



State of New Jersey
DEPARTMENT OF HEALTH
PO BOX 360
TRENTON, N.J. 08625-0360
www.nj.gov/health

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

MARY E. O'DOWD, M.P.H.
Commissioner

April 29, 2013

Honorable Paul A. Sarlo
Chairman, Senate Budget and Appropriations Committee
C/o David J. Rosen
Legislative Budget and Finance Officer
Office of Legislative Services
State House Annex
PO Box 068
Trenton, New Jersey 08625-0068

Dear Senator Sarlo:

I am writing in response to your request for additional written information to issues raised by committee members.

Senator Pou

- Please provide background information on the resources of revenue for the AIDS Drug Distribution Program (ADDP), including federal funds and drug manufacturer rebates. How are these revenues generated, and how are the amounts calculated? How much revenue from each source is anticipated for FY 2014?

In SFY 14, sources of revenue for ADDP will be Federal Funds, Revenue (Drug Manufacturer Rebate) funds, Third Party Liabilities, and Medicaid back-billing.

- Federal funds are from the Ryan White Part B award in the amount of approximately \$30 million.
- Drug Rebates are received from pharmaceutical manufacturers and are calculated on 55% of expenditures. Currently Rebates are estimated at \$50 million.
- Third Party Liabilities (TPL) are recoveries for clients who had other insurance. ADDP recoups the payments that should have been paid by the insurance carrier. The TPL revenue is estimated at \$5 million. TPL received through DHS.
- Medicaid back-billing is the amount that the ADDP program paid for drugs for clients while application for Medicaid eligibility was in review. Medicaid back-billing is estimated at \$3.8 million. Medicaid back-billing received though DHS.

Senator Weinberg

- Page C-5 of the Governor's FY 2014 Budget Recommendation indicates that revenue from Licenses, Fines, Permits Penalties and Fees totaled over \$12.5 million in FY 2012, but expected revenue in FY 2013 is only \$0.79 million and \$2.54 million in FY 2014. You indicated that this is not indicative of a reduction in licensure or oversight activity, but rather is the product of a change in the way that the funding is accounted for. Please provide information on how the accounting of these funds has changed to result in the appearance of a decline. How much revenue is expected? Where is this displayed in the Governor's Budget Recommendations?

The reason FY 2012 displays \$12.5 million and FY 2013 / FY 2014 (estimates) are \$0.79 and \$2.54 million is because FY 2013 / FY 2014 do not reflect the total revenue. The FY 2013 and FY 2014 estimates are displayed on two revenue schedules, Schedule 1 and Schedule 2.

Schedule 1: Licenses, Fines, Permits, Penalties and Fees line on page C-5 shows the actual full revenue collection in FY12 (\$12.5m), which includes both the amount supporting the General Fund and the amount kept and spent by the Department. The Schedule 1 FY13 and FY14 estimates are only the estimates for revenues supporting the General Fund.

Schedule 2 (pages C-12, C13) displays the revenue estimates for collections kept by the Department. Schedule 2 revenues are also displayed separately in several line items (i.e. there is no Licenses, Fines, Permits, specific line) - including Consumer Health Penalties, Laboratory Services, Long Term Care Systems, Public Health Protection Services and Vital Statistics. The expected revenue for FY 2013 and FY 2014 is \$11 million.

This split display between Schedules 1 and 2 is not an accounting change and has historically been reported in this manner.

Sincerely,



Mary E. O'Dowd, M.P.H.
Commissioner