



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

www.nj.gov/health

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Commissioner

June 22, 2018

VIA ELECTRONIC & FIRST-CLASS MAIL

William Colgan
Managing Partner
Community Healthcare Associates, LLC
2 Broad Street, Suite 400
Bloomfield, N.J. 07003

Re: Sycamore Rehabilitation and
Assisted Living at East Hanover
CN# ER 171203-14-37
Total Project Cost: \$13,323,068
Expiration Date: June 22, 2023

Dear Mr. Colgan:

Please be advised that the Department of Health (Department) is approving the application of Sycamore Rehabilitation and Assisted Living at East Hanover, LLC, a wholly-owned subsidiary of Community Healthcare & Rehabilitation, LLC (CHR), submitted on December 1, 2017, for the relocation of a long-term care facility, formerly known as Berkeley Meadows in Berkeley Heights, Union County, to a new facility in East Hanover, Morris County. Ownership of this facility's license and 34 long-term care beds were transferred to CHR on February 1, 2016. In addition, the Department is approving the addition of 54 long-term care beds at this new facility, to be known as Sycamore Rehabilitation and Assisted Living at East Hanover. This application is being approved at a total project cost of \$13,323,068.

Specifically, CHR has acquired the 88 long-term care beds as follows: 34 beds located in Union County from Berkeley Meadows, LLC on February 1, 2016; five beds located in Union County from Berkeley Meadows Holdings, LLC on February 1, 2016; 30 beds located in Hunterdon County from VES Corporation on August 5, 2016; 10 beds located in Union County from Delaire Nursing & Rehabilitation on June 5, 2017; and nine beds located in Passaic County from Burriss Post Acute Network/Wayne, LLC on February 17, 2017. Upon completion of the project, the new 88-bed long-term care facility will be located at One South Ridgedale Avenue in East Hanover, Morris County.

N.J.S.A. 26:2H-8 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, the Department 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 to the aforementioned specifics of this application, the Department notes that in identifying those services that are subject to expedited review, services have been chosen that would have a minimal impact on the health care system as a whole and, therefore, for which a statistical bed need methodology would not be necessary. The services in this application are subject to expedited review pursuant to N.J.A.C. 8:33-5.1(a)(11) and N.J.A.C. 8:33-5.1(a)(12) for the relocation of beds and a facility within the same planning region, therefore, a need assessment is not required. The Department believes that the criterion regarding the availability of facilities or services which may serve as alternatives or substitutes is not applicable since the services in this application will have a minimal impact on the health care system as a whole. The need for sufficient special equipment and services in the area does not apply as this application is for general long-term care beds. The Department believes that this project can be economically accomplished and maintained, as the applicant projects a positive net income by the end of the first year of operation. Please also note that while additional professional staff will be required to accommodate the implementation of these long-term care beds, the Department is confident that there is sufficient professional staff available in the area to meet those staffing needs.

Finally, Department staff have taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3 and 8:33H-1.16). The Department finds that Sycamore Rehabilitation and Assisted Living at East Hanover, LLC 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 (N.J.A.C. 8:33-5.3(a)(1)); assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-5.3(a)(2)); and documentation that it will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)). In addition, members of Sycamore Rehabilitation and Assisted Living at East Hanover, LLC have demonstrated a track record of

substantial compliance with the Department's licensing standards (N.J.A.C. 8:33-5.3(a)(3)(ii)).

Pursuant to the criteria set forth in N.J.A.C. 8:33-5.3(a)(2), Department staff has determined that there will not be an adverse impact on the ability of either the general population currently being served or the medically underserved in accessing inpatient long-term care services in Hunterdon, Passaic, and Union Counties as a result of the relocation of 88 long-term care beds to Morris County. According to Department figures, there are currently 418 licensed long-term care beds in Hunterdon County, 2,781 licensed long-term care beds in Passaic County, and 3,126 licensed long-term care beds in Union County. The reduction of 30 long-term care beds from Hunterdon County will decrease its supply by 7.18%. The reduction of nine long-term care beds from Passaic County will decrease its supply by 0.32%. The reduction of 49 long-term care beds from Union County will decrease its supply by 1.57%. The relocation of these 88 long-term care beds to Morris County will increase its supply by 2.83%.

According to N.J. Department of Labor and Workforce Development projections, Hunterdon County currently has 22,680 persons aged 65 and over, which is estimated to increase 10.40%, to 25,040 persons, over the next three years. Passaic County currently has 74,060 persons aged 65 and over, which is estimated to increase 7.77%, to 79,820 persons, over the next three years. Union County currently has 78,420 persons aged 65 and over, which is estimated to increase 8.19%, to 84,840 persons, over the next three years. Finally, according to N.J. Department of Labor and Workforce Development projections, Morris County currently has 83,860 persons aged 65 and older, which is estimated to increase 7.08%, to 89,800 persons, over the next three years. Thus, the Department is satisfied that there will be no adverse effect on access to long-term care beds for residents of Hunterdon, Passaic, and Union Counties, and that the additional 88 long-term care beds at Sycamore Rehabilitation and Assisted Living at East Hanover will benefit the population of Morris County.

Please be advised that this approval is limited to the proposal as presented and reviewed. The application, related correspondence, and any completeness questions and responses are incorporated and made a part of this approval. An additional review by the Department may be necessary if there is any change in scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved certificate of need 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 licensure for the beds/services with the Department's Certificate of Need and Healthcare Facility Licensure Program.

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 Certificate of Need and Healthcare Facility Licensure Program. 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.

Furthermore, pursuant to N.J.A.C. 8:33H-1.15(a), this approval to relocate 88 long-term care beds to Sycamore Rehabilitation and Assisted Living at East Hanover will be subject to the utilization requirements for Medicaid-eligible residents and former psychiatric patients, or a higher standard if one was imposed on a previous certificate of need approval for any of the beds being relocated to this new facility.

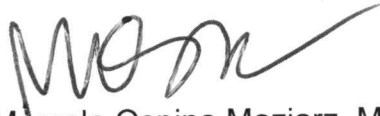
The Department, in approving this application, has relied solely on the facts and information presented to us. The Department offers no opinion as to whether the facility's ownership or business organization is in compliance with the Codey Act, Board of Medical Examiners administrative rules, or federal anti-referral (Stark) and anti-kickback laws. We have not undertaken an independent investigation of such information. If material facts with respect to this application have not been disclosed or have been misrepresented, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the New Jersey Attorney General.

Any approval granted by this Department relates to certificate of need and/or licensing requirements and does not imply acceptance by a reimbursing entity. This letter is not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services.

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 determinations relative to the use of any specific property. Please be advised that services may not commence until such time as a license has been issued by the Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff may be required prior to commencing services; if such a determination is made, you will need to contact a representative from the Division of Health Facility Survey and Field Operations to discuss this matter at (609) 633-8990.

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

Sincerely,



Marcela Ospina Maziarz, MPA
Deputy Commissioner
Health Systems

cc: John Calabria, DOH (electronic copy)
Felicia Harris, DOH (electronic copy)
Pamela Lebak, DOH (electronic copy)
Jeffrey Kasko, DOH (electronic copy)
Susan Jackson, DOH (electronic copy)