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STATE OF NEW JERSEY  
DEPARTMENT OF HUMAN SERVICES  
DIVISION OF DEVELOPMENTAL DISABILITIES  
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Jennifer Velez  
COMMISSIONER

Kenneth W. Ritchey  
Assistant Commissioner  
TEL. (609) 631-2200

February 19, 2009

Dear Provider:

The purpose of this letter is to clarify the process that agencies should use in identifying funding associated with vacancies in their day services programs. This clarification has been prompted by DDD's own mid-year budget reduction, which has been made to help balance the State's current FY2009 budget. It also is prompted by the recognition that some agencies, with our permission, have in the past regularly transferred funds from day programs to residential programs to cover shortfalls in funding. This practice will not be allowed in the future. Instead, any request for funding should be directly tied to the service it is going to support.

1. DDD is offering day services providers the opportunity to restate their current budgets to accurately reflect their current and past spending patterns, with the following caveats:
  - a. The deadline for this restatement is March 1, 2009. It should come to DDD in the form of a contract modification.
  - b. DDD will only accept restatements of budgets if the agency is able to document that the spending patterns have been allowed, through approved contract modifications, in the agency's previous two fiscal years.
  - c. The restatement cannot result in spending that exceeds an agency's contract ceiling.
  - d. Agencies should restate their budgets to reflect actual spending patterns that can be documented. Agencies may restate expenditures: between services i.e. day services and residential services; among separate day services programs; and within programs i.e. collapsing two slots into one slot to account for an individual with greater needs.
  - e. Agencies will be allowed to physically move individuals in order to address their vacancies. **However, each move must be approved by the individual's Interdisciplinary Team and DDD.**
  - f. DDD understands that some agencies may have approved contract modifications in process. These will be considered on a case-by-case basis.
  - g. This restatement is a one-time opportunity for agencies to show how funds have actually been used to support their DDD contracts. DDD understands that these restatements will result in a recalculated per person cost or a restated level of service.

2. The Division will assume that per person costs and levels of service represented in all Adult Day Services Program contracts as of March 1, 2009 are accurate.
3. Using these budgets and per person costs, DDD will reduce funding for the vacant contracted level of service by 65 percent. This allows agencies to retain 35 percent of the per person fixed cost and overhead per program type.
  - a. These reductions will be based on vacancies as of March 1, 2009.
  - b. These reductions must be reflected in a contract modification submitted to DDD by March 15, 2009. Any questions about these contract modifications, including concerns about processing delays, should be directed to Tom Papa ([thomas.papa@dhs.state.nj.us](mailto:thomas.papa@dhs.state.nj.us)).
  - c. These reductions will be reflected in payments to agencies beginning on April 1, 2009.
  - d. Agencies that can identify **by name** an individual who is preparing to enter their program within the next 30 days will, with Division approval, be allowed to retain funding for a current vacancy.
  - e. DDD is prepared to expedite eligibility determinations for individuals, previously unknown to the Division, who have expressed an interest in an agency's day services program and submit all the required documentation. DDD is also prepared to do expedited eligibility determinations for individuals in its own pipeline who have expressed an interest in these services, once all the required documentation has been received.
4. If an agency believes, even after restating its budget, that this process puts it in peril of closing, DDD will work with the agency to attempt to find a way to avoid that happening. In these cases, agencies should be prepared to open their books to the Division so that it can do a full review, including a possible audit, of their entire fiscal operation.
5. **As a result of this process, DDD anticipates recovering some level of funding for vacancies in day services programs. However, agencies should be aware that DDD's purpose in taking this action and reducing its own budget is to help address the State's budget shortfall. If the funding that DDD recovers for vacancies is not enough to allow the Division to do this, then across the board funding cuts in the current (FY2009) fiscal year may be implemented.**
6. Going forward, DDD plans to retain some funding to allow it to pay agencies as new individuals enter their programs.
  - a. DDD will pay agencies 65 percent of the per person cost until the program reaches its original level of service, before reductions.
  - b. DDD will base its calculations on **the day an individual enters** a program and **the day after an individual leaves** a program. DDD understands that this may run counter to earlier discussions held recently with agencies about how to these calculations would work.
  - c. Level of service changes should continue to be submitted to the Division through a contract modification.
  - d. All contract modifications, including those that reflect level of service changes, should be submitted to the Division at least on a quarterly basis, except in the last quarter of the State's fiscal year (April 1-June 30), when they should be submitted at least monthly.

7. DDD shares agencies' interest in better communication and is willing to meet to discuss these issues if requested to do so. It also will encourage its own division staff, including contract administrators and adult day services coordinators, to do all they can to promote better communication with agencies.
8. The Division intends to answer questions that may arise as this process moves forward through a Frequently Answered Questions (FAQ) page on its website. Except for specific questions about contract modifications, which should be directed to Tom Papa as described above, agencies should send their questions, in writing, to Cece Lentini in the Division's Communications Office. Her e-mail address is [cece.lentini@dhs.state.nj.us](mailto:cece.lentini@dhs.state.nj.us).
9. The Division will not be moving forward to fully implement a rate-based payment system for day services providers at this time.
- 10. Due to the State's current budget crisis, all decisions outlined in this letter are subject to change.**

Sincerely,

A handwritten signature in black ink that reads "Kenneth W. Ritchey". The signature is written in a cursive, slightly slanted style.

Kenneth W. Ritchey  
Assistant Commissioner