

**FINAL REPORT
TRANSITION SUBCOMMITTEE
DEPARTMENTS OF
HUMAN SERVICES and
CHILDREN AND FAMILIES**

I. Mission and Status

This section first outlines the mission and major organizational divisions of the Department of Human Services and the Department of Children and Families respectively. The section concludes with a discussion of the status of emergent issues in each Department that may require immediate or timely input from the new Administration.

Department of Human Services (DHS)

The largest department in State government, DHS provides social services to more than 1 million New Jersey residents. DHS clients include individuals and families with low incomes, people with mental illnesses, addictions, developmental disabilities or late-onset disabilities, the blind, deaf and hard of hearing, parents needing child care services, child support and/or healthcare for their children. DHS operates four psychiatric hospitals: Ancora, Greystone Park, Senator Garrett Hagedorn, and Trenton Psychiatric. DHS also operates 7 developmental disability centers statewide: Green Brook, Vineland, North Jersey, Woodbine, New Lisbon, Woodbridge and Hunterdon. The Department employs approximately 15,000 full time employees. The current DHS Commissioner has been in that position since February, 2007..

DHS consists of eight major divisions: Division of Addiction Services, Division of the Deaf and Hard of Hearing, Division of Developmental Disabilities, Division of Disability Services, Division of Family Development, Division of Medical Assistance and Health Services, Division of Mental Health Services, plus the Commission for the Blind and Visually Impaired. There are also various administrative offices that handle such areas as quality control, risk management, investigations, information systems, licensing and contracts. Finally, the Catastrophic Illness in Children Relief Fund is “in but not of” the Department. The divisions, commission, offices and fund are discussed in more detail below.

Division of Addiction Services (DAS)

DAS promotes the prevention and treatment of substance abuse and supports the recovery of individuals affected by the chronic disease of addiction. DAS is responsible for regulating, licensing, monitoring, planning and funding substance abuse prevention, treatment and recovery support services. It is also responsible for the development of treatment services for people involved in the criminal justice system, individuals with mental illness and substance abuse problems; and for the special needs of people who are deaf, hard of hearing or disabled, pregnant women, women with dependent children, minorities and adolescents. DAS conducts licensure inspections and re-inspections to determine compliance with licensure standards of all outpatient and residential treatment facilities. DAS has a budget of \$165.9 million and 128 staff members.

(The Transition team believes there is duplication of services provided by the DAS and the Governor's Council on Alcohol and Drug Addiction (GCADA). We discuss this and other suggestions to reduce costs in this area in Section III.)

Division of the Deaf and Hard of Hearing (DDHH)

DDHH is the Department's smallest division and advocates for and provides services to people in NJ who are deaf or hard of hearing. The number of affected individuals is estimated to be as high as 720,000. DDHH maintains the most central location for resources on hearing loss. This includes the "Communication Access Referral System" which maintains a list of sign language interpreters, captioning providers and assistive listening devices to provide people who are deaf and hard of hearing with communication access. The Division also maintains a "hotline" responding to consumers' requests for information on a variety of topics such as medical, legal, employment and healthcare concerns. The Division has a budget of \$.8 million and 9 employees.

Division of Developmental Disabilities (DDD)

DDD serves more than 40,000 people with developmental disabilities including the following conditions: mental retardation, cerebral palsy, autism, epilepsy, spina bifida, traumatic brain injuries and certain neurological impairments. Many of DDD's clients live in the community, while the seven above referenced developmental centers are large facilities that house approximately 2,747 people who have complex disabilities. The Division has a budget of \$1.3 billion and 9,000 employees.

Division of Disability Services (DDS)

DDS provides information and referral services to people with disabilities and their families, focusing on people who have become disabled as adults, whether through illness or injury. Such conditions are also called late-onset disabilities. Through its toll free hotline, the Division also responds to as many as 15,000 requests each year for information and referral assistance on issues affecting people with any type of disability. DDS also is responsible for overseeing various Medicaid home and community based waiver programs that are designed to help people with disabilities live as independently as possible. The Division has a budget of \$346,924,779 and 33 employees.

Division of Family Development (DFD)

DFD provides supervision to the public and private agencies that deliver financial aid and support service to individuals and families. It directs the state's welfare program, WorkFirst NJ and Food Stamps – a federally funded food assistance program for low-income families administered by county welfare agencies. It also oversees Child Care, Child Support and other assistance programs. The federal benefit program Supplemental Security Income (SSI) for aged, blind or disabled individuals is augmented by DFD. The Division has a budget of \$1.5 billion and 417 employees.

Division of Medical Assistance and Health Services (DMAHS)

DMAHS administers the state and federally funded Medicaid program for certain groups of low to moderate income people. Medicaid is a means-tested program that is jointly funded by the state and federal government. New Jersey receives a federal financial participation rate of 50%

on every state dollar expended. Within broad federal guidelines, the state of New Jersey establishes its own eligibility standards, determines the type, amount, duration and scope of services, sets the rate of payment for services and administers the program. DMAHS serves more than 1,000,000 people. The Division has a budget of \$5.7 billion and a staff of over 500 people who work in Trenton and in Medical Assistance Customer Centers (MACCS) throughout the state.

