

ANALYSIS OF THE NEW JERSEY FISCAL YEAR 2002 - 2003 BUDGET



DEPARTMENT OF HEALTH AND SENIOR SERVICES

PREPARED BY

OFFICE OF LEGISLATIVE SERVICES

NEW JERSEY LEGISLATURE

MAY 2002

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HEALTH AND SENIOR SERVICES

Budget Pages..... C-17; C-22; C-24 to C-25; C-30 to
C-31; C-35; D-189 to D-223; F-7;
G-3.

Fiscal Summary (\$000)

	Expended FY 2001	Adjusted Appropriation FY 2002	Recommended FY 2003	Percent Change 2002-03
State Budgeted	\$932,670	\$1,150,731	\$1,002,016	(12.9)%
Federal Funds	1,528,403	1,530,501	1,867,822	22.0%
<u>Other</u>	<u>970,062</u>	<u>130,696</u>	<u>132,531</u>	<u>1.4%</u>
Grand Total	\$3,431,135	\$2,811,928	\$3,002,369	6.8%

Personnel Summary - Positions By Funding Source

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change 2002-03
State	813	947	976	3.1%
Federal	823	779	907	16.4%
<u>Other*</u>	<u>273</u>	<u>229</u>	<u>257</u>	<u>12.2%</u>
Total Positions	1,909	1,955	2,140	9.5%

FY 2001 and revised FY 2002 personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.

*Excludes positions funded through Revolving Funds.

Introduction

The Department of Health and Senior Services (DHSS) has four major programs:

- **Health Services** provides a variety of health services directly or by contract with public, nonprofit and private health service providers in the following areas: vital statistics; family health services; public health protection services; addiction services; laboratory services and AIDS services.
- **Health Planning and Evaluation** licenses all health care facilities, develops and revises standards concerning health care facilities, licenses various health care personnel and administers the State's certificate of need program.

Introduction (Cont'd)

- **Health Administration** provides central support services and operates the Office of Minority and Multicultural Health.
- **Senior Services** administers various Medicaid programs related to nursing homes and long term care alternatives, the Pharmaceutical Assistance to the Aged and Disabled and Senior Gold programs, the two Lifeline programs, social services programs for the elderly, the Ombudsman for the Institutionalized Elderly and the Office of the Public Guardian.

Key Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment

Included within the recommended **Grants-In-Aid** appropriations for **Health Services** and **Senior Services** is approximately \$4.8 million for a Cost of Living Adjustment (COLA) to direct care employees of provider agencies.

Elimination of Legislative Grants

Approximately \$11.7 million in various Legislative initiatives to nonprofit agencies and hospitals are not continued.

Tobacco Settlement Funds

Approximately \$123.0 million in **Direct State Services** and **Grants-in-Aid** recommended appropriations are supported by **Tobacco Settlement Funds** as follows:

Community-Based Tobacco Control Programs - \$7.0 million.
 Youth Anti-Tobacco Awareness Media Campaign - \$6.3 million.
 Smoking Cessation Programs for Addicted Adults and Youth - \$8.7 million.
 School-Based Programs for the Prevention of Tobacco Use - \$5.0 million.
 Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs - \$3.0 million.
 Expansion of Cancer Initiatives - \$7.0 million.
 ElderCare Initiatives - \$19.9 million.
 Senior Gold Pharmaceutical Assistance Program - \$37.1 million.
 Cancer Institute of New Jersey - \$28.0 million.
 Garden State Cancer Center - \$1.0 million.

HEALTH SERVICES

- **Direct State Services.** Recommended appropriations increase 43.1 percent, from \$70.1 million to \$100.2 million. Programs with significant changes are:
 - **Family Health Services.** Funding increases 11.0 percent, from \$9.1 million to \$10.1 million, due to a new \$1.0 million Special Purpose appropriation for Cancer Investigation and Education.

Key Points (Cont'd)

Proposed budget language on p. D-205 appropriates \$2.0 million from the Emergency Medical Technician Training Fund for recruitment of emergency medical personnel, in addition to training and testing activities.

- **Public Health Protection Services.** Funding increases nearly 137 percent, from \$16.9 million to \$40.1 million, as new Special Purpose appropriations for Medical Emergency Preparedness for Bioterrorism - \$25.0 million and an Advisory Council to Promote the Profession of Nursing - \$25,000 are recommended.
- **Addiction Services.** Funding increases 22.9 percent, from \$30.5 million to \$37.5 million, due to a new \$7.0 million Special Purpose appropriation for Expansion of Cancer Initiatives.
- **AIDS Services.** Funding decreases 28.3 percent, from \$3.5 million to \$2.5 million, because a \$750,000 Legislative Special Purpose appropriation is not continued.
- **Grants-In-Aid.** Recommended appropriations increase 34.5 percent, from \$71.8 million to \$96.6 million. The increases are related to new funding for the following: Cancer Institute of New Jersey - \$28.0 million; St. Barnabas Hospital - Institute of Neurology/Neuroservice - \$250,000; and the Garden State Cancer Center - \$1.0 million.
- **Capital Construction** funding of \$650,000 is recommended for Laboratory Equipment (\$500,000) and for Improvements to Laboratories and Installed Equipment (\$150,000).
- **Other Funds** are expected to increase by about 6.2 percent, from \$52.5 million to \$55.7 million. The largest increase is in the **Family Health Services** program where **Other Funds** (related to Emergency Medical Technician Training Fund and the Spinal Cord Research Fund) would increase 6.9 percent, to \$31.5 million.

HEALTH PLANNING AND EVALUATION

- **Direct State Services.** Recommended appropriations decrease approximately 23.5 percent, from \$8.1 million to \$6.2 million because \$1.4 million in Legislative initiatives are not continued.
 - Funding for the Implementation of Statewide Health Information Network (\$0.5 million) is discontinued, although the program will continue to receive \$1.0 million in **Other Funds** from the 0.53 percent assessment on hospitals. In addition, budget language provisions that prohibited the use of these monies for departmental administrative expenses and that provided \$250,000 grants to two colleges, are eliminated.
- **Grants-In-Aid.** Recommended appropriations decrease 89.1 percent, from \$166.4 million to \$18.1 million. While various Legislative grants totaling \$16.4 million are not continued, the largest reduction is attributable to the shift of the Health Care Subsidy Fund Payments (\$131.9 million) from the **General Fund** to redirected payroll tax revenues.

Key Points (Cont'd)

HEALTH ADMINISTRATION

- **Direct State Services.** Recommended appropriations decrease 8.3 percent, from \$6.0 million to \$5.5 million, due to a \$0.5 million reduction in the Personal Services account.

SENIOR SERVICES

- **Direct State Services (General and Casino Revenue Funds).** Funding of \$18.6 million represents a 4.8 percent reduction from FY 2002 levels of \$19.5 million. The most significant reduction is the **Medical Services for the Aged** program where funding is reduced 11.1 percent, from \$6.8 million to \$6.0 million, due to a \$750,000 reduction in Fiscal Agent - Medical Services for the Aged account.
- **Grants-In-Aid (General and Casino Revenue Funds).** Overall funding decreases 6.6 percent, from \$766.3 million to \$715.7 million. The reduction assumes the following:
 - Continued receipt of \$487 million in federal Intergovernmental Transfer (IGT) funds of which \$467 million is to be used to support Nursing Homes expenditures. (Effective October 2002, federal IGT funds would be limited to county nursing homes. The amount of federal IGT funds the State is entitled to receive during FY 2003 under current federal regulations is approximately \$157 million. The recommended budget assumes continued receipt of \$487 million in federal IGT funds. If the federal government does not approve the State's request to allow the State to continue to receive \$487 million in federal IGT funds, in total or in part, the State would have to address a shortfall of up to \$330 million.)
 - Approval of a federal waiver that would provide \$147.8 million in federal funds to support the PAAD program. (On March 28, 2002, a waiver application was submitted to the federal government requesting federal funds for the PAAD program.)
 - The use of \$25.0 million in funds from the New Jersey Housing and Mortgage Finance Agency (HMFA) to support the Payments for Tenants' Assistance Rebates program.
 - Proposed budget language on pp. D-221 and D-222 would require pharmaceutical manufacturing companies to provide rebates to the PAAD and Senior Gold programs on the same basis as rebates are provided to the Medicaid program. This change would link rebates to changes in the Consumer Price Index. Also, if the manner in which rebates are calculated is changed, as proposed in President Bush's FY 2003 budget, these changes would also apply to PAAD and Senior Gold programs.

New or additional funding is recommended for the following:

- Assisted Living Program - \$14.0 million. (Program costs will now be identified, whereas in prior fiscal years, these costs had been incorporated within the Payments for Medical Assistance Recipients - Nursing Homes account.) The recommended appropriation includes about \$2.9 million associated with a 375 increase in the number of slots allowed in the federal waiver. Over the next four years, the number

Key Points (Cont'd)

of slots is expected to increase from 1,500 to 3,000.

- Medical Day Care Services - \$16.5 million. Recommended funding increases 50.8 percent, from \$32.5 million to \$49.0 million, reflecting higher utilization. Proposed budget language on p. D-220 would require Medical Day Care services to be prior authorized by professional staff. This requirement is expected to save \$1.0 million.
- Payments for Medical Assistance Recipients - Nursing Homes - \$28.5 million. The actual increase in Nursing Homes costs is greater than \$28.5 million, because the FY 2002 adjusted appropriation includes approximately \$11.0 million in Assisted Living Program costs that had been funded from the Nursing Home account.

Total Nursing Homes expenditures will be over \$1.3 billion and will provide over 11.2 million patient days of care at an estimated cost of \$119 per day.

- Community Care Alternatives - \$1.6 million. Routine increases in costs and utilization are expected to increase program expenditures from \$25.8 million to \$27.4 million

Funding is reduced for the following programs:

- Pharmaceutical Assistance to the Aged and Disabled - Claims (PAAD) (General and Casino Revenue Funds) - \$73.3 million reduction is related to the expected receipt of \$147.8 million in federal funds to support the entire PAAD program. Failure to receive all or part of these funds could result in program reductions, according to the State's waiver application.

Approximately 217,500 persons, 187,900 elderly and 29,600 disabled, are expected to be eligible for PAAD.

- Senior Gold - \$12.9 million reduction. Although \$50 million Senior Gold was appropriated in FY 2002, \$30 million will be used to close the FY 2002 deficit; thus, Senior Gold claims costs in FY 2003 are expected to increase \$19.8 million, from \$12.9 million to \$32.8 million. The balance of the \$37.1 million recommended appropriation, \$4.3 million, will be used for program administration.

Approximately 64,800 persons, 62,000 elderly and 2,800 disabled, are expected to be eligible for Senior Gold.

- Payments for Tenants' Assistance Rebates - \$25.0 million reduction as costs will be supported by \$25 million in balances from the HMFA.
- **Casino Revenue Fund.** Recommended appropriations decrease by 1.0 percent, from \$311.5 million to \$308.7 million and are primarily related to the expected receipt of \$147.8 million in federal funds to support the PAAD program.
- **Federal Funds.** A 28.9 percent increase is anticipated, from \$1.17 billion to \$1.5 billion. The increase is related to the expected receipt of \$147.8 million in federal funds for the PAAD program and the continued receipt of \$487 million in federal IGT funds, of which

Key Points (Cont'd)

\$467 million will be used to support Nursing Homes costs.

- **Other Funds.** Although there is no overall change in the amount of **Other Funds** anticipated (\$51.4 million), the budget assumes that the HMFA will again provide \$25.0 million to support the Payments for Tenants' Assistance Rebates program.

Background Papers

- Supplemental Charity Care.....p. 40.
- Intergovernmental Transfer (IGT) Funds.....p. 41.
- Medical Day Care Appropriation.....p. 42.
- PAAD Budget Request.....p. 43.

