P U B L I C H E A R I N G

before

SENATE COMMITTEE ON INSTITUTIONS AND WELFARE

ON

Assembly Bill 200 and Senate Bill 301 - re licensing, inspection and regulation of medical care facilities.

Held:
May 2, 1969
Assembly Chamber
State House
Trenton, New Jersey

MEMBERS OF COMMITTEE PRESENT:

Senator Joseph J. Maraziti (Chairman)

Senator Alfred N. Beadleston

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I N D E X

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SENATOR ALFRED N. BEADLESTON (Acting Chairman): This public hearing will come to order. It was called by Senator Maraziti, Chairman of the Senate Committee on Institutions, Public Health and Welfare, of which I am a member. I'm Senator Alfred Beadleston.

The purpose of this hearing is two bills, namely, Assembly Bill No. 200, which has passed the Assembly and is in the Senate Committee, and Senate Bill No. 301, which is still in Senate Committee.

The order of the hearing will be as is the case in every hearing that we will hear first from the proponents and then from those who are in opposition. And, of course, anyone who wishes to add anything further at the conclusion, because of any discussions, if we have the time we will be very glad to hear them.

We will ask first for the proponent in favor of Assembly Bill 200 to come forward. I believe it's Mr. Jack Owens.

J A C K W. O W E N: Mr. Chairman, my name is Jack W. Owen and I am the Executive Vice President and Director of the New Jersey Hospital Association. The New Jersey Hospital Association is made up of 140 hospitals of which 100 are voluntary, not-for-profit institutions.

I am here today to speak on behalf of A-200 and in opposition to S-301. Since the Governor has provided the Legislature with a special message on health which is similar to S-301, I intend to relate to that as well. Assembly Bill 200 is primarily concerned with the need for

planning health care facilities and the issuance of certificates of need which are not now required. The reason the hospitals support this legislation can best be explained by giving a short history of the voluntary involvement in planning for health facilities.

In the beginning of the 1960's the United States Public Health Service and the American Hospital Association began holding conferences on the need for organized planning of health facilities. This led to a recommendation that voluntary agencies be established to review hospital planning to avoid unnecessary duplication of services and facilities. Recognizing the problem of planning existed in New Jersey, the Association, in 1962, sought a grant from the United States Public Health Service to establish a voluntary planning council in New Jersey which would discourage the building of unneeded facilities. In 1964, the Health Facilities Planning Council for New Jersey was incorporated as an independent body and, shortly thereafter, encouraged the establishment of 12 regional planning councils. Each of these 12 planning councils recommends to the Health Facilities Planning Council whether local health facilities should be expanded or not. The H.F.P.C. reviews these recommendations on the basis of need in the State and assists in the coordination of planning between and among regions. This voluntary review, although effective, has not assured the citizens of New Jersey that it can, by itself, stop the unscrupulous from expanding regardless of need. It needs backing from the State. However, in New Jersey the

Department of Institutions and Agencies is expressly forbidden to refuse a license to a hospital on the basis of need. To change the situation, the NJHA has strongly supported legislation which will place authority in the hands of the State to issue certificates of need as well as licenses.

Recognizing that proper planning is only one facet of holding down hospital costs, the Association with its member hospitals has developed the most comprehensive program for assisting hospitals in the country. These programs consist of shared computer facilities, management engineering and cost control service, group purchasing, group insurance programs, and the latest - a budget review for the Commissioner of Banking and Insurance. In this program the hospitals are voluntarily seeking government approval before expanding or establishing costly services, and, to my knowledge, this is the only program in the country where private hospitals have taken such a forward step. In the Governor's health message he recognized these efforts of the Association and its member hospitals. He stated, however, that this has not checked the steady upward spiral of hospital costs. His implication is that only a government agency can do it. It is our conviction that much of the rise in cost can be blamed on inflation. Maybe he believes the Agency can stop the effect of inflation in one segment of the economy while it goes rampant in every other segment. Perhaps the experience of the present administration in holding down the cost of government leads him to this conclusion. Personally, since my taxes have gone up 150% in the last

three years I have little confidence in the ability of any government agency to hold down costs.

There is no question but hospital costs will increase. As long as industry continues to grant labor wage increases, hospitals will have to follow suit; and with 70% of every dollar in payroll, we have no choice. We are already accused of holding down costs by paying inadequate wages. The Commissioner of Labor and Industry, Commissioner Male, publicly stated hospital workers should be paid at least $3.00 per hour and we know that each 5¢ an hour increase adds a dollar to the cost of care a day. Further, let me quote from the Labor Herald what Mr. Taylor, Vice President of Local 1199, the largest hospital union on the East Coast, thinks of wages in New Jersey:

"Taylor told the audience that they had been hoodwinked too long about hospital costs. 'Substandard wages subsidized the hospitals,' he said, pointing out that while the public paid for and expected quality care, hospital services had not increased, costs have risen and the lowly paid hospital employee has been the goat. He went on to point out that if Labor had its way hospital costs would reach $100 a day in New Jersey within 24 months."

Will S-301 or the Governor's proposal prevent the payment of higher salaries? The answer is obvious.

In addition to increases in wages our hospitals are attempting to provide all the new medical advances for the benefit of the patients. A few years ago there wasn't a coronary care unit available in New Jersey, but now almost

all hospitals have such a unit. If a heart attack patient is to survive it is important that any change in the heart be noted quickly. With the electronic monitoring devices now available more and more patients are leaving the hospitals in a vertical position. These new techniques cost money. Should the citizens of New Jersey be denied this kind of treatment? One gets the impression from S-301 and the Governor's message that hospitals are negligent by putting into service new medical advances. The Governor, the former Commissioner of Banking and Insurance and a few other public officials were quick to go to Philadelphia and New York for special treatment where, I might add, hospital costs are well above $100 per day. One gets the impression that those sponsoring S-301 would keep hospital costs down by ignoring or discouraging the introduction of new medical procedures. In other words, average citizens only deserve average care - the wealthy can always go to Philadelphia or New York City. That is not the goal of the Boards of Trustees and staffs of our hospitals. They believe every patient, regardless of his station in life, should get the best care available and we'll continue to pursue this objective even though it is costly.

We believe the public wants quality care in New Jersey. We base this conclusion on the fact, the number of persons using our hospitals continues to grow at a rapid rate. The emergency room usage is a good example of the public's desire for more and more care in the hospital setting. The cost of labor, medical advances, and the public attitude toward

hospitals is going to increase costs whether controlled, regulated, or left alone. It is fallacious, in fact downright dishonest, to lead the public to believe that S-301 or the Governor's recommendations are going to change the situation in an inflationary economy. The only way hospital costs will stop rising is for the country to go into a depression or the government could set a price on a human life and insist the hospitals and physicians spend no more than that amount. If that is the attitude of this administration, or any other, we want no part of it. In fact, I know most of our hospitals would seriously consider not contracting with any agency which adopted such an attitude. This is the dilemma facing any government agency seeking to restrict funds available for health care, and that is quality versus cost.

Following a rate increase for Blue Cross in 1965, the Governor appointed a committee to review Blue Cross costs. This Committee, commonly referred to as the Ward Committee, made numerous recommendations to regulate hospital costs. One of these recommendations was to create "a powerful agency having general supervisory responsibility over hospitals." This agency was to be headed by citizens of the State appointed by the Governor. When the Committee recommended that such an agency be given broad independent power, it also acknowledged that this could require the establishment of a separate department of government, adequately staffed and headed by a qualified person in the health field. They were convinced a new regulatory State body was needed. It might appear that S-301 was designed to implement the recommendations of the

Ward Committee. However, neither S-301 nor the recommendations of the Governor take this crucial point into account. Both would create a new division under the Commissioner of Health. This is one of the primary objections the Association has to S-301 or similar legislation. I should state here for the record, the Association and the member hospitals are not displeased with Commissioner Kandle, in fact, he has been a most cooperative and able Commissioner. We are concerned with the organizational principles involved and that is, putting this organization at a division level below a commissioner. This means that in the Civil Service hierarchy of jobs that the person who would be in charge of this organization would be at a level which we don't believe could attract - the salary could attract a competent, qualified person.

A-200 puts the responsibility and authority for issuing certificates of need in the Board of Control, a citizens group which provides continuity through administration changes in our State, while S-301 puts the responsibility and authority under an appointed commissioner. This was never the intention of the Ward Committee. They recognized that regulations affecting hospitals cannot and should not be placed in a division of any governmental department.

We note that a separate department has been created for Community Affairs and for Higher Education - was it unreasonable to expect the same treatment for those who deliver hospital and institutional care? Under A-200 the hospitals are assured of protection from individual whims and are provided with continuity of service from a citizens'

board.

There are a number of people and organizations who believe that A-200 does not go far enough in regulating hospitals. I would like to comment on what S-301 and the Governor have decided is the solution. First, establish a uniform cost system for hospitals. There is implication in this statement that no system exists. I would like to show you what presently exists in New Jersey. Our hospitals are using the American Hospital Association chart of accounts - I have all of these if the Committee would like to look at them. These are all forms and systems that are presently being used by our hospitals. Blue Cross cost schedule, which is contained in this book here, you can see every hospital fills out the same form. Hospital Administrative Services, another big form and they're all filled out in the same way. And this is Revenue and Expense Analysis; and, lastly, a set of budget review forms that you can see, about 16 pages. And all of our hospitals are subject to audit for Blue Cross, audit for Medicare and audit for themselves. These audits are done by recognized public accounting firms and require considerable expenditure by the hospitals. I am convinced that those who espouse uniform accounting really mean uniform care. If that is the case, they are advocating mediocrity for the future and New Jersey will be 49th in hospital care as it is with education.

Both S-301 and the Governor advocate mandatory budget review. If hospital rates were being established for all users of hospital care, and if these rates would include the

cost of doing business and a reasonable return for capital expenditure, as is done with public utilities, there would be a strong argument for budget review since it would be related to controlled charges. However, S-301 and the Administration do not advocate rate setting but only calls for a certification of costs for the benefit of non-profit third party reimbursing agencies and governmental agencies. This is not new. We have provided this data before. Let me give you an example of how this has worked. Our hospitals must complete joint hospital form No. 1 - this is a form, (indicating) 6 pages long which goes into census and income, - in order to be reimbursed for some governmental programs. One of these programs was the maternal child health program under the Department of Health. After completing this six-page form and submitting it to the Department, hospitals were reimbursed $10.00 per day. Why should a hospital be subjected to budget review in addition to certification of costs if only a portion of the cost will be paid? There is nothing in S-301 that guarantees payment of full cost.

The Hospital Association feels strongly that until such time as a reimbursement mechanism is developed which includes an incentive for effectiveness, the method of reimbursing hospitals should not be changed. At the present time the Federal Government is struggling with this problem. The Voluntary Budget Review Program now being conducted with the Department of Banking and Insurance may give us some answers. I would like to point out that all hospitals are already subject to cost review by a governmental agency.

Every hospital has its Blue Cross rate approved by the Commissioner of Banking and Insurance. Medicare rates, too, are established by the Federal Government and closely audited by the intermediaries.

New Jersey has always been very careful before embarking on any health care program, i. e., Kerr Mills and now Medicaid. They have constantly looked to see how similar programs operate in other states before enacting legislation. If we want to see S-301 in action all we have to do is look at New York where legislation to control hospital costs has been in effect since 1964. Hospital costs in New York City are ranging from $100 per day to $130 per day. From the newspapers, one gets the impression the situation is deteriorating and even the City of New York is going out of the business of operating hospitals. Or we can take a look at Canada with its national hospital plan and where every hospital submits a budget. There costs have increased at a greater rate than New Jersey. Do those sponsoring S-301 really believe legislation will change the situation? If so, what evidence can be offered? It is my impression where similar legislation has been enacted, those given broad powers are unable, or unwilling, to exercise it.

In summary, I would point out that our hospitals are also concerned about rising costs. As an industry we have taken a responsible position by voluntarily establishing cost control programs and advocating regulations which will control unnecessary duplication of facilities. We support A-200 as the necessary step to support all planning, voluntary

and the comprehensive planning program currently being developed by the State. There is no conflict in A-200 with comprehensive planning.

In 1966 we appeared before the Ward Committee and requested that hospitals be afforded at least the protection afforded public utilities. We also pointed out that the hospitals and the Association are willing to cooperate with any and all governmental agencies. This is still the case. However, we believe until such time occurs when information is not available or cooperation gone, legislation should be only enacted which will strengthen the present hospital system, not destroy it. We urge this Committee to pass A-200 to the Senate for vote. Even those who oppose this legislation on the basis that more controls are needed agree that A-200 is good, basic legislation.

The New Jersey Hospital Association appreciates this opportunity to testify on behalf of Assembly Bill A-200.

SENATOR MARAZITI: Thank you, Mr. Owen. Senator Beadleston, I believe, has a number of questions to ask.

MR. OWEN: All right.

SENATOR BEADLESTON: I think you said at the outset, Mr. Owen, that your Association represents 140 hospitals.

MR. OWEN: Correct.

SENATOR BEADLESTON: 100 of which are non-profit. I take it the other 40 are for profit.

MR. OWEN: No, governmental, - state, county, municipality. There are only two or three for profit.

SENATOR BEADLESTON: Do all of the hospitals of your

Association support A-200?

MR. OWEN: The best answer I can give you to that is, it was brought before an assembly meeting two years ago in which 98 of the 100 hospitals were there and voted for support of this legislation.

SENATOR BEADLESTON: The two that do not are?

MR. OWEN: Well, one of them that was opposed to it was Dover Hospital but since that time they have taken a different look at it. And St. Barnabas at that time was opposed to it. I do not know whether they are still opposed to it.

SENATOR BEADLESTON: At the bottom of page 5 of your statement, from which you were reading, it says, "Will S-301 or the Governor's proposal prevent the payment of higher salaries? The answer is obvious." I suppose you're referring here to hospital salaries.

MR. OWEN: That's correct.

SENATOR BEADLESTON: I don't think I quite understand the reference. Are you opposed to the payment of higher hospital salaries?

MR. OWEN: No, sir, we are not. My point is that at the meeting of labor unions, and this was in March of this year, 1969, and I've got the Labor Herald here, there was a seminar on labor and hospital problems and during that seminar we were talking about the cost of hospitals and Mr. Taylor, who is Vice President of 1199, made a statement that the hospital costs in New Jersey are too low and if he has his way they're going to reach $100 a day within two years.

We, at this point, are reaching the $2.00 minimum level and expect that it will go higher. The point is that I don't believe any governmental agency that has regulation over hospitals can stop this spiral of wages.

SENATOR BEADLESTON: Mr. Owen, I take it that A-200 and S-301 basically attack the same problem but in different ways. Is that correct?