Division of Mental Health Services (DMHS)

DMHS serves over 6,500 people who for some period of time require intensive inpatient treatment in state psychiatric hospitals and over 270,000 people who are able to live more independently and use services in their own communities. In addition, DMHS supports through direct funding and other means approximately 7,000 people who require inpatient treatment from the six county-operated psychiatric units/hospitals as well as formally approving mental health facilities in local general hospitals. DMHS has a budget of \$799 million and 4,764 full time employees.

Commission for the Blind and Visually Impaired (CBVI)

CBVI promotes and provides services in the areas of education, employment, independence and eye health. It provides specialized services to persons with vision problems, educates and works in the community to reduce the incidence of vision loss and works to improve attitudes concerning people with vision loss. The Commission has a budget of \$28.2 million and a staff of 307.

Office of Information Services (OIS) – OIS is responsible for implementing and managing the Department's information technology strategy. OIS works toward leveraging common information technologies and a common infrastructure to allow for data sharing and collaboration among Divisions, Institutions, other Departments and social service providers. OIS has a budget of \$17.1 million and 47 employees.

Office of Contract and Policy Management (OCPM) – OCPM is responsible for managing contracting policies that impact all of the 8 contracting departmental components, or Divisions, in DHS. OCPM develops, promulgates, reviews and monitors policies. OCPM has a budget of \$807,000 and a staff of 10.

Office of Program Integrity & Accountability (OPIA) – OPIA is the licensing and regulatory authority of the DHS. Through its licensing and regulatory process, OPIA supports the provision of a safe environment in which consumers receive services. OPIA has a budget of \$9.8 million and 124 staff members.

Catastrophic Illness in Children Relief Fund – In but not of DHS, this fund was created in 1988 to help families of all incomes who are faced with extraordinarily high, uncovered medical expenses for their children. The fund is a dedicated, revolving, non-lapsing trust fund, financed through an annual assessment of \$1.50 per employee levied on all employers who are subject to the New Jersey Unemployment Compensation Law. Since its creation this Fund has awarded more than \$124 million to over 5, 100 New Jersey families in every county of the State.

Department of Children and Families (DCF)

The newest cabinet level department in State government, DCF was created in 2006 in the aftermath of a 1999 class action lawsuit filed against the State for failure to adequately protect children in DYFS custody. (The creation of DCF was not a condition of the settlement. The lawsuit and the terms of the settlement agreement resulting from it are discussed in more detail in Section III where the possibility of remerging the Departments is explored.) When DCF was created almost all the functions, powers and duties related to children and child welfare were transferred to it from the Department of Human Services to DCF. The Child Fatality and New Fatality Review Boards were also placed within the department. The Department is comprised of three divisions: Division of Youth and Family Services (DYFS), Division of Child Behavioral Health Services, Division of Prevention and Community Partnerships and two offices: the Office of Licensing and the Office of Education. These Divisions are discussed in further detail below. DCF employs over 7,000 individuals. The current Commissioner has been in that position since July, 2008.

Division of Youth and Family Services (DYFS)

DYFS is New Jersey's child protection and child welfare agency. Its mission is to ensure the safety, permanency and well-being of children and to support families. DYFS investigates allegations of child abuse and neglect, and where warranted arranges for the protection, removal and/or treatment of children and families. DYFS contracts with numerous community based agencies to provide such services as counseling, parenting skills classes, substance abuse treatment, foster care, and residential placement. DYFS operates a 24-hours a day, 7-days a week statewide child protection hotline that takes calls from the public regarding children's safety. DYFS also operates three residential treatment centers for youth with intensive behavioral health needs. DYFS has a budget of \$1 billion and 5,970 employees, 2,326 of whom are caseworkers.

Division of Child Behavioral Health Services (DCBHS)

DCBHS serves children and adolescents with emotional and behavioral health care challenges and their families. DCBHS collaborates with families in the planning and treatment process and provides services in a family-centered environment. DCBHS has a budget of \$403 million and 40 full time employees.

Division of Prevention and Community Partnerships (DPCP)

DPCP strives to build a continuum of child abuse prevention and intervention programs. The division engages in three levels of prevention. Primary prevention targets the general population and offers services before any signs of abuse/neglect are present. Secondary prevention is directed towards "at risk" populations. Tertiary prevention programs provide services after abuse/neglect has occurred to minimize its impact and avoid repeat offenses. DPCP has a budget of \$77 million and 33 full time employees.

Office of Licensing (OOL) – OOL is the licensing and regulatory authority of the DCF. It licenses and regulates child care centers, youth and residential programs, resource family homes and adoption agencies.

Office of Education (OOE) – OOE provides intensive 12 month educational services and supports to children and young adult ages 3 through 21. OOE programs are designed for students who exhibit severe cognitive, physical, behavioral and emotional disabilities; exhibit a variety of moderate to severe learning disabilities; and/or are pregnant or parenting teens.

Emergent Issues Facing Both Departments

It is important to remember that both Departments service the most vulnerable populations in our society, and the mal effects of child abuse, addiction, poverty and mental illness can manifest themselves in many unfortunate, unpreventable and unpredictable ways. Moreover, both departments have indicated increased demands for their services during the economic downturn. For example, four years ago, the Division of Medical Assistance and Health Services had 1 million clients receiving Medicaid. Today that number is 1.217 million. As of the latest reporting period (September, 2009) the number of persons participating in New Jersey's Food Stamp program was 542,424. This compares to 455,081 in September, 2008, a one year increase of 19.2%.¹ The Department of Children and Families reports that domestic violence complaints are up three times what they were last year for the same time period. Reports to DCF's child abuse hotline in March of 2008 totaled 5,118. In March of 2009 that number jumped to 6,463, an increase of 26% over the prior time period. Hence, there is a heightened need to focus attention on these Departments. The following outlines some issues that are likely to emerge in each Department prior to the Inauguration or shortly thereafter.

