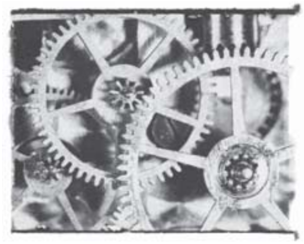

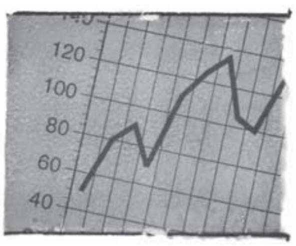

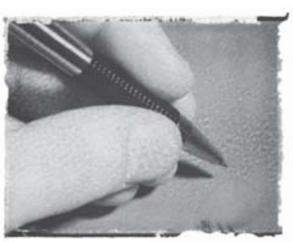

ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HUMAN SERVICES

FISCAL YEAR 2018-2019

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • MAY 2018

NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Sarah M. Schmidt.

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DEPARTMENT OF HUMAN SERVICES

Budget Pages .... C-5; C-12; C-19 to C-20; C-23; D-177 to D-222; G-5 to G-6; H-11

Fiscal Summary ($000)

	Expended FY 2017	Adjusted Appropriation FY 2018	Recommended FY 2019	Percent Change 2018-19
State Budgeted	$5,647,123	$5,742,372	$5,962,502	3.8%
Federal Funds	9,397,484	9,593,638	10,223,029	6.6%
Other	1,608,940	1,735,388	1,707,440	(1.6%)
Grand Total	$16,653,547	$17,071,398	$17,892,971	4.8%

Personnel Summary - Positions By Funding Source

	Actual FY 2017	Revised FY 2018	Funded FY 2019	Percent Change 2018-19
State	3,500	3,273	3,288	0.5%
Federal	3,395	3,238	3,198	(1.2%)
Other	32	30	55	83.3%
Total Positions	6,927	6,541	6,541	0.0%

FY 2017 (as of December) and revised FY 2018 (as of January) personnel data reflect actual payroll counts. FY 2019 data reflect the number of positions funded.

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

Highlights

The Governor's Budget recommends a total of $17.89 billion (gross) for the Department of Human Services (DHS) in FY 2019, an increase of $821.6 million (4.8 percent) from the $17.07 billion in FY 2018 adjusted appropriations. State funds account for $5.96 billion of the total FY 2019 recommendation, representing an increase of $220.1 million (3.8 percent) from adjusted FY 2018 State appropriations of $5.74 billion. Anticipated federal funds account for $10.22 billion of the FY 2019 recommendation, representing an increase of $629.4 million (6.6 percent) from the FY 2018 adjusted appropriation of $9.59 billion. Anticipated other funds account for $1.71 billion, decreasing by $27.9 million (1.6 percent) over the FY 2018 adjusted appropriation of $1.74 billion.

The largest increases 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; and changes in federal law.

The DHS includes four 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 2019 are relatively small and nearly unchanged from their FY 2018 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 Medical Assistance and Health Services

The Division of Medical Assistance and Health Services (DMAHS) is 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 2019 Budget recommends a net increase of $724.1 million (5.4 percent) in gross funding for the division, to a total of $14.19 billion. State appropriations are to increase by $241.9 million to $4.38 billion; federal funds by $478.6 million to $8.25 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, by $1.56 billion.

- Grants-in-Aid appropriations for NJ FamilyCare increase by $725.8 million (5.5 percent) from FY 2018 to $13.95 billion. State appropriations contribute $4.35 billion to the total, which exceeds revised FY 2018 appropriations by $243.4 million (5.9 percent). Of the increase, $92.3 million is attributable to the reinstatement in calendar year 2018 of the federal Affordable Care Act (ACA) Health Insurance Providers Fee that NJ FamilyCare managed care plans must pay to support the ACA health insurance exchanges; $84.0 million to service utilization trends; and $29.5 million to a reduced federal Medicaid match for eligible expenditures for the ACA expansion population.

- The Governor's FY 2019 Budget assumes the continuation of a multi-year initiative to prioritize the provision of community-based services to NJ FamilyCare recipients in need of long-term care. The community-based program is expected to grow by over

Highlights (Cont'd)

4,000 new enrollees, thereby raising total enrollment to 29,802. The total number of nursing home placements, in contrast, is projected to fall by almost 250 to 24,925.

- The Governor proposes eliminating funding for three initiatives that the Legislature included in the FY 2018 Appropriations Act: a) $3.0 million in State and federal funding to support the efforts of the Medicaid Accountable Care Organization demonstration project in coordinating care for high-risk patients in Camden, Trenton, and Greater Newark, which is set to expire at the end of the current fiscal year; b) $3.0 million in State funding to pay for a higher personal needs allowance rate for nursing home recipients; and c) $10.5 million in State and federal funds for an increase in NJ FamilyCare per diem nursing home reimbursement rates.

- The Governor recommends appropriating $2.3 million in State funds to pay for the expansion of Medicaid coverage for family planning services to individuals with incomes up to 200 percent of the federal poverty level under P.L.2018. c.1.

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.

- The Governor's FY 2019 Budget recommends $261.2 million in gross appropriations for the DoAS, a decrease of $8.0 million (3.0 percent) from the FY 2018 adjusted appropriation. State appropriations from the General Fund, Casino Revenue Fund, and Property Tax Relief Fund are recommended to decrease by $9.5 million (7.4 percent), to $118.8 million. Anticipated federal funds and other dedicated revenues make up $86.0 million and $56.4 million of the division's recommended budget, respectively.

- 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 $9.5 million less than the FY 2018 appropriations due to the expected continuation of long-term enrollment declines.

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.

Highlights (Cont'd)

- DDD is anticipated to spend $1.81 billion in FY 2019, $29.0 million (1.6 percent) more than in FY 2018, including: $918.2 million in State appropriations from the General Fund and Casino Revenue Fund; $879.8 million in federal funds; and $15.0 million from All Other Funds.

- Gross funding for the five State developmental centers is recommended to decrease by $18.2 million (6.0 percent), to $284.9 million with State appropriations accounting for $17.3 million of the decline. The continued initiative to move individuals from the developmental centers into the community drives the funding decrease. The average daily population for all centers is projected to fall by 88 (6.5 percent), while 125 vacant State-funded positions (5.8 percent of the total) are to be eliminated.

- Gross funding for DDD Community Programs is proposed to increase by $47.2 million (3.2 percent) to $1.53 billion with State appropriations accounting for $14.3 million of the increase.

- The combined gross appropriations for the Community Care Program and the Supports Program are recommended to increase by $78.7 million (6.4 percent) to $1.32 billion. State appropriations for the programs would increase by $19.7 million (3.0 percent) to $674.7 million. The increases are reflective of the department's continued shift of most DDD services to the two Medicaid-eligible community-based programs.

- A decline of $29.4 million in the Client Housing appropriation is attributable to the phase-out of client contributions toward the cost of DDD-provided services as part of the ongoing shift to a new voucher-based housing cost subsidy policy for DDD clients living in State-licensed residential facilities.

- New language would authorize the DDD to effect supplemental appropriations of unspecified, unlimited amounts to the Community Programs Grants-in-Aid accounts in the course of the fiscal year and without additional legislative approval. This language is intended to ensure the timely payment of service providers.

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.

- Funding for the division is recommended to increase by $81.5 million (5.8 percent), to $1.50 billion (gross).[1] Of this amount, $471.0 million represents State appropriations from the General Fund and Property Tax Relief Fund, $969.7 million is federal funds,

[1] Gross total includes Revolving funds displayed on page C-23 as "Income Maintenance Management" but not within the department recommendation on pages D-212 to D-218.

Highlights (Cont'd)

and $62.7 million is expected from All Other Funds. Total State appropriations would decrease by $7.7 million (1.6 percent), largely reflecting service utilization trends during improving economic conditions.

- The Governor proposes increasing the Earned Income Tax Credit (EITC) from 35 percent to 37 percent of the federal benefit in FY 2019. The Executive anticipates a $7.6 million increase in the amount of tax credit costs that can be billed to the federal TANF block grant due to the EITC expansion in FY 2019.

- 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 FY 2019. This change is expected to reduce administrative costs by $6.2 million in FY 2019.

