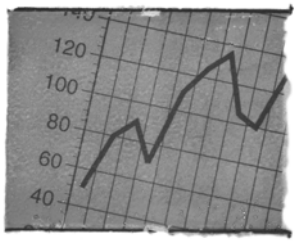

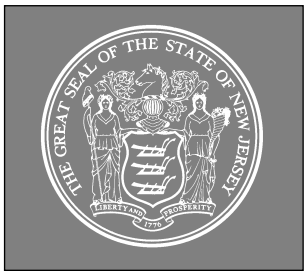

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HUMAN SERVICES

FISCAL YEAR 2017-2018

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • MAY 2017

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; D-161 to D-220; E-1; G-3 to G-4

Fiscal Summary ($000)

	Expended FY 2016	Adjusted Appropriation FY 2017	Recommended FY 2018	Percent Change 2017-18
State Budgeted	$6,427,339	$6,448,401	$6,647,644	3.1%
Federal Funds	$8,950,455	$9,810,333	$9,875,414	0.7%
Other[1]	$1,479,324	$1,680,350	$1,786,995	6.3%
Grand Total	$16,857,118	$17,939,084	$18,310,053	2.1%

Personnel Summary - Positions By Funding Source

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2017-18
State	7,876	7,783	7,776	(0.1%)
Federal	3,653	3,413	3,413	0.0%
Other	57	59	57	(3.4%)
Total Positions	11,586	11,255	11,246	(0.1%)

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

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

[1] Other Funds includes Revolving Funds displayed on page C-23 of the FY 2018 Governor's Budget Recommendation.

Highlights

The Governor's Budget recommends a total of $18.31 billion (gross) for the Department of Human Services (DHS) in Fiscal Year (FY) 2018, an increase of about $371.0 million (2.1 percent) from the $17.94 billion in FY 2017 adjusted appropriations. State funds account for $6.65 billion of the total FY 2018 recommendation, representing an increase of $199.2 million (3.1 percent) from adjusted FY 2017 State appropriations of $6.45 billion. Anticipated federal funds account for $9.88 billion of the FY 2018 recommendation, representing an increase of $65.1 million (0.7 percent) from the FY 2017 adjusted appropriation of $9.81 billion. Anticipated Other funds account for $1.79 billion, increasing by $106.6 million (6.3 percent) over the FY 2017 adjusted appropriation of $1.68 billion.

The largest shifts in recommended appropriations are based on projected enrollment and spending in entitlement programs operated by the DHS, including NJ FamilyCare and Work First New Jersey. New initiatives included in the FY 2018 Budget Recommendation, described below, have relatively modest budgetary impacts.

The DHS includes five major divisions with gross annual budgets over $100 million, each of which is summarized below. The department also includes four divisions whose recommended budgets for FY 2018 are relatively small and nearly unchanged from their FY 2017 appropriations: the Division of Disability Services, the Commission for the Blind and Visually Impaired, the Division of the Deaf and Hard of Hearing, and the Division of Management and Budget.

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 use disorder treatment 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 FY 2018 Budget Recommendation displays the funding for DMHAS in two sections. The funding intended for the State psychiatric hospitals is on page D-170; and the funding for community services and county psychiatric hospitals is reflected on pages D-174 to D-175.

The Governor's FY 2018 Budget recommends a grand total of $1.175 billion (gross)[2] for the division, an increase of $26.7 million (2.3 percent) from the FY 2017 adjusted appropriation, including State appropriations of $875.0 million, federal funding of $285.9 million, and $14.0 million from All Other funds. Highlights include the following:

- The department plans to continue its transition to a fee-for-service reimbursement system for most community-based service providers funded by the division. Many providers have already transitioned, but those still operating under cost-reimbursement contracts will be required to transition on July 1, 2017. The budget includes a $136.0 million appropriation for the Behavioral Health Rate Increase, augmented from the $127.8 million estimated for FY 2017. Approximately $20.0 million of the recommended FY 2018 amount is from the General Fund, with the rest expected from federal Medicaid matching funds and other cost offsets.

[2] Gross total includes Revolving funds displayed on page C-23 as "Administration and Support Services" but not within the department recommendation on pages D-168 to D-178.

Highlights (Cont'd)

- $4.7 million in additional State funding is recommended for community mental health care, allowing for 165 new community placements for individuals discharged from State psychiatric hospitals or at risk of hospitalization.

- The Opioid Overdose Recovery Program, also called the Recovery Coaches program, is recommended to continue in 11 counties in FY 2018. The department has applied for a federal grant that, if received, would allow the program to expand to the ten counties in which the program is not currently operating. Including the federal grant, total recommended funding for the program in FY 2018 is $6.3 million.

Division of Medical Assistance and Health Services

The Division of Medical Assistance and Health Services (DMAHS) is the division primarily responsible for NJ FamilyCare, which provides health care coverage to low-income New Jersey residents with support from the federal Medicaid program and the Children's Health Insurance Program (CHIP).

The Governor's FY 2018 Budget recommends a net increase of $266.3 million (2.0 percent) in gross funding for the division, to a total of approximately $13.47 billion (gross). The total includes State appropriations of $4.18 billion; federal funds totaling $7.71 billion; and other funds, in the form of Medicaid drug manufacturer rebates, certain health care provider assessments, and other dedicated fund payments for Medicaid/NJ FamilyCare, totaling $1.59 billion. Major points in the proposed budget include the following:

- The budget continues the Medicaid expansion under the Affordable Care Act (ACA), providing health care coverage to nearly 550,000 low-income parents and childless adults in New Jersey. The State share of costs for the expansion is scheduled to increase from 5.0 percent to 6.0 percent on January 1, 2018. The Governor recommends total appropriations of $3.03 billion, of which $192.7 million is appropriated from the General Fund.

- Overall Grants-in-Aid appropriations for NJ FamilyCare increase by $266.5 million, about two percent from FY 2017. The growth is driven mainly by expected increases in enrollment and per-member capitation fees paid to NJ FamilyCare managed care organizations.

- The Managed Long Term Services and Supports (MLTSS) program is expected to continue its growth, adding over 4,000 new enrollees in FY 2018, thereby raising total enrollment in NJ FamilyCare long-term care programs above 53,000. Representing one component of NJ FamilyCare long-term care, the number of nursing home residents is expected to remain just above 28,000, with recommended appropriations increasing slightly to $1.78 billion. The number of people receiving long-term care in a home or community setting is expected to increase to over 25,000, with a gross appropriation of $938.9 million.

- The State is expected to save $180.7 million relative to FY 2017 resulting from a one-year moratorium on the ACA Health Insurance Providers Fee established by Congress.

Highlights (Cont'd)

- The budget recommendation discontinues $3.0 million in State and federal funding that was provided in FY 2017 for the three NJ FamilyCare Accountable Care Organizations to support their efforts in coordinating care for high-risk patients in Camden, Trenton, and Greater Newark.

Division of Aging Services

The Division of Aging Services (DoAS) budget funds numerous programs for senior citizens and certain residents with disabilities. These include the State-funded 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. Spending for nursing homes and community-based long-term care in the Managed Long Term Services and Supports (MLTSS) program, which had been included in the DoAS budget prior to FY 2017, is now displayed in the DMAHS budget (described above).

The Governor's FY 2018 Budget recommends $261.1 million in gross appropriations for the DoAS, a decrease of $4.1 million (1.5 percent) from the FY 2017 adjusted appropriation. State appropriations from the General Fund, Casino Revenue Fund, and Property Tax Relief Fund are recommended to decrease by $5.2 million (3.9 percent), to $130.1 million. Anticipated federal funds and other dedicated revenues make up $78.2 million and $52.8 million of the division's recommended budget, respectively. Key changes are as follows:

- Expenditures in the several Grants-in-Aid accounts representing State pharmaceutical assistance programs – Pharmaceutical Assistance to the Aged and Disabled (PAAD) and the Senior Gold Prescription Discount Program – are expected to be approximately $1.2 million less than the FY 2017 appropriations, due to modest expected declines in program enrollment and costs.

- The budget assumes that the federal government will approve the inclusion of the Jersey Assistance for Community Caregiving (JACC) program in the Comprehensive Medicaid Waiver, allowing a federal match and resulting in $2.5 million in General Fund savings.

- Two legislative additions to the FY 2017 Appropriations Act are not included in the Governor's Budget Recommendation: $200,000 for the NJ Elder Index and $400,000 for the Holocaust Survivor Assistance Program.

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. The FY 2018 Budget Recommendation displays the funding for DDD in two sections: funding for the developmental centers is on page D-201 and the funding for community programs is reflected on pages D-204 to D-205.

Highlights (Cont'd)

In total, DDD is anticipated to spend $1.82 billion in FY 2018, $87.2 million (5.0 percent) more than in FY 2017, including: $919.6 million in State appropriations from the General Fund and Casino Revenue Fund; $846.0 million in federal funds; and $56.2 million from Other funds. Gross funding for the State developmental centers is recommended to decrease by $3.6 million (1.2 percent), to $292.1 million. Gross funding for community programs is recommended to increase by $90.7 million (6.3 percent) to $1.53 billion. Noteworthy changes in FY 2018 include the following:

- A $3.6 million decrease in gross funding is recommended for salaries and wages for staff at the State developmental centers. The reduction is exclusively in federal funds and is related to the continued initiative by the department to move individuals from the developmental centers into the community. The average daily population for all centers is projected to decrease by 111 (7.8 percent). The decrease in population is matched by an estimated decrease of 174 positions (3.9 percent).

- Offsetting some of the staff reductions at the developmental centers, the budget recommends adding 25 positions in the division overseeing DDD's community programs, at a cost of approximately $1.0 million in federal funds.

- The DDD is continuing to transition to providing standardized services which are eligible for federal Medicaid matching funds. Of the $90.7 million increase in recommended appropriations for DDD community programs, $87.3 million (96.3 percent) is from federal funds. This is reflective of the department's continued initiative to shift most DDD services to Medicaid.

- DDD will continue enrolling clients in the recently established Supports Program, with average monthly enrollment expected to increase from 1,317 in FY 2017 to 5,167 in FY 2018. The Supports Program provides home- and community-based services to individuals in the DDD system who are living in their own or their family's home, and allows the State to claim federal Medicaid matching funds for these costs for the first time.

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. These programs include the federal Supplemental Nutrition Assistance Program (SNAP), the Temporary Assistance for Needy Families (TANF) block grant, and the Child Care and Development Block Grant.

Overall funding for the division is recommended to decrease by $4.7 million (0.3 percent), to $1.45 billion (gross).[3] Of this amount, $471.7 million represents State appropriations from the General Fund and Property Tax Relief Fund, $915.9 million is federal funds, and $63.5 million is expected from Other funds. Major developments include the following:

[3] Gross total includes Revolving funds displayed on page C-23 as "Income Maintenance Management" but not within the department recommendation on pages D-211 to D-214.

Highlights (Cont'd)

- Costs for Work First New Jersey Child Care are expected to increase by $23.6 million, to $356.4 million (gross). The increase is driven primarily by increased enrollment; provider reimbursement rates are not recommended to change.

- The number of recipients of cash assistance benefits in the Work First New Jersey program, in both the TANF and the General Assistance (GA) segments of the program, is expected to decrease in FY 2018, with costs decreasing in turn. Some FY 2017 appropriations will need to be transferred among different accounts in order to align resources with actual program expenditures.

