Discussion Points

DEPARTMENT OF HEALTH (GENERAL)

1. The federal Budget Control Act of 2011 (Pub.L.112-25) and the American Taxpayer Relief Act of 2012 (Pub.L.112-240) provides for the sequestration of federal funds effective March 1, 2013. The sequestration is expected to affect federal funding in many programs operated by the Department of Health (DOH), including programs for emergency preparedness, medical research, AIDS prevention and treatment, maternal and child health, Supplemental Nutrition for Women, Infants, and Children (WIC), and the Early Intervention Program.

- Questions: If Congress does not override the sequestration, what programs would be most adversely affected? Could any programs require contingency funding from the State in FY 2013 or 2014?

Answer:

Department of Health has not received official notification on all programs with respect to reductions in federal funding and therefore cannot fully evaluate the impact of sequestration.

The following programs have received notification with respect to reductions in federal funding:

**WIC Senior Farmers’ Market Nutrition Program (SFMNP)**
Family Health Services received notification from US Department of Agriculture that the funding allocation for Fiscal Year 2013 will be reduced by 5.1 percent. The estimated reduction will be $58,000 for New Jersey.

**WIC Farmers’ Market Nutrition Program (FMNP)**
Family Health Services received notification from US Department of Agriculture that the funding allocation for Fiscal Year 2013 will be reduced by 5 percent. The estimated reduction will be $47,000 for New Jersey.

**Public Health Emergency Preparedness (PHEP) cooperative agreement**
The Division of Public Health Infrastructure, Laboratories and Emergency Preparedness received notification from Centers for Disease Control and Prevention that the funding allocation will be reduced by approximately 5 percent. The estimated reduction will be $1.2 million.
Discussion Points (Cont'd)

NJ Abstinence Education Program
Family Health Services received notification from US Department of Health and Human Services, Administration for Children and Families, that the funding allocation for The Abstinence Education Program will see a reduction of 5.1 percent which equates to $45,000 in the Title V State Abstinence program.

NJ Personal Responsibility Education Program (PREP)
Family Health Services received notification from US Department of Health and Human Services, Administration for Children and Families, that the funding allocation for Personal Responsibility Education Program will see a reduction of 5.1 percent which equates to $73,000.

Survey and Certification
The Health Care Facility Survey & Certification Program received notification from CMS indicating the funding allocation for FFY2013 will be reduced by approximately 3 percent. The notification stated the Program is expected to strictly follow CMS direction on prioritizing workload and reducing survey activity. The actual amount of the reduction will be determined by CMS at a later date.

The following programs may receive reductions, but have not received any written notification as yet.

- Maternal & Child Health Block Grant
- Preventive Health Block Grant
- Healthy Start
- Special Education for Infants & Toddlers
- HIV Surveillance and HIV Prevention Services
- Ryan White HIV/AIDS Part B
- Tuberculosis/Sexually Transmitted Diseases Programs

2. Implementation of most of the health insurance provisions of the “Patient Protection and Affordable Care Act,” Pub.L.111-148, as amended by the “Health Care and Education Reconciliation Act of 2012,” Pub.L.111-152 (ACA), including the Medicaid expansion and the health insurance exchange, is scheduled to begin on January 1, 2014. Several of the Department of Health’s programs targeted at low-income uninsured individuals, including Charity Care, the AIDS Drug Distribution Program (ADDP), Cancer Education and Early Detection (NJ CEED), federally qualified health centers (FQHCs), and financial assistance to individuals with certain diseases, may require less State support if beneficiaries are able to obtain health coverage and providers are able to achieve more revenue from Medicaid and private insurance. The FY 2014 Governor’s Budget does not appear to reduce appropriations for any of these programs based on an assumed decrease in the number of uninsured people in New Jersey.

- Questions: What programs are most likely to be affected if the ACA is successful in increasing the number of people with health coverage? Will providers be encouraged or required to assist patients to obtain insurance
Discussion Points (Cont'd)

through the exchange, as many currently do with Medicaid? How will the department ensure that providers maximize non-State revenues?

Answer:

The ACA is scheduled to begin on January 1, 2014, and therefore the Department of Health cannot yet predict the full impact of the ACA. The Department intends to work with other state agencies to maximize non-State revenues and will support their efforts in ACA implementation where appropriate.