- The Governor recommends discontinuing a $2.0 million appropriation to Volunteers of America Delaware Valley to provide enhanced navigation and coordination of housing and homeless services that the Legislature added to the FY 2018 Appropriations Act.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2017	Adj. Approp. FY 2018	Recom. FY 2019	Percentage Change 2017-19	Percentage Change 2018-19
General Fund					
Direct State Services	$262,644	$268,001	$242,237	(7.8%)	(9.6%)
Grants-In-Aid	4,910,504	5,002,595	5,221,886	6.3%	4.4%
State Aid	214,784	186,434	171,147	(20.3%)	(8.2%)
Capital Construction	93	0	0	(100.0%)	0.0%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	**$5,388,025**	**$5,457,030**	**$5,635,270**	**4.6%**	**3.3%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	0.0%	0.0%
Grants-In-Aid	0	0	4,000	----	----
State Aid	54,366	80,934	88,495	62.8%	9.3%
Sub-Total	**$54,366**	**$80,934**	**$92,495**	**70.1%**	**14.3%**
Casino Revenue Fund	$204,732	$204,408	$234,737	14.7%	14.8%
Casino Control Fund	$0	$0	$0	0.0%	0.0%
State Total	**$5,647,123**	**$5,742,372**	**$5,962,502**	**5.6%**	**3.8%**
Federal Funds	$9,397,484	$9,593,638	$10,223,029	8.8%	6.6%
Other Funds	$1,608,940	$1,735,388	$1,707,440	6.1%	(1.6%)
Grand Total	**$16,653,547**	**$17,071,398**	**$17,892,971**	**7.4%**	**4.8%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2017	Revised FY 2018	Funded FY 2019	Percentage Change 2017-19	Percentage Change 2018-19
State	3,500	3,273	3,288	(6.1%)	0.5%
Federal	3,395	3,238	3,198	(5.8%)	(1.2%)
All Other	32	30	55	71.9%	83.3%
Total Positions	**6,927**	**6,541**	**6,541**	**(5.6%)**	**0.0%**

FY 2017 (as of December) and revised FY 2018 (as of January) personnel data reflect actual payroll counts. FY 2019 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percentage	62.3%	57.4%	N/A	----	----

Significant Changes/New Programs ($000)

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

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

Note: The Governor's FY 2019 Budget displays the Division of Medical Assistance and Health Services budget lines in a gross budget format, indicating the aggregated total of State, Federal, and Other Funds. Below, the OLS disaggregates each line into its various components, as applicable.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Direct State Services: Services Other Than Personal TOTAL	**$14,407**	**$11,407**	**($3,000)**	**(20.8%)**	**D-186**
General Fund	**$4,436**	**$2,936**	**($1,500)**	**(33.8%)**	
Federal Funds	**$9,971**	**$8,471**	**($1,500)**	**(15.0%)**	

The Governor's FY 2019 Budget discontinues the $3.0 million of federal and State funds within the Health Services Administration and Management program classification that was included in the FY 2018 Appropriations Act by the Legislature to support the State's three Medicaid Accountable Care Organizations (ACOs), located in Camden, Trenton, and Newark. The Governor also proposes to discontinue related language that specified that payments to an individual ACO could not exceed $1.0 million.

Medicaid ACOs are authorized through a Medicaid demonstration project, pursuant to P.L.2011, c.114 (N.J.S.A.30:4D-8.1 et seq.). Under the law, the demonstration project is set to expire at the end of this fiscal year. 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.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Direct State Services: Special Purpose: NJ KidCare -- Administration TOTAL	**$16,574**	**$17,398**	**$824**	**5.0%**	**D-186**
Federal Funds	**$12,773**	**$14,320**	**$1,547**	**12.1%**	
Other Funds	**$3,801**	**$3,078**	**($723)**	**(19.0%)**	

The Executive recommends increasing the appropriation for the administration of the NJ KidCare program, more commonly referred to as the Children's Health Insurance Program

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

(CHIP), by $824,000 in FY 2019. The Executive projects 1.2 percent growth in the average monthly CHIP enrollment from 202,235 in FY 2018 to 204,732 in FY 2019 (page D-184).

In addition, because of an enhanced federal match a larger share of the total appropriation is proposed to be shifted from the dedicated Health Care Subsidy Fund (HCSF) to federal funds in FY 2019.

Administered under P.L.1997, c.263, the HCSF receives its revenues from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. It is anticipated to collect $820.4 million in FY 2019 (page H-11). Fund expenditures support Statewide health care initiatives.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: ACA Health Insurance Providers Fee TOTAL	**$3,000**	**$258,672**	**$255,672**	**8,522.4%**	**D-186**
General Fund	**$0**	**$92,272**	**$92,272**	**----**	
Federal Funds	**$3,000**	**$166,400**	**$163,400**	**5,446.7%**	

This appropriation represents the fees owed by NJ FamilyCare managed care plans to support the health insurance exchanges, established under the federal Affordable Care Act. Federal law sets the total annual fee amount to be collected and then divides it among United States health insurance carriers based on each carrier's share of aggregate net premiums written for health insurance in the United States.

Congress waived the fees for calendar year 2017, so no appropriation from the General Fund was recommended for FY 2018. The fee will be collected for calendar year 2018, hence the $258.7 million appropriation in FY 2019. The "Federal Register Printing Savings Act of 2017" renewed the moratorium on the assessment in calendar year 2019.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Medical Coverage – Aged, Blind and Disabled TOTAL	**$2,891,791 S $29,652**	**$2,888,999**	**($32,444)**	**(1.1%)**	**D-187**
General Fund	**$1,428,419 S $29,652**	**$1,430,844**	**($27,227)**	**(1.9%)**	
Federal Funds	**$1,463,372**	**$1,458,155**	**($5,217)**	**(0.4%)**	

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Evaluation Data on page D-183 indicate that total spending for aged, blind and disabled Medicaid recipients is expected to increase by $12.1 million from $3.175 billion in FY 2018 to $3.188 billion in FY 2019 (combining data for those enrolled in Medicare and Medicaid, and those enrolled only in Medicaid). The appropriation in the budget line pays for most of the program expenditures. Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources provide for the remainder, thereby reducing the appropriation amount needed to cover projected program expenditures.

The Office of Management and Budget generally exercises discretion in allocating total Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources (projected at $980.6 million in FY 2019) to the various Medicaid budget lines.

The recommended $32.4 million net decrease in the appropriation primarily reflects an increased allocation of total Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources to the budget line. Specifically, offsetting allocations are projected to increase by about $45.0 million from about $254.0 million in FY 2018 to about $299.0 million in FY 2019. After adjusting for the increased offset, the recommended program appropriation increases by $12.1 million as a result of changes in the projected number of program participants and the projected average cost per participant, which are affected by an increase in reimbursement rates for most personal care services pursuant to P.L.2017, c.239. According to the OMB, this increase totals $16.9 million across the several Medicaid budget lines.

This account represents most health care coverage costs for aged, blind, and disabled individuals eligible for Medicaid on the basis of certain financial and 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.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Medicaid Long-Term Care Services TOTAL	$2,705,651	$2,997,047	$291,396	10.8%	
General Fund	$1,196,172	$1,326,385	$130,213	10.9%	
Federal Funds	$1,379,479	$1,540,662	$161,183	11.7%	
Other Funds	$130,000	$130,000	$0	0.0%	
Medical Coverage – Community-Based Long Term Care Recipients	$918,945	$1,773,141	$854,196	93.0%	D-187
Medical Coverage – Nursing Home Residents	$1,786,706	$1,223,906	($562,800)	(31.5%)	D-187

The Governor's FY 2019 Budget includes two lines for Medicaid recipients who receive long-term care services: Community-Based Long Term Care Recipients and Nursing Home Residents. The $291.4 million increase in the combined appropriations reflects $260.0 million growth attributable to service utilization projections and $31.4 million attributable to reduced Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources that are routinely used to offset appropriation amounts that would otherwise be needed to cover projected program expenditures. The Office of Management and Budget (OMB) generally exercises discretion in allocating the offsetting resources (projected at $980.6 million in FY 2019) to the various Medicaid budget lines.

Evaluation Data on page D-183 indicate that total spending for the two Medicaid populations is expected to rise by $260.0 million from $2.766 billion in FY 2018 to $3.026 billion in FY 2019. Some $253.3 million of the increase is projected to occur in the community-based Medicaid segment and the remaining $6.7 million in the nursing home segment. The uneven increases stem from the ongoing multi-year initiative to provide lower-cost community-based services (projected FY 2019 cost per client of $42,200) to long-term care Medicaid clients rather than to place them in nursing homes (projected FY 2019 cost per client of $71,000).

The Community-Based Long Term Care Recipients line represents most health care coverage costs for NJ FamilyCare recipients who are receiving community-based long-term care services through 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 matching rate for costs in this Medicaid category is 50 percent.

Evaluation Data show that expenditures for community-based services are to increase by $253.3 million from $1.004 billion in FY 2018 to $1.257 billion in FY 2019 as a result of

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

projected increases in enrollment and average per-client costs. These amounts differ significantly from those displayed in the budget line. The OMB confirmed that the Evaluation Data represented program utilization trends more accurately than the budget line.

Specifically, the Executive projects the average monthly community-based Medicaid population at 25,729 in FY 2018 and 29,802 in FY 2019. The annual cost per participant, in turn, is estimated to increase by $3,165 from $39,029 in FY 2018 to $42,194 in FY 2019. According to the OMB, the average cost growth reflects changes in the payment model for providers of long-term care services that effectively increase payments for services provided for the community-based population relative to the nursing home population.

In addition, the budget line is affected by an increase in reimbursement rates for most personal care services pursuant to P.L.2017, c.239. According to the OMB, this increase is distributed over several Medicaid budget lines and totals $16.9 million.

The Nursing Home Residents budget line represents most health care coverage costs for NJ FamilyCare recipients who are residents of nursing facilities. The federal matching rate for costs in this Medicaid category is 50 percent. Evaluation Data show that expenditures for the nursing home population are to rise by a net $6.7 million from $1.762 billion in FY 2018 to $1.769 billion in FY 2019. These totals differ significantly from those in the budget line. The OMB confirmed that the Evaluation Data represented program utilization trends more accurately than the budget line.

