

**Commissioner of Health and Senior Services
Heather Howard
HCANJ 10th Annual Assisted Living Conference
Keynote address
Hyatt Regency, New Brunswick
Tuesday, June 17, 2008
9 am**

Thank you Paul (Langevin)

I appreciate the opportunity to speak with you this morning.

I would like to spend some time this morning talking about growth in the assisted living industry and the Department's efforts to increase choices for seniors as we expand and improve our home and community-based services.

I also want to update you on the reforms that the Department is working on to ensure greater financial monitoring, efficiency, transparency and accountability by hospitals and other health care facilities which receive public funds.

The timing of this morning's conference comes just as Governor Jon Corzine and the Legislature have reached a likely agreement on the budget for the state fiscal year which begins July 1.

You don't need me to tell you that this has been an extraordinarily difficult budget year with deep cuts. The Governor has tried to get the state back on the road to fiscal health and end the long-standing practice of borrowing to pay for current expenses.

The Governor was forced to make a number of very difficult choices. Those choices included a cut of more than \$100 million in reimbursement to hospitals for the care that they provide to patients who have no health insurance.

It also meant a cut of almost \$45 million to nursing homes and an increase – for the first time in 16 years – in the PAAD co-pay for seniors.

Throughout the budget process, the Department has worked to find the appropriate balance between fiscal constraints and the needs of vulnerable seniors, families of children with special needs, individuals with HIV/AIDS and our fragile health care delivery system.

In keeping with the Governor's pledge that his proposed budget protect the most vulnerable, the rate increase that was granted to Assisted Living facilities in the current year budget—the first once since 1995—was not affected by budget cuts and will remain in effect in the new budget.

Fortunately, the budget also reflects increased choices for seniors as we expand and improve our home and community-based services.

We continue to make progress as we shift away from nursing homes toward community-based options through the Global budgeting process.

In fact, over the past two years, more than 1,000 senior citizens have moved out of nursing homes and into to the community. These home and community based options are preferred by seniors and are more cost-effective.

And the assisted living industry is a vital part of the community options that we offer to New Jersey's older adults.

As you well know, there has been tremendous growth in assisted living in New Jersey over the past 13 years.

In 1995, there were just 7 assisted living facilities with 542 beds. Today, there are 226 facilities with more than more than 18,109 beds.

By comparison, there has been far less growth in the nursing home industry. In fact, there are only 13 more nursing homes this year than there were in 1995 (356 to 369) and the number of licensed beds has dropped by 168 from 51,070 to 50,902.

The Department remains committed to the original concept of Assisted Living. It is a true alternative to traditional nursing home care which offers residents an opportunity to age in place in a setting that is the closest thing to home.

Older adults enjoy assisted living because of the quality of life that it provides.

Seniors get to make own choices about what they eat, what movies they see, what activities they participate in and when they go to the beauty parlor or barber.

In fact, newly constructed nursing homes have begun to follow the choice model that you created by adding more amenities and personal services. What that means for all of you is that assisted living may face increasing competition from nursing homes as they upgrade their aging physical plants and seek to offer a broader menu of options to residents.

It also means increased attention from policymakers in Trenton. We are working with the Ombudsman and the Office of the Public Advocate to protect the rights, safety and health of residents in all long term care settings, including assisted living.

The Department is also working with the Public Advocate's Office and major stakeholders to develop an Assisted Living Disclosure Form. This Form is intended to assist potential residents and their families as they look for an assisted living setting. The form will include such items as levels of care and the types of services within each level; which services are included in a base rate and which services require additional fees.

Another very important regulatory change, not only for assisted living but for the entire health care delivery system, is the development and implementation of the Universal Transfer Form, commonly known as the UTF.

The Universal Transfer Form will address information that is required to be provided anytime a resident, a patient, or a client is transferred between facilities and services, whether it be an emergency or routine transfer.

These forms are essential to ensure that standardized and accurate information moves with the individual.

We have been working on the form for more than two years with our stakeholders in the health care system including the Assisted Living, Nursing Home, Hospital, Home Health and EMS sectors; as well as Emergency Department physicians and nurses.

The UTF is currently being piloted in a wide range of facilities. The information gathered by this study will be used to finalize the content of the form.

Reinhardt

Switching gears, let me say that I am so glad to be here today talking about the vitality of the assisted living industry because in my nearly six months on the job, the majority of my time so far has been spent on budget cuts, hospitals closings or ways to shore up the financial condition of New Jersey's hospitals.

In December of 2006, Governor Corzine appointed the Commission on Rationalizing Healthcare Services to look at the financial condition of New Jersey's hospitals and determine whether public health dollars are being

spent efficiently and if the present configuration of services matches the need.

The commission was led by the nation's leading health care economist, Professor Uwe Reinhardt of Princeton University.

When it released its findings last January, the commission cited six key reasons why New Jersey's hospitals are in such poor financial health. One of the reasons is that there are too many hospitals in the northern part of the state. Another is that the public has very little information about or understanding of what hospitals charge for various services.

Another key reason is that the incentives between doctors and hospitals are misaligned.

And other studies have of course made similar findings.

Two reputable research studies—one by the Dartmouth Atlas Project and another by the Commonwealth Fund—have found that end-of-life health care for the elderly in New Jersey is more expensive than anywhere else in the country.

