Discussion Points

DEPARTMENT OF HUMAN SERVICES (GENERAL)

1. The FY 2006 recommended budget incorporates $3.2 million in Direct State Services efficiencies.

- ***Question:*** **What efficiencies will produce $3.2 million in savings?**

- **Answer:** An amount of $1.5 million will be saved in the Division of Medical Assistance and Health Services by utilizing electronic transmission of provider manuals and newsletters. The Division of Mental Health Services will save $1.7 million through increased Medicaid claiming for indirect costs.

2. The FY 2005 appropriations act directed the department to: reduce consultant services by $1.0 million; identify efficiency savings of $18.6 million; and achieve $1.0 million in contract efficiencies.

- ***Question:*** **What specific consultant services were eliminated to achieve $1.0 million in savings? What specific efficiencies were identified to save $18.6 million? What specific contract efficiencies were identified to save $1.0 million?**

- **Answer:** Savings were achieved through the shifting of expenditures from State funds to enhanced federal revenue.

3. In FY 2005, the department's "long-term review" of its federal accounts resulted in an increase in Miscellaneous (federal) Revenue (Schedule 1) from $1.5 million to $48.5 million. In FY 2006, this revenue item is reduced from $48.5 million to $5.5 million.

- ***Question:*** **Will the $48.5 million in federal revenues be attained in FY 2005? As the "long 2-term review" of its federal accounts should result in a permanent increase in the amount of federal funds the department realizes, what accounts for the significant reduction in federal revenues in FY 2006?**

- **Answer:** The review of federal accounts, which was never said or expected to result in a permanent revenue increase, resulted in the identification of one-time revenue adjustments, and accounts for the decrease in FY2006. The FY2005 project is expected to satisfy the FY2005 estimate. Of the $5.5 million in Miscellaneous Revenues identified in the FY2006 budget, only $1.5 million are permanent. The remaining $4 million is for one time retroactive federal claiming for indirect expenditures in the Division of Mental Health Services.

4. The department incurs a significant amount of overtime costs, particularly at the State developmental centers and psychiatric hospitals:

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	FY 2003	FY 2004	FY 2005 est.
Developmental Centers	$33,945,000	$37,272,900	$41,150,000
Psychiatric Hospitals	$31,205,000	$29,985,600	$24,279,000

- ***Question:*** **How much is included in the FY 2006 Personal Services accounts of the various divisions and State facilities for overtime, and how do these amounts compare to projected overtime costs for FY 2005?**

- **Answer:** In FY2006, $65.5 million is budgeted for Developmental Centers and Psychiatric Hospitals combined, which is comparable to the FY2005 level, as shown above. In our psychiatric hospitals, the key factors driving overtime usage have been the high census, and increased need for one-to-one. Our developmental centers have been impacted by the Center for Medicare and Medicaid Services and the Department of Justice reviews, which recommend a greater staffing requirement. Also, this year there were several snowstorms, which impacted adversely on our overtime usage.

5. To address legislative concerns, the department was to "convene a consortium of representative providers" to address the salary and benefits disparity between the State and private agencies.

- ***Question:*** **What recommendations did the consortium propose? What would be the additional cost to the State to reduce these wage and benefits disparities?**

- **Answer:** The DHS Community Provider Task Force has made the following recommendations:
  - Support salary and benefit levels analogous with the public sector for private not-for-profit employees who directly provide services and supports to consumers in community settings.
  - Implement short-term and long term strategies to deal with the rising cost of doing business. The Consortium recommended the development of an annual strategy to address the rising cost of doing business, such as the contract increasing with the regional consumer price index.

  Governor's Task Force on Mental Health made the following recommendations:
  - Recruitment and Retention of Quality Staff – A most critical issue facing the community mental health system is ability to pay and retain staff. The industry's inability to pay a competitive wage results in high staff turnover and low morale, leading to a decreased quality of care.

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- Specifically, the Task Force recommends eliminating the salary disparity between state workforce and non-profit sectors by implementing a three-year plan, beginning in FY 2007, to bring salaries in the community mental health system to a level equivalent with state employees, e.g., DYFS workers and state hospital employees.

- Permanent Index for the Total Cost of Community Care Contracts – The Community Mental Health System and other disability providers have not been able to keep up with the cost of living for the past 20 years. The state should assign a permanent index for the total cost of community care contracts to be increased on an annual basis. The Task Force recommends that the state use the federal Consumer Price Index CPI – Urban Wage earners (CPI-U) for the Northeast region.

DIVISION OF MENTAL HEALTH SERVICES

6. The FY 2006 budget recommends $250,000 for the Governor's Council on Mental Health Stigma to develop a master plan to increase public awareness and understanding of mental disorders. The division already contracts with advocacy groups, who as part of their overall mission, attempt to educate the public about, and the problems associated with, mental illness.

- ***Question:*** **Can funding for existing contracts that provide similar services be reduced?**

- **Answer:** Although DMHS does contract with 7 providers for public education services intended to reduce stigma, funding for these programs can not be reduced to accomplish what is envisioned for the Governor's Council on Mental Health Stigma. The Council would design and oversee an organized multi-year master plan, while these programs address only specifically targeted, geographically limited, educational activities using mini-grants and "Mental Health Players" volunteer groups.

7. The FY 2006 recommended budget estimates the average daily census at Greystone will be reduced from 545 patients in FY 2005 (revised) to 487 patients in FY 2006. In FY 2004 and FY 2005, the recommended budgets had assumed a census of 491 and 451 patients at Greystone, respectively. The actual census in FY 2004 was 541 and in FY 2005 (thru February) were 550.

While the FY 2006 recommended budget proposes additional funding for the Greystone Bridge Fund and various new initiatives that may reduce admissions to, and the census of, Greystone, their success is uncertain.

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- ***Question:*** **As previous census reductions at Greystone have not been realized, what is the basis for the projected FY 2006 census reduction?**

- **Answer:** Additional community placements are being implemented during the final stages of the Redirection II Plan that were believed sufficient to result in a reduced average patient census at Greystone of 487. However, the continued absence of affordable supportive housing for this population, plus increasing referrals of patients who are homeless on hospital admission, has increased our present estimate to an average census of 525 patients for FY 2006.

  At the same time, legislative approval of the Governor's Recommended Budget for FY 2006 regarding strengthening community mental health services and a $200 million Housing Trust Fund would directly lead to increased discharges of appropriate patients and a concomitant reduction in the average census in all of the state hospitals.

8.a. The FY 2006 budget recommends $26.3 million in program expansions and new programs as part of the Governor's Mental Health Initiative.

These programs require hiring additional staff at a time when turnover at some mental health programs is as high as 80%.

- ***Question:*** **As the various new/expanded mental health programs are likely to have recruitment difficulties, can recommended appropriations be reduced?**

- **Answer:** No, the full amount of the recommended appropriation is needed to effect the changes envisioned in the proposed budget. Although staff turnover can be significant for some programs, the SFY 06 recommendations are directed in large part to staffing of professional levels of staffing where turnover is less severe. Additionally, previous initiatives have demonstrated that program expansions require significant non-salary startup expenditures in the initial year of operation to support costs such as office/program furniture; vehicles; computers and office equipment; facility remodeling; staff recruitment; program consultation; etc.

8.b. Many of the new/expanded programs are billable to Medicaid and would generate federal reimbursement for Medicaid eligible clients.

- ***Question:*** **How much federal Medicaid reimbursement are these expanded/new services expected to generate?**

- **Answer**: Although federal Medicaid reimbursement will be limited during the Fiscal Year '06 phase-in of these services, an estimated $860,000 could be expected in additional federal revenue once all programs are in full operation. However, this increased federal revenue has always been anticipated and intended

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to support expanded services recommended in the Governor's Mental Health Task Force Report.

9. State Aid funding to the six county psychiatric hospitals will increase by $11.1 million, to $104.6 million, as revised rates approved by the State House Commission will result in retroactive adjustments to county payments that will reduce the amount of unexpended FY 2005 balances available in FY 2006.

- ***Question:*** **How much unexpended FY 2005 balances are anticipated?**

- **Answer:** Anticipated retroactive adjustments as well as other factors are resulting in significant cost increases in FY 2005, which are expected to continue into FY 2006. As a result, we expect that there will be no FY 2005 State Aid balances available to fund projected FY 2006 State Aid costs.

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

10. The FY 2006 recommended budget proposes a $1.00 co-pay on prescription drugs for most non-institutionalized adult recipients. The amount expected to be saved is cited as $4.0 million (p. D-166) and $3.0 million (Budget in Brief, p. 20).