MR. OWEN: That's correct, except A-200 basically is an extension of our present licensure law which requires certificate of need. S-301 requires certificates of need but then goes into a much greater detail of regulation of hospitals.

SENATOR BEADLESTON: Would you say then that the basic difference is that in A-200 the hospitals have more to say about their future or their expansion or competition, if you will, than they do under S-301?

MR. OWEN: That's correct. However, they both require planning but it does give the hospital trustees who have done such an admirable job in the State of controling hospitals an opportunity to work within a guideline and not completely hamper them so that we lose some of these valuable people from our boards.

SENATOR BEADLESTON: Well, in addition to that, does S-301 do additional things that A-200 does not, such as control of hospital rates and the like?

MR. OWEN: Yes, that's correct. It does two things. In addition to the certificate of need it places in the Department of Health, which is a crucial point, I might add,

- and that is, we feel that hospitals should be afforded the continuity which it is not necessarily able to do when it's under a department, - if I can make myself clear - between the Department of Control, which is a citizens' board appointed for a six year term, similar somewhat to what a public utility might be, where in the Department of Health, under 301, it's within a department. Now, in addition to that, it also gives the Commissioner of Health power to establish rates, set uniform costs for hospitals, to look at occupancy, look at utilization; actually it goes as far as to possibly interfere with the patient-doctor relationship. We feel that's too far.

SENATOR BEADLESTON: Are you stating then that A-200, since it would permit the hospital advisory boards, licensing boards or whatever you want to call it, more discretion that they would then be freer to develop methods, programs, patient care, and the like, without being restricted by a rate schedule, as they would be under 301?

MR. OWEN: Well, it's not quite that. True, as I pointed out, they are still restricted because you must remember our hospitals are regulated now under the Commissioner of Banking and Insurance. He reviews, for instance, all Blue Cross costs. Under Medicare, all the costs are reviewed by an intermediary. So that these controls are there at the present time.

SENATOR BEADLESTON: Yes, but that control doesn't extend to the extent of telling you that you can't then add an additional X dollars to the bill.

MR. OWEN: That's correct.

SENATOR BEADLESTON: You might charge me $60.00 and I might be able only to collect $50.00 from Blue Cross but I'm still stuck with the $10.00. I take it under S-301 if they say it's $50.00, it's $50.00, and you can't charge me $60.00.

MR. OWEN: You can't charge $60.00 now to Blue Cross patients. Blue Cross pays the cost and that's the contract between Blue Cross and the hospitals that you can't charge the patient in addition unless it's a private room or something that's not covered. There would be no change in that.

SENATOR BEADLESTON: I see.

SENATOR MARAZITI: Do you feel that it is essential that the Department of Institutions and Agencies remain in control of the situation? Is this a major point with you whether it be Health or I&A?

MR. OWEN: That's correct, because under the Department of Institutions and Agencies we have a Board of Control, which is a citizen group, in effect; they're appointed with the advice and consent of the Senate, and this would be where this licensing now is and the certificate of need is a logical extension of licensing. It would not require a new department, would not require additional state funds, and it's an assurance to the public that there is no unnecessary duplication of facilities.

SENATOR BEADLESTON: I have one and this, I think, goes to the root of a lot of this. I know that a hospital is an institution but I also know when I'm there, I'm not well, I'm

unhealthy, which seems to be health. I don't get it. Is this a battle between departments somewhere along the line? If so, I think it makes me a little ill. I'm not the slightest bit concerned if it's a battle between departments here. That would be a legislative matter to determine. this strictly within our prerogative. I can't understand it. I get an undertone here that this is a battle as to which supra agency is going to control a bunch of sick people in a hospital. Does that enter into this anywhere?

MR. OWEN: No, I think not. That's the point I want to make clear. We're talking about organization within State government, where this goes. Now ideally I suspect we would probably prefer a separate department. I can speak for myself but not the Association because we have not reached that point. But we feel that organization, the body that is going to have this power, should be at the level at least of commissioner or give us the same break that a public utility has where the Public Utility Commission reports to the Secretary of State. We're looking, in other words, for a commission comprised of not just political people who are going to be changed every time we have a change in administration. The difference between 301 and 200 is that we have in the Department of Control an existing body. So, rather than set up a new body, here's one we can use. Now if 200 said we're going to throw it under the Commissioner of I&A, the same as under the Commissioner of Health, we'd be opposed to that too. We're not playing one department against another. We're talking about an organizational principle here

of where the hospitals belong.

SENATOR BEADLESTON: What you're talking about then is whether there be, shall I say, a lay board control or a career governmental official control.

MR. OWEN: Right.

SENATOR BEADLESTON: Well perhaps you can help me then, which Department should a hospital be in, regardless now of who is going to control it? Is it an institution or is it a health facility?

MR. OWEN: Well, it's an institution that provides health care.

SENATOR BEADLESTON: Yes, that's a great deal of help.

MR. OWEN: There's a balance of power that exists, you might say, too, because the licensing function for the facilities is one department where the inspection, for instance, maternal child health, preventive medicine, and the other things are over in another department. Now the question is, shall they all be in one department or should there be a split? And then you run into the problem, what about Labor & Industry.

SENATOR MARAZITI: I also am concerned with the point raised by Senator Beadleston here. It's not really a contest as to who is going to control which department. That is not involved here. Is that correct?

MR. OWEN: Yes, that's correct.

SENATOR MARAZITI: In other words, your point is, dealing with organization, continuity, and so on, the licensing function is in one department now and you feel

this control should be with that one. But suppose the whole organization or the whole functioning and the whole control of hospital activities were shifted from I&A to Health, for example, - I don't propose this but I would like to get your viewpoint -- if it were shifted from one department to another, I take it you would not object.

MR. OWEN: If the organizational changes were made right along with it that would offer the same advantages as I&A, we would probably not object, that's correct.

SENATOR BEADLESTON: I just want to make one point clear then, the difference that we're confronted here with is control at the top plus rate structure after that.

MR. OWEN: That's correct. We're talking about two different things, that's one, one is certificates of need, which we agree with; the other is the rate structure and auditing --

SENATOR BEADLESTON: Auditing, and the like.

MR. OWEN: To which we are opposed at this stage of the game because we don't think that anyone has developed that far enough yet.

SENATOR MARAZITI: Thank you very much.

I noticed Assemblyman Azzolina entered the Chamber a few minutes ago. Assemblyman, you're the sponsor of the bill and, if you wish, you may testify at this point.

ASSEMBLYMAN AZZOLINA: I want to listen for a while.

SENATOR MARAZITI: Thank you.

W. Jefferson Lyon. Will you kindly state your full name and the organization you represent.

W. J E F F E R S O N L Y O N: Senator Maraziti and Gentlemen, my name is W. Jefferson Lyon, and I reside in Glen Ridge, N. J. I am Vice President of Hospital Service Plan of New Jersey, the New Jersey Blue Cross Plan which provides protection against the cost of hospitalization for more than 3 million residents of our State.

We are, of course, deeply interested in the proposed legislation which is the subject of today's hearing, A-200 and S-301. Either of those bills, if enacted, would have a bearing on our continuing ability to assure quality care on the basis of service benefits, at a price our subscribers can afford.

As is a matter of public knowledge, Blue Cross will have to apply to the Department of Banking and Insurance for a rate adjustment this year. Since its last rate increase in 1965, Blue Cross payments to hospitals on behalf of its subscribers have been increasing at an accelerated rate due to risirg costs of hospital operation. Average hospital per diem costs have risen in the last three years at the rate of 13 percent per year. Blue Cross payments to hospitals have risen from $128 million in 1965 to almost $170 million in 1968 and for 1969 are estimated to approach $197 million. During 1968 alone Blue Cross reserves were reduced by $14 million. With only $12 million remaining in the reserve fund at the end of 1968, it is obvious that relief must be sought.

The imminence of Blue Cross' forthcoming rate application cannot help but add a sense of urgency to the task, as you consider the merits of the legislation before you. Perhaps in response to this awareness, only last Monday, Governor Hughes forwarded to the Legislature his long-awaited special message on health, which dealt with the issues included in these bills and probed deeply into the matter of health care economics.

To further set the stage for my remarks today on the bills, we must go back to Blue Cross' last rate increase application a full four years ago. After that case had been adjudicated, Governor Hughes - - - as he recalled to you in his message on health - - - appointed a study committee under the chairmanship of Mr. William F. Ward.

In due course, the Ward committee published its findings. We were, frankly, dismayed to find Blue Cross being criticized for alleged failure to control hospital costs. The ultimate remedy, the committee pointed out, would be to cancel the Blue Cross contract of hospitals whose expenses were found to be out of line. Yet such action would deny our subscribers access to paid-in-full service benefits in institutions thus punished. The deprivation of such care would not be in the best interests of the subscriber - - - and it should be noted well that our enabling act requires Blue Cross to be operated at all times in the best interests of the subscribers.

We felt the Committee had overlooked the fact that the terms of the Plan-hospital contract, including the reimbursement formula, are the product of negotiation between the parties, conducted without the aid of guidelines or

standards, except those agreed to by the hospitals. Further, Blue Cross has no authority over expenditures of individual hospitals, but can only audit operating results to assure compliance with the terms of the reimbursement formula.

This is not to say that we believe Blue Cross should be clothed with authority to control hospital operations nor, in our opinion, should any outside control supersede the Board and administration of the institution in the management of its affairs. Rather we believe that the establishment of such guidelines as will assist hospitals in maintaining quality of care and help achieve effective and economical operation, should rest in the hands of an impartial state agency under the supervision of a citizen board, representative not only of hospitals and the professions but including broad-based community and consumer membership. We believe that legislation which falls short in this regard will not meet public expectation.

Indeed the Ward Committee recommended that a state agency should be established with such powers. This is the feature of S-301 which distinguishes it from A-200 and which was reinforced by the Governor's Health Message of last Monday.

These differences aside, there is one aspect of today's discussion on which there appears to be general agreement. That is the need for organized health facilities planning, involving recommendations of citizen planning bodies as a condition of granting a license for hospital expansion or new construction. This requirement is reiterated by the health message of Governor Hughes and is already contained in both S-301 and A-200.

In discussing planning, we must point out that the organized approach to approval of construction and expansion plans is not a new thing. It was not new when the Ward Committee espoused it in 1965. In New Jersey, it dates back to 1963 when concerned citizens started the organization of the Health Facilities Planning Council for New Jersey. Blue Cross is proud that it helped, along with the New Jersey Hospital Association and other interested groups to make this organization a viable force in health facilities planning.

The Health Facilities Planning Council has done a creditable job in helping to curb ill-considered and uneconomic proliferation of health care facilities and services, and in striving to assure that the expansion of the same responds to a demonstrated public need. However, the Council has at its disposal only minimal sanctions to discourage unnecessary expansion, apart from dissuading contributors and loaning institutions. Only Blue Cross, through its criteria for contracting hospitals, adopted in 1965, has been able to make Council recommendations effective by refusing to participate in the cost of any hospital project, through its reimbursement formula, unless such project has the blessing of the Council and the regional councils.

This economic sanction, standing alone, has not been effective in the face of the willingness of lending agencies to provide financing, encouraged by the commitment of other major third party payors, such as Medicare, to reimburse the principal amount of the mortgage loan together with interest charges, regardless of rate.

A-200 and S-301 make significant contributions to the planning function in both maintaining community participation in the planning process and requiring a finding of need as a condition of licensure by the state, an approach which Blue Cross enthusiastically endorses as a significant step toward controlling hospital costs.

Thank you, gentlemen.

SENATOR MARAZITI: Do you have any preference as to A-200 or S-301 in connection with the machinery for controling the construction of health facilities?

MR. LYON: I think they're quite similar, Senator. Either one of them is a very important step in the right direction, we think, in either bill, the planning aspects.

SENATOR MARAZITI: In that respect, either bill would be satisfactory to your organization.

MR. LYON: Yes, sir. The planning function is something that has made great progress voluntarily but it needs a few little teeth in it to make the recommendations stick.

SENATOR MARAZITI: Do you have any improvements to suggest in either bill in this connection, or recommendation?

MR. LYON: Well, we've reviewed both of these bills and the planning section is fine.

SENATOR MARAZITI: No further questions.

SENATOR BEADLESTON: I would like to get something straight in my mind. Is it your contention, Mr. Lyon, that hospitals are badly run, that they're giving too much service?

MR. LYON: No, sir.

SENATOR BEADLESTON: That their meals are so fancy and

expensive, that the hour by hour care of the patients in the beds who ring the bell and get immediate nurse service, because they are paying too high salaries to employees? I don't get it. You say the hospitals are not apparently economically run. Is that it?

MR. LYON: I don't think there is anything in my statement that would indicate that. We're not concerned with the running of a hospital in any way, shape or form.

SENATOR BEADLESTON: Then I misunderstood the top of page 4, "maintaining quality of care and help achieve effective and economical operation, should rest in the hands of an impartial state agency representing hospitals, the professions and the consuming public."

MR. LYON: That statement is intended to convey the thought that this impartial agency will provide guidelines, mandate uniform accounting, audits, and so on and so forth, rather than to get into the actual rule-making and operation of the hospital.

SENATOR BEADLESTON: Well, the costs of the hospitals are going up and you're requesting an increase in your payments because of that. Is that not so?

MR. LYON: That is the basis.

SENATOR BEADLESTON: Is it your contention then that that's not due to any fault of the hospital but because of general increased costs?

MR. LYON: I think you would find, as Mr. Owen mentioned, a very large part of the hospital dollar, 70¢ at least, goes into payroll. And as long as wages continue

to go up hospital costs can't do anything but go up.

SENATOR BEADLESTON: But you wouldn't contend that the hospital salaries are too high, would you?

MR. LYON: No. The fiscal oversight provided in Mr. Dumont's bill, let's say, hopes to achieve uniformity and a system of auditing and oversight that will provide guidelines for the administration of all hospitals and streamline them and thereby make an assessment of costs uniform, the evaluation of costs uniform.

SENATOR BEADLESTON: Well I don't know of any citizens who serve on hospital boards who are throwing away the hospital's money any place.

MR. LYON: I think they're a very dedicated group of people, without exception.

SENATOR BEADLESTON: What then would be the purpose of having what amounts to an audit and fiscal control by the State over what is now being done by the Hospital Association and its lay boards of directors in most cases?

MR. LYON: The Hospital Association and its influence on the member institutions is purely in the role of guiding and voluntary response. This bill would require all hospitals to use a uniform system of cost accounting, a system of reports, a uniform audit, prepare long-range plans which tie into the planning function as well as the fiscal, and they would have to budget which makes everybody concerned with the problem of health care economics --

SENATOR BEADLESTON: Are you saying now that there are hospital boards that don't budget?

