

Health Commissioner Mary E. O'Dowd
Senate Budget and Appropriations Committee
April 14, 2015

Good morning Chairman Sarlo, Vice Chairman Stack, Senator Bucco and members of the Senate Budget Committee.

Thank you for the opportunity to appear before you today to discuss the Department of Health's proposed budget for State Fiscal Year 2016.

If I may, I would like to have my team introduce themselves.

Eric Anderson, Director of the Division of Management and Administration;
Bill Conroy, Deputy Commissioner for Health Systems;
Dr. Arturo Brito, Deputy Commissioner for Public Health Services; and
Cathy Bennett, Director of Policy and Strategic Planning

The Department of Health's \$1.7 billion budget reflects our focus on supporting the transformation of our healthcare system, building healthier communities and working smarter.

Transforming Healthcare System

Nationally our healthcare system is going through a transformation driven by an emphasis on improving the experience of care, developing population health strategies and reducing costs. New Jersey, similar to the nation, has expanded our participation in value-based purchasing initiatives, which link performance outcomes to financial rewards thus encouraging high quality and cost efficient care.

This proposed budget, which dedicates nearly \$830 million to our hospitals and FQHCs, invests in the future of our healthcare system while continuing to support our safety net. As you know, Medicaid expansion provided insurance to many previously uninsured residents. As we see the number of uninsured patients decline significantly, this budget focuses on right-sizing charity care subsidies. The charity care program is funded at \$502 million for hospitals and over \$32 million for FQHCs. Preliminary documented charity care for calendar year 2014 is estimated at \$580 million, which represents a dramatic 40% reduction in services to the uninsured in one year. In large part this is due to the successful expansion of Medicaid by Governor Christie. In the aggregate, the \$502 million in funding reflects an 87% subsidy for the amount of care provided currently, an increase over the 63% subsidy in this fiscal year—and represents the highest subsidy rate ever provided through the program.

This allows for a reasonable transition for hospitals, while also giving the state the opportunity to support other programs such as investing in our healthcare workforce. The proposed budget includes more than \$127 million for Graduate Medical Education (GME), nearly a \$30 million increase from last year. This reflects the Governor's ongoing commitment to the expansion of New Jersey's medical schools and hospital-based teaching programs. Since the beginning of this

administration, Governor Christie has more than doubled the amount of funding to GME, from \$60 million to \$127.3 million.

This is coupled with the Department of Human Services' initiative to improve access to doctors for our Medicaid population by increasing funding by \$45 million to physicians who treat Medicaid patients.

As the healthcare landscape evolves, there is an increased focus on prevention and wellness. This is critical to improving the health of our population since chronic diseases lead to 70% of all deaths and consume 83% of all healthcare spending in the United States.

Partnering For a Healthy NJ

The Department is employing a comprehensive approach to build healthier communities and shift our focus from illness to wellness.

Last year, the Department unveiled its Chronic Disease Plan called *Partnering for a Healthy NJ*, which uses evidence-based strategies to promote prevention and wellness in all environments.

Our hospital Delivery System Reform Incentive Payments—or DSRIP program—rewards hospitals for achieving improved population health outcomes that will result in better health and reduced hospital admissions. The proposed budget dedicates \$166.6 million for DSRIP, the first hospital subsidy program in the state to align our public health and hospital quality goals in a financial incentive program. New Jersey is leading the nation as one of only six states with this initiative.

The Department is accelerating the use of health information technology to address chronic disease by supporting the Trenton Health Team with a grant to use a clinical decisions support tool. The funding will allow this regional planning team to use data to better manage patients with diabetes and high blood pressure. The tool supports provider decision making, improves care processes and enhances population health.

We are also encouraging workplaces to support a culture of health. The Department recently released a toolkit to create a worksite wellness program and evaluate it for effectiveness and return on investment. Due to the amount of time spent in the workplace, employers have a unique opportunity to impact and improve health for their workforce.

Working Smarter

Over the past four years, the Department has focused on working smarter. In 2012, we developed a strategic plan with the goal to drive measurable improvements in the health of the people of New Jersey. This plan is the roadmap for the agency that helps prioritize our efforts. We are pursuing national public health accreditation, which is focused on advancing our quality and performance to strengthen our agency and to ensure we are well positioned for future federal funding. We have developed continuous quality improvement training for our staff and a number of projects have focused on improved customer service.

To modernize the way the Department collects revenue, we have begun to implement an electronic payment system. In 2013, all licensing actions within the Department were paper-based. Today, more than 174 license and permit payments are now online. This effort increases efficiency and expedites the payment process for our licensees and the state. Our next step is to automate five transactions for our laboratory, which will streamline the process for 5,000 payments which annually collect an estimated \$10 million.