- ***Question:*** **How much will be saved by a $1.00 co-pay on prescription drugs?**

- **Answer:** The FY 2006 recommended budget savings proposal from a $1.00 co-payment on prescription drugs for most non-institutionalized adult recipients is estimated at $3 million State share.

11.a. The FY 2006 recommended budget does not address the new Medicare Part D drug program and the provision of prescription drugs by Medicaid. For example, though the proposed budget recommends that most adult Medicaid recipients pay a $1.00 co-pay, under Medicare Part D, upwards of 110,000 dual eligibles (Medicare/Medicaid recipients) who reside in the community may have higher co-pays, depending on their income.

- ***Question:*** **Does the State intend to pay the proposed Medicare Part D copay or the difference between the Medicare Part D co-pay and the proposed Medicaid $1.00 co-pay?**

- **Answer:** Beginning January 1, 2006, dual-eligibles will receive the majority of their prescription drug coverage through Medicare. Beneficiaries will be required to pay a $1 copay for a generic drug and a $3 copay for brand name drugs. The Governor's Recommended Budget does not include funds to cover the cost of copays on behalf of the dual eligibles.

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11.b. Under the new Medicare Part D program, the four Private Drug Providers that will administer the program in New Jersey will be able to implement drug formularies.

- ***Question:*** **Does the State intend to cover prescription drugs that are not included in the formularies, but are currently available under the State's Medicaid program?**

- **Answer:** The private prescription drugs plans have not yet been approved by the Centers for Medicare & Medicaid Services. As such, the details of coverage are still unknown. As more information is made available, the Department will advise the Treasurer and Governor's Office of any potential gap in coverage. Currently, New Jersey Medicaid maintains an open formulary, providing access to virtually all drugs approved by the U.S. Food and Drug Administration. Medicare's private prescription drugs plans are likely to have closed or restricted formularies limiting access to medications. The Governor's Recommended Budget does not include funds to cover the cost of drugs not covered by Part D plans.

11.c. States will have to return 90% of prescription drug savings realized by the assumption of drug costs for dual eligibles by Medicare Part D. While the exact amount states will have to return to the federal government will not be known until October 2005, some portion of the $505.4 million Prescription Drugs appropriation represents an amount the State will have to return to the federal government.

- ***Question:*** **How much of the Prescription Drugs appropriation does the department anticipate having to return to the federal government?**

- **Answer:** We estimate paying the federal government $140 million for Medicare Part D for the period January to June 2006. However, the official payment calculation will be provided to States by the Centers for Medicare & Medicaid Services. States are responsible for reimbursing Medicare for the amount of funds they would have otherwise paid for prescription drugs for dual eligibles before Part D. These funds are currently appropriated in the Payments for Medical Assistance Recipients- Prescription Drugs line-item appropriation.

12. The FY 2006 recommended budgets anticipates $3.4 million in savings by reducing the frequency of drug price updates from weekly to monthly.

- ***Question:*** **Does federal law permit drug prices to be updated quarterly? How much would be saved by updating drug pricing quarterly?**

- **Answer:** We are not aware of any federal regulation precluding the States from changing the frequency of drug price updates. Updating drug pricing quarterly would save an estimated $5 million state share net of the Medicare Part D carve-out. Current practice is for pharmacies to purchase drugs in real time.

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13. The federal Office of Inspector General (September 2004) indicated that New Jersey's Medicaid program paid more for prescription drugs than other states, most notably Texas.

The report indicated that since the federal government is up to two years behind in setting a Maximum Allowable Cost (MAC) for certain generic drugs, Texas and several other states established programs to set a MAC price pending action by the federal government. This action appears to account for the difference in Medicaid prescription drug reimbursement between Texas and New Jersey.

- ***Question:*** **If the State adopted its own MAC pricing program, pending a federal MAC price, how much could Medicaid drug costs be reduced?**

- **Answer:** In light of Federal budget initiatives still under discussion and proposed changes in federal reimbursement, which may follow the President's proposed budget and/or Medicaid Reform, it is not feasible that a MAC pricing program could be developed and operational for FY 2006. A base estimate from First Health Services which was proposed as a savings initiative in the FY 2004 budget suggested a State savings of $8 million. Several current issues would erode the potential savings using the MAC pricing program for FY 2006. The impact of the Medicare Modernization Act (MMA) Part D prescription drug coverage for the dual eligibles effective January 2006 not only diminishes the total proposed state savings of MAC pricing but imposes a major strain on staff and contracted services. A further consideration is the announcement by First Data Bank March 15, 2005 that they would not be providing the drug list prices as they have in the past. We are now faced with finding another vendor or at least an interim methodology to update drug pricing in our payment system operated by our fiscal agent.

14. The FY 2006 recommended budget assumes $20 million in savings through "enhanced monitoring of Medicaid payments for outpatient services."

- ***Question:*** **What specific payment problems with respect to outpatient services are the program concerned about?**

- **Answer:** NJ Medicaid reimburses hospitals for outpatient services at allowable costs, using Medicare Principles of reimbursement (less a nominal discount). Throughout the year, Medicaid reimburses hospitals a percentage of charges, to provide cash flow. After the year is over, each NJ hospital submits a cost report. The costs are audited and if the interim payments were less than the allowable costs, Medicaid would process a payment for the amount due. If the interim payments were greater than costs, then Medicaid would offset future payments to the hospital until the overpayment was collected.

  Historically, the cost settlement overpayments and underpayments balanced out.

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In recent years, virtually all of the settlements were overpayments. This is because hospitals increased charges without notifying the Medicaid program. With appropriate notice, Medicaid would have adjusted the percentage of charges paid interimly.

Medicaid recently completed a thorough analysis of every NJ acute care hospital's appropriate charge percentage. On March 2, 2004, Medicaid adjusted the charge percentages for most hospitals as appropriate. Medicaid is also monitoring the charges monthly to prevent a recurrence. This will result in a one-time savings, since the hospitals' interim cash flow will be at the more appropriate level and the recent cost settlements will result in recovering recent years' interim overpayments.

15. The FY 2006 recommended budget assumes that Medicare Premiums expenditures will increase 10%, from $85.4 million to $94.0 million. The federal government recently announced that premiums in 2006 will increase by about 14%.

- ***Question:*** **Will the $94.0 million appropriation adequate?**

- **Answer:** At the time of the preparation of the FY 2006 recommended budget, the annual federal increase for Medicare premiums was not announced by The Centers for Medicare and Medicaid (CMS). Our estimated expenditures reflect a 10% rate increase for Medicare Part B premiums. The official CY 2006 rate increase has yet to be announced by CMS.

16. Under the FY 2006 recommended budget, costs associated with Unit Dose Contract Services are expected to be reduced by $0.9 million due to implementation of Medicare Part D, under which Medicare will assume responsibility for the administrative costs of providing prescription drugs to Medicare patients in State institutions. There is no corresponding reduction in costs for Consulting Pharmacy Services, even though Medicare will assume responsibility for utilization review for such patients.

- ***Question:*** **Can the Consulting Pharmacy Services appropriation be reduced due to the implementation of Medicare Part D?**

- **Answer:** The $0.9 million reduction in the Unit Dose Contract recommended appropriation is not related to the impact of Medicare Part D. The appropriation has always been set at the contracted amount. Because actual expenditures, based on utilization, were below the contracted amount we are able to reflect the lower need. Additionally, the recommended appropriations cannot be reduced for several reasons. First, the majority of clients served under these contracts are non dual-eligibles. Second, the Unit Dose and Pharmacy Consulting vendors receive a capitation fee (per diem) for each client regardless of the number of drugs they receive.

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17. The FY 2006 recommended budget proposes co-pays for prescription drugs, physician and chiropractor services and home health care services for most Medicaid recipients. General Assistance (GA) recipients will not be subject to these co-pays.

- ***Question:*** **How much would be saved by extending co-pays to GA recipients?**

  Answer: We do not believe that imposing co-payments for GA recipients will result in savings. For example, many GA recipients experience mental illness requiring the use of many prescriptions drugs in a month. However, GA recipients have no disposable income to pay the co pays and would be at risk of foregoing their medications, resulting in increased costs through State only funded hospital stays.

DIVISION OF DISABILITY SERVICES

18. The division administers the Traumatic Brain Injury waiver. In FY 2005, $3.6 million was appropriated to increase the number of program slots by 50, from 250 to 300. Available data indicate that between 250 - 265 recipients are receiving services in any given month.

The FY 2006 recommended budget would provide an additional $3.6 million to increase the number of slots from 300 to 350.