MR. LYON: I'm not saying that, no, but they would have to provide a budget as one of the conditions of the planning approval, I believe.

SENATOR BEADLESTON: The reason I say this is, I don't know of a hospital that isn't seeking many more millions of dollars than they're able to collect and they all contend, the ones I know, that their actions have to be curtailed for lack of funds. Now, I don't see how you could possibly, by putting in a cost accounting system, or anything else, change the amount of money they have to spend every year when they want to spend more than they've got.

MR. LYON: I don't think it would. It would just provide an oversight guideline and reassurance.

SENATOR BEADLESTON: Well, in other words, what you're asking for is a top control which wouldn't in any way probably change the rising costs of hospitals in any event.

MR. LYON: It would provide a more uniform standard overview so you would be better able to project and expect what's going to happen.

SENATOR BEADLESTON: Well, as I gather from what Mr. Owen said a few minutes ago, that's what they are doing now through the Hospital Association, standardizing their --

MR. LYON: Voluntarily. I know they have made progress in that direction and they've tried to do it through friendly persuasion, and they've had some success, but I don't think Jack would tell you that it's standard throughout the State.

SENATOR BEADLESTON: I take it that both of you are in agreement then that there should be some control as to

any additional hospitals or additional medical services given by a hospital, which to me means an expansion of the hospital, added wing, rooms, services, whatever.

MR. LYON: That's a fair statement.

SENATOR BEADLESTON: In other words, you both agree that the construction of new hospitals or remodeling, for new purposes, of existing hospitals should be limited by some agency.

MR. LYON: It should be limited to demonstrated need.

SENATOR BEADLESTON: By some agency.

MR. LYON: Sure.

SENATOR BEADLESTON: On the basis that that would keep down the cost of the hospital operation where they wouldn't have to jack up the rate to take care of the vacancies.

MR. LYON: That's right. That would be one of the benefits.

SENATOR BEADLESTON: Would you apply that also then to nursing homes, since I see many of them here?

MR. LYON: I think the bill does.

SENATOR BEADLESTON: That wasn't my question.

MR. LYON: Well our situation with nursing homes is not as deeply involved as it is in the hospital industry at the moment. I haven't heard their views on these bills yet today, either, so I would like to reserve --

SENATOR BEADLESTON: I presume we will.

Then the difference between the two bills, outside of which department handles it and whether there be a lay board

or whether there be direct departmental control, - there is that difference in the two bills, is there not?

MR. LYON: Right.

SENATOR BEADLESTON: I don't see that as any major stumbling block, strangely enough. I see that as a power play but I don't think the Legislature is particularly concerned with that, they never have been. It's an interesting sport engaged in very often but we don't pay much attention to it. There is the day to day, annual, control of the fiscal operations, - there is where the two bills also differ, do they not?

MR. LYON: Yes, sir. The fiscal operation is the dramatic difference in these two bills.

SENATOR BEADLESTON: Thank you.

MR. LYON: I don't think really that it's as much control as an oversight in our position.

SENATOR BEADLESTON: More audit than control.

MR. LYON: Yes, that's right.

SENATOR MARAZITI: In connection with the certificate of need, is it your opinion that we have an overabundance of hospital facilities at the present time, or might have?

MR. LYON: No, I don't think so, Senator Maraziti, but the problem is where you're going to put it and what additions you're going to put into the hospital and are you going to put in a wing, some sort of a special treatment unit that's available down the street. The work of the Health Facilities Planning Council has really been great in eliminating these duplications and trying to get hospitals

together. For instance, three hospitals in Montclair, which isn't that big a town, but they have been very active voluntarily in combining their laundry service, let's say, and merging certain facilities for disaster work and things of that nature, which is good, rather than each one having its own little laundry. Centralization and sharing is one of the things that planning accomplishes. If a hospital doesn't want to do it, join in this plan thing, and they decide they're going to move and build a wing or something like that, all the Health Facilities Planning Council can do is ask them to please don't do it and they don't have any teeth to really back it up. Now if that were a condition of licensure, wherever it is, in the Department of Health or I&A or whatever, the licensing power could say the Health Facilities Planning Council says this isn't necessary, you can share this facility with a hospital three miles away, or whatever it might be, and then have a little steam behind it.

SENATOR MARAZITI: Hospital costs have come into the discussion this afternoon. Is it your opinion that there's a direct relationship between the size of the facility? In other words, if you have a large hospital centrally located to serve the area that the cost would be less than if you had a number of smaller hospitals in the area? Can you help us in that regard?

MR. LYON: Some students of the game, I have read, thought that ultimately the big medical center with little facilities radiating out --

SENATOR MARAZITI: Could you speak a little louder?

MR. LYON: I'm sorry.

SENATOR MARAZITI: Would you repeat that answer, please?

MR. LYON: Some people foresee regionalized provision of institutional health care where you will have a big medical center with smaller, less sophisticated facilities radiating around it. But that's off in the future, I think.

SENATOR BEADLESTON: What part does research in the medical field play in a hospital? I'm not familiar with that. Does it play a big part?

MR. LYON: In some hospitals, the big teaching hospitals, of course, it's very important.

SENATOR BEADLESTON: Well I'm thinking now of the argument between the Federal Government and the drug companies and what they charge for drugs as against how much is spent on research. Would the control, such as you mention, of the hospitals in any way limit the desire and ability of the hospitals to do needed research work? Would that come under approval too?

MR. LYON: Well, I really think that Jack Owen could give you a better answer on that sort of thing.

SENATOR MARAZITI: Thank you very much.

MR. LYON: Thank you.

SENATOR MARAZITI: Mr. Leonard Coyle. Mr. Coyle, would you like to testify or do you have someone who will testify in behalf of your organization?

MR. COYLE: Mr. Kligge would like to read a statement and then I will make a few extemporaneous remarks when he finishes.

SENATOR MARAZITI: All right, have him step forward.

What is your full name and address, please.

A L B E R T K L I G G E: My name is Alfred Kligge and I reside at 33 Douglas Road in Glen Ridge, and I am the Legislative Chairman of the New Jersey Nursing Home Association and I am here to speak in their behalf.

Our Association represents more than 140 licensed nursing homes and more than 60% of the nursing home beds in the State of New Jersey. I welcome this opportunity to testify because we think that the legislation under consideration is of profound importance to every citizen of this State and to those, such as our members, who have an obligation to meet the highest standards of health care and service.

Health care in New Jersey is indeed at a turning point. Medicare is a functioning reality and, while we have had some differences concerning the administration of this program at both the state and national levels, we are proud to have made a significant contribution to its successful operation. Now that the State is preparing to implement a far-reaching Medicaid program, with vast social and economic ramifications, it is time that the Legislature and the people of the State of New Jersey review the entire structure of health care in New Jersey.

This review originally was impelled, not by Medicare or Medicaid, but by a related situation: the question of Blue Cross rates as they were primarily affected by hospital costs. It was this problem and the studies officially related to it that have resulted in the two

bills before you, Senate Bill 301 and Assembly Bill 200. The subject also is a major topic of discussion in a special message on health submitted by Governor Hughes to the Legislature last Monday. The impetus for this legislation and for the Governor's recommendations is provided by the manifest need to overcome costly duplication of hospital facilities and to avoid useless overbuilding of hospital structures. Nevertheless, the legislation designed to cope with this problem was almost casually expanded to cover all health care facilities. Yet, this legislation does not recognize the essential differences in the economics of the voluntary hospitals and the proprietary nursing home. It should be noted there are 212 proprietary nursing homes in the State and only 16 non-profit facilities. In addition, there are 21 government-operated medical facilities whose functions are equivalent to those of a nursing home.

Your justified concern with hospital costs is based on the realization that redundant or superfluous hospital facilities are directly reflected in unnecessary public costs. Hospitals, by and large, are non-profit institutions. They depend importantly on governmental assistance such as the Hill-Harris program. In addition, their capital costs and operating deficits are financed by reliance on voluntary public contributions. Thus, if there is inefficient use of available hospital facilities or overexpansion in new construction, the public pays the bill.

With the proprietary nursing home, however, other factors apply. Primarily, these are the judgments of the marketplace. The operator of a proprietary nursing home must risk his own funds. No governmental grants or charitable contributions are involved. The only role that government plays is through FHA guarantees of loans, well-secured guarantees that also are available to entrepreneurs undertaking housing or commercial projects. Unlike the hospital, a nursing home that miscalculates the need for its services and is unable to function economically imposes no financial burden on the public. The sponsors of a nursing home, like other private investors, can lose their investment.

It has been said that public costs are involved, even in proprietary homes, since governmental programs such as Medicare, the present welfare program, or the prospective Medicaid program have a strong impact on the operation of some private nursing homes. With this, we cannot agree. These governmental programs utilize nursing homes only to the extent that their beds are needed. The public is not required to subsidize unused facilities or superfluous installation of equipment. Government buys nursing home service just as it buys any other service or commodity. What it does not need, it does not buy.

It has been suggested to our Association that the limitation on new nursing homes proposed in both bills before you would be financially beneficial to our members since it would reduce the competition from new homes. This is perhaps true. But it has

never been the philosophy of the New Jersey Nursing Home Association to stifle competition or limit the freedom of choice of the patients we serve. In the past decade there has developed a tremendous new recognition of the vital health care role that nursing homes play. And with this recognition there has been an ever-increasing utilization of nursing homes-qualified nursing homes. We are confident that the public demand for nursing home services will more than keep pace with the anticipated growth and we feel that new nursing homes as well as established homes-all of which must meet New Jersey licensing standards which are the highest in the nation for both nursing care and physical plant facilities-can provide the public with a wide variety of choice within a broad spectrum of costs.

We feel that standards established for certificates of need for hospitals, participarly as proposed in A-200, would be irrelevant to the economic requirements of the nursing home field. For instance, the Hospital and Health Facilities Planning Council has used as a criterior of approval the availability in cash of 35% of total construction costs. This is designed to avoid underfinancing of planned facilities and the familiar emergency cries for community help by beleaguered hospital groups. If this criterion were applied to private nursing home construction, where private commercial financing can be obtained with a much lower percentage of total cost in hand, new construction could perhaps be limited only to heavily financed "chain" operations. This would eliminate many individual entrepreneurs. We have no objection to the growth of "chains"

but we feel that the individual sponsors of a proprietary nursing home-many of whom have extensive experience in existing nursing homes-should be encouraged to undertake their own projects where they feel there is a need and where they are willing to invest their own funds.

Thus we respectfully suggest that the requirement of a certificate of need not be applied to proprietary health care facilities.

An important element in both bills is the proposed establishment of local or regional planning agencies. A-200 provides for at least (7) "authorized area planning councils" and the existing Health Facilities Planning Council. S-301 also establishes (7) regional or area planning councils as well as the Health Facilities Planning Council. Neither bill specifies how these councils shall be appointed the terms of office of their members, guidelines for their operation or a host of other standards that the public should expect for agencies that are given such vital statutory responsibilities. There are requirements that providers and consumers of health services be recognized, but how this recognition shall be achieved is not stated.

We think it essential that such criteria be written into these bills, whether or not new nursing home construction or expansion of existing nursing homes is to continue as a matter of recommendation by these councils. We are presently represented on the State Health Facilities Planning Council and feel that nursing home members have made a constructive contribution to the deliberations of the Council.

There are a number of informal area councils now in existence, and our success in gaining representation on most of these bodies has been minimal. Modern thinking, official and unofficial, clearly recognizes the role of the nursing home in the health field. Nevertheless, most of the present area planning councils ignore this role and the contribution that the nursing home profession can make to their work. We are prepared to offer amendments spelling out representation for nursing homes on these state and area-regional councils.

We strongly urge the committee to guard against the statutory establishment of self-perpetuating councils with minimal responsibility to any offical state agencies.

In another area, payment for service, we recognize the difficulty encountered in establishing rates that are fair to the vendor as well as to the taxpayer. There are a number of proposals for independent audit to determine costs. We welcome constructive changes in this area. We feel there has been inadequate reimbursement in many cases, largely due to restricted public funds, and feel that any fair audit will improve our members' situation with regard to reimbursement.

S-301 proposes a sharp change not only in the inspection and standard-setting procedure but in the reimbursement system by transferring these functions from the Department of Institutions and Agencies to the Department of Health. If this is done, the same intradepartmental conflict that now exists-where the licensing agency in the department imposes higher costs through higher standards and

the rate-setting agency seeks to reduce vendor payments to a minimum amount - will continue to exist. Our Association has constantly worked with the Department of Institutions and Agencies in the establishment of higher standards of care and of physical environment. We will continue to do so. We do expect, where publicly supported patients are concerned, to be fairly reimbursed for additional costs that are mandated in the establishment of higher standards. We always have enjoyed a fair hearing from the Department of Institutions and Agencies and fail to see, as proposed in S-301, how the transfer would bring any new benefits to the public or to health care providers. In that respect we agree with A-200 which proposes that the licensing function remain with the Department of Institutions and Agencies.

I will be happy to try to answer any questions that the Committee may have at this time.

Thank you.

SENATOR MARAZITI: I understand that you would be opposed to any regulation concerning the issuance of certificates of need. Your position is that since the nursing homes are basically private organizations they should go ahead and build as they feel the need exists. Is that your general position?

MR. KLIGGE: This is correct, Senator. We feel that because of the economic situation there is no burden placed on the public and obviously if someone has to risk their own capital they are going to be very careful before they construct beds that they feel may not be needed or may not

be used. And contrary to what happens to costs with hospitals where your unused facilities create an additional cost to the patients that are using it, it is quite the contrary with a proprietary institution.

SENATOR MARAZITI: Now, don't you feel the State does have an interest because they do contract for services, nursing homes services, and are required to pay, as you say, a fair share of the cost?

MR. KLIGGE: Well, Senator, unfortunately, this is not exactly true because up to this time it has been an negotiation for rates rather than something that is based on actual cost. We do have a survey and audit each year but this only provides a partial base. In most instances, well I should say in many instances the rate that is offered by the Welfare Agency does not compensate for the actual cost involved.

SENATOR MARAZITI: Well, would you say then that the State has an interest in the efficient operation of a nursing home, ir the spread and location of the nursing homes, so that they will operate at the best level, economically speaking, so if you have a tremendous number of nursing homes and the cost goes up because it hasn't been regulated as to location and taking into consideration the need and so on, that there tends to be a higher cost per bed or per facility in the nursing home and the State would be involved and be required to pay more. Therefore, don't they have an interest in determining, in regulating where they should be built and what size, and so on, because that bears some relationship to the cost of individual service in each area,

does it not?

MR. KLIGGE: This would be true if the State were predicating their payment on the basis of actual cost but, unfortunately, this has not happened.

SENATOR MARAZITI: How do they?

MR. KLIGGE: It's usually arrived at by negotiation.

