

**Assembly Budget Committee
May 2, 2006
Commissioner of Health and Senior Services
Fred M. Jacobs, M.D, J.D.**

Good morning.

Thank you Chairman Greenwald. I want to thank you and all the distinguished members of the Assembly Budget Committee for giving me an opportunity to present the Department of Health and Senior Services' FY 2007 proposed budget.

With me today are Deputy Commissioner for Public Health Services and State Epidemiologist Dr. Eddy Bresnitz, Deputy Commissioner for Senior Services and Health Systems Matt D'Oria, Director of the Division of Management and Administration John Fasanella, Assistant Commissioner for Senior Benefits and Utilization Management Kathleen Mason and Senior Assistant Commissioner for Health Infrastructure Preparedness and Emergency Response, David Gruber.

The proposed budget for the Department of Health and Senior Services is fiscally prudent, does more with less and limits the impact of reductions in services.

We have found ways to work smarter and with fewer resources, yet still provide the same high quality of care and service to the residents of our state.

One of the guiding principals of the Governor's proposed budget and the Department's proposed spending plan is to maximize federal revenues. New Jersey has not been doing a good enough job of that. The state ranks 49th in return on federal dollars.

That is one of the reasons why the hospital assessment—which I will address in a minute—was included in this budget.

The Fiscal 2007 State budget for the Department of Health and Senior Services totals \$1.9 billion, an increase of \$431 million over the Fiscal 2006 budget. These increases are offset by \$189.6 million in program reductions throughout the department.

Before I describe specific programs outlined in the budget, I would like to take a minute to put the Department's total \$3.8 billion budget into context.

Forty-two percent or \$1.6 billion of the department's funds are from the federal government. The other 58 percent, or \$2.2 billion, is a combination of \$1.6 billion (42 percent) in state funding, \$318 million (8.3 percent) in casino revenues which support our senior programs and \$290 million (7.6 percent) in fees paid to us for services we provide to the state's citizens.

Nearly 62 % of the department's 2,171 employees are supported with federal or fee-based revenue. And nearly 84 percent of the budget is devoted to programs that serve seniors and charity care. That means all other health department services — AIDS prevention, cancer programs, lead poisoning, tobacco control, domestic preparedness and other vital public health services — is only 16 percent of our budget.

During the current fiscal year, the department conducted an in-depth review of the Office of the Commissioner and its four branches. We took a thorough look at our structure and concluded that we could reduce the number of deputy commissioners from 4 to 2. As a result, 12 positions were eliminated this year in the Office of the Commissioner through attrition and consolidation. By the end of the upcoming fiscal year, the department will eliminate another 30 positions.

A total of 57 state-funded positions have been eliminated during my tenure including 15 in the Commissioner's Office last year.

While we made these tough decisions, it is important to emphasize that we tried to avoid any cuts in direct care services. First we looked at administrative cuts. Then we looked at where we could be more prudent purchasers of services. Finally, we made changes which were necessary to maintain the current level of services.

The Department's 2007 proposed state budget is the result of some very difficult decisions.

One of the most difficult was elimination or reduction of \$80 million in grants to organizations providing valuable services that this budget cannot afford to fund.

Hospital Provider Assessment

Now I would like to address the hospital provider assessment, which is certainly one of the most attention getting proposals in the budget. As you know, it will generate an additional \$215 million in revenues from the federal government.

Remember, one of the Governor's overall mandates is to maximize federal dollars. That is the underlying philosophy behind the assessment. Sixteen states secure federal funds this way.

I appreciate that all of you have been spending a lot of time talking about this proposal with your hospital constituencies.

While this assessment has been widely criticized for the mechanism of redistribution, I think we can all agree that we must not pass up the opportunity to obtain \$215 million in additional federal funds.

We have been meeting with the hospital industry to discuss the impact of this assessment. And I am absolutely committed to work with the Legislature and the hospital industry on any suggestions that would achieve our common goals.

Charity Care

Now, with regard to charity care, this budget continues to fund charity care at the same level as last year, \$583.4 million.

However, \$300 million in charity care that was previously paid for using a diversion from the Unemployment Insurance Trust Fund is now funded in the department's budget. This represents the vast majority of the \$431 million increase in the department's proposed budget.

You may have read last week about a study by the Robert Wood Johnson Foundation which found that New Jersey's 1.3 million uninsured are four times more likely than insured residents to have no personal physician or health care provider.