Program Description and Overview (Cont'd)

The Department of Health and Senior Services (DHSS) is involved directly and indirectly, through local health departments or contracts, in providing various public health programs and services. DHSS is organized into four major program areas: **Health Services, Health Planning and Evaluation, Health Administration and Senior Services.**

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment/Salary Supplement for Direct Services Workers

The **Grants-In-Aid** accounts of the **Health Services** and **Senior Services** programs include \$4.8 million to provide direct care employees with a 2 percent Cost of Living Adjustment, effective July 2002.

Legislative Grants

Approximately \$11.7 million in funds included within **Direct State Services** and **Grants-In-Aid** accounts are not continued.

Tobacco Settlement Funds

Approximately \$123.0 million in **Direct State Services** and **Grants-in-Aid** recommended appropriations will be supported by **Tobacco Settlement Funds**.

HEALTH SERVICES

Health Services consists of 6 programs:

Vital Statistics is involved in the collection, recording and searches of birth, death and marriage data. It provides training to local registrars, supervises their operations and approves the appointment of local registrars. In FY 2003, the program will process 122,000 searches and issue 77,000 certified copies of records.

Family Health Services is involved in many areas of family health, including promoting programs that reduce infant mortality and improve maternal and child health, particularly in cities with above average infant mortality rates, providing medical and rehabilitative services for children with disabilities, administering lead poison control programs, and providing assistance to local health departments for the provision of primary and preventive health services.

During FY 2003, the program will provide health services grants to 285 agencies. These programs will provide services to 40,000 physically disabled children; serve 10,500 infants through early intervention programs; screen 112,000 newborns for various disorders; provide family planning services to 108,000 women; screen 220,000 children for lead poisoning; and certify/recertify nearly 8,800 mobile intensive paramedics and EMTs.

Public Health Protection Services is involved in programs to reduce the incidence of sexually transmitted diseases, TB, and other communicable diseases such as hepatitis, measles and polio and also maintains a cancer registry. The program is involved in such diverse activities as: food and milk quality assurance; the prevention of rabies; the training and certification of workers involved in asbestos control and lead abatement; and enforcing provisions of the Worker and

Program Description and Overview (Cont'd)

Community Right to Know law and the Public Employees Occupational Safety and Health Act (PEOSHA).

In FY 2003, the program will register 77,000 new cancer reports; treat 3,400 cases of syphilis and gonorrhea; respond to 4,100 telephone calls on environmental health issues; register 460,500 dogs; investigate 100 communicable disease outbreaks; conduct over 275 complaint inspections under PEOSHA; inspect 800 public/private workplaces under the Right to Know law; and audit 100 asbestos and lead training agencies.

Addiction Services contracts for services to reduce, treat and rehabilitate persons with alcohol and/or drug abuse problems and to provide counseling for compulsive gambling.

During FY 2003, the program will handle 21,000 admissions primarily involving alcohol and 40,000 admissions primarily involving drugs; process 24,000 intoxicated driver cases; and provide information and referral services to 45,000 persons.

Laboratory Services performs analytical and diagnostic tests in the areas of bacteriology, environmental chemistry, serology, virology and inborn errors of metabolism. The program licenses and monitors laboratories and certifies laboratories for participation in the Medicare program.

In FY 2003, the program will analyze 195,000 bacteriology specimens; conduct 150,000 metabolism tests; examine 9,000 blood lead samples; inspect 300 clinical laboratories; and license nearly 200 blood banks.

AIDS Services promotes programs and activities that reduce the spread of HIV and provides health and social services to persons with HIV/AIDS. In FY 2003, the program anticipates it will test and counsel nearly 63,000 clients; provide early intervention services to 9,300 clients and provide medications to 6,000 clients through the AIDS Drug Distribution Program.

As of September 2001:

- The State had nearly 42,700 reported AIDS cases. Essex (12,800), Hudson (6,500), Passaic (3,500), Union (3,200), Middlesex (2,400), Monmouth (2,100) and Bergen (1,900) counties have the highest number of reported AIDS cases.
- Approximately 29 percent of cumulative adult-adolescent reported AIDS cases in New Jersey are female, which remains the highest proportion in the country. The State had over 700 cases of pediatric AIDS (under 13 years of age), the third highest total number of pediatric cases in the country.

The recommended FY 2003 General Fund appropriation for **Health Services** is summarized on the next page.

Program Description and Overview (Cont'd)

	Adj. Approp. FY 2002	Recomm. FY 2003	Percent Change 2002-02
TOTAL (\$000)	\$177,474	\$231,013	30.2%
Direct State Services:	\$70,059	\$100,224	43.1%
Vital Statistics	\$1,506	\$1,506	--
Family Health Services	9,099	10,099	11.0%
Public Health...	16,917	40,067	136.8%
Addiction Services	30,529	37,529	22.9%
Laboratory Services	8,524	8,524	--
AIDS Services	3,484	2,499	(28.3%)
Grants-In-Aid:	\$71,831	\$96,634	34.5%
Family Health Services	19,773	\$42,510	115.0%
Public Health...	3,999	4,115	2.9%
Addiction Services	29,622	30,405	2.6%
AIDS Services	18,437	19,604	6.3%
State Aid:	\$33,005	\$33,005	--
Family Health Services	\$28,425	\$28,425	--
Public Health...	4,580	4,580	--
Capital Construction:	\$2,079	\$650	(68.7%)
Laboratory Services	\$2,079	\$650	(68.7%)
Casino Revenue Fund:	\$500	\$500	--
Family Health Services	\$500	\$500	--

Vital Statistics

Direct State Services. Recommended funding of \$1.5 million is unchanged from FY 2002 levels and provides \$250,000 for the Electronic Death Certificate program.

Federal Funds for Vital Statistics is unchanged at \$850,000.

Family Health Services

Direct State Services. Recommended appropriations increase 11.0 percent, from \$9.1 million to \$10.1 million, and are related to a new \$1.0 million Special Purpose appropriation for Cancer Investigation and Education. These monies would be used to host an international conference on cancer and chronic illness (\$0.5 million) and to establish a Cancer Cluster Task Force to conduct investigations into high cancer incidences (\$0.5 million).

Grants-In-Aid funding increases 115 percent, from \$19.8 million to \$42.5 million, and is related to new grants to the Cancer Institute of New Jersey - \$28.0 million and the St. Barnabas Hospital - Institute of Neurology/Neuroservice - \$250,000. The Cancer Institute monies would be used for staff, faculty and equipment (\$15.0 million), and to improve cancer care in Camden and Newark and enhance the State's image with respect to cancer research and activities (\$13.0 million). How the St. Barnabas' monies are to be used is not known as of this writing.

Program Description and Overview (Cont'd)

State Aid of \$28.4 million for the Early Childhood Intervention Program is unchanged from FY 2002 levels. However, various federal and Medicaid funds are expected to increase from \$15.0 million to \$16.0 million. The number of infants and toddlers (up to the age of three) receiving services in FY 2003 is expected to increase from 10,000 to 10,500. In addition to the State and federal monies available to the program, budget language has been included in the annual appropriations act for several years that appropriates an unspecified amount from the General Fund "to cover additional costs of the program to maintain federal compliance."

Casino Revenue Funds. Recommended funding is unchanged at \$500,000 for the Statewide Birth Defects Registry grant.

Federal Funds. A 3.1 percent increase is anticipated, from \$142.8 million to \$147.2 million. The increase is primarily related to additional funds for the following programs or grants: Early Intervention Program for Medicaid Recipients (\$1.0 million); Maternal and Child Health Block Grant (\$4.0 million); and Pediatric AIDS Health Care Demonstration Project (\$0.4 million). Program or grant funding for the following is reduced: Preventive Health and Health Services Block Grant (\$0.6 million) and the Essex County Healthy Start Initiative (\$1.5 million).

Other Funds are expected to increase from \$29.5 million to \$31.5 million as additional WIC Rebates of \$1.5 million are expected. Funding for the New Jersey Emergency Medical Service Helicopter Response Program are unchanged at \$1.9 million. Appropriations from the Emergency Medical Technician Training Fund will increase from \$1.8 to \$2.0 million and from the Spinal Cord Research Fund from about \$3.3 million to \$3.6 million.

Proposed budget language appropriates \$2.0 million from the Emergency Medical Technician Training Fund for recruitment activities, in addition to the fund's primary objective, training.

Public Health Protection Services

Direct State Services. Recommended appropriations increase nearly 137 percent, from \$16.9 million to \$40.1 million. The increase is related to new appropriations for Medical Emergency Disaster Preparedness for Bioterrorism, \$25.0 million, and the Advisory Council to Promote the Profession of Nursing, \$25,000.

The Bioterrorism monies would be used to implement the recommendations of the Medical Emergency and Disaster Prevention and Response Expert Panel which include: the establishment of an incident command structure; the improvement of communications among health providers and the State on disease surveillance and response; the purchase and distribution of medications and equipment; and better training.

It is noted that although funding for the program's Personal Services account is reduced from \$7.1 million to approximately \$5.9 million, the reduction should have no impact. Some personal costs will be supported by the \$25 million in new Bioterrorism funding recommended or by the additional federal bioterrorism funds available. In fact, the total number of funded positions increases from 323 to 338 under the proposed budget.

Grants-In-Aid funding is increased 2.9 percent, from \$3.9 million to \$4.1. New grant funding of \$1.0 million is recommended for the Garden State Cancer Center. (Because information is not available as to how these monies are intended to be used, the details will likely be specified

Program Description and Overview (Cont'd)

in the grant contract between the department and the center.)

State Aid. Recommended funding of \$4.6 million is unchanged from FY 2002 levels and will be used for: Public Health Priority Funding - \$4.1 million; and the Local Health Department Information Network - \$0.5 million.

Though Public Health Priority Funding per capita aid is unchanged at \$0.40 local health departments should receive additional State and federal funds from the bioterrorism monies that are or will be made available.

A 23.1 percent reduction in **Federal Funds** is anticipated, from \$57.5 million to \$44.2 million. The reduction is misleading as approximately \$26.9 million in Emergency Preparedness for Bioterrorism monies are reflected in the FY 2002 budget even though most of the monies will be expended in FY 2003. These monies will be used to establish an Office of Public Health Preparedness, establish an Operations Center and provide monies to hospitals to upgrade their bioterrorism capabilities.

New or additional federal funds are expected for the following programs and activities: West Nile Virus - \$3.0 million; Preparedness and Response for Bioterrorism - \$4.5 million; Tuberculosis Control Program - \$7.5 million; Venereal Disease Project - \$0.4 million; Immunization Project - \$0.5 million; and PEOSHA - State Plan - \$0.9 million.

Other Funds are expected to increase 23.0 percent, from \$2.1 million to \$2.6 million. These restricted grants are used for specific programs such as Food Inspection and Training, the Lead Abatement Certification Program, Asbestos Training Agency Certification and Animal Population Control.

Addiction Services

Direct State Services. Recommended appropriations increase 22.9 percent, from \$30.5 million to \$37.5 million. The increase is related to new funding for Expansion of Cancer Initiatives - \$7.0 million. Detailed information as to how the Cancer Initiative monies are to be expended is not available at this time.

It is noted that even though the FY 2003 recommended appropriations of \$30 million for various tobacco related purposes is unchanged from FY 2002 levels, funding would actually increase because approximately \$10.5 million in FY 2002 tobacco related appropriations are to be used to close the FY 2002 deficit. FY 2003 tobacco control programs include: Youth Anti-Tobacco Awareness Media Campaign - to create an anti-smoking media campaign targeted at children and young adults; Smoking Cessation Programs for Addicted Adults and Youth - to establish a toll-free hotline and incentives to public/private health care plans to include comprehensive cessation services; Research, Surveillance, Evaluation & Assistance for Anti-Smoking Programs; School Based Programs for the Prevention of Tobacco Use - to teach youth skills to resist or successfully stop smoking; and Community Based Tobacco Control Programs - to alter the way tobacco is promoted, sold and used.

