Discussion Points

DEPARTMENT OF HEALTH (GENERAL)

1. In response to an OLS Discussion Point last year, the department provided a list of programs that were potentially affected by the sequestration of federal funds pursuant to the Budget Control Act of 2011 (Pub.L.112-25) and the American Taxpayer Relief Act of 2012 (Pub.L.112-240). At that time, the federal government had only provided notification with respect to reductions in federal funding to certain programs, and many others were still uncertain. Since that time, the Bipartisan Budget Act of 2013 (Pub.L.113-67) revised the federal sequestration caps for federal fiscal years 2014 and 2015 to allow for increased discretionary spending.

- ***Questions:*** **Please provide an update on those programs administered by the Department of Health that have received reduced federal funding as a result of federal sequestration. What have been the results of these reductions in each affected program?**

Responses:

WIC Senior Farmers Market Nutrition Program:

As a result of sequestration, the Senior Farmers Market Nutrition Program (SFMNP) overall budget was cut by 9.3% for FFY 2014 (October 1, 2013 – September 30, 2014), resulting in $110,000 reduction. The SFMNP will have a decreased caseload as a result of the budget reductions. For FFY 2014, the SFMNP will be able to serve 45, 477 participants compared to 50,977 served in FFY 2013, which had a budget of $1,019,535 (food dollars).

WIC Farmers Market Nutrition Program:

As a result of sequestration, the Farmers Market Nutrition Program (FMNP) overall budget was cut by approximately 12% for FFY 2014 (October 1, 2013 – September 30, 2014), resulting in a $121,313 reduction. The FMNP will have a decreased caseload as a result of the budget reductions, if the funds are not restored. For FFY 2014, WIC will be able to serve 35,419 participants compared to 41,485 served in FFY 2013, which had a budget of $829,707 (food dollars).

Public Health Emergency Preparedness (PHEP) / Hospital Preparedness Program (HPP) Cooperative Agreement:

PHEP grant was reduced by $800,000, resulting in:

- Reduction of funding to NJ Local Information Network and Communications System (NJ LINCS) agencies
- Reduction of FTEs compensated with PHEP funds

HPP grant was reduced by $478,422, resulting in:

- Shifting of electronic Patient Care Reporting project to alternate funding source; and
- Elimination of funding for State Police 800 MHz radios and OEM's triage tags/EMS decals.

Discussion Points (Cont'd)

National Public Health Improvement Initiative grant (5 year):
Loss of $908,417 resulting in elimination of resources that have supported both the NJ State Health Department and Local Health Departments in their respective efforts to prepare for national accreditation from the Public Health Accreditation Board (PHAB).

NJ Abstinence Education Program
In FFY 2013, the Abstinence Education Program (AEP) was cut by 5.1%, or $44,588, as a result of sequestration. In FFY 2014, funding for AEP was increased by 2.43%.

NJ Personal Responsibility Education Program
In FFY 2013, the Personal Responsibility Education Program (PREP) was cut by 5.48%, or $77,877, as a result of sequestration. There was no significant impact on programming that resulted from that cut. In FFY 2014, funding for PREP was reduced by 2.03%.

Health Facilities Evaluation and Licensing (HFEL) - Survey and Certification
The Health Care Facility Survey & Certification Program had a $160,000 reduction in FY2013 and a $53,000 in FY2014. This reduction was met by prioritizing work along with CMS reducing the workload.

New Jersey Cancer Education & Early Detection (NJCEED) Program
For FFY2014 (October 1, 2013 – September 30, 2014) the CDC funding was reduced by $65,483. In FFY 2015, an estimated decrease of $202,262 is anticipated in CDC funds due to a 5.1% sequestration, from the current level of $3,965,919. It is not yet known how this cut will impact the program's overall activity given the dynamics of the added $3.5 M in state funding, changing cost for screening and diagnostic tests, impact of Medicaid expansion and the Patient Protection and Affordable Care Act.

Office of Cancer Control & Prevention (OCCP) Program
For FFY 2015, the Department requested $478,801 from CDC. If a projected 5.1% sequestration goes into effect, an estimated decrease of $24,419 is expected. However, if level funding of $464,800 is awarded and the sequestration goes into effect during FFY 2015, we anticipate that we will be reduced by $23,705.

Healthy Start
Family Health Services/ Eliminating Disparities in Perinatal Health Healthy Start for East Orange, Orange and Montclair received a 5.3% reduction in funding. The original grant award was for $500,000 and the revised award amount after sequestration was $473,600. There was not a significant impact on the program.

Discussion Points (Cont'd)

Birth Defects and Autism Registry

The CDC grant to the Birth Defects and Autism Registry for the funding period 2/1/14 - 1/31/15 was reduced by 20% due to sequestration; however, it is anticipated that all or most of this cut will be reinstated in FFY 2014. The CDC award was cut from $200,000 to $160,000. This decrease will impact our ability to improve the ease of use and efficiency of the Birth Defects & Autism Reporting System (BDARS) in identifying, referring, and determining the outcome of children born with a birth defect or diagnosed with an Autism Spectrum Disorder. The decrease in funding will be absorbed by decreasing the amount of programming time that will be used to improve the BDARS.

