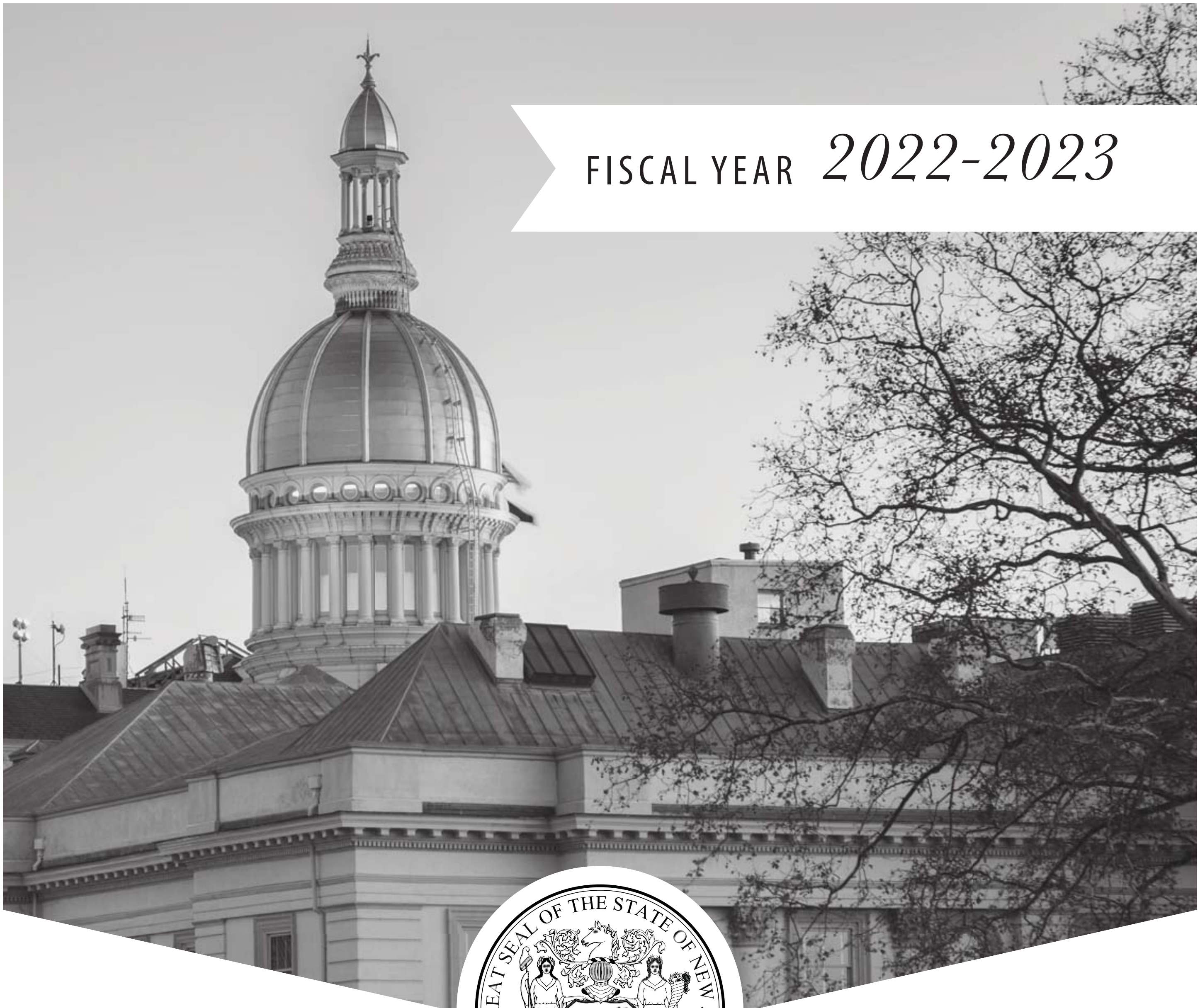
FISCAL YEAR *2022-2023*



ANALYSIS OF THE NEW JERSEY BUDGET

DEPARTMENT OF HUMAN SERVICES

Prepared by the

New Jersey Legislature

★ *Office of* LEGISLATIVE SERVICES ★

April 2022

NEW JERSEY STATE LEGISLATURE

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DEPARTMENT OF HUMAN SERVICES

Budget Pages .... C-5; C-12; C-20; D-169 to D-225; G-4; H-11

The data presented in this Office of Legislative Services Budget Analysis reflect 12-month fiscal years beginning on July 1 and ending on June 30 of the subsequent year.

Fiscal Summary ($000)

	Expended FY 2021	Adjusted Appropriation FY 2022	Recommended FY 2023	Percentage Change 2022-23
State Budgeted	$6,557,538	$7,404,961	$8,283,210	11.9%
Federal Funds	12,510,226	13,468,777	13,493,730	0.2%
All Other Funds	1,892,794	2,239,393	2,268,258	1.3%
Grand Total	$20,960,558	$23,113,131	$24,045,198	4.0%

Personnel Summary - Positions By Funding Source

	Actual FY 2021	Revised FY 2022	Funded FY 2023	Percentage Change 2022-23
State	3,444	3,307	3,372	2.0%
Federal	2,910	2,728	2,817	3.3%
All Other	52	50	71	42.0%
Total Positions	6,406	6,085	6,260	2.9%

FY 2021 (as of December) and revised FY 2022 (as of January) personnel data reflect actual payroll counts. FY 2023 data reflect the number of positions funded.

Link to Website: https://www.njleg.state.nj.us/budget-finance/governors-budget

Highlights

- The Governor's FY 2023 Budget provides $24.05 billion to the Department of Human Services, an increase of $932.1 million (4.0 percent) over FY 2022. State funding is expected to grow by $878.2 million (11.9 percent), funding from All Other Funds by $28.9 million (1.3 percent), and federal funding by $25.0 million (0.2 percent).

- Pursuant to the federal Families First Coronavirus Response Act of 2020, the State has received over $2.5 billion in enhanced federal cost reimbursements under Medicaid and the Children's Health Insurance Program, distributed over fiscal years 2020, 2021, and 2022. The enhanced cost reimbursements will cease after the end of the federal COVID-19 public health emergency, which the department anticipates will occur during FY 2023. Accordingly, the Governor's FY 2023 Budget recommends increasing State funds appropriations for NJ FamilyCare by $461.4 million to replace federal funds anticipated not to recur after the expiration of the increased federal match. The total increase grows to $778.3 million after factoring in the additional $300.9 million in FY 2022 State appropriations the Executive intends to return to the General Fund at the end of the current fiscal year after the enhanced federal cost reimbursements have been available for longer than assumed in the FY 2022 Appropriations Act.

- The next three largest changes, all within the NJ FamilyCare/Medicaid program, are: 1) an increase of $192.3 million due to enrollment changes; 2) a $138.6 million decrease due to a shift from State to federal funds for home and community-based services in accordance with an enhanced federal match received for these services from April 1, 2021 to March 31, 2022; and 3) a $94.0 million increase in the Medicare costs charged to the Medicaid program for dually eligible beneficiaries, due to federally implemented rate increases under the Medicare program, and enrollment growth.

- The Department of Human Services includes five major divisions with gross annual budgets over $200 million, each of which is summarized below. The department also includes four divisions whose recommended budgets for FY 2023 are relatively small and nearly unchanged from their FY 2022 appropriations: the Division of Disability Services, the Commission for the Blind and Visually Impaired, the Division of the Deaf and Hard of Hearing, and the Division of Management and Budget.

Division of Medical Assistance and Health Services

The Division of Medical Assistance and Health Services is primarily responsible for NJ FamilyCare. The program provides health care coverage to low-income New Jersey residents and children living in low- and moderate-income households with support from the federal Medicaid program and the Children's Health Insurance Program.

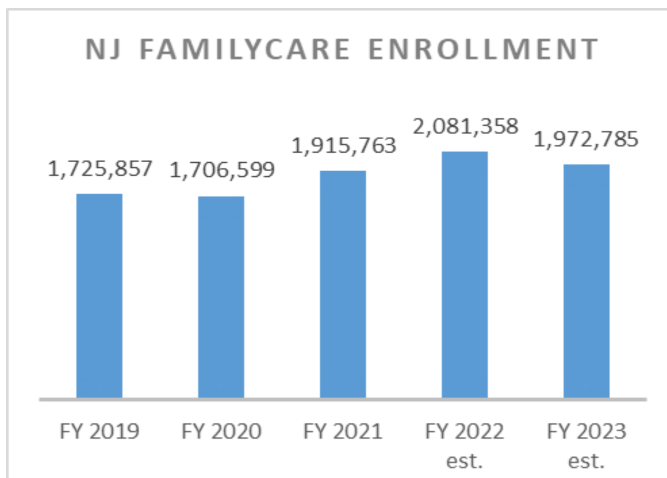
- The Governor's FY 2023 Budget recommends a net increase of $496.7 million (2.8 percent) in gross funding for the division, to a total of $17.96 billion. State appropriations are to increase by $675.5 million (14.0 percent) to $5.49 billion; federal funds to decrease by $206.0 million (1.9 percent) to $10.38 billion; and other funds, in the form of Medicaid drug manufacturer rebates, certain health care provider assessments, and other dedicated fund payments for Medicaid/NJ FamilyCare, to increase by $27.2 million (1.3 percent) to $2.10 billion.

Highlights (Cont'd)

- Comparisons of FY 2022 adjusted appropriations to recommended FY 2023 NJ FamilyCare/Medicaid appropriations are of limited informative value. That is because the FY 2022 amounts do not reflect the actual amount of enhanced federal Medicaid matching funds received in that fiscal year. As a result, the Executive anticipates returning $261.1 million in unneeded FY 2022 NJ FamilyCare/Medicaid appropriations to the State General Fund at the end of the current fiscal year. Additional amounts are anticipated to be returned to the General Fund in other Department of Human Services, Department of Children and Families, and Department of Health divisions whose operations are supported by the federal Medicaid program.

- The net State funds increase of $675.5 million for the division in FY 2023 is composed of $798.0 million in growth and $122.5 million in reductions. Of the proposed increase, 44.5 percent or $355.4 million is attributed to the shift from federal to State appropriations following the expiration of the enhanced federal Medicaid matching rate at the end of the federal health emergency.

- The Executive recommends a $192.3 million increase in State funds appropriations for NJ FamilyCare in FY 2023 due to enrollment changes. However, this estimate is subject to considerable uncertainty related to the timing of the end of the federal COVID-19 public health emergency. As a condition for the receipt of the temporarily enhanced federal matching percentages under Medicaid and the Children's Health Insurance Program, the federal Families First Coronavirus Response Act requires the State to continue to provide coverage to all individuals enrolled on or after March 18, 2020, until the last day of the month when the health emergency ends, regardless of any changes in individuals' circumstances that otherwise would result in termination. As such, since March 2020, NJ FamilyCare enrollment increased by 415,000 enrollees to 2.1 million in FY 2022. The department estimates that enrollment will decline, at an unknown point, to under 2.0 million in FY 2023 following the expiration of the health emergency period and the resumption of coverage terminations. However, until then, enrollment will continue to grow.



- The Governor's FY 2023 Budget anticipates shifting $122.5 million in expenditures for home and community-based services from State to federal funds. The federal American Rescue Plan Act of 2021 temporarily enhanced, from April 1, 2021 to March 31, 2022, the federal matching rate for Medicaid home and community-based services by 10 percentage points. The State is required to use the additional federal funds to improve, expand, or strengthen Medicaid home and community-based services.

Highlights (Cont'd)

- The Governor's FY 2023 Budget includes an additional $94.0 million to support Medicare costs charged to the Medicaid program for dually eligible beneficiaries, due to federally implemented rate increases under the Medicare program and enrollment growth.

- The Executive recommends a $15.0 million increase in State funds to implement P.L.2020, c.89, which requires that the minimum wage for long-term care facility direct care staff members be $3 higher than the prevailing minimum wage - or $17 per hour as of January 1, 2023 and $18 per hour as of January 1, 2024.

- Under phase two of the Cover All Kids Initiative, the Governor's FY 2023 Budget proposes a new $11.0 million State appropriation to expand NJ FamilyCare coverage to children who are currently ineligible solely due to immigration status.

- The Governor proposes an additional $30.0 million, $15.0 million in State funds and federal funds each, to increase the NJ FamilyCare fee-for-service daily per-capita reimbursement rates for nursing homes. The additional funding would not be distributed uniformly among nursing homes, as the formula determining each nursing home's daily rate would be revised to place a greater weight on performance-based incentive payments. In addition, the Executive newly recommends excluding nursing homes that do not meet certain performance benchmarks from the performance payment system.

- The Governor's FY 2023 Budget contains various other increases in NJ FamilyCare appropriations, including: $86.8 million for managed care capitation rates; $17.4 million for personal care assistance rates; and $15.0 million for clinician rates for maternity care.

Division of Mental Health and Addiction Services

The Division of Mental Health and Addiction Services oversees New Jersey's adult system of community-based behavioral health services. It offers a full array of services, including substance use prevention and early intervention, emergency screening, outpatient and intensive outpatient mental health and substance use disorder treatment services, partial care and partial hospitalization, case management, medication assisted treatment for substance use disorders, and long- and short-term mental health and substance use disorder residential services.

