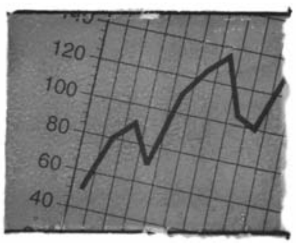

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HUMAN SERVICES

FISCAL YEAR 2015 - 2016

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2015

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HUMAN SERVICES

Budget Pages....... C-5, C-12, C-19 to C-20, C-23, C-25, C-26; D-159 to D-217; E-1, E-2, E-4, E-7; F-1, F-3, F-4, F-6, F-7, F-8, F-10; G-3, G-4; H-3 to H-5, H-8, H-12, H-15, H-16, H-17 to H-19

Fiscal Summary ($000)

	Expended FY 2014	Adjusted Appropriation FY 2015	Recommended FY 2016	Percent Change 2015-16
State Budgeted	$6,426,821	$6,688,515	$6,740,578	0.8%
Federal Funds	$7,108,060	$9,154,496	$10,864,973	18.7%
Other	$968,261	$975,982	$1,087,300	11.4%
Grand Total	$14,503,142	$16,818,993	$18,692,851	11.1%

*Other includes Revolving Funds displayed on page C-23 of the recommended budget.

Personnel Summary - Positions By Funding Source

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change 2015-16
State	9,269	8,311	7,909	(4.8%)
Federal	4,848	4,116	3,802	(7.6%)
Other	62	58	64	10.3%
Total Positions	14,179	12,485	11,775	(5.7%)

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

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

Highlights

BUDGET OVERVIEW AND KEY DEVELOPMENTS

The Governor's FY 2016 Budget recommends a total of $18.69 billion (gross) for the Department of Human Services (DHS) in Fiscal Year (FY) 2016, an increase of about $1.87 billion (11.1 percent) over the $16.82 billion in FY 2015 adjusted appropriations.

State funds account for $6.74 billion of the total FY 2016 recommendation, representing an increase of $52.1 million (or 0.8 percent) from adjusted FY 2015 State appropriations of $6.69 billion. Anticipated federal funds account for $10.86 billion of the FY 2016 recommendation, representing a significant increase of $1.71 billion (or 18.7 percent) over the FY 2015 adjusted appropriation of $9.15 billion. Anticipated Other funds account for $1.09 billion, increasing by $111.3 million (11.4 percent) over the FY 2015 adjusted appropriation of $976.0 million.

In part, the significant increase in anticipated federal funds is related to the continuing expansion of the State's Medicaid program, now branded as NJ FamilyCare, in accordance with the federal Affordable Care Act (ACA). Furthermore, there is a shift throughout the department to move individuals from State-only funded services to those services which can be supported by federal Medicaid funding, particularly in the Division of Developmental Disabilities and the Division of Mental Health and Addiction Services. Another key development, the shifting of long-term care services to managed care delivery and reimbursement, through the Managed Long Term Services and Supports (MLTSS) initiative, began in FY 2015. All of these developments are discussed in more detail below and throughout this analysis.

Medicaid Expansion and the Affordable Care Act

Effective January 1, 2014, the State expanded Medicaid/NJ FamilyCare eligibility to all non-elderly adults with household incomes up to 133 percent of the federal poverty level, pursuant to the ACA (The ACA provides for a five percent income disregard, effectively raising the threshold to 138 percent of the federal poverty level.) This ACA Medicaid expansion, branded as the NJ FamilyCare Adult Expansion, renders many non-elderly and non-disabled adults without dependents newly eligible for Medicaid coverage. Expenditures for these "newly eligible" enrollees will be paid entirely by federal funds until calendar year 2017, when the federal matching rate will begin to phase down to 90 percent by 2020. In addition, certain individuals eligible for coverage under the Medicaid/NJ FamilyCare program prior to January 1, 2014 are now deemed to be "newly eligible" for Medicaid under the ACA expansion, with expenditures for those individuals qualifying for enhanced federal reimbursement. The department anticipates $3.76 billion in federal funding to support the NJ Family Care Adult Expansion, providing health coverage for over 586,000 New Jersey residents.

Highlights (Cont'd)

Managed Long-Term Services and Supports

In FY 2015, the State implemented the Managed Long Term Supports and Services (MLTSS) initiative within the Division of Aging Services. Under MLTSS, which is authorized pursuant to the State's Comprehensive Medicaid Waiver approved in October 2012, the State has shifted Medicaid/NJ FamilyCare nursing facility services and home- and community-based services from fee-for-service reimbursement to a managed care delivery and financing system. The State contracts with five managed care organizations (MCOs) for the provision of these long-term care services, and the MCOs are responsible for coordinating and delivering the services and supports to eligible elderly Medicaid recipients and Medicaid recipients with disabilities. It is noted that the shifts of long-term care services to managed care will not include nursing facility services provided to current Medicaid/NJ FamilyCare residents of such facilities, which will continue to be reimbursed on a fee-for-service basis. For FY 2016, the Governor recommends a State appropriation of $393.5 million for MLTSS, an increase of $113.2 million over the FY 2015 appropriation.

DDD Shift to Medicaid-Supported Services

The Division of Developmental Disabilities (DDD) will launch the new Supports Program in July 2015, which will provide an expanded package of home- and community-based services to individuals in the DDD system who are not enrolled in the Community Care Waiver, and allow the State to claim federal Medicaid matching funds for these costs for the first time. In addition, DDD is gradually shifting all of the services provided through the division to a fee-for-service model, replacing the division's historic use of cost-based contracting.

The sections below provide more detail regarding the Governor's FY 2016 Budget Recommendations for the specific DHS divisions, as well as some additional detail regarding key programmatic and fiscal developments in FY 2016.

HIGHLIGHTS BY DIVISION

Division of Mental Health and Addiction Services

The Division of Mental Health and Addiction Services (DMHAS) provides a wide array of community-based mental health and substance abuse services. DMHAS also operates the State's four psychiatric hospitals and provides State Aid to support low-income patients in five county psychiatric hospitals.

The Governor's FY 2016 Budget recommends a grand total of $990.1 million (gross)[1] for the division, an increase of $9.2 million (0.9 percent) from the FY 2015 adjusted appropriation, including State appropriations of $851.6 million, federal funding of $124.6 million, and $13.9 million from all Other funds.

[1] Revolving funds displayed on page C-23 but not within the department recommendation on pages D-167 to D-173 are included in the totals here.

Highlights (Cont'd)

The FY 2016 Budget Recommendation displays the funding for DMHAS in two sections. The funding intended for the *State psychiatric hospitals* is on pages D-166 to D-168; and the funding intended for *Community Services* and *Addiction Services*, which includes community mental health services, county psychiatric hospitals, and addiction services, is reflected on pages D-169 to D-176.

Gross funding for *State psychiatric hospitals* is to remain unchanged from the FY 2015 appropriation, as follows: State funding will be $295.0 million; federal funding is anticipated to be $53.0 million; and funding from all Other funds will be $1.4 million.

Gross funding for *community services* and *addiction services* is anticipated to increase by $9.2 million (1.5 percent) over the FY 2015 adjusted appropriations, as follows: State funding is recommended to increase by $2.9 million (0.5 percent) to $556.6 million; federal funding is recommended to increase by $7.9 million (12.4 percent) to $71.6 million, and funding from all other funds is anticipated to decrease by $1.6 million (11.3 percent) to $12.5 million.

Highlights:

- $8.3 million in additional State funding is recommended for *Olmstead Support Services*, of which $2.0 million is to develop 200 new community-based placements for individuals in need of mental health services in FY 2016, and $6.3 million is to support the annualized costs of placements created in FY 2015.

- $17.2 million in reduced State expenditures (net) is reflected in the *Community Care* line item. The net decrease includes a $3.4 million increase to support the Statewide expansion of the Involuntary Outpatient Commitment program. It also includes an $18.0 million decrease in State funding for services which previously were paid for with State-only dollars through DMHAS, but because some recipients of these services are now eligible for Medicaid under the ACA Medicaid expansion, costs for their services will be paid with federal funds through the Division of Medical Assistance and Health Services. The remaining $2.5 million of the overall decrease is an adjustment due to projected actual spending in FY 2015.

- $3.9 million increase in State funding is recommended for *Community Based Substance Abuse Treatment and Prevention – State Share*, which provides grant funding for community-based substance abuse treatment centers and a range of other addiction services. The increase includes $2.3 million in State funds for a new contract with Rutgers University Behavioral Health Care to coordinate and administer certain aspects of the State's addiction treatment system. The remaining $1.6 million of the recommended increase replaces $1.6 million in Other funds that had been transferred to the account from the Alcohol Education, Rehabilitation, and Enforcement Fund in FY 2015.

- $7.9 million increase in State Aid payments to counties is proposed for *Support of Patients in County Psychiatric Hospitals* as a result of increased service utilization, primarily at Essex County Hospital Center.

Highlights (Cont'd)

Division of Medical Assistance and Health Services

The Division of Medical Assistance and Health Services (DMAHS) is the division primarily responsible for the Medicaid/NJ FamilyCare medical assistance program, which provides health care coverage to low-income New Jersey residents with a combination of State, federal, and Other funds.

The Governor's FY 2016 Budget recommends a net increase of $1.66 billion (17.1 percent) in overall funding for the division, to a total of approximately $11.36 billion (gross). Total recommended State appropriations of $3.08 billion are approximately $59.8 million (1.9 percent) lower than the FY 2015 adjusted appropriations, primarily reflecting certain State savings realized under the ACA Medicaid expansion. The gross increase is driven by growth in federal funds, which increase by $1.60 billion (27.1 percent), to $7.50 billion, primarily as a result of the State's Medicaid expansion under the Affordable Care Act (ACA). Other funds, in the form of Medicaid drug manufacturer rebates, hospital mental health offset payments, and dedicated fund payments for Medicaid/NJ FamilyCare, increase by a total of $116.6 million (17.5 percent), to $781.7 million.

<u>Highlights:</u>

- $1.43 billion increase in federal spending is recommended for the Medicaid/NJ FamilyCare Adult Expansion. The Affordable Care Act provides 100 percent federal funding for Medicaid/NJ FamilyCare for non-elderly childless adults with incomes below 138 percent of the federal poverty level. Evaluation data on page D-177 indicate that average monthly enrollment during FY 2015 in the NJ FamilyCare Adult Expansion is estimated at 500,311 individuals, and is expected to grow to over 586,000 individuals in FY 2016, with a total FY 2016 cost of $3.79 billion.

- $103.1 million overall increase in State-source spending (including appropriations from the General Fund and Other funds) is proposed for DMAHS-administered Medicaid/NJ Family Care benefits. This net increase includes a decrease of $72.7 million (2.4 percent) in General Fund appropriations from the FY 2015 adjusted appropriation and a $175.8 million increase from the Health Care Subsidy Fund. The increase in spending is due to the continued increase in enrollment in Medicaid/NJ FamilyCare and the shift of more individuals and services from fee-for-service programs into a managed care delivery system.

- $45.0 million increase ($15.0 million State plus an estimated $30.0 million federal) for enhanced Medicaid/NJ FamilyCare physician reimbursement rates is embedded within several line items on page D-179, which will be targeted to areas of weakness identified by State and managed care organizations in their respective provider networks.

- $6.3 million in additional State funding to county welfare agencies is proposed for *Eligibility Determination Services*. According to the department, this increased appropriation is attributable to the increased volume of Medicaid/NJ FamilyCare applications resulting from the State's expansion of Medicaid/NJ FamilyCare under the Affordable Care Act.

Highlights (Cont'd)

- $6.6 million in additional State funding is recommended for *Health Benefit Coordination Services* over the FY 2015 adjusted appropriation. Health Benefit Coordination Services supports the State's contract with Xerox to operate the Medicaid/NJ FamilyCare toll-free hotline and customer service call center and to conduct eligibility determinations and redeterminations. According to the department, these increased appropriations are attributable to the increased volume of Medicaid/NJ FamilyCare applications resulting from the State's expansion of Medicaid/NJ FamilyCare under the Affordable Care Act, and the State's shifting of an increasing number of eligibility determinations and redeterminations to Xerox, in effort to clear the backlogs at some county welfare agencies.

- $75.1 million increase is anticipated in federal funds resulting from an increase in the federal matching rate in the Children's Health Insurance Program (CHIP), from 65 percent to 88 percent, beginning October 2015. More information is provided in the background paper "Federal CHIP Financing," on page 42 of this analysis.

- $21.5 million reduction in anticipated federal funds is expected due to the expiration of the federal Balancing Incentive Payments (BIP) program at the end of September 2015. The program, authorized under the Affordable Care Act, provides bonus payments to states for increasing their share of Medicaid long-term care spending on home-and community-based services and reducing Medicaid long-term care spending on institutional care (i.e., care provided in nursing facilities, developmental centers, State psychiatric hospitals, etc.).

