



State of New Jersey  
DEPARTMENT OF HEALTH  
PO BOX 360  
TRENTON, N.J. 08625-0360

[www.nj.gov/health](http://www.nj.gov/health)

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

MARY E. O'DOWD, M.P.H.  
Commissioner

November 8, 2013

**VIA UNITED PARCEL SERVICE**

Joseph A. Trunfio, Ph.D.  
Chief Executive Officer  
AHS Hospital Corp.  
475 South Street  
Morristown, New Jersey 07962

Re: Chilton Hospital  
Transfer of Ownership  
CN# FR 121201-14-01  
Project Cost: 0  
Expiration Date: November 8, 2018

Dear Dr. Trunfio:

I am approving your certificate of need (CN) application, submitted pursuant to N.J.A.C. 8:33-3.1, for the transfer of the ownership of Chilton Hospital from Forrest S. Chilton 3<sup>rd</sup> Memorial Hospital, Inc. (FCMH), a New Jersey nonprofit corporation, to Atlantic Health System, Inc. (Atlantic Health), a New Jersey nonprofit corporation, of which AHS Hospital Corporation, its subsidiary, would continue to operate and maintain Chilton Hospital. The application is being approved at the total project cost noted above.

This CN approval is limited to the transfer of ownership of Chilton Hospital, a general acute care hospital with a 256-bed capacity. Categorically, the bed composition would remain the same as prior to this transfer of ownership approval, reflecting 204 Medical/Surgical, 24 OB/GYN, 16 Pediatric, and 12 Adult ICU/CCU beds. The new ownership would continue the operation of the 4 Intermediate bassinets and its designation as a Community Perinatal Center - Intermediate. The hospital's existing service complement would also remain unchanged, which includes 6 Mixed Operating rooms, 1 Cystoscopy room, 1 Mobile MRI unit, 1 fixed MRI, Acute Hemodialysis services, Chronic Peritoneal services, 1 Linear Accelerator, 1 mobile PET/CT scanner, 1 cardiac catheterization laboratory, primary PTCA services (conditional), and 2 Hyperbaric Chambers. Chilton Hospital will also continue to operate two hospital-

based, off-site ambulatory care facilities: Chilton Health Network at 242 West Parkway in Morris County and Chilton Health Network at Pike Drive in Passaic County. In addition, the hospital would continue its designation Primary Stroke Center.

As set forth in the certificate of need application, Atlantic Health agrees to operate Chilton Hospital as a general acute care hospital following the transfer of ownership from FCMH, continue all existing medical services offered by Chilton Hospital, and maintain the existing licensed bed capacity, service complement and programs at the hospital's existing location in Pompton Plains. Atlantic Health also agrees to hire substantially all hospital employees who are employed at Chilton Hospital at the time of the transfer of ownership.

The standards that I am compelled to use in evaluating this application are set forth in statute (N.J.S.A. 26:2H-1 et seq.) and by administrative rule (N.J.A.C. 8:33). I must be satisfied that the application submitted by Atlantic Health is consistent with those requirements. A transfer of ownership of an entire general hospital is subject to the full CN review process (N.J.A.C. 8:33-3.3(a)1). For the purposes of the review, the application was considered a transfer of ownership of a licensed facility currently offering health care services and not a reduction, elimination or relocation of a health care service. Therefore, for the reasons that follow, I am approving, with conditions, the application submitted for the transfer of ownership of Chilton Hospital to Atlantic Health. I note for the record that my decision to approve this CN application is consistent with the recommendation of the State Health Planning Board (SHPB), which unanimously recommended approval of CN# FR 121201-14-01 at its August 1, 2013 meeting. In issuing this decision, I reviewed the CN application for the transfer of ownership of Chilton Hospital, completeness questions and responses, public hearing transcripts, written comments, exhibits, petitions, Department of Health (Department) staff recommendations, and SHPB recommendations. The referenced materials are incorporated and made a part of this final decision.

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provide for the issuance of a CN only where the action proposed in the application for such certificate is necessary to provide required health care in the area to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of health services in the region or statewide, and will contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: (a) the availability of facilities or services which may serve as alternatives or substitutes, (b) the need for special equipment and services in the area, (c) the possible economies and improvement in services to be anticipated from the operation of joint central services, (d) the adequacy of financial resources and sources of present and future revenues, (e) the availability of sufficient manpower in the several professional disciplines, and (f) such other factors as may be established by regulation.

