



# Health and Senior Issues Transition Policy Group

PREPARED FOR GOVERNOR-ELECT JON S. CORZINE

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## Final Report

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## EXECUTIVE SUMMARY

The Health Care and Senior Issues Policy Group recommends that the Governor-elect consider the following recommendations:

**Make Health Care More Accessible.** The recommendations found herein explore ways to: 1) ensure the launch of NJFamilyCare Advantage, the children’s buy-in program, pursuant to recently enacted legislation – *Assemblywoman Quigley suggested as part of expanding FamilyCare Advantage that the State allow small businesses to “buy-in” on behalf of their employees who may meet program income requirements;* 2) reduce health insurance costs through the development of a reinsurance program; 3) engage the Departments of Human Services and Labor to prepare a report of those working for large companies who rely on government-funded health insurance programs; and 4) streamline regulations governing ambulatory care facilities, community health centers and family planning clinics to increase access to those safety net facilities.

**Make Health Care More Affordable.** This section identifies ways to: 1) support and enhance the work of the Department of Banking and Insurance (DOBI) in implementing a health care technology initiative, which includes creating an infrastructure to ensure the exchange of electronic medical information (e.g., personal health records); 2) strengthen anti-fraud programs that currently exist throughout State government; 3) consolidate State programs that purchase prescription drugs; 4) increase the use of generic drugs; 5) create a plan to improve care and reduce costs for chronic conditions; and 6) develop strategies to increase the supply of primary care medical providers.

**Make Health Care Safer for Patients.** This section describes ways to: 1) ensure that hospitals and doctors offices track and address medical errors through providing incentives; 2) give consumers more rights to challenge HMOs when they deny care; 3) address and begin to solve racial and ethnic health disparities; and 4) identify ways to recruit and retain health care workers through loan forgiveness.

**Ensure that PAAD and Senior Gold Remain Strong; and Make Senior-Friendly Quality of Life Improvements in Communities.** This section examines: 1) requiring Pharmacy Benefit Management Companies (PBMs) to disclose financial arrangements for rebates and other remuneration received from drug manufacturers for its state funded programs; 2) creating a position of prescription drug coordinator in the new administration responsible for consolidating State programs that purchase prescription drugs; and 3) working with the Department of Community Affairs (DCA) to promote the development of elder-friendly communities.

**Improve Long-Term Care Options for New Jersey Citizens.** This section explores establishing a task force on seniors to examine senior-specific issues including, but not limited to long-term care. An examination of long-term care issues should include: 1) assessing the efficacy of existing Home and Community-Based Services (HCBS) programs administered by Departments of Health and Senior Services and Human Services in terms of availability and in

the context of current State and federal funding sources; 2) identifying standardized measures of effective discharge planning processes; 3) developing methods to expedite placement into long-term care settings, i.e., “fast-track,” presumptive eligibility, etc; and 4) creating incentives to encourage the purchase of long-term care insurance. Also included, should be an assessment of the New Jersey Easy Access Single Entry (EASE) program, ensuring an adequately trained and educated geriatric care workforce, and screening elderly individuals who are at-risk of falling.

## **Make Health Care More Accessible**

Access to health care is a key component in improving health outcomes. Many studies have documented the adverse health effects of being uninsured and of being without a regular source of primary care.

### *FamilyCare Implementation*

The “Family Health Care Coverage Act,” which took effect in September 2005, reforms the New Jersey FamilyCare Program and provides for an expansion of FamilyCare and Medicaid eligibility for parents and adults without dependent children, in order to fulfill the original promise of the program. The measure allows (six months after enactment date) families whose gross income exceeds 350 percent of the poverty level to “buy-in” to the program under the NJFamilyCare Advantage program. Unfortunately, the health plans have been slow to agree to participate in the program. Within the first 30 days of the new administration, the Commissioner should ensure that all obstacles have been overcome so that eligible uninsured children have access to affordable health insurance.

It is recommended that the Governor-elect look at federal and other state best practice models regarding cultural competence to ensure NJ's varied racial and ethnic populations are provided with access to care. Incentives, perhaps through providing premium discounts for those who pay before the expiration of the previous month's/year's premium, should be provided to support continuous enrollment of children in FamilyCare beyond age 4 (to prevent parents' having insurance for children lapse). In addition, eligibility for pregnant women should be extended to 3-6 months post-partum to allow for ongoing treatment of chronic illness and access to family planning.