The Department of Health’s programs that provide services to the uninsured that may be affected in the future if the ACA is successful in increasing the number of people with health coverage include Charity Care, New Jersey Cancer Education and Early Detection (NJCEED), AIDS Drug Distribution Program (ADDP), and Federally Qualified Health Centers’ Uncompensated Care Fund. The Department will continue to monitor impact and manage our budget accordingly.

These programs currently assist patients in the application process for government programs for which they may be eligible.

3. In October 2012, Hurricane Sandy devastated large sections of the State, causing widespread damage to people and property. The Department of Health played a central role in coordinating the response of the health care system to the storm. Widespread flooding, property loss, and displacement caused by the storm are continuing to cause environmental health risks in many communities and mental health risks among those affected by the storm.

• Questions: Please discuss the DOH’s ongoing efforts to improve health and health care access in storm-affected communities. What lessons have been learned from Hurricane Sandy about how the State may be better prepared for another disaster?

Answer:

The Department of Health is working closely with the Governor’s Office of Recovery and Rebuilding in its response to Superstorm Sandy. The Department of Health’s ongoing efforts to improve public health and health care access in storm-affected communities focus on the following overarching goals:

Access to Public Health & Healthcare Services
Environmental Health
Return to Normal Operations
Communication, Outreach & Education
Increase Community Resiliency

The Department of Health conducted, through a series of community meetings, several Commissioner’s Round Table conferences in the four (4) most affected
Discussion Points (Cont'd)

counties to elicit feedback on local impact and the Department of Health’s response during the storm to inform our after action report.

One of the lessons learned relates to the dramatic impact that power outages have on the healthcare system and that it is imperative that facilities have the ability to maintain critical functions during disasters. Alternate energy and power sources are being researched for critical health care infrastructures. The Department of Health is working with licensed facilities to ensure implementation occurs.

We are continuing to work toward a return to normal operations. In order to assist families and patients identify community based resources, the Department of Health has developed and distributed a Health Resource Guide to assist displaced families.

The Department of Health has developed an interagency Environmental Health Task Force (EHTF) to foster communications among state agency partners including New Jersey Departments of Community Affairs, Environmental Protection, and Education, state local health representatives, and federal partners including Health and Human Services/National Institutes of Health/ National Institute of Environmental Health Sciences and Federal Emergency Management Agency. The Department of Health developed a public awareness campaign including Mold Guidelines for New Jersey Residents, posters and flyers on what the public should know about mold, and Public Service Announcements to educate the public and contractors on issues of mold, which began running 3/25.

The Department of Health is routinely communicating with Local Health Departments to assess their needs related to environmental health issues, homes and other structures that were damaged by flood and storm surge, retail food establishments, public recreational facilities, and youth camp operators.

Specifically, the Department of Health has established a web page with vital information containing resources related to Superstorm Sandy.

http://www.state.nj.us/health/er/hurricane_recovery_resources.shtml

4. Under the “New Jersey Medical and Health Sciences Education Restructuring Act,” P.L.2012, c.45, University Hospital is to become a separate non-profit legal entity that is an instrumentality of the State, effective July 1, 2014. It is to have no financial or other ties to Rutgers University, except its affiliation as the principal teaching hospital for the New Jersey Medical School, the New Jersey Dental School, and other Newark-based medical schools being transferred to Rutgers. The assets and liabilities of University Hospital cannot be commingled or consolidated with those of Rutgers University, and Rutgers University is not to assume any debt or liability of University Hospital.

Under section 14 of the restructuring act, State funding must be sufficient to maintain the level of community services provided by University Hospital on the effective date of the act and sufficient to maintain the hospital as an acute care facility and trauma center. While there is no direct appropriation for University Hospital in the FY 2014 Governor’s Budget, as required by the restructuring act, recommended budget language provides for the
Discussion Points (Cont’d)

redistribution of appropriations for the institutions of higher education affected by the restructuring act among them and to University Hospital, as determined by the State Treasurer's Transition Committee. The budget recommendation also includes language authorizing additional sums to University Hospital "as necessary to maintain the core operating functions of the hospital" (provisions 57 and 58, page F-7).

According to recent press reports, the hospital has retained a financial advisory services firm, at the cost of $1.2 million, and recently issued a request for proposals from nonprofit entities already operating a hospital in New Jersey to take over day-to-day management. The restructuring act requires University Hospital to obtain approval from the Department of Health prior to entering into a contract for the operation and management of the hospital, or prior to entering into a transaction those results in the acquisition of the hospital. The restructuring act also requires the Commissioner of Health to determine whether a proposed acquisition will result in the deterioration of the quality, availability, or accessibility of health care services in the affected areas.