- Annual appropriations for Emergency Assistance continue their long-term decline as the number of eligible households falls, reflecting improving economic conditions and the efforts of State compliance teams to reverse or prevent erroneously granted assistance. Recommended FY 2018 appropriations for GA Emergency Assistance are $25.0 million, and appropriations for TANF Emergency Assistance are $47.8 million. Actual spending in these programs in FY 2016 was $41.7 million and $80.0 million, respectively.

- The Department plans to shift the administration of the State supplement to Supplemental Security Income (SSI) from the federal government to the State of Pennsylvania, which is expected to be implemented in January 2018. A similar plan was included in the FY 2017 Appropriations Act with $5.5 million in anticipated savings. No additional savings are identified in the FY 2018 Budget Recommendation.

- The Governor's Budget Recommendation reduces State Aid appropriations for administration of the Supplemental Nutrition Assistance Program (SNAP) by $7.0 million. According to the Executive, this represents the elimination of additional funding added since FY 2009 to address backlogs and increasing enrollment in Essex County, which has been determined to no longer be necessary.

Other Divisions

The other divisions of the DHS – the Division of Disability Services, the Commission for the Blind and Visually Impaired (CBVI), the Division of the Deaf and Hard of Hearing (DDHH), and the Division of Management and Budget (DMB) – see relatively small changes in the Governor's FY 2018 Budget Recommendation. The budget assumes savings in salary costs resulting from the elimination of funded vacancies ($275,000 in CBVI, $180,000 in DDHH, and $60,000 in DDS). Other minor funding shifts have negligible budgetary impacts.

Background Papers:

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2016	Adj. Approp. FY 2017	Recom. FY 2018	Percent Change 2016-18	Percent Change 2017-18
General Fund					
Direct State Services	$629,844	$582,666	$578,341	(8.2%)	(0.7%)
Grants-In-Aid	5,213,566	5,273,282	5,500,095	5.5%	4.3%
State Aid	241,699	231,670	213,567	(11.6%)	(7.8%)
Capital Construction	33	0	0	(100.0%)	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$6,085,142**	**$6,087,618**	**$6,292,003**	**3.4%**	**3.4%**
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	159,786	159,615	152,615	(4.5%)	(4.4%)
Sub-Total	**$159,786**	**$159,615**	**$152,615**	**(4.5%)**	**(4.4%)**
Casino Revenue Fund	$182,411	$201,168	$203,026	11.3%	0.9%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$6,427,339**	**$6,448,401**	**$6,647,644**	**3.4%**	**3.1%**
Federal Funds	$8,950,455	$9,810,333	$9,875,414	10.3%	0.7%
Other Funds	$1,479,324	$1,680,350	$1,786,995	20.8%	6.3%
Grand Total	**$16,857,118**	**$17,939,084**	**$18,310,053**	**8.6%**	**2.1%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2016	Revised FY 2017	Funded FY 2018	Percent Change 2016-18	Percent Change 2017-18
State	7,876	7,783	7,776	(1.3%)	(0.1%)
Federal	3,653	3,413	3,413	(6.6%)	0.0%
All Other	57	59	57	0.0%	(3.4%)
Total Positions	**11,586**	**11,255**	**11,246**	**(2.9%)**	**(0.1%)**

FY 2016 (as of December) and revised FY 2017 (as of January) personnel data reflect actual payroll counts. FY 2018 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percent	68.4%	67.3%	N/A	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Division of Mental Health and Addiction Services (DMHAS)					
DIRECT STATE SERVICES					
Administration and Support Services	**$14,756**	**$14,306**	**($450)**	**(3.0%)**	**D-174**

The Governor recommends a reduction in salary funding for administrative staff at the Division of Mental Health and Addiction Services. According to the Office of Management and Budget, the reduction is the result of eliminating funded vacancies. Budget data on page D-173 indicate that 203 total positions will be funded, two fewer than in FY 2017.

GRANTS-IN-AID					
Community Care	**$367,705**	**$372,448**	**$4,743**	**1.3%**	**D-174**

This appropriation 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. Services are provided 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. More detailed utilization and spending data for the Community Care accounts are provided on page D-172 of the Governor's Budget Recommendation.

The Governor's FY 2018 Budget recommends an increase of $4.7 million for Community Care, for a total State appropriation of $372.4 million. Additional information provided by the Executive indicates that $2.5 million of the FY 2017 appropriation is expected to lapse, suggesting actual year-over-year spending growth of $7.2 million. Performance data on page D-166 suggest that this increase represents the annualized cost of 165 community-based beds developed during FY 2017, and the cost to add 165 new community placements during FY 2018 for patients discharged from the State's psychiatric hospitals or at risk of hospitalization or homelessness. Budget data on page D-172 indicate that, in addition to the $4.7 million increase, an additional $377,000 will be reallocated from Residential Services to Supported Housing, for a total increase of 200 clients receiving supported housing services.

GRANTS-IN-AID					
Behavioral Health Rate Increase	**$127,769**	**$136,021**	**$ 8,252**	**6.5%**	**D-174**
Less: Enhanced Federal Match and Third-Party Recoveries	**($107,785)**	**($116,037)**	**($8,252)**	**(7.7%)**	**D-175**

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

The Governor's FY 2018 Budget Recommendation includes approximately $20 million in State funds and $116.0 million in offsetting revenues (mostly federal Medicaid funds) related to several payment system reforms for mental health and addiction services providers whose phase-in was begun in FY 2017. Language provisions would authorize the Commissioner of Human Services to establish the new rate methodology, and to transfer funds between DMHAS and the Division of Medical Assistance and Health Services to implement the new reimbursement system and claim federal matching funds.

According to the department, the recommended appropriations assume that service utilization will remain unchanged from the pre-reform utilization rates, but that payments will be made according to the new fee-for-service payment system and rates when they take effect. Actual spending will depend upon providers furnishing and documenting services and submitting individual claims. More information on the planned transition to the new fee-for-service rate system is provided in a background paper at the end of this analysis.

GRANTS-IN-AID					
Community Based Substance Use Disorder Treatment and Prevention – State Share	**$26,695**	**$27,682**	**$987**	**3.7%**	**D-174**

The recommended increase in the appropriation for community-based substance use disorder treatment is related to the proposed reorganization of funding for the Opioid Overdose Recovery Program, also called the Recovery Coaches program. In FY 2017, the program is funded primarily with $2.3 million from the Drug Enforcement Demand Reduction Fund, plus about $550,000 from various State and federal sources. In FY 2018, the $2.3 million is proposed to be split between approximately $1.0 million from the General Fund and $1.3 million from the Alcohol Treatment Programs Fund (pursuant to a new recommended language provision). In addition, the department anticipates receipt of a new federal grant to support the expansion of the program to the 10 counties not currently served by the program. Including this grant, total recommended funding for the program for FY 2018 is $6.3 million.

More generally, the Community-Based Substance Use Disorder Treatment and Prevention – State Share appropriation, in combination with the federal Substance Abuse Block Grant, supports a wide variety of programs to prevent and treat substance use disorders that are not covered by the NJ FamilyCare (Medicaid) program.

FEDERAL FUNDS					
Community Services	**$153,210**	**$161,464**	**$ 8,254**	**5.4%**	**D-175**

The increase in federal funds in the Community Services program classification represents the increase in federal matching funds that the Executive expects to earn related to the Behavioral Health Rate Increase, described above.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
FEDERAL FUNDS					
Addiction Services	**$58,299**	**$71,418**	**$13,119**	**22.5%**	**D-175**

Budget documents attribute nearly all of the expected increase in federal funds in the Addiction Services program classification to a "Cures Grant," which likely represents grants to help combat the opioid epidemic authorized under the federal "21st Century Cures Act," signed into law in December 2016. No information is available on the specific uses of this grant funding.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Division of Medical Assistance and Health Services (DMAHS/Medicaid/NJ FamilyCare)					
Note: The Governor's Budget Recommendation displays the Division of Medical Assistance and Health Services 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					
Services Other Than Personal					
TOTAL	**$12,907**	**$11,407**	**($1,500)**	**(11.6%)**	**D-182**
General Fund	**$4,436**	**$2,936**	**($1,500)**	**(33.8%)**	
Federal Funds	**$8,471**	**$8,471**	**$0**	**—**	

The FY 2018 Budget Recommendation discontinues the $3.0 million that was included in the FY 2017 Appropriations Act to support the State's three Medicaid Accountable Care Organizations (ACOs), located in Camden, Trenton, and Newark. The $1.5 million State portion of this funding is appropriated in the Services Other Than Personal account.

Medicaid ACOs are community nonprofit organizations that bring together acute care hospitals, federally qualified health centers, and many primary care and social services providers in their regions to identify high-need, high-cost patients and coordinate their medical care, behavioral health care, and social services in attempt to improve the quality of their lives and minimize unnecessary and inappropriate utilizations of health care services. Medicaid ACOs are authorized by P.L.2011, c.114 (N.J.S.A.30:4D-8.1 et seq.).

GRANTS-IN-AID					
Medical Coverage – Aged, Blind and Disabled					
TOTAL	**$2,756,532**	**$2,911,791**	**$155,259**	**5.6%**	**D-182**
General Fund	**$1,290,139**	**$1,438,419**	**$148,280**	**11.5%**	
Federal Funds	**$1,466,393**	**$1,473,372**	**$6,979**	**0.5%**	

This account represents most health care coverage costs for individuals eligible for Medicaid on the basis of clinical criteria, but who are not residing in a nursing home or receiving community-based long-term care services through the Managed Long Term Services and Supports (MLTSS) program. The federal matching rate for costs in this category is 50 percent.

Evaluation Data on page D-179 indicate that actual spending for this category is expected to decrease slightly from $3.218 billion in FY 2017 to $3.211 billion in FY 2018 (combining data

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

for Medicare/Medicaid "dual eligibles" and those enrolled only in Medicaid). Specific information on the discrepancy between Evaluation Data and recommended appropriations has not been provided. However, it is likely that the discrepancies are primarily due to (1) funds appropriated in the Provider Settlements and Adjustments account being distributed across other accounts for purposes of the Evaluation Data display, and (2) use of federal funds appropriated in prior years to meet FY 2018 spending obligations.

GRANTS-IN-AID					
Medical Coverage – Community-Based Long Term Care Recipients					
TOTAL	**$786,812**	**$938,899**	**$152,087**	**19.3%**	**D-182**
General Fund	**$381,538**	**$461,150**	**$79,612**	**20.9%**	
Federal Funds	**$405,274**	**$477,749**	**$72,475**	**17.9%**	

This account represents most health care coverage costs for NJ FamilyCare recipients who are receiving community-based long-term care services in the Managed Long Term Services and Supports (MLTSS) program. It includes both acute care costs such as physician and hospital services, as well as long-term care costs provided through MLTSS. The federal government pays 50 percent of costs in this category.

Evaluation Data on page D-179 indicate that actual spending for this category is expected to increase from approximately $814.0 million in FY 2017 to $946.5 million in FY 2018. This is primarily due to an expected increase in the size of this population, from a monthly average of 20,930 participants to 25,101 participants. Enrollment in MLTSS has been rapidly increasing since the program began in FY 2015, in significant part due to the NJ FamilyCare managed care plans identifying non-MLTSS clients who may be eligible for the program and encouraging them to apply for the additional services the program offers.