Division of Aging Services

The Division of Aging Services (DoAS) administers New Jersey's programs for senior citizens and certain residents with disabilities. These include medical services and long-term care, in both nursing homes and community settings, pharmaceutical assistance programs, and several other programs intended to improve seniors' quality of life, such as home delivered meals, transportation, and legal assistance. The division also provides State Aid to counties for the operations of the County Offices on Aging and the State share of the federal Older Americans Act.

In FY 2015, the division began the transition to the *Managed Long Term Services and Supports* program (MLTSS), which is a shift in Medicaid/NJ FamilyCare nursing facility services and home and community based services from fee-for-service reimbursement to managed care delivery. Enrollment in MLTSS is mandatory for any individual in need of a nursing facility level of care, except individuals who were already enrolled in Medicaid/NJ FamilyCare and residing in nursing homes on July 1, 2014. These individuals will continue to be served in the fee-for-service system.

The Governor's FY 2016 Budget recommends an increase of $255.9 million (9.3 percent) in funding for the division, for a total budget of $3.02 billion (gross). State appropriations from the General Fund, Casino Revenue Fund, and Property Tax Relief Fund are recommended to increase by $136.1 million (11.7 percent), to $1.30 billion and federal funds are anticipated to increase by $119.8 million (8.4 percent), to $1.55 billion. The increases are primarily due to anticipated increases in State expenditures and federal Medicaid

Highlights (Cont'd)

reimbursement for MLTSS. Other funds remain level at approximately $168.2 million in FY 2016.

Highlights:

- $113.2 million increase in State funding is recommended for the MLTSS program over the FY 2015 adjusted appropriation resulting from increasing enrollment in the MLTSS program. Budget data (page D-185) indicate that average monthly enrollment in the MLTSS program in FY 2016 is expected to be 64 percent higher than in FY 2015.

- $27.8 million increase in State funding is proposed for Medicaid/NJ FamilyCare fee-for-service payments to nursing homes over the FY 2015 appropriation. The Governor's FY 2016 Budget Recommendation would continue the rate increase that was included in the FY 2015 Appropriations Act, but would not provide a further increase in FY 2016. According to the department, the recommended appropriation was calculated based on projections of utilization. The recommendation appears not to reflect attrition in the fee-for-service program. The OLS notes that a negative trend in fee-for-service nursing home costs should be expected, with offsetting growth in MLTSS costs, because individuals who newly enter the Medicaid/NJ FamilyCare long-term care system after July 1, 2014 are required to enroll in MLTSS, rather than the fee-for-service program funded under the *Nursing Homes* line item.

- $1.9 million decrease, to $24.2 million, in State funding is proposed for the Program for All-Inclusive Care for the Elderly (PACE). PACE is designed to divert, delay, or transition elderly individuals away from nursing homes and into community-based care, and is functionally similar to MLTSS. Informal information from the department indicates that the recommended increase is due to enrollment trends in PACE.

Division of Disability Services

The Division of Disability Services (DDS) currently administers fee-for-service Medicaid/NJ FamilyCare personal care assistant (PCA) services, which provide assistance with aspects of daily living to children and adults with functional limitations. DDS also administers several non-Medicaid programs providing home- and community-based services to individuals with disabilities and provides information, referral assistance, transportation and vocational services, and other services to such individuals. The majority of DDS services and funding were shifted to the MLTSS program in the Division of Aging Services (DoAS) in FY 2015.

Overall funding for the division is recommended to decrease by $17.4 million (44.3 percent), to $21.9 million (gross). The overall decrease represents the final transfer of services, and corresponding State and federal funding, from now-terminated programs operated by DDS that have shifted to the *Managed Long Term Services and Supports* (MLTSS) initiative in DoAS. Of the overall amount, State appropriations from the General Fund and Casino Revenue Fund decrease by $9.3 million (37.8 percent), to $15.2 million; federal funds (primarily federal Medicaid funds) decrease by $8.2 million (68.7 percent), to $3.7 million; and Other funds remain unchanged at $3.0 million.

Highlights (Cont'd)

Highlight:

- $17.4 million decrease in State and federal appropriations is anticipated as a result of the implementation of MLTSS in FY 2015. The DDS formerly operated three Medicaid/NJ FamilyCare waiver programs: the AIDS Community Care Alternatives Program; the Community Resources for People with Disabilities; and the Traumatic Brain Injury Waiver, which were all consolidated into the MLTSS program in FY 2015. Relatively small appropriations remained with DDS in FY 2015 to facilitate the transition of affected/impacted individuals to MLTSS, but actual spending in these accounts is proving to be less than anticipated. In fact, the department anticipates lapsing $10.4 million from DDS accounts that were intended for the transition in FY 2015, due to underutilization.

Division of Developmental Disabilities

The Division of Developmental Disabilities (DDD) funds a broad range of community-based residential care services, individual and family support services, and day programs for individuals with developmental disabilities. DDD also operates the State's five residential developmental centers for individuals with developmental disabilities. In total, DDD is anticipated to spend $1.72 billion in FY 2016, $1.2 million (0.1 percent) more than in FY 2015, including $917.4 million in State appropriations from the General Fund; $746.9 million in federal funds; and $59.7 million in Other funds.

The FY 2016 Budget Recommendation displays the funding for DDD in two sections. The funding intended for the *developmental centers* is on pages D-197 to D-199 and the funding intended for is reflected on paged D-199 to D-204.

Gross funding for *developmental centers* is recommended to decrease by $55.0 million (13.4 percent), to $354.8 million. State funding is anticipated to decrease by $7.2 million (5.4 percent) to $126.6 million in FY 2016. Federal funds are anticipated to decrease by $47.8 million to $228.2 million in FY 2016.

Gross funding for *Community Services* is recommended to increase by $56.3 million (4.3 percent), to $1.37 billion. State funding is anticipated to increase by $27.8 million (3.6 percent) to $790.9 million in FY 2016. Federal funds are anticipated to increase by $32.1 million (6.6 percent) to $518.7 million in FY 2016. Funding from Other funds is anticipated to decrease by $3.7 million (5.8 percent) to $59.7 million in FY 2016.

Highlights:

- $55.0 million decrease in funding is recommended for developmental centers, including $7.2 million from the General Fund and $47.8 million in federal funds, a reflection of the closure of North Jersey Developmental Center and Woodbridge Developmental Center in FY 2015. The budgetary impacts of those closures linger into the FY 2016 budget as well. Budget data on pages D-197 to D-198 indicate that the average daily population for all centers will decrease by 243 (14 percent) from 1,738 in FY 2015 to 1,495 in FY 2016. The reduction in population is matched by an estimated decrease of 787 positions (14 percent), from 5,607 (filled) in FY 2015 to 4,820 (funded) in FY 2016 (page D-198).

Highlights (Cont'd)

- $56.3 million increase in funding is recommended for various community-based services. This includes: a $1.8 million increase for individuals moving onto the Community Care Waiver program from the waiting list; $16.1 million increase for group home placements; $15.1 million increase for emergency placements; $11.3 million in new federal funds for placements in the new Supports Program; $13.5 million more for the purchase of adult activity services; $273,000 for day program age outs; and $7.2 million more for self directed services. These increases are partially offset by a $11.7 million decrease for Olmstead Residential Services, and smaller decreases for skill development homes and social services. The decrease is primarily comprised of the expiration of certain Hurricane Sandy-related disaster recovery grants which will be complete by the end of the current federal fiscal year (September 30, 2015).

Commission for the Blind and Visually Impaired

The New Jersey Commission for the Blind and Visually Impaired (CBVI) provides and promotes services in the areas of education, employment, independence, and eye health for individuals who are blind or visually impaired, as well as their families and the community at large.

The Governor's FY 2016 Budget recommends $28.3 million (gross), consistent with the FY 2015 appropriations for the CBVI. There is a decrease of $247,000 in federal funds authorized for the CBVI, which is matched by a corresponding increase in State appropriations for the CBVI in FY 2016. This change is representative of a larger Statewide shift of certain appropriations funded by the Social Services Block Grant for accounting efficiencies.

Division of Family Development

The Division of Family Development (DFD) provides various support services and assistance to financially insecure families and adults without dependents. In cooperation with the county welfare agencies, DFD provides nutrition assistance, temporary cash assistance, rental and emergency housing assistance, child care subsidies, and other support services to these families and individuals.

Overall funding for the division is recommended to decrease by $32.9 million (2.2 percent), to $1.46 billion (gross).[2] Of this amount, $515.0 million represents State appropriations from the General Fund and Property Tax Relief Fund, which decrease by $38.9 million (7.0 percent) overall. Federal funds are anticipated to increase by $6.0 million (0.7 percent), to $898.1 million in FY 2016. Other funds are to remain stable at $50.9 million.

Highlights:

- $13.2 million decrease in State funding is recommended for *Work First New Jersey – Technology Investment*, primarily related to the termination of the contract for the

[2] Revolving funds displayed on page C-23 but not within the department recommendation on pages D-209 to D-211 are included in the totals here.

Highlights (Cont'd)

development of the Consolidated Assistance Support System (CASS), a computer system that was intended to replace the outdated computer systems used by county welfare agencies and the DHS to enroll applicants and manage several means-tested human services programs, such as SNAP, Medicaid/NJ FamilyCare, and Work First New Jersey.

- $15.7 million decrease in gross funding for Work First New Jersey client benefits and emergency assistance payments (including both the State-funded General Assistance program and the State-federal Temporary Assistance to Needy Families program). The overall decrease is based on decreasing participation trends, and does not include any policy changes. As a result of these trends and claiming of unspent federal funds from previous years, General Fund spending is recommended to decrease by $44.4 million in FY 2016.

Division of the Deaf and Hard of Hearing

The Division of the Deaf and Hard of Hearing (DDHH) provides services to New Jersey residents who are deaf, hard of hearing, deaf-blind, or have speech disorders. It also conducts activities that enhance public awareness of hearing loss and provides communications access referral services to State and other governmental programs. The DDHH's recommended budget is unchanged from the FY 2015 adjusted appropriation, at $1.0 million in State funds.

Division of Management and Budget

The Division of Management and Budget performs the central administrative functions of the Department of Human Services. The Governor's FY 2016 Budget recommends $81.8 million (gross), a slight increase of $44,000 over the FY 2015 appropriation, mostly attributable to small shifts in the allocation of federal and Other funds related to program administration. There is a decrease of $312,000 in federal funds authorized for the division, which is matched by a corresponding increase in State appropriations for the division in FY 2016. This change is representative of a larger Statewide shift of certain appropriations funded by the Social Services Block Grant for accounting efficiencies.

Background Papers

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2014	Adj. Approp. FY 2015	Recom. FY 2016	Percent Change 2014-16	Percent Change 2015-16
General Fund					
Direct State Services	$669,057	$623,920	$606,714	(9.3%)	(2.8%)
Grants-In-Aid	$4,916,900	$5,363,731	$5,516,508	12.2%	2.8%
State Aid	$357,595	$291,547	$265,863	(25.7%)	(8.8%)
Capital Construction	$345	$0	$0	(100.0%)	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$5,943,897**	**$6,279,198**	**$6,389,085**	**7.5%**	**1.8%**
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	$122,549	$160,226	$168,134	37.2%	4.9%
Sub-Total	**$122,549**	**$160,226**	**$168,134**	**37.2%**	**4.9%**
Casino Revenue Fund	$360,375	$249,091	$183,359	(49.1%)	(26.4%)
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$6,426,821**	**$6,688,515**	**$6,740,578**	**4.9%**	**0.8%**
Federal Funds	$7,108,060	$9,154,496	$10,864,973	52.9%	18.7%
Other Funds	$968,261	$975,982	$1,087,300	12.3%	11.4%
Grand Total	**$14,503,142**	**$16,818,993**	**$18,692,851**	**28.9%**	**11.1%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2014	Revised FY 2015	Funded FY 2016	Percent Change 2014-16	Percent Change 2015-16
State	9,269	8,311	7,909	(14.7%)	(4.8%)
Federal	4,848	4,116	3,802	(21.6%)	(7.6%)
All Other	62	58	64	3.2%	10.3%
Total Positions	**14,179**	**12,485**	**11,775**	**(17.0%)**	**(5.7%)**

FY 2014 (as of December) and revised FY 2015 (as of January) personnel data reflect actual payroll counts. FY 2016 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	63.7%	71.0%

Significant Changes/New Programs ($000)

Division of Mental Health and Addiction Services (DMHAS)

GRANTS-IN-AID					
Olmstead Support Services	**$96,006**	**$104,262**	**$ 8,256**	**8.6%**	**D-172**

The Governor's FY 2016 Budget recommends an increase of $8.3 million for *Olmstead Support Services*, for a total State appropriation of $104.3 million. *Olmstead Support Services* funds contracts with community mental health agencies to provide an array of mental health services, with a focus on assisting individuals discharged or diverted from the State's psychiatric hospitals, in accordance with the State's long-term efforts to reduce the number of institutionalized individuals pursuant to the U.S. Supreme Court's decision in Olmstead v. L.C., 527 U.S. 581 (1999), which requires that individuals with mental illness receive services in the least restrictive appropriate environment.