- The Governor's FY 2023 Budget recommends a net increase of $56.2 million (6.3 percent) in gross funding for the division, to a total of $953.0 million. The majority of this increase is in State appropriations, which are proposed to grow by $43.9 million to $616.7 million. The remainder is attributed to the anticipated growth of $12.3 million in federal funds, for a total appropriation of $323.4 million. All other funds appropriations are expected to remain level at $12.9 million.

- The Governor proposes increasing Division of Mental Health and Addiction Services State funds appropriations by $27.0 million to provide a wage increase of $1 per hour for employees of mental health and substance use disorder providers.

- The Executive also recommends an increase of $12.8 million to support the implementation of the federally mandated 9-8-8 National Suicide Prevention Hotline;

Highlights (Cont'd)

$3.9 million for additional placements of individuals with mental health challenges in community-based settings; and $1.2 million for an increase to the diversion bed rate for uninsured individuals at risk of hospitalization.

- The Governor recommends increasing the appropriation for State-billable patients who are cared for in county psychiatric hospitals by $2.0 million to $122.7 million in FY 2023. The increase in rates is formula-driven, as more current expenditure data are used in determining reimbursement rates to county psychiatric hospitals.

- The Governor's FY 2023 Budget proposes newly appropriating $150,000 for New Beginnings Behavioral Health in Camden to provide support for substance use disorder, housing, and rehabilitation services in South Jersey.

Division of Aging Services

The Division of Aging Services budget funds numerous programs for senior citizens and certain residents with disabilities. These include the State-funded pharmaceutical assistance programs and several other programs intended to allow seniors to stay in their homes and avoid institutional placement, such as home-delivered meals, transportation, and housekeeping services. The division also provides State Aid to counties for the operations of the County Offices on Aging and the State share of the federal Older Americans Act.

- The Governor's FY 2023 Budget recommends $262.9 million in gross appropriations for the division, an increase of $4.3 million (1.7 percent) from the FY 2022 adjusted appropriation, which is comprised entirely of State funds. Anticipated federal funds and other dedicated revenues are to remain at FY 2022 levels, $88.4 million and $52.9 million, respectively.

- The recommended growth in the State appropriation is largely attributed to a net increase due to two countervailing factors. First, the Governor proposes increasing the Pharmaceutical Assistance to the Aged and Disabled (PAAD) – Claims appropriation by $6.9 million to annualize the cost impact of the higher income limits used to determine eligibility that was implemented on January 1, 2022. Second, the Executive anticipates a $2.6 million reduction in funding largely due to the continuation of a recent trend of declining enrollment under the Senior Gold Prescription Discount Program and reductions in the disabled population participating in PAAD.

Division of Developmental Disabilities

The Division of Developmental Disabilities funds a broad range of community-based residential care services, individual and family support services, and day programs for individuals with developmental disabilities. The division also operates the State's five residential developmental centers for individuals with developmental disabilities.

- Gross funding for the five State developmental centers is recommended to increase by $27.8 million (9.6 percent), to $316.9 million, composed of $14.3 million in State funds (17.5 percent) and $13.5 million (6.5 percent) in federal funds. The State increase reflects

Highlights (Cont'd)

a shift from federal to State funds as a result of the anticipated expiration of the enhanced Medicaid matching funds that has been available during the federal COVID-19 public health emergency. The average daily population for all centers is projected to fall by 67 (6.1 percent) to 1,012.

- The Governor proposes gross funding for the division's Community Programs of $2.55 billion in FY 2023, roughly $234.8 million (10.2 percent) more than in FY 2022, including: $1.27 billion in State appropriations (an increase of $128.4 million or 11.2 percent); $1.27 billion in federal funds (growth of $104.8 million or 9.0 percent); and $5.6 million from All Other Funds (an increase of $1.7 million or 41.7 percent).

- The Executive proposes a $91.8 million increase in State funds appropriations to replace federal funds received from the temporarily enhanced federal Medicaid matching rate that is anticipated to end with the federal COVID-19 public health emergency.

- The recommended State appropriation for the Community Care Program includes two reductions: 1) $56.8 million due to the discontinuance of the enhanced COVID-19 residential staffing rate in December 2021; and 2) $16.0 million due to a shift in expenditures from State to federal resources, following the receipt of enhanced federal Medicaid matching funds for home and community based services from April 1, 2021 to March 31, 2022, pursuant to the federal American Rescue Plan Act of 2021.

- The Division of Developmental Disabilities administers two Medicaid waiver programs, the Community Care Program and the Supports Program. The Governor's FY 2023 Budget appropriates an additional $50.2 million in State funds due to anticipated growth in FY 2023 cost and utilization projections across these programs. Community Care Program enrollment is estimated to increase by 200 individuals from 12,000 in FY 2022 to 12,200 in FY 2023. Moreover, the Supports Program is projected to grow by 511 clients from 11,699 clients in FY 2022 to 12,210 clients in FY 2023.

- The Executive recommends appropriating an additional $41.7 million in State funds for the Community Care Program and Supports Program due to higher service provider employee compensation expenditures for direct service professionals and their supervisors because of the State minimum wage rising to $13 per hour on January 1, 2022 and $14 per hour on January 1, 2023.

- The Governor proposes appropriation growth due to rate increases within the division in FY 2023: a) $9.2 million attributed to the annualized cost of continuing the FY 2022 day program rate increase, added into the FY 2022 Appropriations Act by the Legislature and implemented on October 1, 2021; and 2) $8.3 million due to increased out-of-State provider rates for community-based services rendered to division beneficiaries.

Division of Family Development

The Division of Family Development provides various support services and types of assistance to financially insecure families and adults without dependents. In cooperation with county welfare agencies, the division provides nutrition assistance, temporary cash assistance, rental and emergency housing assistance, child care subsidies, and other support services to its client population. These programs include the federal

Highlights (Cont'd)

Supplemental Nutrition Assistance Program (SNAP), the Temporary Assistance for Needy Families (TANF) block grant, and the Child Care and Development Block Grant.

- Funding for the division is recommended to increase by $117.4 million (6.9 percent), to $1.83 billion (gross). Of this amount, $99.5 million represents federal funds appropriations and $18.0 million represents State funds. Other dedicated revenues are to remain at FY 2022 levels, at $55.4 million.

- The Governor's FY 2023 Budget includes an additional $12.8 million in State funding for Work First New Jersey Child Care to compensate providers for higher expenditures due to the January 1, 2023 and January 1, 2023 increases in the State minimum wage.

- The Governor recommends a total of $9.0 million in decreases across the division: $5.0 million due to the elimination of the Child Care Facility Improvements Pilot Program ($4.5 million) and the Child Care Shared Services Pilot Program ($500,000) appropriations; $2.0 million due to the discontinuance of the SNAP Mobile App appropriation, following the completion of this project; and $2.0 million to align the FY 2023 appropriation for Substance Use Disorder Initiatives with FY 2022 spending levels.

- In addition to renewing a $9.0 million FY 2022 supplemental appropriation, the Governor's FY 2023 Budget recommends increasing the FY 2023 appropriation for General Assistance Emergency Assistance by $6.2 million based on assistance utilization projections.

- The Executive proposes a new $3.0 million appropriation to support Essex County in administering the Supplemental Nutrition Assistance Program (SNAP) program. Essex County has the highest SNAP caseload in the State.

- The Governor proposes appropriating an additional $3.0 million in FY 2023 to annualize the October 1, 2021 increase in the homeless shelter per diem rate that is to be used for wage increases for shelter workers. A $9.0 million supplemental appropriation was effected in FY 2022 for this purpose.

- The Executive recommends an additional $2.4 million in FY 2023 to increase, by $10, the per diem motel and hotel rate for individuals participating in the emergency assistance program who need temporary housing.

Background Papers:

Fiscal and Personnel Summary

AGENCY FUNDING BY SOURCE OF FUNDS ($000)

	Expended FY 2021	Adj. Approp. FY 2022	Recom. FY 2023	Percentage Change 2021-23	Percentage Change 2022-23
General Fund					
Direct State Services	$299,856	$297,057	$303,596	1.2%	2.2%
Grants-In-Aid	5,489,226	6,329,376	7,099,064	29.3%	12.2%
State Aid	183,114	202,646	213,017	16.3%	5.1%
Capital Construction	1,178	0	0	(100.0%)	----
Debt Service	0	0	0	----	----
Sub-Total	**$5,973,374**	**$6,829,079**	**$7,615,677**	**27.5%**	**11.5%**
Property Tax Relief Fund					
Direct State Services	$0	$0	$0	----	----
Grants-In-Aid	3,546	4,000	4,000	12.8%	0.0%
State Aid	216,704	236,207	241,200	11.3%	2.1%
Sub-Total	**$220,250**	**$240,207**	**$245,200**	**11.3%**	**2.1%**
Casino Revenue Fund	$363,914	$335,675	$422,333	16.1%	25.8%
Casino Control Fund	$0	$0	$0	----	----
State Total	**$6,557,538**	**$7,404,961**	**$8,283,210**	**26.3%**	**11.9%**
Federal Funds	$12,510,226	$13,468,777	$13,493,730	7.9%	0.2%
Other Funds	$1,892,794	$2,239,393	$2,268,258	19.8%	1.3%
Grand Total	**$20,960,558**	**$23,113,131**	**$24,045,198**	**14.7%**	**4.0%**

PERSONNEL SUMMARY - POSITIONS BY FUNDING SOURCE

	Actual FY 2021	Revised FY 2022	Funded FY 2023	Percentage Change 2021-23	Percentage Change 2022-23
State	3,444	3,307	3,372	(2.1%)	2.0%
Federal	2,910	2,728	2,817	(3.2%)	3.3%
All Other	52	50	71	36.5%	42.0%
Total Positions	**6,406**	**6,085**	**6,260**	**(2.3%)**	**2.9%**

FY 2021 (as of December) and revised FY 2022 (as of January) personnel data reflect actual payroll counts. FY 2023 data reflect the number of positions funded.

AFFIRMATIVE ACTION DATA

Total Minority Percentage	56.8%	59.7%	N/A	----	----

Significant Changes/New Programs ($000)

DIVISION OF MENTAL HEALTH AND ADDICTION SERVICES

General Fund, Grants-in-Aid Community Care				Budget Page: D-177	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$306,145	$266,074	$339,341	$369,835	$30,494	9.0%

This account funds contracts with community mental health agencies to provide an array of mental health services, with a focus on assisting individuals discharged or diverted from the State's psychiatric hospitals. In FY 2023, according to Evaluation Data, the department estimates that the account will support 113 provider agencies. The recommended growth in the General Fund appropriation for Community Care has five components, which includes an aggregate increase of $35.5 million offset by a $5.0 million decrease.

First, of the increases, $17.6 million reflects wage rate growth of $1 per hour for mental health and substance use disorder providers.

Second, the Governor proposes a new $12.8 million appropriation to support the federal mandate to establish a new 9-8-8 National Suicide Prevention hotline. On July 16, 2022, this hotline will replace the 10-digit suicide hotline number currently in use.

Third, $3.9 million is recommended to support additional Olmstead placements. The State has engaged in long-term efforts to reduce the number of institutionalized individuals with mental health challenges pursuant to the U.S. Supreme Court's decision in Olmstead v. L.C., 527 U.S. 581 (1999), which requires that individuals with mental illness receive services in the least restrictive appropriate environment.

Finally, $1.2 million represents an increase to the diversion bed rate for the uninsured. This rate has been static since 2014, and the proposed FY 2023 rate of $745 per day reflects a 2 percent annual increase to the existing rate from 2014 to 2023. The division contracts with Carrier Clinic, Hampton Behavioral Health Center, and Northbrook Behavioral Health Hospital to provide diversion beds for individuals at risk of hospitalization, and who do not have coverage under private insurance or are not eligible for NJ FamilyCare/Medicaid.

These increases are offset by a $5.0 million decrease in expenditures due to program trends. The Office of Management and Budget intends to lapse $5.0 million in surplus appropriations from this account into the General Fund at the end of FY 2022. Accordingly, the proposed FY 2023 funding decrease of $5.0 million because of program trends aligns the account with FY 2022 spending needs.

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

General Fund, Grants-in-Aid Behavioral Health Rate Increase				Budget Page: D-177	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$2,224	$4,000	$17,984	$24,271	$6,287	35.0%

Federal Funds Community Services				Budget Page: D-178	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$49,603	$42,143	$190,157	$202,287	$12,130	6.4%

The Behavioral Health Rate Increase account is recommended to grow by $6.3 million due to a $1 per hour increase to wage rates of mental health and substance use disorder treatment providers. The account supports providers in transitioning community-based mental health and substance use disorder treatment services from a system of cost-reimbursement contracts to fee-for-service reimbursement. The anticipated $12.1 million increase in federal funds for Community Services, in turn, is attributable to growth in the federal matching funds anticipated to be received for higher State expenditures from the Behavioral Health Rate Increase account.

In the cost-reimbursement payment model, providers receive a monthly payment at the predetermined contracted rate, regardless of the actual services provided to clients. At the end of the contract year, a close-out process reconciles payments that were made to providers with their actual costs, and the State reclaims excess payments. By contrast, a fee-for-service system requires providers to submit a claim for each unit of service that is delivered, at a standard rate set by the State, after the services have been delivered.