As the Governor has said—and I certainly agree—charity care is not the answer to the problem of the uninsured. Charity care plays an important role in reimbursing hospitals for the treatment they provide to the uninsured. But the real solution lies in universal access to health care coverage. Massachusetts recently took the lead on this when the Governor signed a law requiring near universal access to health care coverage. Governor Corzine and I are committed to making progress in universal access to health coverage for all residents of the state of New Jersey. More than 265,000 children in our state lack health insurance. In one of my first meetings with the Governor, he asked me to work with Human Services Commissioner Kevin Ryan to do everything we can to get uninsured children enrolled in either Medicaid or NJ Family Care.

As a down payment on that commitment, this budget includes \$5 million in state funds and \$9.3 million in federal funds to enroll an additional 50,000 children in the NJ Family Care program.

Cancer

Now concerning cancer, this budget contains \$35.9 million to continue funding for ongoing services through the Cancer Institute of New Jersey. Funds previously provided that helped support capital expansion and equipment acquisition—most of which are one-time in nature—are not included again in this budget. However, the remaining funding is still an increase of approximately 65 percent above the amount proposed by the Governor last year.

This will allow us to maintain the current level of cancer treatment and research.

Early Intervention Program

This budget contains an unavoidable increase in the family cost share to higher income families receiving services through the Early Intervention Program.

EIP provides services and support each year to nearly 16,000 children birth to age three who have developmental delays or disabilities. This increase was necessary to preserve the viability of this program which is so important to the families who rely on it.

The number of children who need early intervention services has increased 83 percent in the past five years (4,760 in 2000 to 8,732 in 2005). And the federal commitment to this program has remained flat for more than a decade.

The total budget for this program has increased 170 percent in the past six years to \$92 million. The state contribution has increased more than 179 percent to \$61.4 million during the same time period. Unfortunately, during the same period of time, the federal contribution has only increased 18.2%. This increase will raise \$3 million to offset the increased cost of the program. The cost share for families will vary based on a family's income.

It's important to remember the neediest families below 350 percent of the federal poverty level will continue to receive services at no cost. Beginning at 350 percent of poverty, which is \$70,000 for a family of four, families will be charged a minimum of \$30 per month for services. Remember, on average, the full cost of services is at least \$1,000 a month.

Currently, these families pay \$10 per month.

ADDP/HIV

A similar philosophy of shared responsibility was used in instituting a \$2 co-payment for half of the individuals eligible for discounted HIV/AIDS medications through the AIDS Drug Distribution Program (ADDP).

The co-payment will enable us to maintain the integrity of this vital program. Federal funds have not kept pace with the growth in this program. And we expect the need for these medications to grow as more and more people take advantage of the Rapid HIV test and seek treatment.

I want to stress that half of the recipients of this program—those who can least afford to pay—will not be subject to the co-payment. And no participant will pay more than \$10 a month because there is a cap for those taking multiple medications.

New Jersey has one of the most comprehensive and generous ADDP programs in the country. It has remained fiscally solvent in part because of the PAAD program and Medicaid.

PAAD has taken much of the burden off of the ADDP program by providing prescription medications to individuals with HIV/AIDS that meet PAAD's low income guidelines. These individuals would otherwise rely on ADDP.

I'd like to spend a moment talking about the success of the Rapid HIV test.

Nearly 53,000 individuals have received Rapid HIV tests at 155 sites in 18 counties. Of those, 70 percent of those tested were African American or Latinos.

As a result of this 20-minute rapid test, the percentage of people tested who learned their HIV status after testing has increased to 99 percent. Studies have indicated that once an individual becomes aware of their HIV status through rapid testing they are more likely to reduce risky behaviors, have fewer partners and seek care if infected. I am asking for continuation of the \$4.2 million that was used for Rapid HIV testing in FY 2006. The department has developed several innovative strategies to reach those who may be most at risk.

We are working with community groups to send outreach workers to beauty salons, barber shops, malls, houses of faith and other community organizations to reach those at risk for AIDS—particularly African American and Latina women--to encourage them to get tested and to seek treatment if they are HIV-positive.

All of these efforts will continue.

However, this proposed budget does include a reduction of \$1.5 million for paid media advertising to promote the Rapid HIV test.

We fully expect that our community partners will continue to work with us to promote the Rapid HIV test.

Let me emphasize that this \$1.5 million cut will not affect the availability of the Rapid HIV test.

Overall HIV infection rates in NJ have dropped significantly over the past nine years.

But, infection rates for African American and Latina women are still disproportionately high.

Minorities comprise more than 75 percent of all people living with HIV/AIDS in New Jersey. African Americans account for 55 percent of the people living with HIV/AIDS in New Jersey.

Latinos account for 21 percent of all persons living with HIV/AIDS in New Jersey.

Smoking

Now I'd like to make a few comments about the new Smoke-Free Air Act. The Department is proud—as a matter of fact very proud—to be implementing the Smoke-Free Air Act, one of the most significant public health initiatives in the state's history. This Act will most certainly save many lives, and improve the quality of many more. I thank you as New Jersey's leaders for having the foresight to pass this important law.