Information from the Executive indicates that $6.3 million of this increase represents the annualized cost of community-based beds developed during FY 2015. (Performance data on page D-164 indicate that 330 beds will have been developed by the end of FY 2015.) The remaining $2.0 million will be used to develop 200 new community placements during FY 2016, of which 150 are specifically for patients discharged from the State's psychiatric hospitals, and 50 will serve individuals at risk of institutionalization or homelessness.

GRANTS-IN-AID					
Community Care	**$283,666**	**$266,461**	**($17,205)**	**(6.1%)**	**D-172**

The Governor recommends a State appropriation for *Community Care* of $266.5 million, a net decrease of $17.2 million from FY 2015. This decrease reflects a larger reduction of $20.5 million, partially offset by an increase of $3.35 million, as noted below. This line item funds contracts with community mental health agencies to provide an array of mental health services, including: early intervention and support services; screening services; outpatient, partial care, and residential services; supported housing and employment; integrated case management; legal services; and family support services.

Of the $20.5 million reduction, $18.0 million is offset by increased federal Medicaid reimbursements (budgeted in the Division of Medical Assistance and Health Services) for services previously provided with State-only funds to individuals who are newly eligible for Medicaid under the Affordable Care Act. The remaining ($2.5 million) reduction is attributable to an adjustment based on calculated underspending in past years -- though this is less than the $5.0 million that the Executive anticipates lapsing from the account at the end of FY 2015.

The appropriation also incorporates an additional $3.35 million in directly appropriated funds to support Statewide implementation of the Involuntary Outpatient Commitment program, for a total allocation of $6.7 million. This represents actual growth of $950,000 over the $5.75 million total funding made available in FY 2015. (The FY 2015 funding included $3.35 million within the line item and a separate $2.4 million appropriated through language, but the language appropriation is not recommended for FY 2016).

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

GRANTS-IN-AID					
Community Based Substance Use Disorder Treatment and Prevention – State Share	**$22,781**	**$26,695**	**$ 3,914**	**17.2%**	**D-172**

The Governor's FY 2016 Budget recommends a $3.9 million increase in State funding for *Community Based Substance Abuse Treatment and Prevention – State Share*, which provides grant funding for community-based substance abuse treatment centers and a range of other addiction services, and includes the State match for the federal Substance Abuse Block Grant. It is noted that the Executive anticipates lapsing $4.9 million related to substance use disorder initiatives at the end of FY 2015, though no information in available on the specific areas of underspending in FY 2015.

The recommended increase includes $2.3 million in State funds for a new contract with Rutgers University Behavioral Health Care to coordinate and administer certain aspects of the State's addiction treatment system. This program will also operate a new phone line that would provide a "no wrong door" resource for individuals who have a substance use disorder or their families, connecting them to the various federal, State, and local government programs and partners, and providing better coordination of addiction services Statewide.

The remaining $1.6 million of the recommended increase replaces $1.6 million in Other funds that had been diverted to the account from the Alcohol Education, Rehabilitation, and Enforcement Fund, pursuant to budget language included in the FY 2015 Appropriations Act but recommended for deletion in FY 2016.

STATE AID					
Support of Patients in County Psychiatric Hospitals (PTRF)	**$105,825**	**$113,733**	**$ 7,908**	**7.5%**	**D-173**

Currently, five counties (Bergen, Burlington, Essex, Hudson, and Union) operate county psychiatric hospitals, which primarily serve individuals who are involuntarily committed to inpatient psychiatric treatment. The State pays 85 percent of the reasonable cost of maintenance of patients with a legal residence in the county (with the county paying the remaining 15 percent), and 100 percent of the cost of those who have not established legal residence in any county. The methodology for determining the reasonable cost of maintenance is established annually by the DHS.

According to the department, the $7.9 million increase in State Aid payments to counties for *Support of Patients in County Psychiatric Hospitals* is a result of increased service utilization, primarily at Essex County Hospital Center. The methodology by which State reimbursements to counties are calculated is not publicly available, but informal information from the department indicates that it is essentially an allocation of each hospital's actual costs based on legal residency of the hospital's patients.

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

FEDERAL FUNDS					
Addiction Services	**$47,954**	**$55,856**	**$ 7,902**	**16.5%**	**D-173**

The increase in federal funds allocated to the Addiction Services program class represents a technical shift in the allocation of Substance Abuse Block Grant funds. The $7.902 million increase in federal funds in DHS is offset by a proposed language provision on page D-174, authorizing the transfer of up to $7.902 million (from the *Community Based Substance Abuse Treatment and Prevention – State Share* account, in the General Fund) to the Department of Children and Families Children's System of Care. Footnote (b) on page D-41 suggests that $7.101 million is expected to be transferred, but information from the Executive indicates that the full $7.902 million will be transferred to DCF.

OTHER FUNDS					
Addiction Services	**$13,750**	**$12,149**	**($1,601)**	**(11.6%)**	**D-173**

The reduction in Other Funds in the Addiction Services program class is attributable to the elimination of a language provision, included in the FY 2014 and FY 2015 Appropriations Acts, which appropriated $1.6 million from the Alcohol Education, Rehabilitation, and Enforcement Fund to the *Community Based Substance Abuse Treatment and Prevention – State Share* line item.

Annual deposits made to the Alcohol Education, Rehabilitation and Enforcement Fund from alcoholic beverage excise tax collections, pursuant to section 2 of P.L.1990, c.41 (C.54:43-1.1). are dedicated toward alcohol rehabilitation (75 percent), enforcement (15 percent), and education (10 percent). Additionally, fees paid by persons convicted of operating a motor vehicle or watercraft while intoxicated are deposited into the fund to be used for the screening, evaluation, education, and referral of persons who have been convicted of driving or boating while intoxicated.

(The Alcohol Education, Rehabilitation and Enforcement Fund is reflected on page 60 of the "Supplementary Information: Other Government and Proprietary Funds" section of the Governor's FY 2016 Budget, available in the online version only, see: http://www.nj.gov/treasury/omb/publications/16budget/pdf/Supplementary_Information.pdf)

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

Division of Medical Assistance and Health Services (DMAHS/Medicaid)

GRANTS-IN-AID					
Payments for Medical Assistance Recipients					
TOTAL	**$3,080,524**	**$3,007,790**	**($72,734)**	**(2.4%)**	
Adult Mental Health Residential	**$30,916**	**$28,941**	**($1,975)**	**(6.4%)**	**D-179**
Managed Care Initiative	**$2,153,554**	**$2,107,518**	**($46,036)**	**(2.1%)**	**D-179**
ACA Health Insurance Providers Fee	**$39,151**	**$60,351**	**$21,200**	**54.1%**	**D-179**
ACA Presumptive Eligibility	**$ 0**	**$19,723**	**$19,723**	**—**	**D-179**
Inpatient Hospital	**$226,112**	**$177,106**	**($49,006)**	**(21.7%)**	**D-179**
Prescription Drugs	**$205,527**	**$187,739**	**($17,788)**	**(8.7%)**	**D-179**
Outpatient Hospital	**$77,999**	**$73,204**	**($4,795)**	**(6.1%)**	**D-179**
Physician Services	**$23,726**	**$23,519**	**($ 207)**	**(0.9%)**	**D-179**
Medicare Premiums	**$169,073**	**$169,667**	**$ 594**	**0.4%**	**D-179**
Clinic Services	**$81,043**	**$88,409**	**$ 7,366**	**9.1%**	**D-179**
Transportation Services	**$51,121**	**$52,997**	**$ 1,876**	**3.7%**	**D-179**
Other Services	**$22,302**	**$18,616**	**($3,686)**	**(16.5%)**	**D-179**

The Governor's FY 2016 Budget Recommendation includes $3.01 billion in General Fund appropriations for Medicaid/NJ FamilyCare benefits, comprised of the items listed above (but excluding administrative costs and services administered by other DHS divisions or other State departments), a decrease of $72.7 million (2.4 percent) from the FY 2015 adjusted appropriation of $3.08 billion. This overall decrease is largely possible because of a new language provision that appropriates $175.8 million from the Health Care Subsidy Fund to the *Managed Care Initiative* line item (page F-10). When including these funds, State-source spending on Medicaid/NJ FamilyCare benefits in DMAHS is anticipated to increase by $103.1 million, or about three percent. According to the department, this overall increase is driven by Medicaid/NJ FamilyCare enrollment and cost trends.

The department further indicates most of the specific changes in line items are shifts from fee-for-service programs to the *Managed Care Initiative*, representing the State's ongoing transition of more individuals and services into a managed care delivery system. The recommended growth in Medicaid/NJ Family Care includes $21.2 million in additional appropriations for the *Affordable Care Act Health Insurance Providers F*ee, imposed under the ACA on certain for-profit health insurers, including Medicaid managed care organizations. The fee is scheduled to increase gradually over time, which will necessitate a growing State appropriation.

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

The budget also includes a new line item for *ACA Presumptive Eligibility*, totaling $19.7 million from the General Fund. Under the ACA, certain entities (including hospitals and federally qualified health centers) can temporarily enroll individuals in Medicaid who, based on self-attested information, may be newly eligible for Medicaid. If the individual's eligibility is subsequently affirmed,, the State receives 100 percent federal reimbursement for Medicaid expenses paid on the individual's behalf, including expenses incurred during the presumptive eligibility period. However, if the individual is found to be ineligible for Medicaid or eligible under pre-ACA rules, the State receives only a 50 percent federal reimbursement. This new appropriation represents those expenses for presumptively eligible individuals that are not federally reimbursed.

GRANTS-IN-AID					
Eligibility Determination Services	**$13,687**	**$20,013**	**$ 6,326**	**46.2%**	**D-179**
Health Benefit Coordination Services	**$15,152**	**$21,800**	**$ 6,648**	**43.9%**	**D-179**

The Governor recommends $6.3 million in additional funding for *Eligibility Determination Services*, and $6.6 million for *Health Benefit Coordination Services*, for total General Fund appropriations of $20.0 million and $21.8 million, respectively. *Eligibility Determination Services* provides funding for payments to counties to support the work of county welfare agencies in determining and redetermining eligibility for Medicaid/NJ FamilyCare. *Health Benefit Coordination Services* supports the State's contract with Xerox State Healthcare, LLC to operate the Medicaid/NJ FamilyCare toll-free hotline and customer service call center, and to conduct eligibility determinations and redeterminations not handled by counties.

According to the department, these increased appropriations are attributable to the increased volume of Medicaid/NJ FamilyCare applications resulting from the State's expansion of Medicaid/NJ FamilyCare under the Affordable Care Act. Historically, determinations and redeterminations of eligibility have been a county function, but a growing share of this work has been shifted to the health benefits coordinator in recent years. The State had been able to achieve some temporary savings under a federal waiver permitting counties to skip eligibility redeterminations for one year, focusing their efforts on new eligibility determinations. With the expiration of this waiver, counties would face a much larger workload. Consequently, the department is diverting nearly all initial eligibility determinations from counties to the health benefits coordinator, allowing counties to focus their efforts on redeterminations.

According to the department, State payments to counties for this purpose typically average around 10 percent of total costs borne by the counties; 50 percent is paid with federal funds, and the remainder is paid by the counties from their own resources. The health benefits coordinator contract is supported by State and federal funds – there is no county share.

FEDERAL FUNDS					
Health Services Administration and Management	**$247,317**	**$250,269**	**$ 2,952**	**1.2%**	**D-179**
General Medical Services	**$5,562,823**	**$7,250,878**	**$1,688,055**	**30.3%**	**D-179**

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

The anticipated increase in federal funds associated with Medicaid/NJ FamilyCare is most significantly affected by $1.43 billion in spending growth for the NJ FamilyCare Adult Expansion, which continues to be 100 percent federally funded in State FY 2016.

The additional federal funds also includes $75.1 million resulting from an increase in the federal matching rate in the Children's Health Insurance Program (CHIP), from 65 percent to 88 percent, beginning October 2015. Federal CHIP funds support children in households earning between 107 percent and 350 percent of the federal poverty level, and pregnant women earning between 199 percent and 205 percent of the federal poverty level. More information is provided in the background paper "Federal CHIP Financing," on page 42 of this analysis.

The federal appropriations also incorporate an approximate $21.5 million reduction in federal funds in the Balancing Incentive Payments (BIP) program, as the program is scheduled to expire at the end of September 2015. The program, authorized under the Affordable Care Act, provides bonus payments to states for increasing their share of Medicaid long-term care spending on home-and community-based services and reducing Medicaid long-term care spending on institutional care (i.e., care provided in nursing facilities, developmental centers, State psychiatric hospitals, etc.).

Finally, the anticipated federal funds associated with Medicaid/NJ FamilyCare incorporate certain various increases and decreases in federal matching funds associated with projected changes in spending on various categories of fee-for-service and managed care spending, discussed under "Payments for Medical Assistance Recipients" above.

