
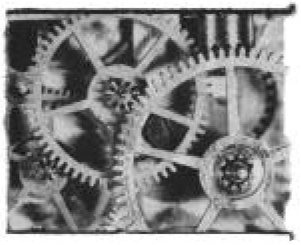

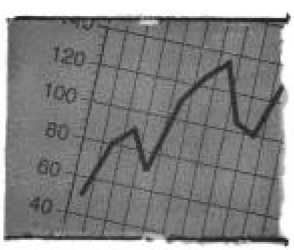



ANALYSIS OF THE NEW JERSEY BUDGET

# DEPARTMENT OF HUMAN SERVICES

FISCAL YEAR 2004 - 2005

PREPARED BY OFFICE OF LEGISLATIVE SERVICES
NEW JERSEY LEGISLATURE • APRIL 2004

# NEW JERSEY STATE LEGISLATURE

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This report was prepared by the Human Services Section of the Office of Legislative Services under the direction of the Legislative Budget and Finance Officer. The primary author was Jay A. Hershberg. Michele Leblanc was the primary author of The DYFS Reform Plan Background Paper.

Questions or comments may be directed to the OLS Human Services Section (609-292-1646) or the Legislative Budget and Finance Office (609-292-8030).

# DEPARTMENT OF HUMAN SERVICES

Budget Pages....... C-15; C-23; C-31; C-34; D-169 to D-240; E-1; G-4; H-4; H-7.

## Fiscal Summary ($000)

| | Expended FY 2003 | Adjusted Appropriation FY 2004 | Recommended FY 2005 | Percent Change 2004-05 |
|---|---|---|---|---|
| State Budgeted | $4,345,854 | $4,359,355 | $4,673,179 | 7.2% |
| Federal Funds | 3,554,054 | 3,865,735 | 3,925,216 | 1.5% |
| Other | 551,959 | 591,278 | 556,404 | (5.9)% |
| Grand Total | $8,451,867 | $8,816,368 | $9,154,799 | 3.8% |

## Personnel Summary - Positions By Funding Source

| | Actual FY 2003 | Revised FY 2004 | Funded FY 2005 | Percent Change 2004-05 |
|---|---|---|---|---|
| State | 13,526 | 13,863 | 15,303 | 10.4% |
| Federal | 5,110 | 5,222 | 5,526 | 5.8% |
| Other (a) | 477 | 492 | 531 | 7.9% |
| Total Positions | 19,113 | 19,577 | 21,360 | 9.1% |

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 data reflect the number of positions funded.

(a) Excludes positions supported by revolving funds.

## Introduction

The Department of Human Services serves more than one million persons through nine operating divisions:

- Division of Mental Health Services will serve over 2,000 patients at six State psychiatric hospitals and provide nearly 325,000 episodes of community mental health services.
- Division of Medical Assistance and Health Services will provide various health services to 714,700 Medicaid recipients and 107,900 children and 89,900 adults in the NJ FamilyCare program.
- Division of Disabilities Services will provide over 500 clients with Personal Assistant Services and various Medicaid services such as Personal Care and specialized Waiver Services to several thousand additional persons.

## Introduction (Cont'd)

- Division of Developmental Disabilities will serve about 3,150 patients at seven State developmental centers and will provide various community services to over 31,100 persons.
- Commission for the Blind and Visually Impaired provides education, vocational rehabilitation, prevention and social services to blind and visually impaired clients and operates the Kohn Residential Center.
- Division of Family Development provides financial assistance to over 293,400 recipients monthly in the General Assistance, Work First New Jersey and SSI programs; provides Food Stamp benefits to nearly 403,800 persons monthly; and provides child care services to over 50,100 children monthly.
- Division of Youth and Family Services, as the State's lead agency for services to children, provides foster care, adoption assistance, residential and other social services to 61,000 children/32,500 families monthly.
- Division of the Deaf and Hard of Hearing advocates for the rights of deaf and hearing impaired persons, provides information and referral services and publishes a monthly newsletter.
- Division of Management and Budget provides centralized support services, sets department policy and administers certain grant programs.

Background Papers:

# Program Description and Key Points

## Key Points

### DEPARTMENT OF HUMAN SERVICES (GENERAL)

- Incorporated into the department's various Direct State Services accounts are $8.6 million in efficiencies.

- The budget provides $18.6 million for a 1 percent cost-of-living adjustment to contract agencies that provide services to the department's clients.

- Reorganization Plan No. 001-2004 would consolidate employment and training programs for persons in the Work First New Jersey and Food Stamp programs and the New Jersey Youth Corps in the Department of Labor. Reorganization Plan No. 002-2004 would transfer the Division of Addiction Services, with the exception of programs related to tobacco control, from the Department of Health and Senior Services to the Department of Human Services. As part of A New Beginning: The Future of Child Welfare in New Jersey, various new offices and units are to be established. These reorganizations are not reflected in the FY 2005 recommended budget.

### DIVISION OF MENTAL HEALTH SERVICES (DMHS)

DMHS operates four psychiatric hospitals (Ancora, Greystone, Trenton, and the Senator Hagedorn Gero-Psychiatric Hospital) and the Ann Klein Forensic Psychiatric Center for persons who are criminally dangerous or are dangerous in other institutional settings. These facilities will serve over 2,000 patients daily during FY 2005. All facilities, except Forensic, are accredited by the Joint Commission on the Accreditation of Healthcare Organizations in FY 2005, and the General Fund anticipates $178.7 million in federal Medicaid disproportionate share reimbursements and $61.6 million in county/third party insurance/recoveries on behalf of patients at the facilities.

As part of the DYFS reform plan, the Arthur Brisbane Child Treatment Center and division personnel involved with childrens mental health services will be transferred to a new Office of Child Behavioral Health Services.

The New Jersey Health Care Facilities Financing Authority has provided $19.1 million in initial financing to complete design work on a new Greystone facility and for various infrastructure projects. Total costs are estimated at between $155 million and $170 million.

The division contracts with 115 agencies to provide nearly 325,000 units of mental health services, such as partial care, residential and case management. (Medicaid expenditures for mental health services are funded in the Medicaid budget.)

DMHS reimburses six county psychiatric hospitals 90 percent of the cost for non-Medicaid/Medicare patients; certain patients are reimbursed at 100 percent. In FY 2005, the State will reimburse county hospitals for about 675 patients daily.

DMHS' FY 2005 recommended appropriations are summarized on the next page.

| Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|

## Program Description and Key Points (Cont'd)

| | | | | |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $605,520 | $608,224 | $2,704 | 0.4% |
| Direct State Services: | $257,548 | $254,511 | ($3,037) | (1.2%) |
| Administration & Support | 10,894 | 10,691 | (203) | (1.9%) |
| Psychiatric Hospitals | 246,654 | 243,820 | (2,834) | (1.1%) |
| Grants-in-Aid: | $234,751 | $240,492 | $5,741 | 2.4% |
| Community Care | 193,936 | 192,452 | (1,484) | (0.8%) |
| Greystone Bridge Fund | 22,750 | 29,975 | 7,225 | 31.8% |
| Other Grants | 18,065 | 18,065 | - - | - - |
| State Aid (county hospitals) | $93,510 | $93,510 | - - | - - |
| Federal | $17,784 | $17,784 | - - | - - |
| Other Funds (a) | $1,927 | $1,927 | - - | - - |

(a) Includes Revolving Funds not reflected in the actual budget document.

## Key Points

Direct State Services. Recommended appropriations for central office operations and the six psychiatric hospitals decrease $3.0 million, to $254.5 million:

- Administration and Support. Recommended appropriations decrease by $0.2 million, to $10.7 million, due to a $0.3 million reduction in Personal Services. (As the overall number of funded positions will increase by six, to 151, the reduction will have no impact on services.) Offsetting this reduction, an additional $0.1 million is requested for Services Other Than Personal costs.

- Psychiatric Hospitals. Overall appropriations for the six hospitals decrease by $2.8 million, to $243.8 million. Reductions range from $0.1 million at Hagedorn to $1.9 million at Forensic, though an additional $0.4 million is requested for Greystone.

  In general, the reductions are attributable to reduced overtime costs. However, at Forensic, the reduction results from a decision not to seek federal certification for the facility as the amount of federal Medicaid reimbursement the facility generated did not justify the added personnel costs. The increase at Greystone is for Additions, Improvements and Equipment expenses.

  The census at the six hospitals is expected to decline by about 200 patients, from about 2,200 to 2,000: Ancora (58), Greystone (64) and Trenton (49).

Grants-In-Aid. Recommended appropriations increase $5.7 million, to $240.5 million:

- Greystone Park Psychiatric Hospital Bridge Fund appropriations will increase by $7.2 million, to $30.0 million, for ongoing and new costs associated with various mental health programs that are being developed or expanded, such as Programs for Assertive Community Treatment, Integrated Case Management Services (ICMS) and related services, such as residential.

- Community Care funding, which supports most mental health services, is reduced by $1.5

## Program Description and Key Points (Cont'd)

million, to $192.4 million, as a portion of portion of ICMS costs ($0.7 million) is shifted to Medicaid; as certain training and technical assistance costs ($0.2 million) are deferred; and as a UMDNJ contract for services to Greystone is reduced in scope ($0.15 million).

Major services supported by the Community Care account include: Residential - $51.8 million; Outpatient Services - $35.9 million; and Emergency Services - $29.7 million.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES (DMAHS)

DMAHS is the largest division within the department in terms of persons served and expenditures. The division administers the Medicaid program, which will provide services to nearly 715,000 persons monthly, and the NJ FamilyCare program, with expected enrollments of about 108,000 children and 90,000 adults monthly, in FY 2005.

The State's Medicaid program is one of the nation's most generous, as it provides most medical services permitted by federal law such as in/out patient hospital care, physician services and prescription drugs. The State establishes reimbursement for most services, within federal guidelines.

In March 2004, over 639,000 persons in Medicaid and NJ FamilyCare are enrolled in Managed Care programs:

Work First New Jersey families (including certain pregnant women) - 206,600
Disabled (with and without Medicare) - 51,900
DYFS children - 1,200
NJ KidCare - 97,400
Other Children - 184,000
NJ FamilyCare Adults - 98,500

Surveys indicate that, in general, Medicaid recipients are satisfied with the health care services provided by managed care.

DMAHS' FY 2005 recommended appropriations are summarized on the next page.

## Key Points

Direct State Services. Recommended appropriations decrease $3.3 million, to $23.6 million:

- Payments to Fiscal Agent appropriations are reduced by $3.6 million as sufficient unexpended balances are expected to be available.

- Personal Services appropriations will increase by $0.3 million for additional staff related to the Children's Behavioral Health Services program (formerly the Partnership for Children and the Children's Initiative).

| Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|

## Program Description and Key Points (Cont'd)

| | | | | |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $4,645,684 | $4,838,438 | $192,754 | 4.1% |
| Direct State Services | $26,853 | $23,592 | ($3,261) | (12.1%) |
| Grants-in-Aid: | $2,002,469 | $2,154,439 | $151,970 | 7.6% |
| Personal Care | 9,560 | 14,060 | 4,500 | 47.1% |
| Managed Care Initiative | 538,078 | 525,217 | (12,861) | (2.4%) |
| Other Treatment Facilities | 11,290 | 5,900 | (5,390) | (47.7%) |
| Inpatient Hospital | 231,216 | 200,695 | (30,521) | (13.2%) |
| Prescription Drugs | 350,604 | 451,349 | 100,745 | 28.7% |
| Outpatient Hospitals | 183,305 | 176,517 | (6,788) | (3.7%) |
| Physician | 28,884 | 34,204 | 5,320 | 18.4% |
| Home Health | 12,447 | 17,728 | 5,281 | 42.4% |
| Medicare Premiums | 74,368 | 85,437 | 11,069 | 14.9% |
| Clinic | 51,882 | 41,445 | (10,437) | (20.1%) |
| Transportation | 37,401 | 43,616 | 6,215 | 16.6% |
| Dental | 9,771 | 11,520 | 1,749 | 17.9% |
| Medical Supplies | 12,123 | 15,996 | 3,873 | 31.9% |
| NJ FamilyCare | 118,190 | 120,776 | 2,586 | 2.2% |
| General Assistance Medical | 116,100 | 126,515 | 10,415 | 9.0% |
| Unit Dose Contract Services | 7,803 | 6,000 | (1,803) | (23.1%) |
| Children's Behavioral... | 15,179 | 47,485 | 32,306 | 212.8% |
| Children's Behav. ... - Resid. | 113,735 | 123,939 | 10,204 | 9.0% |
| Other Grants | 80,533 | 106,040 | 25,507 | 31.7% |
| Federal | $2,107,443 | $2,184,901 | $77,458 | 3.7% |
| Other Funds | $508,919 | $475,506 | ($33,413) | (6.6%) |

Grants-In-Aid. Recommended appropriations increase by $152.0 million to $2.15 billion, primarily due to increased utilization of services, higher costs (particularly for prescription drugs) and rate adjustments (primarily in Managed Care). (FY 2005 increases/decreases for particular services may be magnified as the FY 2004 appropriation has not been adjusted to reflect actual estimated expenditures.)

Recommended appropriations incorporate $38.6 million in savings as follows:

- Operational efficiencies - $10 million.
- $2.00 per prescription copayment on non-institutionalized adults, capped at $10 (or five prescriptions) per month - $8.1 million.
- Technology based solutions for efficiency and effectiveness - $5.5 million.
- Identify managed care beneficiaries with other third-party coverage - $5.0 million.
- Improve health benefits coordination and increase third party recoveries - $5.0 million.
- Improve coordination of pharmacy benefits with other insurance - $2.5 million.
- Extend pharmacy edits to nursing homes and other long term care settings - $2.5 million.

## Program Description and Key Points (Cont'd)

Also, proposed budget language(p. D-194) would limit the number of hours of Personal Care Assistant Services that can be provided to 25 hours per week, and would eliminate the $16 hourly weekend rate specified in budget language. Though the amount these changes would save is not indicated, similar utilization controls are expected to reduce personal care services costs in the Division of Disability Services by $3.6 million.

**Federal Funds** are expected to increase $77.5 million, to $2.18 billion. Approximately $59.1 million is for Medicaid administrative costs. Approximately $225.6 million in federal funds is for the NJ FamilyCare program (adults - $133.0 million, and children - $92.6 million).

**Other Funds** represent various revenues (primarily redirected unemployment insurance funds and cigarette tax revenues) used to support Charity Care and other payments to hospitals and he NJ FamilyCare program for children.

According to the Budget in Brief, overall Charity Care funding will increase by $30 million, $15 million State/$15 million federal Medicaid funds. The amount of redirected unemployment insurance funds is being reduced by $225 million, to $100 million. The budget assumes the following additional funding sources to support Charity Care:

- Impose a new annual assessment on ambulatory medical facilities - $31 million;
- Impose a new $5.00 charge on hospital outpatient visits, excluding Medicare - $34 million;
- Increase an existing hospital assessment from 0.53% to 0.70% of approved hospital revenues - $49.6 million;
- Appropriate $22.3 million from the Second Referral Debt Collection - Hospital account; and
- Increased appropriation from the **General Fund**, supported in part by an increase in the cigarette tax rate.

These actions are expected to generate additional federal Medicaid revenues and increase the overall amount of funds distributed for Charity Care. (The increase in total Charity Care funds and related funds are not readily identified in any of the budget documents.)

Overall, **Other Funds** appropriations decrease $33.4 million, to $475.5 million:

- New Jersey Health Care Hospital Payments, including the Health Care Subsidy Fund (which provides funding to approximately 40 hospitals that serve a large number of patients with mental illness, AIDS/HIV, etc.) will decrease by $40.4 million, to $425.7 million.

- NJ FamilyCare provides health coverage to children with gross family income of up to 350 percent of the federal poverty level (two persons - $43,715; four persons - $65,975). Overall funding for administration and services is expected to increase by $7.0 million, from $42.8 million to $49.9 million. Enrollment is expected to increase to about 108,000 children by the end of FY 2005; current enrollment is over 98,000.

### DIVISION OF DISABILITY SERVICES (DDS)

DDS provides information and referral services to persons with disabilities (that are not served by other programs) and their families. The division also administers various Medicaid programs such as the NJ WorkAbility program (which allows working disabled persons to qualify

## Program Description and Key Points (Cont'd)

for Medicaid based on their income), personal care/personal preference services and various home and community based waiver programs such as Traumatic Brain Injury and Community Resources for People with Disabilities.

