



State of New Jersey
DEPARTMENT OF HUMAN SERVICES
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CHRIS CHRISTIE
GOVERNOR

KIM GUADAGNO
Lt. Governor

ELIZABETH CONNOLLY
ACTING COMMISSIONER

July 24, 2017

Dear Community Mental Health Provider,

As of July 11th, the transition to Fee for Service reimbursement for most mental health services has been completed. This process, from inception to practice, has been underway for several years. Together, we have planned, coordinated, implemented, revised and compromised on a variety of issues related to this shift so I wanted to take this opportunity to thank you for your commitment, your constructive input, your advocacy and your support.

As a result of our mutual cooperation, several adjustments to the FFS rollout were made in order to facilitate a smooth transition:

- Immediate rate changes to certain services
- Continued 'check-ins' to assure rates are appropriate
- Call center technical assistance and on-site teams for providers
- A glide path that allowed providers to shift in January or July
- A two month cash advance for providers
- Added list of non-Medicaid reimbursed services to be reimbursed using state dollars (e.g., in-reach services, bed holds)
- Developed process for providers to request an increase in their monthly cap
- Modified methodology to determine monthly cap for residential services to ensure full utilization of bed capacity

Collectively, our thoughtful planning and constant communication has allowed us to develop and evolve our policies and practice to support this important initiative.

Accordingly, DHS/DMHAS is offering another opportunity for providers: With respect to most deficit-funded contracts in place for FY17 (i.e., only State Fiscal Year 2017 and Calendar Year 2016 contracts), providers will have the option to retain net contract surpluses (revenue less expenditures) as indicated on their final contract expenditure report, subject to the conditions indicated below. This incentive plan is based on recommendations from many providers.

- Providers will have to request DMHAS approval for retention of surpluses. This request should include a specific plan for how your agencies will use

these unspent funds during SFY18 (and beyond). All requests should be emailed to your designated DMHAS contract administrator. . If your request is sent prior to your final ROE's being submitted, please provide your best estimate of your surplus. All requests should demonstrate how your agencies will use these funds to directly support your operations, with a focus on the overall financial health of your organizations and positive impacts to clients;

- Provider agencies are prohibited from utilizing these retained funds for Executive Management staff bonuses or to increase Executive Management base salaries.
 - Direct care and administrative/support services staff may be granted a bonus if it is believed that such additional compensation is vitally needed to attract and retain qualified personnel.
- During SFY18, providers must submit a quarterly accounting of the retained unspent funds to DMHAS, noting how much was originally retained, how much has been cumulatively spent – and for what purposes – and the remaining balances. These reports should be submitted to your contract analyst or in the event that all of your services converted to FFS and you no longer have a deficit-funded contract you may send your email to DMHAS@dhs.state.nj.us A standard form for such reporting will be distributed before the end of July 2017;
 - To facilitate this accounting, providers will be required to maintain these funds in a separate restricted reserve account. The allowable costs out of that account will ultimately be reflective of the agreed-upon spending plan discussed above.
 - Providers have to have settled all outstanding debts or a DMHAS approved payment plan for paying off the debt, if any, owed to the Division to be eligible for this program;
 - Several providers have outstanding bond balances, e.g., NJ Economic Development Authority (EDA) balances. These providers will be able to retain surpluses but, in the formal request that they submit, will need to summarize their repayment schedule for those bonds. Surplus funds retained as part of this initiative may be used to repay those bonds.
 - All major contract performance commitments for the recently concluded contract have to have been satisfactorily addressed, as evaluated by DMHAS.
 - Any surpluses in Designated Screening Services and Affiliated Emergency Services contracts will not be eligible for retention, as these contracts will not be transitioning to Fee for Service.

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- Contract surplus funds that are otherwise restricted by DHS, such as federal funds which must be returned or reissued for program services, are not included in this initiative;
- Contract providers must not have been placed in “contract default” status by any DHS Departmental Component in the past three years;
- Should your agency cease to provide services under any form of arrangement with DMHAS while any balance of these surplus funds remains, all unspent funds as of the date of termination will be immediately due to DMHAS.

As most deficit-funded contracts ended on June 30, 2017, this initiative will only be effective for this contract cycle. Therefore, providers should, to the best of their abilities, try to retain any surplus funding granted to assist with cash flow and operational needs in future years.

Thank you very much for your continued partnership with us in providing vital services to our state’s residents in need. If you have any questions about the above, please email your questions to DMHAS@dhs.state.nj.us.

Sincerely,

A handwritten signature in black ink, appearing to read "Elizabeth Connolly". The signature is fluid and cursive, with a large loop at the end.

Elizabeth Connolly
Acting Commissioner

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