Department of Human Services

Closure of Kearny Facility for Violent Sex Offenders – This facility houses civilly committed sex offenders who have completed their term of incarceration but who have been classified as sexually violent predators and are considered to be a danger to the public. The State has been housing these offenders in this facility on a “temporary basis” since 2000. This facility is overcrowded and the Superior Court of New Jersey Appellate Division has ordered the State to vacate this facility by March of 2010. This facility is run by the NJ Department of Corrections, but the Division of Mental Health Services in the Department of Human Services is tasked with the treatment of these incarcerated individuals. Wherever these individuals are ultimately placed there will be considerable community opposition.

Audit of the Division of Medical Assistance and Health Services – The State Auditor in the Office of Legislative Services has produced draft audit findings that indicate discrepancies in eligibility file maintenance. The discrepancies allowed the State to issue payments that were actually the responsibility of the Medicaid Health Maintenance Organization. In some instances, the payments exceeded \$1 million.

Federal Certification of NJ's Child Support Computer System – Certification of a child support computer system by the Federal Office of Child Support Enforcement (OCSE) enables states to receive child support incentive dollars and avoid the imposition of penalties. On December 3, 2009, OCSE notified New Jersey that its application for approval of an updated plan for its new child support computer system (known as NJKids) is being deferred pending responses to nine questions/concerns and responses are due within 30 days of notice. DHS staff point out that

¹ As updated census data will be available in 2010, a more detailed evaluation of the magnitude of these increases can be undertaken.

significant elements of the Child Support System fall exclusively within the jurisdiction of the Judiciary, and this separation presents compliance challenges for them. Moreover, past efforts to consolidate these operations within Human Services have met with resistance from the Judiciary. In order not to jeopardize this certification and the funding associated with it, the Executive branch and the Judicial branch of government must maximize cooperation. Otherwise, the transfer of probation support enforcement operations to the child support units of the county public assistance agencies, or to DFD, will have to be considered.

II. Initiatives

The following is a discussion of some of the major initiatives or projects that are currently occupying the Departments or were occupying the Departments prior to their completion or deferral.

Department of Human Services

Section 1115 Medicaid Waiver Proposal – In late October of 2009, the Department submitted an Access Waiver to the Centers for Medicare and Medicaid Services (CMS), the federal agency that administers this program. The waiver proposes to expand Medicaid eligibility to the State's General Assistance population with incomes up to 24% of the federal poverty level. It also proposes to manage pharmacy benefits, establish healthcare homes and provide care coordination to the Aged, Blind and Disabled population who opted out of Medicaid managed care, including dual Medicare/Medicaid recipients who have chosen not to enroll in Medicaid managed care. The Department's budget anticipates \$84.79 million in additional federal revenue if this waiver is approved. Public comments have been solicited and are now being considered as required by the waiver process. Concerns have been raised regarding the impact on individuals with behavioral health and chronic illnesses. These concerns will need to be addressed as the application process progresses. The waiver also proposes to provide primary care benefits to uninsured adults who are between 24% and 200% of the federal poverty level. This expanded service would be through Federally Qualified Health Centers only, but will provide this population with an alternative to hospital emergency rooms for obtaining primary care. Finally, the third component of the waiver is the creation of local and regional Health Information Exchanges (HIEs) in high Medicaid areas.

Department of Justice Investigation & Findings of Ancora Psychiatric Hospital – On September 4, 2008 the US Department of Justice Civil Rights Division (DOJ) put DHS on notice that it intended to investigate conditions and practices at the Ancora Psychiatric Hospital in Winslow. Ancora provides mental health services to approximately 600 adults the vast majority of whom have been committed there by a court order. Following its investigation, DOJ issued a scathing report that can be summarized in two overarching findings. First, Ancora segregates far too many patients for whom a hospital setting is not the most integrated setting appropriate in violation of Olmstead v. L.C., 527 U.S. 581 (1999). Second, while confined, patients at Ancora suffer an undue risk of harm, stemming from the facility's failure to treat aggressive and self-abusing behaviors and failure to protect patients from harm.

During the investigation and following the issuance of the report, DHS has been working to implement a series of structural, programmatic, safety, training and treatment reforms.

Specifically, DHS has replaced the CEO at Ancora, issued an Administrative Order to restructure the administration and redirect staff development and patient treatment approaches toward a more therapeutic, recovery-oriented system. DHS is also working to expand community housing opportunities for Ancora patients, with an eye towards possibly closing the facility in its entirety. (This is discussed in further detail in Section III, Opportunities for Change.)

Medicaid and Division of Family Development Eligibility and Enrollment Systems – Both Medicaid and DFD are joint venturing to upgrade antiquated computer systems for eligibility and enrollment. Currently, the State's Medicaid computer systems do not communicate with the 21 county welfare agencies that are responsible for eligibility and enrollment. These county agencies are either working with data manually and/or entering the same data into multiple systems. This is costly, inefficient and prone to error. NJ Medicaid and DFD are implementing the Consolidated Assistance Support Systems (CASS) and the Departmental Online Verification for Eligibility/Enterprise Verification Engine. These integrated systems will allow client information to be input only once to determine eligibility for all Medicaid and family development programs. Since the federal government provides a 90% match for improvements in technology it is essential that New Jersey continue to move forward in implementing these critical initiatives.

