

Assembly Budget Committee Testimony
Health and Senior Services Commissioner
Fred M. Jacobs, M.D., J.D.
Thursday, April 12, 2007

Good morning

Thank you Mr. Chairman. I want to thank you, Assemblyman Greenwald, and the distinguished members of the Assembly Budget Committee for giving me the opportunity to testify today about the budget, priorities and accomplishments of the Department of Health and Senior Services.

The proposed \$3.6 billion budget for the Department of Health and Senior Services reflects a decrease from last year of 6 percent—or \$234.4 million. The total number of funded positions in this budget is 2,101, including both state and federally-funded employees.

We faced a lot of difficult choices in the FY 2008 budget. Many things were considered and ultimately rejected. Among them was the elimination of the popular Senior Gold program as well as reducing certain drugs not covered by Medicare Part D.

The Department's share of Management Efficiencies totaled \$5.1 million in Fiscal Year 2007 and this is continued into Fiscal Year 2008. In early 2006, the Department went through a considerable restructuring of staffing which resulted in significant savings throughout the Department. For example, we dropped 2 deputy commissioner positions and the associated staffing that went with them; we have consolidated and eliminated staffing in the Commissioner's Office; and we are consolidating a number of Information Technology staff centrally.

Since the start of the Corzine Administration, the Department has reduced 118 staff from the payroll, mainly through attrition and retirements.

Now, if I may, I would like to give you a brief overview of just a few of the Department's top priorities and accomplishments this past year.

Smoke-Free Air Act

April 15 marks the first anniversary of the implementation of the Smoke Free Air Act. This landmark law—which protects workers and the public from the effects of secondhand smoke—is a giant step forward in public health prevention.

People have been able to enjoy smoke-free restaurants and public places throughout the state. People with asthma and allergies and families with young children who previously stayed away from restaurants and indoor recreational facilities because of secondhand smoke no longer have to worry about the toxic effects of secondhand smoke.

The Smoke-Free Air Act has also been good for the health of New Jersey's workforce. Virtually all workplaces are smokefree.

Local health departments are responsible for enforcing the law. In a survey conducted six months after the law took effect, 90 percent of the local health officers who responded reported that compliance was going very well in restaurants and 76 percent felt compliance was going well in bars.

The proposed budget includes funding for the Department's Comprehensive Tobacco Control Program, which provides services to smokers who want to quit including NJ Quitline, NJQuitnet and Quitcenters. Community groups in each county that receive state funding are also implementing a variety of tobacco prevention programs to change the public's attitude toward tobacco use.

In addition to implementing the Smoke-Free Air Act, my priorities over the past year have been improving hospital quality, reducing health disparities in minority and multicultural communities, global budgeting for long-term care services, improving emergency preparedness and working with the Governor's Commission on Rationalizing Health Care Resources.

I would like to discuss each of these topics briefly and then I would be happy to answer your questions.

Strategic Plan to Eliminate Disparities

Reducing health disparities between whites and members of New Jersey's minority and multicultural communities is the core mission of the Department and has been since I joined the Department more than two years ago.

Chronic diseases such as asthma, diabetes, obesity, heart disease, hypertension and infant mortality disproportionately impact members of those groups.

Last month, the Department released its first ever *Strategic Plan to Eliminate Health Disparities* to address the vast differences that persist in health outcomes among our diverse communities. We are in the process of submitting that report to the Legislature.

The Strategic Plan to Eliminate Disparities identifies gaps in access and programs and lays out an action plan for our Department with specific goals, timelines to achieve those goals and outcome measures to evaluate our success. For example, the plan recommends standardizing race/ethnicity data across the Department; increasing minority representation in management and supporting new partnerships with faith-based and community groups to increase awareness of health disparities and language access.

Asthma Collaborative

In the area of improving the care of asthma patients, the Department has implemented two initiatives. We have hosted two asthma summits for healthcare providers focused on proper asthma management and reducing disparities among diverse communities.

And we funded a statewide initiative working with the New Jersey Primary Care Association and 16 of the state's community health centers. The Asthma Collaborative teams have worked with more than 2,500 patients and have seen results including fewer Emergency Department visits, fewer hospitalizations and reduced school absences.

The program is based on a federal model that we are now applying to diabetes patients in community health centers.

Obesity

The Department has also turned its attention to the epidemic of obesity in this state—especially the serious problem of overweight children.

Everyone needs to enlist in this fight—especially parents, elected officials, schools, coaches, ministers, community groups and health care professionals.

A few key statistics will give you an overview of the magnitude of the public health crisis we face:

- More than half of all New Jersey adults are obese or overweight.
- New Jersey has the nation's highest incidence of obesity in low-income children between the ages of two and five years.
- Fewer than 40 percent of New Jersey adults participate in frequent physical activity.
- Twenty percent of 6th graders are obese and 18 percent are overweight, meaning 38 percent of 6th graders are either obese or overweight, according to a survey the Department conducted in 2004

Excess weight is the nation's second leading cause of death after smoking. It places people at risk for serious health problems such as diabetes, high blood pressure and coronary heart disease.

It places our children at risk for life-long problems including high cholesterol, high blood pressure, early heart disease, stroke, asthma, depression and type II diabetes.

