



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

CHRIS CHRISTIE  
Governor

KIM GUADAGNO  
Lt. Governor

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

April 17, 2012

**VIA UNITED PARCEL SERVICE**

Thomas J. Senker  
President and Chief Executive Officer  
Newton Memorial Hospital  
175 High Street  
Newton, NJ 07860

Re: CN# FR 110903-19-01  
Project Cost: \$443,500  
Expiration Date: April 17, 2014

Dear Mr. Senker:

I am pleased to inform you that I am approving Newton Memorial Hospital's (Newton) certificate of need (CN) application for four adult closed acute inpatient psychiatric services, also referred to as short-term care facility (STCF) beds in Warren County. This application is being approved at the total project cost noted above.

The Department of Health and Senior Services (Department) has the central responsibility for hospital and health care services including, but not limited to, STCF beds pursuant to the Health Care Facilities Planning Act (Act), N.J.S.A. 26:2H-1 et seq. The Department issued a certificate of need call (Call) inviting applications for the establishment or addition of STCF beds as set forth in the February 22, 2011 and July 18, 2011 editions of the New Jersey Register (See, 43 N.J.R. 452(a) and 43 N.J.R. 1608(a)). The Department developed this Call collaboratively with the Department of Human Services' Division of Mental Health and Addiction Services (DMHAS), which developed the STCF bed need methodology considering the most recent utilization of existing STCF beds in general acute care hospitals and the geographic origin of direct admissions to State psychiatric hospitals from designated screening centers. This Call aims to facilitate short stay involuntary admissions in general acute care hospitals, thereby reducing the number of direct admissions to State psychiatric hospitals.

The Call invited applications from hospitals seeking to meet the bed need identified in their county of origin and contiguous counties. Applicants were able to propose their plans to expand their STCF bed complement either by increasing the total number of inpatient psychiatric beds or by expanding the number of STCF beds through a conversion of adult open acute care inpatient (non-STCF) psychiatric beds to STCF beds.

The Department did not receive any applications in response to the four STCF Warren County bed need issued in the February 22, 2011 Call and therefore reissued the bed need in a subsequent Call on July 18, 2011. On September 1, 2011, the Department received one application for the Warren County beds. Newton Medical Center, a member of Atlantic Health System, proposed to convert four existing non-STCF beds to four Warren County STCF beds. Upon implementation of the project, Newton's bed complement would consist of 10 STCF beds (four Sussex County and six Warren County) and six non-STCF beds. Thus, the applicant's total inpatient psychiatric bed complement of 16 would not change. There are project costs of \$443,500 related to this project to be financed through equity.

N.J.S.A. 26:2H-8 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.

With respect to whether the actions proposed in the application are necessary to provide required health care in the area to be served, I have accepted, as a reliable determination of whether these psychiatric services are necessary, the county-based bed need estimates contained in the Call for applications published in the February 22, 2011 and July 18, 2011 editions of the New Jersey Register (See, 43 N.J.R. 452(a) and 43 N.J.R. 1608(a)). The Call reflects the need methodology developed by DMHAS, which is based upon the utilization of existing closed beds and the geographic origin of direct patient admissions to state psychiatric hospitals. The Call identified a need for four STCF beds in Warren County. These factors indicate to me that meeting the bed need as expressed in the Call is necessary to provide required health care in the area to be served.

I have contemplated whether the action proposed would have an adverse economic or financial impact on the delivery of health services in the region. The applicant currently provides adult STCF services and proposes to convert non STCF

beds to STCF beds in order to meet the need specified in the Call. The resulting increased supply of STCF beds should provide greater availability of community-based STCF beds and decrease direct admissions from Warren County to state psychiatric hospitals. Furthermore, I am convinced that the approval of additional STCF beds identified by the Call will result in appropriate use of the STCF beds designated for residents of Warren County. In turn, this should provide efficient and cost effective STCF bed service delivery without negatively impacting other providers.

N.J.S.A. 26:2H-8(a) requires that I take into consideration the availability of facilities or services that may serve as alternatives or substitutes. The applicant is currently the only provider of STCF services to Warren County, having two existing STCF beds for that county. Therefore, I have determined that, with the exception of State psychiatric hospitals, there are no other local area alternatives for those Warren County individuals who meet the standard for civil commitment in New Jersey.