SENATOR MARAZITI: Now on negotiation, if you are going to negotiate and you have a very, very high cost, if you're going to negotiate for a higher figure and you negotiate and your cost is not as high, it's going to be down a little bit, so it is reflected in the final figure, is it not?

MR. KLIGGE: To a certain degree. But it is still not one of the major elements in arriving at what rate the Welfare Department sets for payment.

SENATOR MARAZITI: You wouldn't operate at a loss. In other words, if it cost X number of dollars, say $50 a week is your cost, you wouldn't contract with the State for $40 a week, would you?

MR. KLIGGE: Thia actually does happen. It is not a question of contracting with the State but there are many, many nursing homes who take a certain percentage of welfare patients. Now the reimbursement on these patients does not cover their actual cost.

SENATOR MARAZITI: They fill in a lot of empty spaces maybe and your total income at the end of the year looks a lot better.

MR. KLIGGE: This is true. But actually their costs

are not completely compensated. If you would like to delve into this a little further, Mr. Coyle is more familiar with the negotiations than I am.

SENATOR BEADLESTON: Mr. Kligge, if too many nursing homes were built by the bad guess of the nursing home industry or business, then, of course, there would be a lot of empty space and prices would go up and the public would pay because the public, as I see it, isn't the taxpayer, the public is the public whether he gets paid for by the Government or whether he has to go down to the bank and cash a check, the public does pay or he would pay if there were too many nursing homes, would he not? Wouldn't he have to pay the increased cost?

MR. KLIGGE: Basically, I think what would happen, rather than cost increasing on the basis of empty beds, there may be some institutions that would close because they could no longer meet their financial commitments.

SENATOR BEADLESTON: Right, and before they close would they not perhaps have deteriorated in service?

MR. KLIGGE: This is a matter of conjecture at this point. But here again we have inspections so this should be prevented.

SENATOR BEADLESTON: Right. I take it then that your presentation has two points, you do not believe that nursing homes should come under any legislation because they are private industry and, secondly, if they do, then you want on the board.

MR. KLIGGE: These are two factors, yes, sir.

Now, to clarify one point, we already come under legislation and we are controlled and supervised by the Department of Institutions and Agencies; we're subject to the State Board of Control for licenses. So it's not a question of not being legislated, we already have legislation and rules and regulations.

SENATOR BEADLESTON: No, I mean if either one of these bills or some semblance of them was enacted and you were under the control of them, I gather you prefer not to be but if you were, you want representation on any board.

MR. KLIGGE: That is correct. We have approximately 14,000 nursing home beds in the State of New Jersey, which is a considerable number of beds. I am not certain how many hospital beds there are in the State but I know that 14,000 represents a very sizeable percentage of the total.

SENATOR BEADLESTON: Right. And, secondly to that, if there is a decision to be made you would prefer the board procedure rather than departmental control, the board running the thing rather than the Commissioner running it.

MR. KLIGGE: That's correct.

SENATOR MARAZITI: Thank you very much.

I understand Mr. Coyle may have some remarks.

MR. KLIGGE: Thank you.

SENATOR MARAZITI: Do you have a prepared statement, Mr. Coyle?

L E O N A R D A. C O Y L E: No, I do not, Senator, but I am just going to make a few extemporaneous remarks and would most appreciate your going along with me for a few minutes,

and I will be very happy to answer any questions that you may direct toward me if I am capable of doing so.

SENATOR MARAZITI: Go right ahead.

MR. COYLE: I would like to make reference back to the statement by Mr. Kligge concerning or in reference to an answer which was given concerning the cost of obtaining nursing home beds for the people of New Jersey by the State of New Jersey.

First of all, while he mentioned negotiated rates, we really do not have such a thing as a negotiated rate. We're in a situation where the State of New Jersey uses the facility that it needs and if it doesn't need facilities it does not use them. One year it may use 4,000 nursing home beds, the next year it may only use 2,000 nursing home beds for the public assistance patients. When I say the State I'm talking about governmental agencies, principally the Department of Institutions and Agencies.

I also would like you to know that we have a flat rate which is applicable to the care of patients in nursing homes and extended care facilities insofar as the indigent person is concerned throughout the entire State. Only one rate is applicable and to this extent it's to the operator's advantage, the nursing home administrator's advantage to be efficient in operation because he only deals with one particular rate and no other rate when it comes to caring for an indigent person.

Now I would like to address myself briefly, but more specifically, to A-200 and then to S-301.

Mr. Kligge previously stated that we were in opposition generally to the philosophy expressed in A-200 insofar as control of the expansion and the building of new facilities as they relate to nursing homes and extended care facilities.

While we do object to this type of control, we do not feel that the same reasons which compel the control for the construction of hospitals exists for the construction of nursing homes. We are not deathly opposed to this type of legislation. We are willing, if necessary, to make whatever reasonable compromises may be necessary and still come in under an umbrella of some type of control based upon certificates of need. However, we cannot agree with this concept as it is embodied in the present form in A-200 and S-301.

Our reasons are rather basic and I will point them out one after the other.

First of all, and I address my remarks first to A-200 - A-200 eliminates, by way of repeal, practically all of the licensing laws that we have adopted in the past 25 years relating to hospitals and nursing homes, and it re-incorporates many of the laws that we presently have in A-200 and it goes a lot further, it not only requires licensures by the Department of Institutions and Agencies, it requires the issuance of certificates of need.

What we are concerned about is not just whether or not a particular area should be regulated by the issuance of a certificate of need before a facility should be built or before an existing facility should be permitted to add an addition, what we are concerned about is the manner in which

A-200 structures itself to accomplish this goal.

Now the area of planning councils - I believe there are 7 recognized - does not provide for any type of representation in the bill. It merely says that the Department shall recognize some area planning council. And members of this area planning council are not specified. We don't know who they will be. We don't know what group they will be representing. And we are particularly concerned in this respect that if we are going to be regulated under this type of concept that we at least have fair representation on each level where the decisions are being made as to whether or not a certificate of need will be issued to an applicant or will be denied.

The area councils presently are functioning on an informal basis. This legislation will recognize some area council, whether it's the ones presently functioning or not, I do not know; probably it will be the same ones. But the ones that do exist do not provide for any representation from ary specific group, do not provide representation on a proportionate basis from hospitals or from extended care facilities and nursing homes. It can have bankers, construction people, general public people on it, it can have anyone on these councils and we don't know who they are.

We also object to the implementation of this type of legislation because we at the present time feel it is extremely premature, premature because, with the exception of one area planning council in this State, not one council has any staff

whatsoever by which they can exercise the type of expertise which this bill anticipates that they should have. And I might add that the area planning council is the council, the initial decision-making body, that will determine whether an applicant will receive a certificate to build or is denied a certificate. And yet they have no staff and this requires a tremendous amount of expertise in order to make this final conclusion. And I might add, they need staff to gather facts upon which they can make this conclusion as to whether a certificate should or should not be granted.

We also object to the fact that the bill makes no provision for any succession of any members who may be recognized in any of these councils. We object to the fact that there is no term provided for any person who is appointed to one of these councils. We also object to the fact that the applicant, the person who is most interested in the decision of a council, is not given any opportunity to be informed of the decision that's made by the council, the reason why that decision was made; he's not given an opportunity to appear before the council; he's not given an opportunity to be represented by counsel of his own choosing; and he has no means by which he can appeal any decision of an area planning council.

I would like to point out that the same reasons are apropos and applicable to the Health Facilities Planning Council which is, in both bills, recognized as the primary State-planning council for issuing such certificates of need.

The same criticism which I voice now also applies

to the Health Facilities Planning Council.

I would like to add that the Nursing Home Association was one of the original organizations that helped create the Health Facilities Planning Council and contributed financially to it, to its success, and still participates actively with the Health Facilities Planning Council of New Jersey.

We do feel that if this is going to be removed from a voluntary field to a group with statutory powers, then there must be built into it not only the right to be heard by every applicant but the right to an appeal and there must be the right of administrative appeals within the administration; and that an aggrieved applicant should have the right to exhaust his administrative remedies before he has to resort to a court.

SENATOR BEADLESTON: I think you will find that the Legislature will agree with every single statement you just made. If it's not in the bill it certainly ought to be.

MR. COYLE: Well, Senator, I bring these out because these provisions are not provided in the existing bill. This is my opinion. I have not been able to find them. I certainly would like to see where they might be.

SENATOR BEADLESTON: I think you're right.

SENATOR MARAZITI: On the area planning council point, I listened with interest in connection with that particular point, do you have any suggestion as to how the area planning councils should be constituted.

MR. COYLE: Yes I do, Senator.

SENATOR MARAZITI: Would you tell us?

MR. COYLE: I would be very happy to. I believe that since an area planning council is to be given some type of statutory recognition,with the adoption of these bills, that they should be created by the Department of Institutions and Agencies; their membership should be determined by the Department of Institutions and Agencies with the approval of the State Board of Control; their terms should be specified and the manner in which they are to be succeeded should also be specified by the Department of Institutions and Agencies. This could be done by regulation.

SENATOR MARAZITI: How are they constituted now?

MR. COYLE: I beg your pardon?

SENATOR MARAZITI: How are these area planning councils constituted now, so far as you know?

MR. COYLE: There is no rhyme nor reason behind the manner in which any one of these area planning councils are presently constituted.

SENATOR BEADLESTON: I believe it is more or less a voluntary act by the hospitals themselves, is it not?

MR. COYLE: Voluntary act by the hospitals and other interested community leaders but they can be from different groups.

SENATOR BEADLESTON: Well what you're saying here is if the bill is going to be there to restrict your activity by a board that you, whose activities are restricted, should be represented on the board.

MR. COYLE: Our contention, and we believe that since principally it is the hospitals and nursing homes and

extended care facilities which will be regulated by this bill, not only licensed by A-200 but regulated by it and their future construction also regulated by it --

SENATOR BEADLESTON: Well let me ask you a question in connection with that. Under this licensure procedure, you couldn't build a new home, a new nursing home or a new hospital or an addition to either one without the approval of the Department.

MR. COYLE: That's correct.

SENATOR BEADLESTON: They issue, as I understand it, to all of these places annual licenses. Is that correct?

MR. COYLE: That is correct.

SENATOR BEADLESTON: Should the Department in the annual relicensure be permitted or restricted from directing that in connection with the relicensure you should add the following facilities or you don't get your license - in other words, you now have a hospital for X beds and you're providing no maternity service, if you're going to be relicensed you're going to add 20 beds and you're going to provide service or we won't relicense you; you have a nursing home for 50 beds, you're going to add 25 or you don't get relicensed. Should that be in the law?

MR. COYLE: I don't believe so, Senator, and my reason for saying that --

SENATOR BEADLESTON: I think it would be a horrible thing if it were in there.

MR. COYLE: I don't believe it should be in the law.

SENATOR BEADLESTON: But there is no provision in here

that would prevent it, as I read the bill.

MR. COYLE: That is correct. That is correct and that is another point that I was going to raise that this opens a door similar to Pandora's box.

SENATOR BEADLESTON: If government builds the hospitals then it should add the rooms or subtract the rooms but if they are licensing either non-profit hospitals or proprietary nursing homes they should be restricted in their demands, I should think.

MR. COYLE: Well, Senator, one of the things that I was recommending specifically by way of amendment to A-200, if it would be at all acceptable to us, would be that existing facilities, once they are presently licensed and approved, would not be affected by any of the provisions of A-200.

SENATOR MARAZITI: How do you mean that? In so far as new construction?

MR. COYLE: As far as adding to, being compelled to add to the existing facility.

SENATOR MARAZITI: Being compelled.

MR. COYLE: Yes, sir.

SENATOR MARAZITI: I mean, suppose not compelled but you're looking for adding say 50 rooms, you would make them subject to that, would you not?

MR. COYLE: Under A-200, yes. For additional construction, yes. Yes we would have no objection to that.

SENATOR BEADLESTON: Let me ask you a question because we may have gotten this far along. In the event that it would

appear to this Committee that the propor resolution of this problem is for those affected to sit down in the same room, with doors locked, if necessary, to prevent anybody from jumping out the window, to get the Department of Institutions and Agencies, the Department of Health, representatives of the hospitals and representatives of the nursing homes, the various agencies involved, such as the one that Mrs. Alexander represents, Blue Cross, to get them together at the direct request of this Committee to try to sit down and come up with a bill bearing in mind that the problem we have here is a desire to control the amount of facilities in order to keep the cost down to the public, would your Association be willing to do so?

MR. COYLE: We would be most happy to do so, Senator, and we have never refused an opportunity that presented itself to do exactly that. We have offered to sit down with any interested group on both bills and we will continue to do so in the future.

SENATOR BEADLESTON: Thank you.

SENATOR MARAZITI: Thank you very much.

MR. COYLE: Gentlemen, we would like to submit to your Committee, if it's agreeable to you, at a later time, our specific amendments in writing on A-200.

SENATOR BEADLESTON: Just don't make the later time too late.

MR. COYLE: We already have them drafted, it's just a matter of making some minor changes.

SENATOR MARAZITI: Thank you.

SENATOR BEADLESTON: If you have any other representatives here - we would prefer to put Dr. Kustrup on who, I understand,has office hour problems.

MR. COYLE: Thank you very much, Mr. Chairman.

SENATOR MARAZITI: Thank you.

Dr. Kustrup.

SENATOR BEADLESTON: We're sorry about the office hours, Doctor, but we have procedures that have to be followed.

DR. KUSTRUP: Thank you.

SENATOR MARAZITI: Thank you.

D R. J O H N F. K U S T R U P: Senator Maraziti, Senator Beadleston, Ladies and Gentlemen: I am John F. Kustrup, M. D., President of The Medical Society of New Jersey. I welcome and express appreciation for this opportunity to appear here today and to record the official thinking of our Society in opposition to certain elements of Senate Bill No. 301.

This bill, as you know, would transfer to the State Department of Health all existing powers of the Department of Institutions and Agencies over medical care facilities and would add to them powers not presently assigned. Under the terms of S-301, all medical care services exclusive of those rendered in a physician's private office, a patient's home, or a mental institution would fall under the purview and control of the Department of Health.

We of the Medical Society of New Jersey support the public policy of the State enunciated in this bill that hospital and related medical care services of the highest quality are of vital concern to the public health. It is precisely for that reason that we oppose theplenary powers which this measure would grant to the State Commissioner of Health, enabling him to control and regulate the delivery of medical care services in all hospitals and other public or private institutions of the State.

The greatest portion of medical care services provided by physicians to patients who are seriously ill is delivered in medical care facilities as defined in this measure. The

Medical Society of New Jersey is on record - most recently in connection with consideration of the State Medicaid Program - with two basic recommendations that bear upon patient care, wherever delivered.

