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Commissioner

February 27, 2012

VIA UNITED PARCEL SERVICE

Robert Garrett
President and Chief Executive Officer
Hackensack University Medical Center
30 Prospect Avenue
Hackensack, NJ 07601

Re: HUMC North
250 Old Hook Road
Westwood, New Jersey 07675
CN# FR 110603-02-01
Total Project Cost: \$39,590,409
Expiration Date: February 27, 2017

Dear Mr. Garrett:

I am approving with conditions your certificate of need (CN) application, submitted pursuant to N.J.A.C. 8:33-3.1, in response to the certificate of need call issued by the Department of Health and Senior Services (Department) on February 18, 2011, for a new general hospital, HUMC North, to serve Bergen County. Pascack Valley Health System, LLC (PV Joint Venture), a New Jersey limited liability company, is the applicant whose sole members are Hackensack University Medical Center (HUMC), a not for profit hospital and LHP Hospital Group, Inc. (LHP), a privately held Delaware corporation that provides capital and management services to not-for-profit hospitals and health care systems. The application is being approved at the total project cost noted above.

HUMC North would be located on the former site of Pascack Valley Hospital (PVH) in Westwood. The overall acute care bed capacity at HUMC North would consist of 128 acute care beds, of which 87 would be medical/surgical beds, 18 obstetric beds, 18 ICU/CCU beds and five intermediate bassinets with a Community Perinatal Center - Intermediate designation, as well as a new low risk cardiac catheterization laboratory. The hospital's service complement would include Inpatient and Same Day Surgery Operating rooms, Cystoscopy rooms, MRI services, CT services, and Acute Hemodialysis services.

The CN call for a new general hospital was limited to those entities proposing a new general hospital to serve Bergen County with consideration also limited to the implementation of a maximum of one new hospital. This restricted the number of interested entities to those proposing a new general hospital to serve Bergen County. This call set forth specific eligibility criteria for the responding certificate of need applicants to address. These criteria present a threshold level of eligibility, which must be met before considering the general statutory requirements for granting a CN. PV Joint Venture, the only responding applicant, demonstrated its eligibility in its CN application by addressing how establishing HUMC North as the new general hospital in Bergen County would meet and exceed the five specific criteria contained in the CN call.

The first criterion in the call notice requires the applicant to demonstrate its compliance with N.J.A.C. 8:33-4.4(a) that it has or will have control or authority over the proposed location of the new general hospital. As a result of a bankruptcy auction, substantially all the assets of PVH, including property, plant and equipment, were purchased by a limited liability company formed by Hackensack University Medical Center (HUMC) and Touro University College of Medicine (Touro). In 2011, Touro sold its interest in the limited liability company to HUMC making HUMC in control of the entire property. HUMC North would be conveyed to PV Joint Venture, the applicant whose members are HUMC and LHP. I believe the applicant has demonstrated its full control of the entire property, and the criterion is met.

With respect to the second criterion, which requires the applicant demonstrate that this new general hospital located in and serving Bergen County will enhance and increase physician education and retention in New Jersey and provide additional residency slots, I believe the opening of the new hospital would create a unique opportunity to address the critical and growing physician shortage problem in New Jersey by adding vital residency slots that can be funded by the Centers for Medicare and Medicaid Services. The new facility is capable of providing a venue at which physicians could be trained in four specialties: family medicine, emergency medicine, obstetrics/gynecology, and general surgery. I find that the applicant's estimate that 18 family practice residents could be supported, along with up to four residents in each of the other three specialties, for a total of up to 30 residency positions at HUMC North is reasonable. This would be a significant increase in training slots and would provide training opportunities for residents in areas where New Jersey's shortage is most serious (i.e., family medicine, obstetrics/gynecology, and general surgery).

In addition, the applicant notes that it would implement the same physician employment model at HUMC North that has been used at HUMC over the past few years for retaining physicians in the state. Under this model, the hospital may support the retention of the newly graduated physician by financing the physician and other staff salaries (in part or in full), employee benefits, malpractice insurance and lease costs. This employment model could provide the economic incentives sufficient for newly graduated physicians to remain in the state to practice primary care while they develop their practice. This employment model might also be utilized to support new graduates

in underserved areas and place new graduates in practices of retiring physicians so these new physicians would become financially self-supporting over time. Thus, I believe this criterion has been satisfied.

