



State of New Jersey
DEPARTMENT OF HEALTH
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Commissioner

July 13, 2020

VIA ELECTRONIC & FIRST-CLASS MAIL

Paige Dworak, FACHE
President and Chief Executive Officer
East Orange General Hospital
300 Central Avenue
East Orange, New Jersey 07018

Re: East Orange General Hospital
Conversion from Profit to Non-Profit Status
CN ER# 2019-7135-07
Total Project Cost: \$ 0
Expiration Date: July 13, 2025

Dear Ms. Dworak:

Please be advised that the Department of Health (Department) is approving, with Conditions as noted below, the Expedited Review Certificate of Need (ER-CN) application for East Orange General Hospital (EOGH) dated July 1, 2019, pursuant to N.J.A.C. 8:33- 5.1(b)(2). This application was submitted for East Orange General Hospital, an existing acute care facility licensed for a total of 201 beds (License #10704), located at 300 Central Avenue in East Orange (Essex County). The application proposed a conversion of Prospect EOGH, Inc. from a New Jersey corporation organized under Title 14A of the New Jersey Revised Statutes into a New Jersey non-profit corporation organized under Title 15A of the New Jersey Revised Statutes, pursuant to Section 15A:1-4 of the New Jersey Non-Profit Corporation Act. The application further noted that there are no project costs (capital or financing) associated with this conversion.

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 healthcare 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, this conversion would have a minimal impact on the health care system as a whole and a statistical bed need methodology is not applicable. The change proposed in this application is subject to expedited review pursuant to N.J.A.C. 8:33- 5.1(b)(2). The Department believes that the criterion regarding the availability of facilities or services which may serve as alternatives or substitutes is not applicable inasmuch as the conversion proposed in this application will have a minimal impact on the health care system as a whole.

Related to other regulatory criteria, the need for sufficient special equipment and services in the area is not applicable in this case. Regarding the possible economies and improvement in services to be anticipated from joint central services, the Department finds there is no anticipated operation of joint central services. The Department believes that this project can be economically accomplished and maintained as the applicant states there is no project cost, and also predicts a positive impact on EOGH's finances after the conversion. Related to the availability of sufficient staffing, EOGH has asserted there will be no anticipated staff changes resulting from this conversion, and this action will require no additional staffing since this is only a change in organizational structure.

The Department has taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3), and finds that East Orange General Hospital, Inc., the proposed licensed operator, has provided an appropriate project description. The project description 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)). The Department has reviewed EOGH's track record and has not identified any track record violations to warrant denial of this application (N.J.A.C. 8:33-5.3(a)(3)(ii)).

In arriving at the decision to approve this application, the Department considered a number of factors. In its application, EOGH listed the alternative acute care providers within their catchment area but underscored EOGH's important role as a provider of behavioral health services. These behavioral health services include an Access Center that serves callers with information and referrals; outpatient behavioral health clinics for children and adolescents; an adult outpatient clinic; and Community Support Services providing case management and advocacy services. EOGH has also proposed a 16-bed inpatient medical detoxification service.

Related to access to services, EOGH asserted that they can provide enhanced services to the indigent population through the establishment of a new primary care center, which, in conjunction with their Family Health Center, Women's Health Center and the expanded Bariatric Program, would all support and extend these services. EOGH also referred to their dialysis services, which are provided on both an inpatient and outpatient basis and fulfill a need in the community.

The Hospital stated its rationale for the conversion as follows: "The conversion of the hospital to a non-profit corporation (seeking tax exempt status) will preserve the current level of health care services in the area". The Hospital also reported that the conversion would lead to a community-based Board of Trustees which can engage with the local community leaders to "ensure long term stability and success". In addition, as a non-profit entity, the Hospital reported it will be "able to raise funds from supportive community agencies for hospital programs and participate in the 340B drug pricing program which helps hospitals care for vulnerable patients in underserved areas."

The Department is approving this conversion application and appreciates the Hospital's efforts to progress towards a firm financial footing in order to maintain and hopefully expand services to the community. This is important to the facility itself, the community at large, and also to EOGH employees. EOGH noted that across all sites, there are a total of 843 staff positions; these staff are the most essential resource in providing services.