As part of the review process, the SHPB is also required to hold at least one public hearing in the service area of the health care facility within 30 days of the



application being declared complete by the Department. A public hearing took place at Pequannock Library in Pompton Plains on July 16, 2013, with approximately 32 people attending, of which 12 provided verbal testimonies. All 12 were in favor of the application, citing the benefits and opportunities associated for a smaller, stand-alone hospital to merge with a larger, well established hospital system. All of the commenters believed the approval of this application would greatly benefit Chilton Hospital and the population of the area. They emphasized how the merging of these institutions would provide greater access to more complex care and technological advances for patients, as well as how the sharing of services and the investment of capital into Chilton Hospital will reduce operational costs. The Department and SHPB reviewed these concerns and adequately addressed these issues in the analysis and recommendations approved by the SHPB.

As to the specifics of this application, N.J.S.A. 26:2H-8(a) requires that I consider the availability of facilities or services which may serve as alternatives or substitutes. The applicant has demonstrated that while there are alternative hospitals with market share within the primary service area of Chilton Hospital, Morris County, residents would likely experience substantial reductions in health care services if Chilton Hospital were to close or significantly downsize. The applicant believes that this transfer of ownership is an excellent option to preserve the current level of health care services in the area. The applicant does not intend to downsize services or reduce availability to any service currently provided at Chilton Hospital. I have taken into consideration that there are other hospitals in Morris County that offers comparable capabilities to Chilton Hospital, but find that this transfer of ownership will not disrupt or significantly alter the relationship of these hospitals or the current level of care or services in the area. I agree that the proposed transfer of ownership, as opposed to the potential reduction of services or possible future closure of Chilton Hospital, will preserve appropriate access to health care services for the community, including the medically indigent and medical underserved population. Thus, I am satisfied that this criterion is met.

I also find that the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special equipment and services in the area would be met in this case following the transfer of ownership. Atlantic Health has agreed to offer the same services that are currently licensed at the present facility and provide more of an opportunity to Chilton Hospital patients to access the specialized care provided at Morristown Memorial Hospital such as Cardiac Surgery, Neonatal Care, Neurosurgery and Trauma.

With respect to N.J.S.A. 26:2H-8(c) regarding the possible economies and improvement in services to be anticipated from the operation of joint central services, I find that applicant's plan to share certain services such as financial management, human resources management, information technology, patient billing services and purchasing, will have a positive effect on both hospitals. Moreover, I note that this transfer of ownership will improve resource utilization and operational efficiencies, and could potentially stimulate an increase in the utilization inpatient services at Chilton Hospital. The applicant has also stated that economies and improvements will be



accomplished without reducing any of the existing licensed bed complement or services provided at Chilton Hospital.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. Financial analysis of the Atlantic Health application undertaken by the Department indicates that Atlantic Health possesses adequate financial resources to accomplish the proposed project. Both Atlantic Health and FCMH reported an excess of revenues over expenses over the past 12 months. As of March 31, 2013, Atlantic Health reported approximately 160 days of unrestricted cash on hand while Chilton Hospital reported 119 days for the same. The applicant has stated that this transfer of ownership will help ensure the continued financial viability of both Chilton Hospital and Atlantic Health and the availability of adequate financial resources and future revenues in anticipation of reduced Medicare and Medicaid payments under the national Affordable Care Act. With respect to N.J.S.A. 26:2H-8(e) regarding the availability of sufficient manpower in the several professional disciplines, I am satisfied that there will be sufficient qualified personnel since Atlantic Health has agreed to operate all of the existing beds and services presently at Chilton Hospital and hire substantially all Chilton Hospital employees at the time of transfer.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by regulation. Therefore, I have taken into consideration the applicable administrative rules governing the services subject to full review (i.e., N.J.A.C. 8:33-1.1 et seq.). Atlantic Health is in compliance with the access requirements set forth in N.J.A.C. 8:33-1.1 et seq. and N.J.A.C. 8:33-4.10(a). Specifically, Atlantic Health plans no changes to the care or services currently provided at Chilton Hospital following this transfer of ownership and that it will promote access to low income persons, racial and ethnic minorities, women, disabled persons, the elderly, persons with HIV infections, and other persons who are unable to obtain care. Furthermore, Chilton Hospital will continue to maintain its commitment to the community to preserve access to health care for the residents, including the medically indigent and medically underserved population. The applicant states that their policies are consistent with those previously at Chilton Hospital regarding the provision of indigent care and its acceptance of all patients regardless of their ability to pay.

In addition, N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this transfer of ownership shall not have an adverse impact on the population being served in regards to access and quality of care. The applicant indicates that the transfer of ownership of Chilton Hospital, as opposed to any reduction in services or possible unplanned future closure of the hospital, will preserve and enhance the financial viability of the hospital and allow it to continue as a general acute care hospital providing the same level of licensed beds and health care services in the community. In addition, Atlantic Health has made a commitment to maintain Chilton Hospital as a general acute care hospital.