DDS' FY 2005 recommended appropriations are summarized below:

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $312,803 | $328,753 | $15,950 | 5.1% |
| Direct State Services | $984 | $984 | - - | - - |
| Grants-In-Aid: | $80,772 | $88,747 | $7,975 | 9.9% |
| Personal Care | 72,352 | 81,030 | 8,678 | 12.0% |
| Personal Assistance Services | 3,251 | 3,251 | - - | - - |
| Community Supports ... | 2,000 | 2,000 | - - | - - |
| Waiver Initiatives | - - | 532 | 532 | n.a. |
| Other Services | 3,169 | 1,934 | (1,235) | (39.0%) |
| Casino Revenue Fund | $80,328 | $80,328 | - - | - - |
| Personal Assistance Services | 3,734 | 3,734 | - - | - - |
| Personal Care | 60,092 | 60,092 | - - | - - |
| Waiver Initiatives | 16,502 | 16,502 | - - | - - |
| Federal | $150,719 | 158,694 | $7,975 | 5.3% |

## Key Points

Grants-in-Aid. Appropriations would increase $8.0 million, to $88.7 million, for the various Medicaid services enumerated above. The overall increase assumes prior authorization savings ($3.6 million), pursuant to proposed budget language on p. D-199, and increased utilization ($11.6 million). The same factors apply to the increase in the amount of Federal Funds.

### DIVISION OF DEVELOPMENTAL DISABILITIES (DDD)

DDD evaluates various medical, social, and other factors of an individual to determine whether the person is developmentally disabled and qualifies for DDD's various residential/non-residential services. DDD serves a broad range of individuals, including persons with mental retardation, cerebral palsy, epilepsy, spina bifida and other neurological impairments which were present before age 22, are likely to continue indefinitely, and result in substantial functional limitations in certain areas of major life activities. DDD provides autism services, services to adolescents "aging out" of DYFS and administers the Family Support Act. DDD has under supervision and provides day training, adult activities and other community services such as case management and group and skill development homes, to over 31,100 persons. During FY 2004, a new program, Real Life Choices, was implemented to provide services to persons on the waiting list and people living with parents or guardians; in FY 2005, about 550 people are expected to participate in the program. To support various community programs, the FY 2005 budget anticipates $226.1 million in federal Community Care Waiver reimbursements.

The division's seven developmental centers (Green Brook, Hunterdon, New Lisbon, North

## Program Description and Key Points (Cont'd)

Jersey, Vineland, Woodbine and Woodbridge) will provide residential care, habilitation, health services, education and training to over 3,100 clients daily in FY 2005. All developmental centers are currently accredited, and $218.3 million in federal ICF-MR reimbursements are expected in FY 2005.

DDD's FY 2005 recommended appropriations are summarized below.

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| TOTAL ($000) | $1,121,109 | $1,165,136 | $44,027 | 3.9% |
| Direct State Services: | $236,502 | $228,377 | ($8,125) | (3.4%) |
| Administration | 4,351 | 4,351 | - - | - - |
| Community Programs | 21,394 | 13,269 | (8,125) | (38.0%) |
| Developmental Centers | 210,757 | 210,757 | - - | - - |
| Grants-In-Aid: | $389,383 | $420,133 | $30,750 | 7.9% |
| Group Homes | 167,001 | 181,084 | 14,083 | 8.4% |
| Private Institutional Care | 33,949 | 37,393 | 3,444 | 10.1% |
| CSWL Initiative Development | - - | 5,051 | 5,051 | n.a. |
| Comm. WL Init. FY 2001 | 22,139 | 23,105 | 966 | 4.4% |
| Comm. WL Init. FY 2002 | 18,444 | 19,309 | 865 | 4.7% |
| Comm. Transition FY 2002 | 5,873 | 6,724 | 851 | 14.5% |
| Developmental Center Enhc. | - - | 2,140 | 2,140 | n.a. |
| Adult Activities | 79,147 | 82,497 | 3,350 | 4.2% |
| Other Grants | 62,830 | 62,830 | - - | - - |
| Casino Revenue Fund | $38,409 | $38,409 | - - | - - |
| Federal: | $398,920 | $420,322 | $21,402 | 5.4% |
| Administration | 6,205 | 6,501 | 296 | 4.7% |
| Community Programs | 218,291 | 233,561 | 15,270 | 7.0% |
| Developmental Centers | 174,424 | 180,260 | 5,836 | 3.3% |
| OtherFunds | $57,895 | $57,895 | - - | - - |

## Key Points

Direct State Services. Though the overall recommended appropriation is reduced by $8.1 million, to $228.4 million, the reduction is offset by an overall $21.4 million increase in federal funds allocated to support these activities.

Included in the overall $228.4 million recommended appropriation is $2.8 million for a new Special Purpose Developmental Center Enhancement fund. Along with $2.3 million in federal funds, approximately $5.2 million will be available for federal accreditation uses, such as nurse recruitment and equipment purchases.

Grants-In-Aid. State appropriations increase by $30.8 million, to $420.1 million. With the exception of two new programs, the increase reflects the cost of supporting existing programs. The two new programs are:

## Program Description and Key Points (Cont'd)

- CSWL Initiative Development - $5.1 million (plus $2.2 million in federal funds) to place 200 clients from the waiting list into various community programs;

- Developmental Center Enhancement - $2.1 million (plus $1.8 million in federal funds) to provide community placements and support activities to developmental center clients.

**Federal Funds.** These monies primarily represent federal Medicaid revenues for the ICF-MR and Community Care Waiver programs. Federal Funds are expected to increase by $21.4 million, to $420.3 million, and support **General and Casino Revenue Fund** appropriations for **Direct State Services** and **Grants-in-Aid**. Of the overall $21.4 million increase, $15.3 million will be used to support **Grants-in-Aid**.

### COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED (CBVI)

In FY 2005, CBVI will provide education services to nearly 3,000 clients, vocational rehabilitation services to 2,600 clients, independent living services to over 4,800 persons, and eye screenings to 44,000 persons. Services are provided through four offices (Camden, Newark, Pleasantville and Toms River). Certain services, such as college and career counseling, screening programs and the operation of a toll-free telephone number, are provided on a Statewide basis. CBVI operates the Kohn Residential Center (New Brunswick),which evaluates the vocational skills of clients and provides training programs for clients to enable them to live and function independently. The center serves about 200 clients annually.

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $24,547 | $24,547 | - - | - - |
| Direct State Services: | $8,335 | $8,335 | - - | - - |
| Services for the Blind .. | 6,985 | 6,985 | - - | - - |
| Admin. & Support | 1,350 | 1,350 | - - | - - |
| Grants-In-Aid | $4,178 | $4,178 | - - | - - |
| Federal | $11,259 | $11,259 | - - | - - |
| Other | $775 | $775 | - - | - - |

## Key Points

Continuation funding as listed above is recommended for the CBVI.

### DIVISION OF FAMILY DEVELOPMENT (DFD)

DFD supervises local administration of the federal Temporary Assistance for Needy Families (TANF) Block Grant, General Assistance (GA), Food Stamp, Low Income Home Energy Assistance (LIHEAP), and federally mandated child support enforcement programs. (Various child support activities, such as determining the amount of child support that an absent parent must pay, are administered by the Administrative Office of the Courts.) In FY 2005, the number of persons that will be provide services by these programs is estimated as follows: TANF - 112,800; GA - 35,200;

## Program Description and Key Points (Cont'd)

Food Stamps - 403,800; and LIHEAP - 300,000.

DFD's primary responsibility has changed from supervision of county and municipal welfare programs to one involving job training, employment and requiring TANF recipients to assume more responsibility over their lives and financial circumstances. DFD administers the Work First New Jersey (WFNJ) program which succeeds previous programs that focused on training and finding employment for welfare clients, such as WIN, JPTA, REACH, JOBS and the Family Development Program. In general, the program emphasizes employment and job training and provides financial assistance, child care, transportation, extended Medicaid benefits and on-going case management support. WFNJ also provides education and job training to GA recipients, although the GA program does not qualify for federal reimbursement. **Reorganization Plan No. 001-2004 (January 2004) would transfer all employment-directed and workforce development programs related to the Work First New Jersey and Food Stamp programs to the Department of Labor.** The recommended budget does not reflect this transfer.

Increases or reductions in General Fund appropriations for specific WFNJ activities are discretionary so long as $304 million in State funds are expended annually, its Maintenance of Effort requirement. This enables the State to obtain its annual allotment of approximately $404 million in federal TANF funds. As the State has discretion in allocating federal TANF funds among WFNJ programs, a reduction in State funding does not mean an overall funding reduction.

DFD's FY 2005 recommended appropriation is summarized on the next page.

## Key Points

**Direct State Services.** Recommended appropriations decrease $3.0 million, to $26.3 million. However, excluding an anticipated one-time $3.0 million supplemental appropriation in FY 2004 related to the WFNJ Technology Initiatives, FY 2005 recommended appropriations are essentially unchanged.

- Personal Services expenditures are reduced $0.6 million, to $10.5 million, as the hiring of new employees would be deferred.

- WFNJ Technology Investment expenditures are reduced by $3.0 million, reflecting elimination of a one-time, $3.0 million supplemental appropriation in FY 2004. Also, proposed budget language (p. D-228) would still allow an additional $3.0 million to be made available in FY 2005, if needed.

- Child Support Medical Notice costs are expected to decrease by $0.9 million, to $0.7 million, due to a lower volume of notices being distributed.

- A $1.6 million appropriation is recommended for the SSI Attorney Fee program to restore State funding that was eliminated in the FY 2004 appropriations act.

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $1,452,123 | $1,393,495 | ($58,628) | (4.0%) |

## Program Description and Key Points (Cont'd)

| | | | | |
|---|---|---|---|---|
| Direct State Services: | $29,312 | $26,335 | ($2,977) | (10.2%) |
| Administration | 17,424 | 16,794 | (630) | (3.6%) |
| Child Support Initiatives | 1,702 | 1,702 | - - | - - |
| WFNJ Technology | 7,345 | 4,345 | (3,000) | (40.8%) |
| Misc. | 2,841 | 3,494 | 653 | 23.0% |
| Grants-In-Aid: | $271,498 | 248,777 | ($22,721) | (8.4%) |
| WFNJ Related Activities | 109,296 | 103,675 | (5,621) | (5.1%) |
| TANF Abbott Expansion | 114,500 | 97,400 | (17,100) | (14.9%) |
| Kinship Programs | 7,200 | 7,200 | - - | - - |
| Substance Abuse | 16,455 | 16,455 | - - | - - |
| Misc. | 24,047 | 24,047 | - - | - - |
| State Aid: | $207,212 | $244,700 | $37,488 | 18.1% |
| General Assistance Benefits | 93,171 | 119,576 | 26,405 | 28.3% |
| General Assistance Admin. | 16,105 | 23,805 | 7,700 | 47.8% |
| WFNJ Client Benefits | 3,272 | 3,272 | - - | - - |
| SSI Programs | 84,341 | 88,610 | 4,269 | 5.1% |
| Misc. State Aid | 10,323 | 9,437 | (886) | (8.6%) |
| Federal: | $936,927 | $866,509 | ($70,418) | (7.5%) |
| Direct State Services | 63,967 | 71,232 | 7,265 | 11.4% |
| Grants-in-Aid | 372,820 | 323,964 | (48,856) | (13.1%) |
| State Aid | 500,140 | 471,313 | (28,827) | (5.8%) |
| Other Funds (a) | $7,174 | $7,174 | - - | - - |

(a) Includes Revolving Funds that are not reflected in the actual budget document.

Grants-In-Aid appropriations are reduced by about $22.7 million, to $248.8 million:

- TANF Abbott Expansion is being reduced $17.1 million for operational efficiencies. Proposed budget language (p. D-229) would require the imposition of a copayment for certain services. Copayments under consideration would range from $0.53 per week to nearly $48 per week, depending on family income.

- Two WFNJ related grants are reduced by $5.6 million. Certain work activity programs for General Assistance would defer payment until FY 2006 ($3.3 million) and low priority Breaking the Cycle programs would be phased out or eliminated ($2.4 million).

- Pursuant to budget language provisions (p. D-228), $8.2 million in revenues from the New Jersey Workforce Development Partnership Fund would be used to reduce the **General Fund** appropriations of $32.8 million for Training Related Expenses and Work Activities. Thus, only $24.6 million in **General Fund** appropriations will be used to support these activities. Budget language would also make available an additional $25.5 million in New Jersey Workforce to provide additional funding to these programs.

State Aid. Funding increases 18.1 percent, to $244.7 million largely due to increases in the General Assistance (GA) and SSI programs:

- In the General Assistance County Administration program, the Legislature deferred one-quarter's reimbursement from FY 2004 to FY 2005. The budget requests $7.7 million to

## Program Description and Key Points (Cont'd)

reimburse counties for these administrative costs and to pay for increased GA caseloads.

- The GA Emergency Assistance Program and the Payments for Cost of GA programs are expected to increase by $26.4 million, to $119.6 million. The number of persons receiving GA benefits is expected to increase from about 32,500 to over 35,200 and the number of persons receiving emergency assistance is expected to increase from over 5,300 to over 6,000.

- The Payments for Supplemental Security Income (SSI) account will increase by $4.1 million, to $72.6 million. This account funds the State's supplemental payments, burial and emergency assistance costs. The number of SSI recipients is expected to increase from 142,800 to 145,400.

Offsetting the GA and SSI increases, the Food Stamps for Legal Aliens program is discontinued as federal law has restored benefits to most legal aliens that had been denied benefits. This will save $0.9 million in State funds.

Federal Funds. The amount of Federal Funds to support the division's various programs will decrease by $70.4 million, to $866.5 million. The decrease in Federal Funds results from a reduction in the amount of available unexpended federal TANF funds: Overall federal TANF expenditures are expected to decrease from $572.0 million to $499.1 million. As a result, the amount of federal TANF funds to reimburse the State for the cost of the Earned Income Tax Credit is being reduced by $67.6 million, from $86.0 million to $18.4 million. The State will absorb the added cost of this tax credit.

### DIVISION OF YOUTH AND FAMILY SERVICES (DYFS)

As currently organized, DYFS is responsible for investigating all reports of child abuse and neglect; providing services to abused, neglected and delinquent children and their families; supervising the provision of social services by county welfare agencies; and approving and monitoring county Youth Services Plans. DYFS has regulatory responsibility for licensing and monitoring child care centers, family day care providers, residential programs, foster care and other programs. The division operates 36 district offices, six adoption centers and three residential facilities.

Under the draft plan, A New Beginning: The Future of Child Welfare in New Jersey, DYFS and services provided to children by the department are to be reorganized under an Office of Children's Services under which there would be three divisions: Prevention and Community Partnerships; DYFS; and Child Behavioral Health Services.

A Background Paper on pp. 63- 65 provides information on A New Beginning.

The DYFS' FY 2005 recommended appropriation is summarized below.

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $535,564 | $659,872 | $124,308 | 23.2% |

## Program Description and Key Points (Cont'd)

| | | | | |
|---|---|---|---|---|
| Direct State Services: | $113,274 | $223,274 | $110,000 | 97.1% |
| Services to Children... | 104,579 | 214,579 | 110,000 | 105.2% |
| Admin. & Support | 8,695 | 8,695 | - - | - - |
| Grants-In-Aid: | $237,887 | $229,131 | ($8,756) | (3.7%) |
| Foster Care | 50,268 | 49,637 | (631) | (1.3%) |
| Subsidized Adoption | 52,191 | 52,380 | 189 | 0.4% |
| Var. Residential Placements | 39,693 | 44,399 | 4,706 | 11.9% |
| Purchase of Social Services | 13,808 | 13,808 | - - | - - |
| Other Grants | 81,927 | 68,907 | (13,020) | (15.9%) |
| Federal Funds: | $179,169 | $202,233 | $23,064 | 12.9% |
| Direct State Services | 139,643 | 145,109 | 5,466 | 3.9% |
| Grants-In-Aid | 39,526 | 57,124 | 17,598 | 44.5% |
| Other Funds | $5,234 | $5,234 | - - | - - |

(Certain expenditures related to the Office of Child Behavioral Health Services are reflected in the Division of Medical Assistance and Health Services budget.)

## Key Points

Direct State Services. Recommended appropriations increase $110 million, to $223.3 million, and are related to the Child Welfare Reform initiative outlined in A New Beginning. Other related expenditures are reflected in the Medicaid budget. Of the new $110 million being requested, $45.6 million is related to Personal Services while the remaining $64.4 million is for other services that may include Grants-in-Aid expenditures.

Of the total $149.8 million recommended for Child Welfare Reform, proposed budget language (p. D-234) would transfer $15.8 million to the Department of Law and Public Safety and the Office of the Public Defender.

Grants-In-Aid. Although appropriations decrease by $8.8 million, to $229.1 million, the reduction is offset by an increase in federal funds. Also, some portion of the new $110 million in funding for Child Welfare Reform may be used to support existing grant programs and to establish new grant activities.