GRANTS-IN-AID					
Medical Coverage – Nursing Home Residents					
TOTAL	**$1,729,178**	**$1,777,882**	**$48,704**	**2.8%**	**D-182**
General Fund	**$709,275**	**$741,976**	**$32,701**	**4.6%**	
Federal Funds	**$892,727**	**$908,730**	**$16,003**	**1.8%**	
Other Funds	**$127,176**	**$127,176**	**$0**	**—**	

This account represents most health care coverage costs for NJ FamilyCare recipients who are residents of nursing facilities. It includes capitation payments to managed care organizations on behalf of nursing facility residents enrolled in MLTSS, fee-for-service payments directly to

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

nursing facilities for residents not enrolled in MLTSS, and payments for other health care services provided to this population. The federal government pays 50 percent of costs in this category.

Evaluation Data on page D-179 indicate that actual spending for this category is expected to increase from approximately $1.76 billion in FY 2017 to $1.79 billion in FY 2018. Additional data on page D-181 show that costs for nursing home services are expected to decline slightly, so the difference appears to be related to increases in other care received by these individuals, including acute care services.

GRANTS-IN-AID					
Medical Coverage – Title XIX Parents and Children					
TOTAL	**$2,199,513**	**$2,154,632**	**($44,881)**	**(2.0%)**	**D-182**
General Fund	**$714,767**	**$583,486**	**($131,281)**	**(18.4%)**	
Federal Funds	**$1,073,229**	**$1,083,146**	**$9,917**	**0.9%**	
Other Funds	**$411,517**	**$488,000**	**$76,483**	**18.6%**	

This account represents most health care coverage costs for NJ FamilyCare recipients eligible for Medicaid coverage according to financial criteria – generally those with countable household incomes under 107 percent of the federal poverty level. The federal government pays 50 percent of costs in this category. The Governor recommends modifying a language provision to increase the amount paid from the dedicated Health Care Subsidy Fund by $134.8 million from $353.2 million in FY 2017 to $488.0 million in FY 2018, allowing a decrease in General Fund appropriations (page F-10). It is not clear why the FY 2017 Adjusted Appropriation increases the FY 2017 amount from $353.2 million to $411.5 million.

Evaluation Data on page D-179 indicate that actual spending for this category is expected to increase from approximately $2.367 billion in FY 2017 to $2.379 billion in FY 2018. This increase appears to be primarily related to an expectation of increasing enrollment, which is partially offset by a small decrease in per-enrollee expenses.

GRANTS-IN-AID					
Medical Coverage – Title XXI Children					
TOTAL	**$431,264**	**$477,742**	**$46,478**	**10.8%**	**D-183**
Federal Funds	**$388,579**	**$420,946**	**$32,367**	**8.3%**	
Other Funds	**$42,685**	**$56,796**	**$14,111**	**33.1%**	

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

This account represents most health care coverage costs for children who are enrolled in the segment of NJ FamilyCare financed under the Children's Health Insurance Program (CHIP), Title XXI of the Social Security Act – whose household income is below 350 percent of the federal poverty level, but higher than the Medicaid income limit. The federal matching rate for this category is 88 percent, but is subject to an annual ceiling. The State share of costs is paid from the Health Care Subsidy Fund. The federal authorization for the program is current through September 2017; if Congress does not reauthorize the program, New Jersey would be able to use its unspent balance, which is estimated by the federal government to last until April 2018.[4]

Evaluation Data on page D-180 indicate that total spending for this category is expected to increase significantly in FY 2018, from $431.3 million to $477.7 million, mainly due to a projected increase in enrollment.

GRANTS-IN-AID					
Medical Coverage – ACA Expansion Population					
TOTAL	**$3,014,695**	**$3,029,466**	**$14,771**	**0.5%**	**D-183**
General Fund	**$121,283**	**$192,748**	**$71,465**	**58.9%**	
Federal Funds	**$2,893,412**	**$2,836,718**	**($56,694)**	**(2.0%)**	

This account represents most health care coverage costs for the Medicaid Expansion under the Affordable Care Act, which expanded coverage to adults with household incomes under 138 percent of the federal poverty level. This includes some adults who had previously received medical coverage funded by CHIP or the General Assistance program, as well as many newly eligible adults. The federal matching rate for this population was 100 percent for calendar years 2014 through 2016, then began to phase downward to 95 percent in 2017, 94 percent in 2018, and further to a minimum of 90 percent in 2020.

Evaluation Data on page D-180 indicate that actual spending for this category is expected to increase from $3.333 billion in FY 2017 to $3.381 billion in FY 2017, due to the combined effects of increasing enrollment and per-enrollee costs.

[4] https://www.macpac.gov/wp-content/uploads/2017/03/Federal-CHIP-Funding-When-Will-States-Exhaust-Allotments.pdf

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID					
Medicare Parts A and B					
TOTAL	**$396,046**	**$431,980**	**$35,934**	**9.1%**	**D-183**
General Fund	**$189,329**	**$211,770**	**$22,441**	**11.9%**	
Federal Funds	**$206,717**	**$220,210**	**$13,493**	**6.5%**	
Medicare Part D					
(General Fund)	**$429,389**	**$475,428**	**$46,039**	**10.7%**	**D-183**

The NJ FamilyCare program pays enrollment premiums for enrollees who are also enrolled in the federal Medicare program. For these individuals, Medicare is the primary payer, so dual enrollment helps to reduce State costs by shifting them to the federal government. The recommended increase in appropriations from FY 2017 to FY 2018 appears to be the result of anticipated growth in both enrollment and premium costs.

The Medicare Part D appropriation represents "clawback" payments, which the State is required to make to the federal government. The clawback payments are calculated by the federal government according to a formula, and are intended to reflect roughly 75 percent of the State Medicaid savings that result from the Part D program's coverage of prescription drug costs for Medicaid/Medicare dual eligibles.

GRANTS-IN-AID					
Eligibility and					
Enrollment Services					
TOTAL	**$84,462**	**$72,146**	**($12,316)**	**(14.6%)**	**D-183**
General Fund	**$10,000**	**$22,073**	**$12,073**	**120.7%**	
Federal Funds	**$74,462**	**$50,073**	**($24,389)**	**(32.8%)**	

This account includes payments to the division's Health Benefits Coordinator (Xerox) and to county welfare agencies responsible for making NJ FamilyCare eligibility determinations and annual redeterminations.

Evaluation Data suggest that actual expenditures in FY 2017 may be less than appropriated, with an estimated cost of $74.5 million. No specific information is available on the expected decrease of total costs from FY 2017 to FY 2018 or the partial cost shift from the federal government to the State.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID					
Provider Settlements and Adjustments					
TOTAL	**$959,547**	**$964,654**	**$ 5,107**	**0.5%**	**D-183**
General Fund	**$33,659**	**$18,258**	**($15,401)**	**(45.8%)**	
Federal Funds	**$43,371**	**$47,371**	**$ 4,000**	**9.2%**	
Other Funds	**$882,517**	**$899,025**	**$16,508**	**1.9%**	

This account includes various dedicated revenues specifically related to NJ FamilyCare, including approximately $802 million in expected drug manufacturer rebates and $97 million in cost recoveries from providers (including fraud recoveries) in FY 2018. These revenues are used to pay some retroactive payments to providers, federally mandated additional Medicaid payments to federally qualified health centers, and some coverage costs. The largest part of the change from FY 2017 to FY 2018 is an increase of $17.7 million in expected drug rebates, which allows an offsetting reduction in General Fund appropriations.

GRANTS-IN-AID					
ACA Health Insurance Providers Fee					
TOTAL	**$180,709**	**$ 0**	**($180,709)**	**(100.0%)**	**D-183**
General Fund	**$54,873**	**$ 0**	**($54,873)**	**(100.0%)**	
Federal Funds	**$125,836**	**$ 0**	**($125,836)**	**(100.0%)**	

This appropriation represents the fees owed by NJ FamilyCare managed care plans to support the health insurance exchanges, established under a provision of the Affordable Care Act. Congress waived the fees for calendar year 2017, so no appropriation is recommended for State FY 2018.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
		Division of Aging Services (DoAS)			
DIRECT STATE SERVICES					
Salaries and Wages					
TOTAL	**$7,654**	**$6,694**	**($960)**	**(12.5%)**	**D-192**
General Fund	**$6,858**	**$5,898**	**($960)**	**(14.0%)**	**D-192**
Casino Revenue Fund	**$796**	**$796**	**$0**	**—**	**D-192**

The Governor's Budget Recommendation reflects a $960,000 decrease in funding for salaries for administrative staff at the Division of Aging Services. According to the Office of Management and Budget, the reduction is the result of eliminating funded vacancies.

DIRECT STATE SERVICES					
Special Purpose:					
NJ Elder Index	**$200**	**$0**	**($200)**	**(100.0%)**	**D-192**

The Governor's FY 2018 Budget Recommendation discontinues the $200,000 appropriation for the support of the NJ Elder Index, which was added to the FY 2016 and FY 2017 Appropriations Acts by legislative budget resolutions. This appropriation supports the State's work in updating the New Jersey Elder Economic Security Standard Index pursuant to P.L.2015, c.53.

GRANTS-IN-AID					
Pharmaceutical Assistance Programs					
TOTAL	**$69,439**	**$68,287**	**($1,152)**	**(1.7%)**	
Pharmaceutical Assistance to the Aged - Claims	**$1,500**	**$1,279**	**($ 221)**	**(14.7%)**	**D-192**
Pharmaceutical Assistance to the Aged and Disabled - Claims	**$53,547**	**$53,054**	**($ 493)**	**(0.9%)**	**D-192**
Pharmaceutical Assistance to the Aged and Disabled – Claims (CRF)	**$8,176**	**$8,176**	**$ 0**	**—**	**D-193**
Senior Gold Prescription Discount Program	**$6,216**	**$5,778**	**($ 438)**	**(7.0%)**	**D-193**

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

The Governor's FY 2018 Budget Recommendation includes combined State appropriations of $68.3 million for the Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold programs, representing a slight decrease of $1.2 million from the adjusted FY 2017 appropriation.

Evaluation Data on page D-190 show that total program costs are anticipated to be approximately flat. State funding for PAAD is expected to decrease as a slightly larger share of total program costs would be charged to slightly increasing projected revenues from manufacturers' rebates and recoveries. The FY 2018 funding level for the Senior Gold Prescription Discount Program, in turn, is projected to decrease largely because of a slight projected enrollment decline coupled with reductions in the projected number of prescriptions per eligible participant at largely flat costs per prescription. The OLS notes that the Executive has identified approximately $3.2 million that it expects to lapse from PAAD and Senior Gold appropriations in FY 2017, due to underspending.

GRANTS-IN-AID					
Holocaust Survivor Assistance Program, Samost Jewish Family and Children's Service of Southern NJ	**$400**	**$0**	**($400)**	**(100.0%)**	**D-193**

The Governor's FY 2018 Budget eliminates this $400,000 appropriation, which was added by a legislative budget resolution to the FY 2016 and FY 2017 Appropriations Acts. An appropriation of $200,000 was also added by the Legislature to the FY 2015 Appropriations Act.

