Written Testimony Submitted to the
New Jersey Senate Budget and Appropriations Committee

Oral Testimony Delivered By:

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Dear Senator Sarlo and Senate Budget and Appropriations Committee Members:

Thank you for this opportunity to provide testimony on behalf of the 160 members of the New Jersey Association of Mental Health and Addiction Agencies, Inc. (NJAMHAA) who provide treatment and support services to more than 500,000 of New Jersey’s children and adults with mental health and substance use disorders annually and create 61,000 direct and indirect jobs in New Jersey.

The community provider network has provided a solid foundation for children and adults in every community across New Jersey for decades. To families dealing with issues of loss, mental illness and addiction, to homeless veterans, to children with serious emotional disturbances – to all individuals in need.

Looking ahead, we need to ensure they can continue to provide every opportunity for individuals to overcome mental illnesses, substance use disorders and other health conditions and live the most fulfilling lives possible. Community providers have enabled tens of thousands of children and adults to achieve so much related to their health and other aspects of their lives.

Quincy Lopez is one of many inspiring examples. Through the compassionate and expert care provided in a residential program and a special education school, both operated by Youth Consultation Service (YCS), Quincy developed from a troubled child, due to a traumatic home environment, into a charming and highly motivated teenager. When he aged out of the youth system, he got a job, went to college and had a stellar military career until he was seriously wounded in Iraq. Today, he is a mentor for the Wounded Warrior Project, guiding injured soldiers back into civilian life. He also travels nationwide, providing physical fitness training for wounded individuals, and he plans to start his own nonprofit to help veterans.

Medicaid and State funding made it possible for Quincy to achieve such tremendous progress in his own life and to help others attain similar success. This funding must stay intact to keep service providers in business, enabling
them to empower individuals as YCS has done for Quincy – indeed, how all providers have
done for tens of thousands of individuals of all ages over the years. Without funding, YCS
wouldn’t have been able to support Quincy. And without YCS, Quincy could have ended up
dropping out of school, becoming homeless and experiencing severe health declines from
untreated physical ailments and mental health challenges.

It is wonderful to look back at such success stories. It is critical to look forward and enable
many others to be healthy and succeed.

On behalf of our member providers and the individuals they serve so effectively, I am asking all
of you and your fellow state representatives to ensure there continues to be a solid, viable,
quality system of care in place for those who need it by guaranteeing they will be reimbursed for
the actual costs of the vital services they deliver.

As everyone knows, the community-based behavioral health system of care is being transitioned
to fee-for-service reimbursement. It is anticipated that this transition will require additional
funding, as projected revenues from billable services and the anticipated low collection rate of
copays will mean the costs of several services will not be fully covered. Providers can only
maintain the level of service they delivered in FY 2017 if reimbursement for those services is
similarly maintained. Ideally, funding would be increased to enable providers to expand
capacity and lower the amount of unmet demand.

Looking ahead to a system being significantly challenged by fiscal shortfalls and an increasing
demand for services, NJAMHAA and its members ask three things of the Legislature:

1. We ask that you ensure that $35 million be available as safety net funding for providers to
cover the full costs of services. Several rates remain inadequate and they account for much of
the deficits many providers are projecting. Anticipated shortfalls will also result from changes
in regulations, such as those now requiring 90 minutes for each group therapy session, rather
than the current 60-minute time frame, and a requirement for higher credentialed staff to
perform certain tasks. Non-billable services such as outreach and engagement, and the lack of
accounting for no-shows are other factors. Many providers will fare well in the new system
based on the variety of their services. However, others who are more heavily affected by the
inadequate rates cannot be expected to maintain their current level of services in FY 2018 for
significantly less than they are currently being reimbursed.

Years of inadequate funding, no Cost of Living Adjustments (COLAs) since 2008, inflation, the
prohibition on building reserves under past contracts, and new costs associated with
transitioning to the new reimbursement system leave no room for providers to “do even more
with even less”. Without safety-net funding, some programs will be cut back or closed. The
programs facing reduction are critical to keeping individuals in their homes and communities; out of emergency rooms and hospital inpatient units; and off the streets. Think back to Quincy: His prospects throughout his life were tremendously enhanced by the community services he received as a child. Now, look ahead to give similar opportunities to other individuals throughout New Jersey.

We thank the Legislature for passing A4146, the fee-for-service oversight bill, which is on the Governor’s desk. We hope that it is signed soon, but it alone is not enough to prevent reduced capacity that will result in the coming year due to inadequate rates. Safety net funding is needed to maintain programs while oversight will work to assure rates are adequate as we move forward.

2. We also ask that a 5 percent COLA be included in the FY 2018 budget for all service contracts that will remain in place after the transition to fee-for-service is complete. Many of these contracts have not had a COLA since 2008. This funding is needed to improve provider organizations’ ability to attract and retain qualified staff and, therefore, provide continuous care that enables individuals to steadily progress toward wellness and recovery – as Quincy and many others have been able to do.

Since we do not know what portion of services and staff will remain under contract with the Department of Human Services and the Department of Children and Families when the majority of services move to fee-for-service, we do not have a total cost estimate for a COLA. However, in prior years, the cost was approximately $26 million for each 1%; so, if 25% of contracts remain, the cost for each 1% of COLA would now be approximately $6.5 million.

3. Increase the rate for children’s Care Management Organizations (CMOs) from $550 to $850. The CMO rate had been over $1,000. When the CMOs merged Youth Case Management into their model, becoming Unified Case Management, the rate was cut practically in half. This rate, never adjusted for inflation; for COLAs; for increased caseloads; or for the addition of new, challenging populations, does not come close to allowing for quality staff recruitment and retention, nor does it adequately cover all of the costs of care.

Your support is needed for the community-based providers to be adequately and fairly reimbursed, meaning both adequate rates in a fee-for-service system that are maintained with an inflationary factor, and COLAs for the remaining contracts. Looking ahead, safety net funding to bridge the transition to fee-for-service is necessary for the system of care to maintain its current capacity – and ideally expand it, as the system already falls far short of meeting demand, and continues to be a lifeline for so many of New Jersey’s citizens.
We must also look ahead to the likelihood of New Jersey losing substantial federal dollars as a result of the repeal and harmful replacement of the Affordable Care Act. Our State budget is largely built on anticipated federal dollars for Medicaid. A strong contingency plan, including continuation of safety net funding, is needed.

Look ahead and do not hold back New Jersey and its residents.

Sincerely,

[Signature]

Debra L. Wentz, Ph.D.
President and CEO