The third criterion requires that the project will enhance the quality of care and promote integration within the overall system of service provided in Bergen County. HUMC ranks among the top hospitals in the United States in quality measures and is nationally known for its standard of care. HUMC was the first hospital in the United States to receive Magnet Designation for Nursing Excellence (after the demonstration hospital) and appears routinely in the US News and World Reports, HealthGrades, and other top hospital lists. It has medical staff members recognized each year by Castle Connolly Medical Ltd., a physician rating publication. I am confident that this level of clinical and service excellence will be replicated at HUMC North. The applicant envisions the medical staffs at HUMC and HUMC North working closely together promoting clinical integration. I believe that the third criterion has been satisfied.

The fourth criterion stipulates the applicant has the ability to license the project within two years of any CN approval. At this location, the proposed hospital would be comprised of 128 beds (medical/surgical, ICU/CCU, obstetrics, and intermediate bassinets) along with services very similar in scope to those provided previously at this location. According to the applicant, it will be renovated at a total project cost of \$39,590,409, and will open in late 2012, much sooner than the CN Call for Applications requires. I believe the applicant's plan to implement the new hospital, which appears to be reasonable, satisfies the fourth criterion.

The fifth criterion specifies that the applicant will limit its total number of licensed beds and bassinets to the lowest number of beds and bassinets required to meet the need identified in its application. HUMC North plans to serve the same "core area" of 14 municipalities as the former Pascack Valley Hospital and, like its predecessor, HUMC North will be the only hospital convenient to those rural communities in the far northeastern corner of Bergen County as well as nearby communities in Rockland County, New York. At 128 licensed beds including five intermediate bassinets, HUMC North would be a considerably smaller hospital than its predecessor, which operated 280 beds including five intermediate bassinets. The reduction in bed capacity from 280 to 128 will adequately serve the local communities and ensure limited negative impact on other existing hospitals in Bergen County. I believe that the fifth criterion is satisfied.

Having found that the specific criteria of the CN call have been met, I must now address the statutory and regulatory standards applicable to all CNs. 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 PV Joint Venture is consistent with those requirements. A new general hospital, transfer of ownership of an entire general hospital or a transfer that will result in a new Medicare provider number for a hospital are 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 new general hospital, not a transfer of ownership of a licensed facility

currently offering health care services and not a reduction, elimination or relocation of health care services. As noted, and for the additional reasons that follow, I am approving, with conditions, the application submitted for a new general hospital by PV Joint Venture. 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 recommended approval of CN# FR 110603-02-01 with conditions, at its November 29, 2011 meeting. In issuing this decision, I reviewed the CN application for the new general hospital of HUMC North, completeness questions and responses, meeting materials including correspondences from interested parties in the community, numerous documents submitted by Valley Hospital and Valley Hospital's counsel, numerous documents submitted by Englewood Hospital and Medical Center and Englewood Hospital and Medical Center's counsel, the transcript of the public hearing, exhibits, petitions, the Department's staff analysis and recommendations, and the SHPB's recommendations. The referenced materials are incorporated and made a part of this decision.

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provides 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 was held on October 19, 2011, at Westwood Regional Junior/Senior High School located at 701 Ridgewood Road in the Township of Washington with approximately 1,000 people in attendance. Public comment was divided by a ratio of 18 to one in support of the application, with 36 people speaking in favor and two opposing. The majority of speakers support the new hospital because it provides needed health care services for this area and creates jobs. A number of supporting comments praised the track record of HUMC, crediting it for its financial solvency. Those opposing the transfer commented that HUMC North would be short lived and advocated for more stringent oversight conditions if approved. The Department also received hundreds of letters from members of the public in support of the application. The Department and the SHPB reviewed these concerns and adequately addressed the 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 carefully and thoroughly examined its available options before deciding to proceed with a new general hospital. The applicant believes the successful development and implementation of this new general hospital would increase the availability and accessibility of health care services in the area and provide more choice for health care consumers. Historically, even when PVH was operational, HUMC has always been the hospital with the highest occupancy and average length of stay, which is an apparent indication of patient choice. With the consistent high occupancy rates in excess of 90% at HUMC since PVH's closing, the implementation of HUMC North would certainly function to shift patients from HUMC to HUMC North alleviating the stress on HUMC's existing health care resources.