Grants-In-Aid funding of approximately \$30.4 million is essentially unchanged; the appropriation reflects monies for the COLA and the elimination of various Legislative initiatives.

Federal Funds increase 15.3 percent, from \$50.2 million to \$57.9 million. The increase is

Program Description and Overview (Cont'd)

related to an additional \$9.9 million in the Substance Abuse Block Grant, from \$45.1 million to \$55.0 million.

Other Funds increase 3.9 percent, from \$4.0 to \$4.2 million. These funds are primarily used for the following activities: Retail Tobacco Licenses - Vendor Compliance program - \$1.0 million; the Alcohol Education Rehabilitation and Enforcement Fund - \$2.4 million.

Laboratory Services

Direct State Services funding of \$8.5 million is recommended, unchanged from FY 2002 levels.

Capital Construction funding of \$650,000 is recommended for Laboratory Equipment - \$500,000 and Improvements to Laboratories and Installed Equipment - \$150,000. (In addition, these accounts retain any unexpended FY 2002 funds.)

Federal Funds of \$1.8 million are anticipated, a 17.7 percent reduction from FY 2002 levels. The largest reduction is in the Tuberculosis Control Program, but sufficient unexpended balances appear available to offset this reduction.

Other Funds of \$350,000 are anticipated from Clinical Laboratory Improvement Service revenues.

AIDS Services

Direct State Services recommended appropriations decrease 28.3 percent, from \$3.5 million to \$2.5 million. In addition to a \$750,000 legislative appropriation not being continued, the Personal Services account is reduced by about \$0.2 million, from \$2.4 million to \$2.2 million. However, the reduction is offset by an increase in the amount of federal funds allocated for personnel related costs.

Grants-In-Aid funding increases 6.3 percent, from \$18.4 million to \$19.6 million, reflecting the COLA that is provided to grantees.

Federal Funds. A 1.7 percent increase, from \$81.2 million to \$82.5 million, is recommended. Increases in the HIV/AIDS Surveillance Grant, from \$5.5 million to \$6.5 million, and the HIV/AIDS Prevention and Education Grant, from \$15.7 million to \$16.0 million, accounts for most of the increase. Anticipated federal funds for the Comprehensive AIDS Resources Grant is unchanged at \$55.0 million.

Other Funds of \$9.3 million are anticipated. These represent drug rebates to the AIDS Drug Distribution Program - \$6.0 million, and the Philadelphia AIDS Grant - \$3.3 million, for services in the Camden area.

Health Planning and Evaluation

Health Planning and Evaluation consists of two programs:

Long Term Care Systems Development and Quality Assurance licenses all health care facilities, develops and revises standards concerning health care facilities, and reviews and approves

Program Description and Overview (Cont'd)

all construction and renovation plans. The program is also involved in the training and certification of various health care professionals such as nursing home administrators, nurses' aides and emergency medical personnel.

In FY 2003, **Long Term Care Systems Development and Quality Assurance** will license 900 health care facilities with 80,900 beds; conduct 4,200 inspections and initiate 125 administrative actions/penalties on health care providers and 1,400 federal enforcement actions.

Health Care Systems Analysis contributes to the development of the State Health Plan, administers the certificate of need program and maintains and compiles health care financial information and statistics. The program regulates HMOs and monitors complaints against these organizations.

During FY 2003, **Health Care Systems Analysis** will process about 50 certificate of need applications and 7,100 complaints against HMOs. The Governor has proposed that HMOs be assessed for the State's oversight function. The **General Fund** anticipates about \$2.6 million in revenues from the assessment.

The recommended FY 2003 General Fund appropriation for **Health Planning and Evaluation** is summarized as follows:

	Adj. Approp. FY 2002	Recomm. FY 2003	Percent Change 2002-03
TOTAL (\$000)	\$174,473	\$24,299	(86.1)%
Direct State Services:	\$8,083	\$6,183	(23.5)%
Long Term Care Systems	\$4,798	\$4,798	--
Health Care Systems	3,285	1,385	(57.8)%
Grants-In-Aid:	\$166,390	\$18,116	(89.1)%
Health Care Systems	\$166,390	\$18,116	(89.1)%

Long Term Care Systems Development and Quality Assurance

Direct State Services appropriations of \$4.8 million are unchanged from FY 2002 levels. Continuation funding for the Nursing Home Background Checks/Nursing Aide Certification Program - \$979,000 is provided.

Federal Funds. Funding increases 2.3 percent, from \$9.3 million to \$9.6 million. Most of the federal monies is for Medicare/Medicaid Inspections of Nursing Facilities - \$8.7 million. In addition, significant unexpended balances are likely to be available. As the number of personnel will increase from about 145 to 170, the number of inspections is expected to increase from around 3,700 to 4,200.

Other Funds. Funding decreases 19.4 percent, from about \$400,000 to over \$300,000, due to a reduction in fines collected in the Health Care Quality Monitoring Fund.

Program Description and Overview (Cont'd)

Health Care Systems Analysis

Direct State Services. Appropriations of approximately \$1.4 million represent a 57.8 percent reduction from FY 2002 levels of \$3.3 million. Legislative initiatives of \$1.4 million for Managed Care Oversight and Health Insurance Consumer Rights Information are not continued and are to be used to balance the FY 2002 budget. **General Fund** support of the Implementation of Statewide Health Information Network is discontinued, a reduction of \$500,000. However, the program will continue to receive \$1.0 million in **Other Funds** from the 0.53 percent assessment on hospitals. Also, budget language provisions that prohibited the department from using any of these monies for administrative costs and which provided \$250,000 to both the New Jersey Institute of Technology and the Thomas A. Edison State College, are eliminated. Thus, some of the \$1.0 million could be used for administrative costs and the two colleges may not receive grant funding.

Grants-In-Aid. Appropriations decrease 89.1 percent, from \$166.4 million to \$18.1 million, as follows:

- Various legislative grants to hospitals and for healthcare services valued at \$16.4 million are not continued. Approximately \$6.0 million will be used to close the FY 2002 deficit.
- Health Care Subsidy Fund Payments of \$131.9 million are not continued and will instead be supported by diverted payroll tax revenues.
- Continuation funding of \$18.1 million is recommended for Supplemental Charity Care to be distributed according to a formula specified in budget language on p. D-210. A listing of hospitals that will receive monies in FY 2002 and the amount of funds they will receive can be found in a **Background Paper on p. 40**.

Federal Funds increase from \$19.3 million to \$19.4 million. All the monies are for Supplemental Charity Care - \$18.1 million and the Medicare/Medicaid Facilities Inspection Program - \$1.3 million.

Other Funds. These monies primarily represent revenues generated from: Admission Charge Hospital Assessment, a \$10.00 per adjusted admission fee imposed on hospitals; Health Care Cost Reduction Fund, a 0.53 percent assessment on hospital revenues (capped at \$40.0 million); and Certificate of Need fees. These monies are primarily used to support departmental administrative operations and to support various program expenditures, although \$6.0 million of Hospital Assessment revenues are deposited into the **General Fund**.

Recommended FY 2003 appropriations decrease 2.8 percent, from \$47.6 million to \$46.3 million. However, as unexpended FY 2002 balances are retained by the various programs, the reduction should have no impact on programs. (At the end of FY 2001, total unexpended balances were \$8.5 million.)

The following programs are supported by **Other Funds**:

- Certificate of Need Program - \$0.5 million, plus unexpended balances. (At the end of FY 2001, about \$0.6 million in unexpended funds were available.)
- Managed Care Initiatives - \$2.6 million and Health Facilities Licensing and Inspections - \$2.8 million, plus unexpended balances. (At the end of FY 2001, approximately \$1.3

Program Description and Overview (Cont'd)

million and \$0.1 million, respectively, in unexpended funds were available.) It is noted that the Governor has recommended that managed care organizations be assessed for the cost of the department's activities. Approximately \$2.6 million in revenues are anticipated as revenue to the **General Fund**.

- Expansion of Medicaid - Pregnant Women and Infants - \$18.0 million from the 0.53 percent hospital assessment. These funds reimburse the Medicaid program for costs associated with providing services to pregnant women and infants with incomes between 100 and 185 percent of the poverty level.
- Health Care Cost Reduction Fund - \$15.2 million from the 0.53 percent hospital assessment. Programs funded include: Infant Mortality Reduction Program; Community Care Program for the Elderly and Disabled; competitive initiatives; federally qualified health centers; Emergency Medical Services for Children Program; Implementation of Statewide Information Network.
- Health Care Planning - \$7.2 million from the \$10.00 per adjusted admission fee imposed on hospitals, plus unexpended balances. (At the end of FY 2001, approximately \$2.1 million in unexpended funds were available.)

Health Administration

Health Administration consists of the **Management and Administrative Services** program, which provides department wide services. The Office of Minority and Multicultural Health is in this unit.

Direct State Services. Recommended funding decreases 8.3 percent, from \$6.0 million to \$5.5 million, in the program's Personal Services account. With sufficient funds available from the \$1.5 million recommended for the Office of Minority and Multicultural Health and the program's **Other Funds**, the reduction should have minimal impact.

Federal Funds. Appropriations of about \$0.8 million are unchanged from FY 2002 levels. The majority of federal funds are from the Preventive Health and Health Services Block Grant - \$0.5 million.

Other Funds. These monies represent indirect cost recoveries that are returned to the department and are used for administrative operations. Approximately \$1.9 million is anticipated, the same as in FY 2002. In addition, the program retains unexpended balances, which at the end of FY 2001 totaled over \$2.9 million. These monies will support 56 positions.

Senior Services

Senior Services consists of 6 programs:

Medical Services for the Aged administers various Medicaid services involving long term care and community alternatives. In FY 2003, 11.2 million nursing home days will be provided to Medicaid clients and about 7,100 persons will be served in various community settings.

Pharmaceutical Assistance to the Aged and Disabled (PAAD) provides prescription drugs, and certain equipment used by diabetics, to qualified elderly and disabled persons whose incomes

Program Description and Overview (Cont'd)

are less than \$19,739 (single) and \$24,203 (married). Eligible persons pay a \$5.00 copayment for each prescription drug. Persons eligible for PAAD may also receive up to \$100 in assistance in the purchase of a hearing aid. During FY 2003, assistance will be provided to about 217,500 persons: 187,900 elderly and 29,600 disabled.

Senior Gold provides pharmaceutical assistance to single persons with income between \$19,739 and \$29,739 and to married couples with incomes between \$24,203 and \$34,203. Eligible persons have a \$15 copayment plus 50 percent of the remaining balance. Out-of-pocket costs are capped at \$2,000 and \$3,000, respectively, for single and married persons, at which point the eligible person is responsible for the \$15 copayment. During FY 2003, assistance will be provided to about 64,800 persons: 62,000 elderly and 2,800 disabled.

Lifeline provides eligible households with either a \$225 credit on their electric/gas bill or a \$225 check to offset their emergency costs. Lifeline eligibility is similar to that of PAAD, although persons receiving federal SSI benefits and persons not eligible for PAAD benefits because of other prescription drug coverage may qualify for Lifeline benefits. In FY 2003, 158,800 households will receive Lifeline Credits and 158,900 recipients will receive Lifeline Rebates.

Programs for the Aged supports programs which improve the quality of life for the State's older citizens through technical assistance and grants to county offices on aging. Funded programs include congregate and home delivered meals, personal care, legal services and case management.