Ryan White Part D HRSA Funding

The NJ Ryan White Part D (RWPD) State program was notified by the Health Resources Services Administration HIV/AIDS Bureau that due to sequestration, grant funds would be reduced by 5.17% ($116,867) in FFY 2013. The reduction resulted in a decrease in State staff to .80 FTE State staff. Special Services and consultant staffing are currently being used to support the program's data and quality deliverables. Funding to the seven health services grantees was not reduced.

NJ Early Childhood Intervention Program (NJ Early Intervention System)

The FFY 2013 (July 1, 2013 – June 30, 2014) Federal Part C funding was reduced $23,056,884 ($442,709,694 to 419,652,810) as a result of sequestration. This resulted in a $360,769 ($10,815,217 to $10,454,448) reduction for the New Jersey Early Intervention System (NJEIS) for SFY 2014. Part C funding for NJEIS is estimated to increase by $394,196 (3.77%) for FFY 2014 and should be available July 1, 2014. The impact of the estimated increase is uncertain given the more recent trend with referrals into the NJEIS. The current NJEIS data and financial forecast does not document a continuing decline in participants for SFY 2014 and forward. The growth in the number of children being referred, found eligible, and receiving early intervention services has slowed over recent years and may be related to a declining birth rate in New Jersey. However, from SFY 2012 to SFY 2013 there was an increase in the following:

- Referrals: In SFY 2013, referrals increased 0.88% (17,856 to 18,013). Referrals result in costs associated with determining eligibility (service coordination, evaluation and assessment) and service needs (initial meetings to develop Individualized Family Service Plans (IFSPs)).
    - Initial Developmental Evaluations. In SFY 2013, initial evaluations increased 1.86% (16,367 to 16,671).
    - IFSP: In SFY 2014, there has been 2.59% monthly average increase in the number of initial IFSPs (928 to 952).
    - Federal Part C Child Count: There was a 7.38% increase in the point in time child count of the number of children receiving services under an IFSP on December 1, 2013 as compared to December 1, 2012. A significant factor in the child count decline for December 1, 2012 was

Discussion Points (Cont'd)

likely a result from Superstorm Sandy, which delayed evaluations and development of initial IFSPs for children, which if completed in November 2012, would have resulted in the children being counted on December 1, 2012.

HIV Surveillance

HIV Surveillance received notification from the Centers for Disease Control and Prevention that the federal funding for FY14 was cut 10.9%; this included a 5% sequestration and 5.9% cut due to the CDC's redirection of Surveillance funding to states with emerging epidemics. National HIV Behavioral Surveillance (NHBS) and the Medical Monitoring Project (MMP) each received a 5% sequestration. The total reduction in funding for the three programs amounted to $304,364. This will result in a reduction of 2 field staff positions. Fewer linkages will result in reductions of federal funding levels for both prevention and Ryan White grants.

HIV Prevention Program

HIV Prevention Program received notification from the Centers for Disease Control and Prevention that the federal funding for FY14 was cut by 6% in Category A and a 5.389% cut for Category B and C as a result of sequestration. The total reduction was $965,817. Impact: there will be cuts in services to include reduced geographic availability of HIV testing in low prevalence areas of the state and staff reductions.

Ryan White Part B/ADDP Program

The Ryan White Part B HIV Care program received notice from the Human Resources and Services Administration (HRSA) that the federal funding for FY14 for ADDP was cut by 5.83%. The total reduction was $2,716,544. The reduction will be met by not filling vacancies in order to reduce the impact on consumers; however, 287 individuals will be affected.

STD Program

The STD program received notification from the Centers for Disease Control and Prevention that the federal funding FY14 was cut by 5.398% due to sequestration. The FY14 cut of $150,000 will be repeated each additional year until FFY18. The total reduction will be $2.1 million. Most of the grant ($2,095,246) covers State employees' salaries (including fringe & indirect rates), the reduction will be managed by the number of employees funded by the STD grant. In CY2014, seven employees were reassigned to other programs.

TB Program

The TB Program received notification from the Centers for Disease Control and Prevention that the federal funding for FY14 was reduced by 5.398%. The total reduction was $128,006. The program offset this decrease in funds with a $43,646 reduction in contractual obligations which affected two sub-grantees. The remaining funding deficit was offset with reductions to travel, supplies, statewide language line services, and the retirement of a partial salary employee at midyear.

Discussion Points (Cont'd)

Division of Epidemiology, Environmental and Occupational Health (EEOH)
In FY 2014 EEOH received reductions in the Consumer, Environmental and Occupational Health Unit in the amount of $303,492. The reduction was managed through reorganization and staff were placed in other programmatic areas and programs were refocused to target specific activities.