Federal Funds are expected to increase by $23.1 million, to $202.2 million. In particular, increased federal Medicaid reimbursement is expected to be realized. Whether such efforts will be successful is not known as the federal government is more carefully reviewing claims that are submitted by vendors (on behalf of the State) that are paid on a contingency fee basis. Several claims submitted by vendors have been denied and State funds were needed to offset the shortfall in available federal funds.

### DIVISION OF THE DEAF AND HARD OF HEARING (DDHH)

The division advocates on behalf of the deaf and hearing impaired with public and private organizations and conducts training programs for such groups. DDHH distributes information on telecommunication devices, decoders and other auxiliary aids for the deaf and hearing impaired; provides public information and publishes the Monthly Communicator newsletter; and acts as the

## Program Description and Key Points (Cont'd)

certifying agency for the 25 percent rate reduction for phone customers who use a telecommunication device for the deaf and for the half-fare transportation card for the disabled.

Continuation funding of $0.7 million is recommended and includes $0.3 million to continue a Legislative initiative, Services to Deaf Clients, to expand services to the deaf.

DIVISION OF MANAGEMENT AND BUDGET (DMB)

DMB implements legislation, formulates policy and coordinates program planning activities among the eight other operating divisions. The division provides various centralized services to the other divisions such as financial management, auditing, purchasing and security services; prepares cost reports for the State developmental centers and psychiatric hospitals; and develops per diem rates for these facilities, subject to the approval of the State House Commission. The Catastrophic Illness in Children Relief Fund is included in the division for organizational purposes.

Reorganization Plan No. 001-2004 (January 2004) would transfer the New Jersey Youth Corps to the Department of Labor. The recommended budget does not reflect this transfer.

The division's FY 2005 recommended appropriation is summarized below.

| | Adj. Approp. FY 2004 | Recomm. FY 2005 | $ Change | % Change |
|---|---|---|---|---|
| GRAND TOTAL ($000) | $117,449 | $134,759 | $17,310 | 14.7% |
| Direct State Services: | $32,128 | $31,501 | ($627) | (2.0%) |
| Institutional Security Serv. | 5,211 | 5,211 | - - | - - |
| Admin. & Support | 26,917 | 26,290 | (627) | (2.3%) |
| Grants-In-Aid: | $7,708 | $22,312 | $14,604 | 189.5% |
| Office of Prevention ... | 690 | 690 | - - | - - |
| New Jersey Youth Corps | 3,048 | 3,048 | - - | - - |
| Social Services ... Grants | 3,970 | 0 | (3,970) | (100%) |
| Cost of Living Adjustments | - - | 18,574 | 18,574 | n.a. |
| Capital Construction | $5,600 | $10,400 | 44,400 | 78.6% |
| Federal | $63,514 | $63,514 | - - | - - |
| Other (a) | $8,499 | $7,032 | ($1,467) | (17.3%) |

(a) Includes Revolving Funds that are not reflected in the actual budget document.

## Key Points

Direct State Services. Recommended appropriations decrease 2.0%, to $31.5 million. However, excluding approximately $2.0 million FY 2004 supplemental appropriations from the base, the FY 2005 appropriation would increase by 4.5% primarily due to a $1.8 million increase in fingerprinting costs (Transfer to State Police for Fingerprinting...). Offsetting this increase, the Additions, Improvement and Equipment account (which funds the department's lease payments for

## Program Description and Key Points (Cont'd)

school buses) is being reduced by $1.0 million due to operational efficiencies.

Grants-In-Aid. Appropriations increase $14.6 million, to $22.3 million, reflecting the inclusion of $18.6 million for agency Cost of Living Adjustments in the department's central office budget rather than in the various divisions. One-time Social Services Emergency Grants of $4.0 million provided by the Legislature is not continued.

Capital Construction funds of $10.4 million are provided for the Statewide Automated Child Welfare Information System. With unexpended FY 2004 funds, an estimated $16.4 million will be available for the project, along with an equal amount of federal funds. (In May and December 2003, two contracts totaling $29.8 million were awarded for development and implementation of a system within 24 months, and for related services.)

Other Funds. The $1.5 million reduction is due to the discontinuance of the Capkold Food Production System ($1.3 million) and a reduction in the Catastrophic Illness in Children Relief Fund administrative costs ($0.2 million).

# Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

| | Expended FY 2003 | Adj. Approp. FY 2004 | Recom. FY 2005 | Percent Change 2003-05 | Percent Change 2004-05 |
|---|---|---|---|---|---|
| General Fund | | | | | |
| Direct State Services | $671,956 | $705,650 | $797,623 | 18.7% | 13.0% |
| Grants-In-Aid | 3,340,536 | 3,228,646 | 3,408,209 | 2.0% | 5.6% |
| State Aid | 300,990 | 300,722 | 338,210 | 12.4% | 12.5% |
| Capital Construction | 9,107 | 5,600 | 10,400 | 14.2% | 85.7% |
| Debt Service | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | $4,322,589 | $4,240,618 | $4,554,442 | 5.4% | 7.4% |
| Property Tax Relief Fund | | | | | |
| Direct State Services | $0 | $0 | $0 | 0.0% | 0.0% |
| Grants-In-Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| State Aid | 0 | 0 | 0 | 0.0% | 0.0% |
| Sub-Total | $0 | $0 | $0 | 0.0% | 0.0% |
| Casino Revenue Fund | $23,265 | $118,737 | $118,737 | 410.4% | 0.0% |
| Casino Control Fund | $0 | $0 | $0 | 0.0% | 0.0% |
| State Total | $4,345,854 | $4,359,355 | $4,673,179 | 7.5% | 7.2% |
| Federal Funds | $3,554,054 | $3,865,735 | $3,925,216 | 10.4% | 1.5% |
| Other Funds | $551,959 | $591,278 | $556,404 | 0.8% | (5.9)% |
| Grand Total | $8,451,867 | $8,816,368 | $9,154,799 | 8.3% | 3.8% |

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

| | Actual FY 2003 | Revised FY 2004 | Funded FY 2005 | Percent Change 2003-05 | Percent Change 2004-05 |
|---|---|---|---|---|---|
| State | 13,526 | 13,863 | 15,303 | 13.1% | 10.4% |
| Federal | 5,110 | 5,222 | 5,526 | 8.1% | 5.8% |
| All Other* | 477 | 492 | 531 | 11.3% | 7.9% |
| Total Positions | 19,113 | 19,577 | 21,360 | 11.8% | 9.1% |

FY 2003 (as of December) and revised FY 2004 (as of September) personnel data reflect actual payroll counts. FY 2005 data reflect the number of positions funded.

* Excludes positions supported by Revolving Funds.

AFFIRMATIVE ACTION DATA

| | | | | | |
|---|---|---|---|---|---|
| Total Minority Percent | 56.4% | 56.4% | 56.4% | ---- | ---- |

## Significant Changes/New Programs ($000)

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

### DEPARTMENT OF HUMAN SERVICES (GENERAL)

Approximately $8.6 million in unidentified savings are incorporated in the department's various Direct State Services accounts.

The department's central office Grants-In-Aid account includes $18.6 million for a 1 percent Cost-of-Living Adjustment.

The FY 2005 recommended budget does not reflect various proposed reorganizations such as: the transfer of employment related programs affecting persons receiving public assistance and Food Stamp benefits and the New Jersey Youth Corps to the Department of Labor; the transfer of the Division of Addiction Services from the Department of Health and Senior Services; or the creation of new operational units related to the A New Beginning: The Future of Child Welfare in New Jersey.

### DIVISION OF MENTAL HEALTH SERVICES

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Greystone Park Psychiatric Hospital Bridge Fund | $22,750 | $29,975 | $7,225 | 31.8% | D-177 |

The Bridge Fund supports the development, expansion and enhancement of community programs (including group and independent living arrangements, integrated case management, and Programs for Assertive Community Treatment) to transfer about 400 patients from State hospitals and reduce admissions to State hospitals. The programs will cost over $35 million when fully developed and phased-in.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Community Care | $193,936 | $192,452 | ($1,484) | (0.8)% | D-177 |

The $1.5 million reduction primarily reflects the following: State Medicaid matching funds related to the Integrated Case Management Services program are shifted to the Medicaid budget ($0.7 million); certain training and technical assistance costs are deferred ($0.2 million); and a UMDNJ contract for services at Greystone is reduced in scope ($0.15 million).

### DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Personal Services | $13,455 | $13,792 | $337 | 2.5% | D-191 |
| Payments to Fiscal Agents | $6,641 | $3,043 | ($3,598) | (54.2)% | D-191 |

The increase in Personal Services appropriations would provide additional staff to the Children's Behavioral Health Services program.

The Payments to Fiscal Agents account can be reduced as sufficient unexpended FY 2004 balances will be available.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Payments for Medical Assistance Recipients: | | | | | |
| Personal Care | $9,560 | $14,060 | $4,500 | 47.1% | D-191 |
| Managed Care Initiative | $538,078 | $525,217 | ($12,861) | (2.4)% | D-191 |
| Other Treatment Facilities | $11,290 | $5,900 | ($5,390) | (47.7)% | D-191 |
| Hospital Relief | $28,812 | $70,845 | $42,033 | 145.9% | D-191 |
| Inpatient Hospital | $231,216 | $200,695 | ($30,521) | (13.2)% | D-192 |
| Prescription Drugs | $350,604 | $451,349 | $100,745 | 28.7% | D-192 |
| Outpatient Hospital | $183,305 | $176,517 | ($6,788) | (3.7)% | D-192 |
| Physician | $28,884 | $34,204 | $5,320 | 18.4% | D-192 |
| Home Health | $12,447 | $17,728 | $5,281 | 42.4% | D-192 |
| Medicare Premiums | $74,368 | $85,437 | $11,069 | 14.9% | D-192 |
| Dental | $9,771 | $11,520 | $1,749 | 17.9% | D-192 |
| Transportation | $37,401 | $43,616 | $6,215 | 16.6% | D-192 |
| Medical Supplies | $12,123 | $15,996 | $3,873 | 31.9% | D-192 |
| Clinics | $51,882 | $41,445 | ($10,437) | (20.1)% | D-192 |
| Psychiatric Hospital | $8,595 | $13,956 | $5,361 | 62.4% | D-192 |
| Other | $21,071 | $2,369 | ($18,702) | (88.8)% | D-192 |

The above amounts are estimated FY 2005 costs to provide services to Medicaid eligible clients. (Increases/decreases may be magnified by the fact that the FY 2004 amounts do not reflect projected expenditures.) Overall, the FY 2005 recommended budget for the Medicaid services listed above incorporates $101.4 million in program growth and $38.6 million in savings such as:

- Copayments - adult Medicaid beneficiaries, who are not in institutions, would pay $2.00 for prescription drugs, capped at $10 per month, or five prescriptions ($8.1 million)

- Miscellaneous Savings - Technology based solutions to promote efficiency and effectiveness ($5.5 million); identify Medicaid managed care recipients with duplicate coverage ($5.0 million); improve coordination of health benefits and increase third party recoveries ($5.0 million); improve coordination of pharmacy benefits with other insurance benefits (2.5 million); extend pharmacy edits into nursing homes and other long term care settings ($2.5 million); unspecified operational efficiencies ($10.0 million); and limit Personal Care Assistant Services to 25 hours per week and eliminate the $16 per hour weekend rate (no

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

dollar savings specified).

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Unit Dose Contract Services | $7,803 | $6,000 | ($1,803) | (23.1)% | D-192 |
| Consulting Pharmacy Services | $3,200 | $3,600 | $400 | 12.5% | D-192 |

These two accounts reimburse vendors who provide pharmaceutical services to the various State institutions with pharmaceutical related services. The FY 2005 recommended appropriations reflect the estimated costs for these services.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| General Assistance Medical Services | $116,100 | $126,515 | $10,415 | 9.0% | D-192 |

This program was implemented in FY 2003 to provide General Assistance (GA) recipients, who were removed from the NJ FamilyCare program, with non-hospital services. As the number of GA recipients served by the program are anticipated to increase from 33,300 (FY 2003) to over 38,100 (FY 2005), additional funds are recommended.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| NJ FamilyCare - Affordable and Accessible Health Coverage Benefits | $118,190 | $120,776 | $2,586 | 2.2% | D-192 |

Program costs are expected to increase in FY 2005. The State appropriation is supplemented with $133.0 million in federal funds. Approximately 89,900 persons are expected to be enrolled in the program in FY 2005.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Children's Behavioral Health Services | $15,179 | $47,485 | $32,306 | 212.8% | D-192 |

Formerly known as the Partnership for Children and the Children's System of Care Initiative, funding would increase by $32.3 million to expand and enhance existing services. This program is a part of the Child Welfare Reform.

The program is coordinated by a contracted systems administrator and services are provided on a county level by a care management organization, a family support organization and mobile outreach and stabilization units. Counties participating in the program are: Atlantic/Cape May, Bergen, Burlington, Hudson, Mercer, Middlesex, Monmouth and Union. Programs in Camden and Essex are in the process of being established. Information as to how the $47.5 million will be expended is not available at this time.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Children's Behavioral Health Services - Residential | $113,735 | $123,939 | $10,204 | 9.0% | D-192 |

These residential programs had been included in the budgets of the Divisions of Mental Health Services and Youth and Family Services, but were transferred to the Medicaid budget to claim federal reimbursement. This is the estimated cost of providing residential services to children. Limited information is available regarding the number of children receiving residential services.

| | | | | | |
|---|---|---|---|---|---|
| Programs for Assertive Community Treatment | $3,500 | $6,050 | $2,550 | 72.9% | D-192 |

The increase represents the cost of providing this mental health service to Medicaid eligible clients. Program costs for non-Medicaid clients are supported by the Division of Mental Health Services Grants-in-Aid appropriation.

| | | | | | |
|---|---|---|---|---|---|
| Adult Mental Health Residential | $4,500 | $0 | ($4,500) | (100.0)% | D-192 |

Program costs are incorporated within other Medicaid service lines, primarily Personal Care.

### DIVISION OF DISABILITY SERVICES

| | | | | | |
|---|---|---|---|---|---|
| Grants in Aid (TOTAL): | $311,309 | $327,259 | $15,950 | 5.1% | |
| General Fund | $80,772 | $88,747 | $7,975 | 9.9% | D-198 |
| Casino Revenue Fund | $80,328 | $80,328 | $0 | 0.0% | D-198 |
| Federal Funds | $150,209 | $158,184 | $7,975 | 5.3% | |

These funds support various Medicaid programs such as: Personal Care, various Waiver programs such as Traumatic Brain Injury and the AIDS Community Care Alternatives Program and the State-funded Personal Assistance Services Program.

Total program costs are expected to increase by nearly $16.0 million, to $327.3 million. The appropriation assumes $7.2 million (gross) in savings by prior authorizing services before services are provided (proposed budget language, p. D-199) and $23.2 million (gross) in utilization increases.

### DIVISION OF DEVELOPMENTAL DISABILITIES

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Developmental Center Enhancement Fund (Total) | $0 | $5,166 | $5,166 | — | D-204 |
| General Fund | $0 | $2,826 | $2,826 | — | |
| Federal | $0 | $2,340 | $2,340 | — | |

This new appropriation will be available to the various developmental centers for nurse recruitment and for equipment purchases needed to maintain accreditation.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Private Institutional Care | $35,260 | $38,704 | $3,444 | 9.8% | |
| Private Institutional Care | $33,949 | $37,393 | $3,444 | 10.1% | D-204 |
| Casino Revenue Fund | $1,311 | $1,311 | $0 | 0.0% | D-204 |

Program costs will increase due to growth in the number of clients, from 597 to 637, and a higher average costs, from $59,100 to $60,800 per client.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Group Homes (Total) | $358,116 | $367,253 | $9,137 | 2.6% | D-204 |
| General Fund | $167,001 | $181,084 | $14,083 | 8.4% | |
| Federal | $151,368 | $146,422 | ($4,946) | (3.3)% | |
| Other Funds | $13,500 | $13,500 | $0 | 0.0% | |
| Casino Revenue Fund | $26,247 | $26,247 | $0 | 0.0% | D-204 |

Overall, Group Homes funding will increase by $9.1 million. In FY 2005, the number of persons receiving residential services is expected to increase by 200, to over 7,550 clients.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Community Services Waiting List Reduction Initiative - FY 2001 (Total) | $33,044 | $34,486 | $1,442 | 4.4% | D-205 |
| General Fund | $22,139 | $23,105 | $966 | 4.4% | |
| Federal | $10,905 | $11,381 | $476 | 4.4% | |
| Community Services Waiting List Reduction Initiative - FY 2002 (Total) | $27,068 | $28,359 | $1,291 | 4.8% | D-205 |
| General Fund | $18,444 | $19,309 | $865 | 4.7% | |

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Federal | $8,624 | $9,050 | $426 | 4.9% | |

Each initiative, over a two-year period, was to provide 500 community placements, 400 day program slots and additional funds for family support services. The initiatives are behind schedule with respect to their implementation: As of December 2003, the FY 2001 Initiative has achieved about 250 placements; and the FY 2002 Initiative has achieved over 220 placements.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Community Transition Initiative - FY 2002 (Total) | $8,649 | $9,919 | $1,270 | 14.7% | D-205 |
| General Fund | $5,873 | $6,724 | $851 | 14.5% | |
| Federal | $2,776 | $3,195 | $419 | 15.1% | |

Over a two-year period, the FY 2002 Community Transition Initiative was to relocate 200 developmental center clients to community programs. The initiative is behind schedule. As of December 2003, fewer than 80 placement have occurred.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| CSWL Initiative Development (Total) | $0 | $7,243 | $7,243 | — | D-205 |
| General Fund | $0 | $5,051 | $5,051 | — | |
| Federal | $0 | $2,192 | $2,192 | — | |

This new initiative will place 200 clients from the waiting list into community programs as follows: group homes - 100; supervised apartments - 24; and vacancies in existing residential programs -76.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Developmental Center Enhancement Fund (Total) | $0 | $3,910 | $3,910 | — | D-205 |
| General Fund | $0 | $2,140 | $2,140 | — | |
| Federal | $0 | $1,770 | $1,770 | — | |

This new appropriation will develop community placements and related support programs for clients at the developmental centers.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Adult Activities (Total) | $122,013 | $127,013 | $5,000 | 4.1% | |
| General Fund | $79,147 | $82,497 | $3,350 | 4.2% | |
| Federal | $35,492 | $37,142 | $1,650 | 4.6% | |

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Casino Revenue Fund | $7,374 | $7,374 | $0 | 0.0% | D-205 |

These funds will provide Adult Activities services to about 8,600 clients daily, a 300 client increase from FY 2004.