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	**$33,124**	**$30,624**	**($2,500)**	**(7.5%)**	**D-193**
Community Based Senior Programs (CRF)	**$14,748**	**$14,748**	**$0**	**—**	**D-193**

A $2.5 million reduction in State funding for Community Based Senior Programs is expected to be offset by an identical increase in federal Medicaid funds for the Jersey Assistance for Community Caregiving (JACC) program. According to the Executive, the Department will submit an amendment to the Comprehensive Medicaid Waiver to the Centers for Medicare and Medicaid Services (CMS) to obtain a Medicaid match under Title XIX. (The waiver renewal

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

application is currently pending approval.) The JACC program will be submitted for CMS approval as it currently exists.

FEDERAL FUNDS					
Programs for the Aged	**$47,268**	**$49,668**	**$2,400**	**5.1%**	**D-193**

Federal funds in the Programs for the Aged program classification are expected to increase by $2.5 million, representing the increase in federal Medicaid matching funds for the Jersey Assistance for Community Caregiving (JACC) program, described above. Minor downward adjustments to other federal grants totaling $100,000 partially offset this increase.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
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.					
STATE DEVELOPMENTAL CENTERS					
DIRECT STATE SERVICES					
TOTAL	**$295,719**	**$292,147**	**($3,572)**	**(1.2%)**	**D-201**
General Fund	**$94,576**	**$94,576**	**$0**	**—**	
Federal Funds	**$201,143**	**$197,571**	**($3,572)**	**(1.8%)**	

The Governor's FY 2018 Budget Recommendation includes $292.1 million gross funding for State developmental centers, a decrease of $3.6 million (1.2 percent) from the FY 2017 adjusted appropriation. The reduction reflects a declining appropriation for salaries and wages that is 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 staff attrition continues within the developmental centers. Evaluation Data on page D-200 indicate that the average daily population for all centers is projected to decrease by 111 (7.8 percent) from 1,430 in FY 2017 to 1,319 in FY 2018. The decrease in population is matched by an estimated decrease of 174 funded positions (3.9 percent), from 4,485 originally proposed in FY 2017 to 4,311 in FY 2018 (page D-201).

COMMUNITY PROGRAMS					
DIRECT STATE SERVICES					
Salaries and Wages					
TOTAL	**$57,611**	**$58,637**	**$1,026**	**1.8%**	**D-204**
General Fund	**$28,294**	**$28,294**	**$0**	**—**	
Federal Funds	**$29,317**	**$30,343**	**$1,026**	**3.5%**	

The Governor's FY 2018 Budget Recommendation includes $58.6 million gross funding for salaries and wages for staff in the Community Programs program classification, an increase of $1.0 million (1.8 percent) from the FY 2017 adjusted appropriation. The increase is from federal funds and it is reflective of a recommended higher personnel count as well as the ongoing changes to the classification of staff. Although the expenditures are not significantly different from FY 2017, the number of overall positions is planned to increase by 25 positions (3.5 percent), from 720 to 745 positions, and the budget indicates a shift in classification for these positions. The number of positions supporting the Community Services program is

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

planned to increase by 131 (24.8 percent) and the number of positions supporting Administration and Support Services is anticipated to decrease by 106 (55.2 percent) (page D-203).

GRANTS-IN-AID					
CCW – Individual Supports					
TOTAL	**$754,482**	**$782,450**	**$27,968**	**3.7%**	**D-205**
General Fund	**$215,395**	**$214,534**	**($861)**	**(0.4%)**	
Casino Revenue Fund	**$173,519**	**$175,377**	**$1,858**	**1.1%**	
Federal Funds	**$365,568**	**$392,539**	**$26,971**	**7.4%**	

The Governor's FY 2018 Budget Recommendation includes $782.5 million gross funding for Community Care Waiver (CCW) – Individual Supports, a net increase of $28.0 million (3.7 percent) from the FY 2017 appropriation. The majority of the increase is comprised of federal dollars and is indicative of the division's shift to providing services which will maximize federal matching funds. The recommended gross appropriation increase reflects an anticipated enrollment increase of about 300 individuals.

CCW – Individual Supports are services delivered in State-licensed residential facilities to assist individuals in self-care and habilitation-related tasks. Individual support services are performed and supervised by service provider staff or an approved individual caregiver in an individual's own or family home or in other community-based settings, in accordance with approved Service Plans. Assistance to, as well as training and supervision of, individuals as they learn and perform the various tasks that are included in basic self-care, social skills, activities of daily living and behavior shaping is provided. The Service Plan specifies the actual tasks to be performed and the anticipated outcomes. Individual support services may include personal assistance, including attendant care, household chores, errand services and training.

Evaluation Data indicate that the department anticipates 11,300 individuals receiving services through the Community Care Waiver in FY 2018, 300 more than in FY 2017.

GRANTS-IN-AID					
CCW – Individual and Family Support Services					
TOTAL	**$106,748**	**$111,979**	**$5,231**	**4.9%**	**D-205**
General Fund	**$53,931**	**$54,448**	**$517**	**1.0%**	
Federal Funds	**$52,817**	**$57,531**	**$4,714**	**8.9%**	

The Governor's FY 2018 Budget Recommendation includes $112.0 million gross funding for CCW – Individual and Family Support Services, an increase of $5.2 million (4.9 percent) from

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

the FY 2017 appropriation. The increase is almost entirely comprised of federal dollars and is indicative of the division's shift to providing services which will maximize federal matching funds. The increase is attributable to an estimated enrollment increase of 100 persons and an estimated cost increase of $600 per person.

CCW – Individual and Family Support Services are received by individuals who primarily live in State-licensed residential facilities and require support to engage in the community. Funding for support coordination agencies and individualized service plan development is included in this line. Services funded may include: Assistive Technology; Behavioral Supports; Case Management; Community Transition Services; Environmental Modifications; Occupational Therapy; Personal Emergency Response System (PERS); Physical Therapy; Respite; Speech, Language, and Hearing Therapy; Supports Coordination; Transportation; and Vehicle Modification.

Budget data indicate that the department anticipates 11,300 individuals receiving services through the Community Care Waiver in FY 2018, 300 more than in FY 2017.

GRANTS-IN-AID					
Supports Program – Individual and Family Support Services					
TOTAL	**$45,067**	**$61,266**	**$16,199**	**35.9%**	**D-205**
General Fund	**$39,700**	**$39,700**	**$0**	**—**	
Federal Funds	**$5,367**	**$21,566**	**$16,199**	**301.8%**	

The Governor's FY 2018 Budget Recommendation includes $61.3 million gross funding for Supports Program – Individual and Family Support Services, an increase of $16.2 million (35.9 percent) from the FY 2017 appropriation. The entire increase is comprised of federal dollars and is indicative of the division's shift to providing services which will maximize federal matching funds. Anticipated enrollment growth accounts for the increase in gross funding.

Individual and Family Support Services are received by individuals enrolled in the Supports Program who live in the community with family or independently and require support to engage in the community. Funding for support coordination agencies and individualized service plan development is included in this line. Services funded may include: Assistive Technology; Behavioral Supports; Case Management; Community Transition Services; Environmental Modifications; Occupational Therapy; Personal Emergency Response System (PERS); Physical Therapy; Respite; Speech, Language, and Hearing Therapy; Supports Coordination; Transportation; and Vehicle Modification.

Evaluation Data indicate that the department anticipates an increase in the average monthly number of individuals receiving services through the Supports Program from 1,317 individuals in FY 2017 to 5,167 individuals in FY 2018.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
GRANTS-IN-AID Supports Program – Employment and Day Services					
TOTAL	**$83,271**	**$113,259**	**$29,988**	**36.0%**	**D-205**
General Fund	**$73,352**	**$73,352**	**$0**	**—**	
Federal Funds	**$9,919**	**$39,907**	**$29,988**	**302.3%**	

The Governor's FY 2018 Budget Recommendation includes $113.3 million gross funding for Supports Program – Employment and Day Services, an increase of $30.0 million (36.0 percent) from the FY 2017 appropriation. The entire increase is comprised of federal dollars and is indicative of the division's shift to providing services which will maximize federal matching funds. Anticipated enrollment growth accounts for the increase in gross funding.

Evaluation Data indicate that the department anticipates an increase in the average monthly number of individuals receiving services through the Supports Program from 1,317 individuals in FY 2017 to 5,167 individuals in FY 2018.

Employment and Day Services are provided to individuals enrolled in the Supports Program who are living in the community with family or independently, which are intended to promote independent living skills and employment. Services under this category include career planning, day habilitation, prevocational training, supported employment – group, and supported employment – individual.

GRANTS-IN-AID CCW – Employment and Day Services					
TOTAL	**$187,415**	**$196,786**	**$9,371**	**5.0%**	**D-205**
General Fund	**$96,607**	**$97,534**	**$927**	**1.0%**	
Federal Funds	**$90,808**	**$99,252**	**$8,444**	**9.3%**	

The Governor's FY 2018 Budget Recommendation includes $196.8 million gross funding for CCW – Employment and Day Services, an increase of $9.4 million (5.0 percent) from the FY 2017 appropriation. The net increase is primarily the result of $8.4 million (9.3%) in additional federal funds anticipated in FY 2018 and is indicative of the division's shift to providing services which will maximize federal matching funds. The gross funding increase is primarily attributable to estimated enrollment growth.

CCW – Employment and Day Services are provided to individuals who primarily live in State-licensed residential facilities, which are intended to promote independent living skills and employment. Services under this category include career planning, day habilitation, prevocational training, supported employment – group, and supported employment – individual.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Commission for the Blind and Visually Impaired (CBVI)					
DIRECT STATE SERVICES					
Salaries and Wages	**$8,246**	**$7,971**	**($275)**	**(3.3%)**	**D-207**

The Governor's FY 2018 Budget Recommendation assumes $275,000 in salary savings primarily due to attrition at the Commission for the Blind and Visually Impaired.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Division of Family Development (DFD)					
GRANTS-IN-AID					
Work First New Jersey Child Care	**$332,783**	**$356,421**	**$23,638**	**7.1%**	**D-212**
General Fund	**$104,658**	**$115,834**	**$11,176**	**10.7%**	
Federal Funds	**$193,125**	**$205,587**	**$12,462**	**6.5%**	
Other Funds	**$35,000**	**$35,000**	**$0**	**—**	

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.

The Governor's FY 2018 Budget Recommendation includes $356.4 million gross funding for Work First New Jersey Child Care, an increase of $23.6 million (7.1 percent) from the FY 2017 appropriation. The increase includes $11.2 million in State funds and $12.5 million in federal funds.

These expenditures are used for DHS-funded child care services to low-income families. Evaluation Data on pages D-210 and D-211 suggest the growth is driven mainly by an increase in the number of children eligible for services. The department anticipates that the average monthly number of children enrolled in child care will increase by 3,424 (5.8%) children in FY 2018.

STATE AID					
Work First New Jersey – Client Benefits	**$53,122**	**$50,785**	**($2,337)**	**(4.4%)**	**D-213**
General Fund	**$34,942**	**$34,942**	**$0**	**—**	
Federal Funds	**$16,232**	**$13,895**	**($2,337)**	**(14.4%)**	
Other Funds	**$1,948**	**$1,948**	**$0**	**—**	

The Governor's FY 2018 Budget Recommendation includes $50.8 million for client benefits in the Work First New Jersey – Temporary Assistance to Needy Families (WFNJ-TANF) program, a decrease of $2.3 million (4.4 percent) from the FY 2017 adjusted appropriation and $32.4 million (38.9 percent) from FY 2016 expenditures. This program provides cash assistance to low-income families with dependent children, in accordance with the federal Temporary Assistance to Needy Families block grant.

