Department of Human Services
Department-wide Issues

D. OLS Questions and Answers:

OFFICE OF LEGISLATIVE SERVICES
ANALYSIS OF THE NEW JERSEY BUDGET
FISCAL YEAR 2011-2012

BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

Question #1: The FY 2011 budget required all departments to cope with reduced appropriations. In some instances these reductions could be handled through improved efficiency and operational adjustments. In other instances less money resulted in programmatic reductions, including both fewer recipients and reduced benefits. Please provide examples of operational improvements in your department that saved money in FY11 and provide examples where less government meant reduction in services.

Answer: The Department of Human Services continues to carefully manage the resources appropriated for departmental purposes in the FY 2011 Appropriations Act. As part of these ongoing management efforts, for the first time, the department along with all of the State's other major departments and agencies is publishing data providing insight into departmental priorities and performance, including how resources are allocated across the department's core mission areas. In this regard, the department posts up-to-date performance data or metrics every month related to identified core mission areas, available at http://www.yourmoney.nj.gov. This performance measurement reporting is the first step in an ambitious, multi-year performance improvement and efficiency program known as the "Governor's Performance Budgeting Initiative." The goals of the initiative include ensuring that budget priorities align with departmental and agency missions, focusing managers on achieving positive results and outcomes for citizens, clients, and taxpayers, and building a culture of innovation and continuous improvement, while making government more transparent and accountable. More specifically, operational improvements that saved money in FY11 include the consolidation and closure of the West Campus of Vineland Developmental Center. Two efficiencies that did not anticipate savings in FY11, but will achieve efficiencies and likely operational savings in the out years include the merger of the Divisions of Mental Health Services and Addiction Services and the centralization of licensing, Developmental Center Investigators and Guardianship programs into the department's central office. In addition, the management of some Information and Referral requests for Family Support Services has been transferred from the Division of Development Disabilities (DDD) to the Division of Disability Services.

Question #2: The FY 2011 budget included reductions requiring Federal approvals, waivers or similar actions in order to achieve the projected savings. Please identify each such reduction in your FY 2011 budget, and indicate whether approvals/waivers have been obtained. If not, please explain whether approvals are still expected in this case, and if so, why. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value?

Answer: The federal government provides states with the opportunity to receive additional funding based on each State's ability to prove it satisfies certain criteria. In some cases the criteria are straight forward. In others there is a much longer process that involves supplying information and then answering supplemental requests for information. Unfortunately it is not uncommon for approvals to take 18 months or even longer. For this reason, Governor Christie has requested of President Obama the flexibility to design and fund programs in a way that best meets the needs of New Jersey, reducing the level of negotiation and dialogue that is currently required.

The following is a status of the initiatives that require pending federal approval:

Medicare Part B Reimbursement: Budget Savings - $107.3 million
During the transition of dual eligibles from Medicaid to Medicare as a result of the Medicare Act of 2003, a number of individuals who should have been eligible for Medicare continued to be served under Medicaid. After the eligibility for these individuals was corrected, Medicare required NJ Medicaid to retroactively pay the Medicare Part B premiums for the time those individuals remained incorrectly eligible for Medicaid. Since the care for these individuals had already been provided and paid for through the Medicaid program, the State's position is that the retroactive charge is inappropriate and should be refunded to New Jersey. This outstanding liability has been recognized by the federal government as all 50 states are impacted. The total liability is worth $4.3 billion; New Jersey's share of this liability is $107 million. To date, DHS has not received federal reimbursement for these payments. Past proposals to fix this issue required federal legislation. More recent discussions would involve an administrative solution discussed among a number of states. However, it is unlikely that any solution will be achieved between now and June 30th, 2011. Therefore, this has been addressed as a supplemental need in the current fiscal year.

General Assistance Waiver: Budget Savings - $90.0 million
The Patient Protection and Affordable Care Act allowed states to apply for an early option State Plan Amendment (SPA) to cover low income individuals who are not otherwise eligible for Medicaid. While the SPA was disapproved by CMS, they have been actively working with the Department on a waiver to obtain federal support for this program. There is a supplemental in the current year that addresses the lack of approval to date.