These measures should be closely examined and continued within the first 60 days of the new administration.

### *Reduce Health Insurance Costs Through a “catastrophic costs” Reinsurance Program*

It is also recommended that the Governor-elect increase the ability of small businesses to cover employees by creating some mechanism that pays “catastrophic costs” for businesses with 25 or fewer employees. Small businesses in New Jersey could follow the examples of New York's “Healthy New York” (HNY) and Arizona's “Healthcare Group” (HCG).

Healthy New York is an excess-of-loss plan, which provides protection to insurers for the risk of extraordinarily high costs incurred by an individual by establishing a back-up reservoir of funds to help pay for catastrophic cases. This would allow insurers to eliminate the need to build such reserves into their premiums, which can lower costs. This plan requires the insurer to cover 10 percent of costs between \$5,000 and \$75,000 and all costs above that range. This program provides a strong incentive to insurers to manage the care of individuals whose

medical expenses go above \$5,000. The premiums in the first of year of this program's implementation were about half those for individuals in the direct-pay individual market in New York and were between 15 and 30 percent (declined an additional 6 percent in year two and when threshold was lowered again, premiums declined another 17 percent) lower than premiums found in comparable policies for small firms. By 2004, HNY premiums were 40 percent lower than the average small group HMO premium and two-thirds lower than the self-pay individual market.

In contrast, Arizona's HCG lowers premiums for businesses by subsidizing higher-than-average expenses of all enrollees. This methodology provides protection to insurers for the risk that a large number of enrollees may have above-average but not extraordinary expenses, which occurs when enrollees have chronic health conditions. This encourages insurers to reduce total costs versus managing the medical care of certain high-cost individuals.

The Governor-elect should start reviewing the creation of a subsidy program for small businesses to cover "catastrophic costs" within 90 days. (See Appendix for more details – Commonwealth Fund Report)

#### *Demographic Profile of Uninsured and those in State-Subsidized Insurance Programs*

It is recommended that the Governor-elect charge the Department of Human Services (DHS) to work with the Department of Labor (DOL) to create a demographic profile of participants in Medicaid or New Jersey FamilyCare, particularly those working for large companies. Additionally, the Commissioner should use available data about the uninsured to identify and enroll eligible beneficiaries in the Medicaid and FamilyCare programs. This should be done within the first 30 days of the new administration.

#### *Update Regulations/Expand Access to Community Health Centers*

Currently, there are numerous licensure requirements and other regulations governing community health centers that mirror, in many cases, those governing much larger health care facilities (e.g., hospitals) and have been viewed as onerous. Streamlining the regulations could reduce the cost of operating a FQHC without sacrificing patient care. These regulations (see appendix – onerous regulations on health centers) should be reviewed within the first 90 days of the new administration. In addition, it is recommended that the Governor-elect explore the feasibility of expanding the capacity of community-based safety net providers including community health centers, family planning centers, volunteers in medicine free clinics and others that care for the underserved.

Capacity expansion includes, but is not limited to, extending or "flexing" the hours of operation; providing for additional health care workers to accommodate the proposed expansion; and expanding access to specialty care services. This should occur within the first 60 days of the new administration.

#### **Make Health Care More Affordable**

Affordability of health care is a growing problem for New Jersey families. The Governor-elect has committed to reducing the rate of growth of health care spending by promoting statewide adoption of electronic health information technology, addressing health care fraud, reducing the cost of prescription drugs for State programs and promoting medically appropriate generic prescribing, and encouraging improved care for patients with expensive chronic illnesses.

#### *Health Care Technology Initiative*

The Governor-elect should direct the Commissioner of Banking and Insurance to: (1) work with payers (including state agencies), providers and other interested parties to develop a federally-sanctioned Regional Health Information Organization (RHIO); (2) develop policies that assure privacy and confidentiality of electronic personal health records; and (3) develop policies to encourage all providers to submit medical claims electronically. A comprehensive, standardized system of exchanging confidential health record data can reduce cost and improve health outcomes by, for instance, reducing dangerous drug interactions and redundant testing. A comprehensive Health Care Technology Initiative should accelerate the implementation of a confidential electronic health record in New Jersey.

Implementation of RHIO and other policies should begin within 180 days.