OTHER FUNDS					
Health Services Administration and Management	**$ 4,753**	**$ 2,572**	**($2,181)**	**(45.9%)**	**D-179**
General Medical Services	**$660,354**	**$779,158**	**$118,804**	**18.0%**	**D-179**

The net increase in Other Funds associated with Medicaid/NJ FamilyCare is driven by three factors: (1) a new appropriation of $175.8 million from the Health Care Subsidy Fund to the Managed Care Initiative, pursuant to a recommended language provision on page F-10 of the Governor's Budget; (2) a decrease of $75.1 million in spending from the Health Care Subsidy Fund for the State share of coverage of NJ FamilyCare children resulting from the increased federal matching rate, as discussed under "Federal Funds" above; and (3) an expected increase of $16 million in prescription drug manufacturer rebate revenue associated with the Medicaid/NJ FamilyCare program. All three revenue items are displayed on page C-12 of the Governor's FY 2016 Budget Recommendation.

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

Division of Aging Services (DoAS)

GRANTS-IN-AID					
Payments for Medical Assistance Recipients – Nursing Homes	**$704,963**	**$732,800**	**$27,837**	**3.9%**	**D-188**

The Governor's FY 2016 Budget recommends $732.8 million in State funding for Medicaid/NJ FamilyCare fee-for-service payments to nursing homes, a $27.8 million increase over the FY 2015 appropriation. However, according to the department, actual FY 2015 expenditures are expected to exceed the appropriation by approximately $15 million to $20 million. Thus, the recommended FY 2016 appropriation is actually only $8 million to $13 million over expected FY 2015 expenditures. This appropriation excludes payments to nursing homes administered through the Managed Long Term Services and Supports program.

The distribution of funding for nursing homes is governed by a language provision on page D-190, which generally provides that each nursing facility would receive the same per-diem reimbursement rate that it received on June 30, 2015 or the rate that it has negotiated with a Managed Care Organization. More detail is provided in the "Significant Language Changes" section of this analysis.

According to the department, the recommended appropriation was calculated based on projections of utilization, and reflects no policy changes except those set forth in the proposed language provision. The recommendation appears not to reflect attrition in the fee-for-service program. The OLS notes that a negative trend in nursing home costs should be expected, with offsetting growth in the *Managed Long Term Services and Supports* (MLTSS) appropriation, because individuals who newly enter the Medicaid/NJ FamilyCare long-term care system after July 1, 2014 are required to enroll in MLTSS, rather than the fee-for-service program funded under the *Nursing Homes* line item.

GRANTS-IN-AID					
Managed Long Term Services and Supports	**$280,284**	**$393,520**	**$113,236**	**40.4%**	**D-188**

The Governor's FY 2016 Budget recommends $393.5 million in State funding for the *Managed Long Term Services and Supports* (MLTSS) program, an increase of $113.2 million over the FY 2015 appropriation. The additional appropriation includes $3.8 million shifted from the Division of Disability Services (*Community Supports to Allow Discharge from Nursing Homes* and *Payments for Medical Assistance – Waiver Initiatives*, both on page D-196). It is also noted that the Executive plans to lapse $22.2 million from the MLTSS account in FY 2015, indicating anticipated FY 2015 expenditures of $258.1 million, and implying projected spending growth in FY 2016 of $135.4 million (over 50 percent).

Under MLTSS, which began in FY 2015, New Jersey is shifting Medicaid/NJ FamilyCare nursing facility services and home- and community-based services from fee-for-service reimbursement to managed care delivery. The State contracts with managed care organizations (MCOs) for the provision of these long-term care services, and the MCOs are responsible for coordinating and delivering the services and supports to enrolled clients. Enrollment in MLTSS is mandatory for any individual in need of a nursing facility level of care, except individuals

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

who were already enrolled in Medicaid/NJ FamilyCare and in nursing homes on July 1, 2014, who are "grandfathered" in the fee-for-service system.

According to the Executive, the growth in the program's overall cost is the result of expected increasing enrollment in the program (approximately 64 percent higher average monthly enrollment in FY 2016 compared to FY 2015, according to budget data on page D-185). The OLS notes that, while such a large increase may be plausible, it is not clear why a comparable decrease in fee-for-service nursing home appropriations would not also be expected (as described above).

GRANTS-IN-AID					
Medical Day Care Services	**$ 814**	**$ 103**	**($ 711)**	**(87.3%)**	**D-188**

The Governor's FY 2016 Budget recommends a decrease of $711,000 in the State appropriation for fee-for-service Medicaid/NJ FamilyCare *Medical Day Care Services*, to $103,000. These services include preventive, diagnostic, therapeutic, and rehabilitative services to adults who, due to their physical or cognitive impairment, require such services to be maintained in community living. The services are provided in an ambulatory care setting, under medical and nursing supervision.

This appropriation generally funds fee-for-service adult medical day care services for Medicaid/NJ FamilyCare clients who are pending enrollment into a managed care plan. Effective July 2011, the State shifted most Medicaid/NJ FamilyCare adult medical day care services from fee-for-service to managed care delivery, with funding for most services budgeted within the *Managed Care Initiative* appropriation in the Division of Medical Assistance and Health Services. Thus, this line item represents only a small proportion of all medical day care services provided under Medicaid/NJ FamilyCare.

GRANTS-IN-AID					
PACE	**$ 26,059**	**$ 24,187**	**($1,872)**	**(7.2%)**	**D-188**

The Governor's FY 2016 Budget recommends a decrease of $1.9 million in the General Fund appropriation for the Program for All-Inclusive Care for the Elderly (PACE), to $24.2 million. PACE is designed to divert, delay, or transition elderly individuals away from nursing homes and into community-based care. The program is jointly funded by the federal Medicare program and the State Medicaid/NJ FamilyCare program, with the State paying a capitated rate for each enrollee rather than paying for services on a fee-for-service basis.

Informal information from the department indicates that the recommended decrease is due to enrollment trends in PACE. No specific information has been provided to explain the negative enrollment trend, but the OLS notes that this may be the result of patients shifting to the MLTSS program, which provides similar services. There are currently four PACE agencies operating in New Jersey, located in Hamilton, Camden, Jersey City, and Vineland. One additional PACE organization is expected to open for business in the next several months.

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

GRANTS-IN-AID					
Pharmaceutical Assistance Programs					
Pharmaceutical Assistance to the Aged – Claims	**$2,250**	**$2,250**	**$ 0**	**—**	**D-188**
Pharmaceutical Assistance to the Aged and Disabled – Claims	**$62,900**	**$59,424**	**($3,476)**	**(5.5%)**	**D-188**
Pharmaceutical Assistance to the Aged and Disabled – Claims (CRF)	**$9,440**	**$9,440**	**$ 0**	**—**	**D-188**
Senior Gold Prescription Discount Program	**$7,787**	**$7,039**	**($ 748)**	**(9.6%)**	**D-188**

The Governor's FY 2016 Budget Recommendation includes appropriations of $71.1 million for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) program and $7.0 million for Senior Gold, representing a combined decrease of $4.2 million from the adjusted FY 2015 level. It is noted that the Executive anticipates a lapse of $1.7 million at the end of FY 2015 as a result of PAAD spending coming in lower than originally appropriated, but the Executive is also requesting a supplemental appropriation of $478,000 for Senior Gold.

According to the department, the recommended appropriations are based on projected spending, and do not incorporate any programmatic changes. Evaluation data on page D-185 appear to incorporate an error suggesting a 15 percent reduction in the number of PAAD recipients with disabilities, from 27,028 to 22,881. The department indicates that this is not correct, and that participation is expected to be approximately flat in FY 2016.

According to budget data on page D-186, Senior Gold benefits costs are expected to increase, from approximately $3.9 million in FY 2015 to $4.2 million in FY 2016. According to the department, the decrease in the FY 2016 appropriation is partly the result of reduced cost to administer the program (not included in the budget evaluation data), which has shrunk dramatically in the past several years due to the federal Medicare Part D program.

GRANTS-IN-AID					
Holocaust Survivor Assistance Program, Samost Jewish Family-Child Services of Southern NJ	**$ 400**	**$ 0**	**($ 400)**	**(100.0%)**	**D-188**

The Governor's FY 2016 Budget eliminates $400,000 in State funding for the Holocaust Survivor Assistance Program, Samost Jewish Family & Children's Service of Southern NJ line item, which was added by a Legislative budget resolution to the FY 2015 Appropriations Act.

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

According to available information, these funds were intended to support health and social services provided to elderly Holocaust survivors by Jewish Family Services agencies across the State. Samost Jewish Family and Children's Service of Southern New Jersey was to receive the appropriated funds and distribute the funds to Holocaust survivors assistance activities Statewide.

GRANTS-IN-AID					
Community Based Senior Programs					
General Fund	**$30,920**	**$33,124**	**$ 2,204**	**7.1%**	**D-188**
Casino Revenue Fund	**$14,748**	**$14,748**	**$ 0**	**—**	**D-188**

The $2.2 million recommended increase in General Fund appropriations for *Community Based Senior Programs* for FY 2016 would be entirely offset by a reduction in federal funds. The Budget Recommendation reallocates approximately $2.2 million in federal Social Services Block Grant funds from the Division of Aging Services to the Department of Children and Families, with an identical amount of State funding shifted from DCF to DoAS to replace it.

FEDERAL FUNDS					
Medical Services for the Aged	**$1,383,442**	**$1,503,196**	**$119,754**	**8.7%**	**D-189**

The department anticipates large increases in federal Medicaid matching funds associated with nursing homes and MLTSS ($31.9 million and $90.4 million, respectively), plus small changes associated with other accounts. These increases are a result of changes in State spending on these programs described above, and do not reflect any changes in federal reimbursement policy.

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

Division of Disability Services (DDS)

GRANTS-IN-AID

Community Supports to Allow Discharge from Nursing Homes	**$2,000**	**$ 175**	**($1,825)**	**(91.3%)**	**D-196**
Payments for Medical Assistance Recipients – Personal Care	**$6,000**	**$ 845**	**($5,155)**	**(85.9%)**	**D-196**
Payments for Medical Assistance Recipients – Waiver Initiatives	**$2,000**	**$ 0**	**($2,000)**	**(100.0%)**	**D-196**
Payments for Medical Assistance Recipients – Other Services	**$ 270**	**$ 0**	**($ 270)**	**(100.0%)**	**D-196**

The Governor's FY 2016 Budget Recommendation reduces General Fund appropriations in various Medicaid/NJ FamilyCare-related accounts in DDS by a total of $9.3 million. This change is primarily a reflection of decreased expenditure estimates; actual expenditures in FY 2015 have led the Executive to project a lapse of $10.4 million from unspecified DDS accounts, citing "Payments for Medical Assistance Recipients Trend." When MLTSS was implemented in FY 2015, four Medicaid/NJ FamilyCare waivers were consolidated into MLTSS, including three waivers operated by DDS: AIDS Community Care Alternatives Program (ACCAP), Community Resources for People with Disabilities (CRPD), and the Traumatic Brain Injury (TBI) Waiver). Relatively small appropriations remained with DDS in FY 2015 to facilitate the transition (in the *Community Supports to Allow Discharge from Nursing Homes* and *Waiver Initiatives* line items), but actual spending in these accounts is proving to be less than anticipated. The *Personal Care* and *Other Services* appropriations both fund services that are now primarily covered through the *Managed Care Initiative* program, in the Division of Medical Assistance and Health Services (page D-179).

As noted in footnote (b) on page D-196, the $9.25 million in reduced Division of Disability Sservices Grants-In-Aid appropriations are being shifted to the *Managed Long Term Services and Supports* appropriation in the Division of Aging Services, on page D-188.

FEDERAL FUNDS

Disability Services	**$11,885**	**$3,722**	**($8,163)**	**(68.7%)**	**D-196**

Approximately $8.2 million in federal Medicaid matching funds are shifted from DDS to other Medicaid/NJ FamilyCare accounts in the Governor's FY 2016 Budget Recommendation. This shift follows the shift of State appropriations described above.

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

Division of Developmental Disabilities (DDD)

(Note: The Governor's Budget Recommendation displays the Division of Developmental Disabilities budget line items in a gross budget format, indicating the aggregated total of State, Federal, and Other Funds. Below, the OLS disaggregates each line item into its various components, as applicable.)

DIRECT STATE SERVICES					
Developmental Centers					
TOTAL	**$409,827**	**$354,783**	**($55,044)**	**(13.4%)**	**D-199**
General Fund	**$133,806**	**$126,576**	**($7,230)**	**(5.4%)**	**D-199**
Federal Funds	**$276,021**	**$228,207**	**($47,814)**	**(17.3%)**	**D-199**

The Governor's FY 2016 Budget Recommendation includes $354.8 million gross funding for developmental centers, a decrease of $55.0 million (13.4 percent) from the FY 2015 appropriation. The reduction is primarily related to the continued initiative by the department to move individuals from the developmental centers into the community. In FY 2015, North Jersey Developmental Center and Woodbridge Developmental Center ceased operations and, although there was a significant impact on the FY 2015 budget, the effects linger into the FY 2016 budget as well. Budget data on pages D-197 to D-198 indicate that the average daily population for all centers will decrease by 243 (14 percent) from 1,738 in FY 2015 to 1,495 in FY 2016. The decrease in population is matched by an estimated decrease of 787 positions (14 percent), from 5,607 in FY 2015 to 4,820 in FY 2016 (page D-198).