- ***Question:*** **As the additional 50 slots made available in FY 2005 are not being fully utilized, are additional funds and program expansion needed at this time?**

- **Answer:** Currently there are 280 individuals receiving Traumatic Brain Injury (TBI) services, and 20 in process. This process includes the determination of financial eligibility and acceptance by a community TBI provider. We continue to have a growing referral list for the waiver, with approximately 260 candidates as of April 1, 2005. An additional 50 slots are definitely needed.

DIVISION OF DEVELOPMENTAL DISABILITIES

19a. The FY 2006 recommended budget $4.3 million (gross) in **Direct State Services** for the Developmental Center Enhancement program to address U.S. Department of Justice concerns related to the Woodbridge Developmental Center (Fall 2005). Additional costs, such as overtime, have been incurred during FY 2005 to address these problems.

- ***Question:*** **How much additional funding is required in FY 2005 to support improvements at Woodbridge?**

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- **Answer:** Since there is no settlement agreement at this time, the Division has not committed significant resources in FY2005.

19b. As of this writing, a formal plan to address the problems at Woodbridge has not been submitted to and approved by the federal government. Thus, the $4.3 million (gross) included for FY 2006 may be insufficient to support the proposed improvements.

- ***Question:*** **What is the status of the submission of a corrective action plan to the federal government? How many additional funds may be required to address the problems at Woodbridge?**

- **Answer:** The Department of Justice (DOJ) does not require a corrective action plan; their method of resolving these issues is through a settlement agreement. A draft settlement agreement has been received from DOJ. It is currently under review by DDD in coordination with the Department, the DAG and the Governor's office. The cost estimate of the plan to remediate all issues is $7.7 million in State funding, which is eligible for federal matching funds.

20. Several years ago, the division announced an initiative to reduce reliance on Private Institutional Care (PIC) for which no federal reimbursement is available; yet the number of PIC clients has increased from 597 (FY 2003) to an estimated 637 (FY 2006).

- ***Question:*** **What accounts for the division's difficulty in reducing the PIC use?**

- **Answer:** Private Institutional Care (PIC) placements are primarily in out of state facilities. Placements are made in these facilities because the medical and/or behavioral needs of the individual cannot be met through current in state resources. Documentation of a lack of an appropriate in state placement is made before an out of state placement is approved. Some individuals in PIC were placed by a local school district or DYFS and become DDD's funding responsibility when they turn 21 years old. The Division is encouraging providers to develop or expand appropriate in state programs, which would then be eligible for federal reimbursement. This would require new bridge funding to start up new programs and transition individuals from out of state programs.

21. The FY 2006 recommended budget includes $28.8 million (gross) for Skill Development Homes. According to the Evaluation Data, program costs should be about $27.6 million in FY 2006.

- ***Question:*** **What accounts for this difference?**

- **Answer:** The funding amount in the Evaluation Data inadvertently omitted Casino Revenue funds of $1.141 M, bringing the total amount of funding to $28.8 M.

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22. In response to a FY 2005 Discussion Point concerning client contributions to the cost of care, the division indicated that "no more that $2 million is outstanding from clients" who did not pay the required contribution. A subsequent review by the State Auditor indicated that in 2003, alone, $2.5 million in client contributions were not collected.

- ***Question:*** **What is the total amount of client contributions that is outstanding?**

- **Answer:** The state auditor's estimate was based on banking system information from 2003. Since that time, the Department created an improved accounts receivable system and the Division began aggressive collections efforts. As of February 2005, the estimated outstanding amount was $1.8 M.

23a. The FY 2004 appropriations act anticipated $210.4 million in federal Community Care Waiver (CCW) funds; only $188.4 million was realized. Though the FY 2005 appropriations act assumed $226.1 million in federal CCW funds, $204.0 million is now anticipated. This shortfall in federal CCW funds requires a State supplemental appropriation of $20.1 million.

- ***Question:*** **What accounts for the shortfall in federal CCW funds in FY 2004 and FY 2005?**

- **Answer**: Eligibility and attendance. The Division is now requiring individuals to apply to become Medicaid and waiver eligible before receiving further CCW services or to come into CCW services for the first time. This is a change in DDD procedures. Individuals currently in waiver services have been reviewed and if not already eligible, have been required to apply. The Division is emphasizing to provider agencies and staff the importance of the waiver and the Division's ability to generate revenue. An intranet attendance system has been completed so that agencies can enter their own attendance records, a major component in the claiming process. Missing attendance records have been requested and received from providers. Staff changes have been made in order to target key revenue areas and assist consumers to apply for waiver eligibility. Additionally, with the opening of the majority of homes that have been in development over the past few years, additional programs are claimable and will increase federal reimbursement.

23b. The FY 2006 recommended budget assumes $228.7 million in federal CCW funds, a 12.1% increase over revised FY 2005 estimates.

- ***Question:*** **As actual federal CCW revenues have been below FY 2004 and FY 2005 estimates, what is the basis for a 12.1% increase in federal CCW revenues in FY 2006?**

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- **Answer:** The increase in federal CCW revenues represents the federal match for the increase in FY 2006 state funding. As attendance reporting continues to improve, more individuals become waiver eligible, and new programs are added to the system, the Division expects to claim the additional federal revenue.

23c. The FY 2006 recommended budget assumes a 17.3% increase in federal ICF-MR revenues, from $237.8 million to $278.9 million. In FY 2004 and FY 2005, the amount of federal ICF-MR revenues anticipated was largely unchanged at about $237.8 million.

- ***Question:*** **What is the basis for a 17.3% increase in federal ICF-MR revenues?**

- **Answer:** The actual percentage increase between FY 2005 and FY 2006 is approximately seven percent. Based on revised interim rates for FY 2005 we anticipate the receipt of approximately $260 million. The $278.9 million reflected for FY 2006 is the result of increasing the FY 2005 amount to account for anticipated salary and associated fringe benefit cost increases as well as increases in fuel and utility costs. As stated, above, revenue will also be enhanced through improved attendance reporting, more individuals becoming waiver eligible and new programs being added to the system.

COMMISSION FOR THE BLIND AND VISUALLY IMPAIRED

24. In FY 2003, $1.2 million in Capital Construction funds were appropriated for emergency equipment upgrades at the Kohn Rehabilitation Center. To date, about $185,000 has been either expended or encumbered and about $1.0 million is unexpended.

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

- **Answer:** Due to water infiltration problems at the Kohn Center, the project scope was expanded to include a new roof. The architect submitted the final design in September 2004. This is going for bid April 26, 2005 and construction will begin before the end of the fiscal year.

DIVISION OF FAMILY DEVELOPMENT

25.a. The FY 2005 appropriation for WFNJ-Technology Investment projects was to be expended as follows: ACSES Reengineering - $15.3 million; ISIS/CASS - $7.3 million; child support/Food Stamp document imaging - $4.3 million; maintenance - $2.7 million; operational support - $1.9 million; and equipment upgrades - $1.0 million.

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- ***Question: What is the status of each project and will expenditures be in line with initial estimates?***

- **Answer:** Federal approval has been received for the Automated Child Support Enforcement System (ACSES) RFP which was subsequently released in March 2005. A vendor will be selected to begin implementation of the plan in early SFY 2006. Expenditures for this effort are not expected to exceed $4.2 million in SFY 2005.

  The Information Systems Impact Study (ISIS) / Consolidated Assistance and Support System (CASS) RFP has been submitted for Federal approval and is expected to be released prior to July 2005. During SFY 2006, an external vendor will be selected to begin implementation of this multi-year project. Expenditures for this effort are not expected to exceed $3.1 million in SFY 2005.

  Child Support / Food Stamp Document Imaging Project have been deferred to SFY 2006 because the Division prioritized the implementation of the Electronic Benefits project. Maintenance, operational support and equipment upgrades are proceeding as scheduled with expenditures for these efforts are not expected to exceed $4.3 million in SFY 2005.

25.b. The FY 2006 recommended budget includes $62.4 million (gross) for WFNJ-Technology Investment projects.

- ***Question: What projects are being undertaken and at what cost?***

- **Answer:** The current plan is $69.8 million and includes carry forward balances and food stamp reinvestment funds. The specific projects to be undertaken in FY 2006 and their associated costs are as follows:

  - The ACSES Reengineering project ($39.9 million).
  - The Information Systems Impact Study (ISIS) / Consolidated Assistance and Support System (CASS) project ($14.5 million).
  - Child Support / Food Stamp Document Imaging Project ($4.7 million)
  - Various Maintenance, Operational Support, and Equipment Upgrades ($10.7 million)

26. The FY 2006 budget recommends reducing State funding for Abbott Expansion by $4.0 million and is offsetting this with $4.0 million in federal wraparound funds.