Pharmacy Options: Budget Savings - $13.0 million
The pharmacy savings included two initiatives: 1) Change in pharmacy reimbursement from Average Wholesale Price (AWP) less a 16% discount to AWP less a 17.5% discount; and 2) Implementation of a State Maximum Allowable Cost (SMAC) also known as a State Upper Payment Limit (SUL) for generic drugs. The change in AWP reimbursement has been granted federal approval and DHS anticipates federal approval on the SUL as well.

We are closely monitoring the status of federal waivers and other approvals needed to achieve budget savings. If they do not materialize as planned, we will take whatever steps are needed to make certain that the budget is balanced.

Question #3: The revised budget plan for Fiscal Year 2011 requires appropriation lapses of $605 million to achieve a balanced budget and an ending surplus. Please list all appropriation items and amounts in your agency's chart of accounts that have been identified to contribute to that lapse target. Please describe the impact of each lapse on the nature, breadth or level of service or benefit provided by each appropriation, and identify and quantify the population that may be affected. Please also identify the amount of FY 2012 funding, if any, recommended to restore, in part or in full, the lapsed amount.

Answer: OMB will provide the response to this question for all agencies.

Question #4: The FY 2011 Appropriation Act assumed savings of $50 million from privatization initiatives. Please describe all privatization initiatives undertaken/to be undertaken by your department, and specify the effective date, the amount of savings in FY 2011 and FY 2012, respectively, and the reduction in positions, filled and vacant. Please also indicate the private vendor(s) involved in the initiative, and the quantity and quality of services required of the vendor(s) relative to the quantity and quality provided by the department prior to privatization.

Answer: It has been a top priority of the administration that all State departments and independent authorities carefully explore a variety of opportunities to improve efficiency, reduce the cost of government services, and right-size government's footprint in New Jersey. Among those opportunities are those that would privatize, outsource or otherwise make available a service previously provided by government employees via the private sector – but only if it can be done more efficiently and less expensively.

The Department of Human Services continuously monitors various areas of spending where efficiencies can be gained through privatization opportunities. The Department relies heavily on 3^{rd} party providers and spends approximately $2 billion (State and federal) on procuring these services with providers as opposed to performing these same services with State staff. The major areas where 3^{rd} party providers are utilized for services include developmental disabilities, mental health, child care, and addiction services. As census declines at our institutions through initiatives like Olmstead, the reliance on our community provider network has increased and the Department has been able to achieve staff efficiencies by not having to backfill certain direct care positions as a result of the depopulation efforts in the institutions.

Question #5: For each line item reduction in the department's or unit's FY 2012 budget, specify the change, if any, in the nature, breadth or level of service or benefit that will be provided and identify and quantify the population that may be affected.

Answer: In developing the FY 2012 budget, the Department of Human Services worked cooperatively with the Treasurer and Treasury staff to identify core departmental mission areas and, consistent with law, to allocate limited budget resources with reference to those core priorities. Developing the budget in this manner, from the bottom up, recognizes fiscal realities while at the same time focusing available funding on key priorities and mission areas. Please see the attached schedule for more specifics.

Question #6: For each line item reduction in the department's or unit's FY 2012 budget, please indicate the number of positions (budgeted, funded and filled or unfilled) that will be eliminated and the number of individuals whose employment will be ended. Please also indicate areas where funded and/or filled positions are projected to significantly increase, and the justification (s) for those increases.

Answer: OMB will provide the response to this question for all agencies.

Question #7: In his budget address, the Governor stated that "Zero-based budgeting...has finally come to New Jersey." This would mark a change from budget processes used in other years. Please provide examples of how the recommended budget for your department is substantively different than it would have been if the budget had been developed by the procedures used in prior years.

