

SENATE, No. 2187

STATE OF NEW JERSEY
219th LEGISLATURE

INTRODUCED MARCH 16, 2020

Sponsored by:

Senator JOSEPH F. VITALE

District 19 (Middlesex)

SYNOPSIS

Establishes Office of Health Transformation to coordinate certain strategic planning for State health care programs.

CURRENT VERSION OF TEXT

As introduced.



1 **AN ACT** establishing the Office of Health Transformation and
2 supplementing Title 30 of the Revised Statutes.

3
4 **BE IT ENACTED** *by the Senate and General Assembly of the State*
5 *of New Jersey:*

6
7 1. The Legislature finds and declares:

8 a. The State is the largest purchaser of health care services in
9 New Jersey, with combined federal and State expenditures for
10 Medicaid totaling \$14.5 billion in fiscal year 2016.

11 b. Medicaid is the largest health insurer in the country, covering
12 more than 70 million people.

13 c. The combined cost of New Jersey's many health care
14 programs, of which Medicaid is only one, totals nearly \$20 billion
15 annually.

16 d. New Jersey's Medicaid program is administered by the
17 Division of Medical Assistance and Health Services in the
18 Department of Human Services, but the Departments of Health,
19 Children and Families, and Banking and Insurance, as well as other
20 divisions and agencies within State government all play vital roles
21 in the provision of Medicaid-funded programs and services to
22 eligible individuals in New Jersey.

23 e. A single office dedicated to strategic planning for the State's
24 public health care system is essential to ensure that individuals in
25 need continue to receive high quality healthcare services and that
26 the value received for public healthcare dollars spent is maximized.

27 f. Leveraging State health care purchases, standardizing health
28 care quality performance measures, and assessing the use of
29 alternative payment models through the development of
30 demonstration projects will help drive improvements in the quality
31 and value of public health care programs, and ensure that the State
32 is benefitting from innovations in healthcare whenever feasible.

33

34 2. a. There is established in the Executive Branch of State
35 Government the Office of Health Transformation. For the purpose
36 of complying with Article V, Section IV, paragraph 1 of the New
37 Jersey Constitution, the office is allocated within the Department of
38 the Treasury; but, notwithstanding that allocation, the office shall
39 be independent of any supervision or control by the department or
40 by any board, officer or employee thereof. The Office of Health
41 Transformation shall serve strategic planning, advisory,
42 coordination, communication, and contract review and development
43 functions in its mission to drive improvement in State healthcare
44 program performance and value, including, but not limited to, the
45 Medicaid program established pursuant to P.L.1968, c.413
46 (C.30:4D-1 et seq.) and the NJ FamilyCare Program established
47 pursuant to P.L.2005, c.156 (C.30:4J-8 et al.).

1 b. The Office of Health Transformation shall have the
2 following general duties, powers, and responsibilities:
3 (1) to establish a single, comprehensive strategic plan for the
4 coordinated, efficient administration of public healthcare policy and
5 spending, including, but not limited to, the Medicaid and NJ
6 FamilyCare Programs, that examines policies and expenditures
7 across departments, divisions, agencies, and programs to determine
8 ways to improve performance and leverage purchasing power;
9 (2) to review the current contract between the Division of
10 Medical Assistance and Health Services in the Department of
11 Human Services and managed care organizations that provide
12 services to persons who are eligible for Medicaid or NJ FamilyCare,
13 which review shall include:
14 (a) referring to industry best practices or contracts executed by
15 other states with Medicaid managed care organizations, as
16 appropriate;
17 (b) documenting instances in which the present contract is
18 unenforceable, inconsistent, duplicative, outdated, or ambiguous,
19 and the reasons therefor; and
20 (c) documenting instances in which the present contract does
21 not set forth requirements by provider type for managed care
22 organizations but does set forth requirements for fee-for-service
23 providers by provider type;
24 (3) to develop a draft contract for future use, based on the
25 results of the review by the office of the current contract, that is
26 updated, clear, and enforceable, and which specifies requirements
27 by provider type for managed care organizations;
28 (4) to facilitate and coordinate communication with and among
29 the departments, divisions, and agencies that provide Medicaid-
30 funded services or programs to facilitate the Office of Health
31 Transformation's strategic planning, and contract review and
32 development functions;
33 (5) to consult with the Division of Pension and Benefits in the
34 Department of the Treasury to determine the feasibility of
35 consolidating expenditures, including, but not limited to, those
36 made by the State Health Benefits Program and the School
37 Employees' Health Benefits Program with other State health care
38 program expenditures to achieve economies of scale;
39 (6) to call upon any department, division, or agency of State
40 government to provide such information, resources, or other
41 assistance as the office deems necessary to discharge its functions
42 and to fulfill its responsibilities pursuant to this act. Each
43 department, division, and agency of this State shall cooperate and
44 furnish the office with the information and assistance necessary to
45 accomplish its mission;
46 (7) to assess the State's strategy for pharmaceutical procurement
47 in order to identify alternative procurement strategies that could
48 leverage the State's purchasing power to reduce costs. Such