Document Imaging Management System (DIMS) – DFD has been developing a revolutionary way to administer public assistance programs and cut case processing costs. DIMS will replace public assistance customers' paper documents with electronic records in all 21 counties. File rooms and storage centers will no longer be needed. Multiple employees can work on a customer's case simultaneously by instantly accessing records from their desktop computer. DFD staff who need to review records will no longer have to physically travel to each county. Fully integrated with CASS, DIMS will yield significant savings for both State and County government budgets – and New Jersey will be able to use federal dollars to pay for most of the project's costs. If pursued aggressively, this exciting project could be rolled out statewide within 18 months. Finally, the State should add a document imaging system component to NJKids for child support records mirroring the DIMS and CASS integrative system for public assistance programs.

Traumatic Brain Injury Fund Regulations - The Traumatic Brain Injury (TBI) Fund was created in legislation and designed to provide payment for post acute services and support for individuals with brain injuries. The Fund receives its money from a \$.50 surcharge on motor vehicle registrations. This amounts to approximately \$3.4 million per year. The surcharge collection began in 2002 but the Fund did not become operational until 2004. In FY 2008 the Fund had a balance of approximately \$11 million. In mid FY 2009, the Office and Management and Budget (OMB) lapsed \$2.1 million from the surplus. During the spring and summer of 2009 the number of applications and the level of expenditures grew at an accelerated rate, in great measure due to the economic downturn. A review of FY 2008 expenditures shows that approximately \$8 million was paid out. It became apparent that the Fund would have to be restructured in order to live within its anticipated revenues. Hence, the Department published new rules for the Fund in the December 22, 2009 NJ Register. These rules will change the definition of traumatic brain injury to exclude those individuals with acquired brain injury (stroke) and impose other limitations on covered services.

“Insured for Sure” Hospital Newborn Pilot Program – DHS and the Department of Health and Senior Services collaborated to create this program that requires hospital staff to verify if newborns have health insurance coverage. The hospital will submit data to the Department of Health and Senior Services, confirming that a child is either covered by their parents’ insurance or if uninsured, a one-page NJ FamilyCare application is immediately submitted online to the Department of Human Services.

Department of Children and Families

Compliance with Class Action Modified Settlement Agreement – As discussed in Section I, the genesis for the creation of the DCF was a 1999 class action lawsuit filed by Children’s Rights Inc. against the State for failure to protect children in DYFS custody. The lawsuit resulted in a 2006 Modified Settlement Agreement that dictated both infrastructure that needed to be put in place and benchmarks that need to be met by the State. Every six months the Department’s compliance with the MSA is reviewed and critiqued by a federal monitor. Hence, the Department’s primary initiative is successful compliance with the MSA. (This issue is discussed in greater detail in Section III. Opportunities for Change.)

Compliance with Federal Fostering Connections to Success and Increasing Adoptions Act – New Jersey must come into compliance with this federal law by March, 2010 or risk forfeiting a substantial portion of its \$125 million in federal funds. In order to be compliant, state legislation is needed to change the education cost funding responsibility from the receiving school district to the sending school district for children in foster homes who need to change school districts as a result of their placement. Under current law, the district of the child’s residence in which the foster home is located is responsible to shoulder the cost of the child’s education. Hence, legislation is needed and a sponsor has just been identified in the State Senate, however, it is unlikely the measure will be passed in the Lame Duck session. Therefore, it will need to be a priority during the first three months of the new legislative session.

Phase out of 18 Regional Schools – In 1979, an Office of Education was formed within the Department of Human Services for severely disabled and “at risk” children. This function was transferred under the auspices of the Department of Children and Families when that Department was created. The Commissioner has proposed phasing out the Office of Education and the 18 regional schools it operates. These schools were created at a time when local schools did not have the ability and resources to deal with these special needs children. That is not the case today, and as a consequence the number of children enrolled in these schools has declined significantly to approximately 550-600 students statewide. The Commissioner attempted to negotiate this proposed phase out with both the local school districts and the parents of the children currently enrolled in regional schools. There were mixed feelings from parents and schools. Additionally there were union issues related to the consolidation of these schools with local school systems. (Despite the inability to attain the phase out, the Subcommittee believes this initiative should be pursued and we have included it in Section III. Opportunities for Change below.)

Increasing Adoptions and Foster Home Placements – The Department has finalized over 4,200 adoptions since calendar year 2006. During the same period, the Department has recruited and licensed over 5,200 new foster and adoptive families.

III. Opportunities for Change

There is a myriad of opportunities for change within both Departments. The following are those opportunities the Subcommittee believes the new Administration should explore first. This listing is by no means meant to be exhaustive. Due to the confines of this report, the Subcommittee selected these recommendations based on their potential to achieve significant cost savings and/or administrative efficiencies with little or no detrimental effects on the client populations the Departments serve. This report will first outline those changes that cut across departmental lines and then those changes that are department specific.