2. A "Social Services Block Grant (SSBG) Supplemental Intended Use Plan and Pre-Expenditure Report," submitted in May 2013 to the U.S. Department of Health and Human Services, outlines the State's intended uses of certain federal SSBG disaster-relief funds in response to Super Storm Sandy. (The report is available on the Department of Human Services' website: http://www.state.nj.us/humanservices/home/hurricane.html.)

The report outlines anticipated activities in the Departments of Health, Human Services, and Children and Families. According to the report, the Department of Health is to administer programs in five major areas: support local health, environmental health, community resiliency/healthy homes, information and referral, and administration. Total federal funding for DOH programs is approximately $41 million, available through September 30, 2015. Of the programs to be administered by the DOH, most would require waivers to be approved by the federal government

- ***Questions:*** **Which waiver requests have been approved, and which have been disapproved? Is approval still pending for any programs? Have any proposed programs been amended or withdrawn?**

  Responses:
  As a clarification, DOH received $36 million of SSBG federal funding. Waiver requests submitted in the "Social Services Block Grant (SSBG) Supplemental Intended Use Plan and Pre-Expenditure Report" were approved in the amount of $16,468,700 by the U.S. Department of Health and Human Services for the following projects: New Jersey Poison Information and Education System; Lead Testing, Education, and Case Management; National Center for Disaster Preparedness' Child and Family Health Study; Syndromic Surveillance Enhancement; Data System Enhancements of Vector-borne Disease and Adult Lead Data System; Data Sharing System; EMS Communication System; Information Dissemination System; and West Nile Public Education Campaign.

  The following waiver requests were disapproved by the U.S. Department of Health and Human Services: St. Barnabas Burn Emergency Preparedness Program; Mobile Satellite Emergency Department; Medical Reserve Corps; Human Surveillance (Mosquito); Medical Reserve Corps Volunteers Training Access and Functional Needs Assessment; Workshop for Disaster Response; Statewide All Hazards Incident Management Team Training for EMS;

Discussion Points (Cont'd)

Mosquito Control; Moisture Abatement Equipment for Counties/Locals; and West Nile Laboratory Equipment.

There are no programs outlined in the "Social Services Block Grant (SSBG) Supplemental Intended Use Plan and Pre-Expenditure Report" that are awaiting approval from the U.S. Department of Health and Human Services.

To date, no programs have been amended or withdrawn by the Department

- ***Questions:*** **For each of the program areas identified above, what funding amount is currently allocated to program activities in FY 2014? What expenditures have been made, to date, in each program area? What funding amount is currently budgeted for each program area in FY 2015?**

  Response:

SSBG-funded Projects with Approved Waiver Requests			
Project	**FY2014 Budget Allocation**	**Committed or Spent to Date**	**FY2015 Budget Allocation**
New Jersey Poison Information and Education System	$200,000	$200,000	$200,000
Lead Testing, Education, and Case Management	$1,770,000	$0	$9,944,700
National Center for Disaster Preparedness' Child and Family Health Study	$652,112	$0	$537,888
Syndromic Surveillance Enhancement	$40,000	$40,993	$625,000
Data System Enhancements of Vector-borne Disease and Adult Lead Data System	$300,000	$245,173	$300,000
Data Sharing System	$0	$0	$500,000
EMS Communication System	$118,000	$96,583	$0

Discussion Points (Cont'd)

Information Dissemination System	$239,000	$52,131	$800,000
West Nile Public Education Campaign	$121,000	$122,000	$120,538

HEALTH SERVICES

3. The FY 2014 Appropriations Act provided an additional $1.6 million to implement "Emma's Law," which expands the newborn screening panel to include six additional disorders. In response to last year's OLS Discussion Point #5, the department indicated that the funding represented initial investment for laboratory screening and follow-up, as required by the law. Page 26 of the FY 2015 Budget Summary indicates that the same $1.6 million is continued in the FY 2015 Recommended Budget.

- ***Question:*** **If the FY 2014 funding represents initial investment, what does it represent in FY 2015?**

  Response:
  The additional funding of $1.6 million represents both the initial and continued operating expenses related to the Newborn Screening (NBS) laboratory and follow-up program required to administer the additional screened number of disorders from 54 to 60.

  Regarding initial costs, the Department is finalizing implementation of Severe Combined Immune Deficiency (SCID) screening, as recommended by the Secretary of Health and Human Services. In SFY14, the NBS Laboratory acquired the requisite laboratory equipment to perform SCID screening. This equipment includes 2 automated liquid handlers, which minimized the need for additional laboratory staff. In addition, NBS Laboratory staff completed training at the CDC with their scientists on the new method. Validation testing of this method on the new equipment began in February 2014. Thus far, evaluation of the method using artificial control material, developed in conjunction with the scientists from CDC, has shown promising results. A pilot study on newborn specimens will begin in early April with an anticipated go-live date in May 2014. Once SCID screening is implemented, the NJ NBS disorder panel will include all of the disorders on the federally Recommended Uniform Screening Panel. These operating costs include equipment and staffing will continue in FY 2015.