During FY 2003, 2.1 million congregate meals will be served, nearly 790,600 units of personal care services will be provided, 75,000 persons will receive health insurance counseling and adult protective services will be offered to about 5,400 persons.

The **Office of the Ombudsman for the Institutionalized Elderly** receives, investigates and resolves complaints concerning health care facilities serving the elderly. The office also review requests for the withdrawal or withholding of life-sustaining treatment for persons without advance directives for health care. During FY 2003, over 9,100 on-site investigations will be conducted, over 5,100 visits to nursing homes, boarding homes or other facilities where the elderly may reside will be undertaken, and 600 cases will be referred to enforcement authorities.

The **Office of the Public Guardian** provides guardianship services for elderly adults who have been deemed by the courts to be in need of a guardian or conservator. Among the services provided by the office are legal assistance, development of individualized social service plans and financial management of an elderly person's resources. During FY 2003, about 1,500 cases will be handled and the office will be appointed guardian by the court in 150 cases.

The **Offices of the Ombudsman for the Institutionalized Elderly and the Public Guardian** would be transferred to a Division of Elder Advocacy with the new **Department of the Public Advocate** that the Governor has proposed establishing.

Program Description and Overview (Cont'd)

The FY 2003 General Fund appropriation for **Senior Services** is summarized below.

	Adj. Approp. FY 2002	Recomm. FY 2003	Percent Change 2001-02
TOTAL (\$000)	\$792,749	\$741,169	(6.5%)
Direct State Services:	<u>\$18,619</u>	<u>\$17,683</u>	<u>(5.0%)</u>
Medical Services...Aged	\$6,764	\$6,014	(11.1%)
PAAD (Admin.)	7,101	7,029	(1.0%)
Lifeline (Admin.)	2,017	1,967	(2.5%)
Programs for the Aged	1,112	1,048	(5.8%)
Ombudsman	898	898	--
Public Guardian	727	727	--
Grants-In-Aid:	<u>\$455,647</u>	<u>\$407,857</u>	<u>(10.5%)</u>
Medical Services...Aged	\$226,694	\$287,263	26.7%
PAAD	178,352	95,019	(46.7%)
Lifeline	36,171	11,171	(69.1%)
Programs for the Aged	14,430	14,404	(0.2%)
Casino Revenue Fund:	<u>\$311,519</u>	<u>\$308,665</u>	<u>(0.9%)</u>
Medical Services...Aged	\$3,857	\$3,857	--
PAAD	257,928	255,074	(1.1%)
Lifeline	34,669	34,669	--
Programs for the Aged	15,065	15,065	--
State Aid	<u>\$6,964</u>	<u>\$6,964</u>	<u>--</u>
Programs for the Aged	\$6,964	\$6,964	--

Medical Services for the Aged

Direct State Services. Appropriations decrease 11.1 percent, from \$6.8 million to \$6.0 million, due to a reduction in the Fiscal Agent - Medical Services for the Aged account. These costs were uncertain in FY 2002 and based on current data, recommended appropriations are being reduced.

Grants-In-Aid. Recommended appropriations increase 26.7 percent, from \$226.7 million to \$287.3 million, as follows:

- Assisted Living Program. Although it appears in the budget as a new account, program costs had been funding in the Nursing Homes account. As program costs are now substantial, it was decided to have program costs identified in the budget.

The recommended \$14.0 million supports existing expenditures of about \$11.1 million for the 1,500 clients in the current federal waiver, and provides about \$2.9 million for a 375 slot increase in the waiver. (An additional 1,500 slots are being requested over the next four years.)

- Medical Day Care. Recommended funding increases 50.8 percent, from about \$32.5

Program Description and Overview (Cont'd)

million to \$49.0 million, based on current utilization and expenditure trends. Savings of about \$1.0 million are assumed pursuant to proposed budget language that would implement a prior authorization system to document the need for Medical Day Care services. (In July 1999, the department proposed regulations that sought to control costs; these regulations were withdrawn in response to objections by legislators and providers.)

- Nursing Homes. Although recommended appropriations increase 20.4 percent, from \$139.5 million to \$168.0 million, the increase is misleading. While the FY 2002 adjusted appropriation includes about \$11.1 million in Assisted Living Program costs, the key feature of the recommendation is continued receipt of \$330 million in additional federal IGT funds, even though, under current federal law, the State is only entitled to \$157 million in federal IGT funds. (See **Background Paper on p. 41.**)

The State is in the process of preparing a request to the federal government to allow the State to continue to receive IGT funds at the current rate of \$487 million.

The overall FY 2003 Nursing Home appropriation request of about \$1.3 billion assumes that over 11.2 million days of service will be provided at an average cost of \$119 per day.

- Other program costs are largely unchanged from FY 2002 levels: Community Care Alternatives - \$27.4 million; Medicaid High Occupancy - Nursing Homes - \$9.0 million; and ElderCare Initiatives - \$19.9 million. (ElderCare includes the Caregiver Assistance Program, Jersey Assistance for Community Caregivers, NJEase HomeCare, Community Choice Counseling and Family Caregivers/Respite programs).

Federal Funds. A 16.9 percent increase is anticipated, from \$1.12 billion to \$1.31 billion. As previously discussed, the increase is related to the federal IGT funds the State seeks to continue to receive and which are earmarked for Nursing Homes. Failure to receive all or part of these monies will result in a shortfall of up to \$330 million in federal funds.

Casino Revenue Fund. Appropriations of \$3.9 million are unchanged from FY 2002 levels and provide continuation funding for: Home Care Expansion - \$0.4 million; Hearing Aid Assistance for the Aged and Disabled - \$250,000; and Community Care Alternatives - \$3.3 million.

PAAD

Direct State Services. Recommended appropriations of approximately \$7.0 million represent a slight reduction from FY 2002 adjusted levels of \$7.1 million. However, with up to \$4.3 million of the Senior Gold appropriation available for administration, sufficient funds are available for administrative costs. (See **Background Paper on p. 43.**)

Grants-In-Aid. Total funding (**General and Casino Revenue Funds**) decreases 19.0 percent, from \$436.3 million to \$313.0 million, as follows:

- Senior Gold. Although funding appears to be reduced from \$50 million to \$37.1 million, expenditures are expected to increase because \$30.0 million of the FY 2002 appropriation will be used to close the FY 2002 budget deficit.

The Tobacco Settlement Fund will support program expenditures. Program enrollment is expected to increase from about 27,200 to 62,000.

Program Description and Overview (Cont'd)

- PAAD. Total **General and Casino Revenue Fund** expenditures are expected to decrease 19.0 percent, from \$313.0 million to \$350.1 million, and assumes that the federal government will approve the State's March 2002 waiver request for \$147.8 million in federal financial assistance.

The State's waiver application states that the PAAD program, as it currently operates, would have to be drastically curtailed if federal funds are not forthcoming. Among the actions that may be taken are: imposition of an assets test; reduction in pharmacy reimbursement; higher copayments; and a cap on the number of persons the program could serve.

Irrespective of whether federal funds are received, overall program costs, are expected to increase 19.3 percent, from \$386.3 million to \$460.8 million. Average monthly enrollment is expected to increase from about 202,200 in FY 2002 to 217,500; prescription drug costs are expected to increase 8.9 percent, to about \$70 per claim.

Proposed budget language, if implemented, could increase the amount of pharmaceutical manufacturers' rebates the PAAD program receives. If adopted, the PAAD rebate program would be modeled after the Medicaid rebate program, meaning an inflation adjustment would be incorporated into the rebates. The additional rebate amount is not incorporated into the \$57 million the PAAD program expects to receive.

Federal Funds. As noted, \$147.8 million in federal funds are assumed for PAAD based on approval of the State's March 2002 waiver application.

Casino Revenue Funds to support PAAD claims costs are reduced from \$257.9 million to \$255.1 million and were discussed above.

Lifeline

Direct State Services. Recommended appropriations of approximately \$2.0 million are little changed from FY 2002 adjusted levels.

Grants-In-Aid. The recommended \$11.2 million appropriation for Payments for Tenants Assistance Rebates represents a 69.1 percent reduction from FY 2002 levels. The \$25 million reduction in **General Funds** appropriation is to be offset by \$25.0 million in Other Funds to be provided by the New Jersey Mortgage and Housing Finance Agency.

Casino Revenue Funds. The recommended \$34.7 million appropriation for Lifeline Credits is unchanged from FY 2002 levels.

Programs for the Aged

Direct State Services. Recommended appropriations decrease 5.8 percent, from approximately \$1.1 million to about \$1.05 million. The reduction is in the Personal Services account and is likely to be offset by the allocation of additional federal funds.

Grants-In-Aid. Recommended appropriations of \$14.4 million are unchanged from FY 2002 levels. Continuation funding is provided for the Arthritis Quality of Life Initiative Act (to fund two regional pilot arthritis centers pursuant to P.L. 1999, c.72) - \$464,000; ElderCare Advisory Commission Initiatives (to provide additional fiscal support for Meals on Wheels, Congregate

Program Description and Overview (Cont'd)

Housing Services, elder abuse programs and care management) - \$3.5 million; Purchase of Social Services - \$8.5 million; Alzheimer's Disease Program - \$0.7 million; and Adult Protective Services - \$0.8 million.

State Aid of \$7.0 million is unchanged from FY 2002 levels and provides for the Older Americans Act State Share - \$4.2 million; and for County Offices on Aging - \$2.8 million.

Casino Revenue Fund. Recommended appropriations of \$15.1 million are unchanged from FY 2002 levels. Continuation funding is provided for Demonstration Adult Day Care Center Program - Alzheimer's Disease - \$2.6 million; Adult Protective Services - \$1.8 million; Senior Citizen Housing - Safe Housing and Transportation - \$1.7 million; Respite Care for the Elderly - \$5.3 million; Congregate Housing Support Services - \$1.9 million; Home Delivered Meals Expansion - approximately \$1.0 million; and administration - \$0.9 million.

Federal Funds. Approximately \$44.8 million is anticipated, a slight increase over FY 2002 levels of \$44.6 million. Virtually all of the federal funds are related to the various Older American Act Title III programs for food and services.

Funding for the major programs is virtually unchanged from FY 2002 levels: USDA Older Americans Act - Title III programs - \$3.9 million; National Council on Aging - Senior Employment Services Project - \$3.0 million; and Social Services Block Grant - Senior Services - \$2.4 million.

Other Funds of \$150,000 are anticipated from a restricted grant.

Office of the Ombudsman for the Institutionalized Elderly

Recommended **General Fund** and **Federal Funds** appropriations of about \$0.9 million and \$0.4 million (in Medicaid reimbursements), respectively, are unchanged from FY 2002 levels.

Office of the Public Guardian

Recommended **General Fund** appropriations of \$0.7 million are unchanged from FY 2002 levels. The **Public Guardian** expects to receive \$250,000 in federal Medicaid reimbursements and about \$0.6 million in **Other Funds** related to fees the office receives for its services.

