

**Testimony presented to the  
Assembly Budget Committee  
by  
Acting Commissioner Jennifer Velez  
New Jersey Department of Human Services  
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Good morning, Chairman Greenwald, and members of the committee.

Thank you for the opportunity to be here today to talk about the Governor's Proposed Budget for the Department of Human Services for State Fiscal Year 2008.

Let me begin by introducing some members of my senior staff. They are: Chief of Staff Diane Zompa; Deputy Commissioner Ann Kohler; Deputy Commissioner Jim Smith; Assistant Commissioner, Division of Mental Health Services, Kevin Martone; Assistant Commissioner, Human Resources, Kim Rogers-McLean; Division of Medical Health Services Acting Director John Guhl; Division of Disability Services Director Bill Ditto; Division of the Deaf and Hard of Hearing Acting Director Ira Hock; and Office of Budget Planning Director Joe Guider.

As you know, this is the first of two days that I am to testify. I am scheduled to return on April 17<sup>th</sup>.

These individuals are here today because the four divisions I will be discussing are the Division of Medical Assistance and Health Services, which administers our Medicaid and children's health insurance program, the Division of Mental Health Services, the Division of Disability Services, and the Division of the Deaf and Hard of Hearing.

I appreciate that you have set aside so much time for these hearings, and we understand your interest. It has been a momentous year at the Department of Human Services, and there have been many changes.

But in the two months since the Governor nominated me to be Commissioner, I believe both management and staff have grown increasingly confident in the Department's direction and stability. I, personally, am very optimistic about the energy I see around me, the management team I have put in place thus far, and the Department's ability to deal with the challenges ahead.

That being said, we are also looking at another tough budget year and a budget that required many difficult decisions and choices.

Governor Corzine has proposed a \$4.9 billion budget for the Department of Human Services that shows his understanding of our role as New Jersey's social service agency and his commitment to the almost 1.5 million people we serve every day.

Although our budget shows only modest growth over last year's appropriation, specific funding allocations reflect careful decision making and an appreciation for some of our most critical needs.

This budget, for example, allocates \$20 million in new funding to our Division of Mental Health Services. This will allow us to continue to build the infrastructure of supports and services we need to meet our twin goals of strengthening New Jersey's community Mental Health System and stabilizing our state psychiatric hospitals.

The proposed budget also provides a long overdue increase of \$5 million in the Medicaid rates paid to pediatric providers. Because of the 50 percent match we receive from the federal government, and the effective date of January 1, 2008, this will annualize to \$20 million. This is great news for children and families enrolled in our Medicaid program, where our low rates often discourage doctors from accepting our clients.

I know this budget also reflects decisions that concern you, our stakeholders and our clients, such as the difficult decision to establish Medicaid co-pays. Additionally, I understand the concerns that have been raised to you by the pharmacy associations, and I will speak to that in a moment.

But these – and other – decisions were made in the fuller context of other difficult choices that were rejected because they would have hurt the quality of life for the very people whose lives we are committed to improving.

One serious consideration, for example, was whether to make benefit and eligibility changes to the Medicaid program. We ruled this out because eliminating access to benefits such as prosthetics, hearing aids and optometry services, including glasses, while they would have produced cost savings comparable to the co-pays, would have had a negative impact on the quality of life of some of our most vulnerable citizens.

As we discuss these and other tough decisions today, I want to assure you that conversations like this do not happen at the Department only at budget time. We take very seriously our responsibility to allocate the scarce resources in our budget, to serve clients as best we can and to recognize the invaluable work of our partner provider agencies. The entire senior leadership at the Department and in each of the divisions meets often with advocates, stakeholder groups, parents and providers to ensure that our dialogue is open, frank and productive.

This year, we held six separate public forums around the state so that we could be better informed as we crafted our budget.

At our three fall forums, people testified about their needs, offered their comments and expressed their concerns. This spring, we went back to the community through three more forums in order to advise our stakeholders and other interested folks about what the Governor had included in his proposed budget, and to listen again to their comments and concerns. This process helped us immensely.

For example, this year's proposed budget includes \$3.5 million for the Personal Assistance Services Program, known as PASP, which is administered by the Division of Disability Services. This is the first new appropriation for PASP in six years.

You may be familiar with this program through some of your constituents. PASP pays for people with disabilities to receive assistance with the tasks of daily living, such as cooking, cleaning and dressing. These are the services that can literally determine whether or not a person with a disability is able to leave the house to go to work, attend school or get involved in the community in other ways. Without these services, people's lives are, literally, on hold.

The new funding proposed by the Governor will allow us to completely eliminate a substantial waiting list for PASP. This is very good news, and all for a relatively small amount of money.

At the end of your review of our budget, or at least with respect to the divisions we are discussing today, I am optimistic that you will feel as confident as I do about the path the Department is on and our ability to make the most effective use of our limited resources as we continue to provide critical services and supports for people who have a mental illness, a physical disability, are deaf or hard of hearing, or need access to healthcare or a range of other types of assistance.