#### *Strengthen Anti-Fraud Programs*

It is recommended that the Governor-elect evaluate current anti-fraud and abuse programs and identify improvement strategies. Revenue generated from fines and penalties should be redirected to health care affordability and accessibility initiatives. Fraud and abuse in health care is an ongoing source of expense in the health care system. New Jersey has been recognized for aggressively going after health care fraud, but more can be done.

The review should be conducted and improvement strategies identified within 90 days. Fines/penalties should be redirected beginning in FY 2007 budget.

#### *Consolidate State Programs that Buy Prescription Drugs*

The Governor's office should convene state agencies that purchase prescription drugs and lead the development of plans for consolidated purchasing. In addition to achieving savings for State programs, reduced drug costs resulting from consolidated purchasing should be extended to prescriptions for uninsured individuals issued through New Jersey's Federally Qualified Health Centers and possibly through other settings. The Maine Rx program is one possible model of a state-managed discount program for patients without prescription coverage, Oregon offers a model of evaluating drug appropriateness and safety.

Achieving consolidated prescription drugs purchasing faces many obstacles. For instance, the benefit programs of many state employees are governed by collective bargaining agreements and Medicaid purchase of prescription drugs must comply with federal regulations.

The Governor-elect should convene agencies within 60 days and develop a consolidation plan within 9 months.

### *Increase Use of Generic Drugs*

The Governor should require the Boards of Medical Examiners and Pharmacy and others to develop regulations/rules that require pharmacists to dispense a generic drug unless the prescribing medical provider specifically and actively requires dispensing of the brand alternative. New Jersey lags behind the rest of the nation in the use of medically appropriate generic drugs. This should be completed within 180 days.

### *Create a Plan to Improve Care and Reduce Costs for Chronic Conditions*

It is recommended that the Governor-elect develop a results-oriented, evidence-based approach using financial incentives to reward health plans for achieving nationally accepted chronic disease management standards. The growing prevalence of treatable chronic diseases such as obesity-related disorders and diabetes is a significant source of growth in health care spending. At the same time, a recent national study by the RAND Corporation showed that patients receive the care they need to manage their health only about half of the time. Promoting timely and appropriate care can reduce the high human and economic cost of unmanaged high blood pressure, diabetes and other serious conditions.

This should begin by convening a working group of payers, providers and other interested parties. The Governor-elect should convene a working group within 90 days, and require that a strategy be developed within 9 months.

### *Develop Strategies to Increase the Supply of Primary Care Medical Providers*

The Governor-elect should review options for increasing primary care supply, including possibly educational loan forgiveness for primary care providers who locate in New Jersey. The appropriate body should study and recommend options within 90 days.

## **Make Health Care Safer for Patients**

The Institute of Medicine (IOM) posited in its 1998 report, *To Err is Human*, that more people die from medical errors each year than from motor vehicle accidents, cancer, HIV/AIDS, and heart disease. That report prompted many states to enact legislation that would improve the quality of care rendered in health care facilities, namely hospitals, by requiring that medical errors be reported to an appropriate entity for review. Current New Jersey law requires hospitals to report such data to the Department of Health and Senior Services (DHSS). The following categories highlight specific actions and time frames needed to reform the current health care delivery system in terms of patient safety:

### *Tracking Medical Errors*

- Information reported to the State (DHSS receives reportable information under the Patient Safety Act) should be studied by the state and systemic problems and solutions, as well as lessons learned should be disseminated annually to all licensed health care facilities and providers. **1 year.**
- Commissioner should work with the Treasurer to identify tax incentives to assist health care providers (especially physician's offices) and facilities to purchase technology to track and report medical errors in order to assist with system improvement. Special attention should be given to financial incentives for not for profits. **6 months.**
- Encourage and call upon all New Jersey hospitals to sign up for the Institute for Healthcare Improvement 100,000 Lives Campaign which identifies six basic measures that can be taken to help patient safety. **First 30 days.**

#### *Enhancing Consumers' Rights to Challenge HMOs that Deny Care*

- Review and streamline the existing process utilized by HMOs to review a decision to deny, limit or terminate care. **6 months**
- The Governor should seek legislation to require that any employees hired or retained by a HMO as a consultant (in any capacity) to make utilization decisions regarding patient care should be licensed in the State of New Jersey. In other words, doctors, nurses and dentists employed or retained by a HMO to determine utilization and or medical necessity must be licensed healthcare professionals in New Jersey. In addition, managed care companies must utilize healthcare professionals appropriate to the case to do such reviews. **6 months.**