### DIVISION OF FAMILY DEVELOPMENT

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Personal Services (Total): | $28,261 | $27,661 | ($600) | (2.1)% | D-225 |
| General Fund | $11,139 | $10,539 | ($600) | (5.4)% | |
| Federal | $17,122 | $17,122 | $0 | 0.0% | |

Available information is that the reduction will delay hiring of new employees. The funding reduction should have little impact as the number of positions supported with federal funds will increase by about 30, to over 220.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Child Support Medical Notice (Total) | $4,921 | $2,135 | ($2,786) | (56.6)% | D-225 |
| General Fund | $1,673 | $726 | ($947) | (56.6)% | |
| Federal | $3,248 | $1,409 | ($1,839) | (56.6)% | |
| Work First New Jersey - Technology Investment (Total) | $21,725 | $27,829 | $6,104 | 28.1% | D-226 |
| General Fund | $7,345 | $4,345 | ($3,000) | (40.8)% | |
| Federal | $14,380 | $23,484 | $9,104 | 63.3% | |

The Child Support Medical Notice appropriation is to comply with federal regulations concerning the notification of employers and health care administrators about child support medical coverage and follow-up counseling and tracking of such coverage. The reduction in the Medical Notice appropriation is due to fewer cases receiving the notice than had been anticipated.

The Technology Investment appropriation supports various data processing projects affecting welfare, child support and General Assistance. Though State funding for Technology Investment is reduced, sufficient unexpended State funds and an increase in federal funds will be available to support program costs in FY 2004. Also, proposed budget language on p. D-228 would appropriate an additional $3.0 million for the Technology Investment account, if needed.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| SSI Attorney Fees (Total) | $1,000 | $2,600 | $1,600 | 160.0% | D-226 |
| General Fund | $0 | $1,600 | $1,600 | — | |
| Federal | $1,000 | $1,000 | $0 | 0.0% | |

The FY 2005 recommended budget restores State funding the Legislature eliminated in the FY 2004 appropriations act. The FY 2004 adjusted appropriation does not reflect a $400,000 internal transfer that did not require the Legislature's approval.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| DFD Homeless Prevention Initiative (Total) | $4,000 | $3,180 | ($820) | (20.5)% | D-226 |
| General Fund | $2,000 | $2,000 | $0 | 0.0% | |
| Federal | $2,000 | $1,180 | ($820) | (41.0)% | |

The initiative provides housing subsidies and case management services to 1,900 TANF and GA clients. As program expenditures have been less than anticipated, the amount of federal funds allocated for the program is reduced.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Work First New Jersey-Training Related Expenses (Total) | $17,905 | $12,905 | ($5,000) | (27.9)% | D-226 |
| General Fund | $1,215 | $1,215 | $0 | 0.0% | |
| Federal | $16,690 | $11,690 | ($5,000) | (30.0)% | |
| Work First New Jersey - Work Activities (Total) | $121,541 | $106,009 | ($15,532) | (12.8)% | D-226 |
| General Fund | $34,850 | $31,614 | ($3,236) | (9.3)% | |
| Federal | $86,691 | $74,395 | ($12,296) | (14.2)% | |

The $12.9 million (gross) appropriation for Training Related Expenses will provide about 9,400 persons monthly with assistance. In general, the number of persons receiving such assistance has declined from over 12,200 monthly (FY 2002) to an estimated 9,400 monthly (FY 2005) due to an overall reduction in the number of persons receiving public assistance during this period.

The $106.0 million (gross) for Work Activities will provide: 3,400 clients with supported work projects, over 350 clients with on-the-job training, 7,500 clients with alternative work experience, 1,000 clients with community work experience, 3,900 teen parents with vocational

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

training/education and over 1,500 persons with other work activities, on a monthly basis.

Of the $32.8 million in General Funds recommended for Work Activities and Training Related Expenses, approximately $8.2 million will be supported by the Workforce Development Partnership Fund (proposed budget language, p. D-228); thus, the General Fund contributes $24.6 million in funds. Another language provision (p. D-228) would appropriate up to $25.5 million in additional Workforce Development Partnership Funds for these programs, if required.

| | | | | | |
|---|---|---|---|---|---|
| Work First New Jersey - Child Care (Total) | $264,864 | $242,650 | ($22,214) | (8.4)% | D-226 |
| General Fund | $66,847 | $66,847 | $0 | 0.0% | |
| Federal | $198,017 | $175,803 | ($22,214) | (11.2)% | |

The $242.7 million (gross) for Child Care supports administrative costs and provides services to over 50,100 children monthly, a slight increase from the over 49,400 children expected to receive services in FY 2004. As of January 2004, there were over 15,200 children on the child care waiting list.

| | | | | | |
|---|---|---|---|---|---|
| TANF Abbott Expansion | $114,500 | $97,400 | ($17,100) | (14.9)% | D-226 |
| Pre-Early Childhood Education (Federal) | $3,700 | $1,530 | ($2,170) | (58.6)% | D-226 |

Based on anticipated operational efficiencies, funding for TANF Abbott Expansion is reduced. The operational efficiency envisioned is a copay assessment, effective September 2004, pursuant to proposed budget language (p. D-229), that may range from $0 .53 per week to nearly $48 per week for a three-person family earning $73,200.

Though information regarding the reduction in federal funds for the Pre-Early Childhood Education program is not available, in FY 2003 expenditures were under $0.2 million.

| | | | | | |
|---|---|---|---|---|---|
| Work First New Jersey - Breaking the Cycle (Total) | $19,384 | $9,554 | ($9,830) | (50.7)% | D-226 |
| General Fund | $6,184 | $3,799 | ($2,385) | (38.6)% | |
| Federal | $13,200 | $5,755 | ($7,445) | (56.4)% | |

This program funds various projects that are generally short-term, or limited in scope, or experimental in nature. Among the programs funded are: Faith-Based Initiatives; Teen Pregnancy programs; Post TANF Transportation; and various housing programs. The funding reduction will

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

eliminate programs deemed low priority or not effective.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Housing Diversion/Subsidy Program (Federal) | $2,500 | $1,554 | ($946) | (37.8)% | D-226 |

As expenditures in this federally funded program are below amounts appropriated, federal funding is being reduced.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Kinship Care Guardianship and Subsidy (Total) | $15,733 | $15,108 | ($625) | (4.0)% | D-227 |
| General Fund | $950 | $950 | $0 | 0.0% | |
| Federal | $14,783 | $14,158 | ($625) | (4.2)% | |

Overall funding, primarily federal, is reduced as available information is that the number of relatives that have become guardians is below original estimates. Funding for this program may be supplemented with the new $110 million recommended to the Division of Youth and Family Services for Child Welfare Reform.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Career Advancement Vouchers (Federal) | $5,000 | $1,010 | ($3,990) | (79.8)% | D-227 |
| Wage Supplement Program (Federal) | $3,600 | $2,880 | ($720) | (20.0)% | D-227 |

As expenditures in these federally funded programs are below amounts appropriated, the amount of federal funds for the programs is being reduced.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Social Services for the Homeless | $12,947 | $10,947 | ($2,000) | (15.4)% | D-227 |
| General Fund | $8,947 | $8,947 | $0 | 0.0% | |
| Federal | $4,000 | $2,000 | ($2,000) | (50.0)% | |

These monies are allocated to the 21 counties to provide various services to homeless persons, as determined by each county. There is no overall decrease in FY 2005 funding as federal funds are not reflected in the FY 2004 adjusted appropriation.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Substance Abuse Initiatives (Total): | $25,174 | $35,174 | $10,000 | 39.7% | D-227 |
| General Fund | $16,455 | $16,455 | $0 | 0.0% | |
| Federal | $8,719 | $18,719 | $10,000 | 114.7% | |

An additional $10.0 million in federal funds is recommended for the program. Though no information is available regarding the funding increase, the increase may be related to the DYFS reform plan: Many persons receiving public assistance are also DYFS clients and may need substance abuse treatment.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| General Assistance (Total): | $93,171 | $119,576 | $26,405 | 28.3% | |
| GA Emergency Assistance | $40,138 | $57,892 | $17,754 | 44.2% | D-227 |
| Payments to Municipalities for Cost of General Assistance | $53,033 | $61,684 | $8,651 | 16.3% | D-227 |

A 600 person increase in the number of persons receiving Emergency Assistance, from 5,400 to 6,000, coupled with an increase in average monthly assistance, contributes to a $17.8 million increase in recommended expenditures.

Caseload growth of over 2,700 persons monthly, from nearly 32,500 to over 35,200, accounts for a $8.7 million increase in General Assistance Payments.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| WFNJ Client Benefits (Total) | $119,166 | $135,558 | $16,392 | 13.8% | D-227 |
| General Fund | $3,272 | $3,272 | $0 | 0.0% | |
| Federal | $115,894 | $132,286 | $16,392 | 14.1% | |

Recommended appropriations and the amount of federal funds allocated will increase by $16.4 million. The average caseload is expected to increase by nearly 2,500 persons monthly, from 110,300 to 112,800.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| WFNJ Emergency Assistance (Federal) | $46,657 | $65,958 | $19,301 | 41.4% | D-227 |

Supported entirely by federal TANF funds, caseload growth, from 11,500 to nearly 13,500 persons, accounts for the increase in appropriations.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Payments for Supplemental Security Income | $68,554 | $72,607 | $4,053 | 5.9% | D-227 |

Caseload growth, from 142,800 to 145,400 recipients, accounts for a $4.1 million increase in recommended appropriations.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Earned Income Tax Credit (Federal) | $86,000 | $18,393 | ($67,607) | (78.6)% | D- 227 |

This appropriation reimburses the Division of Taxation for lost revenue to provide this benefit to eligible households. As the amount of unexpended federal TANF funds has decreased, the amount of federal funds available to reimburse Taxation has been reduced and State funds will be needed to pay the credit to eligible taxpayers. The amount of State revenues that will be required to continue to pay the credit is not known and will not be known until the credits are distributed to eligible taxpayers. This reduction will not reduce the amount of income tax credits eligible households receive.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| General Assistance County Administration | $16,105 | $23,805 | $7,700 | 47.8% | D-227 |

As part of the FY 2004 appropriations act, one quarter's reimbursement to counties was deferred from FY 2004 into FY 2005. (The deferral has no impact on county finances as county budgets are based on a calendar year.) The FY 2005 recommended budget provides the necessary funds to reimburse counties for an entire year.

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Food Stamps for Legal Aliens (Total) | $3,000 | $0 | ($3,000) | (100.0)% | D-228 |
| General Fund | $886 | $0 | ($886) | (100.0)% | |
| Federal | $2,114 | $0 | ($2,114) | (100.0)% | |

Federal law has restored Food Stamps benefits to virtually all legal aliens that had been terminated from the program. As such, no funds are recommended for the program.

### DIVISION OF YOUTH AND FAMILY SERVICES

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Direct State Services (Total): | $254,897 | $370,363 | $115,466 | 45.3% | D-232 |
| General Fund | $113,274 | $223,274 | $110,000 | 97.1% | D-232 |
| Federal | $139,643 | $145,109 | $5,466 | 3.9% | D-232 |
| Other | $1,980 | $1,980 | $0 | 0.0% | D-232 |

The increase in **Direct State Services** primarily reflects the $110 million in additional funds for Child Welfare Reform activities as outlined in A New Beginning: The Future of Child Welfare in New Jersey. Out of the new $110 million, about $45.6 million is related to Personal Services for additional casework and related staff, though specifics as to the number and type of personnel to be hired are not available. The remaining $64.4 million is for unspecified services though such monies could be used to supplement existing **Grant-in-Aid** appropriations and to establish new grant programs. Other related expenditures may be included in the budgets of other agencies or departments. For example, a significant increase in Children's Behavioral Health Services' appropriations in the Division of Medical Assistance and Health Services budget is related to the Child Welfare Reform.

Pursuant to proposed budget language (p. D-234), $15.8 million of the total $149.8 million appropriation for Child Welfare Reform is to be transferred to the Department of Law and Public Safety and the Office of the Public Defender for costs associated with the Child Welfare Reform.

The FY 2005 budget estimates DYFS' monthly caseloads of 61,000 children and 32,500 families.

| | | | | | |
|---|---|---|---|---|---|
| Grants-in-Aid (Total) | $280,667 | $289,509 | $8,842 | 3.2% | D-233 |
| General Fund | $237,887 | $229,131 | ($8,756) | (3.7)% | D-233 |
| Federal | $39,526 | $57,124 | $17,598 | 44.5% | D-233 |
| Other | $3,254 | $3,254 | $0 | 0.0% | D-233 |

Though there are increases/decreases in State appropriations in individual grant accounts, noted below, the increases/decreases do not reflect shifts in the scope or direction of the grants. An increase in federal funds is expected to offset any specific reduction in State funds. Whether these federal funds will be realized is uncertain.

Some portion of the $110 million in new **Direct State Services** funds may be used to supplement existing **Grants-in-Aid** accounts and to establish new Grant-in-Aid programs. Again, it is noted that related expenditures may be included in the budgets of other agencies.

Below is a listing of some of the more significant **Grants-in-Aid** recommended appropriations:

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

| | | | |
|---|---|---|---|
| Group Homes (Total): | $12,496 | $13,678 | $1,182 |
| General Fund | $12,496 | $13,678 | $1,182 |
| Other/Residential Placements (Total): | $26,290 | $29,688 | $3,398 |
| General Fund | $25,236 | $28,634 | $3,398 |
| Federal | $1,054 | $1,054 | $0 |
| Subsidized Adoptions (Total): | $58,205 | $61,203 | $2,998 |
| General Fund | $52,191 | $52,380 | $189 |
| Federal | $6,074 | $8,823 | $2,749 |
| Foster Care (Total) | $59,405 | $56,837 | ($2,568) |
| General Fund | $50,268 | $49,637 | ($631) |
| Federal | $9,137 | $7,200 | ($1,937) |

The allocation of Federal Funds among the various grants accounts is arbitrary and does not reflect the amount of Federal Funds individual programs generate. For example, Subsidized Adoptions and Foster Care generate much more than $8.8 million and $7.2 million in Federal Funds, respectively, that are allocated to support these programs.

### DIVISION OF MANAGEMENT AND BUDGET

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Services Other Than Personal | $8,372 | $6,982 | ($1,390) | (16.6)% | D-237 |
| Maintenance and Fixed Charges | $172 | $772 | $600 | 594.1% | D-237 |
| Additions, Improvements and Equipment | $3,100 | $2,100 | ($1,000) | (32.3)% | D-238 |

The $1.4 million reduction in the Services Other Than Personal account is not a true reduction as it does not reflect an annual supplemental appropriation to reimburse a vendor for services. The recommended appropriation disregards this supplemental appropriation.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|

An additional $0.6 million is provided for Maintenance and Fixed Charges which supports costs related to the maintenance of buildings and grounds, the maintenance of equipment, and rent. Information is not available as to what accounts for this increase.

