

Assembly Budget Committee Testimony
April 14, 2005
Commissioner of Health and Senior Services
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Good morning Chairman Greenwald and distinguished members of the committee. Thank you for giving me an opportunity to present the Department of Health and Senior Services' FY 2006 proposed budget.

With me today are State Epidemiologist and Deputy Commissioner for Public Health Services Dr. Eddy Bresnitz; Acting Deputy Commissioner for Senior Services, Kathleen Mason and my budget director, Matt D'Oria.

As the Governor said in his State-of-the-State Message, his parents taught him: "Do what you can with what you have in the time that you are given."

That is the philosophy I have adopted since I became Commissioner last December. That line of the Governor's also aptly describes the proposed \$3.4 billion budget for the state Department of Health and Senior Services.

The budget that you have before you for review today represents a reduction of \$245 million from the Department's Fiscal Year 2005 budget. While it is a tough budget, I'm proud to say that it saves money, but it does not reduce vital services to clients.

One of my first acts as commissioner was to order a top-to-bottom review of the department. Through consolidation the Office of the Commissioner has reduced operational costs by \$600,000 or 12 percent. A total of ten positions have been vacated and will not be filled including two deputy commissioner positions that have been merged with assistant commissioners serving in dual roles. But that was just a start.

We have also identified areas where we can improve program performance and help use our limited dollars more wisely.

The Department is proposing to reorganize three areas: Licensing and inspection of Residential Health Care Facilities to be transferred to the Department of Community Affairs; private facilities for the Developmentally Disabled to the Department of Human Services, which has similar responsibilities; and the proposed transfer of the Office of Managed Care to the Department of Banking and Insurance.

We will continue to review all programs in the Department to look for further efficiencies.

I respect the role of this Committee and the entire Legislature in reviewing this proposed spending plan. We stand ready to work with you to craft a spending plan that preserves services for our most vulnerable citizens. My staff and I are here to discuss the tough decisions we've made and also to participate in a discussion of alternative savings ideas you may have to help balance the budget.

Before discussing specific programs, I thought I would take a minute to put the Department's budget into context. For instance, it is important to realize to learn that 48 percent, or \$1.6 billion, of the department's funds are from the federal budget. The other 52 percent, or \$1.8 billion, is a combination of \$1.3 billion (38 percent) in state funding, \$332 million (10 percent) in casino revenues which support our senior programs and \$137 million (4 percent) are fees paid to us for the services we provide to the state's citizens.

Nearly 60 percent of the department's 2,200 employees are supported with federal revenues or supported by dedicated fees. And nearly 80 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 a smaller fraction of our budget.

Our most fundamental mission must be to address health care disparities for the minority and multicultural residents of our state who very often live in medically underserved communities.

One of my top priorities is to address health disparities, but in particular in the care and treatment of asthma patients—most importantly children.

Black and Hispanic children are hospitalized four times as often as white children, and are re-hospitalized at the same rate. This enormous disparity is also true for black and Hispanic adults. We must do a better job of educating patients—young and old--

monitoring care and paying attention to environmental and social factors that contribute to asthma.

We are reviewing existing collaborative asthma programs to replicate a successful model and apply it statewide.

By expanding successful local programs statewide, we can fulfill our mission to protect the public health. The dollars we spend come back to us in work and school productivity, fewer and shorter hospitalizations, and improved health for all residents.

We want to reduce the enormous disparity in the incidence of HIV/AIDS in African American and Latina women. That is why we had a campaign to encourage African American and Latina women to take the 20-minute Rapid HIV test. We want more minority women to take the test so they can learn their status and seek treatment if they have HIV.

It is estimated that there are approximately 45,000 people living with HIV in New Jersey and as many as 12,000 of them do not know it!

The department's Office of Minority and Multicultural Health is also working to reduce these disparities by focusing on interpreters in hospitals, cultural competency and patient satisfaction.

Improving quality and patient safety in our health care facilities is a top priority of this department.