1 assessment shall including an analysis of the feasibility of: using a
2 single process for all State pharmaceutical procurement, including
3 that undertaken by the State Health Benefits Program and the
4 School Employees' Health Benefits Program; requiring information
5 from managed care organizations to enable the Division of Medical
6 Assistance and Health Services to ensure that pharmaceutical
7 pricing in the Medicaid program is consistent with that required by
8 applicable federal regulation; and utilizing other strategies to
9 achieve savings in State pharmaceutical expenditures;

10 (8) to establish a single set of standardized measures of the
11 quality of healthcare to be utilized for all State healthcare programs,
12 including Medicaid and NJ FamilyCare, that simplifies,
13 consolidates, and harmonizes the healthcare quality measures that
14 are currently reported through State, federal or other initiatives;

15 (9) to coordinate, with the Division of Medical Assistance and
16 Health Services in the Department of Human Services, the
17 development and implementation of a one-year demonstration
18 project that utilizes an episode-of-care payment model for one or
19 more conditions or medical events to be identified by the office and
20 for which healthcare services are provided through the Medicaid
21 program, as provided by subsection c. of this section; and

22 (10) to coordinate and develop, with the Division of Medical
23 Assistance and Health Services in the Department of Human
24 Services, a means by which to monitor and evaluate the use of
25 value-based payment and alternative payment models in other states
26 or programs over time to assess their effectiveness and potential
27 applicability to the State Medicaid program. Such monitoring and
28 evaluation shall include, but is not limited to, consultation with
29 individuals experienced in, or potentially affected by, the use of
30 value-based or alternative payment models, including
31 representatives of: the healthcare quality improvement industry,
32 acute care hospitals, consumer advocacy groups, patients with
33 chronic conditions, managed care organizations operating in the
34 State, physicians that provide services through a Patient Centered
35 Medical Home, behavioral health providers, certified Medicaid
36 accountable care organizations, and others, as deemed appropriate
37 by the office. The office shall submit, no later than 24 months
38 following the enactment of P.L. , c. (C.) (pending before
39 the Legislature as this bill), a report to the Governor and to the
40 Legislature pursuant to section 2 of P.L.1991, c.164 (C.52:14-19.1)
41 on its findings, including any recommendations concerning the use
42 of value-based payment and alternative payment models in the State
43 Medicaid program.

44 c. (1) The demonstration project implemented pursuant to
45 paragraph (9) of subsection b. of this section shall be designed to
46 improve the coordination of healthcare services by providers and to
47 reward providers by sharing any cost savings realized in the
48 episode-of-care payment model compared to the same course of

1 treatment when provided in a fee-for-service or managed care plan
2 payment model, between the State and the provider or group of
3 providers.

4 (2) Managed care organization participation in the
5 demonstration project shall be made mandatory by contract.

6 (3) The Commissioner of Human Services shall apply for such
7 State plan amendments or waivers as may be necessary to
8 implement the provisions of this act and to secure federal financial
9 participation for State Medicaid expenditures under the federal
10 Medicaid program.

11 (4) The office shall collect data during the course of the
12 demonstration project in order to assess whether the project results
13 in demonstrable savings and improved healthcare outcomes as
14 measured by standard healthcare quality measures.

15 (5) The office shall submit, within 180 days of the end of the
16 demonstration project, a report on its findings, including
17 recommendations concerning expansion of the demonstration
18 project, to the Governor and the Legislature pursuant to section 2 of
19 P.L.1991, c.164 (C.52:14-19.1).

20 d. As used in this section, “episode of care” means a payment
21 model in which a provider or group of providers that provide health
22 care services to a person receives a single, previously negotiated,
23 bundled payment, which is set at less than the total current payment
24 in a fee-for-service or managed care model, as applicable, and that
25 includes all physician, inpatient, and outpatient care that the patient
26 received in the course of being treated for the specific condition or
27 medical event.