Answer: Although New Jersey experimented with a form of zero-based budgeting in the 1970s under Governor Byrne, more recent budgets were constructed primarily in an incremental manner. This process typically involved almost automatic acceptance of most if not all of the previous year's expenditure levels and then incrementally increasing or decreasing them to correspond with available revenues, without regard to performance. Rather than layering new upon old, zero-based budgeting requires a comprehensive system of planning, analysis, and control requiring assessment, reassessment, and justification of departmental operations and spending priorities from the ground up. Zero-based budgeting is primarily a management tool as opposed to an accounting method, and focuses on whether current departmental activities are efficient and effective in delivering timely, high quality services within core mission areas. One important example of this approach for FY 2012 involved the support of New Jersey's hospitals. After undergoing a thorough, bottom-up examination of the policies and goals of the state with regard to hospital funding, the governor's FY 2012 budget recommends increasing funding for hospitals by $20 million while, at the same time, revising the Charity Care, Hospital Relief, and Graduate Medical Education formulas to improve efficiency and predictability. A similar analysis was conducted with the Medicaid program coming off of the loss of $1.1B in federal ARRA relief. Numerous meetings were conducted with the goal of reexamining what services and eligibility groups the State is mandated to cover vs. who the State chooses to cover without federal mandates (these would be considered optional services and eligibility groups). The results of those meetings were contemplated as part of the FY12 Budget and include moving additional populations and certain services into a managed care model, not paying 100% State share costs for eligibility groups the State is not required to cover, and a comprehensive waiver proposal that will give the State added flexibility to administer the program.

Question #8: Please identify any reductions in the department's or unit's FY 2012 budget that constitute one-time savings that are not likely to recur in Fiscal Year 2013.

Answer: OMB will provide the response to this question for all agencies.

Question #9: Are any of the appropriations recommended for FY 2012 required to compensate for the effects of Fiscal Year 2010 or FY 2011 reductions? If so, please identify and explain.

Answer: OMB will provide the response to this question for all agencies.

Question #10: Please list any anticipated increase in fees, fares or co-payments that are reflected in the FY 2012 budget recommendation, including the amount of revenue or cost reduction, and the intended effective date.

Answer: The State Medicaid program will no longer reimburse for the co-pay required under the federal Medicare Part D prescription plans.

Question #11: Please identify proposed FY 2012 budget reductions which require Federal approvals, waivers or similar actions, and the timetable for seeking and obtaining approvals in order to achieve the projected savings. Please indicate whether approvals/waivers have been previously sought and not obtained, and explain why approvals should be expected in this case. If federal approval is not received, what alternative actions may have to be taken to achieve savings of comparable value? Please also identify proposed budget reductions that may reduce the receipt of federal funds, and the estimated loss of federal funds that would result from such reductions.

Answer: New Jersey already has begun the process of seeking permission from the federal government for the flexibility to design benefits, service delivery systems and payment strategies without having to request approval for every change. In too many instances the federal government sets one-size-fits-all standards and procedures that do not necessarily work for every state. If given this flexibility, New Jersey will be able to obtain immediate budgetary savings without a reduction in the level of care.

It is anticipated that all budgetary changes, whether they require federal approval or not, will be accomplished. There is no need for alternative actions.

As noted in question 7, the fiscal year 2012 budget was developed from the ground up using a comprehensive system of planning and analysis. Spending decisions were made based on what makes sense for New Jersey and not solely on the ability to draw down federal funds or maintain a certain level of federal funding.

Comprehensive Waiver: Budget Savings - $300 million ($225 million – DHS)

The Comprehensive Waiver is a mechanism to move a State's entire Medicaid program consisting of 13 waivers under one broad federal waiver authority. This allows a state to combine all existing waivers into one and thereby give the State added flexibility to administer the program. A comprehensive waiver provides the State with an opportunity to make changes without requiring lengthy federal approval. In other states, it has also allowed the state the opportunity to receive federal matching funds on services that are traditionally not considered federally matchable under the Medicaid program. The Department is working with CMS on a variety of technical issues, including identifying cost-drivers, comparisons to other states, and planning for the implementation of the budget proposals. In addition, the Department is in the process of retooling the Medicaid Advisory Council to provide strategic direction and problem solving with the Division. Ultimately, the waiver will redesign the Medicaid program to achieve administrative simplification, flexibility, increase access to primary and preventive care, and rebalance institutional vs. home and community based care.