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS (\$000)

DEPARTMENT OF HEALTH AND SENIOR SERVICES (TOTAL)

	Expended FY 2001	Adj. Approp. FY 2002	Recom. FY 2003	Percent Change	
				2001-03	2002-03
<u>General Fund</u>					
Direct State Services	\$114,442	\$102,796	\$129,625	13.3%	26.1%
Grants - In - Aid	451,256	693,868	522,607	15.8%	-24.7%
State Aid	32,441	39,969	39,969	23.2%	0.0%
Capital Construction	4,507	2,079	650	-85.6%	-68.7%
Debt Service	0	0	0	0.0%	0.0%
Sub-Total	\$602,646	\$838,712	\$692,851	15.0%	-17.4%
<u>Property Tax Relief Fund</u>					
Direct State Services	\$0	\$0	\$0	0.0%	0.0%
Grants-In-Aid	0	0	0	0.0%	0.0%
State Aid	0	0	0	0.0%	0.0%
Sub-Total	\$0	\$0	\$0	0.0%	0.0%
<u>Casino Revenue Fund</u>	\$330,024	\$312,019	\$309,165	-6.3%	-0.9%
<u>Casino Control Fund</u>	\$0	\$0	\$0	0.0%	0.0%
State Total	\$932,670	\$1,150,731	\$1,002,016	7.4%	-12.9%
<u>Federal Funds</u>	\$1,528,403	\$1,530,501	\$1,867,822	22.2%	22.0%
<u>Other Funds (a)</u>	\$970,062	\$130,696	\$132,531	-86.3%	1.4%
Grand Total	\$3,431,135	\$2,811,928	\$3,002,369	-12.5%	6.8%

(a) Includes Revolving Funds.

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2001	Revised FY 2002	Funded FY 2003	Percent Change	
				2001-03	2002-03
State	813	947	976	20.0%	3.1%
Federal	823	779	907	10.2%	16.4%
All Other(b)	273	229	257	-5.9%	12.2%
Total Positions	1,909	1,955	2,140	12.1%	9.5%

FY 2001 and revised FY 2002 personnel data reflect actual payroll counts. FY 2003 data reflect the number of positions funded.

(b) Does not include Revolving Fund positions.

AFFIRMATIVE ACTION DATA

Total Minority Percent	31.0%	30.0%	30.0%	----	----
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Significant Changes/New Programs (\$000)

<u>Budget Item</u>	<u>Adj. Approx. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

Cost of Living Adjustment

Included within the recommended **Grants-In-Aid** appropriations for **Health Services** and **Senior Services** is approximately \$4.8 million for a 2 percent Cost of Living Adjustment (COLA) to direct care employees of provider agencies.

Elimination of Legislative Grants

Approximately \$11.7 million in various Legislative initiatives to nonprofit agencies and hospitals are not continued.

HEALTH SERVICES

AIDS Services	\$3,484	\$2,499	(\$985)	(28.3)%	D-197
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In addition to the elimination of a Legislative grant, the Personal Services account is reduced by \$235,000; however, with additional federal funds allocated for Personal Services, the reduction in State funds should have no impact.

**Special Purpose:
Cancer Investigation
and Education**

\$0	\$1,000	\$1,000	—	D-197
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These monies will be used to establish a Cancer Cluster Task Force (\$500,000) to investigate situations where there is a high cancer rate; and to host an international conference to focus on cancer and chronic illness (\$500,000).

**Special Purpose: Advisory
Council to Promote the
Profession of Nursing**

\$0	\$25	\$25	—	D-198
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These monies would be used to promote the nursing profession in light of the shortage of nurses and related health professionals.

**Special Purpose: Medical
Emergency Disaster
Preparedness for Bioterrorism**

\$0	\$25,000	\$25,000	—	D-198
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These monies would implement the recommendations of the Medical Emergency and Disaster Prevention and Response Expert Panel, which include: establish an incident command structure; improve real time communications among health care providers and the State on disease surveillance and response; provide training to the health care workforce on various matters;

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

<u>Budget Item</u>	<u>Adj. Approx. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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purchase and distribute antibiotics and personal protective and decontamination equipment; support drills and training and improve public education; expand laboratory testing capabilities; and inventory Statewide mental health programs.

Special Purpose:

Expansion of Cancer Initiatives

\$0	\$7,000	\$7,000	—	D-198
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These funds would be used to expand the department's cancer initiatives. Specific information as to how these monies are to be used is not yet available.

Grants-in-Aid: Cancer Institute of New Jersey

\$0	\$28,000	\$28,000	—	D-199
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These monies will be used as follows: \$13.0 million to create a web-based "reverse tumor registry" for clinical trials; hire epidemiologists, geographers and experts in smoking cessation and infection control; improve the quality of cancer care in Camden and Newark; and raise the State's status in the war against cancer. The remaining \$15.0 million will be used for faculty, staff and equipment at the Cancer Institute. Tobacco Settlement Funds would be used to fund this program.

Grants-in-Aid: St. Barnabas Hospital Institute of Neurology/Neuroservice

\$0	\$250	\$250	—	D-200
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St. Barnabas Hospital Institute of Neurology/Neuroservice will receive \$250,000 in the recommended budget. Use of the monies will be specified in the contract between the department and the hospital.

Grants-in-Aid: Garden State Cancer Center

\$0	\$1,000	\$1,000	—	D-202
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The Garden State Cancer Center will receive \$1.0 million in the recommended budget. Use of the monies will be specified in the contract between the department and the center.

Capital Construction: Laboratory Services

\$2,079	\$650	(\$1,429)	(68.7)%	D-204
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Capital funds are provided for Improvements to Laboratories and Installed Equipment (\$150,000) and for Laboratory Equipment (\$500,000). (In addition to the \$650,000 recommended, unexpended FY 2002 balances will also be available for improvements and equipment.)

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

<u>Budget Item</u>	<u>Adj. Approx. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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HEALTH PLANNING AND EVALUATION

Special Purpose:

Implementation of State

Health Information

Network

	\$500	\$0	(\$500)	(100.0)%	D-208
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Although **General Fund** support is not continued, the project will continue to receive \$1.0 million in **Other Funds** from the 0.53 percent assessment on hospitals. Also, budget language provisions, which prohibited the use of any monies for departmental administrative costs and provided New Jersey Institute of Technology and Thomas A. Edison State College each with a \$250,000 grant, are eliminated.

Grants-in-Aid: Health

Care Subsidy Fund

Payments

	\$131,924	\$0	(\$131,924)	(100.0)%	D-209
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Funding is shifted off-budget and will be provided by diverted payroll taxes. The Medicaid budget includes \$466.1 million in **Other Funds** for New Jersey Health Care Hospital Payments. Including the \$36.2 million in State/federal Supplemental Charity Care funds, a total of \$502.3 million will be available for charity care/uncompensated care payments.

HEALTH ADMINISTRATION

Personal Services	\$3,656	\$3,156	(\$500)	(13.7)%	D-211
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Although Personal Services funding is reduced by \$500,000, sufficient Administrative Overhead (**Other Funds**) balances are available to continue to support these positions, if necessary.

SENIOR SERVICES

Fiscal Agent - Medical

Services for the Aged

	\$1,487	\$737	(\$750)	(50.4)%	D-216
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In FY 2002, \$1.5 million was recommended and appropriated for this activity, as this function was new and costs were uncertain. Available information indicates that actual expenditures are less than anticipated.

Assisted Living Program	*	\$13,973	\$13,973	--	D-217
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* Approximately \$11.1 million in program costs are included in the Payments for Medical Assistance Recipients - Nursing Homes account because program costs were paid from that account.

FY 2003 represents the first year that Assisted Living Program costs are distinctly identified.

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

<u>Budget Item</u>	<u>Adj. Approx. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
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The recommended appropriation will fund 1,500 slots in the existing federal Enhanced Community Options waiver and an additional 375 new slots in FY 2003 (\$2.9 million). The State expects to receive federal approval to increase the number of slots in the waiver from 1,500 to 3,000 over the next four years.

Community Care Alternatives	\$25,807	\$27,370	\$1,563	6.1%	D-217
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The increase reflects both greater utilization of services and the provision of a COLA that other community providers are scheduled to receive.

Payments for Medical Assistance Recipients - Nursing Homes	\$139,490*	\$167,997	\$28,507	20.4%	D-217
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* Includes approximately \$11.1 million in funds for the Assisted Living Program.

Additional State funds are recommended for the State share of Medicaid Nursing Homes expenditures.

The budget assumes that the federal government will grant the State a waiver and allow the State to continue to receive \$487 million in Intergovernmental Transfer (IGT) funds, of which \$467 million will be used to support the Nursing Homes appropriation. If the waiver is not approved, the amount of IGT funds the State will receive is about \$157 million, or \$330 million less than the FY 2003 budget assumes.

IGT involves four county-operated nursing homes (Bergen, Monmouth, Morris and Passaic) being reimbursed at the higher Medicare rate for nursing home services, with the State retaining the difference between the Medicare and Medicaid rate. New federal regulations adopted in 2001 required the State to phase out the use of IGT over a two year period, ending October 2002. IGT will then be limited to nursing home services provided at county facilities. In FY 2003, the State will receive about \$157 million in IGT monies under these rules. Notwithstanding the federal phase-out of IGT by October 2002, the recommended budget assumes continued receipt of an additional \$330 million in IGT funds, rather than \$157 million.

The overall State/federal Nursing Homes appropriation will provide 11.2 million patient days at a cost of \$119 per day.

Medical Day Care Services	\$32,520	\$49,046	\$16,526	50.8%	D-217
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The recommended appropriation increases 50.8 percent, to \$49.0 million, based on utilization and expenditure trends. The recommended appropriation incorporates \$1.0 million in savings through the implementation of a prior authorization system to control utilization pursuant to proposed budget language on D-220.

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

<u>Budget Item</u>	<u>Adj. Approx. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Senior Gold Prescription Program	\$50,000*	\$37,134	(\$12,866)	(25.7)%	D-217

* \$30 million will be used to close the FY 2002 budget deficit.

Due to lower than anticipated enrollment of elderly and disabled recipients, program costs in FY 2003 are expected to be around \$37.1 million. Although this represents an increase from estimated FY 2002 expenditures of about \$20 million, it is still below estimates developed when the program was enacted.

In FY 2003, enrollment is estimated at 62,000 elderly and 2,800 disabled persons; drug costs will average nearly \$27.60, a 13.8 percent increase over FY 2002 levels; and approximately \$4.9 million in pharmaceutical manufacturers rebates are anticipated to offset program costs.

Pharmaceutical**Assistance to the Aged and Disabled - Claims**

	<u>\$386,280</u>	<u>\$460,767</u>	<u>\$74,487</u>	<u>19.3%</u>	
General Fund - Elderly	\$35,493	\$36,626	\$1,133	3.2%	D-217
General Fund - Disabled	\$92,859	\$21,259	(\$71,600)	(77.1)%	D-217
Casino Revenue Fund	\$257,928	\$255,074	(\$2,854)	(1.1)%	D-217
Federal Funds	\$0	\$147,808	\$147,808	--	D-218

Total program costs increase 19.3 percent, to \$460.8 million, due to estimated increases in the number of eligibles, the number of prescription claims processed and higher drug costs.

The budget assumes receipt of \$147.8 million in federal funds to support the PAAD program. On March 28, 2002, a waiver application seeking federal reimbursement for PAAD was submitted to the federal government. The waiver request indicates that PAAD would have to be significantly curtailed in the waiver request is not approved.

In FY 2003, approximately 217,500 persons will receive benefits: 187,900 elderly and 29,600 disabled. Average prescription costs are expected to increase 8.9 percent, from approximately \$64 to about \$70 per claim. Overall, PAAD costs are expected to be reduced through manufacturers' rebates of \$57.0 million and recoveries of \$9.3 million.

Finally, proposed budget language would allow the PAAD rebate program to incorporate an inflation adjustment, similar to one used in the Medicaid rebate program. Should the federal government approved the State's waiver request, the State has indicated that it would adopt the same rebate formula used by the Medicaid program. The proposed language would also enable the PAAD program to base the rebate on the a drug's Average Wholesale Price, rather than the Average Manufacturers' Price, if Congress adopts changes that were proposed as part of the federal FY 2003 budget.