1. The patient should be assured free choice of physicians.
2. Physicians should be free to administer treatments and prescribe medications in conformity with their best professional judgment and in conformity with their legal responsibility for the welfare of the patients under their care.

Any grant of power which could be used to vitiate or infringe upon either of these two basic freedoms we regard as violative of the rights of both patient and physician and incompatible with best patient care.

Good medical practice is consistently achieved when a well-qualified physician, enjoying the full confidence of his patient, and with full knowledge of his patient's history, idiosyncrasies, and therapeutic needs, is untrammeled in his management of the case. Physicians are by nature disposed to accept responsibility, and the law required them to do so. Therefore, they should be free to do or to order for their patients whatever their judgment indicates as best.

The Health Care Administration Board called for by this measure would have among its nine members no mandatory physician representation, although "each member shall be chosen with due regard to his knowledge of and interest in medical care affairs." The term "medical care affairs" could connote fiscal and

administrative considerations to the disregard of indispensible knowledge for the accurate diagnosis and treatment of human ills. Yet the State Commissioner of Health, acting with the approval of the Board, would have full authority over medical services as defined in the bill, as to quality, utilization, and cost. Patently there is thus established a substantial threat to the continued free and proper practice of medicine. There is no provision that the advice or counsel of practicing physicians should be sought and weighed before promulgation of rules and regulations. This circumstance we strongly condemn.

Another portion of this bill amends the Hospital Service Corporation Act and foreshadows the impairment or ultimate elimination of operations of the Medical-Surgical Plan of New Jersey as an insurer of subscribers against the costs for professional medical and surgical devices. Under the proposed amendments, hospital service corporations would be empowered to enter into contracts covering medical care services.

At the present time the Medical-Surgical Plan of New Jersey affords protection to 3,200,000 people in this State. For all subscribers of limited income who use the services of participating physicians, the Medical-Surgical Plan coverage is comprehensive; that is, it effects full payment for eligible medical or surgical services rendered.

This coverage, available at consistently low premiums, is made possible by the fact that almost 80 per cent of all New Jersey physicians are enrolled as Plan-participating

physicians. As such, they agree to accept, under the conditions previously enumerated, Plan payments as payments in full.

If the Medical-Surgical Plan is adversely affected or eliminated, the 3,200,000 subscribers will be the chief losers. Obviously it could not be expected that physicians would agree to participate under Hospital Service Plan coverage, since the fees for their services would be determined by the Blue Cross Board of Directors, which, under S-301, would be so constituted as to be predominantly made up of individuals with neither the knowledge or competence to evaluate physicians' professional services or to set proper fees therefor.

We oppose these elements in S-301 as hostile to the best interests of the people of New Jersey. We oppose them as a threat to the continued and expanding delivery of high quality medical care.

With respect to A-200, we recommend the Commission on Health Care and Related Services should be increased to 12 members and include at least two practicing physicians in addition to the ex officio members listed. Thank you.

SENATOR BEADLESTON: Thank you, Doctor. I think I get the gist of your statement. Would the Medical Society be willing to sit down with the group I mentioned and add the benefit of its thoughts and try to produce -

DR. KUSTRUP: Very good.

SENATOR BEADLESTON: Do you agree basically with the fact that there should be some regulation as to the number of

hospitals, hospital beds, nursing homes, and nursing home beds in order to regulate and keep down the prices?

DR. KUSTRUP: Yes, I do and the Medical Profession does.

SENATOR BEADLESTON: Thank you.

SENATOR MARAZITI: Thank you very much, Doctor.

Assemblyman Azzolina, would you like to make a presentation at this time? You are the sponsor of A-200.

Will you give your name and official position with the State of New Jersey, Assemblyman.

J O S E P H A Z Z O L I N A: Senator Maraziti and Senator Beadleston, my name is Joseph Azzolina; I live at 75 Iler Drive, Middletown, and I am an Assemblyman from Monmouth County. I am here to speak on behalf of my bill, A-200. This bill has passed the Assembly and now awaits the Senate's consideration. I recognize the limited time available for your hearing and the number who have requested an opportunity to be heard. Therefore, I will limit my remarks to a few brief points which I believe must be emphasized.

We have in this State an outstanding system of community hospitals. These hospitals have served the citizens of New Jersey very well. There is nothing in A-200 to change this situation. My bill is designed to strengthen our health care system without endangering in any way the vital services that voluntary hospitals perform for our communities.

As you know, there is a growing public concern over rising health care costs in this country. One of the points always made is that it is the duplication of expensive procedures and facilities that is contributing to unnecessary

cost increases. Those criticizing hospitals are constantly pointing out that new beds are being constructed where they are not needed. At the present time there is no effective control over this situation. The law in our State does not permit the State to deny a license to a health facility because the community already has enough beds. My bill, A-200, corrects this situation by authorizing the State to limit the construction or expansion of hospitals and other health care institutions to situations where there is a demonstrated "need." This concept of limiting construction or expansion of health care facilities to situations where there is a "need" is not a new one. However, it has been opposed on the basis that this gives a State agency too much authority since these are community institutions and it is the community that should decide what services are needed. My bill recognizes the community's right to be involved in these decisions by taking advantage of the local voluntary planning that has already started in this State. Under my bill, hospitals or other health care institutions desiring to build or expand require a "certificate of need." This "certificate of need" is required for a license. Before a "certificate of need" can be issued or denied by the State, a regional planning council made up of private citizens must be consulted. The final decisions rest with the State. However, the State agency cannot act contrary to the local council's recommendations without first giving it a hearing.

One of my primary concerns in drafting this legislation was that I would not want to jeopardize in any way the vital services these community institutions are providing by making

them subject to the control of any one individual or even a politically appointed body or agency. Under my bill, A-200, the final recommendation to grant or deny a "certificate of need" is made by a citizen board appointed by the State Board of Control with the approval of the Governor. Not only the rules and regulations under which the program operates but also the decisions themselves will be made by a nonpartisan board, the State Board of Control.

A final point but an important one that I would like to emphasize is that the new program called for under A-200 will only require a minimum state expenditure. It is only an extension of the present licensing program and it takes advantage of the existing staff and boards in the Department of Institutions and Agencies.

I also would like to agree with Senator Beadleston that the opposing groups get together in the way he recommended and work out some possible amendments to the bill if they are needed.

Mr. Chairman, I strongly urge that the Senate give my bill its support and favorable consideration.

SENATOR MARAZITI: Assemblyman, in connection with the Regional Planning Council, you have heard some discussion about this Council being formulated according to some regulation and now it's sort of a loose entity. Do you agree with that position? Did you hear that discussion?

ASSEMBLYMAN AZZOLINA: It is now a loose entity? Right?

SENATOR MARAZITY: Yes, and would you be agreeable to

having it tied down by representation from certain particular groups - formalizing it, so to speak? I have heard reference to that particular line of thought.

SENATOR BEADLESTON: I think what he means, Assemblyman, is - you have heard there is no medical representation here of doctors, there is no nursing home representation.

ASSEMBLYMAN AZZOLINA: There is some nursing home representation in some boards.

SENATOR MARAZITI: There has been testimony that there is no medical representation and there is no nursing home representation - boards against departments, department against department, audit against rate control - in other words, the Senator mentioned sometime ago in the hearing as these points have been raised there seems to be a point of dispute - there seems to be general agreement that perhaps the "certificate of need" is a good thing and the basis of both of these bills is good. Would you be willing to sit down with the various organizations involved, with the departments involved, and with Senator Dumont to work out a bill that would encompass all of the prime elements that have been discussed so far?

ASSEMBLYMAN AZZOLINA: I would be willing to sit down with the various people, as Senator Beadleston stated before, to try to work out some of the difficulties that can be worked out.

SENATOR BEADLESTON: It seems to me, Assemblyman, that it would be a little bit unfair for a Council to tell a nursing home how many rooms they could or couln't add when there is

nobody from a nursing home on the board or the council.

ASSEMBLYMAN AZZOLINA: I understand there are some from nursing homes.

SENATOR BEADLESTON: Well, I know, but only because somebody wants to put them on there, not because we require them to be on there. I think that sounds a little unfair, don't you?

ASSEMBLYMAN AZZOLINA: Well, it bears looking into.

SENATOR BEADLESTON: Yes. That's a more political way to say the same thing.

We have heard here that some people want the Department of Institutions and Agencies, others want the Department of Health. I can see that probably both departments may be interested, one from a licensing institutional point of view and another from a health point of view, but I think that one gentleman here made a very sound argument. If you've got one group requiring a nursing home to put up fancy equipment and then another one trying to keep the rates down for the public's benefit, you would have a direct conflict. I would think the same agency or some joint operation of those agencies, hearing both sides of the argument, makes some sense. I can see that it would be a little tough to have to put a hundred thousand dollars worth of something in and then only be allowed to charge 55 cents for it because they want to keep the rate down, because there are two different agencies involved. I think it would be helpful if it could be a joint effort, don't you?

ASSEMBLYMAN AZZOLINA: I think it could be worked out. The worst problem is that right now the Department of

Institutions and Agencies are operating hospitals themselves and are probably more familiar with the operation.

SENATOR BEADLESTON: Well, be that as it may, I think it's not something that can't be resolved.

ASSEMBLYMAN AZZOLINA: Well again, we can sit down with these groups, the Committee and myself and try to work these problems out if they are workable.

SENATOR BEADLESTON: Well, as I see it, you ought to have the two departments, you ought to have the Hospital Association or have the Nursing Home people; you ought to have the Blue Cross- Blue Shield people, and the Medical Society if they don't feel they are represented through Blue Shield, which of a certainty they are. I think that would be a logical group to sit down - understanding that what we want is a bill to do what both bills basically purport to do and try to bring together the divergent views. Would you be willing to do that?

ASSEMBLYMAN AZZOLINA: I would be willing to sit down. The only thing I ask is that if it is the decision of the Committee to do this, to get together with a group such as you suggested, to do this quickly, because we are going out of session very shortly - if it can be done.

SENATOR MARAZITI: Well, it's my intention and, of course, Senator Beadleston's, that we will have Senator Dumont if he concurs. If he concurs in this thinking, then I might suggest that Senator Dumont and you head up the group and call these people together. It depends on how speedily you two can act and how speedily we can formulate a bill that may be agreeable. This would depend upon the extent of

cooperation you get.

ASSEMBLYMAN AZZOLINA: Well, your Committee is going to be involved in this.

SENATOR MARIZITI: Oh, absolutely, yes. We will be involved and we will make ourselves available, although, as the Senator suggested, we will get behind closed doors and lock the windows so nobody jumps out. You might want to do some preliminary skirmishing before we come into it.

ASSEMBLYMAN AZZOLINA: Let's get a tall building some place.

SENATOR MARAZITI: Thank you very much.

Senator Dumont, I wonder if you could give us the benefit of your views since you are the sponsor of S-301.

SENATOR DUMONT: Mr. Chairman, thank you very much, you and Senator Beadleston, for giving me this opportunity to speak on the whole subject here.

First of all, let me say in the first instance that health care is not something that is new, so far as I'm concerned, in an area of legislation. As far back as the early 1960's, I served as chairman of a study commission that was created under a resolution that I sponsored which made a thorough study of the operation of Blue Cross and Blue Shield in New Jersey. In the report of that Commission, which is a matter of public record, a copy of which I have with me, which was rendered in 1962, we recommended a number of pieces of legislation, all of which have to date been passed by the Legislature with the exception of experience rating for

Blue Cross and Blue Shield, which happen to be the only Blue Plans in the nation that are not permitted to have experience ratings. Some day they are going to have to have it if they are going to stay in business.

Now in addition to that, for at least 15 years I have served as a member of the Board of Trustees of Warren Hospital in Phillipsburg, an institution of 218 beds - 242 now with the addition to it - and also am a charter trustee since 1963 or '64 - I forget the exact year - when the Health Facilities Planning Council for New Jersey was organized, and all of us who served as trustees of that group did not do so because we requested to be included but rather because we were asked to serve in the organization. So for a long time I have been interested in health care legislation.

Now we have these two bills before us and actually there is a third bill but I don't think it's the subject of the public hearing here today - Assembly 582 by Assemblyman Heilmann and five others, introduced March 17 of this year.

I would want to point out to you here the principal differences as I see them in these bills that are under consideration today, Senate Bill 301 and Assembly 200. Senate 301 creates a nine-member board with actually three ex-officio members, heads of departments, with a vote. Assembly 200 creates a 15-member board with five ex-officio members who also have a vote. So the size is not very much different. But there is one very basic difference. One is that the board, under Assembly 200, would actually be appointed by the State Board of Control of the Department of Institutions

and Agencies, whereas the board under Senate 301 would be nominated by the Governor to the Senate for confirmation. I believe that the Legislature ought to have a part in the creation of such a board. Obviously under A-200 the Legislature would have no say whatsoever as to the type of board that would be created. Under Senate 301 the same procedure that we follow in virtually all boards appointed in this State would be followed; namely, that the Senate would advise and consent to the nominations by the Governor. And I believe that's the right way to do it. I don't think the Board of Control, which after all is nominated by the Governor in the first instance and confirmed by the Senate, should be setting up another board here without any legislative participation or authorization whatsoever.

The second difference between the bills has to do with the question of how the construction of new facilities and additions to existing ones would be handled. Under Senate 301 the Commissioner of Health must approve all construction, only after the construction has been reviewed and commented upon by the regional planning council and the State health facilities planning council for New Jersey. And there is provision in there for public hearing.

Under A-200, the Commissioner of I and A can approve the construction only; if the area council approved, there is no follow-up report by the Health Facilities Planning Council for New Jersey required, nor is there any provision as far as I can tell for public hearing.

This brings up a basic difference, of course, between the two bills - one, A-200, would leave all the licensing and also the certificates of eligibility or need to the Department of Institutions and Agencies. I have the feeling that that ought to be transferred to the Department of Health. It seems more logical to me to have it in the Department of Health when we are talking about health care than to have it in I and A which has always exercised that jurisdiction it is true.

There is another reason: The Department of Institutions and Agencies is probably the most widespread department in the whole State Government out of the 16 departments we have. And I don't think that the licensing procedure simply because it has resided in that department up to this time should necessarily be continued. Rather I think it should be transferred to the department which is charged by its name and its jurisdiction with health and health care facilities in the State of New Jersey, and that is where the licensing and the certificates of need, if they are required, would also best be handled. The mere fact that there may be personality clashes with respect to whether it should be in one department or another, I don't think is important. The important thing is to put it where it logically belongs, and the Department of Health, I think, is where that should be handled.