General Fund, Grants-in-Aid Community Based Substance Use Disorder Treatment and Prevention – State Share				Budget Page: D-177	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$18,240	$16,601	$27,777	$32,276	$4,499	16.2%

The Community-Based Substance Use Disorder Treatment and Prevention – State Share appropriation, in combination with the federal Substance Abuse Block Grant, supports a wide variety of programs to prevent and treat substance use disorders that are not covered by the NJ FamilyCare (Medicaid) program. This account in particular funds the State's maintenance of effort requirement to match the federal grant.

The recommended increase in this budget line is composed of three components.

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

First, an additional $2.8 million reflects a $1 per hour increase to wage rates of mental health and substance use disorder treatment providers.

Second, the Governor proposes a $1.5 million increase due to growth in the demand for services. Evaluation Data indicate that the department anticipates providing addiction services to 81,965 unique clients in FY 2023, an increase of 1,626 clients compared to FY 2022. Most of these clients will be served using funds from this account.

Finally, $150,000, as specified in new proposed budget language, represents new funding for New Beginnings Behavioral Health to provide support for substance use disorder, housing, and rehabilitation services in South Jersey. New Beginnings Behavioral Health is a non-profit health care organization primarily located in Camden that provides support services to homeless individuals, recovery initiatives for individuals with substance use disorders, and re-entry programs for individuals exiting the prison system.

Property Tax Relief Fund, State Aid Support of Patients in County Psychiatric Hospitals (PTRF)				Budget Page: D-178	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$107,624	$107,269	$120,718	$122,711	$1,993	1.7%

The Governor recommends increasing the appropriation for State-billable patients who are cared for in county psychiatric hospitals by $2.0 million in FY 2023. The Office of Management and Budget attributes the recommended increase to rate adjustments following a reconciliation of prior year rates with actual expenditures.

The Division of Mental Health and Addiction Services pays 85 percent of the costs for maintenance of county patients and 100 percent of the costs for maintenance of State patients in county psychiatric hospitals. Evaluation Data indicate no change in the estimated average daily population of 390 State-billable patients in FY 2023. Currently, four counties (Bergen, Essex, Hudson, and Union) operate county psychiatric hospitals, which primarily serve individuals who are involuntarily committed to inpatient psychiatric treatment.

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

DIVISION OF MEDICAL ASSISTANCE AND HEALTH SERVICES

General Fund, Grants-in-Aid Medical Coverage				Budget Page: D-186	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
A) Medical Coverage – Aged, Blind and Disabled					
$1,265,648	$1,315,725	$1,371,725	$1,546,599	$174,874	12.7%
B) Medical Coverage – Community-Based Long Term Care Recipients					
$883,839	$939,909	$1,131,024	$1,275,889	$144,865	12.8%
C) Medical Coverage – Nursing Home Residents					
$444,496	$375,123	$393,374	$485,332	$91,958	23.4%
D) Medical Coverage – Title XIX Parents and Children					
$470,558	$256,992	$577,765	$648,182	$70,417	12.2%
E) Medical Coverage – ACA Expansion Population					
$327,325	$479,069	$520,196	$542,022	$21,826	4.2%
TOTAL MEDICAL COVERAGE					
$3,391,866	$3,366,818	$3,994,084	$4,498,024	$503,940	12.6%
Less Expected FY 2022 Lapse					
		($263,422)			
TOTAL MEDICAL COVERAGE LESS EXPECTED FY 2022 LAPSE					
$3,391,866	$3,366,818	$3,730,662	$4,498,024	$767,362	20.6%

The Governor recommends the State funds appropriations for various Medicaid eligibility group budget lines to increase by $503.9 million to a FY 2023 total appropriation of $4.50 billion.

As indicated above, the Office of Management and Budget intends to lapse $263.4 million in surplus Medicaid appropriations into the General Fund at the end of FY 2022. Accordingly, the proposed FY 2023 State funding level reflects a $767.4 million, or 20.6 percent, increase over anticipated FY 2022 spending needs.

The excess FY 2022 State spending authority is no longer needed because federal funds that were unanticipated in the FY 2022 Appropriations Act replaced appropriated State funds to pay for Medicaid expenditures. The additional federal funds reflect the enhanced federal matching rates that have been available during the federal COVID-19 public health emergency pursuant to the federal Families First Coronavirus Response Act. The FY 2022 Appropriations Act assumed that the enhanced federal matching percentages would only be available through December 2021.

The proposed $503.9 million net increase in State appropriations, excluding the anticipated lapse, is the aggregate effect of numerous countervailing changes. In total, the Governor recommends expenditure increases of $626.5 million across these lines, attributed to the following growth factors:

1) a $299.5 million increase, attributed to a shift from federal to State funds following the anticipated expiration of the 6.2 percent enhancement of the federal matching percentages for State Medicaid expenditures, available during the federal public health

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

emergency declared in response to the COVID-19 pandemic pursuant to the federal Families First Coronavirus Response Act;

2) a $257.5 million increase due to a combination of higher managed care organization rates and anticipated NJ FamilyCare enrollment changes. Enrollment has increased each month, for a total of 415,000 additional beneficiaries, since the onset of the pandemic in March 2020 due to the suspension of eligibility terminations, which is a condition of the receipt of the enhanced federal Medicaid match during the federal public health emergency. As of March 2022, NJ Family Care enrollment is at 2.1 million;
3) a $17.4 million increase to raise the personal care assistance reimbursement rate from $22 to $24 per hour;
4) a $15.0 million increase to raise clinician rates for maternity care, including reimbursements for midwives and doulas;
5) a $15.0 million increase attributed to higher long-term care facility expenditures for direct care employee compensation because of the State minimum wage for such employees rising to $16 per hour as of January 1, 2022 and $17 per hour as of January 1, 2023;
6) a $11.0 million increase associated with part-year policy changes under the Cover All Kids Initiative to fund coverage expansion in NJ FamilyCare for children who are currently ineligible solely due to immigration status;
7) a $3.9 million increase to raise the hourly rate for Early and Periodic Screening, Diagnosis and Treatment/Private Duty Nursing services from $60 to $61 for services rendered by a registered nurse, and from $48 to $49 for services rendered by a licensed practical nurse;
8) a $3.0 million increase to eliminate the use of step therapy and prior authorization for HIV treatment medication in NJ FamilyCare;
9) a $2.5 million increase to continue for the entirety of FY 2023 the New Jersey Integrated Care for Kids (NJ InCK) model in Monmouth and Ocean counties, which was first implemented on January 1, 2022. NJ InCK is a local service delivery model aimed at reducing out-of-home placement as well as health care expenditures for children covered by NJ FamilyCare; and
10) a $1.7 million increase to ensure rate parity for pediatric outpatient mental health services with adult services.

The recommended increases are offset by a $122.5 million shift from State to federal funds for home and community-based services. Pursuant to the federal American Rescue Plan Act of 2021, the State received a 10 percentage-point enhancement to the federal matching percentage for State Medicaid expenditures for home and community-based services from April 1, 2021 to March 31, 2022. The State is required to use the additional federal funds to improve, expand, or strengthen Medicaid home and community-based services.

These budget lines, however, only represent General Fund expenditures for Medicaid service costs provided through the managed care and fee-for-service delivery system. Federal cost reimbursements defray more than twice that amount. According to Evaluation Data, total expenditures for this purpose are anticipated to grow by $530.2 million, or 3.7 percent, to $15.06 billion in FY 2023, composed of $9.68 billion in federal funds, $4.50 billion in State funds, and $874.9 million from the off budget Health Care Subsidy Fund. Federal funds are the only source anticipated to decline in FY 2023 compared to FY 2022 levels, by $219.8 million, reflecting the anticipated expiration of enhanced federal matching fund percentages and enrollment changes associated with the resumption of eligibility determinations.

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

In total, the Executive forecasts NJ FamilyCare expenditures for all eligibility groups from all funding sources for both services and other associated costs - such as Medicare premiums, provider settlements and adjustments, and eligibility and enrollment services - to total $16.49 billion in FY 2023. This amount is $703.4 million, or 4.5 percent, higher than anticipated expenditures for the current fiscal year.

In general, the Office of Management and Budget exercises discretion in allocating these resources to the various NJ FamilyCare budget lines. Accordingly, the projected changes in FY 2023 State NJ FamilyCare appropriations are not necessarily an accurate reflection of policy changes related to the delivery of services or program utilization experiences. In addition, recurring budget language grants the Executive substantial discretion with regard to Medicaid Medical Coverage expenditures in the mid-year execution phase of the budget. State funds appropriations to individual Grants-in-Aid budget lines in the General Medical Services program classification may be transferred to other Grants-in-Aid budget lines in the same program classification. Similar language provides transfer authority with regard to federal Medicaid funds. Another language provision grants unrestricted supplemental appropriation authority for the State-funded accounts.

General Fund, Grants-in-Aid Medicare Parts A and B				Budget Page: D-186	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$209,580	$203,241	$226,507	$288,201	$61,694	27.2%

The NJ FamilyCare program pays Medicare Part A and B premiums for Medicaid enrollees who are also enrolled in the federal Medicare program. For these individuals, Medicare is the primary payer, so dual enrollment helps to reduce State costs by shifting a portion of these costs to the federal government.

The gross FY 2023 recommended appropriation for Medicare Parts A and B premiums equals $590.1 million, consisting of $288.2 million in State funds and $310.9 million in federal funds. The total is $85.8 million more than the FY 2022 adjusted appropriations.

At $33.2 million, the largest contributor to the recommended $61.7 million increase in the State funds appropriation for Medicare Parts A and B premiums are increased Medicare rates and enrollment that, in part, reflect the cost experience of the COVID-19 pandemic. The remaining $28.5 million increase is largely attributable to the need to replace the anticipated nonrecurrence of federal funds following the anticipated expiration of the 6.2 percentage-point enhancement in the federal Medicaid cost reimbursement rate available during the federal COVID-19 public health emergency.

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

General Fund, Grants-in-Aid Medicare Parts D				Budget Page: D-186	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$461,926	$459,154	$490,615	$589,493	$98,878	20.2%

The Medicare Part D appropriation represents "clawback" payments, which the State is required to make to the federal government. The clawback payments are calculated by the federal government according to a formula, and are intended to reflect roughly 75 percent of the State Medicaid savings that result from the Part D program's coverage of prescription drug costs for those individuals enrolled in both Medicare and Medicaid.

Of the recommended $98.9 million increase, $60.9 million is attributable to an increase in Medicare rates and enrollment, which, in part, reflects the cost experience of the COVID-19 pandemic. The remaining increase, or $38.0 million, is due to the anticipated expiration of the 6.2 percentage-point enhancement in the federal Medicaid cost reimbursement rate. The federal matching rate affects the formulaic calculation of the State clawback multiplier. When the State's federal medical assistance percentage decreases, as is the anticipated case following the present COVID-19 public health emergency, the State's clawback percentage increases in tandem.

General Fund, Grants-in-Aid Provider Settlements and Adjustments				Budget Page: D-186	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$7,109	$72,552	$22,410	$33,391	$10,981	49.0%

This budget line reflects appropriations to a variety of unspecified, residual NJ FamilyCare programs that are not allocated to client category-specific Medicaid lines. In the past, the unspecified, residual NJ FamilyCare programs have included some retroactive payments to providers, federally mandated additional Medicaid payments to Federally Qualified Health Centers, and some Medicaid coverage costs.

The $11.0 million increase in State funds reflects a combination of replacing temporarily enhanced federal Medicaid cost reimbursement percentages that will expire at the end of the federal COVID-19 public health emergency; higher Medicaid managed care organization capitation rates, and increased NJ FamilyCare enrollment.

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

Federal Funds General Medical Services				Budget Page: D-186	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$8,181,874	$9,598,262	$10,335,065	$10,129,079	($205,986)	(2.0%)

The anticipated net decrease of $206.0 million in federal funds associated with Medicaid/NJ FamilyCare is attributable to several individual changes. Two countervailing factors, however, weigh heavily.

The Executive anticipates an aggregate reduction of $579.7 million in federal matching funds for State expenditures associated with the Affordable Care Act expansion eligibility group (low-income, childless non-seniors without disabilities) and the Title XIX Parents and Children eligibility group. This decrease is largely driven by two factors: 1) the anticipated expiration of the 6.2 percent enhanced federal cost reimbursement rate for State Medicaid expenditures, available during the COVID-19 federal public health emergency pursuant to the federal Families First Coronavirus Response Act; and 2) an anticipated decline in enrollment following the reinstatement of coverage terminations, which have been suspended since March 2020, as a condition of receiving the enhanced federal match under the federal Families First Coronavirus Response Act. For example, the average monthly enrollment for the Affordable Care Act expansion eligibility group is anticipated to decline by 59,067 beneficiaries, or 8.3 percent, from 709,455 enrollees in FY 2022 to 650,388 enrollees in FY 2023.

This anticipated reduction in federal funding is projected to be offset by an expected increase of $354.8 million in the elderly and disabled eligibility groups, notwithstanding the loss of the enhanced federal cost reimbursement rate. This growth in federal funds is driven predominantly by increased annual costs per beneficiary. For example, the average annual cost per long-term care eligibility group member is projected to rise by $7,154, or 12.5 percent, from $57,451 in FY 2022 to $64,606 in FY 2023.

