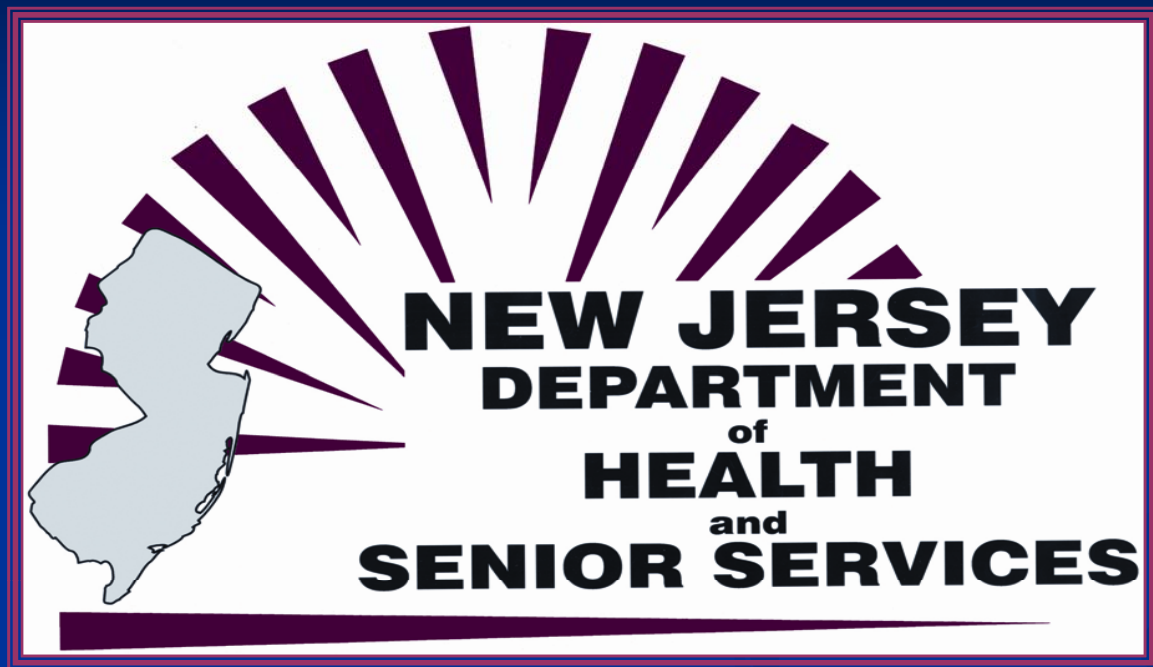




**NJ Health Policy Conference
October 15, 2009**

**Heather Howard, Commissioner
Department of Health & Senior
Services**

Health Care Landscape in New Jersey

- Challenging Times
- Economic Downturn
- Hospitals in Distress Nationally/NJ
- Safety Net has never been so necessary
 - Maintained charity care funding & dramatically expanded FQHCs
- Optimistic we will see national health care reform
 - Many aspects of reform won't impact short term
- Maintain access to care--Different ways to meet needs of community: like FQHCs, Satellite Emergency Departments, medical malls

Economy Impacts Health Care

- Nationally, every 1% increase in unemployment = 1.1 million more uninsured resulting in 1 million Medicaid enrollment
- NJ bucked this trend in 2008—150k decline in uninsured due to 2008 health reform
 - FamilyCare Eligibility Expansion
 - Improved coverage of dependents & other private market reforms
- Hospital CEOs report declining census—elective procedures delayed due to economy
- 2009--Stabilization of economy is also leading to increased stability in hospital capital projects

Inefficiencies in Health Care Delivery System: Dartmouth Atlas

- Dartmouth Atlas of Health Care has found NJ among states that deliver the most & costliest end-of-life care
- Overutilization rather than price is driving force in excessive end of life costs
- Paying more for health care & we are not getting better results

NJ Characteristics of Hospital Care for Chronically Ill Medicare Beneficiaries

Measurement	NJ RATE	Rank Among States
Hospital days* per Medicare decedent during the last two years of life	23.9 days	5 of 51
Hospital days* per Medicare decedent during the last six months of life	15.2 days	4 of 51
ICU days per Medicare decedent during the last two years of life	6.5 days	3 of 51
ICU days* per Medicare decedent during the last six months of life	4.6 days	3 of 51
Percent of Medicare decedents admitted to ICU during their hospitalization in the hospital in which they died	25.1%	1 of 51

Health Care Reform Impact on NJ:

- Tools to address inefficiencies
 - Payment reforms
 - Accountable Care Organizations
 - Bundling payments
 - Comparative Effectiveness
 - Center for Innovations
- Keys to sustainability

Health Care Reform Impact on NJ

- Opportunities for Grants/Innovation in Health Care Delivery System at State Level
- We have Existing Building Blocks:
 - 12 NJ hospitals participating in Medicare Gainsharing Demonstration: physicians share a portion of hospital efficiency savings
 - Medical Home Pilots
 - ED Diversion programs
 - Collaborations on high utilizers in Camden, Newark and Trenton