GRANTS-IN-AID					
Community Services					
Waiting List Placements					
TOTAL	**$2,241**	**$4,000**	**$ 1,759**	**78.5%**	**D-202**
General Fund	**$1,138**	**$2,667**	**$ 1,529**	**134.4%**	
Federal Funds	**$1,103**	**$1,333**	**$ 230**	**20.9%**	

The Governor's FY 2016 Budget Recommendation includes $4.0 million gross funding for *Community Services Waiting List Placements*, and increase of $1.8 million (78.5 percent). This account represents Community Care Waiver (CCW) program services provided to individuals selected from the CCW waiting list. The CCW program provides long-term community-based services and supports for people with developmental disabilities.

This line item reflects only the total costs associated with new placements, as indicated by footnote (b) on page D-203. Thus, the increase of $1.76 million relative to the FY 2015 adjusted appropriation represents a year-to-year increase in the amount of funding appropriated to new placements only. (In future fiscal years, the ongoing funding for these new placements will be reallocated to the applicable DDD Grants-In-aid Accounts reflecting the actual services received.)

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

GRANTS-IN-AID
Skill Development Homes

TOTAL	**$16,677**	**$15,677**	**($1,000)**	**(6.0%)**	
General Fund	**$15,408**	**$14,408**	**($1,000)**	**(6.5%)**	**D-202**
Casino Revenue Fund	**$1,269**	**$1,269**	**$ 0**	**(0.0%)**	**D-202**

The Governor's FY 2016 Budget Recommendation authorizes a decrease of $1.0 million for *Skill Development Homes*, to $15.7 million (gross). Evaluation data on page D-200 suggest that the department anticipates a reduction of 77 individuals, from 713 to 636, living in skill development homes in FY 2016. Skill development homes are residential homes that serve individuals with developmental disabilities in need of a residential program to achieve his or her optimum development for self-care, independence, and social living.

GRANTS-IN-AID
Group Homes

GRAND TOTAL	**$762,473**	**$778,531**	**$16,058**	**2.1%**	
Group Homes	**$554,457**	**$636,247**	**$81,790**	**14.8%**	**D-202**
General Fund	**$165,370**	**$221,074**	**$55,704**	**33.7%**	
Federal Funds	**$325,715**	**$355,503**	**$29,788**	**9.1%**	
Other Funds	**$63,372**	**$59,670**	**($3,702)**	**(5.8%)**	
Group Homes (CRF)	**$208,016**	**$142,284**	**($65,732)**	**(31.6%)**	**D-202**

The Governor's FY 2016 Budget Recommendation authorizes a net increase of $16.1 million for *Group Homes*, to $778.5 million (gross). It is noted that the FY 2015 adjusted appropriation includes a requested supplemental appropriation of $61.0 million. Evaluation data on page D-200 suggest that the recommended appropriation will support:

- 5,830 group home placements at a per capita cost of approximately $116,517.
- 1,514 supervised apartment placements at a per capita cost of approximately $89,691.
- 707 supported living placements at a per capita cost of approximately $52,100.

Group homes are living arrangements which allow individuals with developmental disabilities to live together in a home, sharing in daily living tasks and in the overall management of the residence. Supervised apartments are occupied by individuals with developmental disabilities who receive supervision, guidance, and training in activities of daily living, as needed, from support staff. Supported living provides a flexible array of services and supports to individuals with developmental disabilities residing in a variety of settings.

The FY 2016 recommendation would shift $65.7 million in funding for Group Homes from the Casino Revenue Fund to the General Fund. The Executive also anticipates approximately $3.6 million less in client contributions to care (represented above as Other Funds).

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

GRANTS-IN-AID					
Olmstead Residential Services					
TOTAL	**$31,381**	**$19,680**	**($11,701)**	**(37.3%)**	**D-202**
General Fund	**$13,472**	**$14,880**	**$ 1,408**	**10.5%**	
Federal Funds	**$17,909**	**$4,800**	**($13,109)**	**(73.2%)**	

The Governor's FY 2016 Budget Recommendation allocates $19.7 million (gross) for *Olmstead Residential Services*. Consistent with the U.S. Supreme Court's Olmstead decision, *Olmstead Residential Services* funds support the transitioning of current developmental center residents into community residential settings. According to performance data on page D-164, the executive anticipates that 180 individuals will be transitioned from developmental centers to community placements in FY 2016.

The $13.1 million decrease in federal funding is due to decreases of $7.4 million from the federal Community Development Block Grant and $5.8 million in Hurricane Sandy-related disaster recovery grants allocated to *Olmstead Residential Services* in FY 2015. These additional funds were used to support the construction of group homes for community-based placements in FY 2015, but will expire at the end of the federal fiscal year (September 30, 2015), and are not included in the FY 2016 budget.

This line item reflects only the total costs associated with new Olmstead placements, as indicated by footnote (b) on page D-203. (In future fiscal years, the ongoing funding for these new placements will be reallocated to the applicable DDD Grants-In-Aid accounts reflecting the actual services received.)

GRANTS-IN-AID					
Emergency Placements					
TOTAL	**$34,595**	**$49,708**	**$15,113**	**43.7%**	**D-202**
General Fund	**$25,066**	**$32,573**	**$ 7,507**	**29.9%**	
Federal Funds	**$9,529**	**$17,135**	**$ 7,606**	**79.8%**	

The Governor's FY 2016 Budget Recommendation includes $49.7 million (gross) for *Emergency Placements*. Emergency placements are short-term placements provided to individuals with developmental disabilities who are at risk of homelessness or in imminent peril. Information is not provided as to the number of persons assisted by this program or the average cost of such placements.

This line item reflects only the total costs associated with new placements, as indicated by footnote (b) on page D-203. Thus, the increase of $15.1 million relative to the FY 2015 adjusted appropriation represents a year-to-year increase in the amount of funding appropriated to new placements only. (In future fiscal years, the ongoing funding for these new placements will be reallocated to the applicable DDD Grants-In-Aid accounts reflecting the actual services received.)

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

GRANTS-IN-AID
Social Services

TOTAL	**$2,935**	**$1,873**	**($1,062)**	**(36.2%)**	**D-203**
General Fund	**$1,873**	**$1,873**	**$ 0**	**—**	
Federal Funds	**$1,062**	**$ 0**	**($1,062)**	**(100.0%)**	

The Governor's FY 2016 Budget Recommendation includes $1.9 million (gross) for *Social Services*. This is a reduction of $1.1 million (36.2 percent) from the FY 2015 anticipated appropriations for this program. The decrease represents the completion of a federal grant for a Work Study Training Program for Caseworkers.

GRANTS-IN-AID

Supports Program	**$ 0**	**$11,345**	**$11,345**	**100%**	**D-203**

The Governor's FY 2016 Budget Recommendation authorizes an increase of $11.3 million for the Supports Program. This is a new appropriation line in this budget that, according to footnote (c) on page D-203, represents federal Medicaid funding that will be earned attributable to the new Supports Program under the Comprehensive Medicaid Waiver.

The Supports Program is a new Medicaid/NJ FamilyCare program, authorized by the Comprehensive Medicaid Waiver, intended for adults with developmental disabilities who are living in unlicensed settings, such as with family members or in their own homes. The program is scheduled to begin on July 1, 2015 and will provide various employment and day habilitation services and individual and family supports (e.g. adaptive technology, behavioral supports, respite, etc.). In effect, the Supports Program will replace the State's current Family Support Program and related programs, allowing the State to receive a 50 percent federal match for eligible expenditures in the program. For more information on this program, please see the background paper, "DDD Community Program Payment Reforms" on page 43 of this analysis. Eventually, the program is anticipated to enroll all DDD consumers not enrolled in the Community Care Waiver, including all individuals on the CCW Waiting List.

GRANTS-IN-AID
Purchase of Adult Activity Services

GRAND TOTAL	**$209,969**	**$223,489**	**$13,520**	**6.4%**	
Purchase of Adult Activity Services					
TOTAL	**$202,595**	**$216,115**	**$13,520**	**6.7%**	**D-203**
General Fund	**$145,199**	**$165,473**	**$20,274**	**14.0%**	
Federal Funds	**$57,396**	**$50,642**	**($6,754)**	**(11.8%)**	
Purchase of Adult Activity Services (CRF)	**$7,374**	**$7,374**	**$ 0**	**—**	**D-203**

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

The Governor's FY 2016 Budget Recommendation authorizes an increase of $13.5 million (6.4 percent) for *Adult Activity Services*, to $223.5 million (gross). Adult activity services provide community-based day services to adults with developmental disabilities, supporting the development of each person's personal, social, and work skills.

According to budget data, the department anticipates serving 300 more individuals in adult activities in FY 2016, from 2,754 to 3,054. The recommended increase in General Fund appropriations of $20.3 million replaces and exceeds the decrease of $6.8 million in federal funding for these activities.

GRANTS-IN-AID
Day Program Age Outs

TOTAL	**$4,328**	**$4,601**	**$ 273**	**6.3%**	**D-203**
General Fund	**$3,475**	**$3,075**	**($ 400)**	**(11.5%)**	
Federal Funds	**$853**	**$1,526**	**$ 673**	**78.9%**	

The Governor's FY 2016 Budget Recommendation includes $4.6 million (gross) for *Day Program Age Outs*. The $273,000 increase is reflective of anticipated federal funding for these programs due to an increase in individuals who will be eligible for Medicaid funding. This continues a trend in this line item of increased federal funding offsetting decreased State funding. These services assist young adults with developmental disabilities with transitioning from special education services in their local school districts to adult day programs.

This line item reflects only the total costs associated with new placements, as indicated by footnote (b) on page D-203. Thus, the increase of $273,000 relative to the FY 2015 adjusted appropriation represents a year-to-year increase in the amount of funding appropriated to new adult day program placements only. (In future fiscal years, the ongoing funding for these new placements will be reallocated to the applicable DDD Grants-In-aid Accounts reflecting the actual services received.)

GRANTS-IN-AID
Self Directed Services

TOTAL	**$75,826**	**$82,985**	**$ 7,159**	**9.4%**	**D-203**
General Fund	**$47,220**	**$51,641**	**$ 4,421**	**9.4%**	
Federal Funds	**$28,606**	**$31,344**	**$ 2,738**	**9.6%**	

The Governor's FY 2016 Budget Recommendation includes an additional $7.2 million for *Self Directed Services*, to $83.0 million (gross). The increase is reflective of additional federal and State dollars for these services. Self Directed Services provide DDD clients with budgets to obtain community-based day services from providers of their choice. Self-directing clients exercise greater control over the services they receive, how they receive them, and who provides them. Self-directing clients and their families also accept certain additional responsibilities for managing the services.

According to evaluation data on page D-201, the number of persons receiving services is expected to increase by 300, from 2,754 to 3,954. The same data indicate that average per-capita costs are expected to decrease by $715 to $27,713 per client per year.

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

Division of Family Development (DFD)

(Note: The Governor's Budget Recommendation displays the Division of Family Development budget line items in a gross budget format, indicating the aggregated total of State, Federal, and Other Funds. Below, the OLS disaggregates each line item into its various components, as applicable.)

DIRECT STATE SERVICES
Work First New Jersey – Technology Investment

TOTAL	**$109,158**	**$95,958**	**($13,200)**	**(12.1%)**	**D-209**
General Fund	**$ 23,958**	**$ 10,758**	**($13,200)**	**(55.1%)**	
Federal Funds	**$ 85,200**	**$ 85,200**	**$ 0**	**—**	

The Governor's FY 2016 Budget Recommendation includes a decrease of $13.2 million in General Fund appropriations for *Work First New Jersey – Technology Investment*, to $10.8 million. Federal funds in the account would remain unchanged at $85.2 million, for a total gross appropriation of $96.0 million. This account supports various technology projects related to DFD programs as well as programs in other DHS divisions (i.e., Medicaid/NJ FamilyCare).

The decrease is primarily related to the termination of the contract for the development of the Consolidated Assistance Support System (CASS), a computer system that was intended to replace the outdated computer systems used by county welfare agencies and the DHS to enroll applicants and manage several means-tested human services programs, such as SNAP, Medicaid/NJ FamilyCare, and Work First New Jersey. The decrease includes $8.8 million carried forward from FY 2015, which are available because of the termination of the CASS contract.

Of this decrease, $3.5 million is shifted to the Division of Medical Assistance and Health Services to support the increasing costs related to Medicaid/NJ FamilyCare eligibility determinations. The remaining $9.7 million is recorded as savings to the General Fund. It is noted that the appropriations in DMAHS representing costs that were meant to be reduced through implementation of CASS, *Eligibility Determination Services* and *Health Benefit Coordination Services* (page D-179) are together recommended to increase by $13.0 million in FY 2016 – significantly more than the $3.5 million that is explicitly shifted to DMAHS.