Now perhaps one of the most basic differences between the two bills has to do with the question of fiscal controls. Under Senate 301 the Commissioner of Health is required to establish a system of statewide audits and reports upon approval

by the new board after a public hearing, and all medical care facilities would use a uniform system of cost accounting, use a uniform system of reports and audits, and prepare long-range plans. The Commissioner of Health would then meet, would be required to meet with the Commissioner of Banking and Insurance to meet a detailed certification that all costs are derived through the uniform systems, and the Commissioner of Banking and Insurance would then be empowered to approve all hospital corporation payments as to their reasonableness. A-200 provides for no fiscal controls and day-to-day operations whatsoever.

In the question of licensing medical care facilities, Senate 301 would say that upon approval of the new board, the Commissioner of Health would set the standards for the licensing of facilities, and there is a provision again for a public hearing on the standards. We have provisions for public hearings on virtually every phase of the decision-making powers in S-301.

A-200 would say that the Commissioner of Institutions and Agencies can issue licenses based upon the standards set up by the Board of Control of the Department of Institutions and Agencies. And there is one further difference which I am sure that the advocates of A-200 would say should be handled by a separate bill. I don't know that it necessarily has to be handled that way - it could be. In any event, A-200 does not make any mention of the kind of board of trustees that the Hospital Service Plan of New Jersey, known as Blue Cross,

should have.

Some years back when we made this report as a result of our study of Blue Cross and Blue Shield, we recommended that there ought to be a change in the Board of Trustees of the Hospital Service Plan in New Jersey. I guess that's the other recommendation which besides the experience rating has never been passed in legislative form. We recommended it probably primarily because we thought there was too much control in that Board of Trustees by people who were directly affected by medical care; that is, with medical care, the administration of it. We thought there were too many people on the Board of Trustees that came directly from the medical profession and from the hospitals themselves. I have great respect for both groups but I don't think they should necessarily be the dominating force on a Board of Trustees which is responsible to over three million subscribers in the State. So we recommend in S-301 that the Board of Trustees of Blue Cross or the Hospital Service Plan of New Jersey be changed and that we require that one-third of them would come from the subscribers plan and one-third of them from the professions directly interested in health care, namely the medical profession and the hospital administrators or trustees, and the remaining one-third from the general public. No mention of that is made at all, incidentally, in A-200, and if a separate bill is designed, no such bill has been introduced.

Now I think those are the principal differences in the bills and I might mention the Governor's health message

of a few days ago - and incidentally I don't recall any previous comments by him since the Ward Committee reported, and that was about two years ago - and while it's true he appointed the Ward Committee at the outset, in July of 1965, because his message indicates that Blue Cross rates had been raised six times in a period of nine years, and we know from what Blue Cross has said that they are coming in for another rate increase right now. The Ward Committee was appointed and it reported in January of 1967, more than two years ago. That Committee, which consisted of some very distinguished citizens of New Jersey - I might mention one, aside from Mr. Ward himself, and this is not with any derogation of any other members of the Committee, all of whom were distinguished individuals. But one of the people who served on that Ward Committee is Martin Ulan, who is the administrator of the Hackensack Hospital in Bergen County, whom I have gotten to know quite well because of our joint participation on the Board of Trustees of the Health Facilities Planning Council of New Jersey, and who has recently indicated that he would have to take leave of that organization because he has just been made President of the Hospital Advisory Council of New Jersey which, incidentally, is the group that makes recommendations to the Board of Control of the Department of Institutions and Agencies for the allocation of the Federal funds. And that's a very important function because of the fact that the funds are so much less under the Hill-Harris, Hill-Burton Acts than is requested by all the new construction and additional construction requested in New Jersey.

Now here is a man who has spent his entire professional life in the hospital field, who served as a member of this Committee, and the Committee, as we know, recommended several things. They recommended the establishment of "a powerful agency having general supervisory responsibility over hospitals." And they recommended among other things that a uniform cost accounting system for hospitals should be established in New Jersey. They also recommended that there should be a review of the budget of each hospital facility and the receipt of periodic expenditure reports. They recommended a State approved, non-profit, third party level of reimbursement for each hospital. They also recommended that the public interest should be protected by a rate defender wherever a general rate increase for hospital insurance was sought, and they recommended other things about the analysis of hospital costs and certain recommendations with respect to occupancy rates.

I might point out that practically all of those things are covered in Senate 301 with the exception of the public defender, and I would want to look at that recommendation in some more depth before necessarily indicating an opinion as to whether I think it's good or not.

These are the things for the most part that are not covered in A-200. I have some feeling, with the great respect that I have for the New Jersey Hospital Association and for Jack Owen who serves very capably as the Executive Director of that group, that A-200, which I might point out is a much stronger bill than the bill that was introduced by Assemblyman

Azzolina a year ago at the behest of the New Jersey Hospital Association , might not have been strengthened to the degree it has been if it had not been that there were other bills in that went much farther than last year's bill did. As a matter of fact, no bill at all might have been introduced by the Hospital Association, because last year's bill simply required certificates of need or eligibility to be issued. It was, I might say, in a sense as weak a piece of legislation as could be provided if any legislation at all were to be provided or needed. Perhaps S-301 is too strong on the other hand.

But I might point out that we have these reports that came out of the work of a legislative commission in 1962 and out of the Ward Committee , and we have to this day not really provided in legislative form until these bills were introduced any implementation of any of those reports with the exception of the bills I pointed out that came from our Commission in 1962.

S-301 also is tied in to, and it says so right in the bill, the comprehensive health planning and public health services amendments of 1966, which was a Federal law, and which recommend strongly that there be established in each State a central administrative agency to provide for the administration of a State policy with respect to hospital and related medical care services.

Now I'm not one who believes that government control is necessarily a good thing, but having watched for the past six years, and we listened in the public hearings we held in

1961 to the experiments in voluntary planning with respect to health care that were being conducted in the Allegheny County area around Pittsburgh, and we agreed at that time that if we could have voluntary planning and make it work, it would be a great thing. But having watched it over these 7 years since the time of that public hearing, I am convinced it hasn't worked too well for New Jersey and I'm not sure it ever will work very well without some government regulation or control and, therefore, I come, however reluctantly, to the point where I think that some such regulation is necessary in New Jersey if we are going to hold hospital costs within the reach of the average person, and if we don't do that then obviously they aren't going to be able to afford hospital care.

In order that I would have you realize that not necessarily every hospital administrator in the State favors A-200, I might read to you a letter which I shall be glad to leave with the girls here for inclusion in the record from - I hope I'm not releasing any confidences on his part, but I assume that what he's expressed in here is something he would like people to know about. It was written by the Superintendent of the John E. Runnells Hospital of Union County, Berkeley Heights; his name is Waldo R. McNutt, and the letter is as follows:

> "The New Jersey Hospital Association has tried to indicate to the members of the Legislature that Assembly Bill A-200 has virtually unanimous support of the hospitals. This is not necessarily so. I have supported Senate Bill 301 all the way and want to be put on the record as supporting this bill.

"Assembly Bill A-200 does not meet the needs of the situation, and while it may be the darling of the Hospital Association, it certainly does not measure up to what the situation calls for and a number of hospital administrators are aware of this.

"I trust that your Committee will take enough time to study this matter in detail and not be high pressured into passing something that is inadequate.

"Very truly yours,
WALDO R. McNUTT
Superintendent"

I think that covers it. I might mention one more thing. In the years I have spent as a trustee of the Health Facilities Planning Council for New Jersey, one of the things that has frustrated us, I think, and I'm sure I'm not the only trustee who feels this way, despite the obvious value of such an organization on a voluntary basis - that has frustrated us many times is the fact that there is absolutely no authority, no teeth in any of the recommendations we make to the State Board of Control or to its companion agency, the Hospital Advisory Council, of the Department of Institutions and Agencies. The recommendations originate first of all with the Regional Planning Councils, of which there are twelve in the State. And then they come to the State Health Facilities Planning Council for New Jersey which in turn passes its recommendations on to the Department of Institutions and Agencies. There is no requirement, and I'm not saying necessarily that there should be, but no matter how much work is done by the State Council or the Regional Councils, there is no requirement that the Board of Control follow those recommendations, and I think that one merit of both of these bills is that they would establish more authority

and more teeth in the recommendations of the Regional Councils, of which at least seven would be required under each bill and also the follow-up by the Health Facilities Planning Council for New Jersey. I believe if that were so that we could feel, those of us who serve on it and who try to spend some time and some effort in respect to it, that our recommendations perhaps might not be in vain - not that they all are by any means, but some of them certainly are in that situation.

That's all I have to say, gentlemen.

SENATOR MARAZITI: Well, Senator, I have listened with interest to your analysis of Senate 301 which appears to me to have considerable merit, and also I see many good points in A-200, and to reiterate the suggestion of Senator Beadleston that he made earlier this afternoon, Senator, would you be willing to sit down with Assemblyman Azzolina and the departments mentioned, the New Jersey State Hospital Association and others, to come up with a recommendation for legislation that would embody many of the points that you have discussed and perhaps that some of the others have discussed? Would you be willing to do that? I think it would assist the Committee considerably and perhaps result in good legislation.

SENATOR DUMONT: Well, I would be very glad to but not necessarily within the next two weeks because we have a target date, as both of you recognize and I do too, to recess on the 15th of May, or the 16th in the event we go all of that night. I would think that since we are meeting twice a week, and since we have the usual problems toward the end of the session, with all the bills that we are trying to handle, in

addition to other activities as well - and in my case many military obligations - I would not be at all sure that it could be done within two weeks and I don't see any reason to do it within that time.

SENATOR MARAZITI: Well, suppose you do this: Would you take the responsibility, being a Senator, to communicate with Assemblyman Azzolina and you and he head up the organization of the group - I think you are familiar with the organizations mentioned by the Senator here earlier when he mentioned these groups - and, of course, anyone else that you and the Assemblyman might feel will assist. And if we can be of any assistance to you, of course, we will be.

And while you are here - Mr. Owens, would you be willing to participate in such a conference?

MR. OWENS: Yes, I think so. I can't speak until I have an opportunity to confer with the Board, but if you want to wait until after May 15th -

SENATOR BEADLESTON: Well, we do have a problem Mr. Owens, If Senator Dumont's schedule is like mine, he probably has some time next Sunday a week from four A.M. to 8 A.M., when everybody else is asleep, because that's just the way our schedule is and there just isn't physically, humanly time beyond that. I can see what will happen if we don't, and that is there won't be any legislation on the subject whatsoever, because I think there are diametrically opposed views here, many of which have a lot in common which can be ironed out.

SENATOR DUMONT: That's right.

SENATOR BEADLESTON: I would rather see good legislation on the books than none or bad legislation or incomplete legislation.

SENATOR DUMONT: Well, following up what Senator Beadleston just said, I think it's a mistake to try to rush legislation that is as important as this to the people of New Jersey through in two weeks. Now that's wrong.

SENATOR MARAZITI: Suppose we leave it to you, Senator, and Assemblyman Azzonlina to gage the situation as far as time is concerned - we can't settle it here - and use your best efforts to do the best you can under the circumstances.

SENATOR DUMONT: After the recess begins and we have time to work on legislation throughout the balance of the spring and the summer months, that's the time when you get effective work done, but I can't see any point in trying to prepare a bill that we are going to rush through by the 15th of May when all these years have already transpired without any legislation.

SENATOR MARAZITI: Well, suppose we leave that to you, Senator, and Assemblyman Azzolina, and whatever the circumstances are, they are.

SENATOR DUMONT: Thank you very much. I'll be glad to participate.

SENATOR MARAZITI: Thank you, Senator.

I have received communications from a number of people who would like to testify because they have other engagements. Mr. Scala, would you step forward, please. Will you kindly give

us your full name and your association?

A N T H O N Y S C A L A: I am Anthony Scala, President of St. Barnabas Medical Center, Livingston, New Jersey. As Mr. Owen said, I am opposed to Assembly Bill 200 and the reason for it is not that I am not interested and concerned as to what has been stated here on the rising cost of hospitals and not because I feel there shouldn't be any legislation. I do believe in both, that there should be legislation and some control. However, I think that in view of the time I can address myself strictly to what Senator Beadleston said that if a committee is formed and I am to be a member of that committee, I can stop right now and say that I address myself to that committee as far as the concerns that I have within the bill, It's not what is done, it's the way it's done. So, therefore, I can make it concise to that point and be a member of the Committee.

SENATOR MARAZITI: I think your suggestions would certainly be welcomed by the Committee but I wonder, Mr. Scala, if it wouldn't be wise for you to perhaps give us some of the highlights of your position because we are keeping a record of these proceedings and I think whatever is said here will be of interest and assistance to the Committee.

I understand before proceeding that you would be willing to participate in working with the Committee representing St. Barnabas Hospital. Is that it?

MR. SCALA: Correct. Very pointedly, St. Barnabas Hospital was a Newark institution, the oldest one in the State of New Jersey but because of the conditions of the property

and the location, it decided to move. Much opposition was given to its moving at the time, and there was no Health Facility Planning Council in existence and no requirement of a certificate of need. The Board of Trustees decided boldly to move to a new location and to plan on a master plan basis the total medical center. There was great concern, especially by the Blue Cross Service Plan - No. 1 it was on the basis that there weren't any beds required, no further expansion required at the time and, No. 2 that the cost per patient stay would go out of sight. This was told directly to me subsequent to the decision to move because I only became involved with St. Barnabas when it appeared on the scene at Livingston, New Jersey, where I was an industrialist at the time, and was asked on a civic basis to help.

The fact of the matter is that we have a master plan and we developed the master plan and we went ahead and built the hospital and, contrary to all of the fears, we have developed a hospital that gives greater facilities, more services, the largest and newest hospital in the State of New Jersey, and at the same time our costs are less to the Blue Cross Service Plan than comparable hospitals in the area or adjacent hospitals in the area as the case may be.

So, therefore, building new hospitals, building new facilities, doesn't necessarily mean that your costs are going to go out of sight. To the contrary, it might mean, it may mean, and it should mean that costs could be better controlled with more efficient facilities and new designs of operation.

As part of the master plan and part of the philosophy of the hospital before it was concluded, when I got involved in the hospital, was to add certain facilities, certain modalities, such as the hyperbaric facility. This hyperbaric facility, because of its long drawn-out nature and the way it was to be built, took more years than were necessary to complete the building, the initial building, so therefore the design was laid out as to where it would be at the end of the north wing. Upon receipt of the knowledge that we were to receive the hyperbaric chambers within nine months, we proceeded to build the additional facilities that were required which not only included the hyperbaric housing but certain other service areas such as pulmonary function, heart catherization, and radiation therapy, all tied in with the general philosophy of both out-patient and in-patient care in connection with oxygen and hyperbaric oxygen per se. Also included in these plans were an additional 150 beds. And, again, at the time the Health Facility Planning Council was not in existence, so, therefore, we just proceeded to build the hyperbaric facilities and we were apprized by Blue Cross, the Hospital Service Plan, that the cost that would come out of the use of hyperbaric chambers would not be applicable to their costing and therefore we could not recoup those costs.