The decrease is entirely from federal funds, while expenditures from the General Fund remain stable. This discrepancy may occur because the General Fund appropriation is also used for the costs of certain populations enrolled in WFNJ-TANF who, for technical reasons, are not

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
eligible for federal funding under the TANF block grant (e.g. long-term health deferrals and two-parent families). The decrease in the allocation of block grant funds for cash assistance benefits allows those funds to be allocated to other eligible uses, such as child care. The State anticipates receiving $427.2 million for the TANF block grant in FY 2018 (page C-19).					
The monthly average number of WFNJ beneficiaries is projected to decline by 25 percent from FY 2016 through FY 2018 (page D-210). The continued enrollment decline drives the anticipated decrease in gross expenditures.					
STATE AID					
General Assistance Emergency Assistance Program	**$40,094**	**$25,029**	**($15,065)**	**(37.6%)**	**D-213**
General Fund	**$38,336**	**$23,271**	**($15,065)**	**(39.3%)**	
Other Funds	**$1,758**	**$1,758**	**$0**	**—**	
This program provides emergency cash, rental, and other assistance to individuals without dependent children who are at imminent risk of homelessness. For FY 2018, the Executive proposes to appropriate $25.0 million for emergency assistance for this program, $15.1 million (37.6 percent) less than the $40.1 million adjusted FY 2017 appropriation.					
Evaluation Data indicate that spending in FY 2017 is expected to come in below the level of appropriated funds. Accordingly, the Executive has already identified approximately $12.0 million in possible lapses from this account at the end of FY 2017. Spending in FY 2018 is expected to increase slightly relative to FY 2017, but remain well below the FY 2017 appropriation. The long-term trend in decreased spending reflects a multi-year decline in program participation, due to improving economic conditions, and efforts of State compliance teams to reverse assistance granted in violation of State regulations.					
STATE AID					
Payments for Cost of General Assistance (General Fund)	**$31,492**	**$34,963**	**$3,471**	**11.0%**	**D-213**
The non-emergency cash assistance segment of the General Assistance program is recommended to be funded at $35.0 million in FY 2018, all from the General Fund. The program provides cash assistance to extremely low-income individuals without dependent children.					
The $31.5 million FY 2017 adjusted appropriation is anticipated to be insufficient to meet FY 2017 spending trends so that the Office of Management and Budget expects a transfer of additional resources into the account before the end of the fiscal year. Specifically, Evaluation Data project that FY 2017 General Assistance expenditures would approximate $36.3 million.					

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page

Accordingly, the recommended FY 2018 appropriation of $35.0 million would represent a decrease from FY 2017 spending levels. Evaluation Data indicate that State expenditures are anticipated to be $34.9 million in FY 2018, a decrease from the $36.3 million anticipated to be spent in FY 2017. The State appropriated $40.9 million for these payments in FY 2016. Participation in the General Assistance program for FY 2018 is anticipated to decline by 611 individuals as compared to FY 2017, and 5,911 individuals fewer per month as compared to FY 2016. This is a continuation of the downward trend over the past several years.

STATE AID					
Work First New Jersey – Emergency Assistance	**$49,882**	**$47,829**	**($2,053)**	**(4.1%)**	**D-213**
Federal Funds	**$46,882**	**$44,829**	**($2,053)**	**(4.4%)**	
Other Funds	**$3,000**	**$3,000**	**$0**	**—**	

Recommended FY 2018 funding for emergency assistance for TANF recipient households is to decrease by $2.1 million (4.1 percent) from FY 2017 to $47.8 million. This amount is also $32.1 million (40.2 percent) lower than expenditures for this program in FY 2016.

According to Evaluation Data on page D-210, the decreased funding recommendation is based on an expected 278 (3.6 percent) fewer households receiving emergency assistance, down from 7,724 households in FY 2017 to 7,446 households in FY 2018. The FY 2018 estimate continues a downward trend and is also a significant decrease of 4,264 (36.4 percent) fewer households than the 11,710 households who received assistance in FY 2016.

STATE AID					
Payments for Supplemental Security Income (General Fund)	**$75,275**	**$69,493**	**($5,782)**	**(7.7%)**	**D-213**

The Governor recommends decreasing the General Fund appropriation for Payments for Supplemental Security Income by $5.8 million, to $69.5 million, in FY 2018. This decrease in appropriation is mostly due to the elimination of overfunding that is projected to occur in the account in FY 2017. Actual spending is expected to be $68.9 million in FY 2017, according to Evaluation Data on page D-210. The anticipated FY 2018 spending is approximately $704,000 more than anticipated spending in FY 2017, reflecting forecasted growth of 1,355 in the number of average monthly benefit recipients (1.0 percent).

This account funds the State's supplemental payments, burial assistance, and emergency assistance provided to recipients of federal Supplemental Security Income (SSI) benefits. SSI recipients are low-income persons age 65 years and older, or those who are blind or disabled.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
STATE AID					
State Supplemental Security Income Administrative Fee (General Fund)	**$20,438**	**$19,711**	**($727)**	**(3.6%)**	**D-213**

The Governor's FY 2018 Budget recommends a decrease of $727,000 (3.6 percent) for State Supplemental Security Income (SSI) Administrative Fees, to $19.7 million. Currently, these fees are paid to the federal Social Security Administration (SSA) for costs associated with administering the program. (States have the option of contracting with SSA to include state supplemental payments with the federal SSI payments).

A footnote on page D-211 indicates that the department expects that it will shift the administration of the SSI supplement from the SSA to the State of Pennsylvania in FY 2018. This shift is expected to significantly reduce the administrative fees that New Jersey incurs, without altering the value of SSI benefits provided to recipients. This transition would result in SSI beneficiaries receiving their benefits in two separate monthly payments, rather than the single payment they receive now. This transition had originally been anticipated to occur in January 2017. No information is available on the reason for the delay.

STATE AID					
Supplemental Nutrition Assistance Program Administration – State (PTRF)	**$24,225**	**$17,225**	**($7,000)**	**(28.9%)**	**D-213**

The Executive recommends reducing the expenditures for the administration of the Supplemental Nutrition Assistance Program (SNAP) by $7.0 million (28.9 percent). The source for this funding is the Property Tax Relief Fund. According to the Office of Management and Budget (OMB), the $7.0 million was previously added to this program to address backlogs and increasing enrollment since FY 2009 in Essex County. However, the OMB states that, at this time, the backlogs have been stabilized and the additional funding is no longer necessary.

According to Evaluation Data (page D-210), the average number of monthly households participating in the SNAP program is projected to decline by 14,843 (3.4 percent) in FY 2018. This continues a downward trend in enrollment.

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

Budget Item	Adj. Approp. FY 2017	Recomm. FY 2018	Dollar Change	Percent Change	Budget Page
Division of the Deaf and Hard of Hearing					
DIRECT STATE SERVICES					
Salaries and Wages	**$662**	**$482**	**($ 180)**	**(27.2%)**	**D-216**

The Governor's FY 2018 Budget Recommendation assumes $180,000 in salary savings at the Division of the Deaf and Hard of Hearing. According to the Office of Management and Budget, the reduction is the result of eliminating funded vacancies. Budget information suggests that the recommended FY 2018 appropriation for the salaries and wages of five positions catches up with the prior elimination of three funded positions in the division.

Significant Language Changes

DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES (DMHAS)

Transfer Authority

Addition

2017 Handbook: n/a
2018 Budget: p. D-177

In order to permit flexibility in the handling of appropriations and assure timely payment to service providers during the conversion to a fee-for-service reimbursement structure, funds may be transferred from the Community Care account to the Division of Children's System of Care in the Department of Children and Families to support mental health treatment programs for children, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language would permit the transfer of funds from the DMHAS Community Care account, which funds several mental health treatment programs, to similar accounts in the Department of Children and Families (DCF). This authority may facilitate the expansion of certain DCF-funded services to young adults, such as the Governor's proposal to allow residential substance use disorder treatment providers contracted with DCF to serve young adults aged 18 and 19.

Funding Source for Recovery Coaches Program

Revision

2017 Handbook: p. B-84
2018 Budget: p. D-177

Notwithstanding the provisions of any law or regulation to the contrary, ~~there is appropriated $2,300,000 to the Department of Human Services from the "Drug Enforcement and Demand Reduction Fund"~~ $1,300,000 from the "Alcohol Treatment Programs Fund", established pursuant to section 2 of P.L.2001, c.48, is appropriated to the Division of Mental Health and Addiction Services for the Opioid Overdose Recovery Program, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This recommended language revision would change the funding sources for the Opioid Overdose Recovery Program, also called the Recovery Coaches program. The $2.3 million appropriated from the dedicated Drug Enforcement and Demand Reduction Fund in FY 2017 would be replaced by $1.0 million from the General Fund and $1.3 million from the dedicated "Alcohol Treatment Programs Fund." The total FY 2018 recommended funding level for the program, including an anticipated federal grant to allow for Statewide expansion of the program, is $6.3 million.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

The Opioid Overdose Recovery Program is intended to assist individuals who have been reversed from opioid overdoses and treated at hospital emergency departments. The program employs trained Recovery Specialists and Patient Navigators to provide non-clinical assistance, recovery supports, and appropriate referrals to screening and treatment for substance use disorders. The program currently operates in 11 counties, and the State is awaiting approval of a federal grant to expand the program to the 10 remaining counties in the State.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS)

Funding for Accountable Care Organizations

Deletion

2017 Handbook: p. B-91
2018 Budget: n/a

~~Of the amounts hereinabove appropriated for Services Other Than Personal, an amount not to exceed $1,500,000, subject to the approval of the Director of the Division of Budget and Accounting, is allocated for support of efforts by the New Jersey approved Accountable Care Organizations (ACOs) to provide intensive management of high utilization Medicaid recipients with the goal of improving health outcomes and patient satisfaction while lowering costs; provided, however, that payments to an individual ACO shall not exceed $1,000,000 in State and matching federal funds per ACO and shall be made available to reimburse each approved ACO for administrative expenses.~~

Explanation

The Governor's FY 2018 Budget Recommendation does not continue the $1.5 million in State funding and $1.5 million in federal matching funds for the three Medicaid Accountable Care Organizations to support their efforts in coordinating care for high-risk patients. *Consequently, the Governor also recommends eliminating this language provision governing the expenditure of these funds.*

Eligibility Determination at Hospitals and FQHCs

Revision

2017 Handbook: p. B-92
2018 Budget: p. D-184

The appropriations within the General Medical Services program classification ~~shall be conditioned upon~~ are subject to the following conditions: the Division of Medical Assistance and Health Services (DMAHS), in coordination with the county welfare agencies, shall continue a program to outstation eligibility workers in disproportionate share hospitals and federally qualified health centers, provided, however, that if an alternate eligibility function at an outstanding location complies with the outstation process at 42 USC 1396a(a)(55), the County Welfare Agency worker may be removed from the outstation location.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

This language provision would allow county welfare agencies to remove their NJ FamilyCare eligibility workers from outstation locations in hospitals and federally qualified health centers, if an alternative eligibility determination function, provided, for example, by DHS-approved and -trained staff of the facility, is available at the site.

