

**Assembly Budget Committee**  
**Department of Human Services**  
**April 4, 2012 @ 10 a.m.**  
**Testimony by Commissioner Jennifer Velez**

Good morning, Chairman Prieto, members of the Assembly Budget Committee. I'm here today to discuss the fiscal year 2013 proposed budget.

I have with me members of my executive management team, including our Chief of Staff; two Deputy Commissioners, our Division Directors and our CFO. As we proceed this morning, I will introduce them to you, as appropriate, when I ask for their assistance in providing to you more detailed responses to your questions.

This is my 5<sup>th</sup> year testifying before the Legislature as Commissioner of the Department of Human Services – and I remain very humbled to continue in this position. This Department benefits from an experienced and very solid management team – and we recently made two key additions, including Lowell Arye, our newest Deputy Commissioner, and Joseph Amoroso, our Director of the Division of Disability Services.

Before delving into the proposed budget, I'd like to briefly review some of the more debated aspects from a year ago regarding the current budget:

This time last year, we announced that we would be eliminating 20 ten-month instructor positions from the Commission for the Blind and Visually Impaired in order to move to a more efficient 12-month model. The impetus for the change was to ensure that the children who benefit from this type of instruction would receive a broader range of opportunities throughout a full year. And, as we expected, the schedules are better managed, students and their families have more flexibility with year-long lessons and instruction hours will be increased by about 2,000 this fiscal year. I remain confident that the proposed change, as implemented, was the right one. Fortunately too, we were able to avert any layoffs due to retirements and other intra agency transfers.

Last year, there also was some (not) unexpected controversy surrounding the proposed closure of Vineland Developmental Center. What followed was the creation by statute of a Task Force on the Closure of State Developmental Centers. This task force convened in February and we are hoping to have its final recommendations sometime in May. In the meantime, the Department continues to honor the civil rights of residents in the developmental centers by offering them community residential opportunities.

The Division of Developmental Disabilities serves about 42,000 individuals with a range of services from information and referrals, to placement. Additionally, during this current fiscal year, over 700 people received community placements or expanded services – through a variety of means, including emergency placements, day supports for people leaving school, the waiting

list, or Olmstead – and the FY’13 budget supports funding of nearly \$40 million additional (State only) dollars to afford similar opportunities for even more people this coming fiscal year.

Closure plans for the Garrett W. Hagedorn Psychiatric Hospital are on schedule for June 30<sup>th</sup> of this year. Since October, when admissions stopped at Hagedorn, 47 patients with CEPP status, (meaning their discharge was pending placement), are now living in the community in housing with supportive services. An estimated \$16 million has been allocated in the FY’13 budget to both meet our Olmstead commitment and to reinvest in the mental health community.

The projected number of staff impacted by the closure has been reducing considerably. The FY’12 budget anticipated 540 employees might be displaced. By June we expect it to be closer to 200 full time employees. The Department has established an onsite Employee Resource Information Center, which provides assistance and support to employees regarding vacancies in other state hospitals and developmental centers. In addition, in partnership with the Department of Labor and Workforce Development, we are hosting job fairs at Hagedorn with community-based agencies that want to recruit ready-trained, direct care workers. We’re doing all we can to limit the loss of jobs.

We’ve also worked with the Department of Military and Veterans’ Affairs to repurpose part of Hagedorn’s campus to create Veterans’ Haven North, which will support veterans who are homeless and in need of substance abuse treatment and other services. This new program is modeled from the successful program that now operates in South Jersey on the grounds of Ancora Psychiatric Hospital.

Restructuring the General Assistance program also was actively discussed last year. We advanced initiatives over the course of this fiscal year to reinforce time limits for benefits that already exist in the statute, and we accelerated client participation in work activities. Emancipated adults, who comply with the work requirement, receive cash benefits. Individuals who present with emergent needs such as homelessness, mental illness or addiction continue to be served immediately by this important safety net.

In another effort to support families and appropriately control costs, our Division of Family Development launched a state of the art, electronic attendance and payment system among its 4,000 child care providers. It began as a pilot last October in four counties and expanded statewide January 2<sup>nd</sup>. The subsidized child care program serves about 70,000 children each year at a cost of about \$300 million. We have learned from other states that have implemented similar systems that the shift from manual record keeping to an automated attendance system can be difficult, but will ultimately strengthen program accountability. This is something we recognized was necessary from our own program review, and the need for it was recently echoed in a state Comptroller’s child care audit that focused on reducing fraud, waste and abuse.

Finally, we testified last year about the initiatives underway to reform and transform our State’s Medicaid program – and the proposals to best serve our most vulnerable populations: our

seniors, people with disabilities and children. This fiscal year, we transitioned approximately 155,000 aged, blind and disabled Medicaid recipients from an inefficient fee for service system into managed care. The staggered roll out from July 1 through October 1 allowed the State's contracted HMOs to build and secure their provider networks to accommodate the needs of new enrollees.

I testified before this committee in February about the other significant reform – our proposal for a Comprehensive Medicaid Waiver, which awaits the final approval from the Centers for Medicare and Medicaid Services (CMS). This past Thursday, we received from CMS what we hope will be the final draft of the Special Terms and Conditions that define the waiver. Thus far, CMS has indicated support for our delivery system changes, pilot programs and our request to reduce the institutional bias now inherent in Medicaid by supporting flexibility in federal matching dollars for home and community based services. As we had discussed in February, this represents the prospect of new revenue for some of what we currently pay for with all State dollars. Still, a few, significant policy decisions remain for them, including our request for parents covered in NJ FamilyCare to be considered “newly eligible” in 2014. We are nonetheless in the last stages of the process and we expect a final determination very shortly. When that happens, we will reassess implementation dates, savings projections and the terms of the waiver will be posted on our website. In the meantime, the Department is engaged actively with stakeholders to prepare for implementation.

I'd like to thank you for recognizing the Department's efforts to control costs during this period of negotiations with CMS – and that we have indeed realized significant savings in other areas within our budget. As I mentioned in February, these efforts have averted the need to implement across the board reductions.

Additionally, it's worth noting that we did remove two of the most controversial aspects of the waiver application before we submitted it in final form, including the original proposal to freeze NJ FamilyCare coverage for parents above the AFDC levels and a Medicaid copay for inappropriate utilization of hospital emergency rooms. We also learned this past October, through a letter to all states from Secretary Sebelius that CMS ultimately concluded that without the benefit of federal legislation, it lacked the administrative authority to reimburse states for Medicare Part B liability that had been acknowledged by the federal government. For New Jersey, this represented \$107 million.

Notwithstanding those initial changes to our waiver application, the Department of Human Services did achieve offsetting savings through lower than projected Medicaid enrollment, higher than projected savings from the most recent moves to managed care, and higher than anticipated manufacturer drug rebates. The need for any supplemental appropriation, therefore, as in any budget, will be reduced by those savings and other lapses throughout this department and the Department of Health.

Later today we'll discuss in detail the restructuring of state government proposed in the FY'13 budget that includes the transfer of senior services from the Department of Health to this Department, as well as the transition of children and adolescents with intellectual and developmental disabilities, and behavioral health needs from DHS to the Department of Children and Families.

Thank you. I'm happy to now answer any questions you may have.