#### *Address and Begin to Solve Minority Health Disparities*

The causes of health disparities among racial and ethnic populations are complex. The Governor should charge the Commissioner of Health and Senior Services to study this issue very closely within his first weeks in office. This would bring key stakeholders to the table to oversee and monitor the:

- Implementation of reliable racial and ethnic data collection
- Recruitment of minorities into the health care industry
- Cultural competency training for all licensed health care professionals
- Disease specific initiatives to eliminate health disparities
- Examine the role of community health workers in minimizing minority health disparities
- Decrease linguistic barriers to health care by requiring staff training to improve the quality of interpretation services

#### *Loan Forgiveness for Nurses*



- Provide loan forgiveness programs, scholarships, tuition reimbursement and grants for those entering or advancing in shortage professions, for those practicing in geographic areas of need and for those serving underserved minority patients. **6 months**
- Increase collaboration between health training/education programs and hospitals and health facilities: for example – provide grants for hospitals who allow paid leave time and tuition reimbursement for education and other health care providers. **6 months**

### **Ensure Strength of PAAD and Senior Gold/Make Communities Senior-Friendly**

Individuals 65 years of age and older use 3.3 times more health care than those ages 19-64 and account for 25 percent of total prescription drugs. Although there are anticipated cost-savings to New Jersey for its participation in Medicare Part D (in year two), it still remains to be seen what the impact of that federal initiative will be on PAAD and Senior Gold. Despite these concerns, New Jersey must remain focused on making aging in place a priority for its senior population. One method identified by this policy group is to engage State and local leaders to support policies and programs that promote aging in place by addressing seniors' basic needs, optimizing their physical and mental health and well being, promoting their social and civic engagement and maximizing independence among the frail and disabled.

#### *Pharmacy Benefit Management Company (PBM) Disclosure*

Any relationships developed between State-funded programs and third party PBMs should require full disclosure of PBM financial relationships with drug manufacturers and distributors and prohibit arrangements that are not in the State's financial interest. This should be reviewed within the first 60 days.

#### *Prescription Drug Coordinator*

The Governor-elect should seek to appoint a single State coordinator responsible for consolidating State programs that buy prescription drugs. In addition, he should establish an evidence-based preferred drug list or formulary to reward companies that engage in bulk purchasing arrangements. This should be reviewed within the first 180 days.

#### *Elder Friendly Communities*

It is recommended that DCA should evaluate providing seed grants for programs that will: a) replicate the award winning community initiatives and support the development of Naturally Occurring Retirement Communities (NORC); b) establish public-private partnerships for better coordination between public health, transportation and aging networks; and c) promote the innovative technology to support aging in place.

An elder-friendly community initiative should focus on the establishment of model communities which will enable seniors to safely and securely age in place with dignity and quality of life. Elder-friendly communities can keep their elderly residents active and engaged

by providing safety and security; easy-to-access affordable transportation; affordable housing that matches a variety of senior needs; access to quality health care and supportive services; businesses and services that meet senior needs; enriching opportunities to help seniors keep learning; diverse recreational opportunities; walkable townscapes; and varied senior-friendly places of worship.

These model programs empower communities to identify and solve their own problems and recognize seniors as valued and contributing members of the society. New policies and programs can promote wellness and help seniors stay independent and active for as long as possible, accommodating their changing needs as they grow older. At the same time, communities strive to serve the social and health care needs of the frail older adults and support the family and other caregivers. This should begin within the first 180 days of the new administration.

### **Improve Long-Term Care Options for New Jersey Citizens**

Seniors in New Jersey deserve the dignity and respect for having served in the military, for having worked hard to raise families and for having contributed to their communities and to the nation. It is essential that we provide opportunities that promote their independence and well-being for as long as possible, thus allowing them to live out their retirement years with exceptional services and a variety of options if and when the need arises for long-term care.

#### *Seniors Task Force*

It is recommended that the Governor-elect establish a task force to examine issues facing seniors. The task force should conduct a survey and assess existing HCBS programs in DHSS/DHS, including recently enacted JACC and NJEASE. In addition, the task force should review current hospital discharge planning processes to determine if there is a uniform standard in placing individuals in long-term care settings to ensure that appropriate placements (into assisted living, nursing home care, or home and community based care), based on patient acuity, take place. One specific example of improving this process is to expand prequalification for Medicare/Medicaid to all settings as part of discharge planning to eliminate delay in care and to offer whatever care options are available and suitable to the care needed.