Specifically, I have reviewed Atlantic Health's plan to gradually integrate the current IT service at Chilton into its existing IT system and find the plan to be



appropriate. This integration plan would enhance communication and more efficiently coordinate care through the electronic sharing of patient medical records. I also believe that the development of a comprehensive medical records system between these two institutions will cultivate a stronger working relationship and promote greater collaboration and decision making among the system's physicians.

In addition, I am confident that this acquisition will not produce any problems for the community in accessing inpatient or outpatient services at Chilton due to insurance coverage. I believe that Atlantic Health is committed to continuing and improving access to quality health care for the community and will work with all of the existing insurance carriers to ensure the continuation and availability of their services.

Moreover, I find that Atlantic Health has provided an appropriate project description, which includes information as to the financial impact of the merger, operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-4.10(b)), assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-4.10(a)), and assurance that it will meet appropriate licensing and construction standards (N.J.A.C. 8:43G-1.1 et seq. and N.J.A.C. 8:33-410(d)).

Based on the foregoing, I am approving the application for the transfer of ownership of Chilton Hospital. My decision to allow this transfer of ownership from FCMH to Atlantic Health is based on the fact that the operation of Chilton Hospital under the proposed new ownership would be beneficial to the population in its service area since it will preserve access to health care services for the community, including the medically indigent and medically underserved population. This transfer of ownership will strengthen the financial viability of Chilton making it even more financially sound and better equipped to provide the essential health care services needed to serve the core population of its primary service area. I believe that this approval will not have an adverse impact on the other existing hospitals in Morris County or the surrounding counties. There is no existing data to suggest that this transfer of ownership would alter Chilton Hospital's relationship with the other existing Morris County hospitals or adversely impact the health status of any of the communities served by all hospitals in Morris and surrounding counties.

Finally, I acknowledge that Chilton Hospital has had a long standing commitment to the residents in its service areas and believe that this approval will better enable the hospital, under its new ownership, to maintain and enhance its commitment to the community into the foreseeable future. I also note that the management of Chilton Hospital and the Atlantic Health hospitals share the same values and vision for providing quality health care services to the communities they serve. For the reasons set forth in this letter and noting the approval of the SHPB, I am approving Atlantic Health's application for the transfer of ownership of Chilton Hospital subject to the following conditions, which I note were accepted by a representative of the applicant while addressing the SHPB:



1. The applicant completes the Office of Attorney General Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10 et seq., review for the proposed transfer of the assets of Chilton Hospital to Atlantic Health.
2. The applicant shall file a licensing application with the Department's Certificate of Need and Healthcare Facility Licensure Program (CNHCFL) to execute the transfer of the ownership of Chilton Hospital's license to Atlantic Health.
3. Prior to licensure, the applicant shall notify the Department's CNHCFL Program in writing, specifically who is responsible for the safekeeping and accessibility of all Chilton Hospital patients' medical records (both active and stored) in accordance with N.J.S.A. 8:26-8.5 et seq. and N.J.A.C. 8:43G-15.2.
4. As noted by the applicant, Atlantic Health shall hire substantially all Chilton Hospital employees who are employed at the completion of the transfer of ownership.
5. Atlantic Health shall operate Chilton Hospital as a general hospital, in compliance with all regulatory requirements, for at least seven years in accordance with the commitment stated in the CN application. This condition shall be imposed as a contractual condition of any subsequent sale or transfer, subject to appropriate regulatory or legal review, by Atlantic Health within the seven year period.
6. Atlantic Health shall continue all clinical services and community health programs currently offered at Chilton Hospital. Any changes in this commitment involving either a reduction of services, relocation out of Chilton Hospital's current service area, or elimination of clinical services or community health programs offered by Chilton Hospital's former ownership shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.
7. Atlantic Health shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "[a]ll hospitals . . . provide on a regular and continuing basis, out-patient and preventive services, including clinical services for medically indigent patients, for those services provided on an in-patient basis." Documentation of compliance shall be submitted within 30 days of the issuance of the license and quarterly thereafter for a period of seven years.
8. In accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), Atlantic Health shall not only comply with federal EMTALA requirements,

but also provide care for all patients who present themselves at Chilton Hospital without regard to their ability to pay or payment source.