We took a significant step in improving health care quality statewide last April with the signing of the Patient Safety Act, landmark legislation designed to save lives and improve patient care.

The law requires every health care facility in the state to develop an infrastructure to detect and analyze medical errors, and to report - confidentially - the most serious errors to the Department. This focused attention on medical errors should reduce their frequency and severity.

Another milestone in improving patient care came in July 2004 with the public release of the first annual report on hospital performance.

The performance report is designed to stimulate improvement in hospital quality by providing hospitals, physicians, health care providers and consumers with detailed information on proven measures that are designed to extend patient life and quality of life.

Hospitals can see how well they perform compared to their peers and to hospitals statewide. And, most importantly, they can use this information to make changes that will improve patient care.

This spring I will be meeting with the medical staffs of several major teaching hospitals to discuss their report card data, how it has changed over time and how it compares with the state and national averages.

I intend to challenge them to do even better, and I will work with them to identify the most effective quality improvement strategies.

The practice of medicine has become too impersonal. If doctors and patients establish a personal relationship, everyone is better served. Patients are more likely to listen to their doctor and follow treatment orders, leading to better quality of care.

Better experiences for patients leads to better compliance with treatment plans and therefore better results and progress toward reducing health care disparities and resultant improvement of health quality.

Humanistic relationships among patients, physicians and other health care professionals influence patient well being. That link between humanism and care is a relationship that the Department will promote in all levels of health care delivery.

We are working with the Arnold P. Gold Foundation to conduct a pilot initiative in several FQHC's and Nursing Homes to better understand patient experiences at ambulatory and long term residential settings. The quality of health care at these facilities and the quality of the relationship between the health care professional and the patient is a high priority for the Department.

For 18 years, the department's AIDS Drug Distribution Program has been providing life sustaining medications to low-income individuals with HIV. But the number of clients we serve continues to grow. Drug costs continue to rise. New more resistant strains of the disease are appearing. These are all factors that none of us can control and they drive up costs dramatically, and as you may know, federal funds for this program are not keeping pace with the growth of the program. The current fiscal year is the first in which the state had to supplement the program with \$14 million in order to prevent draconian cuts. This budget maintains this commitment.

The burden of cancer continues to grow in New Jersey with more than 44,000 new cases diagnosed each year and 18,000 deaths. Certain cancers, such as prostate cancer and breast cancer, disproportionately impact minority and uninsured populations. The NJ Cancer Education and Early Detection Program (NJ CEED) targets minority, uninsured and underinsured populations in 25 locations in all 21 counties. In the current fiscal year, the State has doubled funding for breast, cervical, prostate and colorectal cancer screening to \$5.4 million.

We are on target this year to achieve our goal of screening 21,000 people to detect these types of cancer. At the same time, we are educating people on how to reduce their risk for cancer through healthier diets, tobacco-free lives, and increased physical activity.

I know we made a tremendous investment in the Cancer Institute of New Jersey last year, particularly in Newark and Camden and I am confident that investment will pay dividends long into the future.

But, unfortunately because of the state's dire fiscal year condition, the state cannot afford at this time to continue that additional investment in the infrastructure of the facility, which is state-of-the-art. What we can provide is the same level of funding for CINJ that it received in Fiscal Year 2004. But, over the long term, we must remain committed to supporting this institution and its mission to provide state-of-the-art cancer treatment throughout the state.

I firmly believe that hospitals should be supported for the high volume of charity care they provide.

In the current budget, hospitals are receiving a record \$583.4 million in charity care subsidies for the medical care that they provide to the uninsured. That includes a \$200 million increase from last year. This increase was funded in part with new assessments on cosmetic surgery, and selected types of ambulatory care facilities. These assessments have not brought in all of the revenue we had hoped.

As a result, the proposed budget limits the charity care increase to \$150 million above the Fiscal Year 2004 appropriation. If the revenues increase, that money together with available federal dollars will be used to increase funding.

Consistent with the Governor's direction to hold spending at current levels, just as we are for State Colleges and School Aid, we are proposing to suspend the inflationary adjustment for nursing homes. This proposal will save the State \$23.4 million.