Health Care Reform Impact on NJ: Near Universal Coverage

- Individual Mandate for coverage
- Expansion of Medicaid to populations previously not eligible
- Subsidized Coverage for those who cannot afford it & not covered by Medicaid
- Increased coverage improves revenues for hospitals & other health care providers
 - However, hospitals will see reductions in DSH to help fund expansions

Health Care Reform Impact on NJ: Cost-related Issues Still Evolving

■ Significant changes likely at Federal level, (with much still to be determined):

- Health Insurance Exchange will encourage insurance price comparisons
- Possible Independent Medicare Commission—following Base Closing Commission Model
- Possible Tax on High-End Private Insurance (Finance Committee bill)
- Pharmaceuticals & Hospital Industry have already agreed to Medicare reductions, other providers (except physicians, who will get fix for SGR cuts) in line for Medicare reductions as well

21st Century Health Care

- May not mean hospital in every community
- Preserving access: Satellite EDs
- Emphasis on Primary Care to Reduce ER visits
- Nearly Doubled Number of FQHCs to 93
- Dramatically expanded health insurance coverage bucking national trends

New Jersey's Hospitals



- Hospitals in NJ, similar to nation, are struggling
- Financial pressures facing hospitals long-standing
- Science & art of health care changing
- More medical & fewer surgical interventions
- Procedures simplified to point can be performed outside hospital

Hospital Distress

- 9 hospitals closed last 2 years
- Hospital closing can devastate community
 - Loss of health care access
 - Job loss
 - Businesses lose customer base
- NJ employment stats show Hospital employment stable over time even as hospitals consolidate
- Over time, consolidations may
 - Make remaining hospitals more efficient
 - Improve quality
 - Strengthen bargaining position in negotiating managed care contracts
- Manage closures while maintaining access to care

Commission on Rationalizing Health Care Resources

- Panel appointed by governor to review state's hospitals & other health care services
- Year-long study examined financial dynamics of hospitals
 - Recommended financial monitoring & selective interventions to support critical hospitals
 - Documented excess hospital beds in parts of NJ
 - Recommended landmark consumer protections & hospital governance measures
- Final Report released January 2008

Commission on Rationalizing Health Care Resources

Reasons for Distress

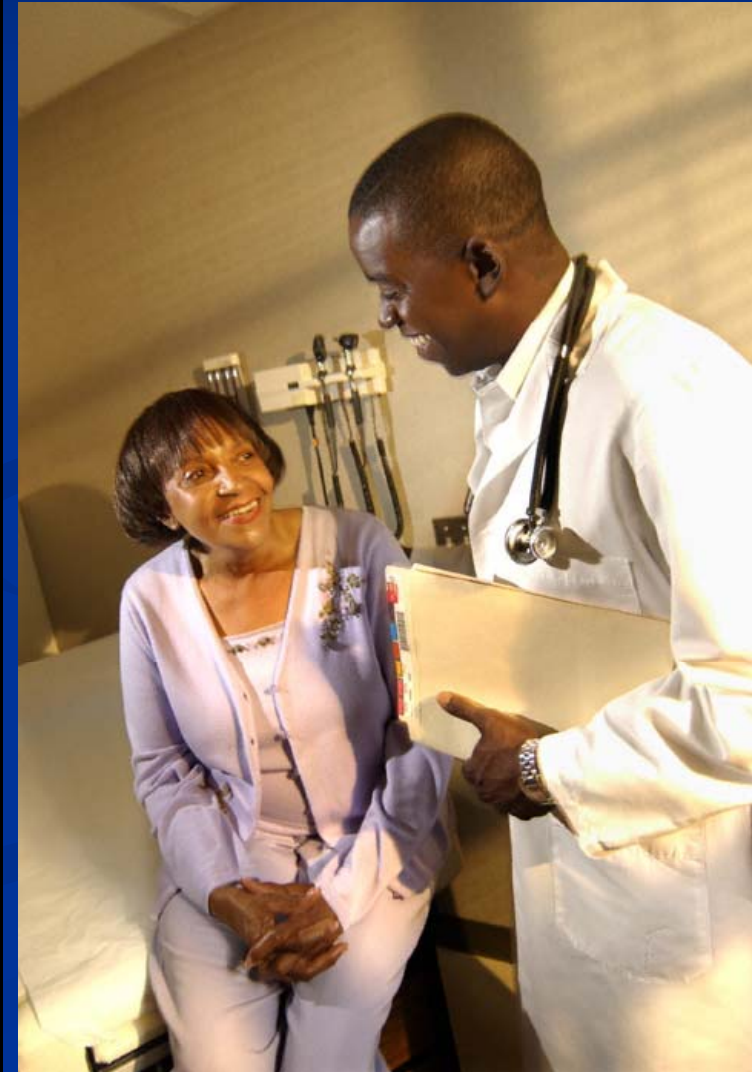
- Uninsured using hospitals
- Low Federal/State Reimbursement Rates
- Misalignment of Doctor/Hospital Incentives
- Lack of Transparency Quality/Cost
- Lack of Sufficient Oversight by some Hospital Boards of Trustees
- Overbedding
- Expansion of Ambulatory Care Centers