  The Department is also in the process of implementing Lysomal Storage Disorders (LSD) screening as required by Emma's Law; including acquisition of necessary laboratory equipment, hiring of additional staff, purchasing of reagents and initiation of validation testing anticipated for FY 15.

Discussion Points (Cont'd)

4. Evaluation data on page D-143 show the number of children newly registered with Special Child Health Services has declined by almost 20 percent, from 9,192 in FY 2012 to 7,383 in FY 2013. The department estimates a slight increase in FY 2014 and FY 2015, to 8,000 newly registered children per year.

- ***Question:*** **What explains the decrease in newly registered children after FY 2012?**

  Response:
  Birth Defects registrations have declined over the years; however, many factors contribute to this decline including 1) lower number of births in New Jersey, 2) the voluntary nature of the reporting system, 3) the re-orientation of hospitals having to report online as opposed to paper, 4) a reduction in the reporting of non-mandated conditions through enhanced communication with hospital staff by Early Identification and Monitoring (EIM) staff, 5) a decline in reporting by the Special Child Health Case Management units for non-mandated cases (e.g., prematurity, asthma, speech delays), and 6) the State does not have reciprocity with out-of-state hospitals.

  In addition, there was an increase in registrations during 2011 and 2012 over prior years due to the establishment of the autism registry. While autism was previously registered in some cases as part of the voluntary special-needs reporting, when it became mandatory, there was a surge in part due to older children being registered that had not previously been registered, inflating the 2011 and 2012 rates over prior years. That surge has now settled and is contributed to the drop in the 2013 registration counts from 2012.

5. The Governor recommends reductions from FY 2014 Appropriations Act levels of $18.4 million for the South Jersey Cancer Program – Camden and $10 million for the Cancer Institute of New Jersey.

- ***Questions:*** **What is the expected effect of these proposed reductions on the two programs? How does the Administration view the State's responsibility for funding these programs?**

  Response:
  The funding at the South Jersey Cancer Program and the Cancer Institute of New Jersey is consistent with the Governor's recommended FY14 budget. This funding level is consistent with the funding allocation recognizing the completion of South Jersey Cancer Institute construction.

6. Evaluation data on page D-144 indicate an anticipated increase in the number of clients living with HIV/AIDS, from 38,792 in FY 2014 to 42,210 in FY 2015

Discussion Points (Cont'd)

- ***Questions:*** **What accounts for the anticipated growth in HIV/AIDS clients in FY 2015? What services are represented by this evaluation data?**

  Responses:
  Based upon the Department's linear projections, we estimate that 39,342 persons will be living with HIV/AIDS in FY 2015. The continued growth in the number of persons living with HIV/AIDS is indicative of two simultaneous events. First, persons infected with HIV are living longer due to continuing advances in medical treatment; second, an upward trend in the number of new HIV cases reported annually has been noted over the past two years. It must be noted that the increase in annual HIV/AIDS reports is believed to be largely attributed to enhanced HIV reporting methods, rather than an actual growth in the spread of the disease. The implications for services needed are that there will more people who need HIV medical care and that with more people living with HIV there will be an increasing need for HIV prevention services. The increased need for HIV prevention services is because there will be a greater number of individuals potentially able to transmit HIV to others.

7. Evaluation data on page D-144 also indicate an anticipated decline in clients served by the AIDS Drug Distribution Program (ADDP), from 7,800 in FY 2014 to 4,500 in FY 2015. The decline in ADDP clients could be driven by the expansion of Medicaid and private health insurance under the Affordable Care Act, as ADDP will generally only pay after other sources of coverage are exhausted. However, total funding for ADDP (including rebate revenue and federal funding) is expected to increase from $95 million to $101 million (noted on page D-143 of the Governor's FY 2014 Budget and D-139 of the Governor's FY 2015 Budget). No General Fund appropriation is recommended to support ADDP, as dedicated rebate revenues and federal funds are expected to be sufficient to pay the program's costs.

- ***Question:*** **What accounts for the expected decline in ADDP clients in FY 2015? If lower participation in ADDP leads to lower costs, can any resources allocated to the program be used for other services for HIV/AIDS clients, or for more general purposes?**

  Response:
  The anticipated decline is due to the transition of clients from ADDP to the Medicaid Expansion program and/or marketplace health insurance. The Federal resources from HRSA can only be used for ADDP and to purchase health insurance for HIV infected New Jersey residents up to 500% of FPL through the Health Insurance Continuation Program. As part of Ryan White funding, these funds are specifically dedicated to ADDP by Health Resources and Services Administration and cannot be used for other purposes.