To achieve efficiencies, we are proposing to reduce our reimbursement to nursing homes for empty beds when Medicaid patients are temporarily discharged from 90 percent to 50 percent. This savings is based on the fact that there are nursing home beds available statewide so it makes no sense to pay to keep a bed open when beds are already vacant.

In following the recommendations of the State Auditor, we are increasing our nursing home audit effort to improve recoveries.

In an effort to maximize federal Medicaid dollars for improved patient care, we have implemented legislation you passed authorizing an assessment on nursing homes.

During the upcoming budget year PAAD (Pharmaceutical Assistance for the Aged and Disabled program) will undergo the most significant changes in 30 years. We expect that nearly the entire PAAD population will be eligible for the new Medicare Part D pharmacy program when it begins in January 2006. This new federal program will be coordinated with PAAD to ensure that the state receives the maximum benefit from Medicare while maintaining the same excellent benefits for our seniors.

Since June 2004 we have coordinated benefits with the Medicare Drug Discount Card program and saved the state \$65 million. We are on track to realize the \$90 million in savings that was anticipated in the 2005 budget. However, I cannot underestimate the task before us over the next 8 months as we try to educate our beneficiaries about the new program and address their worries about their benefits. I ask for the continued cooperation of you and your colleagues to assist in this endeavor.

Even with the federal support, we must always spend our appropriations prudently. As a result, we are proposing modifications to our reimbursement and utilization policies to save \$12.5 million in Fiscal Year 2006. These modifications are as follows: first, currently drug prices are adjusted weekly on our fiscal agent's pricing guide for paying the cost of prescriptions to pharmacies. Under our new proposal, prices will be updated monthly, reducing state costs by approximately \$8 million. Second, currently under PAAD and Senior Gold a prescription may be refilled after enough time has elapsed to use 75 percent of the medication following the prescriber's direction. Under our new proposal, the refill would occur after 85 percent of the medication has been used. This change which is estimated to save \$4.5 million will prevent beneficiaries from refilling prescriptions too often and stockpiling an additional refill over a twelve month period.

Since 9/11 the Department has been working with federal, state, and local health agencies, to develop infrastructure which has greatly improved the state's preparedness for and response to all public health emergencies, whether caused by an act of terrorism or by emerging diseases or natural disasters.

Last week, we had an opportunity to test our preparedness capabilities by joining the U.S. Department of Homeland Security, Governor's Office, the Department of Law and Public Safety, including the Office of Counter Terrorism and the State Police, in the most comprehensive terrorism response exercise ever conducted in the United States.

This was the third in a series of Congressional-mandated exercises conducted by the federal Department of Homeland Security. The biannual exercise is designed to strengthen the nation's capacity for effective and coordinated response to terrorist threats.

We are now in the process of analyzing our performance to determine how we can improve our bioterrorism preparedness.

We were able to do what we did last week in large part because of the foresight of the Legislature in providing the resources for bioterrorism and emergency preparedness. For example, this funding will be used to create the Health Command Center, the need for which was underscored during the TOPOFF exercise last week.

The Med Prep budget is reduced from \$11.5 million to \$9 million. The reduction is possible because of a number of one time expenditures that will not occur again in FY 2006. These expenditures include the Health Command Center, rental for emergency generators and imaging of Vital Statistics records.

The exercise did underscore the need for the Legislature to pass the Emergency Health Powers Act, which would modernize the authority of the commissioner to act during a public health emergency, to quarantine and isolate where necessary and to manage emergency personnel and supplies, including life-saving vaccine. The current statute has not been updated in nearly 40 years.

It's obviously a very difficult budget year, with difficult choices to be made, but Community health centers are the medical safety net for the most vulnerable members of our society. When people know they can get low-cost primary care, dental services and pharmaceuticals at community health centers, they do not have to go to emergency departments for routine ailments.

These centers have quality physicians, trained staff and mandatory continuing medical education programs.