I believe that HUMC North would be beneficial in reducing the high bed occupancy rate at HUMC's main campus bringing it down to a more manageable level of 83%. I do not take issue with HUMC's claim that HUMC North could draw as much as 50% of its patients from the 14 towns surrounding the former PVH site since the residents and health care providers have spearheaded this initiative for a new hospital. I also do not take exception that HUMC North's location within three miles of the Rockland County border would have at least the same appeal to these Rockland County patients as PVH. The 538 patients projected by the applicant, based on the number of Rockland County residents presently treated at HUMC, does not appear to be overstated. Further, HUMC's projections for the total number of estimated potential patients from the core area, Rockland County and the remaining markets show an expectation of three additional patients for every estimated potential patient projected for HUMC North, thus indicating a large number of patients available to other area hospitals. As noted by SHPB, the potential for marketing services to Rockland County was not fully mined by previous management at PVH. In addition, the SHPB review acknowledges there is a plan to manage the high occupancy and overflow at HUMC. Therefore, HUMC North is primarily an expansion of HUMC similar to HUMC adding these beds at its main site if that property could support the addition of these beds.

I am convinced from our analysis of the operation of the Satellite Emergency Department (SED), that the potential future utilization for this hospital is genuine. Since HUMC opened the SED at the former PVH site in September 2008, it has treated 23,135 residents from the core area towns. With respect to the patients transferred from the SED to area hospitals for admission, between October 2008 and August 28, 2011, a total of 2,298 were transferred to a full service hospital. More than half of those patients (1,295) transferred were then admitted to the HUMC's main campus. The remaining numbers of patients were transferred to the other hospitals within and outside of Bergen County. The largest percentage of patients (42.4%) treated at the SED for this reporting period was derived from Westwood, Old Tappan and River Vale. The towns making up the remaining 57.6% in descending order are Hillsdale (11.6%), Emerson (11.0%), Park Ridge (7.3%), Closter (5.9%), Northvale/Rockleigh (5.2%), Harrington Park (5.1%), Norwood (5.0%), Montvale (4.4%), Washington Township (1.5%), and Woodcliff Lake (0.5%).

I have taken into consideration that there are four other hospitals in Bergen County, excluding HUMC, within a 12-mile radius that offer comparable capabilities to HUMC. All of these hospitals have coexisted with HUMC in this region building their own patient bases based on the availability and the quality of their respective services. I find the alternative of implementing HUMC North to primarily serve the excess patients at HUMC and be available to other patients who choose to be treated at this hospital would not significantly disrupt the current level of care and services provided in the area. I believe that this 128-bed general hospital would serve to provide more access to health care services for the community including the medically indigent and medically underserved population. I believe that attracting patients from New York State would also minimize any impact on other hospitals.

I have factored into my decision the limited number of licensed beds requested at HUMC North restricting its inpatient capacity. The parameters under which HUMC North would operate should mitigate any potential adverse effects on area hospitals. Condition 4 that I have set forth below prevents unnecessary bed expansion and duplication of services in the county. This provision limits the number of beds to be incorporated into the regional health care system to ensure the orderly development of effective health care services and have minimal impact on other area hospitals. In addition, the healthcare landscape is constantly changing due to the innovative partnerships between health care providers and systems, new technologies, physician practice, federal health reform and consumer preferences. Thus, I believe that the implementation of the downsized HUMC North in comparison to the former PVH will not disrupt or place at risk any of the operating hospitals in Bergen County.