Prescription Drug Payment Methodology

Revision

2017 Handbook: p. B-93
2018 Budget: p. D-186

Notwithstanding the provisions of any law or regulation to the contrary~~,~~ and subject to ~~the~~ notice provisions of 42 ~~C.F.R.s.~~ CFR, Subchapter 447.205 where applicable, the amount hereinabove appropriated for fee-for-service prescription drugs in the General Medical Services program classification ~~are~~ is subject to the following conditions: ~~(1)~~ the maximum allowable cost for legend and non-legend drugs shall be calculated based on ~~the lowest of (i) the Estimated~~ Actual Acquisition Cost ~~(EAC),~~ (AAC) defined as ~~a drug's~~ the lowest of (i) the National Average Drug Acquisition Cost (NADAC) Retail Price Survey, in accordance with Section 1927(f) of the Social Security Act (SSA); (ii) Wholesale Acquisition Cost (WAC) less a volume discount of ~~one (1)~~ two (2) percent~~; (ii)~~ in the absence of a NADAC price; (iii) the federal upper limit (FUL); ~~or (iii)~~ (iv) the State upper limit ~~(SUL); and (iv)~~; (v) cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source and multi-source drugs ~~where an~~ in the absence of any alternative pricing ~~benchmark is not available; (2) pharmacy reimbursement for~~ benchmarks. For legend and non-legend drugs purchased through the 340B program, the maximum allowable cost shall be based on the 340B ceiling price, which is defined as Average Manufacturer's Price minus the Unit Rebate Amount (URA). In the absence of a 340B ceiling price, the alternative benchmark used shall be the Wholesale Acquisition Cost (WAC) minus a volume discount of twenty-five (25) percent. The 340B ceiling price or the alternative benchmark shall only apply when its price is the lowest compared to the pricing formulas described by (i.) through (v.) above. Reimbursement for covered outpatient drugs shall be calculated based on the ~~(i) the lowest~~ lower of the ~~EAC, FUL or SUL~~ AAC plus a ~~dispensing~~ professional fee of ~~$3.73 to $3.99~~ $10.92; or a provider's usual and customary charge; or (ii) the lower of cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source and multi-source drugs, where an alternative pricing benchmark is not available, plus a professional fee of $10.92; or a provider's usual and customary charge. To effectuate the calculation of SUL rates and/or the calculation of single-source and brand-name multi-source legend and non-legend drug costs where an alternative pricing benchmark is not available, ~~which is intended to be budget neutral,~~ the Department of Human Services shall mandate ongoing submission of current drug acquisition data by providers of pharmaceutical services~~. No~~ and no funds hereinabove appropriated shall be paid to any entity that fails to submit required data. Reimbursement for covered outpatient drugs dispensed to beneficiaries residing in long-term-care facilities shall be calculated based

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

on the lower of the AAC plus a professional fee of $10.92; or a provider's usual and customary charge; or (ii) the lower of cost acquisition data submitted by providers of pharmaceutical services for brand-name multi-source and multi-source drugs, where an alternative pricing benchmark is not available, plus a professional fee of $10.92; or a provider's usual and customary charge. To effectuate the calculation of SUL rates and/or the calculation of single-source and brand-name multi-source legend and non-legend drug costs where an alternative pricing benchmark is not available, the Department of Human Services shall mandate ongoing submission of current drug acquisition data by providers of pharmaceutical services. No funds hereinabove appropriated shall be paid to any entity that fails to submit required data.

Deletion

2017 Handbook: p. B-94
2018 Budget: n/a

~~Notwithstanding the provisions of any law or regulation to the contrary, of the amounts hereinabove appropriated to the General Medical Services program classification, the capitated dispensing fee payments to providers of pharmaceutical services for residents of nursing facilities shall be adjusted to reflect the reduced prescription volume disbursed by NJ FamilyCare as a primary payer since the implementation of the Medicare Part D program; provided that subject to the execution of a signed agreement by all affected long term care pharmacies and the Division of Medical Assistance and Health Services and the payment by all affected long term care pharmacies pursuant to such agreement, the capitated dispensing fee payments to providers of pharmaceutical services for residents of nursing facilities shall be modified and paid at the per diem equivalent of the retail pharmacy rate for the average number of prescriptions filled when NJ FamilyCare is the primary payer.~~

Revision

2017 Handbook: p. B-94
2018 Budget: p. D-187

Notwithstanding the provisions of any law or regulation to the contrary, ~~and subject to the notice provisions of 42 C.F.R. s.447.205 where applicable, the appropriation in~~ the appropriations for the General Medical Services program classification shall be conditioned upon the following ~~provisions: (a)~~ provision: reimbursement for the cost of physician – administered drugs shall ~~be consistent with reimbursement for legend and non-legend drugs; and (b) reimbursement~~ not exceed the lower of the Wholesale Acquisition Cost (WAC) for ~~physician~~ the drugs administered ~~drugs shall be limited to those drugs supplied by manufacturers who have entered into the federal Medicaid Drug Rebate Agreement and are subject to drug rebate rules and regulations consistent with this agreement. The Division~~ in a practitioner's office less a volume discount of ~~Medical Assistance and Health Services shall collect and submit utilization and coding information to the Secretary of~~ one (1) percent or the ~~United States Department of Health and Human Services for all single source drugs administered by physicians~~ practitioner's usual and customary charge.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor recommends revising several language provisions that govern payment methodologies for covered outpatient prescription drugs in NJ FamilyCare. These changes are made to comply with revised federal Medicaid regulations. The language applies only to prescription drug claims paid through the NJ FamilyCare fee-for-service program, and does not apply to the much larger number of claims paid through the managed care program. Generally, the new methodologies would have the effect of lowering payments for drug ingredients, while increasing dispensing and consultation fees. The Executive estimates that the net impact of the change on State spending would be negligible.

DIVISION OF AGING SERVICES

PAAD and Senior Gold Prescription Drug Payment Methodology

Revision

2017 Handbook: p. B-100
2018 Budget: p. D-194

Notwithstanding the provisions of any law or regulation to the contrary, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program classification and the Senior Gold Prescription Discount Program account shall be expended for fee-for-service prescription drug claims with no Medicare Part D coverage except under the following conditions: (1) the maximum allowable cost for legend and non-legend drugs shall be calculated based on ~~the lowest of (i) the Estimated~~ Actual Acquisition Cost ~~(EAC),~~ (AAC) defined as ~~a drug's~~ the lowest of (i) the National Average Drug Acquisition Cost (NADAC) Retail Price Survey, developed in accordance with Section 1927(f) of the Social Security Act; (ii) Wholesale Acquisition Cost (WAC) less a volume discount ~~of one (1) percent; (ii) the~~ , in the absence of a NADAC price, that is consistent with the NJ FamilyCare Program; (iii) the federal upper limit (FUL); or ~~(iii)~~ (iv) the State upper limit (SUL); and ~~(iv)~~ (v) cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source drugs ~~where an~~ and multi-source drugs in the absence of any alternative pricing ~~benchmark is not available~~ benchmarks; (2) pharmacy reimbursement for legend and non-legend drugs shall be calculated based on (i) the ~~lowest~~ lower of the ~~EAC, FUL, or SUL~~ AAC plus a ~~dispensing~~ professional fee ~~of $3.73 to $3.99~~, that is consistent with the NJ FamilyCare Program; or a provider's usual and customary charge; or (ii) the lower of cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source and multi-source drugs, where an alternative pricing benchmark is not available, plus a professional fee that is consistent with the NJ FamilyCare Program; or a provider's usual and customary charge. To effectuate the calculation of SUL rates and/or the calculation of single-source and brand-name multi-source legend and non-legend drug costs where an alternative pricing benchmark is not available, ~~which is intended to be budget neutral,~~ the Department of Human Services shall mandate ongoing submission of current drug acquisition data by providers~~,~~ of pharmaceutical services. No funds hereinabove appropriated shall be paid to any entity that fails to submit required data.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Revision

2017 Handbook: p. B-103
2018 Budget: p. D-197

Notwithstanding the provisions of any law or regulation to the contrary, no funds appropriated in the Pharmaceutical Assistance to the Aged and Disabled program classification and the Senior Gold Prescription Discount Program account shall be expended for fee-for-service prescription drug claims with no Medicare Part D coverage except under the following conditions: (1) the maximum allowable cost for legend and non-legend drugs shall be calculated based on ~~the lowest of (i) the Estimated~~ Actual Acquisition Cost ~~(EAC),~~ (AAC) defined as ~~a drug's~~ the lowest of (i) the National Average Drug Acquisition Cost (NADAC) Retail Price Survey, developed in accordance with Section 1927(f) of the Social Security Act; (ii) Wholesale Acquisition Cost (WAC) less a volume discount ~~of one (1) percent; (ii) the~~ , in the absence of a NADAC price, that is consistent with the NJ FamilyCare Program; (iii) the federal upper limit (FUL); or ~~(iii)~~ (iv) the State upper limit (SUL); and ~~(iv)~~ (v) cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source drugs ~~where an~~ and multi-source drugs in the absence of any alternative pricing ~~benchmark is not available~~ benchmarks; (2) pharmacy reimbursement for legend and non-legend drugs shall be calculated based on (i) the ~~lowest~~ lower of the ~~EAC, FUL, or SUL~~ AAC plus a ~~dispensing~~ professional fee ~~of $3.73 to $3.99~~, that is consistent with the NJ FamilyCare Program; or a provider's usual and customary charge; or (ii) the lower of cost acquisition data submitted by providers of pharmaceutical services for ~~single-source or~~ brand-name multi-source and multi-source drugs, where an alternative pricing benchmark is not available, plus a professional fee that is consistent with the NJ FamilyCare Program; or a provider's usual and customary charge. To effectuate the calculation of SUL rates and/or the calculation of single-source and brand-name multi-source legend and non-legend drug costs where an alternative pricing benchmark is not available, ~~which is intended to be budget neutral,~~ the Department of Human Services shall mandate ongoing submission of current drug acquisition data by providers, of pharmaceutical services. No funds hereinabove appropriated shall be paid to any entity that fails to submit required data

Explanation

The Pharmaceutical Assistance for the Aged and Disabled (PAAD) program and the Senior Gold Prescription Discount Program use the same methodologies as the NJ FamilyCare fee-for-service program to reimburse pharmacies for covered outpatient prescription drugs. This recommended language change corresponds to the recommended changes in the Division of Medical Assistance and Health Services, described above. The two separate language provisions correspond to the General Fund and Casino Revenue Fund appropriations.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Use of Federal Matching Funds for Long-Term Care Services and Supports

Addition

2017 Handbook: n/a
2018 Budget: p. D-194 to p. D-195

Notwithstanding the provisions of any law to the contrary, amounts hereinabove appropriated for Aging and Disability Resource Connections (ADRC) shall be conditioned upon the following: federal matching funds derived from ADRC or Area Agencies on Aging Medicaid costs, pursuant to an approved cost allocation plan, shall be disbursed to counties solely for the expansion of long term care services and supports for older adults and individuals seeking home and community based services.

Explanation

This recommended language provision would require that the State distribute federal Medicaid funds derived from Aging and Disability Resource Connections and Area Agencies on Aging to counties according to a cost allocation plan. The language also requires counties receiving these funds to use them only on long-term services and supports for those seeking home- and community-based services. According to the Office of Management and Budget, in the absence of this language, the counties would be free to expend the funds on any county program, regardless of its beneficiaries.