General Assistance Waiver: Budget Savings - $50.7 million

The Patient Protection and Affordable Care Act allowed states to apply for an early option State Plan Amendment (SPA) to cover low income individuals who are not otherwise eligible for Medicaid. While the SPA was disapproved by CMS, they have been actively working with the Department on a waiver to obtain federal support for this program.

Move Services (including Rx) into Managed Care: Budget Savings- $30 million
Mandatory Enrollment in Managed Care: Budget Savings - $11.4 million

DHS is actively engaged with CMS to obtain federal approval to expand the managed care service package and enroll additional populations into Medicaid Managed Care. DHS anticipates federal approval on the proposed changes.

Federal Match on Mental Health Community Based Services - $4.3 million

The Division of Mental Health & Addiction Services is working with the Division of Medical Assistance & Health Services to secure additional federal financial participation for various community-based mental health services that are currently provided by mostly State funds. These services include Olmstead, Screening and Crisis Services, Intensive Outpatient Treatment and Support Services (IOTSS), and PACT and Residential Services for GA Recipients.

D. OLS Questions and Answers

Department of Human Services
FY12 Reductions - State Funds

All $ Amounts in Thousands ($,000's)

Organization		Amount	Comments
Division of Management and Budget			
Reversal of FY11 One Time Supplementals	$	(22,049)	Department wide salary and non-salary shortfalls.
Division of Medical Assistance and Health Services			
Reversal of FY11 One Time GA Medical Waiver Supplemental	$	(50,690)	No client impact.
Carve in of Services into Managed Care		(30,000)	Services include Drugs, Home Health, Medical Day Care & Personal Care Assistance
Manadatory Enrollment of the Aged, Blind & Disabled (ABD's) & other populations		(11,400)	Approximately 121,000 would be impacted
Anti-Fraud Savings		(35,000)	No client impact.
Enroll ABD Duals (those eligble for Medicare/Medicaid) into Medicare Special Needs Plans		(5,900)	Assumes approximately 60% of duals would enroll in SNP's; no loss of current benefits
Recovery Audit Contracts		(1,200)	No client impact.
Eliminate Annual Inpatient Hospital Increase (Effective Jan 2012)		(2,000)	No client impact.
Eliminate Medicaid Coverage for Part D Prescription Copays and Wrap Around Drugs		(13,000)	Would impact approximately 133,000 ABD's that are enrolled in Part D
Anticipated Settlements		(2,836)	No client impact.
Eliminate State only funded Adults from FamilyCare (includes former NJ Access program)		(4,000)	Currently approximately 1,400 clients enrolled
Comprehensive Waiver Savings		(225,000)	Potential client impact is still being determined
Division of Disability Services			
Reversal of FY11 One Time Housing Resouce Center Supplemental	$	(70)	No client impact
Division of Family Development			
Annualized FY11 Savings Initiaitves			
Wraparound Child Care by reducing FPL from 250% to 200%	$	(5,048)	Annualized savings from FY11 scored initiatives
ChildCare Electronic Benefits Transfer Card		(11,230)	Annualized savings from FY11 scored initiatives
Abbott Wraparound ChildCare Co-pay		(2,110)	Annualized savings from FY11 scored initiatives
Reduce SSI Payments for Ineligible Spouses (Living Arrangement C)		(7,631)	Annualized savings from FY11 scored initiatives
Work Requirement Savings		(6,000)	Annualized savings from FY11 scored initiatives
General Assistance - Transportation		(1,407)	Annualized savings from FY11 scored initiatives
Caseload Trend Savings			
ChildCare		(15,750)	No Clients Impact
TANF		(14,896)	No Clients Impact
Substance Abuse Projected Surplus		(2,500)	No Clients Impact
FY12 Budget Iniatives			
TANF Contingency Funding		(18,201)	Balances from the ARRA TANF Contingency Fund will be used to offset State GF costs
Center Based Child Care (CBC's) Voucher Conversion		(2,640)	This initiative is to convert the CBC's from a contracted slot based program to a voucher/EBT-card system achieving efficiencies
TANF Emergency Funding (ARRA)		(13,000)	Balances from the ARRA TANF Emergency Fund will be used to offset State GF costs
Contract Rent Reduction - Turning Point		(328)	Reduction by eliminating the Division's responsibility to pay for a 3rd Party Provider's rent.