The relatively small increase in funding for nursing home care is on account of several countervailing changes. First, the ongoing multi-year initiative through the MLTSS program to expand community-based services and reduce nursing home placements results in a moderate projected decline in nursing home enrollment from 25,171 placements in FY 2018 to 24,925 in FY 2019. Second, the Executive projects that the average annual cost of placing a Medicaid recipient in a nursing home will increase by $960 from $70,008 to $70,968, a significantly smaller increase than the $3,165 growth in the community-based program. Third, a proposed reduction in the personal needs allowance rate for nursing home recipients lowered the recommended FY 2019 appropriation by $3.0 million. The Legislature had included the $3.0 million, along with associated language, in the FY 2018 Appropriations Act. The current $50 minimum monthly personal needs allowance would be reduced to $40 (a $30 federal allowance plus a $10 supplemental) for individuals whose only source of income is Supplemental Security Income (SSI) benefits, and $35 for Medicaid recipients with income other than SSI benefits. Fourth, the budget line is affected by an increase in reimbursement rates for most personal care services pursuant to P.L.2017, c.239. According to the OMB, this increase is distributed over several Medicaid budget lines and totals $16.9 million.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Medical Coverage – Title XIX Parents and Children TOTAL	**$2,233,262**	**$2,096,755**	**($136,507)**	**(6.1%)**	**D-187**
General Fund	**$583,486**	**$504,697**	**($78,789)**	**(13.5%)**	
Federal Funds	**$1,131,146**	**$1,083,422**	**($47,724)**	**(4.2%)**	
Other Funds	**$518,630**	**$508,636**	**($9,994)**	**(1.9%)**	

Evaluation Data on pages D-183 and D-184 indicate that total spending for Title XIX Medicaid recipients who are parents and children is expected to decrease by $67.9 million from $2.393 billion in FY 2018 to $2.325 billion in FY 2019. The appropriation in the budget line pays for most of the program expenditures. Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources provide for the remainder, thereby reducing the appropriation amount needed to cover projected program expenditures. The Office of Management and Budget (OMB) generally exercises discretion in allocating these offsetting Medicaid resources (projected at $980.6 million in FY 2019) to the various Medicaid budget lines.

The recommended $136.5 million decline in the appropriation is the cumulative effect of two changes. First, the OMB intends to increase the allocation of total Medicaid offsetting resources to the budget line by about $69.0 million from about $159.0 million in FY 2018 to about $228.0 million in FY 2019. After adjusting for the increased offset, the recommended program appropriation decreases by another $67.9 million as a result of moderate declines in the projected number of enrollees and the projected average cost per enrollee.

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. A portion of the State share of costs, represented as Other Funds in the Budget, is paid from the Health Care Subsidy Fund (HCSF).

Administered under P.L.1997, c.263, the HCSF receives its revenues from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. It is anticipated to collect $820.4 million in FY 2019 (page H-11). Fund expenditures support Statewide health care initiatives.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Medical Coverage – Title XXI Children TOTAL	**$450,456**	**$471,640**	**$21,184**	**4.7%**	**D-187**
Federal Funds	**$420,946**	**$427,808**	**$6,862**	**1.6%**	
Other Funds	**$29,510**	**$43,832**	**$14,322**	**48.5%**	

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Evaluation Data on page D-184 indicate that the expected $21.0 million increase in Medicaid spending for children covered under Title XXI is due to projected slight increases in enrollment and per-enrollee expenses. Specifically, the average monthly enrollment is forecast to increase by 2,497 children from 202,235 in FY 2018 to 204,732 in FY 2019. Per-enrollee costs, in turn, are estimated to grow by $76 from $2,228 in FY 2018 to $2,304 in FY 2019. The OMB does not apply offsetting Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources to this budget line.

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 dedicated funds from clients' cost share and the Health Care Subsidy Fund. Of the $14.3 million increase in State funds to this account, $13.9 million is from the Health Care Subsidy Fund (HCSF).

Administered under P.L.1997, c.263, the HCSF receives its revenues from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. It is anticipated to collect $820.4 million in FY 2019 (page H-11). Fund expenditures support Statewide health care initiatives.

Grants-in-Aid: Medical Coverage – ACA Expansion Population TOTAL	**$3,029,466**	**$3,249,212**	**$219,746**	**7.3%**	**D-187**
General Fund	**$192,748**	**$241,984**	**$49,236**	**25.5%**	
Federal Funds	**$2,836,718**	**$3,007,228**	**$170,510**	**6.0%**	

Evaluation Data on page D-184 indicate that total spending for Medicaid enrollees under the Affordable Care Act's eligibility expansion is expected to increase by $84.0 million from $3.590 billion in FY 2018 to $3.674 billion in FY 2019. The appropriation in the budget line pays for most of the program expenditures. Medicaid cost recoveries, pharmaceutical manufacturer rebates, and prior year resources provide for the remainder, thereby reducing the appropriation amount needed to cover projected program expenditures. The Office of Management and Budget (OMB) generally exercises discretion in allocating these offsetting resources (projected at $980.6 million in FY 2019) to the various Medicaid budget lines.

The recommended $219.7 million increase in the appropriation is the cumulative effect of two changes. First, the OMB intends to reduce the allocation of offsetting resources to the budget line by about $136.0 million from approximately $561.0 million in FY 2018 to about $425.0

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

million in FY 2019. After adjusting for the lower offset, the recommended program appropriation increases by another $84.0 million, which is the net effect of two countervailing utilization changes. First, the average monthly enrollment is forecast to increase by 20,240 adults from 544,406 in FY 2018 to 564,646 in FY 2019. Second, per-enrollee costs are estimated to fall by $88 from $6,594 in FY 2018 to $6,507 in FY 2019.

In addition, an estimated $29.5 million will be shifted from federal funds to the State General Fund as a result of the reduced federal matching fund rate under the Affordable Care Act.

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 the Children's Health Insurance Program (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, 93 percent in 2019, and further to a minimum of 90 percent in 2020.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Medicare Parts A and B TOTAL	**$431,980**	**$442,601**	**$10,621**	**2.5%**	**D-187**
General Fund	**$211,770**	**$216,875**	**$5,105**	**2.4%**	
Federal Funds	**$220,210**	**$225,726**	**$5,516**	**2.5%**	
Medicare Part D (General Fund)	**$443,741**	**$482,001**	**$38,260**	**8.6%**	**D-187**

The NJ FamilyCare program pays Medicare premiums for Medicaid 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 FY 2018 adjusted appropriation of $432.0 million is $4.2 million more than the anticipated FY 2018 spending found in Evaluation Data on page D-184. Accordingly, the proposed FY 2019 funding level reflects a $14.8 million increase over anticipated FY 2018 spending needs. The recommended increase in FY 2019 appears to be largely the result of anticipated growth in 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

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

the State Medicaid savings that result from the Part D program's coverage of prescription drug costs for those individuals enrolled in both Medicare and Medicaid.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Eligibility and Enrollment Services TOTAL	**$72,146**	**$82,083**	**$9,937**	**13.8%**	**D-187**
General Fund	**$22,073**	**$22,719**	**$646**	**2.9%**	
Federal Funds	**$50,073**	**$59,364**	**$9,291**	**18.6%**	
Eligibility and Enrollment Services (PTRF) (Property Tax Relief Fund)	**$0**	**$4,000**	**$4,000**	**----**	**D-187**

These accounts fund payments to the DMAHS' Health Benefits Coordinator (Conduent) and to county welfare agencies (CWAs) responsible for making NJ FamilyCare eligibility determinations and annual redeterminations.

The revised FY 2018 appropriation for Eligibility and Enrollment Services ($72.1 million) is inconsistent with the corresponding line in the Evaluation Data on page D-184 ($81.2 million). The Office of Management and Budget (OMB) clarified that the $81.2 million was the most recent expenditure forecast for the program. Accordingly, while the appropriation is recommended to increase by $13.9 million in FY 2019, actual program expenditures are forecast to rise by a smaller $4.9 million. It is unclear what resources the OMB will use to meet projected FY 2018 expenditures; however, an uncommitted $10.8 million in federal funds remained in the account at the end of FY 2017.

No explanation has been provided for the higher FY 2018 and FY 2019 expenditure forecasts. Anticipated enrollment growth may be a contributing factor. A key performance indicator on page D-182 shows that the average monthly NJ FamilyCare enrollment is projected to increase by 24,105 individuals, or 1.4 percent, from 1,762,411 in FY 2018 to 1,786,516 in FY 2019. The cost increase may also be related to Executive Order No. 4 of 2018, which directed all State entities that regularly interact with the public to undertake reasonable measures to provide information to the public regarding the Affordable Care Act marketplace and ways to enroll. While NJ FamilyCare Eligibility and Enrollment Services is a function separate from the marketplace, the number of NJ FamilyCare applications may increase as an indirect effect of activities undertaken in accordance with the executive order, and Conduent and the CWAs may more directly refer ineligible NJ FamilyCare applicants to the marketplace. In any event, according to the department, the new recommended $4.0 million appropriation from the Property Tax Relief Fund will be used to exclusively fund the CWAs.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

According to the department's responses to FY 2018 OLS Discussion Points, the funding methodology for Conduent is based upon a per member, per month rate of $3.98 for each NJ FamilyCare enrollment. The monthly billing also includes printing, postage, and translation costs. In addition to other qualifying administrative and operational costs, CWAs are paid $35.80 for every processed eligible application and eligible redetermination.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Provider Settlements and Adjustments TOTAL	**$908,463**	**$952,412**	**$43,949**	**4.8%**	**D-187**
General Fund	**$258**	**$29,922**	**$29,664**	**11,497.7%**	
Federal Funds	**$47,371**	**$61,656**	**$14,285**	**30.2%**	
Other Funds	**$860,834**	**$860,834**	**$0**	**0.0%**	

This budget line reflects the sum of: a) anticipated pharmaceutical manufacturer rebates ($860.8 million, or the Other Funds appropriation in each of FY 2018 and FY 2019) that are used to offset expenditures charged to the various Medicaid budget lines; and b) appropriations to a variety of unspecified, residual NJ FamilyCare programs that are not allocated to client category-specific Medicaid lines. The combined General Fund and Federal Funds appropriations support the unspecified, residual NJ FamilyCare programs, which in the past have included some retroactive payments to providers, federally mandated additional Medicaid payments to federally qualified health centers, and some Medicaid coverage costs.