- ***Question: What specific federal program is the source of these wraparound funds?***

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- **Answer:** Other states have been successful in receiving 50% reimbursement from USDA's Food Stamp Employment and Training program for childcare costs while a Food Stamp program recipient is in an Employment Directed Activity. On a pilot basis, the Division is anticipating it will be able to match children receiving Abbott Wraparound childcare services with families' Food Stamp employment information that is recorded on FAMIS.

27. The FY 2006 recommended budget includes $3.3 million in State/federal funds for Mental Health Assessment (MHA). One objective of MHA is to enable TANF/GA recipients with mental illness to obtain gainful employment. As discussed in a Background Paper, MHA may save the TANF/GA programs less than $500,000.

- ***Question: If the expenditure of $3.3 million is documented to save less than $0.5 million, are there other considerations that can justify the expenditure of these monies?***

- **Answer:** The expansion of the Mental Health Initiative (MHI) for SFY 2006 is included in the Child Welfare Reform Plan as an enforceable activity. The target population and the eligibility criteria were expanded to identify/serve dual system TANF/GA child welfare parents who are both "work deferred" and "work mandatory". The MHI continues to provide an initial assessment, intensive case management, and employment readiness services.

  While it is correct that the program initially was designed to help move individuals with mental health problems into employment, that goal is long term. Clients with serious mental health issues have a very difficult time maintaining employment. For a number of clients, their goal becomes another form of entitlement, such as Supplemental Security Income (SSI). In addition, savings associated with the provision of mental health services, medication and other supports that prevent incarceration, decrease emergency room utilization and ameliorate homelessness should also be considered when reviewing the effectiveness of this program.

28. The FY 2006 recommended budget provides $1.3 million for a Pharmaceuticals for Working GA Clients program. Monies were appropriated for the program in FY 2004 and FY 2005, but no funds have been expended on the program.

- ***Question: As no program was established in FY 2004 and as no program has been established in FY 2005 (to date), can the FY 2006 recommended appropriation be reduced or eliminated?***

- **Answer:** The Division has identified a number of administrative barriers in implementing this program, which was intended to serve 1,000 clients. One barrier has been the limitations of the General Assistance Automated System

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(GAAS), which does not identify clients that are receiving psychotropics drugs. A new process would have to be developed to transmit all the cases that close on GA due to employment to Medicaid, whether the person takes these medications or not. The Division of Medical Assistance and Health Services would also need to identify only those clients taking psychotropic drugs. Since these clients would no longer be receiving GA because they are working, discussions are on-going regarding who is responsible for servicing these clients, as well as completing a redetermination of eligibility.

Though there is a demonstrated link between physical health and mental health issues, addressing only the mental health needs of a population, without comprehensively treating other chronic diseases that may be co-occurring, such as diabetes, needs to be taken under consideration. We support expanding the model and funding for other medications that contribute to an individual's health or quality of life.

29. The FY 2006 recommended budget increases funding for the General Assistance Emergency Assistance Program from $62.0 million to $79.5 million, due to a significant increase in caseload and related costs. Per capita emergency hotel/motel costs in Bergen County are about $600, while per capita costs in Essex and Ocean counties are over $1,300 and $1,600, respectively.

- ***Question: Why are disparities so large among the various counties? Should per capita expenditures for hotel/motel costs be capped?***

- **Answer:** General Assistance Emergency Assistance (GA/EA) costs should not be capped based upon an arbitrarily set per capita for hotel/motel placements. The per diem rate that is currently allowable for a county or municipal welfare agency to pay for a hotel/motel placement is already controlled via state regulation. Additionally, the Division of Family Development has attempted to reduce the reliance of the county and municipal welfare agencies on hotel/motel placements by encouraging the utilization of Temporary Rental Assistance as a more cost effective form of care for people facing homelessness. Length of stay in hotel/motels will fluctuate by geographic area based upon the availability of affordable permanent housing, as well as emergency shelter options available to the GA client.

30. The FY 2006 recommended budget reduces Substance Abuse Initiative (SAI) funding by $10.0 million, which is offset by $10.0 million in reimbursements, including $5.0 million in Medicaid reimbursements.

Available data indicate that over 70% of SAI clients do not qualify for Medicaid.

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Also, some SAI services may not be eligible for federal Medicaid reimbursement and some SAI providers may not be approved Medicaid providers.

- ***Question: What is the basis for assuming $5.0 million in federal Medicaid reimbursements?***

- **Answer:** This initiative is intended to save $5.0 million by shifting approximately $10 million in Medicaid eligible substance abuse treatment payments for GA/TANF recipients to the federal Substance Abuse Block Grant administered by the Division of Addition Services (DAS). Savings will be generated by increasing new Medicaid Title XIX claims for costs currently incurred under the Substance Abuse Block Grant that are eligible for a 50% federal match. Maximus, under its revenue maximization contract with the State, will review the feasibility of the initiative by evaluating the potential Medicaid eligibility of costs currently being incurred by the Substance Abuse Block Grant and DAS State funding.

DIVISION OF ADDICTION SERVICES

31. In October 2001, the Division of Addiction Services began implementing the New Jersey Substance Abuse Monitoring System (NJSAMS) to replace the Alcohol and Drug Abuse Data System and become the standard for data reporting among providers. NJSAMS was to be operational by July 2004.

- ***Question:*** **Is NJSAMS fully operational? How much in State and federal funds did it cost to implement NJSAMS?**

- **Answer:** NJ-SAMS are fully operational and are being used statewide by substance abuse treatment providers to report admission, assessment and discharge information. Only discharge information for treatment episodes opened in the older treatment reporting system (ADADS) is being collected outside NJ-SAMS. The three-year cost of implementation for NJSAMS was $1,051,909. Of this amount, $300,000 was direct technical assistance grants to treatment providers to procure computer equipment and Internet access.

  All of the funds are federal funds, primarily Substance Abuse Prevention and Treatment (SAPT) Block Grant and DASIS funds.

32. Essex County has contracted with a private company, Education and Health Center of America, to operate Delaney Hall. The facility provides residential substance abuse treatment services to certain inmates of the county detention center. The FY 2006 recommended budget continues an FY 2005 appropriation of $12 million in State Aid for County of Essex - Delaney Hall, to offset county costs.

- ***Question:*** **What is the total cost of the county's contract related to the operation**

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of Delaney Hall?

- **Answer:** The County of Essex has only one contract with the Education and Health Center of America for Delaney Hall. The total of that contract is $12 million, the amount of the 05 appropriations to Human Services. The services at Delaney Hall are not "Residential Substance Abuse Treatment". Delaney Hall provides custodial care, independent life skills development and Alcohol, Tobacco or Drug Education to prepare inmates for re-entry into their communities.

33. Through the new federal Access to Recovery Grant, the State will receive approximately $4 million for each of the next three years. Available information indicates that the division will use these funds to create a voucher program to provide treatment options; increase outpatient treatment capacity; expand day programs; create a central hotline for referral services; and provide patients with wrap-around services, such as shelter and transportation.

- ***Question:*** **How many people will be served by the program in each of the next three years?**

- **Answer:** The scope of the NJAI was revised as a result of changes in the Special Terms and Conditions set forth by the Federal government. The NJAI now funds assessment, detoxification and Recovery Mentor Services. Recovery Mentorship is a service, which provides clients who are receiving substance abuse treatment, case management, support, mentoring and community connections.

  The NJAI project period is 8/3/04 to 8/2/07. In Year 1 New Jersey is expected to serve 846 clients, an additional 1,932 clients by the end of Year 2 and an additional 1,932 clients by the end of Year 3. The total be served by the grant over the three year period is 4,710 individuals.

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OFFICE OF CHILDREN'S SERVICES

During FY 2004, the Joint Budget Oversight Committee approved the transfer of $15 million for additional costs of Child Welfare Reform. Proposed and actual State/federal expenditures related to the $15 million are summarized below:

	Proposed FY 2004 Expenditures	Actual FY 2004 Expenditures (including obligations)
State	$15,000,000	$14,971,000
Federal	$3,377,000	$952,000
TOTAL	**$18,377,000**	**$15,923,000**

34.a. Though actual State expenditures were about $15 million, federal expenditures were $2.4 million less than proposed.

- ***Question:*** **What accounts for the $2.4 million lower expenditures in federal funds? Did the State use any of the $15 million in State funds to cover the shortfall in federal funds?**

- **Answer:** Expenditures for Mobile Response Stabilization Services, Intensive In-home Behavioral Assistance, and Treatment Homes, which are eligible for federal reimbursement, were less than originally projected.

  There was no federal financial participation (FFP) earned on the Behavioral Assistance and Intensive In-Home service funds as the Division of Children's Behavioral Health Services (DCBHS) base budget contained sufficient resources to support the cost of services for all Medicaid clients. The reform plan provides funding for non-Medicaid eligible clients.

