

CERTIFICATE OF NEED
Department Staff Project Summary, Analysis & Recommendations
Transfer of Ownership

Name of Facility: Hackensack Meridian Health Pascack Valley Medical
CN# 2022-09303-02;01

Name of Applicant: Pure Health Medical Supplies, LLC

Total Project Cost: \$17,275,200

Location: Westwood, NJ

Service Area: Bergen County

Applicant's Project Description:

This certificate of need (CN) application is submitted by Pure Health Medical Supplies, LLC, a United Arab Emirates limited liability company (PHMS or Applicant) and involves the acquisition of a minority ownership interest of Ardent LHP, the direct owner of LHP Hospital Group, Inc., a Delaware corporation (LHP Inc.), which through its subsidiaries owns 65% of Pascack Valley Health System, LLC, a New Jersey limited liability company (Pascack Valley JV). Pascack Valley JV is the sole shareholder of Pascack Valley Hospital, LLC, a New Jersey limited liability company (Pascack Valley LLC), which holds the hospital license for Hackensack Meridian Health Pascack Valley (HMH PV or the Hospital). LHP Inc. is wholly owned by Ardent LHP, a wholly owned subsidiary of AHP Health Partners, Inc., a Delaware corporation (AHP Partners), which, in turn, is a wholly owned subsidiary of Ardent Health Partners, LLC, a Delaware limited liability partnership (AHP LLC). AHP LLC is owned by management partners (7.6%), EGI-AM Investments, LLC (87.5%) (EGI-AM), and ALH Holdings, LLC (4.9%), which is wholly owned by Ventas, Inc. (a publicly traded REIT). No individuals hold an ownership interest in EGI-AM equal to or exceeding 10%. AHP LLC, AHP Partners and Ardent LHP are collectively referred to as Ardent. Following this transaction, EGI-AM's share of AHP LLC will be reduced to 63.85% and PHMS (or one or more of its direct or indirect subsidiaries of which PHMS owns at least 98%) will own 26.05%. PHMS is indirectly owned by Royal Group Holdings LLC and Abu Dhabi Development Holding PJSC. Copies of the before and after ownership charts are annexed to the application, which has been provided to the State Health Planning Board, at Tab G.

Pascack Valley JV is owned 65% by LHP Pascack Valley, LLC, a New Jersey limited liability company (LHP Pascack Valley), and 35% by HMH Hospitals Corporation, an affiliate of Hackensack Meridian Health (HMH). Under the Amended and Restated Limited Liability Company Agreement of Pascack Valley Health System, LLC, dated as of March 23, 2012 (the LLC Agreement), the Board of Directors of Pascack Valley JV has oversight and ultimate authority over the affairs of Pascack Valley JV. The Board is made up of five members appointed by HMH and five members appointed by LHP Pascack Valley. Under the terms of the LLC Agreement, all actions of the Board require approval by a majority of the HMH-appointed members and a majority of the LHP Pascack Valley-

appointed members. Thus, HMH and LHP Pascack Valley have equal representation on the Board. The Board of Directors of Pascack Valley JV appoints the Board of Trustees of the Hospital. Applicant has confirmed that, following the proposed transfer of ownership, it will not cause any changes to be made to the existing governance and operational powers set forth in the LLC Agreement.

Pascack Valley JV has entered into an Amended and Restated Management Agreement with LHP Management Services, LLC (LHP Management), dated as of July 3, 2012, pursuant to which LHP Management performs certain financial, technical, managerial, operational, and administrative support services for the Hospital. Under that agreement, Pascack Valley JV retains all powers incident to ownership of the Hospital.

The Applicant notes that, upon the closing of the transfer of ownership, the overall acute care licensed bed capacity would remain at 87 Medical/Surgical beds, 18 Adult ICU/CCU beds, 18 OB/GYN beds, and 5 Neonatal Intensive Care bassinets. The Hospital's service complement would include the existing Cardiac diagnostic services and Acute Hemodialysis services. The Hospital is also designated as a Primary Stroke Center and a Community Perinatal Center (Intermediate).