In addition, I believe that failing to establish HUMC North may place the residents of the Pascack Valley and Northern Valley at greater risk when health care emergencies arise and immediate care is essential. The travel time to other area hospitals for the residents in the core area in an emergency situation could be impeded by the lack of a primary road system making these alternatives difficult to reach. Morning and evening rush hours further compound travel to these alternative hospitals for care. The implementation of HUMC North should improve access and availability to emergency treatment. 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 licensure of the new hospital because PV Joint Venture has agreed to offer the same services that were previously provided at Pascack Valley Hospital at HUMC North but on a much smaller scale. Reinstating these hospital services directly in the core area once served by PVH provides the community with more easily accessible primary and specialty care. In addition, the opening of HUMC North will help to address the critical physician shortage in New Jersey by adding vital residency slots in four specialties: family medicine, emergency medicine, obstetrics/gynecology, and general surgery. Final estimates by the applicant show a total of up to 30 residency positions may be created at HUMC North. The residency programs in family medicine, emergency medicine and obstetrics/gynecology will be three-year programs, while the general

surgery residency will be a five-year program. The success of efforts to retain these physicians in New Jersey after completion of their respective residencies will be tracked and reported, as set forth in condition eight below. In addition, I note that HUMC-North will function as a community hospital with no "special" or unique services. Thus, I am satisfied that the criterion is met.

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 the applicant's plan to share services and coordinate administration between HUMC and HUMC North could have a positive effect on both hospitals. The clinical and business working relationship between these hospitals would help to control expenses, improve quality and efficiencies, integrate care, and thus, offer reliable access to more financially secure facilities. I note that the applicant has made a commitment to the SHPB to carefully investigate the possibilities of utilizing a uniform computer platform, rather than two separate systems, to better integrate, share and coordinate services. With medical care moving to much greater use of electronic records and communication, this is an effort in which I am in full agreement. Thus, I am satisfied that the criterion is met.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. Since HUMC North is a new corporation, it does not have historical financial information. Projections included with the CN application forecast 4,400 and 7,402 inpatient admissions in 2013 and 2014, respectively. Based on these volume projections, HUMC North forecasts positive operating margins of 2.3% and 14.0% in 2013 and 2014. Although days cash on hand is projected to be only four days at the end of 2013, the applicant has stated that it will have access to working capital through a revolving credit and cash management agreement with an affiliate of LHP Hospital Group. Days cash on hand is projected to rise to 45 days in 2014. I am satisfied that this criterion is met.

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 because HUMC has a long history of maintaining full staffing, even during periods when other hospitals were experiencing nursing shortage crises. The annual nursing turnover rate at HUMC during 2010 was 12.4 percent, versus a national nursing turnover rate 13.8 percent. HUMC has had consistent success in attracting and retaining top talent in the health care professions. Evidence to indicate insufficient present or future staffing problems for this service region has not been found. I am satisfied that this criterion is met.

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.). HUMC North 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) to 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. HUMC North in its application points out that HUMC provided community benefits, including unreimbursed costs for Medicaid, community health improvement activities, health professional educational activities, research and contributions to community groups in levels exceeding those of all the other general hospitals in Bergen County, and specifically states that it commits "to operate ... in accordance with the 'community benefit standards' set forth in Revenue Ruling 69-545 ... and will ... adopt and implement at HUMC North the policies for uncompensated care presently utilized by HUMC." I note these assurances and address them in conditions two, three, and seven of this approval. I also note that the availability and accessibility of health care services for all residents, including the medically indigent and medically underserved population, will be evaluated under the outreach plan as described in condition seven and reviewed at the annual public meeting as described in condition six of this approval. I am satisfied that this criterion is met.

In addition, N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that the opening of this new general hospital shall not have an adverse impact on the population being served in regards to access and quality of care. HUMC North is subject to all existing administrative requirements and rules related to reporting of quality measures and patient safety and shall report to the Department consistent with required timeframes. HUMC North shall also provide these reports to the public at its annual public meeting.

I find that the operation of HUMC North would be beneficial to the population in its service area because it will increase access to health care services for the community, including the medically indigent and medically underserved population. This orderly development of services within the region will result in a more structured and effective health care delivery system for all residents. I believe that this approval will not have any substantial adverse impact on the other existing hospitals in Bergen County or the surrounding counties or on the ability of the existing hospitals to continue providing their current service levels. I recognize that after the closure of PVH, most of the hospitals in Bergen County experienced a growth in utilization in the later months of 2007 and 2008; however, this growth is shown to have leveled off based on available data. The utilization gains noted were unsustainable moving into 2010 and the early part 2011.