STATE AID
Work First New Jersey – Client Benefits

TOTAL	**$106,767**	**$99,531**	**($7,236)**	**(6.8%)**	**D-211**
General Fund	**$ 64,396**	**$ 31,490**	**($32,906)**	**(51.1%)**	
Federal Funds	**$ 42,371**	**$ 68,041**	**$25,670**	**60.6%**	

The budget includes $99.5 million for client benefits in the Work First New Jersey – Temporary Assistance to Needy Families (WFNJ-TANF) program, a decrease of $7.2 million from the FY 2015 adjusted appropriation. This program provides cash assistance to low-income

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

households with dependent children, in accordance with the federal Temporary Assistance to Needy Families block grant program.

As indicated in budget data on page D-208, the decline in overall expenditures primarily follows from a 5.6 percent decrease in the expected number of average monthly recipients, from 85,515 to 80,567. Spending trends in FY 2015 thus far have led the Executive to project a lapse of $8.4 million related to WFNJ client benefit accounts at the end of FY 2015, consistent with this trend. No programmatic changes are planned for FY 2016.

The portion of expenditures paid by federal funds in the Governor's FY 2016 Budget Recommendation is unusually high, and the amount appropriated from the General Fund unusually low, as a result of claiming of unspent federal funds from previous years.

STATE AID General Assistance Emergency Assistance Program					
TOTAL	**$54,722**	**$56,431**	**$ 1,709**	**3.1%**	**D-211**
General Fund	**$ 52,964**	**$ 54,673**	**$ 1,709**	**3.2%**	
Other Funds	**$ 1,758**	**$ 1,758**	**$ 0**	**—**	

The Governor's FY 2016 Budget Recommendation provides an increase of $1.7 million (General Fund) for the *General Assistance Emergency Assistance Program*, to $56.4 million (gross). Budget data on page D-207 indicate that actual General Fund expenditures in FY 2015 are expected to be $60.5 million, somewhat higher than the original appropriation of $54.7 million. Thus, expected expenditures in FY 2016 are lower than expected expenditures in FY 2015, related to projected reductions in program caseloads and expenditures.

General Assistance Emergency Assistance provides certain emergency benefits to very low-income single adults and couples without dependent children through the Work First New Jersey program, including: essential food, clothing, shelter and household furnishings; temporary rental assistance or back rent or mortgage payments; utility payments (such as heat, water, electric); transportation to search for housing; and moving expenses.

Evaluation data on page D-207 estimate 4,550 average monthly recipients in FY 2016, which is 9.3 percent below the revised FY 2015 estimate of 5,020 recipients and 16.5 percent below the actual FY 2014 average of 5,448 recipients. This downward trend is likely associated with the downward trend in the overall number of General Assistance recipients (described below). No programmatic changes are planned for FY 2016.

STATE AID Payments for Cost of General Assistance	**$ 50,334**	**$ 44,500**	**($5,834)**	**(11.6%)**	**D-211**

The Governor's FY 2016 Budget recommends a decrease of $5.8 million for *Payments for Cost of General Assistance*, to $44.5 million (General Fund). Budget data on page D-207 suggests this is a result of declining caseloads and expenditures. Work First New Jersey – General

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

Assistance (WFNJ-GA) provides cash assistance to very low-income single adults and couples without dependent children through the Work First New Jersey program.

Evaluation data on page D-207 estimate 27,140 average monthly recipients (totaling employable and unemployable recipients) in FY 2016, which is 9.8 percent below the revised FY 2015 estimate of 29,944 recipients and 21.2 percent below the actual FY 2014 average of 34,255 recipients.

This downward trend is likely due to several factors, which may include improved access to employment, stricter enforcement of eligibility rules, and the de-linking of General Assistance from medical assistance as a result of the Affordable Care Act. (In the past, General Assistance recipients were eligible for Medicaid-like benefits by virtue of being enrolled in GA. Since implementation of the Affordable Care Act, these individuals' eligibility for Medicaid/NJ FamilyCare is no longer related to GA. It has been suggested that some individuals may not be willing to go through the rigorous eligibility determination process for General Assistance for its relatively meager benefits, if those benefits do not include health care coverage.) No programmatic changes are planned for FY 2016.

STATE AID					
Work First New Jersey – Emergency Assistance					
TOTAL	**$110,688**	**$106,397**	**($4,291)**	**(3.9%)**	**D-211**
Federal Funds	**$105,546**	**$101,255**	**($4,291)**	**(4.1%)**	
Other Funds	**$ 5,142**	**$ 5,142**	**$ 0**	**—**	

The Governor's FY 2016 Budget Recommendation provides a decrease of $4.3 million (federal funds) for the TANF Emergency Assistance program, to $106.4 million (gross). TANF Emergency Assistance provides certain emergency benefits to low-income households with dependent children through the Work First New Jersey program, pursuant to the federal Temporary Assistance to Needy Families block grant program. Benefits under the program include: essential food, clothing, shelter, and household furnishings; temporary rental assistance or back rent or mortgage payments; utility payments (such as heat, water, electric); transportation to search for housing; and moving expenses.

Budget data on page D-208 indicate that the decline in overall expenditures primarily follows from a 5.9 percent decrease in the expected number of average monthly recipients, from 19,587 to 18,432. No programmatic changes are planned for FY 2016.

Significant Language Changes

Division of Mental Health and Addiction Services (DMHAS)

Elimination of Reappropriation of Unexpended Balance

Deletion

2015 Handbook: p. B-86
2016 Budget: n/a

~~The unexpended balance at the end of the preceding fiscal year in the Community Care account, not to exceed $2,400,000, is appropriated for the Involuntary Outpatient Commitment Program.~~

Explanation

The Governor's FY 2016 Budget Recommendation includes $3.35 million in additional General Fund appropriations for the Involuntary Outpatient Commitment program, which more than offset the $2.4 million appropriation provided by this language provision, which is recommended for elimination. Total recommended funding for the program in FY 2016 is approximately $6.7 million, which is approximately $1 million over the total funding made available in FY 2015.

The Involuntary Outpatient Commitment program was established pursuant to P.L.2009, c.112, which amended the State's civil commitment laws to allow for the involuntary commitment to outpatient treatment of an individual, as an alternative to involuntary commitment to inpatient treatment in a public psychiatric hospital.

Elimination of Transfer Authority

Deletion

2015 Handbook: p. B-86
2016 Budget: n/a

~~An amount not to exceed $7,900,000 may be transferred from the Community Care Grants-in-Aid account within the Division of Mental Health and Addiction Services to the General Assistance Medical Services account within the Division of Medical Assistance and Health Services to reimburse the State share expended for Community Support Services, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This language provision, recommended for deletion, currently permits the transfer of up to $7.9 million from the Community Care account to the Medicaid/NJ FamilyCare division. This authority was intended to allow the State to maximize federal Medicaid reimbursements under the Childless Adults waiver (beginning in 2012) and the Medicaid/NJ FamilyCare expansion under the Affordable Care Act (beginning in 2014) by shifting certain expenses from State-funded programs to the federally matched Medicaid/NJ FamilyCare program. No specific information on the deletion is available. However, the OLS notes that, as of April 2015, this transfer authority has not been used since it was first granted in the FY 2014 Appropriations Act, suggesting that few services have been shifted to Medicaid/NJ FamilyCare.

Significant Language Changes (Cont'd)

Elimination of Transfer Authority

Deletion

2015 Handbook: p. B-86
2016 Budget: n/a

~~Notwithstanding the provisions of any law or regulation to the contrary, in addition to the amount hereinabove appropriated for Community Based Substance Abuse Treatment and Prevention - State Share, an amount not to exceed $1,600,000 is appropriated from the unexpended balances of fees paid into the Alcohol Education, Rehabilitation and Enforcement Fund, subject to the approval of the Director of the Division of Budget and Accounting.~~

Explanation

This recommended language deletion would end the appropriation of up to $1.6 million from the Alcohol Education, Rehabilitation and Enforcement Fund (which is reflected on page 60 of the "Supplementary Information: Other Government and Proprietary Funds" section of the Governor's FY 2016 Budget, available in the online version only) to the *Community Based Substance Abuse Treatment and Prevention - State Share* line item. This is offset by an identical increase in General Fund appropriations to the account.

Annual deposits made to the Alcohol Education, Rehabilitation and Enforcement Fund from alcoholic beverage excise tax collections, pursuant to section 2 of P.L.1990, c.41 (C.54:43-1.1), are dedicated toward alcohol rehabilitation (75 percent), enforcement (15 percent), and education (10 percent). Additionally, fees paid by persons convicted of operating a motor vehicle or watercraft while intoxicated are deposited into the fund to be used for the screening, evaluation, education, and referral of persons who have been convicted of driving or boating while intoxicated.

Transfer of Funds to DCF for Treatment of Substance Use Disorder

Addition

2015 Handbook: n/a
2016 Budget: p. D-174

Of the amounts hereinabove appropriated for Community Based Substance Use Disorder Treatment and Prevention - State Share, an amount not to exceed $7,902,000 may be transferred to the Department of Children and Families Children's System of Care to support substance use disorder treatment programs as specified in the Memorandum of Agreement between the Department of Human Services and the Department of Children and Families, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language would facilitate a technical shift in the allocation of Substance Abuse Block Grant funds included in the FY 2016 Budget Recommendation. In previous years, $7.902 million in these federal funds had been appropriated in the Department of Children and Families. The FY 2016 budget would first appropriate these funds to DHS, and the proposed

Significant Language Changes (Cont'd)

language would authorize their transfer to DCF in accordance with a Memorandum of Agreement between DHS and DCF The shift is budget-neutral for both departments.

Division of Medical Assistance and Health Services (Medicaid)

Eligibility and Services for Medically Needy and MLTSS

Revision

2015 Handbook: p. B-92
2016 Budget: p. D-180

Notwithstanding the provisions of subparagraphs (8) of subsection i. of section 3 of P.L.1968, c.413 (C.30:4D-3) and subparagraphs (3), (4), and (5) of subsection g of section 6 of P.L.1968, c.413 (C.30:4D-6), or any other law or regulation to the contrary, the amounts hereinabove appropriated in the General Medical Services program classification are subject to the following conditions: in order to encourage home and community services as an alternative to nursing home placement, consistent with the federally approved 1115 Medicaid demonstration waiver and any approved amendments thereto, the Commissioner of Human Services is authorized to adjust financial eligibility and other requirements and services for medically needy eligibility groups and the Managed Long Term Services and Support population, subject to the approval of the Director of the Division of Budget and Accounting and subject to any other required federal approval.

Explanation

As revised under the Governor's FY 2016 Budget Recommendation, this language would give the Commissioner of Human Services authority to change eligibility requirements and services for medically needy eligibility groups and the Managed Long Term Services and Supports (MLTSS) population. Available information suggests that the practical purpose of this language in FY 2015 (which only explicitly applied to medically needy eligibility groups, not MLTSS) has been to authorize the use of Qualified Income Trusts (QITs, also called Miller Trusts) in order to obtain Medicaid/NJ FamilyCare and MLTSS eligibility for long-term care services in a nursing facility, assisted living facility, or at home. A QIT allows individuals to deposit income over the Medicaid/NJ FamilyCare limit into a trust account, which is not counted for purposes of determining eligibility. Income placed in the trust is irrevocably dedicated to certain purposes specified by federal regulation (personal or medical needs allowances, community spouse maintenance allowances, uncovered medical costs, and Medicaid cost sharing).

Federal law prohibits a state that employs QITs to also have a Medicaid Medically Needy program, which allows certain individuals in need of nursing home care who do not meet financial eligibility standards to qualify for Medicaid. Consequently, New Jersey has terminated new enrollment in its Medically Needy program. Under federal law, Medically Needy programs are available only to individuals residing in nursing homes, not individuals living in assisted living facilities or at home. The department has indicated that its decision to adopt QITs in lieu of the Medically Needy program is primarily an effort to promote home- and community-based services over unnecessarily restrictive and expensive placements in nursing homes.

Significant Language Changes (Cont'd)

The language also authorizes the Commissioner to adjust financial eligibility and other requirements, in the event that the implementation of new programs (QITs and MLTSS) lead to unmanageable increases in costs.

Exemption from Mandatory Enrollment in Managed Care

Revision

2015 Handbook: p. B-94
2016 Budget: p. D-181

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated in the Managed Care Initiative account are subject to the following condition: only the following individuals shall be excluded from mandatory enrollment in the Medicaid/NJ FamilyCare managed care program: (1) individuals who are institutionalized in an inpatient psychiatric institution, or an inpatient psychiatric program for children under the age of 21 or in a residential facility including facilities characterized by the federal government as ICFs/MR, except that individuals who are eligible through the Division of Child Protection and Permanency (DCP&P) and are placed in a DCP&P non-Joint Committee on Accreditation of Healthcare Organizations (JCAHO) accredited children's residential care facility and individuals in a mental health or substance abuse residential treatment facility shall not be excluded from enrollment pursuant to this paragraph; (2) individuals in out-of-State placements; (3) special low-income Medicare beneficiaries (SLMBs); and (4) individuals in the Program of All-Inclusive Care for the Elderly (PACE) program and (5) Medically Needy segment of the NJ FamilyCare.