The recommended $43.9 million increase in this budget line is attributable solely to the spending needs under the residual NJ FamilyCare programs umbrella. The revised FY 2018 appropriation for these programs ($47.6 million), however, differs markedly from the corresponding line on page D-184 of the Evaluation Data ($99.7 million). The Office of Management and Budget (OMB) explained that the $99.7 million was the most recent expenditure forecast for the account and that it planned to transfer surplus funding from other accounts to the Provider Settlements and Adjustments account to cover expenditures.

According to the OMB, the higher FY 2018 expenditure forecast includes the restoration of an $18.0 million cut that the Legislature included in the FY 2018 Appropriations Act. In addition, the OMB identified the need for unspecified appropriation increases for unspecified incentive payments to managed care organizations (MCO) and vendor charges under the Medicaid third-party liability program.

The third-party liability program is administered by the Medicaid Fraud Division in the Office of the State Comptroller. Under the program, the division and its contractor, Health Management Systems, Inc., obtain payments from third-party insurers responsible for medical services that were inappropriately paid with Medicaid funds. According to the FY 2017 Annual

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Report by the Office of the State Comptroller, the Medicaid Fraud Division recovered $58.6 million in improperly paid Medicaid funds in FY 2017. The contract with Health Management Systems, Inc. runs through September 2020.

In addition, the OMB anticipates an unspecified shift in the funding source for fees paid to the provider of non-emergent medical transportation services under the Medicaid program, LogistiCare, from Federal Funds to the State General Fund. This shift reflects a reduced federal matching fund rate for the Affordable Care Act expansion population.

All told, the Evaluation Data show a decrease in the appropriation for the residual NJ FamilyCare programs from $99.7 million in FY 2018 to $91.6 million in FY 2019. The OMB attributes the $8.1 million decrease to the non-recurrence in FY 2019 of a projected FY 2018 repayment to an MCO.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Division of Aging Services (DoAS)					
Grants-in-Aid: Pharmaceutical Assistance to the Aged and Disabled TOTAL	$66,287	$56,758	($9,529)	(14.4%)	D-196
Pharmaceutical Assistance to the Aged and Disabled (PAAD)	$60,509	$51,293	($9,216)	(15.2%)	
Senior Gold Prescription Discount Program	$5,778	$5,465	($313)	(5.4%)	D-196

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) and Senior Gold Prescription Discount programs provide prescription drug benefits to individuals who are over 65 years of age or disabled, subject to income limitations.

The Governor's FY 2019 Budget includes combined State appropriations of $56.8 million for the PAAD and Senior Gold programs, representing a decrease of $9.5 million from the adjusted FY 2018 appropriation. The Office of Management and Budget, however, intends to lapse $6.2 million in FY 2018 surplus PAAD and Senior Gold appropriations into the General Fund at the end of FY 2018. Accordingly, the proposed FY 2019 funding level reflects only a $3.4 million decline over anticipated FY 2018 spending needs based on service utilization trends.

Evaluation Data on page D-194 show that PAAD prescription drug expenses and payments for Medicare Part D monthly premiums are projected to decrease by $9.1 million from $115.2 million in FY 2018 to $106.2 million in FY 2019. After adjusting for largely unchanged cost offsets attributable to pharmaceutical manufacturers' rebates and recoveries, the appropriations needed to support the PAAD program in FY 2018 and FY 2019 reflect the numbers in the PAAD budget lines. The lower FY 2019 appropriation is primarily a function of the projected continuation of downward-trending enrollment in the aged population. In FY 2016, the PAAD program had 90,845 aged participants. Their projected count is 85,652 in FY 2018 and 83,008 in FY 2019. The number of disabled participants, in contrast, is expected to grow slightly.

Evaluation Data on page D-194 show that Senior Gold prescription drug expenses are estimated to decrease by $313,000 from $3.1 million in FY 2018 to $2.8 million in FY 2019. After adjusting for unchanged cost offsets attributable to pharmaceutical manufacturers' rebates, the appropriations needed to support the Senior Gold program are $2.9 million in FY 2018 and $2.6 million in FY 2019. As with the PAAD program, the lower FY 2019 appropriation is primarily a function of the projected continuation of downward-trending enrollment in the aged population. In FY 2016, the Senior Gold program had 16,600 aged participants. Their

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

projected count is 15,338 in FY 2018 and 14,677 in FY 2019. The number of disabled participants, in contrast, is expected to grow slightly.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
All Other Funds: Office of the Public Guardian	**$1,413**	**$2,644**	**$1,231**	**87.1%**	**D-197**

The Executive recommends a $1.2 million increase in the All Other Funds appropriation for the Office of the Public Guardian, which is equal to an increase in dedicated revenue anticipated to be collected by the office (page C-12). According to the Office of Management and Budget, the projected increase in revenues is attributable to court-ordered fees and statutory commissions accruing from a growing client population and improved collection efforts. Evaluation Data on page D-195 indicate that the number of cases handled by the office in FY 2019 is anticipated to be 7,137, an increase of 350 cases from FY 2018.

Budget documents indicate that the increased appropriation will support the expansion of staff. The number of funded positions is to increase by 23 from 35 positions in FY 2018 to 57 in FY 2019. Budget documents indicate that the 23 positions and the associated $1.2 million in funding, represent a transfer of vacant positions from the State developmental center to the office. The Vineland Developmental Center positions are funded out of the General Fund.

The Office of the Public Guardian acts as surrogate decision-maker for residents 60 years of age and over who have been deemed incapacitated by the Superior Court of New Jersey.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Division of Developmental Disabilities (DDD)

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

STATE DEVELOPMENTAL CENTERS

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Direct State Services:					
TOTAL	**$303,102**	**$284,874**	**($18,228)**	**(6.0%)**	**D-204**
General Fund	**$104,576**	**$87,303**	**($17,273)**	**(16.5%)**	
Federal Funds	**$198,526**	**$197,571**	**($955)**	**(0.5%)**	

The Governor's FY 2019 Budget recommends reducing the appropriation for the State's five developmental centers by $18.2 million. The Office of Management and Budget (OMB), however, intends to lapse $18.1 million in FY 2018 surplus appropriations into the General Fund at the end of FY 2018. Accordingly, the proposed FY 2019 funding level is virtually identical to anticipated FY 2018 expenditures.

Of the $17.3 million reduction in State funding, about $8.5 million is from Services Other Than Personal. The reduction reflects primarily a shift of $9.3 million in FY 2017 professional services expenditures to FY 2018, which was included in the FY 2018 Appropriations Act pursuant to an Executive budget resolution that had the effect of increasing the FY 2017 General Fund year-end balance and the FY 2018 Services Other Than Personal appropriation. The intended FY 2018 lapse and the recommended FY 2019 appropriation level suggest that the payment delay begun in FY 2017 would be continued.

Salaries and Wages account for another $8.1 million of the $17.3 million decline in the recommended FY 2019 State-funded appropriation, which reflects a reduction in vacant State-funded positions. State-funded positions are to decrease by 125 from 2,159 positions in FY 2018 to 2,034 in FY 2019. The allocation of the net savings among the five developmental centers is uneven. The New Lisbon Developmental Center would absorb a $5.0 million reduction, the Vineland Developmental Center a $3.0 million reduction, and the Woodbine Developmental Center a $2.0 million reduction, while Green Brook Regional Center would see no change. Hunterdon Developmental Center, on the other hand, would receive a $1.3 million increase in its Salaries and Wages appropriation.

According to the OMB, the appropriation decrease reflects trends in operations and a commitment to reducing the number of individuals with developmental disabilities who live in State-operated institutions. According to budget data on pages D-203 and D-204, in FY 2016, the average daily population at the developmental centers totaled 1,537. The number declined to 1,438 in FY 2017 and is projected to fall to 1,362 in FY 2018 and 1,274 in FY 2019.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
COMMUNITY PROGRAMS					
Direct State Services: Administration and Support Services TOTAL	**$35,571**	**$32,751**	**($2,820)**	**(7.9%)**	**D-207**
General Fund	**$18,005 S $5,049**	**$17,653**	**($5,401)**	**(23.4%)**	
Federal Funds	**$12,517**	**$15,098**	**$2,581**	**20.6%**	

The recommended $5.4 million reduction in the State-funded appropriation is largely attributable to the discontinuation of an anticipated FY 2018 supplemental appropriation of $5.0 million for unspecified contracted services. In addition, there is a $352,000 reduction in Salaries and Wages due to the reallocation of human resources positions from the DDD to the Division of Management and Budget.