All Other Funds General Medical Services				Budget Page: D-187	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$1,775,556	$1,752,382	$2,065,034	$2,092,244	$27,210	1.3%

The Governor's recommended increase for All Other Funds reflects projected growth in expenditures charged to the dedicated, off-budget Health Care Subsidy Fund, of which $25.7 million is allocated to the Children's Health Insurance Program (CHIP) and $1.5 million for Hospital Mental Health Offset Payments. The Health Care Subsidy Fund is the sole State funding source for CHIP.

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

According to Evaluation Data, the Executive anticipates CHIP costs to increase by $31.8 million, composed of $25.7 million in State funds and $6.1 million in federal funds. This growth is expected due to higher service costs per beneficiary. Moreover, the State is assuming a higher portion of CHIP expenditures due to the anticipated expiration of the enhanced federal match for State CHIP expenditures, which will require the division to replace federal funds with State funds.

Administered under P.L.1997, c.263, the Health Care Subsidy Fund receives its revenues from several State taxes, among them the cigarette tax, the HMO Premiums Assessment, and the 0.53 percent Hospital Assessment. These revenue streams are anticipated to contribute $1.24 billion to the Health Care Subsidy Fund in FY 2023 (page H-11 of the Governor's FY 2023 Budget). Fund expenditures support Statewide health care initiatives.

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

DIVISION OF AGING SERVICES

General Fund, Grants-in-Aid Pharmaceutical Assistance to the Aged and Disabled - Claims					Budget Page: D-197	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$30,040	$30,053	$39,483	$45,143		$5,660	14.3%

The Pharmaceutical Assistance to the Aged and Disabled (PAAD) program provides prescription drug benefits to individuals who are over 65 years of age or disabled, subject to income limitations. The recommended growth in the General Fund appropriation has two countervailing components, an increase of $6.9 million offset by a $1.2 million decrease.

The Governor recommends expending an additional $6.9 million to continue providing benefits under existing income eligibility limits implemented on January 1, 2022. Prior to the expansion of income eligibility, the PAAD income limits for 2021 were $28,769 for single persons and $35,270 in combined income for married couples. Under the new initiative, the limits increased to $38,769 for single persons and $45,270 in combined income for married couples. Accordingly, program enrollment is expected to rise by 8,068 enrollees within the aged population from 95,668 in FY 2022 to 103,735 in FY 2023. In FY 2021, prior to the expanded income eligibility, enrollment among the aged population totaled 86,142.

The projected expenditure growth would be modestly offset by: 1) a $252,000 reduction in funding that the Executive attributes to the anticipated continuation of a long-term enrollment decline within the disabled population, which is projected at 663 enrollees in FY 2023; and 2) the discontinuance of a FY 2022 supplemental appropriation of $938,000.

General Fund, Grants-in-Aid Senior Gold Prescription Discount Program					Budget Page: D-198	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$2,733	$3,129	$5,752	$4,317		($1,435)	(24.9%)

The Senior Gold Prescription Discount program provides prescription drug benefits to individuals who are over 65 years of age or disabled, subject to income limitations. The proposed decrease reflects the anticipated continuation of a recent trend of declining enrollment, which is projected to fall by 2,361 individuals, from 10,752 in FY 2022 to 8,391 in FY 2023.

Notably, the Office of Management and Budget intends to lapse $3.7 million in FY 2022 surplus State appropriations into the General Fund at the end of the fiscal year, for a total FY 2022 spending of $2.0 million. Moreover, the FY 2023 amount includes $2.85 million that is routinely transferred out of the account for administrative expenditures, for a total FY 2023 expenditure proposal of $1.5 million. Accordingly, the proposed FY 2023 funding level reflects a $500,000 decrease over anticipated FY 2022 spending needs.

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

General Fund, Grants-in-Aid Age Friendly Initiative					Budget Page: D-198	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$0	$0	$50	$0		($50)	(100.0%)

The Executive recommends discontinuing a $50,000 appropriation to fund the implementation of Executive Order No. 227 of 2021, which created the Age-Friendly State Advisory Council. The council is responsible for identifying opportunities for creating livable communities for people of all ages, recommending best practices for age-friendly work, and promoting community inclusion across the state. Under the Executive Order, the department is to issue a blueprint of best practices for advancing age-friendly practices in transportation, housing, inclusivity, and community support and health services within 18 months of the executive order's effective date, March 2, 2021. As of April 14, 2022, the department has not published this document and the FY 2022 appropriation has not been expended.

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

DIVISION OF DEVELOPMENTAL DISABILITIES – DEVELOPMENTAL CENTERS

General Fund, Direct State Services
Salaries and Wages — **Budget Page: D-206**

FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$50,362	$34,176	$41,418	$55,700		$14,282	34.5%

The recommended increase in the Salaries and Wages appropriation across the State's five developmental centers is attributable to a shift from federal to State funds following the anticipated expiration of the federal COVID-19 public health emergency period, which provides for an enhanced 6.2 percent Medicaid matching rate pursuant to the federal Families First Coronavirus Response Act.

The $41.4 million FY 2022 appropriation, however, overstates current expenditure projections. Because of the anticipated use of additional federal funding from the enhanced Medicaid matching rates than was expected when the FY 2022 Appropriations Act was enacted, the Office of Management and Budget intends to lapse $11.2 million in surplus developmental center appropriations into the General Fund at the end of FY 2022. Accordingly, the proposed FY 2023 funding level of $55.7 million reflects a $25.5 million, or 84.3 percent, increase over anticipated FY 2022 spending.

The division administers five residential developmental centers for individuals with developmental disabilities. According to budget data, the long-term initiative to place individuals in the community, rather than in developmental centers, would continue. In FY 2023, 1,012 individuals are expected to reside in the five developmental centers, a decline of 66 individuals from the FY 2022 revised data. The annual cost per person is to remain stable compared to FY 2022 levels. Additionally, the Executive anticipates funding 1,936 positions with State funds in FY 2023, a decrease of 99 from FY 2022 levels.

Federal Funds
Residential Care and Habilitation Services — **Budget Page: D-206**

FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$182,651	$167,039	$170,374	$181,288		$10,914	6.4%

Federal Funds
Administration and Support Services — **Budget Page: D-206**

FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$34,260	$35,912	$36,878	$39,476		$2,598	7.0%

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

The Governor recommends a combined increase of $13.5 million in federal funding for the State's developmental centers, reflecting the anticipated receipt of increased federal Medicaid matching funds for FY 2023 State expenditures, irrespective of the enhanced federal cost reimbursement rates during the federal COVID-19 public health emergency. Additionally, the Executive anticipates funding 1,557 positions with federal funds in FY 2023, a decrease of 163 from FY 2022 levels.

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

DIVISION OF DEVELOPMENTAL DISABILITIES – COMMUNITY PROGRAMS

General Fund and Casino Revenue Fund, Grants-in-Aid Community Care Program (CCP)						
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
A) CCP – Individual Supports (General Fund)					Budget Page: D-209	
$310,034	$427,615	$409,464	$410,366		$902	0.2%
B) CCP – Individual Supports (Casino Revenue Fund)					Budget Page: D-209	
$235,443	$338,540	$310,027	$396,685		$86,658	28.0%
C) CCP – Individual and Family Support Services (General Fund)					Budget Page: D-209	
$56,686	$24,933	$30,933	$36,133		$5,200	16.8%
D) CCP – Employment and Day Services (General Fund)					Budget Page: D-209	
$101,539	$122,499	$157,999	$174,766		$16,767	10.6%
TOTAL COMMUNITY CARE PROGRAM (CCP)						
$703,702	$913,587	$908,423	$1,017,950		$109,527	12.1%

General Fund, Grants-in-Aid Supports Program						
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
A) Supports Program – Individual and Family Support Services					Budget Page: D-209	
$41,332	$36,182	$40,182	$43,982		$3,800	9.5%
B) Supports Program – Employment and Day Services					Budget Page: D-209	
$73,867	$85,558	$91,958	$98,508		$6,550	7.1%
TOTAL SUPPORTS PROGRAM						
$115,199	$121,740	$132,140	$142,490		$10,350	7.8%

TOTAL COMMUNITY CARE AND SUPPORTS PROGRAM						
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$818,901	$1,035,327	$1,040,563	$1,160,440		$119,878	11.5%
Less Expected FY 2022 Lapse						
		($28,537)				
TOTAL COMMUNITY CARE PROGRAM AND SUPPORTS PROGRAM LESS EXPECTED FY 2022 LAPSE						
$818,901	$1,035,327	$1,012,026	$1,160,440		$148,415	14.7%

The Division of Developmental Disabilities administers two Medicaid waiver programs, the Community Care Program (CCP) and the Supports Program. Through enrollment in one of these programs, individuals can receive home and community-based services based on their assessed

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

needs and individualized budget. The CCP delivers services primarily to clients who live in State-licensed residential facilities, while the Supports Program delivers services primarily to clients who live in unlicensed settings, such as with family members or in their own homes. While these programs share basic eligibility rules, the CCP has additional eligibility criteria, such as the individual must require a level of care needed at an Intermediate Care Facility for Individuals with Intellectual Disabilities.

The annual appropriations acts grant the Division of Developmental Disabilities substantial discretion to allocate CCP and Supports Program appropriations to individual budget lines, as needed, without additional legislative approval. Accordingly, certain recommended changes in FY 2023 appropriations are budgeted in one budget line, even though they are intended to pay for projected expenditures in several budget lines.

As indicated above, the combined State funds appropriation for the CCP and Supports Program in FY 2023 is recommended to increase by $119.9 million. However, the Office of Management and Budget intends to lapse $28.5 million in surplus appropriations into the General Fund at the end of FY 2022 due to additional federal funds. Accordingly, the proposed FY 2023 State funding level reflects a $148.4 million, or 14.7 percent, increase over FY 2022.

The excess FY 2022 funding is not needed because the State has received enhanced federal Medicaid matching rates during the federal COVID-19 public health emergency pursuant to the federal Families First Coronavirus Response Act for a longer period than was anticipated in the FY 2022 Appropriations Act. The increased federal funds then replaced State funds to pay for program expenditures.

The proposed $119.9 million increase in State appropriations is the aggregate effect of numerous changes, with the following factors each contributing at least $5.0 million to the net impact:

1) a $91.8 million increase, centrally budgeted in the Casino Revenue Fund CCP – Individual Supports budget line, attributed to a shift from federal to State funds following the anticipated expiration of the enhanced federal match for State Medicaid expenditures, available during the federal public health emergency declared in response to the COVID-19 pandemic, pursuant to the federal Families First Coronavirus Response Act;

2) a $56.8 million decrease, centrally budgeted in the CCP – Individual Supports budget lines, due to the discontinuation of the enhanced COVID-19 staffing rate for congregate residential care providers in December 2021. The 20 percent increase, first implemented in March 2021, was provided as a result of the mandated closure of congregate day programs in response to the COVID-19 pandemic, which increased staffing needs of congregate residential providers during the hours when residents typically would have attended day programs;

3) a $50.2 million increase, centrally budgeted in the CCP – Individual Supports budget lines, due to growth in program costs and utilization driven by the division's longstanding priority to place and support clients within the community. Notably, the department estimates that CCP enrollment will increase by 200 individuals from 12,000 in FY 2022 to 12,200 in FY 2023, with the average cost per individual increasing by $1,633. Moreover, the Supports Program is projected to grow by 511 clients from 11,699 clients

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

in FY 2022 to 12,210 clients in FY 2023, with the average cost per individual increasing by $4,802;

4) a $41.7 million increase attributed to compensation expenditures to support the State minimum wage rising to $13 per hour on January 1, 2022 and $14 per hour on January 1, 2023. Of this amount, $31.3 million is expected to support direct support professional wages, and $10.4 million is expected to support their supervisors. This increase in budgeted as follows: $18.6 million for the CCP - Individual Supports; $7.6 million for CCP – Employment and Day Service; $6.6 million for Supports Program – Employment and Day Services; $5.2 million for CCP – Individual and Family Support Services; and $3.8 million for Supports Program - Individual and Family Support Services.

5) a $16.0 million decrease, centrally budgeted in the CCP – Individual Supports budget lines, due to a shift from State to federal funds attributed to additional federal funds the State received from the temporary 10 percentage-point enhancement to its federal matching fund percentages for State Medicaid expenditures for home and community-based services, pursuant to the federal American Rescue Plan Act of 2021; and

6) a $9.2 million increase, centrally budgeted in the CCP – Employment and Day Services budget line, due to the annualized cost of continuing a FY 2022 day program rate increase, added into the FY 2022 Appropriations Act by the Legislature and implemented on October 1, 2021.

As a general description of the service categories provided via the Support Program and Community Care Program lines: Individual Supports are services that assist clients with self-care and habilitation-related tasks; Individual and Family Support Services are delivered to individuals who require support to engage in the community; and Employment and Day Services are provided to enrollees to promote independent living skills and employment.

General Fund, Direct State Services Disability Information Hub				Budget Page: D-209	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$0	$0	$0	$250	$250	N/A

The Governor's FY 2023 Budget proposes $250,000 for the establishment of a new Disability Information Hub, which would provide up-to-date, consumer-friendly information about disability services in a central location. According to the Budget in Brief, the department will implement the virtual hub in collaboration with individuals with disabilities.