  Although treatment home providers had expressed an interest in providing service in late FY 04, contracts were in development but not finalized by June 30, 2004. Consequently there was no FFP earned.

The $18.4 million in State/federal funds was intended to accomplish certain objectives, as discussed below:

34.b. **Staffing and Related Expenditures.** An additional 158 staff were to be hired at a cost of $4.8 million in personnel/non-personnel expenses. Actual expenditures were $6.0 million.

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- ***Question:*** **How many staff was hired? Why were costs $1.2 million greater than anticipated?**

- **Answer:** At the end of Pay Period 13 (June 24, 2004), 155 of the 158 positions were filled. The increase in expenditures was due to higher than anticipated non-salary needs i.e., office automation, furniture, vehicles, and telephones, to ensure that the infrastructure was in place prior to the staff coming on board.

34.c. **Assessments.** An additional 6,500 safety/placement assessments were to be conducted at a cost of $2.6 million. Actual expenditures were $1.7 million.

- ***Question:*** **How many assessments were conducted?**

- **Answer:** Based on the panel's approval of a smaller sample size, 4,320 assessments were conducted.

34.d. **Centralized Screenings and Hotline.** Approximately $0.3 million was made available to develop a centralized screening program and retrofit office space. Actual expenditures were $1.4 million.

- ***Question:*** **Why were costs $1.1 million greater than anticipated?**

- **Answer:** The original budgeted amount underestimated the costs for the new call center telephone system and the related equipment and furnishings. Also, 20 additional employees were assigned to the State Centralized Registry.

34.e. **Youth Case Managers.** An additional 86 contracted case managers were to be hired at a cost of $1.4 million. Actual expenditures were $1.2 million.

- ***Question:*** **How many contracted youth case managers were hired?**

- **Answer:** 81 Youth Case Managers were hired increasing the number from 81 to 167 by September 30, 2004 in accordance with the requirements of the plan

34.f. **Intensive In-Home/Behavioral Assistance.** An additional 326 children/families were to receive services at a cost of $4.8 million. Actual expenditures were $3.0 million.

- ***Question:*** **How many additional children/families received services?**

- **Answer:** The figure of 326 children/families to receive services for a planned expenditure of $4.8 million is incorrect. The amount of services estimated for the planned expenditure of $4.8 million was approximately 72,000 hours of in home and behavioral assistance services. The expenditure of $3.0 million provided

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approximately 45,000 hours of services.

34.g. **Treatment Homes/Emergency Behavioral Health.** Twenty emergency treatment and 75 non-emergency treatment beds were to be established at a cost of $1.5 million. Actual expenditures were $1.25 million, though none of the 95 beds were established, and the monies were obligated for an unrelated residential program.

- ***Question:*** **Why was the department unable to establish the 95 treatment beds?**

- **Answer:**

Treatment Homes

With regard to the treatment homes, the DCBHS was in contract negotiations for expansion of 46 beds with existing providers during the last two months of FY 04. Providers needed to recruit treatment home families and the families needed to complete the appropriate background checks before being permitted to commence service provision. A more formal process to develop the remainder of the required 75 beds was completed in FY 05.

There is also a normal lag time between service provision and claim payment.

Emergency Treatment Homes

As the enforceable under the CWRP moved toward finalization near July 2004, it became apparent that the requirement related to emergency treatment homes would not be effective until later in the year. Given the later enforceable date, the DCBHS decided to spend additional time developing the treatment model before soliciting interest from providers. Work has recently been completed and contracts are being negotiated.

34.h. **Medical Evaluations/Nursing Services.** Three thousand (3,000) physical exams were to be provided to all children entering foster care, a pool of pediatricians to conduct exams was to be developed, and a nurse/nurse practitioner was to be placed in each district office, at a cost of $0.8 million. Actual expenditures were $0.5 million and UMDNJ and private agencies were contracted to provide the nursing services.

- ***Question:*** **How many physical exams were provided? How many pediatricians were recruited to provide the exams? How many nurse/nurse practitioners did UMDNJ and private agencies provide, and at what average cost? Is every district office staffed by nursing personnel?**

- **Answer:** 991 pre-placement physical examinations were provided in FY 2004. Initially, 137 providers/provider groups were recruited to perform pre-placement exams. A total of 12 nurses were funded. The average per capita cost per nurse

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was $110,000, which included salary, fringe general and administration costs as well as other expenses such as travel, computer, etc. A total of 37 nurses are required to cover the 38 local offices (one District Office and ARC have been combined and share a nurse). Currently, 33 of the 37 positions are hired. The remaining four vacancies will be hired.

34.i. **Comprehensive Health Evaluations.** A provider network to provide assessments within 30 days was to be established at a cost of $250,000. Actual expenditures were $0.5 million.

- ***Question:*** **Are all assessments being completed within 30 days? Why did program costs double?**

- **Answer:** Providers are having difficulty in meeting the 30-day time frame due to capacity issues and concerns about the lack of medical records as it is difficult to obtain such information within the 30-day time frame. This historical information is essential to providing a thorough assessment of the child. Providers are currently available to children placed in 10 counties with activity underway to identify providers in the remaining 11 counties. The program costs doubled due to the higher then anticipated costs for the contracts negotiated with the four Regional Diagnostic Centers to develop and manage a community based network of health care providers to perform the Comprehensive Health Evaluations for Children placed in out of home placement settings.

34.j. **Children in Office Awaiting Placement.** An additional $0.6 million was made available to provide unspecified additional services. Actual expenditures were $0.1 million.

- ***Question:*** **Why were costs much lower than anticipated? How many children received services?**

- **Answer:** Less children awaiting placements required drop-in services such as child care and after school programs than originally anticipated. In FY 2004, 264 children were provided these types of drop-in services while an out-of-home placement was being arranged.

34.k. **Senior Management Staff.** Twenty senior staff at an average annualized salary of $88,000 was to be hired. Actual expenditures were $0.2 million.

- ***Question:*** **How many senior staff were hired and at what average salary?**

- **Answer:** As of June 30, 2004, 10 senior staff had been hired at an average salary of $91,000. Currently, 17 of the 18 budgeted senior staff are now hired.

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35.a. Summarized below is a breakdown of the proposed expenditure of $125 million in new Child Welfare Reform funds for April 2004 and January 2005 (revised). The January 2005 Quarterly Report does not explain increases/reductions from the April 2004 spending plan.

PURPOSE (in millions)	April 2004*	January 2005	Change
Case Practice	$28.9	$45.1	$16.2
Resource Families	$12.6	$14.5	$1.9
Adolescents	$4.7	$3.4	($1.3)
Reducing Inappropriate Settings	$14.3	$15.8	$1.5
Core Services	$32.4	$19.7	($12.7)
Safety and Permanency**	$15.7	$13.2	($2.5)
Culture and Workforce	$6.2	$6.6	$0.4
High Quality	$4.7	$3.2	($1.5)
Information and Technology	$5.4	$3.5	($1.9)
TOTAL COST	**$125.0**	**$125.0**	--

* May not add due to rounding.
** Monies to be transferred to the Department of Law and Public Safety and the Office of the Public Defender.

- ***Question:*** **For each Child Welfare Reform spending purpose, account for any increase or decrease in spending between April 2004 and January 2005. With respect to any reductions, how will the reduction affect the programs' objectives?**

- **Answer:** It is important to note that the April 2004 proposed spending plan as submitted to the Legislature (represented above) was adjusted before July 1 to realign program initiatives and priorities with the Child Welfare Reform Plan as negotiated with the federal district court and the CWR panel. Thus, the January 2005 column (above) lists the budgeted amounts for the program categories effective July 2004 when the fiscal year began. This was the spending plan approved by the court and the panel and the starting point for FY'05.

  As indicated on the above chart, the major changes were in two categories:

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The increase in Case Practice is due to the number of caseload carrying staff and support staff increased by 234 positions due to the panel's mandate to focus on reducing the caseload.

The reduction in Core Services is due to four major factors. The funding for additional transportation aides was eliminated because it was determined that these needs were provided through the Case Practice section. Substance Abuse capital needs and a portion of the treatment slots/beds are being funded with existing funds within the Division of Addiction Services. A portion of the costs for Managed Care is being funded with existing Medical Assistance and Health Services funds. The number of community case managers has been decreased due to the slower phase in of community prevention services.

