

**SENATE, No. 1028**

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**STATE OF NEW JERSEY**  
**218th LEGISLATURE**

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INTRODUCED JANUARY 22, 2018

**Sponsored by:**

**Senator JOSEPH F. VITALE**

**District 19 (Middlesex)**

**SYNOPSIS**

Establishes Office of Health Transformation to coordinate certain strategic planning for State health care programs.

**CURRENT VERSION OF TEXT**

As introduced.



1 AN ACT establishing the Office of Health Transformation and  
2 supplementing Title 30 of the Revised Statutes.

3

4 **BE IT ENACTED** by the Senate and General Assembly of the State  
5 of New Jersey:

6

7 1. The Legislature finds and declares:

8 a. The State is the largest purchaser of health care services in  
9 New Jersey, with combined federal and State expenditures for  
10 Medicaid totaling \$14.5 billion in fiscal year 2016.

11 b. Medicaid is the largest health insurer in the country, covering  
12 more than 70 million people.

13 c. The combined cost of New Jersey's many health care  
14 programs, of which Medicaid is only one, totals nearly \$20 billion  
15 annually.

16 d. New Jersey's Medicaid program is administered by the  
17 Division of Medical Assistance and Health Services in the  
18 Department of Human Services, but the Departments of Health,  
19 Children and Families, and Banking and Insurance, as well as other  
20 divisions and agencies within State government all play vital roles  
21 in the provision of Medicaid-funded programs and services to  
22 eligible individuals in New Jersey.

23 e. A single office dedicated to strategic planning for the State's  
24 public health care system is essential to ensure that individuals in  
25 need continue to receive high quality healthcare services and that  
26 the value received for public healthcare dollars spent is maximized.

27 f. Leveraging State health care purchases, standardizing health  
28 care quality performance measures, and assessing the use of  
29 alternative payment models through the development of  
30 demonstration projects will help drive improvements in the quality  
31 and value of public health care programs, and ensure that the State  
32 is benefitting from innovations in healthcare whenever feasible.

33

34 2. a. There is established in the Executive Branch of State  
35 Government the Office of Health Transformation. For the purpose  
36 of complying with Article V, Section IV, paragraph 1 of the New  
37 Jersey Constitution, the office is allocated within the Department of  
38 the Treasury; but, notwithstanding that allocation, the office shall  
39 be independent of any supervision or control by the department or  
40 by any board, officer or employee thereof. The Office of Health  
41 Transformation shall serve strategic planning, advisory,  
42 coordination, communication, and contract review and development  
43 functions in its mission to drive improvement in State healthcare  
44 program performance and value, including, but not limited to, the  
45 Medicaid program established pursuant to P.L.1968, c.413  
46 (C.30:4D-1 et seq.) and the NJ FamilyCare Program established  
47 pursuant to P.L.2005, c.156 (C.30:4J-8 et al.).

1       b. The Office of Health Transformation shall have the following  
2 general duties, powers, and responsibilities:

3       (1) to establish a single, comprehensive strategic plan for the  
4 coordinated, efficient administration of public healthcare policy and  
5 spending, including, but not limited to, the Medicaid and NJ  
6 FamilyCare Programs, that examines policies and expenditures  
7 across departments, divisions, agencies, and programs to determine  
8 ways to improve performance and leverage purchasing power;

9       (2) to review the current contract between the Division of  
10 Medical Assistance and Health Services in the Department of  
11 Human Services and managed care organizations that provide  
12 services to persons who are eligible for Medicaid or NJ FamilyCare,  
13 which review shall include:

14       (a) referring to industry best practices or contracts executed by  
15 other states with Medicaid managed care organizations, as  
16 appropriate;

17       (b) documenting instances in which the present contract is  
18 unenforceable, inconsistent, duplicative, outdated, or ambiguous,  
19 and the reasons therefor; and

20       (c) documenting instances in which the present contract does not  
21 set forth requirements by provider type for managed care  
22 organizations but does set forth requirements for fee-for-service  
23 providers by provider type;

24       (3) to develop a draft contract for future use, based on the results  
25 of the review by the office of the current contract, that is updated,  
26 clear, and enforceable, and which specifies requirements by  
27 provider type for managed care organizations;

28       (4) to facilitate and coordinate communication with and among  
29 the departments, divisions, and agencies that provide Medicaid-  
30 funded services or programs to facilitate the Office of Health  
31 Transformation's strategic planning, and contract review and  
32 development functions;

33       (5) to consult with the Division of Pension and Benefits in the  
34 Department of the Treasury to determine the feasibility of  
35 consolidating expenditures, including, but not limited to, those  
36 made by the State Health Benefits Program and the School  
37 Employees' Health Benefits Program with other State health care  
38 program expenditures to achieve economies of scale;

