



State of New Jersey

DEPARTMENT OF CHILDREN AND FAMILIES

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

KARA P. WOOD
Acting Commissioner

April 28, 2010

Dear Provider:

DCF appreciates your agency's continued dedication in providing needed services on behalf of New Jersey's most vulnerable children and families. Even in times of economic crisis, it is important to maintain the same high quality of care to meet the needs of New Jersey's most vulnerable citizens as we confront the sacrifices that will be necessary in a time of dwindling resources.

However, in order to address the fiscal challenges that lie ahead, the Department of Children and Families (DCF) and the Department of Human Services (DHS) are revising allowable costs permissible under each Department's Third Party Provider Contracts. DCF will formally adopt into its Standard Contract Language the eight contract provisions outlined in the attached document. Many of these amendments are consistent with changes DCF implemented in its contracts in May 2009. Please note that one of the provisions reaffirms DCF's recent decision to permit providers to use DCF funds to reimburse employees and consultants up to the federal mileage reimbursement rate.

These amendments do not apply retroactively; they will become effective at the time of contract renewal, beginning with those contracts that are renewed on July 1, 2010. Additionally, please note that these contract amendments will only affect contracts held with the Department of Children and Families and the Department of Human Services, if applicable. These amendments do not apply to funding received from other resources.

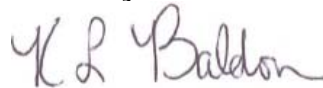
In the event that your agency has multiple contracts within DCF, or with both DCF and DHS and the contract terms differ, the amendments will be incorporated into each contract's budget upon its renewal. All renewed cost reimbursement contracts will include these contract amendments and the agency's budget will be adjusted accordingly. For fixed/fee for service rate contracts, the rates will remain fixed for current services, however, any future program, service or rate modifications under an existing contract or any new contracts with either Department will need to comport with the prescribed contract amendments.

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DCF's Business Offices will work with providers individually to review any adjustments that need to be incorporated into the contracts. Moving forward, DCF will continue to work with the Contract Reform Workgroup the department established in August 2009, in partnership with its provider community, to review DCF's contracting practices and develop recommendations for its improvement. This workgroup serves in an on-going advisory capacity to DCF and has already worked with the Department to implement a number of recommendations borne out of the group's efforts to streamline the administrative requirements placed on contract providers.

Thank you for your understanding and continued support.

Sincerely,

A handwritten signature in cursive script that reads "K L Baldoni".

Karen L. Baldoni, Deputy Administrator
DCF- Business Operations

Attachment

Amendments to DCF Third Party Contract Language

1) Salary Compensation Limitation (Excludes Physician and Advanced Practice Nurses)

The amounts paid under this contract to the Provider Agency for employee compensation are subject to the following conditions:

- (i) Full-time Salary Compensation Limitation. No monies under the contract shall be paid to the Provider Agency for costs of any individual salary (including bonuses) to be paid to any of the Provider Agency's full-time employees (excluding Physician and Advanced Practice Nurses) in excess of the schedule set forth below:

Full-time Salary Compensation Limitation Schedule

Full-time Salary Compensation Limitations vary as follows: Only one Full-time Salary Compensation Limitation shall be applicable to each Provider Agency. This includes the aggregate of all contracts held with: 1) the Department of Human Services and 2) the Department of Children and Families.

For Provider Agencies with gross revenue (based on the last annual audit report) for the entire organization of:

- Over \$20 million, the limitation shall be \$141,000 (Benchmark Salary),
 - Over \$10 million, but less than or equal to \$20 million the limitation shall equal 90% of the Benchmark Salary (\$126,900),
 - Over \$5 million, but less than or equal to \$10 million the limitation shall equal 85% of the Benchmark Salary (\$119,850),
 - Less than \$5 million, the limitation shall equal 75% of the Benchmark Salary (\$105,750).
- (ii) Part-time Salary Compensation Limitation. The salary compensation limitation for a part-time employee, or for an employee whose time is only partly spent on activities compensated under this contract, shall be calculated by prorating the compensation for the position as prescribed under the Full-time Salary Compensation Limitation Schedule. The prorated percentage shall be specified in the Annex B and shall be determined by the regular number of work hours for that Part-time title or that the employee is scheduled to work on matters compensated under this contract;
 - (iii) Any salary paid to any employee in excess of these limitations must be paid out of funds received from sources other than this Contract, or funds other than those received from other contracts held within the Department of Human Services or Department of Children and Families;

