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

BUDGET QUESTIONS FOR ALL DEPARTMENTS AND UNITS

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 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.
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> More specifically, the Department has re-evaluated its current organizational structure though an on-going strategic planning process. This process has led to the consolidation of many of our programs such as our various Commissions. In addition, we have accelerated the consolidation of all IT and fiscal operations within the Department. We have also fully implemented an electronic grant management system (SAGE) and an electronic time and reporting system (ECATS) which has allowed the Department to continue to perform with less staff. Finally, through the rule making process the Department now recognizes the routine inspections of hospitals by accrediting agencies as an alternative to routine state inspections, which has allowed resources to be focused on complaint investigations of hospitals and the inspections of other facilities.

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 Department anticipates the receipt of Charity Care State Plan amendment and the related waivers required for changes to the provider assessments that support the increased funding. We are closely monitoring the status of federal waivers. If they do not materialize as planned, we will take whatever steps are needed to make certain that the budget is balanced.

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.

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.

Following the issuance of the findings contained in the Zimmer Commission Report. Numerous recommendations, either identified in that report or by the administration before and after the release of that report, have been in various degrees of implementation. For example, some of the RFP's that have already been released include:

- The Department of Corrections has released an RFP for a vendor to run a pilot food services project at one adult correctional facility as a way to determine if it can save substantially and provide healthier food service options throughout the correctional facility system.
- The Department of Environmental Protection has released an RFP to find a private operator and manager of the Spring Meadow golf course.
- The Department of State has released an RFP to find a private operator and manager of the Trenton War Memorial.
- The New Jersey Turnpike Authority has accepted numerous bids, the result of an RFP, for a private company to provide cash toll collections on its two roads. The South Jersey Transportation Authority, which operates the Atlantic City Expressway, has done the same.

The Administration also is moving responsibly in other areas of government to reform a variety of enterprises whose operation can be provided by the private sector, including:

- The Department of the Treasury, after a task force involving both the executive branch and the legislature agreed to the initiative, is working to turn NJN into a private, non-profit broadcasting entity with no state subsidy.
- Leases with private vendors for the operation of Monmouth Park and the Meadowlands racetrack are currently being negotiated.

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 Health and Senior 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. More specifically, as outlined in the budget summary, the Department made the following specific reductions.

- Nursing Home Reductions

  1. Nursing facilities reduction (NF) in rates of $25 million
  Across the board reduction in payments to nursing facilities of approximately 3% for a total state savings of $25 million. Special Care Nursing Facilities (SCNF) would not be included in this rate reduction.

  2. Elimination of Bed Hold for $7.5 million
  Nursing facilities will continue to be required to hold a bed for a patient in the hospital or on therapeutic leave for 10 days. However, there will be no reimbursement for the nursing facility while the patient is away from the facility.

  3. Reduction in administrative and operating rate for SCNF saves $4.652 million
  SCNF administrative and operating costs are significantly more than the limit for administrative and operating costs in nursing facilities. There are no compelling reasons why these costs should be greater at a SCNF than at a NF. The SCNFs are proposed for a reduction of anywhere from $13.62 to $41.24 per day. No facility will lose more than $41.24 per day.

- Adult Day Health Services was reduced by $1.9 million in anticipation of receiving revenue from client co-payments. There is a $25 per month cap on Medical Day Care copays which is less than $1per day. The Medical Day Care copay will be implemented through a $3 reduction in the facilities rate from $78.50 to $75.50. This reduction is intended to achieve a better utilization of services.

- Delay September Charity Care Payment

  The goal of this initiative is to maximize federal matching dollars for New Jersey. The amount of DSH funding is beyond the federal fiscal year cap. However, by delaying the September payment one day, until the start of the new federal fiscal year, NJ will be able to gain federal match and use this to preserve and enhance funding to the charity care program.

- Hoboken Language Deletion

  The State will no longer pass through $11 million in federal matching funds to Hoboken Hospital. The hospital, once government owned, is being sold to a non-governmental entity and, pursuant to federal rules, no longer will be eligible to receive these matching funds. Ending this payment will allow the State to receive federal matching funds itself to offset the cost of Charity Care.

- FQHC Rate 10% Reduction

  The Federally Qualified Health Centers (FQHCs) will continue to offer a wide range of primary medical and dental health care services for the entire family. The nature of these services include: Pediatric Services/Well Baby Care, Women's Health/Prenatal Care, Adolescent Health, Internal and Family Medicine, Pharmacy Services, Referrals for Specialty Care and Evaluation for Sexually Transmitted Infections. The proposed 10% rate reduction will reduce payments from $101.00 per visit to $91.35 per visit. It is up to the various FQHC's to administer the rate reduction and determine how best to operate within their budget.

- Eliminate Postpartum Education Campaign

  Funding is used to support the Postpartum Mood Disorder Initiative via public service announcements and production of materials for community distribution. Written materials are provided to hospitals to assist with complying with the enacted screening law, N.J.S.A. 26:2-175,176, which requires medical professionals to educate and screen women for postpartum depression after delivery and at post natal visits. Screening occurs at the hospital prior to discharge following a delivery. The regional maternal and child health consortia serve as a resource via health service grants to provide technical assistance to the member hospitals and other health care providers/ facilities in implementing the law. The Department's website contains many materials available for download. Based on the estimated prevalence of postpartum depression, 11,000 to 16,620 New Jersey women may suffer from postpartum depression each year.

- Medicaid Long Term Care

  The Fiscal Year 2011 budget shows a net reduction for $27.7 million to long term care. This reduction, which is unrelated to program growth and reflects just utilization trends of the current year appropriations and supplementals, is made up of 3 parts: (i) positive growth (trend) for the Global Options Program of $47.6 million (ii) negative growth (trend) for Medical Day Care of $3.8M, and (iii) Nursing Facility reduction of $71.5 million.

  We are in the early stages of concept development for redesign of our Medicaid services to:
  1. Manage the cost drivers of the program
  2. Decrease institutionalization
  3. Increase the use of home and community based supports
  4. Have greater flexibility in program design
  5. Simplify the administration of the program
  6. Allow for personal choice and personal responsibility

- Global Medicaid Waiver – There are 2 Medicaid initiatives related to Fiscal Year 2012 that have implications for DHSS.

  1. New Jersey will implement mandatory managed care for most populations, including those dually eligible for Medicare & Medicaid. For DHSS, this will require the Global Options participants to select a managed care organization for their acute care services. A benefit for seniors in making the selection is the payment of the Medicare co-pay by the Medicaid MCO. In addition, NJ will include other services under managed care, such as medical day care.
  2. In addition, in cooperation with the Department of Human Services, we are examining how to transition long term care to managed care. This would allow those at risk of long term care to have integrated home and community based services, behavioral health services, and acute health services through proactive care management.

  We have begun to provide opportunity for stakeholder input. At the March 15, Medicaid Long Term Care Advisory Council meeting, the Council and some visitors were invited to this public meeting, and they provided insights and opinions on key components of a managed long term care framework. We will have further opportunities available for stakeholder participation.

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.

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.

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.

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.

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 Department is adding a co-pay to the Medical Day Care Program. The co-pay is $3 per day and is capped at $25 per month per beneficiary. There are about 13,000 beneficiaries that would be affected.

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.
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> The Department of Health and Seniors Services anticipates seeking federal approval to transition the Long Term Care program from fee for service to managed care as part of the Comprehensive Waiver that will be submitted to CMS.