

Assembly Budget Committee Testimony
Health and Senior Services Commissioner
Dr. Poonam Alaigh
April 12, 2010 – 10am

Good Morning Chairman Greenwald, Vice Chairman Schaer, Budget Officer Malone and distinguished members of the Assembly Budget Committee.

Thank you for this opportunity to appear before you today to discuss the Department of Health and Senior Services budget for fiscal year 2011.

The spending plan before you supports the Department of Health and Senior Services' mission to foster accessible and high-quality health care and senior services to the residents of New Jersey.

As we all know, New Jersey continues to face great fiscal distress. Despite a cut of \$10.7 billion in overall state spending, the Department's budget has been reduced by 6 percent.

While making tough and painful choices, we've been able to strengthen the health care safety net through an increase in charity care. We've been able to preserve funding to our community health centers. We've been able to maintain key public health programs such as screening and detecting early cancers—especially for low-income minority and multicultural populations. With proactive and aggressive preparedness planning, we've been able to prevent disease through a statewide H1N1 vaccination effort.

We must continue to build on all of our successes. Our state is a true leader in health care quality, patient safety and regional health care planning. We are shifting the paradigm for our seniors from institutional to community-based care. And we are creating electronic health information networks that will provide critical and portable medical information in real time at the point of patient care.

In these challenging times, we must work to develop creative solutions to ensure that the Department continues to deliver its core services—to provide access to quality health care, protect the public health and promote dignity, choice and independence for our seniors in an effective and efficient manner.

Some highlights of the budget include:

Charity Care and the Health Care Safety Net

The proposed budget clearly demonstrates that providing healthcare for the uninsured—those hardest hit by the economic recession—is a priority. Hospitals will receive a 10 percent—or \$60 million—increase which totals \$665 million. In addition, the budget also includes \$30 million for the health care stabilization program.

This has been achieved by lifting the cap on two pre-existing assessments in order to maximize federal matching dollars. The proposed budget allocates 100 percent of the

new revenues—and matching dollars—back into hospital funding and improves its overall distribution.

This budget maintains \$40 million in funding for our Federally Qualified Health Centers. In addition to these state funds, FQHCs will continue to receive more than \$30 million in federal stimulus funds to support capital improvements and operations. As a physician who has practiced in a community health center, I know the critical role that these facilities play as a cornerstone of primary care for the uninsured.

Senior Prescription Drug Programs

New Jersey also supports our seniors through our prescription drug program, which is one of only 17 state discount drug programs for seniors in the nation. This budget preserves access and eligibility to discount medications for our seniors. However, in order to maintain the programs the Department had to modify benefits to include cost sharing strategies.

Beginning on Jan. 1, most PAAD and Senior Gold beneficiaries will be required to cover the annual Medicare Part D deductible of \$310. We will also lower the co-pay for generic prescription medications from \$6 to \$5 and increase the co-payment for brand name prescription drugs from \$7 to \$15 to be consistent with marketplace trends.

Even with these benefit changes, we are still allocating more than \$177 million in state funds to maintain prescription coverage for more than 150,000 seniors.

Seniors

The Department is committed to serving our seniors so that those who prefer to remain in their community as they age have the options and support services they need. This budget includes \$14 million for additional home and community-based programs, which provide a cost-effective alternative to nursing homes.

There is no overall funding change for nursing homes in this year's budget. As a result of working closely with our partners in the nursing home industry and all of you in the Legislature for the past few years, we have developed a new rate setting system that more accurately reflects appropriate facility costs using current data. This year's budget will implement this highly anticipated and improved reimbursement system.

In the adult medical day care program, the budget modifies the prior authorization process. This policy change ensures that the seniors who use this program are those most in need of clinical care to avoid nursing home placement. For those seniors who will not meet the new eligibility requirement, providers—working with the Department—will manage their discharge planning and ensure that they have access to more appropriate, lower cost programs. As a physician, I know that giving seniors appropriate services in the most appropriate setting is the best way to address their needs.

Public Health

This budget maintains funding for key public health prevention programs and disease management initiatives.

Due to significant growth in the Department's Early Intervention Services program, the budget recommends a funding reduction. The Department is working with community providers to minimize the impact on families.

This budget also lowers eligibility for the AIDS Drug Distribution Program, bringing it in line with the majority of states that have similar or lower thresholds.

As the Department reviewed the budget for funding reductions, it was necessary to eliminate or reduce several programs such as grants for cancer research, tobacco prevention and family planning. But, we are working on creative ways—both internally and with our community partners—to maintain access and meet the needs of the communities served by these programs.

Quality & Health Information Technology (HIT)

Our budget reflects the Department's continuing priorities to lead the way toward better and safer medical care. We continue our work with hospitals to reduce medical errors through our nationally recognized patient safety initiatives.

In addition, the State was recently awarded \$11.4 million in federal funds to work with four regional Health Information Exchanges that will allow physicians and other health care providers to share critical patient data in real time. As a physician at the Veteran's Administration hospital where I have been using electronic medical records for several years, I have personally experienced the improvement in the quality and efficiency of care that I render to patients.

Conclusion

In summary, despite enormous fiscal constraints, the budget before you preserves the core mission of the Department—to provide access to quality health care, to protect the public health, and to ensure that our seniors have community options that allow them to lead healthy, productive and dignified lives.

The reality of today is that these are difficult times. But I am optimistic about the future, because of the great outcomes we have achieved working together. Mr. Chairman, as a result of the collaborations with you and the members of this committee we have already had successes like the new nursing home rate setting system. We have modified the adult medical day care program to align and minimize its direct impact on seniors.

Even though we are sitting across the table from each other, we are on the same side. We are on the side of the people of New Jersey, the people we serve. I respect and appreciate that you are listening to your constituents and it is their concerns that you will raise here today. Through you, I will hear the voices of the millions of people in our great state. As we continue to work together, I know that we can come up with more creative approaches

and collaborative solutions for our state and our people. I am truly looking forward to continuing our partnership throughout this challenging budget process.

Thank you for giving me this opportunity to present the proposed budget for the Department.

And now I would be happy to answer your questions.