DEPARTMENTAL LANGUAGE

Allocation of Realty Transfer Fee Receipts

Addition

2017 Handbook: n/a
2018 Budget: p. D-220

Notwithstanding the provisions of any law or regulation to the contrary, of the amounts hereinabove appropriated for the Client Housing program, General Assistance Emergency Assistance Program, and the Social Services for the Homeless program, $41,500,000 shall be payable from the receipts of the portion of the realty transfer fee directed to be credited to the "New Jersey Affordable Housing Trust Fund" pursuant to section 4 of P.L.1968, c.49 (C.46:15-8) and from the receipts of the portion of the realty transfer fee directed to be credited to the "New Jersey Affordable Housing Trust Fund" pursuant to section 4 of P.L.1975, c.176 (C.46:15-10.1), subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor recommends using $41.5 million in revenues from the dedicated segment of the realty transfer fee to pay a portion of the costs of certain housing and homelessness prevention programs in the Department of Human Services, allowing non-dedicated General Fund revenues to be expended elsewhere.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Significant Language Changes (Cont'd)

Absent this language provision, realty transfer fee revenues dedicated for affordable housing would be deposited into the "New Jersey Affordable Housing Trust Fund," whose balances are intended to be used for the support of affordable housing construction and rehabilitation and grants to municipalities to fund "soft costs" associated with affordable housing development, such as engineering, architectural, and technical services. Since FY 2014, budget language has directed that a portion of dedicated realty transfer fee revenue also support the State Rental Assistance Program (SRAP), or about $18.5 million in FY 2017. Although this provision is not included in the FY 2018 Budget Recommendation, the Governor proposes instead to transfer $18.5 million from the New Jersey Housing Mortgage and Finance Agency to support SRAP in FY 2018.

GENERAL PROVISIONS

Health Care Subsidy Fund Appropriations

Revision

2017 Handbook: p. E-8
2018 Budget: p. F-10

84. Notwithstanding the provisions of section 8 of P.L.1992, c.160 (C.26:2H-18.58) or any other law or regulation to the contrary, ~~$353,185,000~~ $488,000,000 is appropriated from the Health Care Subsidy Fund to the Division of Medical Assistance and Health Services to fund Medical Coverage - Title XIX Parents and Children in the General Medical Services program classification.

Explanation

The Budget Recommendation would use $488.0 million from the Health Care Subsidy Fund to support Medicaid coverage of parents and children, an increase from the $353.2 million specified for this purpose in the FY 2017 Appropriations Act and the $411.5 million FY 2017 adjusted appropriation indicated on page H-12 of the Governor's Budget Recommendation. The increase is possible due to increasing revenues in the fund, and a $50 million reduction in Charity Care appropriations in the FY 2018 Budget Recommendation.

EXPLANATION: FY 2017 language not recommended for FY 2018 denoted by strikethrough.
Recommended FY 2018 language that did not appear in FY 2017 denoted by underlining.

Background Paper: Behavioral Health Fee-for-Service Transition

Budget Pages.... D-174 to D-175; D-182; D-204 to D-205; D-220

During FY 2018, the Department of Human Services plans to proceed with its efforts to reform its compensation model for many of its mental health and substance use disorder treatment service providers from cost-based reimbursement contracts to a fee-for-service reimbursement system. Transitions are occurring concurrently in both the Division of Mental Health and Addiction Services (DMHAS) and the Division of Developmental Disabilities (DDD), but the two transitions are being handled independently of one another and on different schedules.[1] This background paper concerns the transition for DMHAS providers only.

The reforms include several major components:

- 79 mental health provider agencies currently being paid by the State under cost-reimbursement contracts will convert to a fee-for-service reimbursement system for many services they provide, effective July 1, 2017.

- New reimbursement rates for most individual services in the mental health and addiction systems have already been implemented, which in most cases are higher than the previous fee-for-service rates.

- The Medicaid/NJ FamilyCare program has been expanded to cover behavioral health treatment services that were previously supported with State-only funding, and were not available to many NJ FamilyCare recipients.

The stated goals of the conversion are to create equity within the services system; increase system capacity; create greater access for individuals seeking treatment to the level of care needed; standardize reimbursement across providers; and create greater budgeting and expenditure flexibility for providers. The DMHAS has held several meetings with providers and other stakeholders to seek input and prepare them for the transition, and has provided information on the proposed reforms on its website, available at http://www.state.nj.us/humanservices/dmhas/initiatives/managed/. The OLS notes that the reforms will also allow the State to maximize federal reimbursement for these services through Medicaid.

The FY 2018 Budget Recommendation includes a $136.0 million appropriation for a Behavioral Health Rate Increase (page D-174) to support the new system, increased from the $127.8 million FY 2017 appropriation. This includes approximately $20.0 million from the General Fund, with the remainder offset by anticipated Enhanced Federal Match and Third-Party Recoveries (page-D-175).

According to the Department, 16 mental health provider agencies transitioned from cost-reimbursement to fee-for-service in January 2017, and an additional 79 agencies will be

[1] The transition within DDD involves other changes in the division's system of community services dating back at least to 2011. More detail on the broader changes was provided in a background paper entitled "Division of Developmental Disabilities – Transition in Services System" in the FY 2017 OLS Department of Human Services Budget Analysis.

Background Paper: Behavioral Health Fee-for-Service Transition (Cont'd)

required to make the shift in July 2017 for most categories of service.[2] Community support services are scheduled to transition in January 2018. Some other categories of service are exempt from the transition to fee-for-service, and will continue to be funded on a cost-reimbursement basis (though some of these exempt services are under consideration for transition to fee-for-service in the future). Available information indicates that nearly all DMHAS substance use disorder treatment providers who will be required to transition to fee-for-service have already done so.

Background on DMHAS Contracts

Historically, the DMHAS has provided most State financial support for community-based mental health and substance use disorder treatment programs. The traditional DMHAS system of community provider contracts is sometimes referred to as the "State-only" system because it is funded primarily from the General Fund, without federal Medicaid matching funds.[3]

Most community mental health providers are paid under cost-reimbursement contracts (also sometimes called deficit-funded contracts). In this payment model, providers receive a monthly payment at the predetermined contracted rate, regardless of the actual services provided to clients. At the end of the contract year, a close-out process reconciles payments that were made to providers with their actual costs, and the State reclaims excess payments. By contrast, a fee-for-service system requires providers to submit a claim for each unit of service that is delivered, at a standard rate set by the State, after the services have been delivered. A new schedule of fee-for-service rates for mental health and addiction services was established during FY 2017, under which most rates increased significantly from the previous fee-for-service rates.

Role of Medicaid

Providers that are also approved in the Medicaid system are obligated under their contracts to bill Medicaid for covered services provided to clients enrolled in Medicaid – even if the provider is otherwise being reimbursed under a cost-based reimbursement contract. Medicaid payments for behavioral health care services are nearly always fee-for-service, with rates that are slightly higher than rates for clients who are not enrolled in Medicaid.[4] Providers may become presumptive eligibility entities, meaning that they can screen individuals for Medicaid eligibility and temporarily enroll them, pending a formal determination of eligibility. The State earns a federal match on payments made through the Medicaid system, ranging from 50 percent to 95 percent in FY 2017, depending on the client served[5]. Payments from the Medicaid system are made from various line items in the Division of Medical Assistance and Health Services appropriations on pages D-181 to D-183. Budget language on page D-176

[2] http://www.state.nj.us/humanservices/dmahs/boards/maac/MAAC_Meeting_Presentations_4_13_17.pdf

[3] The State-only system is also supported by two federal block grants, and occasional other grants, but the State cannot increase federal funding by spending more, as it can under Medicaid, so any marginal change in overall funding for the State-only system typically affects only the General Fund.

[4] Behavioral health services for Managed Long Term Services and Supports (MLTSS) enrollees and DDD consumers are included in the risk-based managed care system, so providers must obtain reimbursement from these clients' managed care plans.

[5] Individuals who are newly eligible for Medicaid under the Affordable Care Act are matched at an enhanced rate. The rate is 95 percent in 2017, and is scheduled to gradually decline to 90 percent by 2020.

Background Paper: Behavioral Health Fee-for-Service Transition (Cont'd)

grants the Executive authority to transfer funds between the DMHAS and the Division of Medical Assistance and Health Services as needed to pay claims.

The number of Medicaid recipients receiving mental health and substance use disorder treatment has increased dramatically in recent years. The expansion of Medicaid under the Affordable Care Act has added hundreds of thousands of new enrollees, many of whom have mental health or substance use disorder diagnoses. Further, New Jersey adopted an "alternate benefit plan" for individuals who are eligible for coverage under the ACA Medicaid Expansion. Notably, the alternate benefit plan includes coverage for several substance use disorder treatment services: intensive outpatient, outpatient, partial care, short-term residential, medical and non-medical detoxification, intensive outpatient, and opioid treatment. Substance use disorder treatment covered by the pre-ACA NJ FamilyCare benefit plan is generally restricted to medical detoxification, methadone maintenance, and very limited outpatient treatment. In FY 2017 the State implemented the "True Up," which expanded the benefit package for non-ACA Medicaid enrollees to mirror the alternate benefit plan. Many clients served by the current State-only mental health and addictions system are already Medicaid-eligible, so the "True Up" allows the State to receive federal matching funds for these expenditures.

Reimbursement Rate Changes

The DMHAS has published on its website (see above) the reimbursement rate schedules for the fee-for-service system, most of which took effect during FY 2017. In most cases the proposed rates are greater than the previous fee-for-service rates. They cannot easily be compared to current cost-reimbursement rates, since the actual payments that providers will receive will be based on submitted claims instead of predetermined monthly amounts. The new structure includes different rates for claims billed to Medicaid or to the State-only system. Where services are eligible for Medicaid reimbursement, the proposed State-only rates are 90 percent of the Medicaid rates.

The specific rate structure was devised based on a rate study conducted by the consulting firm Myers & Stauffer, L.P. The rate study included substantial input from the State and its current providers, and was intended to build rates "from the ground up" that, averaged across the various categories of service, would reflect the actual costs borne by providers. The Executive estimated that the new rates would result in an overall increase of $127.8 million in expenditures in FY 2017, though it is not necessarily the case that every individual provider will receive more funding than under the pre-reform system.

Effects of Fee-for-Service Conversion

A fee-for-service model can offer providers several advantages over cost-reimbursement contracts. A fee-for-service system allows providers more control over their spending without seeking approval from the State; it allows providers to build financial reserves to address infrastructure, capital improvements, or other unforeseen events that carry a negative budget impact; and it allows them to expand their operations and earn more revenue from the State without prior permission. Providers will not be penalized for receiving charitable contributions or grants from other governmental entities, which had previously been deducted from their State payments as part of the contract closeout process. This flexibility for providers comes at the expense of State control over spending, so actual State spending will be more difficult to predict under a fee-for-service system.

Background Paper: Behavioral Health Fee-for-Service Transition (Cont'd)

Some providers may receive less State funding than they had under their cost-reimbursement contracts – particularly providers that have high overhead costs, provide services with relatively low reimbursement rates, or have patients who frequently miss appointments. The department has been continuously engaging with providers over these concerns, and has increased some rates and delayed implementation in attempt to address them. Nonetheless, some providers may struggle to remain financially sound in the new environment, and it is possible that the new system will lead to some consolidation among the affected provider communities.