- (iv) The Full- or Part-time Salary Compensation Limitation will apply to cost reimbursement contracts at the time of contract renewal;
- (v) Any fixed/fee for service rate contracts set prior to the adoption of this amendment is not subject to the salary compensation limitations prescribed in (1)(i) or 1(ii), however, any fixed/fee for service rate contract set prior to the adoption of this amendment that is subsequently renewed at a higher rate are subject to the Salary Compensation Limitation Schedule prescribed in (1)(i) or (1)(ii);
- (vi) Any fixed/fee for service rate developed for a new program or service in an existing contract are subject to the Salary Compensation Limitation Schedule prescribed in (1)(i) or (1)(ii);
- (vii) Any new contracts entered into after the date of the adoption of this amendment are subject to the Salary Compensation Limitation Schedule prescribed in (1)(i) or (1)(ii).

2) Salary Compensation Limitation for Physician and Advanced Practice Nurses

The amounts paid under this contract to the Provider Agency to compensate Physicians and Advanced Practice Nurses are subject to the following conditions:

- (i) A maximum compensation of \$212,000 per annum, regardless of the amount of gross revenues of the entire organization;
- (ii) Part-time Physicians and Advanced Practice Nurse's compensation will be calculated pursuant to Section 1(ii).

3) Compensation Limitation for Fringe Benefits

The amounts paid under this contract to the Provider Agency for full-time employee fringe benefits are subject to the following condition:

- (i) No monies shall be paid to the Provider Agency under the contract for additional fringe benefit costs if the Provider Agency offers a different fringe benefit package to any full-time employee than it does for other full-time employees. Stated differently, the Provide Agency must use monies provided under the contract to offer equivalent coverage for health insurance, pension, life insurance, workers' compensation, etc. for all covered full-time employees funded under this contract. Any additional fringe benefits offered to any full-time employee must be paid out of funds received from sources other than this contract or from funds other than those received from all other contracts within the Department of Human Services or Department of Children and Families.

4) Compensation Limitation for Employee Severance Agreement

The amounts paid under this contract to the Provider Agency for an employee severance agreement are subject to the following conditions:

- (i) The Provider Agency has an established written uniform severance agreement for all employees covered under the contract;
- (ii) No monies shall be paid to the Provider Agency for a severance payment to any employee in excess of the equivalent of two (2) weeks compensation (salary and fringe benefits);
- (iii) No monies shall be paid to the Provider Agency for a severance payment to any employee that has been employed by the Provider Agency for less than one (1) year of continuous employment;
- (iv) No monies shall be paid to the Provider Agency for a severance payment to any employee that was discharged for cause, as determined by the Provider Agency's policies.

5) Compensation Limitation for Employee Travel Expenses

The amounts paid under this contract to the Provider Agency for staff travel including; conference and registration fees, mileage reimbursement, meals and incidental expenses (M&IE), parking, and overnight lodging accommodations for employees who are compensated in whole or in part under this contract are subject to the following conditions:

- (i) **General Provisions**
 - (a) In- and out-of-state travel must be directly related to the employee's duties as set forth in the contract and/or be required for accreditation and/or licensure of the contracted program;
 - (b) For in-state travel and for out-of-state travel that is within 50 miles of the border of the State where the Provider Agency is located, no monies provided under the contract shall be used for employee lodging expenses;
 - (c) Travel costs may be charged on an actual basis and may include a mileage reimbursement rate, as well as meals and incidental expenses (M&IE) up to, but not to exceed the Federal reimbursement rates (refer to the Federal internet web site, <http://www.gsa.gov> for current rates) in effect at the time the employee traveled;

(ii) **In-State Provisions:**

The Provider Agency may not approve any in-state travel reimbursement in excess of two-hundred and fifty dollars (\$250.00) per employee, per event, unless written approval is obtained from the departmental contracting authority prior to such travel;

(iii) **Out-of-State-Provisions:**

- (a) The Provider Agency must obtain prior-approval from the departmental contracting authority for an employee's out-of-state travel, regardless of travel costs, unless such travel is no further than 50 miles from the border of the state where the Provider Agency is located, and travel costs per employee are less than two-hundred and fifty dollars (\$250.00);
- (b) Out-of-state travel (excluding travel no further than 50 miles from the border of the State where the Provider Agency is located) or travel costs in excess of the two-hundred and fifty dollar (\$250.00) limit by the employee, that was not pre-approved by the departmental contracting authority shall not be eligible for reimbursement under the contract.