Explanation

This proposed language revision clarifies that individuals enrolled in the Medically Needy segment of the Medicaid/NJ FamilyCare program are permitted to remain in the fee-for-service program, and are not required to enroll in managed care. The Medically Needy program serves certain individuals in nursing homes, and is currently closed to new enrollment (as described above). Under the rules of the Managed Long Term Services and Supports program, Medicaid/NJ FamilyCare recipients who were already nursing home residents on July 1, 2014 (including most of the Medically Needy population) are "grandfathered" in the fee-for-service program.

Medicare Part A Crossover Payments

Deletion

2015 Handbook: p. B-95
2016 Budget: n/a

~~Notwithstanding the provisions of any law or regulation to the contrary, effective January 1, 2005, inpatient hospital reimbursements for Medical Assistance services for dually eligible individuals shall exclude Medicare Part A crossover payments according to a plan designed by the Commissioner of Human Services and approved by the Director of the Division of Budget and Accounting.~~

Significant Language Changes (Cont'd)

Explanation

This language, which limited certain Medicaid/NJ FamilyCare payments to hospitals when Medicare is the primary payer, is recommended for deletion. According to the department, it is redundant with existing State regulations codified at N.J.A.C.10:49-7.3, N.J.A.C.10:52-4.6, and N.J.A.C.10:52-4.7. The deletion would have no practical effect on State policy.

Reimbursement to FQHCs for Certain Medicaid/NJ FamilyCare Services

Deletion

2015 Handbook: p. B-96
2016 Budget: n/a

~~The amount hereinabove appropriated for Payments for Medical Assistance Recipients - Clinic Services, may be used to reimburse Federally Qualified Health Centers (FQHCs) the higher of their Medicaid PPS encounter rate or the fee-for-service rate for specified deliveries and ob/gyn surgeries for clients not enrolled in managed care. Reimbursement for surgical assistants shall be at the fee-for-service rate for clients not enrolled in managed care. Managed care organizations shall reimburse FQHCs for these services and the FQHCs shall be carved out of wraparound reimbursement for these services.~~

Explanation

According to the department, this language concerning Medicaid/NJ FamilyCare payment rates to Federal Qualified Health Centers for certain deliveries and obstetric and gynecological services is recommended for deletion because it is redundant with other Medicaid/NJ FamilyCare billing guidance issued through the Medicaid Management Information System (MMIS) and clarified through a Medicaid provider newsletter. The deletion is not intended to change reimbursement policy.

Division of Aging Services (DoAS)

Distribution of Nursing Home Funding

Revision

2015 Handbook: p. B-101
2016 Budget: p. D-190

Notwithstanding the provisions of N.J.A.C. 8:85 or any other law or regulation to the contrary and subject to any required federal approval, the amounts hereinabove appropriated for Payments for Medical Assistance Recipients – Nursing Homes ~~and for Managed Long Term Services and Supports~~ are subject to the following conditions: (1) ~~each~~ Class I, Class II, and Class III nursing ~~facility that is~~ facilities being paid on a fee-for-service basis, shall be reimbursed at the rate received on June 30, 2015. Further, no Class I, II, and III nursing facilities being paid on a fee-for-service basis shall receive a ~~Fiscal Year 2015~~ per diem ~~reimbursement~~ rate ~~that is obtained by adjusting~~ adjustment, with the ~~calculation~~ exception of the ~~rate received on June 30, 2014 to incorporate and additional $8,500,000 in~~

Significant Language Changes (Cont'd)

~~State and $8,500,000 in federal appropriations above the total gross Fiscal Year 2014 appropriations used to calculate the June 30, 2014 rate, provided that the rate setting methodology, parameters, and data used to calculate the Fiscal Year 2015 per diem reimbursement rate shall be otherwise identical to the rate setting methodology, parameters, and data used to calculate the June 30, 2014 rate and provided, further, that the Fiscal Year 2015 per diem reimbursement rate shall not be less than the per diem rate received by that facility on June 30, 2014~~ provider tax add-on payments; (2) nursing facilities that are being paid by a Managed Care Organization (MCO) for custodial care through a provider contract that includes a negotiated rate shall receive that negotiated rate; (3) any Class I (private) and Class III (special care) that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the ~~same~~ equivalent fee-for-service per diem reimbursement rate as it received ~~on~~ as of June 30, ~~2014, as adjusted for the incorporation of the additional $17,000,000 in State and federal appropriations,~~ 2015 and any Class II (county) nursing facility that is being paid by an MCO but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate ~~it would have received on June 30, 2014, as adjusted for the incorporation of the additional $17,000,000 in State and federal appropriations~~ 2015, had it been a Class I nursing facility; (4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing facilities, 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 for the purpose of calculating ~~Medicaid~~ NJ FamilyCare reimbursements for nursing facilities; and (5) ~~any Class III (special care) nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the same per diem reimbursement rate as it received on June 30, 2014, which per diem reimbursement rate shall be adjusted on January 1, 2015 such that an additional $2,450,000 in State and $2,450,000 in federal appropriations shall be allocated to Class III nursing facilities during the fiscal year. For~~ for the purposes of this paragraph, a nursing facility's per diem reimbursement rate or negotiated 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, which difference shall be payable as an allowable cost pursuant to section 6 of P.L.2003, c.105 (C.26:2H-97(d)). Provided, further, that on or before September 15, ~~2014~~ 2015, the Department shall calculate and disseminate to the MCOs the amount of the add-on payable during the year starting October 1, ~~2014~~ 2015 as an allowable cost, as well as the list of nursing facilities that will receive this add-on, and the MCOs shall adjust the rates paid to nursing facilities accordingly; the add-ons calculated for FY ~~2014~~ 2015 shall be applied from July 1, ~~2014~~ 2015, through September 30, ~~2014~~ 2015 and the first add-on shall be applied to fee-for-service per diem reimbursement rates effective October 1, ~~2014~~ 2015.

Explanation

This revised language sets forth the requirements for Medicaid/NJ FamilyCare reimbursement of nursing facility services when paid on a fee-for-service basis, rather than through managed care. Under the proposed language, facilities being paid on a fee-for-service basis would be reimbursed at the rate received on June 30, 2015 (which includes the rate increase incorporated into the FY 2015 Appropriations Act by Legislative resolution). No rate adjustments would be provided, except for provider tax add-on payments. As in FY 2015, nursing facilities that are being paid by a managed care organization for custodial care through a provider contract that includes a negotiated rate would receive that negotiated rate – for both

Significant Language Changes (Cont'd)

fee-for-service claims and managed care claims. Nursing facilities that are being paid by a managed care organization for custodial care through a provider contract that *does not include* a negotiated rate would receive the equivalent fee-for-service per diem reimbursement rate that it received as of June 30, 2015.

Reports on MLTSS

Deletion

2015 Handbook: p. B-101
2016 Budget: n/a

~~As a condition upon the appropriation hereinabove for Managed Long Term Services and Supports, the Commissioner shall issue quarterly reports on enrollment, State and federal expenditures, access to care and measures of care quality.~~

Explanation

The Governor recommends deleting this language provision, which was added to the FY 2015 Appropriations Act pursuant to a Legislative budget resolution, requiring the Commissioner of Human Services to issue quarterly reports on the Managed Long Term Services and Supports program. The OLS is not aware of any such reports being issued during FY 2015.

PAAD and Senior Gold Administrative Funding

Revision

2015 Handbook: p. B-103
2016 Budget: p. D-192

From the amount hereinabove appropriated for the Pharmaceutical Assistance to the Aged - Claims and Senior Gold Prescription Discount Program, an amount not to exceed ~~$3,850,000~~ $2,850,000 may be transferred to various accounts as required, including Direct State Services accounts, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language change would reduce the amount of funds that may be transferred from PAAD and Senior Gold Grants-In-aid Accounts to accounts used for program administration. This is consistent with an expectation of reduced program administrative costs. These reduced costs are a result of a long-term reduction in program participation and spending, which is a result of the Medicare Part D prescription drug benefit, first established in 2003 and expanded to gradually reduce the program's coverage gap (also called the "donut hole") under the Affordable Care Act.

Significant Language Changes (Cont'd)

Alzheimer's Medical Day Care Program

Deletion

2015 Handbook: p. B-104
2016 Budget: p. n/a

~~Notwithstanding the provisions of any law or regulation to the contrary, the amount hereinabove appropriated from the Community Based Senior Programs account for the Alzheimer's Medical Day Care Program are conditioned upon that program being administered in the same manner and with the same payment rates as were in effect during Fiscal Year 2013.~~

Explanation

The Governor recommends deleting this language provision that required the Alzheimer's Medical Day Care Program to be administered in the same manner and with the same payment rates as were in effect during Fiscal Year 2013. This language provision was added to the FY 2015 Appropriations Act pursuant to a Legislative budget resolution. According to the department, it intends to move the program to a fixed fee schedule, which would be prohibited under the language. No details are available to the OLS on the current fee schedule or the proposed schedule.

Division of Disability Services (DDS)

Elimination of ACCAP Program

Deletion

2015 Handbook: p. B-107
2016 Budget: n/a

~~Notwithstanding the provisions of subsection (a) of N.J.A.C.10:60-5.10 and subsection (c) of N.J.A.C. 10:60-11.2 to the contrary, the amount hereinabove appropriated for Payments for Medical Assistance Recipients - Waiver Initiatives is conditioned upon the Commissioner of Human Services increasing the hourly nursing rates for AIDS Community Care Alternatives Program (ACCAP) and Community Resources for People With Disabilities (CRPD) Private Duty Nursing (PDN) services by $10 per hour above the fiscal year 2008 rate. The rate for ACCAP and CRPD PDN services shall be equal to the rate for the Early and Periodic Screening, Diagnostic and Treatment PDN services of similar magnitude.~~

Explanation

This language set certain conditions on payment rates for private duty nursing providers in the AIDS Community Care Alternatives Program (ACCAP) and Community Resources for People with Disabilities (CRPD) Medicaid waiver programs. The language is recommended for deletion, as both of these programs have been consolidated into the Managed Long Term Services and Supports (MLTSS) program, and no longer exist. Under MLTSS, providers privately negotiate payment rates with managed care organizations, rather than having rates set by the State.

Significant Language Changes (Cont'd)

Personal Care Assistance Provider Cost Reports

Addition

2015 Handbook: n/a
2016 Budget: p. D-196

Notwithstanding the provisions of Section 30:4D-7j1, or any other law or regulation to the contrary, funds appropriated for Payments for Medical Assistance Recipients – Personal Care are subject to the following condition: providers of Medicaid funded Personal Care Assistance services shall no longer be required to file cost reports with the Division of Disability Services.

Explanation

This proposed language would eliminate the obligation of providers of personal care assistant services participating in Medicaid/NJ FamilyCare to create and submit certain cost reports. Currently, section 1 of P.L. 2009, c.181 (C.30:4D-7j) requires these providers to submit cost reports to the Division of Disability Services. Because personal care services are now almost entirely administered through managed care, these cost reports are not needed by the DDS in order to determine payments to providers.

Division of Developmental Disabilities (DDD)

Senior Companions Program

Deletion

2015 Handbook: p. B-108
2016 Budget: n/a

~~An amount not to exceed $60,000 from receipts from individuals for whom the Division of Developmental Disabilities in the Department of Human Services collects contribution to care reimbursements is appropriated for participation in the Senior Companions Program.~~

Explanation

This proposed language deletion would eliminate the use of appropriated receipts for the Senior Companions Program in the Division of Developmental Disabilities. The program funded a contract for certain people age 60 and older to provide assistance and friendship to homebound adults with developmental disabilities. The contract for the program was officially terminated in June 2014, as similar services are covered under other DDD contracts.

Significant Language Changes (Cont'd)

Division of Family Development (DFD)

Appropriation of Balances from Unclaimed Child Support Trust Fund

Addition

2015 Handbook: n/a
2016 Budget: p. D-213

Notwithstanding the provisions of N.J.S.A. 46:30B-74 or any other law or regulation to the contrary, balances in the Unclaimed Child Support Trust fund are appropriated to the Department of Human Services, Division of Family Development to offset unpaid receivables for the child support program.

Explanation

This recommended language provision would authorize an appropriation from the Unclaimed Child Support Trust Fund to pay costs borne by the DFD in operating the child support enforcement program. The department estimates the amount to be appropriated at $110,000. No details are available to the OLS on the specific unpaid receivables that would be offset with this appropriation, or the reason that they are unpaid.

All money received as unclaimed child support payments is deposited in the Unclaimed Child Support Trust Fund. Absent this language, money in the trust fund is normally only available to be claimed by the Judiciary, even though the Division of Family Development also plays a significant role in administering the State's child support program. According to the budget, the trust fund is expected to have a balance of approximately $3.3 million entering FY 2016 (see page 108 of "Supplemental Information Other Governmental and Proprietary Funds" section, available in the online version of the Governor's FY 2016 Budget Recommendation at http://www.nj.gov/treasury/omb/publications/16budget/pdf/Supplementary_Information.pdf),.