Now I would like to highlight some of the other large portions of the Department of Health's budget.

Cancer

The Department provides \$65 million toward cancer research, services and treatment, which has supported great strides in the fight against cancer. The largest portion, \$28 million, is dedicated to New Jersey's only National Cancer Institute-designated Comprehensive Cancer Center—the Cancer Institute of New Jersey (CINJ), which has a profound impact on the health of our residents from a healthcare and economic perspective. A recent analysis demonstrated that for every dollar appropriated, CINJ returns \$13 in economic benefit to the state, bringing in additional federal grants, jobs and industry collaboration.

State funding for the Cancer Institute has also helped advance a new effort to personalize cancer treatment through precision medicine. State funding has enabled CINJ to develop the program and attract a private \$10 million donation to support this initiative. Precision medicine is changing the way cancers are diagnosed and treated. The Cancer Institute's clinical trials are identifying abnormalities in patient tumors, analyzing genetic data, and tailoring treatment specific to the individual's disease. Given the national focus on this issue, we expect more federal funding will follow. The federal budget includes a \$215 million Precision Medicine Initiative to develop new treatments, databases and research based on 1 million Americans volunteering to contribute their health data to improve outcomes. Because of New Jersey's ongoing support to our NCI designated center, we are well positioned to compete for this funding.

Autism

April is Autism Awareness month and the state continues to work to improve our programs to better serve those affected by Autism. For the last four years, the Department of Health has broadened New Jersey's Autism research, created a single center to coordinate this work, and focused on supporting the translation of scientific knowledge into improved care and patient results. This year, we are launching an Autism Medical Home research initiative, which aims to evaluate the effectiveness of better coordinated services for children with Autism through the integration of primary care and specialists. We hope that this will inform our future work ensuring that we increase the effectiveness of our programs statewide.

National experts have recognized our leadership and have engaged with New Jersey's efforts by participating on our research review panels.

The second largest portion of state funding in our budget supports services for infants and toddlers up to age three who have developmental delays and disabilities including Autism. The Early Intervention Program is funded at \$154 million, a nearly \$20 million increase over last year's budget. This program is a critical part of the state's overarching effort to improve early childhood education and the quality of life for families.

End of Life

Now I would like to turn to another important priority area for the Department. Over the last four years, we have been focused on promoting awareness of end-of-life issues to increase quality of care and reduce cost. According to the Dartmouth Atlas, New Jersey's healthcare system spends more than any other state on Medicare patients in the last two years of life. Additionally, we are ranked highest in the number of specialist visits to Medicare patients in the last two years and six months of life. Despite all those healthcare resources, we see no evidence of improved outcomes.

Thursday is National Healthcare Decisions Day and I will join with the Mayors Wellness Campaign for the launch of their *Conversation of a Lifetime* project to develop and promote a community conversation around advanced care planning. The project will increase the number of New Jersey residents who have documented their wishes across the state.

The Department launched a new website on palliative and end-of-life care, which includes toolkits to help guide residents in talking about end-of-life care with their loved ones. It also highlights the Practitioner Orders for Life-Sustaining Treatment (POLST) form, which empowers residents to work with their healthcare providers to document preferences for medical care. The Department and the New Jersey Hospital Association continue to educate healthcare providers about the POLST form and encourage them to take an active role in advanced care planning for their patients so they are able to effectively honor their patients' wishes at the end of life.

By raising awareness among both the general public and healthcare providers, we are hoping New Jerseyans will engage in this important conversation and document their wishes to ensure they receive the care they want at the end of life.

Ebola Response

A major focus of the Department over the last year, that should be noted, has been the state's ongoing Ebola response. The Department has led a comprehensive approach by working with our partners to prepare our healthcare system, prevent exposure and provide education to communities, families and schools. It is important to remember that this is an ongoing response and New Jersey continues its efforts. Since October, more than 1,400 individuals have been screened at Newark airport and every day more people are arriving. New Jersey conducts daily active monitoring of individuals with recent travel to Ebola-affected countries who are staying in our state. Since this initiative began in October, local health departments have monitored more than 600 individuals and are currently monitoring 81. I want to take this opportunity to thank New Jersey's hospitals, EMS, local health departments, other state agencies and healthcare partners for their hard work and continuing efforts in this ongoing response.

Closing

In closing, I want to thank you for this opportunity to update you on the Department of Health's budget and our ongoing activities to improve and protect the health of New Jersey's residents. I hope that my testimony has demonstrated our commitment to supporting our public health and healthcare systems through leadership and innovation while working to improve our performance and effectiveness over the last four years.

I look forward to working with you and I would be happy to answer your questions.