Even though I pointed out innumerable times that these facilities were planned before there was any thought of the Health Facility Planning Council of the State of New Jersey, we were directed by Blue Cross that this is what they would abide

by, and until the Health Facilities Planning Council would approve the need for the hyperbaric chambers that these costs would not be includible. So, therefore, on August 22nd, 1967, after we had started construction, we sent the following letter to Mr. Mooney, Executive Director, Health Facilities Planning Council, Highway 206, Princeton, New Jersey:

"Dear Mr. Mooney:

"With reference to your letter of August 9, 1965, we are resubmitting under separate cover our architectural plans for the hyperbaric facilities and additional beds.

"Medical staff approval for the incorporation of these hyperbaric facilities was granted November 26, 1963, and updated January 14, 1964, and September 30, 1964. Approval by the Board of Trustees was granted at their meeting held September 10, 1964."

This is all internal approval that the Board of Trustees and the Medical Board of St. Barnabas Medical Center, vitally concerned with facilities and services, went through the review of the hyperbaric chambers and additional facilities based on the knowledge and engineering knowledge that was coming out of the corporation that was building these new facilities.

"The Board of Trustees considered the project at their meetings of November 21, 1963, and January 23, 1964. Meetings were held with Union Carbide (the corporation that built the hyperbaric chambers) in September 1963 and continued through the signing of the formal contract on April 8, 1964.

"Actual construction was started in September 1965 to coordinate with the scheduled delivery of the chambers. The construction at the second floor level was stopped due to litigation begun by neighboring dissidents but will be continued as soon as this litigation is resolved."

Now, what I am saying there is that in my letter to Health Facilities Planning Council it was stated that the construction started on a certain date, in order to plan the receipt of the hyperbaric chambers, but then the additional beds

were not finished at that time because of a court injunction by neighbors who felt that the hospital was too close to their property lines some 400 feet away.

Well then, I go into the clinical applications for hyperbaric medicine - I will leave this letter for inclusion in a minute so that I don't have to go through that - and go on to say:

> "The additional hospital beds shown on the architectural plans will be an extension of our concentrated care wing and will be used for the hospitalization of cardiac patients, burn patients, post-surgery cases, critical medical cases, and radiation therapy. Also included will be our Pulmonary Function Laboratory.
>
> "If required I will have letters submitted from the President of our medical staff and other doctors who have had patients in our hyperbaric chambers" to indicate their philosophies with regard to this modality.
>
> "May I suggest that a committee from the Health Facilities Planning Council visit us before your next board meeting so that we may personally discuss with them the values inherent in this submission."

Now this is on August 22, 1967. On September 12, 1967, I get a letter back from the Health Facilities Planning Council:

> "Dear Mr. Scala:
>
> "The Board of Trustees of the Health Facilities Planning Council met on September 6th and discussed the material which you forwarded to us recently concerning the hyperbaric unit.
>
> "After considerable discussion, the Board concluded that there was no reason to consider this two-year-old project at this time for endorsement.
>
> "The two=year=period refers to the time which has elapsed since you sent us material in July 1965, after which the Council raised some questions which remained unanswered until August 22, 1967."

SENATOR MARAZITI: Mr. Scala, your point is -

MR. SCALA: Let me make my point please, Mr. Senator. My

point is this, that to this date we have not received the approval by the Health Facilities Planning Council, except if this constitutes a rejection, and that the Blue Cross will not reimburse us for the cost of operating the hyperbaric chamber nor will they reimburse us for the beds that we added to that wing. What I'm saying here is that these arbitrary decisions which are being upheld in both A-200 and S-301 - this is the area where I want to direct my attention and I feel that in the Senate plan, a businesslike approach to medical care, to the total patient care is important, and I feel that the people in the State of New Jersey should not be deprived of total patient care. Here I mean that we don't need to have certain philosophies engendered that the cost of hospital care will rise because the hospital has too many services. The services should be left complete that any patient who goes to that hospital believing that he can be cured at that hospital, those facilities shall be there.

Thank you.

SENATOR MARAZITI: In other words, in connection with the area of Planning Council, do you have some recommendation as to whether there should be a different method of choosing or -

MR. SCALA: Well, in A-200, as I understand it, we first have to get the approval of the Regional Planning Council, then we have to get the approval of the State Health Facilities Planning Council, and then we have to go to Institutions and Agencies. In my opinion that's triple jeopardy. I don't mind going to each one of these areas, but only one should be the deciding point. Others can make recommendations, just like the

submission person makes the recommendation that he gets approved; the other two bodies in Planning Councils can make their recommendation, but it remains the unilateral right of the Institutions and Agencies or the Department of Health, or whoever the State control board may be, and the time for the review by other bodies should be limited so that these kinds of conditions that I just enumerated here would not exist.

SENATOR MARAZITI: Are you in general accord with the underlying -

MR. SCALA: I believe in regional plannin g, I believe in the fact that there should be bodies to review and discuss, and bring about the mutual concern for costs and have ideas disseminated through the Planning Council - there is no objection to that at all.

SENATOR MARAZITI: And a certificate of need.

MR. SCALA: A certificate of need, we are all in favor of I am sure.

SENATOR MARAZITI: And you are willing to assist the Committee and the group headed by Senator Dumont in connection with this -

MR. SCALA: I would be most happy to.

SENATOR BEADLESTON: I take it, Mr. Scala, one of your suggestions would be that there be a time limit within which the application should be either approved or disapproved and if the answer hasn't come, it constitutes approval.

MR. SCALA: Correct.

SENATOR BEADLESTON: That's not a bad suggestion. It's the only way I know to ever get a board to do anything.

SENATOR MARAZITI: Thank you very much, Mr. Scala.

We appreciate your appearance here and your giving of your time. You will be hearing from us again.

MR. BEADLESTON: Sorry to keep you here this late.

SENATOR MARAZITI: I wonder if Mrs. Alexander can step forward and let us have the benefit of her suggestions. Let me say that Mr. Beadleston and I apologize for keeping you waiting.

SENATOR BEADLESTON: While Mrs. Alexander is getting her material ready, will the young ladies here make a note for the record that the Committee is in receipt of 30 telegrams from various nursing homes to the effect that they oppose these bills in their present form without amendments or else they oppose them entirely, plus a letter from the Clerk of the Borough of Neptune City requesting a further study be made of this legislation before it be adopted.

These will be incorporated in the record.

B E R N I C E A L E X A N D E R: Senator Maraziti and Senator Beadleston, thank you very much for letting me come here today to represent the State Health Planning council as their legislative chairman. My name is Bernice Alexander.

Mention of the State Health Planning Council was just made and it's probably the newest organization in the State. In accordance with the provisions of Section 314A of Public Law 89-749, the Comprehensive Health Planning and Public Health Services Amendments of 1966, the authority for comprehensive health planning is vested in the Comprehensive

Health Planning agency. An integral part of the same law mandated that the State program must provide for the establishment of a State Health Planning Council appointed by the Governor to advise the agency in carrying out its functions under the approved program. A majority of the Council members must be consumer representatives whose major occupation is neither the administration of health activities nor the performance of health services. It is the opinion of the State Health Planning Council that each bill, Assembly 200 and Senate 301, has essential elements but a combination of these elements would afford the State of New Jersey a coordinated, more economic and better functioning program. It is our feeling that in so doing it would assure the State a more comprehensive medical care program for its citizens.

The State Health Planning Council would like to draw attention to the following points considered in the development of a coordinated program:

Centralization is the first. The urgent need of centralization of the activities of the Bureau of Community Institutions and the Bureau of Medical Facilities Construction and the planning of the State Department of Institutions and Agencies and the Office of Certification of Health Facilities and the consultation services of the State Department of Health.

SENATOR MARAZITI: That's some collection.

MRS. ALEXANDER: It is the feeling that the logical department for such centralization would be in the State Department of Health: (a) the Office of Certification of Health

Facilities for Title XVIII (Medicare) is located within the State Department of Health.

(b) in fulfilling its assigned responsibility the Office of Certification of Health Facilities has available consultation s ervices including nursing, dietary, physical therapy, and medical social services.

(c) in addition the State Department of Health has the Radiological Health, the Food and Drug Program, the Division of Laboratories, Clean Air and Water, and, through its district offices, sanitarians.

(d) that the Office of Certification of Health Facilities now surveys and certifies every nine months the following facilities, the cost of same being completely reimbursed by the Federal Government. However, the Office of Certification has surveyed many of the total numbers of which the office has not been able to certify as meeting the required standards. Out of 227 nursing homes, 76 have been certified; 10 of the 49 homes for the aged with infirmary units have been certified; 6 of 23 public medical institutions; 6 more Joint Commission Accreditation of Hospitals approved hospitals.

(e) the Bureau of Community Institutions also inspects these same facilities twice yearly for licensure purposes. The cost of this activity is paid for out of State funds. One inspection could suffice for licensure and medicare certification. The cost

of this inspection for the above-mentioned facilities would be reimbursed by the Federal government.

(f) At the present time plans for construction, alterations or expansion of health facilities must be reviewed by the Bureau of Community Institutions. However, if they wish to participate in the Medicare programs they must be reviewed by the Office of Certification of Health Facilities. In addition, if they wish to apply for Hill-Burton funding they must be reviewed by the Bureau of Medical Facility Construction and Planning.

By the aforementioned centralization it would only be necessary to have one review of all plans with resulting economies to State government.

Such review of plans would prevent the erection of any facility that did not meet acceptable standards.

There are facilities in both Bergen and Union County that are completed or being completed under both State and county auspices that have not had this review.

(g) to further highlight the need for centralization may we refer you to the recommendations made to the Secretary of Health, Education and Welfare by his Committee on Hospital Effectiveness in 1967 which stated: "There should be within the State Health Department in each State a single agency responsible for the licensing and regulation of all health care institutions and facilities and in its health

facilities statutes, every State shall require prior review and approval of any change in physical facilities which significantly affect the nature and magnitude of the program of any health care institutions."

In 1965 the Governor's Legislative Commission to study Efficiency and Economy stated: "It is recommended that the functions of inspecting and licensing of all hospitals, public and private, all nursing homes, homes for the aged, convalescent homes and similar institutions be transferred together with the administration and processing of applications for federal Hill-Burton funds and the control and audit of the disbursement of funds be transferred from the functions of the Department of Institutions and Agencies to the functions of the Department of Health."

The Ward Committee Report in 1967 recommended such centralization.

On Hospital costs. The average cost of a hospital day today is over $60 and it is projected that this cost will exceed $100 by 1975. It is felt that the voluntary cost efforts are not enough. To insure our taxpayers, a full measure of value for each dollar spent, a State agency should be designated to assist hospitals in cost control.

Certificate of Need. It has been generally accepted that a certificate of need is urgent. We recommend that a

certificate of need be required of all hospitals extended care facilities and all other health care facilities. The issuance of this certificate of need should be the responsibility of the centralized agency in that the responsibility for comprehensive health planning is now located organizationally within the State Health Department.

The following example points out the need for such a certification process. At the present time there are now more than 15 long-term care facilities under contract or construction, each having a capacity of 100 beds or more. It is questionable as to the necessity of many of these facilities as to their location and as to actual need.

Advisory Board. It is recommended that an appropriate advisory board be established to assist in implementation of this comprehensive health care program. The members of this board should be representative of the appropriate professional groups and the general public.

Now in conclusion, the State Health Planning Council will be available to assist in the amending for the consolidation of these bills to attain the aforementioned ends.

SENATOR BEADLESTON: In other words, what you are saying, Mrs. Alexander, is what I have recommended, that everybody get together, lock the door, and come up with -

MRS. ALEXANDER: I think it's the best idea, Senator Beadleston.

SENATOR MARAZITI: You are willing to assist the Committee -

MRS. ALEXANDER: I certainly am.

SENATOR MARAZITI: -and Senator Dumont and Assemblyman

Azzolina.

MRS. ALEXANDER: I'll be more than happy to.

Frankly, when I think of just one example of what happened in Bergen County when I was a Freeholder, which is not on that, but I think you should know it. We had an old folks home, the Bergen County Home, which we wanted to have fixed up so the patients could be taken care of under Medicare, and what have you. We applied and we had somebody - and I don't want to use names - come from the Bureau of Communities Institutions, Standards for Nursing, etc. and they came and they gave recommendations and told us to get an architect and proceed with the plans. That was in February 1966. On August 31st, they sent up somebody else who was a Building Inspector and he approved only preliminary plans, etc. and then, right after that, we had somebody else come along from the Health Facilities Planning where they had hired an architect from a firm and they disapproved the whole thing. In the meantime we had spent the taxpayers' money for plans, preliminary plans and everything else and there was nothing we could do about it.

SENATOR MARAZITI: Well, thank you very much, Mrs. Alexander.

I will call Walter Johnson.

Before you begin, will the record show that there were 41 hospitals represented here today, as indicated to me by Mr. Jack Owen.

Will you proceed, Mr. Johnson, and let us know your name, address, and the organization you represent.

W A L T E R J O H N S O N: I am from Neptune, New Jersey; I am a partner with the Oliver Brothers in a new 100-bed facility which will open in June near the Jersey Shore Medical Center.

I agree with much of what has been said here today. We only recently made application to the Nursing Home Association and have not yet even received our membership and as a result we felt that we should speak on our own behalf.

I only have a few brief remarks. One, we oppose A-200 as it is presently constituted. We think it will stifle private enterprise in the construction of additional facilities, particularly in view of the fact that the very composition of the State and local councils, planning councils, may by their composition be very unfriendly toward the building of additional facilities.

New nursing homes have grown at the rate of approximately 1250 per year during the past five years. Presently under -

SENATOR MARAZITI: Where is that? In New Jersey or United States?

MR. JOHNSON: In New Jersey.

SENATOR MARAZITI: 1250 a year?

MR. JOHNSON: 1250 beds, for the past years. Presently under construction, and this is according to figures provided by the Department of Institutions and Agencies, are approximately 3250 additional beds.

Now much has been said about the cost to the public. One of the elements of cost in our opinion is the return of taxes from tax paying facilities which help to relieve the burden on the

taxpayer. Real estate taxes on the average 100 bed facility in our area are about $25,000 annually. I don't know what they are in metropolitan districts but know they are higher than that, but only using our area figures as a basis for a projection, nursing homes are returning to the municipalities and to the county over five million dollars annually in taxes.

Based on the expansion program of 3250 and some odd beds, an analysis which shows approximately 2,000 of which are proprietary facilities, we can readily anticipate that another half million dollars will be paid by these private enterprise taxpaying nursing homes or medical facilities.