Questions: How is the Department of Health involved in the effort to implement the "New Jersey Medical and Health Sciences Education Restructuring Act"? Has the department retained the services of any consultants to support its efforts in this regard? If so, please identify those consultants, the services provided or to be provided and the costs thereof.

Answer:

A Request for Proposal was issued by UMDNJ in March 2013 and the proposals were due by April 11, 2013. The Commissioner will review and approve the Management Agreement in accordance with the Restructuring Act. A selection of the manager is expected to be made by May 1, 2013. The Department of Health has not retained any consultants to support this requirement.

Questions: What is the department's determination of the FY 2012 actual costs of maintaining the quality, availability, and accessibility of community services provided by University Hospital, and its estimate of those costs for FY 2013 and FY 2014? What is the department's determination of the FY 2012 actual costs of the core operating functions of University Hospital and its estimate of those costs for FY 2013 and FY 2014? If those cost determinations or estimates have not been made by the department, when and by whom will they be made, particularly for FY 2014? With virtually no change in State appropriations for the three affected higher education institutions from FY 2013 to FY 2014, does the Executive believe that the level of funding recommended in the FY 2014 budget is sufficient to fund the required level of community services, to maintain the hospital as an acute care facility and trauma center, and to maintain its core operating functions? If not, how large of a supplemental appropriation may be needed pursuant to the language appropriation authority?
Discussion Points (Cont'd)

The Department of Health is responsible for general oversight of licensed acute care hospitals including, but not limited to University Hospital. This oversight includes monitoring of quality and financial indicators and the provision of health care services. The Department of Health does not manage or administer the operations of University Hospital. However, the Department of Health will continue to monitor the financial indicators and level of care and community services as part of the survey and oversight program.

- **Questions**: Under the act, the State is required to assist University Hospital in the refinancing of its portion of the debt. How much debt does University Hospital have? Please explain the efforts to date made by the State to assist University Hospital to refinance its debt.

The Department of Health understands that the final determination of debt attributable to University Hospital is being resolved between Rutgers and UMDNJ. Treasury, the Department of Health, Health Care Facilities Financing Authority, and the Attorney General are working with UMDNJ and its representatives to explore options.

HEALTH SERVICES

5. The Governor’s FY 2014 Budget Recommendation includes an additional $1.6 million in direct State services costs (page D-149) in order to implement “Emma’s Law,” P.L.2011, c.75, which requires that newborns be screened for lysosomal storage disorders. The current newborn screening program is partially supported by laboratory fees charged to hospitals for the various tests in the screening panel.

- **Questions**: Does the additional $1.6 million represent the full cost of the new tests, or does the department plan to increase laboratory fees as well? By what amount?

   **Answer:**

   The additional $1.6 million represents the cost for the initial investment required for laboratory screening and follow-up for Severe Combined Immunodeficiency and Lysosomal Storage Disorders, as mandated by "Emma's Law" (P.L. 2011, c.75), which increases the number of mandated metabolic and genetic screenings from 54 to 60. The Department of Health does not plan to propose an increase in the Newborn Screening fee for FY 2014.

6. The Governor’s Budget Recommendation includes $12 million in State and federal funding for the Cancer Education and Early Detection (NJCEED) program. This continues the $3.5 million increase included in the FY 2013 Appropriations Act (page D-150).
Discussion Points (Cont'd)

- Questions:  How has the additional funding altered the number of grants or the way that grants are awarded?  Has the additional funding been associated with expanded hours, reduced wait times, or other performance improvements?

Answer:

The additional funding was used to expand existing programs based on 1) performance based on meeting or exceeding projected screening levels and 2) need based on morbidity and mortality data.  This has not altered the number of grants awarded, but has increased funding and expanded the reach of the NJCEED program.  NJCEED agencies will increase screenings, add more providers, increase screening hours, and increase staff hours related to outreach, recruitment and case management.  The Department of Health estimates that the additional funding will cover additional screenings and related diagnostic testing for an estimated 4800 women.  The most recent provider poll demonstrated that no waiting lists existed at any of the NJCEED Lead Agencies.

On March 28, 2013, the NJCEED Program released a competitive RFA for SFY2014.

