

**Health and Senior Services Commissioner Heather Howard**  
**Assembly Health and Senior Services Committee**  
**Monday, May 5, 2008**  
**10 am**

Good morning Chairman Conaway and distinguished members of the Assembly Health and Senior Services Committee.

Earlier this year, the Commission on Rationalizing Health Care Resources – also known as the Reinhardt Commission after the chair, Princeton Health Care Economist Professor Uwe Reinhardt – released its in-depth analysis of the financial distress facing New Jersey’s hospitals. The Commission concluded that a large number of New Jersey’s hospitals are in poor financial health and that more can be expected to close.

This is not just another report. The Commission raised many complex and long-standing issues and made dozens of recommendations to improve the efficiency, accountability and transparency of the health care delivery system.

Since the release of the report, the Department has reviewed and prioritized the recommendations and is working to advance them in several ways. We have also met with representatives of hospital associations and employees, hospital boards throughout the state, and other stakeholders to discuss the implementation of various recommendations.

The reforms fall into several categories: Legislative, regulatory, public/private partnerships and budgetary.

For example, the Governor’s budget for SFY 2009 proposes targeting limited charity care dollars to safety net hospitals that serve a higher percentage of the uninsured, consistent with the Reinhardt report.

Another budgetary reform based on the Reinhardt report is the proposed \$35 million Health Care Stabilization Fund, to ensure that essential services can be delivered in our communities when a hospital is in distress or closes. The Reinhardt report recommended that this support be tied to specific requirements. We are looking forward to working with the legislature to develop this program in the budget process.

In addition, we are working to improve the Department’s financial monitoring of hospitals. Beginning this July, the Department will require hospitals to begin to provide monthly financial data to help us to more closely monitor hospitals’ financial condition and catch signs of distress earlier.

And we have worked with you, Mr. Chairman, and other members of the Legislature, to draft the package of four bills that you are considering today. These bills constitute a critical component of the Department's implementation strategy.

### **Enhanced Financial Monitoring**

Consistent with this goal, the first bill that I would like to discuss today would give the Department the tools it needs to improve the state's monitoring of the financial condition of each hospital in the state. The legislation authorizes progressive levels of monitoring and oversight by the Department, including the ability to appoint a monitor.

Under this bill, the Department will take a more proactive, structured and formal approach to monitoring early signs of financial distress among hospitals.

The state has a responsibility to the taxpayers to ensure that the billions in public dollars distributed to hospitals are spent as efficiently as possible.

This legislation gives us greater tools to intervene earlier – rather than later – to help a hospital in distress. Our philosophy is to work collaboratively with the hospitals that are in distress – and we have already started doing this. Most important, this would allow us to move from a culture of crisis management to one of more strategic planning.

### **Charging Uninsured**

Another important bill would provide clear guidance to hospitals in a uniform and fair way on how to charge those who lack health insurance but do not qualify for public health insurance programs.

Uninsured patients are least able to afford to pay huge hospital bills yet, according to the Reinhardt report, "often face the highest prices for services of any patients entering the door." The bill limits what a hospital can charge to no more than 15 percent above the federal Medicare rate for hospital services.

As you know, the state mandates that hospitals provide care to the uninsured and the state recognizes the important public service the hospitals provide.

I believe that health care is a basic right and that as a State and as a nation we need to move toward universal health coverage, but until then we have a responsibility to protect working families to make sure that they are charged fairly for the services they receive.

### **Public Meeting**

A third bill in the package is designed to facilitate ongoing communication between the leadership of a hospital and the community it serves. Hospitals are community assets and a community's confidence in a hospital is essential.

Indeed, there was much testimony in the Commission's public hearings on the critical importance of communication and transparency.

Of course, many of the state's hospitals are already doing this. But in the current environment of hospital closures, it is especially important for the public and local leaders to know that their voices can be heard.

The legislation requires that each hospital in the state conduct an annual public meeting to discuss issues related to the operation of the hospital. The meeting would give residents of the community an opportunity to ask questions and express any concerns about service delivery.

The chief executive officer of the hospital, the chairman of the board of the hospital and 25 percent of the hospital's board would be required to attend the annual meeting.

### **Trustee Training Expansion**

The final bill in the package would require current members of hospital boards to complete a training course so that they can appropriately monitor a hospital's finances and hold management accountable.

Hospital trustees are dedicated volunteers who perform an important public service as the voices of their community. However, in some cases the expertise that they have acquired in their professional lives is not always as comprehensive as what is needed to oversee the changing business of a health care facility.

While many of these boards have exercised effective oversight and governance, the Reinhardt report found that some have failed to keep pace with best practices for non-profit governance or changes in the industry.

A bill signed into law last year required newly appointed hospital trustees to undergo training approved by the Department. We have worked cooperatively with the New Jersey Hospital Association, the Hospital Alliance of New Jersey, and the Council of Teaching Hospitals to create this important training program. The rule implementing this program is on the agenda for the May 15th meeting of the Health Care Administration Board.

The legislation before you today would extend that requirement uniformly to all board members appointed prior to last year's law.

### **Conclusion**

In summary, these bills give the Department tools to advance the recommendations in the Reinhardt report and enhance monitoring and transparency of New Jersey's hospitals.

Again, I want to emphasize that these bills are a component of the Department's implementation strategy. Over the next few months, the Department will be establishing several implementation groups to look at other issues raised in the report, including oversight and governance, the misalignment of financial incentives between physicians and hospitals, and what the Reinhardt Commission termed the "unequal playing field" between hospitals and ambulatory surgery centers.

We look forward to continuing to work with you on these critical reforms to shore up New Jersey's health care delivery system and ensure that all New Jerseyans have access to high quality health care.

Thank you for your consideration of these important bills. I urge you to approve them.