The nursing home, in our opinion, is a very fine ratable. It requires very little in municipal services. It sends no children to school; it provides a much needed service for the community and, needless to say, it renders certain local employment opportunities. As a result, we firmly believe that the bill under consideration will materially prevent an expansion of the private enterprise taxpaying facilities mainly because of the restrictions placed in the composition of the boards and the unfriendly situation that could develop in the event they are not properly constituted.

Thank you very much, gentlemen.

SENATOR MARAZITI: Do you feel then that we should not require a certificate of need for these facilities?

MR. JOHNSON: Not particularly, sir.

SENATOR MARAZITI: Your position is the same as the prior speakers, Mr. Coyle and his group, who testified?

We feel that it is cumbersome. The procedure as set up in the bill could be extremely cumbersome, and could delay or perhaps refuse a certificate to someone who, under the private enterprise system, felt that the need was there and who was willing to risk his money and his talents to build a facility where somebody else might be the judge. Putting it in an act here would be like the A & P making a decision whether the Food Fair should come next door to it.

SENATOR BEADLESTON: Except that you don't ordinarily die at the A & P.

SENATOR MARAZITI: Well, thank you very much, Mr. Johnson. We appreciate your coming.

This completes the list of those who have signed to testify. Is there anyone here who wishes to be heard and has not had an opportunoty to be heard?

If not, we will adjourn the public hearing and we will look to Senator Dumont and Assemblyman Azzolina to come forth and produce the bill that will take care of the situation promptly.

[A D J O U R N E D]

THE BOROUGH OF NEPTUNE CITY

BORO HALL, 106 W. SYLVANIA AVE.
MAIL ADDRESS, P. O. BOX 98, NEPTUNE CITY, N. J. 07753
TELEPHONE, AREA 201 776-7224

May 2,1969

TO WHOM IT MAY CONCERN:

Mayor Holmes A. Adams and members of the Borough Council are of the opinion that Assembly Bill A-200 is of such magnitude that further study should be made before approval by the State Legislature.

Copies of the entire bill should be made available to the several municipalities with a reasonable time limit set for response by them.

We therefore respectfully request that the bill be laid over for further study.

Respectfully

Harold J. Rowland
Borough Clerk

Telegrams reading:

"OBJECT TO PASSAGE OF BILLS A-200 AND S-301. ASK MY OBJECTION BE READ INTO RECORD AT PUBLIC HEARING FRIDAY MAY 2."

were received from the following:

Miss Margaret McKenna, 120 Madison Ave., Madison, N.J.

Mrs. Katherine Shumaker, 17 Madison Ave., Madison

Kermit Shumaker, 17 Madison Ave., Madison

Frank Barry, 22 Emerson Drive, Whippany

Mrs. Ellen Barry, 22 Emerson Drive, Whippany

Dean C. Shore, 41 Elm Street, Morristown

Joseph F. Fennelly, 83 Greenwood Ave., Madison

Mrs. Grace W. Shuman, 120 Madison Ave., Madison

Mr. Terry Shuman, Jr., 120 Madison Ave., Madison

K. G. Coolidge, 152 Rainbow Trail, Denville

Beatrice Gisser, R.N., Director, Ocean Park Nursing Home, 400 Ocean Ave., Lakewood

Abraham Karetnick, President, Ocean Park Nursing Home

Mr. and Mrs. Frank Dumbleton, 111 Maple Lane Nursing Home, 30 West Maple Ave., Merchantville

Maple Shade Nursing Home

George Conley, Administrator, Sunnyfield Nursing Home, Inc. Cranbury

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841A EDT MAY 2 69 PA062
P NKA265 MS PDF 7 EXTRA TDNK MONTCLAIR NJER 2 819A EDT
SENATOR JOSEPH MARAZITI, DLY 75 DONT PHONE
INSTITUTION AND WELFARE COMMITTEE ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
WE OPPOSE A 200 AND S 301 IN THEIR PRESENT FORM URGE CONSIDERATION TO TAX PAYING INTERESTS OF NURSING HOMES IN THIS STATE PLEASE CONSIDER AMENDMENTS AS PRESENTED BY NEW JERSEY NURSING HOME ASSN ON BEHALF OF MYSELF AND OUR 32 EMPLOYEES
BARRY MILLS OWNER CLOVER REST NURSING HOME AND MADISON NURSING HOME MONTCLAIR NJ

A 200 S 301 32
(837).

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1016A EDT MAY 2 69 PA083
P PFA052 FC PDF 4 EX TDPF WAYNE NJER 2 945A EDT
SENATOR JOSEPH MARAZITI INSTITUTION AND WELFARE COMMITTEE
ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
DEAR SENATOR THIS IS TO INFORM YOU THAT WE OBJECT VERY STRONGLY TO BILLS 8200 AND S301. WE WISH THIS OBJECTION BE READ INTO THE RECORDS AT THE HEARING. VERY TRULY YOURS
ALPS MANOR NURSING HOME 1120 ALPS ROAD WAYNE

8200 AND S301
(1014)..

SF1201(R2-65)

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1226P EDT MAY 2 69 PA141
P TNA226 PD TRENTON NJER 2 1223PEDT
SEN JOSEPH MARAZITI,
ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
MERCER CARE CENTRE OBJECTS TO BILLS A200 AND S301 AS PER NJ NURSING HOME ASSOCIATION PLEASE READ INTO RECORD
MERCER CARE CENTRE INC
(1224).

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105P EDT MAY 1 69 PB161
P PAA078 OB PDF TDPA WICKATUNK NJER 1 1244PEDT

SENATOR JOSEPH MARAZITI DLR 10AM MAY 2ND
INSTITUTION AND WELFARE COMM ASSEMBLY CHAMBER STATE HOUSE

TRENTON NJER
WE "AT THE WICKATUNK PRIVATE NURSING HOME" ARE IN OPPOSITION TO BILL A-200 AND S-301 AND WISH TO MAKE OUR OBJECTION KNOWN TO YOU
MRS ISABELLE BARTONEK HIGHWAY 79 POB192 WICKATUNK NJER
A-200 S-301
(1252).

SF1201(R2-65)

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931P EDT MAY 1 69 PB331
ENA361 PD JK NL ENGLEWOOD NJER 1 810PEST
SENATOR JOSEPH MARAIZIT
INSTITUION AND WELFARE COMMITTEE
ASSEMBLY CHAMBERS STATE HOUE TRENTON NJER
A-200 AND S-301 SHOULD BE DEFEATED PROVISIONS FOR EGIAL PLANNING COUNCILS ARE PORRLY CNCIVEVED CERTIFICATE OFNEED SHOULD NOT BE APPLIED TO PROPRIETERY NUSRING HOMES THEY RISK THEIR OWN FUNDS STOP PULBIC CONTIRBUTIONS ARE NOT INVOLVED TRANSFERRING FUNCTIONS FROM DEPRTEMTNT OF INSTITUTIONS IS NOT IN PUBLIC INTEREST THIS DEPARTMENT HAS DEVELOPMED THE HIGHEST SANDARDS IN AMERICA FOR NURUINGHOMES I RESPECTFULLY REQUEST THAT YOU OPPOSE BOTH OF THESE BILLS PLS READ THIS INTO THE RECORD AT PUBLIC HEARING
DANIEL L ROSS 54 BRIAR CLIFF RD TENAFLY NJER

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711P EDT MAY 1 69 PA424TN
P REA100 NL PDF TDRE MIDDLETOW NJER 1
SENATOR JOSEPH MARAZITI (75 DLY PD)
INSTITUTIONS AND WELFARE COMMITTEE ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
PLEASE READ INTO THE RECORD MY OPPOSITION TO ASSEMBLY BILL 200 AND SENATE BILL 301 URGE TXXX URGE YOU TO AMMEND A200 TO SET STANDARDS FOR AREA PLANNING COUNCILS AND TO ENABLE BROAD PATIENT CHOICE THROUGH UNRESTRICTED INVESTMENT OF PRIVATE CPAITAL IN PROPORIETARY NURSING HOMES
JOSEPH H MEYER HILL TOP PRIVATE NURSING HOME KINGS HWY MIDDLETOWN NJER
(46).

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1236P EDT MAY 2 69 PA146
P ATA056 VM PD 3 EXTRA ABSECON NJER 2 1229P EDT
HON SENATOR JOSEPH MARAZITA, INSTITUTION AND WELFARE COMMITTEE
DLR 2PM ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
BILLS A200 AND S301 WILL HURT MORE THAN HELP THE NURSING HOMES
IN NEW JERSEY WHILE DOING LESS FOR THE PATIENTS PLEASE LISTEN
TO OUR NEW JERSEY NURSING HOME ASSOCIATION AND BE GUIDED ACCORDINGLY
KINDLY READ THIS OBJECTION INTO THE PUBLIC RECORD
WARREN E KING FOR DREAM HILL NURSING HOME ATLANTIC COUNTY
NJ

CLASS OF SERVICE
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SYMBOLS
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441P EDT MAY 1 69 PA373
SUA085 3 X NL PDF SUMMIT NJER 1
SEN JOSEPH MARAZITI
INSTITUTION AND WELFARE COMMITTEE ASSEMBLY CHAMBERS STATE
HOUSE TRENTON NJER
STRONGLY OBJECT TO PASSAGE OF A-200 AND S-301 ON BASIS TAXX
THAT PROPRIETARY NURSING HOMES SHOULD NOT BE CLASSED WITH VOLUNTARY
NONPROFIT HOSPITALS IN CONSIDERING CERTIFICATES OF NEED THE
MARKET PLACE SHOULD BE THE DETERMINGING FACTOR FOR NURSING
HOME CONSTRUCTIONS PLEASE READ TIS INTO THE RECORDS OF THE
PUBLIC HEARING
STUART ZECKENDORF DIRECTOR PALMER NURSING HOME SUMMIT NJER

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103P EDT MAY 2 69 PA159P
PLA075 PD PLAINFIELD NJER 2 248PEDT
SENATOR JOSEPH MARZITA, INSTITUTIONS AND WELFARE COMMITTEE
ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
THE NJ NHA TDAY IS VOICING ITS OBJECTION TO A201AND
S301 IN THEIR PRESENT FORM OUR 36 EMPLOYEES AND
I ASK THAT YOU UPPORT NJ HAS RECOMMENDATION PLEASE HAVE THIS
OBJECTION READ INTO THE RECORDS AT TODAYS PUBLIC HEARING
LIONEL C RUBIN ABBOT MANOR INC 810 CENTRAL AVE PLAINFIELD
NJER

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1250P EDT MAY 2 69 PA152
P PFA135 RX PDF TDPF WAYNE NJER 2 1233P EDT
HON SENATOR JOSEPH MARAZITI, DLR INTO ASSEMBLY CHAMBERS IMMY,
.75 DLY PD
INSTITUTION AND WELFARE COMM STATE HOUSE TRENTON NJER
AS ADMINISTRATOR AND OWNER OF BROOKBEND CONVALESCENT HOME AND
MOUNTAINVIEW NURSING HOME IN WAYNE NEW JERSEY I WOULD LIKE
TO PLACE AN OBJECTIN TO THE PASSAGE OF THE BILLS A-200 AND
S-301. WOULD YOU PLEASE READ THIS OBJECTION INTO THE RECORDS
AT THE PUBLIC HEARING ON FRIDAY MAY SECOND IN THE ASSEMBLY
CHAMBERS
RUTH HINSON 499 NEWARK POMPTON TPKE WAYNE NJER.

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1117A EDT MAY 2 69 PA110TN
P ASA060 AW AW PDF FREEHOLD NJER 2 1045A EDT
SEN JOSEPH MARAZITI INSTITUTION AND WELFARE COMMITTEE
ASEEMBLY CHAMBERS STATE HOUSE TRENTON NJER
I URGE YOU TO PULL THE PASSAGE OF BILL TWO HUNDRED AND 2301
IN THERE PRESENT FORM
KAT ERINE S BOURKE RN HOMESTEAD NURSING HOME 119 BROADWAY.

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336P EDT MAY 2 69 PA232
P NKC200 BW PDF NEWARK NJER 2 305P EST
SENATOR JOSEPH MARAZITI
INSTITUTION AND WELFARE COMMITTEE ASSEMBLY CHAMBERS STATEHOUSE
TRENTON NJER
OBJECT TO BILLS A-200 AND S-301 KINDLY CONSIDER REQUEST OF
NEW JERSEY NURSING HOME ASSOCIATION PLEASE HAVE MY OBJECTION
READ IN THE RECORDS AT THE PUBLIC HEARING
PHILLI' TATZ IRVINGTON URSING HOME

CLASS OF SERVICE
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701P EDT MAY 1 69 PB305
P PAA183 OB NL PDF KEYPORT NJER 1
SENATOR JOSEPH MARMAZITI
INSTITUTION AND WELFARE COMMITTEE ASSEMBLY CHAMBERS
STATE HOUSE TRENTON NJER
I WOULD LIKE IT READ INTO THE RECORD THAT I OOPPOSE BILLS A200
AND S301
CHARLES A KITZMAN PRESIDENT SEABROOK HILL NURSING HOME 160
WEST FRONT ST KEYPORT NJ
•

CLASS OF SERVICE
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1116P EDT MAY 1 69 PA472
TN P ASA201 JE NL PDF OCEANGROVE NJER 1
SENATOR JOSEPH MARAZITI

INSTITUTION AND WELFARE COMMITTEE ASSEMBLY CHAMBERS STATE HOUSE TRENTON NJER
PLEASE HAVE THE FOLLOWING READ INTO THE RECORDS AT THE PUBLIC HEARING TODAY MAY 2, 1969. THE OCEAN GROVE NURSING HOME OPPOSES THE PASSAGE OF A-200 AND S-301 IN THEIR PRESENT FORM A-200 SHOULD ELIMINATE CERTIFICATES OF NEED FOR PROPRIETARY NURSINR HOMES. THE OWNER CAN DETERMINE WHETHER THEIR NEW PRLJECT OOR EXPANSION IS ECONOMICALLY ADVISABLE. NO BEAUREAUCRATIC DETERMINATION IS NECESSARY OR DESIRABLE EXCEPT FOR HOSPITALED OWNED AND OPERATED EXXTENDED CARE FACILITIES BECAUSE THE LATTER ARE CONSUMING PUBLIC FUNDS AND ARE TAX EXEMPT. S-301 SHOULD NOT COMPLICATE

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THE PRESENT EFFICIENT OPERATION OF THE LICENSING AND SUPERVISION OF THE PROPRIETARY NURSING HOMES BY TRANSFERRING ALL OR PART OF THESE FUNCITIONS FROM THE DEPT OF INSTIT. AND AGENCIIES TO THE IEPT OF HEALTH

JAMES HANDFORD PRES
OCEANGROVE NURSING HOME

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