8. The Governor's Budget Recommendation anticipates revenue from ADDP rebates of $56.0 million per year in FY 2014 and FY 2015, a decline from $65.9 million in FY 2013

Discussion Points (Cont'd)

(page C-12). The FY 2014 budget anticipated lower ADDP rebate revenues for FY 2013 and FY 2014, at $49 million each year. (It is noted that, in response to OLS Discussion Question #14 last year, the department indicated that revenues greater than $50 million were anticipated for each year.)

- ***Questions:*** **What accounts for the increased rebate revenue in FY 2013 and 2014 compared to previous estimates? Why are rebate revenues expected to decrease in FY 2014 and FY 2015, relative to FY 2013?**

  Responses:
  The increase in rebate revenue in FY 13 and FY 14, compared to previous estimates, is due to an increase in expenditures and drug companies continuing to pay the state faster. Rebates come in on a 6-month lag, therefore a rebate receivable is applied to account for 6 months of rebates that come in after the end of the fiscal year.

  At the time of the FY 15 Governor's Budget Message, rebate revenue in FY 14 and FY 15 was projected to be less than FY 13 rebate revenue due to Patient Protection and Affordable Care Act-expanded Medicaid starting Jan. 1, 2014; however, when this estimate was calculated, the Medicaid transition time was unknown. At this time, it is projected that the ADDP clients transitioning to Medicaid in FY 14 will be minimal and thus, FY 14 rebate revenues are projected to be greater than $56M and will be updated in the Appropriations Act accordingly. The FY 15 estimates will decrease due to a portion of ADDP clients becoming Medicaid eligible. Since the ADDP program will no longer be paying for these clients' drugs, the program will also no longer receive the rebates.

9. A proposed language provision on page D-148 would appropriate funds from the New Jersey Spinal Cord Research Fund as are necessary to support grants "for research on the treatment of spinal cord injuries, both traumatic and non-traumatic." A similar language provision applicable to the New Jersey Brain Injury Research Fund is also proposed. The proposed language does not appear to provide any spending authority that is not provided by the authorizing statutes, which do not differentiate between traumatic and non-traumatic injuries. It is noted that both funds are administered by independent commissions that are "in but not of" the Department of Health.

- ***Questions:*** **What is the purpose of these two language provisions? How is the proposed language expected to change the way in which the two funds operate?**

  Responses:
  The purpose is to reinforce the intent of the statute for the benefit of the Commisions and clarify the interpretation for its members. For past funding cycles, the Brain Injury Commission has narrowly defined its program objectives to focus on traumatic brain injury. The proposed language broadens the Commission's focus to allow grants for research about acquired brain injuries, such as stroke. The Spinal Cord

Discussion Points (Cont'd)

Commission has narrowly defined its program objectives to focus on cellular level research of spinal cord injuries. The proposed language broadens the Commission's focus to allow grants for translational research, which DOH believes will lead to the enhancement of care and treatment options for patients in New Jersey.

10. A proposed language provision on page D-148 of the budget recommendation would appropriate an unspecified amount of funds from the Autism Medical Research and Treatment Fund for a Special Health Needs Medical Homes pilot program. No details have been made available regarding the proposed program.

- ***Questions:*** **Please provide information on the proposed Special Health Needs Medical Homes pilot program. Who will the program serve? What services will be provided? How will the grantee, providers, program participants, and other affected parties be selected? What are its anticipated costs?**

  Responses:
  The proposed language would allow the Commission to provide a grant opportunity to pilot a special needs medical home for those with Autism. This pilot would provide an opportunity for the study of outcomes where all patient needs are addressed in one place: diagnosis and treatment of neurological, neuropsychological, neuropsychiatric, behavioral, developmental and learning issues for children, adolescents and adults. It is a patient-centered approach (like a primary care patient centered medical home) with a team of experts working collaboratively to assess and treat each individual in the pilot to determine if outcomes are improved. Today, most of these services are fragmented and the caretakers try to navigate the disparate services. Since this would be a grant opportunity, the funding availability would be determined by the Commission. The Commission follows a National Institutes of Health-like model in evaluating grant applications.

11. As of March 2014, $490,000 of the FY 2013 appropriation for Maternal, Child, and Chronic Health Services was encumbered. Over $400,000 of the encumbrance is associated with grants for Tuberculosis services.

- ***Questions:*** **Why have the encumbered funds not been spent? Can any of the unspent funds be lapsed?**

  Response:
  With the exception of $10,800, all of the $403,103 encumbered funds have been spent.

12. As of March 2014, $500,000 of the $1 million FY 2013 appropriation for the Cancer Commission of New Jersey was encumbered.

Discussion Points (Cont'd)

- ***Questions:*** **Why have the encumbered funds not been spent? Can any of the unspent funds be lapsed?**

  Responses:
  The NJ Commission on Cancer Research grant cycle allows for a two year research period. Initially awards and half payments are made in the first year of the cycle, and the remaining monies are allocated to the second funding cycle. This accounts for the remaining (pre-encumbered) $500,000 that will be used to pay for the second cycle of the research grant. Therefore, none of the funds can be lapsed.