35b. The April 2004 spending plan identified $62.2 million in federal funds that would be available to supplement State funds as follows: **Case Practice** - $11.3 million; **Resource Families** - $5.0 million; **Adolescents** - $4.4 million; **Reducing Inappropriate Settings** - $6.4 million; **Core Services** - $29.1 million; **Culture and Workforce** - $3.1 million; **High Quality** - $1.3 million; and **Information and Technology** - $1.6 million. It is also noted that a FY 2005 supplemental State appropriation of $14.6 million will be requested.

- *Question:* **Will $62.2 million in federal funds be realized? If not, what accounts for any increase/decrease in the amount of federal funds expected to be received? How much of the proposed FY 2005 $14.6 million supplemental appropriation is due to a shortfall in the amount of federal funds anticipated in April 2004 for Child Welfare Reform?**

- **Answer:** It is estimated that approximately $7.6 million of the anticipated $62.2 million in federal funds will not be realized. The spending plan has been adjusted accordingly. This is due to the determination that some of the initiatives initially thought to be federally reimbursable are not. This includes initiatives such as staffing and service components associated with the new Division of Prevention and Community Partnership, as well as services such as post-adoptive childcare. Additionally, transitional living services for adolescents and child behavioral health services programs were phased in later in the fiscal year.

  None of the $14.6 million supplemental is due to a shortfall in the amount of federal funds anticipated in April 2004 for the Child Welfare Reform. Of the $14.6 million, $8 million will be utilized to address Title IV-E revenue shortfalls related to foster care maintenance and administration. The remaining $6.6 million will be utilized to address shortfalls in the Family Support Services and Subsidized Adoption accounts as the result of significant client growth during FY 2005.

36. The FY 2005 State/federal appropriations for Child Welfare Reform were intended

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to achieve certain objectives, as discussed below.

36.a. **Case Practice.** An additional 625 staff were to be hired; mini-diagnostic centers were to be established; and additional adoption support services and emergency funding were to be made available.

- ***Question:*** **As of April 1st: how many staff has been hired and are working? How many mini-diagnostic centers have been established and at what annualized cost? What additional adoption services have been provided and at what annualized cost? How much additional emergency funds has been provided and at what annualized cost?**

- **Answer:** The total number of positions to be hired under the Case Practice category has been revised to 907. As of April 1, 2005, 796 are hired and the remaining 111 will be hired by June 30, 2005.

  The funding for the mini-diagnostic centers has been redirected for the creation of the NJ Cares Institute. The FY 2005 Child Welfare Reform Budget includes $365,000 in annualized funds for Adoption Support Services such as counseling, respite and tutoring. $1,640,000 in additional emergency funds has also been provided on an annualized basis.

36.b. **Resource Families.** An additional 97 staff were to be hired; foster care/adoption subsidy rates were to be increased; and an additional 1,000 foster homes were to be recruited.

- ***Question:*** **As of April 1st: How many staff have been hired and are working? How many of the 1,000 new homes have been recruited? How many homes have left the system?**

- **Answer:** As of April 1, 2005, 69 staff have been hired, and 28 remain to be hired. We have recruited 1,552 new homes through March 2005. Since the beginning of calendar year 2004, 955 homes have left the system. Of these homes nearly 50% left at their own request while only 10% left due to a child abuse/neglect situation or failure to meet licensing standards. The remaining were closed for various other reasons such as the death of the foster parent, moving out of state or were approved but never took children into care. However, with the aforementioned recruitment we have 8,342 foster homes.

36.c. **Adolescents.** An additional 70 staff were to be hired; and additional transitional services for aging out youth were to be provided.

- ***Question:*** **As of April 1st: How many of the 70 additional staff have been hired and are working? What additional transitional services to aging out youth have**

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been provided and at what annualized cost?

- **Answer:** The FY 2005 Child Welfare Reform Plan does not include the hiring of Adolescent Specialists. As part of the realignment of the priorities of the reform plan, this activity has been deferred to FY 2006 and the overall number of Adolescent Specialist positions has been reduced to 17. The following additional transitional services have been provided: Aftercare Services such as security deposits, driving lessons and other goods and services that assist a youth in becoming independent ($250,000 annualized), Intensive Case Management Aftercare Services to youth whose cases have been closed by DYFS ($400,000 annualized), and the 43 additional supported housing beds for aging out and homeless youth ($2,161,000 annualized).

36.d. **Reducing Inappropriate Settings.** An additional 8 staff for the Office of Child Behavioral Health were to be hired; additional mobile response, youth case management, and intensive in-home services were to be provided; additional family support organizations were to be established; youth shelter rates were to be increased; and additional treatment homes/emergency behavioral health services were to be provided.

- ***Question:*** **As of April 1st: How many staff have been hired and are working? Is the annualized cost of providing the additional mobile response, youth case management, intensive in-home services and family support organizations in line with the initial cost estimates? Is Medicaid reimbursement being obtained for these services for children that are Medicaid/NJ FamilyCare eligible? Were youth shelter rates increased and is the annualized cost of this increase in line with initial estimates?**

- **Answer:** All 8 of the Child Behavioral Health positions have been filled.

  The annualized cost of providing the additional Mobile Response and Stabilization Services is in line with the initial cost estimates.

  The annualized cost of providing youth case management services is exceeding the original estimates due to the addition of 7 additional case managers in September 2004 and 20 in January 2005, to meet the increased demand from services to the congregate care, shelter and detention populations which became a part of the final CWRP enforcables.

  The annualized cost of providing Family Support Organization (FSO) costs is in line with the original estimates.

  The annualized cost of providing Behavioral Assistance and Intensive In-Community services is exceeding the original estimates due to increase demand for assessments and services required under the final version of the CWRP enforcables. Also services to Medicaid / Family Care recipients are increasing.

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Medicaid / Family care is supporting the cost of all services. The cost of the FSOs is claimed against these programs as an administrative cost not as a service cost, but none-the-less appropriate FFP is being maximized.

Youth shelter rates have not yet been increased but a work group has been established to guide the implementation of this initiative.

36.e. **Core Services.** An additional 106 staff were to be hired; additional slots were to be created for day care (625), substance abuse (425) and adolescent treatment (150); additional Collaboratives and Collaborative support services were to be established; and effective October 2004, 107 caseworkers were to be contracted for through county welfare agencies and private agencies.

- ***Question:*** **As of April 1st: How many additional staff have been hired and are working? How many day care slots have been established and at what cost? How many substance abuse slots and adolescent treatment slots have been established, and at what cost? As of October 1st, how many of the 107 contracted casework staff were hired?**

- **Answer:** The total number of additional staff positions associated with the Core Services objective is 70. Of these 70 positions, 46 are currently hired. The remaining 24 positions will be hired by June 30, 2005..

  The OCS originally intended to provide funding for 250 childcare slots for resource families. In actuality, through DFD, children residing in resource families receive childcare as an entitlement. DFD spends approximately $20.3 million annually on child care for this population which serves about 3100 children per month.

  The CWRP funding is being used to support children who remain with their birth families under DYFS supervision. This service will increase stability within the family and should serve to prevent out of home placement.

  Additionally, about half of the funding available for childcare was prioritized to be used to provide services (such as per diem child care or per diem mentor services) for children removed from their home and were awaiting placement by DYFS. These services prevented children from awaiting placement in the local DYFS offices.

  We anticipate being able to provide child care services for approximately 125 children (ages 0-6) annually.

  The Division of Addiction Services (DAS) has created both adult and adolescent treatment slots beginning in SFY 2005. They have created slots for DYFS women and children throughout the continuum of care.

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By 4/1/05, DAS has provided the following service, utilizing funds from DFD, existing trust funds from DAS in addition to the reform plan funding.

- 57 Long Term/Residential slots at an annualized cost of $3,381,880
- 190 Intensive Outpatient slots at an annualized cost of $ 2,175,150
- 100 Methadone Intensive Outpatients slots at an annualized cost of $1,222,500

In addition to the adult slots, DAS has created 106 slots for outpatient services and 25 long term residential slots for adolescents for a total of 131 slots at $2,444,944.

The community contracted case management initiative will be implemented in FY2006.

36.f. **Culture and Workforce.** An additional 92 staff were to be hired in the areas of support activities and senior management.

- ***Question:*** **As of April 1st, how many of the additional staff have been hired and are working?**

- **Answer:** The Culture and Workforce category of the reform plan supports 116 positions. As of April 1, 2005, 76 have been hired. The remaining 40 will be hired by June 30, 2005.

36.g. **High Quality.** An additional 60 staff were to be hired.

- ***Question:*** **As of April 1st, how many of the additional staff have been hired and are working?**

- **Answer:** The total number of additional staff positions associated with the High Quality objective was revised to 48. Of these 48 positions, 17 are currently hired. The remaining 31 will be hired by June 30, 2005.

