March 15, 2016

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.

I am here today to ask you to extend every possible support to the community-based behavioral health system of care as it is transitioned to a fee-for-service model. It is a system that has sustained years of inadequate funding – inadequate rates and a lack of Cost of Living Adjustments (COLAs) since 2008, and which has been subject to restrictions on fiscal operations that have made fiscal viability difficult to achieve.

The Governor’s proposed budget has offered a lifeline in the way of $127 million in new funding ($107 million is new federal funding and $20 million in new state funding) to increase mental health and substance use treatment rates under the fee-for-service system the community-based providers are transitioning to. We do first and foremost ask that you preserve this funding – an investment of this magnitude is long overdue and much needed. Unfortunately, the system has been neglected for so long, that this investment alone will not ensure the viability of many providers.

Our membership is still in the process of analyzing the proposed new rates that accompany this investment. The several providers that have reported estimated revenues back to us are projecting losses of $1.2 to $3 million (based on the new rates and the past year’s units of service). It is important to note that while some rates do increase, others are actually decreasing, and many are staying the same. With the loss of contract funding to help fill the gaps, the system could risk being de-stabilized.
The community provider network provides a lifeline to every community across New Jersey. To families dealing with issues of loss and addiction, to homeless veterans, to children with serious emotional disturbances – to any and every individual in need. The community provider network is asking its state representatives to not only support the $127 million lifeline that has been proposed, but to provide other supports that will ensure there is a solid, viable lifeboat at the end of that rope.

NJAMHAA and its members ask three things of you:

1. That you ensure there is funding to support adequate rates that cover the full cost of services and operating costs, beginning with maintaining the proposed $127 million dedicated to mental health and substance use treatment rates.

2. That you preserve the savings that have been realized from the Medicaid expansion in the community-based system of care for children and adults. Such an investment is necessary to expand system capacity to meet the high level of unmet need. Increased capacity will improve access to care by shortening wait times and reducing emergency room visits and hospitalizations. According to the New Jersey Office of Legislative Services, state savings for FY2016 will total $609.2 million. Additionally, increased revenues specifically related to Medicaid expansion are estimated to be as much as $15 million for FY2016 and up to $26 million for FY2017.

3. Finally, we ask that you provide a five (5) percent COLA for all service contracts that will remain in place after the transition to fee-for-service takes place.

For decades, providers have been subsidizing the state rates with other funding, often from fundraising, absorbing losses in certain areas year after year.

Most critically, they have not been able to provide any salary increases to their staff. An ever-widening gap between the salaries community providers are able to pay and those at state and educational institutions is evident. A Bachelor’s level social worker with no experience in a state position has a starting salary that is $9,000 to $13,000 higher than a Master’s level social worker hired at a community-based organization. This disparity worsens over time, given the inability of community-based organizations to provide COLAs or salary steps as the state does. Needless to say, staff turnover and vacancies and their related costs are very high.
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The community-based provider network is facing many challenges with significant changes to the system of care, while avenues to care are expanding without the capacity to meet increased demand.

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 COLA’s for the remaining contracts. It is through this lifeline to the provider community, several of whom are on the cusp of closing programs and doors, that the community-based system of care will be able to remain viable and serve as a true lifeline to New Jersey’s citizens through timely, quality care.

Sincerely,

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