7.  Proposed budget language on page D-152 of the Governor's FY 2014 Budget proposes to increase reimbursement levels for initial EMT training from $550 to $750 per student, to be funded from the Emergency Medical Technician Training Fund (EMTTF).  Funding for continuing education will remain at its current level.  Information provided in the supplementary information indicates a reduction in expenditures from the EMTTF from $1.8 million in FY 2013 to $1.5 million in FY 2014, rather than an increase.

- Questions:  What is the total anticipated cost of increasing the reimbursement rate?  What accounts for the anticipated reduction in EMTTF spending in FY 2014?  Please provide information on spending from the EMTTF in FY 2013 and FY 2014, disaggregating initial EMT training from continuing education.

Answer:

The total anticipated cost of increasing the reimbursement rate by $200 is approximately $343,000.

In SFY 2013, the projected expenditure will support approximately $950,000 for initial training and approximately $850,000 for continuing education for a total of $1.8 million.

The preliminary projection of $1.5 million referenced above was an early estimate and does not reflect the current projection of $1.9 million.  The Governor's proposed budget provides support to maintain the increased levels for initial and continuing EMT training and education.
Discussion Points (Cont’d)

Trends show the number of volunteer EMT students reimbursed by the Fund has been declining for training courses. The Governor’s proposed budget is intended to support increased enrollment of volunteers and maintain commitment to initial and continuing education training.

8. The Governor recommends eliminating the entire $1 million General Fund appropriation for the New Jersey Commission on Cancer Research. The Commission on Cancer Research was established pursuant to the “Cancer Research Act,” P.L.1983, c.6 to provide grants for research in New Jersey into the causes, prevention, treatment, and palliation of cancer, and to serve as a resource for providers and consumers of cancer services.

The Commission is also responsible for awarding grants from the New Jersey Breast Cancer Research Fund, the New Jersey Prostate Cancer Research Fund, and the New Jersey Lung Cancer Research Fund, which are all fueled by taxpayer donations given through check-off boxes on State income tax return forms. It also receives money collected from fees for “Conquer Cancer” license plates.

• Questions: How much total funding did the Commission on Cancer Research receive from each of these sources in FY 2012, and how much is anticipated in FY 2013 and FY 2014? (Please disaggregate.) Will any of the dedicated funding in FY 2014 be used for monitoring existing grants or other administrative functions?

Answer:

Below are descriptions of the receipts from the New Jersey Breast Cancer Research Fund, the New Jersey Prostate Cancer Research Fund, and the New Jersey Lung Cancer Research Fund, which are donations given through check-off boxes on State income tax return forms, along with the amounts collected from fees for “Conquer Cancer” license plates for FY2012 and projections for (FY2013 and FY2014):

<table>
<thead>
<tr>
<th>Fund Description</th>
<th>FY 2012 Actual</th>
<th>FY 2013 Projection</th>
<th>FY 2014 Projection</th>
</tr>
</thead>
<tbody>
<tr>
<td>Breast Cancer Check-Off</td>
<td>* $336,087</td>
<td>$160,000</td>
<td>$170,000</td>
</tr>
<tr>
<td>Conquer Cancer License Plates</td>
<td>$337,238</td>
<td>$300,000</td>
<td>$325,000</td>
</tr>
<tr>
<td>Prostate Cancer Check-Off</td>
<td>$27,681</td>
<td>$15,000</td>
<td>$12,000</td>
</tr>
<tr>
<td>Lung Cancer Check-Off</td>
<td>$4,846</td>
<td>$8,000</td>
<td>$9,000</td>
</tr>
</tbody>
</table>

Note: FY 2012 Breast Cancer Check-Off amount reflects an 18 month period due to realignment to the July-June Fiscal Year.

The Department of Health does not use any of the funds donated to the New Jersey Commission on Cancer Research for administrative functions. All administrative functions for grants are performed by existing staff within the Office of Cancer Control.
9. Evaluation data on page D-147 of the budget recommendation show a significant increase in women applying for and receiving family planning services between 2011 and 2012—from 85,255 to 93,278. Estimates for 2013 and 2014 remain at 85,000.

- Questions: Is the department able to explain the growth between 2011 and 2012? How much State and federal funding is provided to family planning providers through the Department of Health in FY 2013 and FY 2014?