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

General Fund, Grants-in-Aid Contracted Services				Budget Page: D-209	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$73,953	$48,000	$48,000	$56,270	$8,270	17.2%

This appropriation represents third-party services provided to Division of Developmental Disabilities clients mostly in out-of-State settings and largely outside of the Medicaid system. The recommended growth in this line is due to increased out-of-State provider rates for home- and community-based services rendered to division beneficiaries. According to Evaluation Data, the average annual cost per out-of-State placement in FY 2023 is $196,777, an increase of $39,048 from FY 2022 levels. This increase is modestly offset by a decline of 18 individuals in the average monthly census of out-of-State placements, from 295 in FY 2022 to 277 in FY 2023. Total expenditures for out-of-State placements in FY 2023 is projected at $54.5 million.

Federal Funds Purchased Residential Care				Budget Page: D-209	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$722,729	$883,279	$820,517	$873,466	$52,949	6.5%

Federal Funds Social Supervision and Consultation				Budget Page: D-209	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$77,526	$96,637	$132,056	$182,941	$50,885	38.5%

Of the $103.8 million recommended increase in federal funds appropriations to the two program classifications in the Division of Developmental Disabilities, the Supports Program accounts for $50.9 million and the Community Care Program (CCP) for $53.0 million. The increase in anticipated federal Medicaid matching funds is largely attributable to: a) recommended FY 2023 State appropriations for wage increases for direct service professionals and their supervisors; b) the Executive's recommendation to maintain the increased division day program rates in FY 2023; and c) anticipated enrollment growth.

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

All Other Funds Purchased Residential Care					Budget Page: D-210	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$11,610	$7,489	$3,966	$5,621		$1,655	41.7%

This account represents client contributions towards the cost of community-based residential services provided by the Division of Developmental Disabilities. Over recent years, contributions have declined as the division has shifted from a system in which clients pay the division for services to a system in which clients pay their rent directly to the landlord. In FY 2022, according to the Office of Management and Budget, receipts from this line were also used to support an outstanding invoice from a prior year, artificially lowering FY 2022 net revenues. Since this transaction will not be required in FY 2023, net receipts are projected to increase in FY 2023 compared to FY 2022, although net receipts in FY 2023 are projected to be substantially less than in FY 2020 and FY 2021.

The current program is known as the Supportive Housing Connection, a voucher-based rental assistance program administered by the department and the New Jersey Housing and Mortgage Finance Agency for individuals with developmental disabilities who live in community-based residential programs. Clients contribute 30 percent of their gross income toward their rent, directly paid to the residential facility-operating landlord. The remainder of eligible rental costs is paid by the Supportive Housing Connection directly to the landlord. Evaluation Data indicate that the number of vouchers is projected at 8,300 in FY 2022 and 8,445 in FY 2023. The Governor's FY 2023 Budget appropriates $34.0 million in State funds for the voucher program under the Client Housing line.

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

DIVISION OF FAMILY DEVLOPMENT

General Fund, Direct State Services Special Purpose: New Jersey SNAP Mobile Software Program P.L.2021, c.245					Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$0	$0	S $2,000	$0		($2,000)	(100.0%)

The Executive recommends discontinuing a one-time $2.0 million supplemental appropriation effected by P.L.2021, c.245 for the establishment of the New Jersey SNAP Mobile Software Program. Under this law, the department was directed to develop and maintain, or enter into or modify an agreement with a third-party to develop and maintain, a mobile-friendly software for Supplemental Nutrition Assistance Program (SNAP) recipients. The division launched the ConnectEBT app in October 2021, which allows SNAP recipients to check their balances, review up to 12 months of transaction history, confirm their last benefit deposit, and change their PIN.

General Fund, Grants-in-Aid Child Care Facility Improvements Pilot Program					Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$0	$0	$4,450	$0		($4,450)	(100.0%)

The Governor recommends eliminating funding for the Child Care Facility Improvements Pilot Program. This program was intended to allow child care providers to make needed capital improvements to their facilities in exchange for participating in the Grow NJ Kids program. The Grow NJ Kids program is a rating and improvement system designed to assess child care providers, provide training and incentives to improve the services offered by providers, and communicate participants' level of quality to the public. As of April 14, 2022, none of the funds appropriated for this program have been expended.

General Fund, Grants-in-Aid Child Care Shared Services Pilot Program					Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$0	$0	$550	$0		($550)	(100.0%)

The Governor recommends eliminating funding for the Child Care Shared Services Pilot Program, which provides support for shared services collaborations in Central and Southern New Jersey to

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

reduce child care providers' administrative costs. As of April 14, 2022, none of the funds appropriated for this program have been expended, while $100,000 has been obligated.

General Fund, Grants-in-Aid Work First New Jersey Child Care					Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$132,391	$120,129	$172,972	$185,772		$12,800	7.4%

The recommended growth of $12.8 million in the General Fund appropriation for Work First New Jersey Child Care is attributable to higher child care provider employee compensation expenditures because of the State minimum wage rising to $13 per hour on January 1, 2022 and $14 per hour on January 1, 2023.

The Work First New Jersey child care appropriation is used for department-funded child care services to low-income families. Evaluation Data show anticipated FY 2023 child care payments from all sources for eligible families to total $596.1 million, an increase of $79.5 million compared to FY 2022 levels.

General Fund, Grants-in-Aid Utility Assistance Payments					Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$1,930	$0	$2,500	$3,297		$797	31.9%

This line and corresponding budget language originate in the FY 2020 Appropriations Act. Appropriations support a minimum annual energy assistance payment of $21 for every household in the State that is eligible to receive benefits under the Supplemental Nutrition Assistance Program (SNAP), with certain exceptions, in order to qualify those households for a heating and cooling standard utility allowance under SNAP. The recommended increase in this account reflects an anticipated increase in the number of households qualifying for a payment. Evaluation data indicates that the average monthly number of households participating in SNAP is to increase by 28,008, from 453,268 in FY 2022 to 481,276, in FY 2023.

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

General Fund, Grants-in-Aid Substance Use Disorder Initiatives				Budget Page: D-216	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$8,877	$5,475	$20,113	$18,113	($2,000)	(9.9%)

This account funds services for Work First New Jersey Program beneficiaries who have a substance use disorder. Services include an assessment, treatment at a licensed substance abuse treatment facility, and any necessary supports such as child care and transportation while the beneficiary is receiving treatment. The Office of Management and Budget intends to lapse $2.0 million in surplus appropriations from this account into the General Fund at the end of FY 2022. Accordingly, the proposed FY 2023 funding level aligns the account with FY 2022 spending needs. Work First New Jersey is composed of the State's Temporary Assistance for Needy Families Program and the General Assistance Program.

General Fund, State Aid General Assistance Emergency Assistance Program				Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$17,657	$31,311	$21,546 S $11,608	$42,185	$9,031	27.2%

The Emergency Assistance segment of the General Assistance program provides emergency cash, rental, and other assistance to individuals without dependent children who are at imminent risk of homelessness. There is a general 12-month time limit for the receipt of benefits, with certain exceptions. The General Assistance program is completely State-funded.

The Governor recommends maintaining the FY 2022 supplemental appropriations totaling $11.6 million, as well as increasing the appropriation by $9.0 million in FY 2023. The largest contributor to these increases is program growth, to which the Executive attributes $9.1 million of the FY 2022 supplemental appropriations and $6.2 million of the FY 2023 appropriation increase.

The remainder of the FY 2022 supplemental appropriation, roughly $2.5 million, is due to the homeless shelter worker wage increase implemented on October 1, 2021 in accordance with a language appropriation in the FY 2022 Appropriations Act. The FY 2023 appropriation includes an additional $887,000 for annualizing the homeless shelter worker wage rate increase.

The remainder of the FY 2023 appropriation increase, or $2.0 million, is attributed to increasing the per diem motel and hotel rate for individuals who need temporary housing by $10.

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

General Fund, State Aid Payments for Cost of General Assistance					Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$23,389	$30,422	$34,314	$30,586		($3,728)	(10.9%)

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

The recommended $3.7 million decrease reflects declining enrollment. Evaluation Data show that the average number of monthly recipients is projected to decline by 1,639 enrollees from 13,729 in FY 2022 to 12,090 in FY 2023.

General Fund, State Aid Work First New Jersey - Emergency Assistance					Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$6,454	$6,711	$6,318 S $5,333	$13,754		$2,103	18.0%

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

The FY 2023 recommended appropriation maintains a $5.3 million supplemental appropriation that increased the homeless shelter worker wage rate, which was first implemented on October 1, 2021 in accordance with a language appropriation in the FY 2022 Appropriations Act. Moreover, the Governor recommends increasing the FY 2023 appropriation by $1.7 million to provide this rate increase for the entirety of FY 2023.

The proposed FY 2023 appropriation increase also includes $395,000 attributed to increasing the per diem motel and hotel rate for individuals who need temporary housing by $10.

Federal funding for the Work First New Jersey emergency assistance program is anticipated to decline by $10.6 million from $29.3 million in FY 2022 to $18.7 million in FY 2023, for total program funding from all sources in FY 2023 that is estimated at $32.5 million.

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

General Fund, State Aid Payments for Supplemental Security Income					Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.		Change FY 2022 – FY 2023	
$66,691	$70,038	$66,489 S $9,942	$78,721		$2,290	3.0%

This account provides a State-funded supplement to the maintenance payments provided under the federal Supplemental Security Income Program. Certain emergency assistance, including legal fees and burial costs, is also delivered. To be eligible for the federal program, an individual must have limited income and resources, and be 65 years or age and older. Individuals of any age, including children, who are blind or who have disabilities, may also qualify for the payments.

The Governor recommends maintaining the FY 2022 supplemental appropriations of $10 million as well as increasing the budget line appropriation by $2.3 million in FY 2023, due to various components.

The largest factor contributing to these increases is the implementation of P.L.2021, c.476, which increases reimbursements to funeral homes and cemeteries for funeral, burial, and crematory services provided to participants of the Work First New Jersey and Supplemental Security Income programs. The Executive attributes $7.9 million of the FY 2022 supplemental appropriation to this purpose. Being that the law was adopted in January of 2022, the Executive anticipates lapsing $4.3 million of projected unused funds to the General Fund at the end of the current fiscal year. According to Evaluation Data, FY 2022 burial expenses are estimated at $20.7 million, an increase of $700,000 from FY 2021 levels. In FY 2023, these costs are anticipated to grown by $8.1 million to a total of $28.7 million.

The FY 2022 supplemental also includes a $1.2 million increase for the raised homeless shelter worker wage rate, which was first implemented on October 1, 2021. The recommended FY 2023 appropriation would add another $450,000 in order to annualize the rate increase.

Finally, the Executive proposes increasing this budget line by $1.9 million in FY 2023 attributed to trend in the expenditures of this account. Evaluation Data on page D-215 does not support this expenditure increase. Since FY 2020, the average monthly number of recipients of supplemental security income has declined annually, for a total of 13,594 fewer recipients in FY 2023 compared to FY 2020 levels. Moreover, recipients of emergency assistance is anticipated to decline by 78 recipients in FY 2023 compared to FY 2022 levels. As average monthly grant amounts have increased modestly, the total expenditures for the program, absent burial expenses, is anticipated to increase by $191,289 from $59.3 million in FY 2022 to $59.5 million in FY 2023.

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

Property Tax Relief Fund, State Aid Supplemental Nutrition Assistance Program Administration – State (PTRF)				Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$25,293	$25,293	$25,293	$28,293	$3,000	11.9%

This account supports the administrative costs of the Supplemental Nutrition Assistance Program (SNAP), which the State shares with the federal government. County welfare agencies in New Jersey, under the supervision of the Division of Family Development, administer SNAP. The recommended growth in this account is attributed to the administration of SNAP in Essex County, reflecting the caseload demands on that county compared to other counties in the State.

According to the monthly Division of Family Development report, as of February 2022, Essex County serves the largest caseload of SNAP households, at 81,045 households. Moreover, the Essex County caseload has increased by 24.6 percent since February 2021, while that rate of change for other counties is much lower.

Federal Funds Income Maintenance Management				Budget Page: D-217	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$969,295	$1,088,836	$1,068,788	$1,168,241	$99,453	9.3%

The net $99.5 million recommended increase in federal appropriations for the Division of Family Development is the result of multiple countervailing components, which includes $174.0 million in increases.

Of significance, the Executive anticipates a $130.0 million increase associated with the Earned Income Tax Credit Program. The State bills these costs to the federal Temporary Assistance for Needy Families block grant in cases that, except for the Earned Income Tax Credit Program, the household would be eligible for Temporary Assistance for Needy Families cash assistance benefits. The New Jersey Earned Income Tax Credit Program functions as a negative income tax for low-income working households, at a rate of 40 percent of the federal earned income tax credit. This increase is attributed to eligible Earned Income Tax Credit Program expenditures not being charged to the Temporary Assistance for Needy Families program in FY 2022. Generally, the State has broad flexibility on the use of Temporary Assistance for Needy Families funds, as long as the purpose serve the goals of the federal program.

Additionally, the Executive anticipates a $28.8 million increase for Supplemental Nutrition Assistance Employment and Training Program. Through the program, Supplemental Nutrition Assistance Program participants have access to training and support services to help them enter or move up in the workforce. These programs also help to reduce barriers to work by providing support services – such as transportation and childcare – as participants prepare for and obtain

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

employment. The State is required to operate a Supplemental Nutrition Assistance Employment and Training program and receives federal funding annually to operate and administer the program, without any required non-federal share.