Governor's Office of Policy and Planning - Before delving into the specific opportunities outlined below, it should be noted that in order to achieve many of the suggestions in this report as well as other opportunities for change that may emerge over the course of the next four years the leadership necessary to identify and bring these proposals to fruition is going to need to come from the Governor's office. The Subcommittee heard both from Departmental employees and outside interests that the lack of a strong Policy and Planning Office in the Governor's was the reason that initiatives that cut across departments or required "out-of-the-box" thinking either did not emerge or were not executed during the current Administration. Governors Kean, Florio and Whitman had strong Chiefs of Policy and Planning, with strong staff under them; and consequently, those Administrations were able to implement major policy initiatives. Hence, the Subcommittee recommends that the new Administration establish a strong Policy and Planning function within the Governor's office.

Both Departments

Inter Departmental Merger – It is the strong sense of the Subcommittee that the separation of the Departments of Human Services and Children and Families has been extremely costly and has led to administrative duplications without the concomitant improvements in service. While the Subcommittee believes the two Departments should at some point during the next Administration be recombined, the Subcommittee emphatically believes that the timing of any such merger be carefully planned and executed so as not to in any way trigger any extensions of the class action Modified Settlement Agreement (MSA). According to the MSA, New Jersey cannot seek a ruling from the Court to terminate the Agreement until June 2010, "or the last deadline set by the Monitor whichever is later." Additionally, the MSA requires that there be two continuous years of "substantial" compliance with all benchmarks prior to the State initiating any petition to terminate the MSA. Given these structures, as a practical matter, the earliest the State could petition the Court to terminate this MSA would be June, 2012. It is important to note, that the creation of DCF was NOT specifically required by the MSA.

Furthermore, the new administration should be aware of the significant costs that the State has borne since entering into this settlement. The Monitor's annual compensation is \$1.6 million and

class action Plaintiff's counsel, Children's Rights Inc., is also paid \$100,000/per fiscal quarter to monitor the State's progress. The continuing obligation to pay attorneys' fees to Plaintiff's counsel is unclear from the MSA; conversations with the Deputy Attorneys General who litigated the case also failed to provide a basis for the same.

Personnel, Civil Service Reform, Union Dominance – A larger more systemic issue that cuts across, not just these two departments but, all of State government is Civil Service reform. The current system protects poor performers, blocks exceptional workers from moving through the ranks, and impedes management from creating new and needed positions. For example, seniority and bumping rights allow long-term employees to displace those with shorter tenures regardless of performance. Also, the Subcommittee was told that in order to create a new position or title, management must complete a 1,200 question questionnaire.

Finally, as a result of the no-lay off provisions of the Memorandum of Agreement between the State of New Jersey and the Communications Workers of America, AFL-CIO dated June 3, 2009, programs that are no longer necessary cannot be eliminated. Moreover, efforts such as S-3078 and S-3080, will authorize the DHS to enter into unionization negotiations with individuals who have opened their homes to provide child care and community care to the developmentally disabled will drive up the costs of these services and exacerbate the already disproportionate power of the unions vis-a-vis management. Such legislation, if passed, also threatens to undermine the relationships and eventually the Department's resources available to other, predominantly community based and non-union providers.

Streamline Licensing, Contracting and Auditing Across Divisions and the Two Departments – Most of the services rendered by the two departments are provided through non-profit social service organizations. For example, over half of all DHS funds are expended through contracts with over 1,200 community based service agencies. There are many providers of services who have multiple contracts within each Department and between each Department. Each contract is different with different reporting procedures and audit schedules. In addition to multiple contracts, these same providers are often subject to multiple licensing procedures by the various Divisions with whom they contract. Moreover, these contracts are typically only for the period of one year. For those providers who have a good compliance record, consideration should be given to a multiyear contract. An inter-agency/inter-department committee should be established to look at the overlap and discrepancies in the contracting and licensing of these providers and design a standard contract template and a multiple license credentialing process.

In addition to streamlining the contracts, consideration should be given to moving from a cost reimbursement payment methodology to a fee for service payment plan. Currently, providers are reimbursed by the State based on their costs. A flat fee for service contract would allow the providers and the State to negotiate what is reasonable compensation for the service and pay only that amount while the provider has flexibility to administer program budgets as needs and circumstances dictate provided that client outcomes are met and there is adherence to all regulations.

Maximize Federal Funding – There is a strong sense among the Subcommittee members that New Jersey is not fully maximizing federal funding to pay for and expand its human service and

child welfare programs and that other states have been more aggressive and creative in this area. A strong, coordinated effort across all DHS and DCF divisions and as well as related Departments such as the Department of Health and Senior Services is essential. In addition to items mentioned elsewhere in this document, the Subcommittee has identified the need to: explore the ability to access Title 4-E federal funding for DCF client services that help prevent out-of-home placement or family reunification; develop and implement a Medicaid reimbursement strategy for home visitation programs funded by DCF; apply for a Medicaid state plan amendment to obtain funding for supportive housing and screening services; explore Medicaid matching funds for the Traumatic Brain Injury program; and propose a Medicaid state plan amendment to add substance abuse recovery case management and peer recovery support services.

Department of Human Services

Merge the Divisions of Addiction Services and Mental Health Services – While both divisions serve mutually exclusive populations, there are many patients that suffer from both addiction and mental health problems. Combining the two divisions under one umbrella would allow for clinical synergies in the treatment of individuals with dual diagnosis without diminishing the resources for those with a single disease. These programs are combined in 26 other states. (The Administration should be aware that the Subcommittee did receive suggestions to put the Governor's Council on Alcohol and Drug Addiction, which is currently located in the Department of Treasury, under the jurisdiction of DAS. While the Subcommittee is not prepared to make that recommendation at this time, it may be something the Administration wishes to explore.)