I would like to take just a few more moments to talk about what is, essentially, a new Department. As you know, the last time a DHS Commissioner was here, the Department of Human Services included what is now the Department of Children and Families (DCF).

Before DCF was carved out of the Department of Human Services to separately administer the child welfare and child behavioral health systems, we were a \$10.2 billion agency. In SFY 2008, we anticipate a total budget of \$9.6 billion, including the \$4.9 billion in state funds that I mentioned a few moments ago.

Last year, we employed 22,000 people who worked in 11 different divisions. Today, we employ almost 16,000 people who work in eight divisions.

Today, our Department serves approximately 1.5 million every single day, including more than half a million people who receive services from more than one division.

Much has been said about how carving a separate department out of the Department of Human Services was good for New Jersey's children and its child welfare system. But I believe there are also benefits for all the people I have just described.

Today, we are better able to marshal our energies and resources to focus on the programs that serve them and which have experienced some underinvestment in past years.

One example is the Division of Mental Health Services, where we are deeply engrossed in historic changes in the way we manage and deliver services to people with mental illness. In large measure, this is due to the wisdom and strategic plan offered by Governor Codey's Mental

Health Task Force and to the leadership of Assistant Commissioner Kevin Martone. This budget supports the Division and its activities.

We have also been able to take a leadership role in the ongoing debate in Washington over the future of the State Children's Health Insurance Program (SCHIP) funding. We want to make sure we receive the federal funding we need in order to continue our own children's health insurance program without interruption.

Governor Corzine has played a pivotal role in helping to shape the SCHIP conversation in Congress, and Deputy Commissioner Ann Kohler is nationally recognized for her knowledge and expertise in this area.

We are painfully aware of how a cut in this funding could affect our children's health insurance program and its implications for any discussions about universal health insurance here in New Jersey. We very much look forward to working with the Legislature and the Governor on this difficult issue in the coming months. I know that many of you are already on board with this discussion and Assemblyman Cryan, for one, asked me about it during a recent Assembly Human Services Committee hearing.

I also want to make mention of the Division of the Deaf and Hard of Hearing, whose budget is being reviewed today as well. This small division provides vital information and referral services and is an important resource for the almost 800,000 people in New Jersey who are deaf or hard of hearing. Its mission is to promote access to communication between people who are deaf or hard of hearing and the larger community.

This year, the Division opened the second of what eventually will be three assistive device demonstration centers in the state. These centers give people with hearing loss the chance to get hands-on experience with different types of equipment designed to help them access the world around them. A few examples are smoke detectors, doorbell signalers and video phones.

I want to make quick mention that the Division recently received special recognition from the National Committee for Employer Support of the Guard and the Reserve. The Division was deemed a "Patriotic Employer" in recognition of its support of one of its staff members, Todd Olsen, who is a Captain in the Army Reserves and recently returned from a year serving in Iraq. We were all very proud of the Division for receiving this award and for supporting Todd while he was overseas.

Before I close, and before I begin to take your questions, I want to clarify some issues around our pharmacy moratorium. I have already talked with some of you about this issue, and I also have heard the concerns of the pharmacy associations.

First, the word "moratorium" is a bit of a misnomer. We have not closed, nor do we plan to close, any pharmacies. What we are doing is taking a much closer look at our clients' needs and whether we have a sufficient capacity of Medicaid pharmacy providers.

Our decision has no bearing on their ability to accept Medicaid clients enrolled in an HMO, FamilyCare, PAAD, Medicare, private insurance or any other type of prescription plan. This decision was made as part of our overall fraud, waste and abuse plan, and it allows for two exceptions.

The first is a "transfer of ownership" exception that applies to any pharmacy business that is being transferred to a new owner, as long as it continues to offer the same level of services, such as home delivery or bilingual services, to our Medicaid clients as it did under the previous owner. This exception, in particular, was crafted with the assistance of the pharmacy associations, once they brought their concern to our attention.

The second exception applies to businesses that meet "special needs" criteria. This means that if an owner can show that our clients have a special need in their neighborhood for his business, we will allow it to become a Medicaid pharmacy.

The decision to implement a moratorium is premised upon the fact that our clients' needs are adequately served by the number of existing pharmacies. Additionally, limiting the number of new pharmacies to the market is a component of our waste, fraud and abuse monitoring plan. This decision is obviously subject to some debate and discussion.

In closing, I want to assure you that over the past year, management and staff in all our divisions have worked very hard to make sure our clients continue to receive the assistance and support they need, even as we were making the transition to becoming a "new" Department with all the internal changes that required.

I am enthusiastic about the opportunity to lead the Department under a Governor who supports our goals, is committed to fighting poverty and determined to put state government on a sound fiscal footing. As we begin to talk about the Governor's proposed budget today, I want to say once again that while growth in our budget was modest, it shows the Governor's support of the Department and its programs and acknowledges the needs of the people we serve.

I would now be happy to answer your questions.

# New Jersey Department of Human Services

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