Department of Labor and Workforce Development population projections showed the population of Bergen County is expected to increase from 889,900 in 2008 to 895,300 in 2018 and 903,100 in 2028. Likewise, the senior population in Bergen County will increase from 132,900 in 2008 to 152,500 in 2018 and 183,000 in 2028. This means that the population cohort age 65 and over in Bergen County will increase by 37.7% between 2008 and 2028. According to New Jersey hospital resource utilization data, seniors are admitted to the hospital 3.7 times more frequently than younger age cohorts, and when admitted, they utilize far more hospital resources. Department staff reviewed the population projections and used them as a basis for the projection of future admissions and patient days at HUMC. Those projections indicate

that HUMC's occupancy rates would rise beyond capacity without some adjustment. In order for HUMC to maintain a target 83% occupancy rate, they would need to increase the number of beds by an expected 84 to 123 beds by 2020 using the most recent Length of Stay (LOS) of 4.32. If the current LOS were to increase over time, the number of needed beds to maintain the 83% occupancy rate would also have to increase to 123 beds at HUMC North prior to 2020. I also realize that adding these beds at HUMC could have been done without a CN if HUMC had the room to expand. Adding those beds at HUMC North would relieve this volume strain and better serve the medical needs of the core area residents.

In essence, HUMC North would focus its efforts on serving the core communities formerly considered the primary service area of PVH and reduce the high occupancy rates at HUMC by shifting its excess patients to HUMC North. The scaling back of beds at HUMC in comparison with the former PVH demonstrates this hospital's commitment to preserving the existing health care delivery system in the region and its orderly development of services into the future so adequate and effective services are maintained.

Moreover, I find that HUMC North has provided an appropriate project description, which includes information as to the acquisition, 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. 8:33-4.10(d)).

Furthermore, I find that the applicant has satisfied the statutory criteria for establishing a low risk diagnostic cardiac catheterization laboratory contained in the Health Care Facilities Planning Act (N.J.S.A. 26:2H-1.1 et seq.) as well as the requirement at N.J.S.A. 26:2H-8(b) pertaining to the need for special equipment and services in the area. I also find that the regulatory criteria for Low Risk Adult Diagnostic Cardiac Catheterization, as set forth at N.J.A.C. 8:33E, including minimum facility and physician volumes, staffing, training, quality improvement and community access requirements, and the CN administrative process rules as set forth at N.J.A.C. 8:33 would be met. As such, I am approving the establishment of a low risk diagnostic cardiac catheterization laboratory for HUMC North with conditions set forth below.

I have independently reviewed all comments, including correspondence to me and/or the SHPB, as well as the transcripts of the public hearing and the SHPB. The SHPB has also conducted its own separate review of these comments and concerns. Based on my review, I agree with SHPB on the recommended conditions and have left them largely intact.

The issue of the for-profit status of the applicant is one that has been raised in other hospital transactions. As I believe it is appropriate, neither staff nor the SHPB has ever determined that the for-profit status of an entity is relevant in the review of CN or licensing applications. In other areas of health care licensing, such as long-term care,

we see primarily for-profit ownership. There is also no statutory or regulatory authority for treating for-profit and non-profit entities differently in CN or licensing reviews. Thus, the fact that the applicant is a for-profit organization is of no particular relevance. I also note that compliance with all CN and licensing requirements is equally enforced for all facilities, whether non-profit, for-profit or governmental.

HUMC North would provide for the orderly development of adequate and effective healthcare services by maintaining the ratio of beds to population as it had been from the time of PVH's closure and reflecting projected population increases. Thus, these additional beds at HUMC would not disrupt the balanced health care system that exists today in Bergen County since all hospitals currently operate within this ratio. Therefore, no significant adverse economic impact should accrue to other area hospitals. The implementation of the beds at HUMC North is chiefly to absorb the excess patients at HUMC without directly impacting on the efficiency and effectiveness of the existing area hospitals. I do not believe the clinical and financial stability of existing area hospitals would be placed under significant duress since these hospitals have already established patient populations and proven track records for delivering quality health care services. I believe that HUMC North can co-exist with the other nearby hospitals and together they will improve the availability and accessibility of health care for this area of Bergen County. I am confident that the traditional service patterns and working relationships built over the years will continue to be sustained as HUMC extends its bed capacity to this specific area of Bergen County.