Answer:

The evaluation data noted only accounts for services provided in Title X agencies. The number of women receiving family planning services in these agencies for SFY2011 was 103,642. For SFY2012, preliminary data indicates more than 93,278 women received family planning services. Final data may cause the Department of Health to revise this number upward; however, final data is not available until approximately 12 to 14 months following the close of the state fiscal year as various data quality control procedures are required at the state and federal level.

For SFY13, $2.1 million comes through the Department of Health’s budget with a total funding of over $10 million. For SFY14, the Department of Health anticipates the same level of funding. FQHCs provide family planning services within the context of a full array of primary care services. The proposed SFY14 budget includes over $50 million for the Uncompensated Care Fund.

10a. The Governor recommends an increase in General Fund support for the New Jersey Compassionate Use Medical Marijuana program from $784,000 to over $1.6 million (page D-150).

- Question: Please provide a table of organization or other information that describes the number and functions of the positions to be established in FY 2014. Other than personnel, what other uses are intended for this funding?

Answer:

The SFY13 proposed budget supports a Medicinal Marijuana Program which consists of 4 major Units: Registration/Customer Service (4 staff), Alternative Treatment Center (ATC) Investigations (4 staff), ATC Compliance (6 staff), and Administrative (3 staff).

Registration/Customer Service Unit processes applications, and responds to consumer inquiries. ATC Investigations supports the ongoing investigation and assessment of ATC personnel. ATC Compliance provides monitoring, technical assistance, and on site oversight related to regulatory enforcement. Administration assists in the review of program implementation and development of rules and operational policies. Lastly, the program will support one regulatory position with the Office of Legal and
Discussion Points (Cont'd)

Regulatory Compliance and one laboratory research position to assist with testing of samples.

Additional funds support the production of identification cards, video and electronic oversight, and vehicles specifically outfitted for investigative purposes such as the installation of lock boxes for transporting specimens for testing or destruction and materials for packaging and labeling for chain of custody purposes.

Several agencies including Agriculture, Attorney General, DEP, Motor Vehicle Commission, and State Police have provided significant assistance without financial support from the program.

10b. The FY 2013 appropriation for the medical marijuana program assumed that all six approved alternative treatment centers (ATCs) would open during the fiscal year. However, as of March 2013, only one ATC center has opened, and it is unclear when the other five licensed centers may open.

- Questions: As the number of ATCs to oversee was less than expected, can the FY 2013 appropriation be reduced? Will the program’s staff level in FY 2014 vary according to the number of alternative treatment centers in operation?

Answer:

No. Prior to ATC permitting a significant amount of time and resources are associated with the costs of the program, which include patient and physician electronic registration, issuance of ID cards, policy development, and customer service. As more ATCs initiate operations, additional resources from the state will be required to conduct inspections, product testing and supervision, which was incorporated in the SFY14 proposal.

10c. The “New Jersey Compassionate Use Medical Marijuana Act” requires the department to report to the Governor and Legislature annually on the registered participants in the program, and biennially on the capacity of the program to meet the needs of registered qualifying patients throughout the State. As of March 2013 (29 months after the law’s October 1, 2010 effective date), no reports have been received by the Legislature.

- Question: When will the department report to the Legislature on implementation of the program?

Answer:

The Department of Health will continue to provide transparency through public comment on the development of the program to the public and legislators. The website provides details concerning the various aspects of program implementation. The first Alternate Treatment Center was permitted to dispense medicinal marijuana in
Discussion Points (Cont'd)

October 2013 and began dispensing in December 2012. Until the ATC has been operational for at least a year, we have insufficient patient utilization data to determine impact of the program.

11. In FY 2013, approximately $1.7 million is expected to lapse to the general fund from the Maternal, Child, and Chronic Health Services line item due to administrative underspending. This amount is equal to the program’s allocation for administration. The same amount was lapsed at the end of FY 2012.

- **Question:** As the administrative costs of the program appear to be regularly met with other resources, should the appropriation be reduced?

  **Answer:**

  Administrative expenses continue to be an element of the Maternal, Child, and Chronic Health Services grant line. Although these expenses were met in prior years with other available resources, it is premature to assume that full operational funding will be available due to unforeseen conditions, such as sequestration. The Department of Health is confident the FY14 budget is appropriate and necessary.

12. The Early Intervention Program is expected to lapse $12.5 million to the General Fund at the end of FY 2013. The FY 2014 Governor’s Budget recommends a decrease of $3.2 million from the FY 2013 General Fund appropriation level, while federal funds are expected to remain unchanged. Approximately $9.1 million lapsed to the general fund at the end of FY 2012.