36.h. **Information and Technology.** An additional 40 staff were to be hired; and efforts would be undertaken to integrate the SACWIS/NJ SPIRIT system with other departmental systems.

- ***Question:*** **As of April 1st: How many of the additional staff have been hired and are working? How much of the $5.0 million earmarked for computer system integration has been expended?**

- **Answer:** Of these 40 positions, 17 are currently hired. The remaining 23 will be hired by June 30, 2005.

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The revised plan for computer system integration is $1.9 million. To date, we have expended $570,000.

37. In addition to the $125.0 million in State funds appropriated for Child Welfare Reform, an additional $24.8 million in State funds was appropriated for related activities: Personnel related items - $17.5 million; and Contracted Services - $7.3 million.

- ***Question:*** **What specific personnel related expenses was the $17.5 million in State funds intended to support? What specific contract related costs was the $7.3 million intended to support?**

- **Answer:** The personnel related expenses included the salary, fringe and non-salary costs associated with the 305 additional case carrying and support staff hired in FY 2004 as part of the Child Welfare Reform initiative. The contract related costs supported third party contracts that, expanded the number of pediatric nurses available in the DYFS District Offices as well the number of paralegals to assist with court litigation; facilitated foster care recruitment and retention activities; assisted with the closing of cases in the District Offices; developed a model child diagnostic and treatment center and increased the number of Court Appointed Special Advocates.

38. As part of Child Welfare Reform, at least 25 unclassified positions were established (January 2005 Quarterly Report).

- ***Question:*** **What is the average salary of the 25 unclassified positions? Will these positions be converted into the regular civil service classified positions?**

- **Answer:** The average salary for these positions is $90,000. These positions will remain unclassified. They are designated as part of senior management and area office managers holding Senior Executive Services (SES) positions as directed by the child welfare reform panel.

39. Approximately $330.1 million (gross) in grants will be awarded as part of Child Welfare Reform: Treatment Homes/Emergency Behavioral Health Services - $219.0 million; Care Management Organizations - $40.6 million; Intensive In Home Services - $33.3 million; Mobile Response - $11.4 million; Family Support Organizations - $8.7 million; Youth Case Managers - $8.5 million; Youth Incentive Program - $8.3 million; and Other Residential Services - $0.3 million.

Of the $330.1 million, federal reimbursement (primarily Medicaid) of $107.0 million (32%) is expected.

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A majority of the children served by these programs are Medicaid/NJ FamilyCare eligible. Though some services do not qualify for Medicaid reimbursement, federal reimbursement should exceed 32%; however, the total percentage of federal reimbursement anticipated declines from 37.6% to 32.4% between FY 2005 and FY 2006.

- ***Question:*** **What accounts for a reduction in the amount of federal reimbursement?**

- **Answer:** The overall % of federal financial participation (FFP) remains essentially the same between FY 05 and FY 06 at approximately 34%, once the FY2005 appropriations are adjusted.

  The premise that a majority of the children are Medicaid or Family care eligible for all DCBHS services, and that the full cost of each service can be built into a Medicaid rate is not correct.

  The Medicaid / Family Care coverage % for discreet services of DCBHS is as follows:

  - Out-of-Home Treatment – 93%
  - Care Management Organizations/Family Support Organizations – 71%
  - Mobile Response Stabilization Services – 47%
  - Youth Case Managers – 58%
  - Behavioral Assistance/ Intensive In-Community – 67%

  The full cost of all of these services is not always includable in Medicaid / Family Care rates. As an example, for out of home treatment services (residential) provided in certain settings (non-Joint Commission on Accreditation of Healthcare Organizations (JCAHO) Residential Treatment Centers (RTCs), group homes and treatment homes) the room and board does not qualify for Medicaid participation. With regard to CMOs, the flex funding and community development funding are to be utilized for non-Medicaid services so the cost cannot be built into the rate.

  For Youth Case Management, the billable unit only includes face to face time and services provided to clients in certain settings (such as, with limited exception, detention faculties) cannot be billed to Medicaid / Family Care. There is a significant portion of time spent in non-face to face activity. We are planning to restructure Medicaid reimbursement just to make the current budget projections.

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40. Approximately $2.8 million is being provided for Community Case Managers by the Prevention and Community Partnerships Services program. Though case management services are a reimbursable federal service, virtually no federal reimbursement is reflected.

- ***Question:*** **Why is no federal reimbursement reflected for this service?**

- **Answer:** Community case managers under the Division of Prevention and Community Partnership would be providing services eligible under the social services block grant and Title IV-B Child Welfare Services program. However, these programs are capped. The Department is currently claiming over the capped amount, so additional claims will not result in increased revenue.

41. Within the Administration and Support Services program of Child Behavioral Health, in FY 2005, $8.2 million in State funds are available for Services Other Than Personal; the FY 2006 recommended budget allocates $11.6 million in federal funds for Services Other Than Personal. This account is used primarily, though not exclusively, to pay for consultants.

- ***Question:*** **How much of the $8.2 million (FY 2005) and $11.6 million (FY 2006) are being used for consultant services and which consultants are being used?**

  Answer: The $8.2 million cost reflected in FY 05 is only the State dollars, whereas the $11.6 million in FY 06 represents gross cost. The gross FY 05 total cost is $11.6 million. This is attributable to the Contracted Systems Administrator, Value Options ($8.7 million), and to training and consultants ($2.9 million). Of the $2.9 million for training and consultants, $2.1 million, which represents the bulk of the training and consultant resources, is dedicated to a contract with UMDNJ. The remaining resources are spread across numerous relatively small contracts.

  Out of the FY 06 $11.6 million, $9.1million is attributable to the Contracted Systems Administrator, Value Options, and $2.5 million attributable to training and consultants. It is anticipated again that the bulk of the training and consultant funding in FY 06 will be with UMDNJ.

42. In the FY 2006 recommended budget, within the Prevention and Community Partnership Services program, approximately $8.8 million is provided for School Based Youth Program grants. Similar grant funding of $8.5 million is included within the Division of Family Development. Thus, two agencies will incur administrative costs to administer essentially the same program.

- ***Question:*** **How much can be saved by consolidating administration with one agency?**

- **Answer:** The funds in the Division of Prevention and Community Partnerships

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(DPCP) budget represent School Based Youth Services (SBYS) program expansion through the CWRP. Currently, the funds are provided to DFD for administration of the grants. There is no separate administrative staff for SBYS in the DPCP. The divisions confer regarding policy and implementation and coordinate program initiatives based on needs identified through our partnership with the schools and communities.

43. The FY 2006 recommended budget includes $4.3 million in grants for Area Prevention and Support Services; these monies will be used, among other things, to develop Child Welfare Planning Councils. An additional $3.6 million in grants is recommended to establish county Collaboratives. Both the Planning Councils and the Collaboratives have similar objectives. There also exist other county planning bodies supported by the department and the Courts that are engaged in planning related to children and human services issues.

- ***Question:*** **To reduce overall costs, can planning functions be handled by a single county-based organization?**

- **Answer:** Community Collaboratives are neighborhood-level hubs that are established in high need areas. They focus on providing a support system for local residents that includes parenting groups, mentoring for youth, providing respite services, holding community events, and increasing volunteer efforts of community residents. Collaboratives also work with local service providers to implement substance abuse prevention, mental health, housing and domestic violence services. Expected outcomes for Community Collaboratives includes, increases in resource families, decrease in substantiated abuse and neglect and increase in availability of services in our most at risk communities.

  Child Welfare Planning Councils are county level community partnerships focused on assuring that a comprehensive network of prevention services are available throughout the entire county. They focus on attracting, raising and distributing funds for prevention services in core areas that often lead to child abuse and neglect, continually assess progress toward identified goals of reducing abuse and neglect, look at how well the child welfare reform plan is being implementing in the county and support the efforts of local level community collaboratives. Expected outcomes for Councils include, increase of funding at the county level dedicated to prevention services, decrease in abuse and neglect throughout the county and increased support for community collaboratives as evidenced by sustainability and effectiveness.

  The funding associated with Councils is primarily for services. Councils will fund services that are shown to influence child abuse and neglect such as substance abuse, domestic violence, mental health, physical health and housing. Initially, only 12% of the funding is associated with administrative costs and as service

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dollars increase, the administrative percentage will decrease. Councils have been identified to carryout this role because they will have a necessary, narrow focus only on child welfare issues and include a community led process in line with the Child Welfare Reform Plan, which recognizes that the state can not effectively protect the welfare of children without partnering with the community. The Councils will acknowledge and utilize the experience and expertise of Human Services Advisory Council (HSACs) , County Interagency Coordinating Council (CIACCs) and Youth Service Commission at Juvenile Justice Commission (YSCs) by designating seats on the Council steering committee. The HSACs will continue to be an advisory board to the populations serviced by the entire Department of Human Services.