Merge the Division of Disability Services into the Division of Developmental Disabilities – DDS focuses on serving people who have become disabled as adults, whether through illness or injury. Such conditions are also called late-onset disabilities. The Division serves as a single point of entry for people with disabilities who need information and/or services within the human services system. With 33 employees and an operating budget of \$346,924,779 for FY 2010, DDS administers programs that allow people with different types of disabilities to live more independently in the community, and in many cases, avoid the need to move into an institution. These programs include home and community-based service programs, as well as other resource programs. In July 2009, DDD began transferring the first group of almost 20,000 individuals from DDD case managers to the Division of Disability Services' Office of Information and Assistance Services, where their primary contact for all service-related questions will be nationally-certified Information and Referral Specialists. DDS is a relatively small Division with a mission similar to that of DDD in many ways. It would make sense and be more efficient to place both functions within a single Division serving people with disabilities of all types. An estimated savings of \$.5 million could be achieved.

Impose Greater Accountability for Overtime at Developmental Centers – Last year the Division of Developmental Disabilities' developmental centers spent over \$45 million in overtime, which accounted for 15% of their total personnel budget. The Subcommittee is recommending that a complete analysis of overtime be undertaken with the goal of reducing the costs. The Subcommittee also acknowledges and understand that a portion of these costs are driven by Union contracts. .

Review the mission and structure of the Governor's Office on Prevention of Mental Retardation – This office was created during the Kean Administration. In an effort to avoid any current duplicative services and achieve a potential future savings the Subcommittee recommends that this Office be analyzed as it pertains to mission and organizational structure.

Consider Implementing a Preferred Drug List (PDL) for Medicaid – New Jersey is in a minority of states that have not instituted a PDL in its Medicaid program. PDLs promote clinically appropriate drug utilization in a cost-effective manner. Patients can access drugs on the PDL simply by receiving a prescription from a doctor. Those drugs that are not on the PDL can still be obtained, however, there is a pre-certification process to determine medical necessity. The State of New York implemented a PDL for its Medicaid population and reports that it has realized savings of \$390 million in 2007. It is estimated that New Jersey could save approximately \$50 to \$60 million annually through a PDL. It should be noted that the State Health Benefits Program utilizes a PDL as do many commercial private insurance plans. (The pharmaceutical industry opposes PDL initiatives. The Commissioner however, supports such an initiative, provided that consideration is given to those populations with special drug needs.)

Develop a "Medical Home" Program in Medicaid – Many Medicaid patients do not have a primary care physician and therefore do not avail themselves of preventive care services. This often leads to costly and unnecessary emergency room visits. A major impediment to creating a "Medical Home" program in New Jersey has been (1) our notoriously low physician reimbursement rates that have discouraged doctors from accepting Medicaid patients (New Jersey ranks 48 out of 50 in physician reimbursement with certain fee schedules not being updated in over 10 years), (2) emergency room utilization for non urgent services caused in part by lack of a formal emergency room "triage" program, and (3) lack of incentives for physicians and members to avoid emergency room care for non urgent services.

Evaluate the Payment of General Assistance (GA) for Able-bodied, Single Adults – Only two states, New Jersey and Utah, pay cash benefits to childless adults who are deemed able-bodied. Public assistance directors in New Jersey counties that border neighboring states report people migrating from other states to access New Jersey's GA benefits. For example, Camden County reports that residents of the City of Philadelphia routinely walk across the Ben Franklin Bridge to avail themselves of this benefit. It is important to note that since the federal government does not provide assistance to childless, able-bodied adults, the GA funds are comprised entirely of state dollars.

Implement Electronic Benefits Transfer Program for Child Care Payments – This technology is already being used successfully for the Food Stamp and WorkFirst New Jersey programs, and it should be applied to the child care subsidy program. Other states using this technology have reduced costs, improper payments, fraud and abuse. Federal stimulus funds are available to pay for this project, but the time to act is limited.

Expand Food Stamp Eligibility – Currently, only individuals making up to 133% of the federal poverty level are eligible for the Food Stamp program. This cap should be raised to 185% of the federal poverty level. This new level would match federal breakfast and lunch program

eligibility standards. While there would be some additional administrative costs imposed on the State from expanding the program, on balance there are significant financial and social benefits. Such an expansion would enable New Jersey to capture millions of new federal dollars and inject new money into our local economy.

Process Low Income Family Care Applications at the County Level – Families with incomes below 185% of the poverty level are often eligible for Food Stamps and should be told this at the time of application to Family Care (subsidized health insurance for low and moderate income families). The vendor presently under State contract, however, is unable to process Food Stamp applications. By moving this function to the County level, these families will not fall through the cracks.

Establish State Medical Evaluation Teams – Currently welfare recipients are required to seek employment, however, there are medical waivers that exempt them if they can produce a doctor's note. There should be an independent evaluation of these exempt individuals to see if they truly are unable to work and what if any services could be provided to them to make them employable.

Consider Closing the New Lisbon and Woodbridge Developmental Centers – By reducing the overall institutional population for persons with developmental disabilities (such as autism, mental retardation, and cerebral palsy) and by placing an aggregate 900 people from all seven of the State's institutions in community-based homes, these two institutions can be closed. Seventy-five homes would need to be purchased privately per year for three years in order to house these 900 individuals. The closed facilities could be sold to private developers, utilized as prisons, or used to augment educational facilities. Bridge funding would be necessary to facilitate the transition of these individuals, and the savings generated from these closures should be used to address the Division of Developmental Disabilities 8,000 person waiting list. The Subcommittee believes that this would result in substantial savings .