HEALTH PLANNING AND EVALUATION

13. The proposed Charity Care distribution formula, found on pages D-152 and D-153, introduces a new component to the methodology for calculating hospital-specific subsidies, by carving out 1.5 percent of the total subsidy pool to be distributed only to hospitals that demonstrate increases in documented charity care from calendar year 2011 to 2012, and from 2012 to 2013. Past charity care formulas have generally relied upon source data from only the two preceding calendar years, rather than the three preceding years.

- ***Questions*****: Which hospitals are eligible for the 1.5 percent pool? Why does the formula require two consecutive years of increasing documented charity care, rather than an overall increase or a sustained high level of charity care?**

  Responses:
  The 1.5% pool is added as a new element to the formula this year. The 1.5% pool provides additional funding to compensate those hospitals that have had increases in documented charity care over a two year period. In order to qualify for this additional funding pool the hospital must have had an increase in DCC between CY10 and CY11 and again between CY 11 and CY12. This pool was added in recognition of the fact that over the last several years the charity care formula's focus on providing predictable funding has been challenging for those hospitals that have experienced steady and consecutive increases. The 1.5% pool makes the formula more equitable.

Discussion Points (Cont'd)

HOSP NO	HOSPITAL NAME
641	Atlanticare Regional MC - Mainland
92	Capital Health Regional Medical Center
16	Christ Hospital
14	Cooper Hospital/University MC
45	Englewood Hospital and Medical Center
1	Hackensack University Medical Center
862	Kennedy University Hospital - Cherry Hill
2	Newark Beth Israel Medical Center
29	Our Lady of Lourdes Medical Center
51	Overlook Medical Center
3	Palisades Medical Center
392	Raritan Bay Medical Center - Old Bridge
391	Raritan Bay Medical Center - Perth Amboy
34	Riverview Medical Center
113	Southern Ocean Medical Center
70	St. Peter's University Hospital
10	University MC of Princeton - Plainsboro
12	Valley Hospital
57	Virtua-Mem. Hospital of Burlington County
222	Virtua-West Jersey Health Sys. - Berlin
224	Virtua-West Jersey Health Sys. - Marlton
221	Virtua-West Jersey Health Sys. - Voorhees

14. Because the Affordable Care Act anticipated reducing the number of people without health insurance, it provided for a gradual reduction in Medicaid Disproportionate Share Hospital (DSH) funds, which are used to support Charity Care and other health care programs in the State. As recently revised by the Bipartisan Budget Act (Pub.L.113-67), the cuts are scheduled to begin in federal FY 2016. The ACA requires Secretary of Health and Human Services to develop a methodology to allocate the reductions to individual states, which must take into account several factors, including imposing higher percentage reductions on states that do not target their DSH payments on hospitals with high volumes of Medicaid inpatients and uncompensated care – however the specific methodology has not yet been established. Under the proposed formula, many of the State's largest Medicaid and charity care providers would receive smaller subsidies than they did in the previous year.

Discussion Points (Cont'd)

- *Question:* **Is the proposed Charity Care formula designed to minimize potential reductions in federal DSH funding?**

  Response:
  The Department always seeks to maximize federal funding. The current DSH formula is in effect until September 30, 2015. The US Department of Health and Human Services, under the Patient Protection and Affordable Care Act, is required to reduce DSH payments to States as more of the population becomes insured. CMS has provided guidance but not specific calculations of DSH cuts The Department monitors CMS developments in this area to insure New Jersey optimizes Federal DSH payments and the resulting subsidy dollars available to hospitals.

15. The current statutory Charity Care distribution formula, established pursuant to N.J.S.A.26:2H-18.59i, has never been implemented, as appropriations language has overridden it in every annual appropriations act since the formula was established in 2004. Notably, the formula provides for the hospitals that provide the most charity care and the hospitals that serve the communities with the lowest median incomes to each receive exactly 96 percent of the hospital's documented charity care, and it provides for a minimum reimbursement to each hospital of 43 percent of its documented charity care. Two of the data inputs (gross revenue for each hospital, and hospital-specific documented charity care for the most recent calendar year) are not publicly available, so a calculation of the distribution that the formula would produce would likely have to rely on older data in order to be produced on short notice.

- *Questions:* **Please provide a table displaying the hospital-specific distribution that would result from the statutory Charity Care formula, using the most recent available data if the data required by statute is not available. If it is not possible to run this calculation, please provide an estimate of the total cost (including State and federal funds) if the State were to fully fund the statutory Charity Care formula.**

  Response:
  The statutory subsidy would have resulted in a total subsidy amount of $722,332,280.