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

<u>Budget Item</u>	<u>Adj. Approp. FY 2002</u>	<u>Recomm. FY 2003</u>	<u>Dollar Change</u>	<u>Percent Change</u>	<u>Budget Page</u>
Payments for Tenants Assistance Rebates	<u>\$36,171</u>	<u>\$36,171</u>	<u>\$0</u>	<u>0.0%</u>	
General Fund	\$36,171	\$11,171	(\$25,000)	(69.1)%	D-217
Other Funds	\$0*	\$25,000	\$25,000	--	D-218

* Although \$25 million is available in FY 2002 from New Jersey Mortgage and Housing Finance Agency (HMFA) reserves, the FY 2002 State appropriation was not adjusted to reflect this.

Overall funding for the Rebate program is unchanged at \$36.2 million; however, \$25 million in costs are being shifted to **Other Funds**, HMFA reserves. Approximately 158,900 household will receive annual rebates of \$225.

Language Provisions

ELIMINATION OF LANGUAGE AFFECTING UNEXPENDED BALANCES

The following is a summary listing of FY 2002 Appropriations Handbook Language Provisions that appropriated all or some portion of an account's unexpended balances that are not included in the recommended FY 2003 budget. In virtually all instances, the language is not recommended in the FY 2003 budget either because: little, if any, unexpended balances will remain on June 30, 2002; or the language was considered one-time in nature.

HEALTH SERVICES

Pharmaceutical Services for Adults with Cystic Fibrosis.
 Cord Blood Resource Center.
 Trenton Detox Center-Drug Rehabilitation and Intensive Aftercare/Transition Facility.
 New Hope Discovery Foundation/Relocation.
 Postpartum Depression - Public Awareness Campaign.
 Dialysis Seminar and Support Group of New Jersey.
 Pregnancy Aid Centers.

HEALTH PLANNING AND EVALUATION

Managed Health Care Consumer Assistance.
 New Jersey Comfort Care Coalition.

SENIOR SERVICES

Demonstration Adult Day Care Center Program - Alzheimer's Disease.
 Congregate Housing Support Services.

OTHER LANGUAGE PROVISIONS

HEALTH SERVICES

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-88.

In addition to the amount appropriated above, an amount not to exceed \$1,300,000 is appropriated from the "Worker and Community Right to Know Fund," subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

Even though this language has been in the annual appropriations act for many years, the department has not received any monies from the fund. As such, the language is being eliminated.

Language Provisions (Cont'd)

2002 Appropriations Handbook

2003 Budget Recommendations

No comparable language provision.

p. D-205.

Notwithstanding the provisions of any law to the contrary, there is appropriated from the "Emergency Medical Technician Training Fund" \$2,000,000 for the training, testing and recruitment of emergency medical personnel who serve on volunteer ambulance squads, first aid or rescue squads, including but not limited to, the purchase of computers and internet access for volunteer squads for distance learning purposes and grants to accredited training sites for equipment and educational materials.

Explanation

Proposed language appropriates \$2.0 million from the Emergency Medical Technician Training Fund for recruitment, training and testing of emergency medical personnel. As of June 30, 2002, the fund is expected to have an unexpended balance of about \$9.9 million.



2002 Appropriations Handbook

2003 Budget Recommendations

No comparable language provision.

p. D-205.

In order to permit flexibility in the handling of the various anti-tobacco initiative accounts appropriated hereinabove, funds may be transferred to and from the following items of appropriations: Youth Anti-Tobacco Awareness Media Campaign; Smoking Cessation Programs for Addicted Adults and Youth; Research, Surveillance, Evaluation and Assistance for Anti-Smoking Programs; School Based Programs for the Prevention of Tobacco Use; and Community Based Tobacco Control Programs. Such transfers are subject to the approval of the Director of the Division of Budget and Accounting. Notice thereof shall be provided to the Legislative Budget and Finance Officer on the effective date of the approved transfer.

Language Provisions (Cont'd)

Explanation

This proposed technical language would facilitate the transfer of monies among various tobacco related appropriations. Similar language provisions already exist for other departmental programs.

HEALTH PLANNING AND EVALUATION

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-90.

From the amount appropriated for the Implementation of Statewide Health Information Network, no amount shall be expended for costs of administrative services within the Department of Health and Senior Services.

No comparable language provisions.

From the amount appropriated for the Implementation of Statewide Health Information Network, \$250,000 shall be allocated to the New Jersey Institute of Technology and \$250,000 allocated to Thomas A. Edison State College.

Explanation

In FY 2003, no Direct State Services funds are recommended for the Implementation of Statewide Health Information Network program. Instead, the program will receive \$1.0 million from the 0.53 percent assessment of hospitals. Eliminating these language provisions could result in program monies being used for administration and the New Jersey Institute of Technology and Thomas Edison State College not receiving any funds.

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-90.

In addition to the amount appropriated above for the Implementation of Statewide Health Information Network, \$1,000,000 is appropriated from the annual .53% assessment of New Jersey hospitals established pursuant to section 12 of P.L.1992, c.160 (C.26:2H-18.62) for the same purpose.

p. D-209.

Similar language except the monies are to be used **for establishing HIPAA compliance.**

Language Provisions (Cont'd)

Explanation

Proposed language directs that the \$1.0 million be used to comply with the federal Health Insurance Portability and Accountability Act of 1996 (HIPAA), which among other things, seeks to reduce health care administrative costs through the use of standardized, electronic transmission of many administrative and financial transactions. The intent of HIPAA is similar to the purpose for which the monies are currently being used.



2002 Appropriations Handbook

2003 Budget Recommendations

p. B-90.

The amounts appropriated hereinabove for Managed Care Oversight is available for expenditure in a manner consistent with the provisions of Senate Bill No. 8 of 2000, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provisions.

The amount appropriated hereinabove for Health Insurance Consumer Rights Information is available for expenditure in a manner consistent with the provisions of Senate Bill No. 7 of 2000, subject to the approval of the Director of the Division of Budget and Accounting.

The amount appropriated hereinabove for Physician Reimbursement for ER Services is available for expenditure in a manner consistent with the provisions of Senate Bill No. 14 of 2000, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The language provisions were included in the appropriations act by the Legislature and are not continued as the referenced programs are not funded.



Language Provisions (Cont'd)

SENIOR SERVICES

2002 Appropriations Handbook2003 Budget Recommendations

No comparable language provision.

p. D-220.

Notwithstanding the provisions of any law to the contrary, no payment for Medicaid Adult Medical Day Care services shall be provided unless the services are prior authorized by professional staff, designated by the Department of Health and Senior Services, certifying that the individual requires nursing home level of care.

Explanation

Medical Day Care service expenditures have increased rapidly in recent years. (See Background Paper, p. 43.) The department had proposed regulations in July 1999 intended to control program costs and subsequently withdrew them in response to opposition from both Legislators and providers. The proposed language will enable the department to control costs by requiring that services be prior authorized. Implementation of prior authorization is expected to reduce Medical Day Care expenditures by \$2.0 million (gross).

2002 Appropriations Handbook2003 Budget Recommendations

No comparable language provision.

pp. D-221 and D-222.

At any point during the year and notwithstanding the provisions of any law or regulation, subject to the approval of a plan by the Commissioner of the Department of Health and Senior Services, no funds appropriated for the Pharmaceutical Assistance to the Aged and Disabled or Senior Gold programs pursuant to the Act shall be expended unless participating pharmaceutical manufacturing companies execute contracts with the Department of Health and Senior Services through the Department of Human Services providing for the payment of rebates to the State on the same basis as provided for in section 1927 (a) through (c) of the federal Social Security Act, 42 U.S.C. 1396r-8(a) -(c).

Language Provisions (Cont'd)

Proposed language will allow the department to: (a) adjust PAAD and Senior Gold rebates based on inflation, as is currently done in the Medicaid program; and (b) implement changes that the federal government may adopt for the Medicaid rebate program. For example, the proposed federal FY 2003 budget changes the basis upon which rebates are calculated from Average Manufacturers' Price (AMP) to Average Wholesale Price (AWP). If this change is enacted, rebates will increase because the AWP is higher than the AMP. (The legislature has rejected previous administration budget recommendations to adjust PAAD rebates based on inflation.)

It is noted that the State's waiver application to obtain \$147.8 million in federal funds for the PAAD program indicated that the State would calculate PAAD rebates on the same basis as the federal Medicaid program. Thus, the State would have modify the PAAD rebate program as a condition for receiving federal assistance. Though the rebate modifications need not apply to the Senior Gold program, from an administrative standpoint, it is easier for Senior Gold and PAAD rebates to be calculated on the same basis than to have each program determine rebates in different manners.

2002 Appropriations Handbook

p. B-99.

There are appropriated such sums as are necessary to counties to satisfy obligations incurred in connection with the execution and delivery of Intergovernmental Transfer Agreements. There are also appropriated such additional sums to make payments to additional counties who have not signed Intergovernmental Transfer Agreements as of July 1, 2001 equal to 50% of the local match required to earn federal Peer Grouping Medicaid matching funds based upon an approved State Plan. The State Treasurer shall report to the Governor, the President of the Senate and the Speaker of the General Assembly on the actual Intergovernmental Transfer funds received by the State.

2003 Budget Recommendations

p. D-223.

There are appropriated such sums as are necessary to counties to satisfy obligations incurred with the execution and delivery of Intergovernmental Transfer Agreements.

Explanation

As part of the Intergovernmental Transfer program (IGT), the Legislature required that financial assistance be provided to those counties that have county nursing homes but who are not involved in the actual IGT process (Bergen, Monmouth, Morris and Passaic) to receive some financial benefit from the IGT program. Approximately \$9 million was distributed to these counties. By eliminating that language provision, those counties not directly involved in IGT would not receive certain financial benefits in FY 2003.

Language Provisions (Cont'd)

In addition, language that required the State Treasurer to submit to the Governor and the Legislature is eliminated. It is noted that no reports have been submitted to date.

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-94.

Funding for community care alternative initiatives is made available from the Payments for Medical Assistance Recipients-Nursing Homes account, subject to both federal waiver approval and approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

Prior to FY 2003, costs associated with various community care alternatives were funded through the Nursing Homes account. As the cost of these community care alternatives are now fairly sizeable, the program is being given its own line item in FY 2003. Thus, language authorizing program costs to be funded through the Nursing Homes account is not necessary.

2002 Appropriations Handbook

2003 Budget Recommendations

p. B-96.

Of the amount appropriated herein for Payments for Medical Assistance Recipients - Nursing Homes, \$12,210,000 in State funds and \$12,210,000 in federal funds are placed in reserve, subject to the approval of the Director of the Division of Budget and Accounting.

No comparable language provision.

Explanation

At the request of the previous administration, the above language was included in the appropriations act. The language provided funds to enable the amount of income and assets the spouse who lives in the community is allowed to retain (when the other spouse enters a nursing home) to be increased to the maximum permitted under federal law. This amount of income and assets the spouse who lives in the community is allowed to retain is known as the Spousal Impoverishment Provision. The increase in the Spousal Impoverishment levels was never implemented and the \$12.2 million is being used to close the FY 2002 deficit.

Discussion Points

DEPARTMENT OF HEALTH AND SENIOR SERVICES (GENERAL)

1. The Governor's budget indicates that upwards of \$75 million in additional revenues will be realized from new or increased fees throughout State government.

- **Question:** Does the department's budget anticipate an increase in existing fees or the establishment of new fees in programs it administers? If so, what fees will be increased or newly established?

2. Changes in federal law and federal FY 2003 budget proposals often impact on the department's programs and fiscal resources.

- **Question:** What recent changes in federal law and the federal FY 2003 budget proposals have affected the department's fiscal resources and activities in FY 2003?

HEALTH SERVICES

3. Continuation funding of \$900,000 is recommended for the Identification System for Children's Health and Disabilities. In FY 2001, program expenditures were about \$800,000; and FY 2002 expenditures will not exceed \$700,000 as \$200,000 will be used to close the State's budget shortfall. Thus, it appears that the Identification System can function with less than the \$900,000 being requested.

