

**TESTIMONY BEFORE THE ASSEMBLY BUDGET COMMITTEE**

**FEBRUARY 29, 2012**

**JENNIFER VELEZ, COMMISSIONER, NJ DEPARTMENT OF HUMAN SERVICES**

Good morning Chairman Prieto and members of the Assembly Budget Committee – and thank you for the opportunity to testify before you on the status of the Medicaid Comprehensive Waiver.

With me today is Valerie Harr, Director of the Division of Medical Assistance and Health Services – more commonly known as Medicaid – within the Department of Human Services. Valerie has been instrumental in guiding this reform effort, which has involved several divisions within our Department – as well as the Departments of Children and Families and Health and Senior Services.

One additional word about Valerie and then I'll move to the specifics of the waiver – and I share this because it's good news for New Jersey and to let you know that we've got tremendous leadership at the helm of our Medicaid program. Valerie is one of six Medicaid Directors selected among all of the states to participate in the Medicaid Leadership Institute, which is an initiative of the Robert Wood Johnson Foundation and directed by the Center for Health Care Strategies. This is a unique opportunity for Medicaid directors to participate in an intensive leadership development curriculum over the course of a year, focused on those Directors transforming their Medicaid programs into national models for high-quality, cost-effective care. To be sure, New Jersey benefits from Valerie's participation.

With regard to the waiver, I'm happy to provide you with the status of reform proposals that we've included in our application to the Centers for Medicare and Medicaid Services (CMS) – and the status and process we've undergone thus far. As you may know, we submitted the waiver to CMS in September 2011, and we've held many stakeholder meetings before and after that submission to garner their input. It's a wide-ranging and very innovative proposal – the goal of which is to advance positive reforms for the populations served by our Medicaid program – including seniors, people with disabilities, people with mental illness and addictions, and people with developmental disabilities. We're very focused on delivery system reforms, quality and health outcomes – not merely enrollment numbers. We're also focused on increasing the availability of home and community based services and supports – and decreasing our rates of institutionalization - in developmental centers, psychiatric hospitals and in nursing homes.

Fundamentally, this waiver is a comprehensive set of reforms that will define our Medicaid delivery system over a five-year demonstration period. Our intent is to consolidate 9 separate waivers that we currently manage across state government into 1. This consolidation alone will provide administrative simplification and improve service delivery.

There are three very significant proposals in this application that have been the subject of much recent stakeholder discussion: innovations and reforms for children and adults with developmental disabilities, managing behavioral health services, and movement to managed long term care. Although we originally proposed aggressive implementation dates for these delivery system changes, we are mindful that CMS is still working through policy and budget decisions that will impact the waiver, and we expect to recalibrate our implementation dates upon approval of the waiver.

### *Reforms for children and adults with an intellectual or developmental disability*

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Fundamentally, we have attempted to maximize the federal financial participation of programs and supports that are currently funded with state-only dollars – in order to increase the number of people we can serve at home and in the community. The rationale is that we can reverse New Jersey’s high rate of institutionalization, vastly improve the quality of care delivered and decrease costs. Examples of specific reforms include:

- a. Increasing services to children who are dually diagnosed: Case management, individual supports, respite for caregivers, environmental and vehicle modifications, financial management services, etc;
- b. The development of a pilot program for children diagnosed with a pervasive developmental disability, which will include applied behavioral analysis. The specific rationale behind this reform was to achieve parity with commercial insurance; and
- c. A supports program for adults with intellectual or developmental disabilities, including day habilitation, pre-vocational training, therapies, financial management services, assistive technology, etc. to allow people to remain at home if that is their desire. This particular reform addresses our waiting list.

### *Behavioral Health*

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While over 95% of NJ’s Medicaid recipients are in managed care, adult behavioral health services remain fee for service, unmanaged and uncoordinated. Under this proposal, NJ is seeking CMS approval to design a program to coordinate and integrate physical and behavioral health services for both the Medicaid population and individuals served by the Division of Mental Health and Addiction Services in DHS. Similarly, the waiver proposes to secure federal matching dollars for children served by the Division of Child Behavioral Health Services in the Department of Children and Families, who have significant, behavioral health challenges.

Through support from the Robert Wood Johnson Foundation and Center for Health Care Strategies, DHS held a steering committee meeting January 20<sup>th</sup>, which consisted of 33 attendees. At that meeting, the group reviewed delivery models in other states, committed to a

uniform vision, and established subcommittee workgroups, including Access, Clinical, Fiscal and Outcomes. These workgroups have been meeting weekly and have broad representation from consumers, families, providers and others. Again, while we do not presuppose any decisions from CMS, we are working in parallel track to advance our reform discussions. To that end, the workgroups are scheduled to provide their preliminary recommendations to the Steering Committee in early March.

We plan to recalibrate the implementation date while awaiting approval from CMS and to gauge timing, allow for program design, member and provider transition, and vendor procurement.

### *Managed Long Term Care*

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With respect to managed long term care, for example, we think it is reasonable at this point to assume that we'll push back a July 2012 implementation date to January 2013. You are likely aware that the Independence, Dignity and Choice in Long-Term Care Act, passed in 2006, established a Long Term Care Funding Advisory Council. Both the Departments of Human Services and Health and Senior Services, along with the Council's Co-Chairs, have charged the Council with the role of an implementation steering committee, with the goal of navigating this transition to managed long term care. Specifically, with support from the Center for Health Care Strategies and Mercer Consultants, both departments plan to hold an invitation-only steering committee kick-off meeting on March 14<sup>th</sup> with workgroup meetings to follow. This public-private collaborative will assist with the transition to managed long term care to help realize the goal of allowing our residents to age in place and to remain in their homes and communities for as long as possible.

One very practical benefit of implementing managed long-term care will be the expansion of the home and community-based services package to any qualifying Medicaid-eligible enrollee, not limited to people who currently fit into one of the current Home and Community Based waiver programs.

Additionally, the federal Medicaid statute is biased towards institutional care; this reform will address the bias and move the State towards rebalancing services in the community. Through the waiver, NJ will be able to offer home and community-based services to a new category of Medicaid eligible individuals – thereby expanding the number of individuals who qualify for services in the community instead of requiring someone to enter a nursing home in order to become Medicaid eligible.

Just to expand a bit further: currently, when a person applies for Medicaid long term care services under the categories of aged, blind, or disabled, the federal Medicaid rules require a review of assets and potential transfer of assets 5 years prior to the date of application. NJ is seeking approval to waive this five year look back and to allow self-attestation of assets and transfers for individuals who have income up to 100% FPL. This should improve efficiency in

the system. If approved, an evaluation of this policy change will be included in the demonstration.

Finally, I will say that we understand from CMS that this waiver proposal was unlike those that it had received from other states due to its breadth of separate but related reforms. Lots of hard work has taken place to date – and I should acknowledge CMS for its extensive commitment of resources to get us to where we are today. Similarly, the structural changes and realignment of populations served by state government agencies that the Governor announced in his Budget Address, as well as his commitment to deinstitutionalization – supports the policy direction and goals of this waiver application and aligns well with recognized best practices.

The very latest information regarding process is that we met with CMS in Baltimore this past Thursday, February 23<sup>rd</sup>. CMS continues to meet internally on policy decisions and review draft terms of agreement on the waiver. The New Jersey team stands ready to respond to any questions from CMS.

While a number of policy decisions remain, we believe that we've had a full discussion with CMS of every item in the waiver; I believe they would agree; and we are working collaboratively towards approval. Once that happens, the agreement between CMS and the State will be public and made available on the CMS and the Department of Human Services' websites.

At this point, we'll do our best to answer any additional questions you may have.