Department of Human Services
FY12 Reductions - State Funds

All $ Amounts in Thousands ($,000's)

Organization		Amount	Comments
Restructuring of GA Program		(31,566)	This savings is a result of several initiatives to restructure the GA program including: The monthly cash entitlement will be reduced for all clients by $15/month, Supplemental Living Support payments will be eliminated, Emergency Assistance will be provided for up to 18 months (Employables) and 36 months (Unemployables). For Unemployables pending SSI, they will maintain the benfit until approval is received. All others will have the 18 and 36 month requirements strictly adhered to as of 7/1/2011, a 6 month waiting period from changing classification from E to U will also be implemented, a 30 day work search will be granted but benefits will not be realized until after that is completed (exceptions only based on emergency need only), implement a 3rd GA Assessment Team.
Commission for the Blind and Visually Impaired			
Layoff of Unclassified Instructor Positions	$	(1,530)	Reduction of 20 10 month instructors
Division of Developmental Disabilities			
Community - 7601			
Reversal of FY11 One Time Supplemental	$	(480)	No client impact
Annualized Savings from Returning Out of State Clients to New Jersey		(960)	Annualized savings from FY11 scored initiatives
Human Service Composite Bond Debt Service		(74)	No client impact
Generate FFP on Private Institutional Care Individuals		(2,310)	No client impact
Developmental Centers - 7610 - 7670			
Reversal of FY11 One Time Supplementals	$	(17,969)	No client impact
Sick Leave Injury Termination		(1,764)	No client impact
Annualization of Consolidation of West Campus at Vineland DC		(2,220)	No client impact
DC Overtime Reduction		(2,000)	No client impact
Limit DC Equipment Spending		(1,090)	No client impact
Phase in Closure of East Campus - Vineland Developmental Center		(1,509)	60 clients will be placed in the community
Division of Mental Health and Addiction Services			
Community and Administration- 7700			
Reversal of FY11 One Time Supplemental	$	(144)	No client impact
Annualized FY11 Savings Initiaitves			
Savings from STCF Bed Subsidy Transfer		(144)	No client impact
Savings from Changing Staffing Ratios in Partial Care Programs		(799)	No client impact -- same volume of clients will be served but services will be provided with less staff.
FY12 Budget Initiatives			
Human Service Composite Bond Debt Service		(55)	No client impact
Reduce Specific Third Party Provider Agency Contracts for Community MH Services		(1,000)	No client impact - all non direct services i.e. training and consultation.
Expand Medicaid State Plan for Various Initiatives to Generate Medicaid FFP Revenues		(4,281)	No client impact.
Detox Funding in County Comprehensive Spending Plan		(125)	No client impact -- re-bid of same volume of services for efficiency savings.
Settlement		(2,147)	No client impact
Caseload Trend - County Psychiatric Hospital State Aid		(13,149)	No client impact
Psychiatric Hospitals - 7710 - 7760			
Sick Leave Injury Termination	$	(1,764)	No client impact
Reduce Consultant Costs for Interpreters by Hiring/Training Qualified Staff		(300)	No client impact -- same services to be provided with State staff within
Close Psychiatric Hospital		(9,000)	Facility to be determined