- **Question:** As combined State and federal resources proposed for FY 2014 are greater than FY 2013 expenditures, and the number of clients served is not expected to change, should the State appropriation be reduced?

  **Answer:**

  The Early Intervention Program expected lapse of $12.5 million is attributable to trend and a one time increase in federal Medicaid revenues. The Department of Health recommends $85,973 in state funding for FY2014. Due to the fact that this program’s expenditures vary based on the birth rate, we have made conservative budget assumptions to ensure that no reduction in services or reimbursement to providers will be necessary. Based on the Department of Health’s analysis, we are confident the FY14 budget is appropriate and necessary.

13a. The Governor recommends $13.8 million in State funding for the Cancer Institute of New Jersey – South Jersey Program (page D-151). The FY 2012 Appropriations Act included a language supplemental of $11.1 million, dedicated for the construction of a new comprehensive cancer center in Camden, which was not used. The FY 2013 Appropriations Act shifted this $11.1 million into the line item appropriation and eliminated the requirement that these funds be used for construction.
Discussion Points (Cont'd)

- **Questions:** What portions of the FY 2013 and FY 2014 appropriations are to be used for construction, as opposed to operations?

  **Answer:**

  The FY 2013 appropriation is used for operational needs including salary and new equipment. The FY 2014 appropriation is used for construction costs at the Cancer Center of New Jersey - South Jersey Program.

13b. Of the amount available to the Cancer Institute of New Jersey – South Jersey Program in FY 2010, $5.9 million remains *encumbered* as of March 2013. An additional $5.4 million appropriated in FY 2012 is encumbered.

- **Questions:** What is the status of these encumbrances? Can any of the encumbered funds be carried forward to FY 2014?

  **Answer:**

  Cooper Hospital anticipates completion of the Cancer Institute of New Jersey – South Jersey Program by October 2013. FY 2010 and 2012 grants were contracted in the respective years stated and the construction projects are continuing with a full expenditure of funds expected.

14. At the time that the FY 2013 Governor’s Budget was published, an increase in estimated FY 2012 AIDS Drug Distribution Program (ADDP) rebates revenue from $25 million to $44 million was attributed to drug companies agreeing to pay the State faster and supplemental rebates that were negotiated with the AIDS Drug Assistance Program Crisis Task Force. Final revenues in FY 2012 exceeded $73 million. ADDP rebate revenues are estimated at $49 million in FY 2013 and FY 2014.

- **Questions:** Do these same reasons explain the increase from $44 million to $73 million in FY 2012? What is the total sum of ADDP rebates currently owed to the State but not yet paid by drug manufacturers? To what extent do the FY 2013 and FY 2014 estimates depend upon drawing down rebates incurred in prior periods but not yet collected?

  **Answer:**

  The New Jersey ADDP drug rebate program is a partnership between the Department of Human Services, Division of Medical Assistance and Health Service’s (DMAHS) Medicaid program, and the Department of Health’s Division of HIV, STD and TB Services. The DMAHS administers the ADDP and performs all rebate collection activities that help to offset the costs of prescription drugs dispensed to AIDS patients thorough the ADDP. The state did a one-time accrual of 6 months of rebates in FY12 to correctly account for rebate revenues in the month they were earned in accordance
Discussion Points (Cont’d)

with Generally Accepted Accounting Principles (GAAP). For FY 2012, receipts generated from rebates were received over an 18 month period. This was to align the receipts with the State Fiscal Year instead of a calendar based period.

The SFY 2013 and SFY 2014 rebate revenues are projected to come in at over $50 million for each year. The Department of Health has received $27 million to date for the first two quarters of SFY 2013.

All pharmaceutical rebates collected on ADDP drug purchases are directed back into the Ryan White Part B Program, as statutorily required.

HEALTH PLANNING AND EVALUATION

15. In accordance with the Comprehensive Medicaid Waiver, the FY 2014 Governor’s Budget provides for the replacement of the Hospital Relief Subsidy Fund (HRSF) with a new hospital subsidy program, the Delivery System Reform Incentive Payment (DSRIP) program, which conditions hospital payments on certain improvements in their care delivery systems according to individual hospitals’ plans. Pursuant to the Comprehensive Medicaid Waiver, the amount available to the program in FY 2014 is $166.6 million (gross), the same as the former HRSF. (See evaluation data on page D-155).