Of the 280,000 people served in our community health centers last year, nearly 50 percent were uninsured and another 40 percent were covered by Medicaid only.

We have already helped to expand new services and open new centers in Irvington, Hoboken, Passaic, Newark, Lakewood, Long Branch and Pemberton. We are planning to add 10 new sites during the next fiscal year, providing services to 30,000 additional residents and generating more than 80,000 patient visits.

As a result, the department is increasing funding for community health centers by \$5 million to \$26 million.

We are working with the centers to develop pharmacy services that will provide uninsured patients with prescription drugs at half the cost they would otherwise pay. Under the federal 340B program, we will provide assistance to the centers in developing drug formularies; in designing business plans; in developing drug pricing schedules and sliding fee scales; in structuring ongoing drug utilization review activities; and in identifying computerized claims and inventory replenishment systems.

Raising awareness of postpartum depression is one of the Governor Codey's priorities. In his State-of-the-State Address in January, the Governor asked me to organize an educational campaign on postpartum depression.

Postpartum depression affects between 10 and 15 percent of women. New Jersey has approximately 115,000 births each year. Between 10,000 and 15,000 mothers suffer from some type of postpartum depression. Unfortunately, this issue has been hidden for so long that many of these women receive no care and no support and they blame themselves for this illness.

As a result, we are proposing \$2 million to make New Jersey the first state to offer free mental health screenings to uninsured new mothers.

On February 4, I convened a Post Partum Depression Working Group comprised of experts in this area and asked them to recommend a professional education curriculum for all health care professionals. We expect the working group's recommendations in May.

The department will then develop and launch a \$2.5 million public education campaign so that women and their families know what signs to look for and when and where to seek mental health services.

Let me say a few words about the Comprehensive Tobacco Control Program and the issue of smoke free indoor air.

As a doctor for more than 40 years and a specialist in pulmonary disease, I have seen firsthand, in thousands of patients, the wide-ranging damage that tobacco causes to smokers and to those exposed to second hand smoke. It harms nearly every organ in the body.

Smoking contributes to more diseases and more deaths in New Jersey than any other cause. It is the leading preventable cause of death in New Jersey.

The American Cancer Society estimates that almost 13,000 New Jersey residents die each year from smoking. As many as 1,800 more residents die each year from the effects of secondhand smoke.

We have made great strides in addressing tobacco use in New Jersey, especially among our youth. The latest New Jersey Youth Tobacco Survey indicates that high school students' current cigarette prevalence significantly decreased from 24.5 percent in 2001 to 17.3 percent in 2004, a 29 percent reduction.

Along with our partners who advocate for clean indoor air, we continue to address what I told the Senate Health Committee when I testified last month, is the most important public health issue facing this state, the need to address the plague of smoking and the need for smoke free indoor air.

It is an idea whose time has finally come, with your support.

While Stem Cell research is not included in the department's budget, I would like to say a few words about the amazing potential public health benefits of this research and its implications for the future of medicine.

When I was in Medical School, we treated diabetes with insulin, congestive heart failure with medications, and spinal cord injuries and stroke with rehabilitation. Today we continue to treat diabetes with insulin, congestive heart failure with medications, and spinal cord injuries and stroke with rehabilitation. The treatments and the results are better, but there has been no fundamental change in the therapy we provide.

Stem cells are different. They offer an entirely new branch of medicine that allows us to cure rather than simply treat. We will repair heart muscle after heart attacks, make new insulin secreting cells in the pancreas and repair brain and spinal cord damage.

This will lead to cures for tens of thousands of people who are or will be suffering from diabetes and injuries that today are thought to be chronic or fatal.

I am committed to advocating for \$5.5 million in operating funds and the additional \$150 million in bonded capital funding for New Jersey's Stem Cell Research Institute, and I hope you do decide to put a question on the ballot in November asking voters to dedicate an additional \$230 million through a general obligation bond issue.

Thank you for your time. I think I have covered a lot of ground so I would be happy to answer any of your questions and I look forward to working with you as strike the right balance between fiscal responsibility and public health services and protection.