2010	Adj. Approp. FY 2011	Recomm. FY 2012
Payments for Medical Assistance Recipients – Nursing Homes	\$499,419	\$755,215	\$646,605

SUMMARY

The proposed nursing home reductions affecting rates and bed hold payments do not consider the overall Medicaid/Medicare occupancy rate of individual nursing homes. Facilities with low Medicaid/Medicare utilization may be able to increase rates paid by private pay patients, whereas facilities with fewer private pay patients are less able to pass through the loss of revenues to other patients. In nursing homes owned by county governments, county expenditures may have to increase to compensate for a reduction in Medicaid revenues.

BACKGROUND AND ANALYSIS

The FY 2012 recommended budget proposes \$37.2 million (State) in reductions as follows:

- Nursing Home Rate Reduction of 3% - \$25.0 million.
- No Payment for 10 Day Bed Holds³ - \$7.5 million.
- Special Care Nursing Facilities administrative reduction - \$4.7 million.

Including federal funds, Medicaid reimbursement would be reduced by \$74.4 million. In addition, nursing homes may also receive less from the nursing home assessment⁴. Assessment revenues are expected to decrease by \$5.0 million, to \$131 million. It is not clear whether this reduction is due to: (1) the proposed federal budget which would reduce the assessment percentage states may impose; (2) a reduction in the number of nursing home patient days that can be assessed; or (3) both.

The reductions affecting rates and bed hold reimbursement do not consider the Medicaid occupancy rates of individual nursing homes. Some nursing homes may be better able to increase rates paid by private pay patients to offset the loss of Medicaid funds.

During the July – December 2010 period, the Medicaid program paid for approximately 5.3 million patient days on behalf of 27,900 Medicaid patients in nursing homes. Gross payments to nursing homes were approximately \$927 million, or about \$175 per day⁵. A 3% rate reduction would reduce Medicaid expenditures by over \$5 per day, to around \$170 per day.

³ Nursing homes would still be required to hold the beds for 10 days for hospitalized patients.

⁴ The Nursing Home Quality Improvement Act, P.L.2003, c.105, established a quarterly assessment on nursing homes in order to provide additional funds for improving the quality of care by increasing Medicaid reimbursement for services provided at nursing homes.

⁵ The nursing home retains client income, primarily Social Security benefits, less a monthly personal needs allowance. This reduces overall Medicaid expenditures.

Background Paper: Nursing Home Reductions (Cont'd)

The Office of Legislative Services (OLS) does not have individual nursing home cost reports or annual nursing home audits, and therefore cannot comment as to the finances of individual nursing homes and whether any individual nursing home will be able to absorb the reductions. However, Medicaid occupancy data is available. This data suggests which nursing homes may be more able to offset the loss of Medicaid revenues by shifting costs to "private pay" patients. Though "private pay" includes patients who are on Medicare, Medicare reimbursement will not increase to offset Medicaid reimbursement reductions. While OLS does not have data on the number of Medicare patients in individual nursing homes, available information indicates that about 18% of nursing home patients in New Jersey are reimbursed by the Medicare program. Thus, about 75% of all nursing home patients are reimbursed by either Medicaid or Medicare. This means that "private pay" patients account for about 25% of total nursing home patients.

Private Nursing Homes (including Special Care Nursing Facilities). At the end of 2010, private nursing homes had 42,300 licensed beds with an average Medicaid occupancy rate of 56%, as follows:

Medicaid Occupancy Rate	Number of Nursing Homes	Number of Licensed Beds ⁶
> 90%	13	1,400
80% - 89.9%	17	2,700
70% - 79.9%	32	5,300
60% - 69.9%	54	7,900
50% - 59.9%	73	11,200
< 50% ⁷	109	12,800
Not available ⁸	7	1,000

Governmental Nursing Homes. At the end of 2010, governmental nursing homes had about 4,400 licensed beds and an average Medicaid occupancy rate of 72%, as follows:

Medicaid Occupancy Rate	Number of Nursing Homes	Number of Licensed Beds ⁶
> 90%	2	400
80% - 89.9%	2	700
70% - 79.9%	4	1,300
60% - 69.9%	7	1,400
50% - 59.9%	3	500
Not available ⁸	1	102

To the extent that counties are unable to increase the rates paid by private pay patients, county expenditures may have to be increased to offset the loss of Medicaid revenues.

⁶ Rounded off to the nearest 100

⁷ Includes some nursing homes that may not have accurately reported their Medicaid occupancy data as the Medicaid occupancy rates are less than 5.0%.

⁸ This includes nursing homes with no reported patient information. In all likelihood, the census report may have been received after the run date of the Medicaid report.

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Individuals wishing information and committee schedules on the FY 2012 budget are encouraged to contact:

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