Commission Reforms Enacted

- Governor Corzine enacted a series of First-in-the Nation Reforms that
 - Increase transparency
 - Improve financial management & long-term planning
- Governance: Trustee training, annual public meetings
- Funding Reforms: Charity care maintained
- Health Care Stabilization Fund: \$44 million grants preserve essential services
- Strengthened Oversight

Commission Reforms Enacted

- Cap on hospital bills of uninsured—no more than 115% of Medicare rate
 - Protects those with incomes below \$106,000 for a family of four (500% FPL)



Commission Reforms Enacted

- Annual Public Meeting
 - DHSS web site provides meeting schedule information for annual meeting
 - CEO, chair & at least 25% of board required to attend
 - Info posted at least one month in advance of meeting
 - Hospitals community assets, communities deserve an opportunity to discuss issues
 - Facilitates communication between hospital leaders & public

Commission Reforms Enacted

Oversight of Hospitals increased

- Gives DHSS tools to more closely monitor financial condition of hospitals
- Early Warning System more proactive approach to health of hospitals
- EWS allows to move from crisis management to strategic planning
- ID distressed hospitals early, progressive monitoring & ability to appoint monitor
- Hospitals now report monthly on finances
- As part of HCSF, DHSS has seat on boards

Commission Reforms Enacted

Board of Trustees Training

- NJ first State to require hospital trustee training for all board members
- Better able to provide effective financial oversight & hold management accountable

Health Care Stabilization Fund

- Maintain services in community where hospital is at risk of closure/service reduction
- \$44 million in grants to 6 financially distressed hospitals
 - East Orange General Hospital
 - Jersey City Medical Center
 - Kimball Medical Center
 - Newark Beth Israel Medical Center
 - Raritan Bay Medical Center in Perth Amboy
 - St. Mary's Hospital

Satellite Emergency Departments

- Losing hospital is always difficult but SEDs have been successful
 - Newark
 - Hammonton
 - Plainfield

Health Information Technology— Commission Recommendations

- State take leading role in developing Regional Health Information Exchange
- State should form commission to develop framework & policies around the development of a regional health information system, drawing on similar efforts elsewhere in U. S. & abroad
- A future health information system should be standardized, transparent & easily accessible
- Should be managed by a public-private group chartered by State & supported by State funds

Health IT—Executing on Commission Recommendations

- ARRA established federal subsidies for conversion of paper records to electronic at doctors offices & hospitals
- NJ's role focused on exchange of information among electronic record systems
- HIT Plan is submitted to U.S. HHS tomorrow

Health IT—Executing on Commission Recommendations

- First two Commission recommendations completed:
 - NJ will establish a Master Patient Index
 - Leveraging federal funds to pay for regional health info exchanges
 - RFA issued in Sept., announcement of RFA outcomes occurs with submission of HIT Plan
 - Health IT Commission formed end of 2008; working on HIT Plan nearly a year

NJ's Safety Net for Uninsured & Underinsured

- 1.2 million uninsured in NJ
- Between 2007 & 2008 NJ as reduced the number of uninsured by more than 11%
- Charity Care
- FQHCs
- NJ FamilyCare

Charity Care

- Free or reduced charge care to patients at acute care hospitals
- State reimburses hospitals for care
- Charity care maintained @ 2010 levels despite very difficult budget
 - Formula revised to ensure limited state resources are directed to safety net hospitals
 - Most current data to ensure \$ follows patient
- 24 hospitals—largely in urban areas—received \$497 million of \$605 million total



- NJ forefront of insuring kids
- Since 2006, NJ FamilyCare enrollment for children & adults increased by 24%
- NJ FamilyCare Express Lane Application
- 100,000 new children enrolled since Jan. 2006
- Most generous funding in country up to 350% of poverty level
 - \$74,200 annually for family of four

Federally Qualified Health Centers

- FQHCs provide medical home
- Increased reimbursement rates for uninsured visits
- Invested tens of millions in direct patient care
- Awarded expansion funds that have allowed health centers to increase locations and hours to serve more patients (50 to 93)

Expanding Access to Prenatal & Preconception Care

- \$5 million to expand services/hours at FQHCs
 - Increasing OB/GYN services
 - DHS/DHSS Family Planning Waiver from CMS
- \$3 million RFA
 - to support infant mortality reduction & improved pregnancy outcomes
- NJ FamilyCare Expansion
- Track providers, address shortages



Senior Services

- Better Long-Term Care Options
 - Thousands fewer seniors live in nursing homes since 2005
 - 4,500 more seniors receive Medicaid home/community-based care every day since 2005
- PAAD and Senior Gold
 - PAAD now works with Medicare Part D to find best plan for each household & to pay Part D premiums
 - Covers Medicare Part D deductible costs, donut hole costs/coinsurance costs over PAAD co-payment amount
 - Donut hole costs are important to seniors

Conclusion

- Despite economic downturn, DHSS working to expand access to care & protect most vulnerable
- Still confront many health care challenges
- Made some progress on stabilizing health care system, still more work ahead
- Federal support & partnership will be essential to strengthening NJ's health care system