The State funding decrease is offset by a $2.6 million increase in the allocation to the Administration and Support Services program classification out of federal Medicaid funding the department receives for Intermediate Care Facilities for Individuals with Intellectual Disabilities (ICF/IID). This funding supports the delivery to eligible individuals of comprehensive training, treatment, and health or related services that are directed toward helping enrollees function with as much self-determination and independence as possible. Day programs provided under ICF/IID include work opportunities within the community, with supports, or participation in vocational or other activities outside of the State's developmental centers.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Community Care Program (CCP) TOTAL	$1,082,116	$1,113,605	$31,489	2.9%	
General Fund	$366,516	$351,255	($15,261)	2.8%	
Casino Revenue Fund	$175,377	$205,706	$30,329	17.3%	
Federal Funds	$540,223	$556,644	$16,421	3.0%	
CCP – Individual Supports	$597,974	$587,965	($10,009)	(1.7%)	D-208
CCP – Individual Supports (CRF)	$175,377	$205,706	$30,329	17.3%	D-208
CCP – Individual and Family Support Services	$111,979	$116,023	$4,044	3.6%	D-208
CCP – Employment and Day Services	$196,786	$203,911	$7,125	3.6%	D-209

Effective November 1, 2017, the Community Care Waiver (CCW) was incorporated into New Jersey's larger and more wide-ranging Comprehensive Medicaid Waiver, and was re-named the Community Care Program (CCP). Under the CCP the DDD provides eligible adults who primarily live in State-licensed residential facilities with community-based services. Some adults who live in a family home also receive home-based services through the CCP. The program is part of an ongoing multi-year initiative to provide a larger number of adults with developmental disabilities with home- and community-based services as opposed to providing support in an institutional setting.

The Governor's FY 2019 Budget recommends increasing the appropriation to the CCP by $31.5 million based on projected slight increases in enrollment and per-enrollee program expenditures. Evaluation Data on page D-206 indicate that the projected average monthly CCP enrollment is to increase from 11,250 in FY 2018 to 11,500 in FY 2019. Average per-enrollee costs, in turn, are projected to rise from $97,690 to $98,548.

In addition to the $1.114 billion appropriation for FY 2019, the Governor also recommends new contingency language that would authorize the Administration to effect supplemental appropriations of unspecified, unlimited amounts to the program in the course of the fiscal year and without additional legislative approval to ensure timely payments to service providers (page D-209). This authority would be in addition to existing contingency language that already allows for the transfer of appropriations among the different DDD Grants-in-Aid accounts without additional legislative approval (page D-209).

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Below is a description of each of the lines that add up to the total CCP appropriation:

CCP – Individual Supports are services delivered to residents of State-licensed residential facilities to assist them with self-care and habilitation-related tasks. 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. An individual's Service Plan specifies the tasks to be performed and the anticipated outcomes. Individual support services may include personal assistance, including attendant care, household chores, errand services and training.

CCP – Individual and Family Support Services are delivered to individuals who require support to engage in the community and who live either in their own homes or those of family members. The individual support services are similar to those provided to DDD clients living in State-licensed residential facilities to assist them with self-care and habilitation-related tasks. In addition, this budget line pays for support services provided to family caregivers of individuals with developmental disabilities who live in their own homes or in those of family members. Family support services include respite, which provides family caregivers with a short period of rest by arranging alternate caregiving; assistive technology devices; and home and vehicle modifications.

CCP – Employment and Day Services are provided to CCP enrollees who live in community-based settings; whether in State-licensed residential facilities, in their own homes, or homes of family members. The services are intended to promote independent living skills and employment. Services under this category include career planning, day habilitation, prevocational training, and supported employment.

Grants-in-Aid: Supports Program TOTAL	**$155,318**	**$202,559**	**$47,241**	**30.4%**	
General Fund	**$113,052**	**$117,699**	**$4,647**	**4.1%**	
Federal Funds	**$42,266**	**$84,860**	**$42,594**	**100.8%**	
Supports Program – Individual and Family Support Services	**$54,426**	**$71,103**	**$16,677**	**30.6%**	**D-208**
Supports Program – Employment and Day Services	**$100,892**	**$131,456**	**$30,564**	**30.3%**	**D-208**

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The Supports Program provides services to adults with developmental disabilities who are living in unlicensed settings, such as with family members or in their own homes. DDD is transitioning all individuals who receive services from the division and are not enrolled in the Community Care Program into the Supports Program. This allows the State to receive a 50-percent federal match for program expenditures, whereas previously the DDD provided exclusively State-funded services to these clients. The program is part of an ongoing multi-year initiative to provide a larger number of adults with developmental disabilities with home- and community-based services as opposed to providing support in an institutional setting.

The Governor's FY 2019 Budget recommends increasing the Supports Program appropriation by $47.3 million as the transition into the program of DDD clients who receive home-based services continues. Most of the increase, or $42.6 million, would be in federal funds appropriations, reflecting the ability to receive federal matching funds under the program. Evaluation Data on page D-206 indicate that program enrollment totaled 120 individuals in FY 2016 and 874 individuals in FY 2017. The enrollment is projected at 4,586 in FY 2018 and 8,625 in FY 2019. The Administration anticipates the annual cost per individual to rise from $18,433 in FY 2018 to $19,678 in FY 2019.

In addition to the $202.6 million appropriation for FY 2019, the Governor also recommends new contingency language that would authorize the Administration to effect supplemental appropriations of unspecified, unlimited amounts to the program in the course of the fiscal year and without additional legislative approval to ensure timely payments to service providers (page D-209). This authority would be in addition to existing contingency language that already allows for the transfer of appropriations among the different DDD Grants-in-Aid accounts without additional legislative approval (page D-209).

Below is a description of each of the two lines that add up to the total program appropriation:

<u>Supports Program - Individual and Family Support Services</u> are received by individuals who live 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; Physical Therapy; Respite; Speech, Language, and Hearing Therapy; Supports Coordination; Transportation; and Vehicle Modification.

<u>Supports Program - Employment and Day Services</u> are provided to individuals who are living with family or independently. The services are intended to promote independent living skills and employment. Services under this category include career planning, day habilitation, prevocational training, and supported employment.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Client Housing TOTAL	**$82,150**	**$52,747**	**($29,403)**	**(35.8%)**	**D-208**
General Fund	**$37,747**	**$37,747**	**$0**	**0.0%**	
Other Funds	**$44,403**	**$15,000**	**($29,403)**	**(66.2%)**	

The reduction represents the phase-out of client contributions toward the cost of DDD-provided services (page C-12). Under the system that is being replaced clients pay 75 percent of their gross annual income to the division for the services they receive. Budget language dedicates the cost recoveries to the operation of DDD community-based residential programs.

The decrease is an outcome of the multi-year restructuring of DDD programs so that DDD-provided services qualify for federal Medicaid matching funds. The services were previously supported by State funds only. Notably, Medicaid requires a shift in the provider reimbursement model for DDD clients in State-licensed residential facilities from a capitation rate, which included the cost of housing, to a fee-for-service system. Given that Medicaid does not pay for housing services, a new DDD housing subsidy system for clients in State-licensed residential facilities was created and the decrease in this budget line reflects the transition to the new housing subsidy system.

The Client Housing appropriation pays for the Supportive Housing Connection (SHC) program, a relatively new voucher-based rental assistance program administered by the department and the New Jersey Housing and Mortgage Finance Agency for individuals with developmental disabilities who live in DDD community-based residential programs. Under the new system, clients no longer pay 75 percent of their gross annual income to the division. Instead, individuals contribute 30 percent of their gross income toward their rent, directly paid to the residential facility-operating landlord. The remainder of eligible rental costs is paid by the SHC directly to the landlord. Evaluation Data on page D-207 indicate that the number of vouchers was 320 in FY 2017 and is projected at 6,975 in FY 2018 and 7,851 in FY 2019.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

Division of Family Development (DFD)

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Direct State Services: Special Purpose: Work First New Jersey – Technology Investment TOTAL	**$107,566**	**$109,466**	**$1,900**	**1.8%**	**D-215**
General Fund	**$10,758**	**$10,758**	**$0**	**0.0%**	
Federal Funds	**$96,808**	**$98,708**	**$1,900**	**2.0%**	

The Governor's FY 2019 Budget includes combined State and federal appropriations of $109.5 million for Work First New Jersey – Technology Investment, representing an increase of $1.9 million from the adjusted FY 2018 appropriation. The Office of Management and Budget (OMB), however, intends to lapse $5.0 million in FY 2018 surplus State appropriations into the General Fund at the end of the fiscal year. Accordingly, the proposed FY 2019 funding level reflects a $6.9 million increase over anticipated FY 2018 spending needs.

According to the OMB, the $1.9 million appropriation increase in the Governor's FY 2019 Budget represents a realignment of available federal funds based on unspecified projected FY 2019 Work First New Jersey technology spending.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Restricted Grants (Federal Funds)	**$0**	**$64,339**	**$64,339**	**—**	**D-215**

This account reflects a change in the budgetary treatment of federal Temporary Assistance for Needy Families (TANF) Block Grant funds. In FY 2018, these funds are included in budget lines in the Department of Children and Families (DCF), the Department of Labor and Workforce Development (DOLWD), and the DHS Division of Management and Budget for certain TANF-related purposes. In FY 2019, however, all federal TANF block grant funds are budgeted centrally in the above line before being transferred to the various spending departments. According to the Office of Budget and Management, the $64.3 million appropriated in this account will maintain FY 2018 funding for the affected accounts in the DCF ($41.9 million), DOLWD ($20.7 million), and the DHS Division of Management and Budget ($1.7 million).