These increases are offset by $74.5 million in federal appropriation decreases, including $23.2 million within the Work First New Jersey program, $21.3 million in Temporary Assistance for Needy Families Child Care Expenses, and $15.0 million for Social Services Administration.

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

DIVISION OF MANAGEMENT AND BUDGET

General Fund, Direct State Services Special Purpose: Health Care Billing System				Budget Page: D-223	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$0	$0	$60	$0	($60)	(100.0%)

The Executive recommends eliminating this appropriation in FY 2023. First appropriated in the FY 2011 Appropriations Act, these account funds have consistently been unexpended and returned to the General Fund since FY 2018.

General Fund, Direct State Services Special Purpose: Nurture NJ				Budget Page: D-223	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$0	$0	$500	$1,000	$500	100.0%

The Governor's FY 2023 Budget proposes doubling the appropriation for the interdepartmental Nurture NJ program, which implements a Statewide awareness campaign and strategic plan committed to reducing infant and maternal mortality and morbidity, and ensuring equitable maternal and infant care among women and children of all races and ethnicities.

Since 2018, the office has implemented or begun implementing over half the 82 recommendations in the program's strategic plan. As part of the Nurture NJ initiative, the Governor's FY 2023 Budget recommends a $15 million appropriation in the Division of Medical Assistance and Health Services to raise Medicaid rates for maternity care providers, as well as funds for midwifery education in the Department of Health and for Central Intake Hubs, which support families with young children, in the Department of Children and Families.

General Fund, Direct State Services Special Purpose: Office of Long-Term Care Integrity and Oversight				Budget Page: D-223	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$0	$0	$0	$1,150	$1,150	N/A

The Executive proposes a new $1.2 million appropriation to establish the Office of Long-Term Care Integrity and Oversight. The office would complement the existing Office of the State Long-Term Care Ombudsman whose mission includes investigating and resolving complaints

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

concerning long-term care facilities; and initiating actions to secure, preserve and promote the health, safety, welfare and civil and human rights of residents. The office is planned to have three full-time positions.

General Fund, Direct State Services Special Purpose: Office of the New Americans				Budget Page: D-223	
FY 2020 Expended	FY 2021 Expended	FY 2022 Adj. Approp.	FY 2023 Recomm.	Change FY 2022 – FY 2023	
$0	$6,206	$200 S $8,200	$385	($8,015)	(95.4%)

Established in FY 2021 in accordance with Executive Order No. 74 of 2019, the Office of New Americans supports immigrants and refugees in New Jersey through outreach, education, and legal services. The $8.2 million FY 2022 supplemental appropriation reflects a language appropriation for legal services for individuals facing detention or deportation based on their immigration status. The language appropriation is recommended to continue in FY 2023.

According to the department, the FY 2022 base appropriation of $200,000 supported a $130,000 director's salary and the anticipated salaries of a Community Engagement Coordinator and Programs and Initiatives Coordinator. Any salary funding needs exceeding the FY 2022 base appropriation were to be funded from general salary resources available to the Department of Human Services.

Significant Language Changes

Division of Mental Health and Addiction Services

Authorizes Appropriation to Alcohol Treatment Programs Fund as a Contingency	
Addition	2022 Handbook: p. N/A 2023 Budget: p. D-179

Notwithstanding the provisions of any law or regulation to the contrary, such amounts as are determined by the Director of Budget and Accounting, in consultation with the Chief Administrator of the Motor Vehicle Commission, to be necessary to supplement any anticipated shortfall in funds appropriated for transfer to the Alcohol Treatment Programs Fund from the Motor Vehicle Surcharges Revenue Fund, not to exceed $7,500,000 are appropriated, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This new language provision would appropriate funds, not to exceed $7.5 million, from the General Fund to the Alcohol Treatment Programs Fund to replace any shortfall in dedicated revenue to be transferred to that fund from the Motor Vehicle Surcharges Revenue Fund.

Pursuant to P.L.2004, c.70, the New Jersey Economic Development Authority issued a series of Motor Vehicle Surcharges Revenue Bonds beginning in September 2004. Debt service on these bonds is paid from surcharges for certain motor vehicle violations collected by the Motor Vehicle Commission. The first $7.5 million of these surcharge revenues, in excess of the amount required to meet the bonds' debt service requirements, collected in each fiscal year is required to be transferred to the Alcohol Treatment Programs Fund.

The COVID-19 pandemic and certain policy decisions have caused dedicated motor vehicle surcharge revenue to decline sharply in recent years so that a General Fund appropriation first became necessary in FY 2021 to avoid defaulting on the bonds. The decline in collections has been so pronounced that no motor vehicle surcharge collections are available for transfer to the Alcohol Treatment Programs Fund.

The Alcohol Treatment Programs Fund provides grants to programs that treat alcoholism, alcohol abuse, and other conditions related to the excessive consumption of alcoholic beverages, with a focus on persons convicted of violating the State's drunk driving laws. Under budget language, fund balances may also be used for grants to providers of addiction treatment services for capital construction projects.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Appropriation for New Beginnings Behavioral Health	
Addition	**2022 Handbook: p. N/A** **2023 Budget: p.D-181**

<u>Notwithstanding the provisions of any law or regulation to the contrary, of the amount hereinabove appropriated for Community Based Substance Use Disorder Treatment and Prevention - State Share, an amount not to exceed $150,000, subject to the approval of the Director of the Division of Budget and Accounting, shall be allocated to New Beginnings to provide support for addiction, housing and rehabilitation services in South Jersey.</u>

Explanation

This new language provision would allocate $150,000 from the $32.3 million recommended FY 2023 appropriation for Community Based Substance Use Disorder Treatment and Prevention - State Share account to New Beginnings Behavioral Health, located in Camden. The recommended FY 2023 appropriation for this account includes an additional $4.5 million, of which $150,000 would fund this organization.

New Beginnings Behavioral Health is a non-profit health care organization primarily located in Camden that provides support services to homeless individuals, recovery initiatives for individuals with substance abuse disorders, and re-entry programs for individuals exiting the prison system.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Division of Medical Assistance and Health Services

Cover All Kids Initiative

Addition	**2022 Handbook: p. N/A** **2023 Budget: p. D-188**

Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for the General Medicaid Services program classification are subject to the following condition: Payments by the Division of Medical Assistance and Health Services are authorized to be made to Managed Care Organizations and medical care providers to enroll in NJ FamilyCare any child who, except for immigration status, meets financial and other eligibility provisions of the program.

Deletion	**2022 Handbook: p. B-110** **2023 Budget: p. N/A**

~~Premiums received from families enrolled in the NJ FamilyCare program established pursuant to P.L.2005, c.156 (C.30:4J-8 et al.) are appropriated for NJ FamilyCare payments.~~

Explanation

The Governor recommends the continued implementation of the Cover All Kids Initiative under the Children's Health Insurance Program (CHIP) and Medicaid program components of NJ FamilyCare. Commencing in the current fiscal year, the stated aim of this multi-year effort is to provide health insurance to children who are currently uncovered in the State.

The language addition would newly fund NJ FamilyCare coverage for children who are currently ineligible solely due to immigration status. The FY 2023 Governor's Budget recommends an increase of $11.0 million in State appropriations for the NJ FamilyCare program for the part-year implementation of the eligibility expansion in FY 2023. No federal Medicaid and CHIP cost reimbursements are available for this new eligibility group.

The language regarding premiums paid by families enrolled in CHIP is functionally obsolete because P.L.2021, c.132, the law implementing the FY 2022 phase of the Cover All Kids Initiative, eliminated premium payments previously required of certain families under CHIP.

Under P.L.2021, c.132, other components of this initiative in FY 2022 included: 1) prohibiting ineligibility of a child or parent under NJ FamilyCare based on a waiting period after disenrollment from an employer-sponsored health plan; and 2) the development of targeted outreach efforts to increase enrollment for children currently eligible for NJ FamilyCare who are unenrolled.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Personal Care Assistance Rate Increase	
Revision	**2022 Handbook: p. B-106** **2023 Budget: p. D-189**

Notwithstanding the provisions of any law or regulation to the contrary, and subject to the notice provisions of 42 C.F.R. s.447.205, of the amount hereinabove appropriated for the General Medical Services program classification, personal care assistant services shall be authorized prior to the beginning of services by the Director of the Division of ~~Disability~~ Medical Assistance and Health Services. The hourly rate for personal care services shall be ~~$22~~ $24.

Explanation

This revision would increase the hourly rate for fee-for-service personal care services paid within the Medicaid program from $22.00 to $24.00. However, pursuant to P.L.2017, c.239, the fee-for-service rate set in the annual Appropriations Act will also apply to those services delivered through a managed care delivery system. The law also requires that all rate increases be used solely to raise wages for workers who directly provide personal care services. The Governor recommends appropriating an additional $17.4 million across several accounts in the Division of Medical Assistance and Health Services to pay for the proposed FY 2023 rate increase.

Determination of Reimbursement Cost for Physician-Administered Drugs	
Revision	**2022 Handbook: p. B-109** **2023 Budget: p. D-191**

Notwithstanding the provisions of any law or regulation to the contrary, the appropriations for the General Medical Services program classification shall be conditioned upon the following provision: reimbursement for the cost of physician administered drugs shall not exceed the ~~lower~~ lowest of: (i) the Wholesale Acquisition Cost for the drugs administered in a practitioner's office less a volume discount of one percent, (ii) the federal upper limit, (iii) the State upper limit (SUL), or (iv) the practitioner's usual and customary charge.

Explanation

This proposed language amends the method for determining reimbursements for the cost of physician-administered drugs under NJ FamilyCare. Physician-administered drugs include drugs and certain devices, other than vaccines, that are typically administered by a health care provider in a physician's office or in a hospital or clinic outpatient setting. The annual Appropriations Act has historically provided

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

that such costs are not to exceed the lower of the Wholesale Acquisition Cost less a volume discount of one percent or the practitioner's usual and customary charge. This revision would limit reimbursement amounts to the lowest of: 1) the existing cost parameters; 2) the federal upper limit; or 3) the State upper limit. The federal upper limit, established under the Social Security Act, sets a reimbursement limit for some generic drugs; calculated as 175 percent of the Average Manufacturer Price, or the average price paid to the manufacturer by wholesalers and retail community pharmacies that purchase drugs directly from the manufacturer. The State upper limit is the Division of Medical Assistance and Health Services' rate schedule for reimbursement amounts, updated quarterly to reflect the most recent cost data.

Private Duty Nursing Rate Increase	
Revision	**2022 Handbook: p. B-109** **2023 Budget: p. D-191**

Notwithstanding the provisions of subsection (a) of N.J.A.C.10:60-5.7 and subsection (b) of N.J.A.C.10:60-11.2 to the contrary, the amount hereinabove appropriated for the General Medical Services program classification is conditioned upon the following: the minimum hourly fee-for-service and managed care reimbursement rates for Early and Periodic Screening, Diagnosis and Treatment/Private Duty Nursing services shall be ~~$60~~ <u>$61</u> per hour for registered nurses and ~~$48~~ <u>$49</u> for licensed practical nurses.

<u>Explanation</u>

This revised language would increase the hourly rate for Early and Periodic Screening, Diagnosis and Treatment/Private Duty Nursing services paid within the Medicaid program from $60 to $61 for services rendered by a registered nurse, and from $48 to $49 for services rendered by a licensed practical nurse. The Governor recommends appropriating an additional $3.9 million for this purpose across several Division of Medical Assistance and Health Services accounts.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Expansion of Services Provided Under Supplemental Prenatal Program	
Revision	**2022 Handbook: p. B-109** **2023 Budget: p. D-191**

The amount hereinabove appropriated for the General Medical Services program classification is subject to the following condition: payment is authorized for limited prenatal medical care provided by clinics, or in the case of radiology and clinical laboratory services ordered by a clinic, <u>as well as prenatal outpatient hospital services and perinatal doula services,</u> for New Jersey pregnant women who, except for financial requirements, are not eligible for any other State or federal health insurance program.

Explanation

This language revision expands services provided under the Supplemental Prenatal Program to prenatal outpatient hospital services and perinatal doula services. The program provides prenatal care to pregnant women who meet all the other criteria for NJ FamilyCare but for their immigration status.