In recognition of this epidemic, legislation was signed creating an obesity prevention task force. The task force developed an action plan that is the blueprint for a statewide, coordinated effort to support and enhance obesity prevention among state residents. The Department is working on several of the task force's recommendations including partnering with Rutgers Cooperative extension on a statewide obesity prevention campaign called *Get Moving, Get Healthy New Jersey*.

Its goal is to reduce childhood obesity by getting young people and their families to make healthier choices about eating and exercise.

Commission on Rationalizing Health Care Resources

I would like to spend just a few minutes talking about the financial condition of New Jersey's hospitals, charity care and the work of the Commission on Rationalizing Health Care Resources.

And, as you know, hospitals around the state are under unprecedented financial strain from the pressures of managed care and inadequate reimbursement rates from Medicare, Medicaid and charity care.

Seventeen acute care hospitals in this state have closed in the past decade--eliminating 6,500 hospital jobs.

Fifty one percent of the state's hospitals are operating in the red, according to unaudited 2006 data from the New Jersey Hospital Association. One hospital closed last year, two filed for bankruptcy protection and one general hospital converted to a municipal hospital authority.

Earlier this year, the Governor issued an executive order creating the Governor's Commission on Rationalizing Health Care Resources and charged it with developing a plan assessing New Jersey's current and future health care needs, so that policy-makers can have the benefit of reasoned analyses and sound data to guide their decisions.

The goal of the commission is to ensure that the state's supply of health care services is best configured to meet community needs for high-quality, affordable and accessible health care.

New Jersey is very fortunate to have a team of highly qualified health care experts serving on the Commission.

Hospital Quality

Improving the quality of health care is a very high priority for me. I have visited approximately 60 of the state's 79 acute care hospitals and while I am there, I talk to the clinical staffs and administrators about what they are doing well and what they could be doing better.

Public reporting of hospital performance also improves quality. And that's why the Department continues to expand the number of public reports that we issue measuring hospital performance on treatment of patients with pneumonia, heart attacks and congestive heart failure. Shortly, we will issue our second report on bariatric surgery. And we have issued a report on the progress of the Patient Safety Act.

In the 10 years that the Department has been issuing report cards on cardiac surgery, there has been a 54 percent decline in the death rate after cardiac surgery.

Charity Care

Hospitals are mandated to provide all medically necessary care to patients regardless of their ability to pay. The state has an obligation to support hospitals to the greatest extent possible for the charity care services that they have provided. And I recognize that the mandate has never been fully funded.

This year's charity care obligation remains at \$583.4 million. But the formula is being revised to use the most recent audited claims data as the base year for calculating the subsidy and to reimburse Graduate Medical Education based on actual expenditures.

Emergency Preparedness

In the area of emergency preparedness, the Department continues to work very hard. We are working closely with our health care and public health partners—including hospitals, community health centers, county and local health departments, schools and businesses—to ensure that New Jersey is as prepared as possible.

The department first began working on an influenza pandemic plan in 1999. The plan is continually updated and we are very close to completing the fourth version of the plan.

The Department of Health and Senior Services has estimated that an influenza pandemic could result in two million cases of flu and as many as 40,000 deaths in New Jersey.

We've ordered antiviral agents from the federal government and we have a plan on how to distribute them out to communities in the event of a pandemic. When we have our full stockpile, we will have sufficient antivirals with the CDC's stockpile to treat the number of people who would be expected to get sick in an influenza pandemic.

Health Command Center

This past year, the Department opened a new Health Command Center (HCC) to serve as the central command center to coordinate Department operations during a chemical attack or some other mass casualty public health emergency. The HCC is equipped with state-of-the-art equipment to gather real-time data from the state's health care facilities about surge capacity, medications, protective equipment and staffing levels. It is also capable of providing situational updates such as plume modeling to track the path of a chemical release.

The center is designed to complement the State Police Emergency Operations Center. I'm told that the Department's Health Command Center is the first and most advanced of its kind in the country.

Global Budgeting

In the area of senior services, the redesign of our long-term care system continues to be a priority. This goal of this initiative called *Global Options for Long-Term Care* is to rebalance spending for long-term care services by providing a more equitable distribution between cost-effective home and community-based care and nursing homes.

As you know, the cost of home and community based services is significantly less than nursing home care. Like many other states, New Jersey has spent the last several years promoting and expanding home and community based services.

A second component of the Department's effort is to fast-track eligibility for the Global Options program in two pilot counties: Atlantic and Warren counties. Under this pilot, consumers who are eligible for nursing home care and meet Medicaid financial criteria receive home and community based services for up to 90 days while they complete the full Medicaid application and eligibility determination process.

We will expand our fast track eligibility initiative more rapidly than originally planned. And that's thanks to the Independence, Dignity and Choice in Long Term Care Act, which Governor Jon Corzine signed last June. It mandates expansion of the pilot programs statewide by March 2008. The Governor has instructed us to accelerate this expansion and focus our efforts on the counties with the greatest need.

The proposed budget includes \$30 million again this year to implement this initiative. These funds are being used to support an expansion of assisted living slots and an increase in the assisted living per diem from \$60 to \$70.

In state fiscal year 1997, 93 percent of state and federal long-term care dollars were spent on nursing homes and only 7 percent was allocated for home care options. Currently, 23 percent of public long-term care funds are spent on home care options and 77 percent on nursing home care.

I realize I have covered a lot of territory and I know you have questions so I will end my formal remarks.

I want to thank you again for this opportunity to highlight the important work of the Department of Health and Senior Services and now I would be happy to answer your questions.