Departmental Language

Medicaid/NJ FamilyCare Reimbursement for Adult Medical Day Care Services

Revision

2015 Handbook: p. B-117
2016 Budget: p. D-217

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated from the Medical Day Care Services and the Managed Care Initiative accounts are subject to the following condition: ~~a~~ no licensed facility in the adult Medical Day Care program may serve and receive reimbursement for more than 200 participants per day ~~provided that~~ and, for facilities with a licensed capacity of less than 200 as established by the ~~number of~~ Department of Health, no such facility may receive reimbursement for more participants ~~served does not exceed~~ per day than the facility's licensed capacity.

Significant Language Changes (Cont'd)

Explanation

This revised language would restrict adult medical day care facilities that are participating in the Medicaid/NJ FamilyCare program from serving or receiving reimbursement for more than 200 participants per day. The existing language restricts adult medical day care facilities from serving or receiving reimbursement for more participants per day than the facility's licensed capacity. Licensed capacity is measured at a point in time, not in a day, so the language effectively prohibits facilities from serving clients in shifts in order to serve more clients in a single day than their licensed capacity.

According to Department of Health data, only three licensed adult day care facilities that receive Medicaid/NJ FamilyCare reimbursement are licensed to serve more than 200 clients at one time.

Background Paper: Federal CHIP Financing

Budget Pages.... C-12, D-177, H-16

Program Background

The federal Children's Health Insurance Program (CHIP), authorized under Title XXI of the Social Security Act, is a federal-state program that provides health coverage to certain uninsured low-income children and pregnant women in families that have annual income above Medicaid eligibility levels, but have no health insurance. The federal government sets basic requirements for CHIP, but states have the flexibility to design their own version of CHIP within the federal government's basic framework. In New Jersey, CHIP supports children in households earning between 107 percent and 350 percent of the federal poverty level. (It also covers a small group of pregnant women, earning between 199 and 205 percent of the federal poverty level.) Currently, the federal government pays 65 percent of the costs of coverage for these populations. The program currently covers approximately 178,000 children at an annualized cost of nearly $400 million in FY 2015.[3] The State share of this cost, $131.3 million in FY 2015, is paid from the Health Care Subsidy Fund.

Status of CHIP in Federal Law

Under a provision of the federal Affordable Care Act, the CHIP program is authorized through the end of September 2019. Pursuant to H.R. 2 of 2015, signed on April 16, 2015, CHIP appropriations are extended through September 2017. The appropriations would support an increase in the federal matching rate for CHIP of 23 percentage points beginning in October 2015, to 88 percent in New Jersey, as originally provided in the Affordable Care Act and assumed in the Governor's FY 2016 Budget Recommendation. Prior to the enactment of H.R. 2, it was uncertain that CHIP would be extended; many members of Congress expressed concerns that the program is redundant, as current CHIP participants are also generally eligible to receive subsidies for the purchase of health insurance on the health insurance marketplaces established under the ACA. It is likely that a similar discussion will occur before funding expires again in 2017.

State Budget Implications

The Governor's FY 2016 Budget Recommendation incorporates the increased federal matching rate for CHIP beginning on October 1, 2015. As a practical matter, this allows a reduction in the amount allocated from the Health Care Subsidy Fund to the CHIP portion of NJ FamilyCare, from $131.3 million in FY 2015 to $68.1 million in FY 2016. This reduction in CHIP-related expenditures in the Health Care Subsidy Fund provides a part of the savings that allow for a new $175.7 million appropriation from the fund to other segments of the NJ FamilyCare program, authorized by language provision number 85 on page F-10. (A full summary of the Health Care Subsidy Fund is available on page H-16).

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[3] Certain low-income parents who did not qualify for Medicaid were formerly covered in NJ FamilyCare with CHIP funds, under stricter criteria than applied for children. Adults were terminated from the CHIP portion of NJ FamilyCare in 2014, as a result of the implementation of the Affordable Care Act. Most were shifted to Medicaid, while those earning over 138 percent of the federal poverty level were referred to the federal Health Insurance Marketplace established under the ACA.

Background Paper: DDD Community Programs Payment Reforms

Budget Pages.... D-201 to D-203

The Governor's Fiscal Year 2016 Budget Recommendation continues the restructuring of community services programs operated by the Division of Developmental Disabilities (DDD) into a Medicaid-based system. Beginning July 2015, DDD plans to make three major changes:

- Current and future DDD consumers who are not enrolled in the Community Care Waiver (CCW) will be required to enroll in the new Supports Program in order to receive DDD-funded services.

- DDD providers will be reimbursed on a fee-for-service basis, replacing the current system of cost-reimbursement contracts. This will apply for all providers and consumers, whether on the Community Care Waiver or the Supports Program.

- Housing subsidies will be separated from payments for other DDD-funded services, with most payments administered through Medicaid (under the CCW and Supports Program), and housing subsidies administered through the Supportive Housing Connection, a new initiative of the Housing and Mortgage Finance Agency (HMFA) and DHS.

The DDD has held several stakeholder meetings, public meetings, and training sessions to inform the affected communities of these changes. It has also made a great deal of information available online at the following websites:

- Supports Program: http://www.nj.gov/humanservices/ddd/programs/supportsprgm.html
- Fee-for-Service: http://www.nj.gov/humanservices/ddd/programs/ffs_implementation.html
- Supportive Housing Connection: http://www.nj.gov/dca/hmfa/rentals/shc/index.html

Supports Program

Overview

In most cases, adults with developmental disabilities must be enrolled in the Community Care Waiver in order to receive DDD-funded services in licensed residential settings (e.g. group homes, supervised apartments, and supported housing). Individuals in unlicensed settings (typically the home of a family member or their own home) may receive support services through the Family Support Program or other related programs, which will be replaced by the Supports Program beginning in July 2015.

The Supports Program is a new Medicaid/NJ FamilyCare program, authorized by the Comprehensive Medicaid Waiver, intended for adults with developmental disabilities who are living in unlicensed settings, such as with family members or in their own homes. The Supports Program will replace the current State-funded Family Support Program and related programs, allowing the State to receive a 50 percent federal match for eligible expenditures(in the program.

Background Paper: DDD Community Programs Payment Reforms (Cont'd)

The Supports Program will be subject to federal oversight and certain rules specified by the Comprehensive Medicaid Waiver which do not apply to services funded entirely by the State. Most notably, the new Supports Program is an enrollment-based program with a standardized entrance evaluation form and standardized services available to enrollees. In comparison, the current Family Support Program has evolved over the years, and the specific covered services and compensation rates may differ as a result of which particular program was in effect when an individual entered the system.

Implementation Schedule

The department plans to begin enrollment in the Supports Program on July 1, 2015. The program is expected to be phased in over a period of several months or years. The DDD indicates that it will reach out to its current consumers, and will not require them to take any action until the division identifies them for enrollment and contacts them. However, the division encourages prospective enrollees to notify their service providers to ensure that they can continue receiving the services they are currently accessing once they enroll. Available information suggests that individuals will not be able to enroll on their own initiative, but must wait to be identified by DDD. Once Statewide implementation is complete, there will be no waiting list to enroll.

Consumer Benefits

Supports Program enrollees will be eligible for a package of home- and community-based services subject to an annual budget, which is determined based on the individual's plan of care. The budget will be broken into three categories: (1) administrative (including mandatory costs for support coordination and a fiscal intermediary); (2) employment/day services (for which a budget range has not yet been determined); and (3) individual/family supports (at one of three levels: $5,000, $10,000, or $15,000 per consumer). Enrollees will only use their Supports Program budget for Supports Program services; other Medicaid services (such as physician services or home health aide services) are delivered according to applicable federal and State rules, and generally are provided at no cost to the participant.

Fee-for-Service Reimbursement

Overview

Concurrent with the implementation of the Supports Program, beginning in July 2015, DDD plans to shift all of its community providers (in the Community Care Waiver and the Supports Program) from the current system, in which most providers are paid on a cost-reimbursement basis, to a fee-for-service payment model. In a cost reimbursement model, providers receive a monthly payment at the contracted rate, regardless of whether the services have yet been delivered. At the end of the fiscal year, a contract close-out process reconciles payments that were made to providers with their actual costs. In a fee-for-service model, providers will have to submit a claim for each unit of service that is delivered, at the standard rate, after the services have been delivered. In fee-for-service, all providers Statewide are paid the same rate for the same service and are required to maintain documentation to demonstrate that each unit of service has been provided.

Background Paper: DDD Community Programs Payment Reforms (Cont'd)

Advantages of Fee-for-Service

According to DDD, the new fee-for-service system will offer providers several advantages over cost-reimbursement contracts, including greater flexibility in managing their cash flow and budget allocations, fewer administrative and contractual obligations with DDD, and the ability to build a cash reserve to address infrastructure, capital improvements, or other unforeseen events that carry a negative budget impact. Because rates will be uniform across the State, the new system will eliminate the current disparities among provider reimbursement rates, which are quite large in some cases.

The fee-for-service model also provides added flexibility for consumers looking to access different services on the same day. For example, an individual may choose to receive supported employment services for part of their day and day habilitation for the remainder of the day. The consistency of payment rates also means that benefits are more portable, allowing consumers who self-direct their services to choose their providers based on their own needs, rather than cost.

Implementation Challenges

In order to participate in the fee-for-service system, DDD community providers will be required to become authorized Medicaid providers, if they are not already. Providers will have to develop some expertise in billing that was not required under the cost-reimbursement system, and may also need to acquire billing software that can interface with the Medicaid fiscal agent (Molina) in order to efficiently submit claims and receive payment. The conversion to fee-for-service may negatively affect providers on a cash basis during the transition, as payments will not be made until after services are provided. Because providers will no longer be paid for vacant slots, they may also find that their revenue is less predictable than it had been. Consequently, providers may need to be more proactive in ensuring they minimize vacancies, and may find a need for a greater cash reserve in order to ensure their ability to meet costs when vacancies are unavoidable.

Separation of Housing Subsidies

Overview

Currently, DDD pays housing subsidies directly to community providers that operate residential programs (who may own or lease the unit while also providing services to its residents) under a single cost-reimbursement contract. Although these providers will most likely continue to provide both housing and services to consumers, their reimbursements will be separated and administered by different entities: services costs will be administered by DDD through the Medicaid fiscal agent and fiscal intermediaries, as described above; housing subsidies will be administered by the Supportive Housing Connection, a new partnership between the DHS and the Housing and Mortgage Finance Agency (HMFA). The Governor's FY 2016 Budget Recommendation does not clearly identify the total cost of operating the Supportive Housing Connection or how those costs are allocated, but available information suggests it will be primarily funded by the DHS.

Background Paper: DDD Community Programs Payment Reforms (Cont'd)

Supportive Housing Connection

The Supportive Housing Connection will be responsible for DHS housing programs for both DDD and Division of Mental Health and Addiction Services (DMHAS) consumers. DHS will determine eligibility for housing subsidies, but the Supportive Housing Connection will determine the amount of consumers' subsidies (according to the methodology established by DHS currently used for DMHAS consumers).

In addition to administering DHS housing subsidy payments, the Supportive Housing Connection will also be responsible for housing inspections to ensure physical integrity and compliance with federal housing regulations, landlord outreach and training, and resident inquiry resolution services. These inquiry resolution services may be especially important because of new federal rules that require Medicaid home- and community-based services programs (such as the Community Care Waiver and the Supports Program) to ensure that tenant-landlord rights are fully applicable to residential arrangements under the program.

The DHS will provide policy direction for the Supportive Housing Connection, refer qualified tenants, and provide funding for housing subsidies[4]. Temporarily, DHS will also continue to pay certain housing-related costs, such as furniture stipends, fire suppression, security deposits, and utility startup costs, though these functions are expected to move to the Supportive Housing Connection in the future.

Landlord and Resident Relationship

The relationship between a DDD consumer receiving residential services (who generally must be enrolled in the Community Care Waiver) and the landlord will be governed by the laws and regulations applicable to any other landlord-tenant relationship. The Supportive Housing Connection must be notified of certain actions taken by tenants or landlords, and is available as a resource for conflict resolution, but is not ultimately responsible for resolving any tenant-landlord conflicts.

The Supportive Housing Connection will provide the subsidy portion of a resident's rent to the landlord, and the resident will be responsible for paying his or her share of the rent to the landlord. This contrasts with the current system, in which a consumer's share of rent costs is included in his or her contribution to care, paid to DDD. Landlords will be able to set their own rents, except that they will not be permitted to exceed the rents listed in the DHS Subsidy Program Rent Schedule, and must be the same as rents charged to tenants in comparable units who are not receiving DHS subsidies.

[4] DDD housing subsidies are generally paid with State funds, but may also include federal block grant funds in some cases. Individuals will generally be expected to pay their share of costs with their SSI and other individual income. Some may also qualify for federal housing assistance under the Section 8 program.

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Individuals wishing information and committee schedules on the FY 2016 budget are encouraged to contact:

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