- **Question:** As FY 2002 expenditures will be about \$700,000, what impact would result from a reduction in FY 2003 funding from \$900,000 to \$700,000?

4. The budget recommends \$25,000 for an Advisory Council to Promote the Profession of Nursing. Recently, several New Jersey hospitals and corporations have undertaken publicity campaigns to promote the nursing profession.

- **Question:** Given that the private sector has initiated advertising campaigns to promote the nursing profession, does this appropriation duplicate private efforts?

5. In addition to the \$28.4 million in Early Childhood Intervention Program funds recommended, federal Medicaid revenues to support the program are expected to increase from \$4.0 million to \$5.0 million. Available data indicate that Medicaid reimbursement will exceed \$4.6 million in FY 2002. As Medicaid reimbursement rates for this program are likely to increase in FY 2003, Medicaid revenues will likely exceed \$5.0 million.

- **Question:** Based on more current Medicaid data, can the \$5.0 million in federal Medicaid reimbursement be increased?

6. Approximately \$0.5 is recommended for the Local Health Department Information Network (LINCS). In addition, federal bioterrorism monies are to be used to upgrade communication systems between the State and local health departments.

- **Questions:** How much additional funding is needed to complete the LINCS project? To what extent can federal bioterrorism funds be used to offset current and future LINCS

Discussion Points (Cont'd)

expenditures?

7. In FY 2001, \$750,000 in Capital Construction funds were appropriated for the costs associated with the design and construction of a New State Health Laboratory. The FY 2002 appropriations act transferred the responsibility for the construction of a New State Health Laboratory to the New Jersey Economic Development Authority (EDA) and provided EDA with \$2.0 million for debt service costs associated with the construction of a New State Health Laboratory. In addition, as part of the State's bioterrorism preparedness and response capabilities, an expansion of the State's laboratory testing capacity is envisioned.

- **Question:** What is the status of both the construction of a new State health laboratory and the expansion of the existing health laboratory's testing capabilities? To what extent can the federal funds being made available for bioterrorism preparedness be used to defray construction costs associated with a New State Health Laboratory and to expand the current laboratory's testing capabilities?

8. Proposed budget language appropriates \$2.0 million from the Emergency Medical Technician Training Fund for, among other things, the "training, testing and recruitment of emergency medical personnel." However, Evaluation Data do not reflect any increase in the number of EMTs or mobile intensive care paramedics certified/recertified.

- **Question:** How many new EMTs or mobile intensive care paramedics will this additional funding attract? How much will be expended on computers, equipment, and educational materials?

HEALTH PLANNING AND EVALUATION

9. Continuation funding of \$979,000 is recommended for the Nursing Home Background Checks/Nursing Aide Certification Program. There has been testimony at various public hearings regarding the inability of provider agencies to recruit nurse aides who are subject to these background checks. Recruitment difficulties may partially account for why program expenditures are projected at about \$700,000.

- **Question:** As FY 2002 expenditures will be about \$700,000, what impact would result from a reduction in FY 2003 funding from \$979,000 to \$700,000?

10. In FY 2002, \$500,000 was appropriated for the Implementation of Statewide Information Network (HINT) program. Pursuant to budget language, \$250,000 in funding was to be awarded to the New Jersey Institute of Technology (NJIT) and the Thomas A. Edison State College (Edison), respectively. However, \$200,000 of the HINT appropriation will now be used to address the FY 2002 budget shortfall.

In FY 2003, no General Funds are recommended for the HINT program. Instead, in FY 2003 HINT will receive \$1.0 million from the 0.53 percent hospital assessment. Furthermore, budget language provisions that prohibited the use of General Fund monies for departmental administrative costs and which provided \$250,000 in funding to NJIT and Edison, respectively, are eliminated.

- **Questions:** How did the department allocate the reduced FY 2002 funding between NJIT and Edison? How much, if any, of the \$1.0 million appropriated for HINT will be used for departmental administrative costs? How much, if any, monies will be awarded to NJIT and Edison?

Discussion Points (Cont'd)

SENIOR SERVICES

11. Funding of \$0.7 million is recommended for Fiscal Agent - Medical Services for the Aged. This account reimburses a private firm, Senior Initiatives Benefits Administration LLC, for certain fiscal functions including the submission of Medicaid claims that are filed by Medicaid providers, to UNISYS, Medicaid's fiscal agent. In other words, instead of Medicaid providers submitting Medicaid claims directly to UNISYS for reimbursement, the department pays a private firm to submit those claims to UNISYS.

- **Question: How much would be saved by requiring Medicaid providers to submit Medicaid claims directly to UNISYS rather than the department's fiscal agent?**

12. Continuation funding of \$703,000 is provided for Community Choice/Acuity Audits. FY 2001 expenditures were \$654,000, and FY 2002 expenditures are projected at about \$550,000.

- **Question: As FY 2002 expenditures will be about \$550,000, what impact would result from a reduction in FY 2003 funding from \$703,000 to \$550,000, the projected FY 2002 expenditure level?**

13. The budget recommends \$14.0 million for the Assisted Living Program, including about \$2.9 million for an additional 375 slots (pending federal approval). Available Medicaid data indicates that program expenditures may total \$13 million. Thus, an additional 375 slots might increase FY 2003 expenditures to around \$16 million.

- **Question: Based on current expenditure data, are additional funds needed in the program?**

14. The FY 2003 Nursing Homes appropriation is based on approximately 11.2 million patient days. The number of Medicaid patient days has been declining since expanded community programs became available to persons who require nursing home care. In FY 2002, Medicaid data indicate that the program will pay for 11 million patient days, not the 11.6 million cited in the Evaluation Data. Thus, the FY 2003 patient day estimate may be 200,000 too high, which is equivalent to a savings of nearly \$24 million (gross).

- **Question: Should the 11.2 million patient day estimate be revised based on more recent Medicaid patient day data?**

15.a. The FY 2003 recommended budget assumes continued receipt of \$487 million in federal Intergovernmental Transfer (IGT) funds of which \$467 million will be used to offset State Nursing Home appropriations. (The State has submitted or is in the process of submitting a waiver application to the federal government to allow continued receipt of an additional \$330 million in IGT funds despite IGT's phase-out as of October 2002. If the waiver request is not approved, in total or in part, there would be a shortfall of up to \$330 million in federal IGT funds during FY 2003.)

- **Questions: Has the waiver application been submitted? What is the timetable for federal action on the State's request? If the additional \$330 million in federal IGT funds are not received, in total or in part, what actions does the department contemplate undertaking?**

15.b. In addition to providing certain financial benefits to the four counties that were directly involved in facilitating the IGT program (Bergen, Monmouth, Morris and Passaic), other counties with county nursing homes received some financial benefits as a result of budget language included

Discussion Points (Cont'd)

by the Legislature in the FY 2002 budget. As this budget language is not continued in FY 2003, 13 counties that operate nursing homes would not receive any financial benefits from IGT, if the federal government approves the State's request for additional IGT monies.

- **Questions: How much do the 13 counties that operate nursing homes expect to lose as a result of the elimination of budget language that provided them with certain IGT funds?**

16.a. The department contracted with Watson Rice LLP to conduct nursing home audits through March 2003. No information is readily available as to: the amount of monies that Watson Rice has been paid for audit services; the number of cost and per diem audits that Watson Rice has initiated or completed; the amount of monies the Watson Rice audits have identified as inappropriate and that the department should recoup; and the amount the department has actually recovered as a result of Watson Rice's audit activities.

- **Questions: Since the contract's inception, how much has Watson Rice LLP been reimbursed? How many cost and per diem audits have been or are in the process of being completed? How much monies have been identified to be recovered? How much has actually been recovered? Has the audit contract been extended or will it be rebid?**

16.b. The department contracted with Myers and Stauffer to develop and implement a new Medicaid nursing home reimbursement system. The current contract expires in June 2002 and a new reimbursement system is not near completion or implementation.

- **Questions: Does the department intend to renew the Myers and Stauffer contract? If so, at what cost? What is the tentative schedule to implement a new Medicaid nursing home reimbursement system? How will the new reimbursement system impact on total Medicaid nursing home expenditures?**

17.a. Medical Day Care Services costs are expected to increase 50.8 percent, from \$32.5 million to \$49.0 million. This increase assumes \$1.0 million in savings through implementation of utilization controls authorized by proposed budget language. Even with \$1.0 million in anticipated savings, current expenditure and utilization patterns indicate that expenditures will be around \$54 million.

- **Question: Are additional funds needed in the account?**

17.b. Pursuant to proposed budget language, Medical Day Care Services will be subject to prior authorization before services can be reimbursed. This function will be handled in-house, by departmental staff.

- **Questions: How many departmental staff will be assigned to this activity? How quickly will reviews be conducted?**

18. Continuation funding of \$19.9 million is recommended for the ElderCare Initiatives program, which provides various community services to eligible elderly recipients. In FY 2001, nearly \$7.0 million in funds were unexpended; and in FY 2002, \$4.8 million in program funds are being used to close the State's budget shortfall.

- **Question: Given that less funds are being expended than appropriated, can FY 2003 funding be reduced?**

Discussion Points (Cont'd)

19. The PAAD program has contracted with the University of Massachusetts to develop a waiver application to the federal government to obtain federal funds for the program. The waiver application was submitted to the federal government on March 28, 2002. The budget assumes receipt of \$147.8 million in federal Medicaid reimbursements.

- **Questions: What is the timetable for federal action on the State's request? Has the federal government taken any formal position regarding a state's Maintenance of Effort as a condition for receiving these federal funds?**

20. The number of elderly persons in PAAD is expected to increase from approximately 175,400 (FY 2002) to approximately 187,900 (FY 2003). While the Senior Gold program has resulted in an increase in overall PAAD enrollment, available enrollment data indicate that PAAD elderly enrollments have stabilized in recent months in the 170,000 to 174,000 monthly range.

- **Question: Based on more recent elderly enrollment trends, is the 187,900 estimate still valid?**

21.a. Despite a 8.9 percent increase in the average prescription cost in PAAD, the amount of manufacturers' rebates expected to be realized is unchanged at about \$57.0 million.

- **Question: Are Pharmaceutical Manufacturers Rebates underestimated in view of the increase in PAAD prescription drug costs?**

21.b. Proposed budget language would allow pharmaceutical manufacturers' rebates received by the PAAD and Senior Gold programs to include an inflation adjustment as provided for in the federal Medicaid Rebate program.

- **Question: Given that the budget assumes \$57 million and \$4.9 million in rebates for the two programs, respectively, how much additional rebates will be realized if the inflation adjustment is implemented?**

23. At present, PAAD and Senior Gold recipients are able to refill a prescription when 75 percent of a prescription has been used. Increasing the refill threshold percentage to 85 percent or even 90 percent would result in a one-time savings, as less medications would have to be dispensed.

- **Question: How much would the PAAD and Senior Gold programs save if the refill threshold were increased to 85 percent or 90 percent?**

24. Among the objectives of the ElderCare Advisory Commission Initiatives were: eliminating the 2000 person waiting list for Meals on Wheels; providing an additional 733 low and moderate income seniors with Congregate Housing Services; and providing additional staff for Elder Abuse services.

- **Question: What accounts for the initiatives being unable to achieve their stated objectives?**

Evaluation Data indicate that: the number of delivered Meals on Wheels has been reduced from nearly 3.3 million (FY 2001) to about 3.0 million (FY 2002 and FY 2003); the number of persons served by Congregate Housing Services has increased by only 450; and the number of persons receiving adult protective services is unchanged at about 5,400.

