



State of New Jersey

DEPARTMENT OF HEALTH AND SENIOR SERVICES

PO BOX 360
TRENTON, N.J. 08625-0360

JON S. CORZINE
Governor

www.nj.gov/health

HEATHER HOWARD
Commissioner

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Dear Legislator:

The State of New Jersey along with our hospital industry are currently confronted with extraordinary fiscal challenges. Our shared financial problems require us to develop unique and creative strategies to manage our limited resources and preserve access to health care services for all New Jerseyans. As you know, the final report of the Governor's Commission on Rationalizing Healthcare Resources was released in January. The Commission Report included recommendations to help improve the overall health of the State's hospitals. The Department of Health and Senior Services is prioritizing these recommendations and advancing them in several ways. The purpose of this e-mail is to give you an update on current and future actions the Department will take in this regard.

First, the Department has reviewed the recommendations with representatives of hospital associations and several hospital boards throughout the State to ascertain the feasibility of their implementation. We are visiting with boards of trustees to reinforce our appreciation for their efforts and to stress that the governance recommendations outlined in the report should be considered as a baseline standard to ensure the efficient use of public funds. All of these meetings have been positive and we look forward to continuing that dialogue with the associations and individual hospitals.

In addition, legislation signed into law (P.L. 2007, Ch. 34) last year required hospital trustees to undergo training approved by the Department. We have worked cooperatively with the New Jersey Hospital Association, the Hospital Alliance of New Jersey, and the New Jersey Council of Teaching Hospitals to create this important training program. We intend to publish these rules shortly.

Second, a key recommendation of the Report was to closely monitor hospitals for early signs of distress, with the goal to move from a culture of crisis management to one of strategic planning so we can more closely monitor for signs of hospital distress. The Report recommended that a range of fiscal indicators be used as part of this warning system. In addition, the Report noted that, when necessary, the Department shall impose formal monitoring or intervention upon the hospital, based on the seriousness of the hospital's problems. A financial monitoring system is well under way. We have asked hospitals for cooperation in sharing information with the State as we try to improve our monitoring of the financial condition of each hospital. Beginning in July 2008, the Department will require the following financial metrics be provided monthly: Days Cash On Hand; Days Accounts Payable; Days Accounts Receivable; Operating Margin; and Occupancy Rate. Our intent is simply to obtain the critical data in a timely fashion.

Third, to address financial stability concerns highlighted in the Reinhardt Report, the proposed Fiscal Year 2009 Budget creates a Health Care Stabilization Fund of \$35 million. The Stabilization Fund is necessary to address immediate financial needs of health care providers in maintaining access in the community. It will be used to ensure that the most vulnerable residents have continued access to care when hospitals are in distress or close. Institutions utilizing these resources will be subject to strict requirements and the funding will not be available to support ongoing operations.

We look forward to working with the Legislature to craft this critical legislation as part of the budget process.

Given the dire financial situation the State faces, it is essential that the State focus its limited resources on the protection of our most vulnerable residents. For example, the proposed charity care formula will be adjusted to ensure access to health care services by maintaining support for safety net hospitals, hospitals which serve a disproportionately high percentage of uninsured and low-income residents.

Finally, fixing the State's health care system is a shared responsibility. By working together – the Department, the Legislature and the health care community – we can make the changes we need to support hospitals and make sure the communities they serve will have access to quality health care for years to come.

I look forward to continued dialogue with the Legislature and the health care community as we move forward.

Sincerely,

/s/ Heather Howard

Heather Howard

Commissioner

Department of Health and Senior Services