



State of New Jersey  
DEPARTMENT OF HEALTH AND SENIOR SERVICES  
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JON S. CORZINE  
Governor

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

HEATHER HOWARD, J.D.  
Commissioner

July 3, 2008

**VIA UNITED PARCEL SERVICE**

Peter J. Betts  
Interim President and Chief Executive Officer  
Barnert Hospital  
680 Broadway  
Patterson, New Jersey 07514

Re: Barnert Hospital  
CN# FR 080301-16-01  
Project Cost: 0  
Expiration Date: 7/03/2013

Dear Mr. Betts:

I am approving Barnert Hospital's (Barnert) certificate of need (CN) application for the discontinuance of their 256 bed general acute care hospital. Specifically, this application constitutes a request to cease operation of the hospital in its entirety, which consists of 161 medical/surgical, 22 obstetrics/gynecology, 23 pediatric, 20 adult ICU/CCU and 30 psychiatric beds. Barnert is also licensed for 5 intermediate bassinets and is designated as a Community Perinatal Center-Intermediate. There are no capital costs associated with this project.

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 project submitted by Barnert is consistent with those requirements. Therefore, for the reasons that follow, I am approving with conditions the application submitted by Barnert. I note for the record that my decision to approve this application is consistent with the recommendation of the State Health Planning Board (SHPB), which recommended approval of the project with conditions at its May 1, 2008 meeting.

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 certificate of need 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 previously mentioned, I have also taken into consideration the recommendations made by the SHPB to approve this application. I have reviewed the CN application, transcripts of the public hearing and the SHPB meeting and received a briefing from Department staff covering the SHPB meeting, presentations, comments and findings. The presentation by Barnert Hospital's Chief Executive Officer acknowledges and supports the role of their board in taking the necessary managerial action and governance in submitting this application, although I note that the application was submitted approximately three weeks after the hospital ceased providing inpatient care.

I am also mindful that in 1992, the Legislature enacted P.L. 1992, c. 160, the "Health Care Reform Act" (HCRA) to "move in the direction of a deregulated hospital reimbursement system" and promote a "truly competitive market environment." Indeed, in the years since the HCRA became law, the health care environment has changed dramatically; among other things, it has become increasingly competitive and in many ways more financially challenging for hospitals. For example, managed care penetration has grown significantly during this period and, partly as a result of this, hospital utilization has decreased substantially. The HCRA also eliminated authority for hospital rate-setting, which in the past may have shielded hospitals from the financial consequences of their actions or inactions.

In accordance with N.J.S.A. 26:2H-5.8(c), facilities seeking to close or eliminate a health care facility or service subject to certificate of need review by SHPB are required to file a full review certificate of need application. The SHPB is also required to hold at least one public hearing in the service area of the health care facility or service proposed to be closed within 30 days of the application being declared complete by The Department of Health and Senior Services (Department). In this instance, a public hearing took place on April 22, 2008 where twenty people attended and five spoke. All of the speakers expressed concern regarding area residents accessing the services previously offered at Barnert, particularly primary care and emergency services.

I am aware that the application does not fully address the regulatory and statutory requirements set forth below, but I believe that it is the best interest of the public to approve this application so that outpatient services may be re-established at Barnert's site location. I note that new owners of the site have proposed several outpatient services for the site and so indicated in testimony before 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. In

Passaic County, there are three other acute care hospitals in addition to Barnert Hospital, all of which are located within a seven mile radius of Barnert. St. Joseph Hospital and Medical Center (SJHMC)-Paterson is the closest hospital at 2.3 miles then St. Joseph Hospital and Medical Center (SJHMC)-Wayne at 4.3 miles and St. Mary-Passaic at 6.8 miles. In Bergen County, the three closest hospitals are The Valley Hospital at 6.0 miles in Ridgewood, Hackensack University Medical Center at 6.8 miles located in Hackensack, and Bergen Regional Medical Center in Paramus at 7.8 miles. When looking at the current average daily census figures for Barnert, there are a sufficient number of unoccupied licensed beds at SJHMC-Paterson and SJHMC-Wayne alone to absorb the relatively small inpatient census at Barnert. I am confident that the proposed closure will not adversely affect access to health care services for the community, including the medically indigent and medically underserved population. Thus, I am satisfied that this criterion is met. I take notice of the comments regarding the ability to access primary care services and the availability of emergency services and believe that the proposed development of this property to provide outpatient health services would provide access to health care services that benefit the community.

I note from the transcript that Assistant Director Valerie Larosiliere, Department of Human Services, testified that Barnert Hospital worked closely with the the Division of Mental Health for the successful transfer of the behavioral health contracts and some partial care services. In order to ensure a continuity of care for the individuals currently in treatment, as well as future access for individuals seeking treatment for these services, the contracts were transferred over to St. Joseph's Hospital. In addition to the transfer of services and staff, equipment and property (i.e., vehicles, computers, homes, leases for apartments) were transferred to St. Joseph's Hospital. The contracts included a group home for individuals who are diagnosed with mental illness and who are deaf or hard of hearing, and related outpatient services. Based on the communications between the two agencies, Health and Senior Services and Human Services, I am satisfied that the current level of services will be maintained.