I have also considered the uncertainty of healthcare reform proposals and the continued growth of the county's population. Simply maintaining the existing bed to population ratio while improving access to emergency care and relieving high occupancy at HUMC appears both logical and prudent, especially at a relatively low cost. Although I realize from my review of all materials associated with this application that opposition to this project exists, I am fully satisfied that approval of this project is completely in the interests of the population of Bergen County and complies with all applicable statutory and regulatory criteria.

In addition, there are a number of comments and statements made in the documents and transcripts submitted regarding this application that both I and the SHPB have independently reviewed and that I want to address as part of my decision. These include: the December 28, 2007 letter from then Commissioner Fred Jacobs approving the closure of Pascack Valley Hospital (PVH); the report of the New Jersey Commission on Rationalizing Health Care Resources dated January 24, 2008 (usually called the Reinhardt Report, after the name of the Commission's chairperson); the concepts of bed "need," availability of beds, bed occupancy, and impact on other hospitals; jobs; and the concept of "observation" beds.

Regarding Dr. Jacob's letter and the Reinhardt Report, neither document guided my review. First, Dr. Jacob's letter indicated that he concluded the closure to be in conformance with established statutory and regulatory criteria. His letter also permitted the retention of the hospital license for two years, cited by some as an indication that

Commissioner Jacobs was not completely convinced the hospital should close. Second, the Reinhardt Report indicated that there would be a bed surplus in the Hackensack, Ridgewood and Paterson Hospital Market Area, which includes PVH. The report raised important issues affecting this market area as well as others in the State. These include hospital economics, bed need/surplus and utilization and governance. However, I cannot base my decision on either of the above documents, both of which used 2006 hospital utilization data and both of which were written when economic times were significantly different and Federal health care and Medicare reform was non-existent. In addition, since that time, not only has PVH closed in the noted market area but so have Barnert Hospital and PBI Regional Medical Center (PBI).

Given the changing healthcare landscape, I have concluded that the approval of this application, which maintains the status quo in terms of the bed to population ratio and which will mainly serve as an extension of Hackensack University Medical Center, is in the public interest.

However, I recognize that the Reinhardt Report raises the important issues noted above in the defined market area. While some of this information may be used to inform individual hospital decisions, perhaps greater value can be achieved through regional discussions and planning. Therefore, I would be pleased to have the Department facilitate meetings of interested parties from the market area and beyond to work to achieve consensus on the report's recommendations for the market area, and if so, what specific steps are necessary and appropriate.

Similarly, I recognize that the transcripts of the public hearings and other documents that the SHPB and I have reviewed have discussed impact on other hospitals, bed "need," availability of beds and bed occupancy. I and the SHPB have carefully considered these arguments. However, as noted above, in the present uncertain health care environment, I believe that the simple maintenance of the current bed to population ratio into the future, as well as providing clearly needed relief to HUMC's high occupancy, especially in a project with relatively low cost, is in the public interest and will not have a significantly negative impact on other hospitals in Bergen County.

As was noted by staff at the SHPB meeting on this application, the Department does not have a licensing category for "observation" beds and collects no information on the use of such beds. Thus, I have not considered the concept of "observation" beds in my decision.

Moreover, I note that some of what I and the SHPB reviewed relate to the issue of job creation. However, this is not a specific statutory or regulatory criterion for CN review. Whether jobs might be created in one community but lost in another due to changing and emerging health care needs and insurance coverages is beyond the scope of the Department's review and expertise. Thus, I have not further considered the issue of job creation in this decision.