According to the Dartmouth study, New Jersey ranks number one in the number of elderly patients who see 10 or more doctors in the last six months of life. And, unfortunately, end-of-life care in this state is much more weighted towards specialists than primary care.

One in four New Jersey nursing home residents is hospitalized each year compared to 16% nationally.

New Jersey also scores very poorly on Medicare readmissions.
So we are providing more care and not getting better results.

But overuse & overspending is not just a Medicare problem.

The system as a whole lacks efficient, effective ways of caring for people with chronic illness.

We must demand more efficiency in order to reduce costs and eliminate unnecessary care.

We simply have to do better.

We have been working with the legislature to enact some of the reforms recommended by the Reinhardt Commission, including greater transparency and accountability, and have been developing an “early warning system” to detect signs of hospital distress earlier.

Now you may be asking yourselves how the Governor’s Commission on Healthcare Resources relates to assisted living facilities?

Well, the assisted living industry is a vital part of New Jersey’s health care system. And we all have a vested interest in having a stable and health care delivery system – one that addresses the entire continuum of care.

And here’s why:

As you well know, by 2050, one-fifth of the country will be over the age of 65.

The first wave of baby boomers – those individuals born between 1946 and 1964 – began hitting 60 in 2006.

The health of older Americans is improving and the baby boomers promise to redefine further what it means to age in America.

The long-term care system and the services that Baby Boomers will access over the next 20-30 years may look quite different than what we see today.

Improved Health Status of Seniors

The promise of stem cell research and advances in medicine and biotechnology are allowing seniors to live longer, healthier lives.

Many conditions once thought irreversible have instead been found to be caused by diseases that can be effectively treated or managed at older ages.

A hundred years ago, only one in four Americans lived past 65. Today, three in four do, and that is thanks in large part to advances in medical science.

This sounds like a good thing, and it is.

But there has also been an increase in the number of people who live long enough to develop Alzheimer's disease and other dementias.

Today, these are the conditions that lead to most nursing home admissions.

Researchers at the Johns Hopkins School of Public Health have found that this country faces a looming epidemic of Alzheimer's disease.

This research has important implications for your industry.

In just the last 50 years, we have virtually eliminated the threats posed by polio and smallpox.

Our aging population is presenting medical researchers with new challenges and I am confident that just as with polio, TB and smallpox, researchers will rise to the challenge.

The entire health care system—in New Jersey and around the country—is on the verge of revolution.

Market forces and continuing consolidation of the hospital industry will transform the hospital of the future into an institute of critical care—where only the sickest people are treated as inpatients.

Care no longer has to be delivered exclusively in a hospital.

The same is true for your industry.

As we look to the future of medical innovation, the possibilities seem endless.

The sequencing of the humane genome is transforming our understanding of the cause of diseases.

It now seems possible that one day doctors will customize therapies to treat cancers based on the genetic makeup of individual patients.

And the promise of stem cell research—whether adult or embryonic—is that we no longer treat the disease, we cure it.

These advances in preventing disease and prolonging life will have a profound impact on every segment of society—including the long-term care delivery system.

New Jersey is known as “medicine chest to the world” because it is home to 15 of the world’s 25 largest pharmaceutical firms and another 235 biotechnology firms. Those businesses spent \$7.5 billion on research and development in 2006 and created 148,768 jobs.

Governor Corzine wants New Jersey to be a dominant player in the international crusade to mine the benefits of stem cells for the benefit of humanity.

But, in order for New Jersey to maintain its competitive edge, it must improve both access to health care and the quality of that care.

I have placed a high priority on improving the quality of health care in this state as commissioner.

The Department has worked with all sectors of the health care industry to improve outcomes and performance.

....And I know that quality is important to all of you because having a reputation for providing high quality care is what will keep you competitive.

Let me just say a few more words about redesigning our long-term care system.

As I mentioned earlier, the goal of global budgeting is to rebalance spending for long-term care services by providing a more equitable distribution between nursing homes and cost-effective home and community-based care.

The underlying focus must be on the patient, on providing the care that is most appropriate.

Instead of determining how much money we allocate based on the type of care given, we must determine the type of care first and then allocate the money.

Like many other states, New Jersey has spent the last several years promoting and expanding home and community based services.

In state fiscal year 1997, 93 percent of state and federal long-term care dollars were spent on nursing homes and only 7 percent was allocated for home care options.

Currently, 23 percent of public long-term care funds are spent on home care options and 77 percent on nursing home care.

We're looking to rebalance that equation so that 70 percent is spent on nursing home care versus 30 percent in home and community based services.....Ultimately, we would like to arrive at a 60-40 ratio.

A second component of the Department's effort is to fast-track eligibility for the Global Options program.

Under this program, consumers who are eligible for nursing home care and meet Medicaid financial criteria receive home and community based services for up to 90 days while they complete the full Medicaid application and eligibility determination process.

We are also beginning to look at [MANAGED LONG TERM CARE]

I know that many of you are building partnerships with other parts of the health care system and are constantly thinking of new and innovative ways to reinvent yourselves and that is wise...

As you look toward the future, I know you will be guided by the needs of the residents that you serve. They want independence, dignity and high quality care in the least restrictive and most home-like setting possible.

Thank you for the excellent work you do on behalf of New Jersey's older adults.

The Department of Health and Senior Services is proud to be your partner.

Thank you again for inviting me to join you this morning.

And now I would be happy to answer your questions.