



State of New Jersey

DEPARTMENT OF CHILDREN AND FAMILIES

CHRIS CHRISTIE
Governor

KIM GUADAGNO
Lt. Governor

ALLISON BLAKE, PH.D., L.S.W.
Acting Commissioner

June 21, 2010

Dear Provider:

Earlier this year I advised you of the Departments' of Children and Families (DCF) and Human Services (DHS) initiative to implement eight (8) amendments to their contracts with Third Party Providers. The amendments are set to take effect with contracts renewing on or after July 1, 2010.

Since issuing this announcement, both Departments have received inquiries from their providers seeking clarification on various aspects of the amendments. The Departments have taken the inquiries under serious consideration and have made the decision to revise several of the amendments.

Attached are the revised Amendments to DCF's Third Party Contract Language. Please note the following changes from the version released in May 2010:

1. The language in Amendment 3, Compensation Limitation for Fringe Benefits, has been removed pending further discussion and consideration and limitations on Fringe Benefits will not be implemented with July 2010 renewals;
2. Clarifications have been made to the conditions in the following areas:
 - (a) Severance payments in Amendment 4;
 - (b) In-state and out-of-state travel provisions in Amendment 5
 - (c) Allowable tuition reimbursement costs in Amendment 6;
 - (d) Allowable reimbursable training expenses in Amendment 7; and
 - (e) Inclusion of leased fleet management practices in Amendment 8.

Frequently asked questions related to the contract amendments will be compiled and posted on the DCF web-site at <http://www.nj.gov/dcf>.

DCF is committed to working directly with each provider as it incorporates these reforms into contracts. In order to minimize disruptions and allow for the timely renewal of contracts, DCF is conditionally renewing contracts with an effective renewal date of July 1, 2010.

Your DCF Contract Administrator (CA) will work with you to modify your agency's contract consistent with the reforms and the revised policy requirements. As part of this effort and in order to ensure compliance with the salary compensation limitations, your CA will forward you a survey and attestation form for your completion. This information will provide a foundation for further discussions regarding the prospective impact of the amendments on individual contracts.

Thank you for your continued work and advocacy on behalf of New Jersey's most vulnerable children and families.

Sincerely,

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

Karen L. Baldoni, Deputy Administrator
DCF Business Operations

Attachment

Amendments to 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:

- (a) Over \$20 million, the limitation shall be \$141,000 (Benchmark Salary);
 - (b) Over \$10 million, but less than or equal to \$20 million the limitation shall equal 90% of the Benchmark Salary (\$126,900);
 - (c) Over \$5 million, but less than or equal to \$10 million the limitation shall equal 85% of the Benchmark Salary (\$119,850);
 - (d) 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

This section is being reserved for future consideration.

4) Compensation Limitation for Employee Severance Agreement

Unless an exception has been approved by the Departmental Component for a specific circumstance, the amounts paid under this contract to the Provider Agency for an employee severance agreement are subject to the following conditions:

- (i) If the Provider Agency has an established written uniform severance agreement for all employees covered under the contract:

- (a) 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)
 - (b) 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;
 - (c) No monies shall be paid to the Provider Agency for a severance payment to any employee that was discharged for cause (as cause is determined by the Provider Agency's policies).
- (ii) If the Provider Agency does not have an established written uniform severance agreement, no monies shall be paid to the Provider Agency for a severance payment for any employees covered under the contract.

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 unless previously approved by the Departmental Component;
- (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 or for program licensure, certification, and/or Medicaid standards, or;

(ii) 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 educational courses including tuition, textbooks supplies, etc. unless such courses are towards a field of service related to the Provider Agency's contract and the allocated contract monies do not exceed the lesser of \$5000 or 1% of the Provider Agency's total annual operating budget, and;

(iii) There are monies allocated in the Provider Agency's approved contract budget for the specific educational expenses consistent with (6)(i) or (6)(ii).

7) **Compensation Restriction for Provider Agency Sponsored Meetings, Conferences, Training, 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 where agency staff is the beneficiary of the event. Unallowable costs include, but are not limited to the following: meals and refreshments, entertainment, overnight lodging, receptions or other social functions held for honoring all staff;
- (ii) The Provider Agency may use monies under the contract to cover training related costs such as modest facility costs and nominal refreshments, e.g. coffee, tea, water, soda, donuts, pastries, cookies, bagels.

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) When a provider Agency has a fleet management program that includes leased vehicles, the Provider Agency may obtain approval on a program basis so that the Provider Agency does not require approval on a vehicle by vehicle basis.