The Additions, Improvement and Equipment account reflects debt service payments for leased school buses. Operational efficiencies are expected to reduce overall debt service costs for the school buses.

| | | | | | |
|---|---|---|---|---|---|
| Health Care Billing System | $600 | $0 | ($600) | (100.0)% | D-237 |

In FY 2004, a $0.6 million supplemental is anticipated to develop a Medicare billing system for State institutions, though final federal rules are still pending. Though the appropriation is not continued in FY 2005, additional funds may be provided via budget language once federal rules are finalized and a Request for Proposal is developed and issued.

| | | | | | |
|---|---|---|---|---|---|
| Transfer to State Police for Fingerprinting.... | $560 | $2,360 | $1,800 | 321.4% | D-237 |

Legislative and regulatory mandates to conduct additional background checks on direct care staff will require additional funds to reimburse the State Police for the service.

| | | | | | |
|---|---|---|---|---|---|
| Social Services Emergency Grants | $3,970 (a) | $0 | ($3,970) | (100.0)% | D-238 |

(a) The Joint Budget Oversight Committee approved the transfer of $0.5 million into this account. Thus, $4.2 million is available for distribution.

Social Services Emergency Grants, a Legislative initiative, is not continued. As of this writing, $1.3 million has been expended. Information, however, is not available at this time as to the agencies that received funding, the amount of funding the agencies received and how the monies are to be expended by the agencies.

| | | | | | |
|---|---|---|---|---|---|
| Cost of Living Adjustment | $0 | $18,574 | $18,574 | — | D-238 |

This money would provide contract agencies with a 1 percent cost-of-living adjustment. Rather than include the money within the various divisions, the monies have been placed in central office for purposes of distribution.

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

| Budget Item | Adj. Approp. FY 2004 | Recomm. FY 2005 | Dollar Change | Percent Change | Budget Page |
|---|---|---|---|---|---|
| Statewide Automated Child Welfare Information System: Capital Construction | $5,600 | $10,400 | $4,800 | 85.7% | D-238 |

The Governor's recommended budget includes $10.4 million for the Statewide Automated Child Welfare Information System which will replace a computer system that is over 20 years old. An estimated $6.0 million in FY 2004 appropriations/unexpended balances will also be available for the project. Thus, a total of about $16.4 million in State funds will be available. This money will be matched with federal funds.

During 2003, two contracts totaling $29.8 million were awarded to Bearing Point and American Management Systems to develop and implement the system and for related monitoring and oversight activities.

# Language Provisions

## DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| p. B-93 | |
| The State appropriation for Medicaid Title XIX is based on federal financial participation rate of 48.7% provided however, that if the federal participation exceeds this percentage, there will be placed in reserve a portion of the State appropriation equal to the amount of additional federal funds, subject to the approval of the Director of the Division of Budget and Accounting. | No comparable language provision. |

### Explanation

The language is no longer considered necessary. Though the language has been in effect for many years, State money was never put in reserve in the event that the overall federal financial participation rate exceeded 48.7%. As the directive in this language provision was never implemented, it is being eliminated.

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| p. B-93 | p. D-194 |
| Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 447.205, of the amount hereinabove for Personal Care Assistant Services shall be limited to no more than 25 hours per week. Additional hours for emergency utilization, up to 40 per week, shall be authorized by the Divisions of Medical Assistance and Health Services prior to the provision of services not provided by clinics under contract with the Division of Mental Health Services. The hourly weekend rate shall not exceed $16. | Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 447.205, of the amount hereinabove for Personal Care Assistant Services shall be limited to no more than 25 hours per week. |

### Explanation

The amended language would continue to limit the number of hours of Personal Care Assistant Services to 25 hours per week, but eliminate the authority to increase the number of hours of service to 40 hours per week. No information is readily available as to how much this limitation

## Introduction (Cont'd)

may reduce program costs, though a similar language provision in the Division of Disability Services is expected to save $3.6 million. (The proposed language is somewhat different than the language in the Division of Disability Services. Thus, it is possible that one of the two language provisions is incorrect, and may have to be corrected, if adopted.)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| p. B-95 | |
| Notwithstanding the provision of any law or contracts to the contrary, no funds appropriated for the Payments for medical Assistance Recipients-Prescription Drugs program pursuant to this act shall be expended unless participating manufacturing companies execute contracts with 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 and including (c) of the federal Social Security Act, 42 U.S.C. s.1396r8 (a)-(c), with the exemption that the formula for the rebates for generic drugs, which will be determined by the Commissioner of the Department of Human Services, will be calculated on the same basis (best price or minimum of 15.1%) as brand name drugs. Rebates paid to the State for pharmaceuticals dispensed after January 1,2003, shall be paid to the State on the same basis as provided for in section 1927 (a) through and including (c) of the federal Social Security Act, 42 U.S.C.s.1396 r-8 (a)-(c). | No comparable language provision. |

### Explanation

The FY 2004 language provision had been included in the appropriations act at the request of the Administration. In exchange for eliminating the proposed formulary, the State would seek to increase the rebate from generic drug manufacturers from 11% to 15.1%. Because the federal government has not approved the State's effort to increase the rebate percentage to 15.1% and generic drug manufacturers were not receptive to the increase, the language is being eliminated.

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| pp. B-96; B-97 | |

## Introduction (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| Notwithstanding the provisions of any other law or regulation to the contrary, reimbursement rates for outpatient hospital services are limited to the payment level in effect during State fiscal year 2003. | No comparable language provisions. |
| The Commissioner of Human Services shall develop and implement a program wherein federally qualified health centers provide primary health care and related services to persons enrolled in the NJ FamilyCare program. | |
| Notwithstanding the provisions of N.J.A.C.10:49-7.3 et seq.) to the contrary and subject to approval by the federal government, the Division of Medical Assistance and Health Services shall increase reimbursement for ambulance services provided to Medicaid recipients who are also Medicare eligible to the applicable Medicare rate. | |

### Explanation

The first language provision regarding outpatient hospitals had been included in the Governor's FY 2004 recommended budget and was intended to save $24.0 million. The language is not continued.

The second and third language provisions concerning federally qualified health centers and Medicaid ambulance reimbursement were included in the FY 2004 appropriations act by the Legislature and are not continued.

## Introduction (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| | p. D-197 |
| No comparable language provision. | Notwithstanding the provision of any law or regulation to the contrary, effective October 1, 2004, or at the earliest date thereafter consistent with the notice provisions of 42 CFR 447.205 where applicable, any prescription filled as appropriated hereinabove in the Payments for Medicaid Recipients - Prescription Drugs program, in the Managed Care Initiative, in the NJ Family Care - Affordable and Accessible Health Coverage Benefits, and in the General Assistance Medical Services program is subject to a $2.00 copayment for Division of Medical Assistance and Health Services' beneficiaries, except pregnant women and children, consistent with 42 CFR 447.53. Beneficiary contributions will be capped at $10.00 per month. |

### Explanation

Recommended language would impose a $2.00 copayment for prescription drugs on non-institutionalized adults capped at $10.00 per month (5 prescriptions). A $2.00 copayment is expected to save $8.1 million. Pregnant women, children and institutionalized adults would not be subject to the $2.00 copayment.

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| | p. D-197 |
| No comparable language provision. | Notwithstanding the provisions of any other law to the contrary, no funds appropriated for the Medicaid program as appropriated hereinabove in the Payments for Medical Assistance Recipients - Prescription Drugs are available to any pharmacy that does not agree to allow Medicaid to bill on its behalf any third party, as defined in subsection m. of section 3 of P.L. 1968, c.413 (C.30:4D-3), by participating in a billing agreement executed between the state and the pharmacy. |

### Explanation

## Introduction (Cont'd)

The language would require pharmacies to allow the Medicaid program to recover third party insurance coverage. The budget assumes $2.5 million in savings by improving coordination of pharmacy benefits with third party insurance companies.

### DIVISION OF DISABILITY SERVICES

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| p. B-98 | p. D-199 |
| Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 441.205, of the amount appropriated hereinabove for Personal Care Assistance services, Personal Care Assistance services shall be limited to no more than 25 hours per week. Additional hours for emergency utilization, up to 40 per week, shall be authorized by the Director of the Division of Disability Services as appropriated prior to the provision of services not provided by clinics under contract with the Division of Mental Health Services. The hourly weekend rate shall not exceed $16. | Notwithstanding any law to the contrary and subject to the notice provisions of 42 CFR 441.205, of the amount appropriated hereinabove for Personal Care Assistance services, Personal Care Assistance services shall be authorized prior to the beginning of services by the Director of the Division of Disability Services. The hourly weekend rate shall not exceed $16. |

#### Explanation

The amended language establishes a prior authorization system for all Personal Care Assistant services. Under the proposed prior authorization system, a client may receive more or less than 25 hours of service. A prior authorization system is expected to save $3.6 million. (The proposed language is somewhat different than the language in the Division of Medical Assistance and Health Services. Thus, it is possible that one of the two language provisions is incorrect and may have to be amended, if adopted.)

### DIVISION OF DEVELOPMENTAL DISABILITIES

## Introduction (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| pp. B-101; B-104 | pp. D-206; D-218 |
| Notwithstanding any law to the contrary, expenditures of federal Community Care Waiver funds received for community-based programs in the Division of Developmental Disabilities are limited to $184,282,000. Federal funding received above this level must be approved by the Director of the Division of Budget and Accounting in accordance with a plan submitted by the Department of Human Services. | Similar language except that the amount referenced is $205,768,000. |
| The State appropriation is based on ICF/MR revenues of $210,984,000, provided that if the ICF/MR revenues exceed $210,984,000, there will be placed in reserve a portion of the State appropriation equal to the excess amount of ICF/MR revenues, subject to the approval of the Director of the Division of Budget and Accounting. | Similar language except that the amount referenced is $218,233,000. |

### Explanation

These changes update the amount of federal monies that can be expended on community-based programs and the amount of federal ICF-MR monies the State expects to receive.

## Introduction (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
| --- | --- |
| p. B-107 | p. D-228 |
| Notwithstanding any law to the contrary, of the amounts hereinabove for Work First New Jersey-Work Activity and Work First New Jersey-Training Related Expenses, $35,000,000 is appropriated for the Workforce Development Partnership Fund established pursuant to section 9 of P.L.1992, c.43 (C.34:15D-9), subject to the approval of the Director of the Division of Budget and Accounting. | Similar language except that the amount has been reduced to $8,190,000. |

### Explanation

The proposed language would reduce the amount of Workforce Development Partnership Funds used to support the Work Activity and Training Related Expenses programs from $35.0 million to $8.2 million. Thus, the amount of General Funds used to support these programs will increase from $1.1 million to $24.6 million.

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
| --- | --- |
| | p. D-229 |
| No comparable language provision. | Of the amounts appropriated for TANF Abbott Expansion, such sums as are necessary may be transferred to the Department of Education. subject to the approval of the Director of the Division of Budget and Accounting. |

### Explanation

Procedural language that permits the transfer of some portion of the $97.4 million in TANF Abbott Expansion funds to the Department of Education.

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
| --- | --- |
| | p. D-229 |

## Introduction (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
| --- | --- |
| No comparable language provision. | Notwithstanding any law or regulation to the contrary, beginning September 1, 2004, payments of TANF Abbott Expansion funds to a community provider or school district providing wrap around programs for three and four year olds will be contingent on the assessment of a co-payment consistent with a schedule to be adopted by the Department of Human Services. |

Explanation

The $97.4 million TANF Abbott Expansion appropriation assumes savings of $17 million through operational efficiencies. A proposed copayment ranging from $.53 to $48 per week, based on family income, is under consideration.

## Language Provisions (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
| --- | --- |
| p. B-109 | p. D-234 |
| Notwithstanding any other law to the contrary, amounts may be transferred from the DYFS Reform Initiative account to the Family Support Services, Child Abuse Prevention, Foster Care, Subsidized Adoption and Residential Placements and Other Residential Placements grant-in-aid accounts, subject to the approval of the Director of the Division of Budget and Accounting. | Notwithstanding any other law to the contrary, amounts may be transferred from the Child Welfare Reform account to the applicable accounts in the Department of Human Services in accordance with the approved Child Welfare Reform Plan, subject to the approval of the Director of the Division of Budget and accounting. |
| | Of the amount appropriated hereinabove for Child Welfare Reform, an amount not to exceed $15,800,000 shall be transferred to the Department of Law and Public Safety and the Office of the Public Defender in accordance with the approved Child Welfare Reform Plan, subject to the approval of the Director of the Division of Budget and Accounting. |
| | The unexpended balances as of June 30, 2004 for Child Welfare Reform are appropriated, subject to the approval of the Director of the Division of Budget and Accounting. |

### Explanation

FY 2004 budget language has been replaced with three related budget language provisions. The first language provision concerns the transfer of Child Welfare Reform monies to other departmental accounts. The second language provision permits the transfer of $15.8 million in Child Welfare Reform funds to the Department of Law and Public Safety and the Office of Public Defender. The third language provision appropriates any FY 2004 Child Welfare Reform unexpended balances; the amount of unexpended balances that may be available cannot be readily determined.

## Language Provisions (Cont'd)

| 2004 Appropriations Handbook | 2005 Budget Recommendations |
|---|---|
| | p. D-239 |
| No comparable language provision. | Of the amount appropriated hereinabove for Cost of Living Adjustment, amounts may be transferred to other divisions within the Department of Human Services, subject to the approval of the Director of the Division of Budget and Accounting |

### Explanation

Proposed language concerns itself with the allocation of the $18.6 million to provide contract agencies with a 1 percent Cost of Living Adjustment.

# Discussion Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1. Incorporated in the department's various Direct State Services accounts are unspecified efficiencies of $8.6 million.

- *Question:* What efficiencies will produce $8.6 million in savings?

Miscellaneous Revenue (Schedule 1) is expected to increase from $1.5 million (FY 2004) to $48.5 million (FY 2005). In previous budgets, these types of revenue have been significantly overestimated when compared to actual collections.

- *Question:* What Miscellaneous Revenues constitute the $48.5 million?

2. In its FY 2004 budget review, this office noted that the department could obtain upwards of $1.3 million in reimbursement for telephone costs on behalf of Medicaid clients residing in residential programs, if a technical issue regarding the phone's ownership were resolved with the State Board of Public Utilities (BPU). The department stated it would discuss the matter with the BPU.

- *Question:* What is the status of the department's discussions with the BPU regarding $1.3 million in reimbursement for telephone costs of Medicaid clients?

3. The Office of Education, which provides education services to persons under the department's supervision, has had annual deficits during the FY 2002 - FY 2005 (projected) periods of between $1.7 million - $5.0 million. The deficits result from a State Department of Education policy that once rates charged to school districts are set, rates cannot be revised. The department was to form a budget workgroup to address the office's deficits.

- *Question:* What solutions did the budget workgroup identify to resolve the office's annual deficits?

4. The FY 2004 appropriations act assumed $3.3 million in Grants-in-Aid savings from unspecified Department of Human Services Contract Reform Initiatives. A Contract Reform Task Force would be established to identify contract process improvements and to identify under-performing contracts.

- *Question:* What specific improvements and under performing contracts were identified? How much did these actions save?

5. A number of nonprofit agencies that receive State funding and other funds that the State controls compensate their executive directors at higher salaries than the State compensates its division directors, commissioners and the Governor. In some instances, compensation exceeds $200,000. Many of these same agencies have testified to legislative committees that they are unable to provide adequate compensation to their direct care staff.

- *Question:* Given the high compensation some executive directors receive, should reasonable contract standards be adopted to limit executive compensation at contract agencies?

6. The FY 2005 recommended budget includes $18.6 million to provide a 1% cost-of-living adjustment for contract agencies. As no conditions are placed on the expenditure of these monies, agencies would have total discretion with respect to how these monies are expended.

## Discussion Points (Cont'd)

- *Question:* Will guidelines be issued to preclude executive staff from benefitting from the cost-of-living adjustment funds? Will there be contractural provisions to require the pass through to direct care workers?

7. The Fuel and Utilities accounts at the State developmental centers and psychiatric hospitals appear to be funded at the same level in FY 2005 as in FY 2004 even though many economists anticipate significant increases in the price of fuel oil and natural gas. Historically, these accounts have been under funded, and in FY 2003, the department expected a $10 million deficit.

*Question:* What is the magnitude of the FY 2004 deficit in the Fuel and Utilities account? Is the FY 2005 allocation adequate?

DIVISION OF MENTAL HEALTH SERVICES

8. The FY 2003 appropriations act provided the psychiatric hospitals with $1.5 million for a Weekend Staffing Initiative to reduce overtime expenditures. The 2004 appropriations act and the FY 2005 recommended budget incorporate this money within the overall salary accounts and it is not identified. Thus, it is not known how much money is available for this program or how the money has been spent.