39       (6) to call upon any department, division, or agency of State  
40 government to provide such information, resources, or other  
41 assistance as the office deems necessary to discharge its functions  
42 and to fulfill its responsibilities pursuant to this act. Each  
43 department, division, and agency of this State shall cooperate and  
44 furnish the office with the information and assistance necessary to  
45 accomplish its mission;

46       (7) to assess the State's strategy for pharmaceutical procurement  
47 in order to identify alternative procurement strategies that could  
48 leverage the State's purchasing power to reduce costs. Such

1 assessment shall including an analysis of the feasibility of: using a  
2 single process for all State pharmaceutical procurement, including  
3 that undertaken by the State Health Benefits Program and the  
4 School Employees' Health Benefits Program; requiring information  
5 from managed care organizations to enable the Division of Medical  
6 Assistance and Health Services to ensure that pharmaceutical  
7 pricing in the Medicaid program is consistent with that required by  
8 applicable federal regulation; and utilizing other strategies to  
9 achieve savings in State pharmaceutical expenditures;

10 (8) to establish a single set of standardized measures of the  
11 quality of healthcare to be utilized for all State healthcare programs,  
12 including Medicaid and NJ FamilyCare, that simplifies,  
13 consolidates, and harmonizes the healthcare quality measures that  
14 are currently reported through State, federal or other initiatives;

15 (9) to coordinate, with the Division of Medical Assistance and  
16 Health Services in the Department of Human Services, the  
17 development and implementation of a one-year demonstration  
18 project that utilizes an episode-of-care payment model for one or  
19 more conditions or medical events to be identified by the office and  
20 for which healthcare services are provided through the Medicaid  
21 program, as provided by subsection c. of this section; and

22 (10) to coordinate and develop, with the Division of Medical  
23 Assistance and Health Services in the Department of Human  
24 Services, a means by which to monitor and evaluate the use of  
25 value-based payment and alternative payment models in other states  
26 or programs over time to assess their effectiveness and potential  
27 applicability to the State Medicaid program. Such monitoring and  
28 evaluation shall include, but is not limited to, consultation with  
29 individuals experienced in, or potentially affected by, the use of  
30 value-based or alternative payment models, including  
31 representatives of: the healthcare quality improvement industry,  
32 acute care hospitals, consumer advocacy groups, patients with  
33 chronic conditions, managed care organizations operating in the  
34 State, physicians that provide services through a Patient Centered  
35 Medical Home, behavioral health providers, certified Medicaid  
36 accountable care organizations, and others, as deemed appropriate  
37 by the office. The office shall submit, no later than 24 months  
38 following the enactment of P.L. , c. (C. ) (pending before  
39 the Legislature as this bill), a report to the Governor and to the  
40 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1)  
41 on its findings, including any recommendations concerning the use  
42 of value-based payment and alternative payment models in the State  
43 Medicaid program.

44 c. (1) The demonstration project implemented pursuant to  
45 paragraph (9) of subsection b. of this section shall be designed to  
46 improve the coordination of healthcare services by providers and to  
47 reward providers by sharing any cost savings realized in the  
48 episode-of-care payment model compared to the same course of

1 treatment when provided in a fee-for-service or managed care plan  
2 payment model, between the State and the provider or group of  
3 providers.

4 (2) Managed care organization participation in the  
5 demonstration project shall be made mandatory by contract.

6 (3) The Commissioner of Human Services shall apply for such  
7 State plan amendments or waivers as may be necessary to  
8 implement the provisions of this act and to secure federal financial  
9 participation for State Medicaid expenditures under the federal  
10 Medicaid program.

11 (4) The office shall collect data during the course of the  
12 demonstration project in order to assess whether the project results  
13 in demonstrable savings and improved healthcare outcomes as  
14 measured by standard healthcare quality measures.

15 (5) The office shall submit, within 180 days of the end of the  
16 demonstration project, a report on its findings, including  
17 recommendations concerning expansion of the demonstration  
18 project, to the Governor and the Legislature pursuant to section 2 of  
19 P.L.1991, c.164 (C.52:14-19.1).

20 d. As used in this section, "episode of care" means a payment  
21 model in which a provider or group of providers that provide health  
22 care services to a person receives a single, previously negotiated,  
23 bundled payment, which is set at less than the total current payment  
24 in a fee-for-service or managed care model, as applicable, and that  
25 includes all physician, inpatient, and outpatient care that the patient  
26 received in the course of being treated for the specific condition or  
27 medical event.