Because providers will no longer be paid for vacant treatment slots or lower service levels, they may also find that their revenue is less predictable than it had been under the old system. Consequently, providers may need to market their services to clients to ensure they maximize billable services, and may find a need for a greater cash reserve in order to ensure their ability to meet costs when vacancies are unavoidable.

The conversion will also prove challenging for many providers, independent of the rate changes. As part of implementing the new system, the DMHAS will require all providers be approved by Medicaid, which requires compliance with many administrative requirements. Providers will have to develop some expertise in billing that was not required under the cost-reimbursement system, and may need training to use the new billing system being developed for mental health providers, the New Jersey Mental Health Payment Processing Application (NJMHAPP). The conversion to fee-for-service may negatively affect providers' cash flow during the transition, as payments will not be made until after services are provided. The DMHAS plans to allow providers the opportunity to request up to two months of contract payments as advanced payment against future fee-for-service revenue, but will require these advance payments to be repaid within the same fiscal year.

Background Paper: Proposed Federal Reforms to Medicaid

Budget Pages.... D-181 to D-183

The effort made thus far to repeal, modify or replace the Affordable Care Act (ACA) in Congress has centered on a bill entitled the American Health Care Act, H.R. 1628, as approved by the House Ways and Means, Energy and Budget Committees, as of March 20, 2017 (AHCA).[1] This bill has not yet been approved by either house of Congress, and appears likely to be amended before any further action is taken. In any event, most significant provisions of the bill would be delayed several years, and it is unlikely any federal health reform law will substantially affect the FY 2018 State budget.

Please note that the ACA is a complex law with many impacts on New Jersey, some of which have concluded and some of which would be ongoing if not modified or repealed. Some provisions affect the State budget directly, and some do so indirectly. The AHCA is also complex, and may similarly have direct or indirect effects on the budget. This background paper does not attempt to describe and discuss the impact of every provision of the AHCA, but will instead focus on those which appear most significant in their impact on New Jersey's Medicaid program, NJ FamilyCare. These include:

- **Effective January 2020, convert federal Medicaid funding to a per capita allotment and limit growth to the Consumer Price Index for medical care.** Total federal and State funding for Medicaid coverage would be capped at the spending level per capita in Fiscal Year 2016, adjusted annually for inflation, measured by the CPI-M, a price index of medical costs. Five different per capita caps would be calculated for five different populations (over 65 years of age, blind or disabled, children, parents, and ACA expansion adults). The cap would be applied in aggregate, so underspending in one category could be offset by overspending in another category. Medicaid spending has historically grown faster than the CPI-M, largely due to the combined effects of inflation, an aging population requiring more care, and expanding the services offered through Medicaid.

- **Effective January 2020, eliminate the enhanced matching rate for the Affordable Care Act's Medicaid expansion.** In New Jersey, this would reduce the matching rate from 90% to 50% for Medicaid expenses incurred on behalf of individuals made newly eligible for Medicaid under the ACA. The higher matching rate would continue to apply for individuals who were enrolled prior to this date who maintain continuous coverage. The FY 2018 State budget projects that the ACA Medicaid expansion will cover approximately 550,000 residents in State Fiscal Year 2018, at a cost of approximately $3.4 billion (gross).

- **Repeals ACA individual mandate** by eliminating the tax penalty for not having minimum essential coverage effective January 1, 2016. Although not directly affecting the Medicaid program, elimination of the individual mandate may lead to a decrease in the number of people applying for Medicaid benefits in order to satisfy the mandate, and therefore decrease the number enrolled in the program.

[1] This background paper relies primarily on information provided by Federal Funds Information for States (FFIS) and the Henry J. Kaiser Family Foundation for descriptions of provisions of the AHCA.

Background Paper: Proposed Federal Reforms to Medicaid (Cont'd)

- **Effective immediately upon enactment, prohibit Medicaid funding for Planned Parenthood clinics for one year.** Information provided to the OLS suggests that New Jersey Planned Parenthood clinics receive approximately $7.7 million annually, but this has not been verified. The current State share is probably well less than half of this total, because family planning services and supplies are eligible for an enhanced 90% federal matching rate.

- **Effective January 2020, repeal the essential health benefits requirement for the ACA expansion population.** In New Jersey, the primary effect of the essential health benefits requirement was to expand coverage of outpatient treatment for substance use disorder treatment services. New Jersey has elected to expand these benefits to all NJ FamilyCare enrollees, not just the ACA expansion population. Prior to the ACA, Medicaid coverage of these services was extremely limited. The expansion of Medicaid coverage of these services has supported several initiatives related to the State's response to the opioid crisis, such as shifting formerly State-only expenses to Medicaid and providing rate increases for providers.

- **Impose certain stricter eligibility requirements (most effective October 2017).** These restrictions include a requirement to reassess Medicaid eligibility every six months, rather than yearly, for ACA expansion populations; eliminate the three-month retroactive eligibility option; repeal authority for hospitals to deem patients presumptively eligible for Medicaid (effective 2020); change the treatment of lump-sum payments such as lottery winnings; tighten requirements to prove citizenship/immigration status; and limiting permissible home equity.

- **Provide enhanced federal funding for certain information technology infrastructure development and related administrative expenses for FY 2018 and 2019.** Increased matching rates (increasing from 90% to 100% for certain expenses, and 50% to 60% for others) may save the State several million dollars, depending on expenditures undertaken in the eligible time period.

- **Give States the option to convert part of Medicaid into a block grant.** Details on how this option would work are not yet available. Generally speaking, block grants provide a predictable, fixed sum of money to the State for specified purposes, which would not change in value based on enrollment or costs. Under a block grant, states would have more flexibility in determining eligible populations and services. It is unlikely that a block grant option would be attractive for a state unless that state plans to shrink its Medicaid program. A block grant would not automatically change in value based on enrollment, which would mean that the State would have no automatic boost in federal support during an economic downturn, when enrollment is likely to increase.

- **Work Requirements.** Currently, Medicaid does not require any beneficiary to engage in any employment or other work-related activity as a condition of participation – which is unlike most other means-tested federal benefits such as Temporary Assistance to Needy Families (TANF) or the Supplemental Nutrition Assistance Program (SNAP, also called Food Stamps). The legislation would allow states to impose similar requirements on able-bodied adults without dependent children. Even before this option was added to the AHCA, the Administration signaled its openness to work requirements that could be established through waiver authority.

Background Paper: Proposed Federal Reforms to Medicaid (Cont'd)

- **Eligibility restrictions and beneficiary cost sharing.** Outside of the text of the AHCA itself, the new administration has signaled its interest in granting states greater flexibility in their Medicaid programs through waivers. Additional flexibility options, if authorized, are likely to include those sought by other states in recent years, such as establishing lower income thresholds for certain populations or imposing asset tests where such tests do not currently apply. Some states have sought to limit or eliminate certain required services, such as non-emergency transportation. Some states have also sought authority to impose greater beneficiary cost sharing, through premiums and/or co-payment obligations, sometimes combined with incentives or requirements to use health saving accounts. Such options could become objects of negotiation as the State seeks federal approval for its Section 1115 demonstration waiver, which was submitted in January and is currently pending CMS approval.

The ultimate effect of these changes would depend substantially on policy decisions to be made by the State. By far the largest financial impact in the near term is the reduction in the matching rate for the ACA expansion population. There are currently approximately 550,000 New Jersey residents enrolled in the ACA expansion (about 350,000 childless adults and 200,000 parents earning more than the traditional Medicaid income limit for parents), at a cost approximately $3.4 billion (gross). The difference between the currently scheduled federal matching rate for 2020 and the rate included in the AHCA, if applied to the current population and costs, would result in an increased State share of nearly $1.4 billion annually.

The "grandfather" provision, which allows continuously enrolled individuals to retain the higher matching rate, would slow the growth in State costs somewhat, but individuals in this population tend to move in and out of Medicaid eligibility frequently, so it is likely that the population receiving the 90% match would decline quickly, being replaced by a population receiving the regular 50% match.

If New Jersey opted to curtail part or all of the ACA expansion, it would save the State the associated costs, though costs could increase in other areas of the State budget, such as Charity Care and mental health and addiction programs. The current ACA Medicaid expansion is not required by legislation in New Jersey, so absent any action by the Legislature, the Governor would hold the authority to make decisions on whether or how to modify the expansion.

Over a term of a decade or longer, the per capita cap would have a transformative impact on the financing of NJ FamilyCare. Because the cap would be set based on a fairly recent base year (2016) and would grow with medical inflation, the difference between actual spending and the total cap would be fairly small in early years. But it would grow over time as actual spending growth outstrips projected growth in the CPI-M, forcing the State to limit the growth in expenditures or paying the difference from State funds. By terminating the open-ended structure of Medicaid, the incentive for the State to structure new health care programs around Medicaid would cease, and new initiatives would likely be planned as independent programs funded entirely with State resources.

As constructed in the bill, any particular year's cap would not be finalized until after the fiscal year had ended, when a reconciliation process would claw back any federal overpayments – a potentially large, unpredictable element that would be introduced into the State budget process. The per capita cap would not automatically adjust, as the current

Background Paper: Proposed Federal Reforms to Medicaid (Cont'd)

Medicaid program does, when a public health crisis or new innovation leads to an increase in per capita spending.

The mandatory changes in eligibility rules would lead to an indeterminate decrease in enrollment and associated costs, which could begin to take effect in State Fiscal Year 2018. Most notably, the requirement to re-determine eligibility every six months is likely to cause many Medicaid recipients to lose coverage due to failure to submit documents or a fluctuation in their financial status that makes them temporarily ineligible. New Jersey relies extensively on hospital presumptive eligibility to initiate people into Medicaid; terminating this authority would similarly reduce overall enrollment (and shift many hospital claims from Medicaid to Charity Care). Other provisions of the AHCA not directly related to Medicaid may indirectly decrease enrollment, such as eliminating the tax penalty for those without health insurance.

Also effective in SFY 2018, it is possible that the Planned Parenthood defunding could translate to unanticipated State costs. The State could opt to cover any shortfall with its own funds. It is possible that the State's current contracts with these clinics might require this expenditure, even if federal matching funds are not available. The OLS does not have data to estimate the cost to the State, but it would likely be several million dollars.

Whatever policy decisions made by the State, the number of New Jersey residents without health insurance is likely to increase as a result of the AHCA. A larger number of uninsured residents would almost certainly lead to an increase in uncompensated care provided by the State's hospitals. The State's spending on subsidies for charity care is customarily set by the State budget, overriding the statutory formula, so the OLS cannot determine how State costs related to charity care would change under the AHCA.

Prior to the ACA, hospitals delivered about $1.03 billion in uncompensated care annually (priced at Medicaid rates) and received charity care subsidies totaling approximately $700 million. The amount of uncompensated care has dropped to approximately $479.6 million annually in 2015, and the Governor recommends $252 million for charity care subsidies in FY 2018. These expenditures are eligible for matching federal Medicaid Disproportionate Share Hospital (DSH) funds, which are subject to a ceiling, and so might become State-only expenses if they grow particularly large. When including other direct hospital subsidies such as Graduate Medical Education, total direct hospital subsidies have fallen from about $1 billion annually prior to the ACA to approximately $700 million recommended for FY 2018.

OFFICE OF LEGISLATIVE SERVICES

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Individuals wishing information and committee schedules on the FY 2018 budget are encouraged to contact:

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