According to the Applicant, EGI-AM entered into a Membership Interest Purchase Agreement whereby Applicant will acquire 26.05% ownership interest in Ardent, representing a 16.05% interest in HMH PV. Applicant directly or through its wholly owned subsidiaries owns, manages, and operates healthcare facilities ranging from tertiary care hospitals to a network of primary care clinics. The proposed transaction will have no impact on the ownership or control of operations of Pascack Valley JV or HMH PV.

Applicant's Justification of Need:

The proposed transaction is structured as a membership interest purchase for a partial owner eight tiers above Pascack Valley LLC to sell a minority interest to PHMS, as described above. There is no intention for this transaction to trigger any operational changes or negatively impact the delivery of health care services in the area or throughout the state.

The primary justification for this transaction is to provide access to capital resources necessary to support projected volumes across all services provided by the Hospital. The parties involved believe that the proposed ownership arrangement will put the Hospital in a stronger financial position to invest in facility and operational improvements, generate revenue, and increase access and quality of care.

According to the Applicant, maintaining the current ownership structure will not provide adequate access to these needed financial resources necessary, so the investment of PHMS as a minority owner is a positive development that will help assure the long-term operational and financial stability of the Hospital.

Applicant’s Statement of Compliance with Statutory & Regulatory Requirements:

The Applicant has stated the following to demonstrate its proposed compliance with the statutory criteria contained in the Health Care Facilities Planning Act, as amended, at N.J.S.A. 26:2H-1 et seq. and N.J.A.C. 8:33-1.1 et seq. as follows:

1. The availability of facilities or services which may serve as alternatives or substitutes:

According to the Applicant:

The Applicant states that there are four other acute care hospitals operating within HMH PV’s primary and secondary service areas. The Department has identified five hospitals that operate within 10 miles of HMH PV. These hospitals are listed in order of their proximity to HMH PV as follows: Bergen New Bridge Medical Center (4.1 miles), The Valley Hospital (5.8 miles), Englewood Medical Center (9.4 miles), Holy Name Hospital (9.1 miles), and Hackensack University Medical Center (9 miles). (See Table 1, below). HMH PV is located on the border of the Town of Westwood, with a population of approximately 11,282 residents.

**Table 1
 Distance from Hackensack UMC Pascack Valley - 24745
 250 Old Hook Road, Westwood, New Jersey 07675
 to Area Hospitals**

Provider/Location	Distance from HMH PV (miles)	Travel times from HMH PV (minutes)
Bergen New Bridge Medical Center - 10201 230 East Ridgewood Ave Paramus, NJ 07652	4.1	10
The Valley Hospital - 10211 223 N Van Dien Avenue Ridgewood, NJ 07450	5.8	14
Englewood Hospital and Medical Center - 10202 350 Engle St Englewood, NJ 07631	9.4	24
Holy Name Hospital - 10205 718 Teaneck Rd Teaneck, NJ 07666	9.1	22
Hackensack University Medical Center - 10204 30 Prospect Ave Hackensack, NJ 07601	9	23

Source: GoogleMaps

The Applicant represents that the Hospital will continue to provide the same services in the same manner at the same locations following the proposed transfer of ownership, using the same legal entity names and the same federal tax identification numbers. In other words, the transfer of ownership will have no impact on the current level of care and services provided to the residents in the surrounding communities.

2. Need for special equipment or services in the area:

According to the Applicant:

The Applicant represents that no additional equipment or services will be required as a result of approval of the proposed transfer of ownership. All necessary equipment to operate the facility as a general hospital is currently in use at the hospital and will continue to be in use after consummation of the proposed transaction.

3. Adequacy of financial resources and sources of present and future revenues:

According to the Applicant:

The Applicant describes the proposed transaction as structured as a membership interest purchase. Accordingly, the hospital will continue to access sufficient capital and financial resources to continue to generate revenue sufficient to fund its operating, maintenance and expansion capital needs.