- *Question:* How much is included in the FY 2005 recommended budget for a Weekend Staffing Initiative? How much was actually spent in FY 2003 and will be spent on this in FY 2004, and has this initiative reduced overtime costs?

9. Various initiatives to reduce the number of admissions/readmissions to Ancora, Greystone, Hagedorn and Trenton, such as integrated case management (ICMS) and programs for assertive community treatment (PACT), have been implemented. But between FY 2000 and FY 2004 (est.), the number of admissions/readmissions to the four hospitals increased 9%, from around 2,900 to 3,200.

While admissions from 13 counties remained unchanged or declined by as much as 37% (Sussex), admissions from eight counties (Atlantic, Bergen, Burlington, Camden, Cumberland, Hudson, Ocean and Salem) increased from 20% (Ocean) to 135% (Cumberland).

- *Question:* What accounts for the significant increases in admissions from the eight counties mentioned above? Should ICMS and PACT contracts in the eight counties be rebid in order to obtain different providers that may be more successful at reducing admissions/readmissions?

10. The recommended budget estimates that the average daily census at Ancora, Greystone and Trenton will be reduced from about 1,700 patients in FY 2004 to about 1,500 patients in FY 2005. Actual average census at the three facilities is over 1,720, and the actual census of the three facilities has been between 5.3% and 14.1% greater than the estimates included in the recommended budgets between FY 2000 to FY 2004.

- *Question:* As the actual census at Ancora, Greystone and Trenton has historically exceeded the estimates included in the recommended budget, are the FY 2005 estimates realistic?

11.a. In FY 2003, the Legislature appropriated $3.0 million to replace a steam and condensate line at Trenton Psychiatric Hospital. No funds have been expended on the project, though over

## Discussion Points (Cont'd)

$200,000 has been encumbered.

- *Question:* What is the status of the project?

11.b. No Capital Construction funds are appropriated to Ancora Psychiatric Hospital for various life safety projects that are needed to maintain the facility's accreditation.

- *Question:* Will the absence of Capital Construction funds place Ancora in jeopardy of losing its accreditation?

12. State Aid funding to the six county psychiatric hospitals is unchanged at $93.5 million. The FY 2005 recommended budget assumes the State will reimburse counties for about 675 patients. The average census at the facilities through January 2004 is over 800 patients, though Medicare/Medicaid patients may reduce the number of billable patients for which the State will reimburse the counties.

- *Question:* Will sufficient unexpended FY 2004 balances be available to supplement the FY 2005 recommended appropriation?

### DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

13. Proposed budget language on p. D-194 concerning Personal Care Assistant Services is significantly different than proposed budget language on p. D-199 in the Division of Disability Services concerning Personal Care Assistant Services.

- *Question:* Why do these two provisions differ?

14. Since late 1999, Medicaid has contracted with a private vendor to administer a Medical Exception Process (MEP) and a Monthly Prescription Threshold Process (MPTP) wherein Medicaid claims are reviewed and reimbursement may be denied if sufficient justification were not provided:

MEP. Approximately 829,000 claims have been processed and 8,400 (1.01%) have been denied reimbursement. The vendor has been reimbursed about $7.3 million for this service. The approximate value of the denied claims is $1.2 million.

MPTP. Approximately 831,000 claims have been processed and 46,700 (5.6%) have been denied reimbursement. The vendor has been reimbursed about $9.0 million for this service. The approximate value of the denied claims is $2.9 million.

- *Question:* Spending $16.3 million to save $4.1 million does not seem to be cost effective. Should these drug utilization review programs be reduced in scope to make the programs more cost-effective?

15. The State contracts with a private vendor to supply medications to the State developmental centers, psychiatric hospitals and veterans homes. The Medicaid program reimburses the vendor on the basis of a drug's average wholesale price less 13%.

As discussed in a Background Paper, pp. 60 - 61, a much lower price, the Federal Supply Schedule (FSS) price, is available for drugs purchased for patients at the veterans homes. Use of FSS could save between $1.5 - $1.9 million annually. Furthermore, the State may be able to obtain retroactive recoupments for drug expenditures at the veterans homes in excess of $10 million back

## Discussion Points (Cont'd)

to 1993.

- *Question:* Is the vendor currently obtaining the FSS price? What steps will be taken to assure that the FSS price is paid for drugs at the veterans homes and to obtain refunds from manufacturers for drugs purchased since 1993?

16. Savings of $2.5 million are anticipated by extending utilization review edits used by the Medicaid program at retail pharmacies to the long-term care system, such as State institutions and nursing homes.

At State institutions, the State already contracts for pharmacy and utilization review services. These contractors are being paid to prevent prescriptions from being filled too early, to prevent duplicate medications from being dispensed and to examine polypharmacy issues. Nursing home standards also require systems to be in place to prevent such pharmacy problems from occurring.

- *Question:* As State institutions and nursing homes have systems in place to prevent the early refill of medications and the dispensing of duplicate medications, and to review polypharmacy issues, are such savings attainable?

17. The FY 2005 recommended budget restructures how Charity Care is funded. Part of the restructuring involves a $5 charge per outpatient visit, excluding Medicare, paid by insurers including Medicaid. Federal reimbursement would be available for any charges imposed on Medicaid recipients.

Outpatient hospital services include: Same Day Surgery; Outpatient Surgery Visits; Emergency Room Visits; and Clinic Visits. It is unclear whether the $5 charge will be imposed on all or some services; it is also unclear whether the $5 charge will be imposed on visits that result in an inpatient admission.

- *Question:* To which Medicaid outpatient services will the $5 charge apply? Will it apply to outpatient services that result in an inpatient admission?

18. The FY 2005 recommended appropriation for NJ Family Care is $120.8 million. However, Evaluation Data indicates that State costs will be $130.8 million.

- *Question:* How will this $10 million appropriation shortfall be addressed?

19.a. The FY 2004 appropriation for the Children's Behavioral Health Services program assumed recoveries of $3.9 million.

- *Question:* Will $3.9 million in recoveries be realized in FY 2004?

19.b. The Budget in Brief indicates that a $25 million supplemental will be required for Children's Behavioral Health Services program, due "to a shortfall in available federal balances" (p. 2). Yet, on p. 15 of that document, it states the "initiative has been highly successful in leveraging federal funds...."

- *Question:* If the program has been "highly successful in leveraging federal funds," why is there a $25 million shortfall in the amount of federal funds?

19.c. The FY 2005 recommended budget includes $47.5 million for the Children's Behavioral

## Discussion Points (Cont'd)

Health Services program. No information is yet available as to how these monies are to be expended.

- *Question*: How much will be expended on the Care Management Organizations, the Family Support Organizations, the Contracted Systems Administrator, the Mobile Crisis Response programs, expansion into other counties and program administration?

20. Though enrollment of children in NJ FamilyCare is expected to increase 7.3%, to 107,900, administrative costs (Other Funds) are expected to increase by nearly 55%, from $3.1 million, to $4.8 million.

- *Question:* What accounts for the disproportionately large increase in administrative costs?

21. Budget language in both the FY 2004 appropriations act and the FY 2005 recommended budget would: Allow Medicaid to utilize unopened prescription drugs at Nursing Facilities that have not exceeded their expiration date; and establish a Disease Management Program.

- *Question:* How much has Medicaid saved to date as a result of the unopened drug provision? What is the status of the establishment of a disease management program?

### DIVISION OF DISABILITY SERVICES

22. The division administers the Traumatic Brain Injury waiver. Though the division has received federal approval to increase the number of slots by 50, from 250 to 300, the State funds needed to support the additional slots has not been made available.

- *Question:* How much State funds are needed to support the additional 50 slots?

23. Proposed budget language (p. D-199) would impose a prior authorization system for Personal Care services before services are provided. As there are currently over 20,000 persons receiving such services, it is unclear whether the provision applies to current recipients of services or to new enrollees.

- *Question:* Does the proposed language provision apply to persons currently receiving services or only to new enrollees? If it applies to all current recipients of Personal Care services, how many additional staff will the division require to handle this increased workload? For new enrollees what is the anticipated dealy in the provision of services that will result from the prior authorization requirement?

### DIVISION OF DEVELOPMENTAL DISABILITIES

24.a. The FY 2003 appropriations act provided the developmental centers with $2.5 million for a Weekend Staffing Initiative intended to reduce overtime expenditures. The 2004 appropriations act and the FY 2005 recommended budget incorporate this money within the overall salary accounts and it is not identified. Thus, it is not known how much money is available for this program or how the money has been spent.

## Discussion Points (Cont'd)

- *Question:* How much is included in the FY 2005 recommended budget for a Weekend Staffing Initiative? How much was actually spent in FY 2003 and is being spent in FY 2004 on this program and has it reduced overtime expenditures?

24.b. The FY 2005 recommended budget provides $5.2 million (gross) for a new Developmental Center Enhancement Fund which would be used for nurse recruitment and other purposes.

- *Question:* As the FY 2005 recommended budget already includes $0.6 million for a Nursing Incentive Program, can the new appropriation be reduced because it duplicates existing funding?

25.a. The division will retain about $38 million in recoveries, pursuant to budget language provisions, the same amount as in FY 2004, to support community programs.

In December 2003, new regulations were adopted that increase client contributions for care and maintenance. In proposing the revised regulations, the division indicated that additional revenue would be collected from clients.

- *Question:* How much additional revenue will be collected from clients? Why is the amount identified in the various budget language provisions, $38 million, the same as in prior fiscal years if additional revenues are to be collected from clients? Will revenues in excess of $38 million be deposited in the General Fund?

25.b. Current regulations provide that if a client or his guardian fails to contribute to the cost of care and maintenance, the department may deny or terminate services to the client.

- *Question:* How much in contributions is outstanding on behalf of clients who refuse to pay?

26. Developmental centers provide respite care to persons from the community if the service is otherwise not available. As discussed in a Background Paper, p. 62, if some or all respite clients were classified as "temporary developmental center admissions," as much as $600,000 in federal ICF-MR reimbursements may be obtained (depending on whether the client is Medicaid eligible and the client meets the number of respite days needed to trigger a temporary admission.)

- *Question:* To generate additional federal revenues, should persons receiving respite care at developmental centers be temporarily admitted to the centers when the service exceeds a certain number of days?

27. As available bond funds have decreased, the division now funds only 20% of the capital cost of purchasing and renovating residential properties. The project's sponsor must secure a mortgage for the remaining 80%, and the principal and interest costs are paid as part of the division's contract with the sponsor. There are upwards of $8.3 million in mortgages, at an average interest rate of about 6.5%. Over a 20 year period, the division will pay approximately $6.6 million in interest.

Had the $8.3 million been financed by an agency like the New Jersey Health Care Facilities Financing Authority (NJHCFFA), a lower interest rate would have been obtained. Assuming a 4.5% interest rate, over a 20 year period, the division would save about $2.2 million in interest payments.

- *Question:* Are there any plans to refinance the $8.3 million in outstanding mortgages with

## Discussion Points (Cont'd)

HCFFA or similar agencies?

28. The FY 2005 budget proposes $3.9 million (gross) for a Developmental Center Enhancement program to provide community placements and support activities to an unspecified number of clients at developmental centers. The recommended budget already includes $9.9 million (gross) for a similar initiative. Though operational for several years, the existing initiative has only placed 150 out of the 350 clients that were to be relocated.

- *Question:* As an existing initiative has only placed 150 clients out of the expected 350 total placements, can funding be deferred pending completion of the current initiative?

### COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

29. In FY 2003, $1.2 million in Capital Construction funds were appropriated for emergency equipment upgrades at the Kohn Rehabilitation Center. Available information is that only $2,600 has been encumbered.

- *Question:* What is the status of the emergency equipment upgrades at the center?

### DIVISION OF FAMILY DEVELOPMENT

30.a. The FY 2005 budget recommends $27.8 million in State/federal funds for the WFNJ - Technology Investment account. In addition, unexpended FY 2004 balances will be available and proposed budget language would appropriate an additional $3.0 million, if needed.

- *Question*: What specific projects will be undertaken in FY 2005 and at what cost?

30.b. A $3.0 million supplemental appropriation for WFNJ-Technology Investment account is anticipated in FY 2004. However, expenditure data indicate that only about $1.1 million out of the $6.2 million in available funds has been expended/encumbered.

- *Question:* Since about $5.5 million in unexpended funds are currently available, why is an additional $3.0 million needed?

31. The recommended budget restores $1.6 million in State funds to the SSI Attorney Fees program, which attempts to secure SSI benefits to General Assistance recipients. Funding had been reduced, in part, because the contract was not performance based, that is, the vendor received payment regardless of whether the vendor was successful in securing SSI benefits for clients.

- *Question:* Will steps be taken to restructure the program so that the vendor receives most of the payment only if a client is approved for SSI benefits?

32. "Low priority" WFNJ Breaking the Cycle projects are to be eliminated to save $9.8 million in State/federal funds.

- *Question:* What specific projects are to be eliminated or reduced in scope?

33. The FY 2004 appropriations act included $1.3 million for a new Pharmaceuticals for Working GA Clients program to enable clients to be employed. Though no funds have been expended, the FY 2005 budget recommends $1.3 million to continue the program.

## Discussion Points (Cont'd)

- *Question:* What is the status of the program?

34. To reduce Emergency Assistance costs in the TANF and General Assistance (GA) programs, the division established a DFD Homeless Prevention Program to provide housing subsidies and case management services to 1,900 TANF and GA clients.

The FY 2003 and FY 2004 appropriations acts provided $4.0 million in funding: $2 million State and $2 million federal. The FY 2005 recommended budget would reduce funding to about $3.2 million: $2.0 million State and $1.2 million federal. Actual State expenditures on the program were $0.9 million in FY 2003 and are estimated at $1.1 million in FY 2004.

- *Question:* As actual State expenditures are below the amount appropriated, can the recommended $2.0 million appropriation be reduced?

35. As described in the Budget in Brief (p.6), the Governor's proposed New Jersey After 3 initiative would "increase the availability of structured after-school care." The department's Family Friendly Centers ($2.0 million) program offers a range of after-school programs and after-school care in 63 elementary and middle schools.

- *Question:* Can Family Friendly Centers costs be charged off to the New Jersey After 3 program to save $2 million?

36. A November 2003 federal Office of Inspector General audit of New Jersey's child support program concluded that certain non-custodial parents could have contributed about $2.5 million towards the $11.8 million in Medicaid funds expended on their children. As there is no State requirement that non-custodial parents contribute towards the Medicaid costs of their children, the State is not able to recoup a portion of its Medicaid costs.

- *Question:* Will child support regulations be amended to enable the State to recoup Medicaid costs from non-custodial parents? How much could be recouped if such a policy were adopted?

### DIVISION OF YOUTH AND FAMILY SERVICES

37. The June 2003 Court Agreement between the Governor and Children's Rights, Inc. appears to restrict the Legislature's Constitutional power to appropriate funds. If the Legislature were to conclude that some of the goals and objectives provided for in the State's plan to reform its child welfare system could not be achieved in a given time period, and it reduced funding for that specific goal or objective, the independent New Jersey Child Welfare Panel could ask the Federal Court to restore funding to ensure compliance with the agreement.

- *Question:* Under the Court Agreement, what would be the effect of the Legislature's reducing FY 2005 funding for DYFS reform because the monies requested are unlikely to be expended in FY 2005?

38. A New Beginning: The Future of Child Welfare in New Jersey (the State's child welfare reform plan) would hire 1,000 direct care workers over the next two and a half years. At present, the entry level salary for a person with a bachelor's degree is over $37,600, which increases to nearly $41,200 after one year.

Many of the private agencies with which DYFS and its sister divisions contract for services

## Discussion Points (Cont'd)

are unable to compensate their social work staff at salaries that an entry level DYFS employee with no experience can earn. As such, many contract agencies have difficulty recruiting and retaining qualified social work staff.

- *Question:* Does A New Beginning address the salary disparity between what the State pays social workers and other direct care staff and what contract agencies can compensate their social work and other direct care staff? Will the expanded State hiring adversely effect the ability of contract agencies to recruit staff?

39. Though the DYFS recommended budget includes $110 million in new money, other money associated with A New Beginning are included in the budget of other divisions of the department. For example, the Division of Medical Assistance and Health Services budget includes a significant increase in funds for Children's Behavioral Health Services.

- *Question:* In addition to the money included in the DYFS budget, what is the total increase in funding related to A New Beginning that is included in the budgets of other units of State government?

40. The FY 2004 appropriations act included $24.8 million for the DYFS Reform Initiative (and related federal funds). As of March 2004, approximately $300,000 was transferred from the account; $8.5 million has been expended; and approximately $3.3 million has been encumbered. However, costs associated with the DYFS Reform Initiative may have been absorbed by the division's other operating accounts and not charged to the DYFS Reform Initiative account.