28  
29 3. The Governor shall appoint an Executive Director of the  
30 Office of Health Transformation, who shall have expertise in  
31 healthcare policy and finance. The executive director shall have the  
32 power to employ staff within the limits of funds appropriated or  
33 made available therefor, and shall have broad authority to  
34 coordinate communication between, and request and receive  
35 information from, any department, division, or agency of the State  
36 in furtherance of the mission of the office.

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38 4. This act shall take effect immediately.

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#### STATEMENT

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43 This bill establishes the Office of Health Transformation in the  
44 Department of the Treasury. For the purpose of complying with  
45 Article V, Section IV, paragraph 1 of the New Jersey Constitution,  
46 the office is allocated within the Department of the Treasury; but,  
47 notwithstanding that allocation, the office would be independent of  
48 any supervision or control by the department or by any board,

1 officer or employee thereof. The office would serve strategic  
2 planning, advisory, coordination, communication, and contract  
3 review and development functions to drive improvement in State  
4 healthcare program performance and value, including the Medicaid  
5 and NJ FamilyCare programs.

6 The Office of Health Transformation would have the following  
7 duties, powers, and responsibilities:

- 8 • to establish a single, comprehensive strategic plan for the  
9 coordinated, efficient administration of public healthcare  
10 policy and spending, including, but not limited to, the  
11 Medicaid and NJ FamilyCare Programs, that examines  
12 policies and expenditures across departments, divisions,  
13 agencies, and programs to determine ways to improve  
14 performance and leverage purchasing power;
- 15 • to review, as detailed in the bill, the current contract  
16 between the Division of Medical Assistance and Health  
17 Services in the Department of Human Services and managed  
18 care organizations that provide services to persons who are  
19 eligible for Medicaid or NJ FamilyCare;
- 20 • to develop a draft contract for future use, based on the  
21 results of the review by the office of the current contract  
22 between the division and managed care organizations, that is  
23 updated, clear, and enforceable, and which specifies  
24 requirements by provider type for managed care  
25 organizations;
- 26 • to facilitate and coordinate communication with and among  
27 the departments, divisions, and agencies that provide  
28 Medicaid-funded services or programs;
- 29 • to consult with the Division of Pension and Benefits in the  
30 Department of the Treasury to determine the feasibility of  
31 consolidating expenditures, including, but not limited to,  
32 those made by the State Health Benefits Program and the  
33 School Employees' Health Benefits Program with other  
34 State health care program expenditures to achieve economies  
35 of scale;
- 36 • to call upon any department, division, or agency of State  
37 government to provide such information, resources, or other  
38 assistance as the Office of Health Transformation deems  
39 necessary to discharge its functions and to fulfill its  
40 responsibilities;
- 41 • to assess, as detailed in the bill, the State's strategy for  
42 pharmaceutical procurement in order to identify alternative  
43 procurement strategies that could leverage the State's  
44 purchasing power to reduce costs;
- 45 • to establish a single set of standardized measures of the  
46 quality of healthcare to be utilized for all State health care  
47 programs;

- 1       • to coordinate, with the Division of Medical Assistance and  
2       Health Services in the Department of Human Services, the  
3       development and implementation of a one-year mandatory  
4       Medicaid demonstration project that utilizes an episode-of-  
5       care payment model for one or more conditions or medical  
6       events to be identified by the office, and to report to the  
7       Governor and the Legislature on the results of the  
8       demonstration project within 180 days of the end of the  
9       project;
- 10       • to coordinate and develop, with the Division of Medical  
11       Assistance and Health Services in the Department of Human  
12       Services, a means by which to monitor and evaluate the use  
13       of value-based payment and alternative payment models in  
14       other states or programs over time to assess their  
15       effectiveness and potential applicability to the State  
16       Medicaid program. The monitoring and assessment shall  
17       include consulting with individuals experienced in, or  
18       potentially affected by, the use of value-based or alternative  
19       payment models, and the office is to submit its findings,  
20       including any recommendations concerning the use of value-  
21       based payment and alternative payment models in the State  
22       Medicaid program to the Governor and the Legislature, no  
23       later than 24 months following enactment of this bill.

24       The bill also provides that the Governor appoint an Executive  
25       Director of the Office of Health Transformation who is to have  
26       expertise in healthcare policy and finance. The bill provides that  
27       the executive director may employ staff within the limits of funds  
28       appropriated or made available, and would have broad authority to  
29       coordinate communication between, and request and receive  
30       information from, any department, division, or agency of the State  
31       in furtherance of the mission of the office.

32       This bill implements certain recommendations of the Medicaid  
33       2.0 Report authored by the New Jersey Health Care Quality  
34       Institute, and would take effect immediately upon enactment.