HOSP NO	HOSPITAL NAME	SFY 15 Charity Care Based on CY12 DCC — SFY2015 Statutory Subsidy
1	Hackensack University Medical Center	14,014,747
2	Newark Beth Israel Medical Center	32,707,035
3	Palisades Medical Center	6,713,869
5	Hunterdon Medical Center	2,401,773

Discussion Points (Cont'd)

6	St. Mary's Hospital - Passaic	7,641,222
8	Holy Name Medical Center	2,861,874
9	Clara Maass Medical Center	4,464,304
10	University MC of Princeton - Plainsboro	4,119,111
11	Cape Regional Medical Center	2,478,597
12	Valley Hospital	3,094,129
14	Cooper Hospital/University MC	39,806,910
15	Morristown Medical Center	8,533,453
16	Christ Hospital	12,185,098
17	Chilton Medical Center	1,725,736
19	St. Joseph's Regional Medical Center	79,618,649
21	St. Francis Medical Center	12,089,166
24	RWJ University Hospital - Rahway	1,456,937
25	Bayonne Medical Center	2,496,504
27	Trinitas Regional Medical Center	40,252,613
28	Newton Medical Center	2,210,823
29	Our Lady of Lourdes Medical Center	5,212,427
31	Deborah Heart and Lung Center	4,143,201
34	Riverview Medical Center	4,130,004
38	Robert Wood Johnson University Hospital	11,827,962
40	Hoboken University Medical Center	13,601,736
41	Community Medical Center	4,356,893
44	Capital Health Medical Center - Hopewell	2,998,305
45	Englewood Hospital and Medical Center	5,473,366
47	Shore Medical Center	1,687,071
48	Somerset Medical Center	3,486,300
50	St. Clare's Hospital - Denville	7,093,187
51	Overlook Medical Center	5,477,280
52	Ocean Medical Center	3,166,867
54	Hackensack University MC - Mountainside	1,457,791
57	Virtua-Mem. Hospital of Burlington County	4,392,459
58	Bergen Regional Medical Center	31,476,136
60	St. Luke's Warren Hospital	1,866,760
61	Lourdes Medical Center of Burlington Cty.	6,613,998
69	Inspira Medical Center - Elmer	575,565
70	St. Peter's University Hospital	13,204,984
73	Jersey Shore University Medical Center	10,642,496

Discussion Points (Cont'd)

74	Jersey City Medical Center	46,605,400
75	Monmouth Medical Center	8,227,579
76	St. Barnabas Medical Center	3,649,452
81	Inspira Medical Center - Woodbury	5,762,259
83	East Orange General Hospital	9,708,665
84	Monmouth Medical Center - Southern	9,265,346
91	Memorial Hospital of Salem County	263,922
92	Capital Health Regional Medical Center	29,947,875
96	St. Michael's Medical Center	17,126,013
108	JFK Medical Center/A M Yelencsics	6,466,832
110	RWJ University Hospital - Hamilton	4,864,702
111	CentraState Medical Center	3,286,852
112	Bayshore Community Hospital	1,345,081
113	Southern Ocean Medical Center	1,442,873
115	Hackettstown Regional Medical Center	683,693
118	Meadowlands Hospital Medical Center	683,777
119	University Hospital	66,528,535
120	St. Clare's Hospital - Sussex *	119,160
221	Virtua-West Jersey Health Sys. - Voorhees	2,946,444
222	Virtua-West Jersey Health Sys. - Berlin	2,114,163
224	Virtua-West Jersey Health Sys. - Marlton	2,049,369
324	Inspira Medical Center - Vineland	6,465,832
391	Raritan Bay Medical Center - Perth Amboy	16,264,176
392	Raritan Bay Medical Center - Old Bridge	1,438,265
502	St. Clare's Hospital - Dover	4,729,321
641	Atlanticare Regional MC - Mainland	11,533,631
642	Atlanticare Regional MC - City	18,608,828
861	Kennedy University Hospital - Wash Twp	2,896,711
862	Kennedy University Hospital - Cherry Hill	9,252,371
863	Kennedy University Hospital - Stratford	3,183,466

	TOTAL	722,332,280

*Closed Hospital

Discussion Points (Cont'd)

16. The Delivery System Reform Incentive Payments (DSRIP) program, a component of the Comprehensive Medicaid Waiver, took effect in FY 2014. The program provides subsidies to participating hospitals that carry out approved projects designed to improve the quality of care provided, the efficiency with which care is provided, or population health. Participation in the program is voluntary, and some hospital may decide that the subsidy is insufficient to justify the cost of operating a DSRIP program. According to the hospital application inventory published at dsrip.nj.gov, only 55 hospitals have applied for the program.