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Grants-in-Aid: Work First New Jersey Child Care TOTAL	**$354,862**	**$362,843**	**$7,981**	**2.2%**	**D-216**
General Fund	**$116,293**	**$116,330**	**$37**	**0.0%**	
Federal Funds	**$203,569**	**$211,513**	**$7,944**	**3.9%**	
Other Funds	**$35,000**	**$35,000**	**$0**	**0.0%**	
State Aid: County Administration Funding TOTAL	**$319,017**	**$312,234**	**($6,783)**	**(2.1%)**	**D-216**
General Fund	**$9,544**	**$10,322**	**$778**	**8.2%**	
Federal Funds	**$309,473**	**$301,912**	**($7,561)**	**(2.4%)**	
State Aid: County Administration Funding (PTRF) (Property Tax Relief Fund)	**$26,533**	**$34,094**	**$7,561**	**28.5%**	**D-216**

The Governor recommends increasing the appropriation for child care benefits under the Work First New Jersey (WFNJ) program by $8.0 million. Two factors account for the increase: growing enrollment and the annualization of the costs associated with a January 2018 increase in maximum WFNJ child care rates.

The WFNJ child care appropriation is used for DHS-funded child care services to low-income families. Evaluation Data on page D-214 depict the cost of benefits provided to households, exclusive of expenditures for contracted operational and other services that are also charged to this account. Benefit costs are to grow by $4.5 million from $292.2 million in FY 2018 to $296.7 million in FY 2019. Some of the growth is attributable to an estimated increase in the average monthly number of children receiving WFNJ child care benefits from 58,660 in FY 2018 to 59,244 in FY 2019. The average benefit, in turn, is projected to rise from $4,981 in FY 2018 to $5,007 in FY 2019. The higher average benefit amount is driven in part by increased maximum child care payment rates effective on January 7, 2018.[2] These rates include

[2] http://www.childcarenj.gov/getattachment/Resources/Reports/SFY-2018-Maximum-Child-Care-Payment-Rates.pdf.aspx?lang=en-US

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

incentive rates ranging from four percent up to 24 percent for child care centers that are rated at a three or above in Grow NJ Kids, New Jersey's Quality Rating Improvement System.

The changes in the County Administration Funding and County Administration Funding (PTRF) lines reflect a budgetary technique that has as its final effect that the State Property Tax Relief Fund, rather than the State General Fund, pays primarily for the increase in WFNJ child care funding. To that end, some $7.6 million in federal funding is first shifted from County Administration Funding to the Work First New Jersey Child Care line. To make sure that the total appropriation for county administrative funding does not decline, the appropriation therefor out of the Property Tax Relief Fund is then increased by an equivalent $7.6 million.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Aid: Earned Income Tax Credit Program (Federal Funds)	**$123,500**	**$131,061**	**$7,561**	**6.1%**	**D-216**

The New Jersey earned income tax credit (EITC) program functions as a negative income tax for low-income working households, at a rate of 35 percent of the federal earned income tax credit in FY 2018. This account represents the State's billing of these costs to the Temporary Assistance for Needy Families (TANF) block grant in cases that the household would be eligible for TANF cash assistance benefits. The Governor proposes increasing the EITC from 35 percent to 37 percent of the federal benefit in FY 2019, which will increase the amount of tax credit costs that can be billed to the TANF block grant. The $7.6 million increase in appropriation for this account will partially offset the $27.2 million State Gross Income Tax revenue loss that the Executive projects will result from the EITC expansion in FY 2019.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Aid: General Assistance Emergency Assistance Program TOTAL	**$25,029**	**$16,179**	**($8,850)**	**(35.4%)**	**D-216**
General Fund	**$23,271**	**$14,421**	**($8,850)**	**(38.0%)**	
Other Funds	**$1,758**	**$1,758**	**$0**	**0.0%**	

The Emergency Assistance segment of the General Assistance program provides emergency cash, rental, and other assistance to individuals without dependent children who are at imminent risk of homelessness.

Evaluation Data on page D-213 estimate that spending will come in below the appropriated amount in FY 2018, and will continue to decrease in FY 2019. Specifically, the Executive projects $16.2 million in program expenditures in FY 2018, rather than the budgeted $25.0

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

million, and $14.7 million in program expenditures in FY 2019. Therefore, the recommended $8.9 million decline in the FY 2019 appropriation is a function of adjusting the FY 2019 appropriation to need based on FY 2018 service utilization trends. The program has been subject to a long-term trend of declining enrollment due to improving economic conditions and efforts of State compliance teams to reverse assistance granted in violation of State regulations. Evaluation Data show that the average number of monthly recipients was 3,564 in FY 2016 and 2,566 in FY 2017, and is projected to be 2,148 in FY 2018 and 1,964 in FY 2019.

It appears that the projected $8.9 million excess funding for this account in FY 2018, along with the projected $5.0 million excess in the Payments for Cost of General Assistance account, is anticipated to be transferred to the Work First New Jersey – Client Benefits and the Work First New Jersey – Emergency Assistance accounts to fully fund FY 2018 benefit payments under the Work First New Jersey programs.

State Aid: Payments for Cost of General Assistance (General Fund)	**$34,963**	**$28,138**	**($6,825)**	**(19.5%)**	**D-216**

The non-emergency cash assistance segment of the General Assistance program provides cash assistance to extremely low-income individuals without dependent children.

Evaluation Data on page D-213 estimate that spending will come in below the appropriated amount in FY 2018, and will continue to decrease in FY 2019. Specifically, the Executive projects $30.0 million in program expenditures in FY 2018, rather than the budgeted $35.0 million, and $28.1 million in program expenditures in FY 2019. Therefore, the recommended $6.8 million decline in the FY 2019 appropriation is mostly a function of adjusting the FY 2019 appropriation to need based on FY 2018 service utilization trends, with an additional adjustment reflecting the expected continuation of a long-term trend of declining enrollment due to improving economic conditions and efforts of State compliance teams to reverse assistance granted in violation of State regulations. Evaluation Data show that the average number of monthly recipients was 21,756 in FY 2016 and 16,006 in FY 2017, and is projected to be 13,422 in FY 2018 and 12,576 in FY 2019.

In addition, through the elimination of language that the Legislature added to the FY 2018 Appropriations Act, the Governor discontinues a $2.0 million allocation from this line to Volunteers of America Delaware Valley to provide enhanced navigation and coordination of housing and homeless services.

It appears that the projected $5.0 million excess funding for this account in FY 2018, along with the projected $8.9 million excess in the General Assistance Emergency Assistance Program account, is anticipated to be transferred to the Work First New Jersey – Client Benefits and the Work First New Jersey – Emergency Assistance accounts to fully fund FY 2018 benefit payments under the Work First New Jersey programs.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Aid: Work First New Jersey – Client Benefits TOTAL	$25,602	$40,294	$14,692	57.4%	D-216
General Fund	$18,896	$20,088	$1,192	6.3%	
Federal Funds	$4,758	$18,258	$13,500	283.7%	
Other Funds	$1,948	$1,948	$0	0.0%	

This account provides cash assistance to low-income families with dependent children, in accordance with the federal Temporary Assistance for Needy Families (TANF) Block Grant. In FY 2019, the State anticipates receiving $439.0 million in TANF Block Grant funds, an increase of $27.0 million from the estimated FY 2018 revenues of $412.0 million (page C-19).

Evaluation Data on page D-213 project $43.1 million in program expenditures in FY 2018, which are anticipated to decrease by $3.5 million to $39.5 million in FY 2019. The decline is a function of the expected continuation of the long-term trend of declining enrollment due to improving economic conditions. Evaluation Data show that the average number of monthly recipients was 63,975 in FY 2016 and 48,169 in FY 2017, and is projected to be 40,255 in FY 2018 and 37,246 in FY 2019.

The revised FY 2018 program appropriation of $25.6 million is inconsistent with the spending projection in the Evaluation Data because two alternative funding sources are used to offset some of the costs of paying program benefits. First, a language provision transfers $6.9 million from the dedicated Universal Service Fund to the Work First New Jersey – Client Benefits account for utility payments for Work First New Jersey recipients. This transfer reduced the revised FY 2018 appropriation. Although the language is recommended to be renewed in FY 2019 (page D-218), the recommended FY 2019 program appropriation has not been adjusted therefor. Second, the revised FY 2018 appropriations for the above account and the Work First New Jersey – Emergency Assistance account (see below) appear to assume the transfer of $13.8 million in combined excess balances to the accounts from the Payments for Cost of General Assistance and the General Assistance Emergency Assistance Program accounts.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
State Aid: Work First New Jersey – Emergency Assistance TOTAL	$35,510	$37,133	$1,623	4.6%	D-216
General Funds	$5,841	$6,317	$476	8.1%	
Federal Funds	$26,669	$27,816	$1,147	4.3%	
Other Funds	$3,000	$3,000	$0	0.0%	

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

The Work First New Jersey (WFNJ) program provides emergency assistance to those eligible persons who are homeless or at immediate risk of becoming homeless, and those who have experienced a substantial loss of housing, food, clothing or household furnishings due to fire, flood or a similar disaster. Emergency assistance is limited to 12 months but may be extended under certain hardship conditions. The program is operated in accordance with the terms of the federal Temporary Assistance for Needy Families Block Grant.