The Department has a responsibility to set the parameters of how restaurants, bars and other workplaces will be impacted by the law. A few weeks ago we made public draft guidelines to help businesses while we go through the process to adopt the regulations. This process is important to ensure that the final rules balance the protection of employee and customer health with the health of the business community, and we have to listen to representatives of all those affected.

The Department has reassessed the proposal to eliminate the fixed distance of 25 feet from an indoor public place or workplace. Instead, we will propose a requirement that provides owners and operators the discretion to establish site-specific conditions for outdoor smoking to prevent smoke from entering non-smoking areas. This ensures that

business owners and local governments can work together to develop policies and ordinances that are best for their community.

The change in the 25-foot rule will be posted today on the department's website.

PAAD/Medicare Part D

Now I would like to spend a few moments on issues related to seniors.

The Governor's recommended budget continues the same generous benefits for the PAAD and Senior Gold programs that are so crucial to the health and well-being of our senior citizens.

PAAD and Senior Gold prescription benefits are being coordinated with the new Medicare Part D Prescription drug program to take advantage of cost savings available through the new federal program.

New Jersey's PAAD program was recognized by the federal Centers for Medicare and Medicaid Services (CMS) as a national model for the program's implementation plan to ensure a smooth transition of our beneficiaries to Part D.

Several different agencies in the state pay for large quantities of medication, including PAAD, Senior Gold, Medicaid and the State Health Benefits Plan. To ensure that the Department is a cost-conscious purchaser, this budget will allow for the bulk purchase of prescription drugs to maximize the State's purchasing power across the many pharmacy programs in the state. By combining the purchasing power of all of these programs, the state will be able to negotiate better rebates from drug manufacturers.

Manufacturers will pay supplemental rebates—in addition to the rebates they currently pay to the programs—because they believe they will be able to increase market share.

We will also encourage use of generic drugs, while at the same time discouraging waste, abuse, and over medication.

Global Budget for Long Term Care

The State Fiscal Year 2007 budget includes \$15 million that will be matched with an additional \$15 million in federal funding to continue our commitment to rebalance New Jersey's long term care system. These funds will be used for a pilot project to support Medicaid clients with long term care needs in Atlantic and Warren counties as well as individuals living in nursing homes statewide who can live in the community at a lower cost.

Nursing Home Reductions

Consistent with holding the line on spending, nursing homes and medical day care providers will not receive their annual inflation adjustment to their reimbursement rates in State Fiscal Year 2007, saving the state \$24 million for nursing homes and \$2 million for medical day care.

In addition, the State Fiscal Year 2007 budget reflects the impact of the Federal Deficit Reduction Act of 2006 on Medicaid long term care eligibility.

The state expects to save \$15 million by extending the look back period from three to five years for Medicaid eligibility for nursing homes and revising the asset transfer penalty calculation, both of which are required by federal law to prevent people from obtaining Medicaid eligibility inappropriately. Lastly, the State Fiscal Year 2007 budget does not include the \$8.5 million provided to the nursing homes again this year to offset lower provider assessment collections.

Department Priorities

Now I would like to talk about some of our priorities at the department.

During my tenure as Commissioner, I have emphasized three priorities:

- Reducing health disparities
- Expanding health care access and
- Improving hospital quality

These priorities are again reflected in this year's budget.

Reducing Health Disparities in Minority and Multi-Cultural Communities

Reducing health disparities is the core mission of the Department of Health and Senior Services. Some of the greatest disparities in New Jersey are seen in the detection and treatment of AIDS, asthma, cancer, diabetes, infant mortality, heart disease, stroke, and TB.

Over the past sixteen months, the Department has worked on several major initiatives to expand health care access and reduce health disparities based on race, language barriers and ethnic and cultural differences.

While the Office of Minority and Multicultural Health is charged with specific responsibilities in addressing health disparities, the work of reducing health disparities permeates the entire Department.

Among the initiatives that are helping to reduce disparities are cancer prevention, a statewide asthma collaborative, the Rapid HIV test and funding for diabetes and lead poisoning prevention. All of these public health initiatives target minority communities—African Americans, Latinos, and Asians, including South Asians.

Another program that is critical in reducing health disparities is the New Jersey Cancer Early Education and Detection Program.

With an increase in funding last year from \$2.7 million to \$5.4 million, NJCEED has increased breast, cervical, prostate and colo-rectal cancer screenings for low income and minority populations by 37.8 percent.

More than 20,000 individuals were screened for cancer through this program last year.

Asthma Collaborative

Asthma has been a primary focus in our effort to reduce health disparities. Our data show that 86 percent of those treated for asthma at Centers for Primary Health Care were minorities.