With regard to the need for special services or equipment within the area to be served (N.J.S.A. 26:2H-8(b)), STCF services is a special service. The applicant is an existing provider of STCF and non-STCF bed services and as such already possesses the special services or equipment needed to provide this service. Consideration must also be given to possible economies and improvements to be anticipated from the operation of joint central services (N.J.S.A. 26:2H-8(c)). The applicant is a psychiatric service provider within a general acute care hospital which can be expected to benefit from such central services as administration, laundry, and clinical and support services. With respect to the adequacy of financial resources and sources of present and future revenues (N.J.S.A. 26:2H-8(d)), the Department's financial analysis revealed that Newton possess the financial resources to undertake and sustain the proposal as presented. Finally, consideration must be given to the availability of sufficient manpower in the several professional disciplines needed to provide the requested psychiatric services (N.J.S.A. 26:2H-8(e)). While additional staff will be necessary to accommodate the proposed bed increase, I am confident that there is sufficient professional staff available to meet the needs for the applicant's proposed project.

I have also taken into consideration the applicable regulations for the services subject to full review (N.J.A.C. 8:33-4.10). I find that Newton has provided an appropriate project description, which includes information as to the total project cost, operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project; assurance that all residents of the area, particularly the medically underserved, will have access to services; and documentation that it will meet appropriate licensing and construction standards. In addition, Newton demonstrated a track record of substantial compliance with the Department's licensing standards.

I find Newton Medical Center to be in substantial compliance with both the scope and intent of N.J.S.A. 26:2H-1.1 et seq. and with the provisions of N.J.A.C. 8:33-1.1 et seq. The applicant is the only facility that applied for the four STCF beds identified in the Call for Warren County. At its February 2, 2012 meeting, the State Health Planning

Board (SHPB) recommended approval of four of the four Warren County beds as Newton requested. Therefore, in consideration of the SHPB's recommendations and for the reasons cited above, which are consistent with the endorsements of DMHAS, I am granting approval to Newton Medical Center for four STCF beds to serve Warren County with the following condition:

The applicant shall maintain psychiatric outpatient clinic services sufficient to serve its inpatient population, in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternate, the applicant may maintain formal written agreements with third party providers to perform this service on its behalf.

Prior to licensure, the applicant shall notify the Department in writing whether the applicant has chosen the alternative outpatient clinic services path as described above. Documentation shall identify the alternative provider and what the alternative clinic hours are as well as attestation that the outpatient clinic serves all regardless of ability to pay or payment source.

Failure to satisfy the aforementioned condition 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 applicable requirements. Acceptance of this condition 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.

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 change in project scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved CN is exempt from CN review, subject to the following:

1. The applicant shall file a signed certification as to the final total cost expended for the project at the time of application for licensure for the beds/service with the Office of Certificate of Need and Healthcare Facility Licensure.
2. Where the 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 the beds/services until the additional fee is remitted in full.

Prior to implementing the STCF beds approved herein, Newton shall submit a license application to the Office of Certificate of Need and Healthcare Facility Licensure at 171 Jersey Street, Building 5, First Floor, P.O. Box 358, Trenton, New Jersey 08625. The Department will issue a revised license that will indicate the facility's total number of STCF beds as a result of this decision and the effective date of licensure. Prior to licensure approval, Newton must obtain STCF designation from DMHAS for the CN approved STCF beds. For information about the requirements for licensure of STCF bed services, representatives from Newton should contact the Office of Certificate of Need and Healthcare Facility Licensure at (609) 292-6552.

This approval is not intended to preempt in any way any municipality's authority to regulate land use within its borders and shall not be used by you to represent that the Department has made any findings or determination relative to the use of any specific property. In addition, any alteration, renovation, or new construction of the physical plant requires the submission of plans to the Department of Community Affairs, Division of Codes and Standards, Healthcare Facilities Plan Review, for review and approval prior to the initiation of work.

We look forward to working with you and helping you to provide a high quality of care. If you have any questions concerning this certificate of need, please do not hesitate to telephone Mr. John A. Calabria, Director, Certificate of Need and Healthcare Facility Licensure Program, at (609) 292-8773.

Sincerely,

A handwritten signature in black ink, appearing to read "Mary E. O'Dowd". The signature is fluid and cursive, with the first name "Mary" being the most prominent.

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

c: State Health Planning Board  
Mr. Calabria