- ***Questions:*** **Which eligible hospitals have failed to apply to participate in the DSRIP program, or have withdrawn their applications? What reasons, if any, did they provide? How will funds that would have been available to those hospitals be reallocated to participating hospitals? Does the department feel that any modifications to the program based on experience may be appropriate, either in FY 2015 or in the future?**

  Response:
  The following eligible hospitals chose not to participate in the DSRIP program, or have withdrawn their applications:

  Deborah Heart & Lung Center, Hackettstown Community Hospital, Holy Name Hospital, Hunterdon Medical Center, Memorial Hospital Of Salem County, Robert Wood Johnson At Rahway Hospital, Shore Memorial Hospital, and Valley Hospital.

  One reason stated by a hospital for not participating was as planned, the projected cost of implementation and on-going operations of this new program would greatly exceed the hospital's eligible award amount. Additionally, we project significant decreases in future award dollars given the size of our target population. As structured and given projected declining DSRIP funding, we do not believe the new program would have long term sustainability.

  Will the funds that would have been available to those hospitals be reallocated to participating hospitals?

  Yes, the amounts are redistributed to participating hospitals through the Universal Performance Pool. Therefore, all $166.6 million of the subsidy is distributed.

  The department does not feel that any modifications to the program based on experience are appropriate. DSRIP is a new demonstration program in New Jersey and one where there is very little experience nationally. The State and CMS, with support from New Jersey Hospitals, have designed a program that should serve all parties. As the program proceeds in SFY 2015 and beyond we would make changes as needed balancing the needs of the State, CMS, and NJ Hospitals

Discussion Points (Cont'd)

17. A language provision added to the FY 2014 appropriations act by the Legislature required the Department of Human Services to submit periodic reports to the presiding officers of the legislature on the status of each hospital's plans for delivery system reform, and copies of any reports or other determinations regarding DSRIP eligibility or plan performance.

- ***Question:*** **How many of the required DSRIP reports been submitted to the presiding officers of the Legislature?**

  Response:
  Transition payments to hospitals ended December 31, 2013. The DSRIP program began in January 2014, and applications have been submitted to CMS. Hospital plans are pending final approval from CMS. . The DSRIP website (http://dsrip.nj.gov/) will contain the following information regarding the DSRIP Program:
  - Milestones and Updates:
    - Hospital Application Inventory
    - Press Release
    - Amendment Approval Letter
    - Protocol Approval Letter
  - Documents for Download:
    - Planning Protocol
      - Addendum 1: Stage 3 Measures Catalogue
      - Addendum 2: Stage 4 Measures Catalogue
      - Attachment 1: Toolkit
      - Hospital Application Plan Instructions
      - Hospital DSRIP Plan Application
    - Funding and Mechanics Protocol
  - Training Materials:
    - DSRIP Webinar 3: Financial and Budget Review
    - DSRIP Webinar 2: DSRIP Application and Project Scope Review
    - DSRIP Webinar 1: DSRIP Application Process
    - DSRIP Training
  - Questions and Answers:
    - Submit questions regarding the DSRIP Program to njdsrip@mslc.com
    - Frequently Asked Questions (FAQs)
  - Hospital Plans, as approved by CMS

18. The Governor recommends allocating $40 million for reimbursements to federally qualified health centers (FQHCs) for care they provide to uninsured patients. (Funding comes from the Health Care Subsidy Fund, displayed on page H-16 of the Governor's budget.) This is a reduction from the $44 million adjusted appropriation for FY 2014, and $50 million that was originally allocated in the FY 2014 budget. The Governor's FY 2014 budget included a performance indicator that tracked FQHC uninsured visits, but that indicator is not included in the FY 2015 budget.

Discussion Points (Cont'd)

- ***Questions:*** **Why is recommended funding for FQHCs reduced? Is a reduction in the per-encounter reimbursement rate or a change in reimbursement methodology proposed?**

  Responses:
  Medicaid expansion (enabling adults to have coverage with household incomes up to 138% of the FPL) and enrollment into private insurance plans under the Patient Protection and Affordable Care Act is anticipated to produce a reduction in the number of claims for reimbursement through the Uncompensated Care Fund. Therefore, the Department has adjusted its projected funding need.

  There has been no change in the per-encounter reimbursement rate ($101) or in the reimbursement methodology.

19. Evaluation data on page D 150 show a significant decrease in the number of inspections of acute care facilities, from 522 in FY 2012 to 312 in FY 2013 and thereafter. Similarly, a smaller decrease is shown in actual inspections of long term care facilities, from 1,120 in FY 2012 to 1,005 in FY 2013 and each year thereafter.

- ***Question:*** **What accounts for the decreased volume of health care facility inspections?**

  Response:
  The change in the number of surveys reported with the evaluation data is due to several converging factors. The Department changed the method for counting surveys wherein a survey for both Federal and State licensing purposes conducted on the same day is now counted as one, not two, reflecting a more realistic accounting of staff activity. Federal sequestration required the Department to reduce the total number of inspections. The aftereffects of Superstorm Sandy delayed surveys for some facilities for significant periods as the facilities recovered. The Department is concentrating resources on responding to consumer complaints.