Evaluation Data on page D-213 project $38.7 million in program expenditures in FY 2018, which are anticipated to decrease by $1.6 million to $37.1 million in FY 2019. The decline is a function of the expected continuation of the long-term trend of declining enrollment due to improving economic conditions. Evaluation Data show that the average number of monthly recipients was 11,710 in FY 2016 and 7,425 in FY 2017, and is projected to be 5,814 in FY 2018 and 5,592 in FY 2019.

The revised FY 2018 program appropriation of $35.5 million, along with the revised FY 2018 appropriation for the Work First New Jersey – Client Benefits account, is inconsistent with the spending projection in the Evaluation Data because an alternative funding source is used to offset some of the costs of paying program benefits. The revised FY 2018 appropriations for the two WFNJ accounts appear to assume the transfer of $13.8 million in combined excess balances to the accounts from the Payments for Cost of General Assistance and the General Assistance Emergency Assistance Program accounts.

State Aid: Payments for Supplemental Security Income (General Fund)	**$69,493**	**$67,737**	**($1,756)**	**(2.5%)**	**D-216**

This decrease reflects an anticipated decline in the average number of monthly recipients from 183,610 in FY 2018 to 181,475 in FY 2019. Emergency assistance recipients under the Supplemental Security Income (SSI) program are also expected to decline from 566 in FY 2018 to 551 in FY 2019.

This account funds the State's supplemental payments, burial assistance, and emergency assistance provided to recipients of federal SSI benefits. SSI recipients are low-income persons age 65 years and older, or those who are blind or disabled. The department estimates that the average monthly payment will be $20.72 in FY 2019, virtually unchanged from FY 2018.

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
Division of Management and Budget					
General Fund, Direct State Services: Administration and Support Services TOTAL	**$26,716**	**$25,126**	**($1,590)**	**(6.0%)**	**D-220**
Salaries and Wages	**$15,618**	**$14,358**	**($1,260)**	**(8.1%)**	
Other Direct State Services Accounts	**$11,098**	**$10,768**	**($330)**	**(3.0%)**	

According to the Office of Management and Budget, the recommended $1.6 million decrease is the net effect of two partially offsetting personnel shifts affecting the DHS Division of Management and Budget.

Some $1.9 million in Direct State Services funding is recommended to be reallocated to two areas in the Department of Health (DOH) as an outcome of Reorganization Plan No. 001-2017: Health Care Facility Regulation and Oversight ($1.4 million, page D-159) and Administration and Support Services ($562,000, page D-174). In addition to transferring the Division of Mental Health and Addiction Services (DMHAS) to the DOH, the reorganization plan also moved from the DHS Office of Program Integrity and Accountability to the DOH the responsibility to inspect and license mental health and addiction services facilities and providers, a function external to the DMHAS. The majority of the shift in appropriations associated with the jurisdictional transfers of the reorganization plan is already included in the adjusted FY 2018 appropriations. The recommended $1.9 million shift in FY 2019 from DHS Administration and Support Services is in addition to the funding shifts that already occurred in FY 2018. The reorganization was intended to provide for the increased efficiency, coordination, and integration of the State's mental health and addiction prevention and treatment functions.

In addition, the Governor's FY 2019 Budget recommends increasing the appropriation for this budget line by $352,000 due to the reallocation of human resources personnel from the Division of Developmental Disabilities to the Division of Management and Budget.

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page
All Other Funds: Administration and Support Services	**$13,659**	**$10,357**	**($3,302)**	**(24.2%)**	**D-221**

About $2.6 million of the decline represents reduced All Other Funds appropriations from the dedicated Catastrophic Illness in Children Relief Fund from $12.8 million in FY 2018 to $10.2 million in FY 2019 (page C-12). Specifically, grant expenditures would decrease from $11.0 million in FY 2018 to $8.5 million in FY 2019. The recommended FY 2019 funding level does

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

Budget Item	Adj. Approp. FY 2018	Recomm. FY 2019	Dollar Change	Percent Change	Budget Page

not renew most of an FY 2018 supplemental appropriation of $3.7 million from the fund to the Catastrophic Illness in Children Relief Fund Commission. The commission requested the additional funding to accommodate an increased number of grant awards and a roughly $4,500 higher average grant amount. The supplemental appropriation drew down excess balances in the Catastrophic Illness in Children Relief Fund. The FY 2017 year-end balance was $4.9 million. The projected FY 2018 fund balance is $1.3 million, which is anticipated to fall further to $251,000 by the end of FY 2019.

The Catastrophic Illness in Children Relief Fund Commission assists children and their families whose medical expenses due to a child's "catastrophic illness" extend beyond the families' available resources. Revenue is derived from a $1.50 annual surcharge per employee for all employers who are subject to the New Jersey Unemployment Compensation Law. The fund is anticipated to collect $9.3 million in revenue in FY 2019, virtually unchanged from FY 2018.

The remaining $750,000 decrease in this budget line reflects the shift of dedicated funds to the Department of Health as a result of Reorganization Plan No. 001-2017. The initiative transferred the Division of Mental Health and Addiction Services (DMHAS) as well as the responsibility to inspect and license mental health and addiction services facilities and providers, a function external to the DMHAS, from the Department of Human Services to the Department of Health.

Significant Language Changes

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS)

Funding for Accountable Care Organizations

Deletion

2018 Handbook: p. B-91
2019 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 2019 Budget discontinues the $1.5 million in State funding and $1.5 million in federal matching funds for Medicaid Accountable Care Organizations (ACOs). The related language, which is also discontinued, specifies that payments to an individual ACO must not exceed $1.0 million. This language and the corresponding appropriation were included in the FY 2018 Appropriations Act pursuant to a Legislative budget resolution

Medicaid ACOs are authorized through a Medicaid demonstration project, pursuant to P.L.2011, c.114 (N.J.S.A.30:4D-8.1 et seq.). Under the law, the demonstration project is set to expire at the end of this fiscal year.

ACOs are nonprofit corporations composed of local general hospitals, clinics, pharmacies, health centers, public health and social services agencies, and other health care providers. ACOs receive approval from the DHS to develop and implement systems of care coordination, collaboration, and incentives that improve the quality and efficiency of health care. In the FY 2017 and FY 2018 Appropriations Acts, the State appropriated $1 million of combined State and federal money to each of the three certified ACOs located in Camden, Newark, and Trenton.

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

Personal Care Services Hourly Rate

Revision

2018 Handbook: p. B-92
2019 Budget: p. D-189

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, of the amount hereinabove appropriated for the General Medical Services program classification, personal care assistant services shall be authorized prior to the beginning of services by the Director of the Division of Disability Services. The hourly rate for fee-for-service personal care services shall be ~~$19.00~~ $16.00.

Explanation

This revised language reduces the hourly rate for fee-for-service personal care services paid within the Medicaid program from $19.00 to $16.00. The FY 2018 Appropriations Act incorporated a Legislative budget resolution to increase the fee-for-service reimbursement rate from $18.00 to $19.00 per hour.

In FY 2018, this rate applied only to fee-for-service personal care services. However, in FY 2019, pursuant to P.L.2017, c.239, the fee-for-service rate set in the Appropriations Act will also be binding on those services delivered through a managed care delivery system. The majority of Medicaid personal care services are reimbursed through a managed care delivery system and not through fee-for-service; therefore, this law, in conjunction with the recommended language, will increase the State's expenditures for personal care services in FY 2019, even with the proposed reduction in the hourly rate provided by this budget language. Budget documents indicate that the Governor recommends appropriating an additional $16.9 million net for personal care assistance reimbursement rates across several DHS accounts.

Fee-for-Service Nursing Home Reimbursement Rates

Revision

2018 Handbook: p. B-96 and B-97
2019 Budget: p. D-192

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated to the General Medical Services program classification are subject to the following condition: assisted living facilities, comprehensive personal care homes, and assisted living programs, shall receive a per diem rate of no less than ~~$75, $65, and $55~~ $73.13, $63.13, and $53.13, respectively, as reimbursement for each NJ FamilyCare beneficiary under their care.

Notwithstanding the provisions of chapter 85 of Title 8 of the New Jersey Administrative Code or any other law or regulation to the contrary, and subject to any required federal

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

approval, the amounts hereinabove appropriated within the General Medical Services program classification are subject to the following conditions: (1) Class I (private), Class II (county), and Class III (special care) nursing facilities being paid on a fee-for-service basis, shall be reimbursed at the rate received on June 30, 2017 ~~plus a per diem adjustment that shall be calculated based upon an additional $5,250,000 in State and $5,250,000 in federal appropriations~~. Further, no Class I, II, and III nursing facilities being paid on a fee-for-service basis shall receive any additional per diem rate adjustment, with the exception of the provider tax add-on payments; (2) nursing facilities that are being paid by a Managed Care Organization (MCO) for custodial care through a provider contract that includes a negotiated rate shall receive that negotiated rate; (3) any Class I and Class III nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate as it received as of June 30, 2017 ~~plus a per diem adjustment that shall be calculated based upon an additional $5,250,000 in State and $5,250,000 in federal appropriations~~ and any Class II nursing facility that is being paid by an MCO but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate received on June 30, 2017, had it been a Class I nursing facility ~~plus a per diem adjustment that shall be calculated based upon an additional $5,250,000 in State and $5,250,000 in federal appropriations~~; (4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing facilities, less the portion of those funds to be paid as pass-through payments in accordance with paragraph (1) of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97), shall be combined with amounts hereinabove appropriated for the General Medical Services program classification for the purpose of calculating NJ FamilyCare reimbursements for nursing facilities; and (5) for the purposes of this paragraph, a nursing facility's per diem reimbursement rate or negotiated rate shall not include, if the nursing facility is eligible for reimbursement, the difference between the full calculated provider tax add-on and the quality-of-care portion of the provider tax add-on, which difference shall be payable as an allowable cost pursuant to subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97). Provided further, that on or before September 15, ~~2017~~ <u>2018</u>, the Department shall calculate and disseminate to the MCOs the amount of the add-on payable during the year starting October 1, ~~2017~~ <u>2018</u> as an allowable cost, as well as the list of nursing facilities that will receive this add-on, and the MCOs shall adjust the rates paid to nursing facilities accordingly; the add-ons calculated for FY ~~2017~~ <u>2018</u> shall be applied from July 1, ~~2017~~ <u>2018</u>, through September 30, ~~2017~~ <u>2018</u> and the first add-on shall be applied to fee-for-service per diem reimbursement rates effective October 1, ~~2017. There shall be reallocated from amounts included in the appropriation for Medical Coverage - Community - Based Long-Term Care Recipients, for Managed Long-Term Services and Supports, such sums as are necessary for the additional per diem adjustment~~ <u>2018</u>.