Increasing Grants-in-Aid Support of NJ FamilyCare Administrative Costs	
Revision	**2022 Handbook: p. B-109** **2023 Budget: p. D-191**

Of the amount hereinabove appropriated in the General Medical Services program classification, there shall be transferred to various accounts, including Direct State Services and State Aid accounts, such amounts, not to exceed ~~$6,500,000~~ <u>$11,500,000</u>, as are necessary to pay for the administrative costs of the program classification, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language would increase by $5.0 million, from $6.5 million in FY 2022 to $11.5 million in FY 2023, the maximum amount of State funds appropriated to Grants-in-Aid accounts under the General Medical Services program classification that the Division of Medical Assistance and Health Services may transfer to other accounts for administrative costs of that program classification. Grants-in-Aid appropriations for the General Medical Services program classification pay providers of medical care for services rendered to NJ FamilyCare policyholders.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Fee-for-Service Nursing Home Reimbursement Rate Adjustments	
Revision	**2022 Handbook: p. B-112** **2023 Budget: p. D-193 to D-194**

Notwithstanding the provisions of chapter 85 of Title 8 of the New Jersey Administrative Code or any other law or regulation to the contrary, and subject to any required federal approval, the amounts hereinabove appropriated within the General Medical Services program classification are subject to the following conditions: (1) Class I (private), Class II (county), and Class III (special care) nursing facilities being paid on a fee-for-service basis shall be reimbursed at a per diem rate no less than the rate received on June 30, 2020, plus ~~ten~~ eight percent, plus $3.60, minus the first provider tax add-on and any performance add-on amounts, subject to the condition that Class III (special care) facilities shall be reimbursed the greater of this rate plus five percent or $450 per diem; (2) nursing facilities that are being paid by a Managed Care Organization (MCO) for custodial care through a provider contract that includes a negotiated rate shall receive that negotiated rate; (3) any Class I and Class III nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate as it received on June 30, 2020, plus ~~ten~~ eight percent, minus the first provider tax add-on and any performance add-on amounts, and any Class II nursing facility that is being paid by an MCO for custodial care through a provider contract but has not yet negotiated a rate shall receive the equivalent fee-for-service per diem reimbursement rate as it received on June 30, 2020, plus ~~ten~~ eight percent, minus any performance add-on amounts, had it been a Class I nursing facility; (4) monies designated pursuant to subsection c. of section 6 of P.L.2003, c.105 (C.26:2H-97) for distribution to nursing facilities, less the portion of those funds to be paid as pass-through payments in accordance with paragraph (1) of subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97) and less the actual amounts expended during fiscal year ~~2021~~ 2022 on performance add-ons and expenditures to establish a minimum per diem of $188.35, shall be combined with amounts hereinabove appropriated for the General Medical Services program classification for the purpose of calculating NJ FamilyCare reimbursements for nursing facilities; (5) for the purposes of this paragraph, a nursing facility's per diem reimbursement rate or negotiated rate shall not include, if the nursing facility is eligible for reimbursement, the difference between the full calculated provider tax add-on and the quality-of-care portion of the provider tax add-on, which difference shall be payable as an allowable cost pursuant to subsection d. of section 6 of P.L.2003, c.105 (C.26:2H-97); (6) the add-ons used for fiscal year ~~2021~~ 2022 shall be applied from July 1, ~~2021~~ 2022, through September 30, ~~2021~~ 2022 and the first add-on as calculated in section 4 above shall be applied to both MCO and fee-for-service per diem reimbursement rates effective October 1, ~~2021~~ 2022; (7) each Class I, Class II, and Class III nursing facility that has, not later than ~~November 17, 2020~~ December 1, 2021, submitted to the Department of Human Services (DHS) the DHS Fiscal Year ~~2022~~ 2023 CoreQ Long-Stay Survey Sample Size Calculation Grid with affirmative answers, as defined by the Department, to validated Hospital Utilization Tracking system use, CoreQ vendor intent, and completion of the CoreQ Long-Stay Survey sample size calculation and, if eligible for CoreQ, not later than ~~November 27, 2020~~ December 10, 2021, submitted demographics to the CoreQ vendor to initiate the CoreQ survey process, and, during calendar year 2021, has not been included on the Centers for Medicare and Medicaid Services (CMS)

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Special Focus Facility Lists A, B, E or F, ranked as a one-star facility by the CMS Five-Star Quality Rating System, or cited by the Department of Health for two or more Level G licensing violations (a) shall receive a performance add-on of ~~$0.60~~ $1.40 for each of the following CMS nursing home long stay quality measures where the nursing facility has not failed to report data for any of the reporting periods ~~Q1 2019, Q2 2019, Q3 2019 and Q4 2019~~ Q3 2020, Q4 2020, Q1 2021 and Q2 2021, and the simple average of the quarters, as calculated by the Department with available data, is at or below the lower of the New Jersey or national average, as calculated by CMS, for the percentage of long stay residents who are: physically restrained, receiving antipsychotic medication, experiencing one or more falls with major injury, and high risk residents with a pressure ulcer, (b) shall receive a performance add-on of ~~$0.60~~ $1.40 for the following CMS nursing home long stay quality measures where the nursing facility has not failed to report data for any of the reporting periods Q2 2020, Q3 2020, Q4 2020 and Q1 2021, and the simple average of the quarters, as calculated by the Department with available data, is at or below the lower of the New Jersey or national average, as calculated by CMS, for the number of hospitalizations per 1,000 long-stay resident days, (c) shall receive a performance add-on of $1.40 if the percentage of long-stay residents who are assessed and/or given, appropriately, the influenza vaccination is at or above the higher of the New Jersey or national average for the ~~2019~~ CMS reporting ~~year~~ influenza season ending Q2 2021, and ~~(c)~~ (d) shall receive a performance add-on of ~~$0.60~~ $1.40 if the nursing facility has been deemed eligible to participate in the CoreQ survey process as determined by the Department and received a composite score of 75 percent or greater ~~on the CoreQ Resident and Family Experience Survey for the fiscal year 2022 survey period; (8) each nursing facility shall use no less than sixty percent of the ten percent rate adjustment provided under section 1 above for the sole purpose of maintaining or increasing wages of staff providing direct care and, to ensure compliance, shall provide wage and cost data in a manner and form prescribed by the Commissioner of the Department of Human Services and shall return any of the sixty percent amount not used for this purpose; (9) each nursing facility shall use the remainder of the ten percent rate adjustment provided under section 1 above for the sole purpose of COVID-19 infection control preparedness and response and shall return twenty percent of the ten percent increase if the nursing facility is cited by the Department of Health for two or more repeat infection control violations during the fiscal year; and (10)~~, as calculated by the DHS vendor, on the CoreQ Resident and Family Experience Survey for the fiscal year 2023 survey period; and (8) each nursing facility shall receive a per diem adjustment that shall be calculated based upon an additional $15,000,000 in State and $15,000,000 in federal appropriations.

Explanation

The language provision sets forth the requirements for NJ FamilyCare reimbursement of nursing facility services when paid on a fee-for-service basis, rather than through managed care. The Governor's Budget proposes an additional $30.0 million, $15.0 million in State funds and $15.0 million of federal funds, to implement these revisions. The additional funding, however, would not be distributed uniformly among nursing homes, as the formula determining each nursing home's daily rate would be revised to place a greater weight on performance-based incentive payments.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Generally, daily per-capita nursing home reimbursement rates differ from facility to facility. Each nursing home's daily per-capita rate has four elements: 1) a base rate that is equal to the rate received on June 30, 2020; 2) a provider tax add-on that is either $0 or $13.67 per day per capita; 3) a $3.60 add-on that reflects an increase in the daily rate effected in accordance with the FY 2022 Appropriations Act; and 4) a performance add-on under the so-called Quality Incentive Payment Program that currently equals $0.60 for each of six quality metrics that the nursing home meets or exceeds.

For FY 2023, the Executive recommends increasing the performance add-on payment for each metric met from $0.60 to $1.40. If a nursing home were to satisfy all six performance metrics, its performance add-on would increase from $3.60 in FY 2022 to $8.40 in FY 2023.

This rate increase would be funded by the additional $30 million appropriation, split evenly between State and federal funds, recommended for the program in FY 2023, plus an amount reallocated from other elements of the nursing home per diem rate.

Specifically, the proposed revision reduces from ten to eight percent the FY 2022 increase to the base nursing home per diem rate, which was implemented on October 1, 2020 in response to the COVID-19 pandemic. The FY 2022 Appropriations Acts provided $87.0 million to fund the 10 percent increase. The decrease in the enhanced rate, in effect, allows the division to shift approximately $17.4 million of this maintained FY 2022 funding to support the increase of the performance add-on payment.

Moreover, the proposed language eliminates any requirements for the use of the eight percent rate adjustment by a nursing facility. Under the FY 2022 language, at least 60 percent of the additional revenue was required to be used by nursing homes to increase wages or supplemental pay for staff providing direct care, while up to 40 percent of the additional revenue could be used to support new costs a facility incurs to meet preparedness and response requirements related to COVID-19.

The Governor also proposes newly excluding a nursing home facility from the Quality Incentive Payment Program in FY 2023 if, during calendar year 2021, the nursing home: has been included on certain lists by the Centers for Medicare and Medicaid Services indicating nursing homes with a persistent record of poor care; is ranked as a one-star facility by the Centers for Medicare and Medicaid Services Five-Star Quality Rating System; or has been cited by the Department of Health for certain licensing violations. It is unknown how many facilities this provision would bar from the program, however, any exclusion from the program would offset the cost of increasing the performance add-on payment rate.

Finally, the language provision also newly provides that special care nursing facilities are to be reimbursed the greater of 105 percent of the base rate or $450

Significant Language Changes (Cont'd)

per diem. In effect, this change establishes a new per diem minimum of $450 for special care facilities. In FY 2022, four special care nursing facilities receive a base per diem rate that is below $450.

Provides Division Authority to Use State Funds for Approved Medicaid Demonstration	
Addition	**2022 Handbook: p. N/A** **2023 Budget: p.D-194**

<u>Notwithstanding the provisions of any law or regulation to the contrary, the amounts hereinabove appropriated for the General Medical Services program classification are subject to the following condition: from the amounts hereinabove appropriated, payments may be made, subject to any required federal approval, to support any authorized demonstration program undertaken by the Division of Medical Assistance and Health Services pursuant to Section 1115 of the Social Security Act upon receipt of federal approval, subject to the approval of the Director of the Division of Budget and Accounting.</u>

Explanation

The Governor recommends adding new language providing the Division of Medical Assistance and Health Services with the authority to use FY 2023 appropriations for the General Medical Services program classification to support federally approved Section 1115 Medicaid demonstration waivers. Under this provision, the division would not require legislative approval to fund federally approved section 1115 demonstration waiver initiatives with FY 2023 appropriations from the General Medical Services program classification.

Section 1115 waivers offer states an avenue to test new approaches in Medicaid that differ from what is required by federal statute and can provide states considerable flexibility in how they operate their programs. New Jersey's Medicaid program and Children's Health Insurance Program operate under a single, unified 1115 demonstration: the New Jersey FamilyCare Comprehensive Demonstration. This demonstration is currently in its second five-year performance period, which is slated to expire on June 30, 2022. Consistent with terms and conditions of the approved demonstration, the division submitted a renewal application to the Centers for Medicare and Medicaid Services on February 28, 2022.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Expand Uses of Perinatal Episode of Care Pilot Program Allocations	
Addition	2022 Handbook: p. N/A 2023 Budget: p. D-194

Notwithstanding the provisions of any law or regulation to the contrary and subject to any required federal approval, in order to implement the perinatal episode of care pilot program established pursuant to P.L.2019, c.86, from the amounts hereinabove appropriated in the General Medical Services program classification, payments may be made to support shared savings initiatives, incentive payments, and other quality and cost improvements, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

The Governor recommends adding a new language provision that would expand the permissible uses of allocations out of NJ FamilyCare appropriations for NJ FamilyCare's perinatal episode of care pilot program. Established pursuant to P.L.2019, c.86, the program implements a three-year Statewide alternative payment model for prenatal, labor, and postpartum care. The model is to be a reimbursement model based on target total cost of care for services provided within a perinatal episode of care. The recommended language would clarify that episode of care pilot program payments may also support shared savings initiatives, incentive payments, and other quality and cost improvements.

Clinicians who choose to participate in NJ FamilyCare's perinatal episode of care pilot program receive financial incentives to take on comprehensive responsibility for the quality and cost of their patients' care. The first performance period of the pilot program began on April 1, 2022 and will end on June 30, 2023.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Division of Development Disability – Community Programs

Estimated Cost Recoveries for Community-Based Residential Programs	
Revision	**2022 Handbook: p. B-120** **2023 Budget: p. D-210**

Cost recoveries from consumers with developmental disabilities collected during the current fiscal year, not to exceed ~~$10,979,000~~ $5,621,000, are appropriated for the continued operation of the Division of Developmental Disabilities community-based residential programs, subject to the approval of the Director of the Division of Budget and Accounting.

Explanation

This language change reflects differing estimates of client contributions toward the cost of services for community-based residential programs. The prior amount of $11.0 million was included in the FY 2022 Appropriations Act as the revenue estimate for FY 2022. The Governor's FY 2023 Budget anticipates FY 2023 receipts to total $5.6 million. Over recent years, client contributions to the cost of community-based residential programs declined as the Division of Developmental Disabilities has shifted from a system in which clients pay the division for services to a system in which clients pay their rent directly to the landlord.

The current, revised FY 2022 collections estimate of $4.0 million for client contributions, which is included in the Governor's FY 2023 Budget, is a one-time anomaly. According to the Office of Management and Budget, in FY 2022, receipts were reduced to account for an outstanding invoice from a prior year that was paid out of the receipts. Since this transaction will not be required in FY 2023, net receipts are projected to increase in FY 2023 compared to FY 2022.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

Significant Language Changes (Cont'd)

Division of Family Development

Annualized Cost of FY 2022 Homeless Shelter Worker Wage Increase	
Revision	**2022 Handbook: p. B-127** **2023 Budget: p. D-219**

~~There is~~ Of the amounts hereinabove appropriated for the Income Maintenance Program Classification from the General Fund ~~$9,000,000~~ $12,000,000 is to be used by the Department of Human Services to provide a per diem reimbursement rate increase to homeless shelters ~~beginning October 1, 2021~~, such that all additional funding shall be used to provide a wage increase for all workers providing services directly to individuals experiencing homelessness.