Background Paper: Supplemental Charity Care

Budget Pages.... D-209

Funding (\$000)	Expended FY 2001	Adj. Approp. FY 2002	Recomm. FY 2003
Supplemental Charity Care	\$18,116	\$18,116	\$18,116

SUMMARY

Continuation funding of \$18.1 million (plus \$18.1 million in federal Medicaid funds) is recommended for Supplemental Charity Care. The monies are to be distributed to hospitals which have not received Charity Care payments equal to at least \$0.30 per dollar Charity Care provided. If the \$36.2 million in State and federal funds is less than the amount that would have to be distributed, Supplemental Charity Care payments would be reduced on a prorated basis. Hospitals eligible to receive payments in FY 2003 and the amounts they may be entitled to receive are not known at this time.

The list below indicates which hospitals received funds in FY 2002 and the amount of funds received (rounded to the nearest \$100), as provided by the Department of Health and Senior Services. Due to an adjustment affecting St. Clare's, Denville, some hospitals may receive less Supplemental Charity Care payments than indicated:

Bayonne - \$548,200	Our Lady of Lourdes - \$1,072,200
Bayshore Community - \$152,600	Overlook - \$742,700
Burdette Tomlin - \$334,700	Pascack Valley - \$140,900
Capital Health System (Mercer) - \$976,000	Rahway - \$321,300
CentraState - \$566,700	Rancocas - \$385,700
Chilton Memorial - \$221,800	Riverview - \$760,200
Clara Maass - \$767,500	Robert Wood Johnson - \$2,928,000
Columbus - \$723,200	R.W. Johnson (Hamilton) - \$184,900
Community Medical - \$1,073,700	Shore Memorial - \$204,800
Englewood - \$274,600	Somerset - \$561,700
General Hospital (Passaic) - \$533,800	South Jersey Hospital - \$256,900
Hackensack - \$3,782,000	South Jersey, Elmer - \$68,600
Hackettstown - \$146,700	South Jersey, Newcomb - \$15,700
Holy Name - \$471,700	Southern Ocean County - \$49,200
Hunterdon - \$612,200	St. Barnabas - \$613,300
Jersey Shore - \$1,756,900	St. Clare's, Denville - \$807,400*
JFK Medical (Edison) - \$430,600	St. Clare's, Dover - \$211,000
Kennedy Memorial (Stratford) - \$743,200	St. Clare's, Sussex - \$300
Kimball Medical - \$1,389,000	St. Peter's - \$1,300,300
Meadowlands - \$216,900	Underwood - \$543,400
Medical Center at Princeton - \$478,600	Union - \$413,900
Medical Center of Ocean County - \$453,600	Valley - \$449,600
Memorial (Salem) - \$157,000	Virtua Health, Burlington - \$436,900
Monmouth - \$1,124,100	Virtua Health, West Jersey - \$396,400
Morristown - \$2,601,800	Warren - \$380,800
Mountainside - \$906,400	West Hudson - \$248,000
Newton - \$704,800	William B. Kessler - \$31,100

*Plus an adjustment of nearly \$2.0 million

Background Paper: Intergovernmental Transfer (IGT) Funds

Budget Pages.... D-218 (Federal Funds)

SUMMARY

The recommended budget anticipates that the federal government will approve a waiver to allow the State to continue to receive an additional \$330 million in federal IGT monies. The State budget assumes receipt of \$487 million in federal IGT funds, of which \$467 million is to be used to supplement the State's \$168 million Nursing Homes appropriation. If federal approval is not received for all or part of the amount \$330 million requested, there will be a shortfall of up to \$330 million in federal funds that will have to be made up by either additional State appropriations or reductions in nursing home programs.

BACKGROUND

IGT is a mechanism that enables states to bill for nursing home services provided by county administered facilities at the Medicare rate (known as the Upper Payment Limit, or UPP) rather than the lower Medicaid rate. By billing at the higher Medicare rate, states were able to obtain higher reimbursement for Medicaid services. The additional monies were then transferred into their respective state treasuries for various purposes.

Although the use of IGT has been around since the early 1990s, New Jersey's use of IGT dates to the FY 2001 appropriations act.

Around the same time that New Jersey initially proposed the use of IGT, the federal government expressed concern over states' uses of UPP and IGT funds. In 2001, federal rules were adopted to limit the use of UPP and to phase out the use of IGT. Federal rules provided that:

- Use of UPP would be limited to county nursing homes meaning that states could not apply UPP to non-government nursing homes.
- States would have to phase out their use of IGT, and New Jersey, as one of the last states to implement IGT, would have the shortest phase out period, two-years, through September 2002.

The potential effect of these changes is that New Jersey would receive less IGT funds in FY 2003. Instead of receiving about \$487 million in IGT funds, New Jersey would receive about \$157 million in IGT funds representing 1/4 of a year of IGT funds through September 2002 (before the phase-out period ends) and 3/4 of a fiscal year of IGT funds limited to county nursing homes. Thus, New Jersey stands to lose \$330 million in IGT funds under current federal regulations.

The proposed FY 2003 budget assumes continued receipt of \$487 million in federal IGT monies, of which \$467 million is to be used to support Medicaid Nursing Homes expenditures.

The State is basing the continued receipt of IGT funds on a recent agreement between the federal Centers for Medicare and Medicaid Services (which administers Medicare and Medicaid) and Wisconsin (the home state of the Secretary of the Department of Health and Human Services) to approve a second Wisconsin IGT waiver and approvals of UPP waivers for Florida and New York. As the Florida and New York UPP waivers involve non nursing home issues, the granting of federal waivers may not be germane to New Jersey's request concerning nursing home reimbursement.

Background Paper: Medical Day Care Appropriation

Budget Pages.... D-217

Funding (\$000)	Expended FY 2001	Adj. Approp. FY 2002	Recomm. FY 2003
Medical Day Care	\$29,480	\$32,520*	\$49,046

* Actual expenditures are estimated at \$43.5 million.

SUMMARY

Based on current expenditure and utilization patterns, the Medical Day Care account appears under funded by about \$5 million, assuming the \$1.0 million in anticipated savings are achieved.

BACKGROUND

The FY 2003 budget recommends \$49.0 million (State share) for Medical Day Care. This recommendation assumes \$1.0 million in savings due to the implementation of a prior authorization procedure pursuant to budget language on p. D-220.

As indicated below, Medical Day Care expenditures/utilization have increased significantly since FY 1996:

	Fiscal Year							Avg. Annual % Change
	1996	1997	1998	1999	2000	2001	2002 est.	
Gross Expenditures (millions)	\$21.6	\$26.8	\$31.3	\$38.4	\$46.1	\$62.2	\$87.0	26.4%
Avg. Monthly Recipients	2,700	3,100	3,200	3,800	4,500	5,900	7,200	18.1%
Service Units	431,000	507,600	575,000	684,300	797,700	1,010,400	1,289,000	20.1%

Based on average expenditure increases during the FY 1996 - FY 2002 period, FY 2003 expenditures would be about \$110 million (gross), or \$55 million State share, if no efforts were undertaken to control program utilization. As the recommended budget assumes savings of \$1.0 million (State share) through implementation of a prior authorization system, Medical Day Care expenditures would be reduced to about \$54 million. This amount is \$5.0 million more than the \$49 million recommended for FY 2003.

Background Paper: PAAD Budget Request

Budget Pages.... D-213, D-216 to D-218

Funding (\$000)	Expended FY 2001	Adj. Approp. FY 2002	Recomm. FY 2003
PAAD TOTAL:	<u>\$365,013</u>	<u>\$386,280</u>	<u>\$460,767</u>
General Fund	\$83,482	\$128,352	\$57,885
Casino Revenue Funds	281,531	257,928	255,074
Federal	--	--	147,808

SUMMARY

Three aspects of the recommended PAAD budget merit review:

- Receipt of \$147.8 million in federal reimbursement.
- Enrollment estimates.
- Possible increase in rebates from pharmaceutical manufacturers.

BACKGROUND AND ANALYSIS

PAAD Waiver Request for Federal Reimbursement

The FY 2003 PAAD recommended appropriation assumes the receipt of \$147.8 million in federal reimbursements for the PAAD program. The Office of Legislative Services cannot determine whether these federal monies, in total or in part, will be received nor can the office predict what, if any, financial conditions the federal government may impose as a condition for the receipt of federal funds.

Some general background information on the waiver is provided below:

The federal Department of Health and Human Services, under its waiver authority, has established a **Pharmacy Plus** program that would provide Medicaid coverage for prescription drugs to Medicare beneficiaries and other individuals with family incomes up to 200 percent of the federal poverty level (FPL).¹ States have to document "budget neutrality" as part of the Pharmacy Plus application process, i.e., that federal Medicaid costs will not exceed what it would have cost the Medicaid program without the waiver. Pursuant to this authority, the federal government approved an Illinois demonstration program that would provide nearly 370,000 senior citizens with prescription drug coverage through the Medicaid program.

On March 28, 2002, the State submitted a waiver request to the federal government for financial assistance for PAAD, effective July 1, 2002. The waiver application provides information on how federal "budget neutrality" is achieved.

The waiver application indicates that if federal approval and funds are not forthcoming, the PAAD program "anticipates substantial cuts which will result in a significant reduction in pharmacy benefits." Among the actions that might be taken are:

- Implementation of an assets test.
- Increased copayments and other cost sharing measures.
- Pharmacy reimbursement reductions.

¹ Rounded to the nearest \$100, 200 percent of the federal poverty level for 1 person is \$17,700; and for 2 persons, \$23,900.

Background Paper: PAAD Budget Request

- Capping the number of persons that can participate in the program.

PAAD Enrollments

PAAD enrollments are expected to increase in FY 2003 from about 202,200 to 217,500. In particular, the number of elderly is expected to increase from about 175,400 to 187,900.

The number of elderly enrolled in PAAD had been declining for many years and leveled off at about 165,000 recipients in FY 2000 and FY 2001. Towards the end of FY 2001, the number of elderly enrolled in PAAD began increasing and grew to about 174,000. The increase in PAAD enrollment coincided with publicity surrounding the **Senior Gold** program; several thousand elderly persons requesting information on and applying for Senior Gold were determined to be eligible for PAAD, which resulted in increases in PAAD enrollment and expenditures.

While it is difficult to estimate PAAD enrollment, current data indicate that the number of elderly eligible for PAAD has leveled off at between 170,000 - 175,000. The budget's estimate of 187,900 elderly appears overstated on the basis of more current data.

For every 1,000 person reduction in the number of elderly enrolled in PAAD, gross savings of about \$2.1 million would be realized. (This assumes that FY 2003 estimates on utilization, prescription drug costs and estimates concerning the PAAD population are realized.)

PAAD Rebates

The FY 2003 recommended budget estimates that \$57 million in pharmaceutical manufacturers' rebates will be received to offset program costs.

Proposed budget language on p. D-221 may result in additional rebates being received by PAAD (and Senior Gold). The language, if adopted, would enable the PAAD rebate program to incorporate an inflation adjustment used by the Medicaid rebate program wherein additional rebates are provided by a manufacturer if the increase in a drug's Average Manufacturers' Price exceeds the rate of inflation rate. Furthermore, the proposed budget language is needed because the State's waiver application for federal support of the PAAD program indicates that the PAAD rebate program would be similar to the federal Medicaid rebate program which includes an inflation adjustment component.

Including an inflation adjustment in the PAAD program had been proposed in several of the budgets submitted by the previous Administration. The Legislature did not accept this inflation adjustment proposal. While the amount of additional PAAD rebates that may be realized if the proposed budget language remains as part of the FY 2003 appropriations act cannot be readily determined, it had previously been estimated that an inflation adjustment could increase rebates by about \$9 million.

OFFICE OF LEGISLATIVE SERVICES

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Individuals wishing information and committee schedules on the FY 2003 budget are encouraged to contact:

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