The Comprehensive Medicaid Waiver requires the State to submit to the Centers for Medicare & Medicaid Services (CMS) for approval a DSRIP Planning Protocol and a Program Funding and Mechanics Protocol. The waiver provides that each hospital’s DSRIP payment in FY 2014 will at a maximum equal the total amount of the FY 2013 HRSF payments it received in FY 2013, contingent on the hospital’s submission of a Hospital DSRIP Plan, and its acceptance by the State and CMS. This suggests that each hospital’s DSRIP allotment in FY 2014 will be the same as its HRSF allotment in FY 2013. Recommended budget language on page D-158 indicates that the Funding and Mechanics Protocol was submitted for federal approval December 28, 2012.

• Questions: Does the State’s proposal maintain each hospital’s FY 2014 DSRIP subsidy at the same level as its FY 2013 HRSF subsidy? In what timeframe is it expected that the Planning Protocol and Program Funding and Mechanics Protocol will be approved?

Answer:

The State’s proposal provides hospitals with the opportunity to earn a subsidy similar to the prior year’s subsidy; however, CMS has not yet approved the State’s Delivery System Reform Incentive Payment proposal. The State timely submitted its proposal on December 31, 2012, and continues to work with CMS to refine the State’s program to transition to a new funding mechanism. CMS and the Department of Health continue to work on finalizing the protocols that will include relevant timeframes. CMS supports continuation of HRSF payment during this transition. We continue to provide regular and routine updates to the hospitals.
Discussion Points (Cont'd)

- **Questions:** When will hospitals be required to submit their individual hospital DSRIP plans for approval? Will the plans be made available to the public?

**Answer:**

Hospitals will be provided an adjusted timeframe of Delivery System Reform Incentive Payment events once CMS has approved the State’s proposal. The plans will be made public. It is a requirement of the Delivery System Reform Incentive Payment program to solicit public input on individual hospital Delivery System Reform Incentive Payment plans.

16. The Governor’s Budget recommends elimination of the Health Care Stabilization Fund in FY 2014. In FY 2013, the fund was appropriated $30 million (gross) to provide emergency grants to financially distressed, essential hospitals. Available information is that the federal government has ended its support of the program.

- **Questions:** What is the federal government’s rationale for the discontinuation of the program? What tools remain available to ensure that communities served by financially distressed, essential hospitals do not face disruptions in access to care?

**Answer:**

CMS has indicated it will not provide matching funds for the issuance of stabilization grants if the State does not apply a uniform formula in awarding the grants. A prescribed approach is inherently at odds with the intended use of the stabilization fund, which is to target funds where critically needed and is based in part on the applications submitted by hospitals describing need and requested grant. However, the Governor’s proposed budget includes almost $1 billion in subsidies to hospitals through Charity Care, Graduate Medical Education and Delivery System Reform Incentive Payment. The Department of Health monitors financially distressed hospitals through an early warning system, and regular communication with the most seriously distressed hospitals. The Governor’s proposed budget provides language for emergency appropriations for a hospital in extreme distress.

17. A proposed language provision on page D-158 appropriates up to $1 million for development and maintenance of the New Jersey Health Information Network, subject to a plan developed by the DOH and approved by the Director of the Division of Budget and Accounting. The NJ Health Information Network is intended to facilitate data exchanges among the regional Health Information Exchanges (HIEs) in the State, as well as with HIEs in other states and the Nationwide Health Information Network.
Discussion Points (Cont'd)

- Questions: What is the expected timeframe for finalization of the department’s plan? What specific activities in the development and maintenance of the network are proposed for FY 2014?

Answer:

The expected timeframe for finalization of the first phase of the Department of Health’s plan is September 2013. The activities proposed for FY 2014 are design and development of NJ Health Information Network, piloting data exchange in secure network, and testing, remediation, and implementation of network.

18. As of February 2013, the Brain Injury Research Fund has accumulated encumbrances totaling approximately $8 million between FY 2009 and FY 2012.

- Questions: What is the status of these encumbrances? Can any of the encumbrances be canceled and the funds allocated to grantees or other uses?

Answer:

The Brain Injury Research Fund encumbrances exist to support up to 25 active and ongoing multi-year grants, fellowships, and pilot studies that focus on projects related to the treatment and cure of traumatic brain injuries which have been awarded to NJ researchers. As the grants have all been committed to various researchers and research institutions, the balances cannot be cancelled or allocated to other uses.