Return Out-of-State Placements of Persons with Developmental Disabilities – There are currently some 430 New Jersey citizens with developmental disabilities who have been placed in out-of-state homes/institutions because at some point in time it was determined that New Jersey could not provide the necessary services to them. When these citizens leave the State their Medicaid funding is forfeited, leaving New Jersey to bear the full cost of their care – not the State where they are ultimately sent. By returning these citizens to the State, New Jersey will be able to secure partial Medicaid funding for them from the federal government and will create jobs in state for their care. It is estimated that the State may be forfeiting as much as \$45 million in federal Medicaid dollars as a result of these out-of-state placements. Of course, appropriate placements for these returning New Jersey special needs citizens must be identified before the return process is initiated.

Privatize Case Management Services through a Competitive Bid Process – Currently more than 40,000 individuals are eligible to receive services funded by the Division of Developmental Disabilities, including almost 2,900 who reside in the state run developmental centers. More than two-thirds of those who live in the community reside at home with their families. The other one-third live in a community residence such as a group home or a supervised apartment or in a

Community Care Residence with a family caregiver. Case management services are provided by state employees to help these individuals learn about and gain access to any service that can help address their needs. Many states have contracted this service out to non-profit providers at a substantial savings.

Consider Moving Senior Service Programs to Human Services – During the Whitman Administration services for the elderly were moved from the Department of Community Affairs to the Department of Health and Senior Services. However, at the local and county level most of these senior citizen services are handled by the Human Services departments. Consideration should be given to moving these functions from DHSS to DHS, and further consideration should be given to privatizing the case management service.

Close One Psychiatric Hospital – Over the last three years, the State has reduced the census of state hospitals by nearly 20% through additional community placement options. This has enabled the State to close three wards, reduce overtime and improve treatment. It is now time to consider closing one hospital completely.

Privatize Ancillary Services at Psychiatric Hospitals and Developmental Centers – There are a number of services such as housekeeping, and food service that are now provided by State employees that could be contracted out to private vendors.

Exert Greater Authority Over County Psychiatric Hospitals – The County psychiatric hospitals are not fully utilizing their available beds. By not operating at capacity, their per diem costs are increased. Since the State shares a portion of these costs, it is in the State's interest to see these institutions operate at full capacity. Also, many of these hospitals are not seeking Medicaid reimbursement for those patients that are Medicaid eligible.

Department of Children and Families

Phase Out 18 Regional Schools – As discussed in Section II. Initiatives, the Commissioner attempted to negotiate this proposed phase out with both the local schools districts and the parents of the children currently enrolled in the regional schools. She encountered mixed feelings from the parents and the local school administrators. Additionally there were union issues related to the consolidation of these schools with local school systems. Despite the inability to attain the phase out, the Subcommittee believes this initiative should be pursued.

Privatize the Three DYFS Residential Facilities – DYFS operates three residential facilities for children in its custody: Ewing, Vineland and Woodbridge. The estimated savings could be as much as \$7.6 million. It should be noted that the Commissioner did commence efforts to privatize the Woodbridge facility, but that initiative was quashed by the no layoff provision of the June 2009 MOA with the CWA.

Eliminate Internal Training of DYFS Staff – New Jersey's nine state colleges and universities and several community colleges have already developed certificate programs and in some instances Master Degree programs in child welfare in collaboration with DYFS. These

institutions can well handle the training that is currently being done in-house, allowing DYFS to eliminate approximately 8-10 positions and saving approximately \$720,000.

Expand Differential Response Initiative Statewide – This program diverts less serious cases previously handled by DYFS to community organizations, allowing DYFS to focus its resources on the more egregious cases of abuse and neglect. This can be accomplished through local planning and coordination with the county Human Services Advisory Councils, a re-bidding of Social Service Block Grant contracts and other contracts based on current need, Promoting Safe and Stable Families Act grants in aid, consolidation and integration of local service delivery systems, increased claiming for Medicaid and a strong partnership with counties, municipalities and school districts.

Review the DYFS \$37 Million No-Bid Contract with UMDNJ – Under this contract, UMDNJ provides medical assessments and management of DYFS children. Since many of these children are either Medicaid eligible or are on FamilyCare, there could be an opportunity for down sizing this contract.

Eliminate the Division of Prevention and Community Partnership – Most of the Division's functions duplicate administrative activity in the Department of Children and Families Central Office and DYFS Area Business Offices. A small administrative unit within DYFS could be created to manage prevention initiatives.

Reduce the Number of Area Offices from 12 to 4 – Currently, there are 47 local offices and 12 area offices. Historically, there have been four area offices. The services provided by these offices are often duplicative and they have very little authority over the local offices. Reducing the number of offices from 12 to 4 could yield savings of as much as \$5.05 million.

Bring all Children's Services Under one Umbrella – Should the Administration decide not to merge the Departments of Human Services and Children and Families and keep the DCF as a free standing Department, then the Administration should look at what other children's services could be placed under DCF's jurisdiction. For example, the Juvenile Justice Commission is currently housed in the Department of Law and Public Safety and the Division of Developmental Disabilities' children's programs are currently under Human Services.