6) Compensation Limitation for Employee Tuition Reimbursement

The amounts paid under this contract to the Provider Agency for tuition reimbursement and related expenses are subject to the following conditions:

- (i) No monies paid to the Provider Agency under the contract shall be used for any costs incurred by the Provider Agency's employees to attend any educational courses including tuition, textbooks, supplies, etc. unless such courses are required by the contract, licensing, certification, and/or Medicaid standards;
- (ii) There are monies allocated in the Provider Agency's approved contract budget for the specific educational expenses consistent with (6)(i).

7) Compensation Restriction for Provider Agency Sponsored Meetings, Conferences, or Special Events

The amounts paid under this contract to the Provider Agency for the cost of administrative meetings, conferences, or special events are subject to the following condition:

- (i) No such monies under the contract shall be paid to the Provider Agency for costs associated with meetings, conferences, or special events held to conduct the general administration of the agency. Unallowable costs include, but are not limited to the following: meals and refreshments, entertainment, overnight lodging, receptions or other social functions held for honoring executive/administrative employees.

8) Criteria for and Processing a Vehicle Request

The Provider Agency may request a new or replacement vehicle to be paid from monies under the contract only under the following conditions:

- (i) The Provider Agency must request written approval from the departmental contracting authority to purchase or replace a vehicle and each request must be accompanied by the following supporting documentation. The request may be denied even if all supporting documentation is supplied. Documentation required includes:
 - (a) Explanation as to why the purchase or replacement of the vehicle is required to fulfill contractual obligations;
 - (b) Assurance that no one Provider Agency employee will be permanently assigned the vehicle;
 - (c) Assurance that the Provider Agency has sufficient funds to cover the vehicle's operating costs for the anticipated useful life of the vehicle;
 - (d) Submission of three (3) written bids for the same year, make, model, and option package;
 - (e) If the vehicle is a replacement vehicle, documentation consistent with (8)(ii) below;
 - (f) Any exceptions to the criteria and purchasing requirements (8)(i)(a)-(e), will be dealt with on a case by case basis with the departmental contracting authority;
 - (g) If the request is approved, the Provider Agency shall be required to purchase the vehicle from the lowest-priced vendor consistent with (8)(i)(d).
- (ii) The Provider Agency may request to replace an existing vehicle under any of the following conditions: (a) odometer reading exceeds 125,000; (b) vehicle age is 10 years or older; (c) repair costs to maintain operational capacity of vehicle would exceed fifty (50) per cent of current trade-in Blue Book value of vehicle; (d) repair costs have exceeded fifty (50) per cent of the current trade-in Blue Book value over the course of the past year; (e) vehicle was involved in an accident and deemed "totaled" by the insurance carrier; (f) upon written request supported by sufficient documentation, the Departmental contracting authority determines that the vehicle is no longer road worthy and unsafe to drive;

- (iii) If the Provider Agency receives approval to purchase a vehicle, the maximum cost of the vehicle including all dealer fees and charges may not exceed \$25,000 per vehicle. This limitation excludes passenger vans, or specialized and adaptive vehicles for handicapped consumers;

- (iv) Vehicles shall be purchased and not leased, however, if a Provider Agency can provide justification as to why leasing a vehicle provides greater benefit to the Provider Agency and better use of the monies under this contract, the departmental contracting authority may approve the leasing of a vehicle. All justifications shall be reviewed on a case by case basis and prior approval under the same or similar justification shall not bind the departmental contracting authority to approve a subsequent justification. If a Provider Agency receives approval to lease a vehicle, the Provider Agency shall subsequently provide the written request and all documentation required by (8)(i) as well as written assurance that the Provider Agency shall not use monies under a State contract to pay for any lease agreement closing costs, including unusual wear and tear to the vehicle, or any excess mileage charges.