28
29 3. The Governor shall appoint an Executive Director of the
30 Office of Health Transformation, who shall have expertise in
31 healthcare policy and finance. The executive director shall have the
32 power to employ staff within the limits of funds appropriated or
33 made available therefor, and shall have broad authority to
34 coordinate communication between, and request and receive
35 information from, any department, division, or agency of the State
36 in furtherance of the mission of the office.

37
38 4. This act shall take effect immediately.
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41 STATEMENT

42
43 This bill establishes the Office of Health Transformation in the
44 Department of the Treasury. For the purpose of complying with
45 Article V, Section IV, paragraph 1 of the New Jersey Constitution,
46 the office is allocated within the Department of the Treasury; but,
47 notwithstanding that allocation, the office would be independent of
48 any supervision or control by the department or by any board,

1 officer or employee thereof. The office would serve strategic
2 planning, advisory, coordination, communication, and contract
3 review and development functions to drive improvement in State
4 healthcare program performance and value, including the Medicaid
5 and NJ FamilyCare programs.

6 The Office of Health Transformation would have the following
7 duties, powers, and responsibilities:

- 8 • to establish a single, comprehensive strategic plan for the
9 coordinated, efficient administration of public healthcare
10 policy and spending, including, but not limited to, the
11 Medicaid and NJ FamilyCare Programs, that examines
12 policies and expenditures across departments, divisions,
13 agencies, and programs to determine ways to improve
14 performance and leverage purchasing power;
- 15 • to review, as detailed in the bill, the current contract
16 between the Division of Medical Assistance and Health
17 Services in the Department of Human Services and managed
18 care organizations that provide services to persons who are
19 eligible for Medicaid or NJ FamilyCare;
- 20 • to develop a draft contract for future use, based on the
21 results of the review by the office of the current contract
22 between the division and managed care organizations, that is
23 updated, clear, and enforceable, and which specifies
24 requirements by provider type for managed care
25 organizations;
- 26 • to facilitate and coordinate communication with and among
27 the departments, divisions, and agencies that provide
28 Medicaid-funded services or programs;
- 29 • to consult with the Division of Pension and Benefits in the
30 Department of the Treasury to determine the feasibility of
31 consolidating expenditures, including, but not limited to,
32 those made by the State Health Benefits Program and the
33 School Employees' Health Benefits Program with other
34 State health care program expenditures to achieve economies
35 of scale;
- 36 • to call upon any department, division, or agency of State
37 government to provide such information, resources, or other
38 assistance as the Office of Health Transformation deems
39 necessary to discharge its functions and to fulfill its
40 responsibilities;
- 41 • to assess, as detailed in the bill, the State's strategy for
42 pharmaceutical procurement in order to identify alternative
43 procurement strategies that could leverage the State's
44 purchasing power to reduce costs;
- 45 • to establish a single set of standardized measures of the
46 quality of healthcare to be utilized for all State health care
47 programs;

- 1 • to coordinate, with the Division of Medical Assistance and
2 Health Services in the Department of Human Services, the
3 development and implementation of a one-year mandatory
4 Medicaid demonstration project that utilizes an episode-of-
5 care payment model for one or more conditions or medical
6 events to be identified by the office, and to report to the
7 Governor and the Legislature on the results of the
8 demonstration project within 180 days of the end of the
9 project;
- 10 • to coordinate and develop, with the Division of Medical
11 Assistance and Health Services in the Department of Human
12 Services, a means by which to monitor and evaluate the use
13 of value-based payment and alternative payment models in
14 other states or programs over time to assess their
15 effectiveness and potential applicability to the State
16 Medicaid program. The monitoring and assessment shall
17 include consulting with individuals experienced in, or
18 potentially affected by, the use of value-based or alternative
19 payment models, and the office is to submit its findings,
20 including any recommendations concerning the use of value-
21 based payment and alternative payment models in the State
22 Medicaid program to the Governor and the Legislature, no
23 later than 24 months following enactment of this bill.
- 24 The bill also provides that the Governor appoint an Executive
25 Director of the Office of Health Transformation who is to have
26 expertise in healthcare policy and finance. The bill provides that
27 the executive director may employ staff within the limits of funds
28 appropriated or made available, and would have broad authority to
29 coordinate communication between, and request and receive
30 information from, any department, division, or agency of the State
31 in furtherance of the mission of the office.
- 32 This bill implements certain recommendations of the Medicaid
33 2.0 Report authored by the New Jersey Health Care Quality
34 Institute, and would take effect immediately upon enactment.