Eliminate the Child Advocate in the Office of the Public Advocate – While this is not within the purview of the DCF, it is an unnecessary and duplicative oversight. The Department is subject to the oversight of the federal Monitor and the federal Department of Health and Human Services. Additional state oversight is simply not needed. A savings of \$1,351,000 could be realized from eliminating this office.

Reclaim Child Welfare Policymaking – The State should take back control of the management of its child welfare system. Current priorities have been set and in many respects are exclusively defined by the Modified Settlement Agreement (MSA) rather than from public policy discussions and debate. Indeed, since 2006, consumer input, public- private partnerships, state court jurisdiction, legislative oversight, transparency and accountability to federally established

standards have been supplanted by the MSA's prescribed policies. As a result, New Jersey has not been able to guide its own system.

IV. Budget

The following summarizes the current fiscal year budgets of the two Departments respectively and provides information on federal stimulus monies received. As requested, copies of the FY'09 and FY'10 Office of Legislative Services Budget Analyses with Department responses are attached to this report. There is also a breakdown of the funds awarded under the American Recovery and Reinvestment Act (ARRA) of 2009.

Department of Human Services

The Fiscal Year 2010 budget for this department totals \$10.3 billion of which \$4.592 billion is state dollars, a decrease of \$365.9 million, or 8% under the FY 2009 adjusted state appropriation of \$4.958 billion in state dollars. This reduction is largely attributable to \$716.9 million in enhanced federal Medicaid funding available from the American Recovery and Reinvestment Act (ARRA) offset by cost, caseload and other growth in the Medicaid and New Jersey FamilyCare programs. This stimulus money was not used to create new programs and does not impose sustained obligations on the part of the State post stimulus funding. It should be noted, however, that only half the amount of the ARRA funding will be available in FY2011 and none in FY2012. Unless extended, this will create significant shortfalls in these out years.

In FY'10 the Department's workforce totals 15,186 employees. This number is down from 15,624 in FY'07. Of the total workforce, 10,366 positions are funded by State dollars and the remaining 4,820 positions are funded with federal or other monies. By far the biggest line item in the Department's budget is the Medicaid program; it is also the program that receives the most federal funding. The Division of Disability Services and the Division of Developmental Disabilities are partially funded through casino revenue.

While the current budget largely preserves services, it does contain the following program modifications and savings initiatives: \$10 million from using best practices to procure prescription drugs more efficiently in the Medicaid program, \$9.7 million from closing enrollment in the FamilyCare program for parents earning between 151% and 200% of the federal poverty level (\$33,296 to \$44,100 per year for a family of four), \$3.6 million from performing compliance reviews in the General Assistance cash and emergency assistance programs, and \$3.0 million from extending after-school and summer child care co-payments charged to families earning between 175% and 250% of the federal poverty level (\$38,588 to \$55,125 for a family of four) in non-Abbott school districts to similar families in Abbott districts.

There is an estimated shortfall of approximately \$215 million in the Department's current budget, which will need to be adjusted by the end of the current fiscal year through a transfer or supplemental appropriation.

Department of Children and Families

The Fiscal 2010 budget for this Department totals \$1.5 billion of which \$1.092 billion is state dollars, an increase of \$3 million or .3% over the FY 2009 adjusted state appropriation of \$1.089 billion. This Department has not sustained any budget cuts or staff reductions since its creation, undoubtedly due to the staffing requirements imposed by the Modified Settlement Agreement.

The lion's share of this funding goes to the Division of Youth and Family Services (DYFS) which investigates allegations of abuse or neglect, responds to voluntary requests for family services, and provides services to children found to have been abused or neglected. There were 45,000 children and 25,000 families that were under DYFS supervision in 2008. Two years ago 55,000 children were under supervision. Currently, 99.8% of DYFS caseworkers serve 20 or fewer families.

The DYFS budget is divided into four main areas: family support services, permanency, placements, and staffing. These areas are discussed in greater detail below.

Family Support Services – This includes services provided to families and children in their own homes as well as to foster and adoptive families and children in out-of-home placements. Family support includes a wide variety of services designed to assist families in crisis and preserve and strengthen families and communities. They are intended to reduce the need for more intensive services and promote independence and self-sufficiency. Support includes homemaker services, transportation assistance, psychological/therapeutic services, day treatment, companionship, legal and health related services.

Permanency – For children in out-of-home placement, the Department's goal is to achieve permanency for that child in a sustained family setting. The majority of children in New Jersey who enter foster care return home. But for those who do not, DYFS must identify a new family and home for that child. In calendar year 2008, DYFS finalized over 1,370 adoptions.

Placement – Placement services is the umbrella term for the wide variety of out-of-home placements available to children in DYFS custody. In 2008, DYFS exceeded its target for licensing new resource family homes, achieving a net gain of available homes for the third year in a row after consecutive years of losses.

Staffing – A major element of the federal class action lawsuit against the State was the need to address the caseloads of DYFS caseworkers. Currently DYFS has 2,326 caseworkers; a number that is up over 17% from 2006, despite caseloads having been cut by approximately 25%.

The Department received approximately \$50 million from ARRA, under Title 4E which provides adoption subsidies. The Subcommittee has been advised that these funds did not create a continuing funding obligation on the part of State after the stimulus monies have been spent, however, as noted above these resources are likely to diminish and disappear in the next two fiscal years.