44. The FY 2006 recommended budget estimates that the number of children in a Subsidized Adoption setting will increase by over 500, from about 8,600 to nearly 9,200. In early 2005, the number of children in Subsidized Adoption already exceeds 9,100.

- ***Question:*** **Is the estimated number of children in Subsidized Adoption too low?**

- **Answer:** The estimated number of children in Subsidized Adoption is not too low. Although the number of children receiving subsidized adoption payments already exceeds 9,100, several hundred children leave the subsidized adoption program at the end of each fiscal year since they turn 18 years of age.

45.a. Pursuant to language in the FY 2004 and FY 2005 appropriations acts and the FY 2006 recommended budget, the Center for Children's Support (UMDNJ Stratford) will have received $2.4 million to develop 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 comprehensive diagnostic and treatment program?"**

Answer: There are three major parts to this model:

Development of Best Practice Protocols for Sexual Abuse, Physical Abuse, and Neglect

- In collaboration with staff from the Southern Region developed draft protocols in the above areas.
- Coordinated meetings with the three other Regional Diagnostic and Treatment Centers (RDTC's) to finalize the protocols.
- Submitted the draft protocols to the Division of Youth and Family Services. The Protocol on Sexual Abuse has been accepted. Formal implementation is pending; however in the interim, children are being seen using the draft. The

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Protocol on Physical Abuse has been accepted in principle by DYFS, pending a final decision on referral criteria. The Neglect protocol is completed, and is pending implementation.

- Started development of a mental health protocol to address the special mental health needs of children who have been the victims of child sexual abuse physical abuse or neglect.

The above practice model will be coordinated with the Model DYFS/Law Enforcement Protocol for the Investigation of Child Sexual Abuse and Severe Physical Abuse/Neglect being developed by DYFS and the Attorney General's Office.

Education and Training
Provided expert lectures and training to improve the skills of those working in the field of child abuse.

- On a quarterly basis provides expert lectures on topics related to child abuse. On December 7, 2004, a lecture conducted by Dr. Robert Reece, provided an overview of the medical literature. Future lectures are scheduled for April 20, 2005, and July 7, 2005, and will continue every three months.
- On March 11, 2005 held a Symposium on Best Practices.
- Provided "on-demand training" to DYFS offices in the Southern Region. Six sessions have been held recently on topics related to medical indictors of child abuse and neglect and child development.
- Future training for new DYFS caseworkers is being scheduled.

Expanded Services to Children and Families Supervised by DYFS

- Hired three additional psychologists and one social worker to provide outreach therapy to children. Children are seen in DYFS offices. This has doubled the service capacity.
- Hired an additional psychiatrist to conduct evaluations of children, provide medication, and do medication management.

45.b. Available contract information indicates that a portion of the $0.8 million awarded annually to the center was used to increase the center director's compensation from about $238,000 to nearly $262,000. No other employees of the center received an increase in compensation.

- ***Question:*** **What justification did the center provide for increasing the center director's compensation?**

- **Answer**: The director's salary is established by the Board of Directors of the NJ Cares Institute. The total budget for the Institute is approximately $8.2 million over two years, funded by several sources. Of that total budget, the contract with the

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Division of Youth and Family Services is $3.3 million over two years. The portion of the director's salary directly charged to our contract is $97,122 for two years or $28,561 per year.

DIVISION OF MANAGEMENT AND BUDGET

46.a. DHS has been in litigation with Deloitte Consulting to recoup monies from Deloitte for $54.9 million in claims submitted to the federal government, but disallowed, and to recoup upwards of $5.0 million in payments paid to Deloitte for the submission of these claims. This dispute has been ongoing for at least two years.

- ***Question:*** **What is the current status of the litigation? Pending resolution of the matter, can Deloitte Consulting be disqualified from being awarded other DHS contracts?**

- **Answer:** In regard to the current status of the litigation, the court has ordered the State to enter into mediation with Deloitte Consulting. Regarding the disqualification issue, the Department of the Treasury's current contract for revenue maximization work does not include Deloitte Consulting as a vendor. It may not be beneficial to the Department to completely disqualify Deloitte Consulting from participating in the bidding process for other DHS projects, especially those for which they may have unique capabilities. It may, however, be more difficult for Deloitte Consulting to be selected as the successful bidder on certain projects in the future because the selection criteria Includes past performance on similar projects.

46.b. In January 2004, the federal government issued a report that Deloitte Consulting had submitted $11.1 million in invalid Medicaid disproportionate share claims and sought repayment of these monies. DHS disagreed with the federal position on this matter.

- ***Question:*** **What is the status of the repayment of the $11.1 million? Has DHS sought to recoup additional monies from Deloitte for this disallowance?**

- **Answer:** The Department has provided information to Center for Medicare and Medicaid Services (CMS) in support of our position that these are allowable costs. CMS has not yet disallowed these costs. If these costs are ultimately disallowed by CMS, Deloitte would be responsible for returning to the State any funds that they were paid to develop these claims.

46.c. In 2004, DHS terminated its contract with the Education and Health Centers of America, Inc., for the operation of Lipman Hall. DHS indicated that it would recoup $3.0

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million in improper markups from the company.

- ***Question:*** **How much of the $3.0 million has been recouped? Pending resolution of the matter, can Education and Health Centers of America be disqualified from being awarded other DHS contracts?**

- **Answer:** The above referenced contract recovery was settled at $1.8M. Currently $500K has been repaid to Treasury in accordance with the repayment provisions of the agreement. The question regarding disqualification is under legal review.

47. DHS was appropriated $10.0 million for Social Services Emergency Grants. As of this writing, no funds have been expended.

- ***Question:*** **What is the status of these funds? To the extent that funds have or will be awarded, what agencies received monies, how much did the agencies receive, and what is the intended use of these monies?**

- **Answer:** This information is being provided under separate cover letter.

48.a. The FY 2006 recommended budget provides an additional $7.0 million (gross) for the Statewide Automated Child Welfare System (SACWIS), now named NJ SPIRIT project. This is in addition to the $32.8 million (gross) previously provided for the project.

- ***Question:*** **Why is an additional $7.0 million (gross) needed for the project? Including hardware and other related costs, what is the total projected cost of implementing SACWIS/NJ SPIRITS?**

- **Answer:** The additional $7.0 million is needed for the ongoing costs associated with the implementation of the NJ Spirit project. These costs include hardware, software and contract payments. The total projected cost of implementation remains an estimated $55.6 million, of which $27.8 million is federally funded and the State share is funded by capital funds.

48.b Release 2 of SACWIS/NJ SPIRIT has been delayed by at least three months, from September to December 2005. Various reports by Bearing Point (which provides DHS with technical support on the project) indicate that the implementation vendor's schedule is "aggressive" and questions the reasonableness of the implementation schedule.

- ***Question:*** **Is the December 2005 date still operational? What impact will the delay have on the overall cost and completion date of the project? What caused the three month delay? If the delay is the fault of the vendor, has DHS sought to impose penalties on the vendor for the delay?**

- **Answer:** The Request for Proposal (RFP) for SACWIS was issued in July 2003 and a

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contract was awarded in January 2004. The requirements for the RFP was developed and approved by the Administration for Children and Families (ACF), the federal funding agency, prior to the development of the Child Welfare Reform Plan (February 2004) and the establishment of the Children's Welfare Reform Panel. The Children's Reform Plan established significant policy changes, and created the Office of Children's Services (OCS). The Panel and OCS worked together to define and refine case practices in New Jersey.

We successfully launched Release 1 (Statewide Central Registry) in the Fall of 2004. The current DYFS's Service Implementation System is operational and support case practice, the delivery of services to clients and payments to providers.

This major reengineering of DYFS is resulting in changes to the functional requirements of the proposed SACWIS system. Presently, the vendor and OCS/DHS are reviewing all changes to be made to the base functional requirements as per the contract. This review necessitates changes to the design and development of SACWIS/NJSPIRIT Release 2 and will impact the final release date beyond.

48.c. As part of the overall Child Welfare Reform, a new Children's Services Support program was established in Central Office. Of the $9.6 million recommended for the program, approximately $2.7 million is for Information Technology - Child Welfare Reform.

- ***Question:*** **Are these monies related to the SACWIS/NJ SPIRIT project?**

- **Answer:** The technology costs are for application development and earmarked for changes that have to be made to ensure that the SACWIS/NJSPIRIT applications incorporates case practice and business changes resulting from the Child Welfare Reform Plan.