- *Question:* Out of the $24.5 million in available funds, how much has been expended/encumbered to date? How much has been charged off to other division accounts? What have the monies been expended on?

41.a. A New Beginning would equalize rates paid to relatives who provide care to children placed in their home by DYFS with the rates paid to non-relative foster parents.

In other states, equalization of rates increased the number of children placed in kinship care. Questions have been raised as to whether public policy inadvertently encouraged parents to place children with relatives when there was no actual safety issue.

- *Question:* Have the fiscal implications of equalizing rates been considered with respect to a possible increase in the number of children in kinship care? What safeguards will be in place to prevent parents from placing children with relatives when safety is not an issue?

41.b. A New Beginning would develop 40 transitional living units (as defined in the "New Jersey Homeless Youth Act") in each of the next five years (200 in total) for adolescents leaving the child welfare system. The plan would educate family court judges, probation officers and law enforcement officials about the provisions of the "New Jersey Homeless Youth Act" that allows youths who have been arrested and who do not pose a danger to the community the option of entering homeless youth shelters rather than being placed in detention.

- *Question:* As the FY 2005 recommended budget does not provide additional funds for the New Jersey Homeless Youth Act, how much new funding will be allocated to the program? How many additional children may be referred to the program as a result of the

## Discussion Points (Cont'd)

additional training?

41.c. A New Beginning would create new resource (foster) family supports, including enrichment activities for children and after-school support services, at a cost of $2 million.

- *Question:* As these proposed services are similar to the New Jersey After 3 initiative, to what extent can a portion of the $2 million cost be supported by the Governor's new initiative?

41.d. A New Beginning would expand child care and home visiting services used by families during March - June 2004 and allocate additional resources in FY 2005.

- *Question:* How much funds will be required for the March - June 2004 period? Of the $110 million in new funding, how much will be allocated for these services in FY 2005?

41.e. A New Beginning would establish a Division of Prevention and Community Partnerships to develop partnerships with communities statewide to serve families involved with DYFS and those families needing more primary prevention services.

- *Question:* Of the $110 million in new funding, how much will provided to this new division to develop prevention programs? How much will be provided to the communities themselves to address their needs?

42. The FY 2004 appropriations act and the proposed FY 2005 budget would each provide $800,000 to the Center for Children's Support at UMDNJ School of Osteopathic Medicine Academic Center (Stratford) "to support the development of a model comprehensive diagnostic and treatment program to address both the medical and mental health needs of children experiencing abuse."

- *Question:* What is the status of the model diagnostic and treatment program? How much of the $800,000 has been expended to date? What is the total expected cost to develop this model comprehensive diagnostic and treatment program?

### DIVISION OF MANAGEMENT AND BUDGET

43.a. During Spring 2003, the federal Department of Health and Human Services disallowed upwards of $54.9 million in Medicaid claims that Deloitte Consulting had submitted to the federal government. Deloitte was reimbursed for this work by the department.

The department filed a complaint with the Purchase Bureau's Office of Contract Compliance to recoup the monies that Deloitte had been paid for the disallowed claims.

- *Question:* How much money can be recouped from Deloitte? What is the status of the recoupment? How much monies have been recouped?

43.b. In January 2004, the federal Department of Health and Human Services issued a report which seeks repayment of about $11.1 million for invalid Medicaid disproportionate share claims that Deloitte Consulting submitted for hospital costs for inmates of correctional facilities. The department disagreed with the federal position on this matter.

## Discussion Points (Cont'd)

- *Question:* What is the status of the repayment of the $11.1 million?

44. The Governor's recommended budget includes $10.0 million for the Statewide Automated Child Welfare System (SACWIS). Along with unexpended FY 2004 appropriations, approximately $16.4 million in State funds may be available. Including federal matching funds, about $32.8 million will be available for the project.

During 2003, the department awarded two contracts for about $3.0 million and $26.8 million, respectively, or about $30 million in total, to develop and implement a new computer system and for related services.

- *Question:* As only $15 million in State funds are currently needed to fund SACWIS, can the recommended appropriation/unexpended balances be reduced?

# Background Paper: Office of Education Deficits

## SUMMARY

The Office of Education has had operating deficits of between $1.9 million and $5.1 million in the FY 2002 - FY 2004 period that have necessitated year end transfers. A deficit of about $1.7 is estimated in FY 2005. Budget language, cited below, would effectively eliminate any deficits.

## BACKGROUND

The Department of Human Services Office of Education (OOE) provides educational services to children/adolescents that are under the department's jurisdiction. In conjunction with the Department of Education (DOE), a program and spending plan is determined as to the per pupil cost to school districts for these educational services.

Since enactment of the State Facilities Education Act in 1979, and through FY 2001, OOE had not experienced a deficit. Beginning in FY 2002, the following deficits have occurred or are projected to occur:

| ($000) | FY 2002 | FY 2003 | FY 2004 est. | FY 2005 proj. |
|---|---|---|---|---|
| Expected Annual Revenues | $37,280 | $38,793 | $42,802 | $45,311 |
| Total Expenditures | $42,365 | $43,277 | $44,701 | $47,011 |
| Salary Expenditures | $24,356 | $22,900 | $24,008 | $23,862 |
| Other Expenses | $18,009 | $20,377 | $20,693 | $23,149 |
| Deficit | ($5,085) | ($4,484) | ($1,899) | ($1,700) |

DOE's position is that once rates are set N.J.S.A. 18A:7F-1 et seq. does not allow per pupil costs to be revised to offset a deficit. Accordingly, in FY 2002 and FY 2003, transfers were processed to offset OOE's deficit. Transfers may be needed to close the FY 2004 deficit and a projected FY 2005 deficit, if no action is taken as part of the current budget process.

## ANALYSIS

Several years ago, the Commission for the Blind and Visually Impaired (CBVI) faced a similar problem. The costs of services provided various school districts exceeded the reimbursement CBVI received from school districts. To address the problem, the annual appropriations act now includes budget language allowing CBVI to bill school districts for "their documented costs."

Language similar to the CBVI language, provided below, would address OOE's current deficit and any future deficits that may materialize:

*Notwithstanding the provisions of N.J.S.18A:7B-2 to the contrary, the approved per pupil cost established pursuant to the provisions of section 24 of P.L.1996, c.138 (C.18A:7F-24) shall be adjusted to offset any documented deficit that may exist for services provided by the Office of Education within the Department of Human Services in FY 2004 and subsequent fiscal years. Local boards of education shall reimburse the Office of Education through the Department of Education for such additional costs; provided however, that each local board shall pay that portion of additional costs which the number of children receiving services bears to the total of such children served. The Department of Education is authorized to deduct such reimbursements from the State aid payment to the local board of education.*

# Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004

Budget Pages.... D-152; D-193 (Other Funds); Budget in Brief, pp. 3, 11, 31.

## SUMMARY

The FY 2005 recommended budget would increase total funding for Charity Care and would change the sources of State funding used to fund Charity Care which would result in an increase in the amount of federal funds available for this purpose. Unfortunately, information is currently not available that summarizes the new funding sources or the total amount of Charity Care funds available for distribution in FY 2005.

The following table provides FY 2004 data as to the amount of monies hospitals will receive from the Departments of Health and Senior Services and Human Services for charity care, supplemental charity care and other special assistance. In FY 2004 hospitals will receive $584.2 million in such payments. These amounts are in addition to any Medicaid/Medicare reimbursements the hospitals receive. (Amounts may not add due to rounding)

| HOSPITAL | Charity Care | Supplemental Charity Care | Hospital Relief | Mental Health | TOTAL FY 2004 ($000) |
|---|---|---|---|---|---|
| Atlantic City, City | $6,431 | | $5,649 | | $12,081 |
| Atlantic City, Mainland | | 988 | | 1,388 | $2,376 |
| Barnert | 2,267 | | 2,262 | | $4,529 |
| Bayonne | | 804 | | | $804 |
| Bayshore | | 245 | | | $245 |
| Bergen Regional | 21,797 | | | 14,620 | $36,417 |
| Beth Israel | 3,632 | | | 1,243 | $4,875 |
| Bon Secours St. Mary's | 9,469 | | 2,684 | 297 | $12,450 |
| Burdette Tomlin | | 222 | | | $222 |
| Capital - Fuld | 12,277 | | 3,805 | 763 | $16,846 |
| Capital - Mercer | | 715 | 2,330 | | $3,045 |
| Cathedral | 23,183 | | 9,175 | 416 | $32,775 |
| CentraState | | 651 | 1,591 | 347 | $2,589 |
| Chilton | | 123 | | | $123 |
| Christ | 5,326 | | 2,367 | | $7,693 |
| Clara Maass | | 721 | 2,160 | | $2,881 |
| Columbus | | 545 | | | $545 |

# Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004

| HOSPITAL | Charity Care | Supplemental Charity Care | Hospital Relief | Mental Health | TOTAL FY 2004 ($000) |
|---|---|---|---|---|---|
| Community | | 893 | | | $893 |
| Cooper | 16,883 | | 6,227 | | $23,110 |
| Deborah | 6,833 | | | | $6,833 |
| East Orange | 10,233 | | 4,635 | 1,249 | $16,117 |
| Englewood | | 967 | | | $967 |
| General Hosp. (Pas.) | 348 | | | | $348 |
| Greenville | 1,299 | | 307 | | $1,605 |
| Hackensack | | 3,545 | | | $3,545 |
| Hackettstown | | 135 | | | $135 |
| Holy Name | | 332 | | | $332 |
| Hospital Ctr. (Orange) [1] | | 475 | | | $475 |
| Hunterdon | | 493 | | | $493 |
| Irvington | | 474 | 896 | | $1,370 |
| Jersey City | 50,126 | | 10,206 | 1,388 | $61,720 |
| Jersey Shore | | 1,376 | 6,264 | | $7,641 |
| JFK (Edison) | | 281 | | | $281 |
| Kennedy Mem. | 186 | 1,599 | 7,127 | 1,355 | $10,267 |
| Kimball | | 946 | 4,693 | 1,041 | $6,680 |
| Meadowlands | | 145 | | | $145 |
| Memorial (Salem) | | 36 | | | $36 |
| Monmouth | | 1,827 | 7,989 | 1,374 | $11,188 |
| Morristown | | 2,026 | | | $2,026 |
| Mountainside | | 580 | | 278 | $858 |
| Muhlenberg | 2,383 | | 2,714 | 555 | $5,652 |
| Newark Beth Israel | 15,848 | | 13,796 | 1,147 | $30,791 |
| Newton | | 759 | | 278 | $1,037 |
| Ocean Medical | | 300 | | | $300 |
| Our Lady of Lourdes | | 1,583 | 4,414 | 694 | $6,690 |

[1] Now closed.

# Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004

| HOSPITAL | Charity Care | Supplemental Charity Care | Hospital Relief | Mental Health | TOTAL FY 2004 ($000) |
|---|---|---|---|---|---|
| Overlook | | 660 | | | $660 |
| Palisades | 2,132 | | | | $2,132 |
| Pascack Valley | | 180 | | | $180 |
| Rahway | | 257 | | | $257 |
| Raritan Bay | 14,974 | | 3,257 | | $18,230 |
| Riverview | | 461 | | | $461 |
| R.W. Johnson | | 2,489 | | | $2,489 |
| R.W. Johnson, Hamilton | | 388 | | | $388 |
| Shore Memorial | | 135 | | | $135 |
| Somerset | | 325 | | | $325 |
| South Jersey | | 621 | 3,714 | 1,077 | $5,413 |
| South Jersey, Elmer | | 51 | | | $51 |
| Southern Ocean | | 115 | | | $115 |
| St. Barnabas | | 1,241 | | | $1,241 |
| St. Clare's, Denville | 860 | 1,302 | 6,534 | 1,599 | $10,295 |
| St. Clare's, Sussex | | 74 | | | $74 |
| St. Francis, Trenton | 2,211 | 70 | 1,920 | 694 | $4,895 |
| St. Joseph's | 25,767 | | 10,985 | | $36,752 |
| St. Joseph's, Wayne | | 334 | | | $334 |
| St. Mary's, Passaic | | 5,555 | 1,911 | 1,041 | $8,507 |
| St. Peter's | | 778 | 8,344 | | $9,122 |
| Trinitas | 26,346 | | 7,773 | 1,772 | $35,890 |
| Underwood | | 529 | | 416 | $946 |
| Union | | 392 | | | $392 |
| UMDNJ | 78,982 | | 19,813 | 832 | $99,628 |
| UMC at Princeton | | 241 | | | $241 |
| Valley | | 329 | | | $329 |
| Virtua Burlington | 208 | | | | $208 |
| Virtua West Jersey | 292 | | | | $292 |

## Background Paper: Payments to Hospitals for Charity Care and Other Special Assistance, FY 2004

| HOSPITAL | Charity Care | Supplemental Charity Care | Hospital Relief | Mental Health | TOTAL FY 2004 ($000) |
|---|---|---|---|---|---|
| Warren | | 436 | 1,596 | | $2,032 |
| West Hudson | | 156 | | | $156 |
| W.B. Kessler | | 34 | | | $34 |
| TOTALS | $345,000 | $36,232 | $183,000 | $20,000 | $584,232 |

(Source: Department of Health and Senior Services; Department of Human Services, Division of Medical Assistance and Health Services)

# Background Paper: Use of the Federal Supply Schedule Could Reduce State Drug Costs at the Veterans Nursing Homes

Budget Pages.... D-192

| Funding ($000) | Expended FY 2003 | Adj. Approp. FY 2004 | Recomm. FY 2005 |
|---|---|---|---|
| Payments for Medical Assistance Recipients - Prescription Drugs | $ 475,334 | $350,604 | $451,349 |
| Veterans Nursing Home Prescription Drug Costs[1] | $3,840 | $4,470 est. | $5,200 est. |

## SUMMARY

Savings of between $1.5 - $1.9 million annually may be realized by using the Federal Supply Schedule (FSS) to purchase prescription drugs for patients at the State veterans nursing homes. The department may also be able to recover over $10 million dollars from drug manufacturers for drug expenditures at the veterans nursing homes back to January 1993.

## BACKGROUND AND ANALYSIS

Since the mid 1980s, the State has contracted with a private vendor to provide prescription drugs to patients at State institutions, which include State psychiatric hospitals, developmental centers and veterans nursing homes. These costs are paid for through the Medicaid program's Prescription Drugs account.

The vendor purchases and distributes the drugs to the various State facilities. The vendor is reimbursed by the Medicaid program on the basis of the drug's Average Wholesale Price (AWP) less 13%. The difference between what the vendor pays for drugs and the amount reimbursed by the State represents the vendor's profit. The Medicaid program also obtains rebates from drug manufacturers for those patients that are Medicaid eligible.

Patients at the three veterans nursing homes are not Medicaid eligible, therefore, drug expenditures at the veterans homes are entirely State funded and the State does not obtain rebates from manufacturers.

State drug expenditures at State institutions, along with a breakdown of expenditures at the three veterans homes, are listed below:

| ($000) | FY 2002 | FY 2003 | FY 2004 est. |
|---|---|---|---|
| Total Institutional Expenditures | $35,630 | $38,640 | $42,100 |
| Veterans Homes | $4,000 | $3,840 | $4,470 |

Federal law (38 U.S.C. 8126 (a) (3)) requires drug manufacturers to charge the FSS price

[1]Drug costs for the three veterans nursing homes are incorporated within the overall Medicaid appropriation for drug costs.

# Background Paper: Use of the Federal Supply Schedule Could Reduce State Drug Costs at the Veterans Nursing Homes

for drugs purchased for patients at state veterans homes which receive a federal per diem rate, although it would appear that the State reimburses the vendor at a higher rate.

Available information indicates that the FSS price would reduce drug costs at the veterans homes by about 35%, or $1.5 - $1.9 million annually, depending on the financial arrangement with the vendor as to how to share the savings[2].

Since drug manufacturers were supposed to make the FSS price available for all drugs purchased on behalf of State veterans homes as of January 1993, the Medicaid program may be entitled to the FSS price retroactively. While drug expenditures back to 1993 on behalf of the three veterans nursing home are not readily available, based on the $1.9 million in FY 2005 for potential savings by using the FSS price, the amount potentially recoverable from drug manufactures could exceed $10 million.

[2]Estimated Average Wholesale Price of drugs at the veterans nursing homes before 13% discount: $4,937,000
Estimated Federal Supply Schedule cost (48.3% discount from AWP): $2,385,000.
Potential Savings: $4,295,000 (with 13% discount) - $2,385,000 = $1,910,000.