The statewide asthma collaborative is designed to change the way primary health care is provided to asthma patients in the state's community health centers. Sixteen of the 21 centers are participating in this initiative.

The success of this effort will be measured in reduced hospitalizations, mortality, school absenteeism as well as parental lost work time associated with asthma in their children.

Centers for Primary Health Care

Another initiative that is working to reduce disparities and increase access to health care is an aggressive expansion of Centers for Primary Health Care. They are the neighborhood doctor, dentist, and sometimes pharmacist for people who would otherwise have none.

As a medical safety net for the uninsured, the underinsured and the medically underserved, these centers provide comprehensive primary and preventive care to 322,000 people at nearly 70 sites in 18 counties.

A center will open in Phillipsburg, Warren County in June, leaving only Hunterdon and Somerset counties without a Center for Primary Care.

About 44 percent of these patients are uninsured and 39 percent are covered by Medicaid (Family Care).

The more families and individuals have access to primary care through Centers for Primary Health Care, the fewer people will rely on costly and episodic emergency room care.

Since 2004, the state has invested \$73 million in these centers, both to open new access points (\$12.4 million) and to reimburse centers for treating the uninsured (\$60.7 million).

To continue to meet existing and anticipated demand for these services, and to increase access to primary health care, the Department has requested continued funding in the amount of \$40 million in FY2007. Thirty-five million of that money—funded out of the .53 assessment—would be used for uninsured visits.

The remaining \$5 million for capital expansion of existing centers is funded out of the Department's budget.

Health Care Quality

Another important priority is improving the quality of health care. Over the last 16 months, I visited 36 hospitals to tour their facilities and to discuss their scores on our second annual Hospital Performance Report. I have encouraged them to improve quality by sharing information about best practices.

Between April 2004 and March 2005 New Jersey's hospitals earned the highest overall score based on their treatment of patients in four areas: pneumonia, heart failure, heart attack and surgical infection prevention. This data ranked NJ first nationwide in delivering high quality hospital care, and I believe was a direct result of the department issuing hospital report cards.

Regulations will be published shortly to implement the Patient Safety Act, which is designed to significantly reduce serious medical errors in health care settings by creating a culture that promotes examining problems comprehensively and without fear of retribution. Hospitals have cooperated in implementing the law's new reporting system in advance of adoption of the rules.

The budget includes \$600,000 to develop a web-based system to track medical errors in hospitals and other health care facilities.

Emergency Preparedness

In the area of domestic preparedness, I am committed to strengthening the state's public health infrastructure as well as the department's ability to respond to any public health emergency.

This past year, I held three regional security briefings for hospital representatives to review current threats, intelligence and best practices.

The Department's priorities include completion of the statewide medical command and control system which includes a state of the art Health Command Center located in the Department, creation of 8 Medical Coordination Centers (MCCs), and implementation of Hippocrates, an internet based software program that will provide real-time information about the healthcare system throughout the state.

This systems approach for the management of public health emergencies will enable New Jersey to most effectively manage patient care, maintain individual facility integrity, and maintain the integrity of the health system as a whole.

Federal funding for preparedness has been significantly reduced over the past three years. The state allocation has also been reduced. New Jersey's Medprep funding has been reduced by 30 percent from \$12.5 million to \$8.7 million.

To help address these reduced resources, we have reduced staff and consolidated administrative functions.

Additionally, in response to the Joint Resolution of the Legislature, the Department is embarking on an evaluation of New Jersey's EMS system with the goal of enhancing EMS services to the communities it serves. The department, along with our EMS communities partners, will work together to modernize our EMS system to meet the challenges of the 21st century.

Pandemic Influenza Preparedness

Influenza pandemic and bird flu have been receiving quite a bit of media attention lately. The New Jersey Department of Health and Senior Services has been preparing for the possibility for quite some time.

The Department created its first influenza pandemic preparedness plan in 2002. Since then, it has been refined and redrafted several times as new information becomes available.

The latest draft was completed this winter to reflect the newly passed Emergency Health Powers Act.

Our plan has been shared with our partners and stakeholders and has been posted to our website.

Exercising plans is essential and we have planned a variety of exercises across the state. Tomorrow, the Department will be taking part in a cabinet-level agency tabletop exercise. In addition, the Department is sponsoring five regional surge capacity and evacuation exercises for hospitals. Pandemic planning cannot be static.

It must be ongoing and continuous if we are to be prepared to protect New Jersey's residents and workers from the effects of an influenza pandemic.

Closing

I have outlined the department's proposed budget and our spending priorities. I look forward to working with you again this year as we strive to balance fiscal responsibility and public health services and protection.

And now I would be happy to answer any of your questions.