The task force should advocate for federal legislation required to establish a federal refundable tax credit for: 1) employers to provide long-term care insurance benefits to their employees; and 2) low and moderate income citizens – who will have the greatest need for government-paid long-term care services currently provided by Medicaid as they are not able to self fund and extended long-term care stay. The cost prohibitive nature of long-term care services demands that funding options be identified for individuals who have the foresight to plan ahead. Long-term care insurance offers individuals with the option to pay in advance for care that they will inevitably need in the future. And unlike many existing government programs, long-term care insurance offers beneficiaries a variety of care options, including home and community-based care, and assisted living and nursing home care benefits.

Any “global budget” should include the provision of reducing the time needed to place an individual living at home into an HCBS program. This is often referred to as “fast tracking.”

The task force should begin to develop recommendations within 6 months.

Finally, the task force should within six months:

- Assess the effectiveness and should it be necessary, increase the awareness of the New Jersey EASE program. The Governor-elect should commit to a renewed marketing campaign to promote NJEASE to enhance service delivery to the State’s elderly population (see appendix for marketing plan);
- Prepare the New Jersey health care workforce to provide quality, cost-effective care to seniors by providing support for education and training of health care professionals to enhance their skills in caring for older adults through partnerships with educational institutions and community organizations; and
- Examine current strategies (e.g., pending legislation) to screen at-risk elderly who are susceptible of falling and sustaining injuries. Those strategies should include coordinating physical therapy into a fall prevention initiative to improve flexibility and mobility.

**Report respectfully submitted by:**

1. **Katherine Grant-Davis (Co-Chair)** – Executive Director, New Jersey Primary Care Association
2. **Jonathan Metsch (Co-Chair)** – CEO, Liberty Health System and Chairman of the New Jersey Hospital Association (NJHA) Board
3. **Christine Stearns (Co-Chair)** – Vice President of Health and Legal Affairs, New Jersey Business and Industry Association (NJBIA)
4. **Pamela Dickson (Co-Chair)** -- deputy director for the Health Care Group and interim team leader for the Coverage Team at the Robert Wood Johnson Foundation
  
5. **Dr. Denise Rodgers** -- Chief of Staff, UMDNJ
6. **Betsy Ryan** -- COO, NJ Hospital Association
7. **Dr. Arnold H. Rosenheck** –Assistant Dean for Hospital Affairs and Institutional Development, UMDNJ-NJ Dental School
8. **Dr. Richard Goldstein**—Pres., NJ Council of Teaching Hospitals NJ Council of Teaching Hospitals
9. **Anne Twomey** -- Pres., Health Professionals and Allied Employees (HPAE)
10. **Virginia (Ginny) Treacy** -- Exec. Dir., JNESO, District Council 1
11. **Phyllis Kinsler** -- Pres. and CEO of Planned Parenthood of Central NJ
12. **Sy Larson** -- Coordinator, AARP Prescription Drug Task Force
13. **Paul Langevin** -- Pres., Health Care Assoc. of NJ
14. **Andrea Augenbaugh** -- CEO., NJ State Nurses Association
15. **Ilise Zimmerman** -- Pres. and CEO, Northern NJ Maternal/Child Health Consortium
16. **Yvonne Wesley** -- independent health consultant
17. **Dr. Robert Spierer** --President, NJ Academy of Family Physicians
18. **Dr. Lorna Rodriguez** -- Cancer Institute of New Jersey
19. **Joel Cantor** -- Director Rutgers Center for State Health Policy
20. **Alan Sagner** -- philanthropist
21. **Millie Silva** -- SEIU representative;
22. **Rooney Sahai** -- President of Physicians and Patients for the Quality of Care;
23. **DeCanda Faulk** -- health care attorney, prior 10 years as a nurse
24. **Joseph Mintzer** -- COO and Executive Vice President of Coriell Institute for Medical Research
25. **Dr. Anita Chopra** -- Director of Education and Clinical Programs of New Jersey Institute for Successful Aging (UMDNJ)
26. **Roberto Muniz** -- President, Francis Parks Memorial Home
27. **Manny Diaz** -- North Hudson Community Action Association
28. **Dr. Poonam Alaigh** -- physician and health care consultant
29. **Lucy O'Brien** -- Senior Associate -- Jeanne Collins & Associates; Co-founder of BlueWave NJ
30. **Judith Burgis** -- New Jersey Organ and Tissue Sharing Network