Please be advised that this approval is limited to the application 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.

Pursuant to N.J.A.C. 8:33-5.3(a)(2), and N.J.A.C. 8:43G-5.2(b) and (c), patients in the EOGH area, particularly the medically underserved, will continue to have access to services. The hospital will not deny admission to patients on the basis of their inability to pay for services.

EOGH has advised the Department that as a result of the reorganization the hospital's Medicaid and Medicare numbers will change. N.J.A.C. 8:33-3(a)2 typically requires that a transfer that will result in a new Medicare provider number for the hospital follow the full review process set forth at N.J.A.C. 8:33-4.1(a). However, given that the conversion to non-profit status is simply a reorganization of the operating entity and will have a minimal impact on the delivery of healthcare a whole, the Department has determined that the expedited CN process is appropriate manner in which to consider this application.

The Department, in approving this application, has relied solely on the facts and information presented. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have

been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the Attorney General.

Any approval granted by the Department relates to certificate of need and/or licensing requirements only 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 the authority of any municipality to regulate land use within its borders and shall not be used by the applicant to represent that the Department has made any findings or determination relative to the use of any specific property.

For the reasons set forth in this letter, the Department is approving East Orange General Hospital's application for conversion from a for-profit to a non-profit facility, with Conditions, as follows:

1. Once the transaction for conversion to a non-profit entity is completed, EOGH shall provide to the Department of Health's Division of Certificate of Need and Licensing within 10 days of finalizing the conversion, the documents submitted by EOGH to the New Jersey Department of the Treasury which reflect the effective date of the conversion.
2. EOGH proposed the establishment of a 16-bed inpatient medical detoxification service, which would provide assessment, evidence-based treatment and referral/ linkage to aftercare services. In addition to establishing an inpatient and outpatient detoxification program, the applicant said their child and adolescent psychiatry services would be expanded.
3. EOGH shall provide a status report on the establishment of the medical detoxification services within two weeks of receipt of this letter, with bi-monthly updates until the new service is open. In addition, updates on the expansion of the child and adolescent psychiatric services will be included in these status reports.
4. The Applicant shall submit a final, signed management agreement between the Hospital and Prospect Medical Holdings, Inc., the management company, within 10 days of executing the agreement. The Applicant will also submit a brief summary with this signed agreement highlighting any changes to the management agreement post-conversion, including:
 - any changes to the specific entity which will directly provide management services to the facility;

- any changes to reporting relationships or related processes; and
- any changes to the specific management company staff who work with EOGH.

If requested by the Department, EOGH will also provide detail on spending related to consultants and management contracts; the management company employees who provide these services; and/or the specific services provided to the hospital.

The above information shall be forwarded to Ellen Kenny in the Department's Division of Certificate of Need and Licensing at Ellen.Kenny@doh.nj.gov.

Failure to satisfy any of the aforementioned Conditions of Approval applicable to this ER-CN application 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 with respect to any application that is the subject of the written objections, and the project shall be re-examined in light of the objections. All of the above Conditions shall also apply to any successor organization to EOGH which may acquire EOGH within five years from the date of this ER-CN approval.

The Department looks forward to working with the applicant to provide a high quality of care to the patients of East Orange General Hospital. Any questions concerning this Certificate of Need approval can be directed to Jean M. DeVitto, Executive Director, Division of Certificate of Need and Licensing at Jean.DeVitto@doh.nj.gov.

Sincerely,



Marcela Ospina Maziarz, MPA
Deputy Commissioner
Health Systems

cc: Stefanie Mozgai, DOH (Electronic mail)
Jean M. DeVitto, DOH (Electronic mail)
Michael Kennedy, DOH (Electronic mail)
Felicia Harris, DOH (Electronic mail)
Ellen Kenny, DOH (Electronic mail)
Susan Jackson, DOH (Electronic mail)
David Kostinas, David G. Kostinas & Associates (Electronic mail)