Finally, for the reasons set forth in this letter and noting the recommended approval of the SHPB, I am approving HUMC North's application to establish a new general hospital in Bergen County subject to the following conditions, which I note were accepted by a representative of the applicant while addressing the SHPB:

1. The applicant shall file a licensing application with the Department's Certificate of Need and Healthcare Facility Licensure Program (CNHCFL) to execute the licensure of the new hospital.
2. HUMC North shall comply with N.J.A.C. 8:43G-5.21(a), which requires, "[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 inpatient basis.
3. In accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), HUMC North shall not only comply with federal EMTALA requirements but also provide care for all patients who present themselves at HUMC North without regard to its ability to pay or payment source and with no upper limit on the amount of charity care to be provided.
4. HUMC North shall not add additional beds to its approved CN bed inventory of 128 on a permanent basis until at least three years after licensure.
5. Within 30 days of the issuance of the hospital's new license, HUMC North shall provide the Department with an organizational chart of the hospital and each service that shows lines of authority, responsibility, and communication and an explanation of any changes from the chart presented in the application.
6. HUMC North shall hold an annual public meeting pursuant to N.J.S.A. 26:2H-12.50 and develop mechanisms for the meeting that address the following:
 - a. An opportunity for members of the local community to present their concerns regarding local health care needs and hospital operations and how HUMC North should address these; and
 - b. A method for HUMC North to publicly respond to the concerns expressed by community members at the annual public meeting.

HUMC North shall develop these mechanisms within 90 days of this approval and share them with the Department's CNHCFL Program.

7. An outreach plan shall be placed into effect to ensure that all residents of the hospital 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 beginning the first full year after licensure and for six years thereafter to measure its effectiveness including any payments accounted for

activities, including but not limited to, outreach, community programs, and health professional education and shall be submitted to the Department every year for review and comment and presented to the public at the hospital's annual public meeting.

8. HUMC North shall annually submit a written report to measure its progress on establishing and maintaining a residency program supporting up to 30 residency positions, which includes 18 family practice residents along with four residents in each of the three specialties (emergency medicine, obstetrics/gynecology, and general surgery) to address New Jersey's physician shortage in these areas. The first report showing the number of filled residency positions shall be due one year from the initial licensing date. The subsequent reports shall continue for five years, except with regard to the general surgery residencies, which shall continue for seven years (i.e. two years beyond the completion of the respective residencies), and shall include information as to where the physicians have located their practice following completion of their respective residencies.
9. At least 90 days prior to commencement of low risk diagnostic cardiac catheterization services at HUMC North, the applicant shall contact the Office of Health Care Quality Assessment at (609) 341-5558 to ensure accurate and timely reporting of low risk diagnostic cardiac catheterization data.
10. Ninety days prior to the commencement of low risk diagnostic cardiac catheterization services at HUMC North, the applicant shall file a licensing amendment application and obtain licensure approval from the Office of Certificate of Need and Healthcare Facility Licensure.
11. Prior to licensure of low risk diagnostic cardiac catheterization services at HUMC North, the applicant shall provide a signed and dated transfer agreement with Hackensack University Medical Center.
12. HUMC North shall report the status of the above conditions annually and/or as required by a specific condition to the Department's CNHCFL Program.
13. All the above conditions shall also apply to any successor organization to PV Joint Venture which acquires HUMC North within five years from the date of the CN approval.

Please be advised that this approval is limited to the proposal as presented and reviewed. An additional review by the Department may be necessary if there is any additional change in scope, as defined at N.J.A.C. 8:33-3.9. However, effective August 5, 2002, a change in cost of an approved CN is exempt from certificate of need review subject to the following:

1. The applicant shall file a signed certification as to the final total project cost expended for the project at the time of the application for the new

general hospital with the Office of Certificate of Need and Healthcare Facility Licensure.

2. Where the actual total project cost exceeds the certificate of need approved total project cost and is greater than \$1,000,000, the applicant shall remit the additional certificate of need application fee due to the Office of Certificate of Need and Healthcare Facility Licensure. The required additional fee shall be 0.25 percent of the total project cost in excess of the certificate of need approved total project cost.
3. The Department will not issue a license for beds/services until the additional fee is remitted in full.

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 reexamined 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 HUMC North. If you have any questions concerning this certificate of need, please do not hesitate to contact John Calabria, Director of the Department's Office of Certificate of Need and Healthcare Facility Licensure, at (609) 292-8773.

Sincerely,



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

c: Judy Donlen, Chairwoman, SHPB
John A. Calabria, DHSS