9. The value of indigent care provided by Atlantic Health shall be determined by the dollar value of documented charity care, calculated at the prevailing Medicaid rate, and shall not be limited to the amount of charity care provided historically by Chilton Hospital.
10. Atlantic Health shall establish a functioning Board of Directors for the hospital responsible for implementing hospital-wide policy, adopting bylaws, maintaining quality of care, and providing institutional management and planning consistent with the Atlantic Health organizational structure. This Board shall maintain suitable representation of the residing population of Chilton Hospital's service area who are neither employees of, nor related to employees of, any parent, subsidiary corporation or corporate affiliate. Annual notice shall be made to the Department of this Board's roster, along with any policies governing Board composition, governance authority and Board appointments.
11. At the time of licensure and annually thereafter, Atlantic Health shall provide an organizational chart of the hospital and each service that shows lines of authority, responsibility, and communication between Atlantic Health and hospital management and board. Atlantic Health and AHS Hospital Corp., as the licensee operating Chilton Hospital, shall be responsible for compliance.
12. Atlantic Health shall submit a report to the Department, on an annual basis for the initial seven years following the transfer of ownership, or upon request, detailing:
  - a. The investments it has made during the previous year at the hospital. Such report shall also include a detailed annual accounting of any long or short term debt or other liabilities incurred on the hospital's behalf and reflected on Chilton Hospital's balance sheet; and,
  - b. The transfer of funds from the hospital to any parent, subsidiary corporation, or corporate affiliate, including the amount of funds transferred. Transfers of funds shall include, but not be limited to, assessments for corporate services, transfers of cash and investment balances to centrally controlled accounts, management fees, capital assessments, and/or special one-time assessments for any purpose; and
  - c. All financial data and measures required pursuant to N.J.A.C. 8:31B and financial indicators monthly reporting.



13. Within 15 days of approval of this application, Atlantic Health shall provide a report to the CNHCFL Program detailing the communication plan to Chilton Hospital staff and to the community, including but not limited to elected officials, clinical practitioners, and EMS providers, concerning the approval of the transfer of license and the availability of fully-integrated and comprehensive health services. This shall include reference to the outreach plan referenced in Condition 15 below.
14. Chilton Hospital shall hold an annual meeting pursuant to N.J.S.A. 26:2H-12.50 and develop mechanisms for the meeting that address the following:
  - a. Opportunity for members of the local community to present their concerns regarding local health care needs and hospital operations and how Atlantic Health should address these.
  - b. A method for Atlantic Health to publicly respond to the concerns expressed by community members at the annual public board meeting.
  - c. Atlantic Health shall develop these mechanisms within 90 days of this approval and share them with Department's CNHCFL Program.
15. An outreach plan shall be placed into effect to ensure that all residents of the hospital's service area, especially the medically indigent, have access to the available services at the location. A self-evaluation of this effort shall be conducted on a yearly basis for seven years after licensure to measure its effectiveness. This evaluation shall contain any expenditure for activities, including but not limited to, outreach, community programs, and health professional education. This self-evaluation shall be filed for Department review within twenty business days after each year of licensure concludes to demonstrate compliance with this condition. It shall also be presented to the public at the hospital's annual public meeting.
16. Atlantic Health shall endeavor to maintain existing HMO and commercial insurance coverage at Chilton Hospital following the acquisition, including, but not limited to, good faith negotiations. If Atlantic Health provides notice to terminate any HMO or commercial insurance contracts within the first year after transfer of the license that will expand the out-of-network service coverage, Atlantic Health shall in advance meet with representatives from the Department of Banking and the Department of Health to discuss the intent to terminate such contracts and document how it will provide notice to patients and providers.



17. In accordance with the provisions of N.J.S.A. 26:2H-18.59h, Atlantic Health shall "offer to its employees who were affected by the transfer, health insurance coverage at substantially equivalent levels, terms and conditions to those that were offered to the employees prior to the transfer."
18. Atlantic Health shall report annually or within the required time frame as set forth in the individual condition, the requested information to the Department's CNHCFL Program concerning the status of all of the conditions referenced above in this approval letter.
19. All the above conditions shall also apply to any successor organization to Atlantic Health which acquires Chilton Hospital within seven years from the date of the CN approval.

Failure to satisfy the aforementioned conditions of approval may result in sanctions, including license suspension, monetary penalties and other sanctions in accordance with N.J.S.A. 26:2H-1 et seq. and all other applicable requirements. Acceptance of these conditions will be presumed unless written objections are submitted to the Department within 30 days of receipt of this letter. Upon receipt of such objections, this approval will be deemed suspended and the project shall be re-examined in light of the objections.

We look forward to working with you and helping you to provide a high quality of care to the patients of Chilton Hospital. If you have any questions concerning this Certificate of Need, please do not hesitate to contact John Calabria, CNHCFL Director, at (609) 292-8773.

Sincerely,



Mary O'Dowd, M.P.H.  
Commissioner

c: John Calabria, DOH