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, since at least one or more of the area hospitals currently offer the same services provided at Barnert Hospital. I note that Barnert did not provide any specialized services or equipment that are not replicated by other in-patient and outpatient facilities in the area, including family planning services. I note that Planned Parenthood of Metropolitan New Jersey's Paterson office is among six offices located in northern New Jersey which offer family planning, STD testing and treatment, HIV testing, pap smears, breast exams, and reproductive health exams for women and men. I note, however, that prenatal care services – although not specialized services – were offered at Barnert. These are critical services to the community. Given the importance of prenatal care to ensuring healthy pregnancy outcomes, I want to underscore the fact that Department funding in the amount of \$175,000 is being provided to Planned Parenthood of Metropolitan New Jersey for the start up of prenatal services, with \$75,000 to be used for equipment and

supplies and the remaining \$100,000 as a continuation grant for at least a one year period to secure staffing and services to the population served by the Paterson office. Thus, I believe the former patients of Barnert would not experience problems of access or in the continuity of their care when specialized services and equipment are needed in their plan of care.

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, this provision is not applicable since Barnert would be discontinuing its services. N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. I believe that the closure of Barnert is a responsible course of action given the hospital's poor financial condition. The fiscal forecast for the hospital showed that the continuation of hospital services was unsustainable given their severe operating losses and large debt. I agree that the applicant's rationale to discontinue services at Barnert is a realistic assessment of the health care environment in their service area. I also agree that any further investment in Barnert would not have been cost effective to turnaround the hospital's poor financial position.

Finally, 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 in this regard. Since the application proposes closure of the entire facility, adequate staffing is not an issue. However, I note that the application indicates nearly 640 employees will enter the health care marketplace to assist other hospitals and health care providers fill their budgeted needs with experienced personnel.

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.). Barnert 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, the other area hospitals will continue their services, as well as outreach efforts to low income, racial and ethnic minorities, women, and disabled, elderly and all other patients in need of prevention, diagnostic and treatment services. The area hospitals have longstanding history and a commitment to the community to continue providing medical care and treatment for medically underserved populations. There is no indication that any of these hospitals would discontinue their commitment to preserve the same level of access to health care services for the Barnert community, including the medically indigent and medically underserved population.

I have also taken into consideration the statutory requirement to determine whether the action proposed will have an adverse economic or financial impact on the delivery of health care services in the region or statewide and will contribute to the

orderly development of adequate and effective health care services. I note the project will result in the formal closure of a 256 bed acute care facility, which has already ceased services and had been severely underutilized in the months preceding closure. I conclude that the applicant's decision to close appears sound and in the best interest of the area's health care delivery system. The objectives of this closure are twofold: ensure that outpatient health care services remain accessible and available to the former patients at Barnert and that the overall financial viability of the remaining area hospitals is strengthened.

Additionally, as previously noted, there will be sufficient regional capacity to meet the need for inpatient acute care services, even after closure of Barnert. As to whether the discontinuance of acute inpatient services at Barnert would contribute to the orderly development of adequate and effective health care services, I find that their discontinuance would strengthen area hospitals that are presently underutilized, contribute to rationalizing the delivery of inpatient acute care services in the region and not have a significant adverse impact on any hospital in either Passaic County or the surrounding counties.

Based on the foregoing, and noting the approval of the SHPB, I am approving Barnert's application subject to the following conditions:

1. The applicant shall surrender its license for the existing location to the Department's Certificate of Need and Healthcare Facility Licensure Program (CNHCFL) within ten days of this approval.
2. A detailed description must be provided to the Department, in writing, of the established process to obtain a copy of a complete medical record, inclusive of electronic and hard copy components, and the projected timeframe from request to receipt of medical records.
3. A detailed plan must be provided for public notification regarding the process to obtain a copy of a complete medical record. Public notification must occur on a weekly basis over the course of a three month period in both English and Spanish, commencing on the date of approval of the closure of Barnert by the Commissioner of Health and Senior Services.
4. Barnert shall resolve the following mental health issues with the Division of Mental Health Services and inform the Department in writing upon issue resolution:
  - a. Barnert shall assign the residential leases for apartments D148A and B161B located at 1819 River Road, Fairlawn, New Jersey (the Apartments), and the business lease for premises located at 646 Broadway, Paterson, New Jersey (the Office), to SJHMC-Paterson prior

to the closing of the transaction between Barnert and Community Healthcare Associates, LLC;

- b. Barnert shall transfer title to the real property located at 1 East 35th Street, Paterson, NJ (the Group Home) to SJHMC-Paterson, subject to the terms and conditions of a funding agreement to be entered into between the Department of Human Services and SJHMC-Paterson, prior to the closing of the transaction between Barnert and Community Healthcare Associates, LLC;
- c. Barnert shall transfer title to all of Barnert's personal property located at the Group Home, the Apartments and the Office to SJHMC-Paterson prior to the closing of the transaction between Barnert and Community Healthcare Associates, LLC.
- d. Barnert shall transfer title to all of Barnert's motor vehicles used in connection with the Division of Mental Health Services' programs to SJHMC-Paterson prior to the closing of the transaction between Barnert and Community Healthcare Associates, LLC.

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 your patients. If you have any questions concerning this certificate of need, please do not hesitate to contact John Calabria, Director, Office of Certificate of Need and Healthcare Facility Licensure, at (609) 292-8773.

Sincerely,



Heather Howard  
Commissioner

c: John A. Calabria