# Background Paper: Respite Admissions and Federal ICF-MR Revenues

Budget Pages.... D-207 to D-218

| Funding ($000) | Expended FY 2003 | Adj. Approp. FY 2004 | Recomm. FY 2005 |
|---|---|---|---|
| Developmental Centers: | $367,214 | $385,261 | $391,097 |
| State | 203,888 | 210,757 | 210,757 |
| Federal/Other | 163,326 | 174,504 | 180,340 |

## SUMMARY

**State costs can be reduced by between $0.5 million and $0.6 million** by classifying all, or some, clients who receive respite care at various developmental centers "temporary admissions." Offsetting the reduction in State funds, federal ICF-MR reimbursements will increase by an equal amount.

## BACKGROUND

Clients living in the community may receive respite care at a developmental center. These clients are not formally admitted to the developmental center because the respite placement is considered temporary. If a respite placement exceeds 30 days, the client could be admitted to the developmental center. In reality, few clients, even if they exceed 30 days of respite placement at a developmental center, are admitted.

Between July - December 2003, 1,622 days of respite care were provided at five developmental centers as follows:

Respite stays of less than 10 days - 165
Respite stays of between 10 and 19 days - 417
Respite stays of between 20 and 29 days - 306
Respite stays of 30/31 days - 734

The estimated annual cost of providing respite care is about $1.2 million.[1] Federal ICF-MR reimbursement (assuming that the client is ICF-MR eligible, which most are) is not available because the respite client has not been admitted to the developmental center, and federal Community Care Waiver funds cannot be obtained for that client because the respite client is not in the community.

## ANALYSIS

State costs could be reduced by up to $0.6 million, with an offsetting increase in federal revenues (assuming all clients meet ICF-MR standards), if all clients receiving respite services at developmental centers were classified as a "temporary admission," regardless of the number of days of service. Alternatively, State costs could be reduced by $0.5 million with a comparable increase in federal revenues, if all clients receiving respite services at developmental centers for 10 or more days were classified as a "temporary admission".

[1] July - December respite days annualized X the average ICF-MR per diem rate at the developmental centers that provide respite services.

# Background Paper: The DYFS Reform Plan

This Background Paper provides a summary of the fiscal impact of the DYFS Reform Plan, **A New Beginning: The Future of Child Welfare in New Jersey**, as submitted for approval to the **New Jersey Child Welfare Panel** (Panel).[1] The plan consolidates spending into broad categories with limited detail and there are aspects of the plan for which no specific dollar amount is cited.

The plan seeks to achieve the **Improved Outcomes For Children** outlined in the Court Agreement:

- Decrease the length of time in care for children with a goal of reunification.
- Decrease the length of time in care for children with a goal of adoption.
- Increase the proportion of siblings in resource (foster) homes who are placed together.
- Increase the proportion of children in resource (foster) homes who are appropriately placed with relatives.
- Increase the proportion of children in resource (foster) homes who are placed in their home neighborhoods.
- Decrease the incidence of abuse and neglect of children in out-of-home care.
- Decrease the proportion of children in out-of-home care who are placed in congregate settings.
- Decrease the average number of placement moves experienced by children while in out-of-home care.
- Increase the proportion of children in care, and their families, who receive the services they need.
- Decrease the rate of re-entries into out-of-home care.
- Reduce the number of adoptive and pre-adoptive placements that disrupt.

The Court Agreement vests the Panel with the authority to set "specific numerical measures and time frames for each of these outcomes."

FY 2005

**TOTAL STATE FUNDS: $125.4 million, including:**

- Create 862 new treatment slots, including outpatient, long term residential and assisted partial care beds for substance abusing parents of children under DYFS supervision - **$10 million.**
- Create 25 short-term residential treatment beds and 125 intensive outpatient treatment slots for substance abusing adolescents - **$2.3 million.**
- Purchase and renovate one residential treatment facility - **$1 million.**
- Expand a Statewide program providing specialized services for children whose parents are victims of domestic violence - **$2 million.**
- Expand child behavioral health services, including Mobile Response, Youth Case Management, Treatment Homes, Behavioral Assistance and Intensive In-Community supports - **$12 million.**
- Create resource (foster) family supports, including child and respite care services, enrichment activities for children and after-school and other support services- **$2 million.**

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[1]In settling a lawsuit filed by Children's Rights, Inc. (June 2003), the State agreed to the creation of a New Jersey Child Welfare Panel (funded by the Annie E. Casey Foundation). The Panel will provide technical assistance, review and monitor the State's plan to reform the child welfare system. During an 18-month period, the Panel will issue three public reports on the State's progress. After the 18-month period, another expert or one of the Panel members will continue to monitor the State's progress. After two years of sustained compliance with the plan, the Agreement will end.

## Background Paper: The DYFS Reform Plan

- Implement a Comprehensive Health Evaluation Program (CHEP) for children entering resource (foster) homes so that within 30 days of placement children will be screened for acute or chronic conditions, assessed for immunization status, and have behavioral, substance abuse and developmental assessments - $2 million (combined State and federal funds).
- Reallocate Balanced Housing Neighborhood Preservation funds to rehabilitate resource (foster) homes or homes where children under the supervision of DYFS live with their biological families - $1 million.
- Allocate Department of Community Affairs (DCA) HOME Production Investment funds to create 40 affordable rental housing units for eligible, low-income families with children under DYFS supervision - $2 million.
- Expand DCA's Home Ownership Permanency Program (HOPP) (which makes low interest loans), with programs of the Housing and Mortgage Financing Agency (HMFA), to enable adoptive families to purchase homes, and provide low interest rehabilitation loans to pre-adoptive families to construct additions or accessibility improvements to their homes - $5 million.
- Create a HMFA and DYFS low interest loan program to enable organizations and public entities to construct or enhance transitional and permanent housing opportunities for youth with specialized needs who are "aging out" of resource (foster) care, and to assist at-risk youth achieve self-sufficiency - $400,000.
- Use DCA Homeless Prevention funds and federal tenant-based rental assistance funds to provide housing assistance to 100 women who leave domestic violence shelters and need permanent housing arrangements - $1.26 million.

### FY 2006 AND SUBSEQUENT YEARS

TOTAL STATE FUNDS FY 2006: $180.2 million, including:

- Continue to expand substance abuse services for parents of children under DYFS supervision, over a five-year period to provide 2,302 additional treatment slots- $58 million in total.
- Continue to develop 125 residential beds and 625 outpatient treatment slots over a five-year period - $2.3 million annually, or $11.5 million in total.
- Continue to expand a Statewide domestic violence program providing specialized services for children over a five-year period - $2 million annually, or $10 million in total.
- Create additional resource family supports - $2 million annually.
- Continue to expand child behavioral health services- $12 million annually.
- Extend CHEP to children entering resource (foster) care within 30 days of placement- $2 million annually (combined State and federal funds).
- Continue to reallocate Balanced Housing Neighborhood Preservation funds over a five-year period- $1 million annually, or $5 million in total.
- Allocate additional DCA HOME Production Investment funds over a five-year period- $500,000 annually, or $4 million in total.
- Continue to expand HOPP over a four-year period- $1.7 million, or $11.2 million in total.
- Continue a HMFA and DYFS low interest loan program over a five-year period- $400,000 annually, or $2 million in total.
- Develop a HUD-Section 8 demonstration program to provide 100 permanent housing vouchers for low income families with children under DYFS supervision over a five-year period- $1.5 million in 2006, $4.8 million total.
- During the latter half of FY 2005, DYFS/DCA will develop a Request for Proposal to encourage emergency shelter/homeless provider agencies to apply to become non-profit housing developers to create additional permanent housing slots for 160 DYFS families leaving emergency or transitional placements for more permanent living arrangements over

## Background Paper: The DYFS Reform Plan

a five-year period. Awards will be made by the beginning of FY 2006 - **$7.7 million in total.**

- Propose regulatory amendments by December 2005 to expand emergency assistance grants for families at risk of homelessness or whose children are at risk to become victims of child abuse or neglect- **$4.3 million.**
- Direct DCA funds and federal rental assistance funds to provide housing assistance to victims of domestic violence over a five-year period- **$1.26 million annually, or $6.3 million in total.**

### COSTS FOR WHICH NO SPECIFIC DOLLAR AMOUNTS ARE PROVIDED

- Hire and train 416 new child protection and permanency workers.
- Hire and train 48 new casework supervisors.
- Hire and train 136 new adolescent workers.
- Hire and train 191 new resource family support workers.
- Hire and train additional Law Guardian personnel.
- Hire and train additional Deputy Attorneys General.
- Establish 12 new community collaboratives.
- Enhance services (unspecified), with emphasis on neighborhoods with the highest need.
- Monthly maintenance rates paid kinship care providers will be increased to the rate paid to resource (foster) families. In addition, resource family board rates will be increased by 25%, to 100% of the United States Department of Agriculture standard of costs for middle-income, two-parent families raising children in the urban Northeast.
- Recruit 1,000 new resource (foster) family homes by June 2005.
- Establish a New Jersey Child Welfare Training Academy.
- Create 30-40 transitional housing beds, annually, for adolescents who have aged out of the resource (foster) care system.
- Develop an array of after care services by faith-based and community organizations for 200 DYFS involved youths, age 18-21, who need specific supports (emergency food, clothing and housing grants and subsidies) to prepare for adulthood.
- Implement a 24-hour centralized call center for the screening of child abuse or neglect allegations.
- Establish various new administrative structures, such as a new **Division of Prevention and Community Partnerships**, that will be responsible for developing partnerships with communities Statewide to serve families involved with DYFS and those families needing more primary prevention services, and an **Office of Child Behavioral Health Services** that would provide direct behavioral health services to children. A **Special Deputy Commissioner for Children's Services**, who will head the Office of Children's Services, would oversee the operations of these new units and the reorganized child protection and permanency division. As part of the plan, the **Division of Addiction Services** and most of its functions are to be transferred from the Department of Health and Senior Services to the Department of Human Services.

# Background Paper: Division of Youth and Family Services Staffing and Program Statistics

## BACKGROUND AND ANALYSIS

The following tables compare data over several years at the same point in time (January), to assess the DYFS' progress in improving staffing, increasing adoptions, reducing the number of children in foster care and reducing the time children are in out-of-home placements.

In view of the recently released DYFS reform plan, A New Beginning: The Future of Child Welfare in New Jersey (February 2004), the data below provides information on DYFS' past efforts to improve child welfare and may provide baseline data to assess progress in implementing the reform plan.

District Office (DO) and Adoption Resource Center (ARC) Staffing as a Percent of Child Welfare League of America Standard (CWLA)

| | Jan. 1998 | Jan. 1999 | Jan. 2000 | Jan. 2001 | Jan. 2002 | Jan. 2003 | Jan. 2004 |
|---|---|---|---|---|---|---|---|
| ARCs | 62.9% | 61.2% | 59.8% | 66.8% | 78.1% | 84.6% | 70.7% |
| Central DOs | 80.5% | 81.4% | 81.0% | 75.5% | 80.1% | 94.2% | 83.5% |
| Metro DOs | 79.2% | 76.0% | 80.2% | 71.6% | 78.7% | 77.6% | 56.7% |
| Northern DOs | 85.5% | 81.1% | 80.9% | 75.2% | 78.6% | 87.0% | 69.8% |
| Southern DOs | 78.5% | 73.3% | 67.2% | 63.1% | 70.2% | 75.4% | 65.8% |
| Case Carrying Staff, DOs & ARCs | 1,199 | 1,263 | 1,252 | 1,327 | 1,488 | 1,502 | 1,739 |

The number of case carrying staff has increased since 1997 and staffing levels, as a percentage of the CWLA standard, had improved, in some instances significantly, between January 2001 and January 2003. However, a significant percentage of caseworker staff is relatively new and inexperienced. At one point, 25% of the casework staff was classified as "trainees."

Between January 2003 and January 2004, despite a net increase of more than 200 additional caseworkers, staffing levels, as a percentage of the CWLA standard, have declined significantly due to a dramatic increase in caseloads. The number of children on DYFS' active caseloads increased from about 47,000 to nearly 64,700 between January 2003 and January 2004.

Average Number of Children in Subsidized Adoptions

| | Jan. 1998 | Jan. 1999 | Jan. 2000 | Jan. 2001 | Jan. 2002 | Jan. 2003 | Jan. 2004 |
|---|---|---|---|---|---|---|---|
| Number of Children | 5,769 | 6,045 | 6,208 | 6,594 | 7,102 | 7,694 | 8,071 |
| % Change | n.a. | 4.8% | 2.7% | 6.2% | 7.7% | 8.3% | 4.9% |

The number of children in subsidized adoptions has increased by nearly 40% since 1998.

## Background Paper: Division of Youth and Family Services Staffing and Program Statistics (cont'd)

As a result, the federal government has awarded the State over $3.6 million in adoption incentive bonuses between federal FY 1999 - 2003.

Average Number of Children in Foster Care*

| | Jan. 1998 | Jan. 1999 | Jan. 2000 | Jan. 2001 | Jan. 2002 | Jan. 2003 | Jan. 2004 |
|---|---|---|---|---|---|---|---|
| Number of Children | 6,821 | 6,863 | 6,961 | 7,147 | 8,012 | 8,594 | 9,971 |
| % Change | n.a. | 0.6% | 1.4% | 2.7% | 12.1% | 7.3% | 16.0% |

* Includes children in Regular Foster Care, Relative Support and Para/Foster Care.

The number of children in foster care has increased by over 46% since 1998 and approached 10,000 (January 2004). (The foster care figure includes children who are in a "free" placement, i.e., the State is not making a foster care payment.)

Avg. Months in Placement for Children in Foster Care with a DYFS Goal to Return Home

| All Foster Children | | | Children with One Placement | | Children with Multiple Placements | |
|---|---|---|---|---|---|---|
| | Total # of Children | Avg. Total Months in All Foster Placements | # of Children | Avg. Total Months in Placement | # of Children | Avg. Total Months in All Placements |
| Jan. 1998 | 2,399 | 17.2 | 1,223 | 12.6 | 1,176 | 22.5 |
| Jan. 1999 | 2,257 | 17.4 | 1,139 | 13.5 | 1,118 | 21.7 |
| Jan. 2000 | 2,055 | 16.4 | 1,046 | 11.6 | 1,009 | 21.4 |
| Jan. 2001 | 1,955 | 15.8 | 1,007 | 10.8 | 948 | 21.0 |
| Jan. 2002 | 2,221 | 13.7 | 1,233 | 9.7 | 988 | 18.7 |
| Jan. 2003 | 2,823 | 8.4 | 1,535 | 8.7 | 1,288 | 15.8 |
| Jan. 2004 | 4,128 | 10.1 | 2,008 | 6.9 | 2,120 | 13.1 |

Between January 1998 and January 2004, progress was made in reducing the average months children in foster care with a "return home" goal are in foster care, with average months in foster care decreasing 41.2%, from 17.2 days to 10.1 days.

The increase in the number of children in foster care with a "return home" goal and the reduction in the average months in placement since January 2002 may be attributable to the inclusion of children in kinship foster care. The inclusion of kinship children may also account for the reduction in the average length of stay in foster placements as such placements may be for short periods of time.

Avg. Months in Placement for Children in Foster Care with a DYFS Goal of "Adoption"

# Background Paper: Division of Youth and Family Services Staffing and Program Statistics (cont'd)

(limited to children in foster care assigned to the ARCs)

| All Foster Children | | | Children with One Placement | | Children with Multiple Placements | |
|---|---|---|---|---|---|---|
| | Total # of Children | Avg. Total Months in All Placements | # of Children | Avg. Total Months in Placement | # of Children | Avg. Total Months in All Placements |
| Jan. 1998 | 2,315 | 41.5 | 966 | 34.7 | 1,349 | 46.4 |
| Jan. 1999 | 2,556 | 40.5 | 1,083 | 33.4 | 1,472 | 45.7 |
| Jan. 2000 | 3,122 | 39.6 | 1,350 | 32.8 | 1,772 | 44.8 |
| Jan. 2001 | 3,274 | 40.9 | 1,355 | 34.2 | 1,919 | 45.6 |
| Jan. 2002 | 3,457 | 39.7 | 1,432 | 32.3 | 2,024 | 44.9 |
| Jan. 2003 | 3,119 | 39.8 | 1,177 | 31.9 | 1,942 | 44.5 |
| Jan. 2004 | 3,081 | 39.7 | 1,023 | 32.2 | 2,058 | 43.4 |

Consistent with the intent of the federal "Adoption and Safe Families Act" (to make available for adoption children who have been in out-of-home placement for 15 months), the number of children in foster care with an "adoption" goal has increased. However, available data indicate that:

- Adoption recruitment problems contribute to a wait of over 2 1/2 years for children with one placement, to over 3 1/2 years for children with multiple placements before adoption.

- Adoption recruitment continues to be difficult despite financial incentives, particularly for children who have had multiple out-of-home placements.

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Individuals wishing information and committee schedules on the FY 2005 budget are encouraged to contact:


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