<u>Explanation</u>

The language provisions set forth the requirements for NJ FamilyCare reimbursement of nursing facility services when paid on a fee-for-service basis, rather than through managed care. The revisions eliminate reimbursement rate increases and a $10.5 million allocation therefor that the Legislature added to the FY 2018 Appropriations Act. The changes in the first language provision reduce

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

the per diem reimbursement rates for assisted living facilities, comprehensive personal care homes, and assisted living programs to FY 2017 levels, or, respectively, $73.13, $63.13, and $53.13 for each beneficiary under their care. Each of the rates is $1.87 lower than in FY 2018. The deleted elements of the second language provision funded the reimbursement rate increase by reallocating $10.5 million in State and federal funds to the increases from the Medical Coverage - Community-Based Long Term Care Recipients line for the Managed Long Term Services and Supports population.

DIVISION OF DEVELOPMENTAL DISABILITIES

Cost Recoveries for Community-Based Residential Programs

Revision

2018 Handbook: p. B-105
2019 Budget: p. D-209

Cost recoveries from consumers with developmental disabilities collected during the current fiscal year, not to exceed ~~$56,219,000~~ $15,000,000, are appropriated for the continued operation of the Division of Developmental Disabilities community-based residential programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The reduction represents the phase-out of client contributions toward the cost of services provided by the Division of Developmental Disabilities (page C-12). Under the system that is being replaced clients pay 75 percent of their gross annual income to the division for the services they receive. This language provision dedicates the cost recoveries to the operation of community-based residential programs operated by the division.

The reduction in anticipated cost recoveries is an outcome of the multi-year restructuring of division programs so that division-provided services qualify for federal Medicaid matching funds. The services were previously supported by State funds only. Notably, Medicaid requires a shift in the provider reimbursement model for division clients in State-licensed residential facilities from a capitation rate, which included the cost of housing, to a fee-for-service system. Given that Medicaid does not pay for housing services, a new housing subsidy system for clients in State-licensed residential facilities was created and the decrease in this budget line reflects the transition to the new housing subsidy system.

The new program is the Supportive Housing Connection (SHC), a relatively new voucher-based rental assistance program administered by the department and the New Jersey Housing and Mortgage Finance Agency for individuals with developmental disabilities who live in community-based residential programs.

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

Under the new system, clients no longer pay 75 percent of their gross annual income to the division. Instead, individuals contribute 30 percent of their gross income toward their rent, directly paid to the residential facility-operating landlord. The remainder of eligible rental costs is paid by the SHC directly to the landlord. Evaluation Data on page D-207 indicate that the number of vouchers was 320 in FY 2017 and is projected at 6,975 in FY 2018 and 7,851 in FY 2019. The Governor's FY 2019 Budget appropriates $52.7 million for the voucher program under the Client Housing line (page D-208).

Supplemental Appropriation Authority:
Division of Developmental Disabilities Community Programs

Addition

2018 Handbook: N/A
2019 Budget: p. D-209

<u>In addition to the amount hereinabove appropriated for the Purchased Residential Care, Social Supervision and Consultation and Adult Activities program classifications, such additional amounts as may be necessary are appropriated for the same purpose, subject to the approval of the Director of the Division of Budget and Accounting.</u>

<u>Explanation</u>

The Governor recommends new contingency language that would authorize the Executive to effect supplemental appropriations of unspecified, unlimited amounts to the Division of Developmental Disabilities Grants-in-Aid accounts in the course of the fiscal year and without additional legislative approval. This authority would be in addition to existing contingency language that already permits transfers of appropriations among the different division Grants-in-Aid accounts without additional legislative approval. The recommended FY 2019 State appropriation for affected accounts totals $792.4 million with the majority of the funding being allocated to the Community Care Program and the Supports Program.

According to the Office of Management and Budget, the language that would eliminate the need for legislative approval for supplemental appropriations is necessary to prevent disruptions in services due to the uncertainty of costs associated with the division's transition to a fee-for-service reimbursement system for community providers.

On July 1, 2015, the division began shifting its method of reimbursement to a fee-for-service model, replacing a system primarily based on cost-reimbursement contracts. The new reimbursement system is intended to promote fairness and equity in rates paid to providers, portability of benefits for consumers, affordability for the State, and simplicity and practicality for all involved parties. It is also a part of the larger shift to ensure that all services provided by the division are eligible for a federal Medicaid funding match.

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

All providers must now be enrolled as Medicaid providers to receive reimbursement from the State. All individuals (with some exceptions) who receive services from the division are required to be Medicaid-eligible.

DIVISION OF FAMILY DEVELOPMENT

Volunteers of America Delaware Valley

Deletion

2018 Handbook: p. B-112
2019 Budget: N/A

~~From the amount appropriated hereinabove for Payments for Cost of General Assistance, the commissioner shall allocate not less than $2,000,000 to Volunteers of America Delaware Valley to provide enhanced navigation and coordination of housing and homeless services in locations to include but not limited to Camden and Atlantic counties.~~

Explanation

The Governor's FY 2019 Budget eliminates $2.0 million in funding to Volunteers of America Delaware Valley for improved housing and homelessness services. The FY 2018 appropriation was provided through budget language out of the Payments for Cost of General Assistance appropriation. The Governor also recommends eliminating the $4.0 million appropriation for Volunteers of America Delaware Valley – Re-entry Services in the Department of Community Affairs (page D-53). The Legislature added both appropriations to the FY 2018 Appropriations Act. Volunteers of America Delaware Valley provides community-based assistance to populations in need so that they can lead self-fulfilled, independent lives.

DEPARTMENTAL LANGUAGE

Minimum Monthly Personal Needs Allowance

Deletion

2018 Handbook: p. B-114
2019 Budget: N/A

~~Notwithstanding the provisions of section 1 of P.L.1985, c.286 (C.30:4D-6a) and section 3 of P.L.1973, c.496 (C.44:7-87) or the provisions of any law or regulation to the contrary, the minimum monthly personal needs allowance provided to persons residing in nursing facilities, State or county psychiatric hospitals, and State Developmental Centers who are eligible for Medicaid or SSI benefits shall be $50. To effectuate the purposes of this provision, amounts may be transferred from General Medical Services appropriations to other accounts in the department.~~

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

Significant Language Changes (Cont'd)

Explanation

The Governor's FY 2019 Budget eliminates language setting the minimum monthly personal needs allowance for residents in nursing facilities, State or county psychiatric hospitals, and State Developmental Centers at $50, which was included in the FY 2018 Appropriations Act pursuant to a Legislative budget resolution. Absent this language, statutory provisions reduce the monthly personal needs allowance to $40 for individuals whose only source of income is Supplemental Security Income (SSI) benefits (the $30 federal allowance plus $10 State supplemental), and $35 for Medicaid recipients with income other than SSI benefits. The Governor anticipates $3.0 million in cost savings from the reduction in the personal needs allowance for nursing home recipients.

The personal needs allowance is used for purchasing personal items such as clothing, grooming aids, newspapers, and other items that are not regularly provided by the facility in which the person resides.

Allocation of Realty Transfer Fee Receipts

Revision

2018 Handbook: p. B-115
2019 Budget: p. D-222

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~~ $46,500,000 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 $46.5 million in revenues, an increase of $5.0 million over FY 2018, from the dedicated "additional fee" segment of the realty transfer fee to pay a portion of the costs of certain housing and homelessness prevention programs in the DHS, allowing non-dedicated General Fund revenues to be expended elsewhere. 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.

EXPLANATION: FY 2018 language not recommended for FY 2019 denoted by strikethrough.
Recommended FY 2019 language that did not appear in FY 2018 denoted by underlining.

OFFICE OF LEGISLATIVE SERVICES

The Office of Legislative Services provides nonpartisan assistance to the State Legislature in the areas of legal, fiscal, research, bill drafting, committee staffing and administrative services. It operates under the jurisdiction of the Legislative Services Commission, a bipartisan body consisting of eight members of each House. The Executive Director supervises and directs the Office of Legislative Services.

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Individuals wishing information and committee schedules on the FY 2019 budget are encouraged to contact:

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