



## NEW JERSEY COUNCIL OF TEACHING HOSPITALS

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Testimony before the New Jersey Senate/Assembly Budget Committee  
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I am Dr. Richard Goldstein and I am President of the New Jersey Council of Teaching Hospitals.

Thank you for providing me with this opportunity to present to you our thoughts on Governor Christie's proposed Fiscal Year 2011 Budget. I do not envy you the task ahead in these most unpleasant fiscal times.

The New Jersey Council of Teaching Hospitals represents a dozen major teaching hospitals throughout the state and we educate more than 1,100 medical/surgical residents. Next year we will be marking a quarter of a century that the Council has been serving the needs of our teaching hospitals and helping to educate public policy makers like yourselves about their enormous value to the health of our citizens as well as to the financial health of the communities they are located in.

We were both surprised and genuinely pleased that Governor Christie's proposed 2011 budget-slashing knife not only spared charity care but improved it. In doing so he recognized that one of the major root causes of hospital financial instability is the state of New Jersey's chronic under funding of charity care. To the surprise of everyone I know, we applaud the Governor's decision to infuse \$60M of new money into charity care. The Governor's action implicitly recognizes the special role that Teaching Hospitals play because we deliver the lion's share of charity care. We congratulate the Administration for providing so generously in this area when so many others are facing painful cuts.

As many of you know, a few months ago we held a press conference to announce the results of an 18-month study of the physician manpower needs of the State, and concluded that unless certain steps are to be taken - some budgetary and some regulatory - New Jersey would find itself short some 2,800 physicians.

To pile on the bad news, a few weeks ago we learned that only 32 percent of the 800 residents completing their training this June will stay to practice in NJ. That's down from 47 percent the previous year. This huge 15 percent drop will translate into 450 fewer physicians in the New Jersey physician workforce than projected in our January report. The new big factor (on top of the historical factors like med mal, low Medicaid rates, high taxes) is that other states facing similar shortages are out-recruiting us. We now project New Jersey's shortfall by 2020 at 3,250 physicians. Fortunately our projection did anticipate the passage of health care reform but we will revisit the forecasting methodology now that the details of the reform are known.

Why does this matter so much? Because physician shortages impose a human toll in terms of lack of access to medical care for patients and excessive workloads for physicians. Too few physicians pose particular problems for Medicare and most especially for Medicaid patients because these programs pay physicians too little, substantially less than their costs, thereby creating significant disincentives for physicians to serve them and risk being sued.

And while our physician shortfall projection anticipated health care reform would be enacted, the impact on primary care will likely be severe. In Massachusetts, the average waiting time to see a primary physician is 43 days; as you know they passed universal health a few years ago,

So what to do? Training doctors is expensive. The Governor has proposed requiring our hospitals contribute \$45 M in new tax dollars to be federally matched therein creating \$90M that would flow back to hospitals. We would suggest as a funding opportunity that this committee re-visit the investments contemplated by these funds, which was \$60M for charity care and \$30M for the Stabilization Fund. Because teaching hospitals submit

82 percent of the charity care claims we believe that a better use of proceeds would be to spend half of the \$90M on Graduate Medical Education. The money still flows to the major hospitals that need it for charity care but this is a double win as the same hospitals also train the next generation of physicians, and if additional GME funds were to flow to all teaching hospitals equitably including UMDNJ, the proposed hospital tax would likely generate substantial industry support.

We also suggest that policy-makers see physicians through a new lens: Not simply as healers but also as small businesses that create jobs and a community stimulus deserving a tax break. Each new doctor needs to hire two nurses, a receptionist, a bookkeeper and add more staff as their practices are certain to grow. These new physicians refer patients to other doctors who also must hire more nurses and staff. Offices need to be cleaned. Lunches delivered. Homes purchased. You may be surprised – and I have studies that prove it – that on average each new medical practice generates \$12 M of community benefit. Tax incentives to encourage new practices and to delay retirement would literally cost the state nothing and would certainly dramatically help.

If you see the MD shortage as I do, as a looming public health crisis, then I will have done my job today.

We stand ready to work with you. Thank you and I am happy to answer any questions you might have.

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