Explanation

The Legislature added language to the FY 2022 Appropriations Act that appropriated $9.0 million to increase the per diem reimbursement rate for homeless shelters beginning on October 1, 2021 and required that the $9.0 million be used to raise the wages of homeless shelter workers.

This recommended revision would make two changes to the language. First, it would add $3.0 million to the FY 2023 allocation for the homeless shelter worker wage increase, for a total of $12.0 million, to account for the full fiscal year implementation of this rate increase in FY 2023. The $3.0 million increase would be distributed among three budget lines: $1.7 million for the Work First New Jersey Emergency Assistance account; $887,000 for the General Assistance Emergency Assistance Program account; and $405,000 for the Payments for Supplemental Security Income account.

Second, the Governor's FY 2023 Budget recommends converting the language appropriation for the homeless shelter wage increase into a budget line appropriation. Accordingly, the language would be revised to specify that $12.0 million out of the several appropriations for the Income Maintenance Management program classification be allocated to pay for the wage increase for homeless shelter workers.

EXPLANATION: FY 2022 language not recommended for FY 2023 denoted by strikethrough.
Recommended FY 2023 language that did not appear in FY 2022 denoted by underlining.

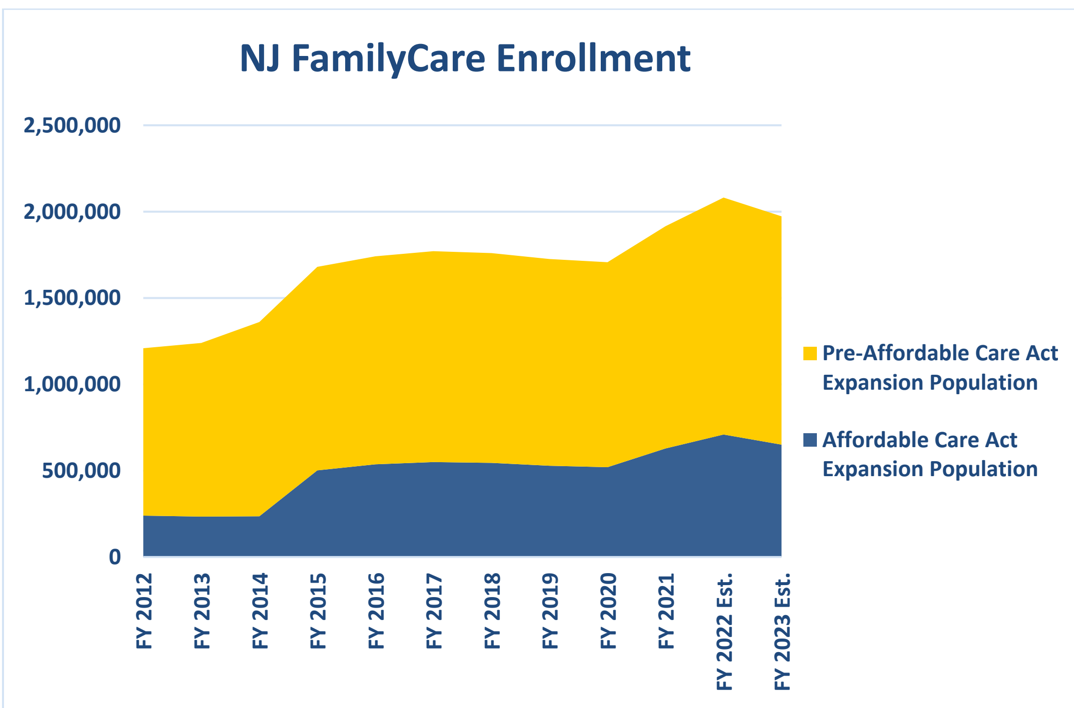
Background Paper: NJ FamilyCare Enrollment Trends

Budget Pages .... D-182 through D-194

The Division of Medical Assistance and Health Services in the Department of Human Services administers the NJ FamilyCare program, which is New Jersey's brand combing two federal health insurance programs for individuals living in low- and moderate-income households: Medicaid and the Children's Health Insurance Program (CHIP).

The federal government and the State jointly fund both Medicaid and CHIP. After the use of off-setting resources, FY 2023 program expenditures are projected at $15.06 billion, of which the federal government would fund $9.68 billion and the State the remaining $5.37 billion. These amounts and the numbers in this backgrounder only include NJ FamilyCare expenditures budgeted in the Division of Medical Assistance and Health Services. About $2 billion of NJ FamilyCare expenditures are budgeted outside of the Division of Medical Assistance and Health Services.

Changes in enrollment are a major contributor to NJ FamilyCare program cost growth. Although the department projects that enrollment will decline by nearly 109,000 to a little under 2.0 million beneficiaries in FY 2023, NJ FamilyCare enrollment would still exceed the pre-Affordable Care Act expansion FY 2012 levels by over 763,000 beneficiaries, or 63.2 percent. For reference, in FY 2012, NJ FamilyCare costs totaled $5.49 billion from all sources.



Note: The expansion of Medicaid eligibility occurred on January 1, 2014. However, certain members of that eligibility group already had received health benefits under NJ FamilyCare prior to the expansion. For that reason, the graph shows an Affordable Care Act Expansion Population prior to FY 2014, even though a different designation was used at the time.

Background Paper: NJ FamilyCare Enrollment Trends (Cont'd)

Four significant factors have contributed to changes in NJ FamilyCare enrollment since FY 2012:

- Effective January 1, 2014, the State expanded Medicaid eligibility to all non-elderly, non-disabled, childless adults with household incomes up to 138 percent of the federal poverty level, pursuant to the federal Patient Protection and Affordable Care Act. Prior to the Affordable Care Act expansion, certain non-elderly, non-disabled, childless adults were already eligible for coverage under the Medicaid and NJ FamilyCare programs. From FY 2013 to FY 2015, the first full fiscal year providing services to the Affordable Care Act expansion population under NJ FamilyCare, total program enrollment grew by 35.6 percent, or over 440,000 beneficiaries. In FY 2023, the expansion population is projected to account for one-third of the total NJ FamilyCare population.

- Between FY 2017 and FY 2020, NJ FamilyCare enrollment experienced modest reductions across most eligibility groups attributed to economic growth.

- Motivated by federal law, the State's pause in disenrollment of beneficiaries who are newly deemed ineligible has been the primary driver of enrollment growth since the start of the COVID-19 pandemic near the end of FY 2020. Enrollment increased by almost 375,000, or 22 percent, from FY 2020 to a peak of nearly 2.1 million in FY 2022. This surge is attributable to the federal Families First Coronavirus Response Act, which enhances the federal cost reimbursements under Medicaid and CHIP to help states respond to the COVID-19 pandemic. As a condition for the receipt of the temporarily enhanced federal matching percentages, the federal government requires the State to continue to provide Medicaid and CHIP coverage to all individuals enrolled on or after March 18, 2020, until the last day of the month in which the federal health emergency period ends, regardless of any changes in individuals' circumstances that otherwise would result in termination of benefits. The federal health emergency has been renewed several times, most recently in April 2022, and is currently scheduled to expire in mid-July 2022.

- For FY 2023, the department estimates that NJ FamilyCare enrollment will decline by over 108,000 beneficiaries due to the anticipated expiration of the federal health emergency period, and the resumption of coverage terminations. This net decrease in enrollment is projected to occur almost exclusively in the non-elderly, non-disabled beneficiary categories. Despite this decline, total enrollment in FY 2023 is projected to still be 266,000 higher than in largely pre-pandemic FY 2020.

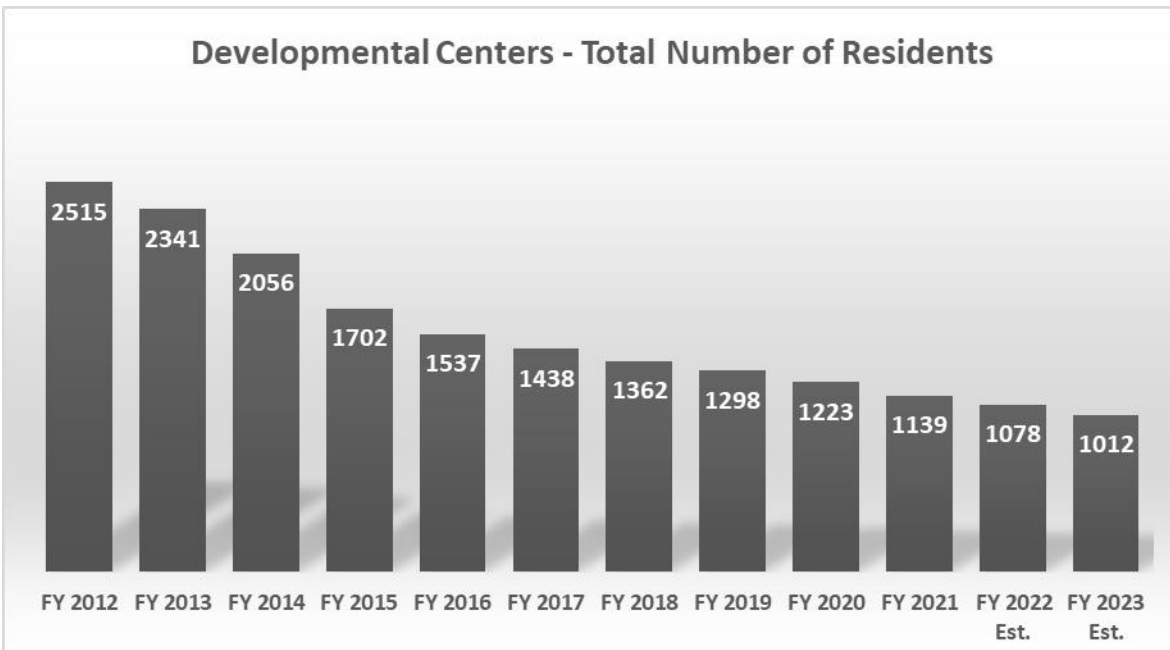
The Governor's FY 2023 Budget proposes a $192.3 million increase in State appropriations for NJ FamilyCare due to enrollment changes, notwithstanding the department's estimate that enrollment will decline, at an unknown point in time, to a little under 2.0 million in FY 2023. Until coverage terminations will resume, however, it is anticipated that enrollment will continue to grow, on a monthly basis, to an unknown level. Moreover, the Aged, Blind, and Disabled and the Home and Community Based Services eligibility groups are anticipated to grow by 4,120 beneficiaries in FY 2023.

Enrollment growth is also expected in FY 2023 due to the Cover All Kids Initiative, a multi-year program with the aim of providing health insurance to the State's currently uncovered children. Under this initiative, an FY 2023 appropriation of $11.0 million will fund the coverage expansion in NJ FamilyCare for children who are currently ineligible solely due to immigration status.

Background Paper: Developmental Center Population Trends

Budget Pages.... D-204 through D-206

The Division of Developmental Disabilities administers five residential developmental centers for individuals with developmental disabilities, which are certified by the federal government as Intermediate Care Facilities for Individuals with Intellectual and Developmental Disabilities and are supported by a combination of federal funds and State appropriations. The centers are: Green Brook Regional Center, located in Somerset County; Vineland Developmental Center, located in Cumberland County; Woodbine Developmental Center, located in Cape May County; New Lisbon Developmental Center, located in Burlington County; and Hunterdon Developmental Center, located in Hunterdon County. The centers provide a range of vocational, habilitative, health, psychological and social services for their residents.



Prompted by the United States Supreme Court decision in Olmstead v. L.C., 527 U.S. 581 (1999), which required that residents with disabilities live in the least restrictive appropriate environment, the Division of Developmental Disabilities prioritized the transition of residents in developmental centers into the community and limited the number of new admissions to the centers. Instead, the division provided services to clients in the community setting whenever feasible. Moreover, since November 2007, the division's policy has limited developmental center admissions to: 1) court-ordered placements; 2) temporary, emergency placements; 3) interstate compact transfers; and 4) placements in which there is no adequate resources presently available in the community, which placements are to be transferred once the necessary community supports are identified.

Accordingly, developmental centers have experienced a long-term trend of declining population. In FY 2023, the department estimates that the average daily population of all five developmental

Background Paper: Developmental Center Population Trends (Cont'd)

centers will be 1,012 residents. This is 1,503 residents fewer, or 60 percent, compared to the FY 2012 total of 2,515. The shrinking population also impelled the closure of two centers: the North Jersey Developmental Center, located in Passaic County, in FY 2014 and the Woodbridge Developmental Center, located in Middlesex County, in FY 2015.

Concomitant with this trend, staff levels at the centers have also declined at a similar rate, with the number of funded positions in FY 2023 being 3,493. That is 4,124 fewer staff than the FY 2012 count of 7,617 filled positions, or a reduction of 54.1 percent.

Conversely, the number of developmental center residents who have been transitioned to the community, first noted in the FY 2014 Governor's Budget and projected at 273 residents for that fiscal year, has declined following a February 2013 settlement in which the State agreed to discharge approximately 600 individuals residing in developmental centers to community placements between FY 2013 and FY 2017. This settlement was in response to two lawsuits filed by Disability Rights New Jersey that contended that the State had failed to comply with the Olmstead v. L.C. decision. In FY 2023, the department anticipates transitioning four residents from the State's developmental centers to community placements.

New Jersey Legislature
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Individuals wishing information and committee schedules on the FY 2023 budget are encouraged to contact:

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