4. Availability of sufficient manpower in the several professional disciplines:

According to the Applicant:

Because the operations of HMH PV are not changing in any way as a result of the transfer of ownership interests, the Applicant does not expect any changes to the medical and professional staff currently employed at the Hospital, or any changes to the availability of sufficient manpower in the several professional disciplines currently offered by the Hospital.

5. Will not 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:

According to the Applicant:

The Applicant does not foresee any negative consequences resulting from this transfer of ownership interests because Ardent LHP and Pascack Valley JV are committed to providing the same inpatient and outpatient services currently

offered at HMH PV. According to the Applicant, the continuation of these same services will not have any effect on the delivery of health care services in the region or Statewide. The Applicant does not anticipate any changes to HMH PV's market share following the proposed transfer of ownership.

Public Hearing/Comments:

A public hearing was held on Thursday, January 12, 2023, from 6:00 p.m. to 7:00 p.m., at The Westwood Community Center, 55 Jefferson Avenue, Westwood, NJ 07675. Representatives from the State Health Planning Board and the Department, along with approximately 16 individuals, were in attendance. There was one speaker at the public hearing; Emily Holliman, Chief Executive Officer of Hackensack Meridian Health Pascack Valley, spoke in favor of the application.

Department Staff Analysis:

The Applicant and the current ownership structure have committed that, upon the completion of the transfer of ownership interests, HMH PV will continue to function as a general acute care hospital at the same level of licensed beds and health care services in the community. Therefore, the proposed transfer of ownership interests is not expected to have a negative impact on the continuity of operations of HMH PV or on community access to the Hospital. In addition, the Applicant has confirmed that there will be no impact on the number and work status of the current professional and non-professional Hospital and clinic employees as a result of this transfer of ownership. Pascack Valley JV's joint venture Agreement gives the two owners of Pascack Valley JV equal decision-making authority. See LLC Agreement at §1.8. Thus, LHP Pascack Valley, the subsidiary that holds a 65% interest in the joint venture, has no greater control of the Pascack Valley JV Board of Directors than does HMH, the entity that holds a 35% interest in the joint venture.

The proposed transfer of ownership interest is expected to give HMH PV a stronger financial position and be better able to access capital, which will allow it to make more investments in its operations and facilities, thereby increasing access and improving quality of care.

Track Record:

According to the Applicant, PHMS does not own, operate, or manage any licensed health care facilities in New Jersey or any other state within the United States. PHMS does own, operate, or manage licensed health care facilities in the United Arab Emirates.

Adequacy of Financial Resources:

A review of Applicant's capital commitments and loan commitment letters demonstrates that there are sufficient funds to complete the proposed transfer of ownership.

Staff Recommendations:

Based on this documentation of proposed compliance with regulatory and statutory criteria, Department staff recommends approving the proposed transfer of ownership for the following reasons and with the conditions noted below.

Reasons:

1. The proposed transfer of ownership interests is expected to give HMH PV a stronger financial position and be better able to access capital, which will allow it to make more investments in its operations and facilities, thereby increasing access and improving quality of care, which will permit the Hospital to continue contributing to the orderly development of efficient health care services in its service area.
2. HMH PV will continue operating as a general acute care hospital, providing the same level of beds and services in the same manner at the same locations.
3. HMH PV has operated in the region traditionally serving the same primary and secondary service areas and no data exists to suggest that this transfer of ownership interests would change HMH PV's relationship with other area hospitals or adversely impact the healthcare status of the community.
4. Applicant represents that the proposed transfer of ownership interests will have no impact on the Hospital's employees or medical staff.
5. The Applicant has complied with the Department's general transfer of ownership criteria: there is a willing buyer and seller; the buyer has presented a financially feasible project; and the Applicant does not have any identifiable track record violations.
6. The application and its attachments shall be incorporated and accepted as commitments and conditions of licensure.
7. The Applicant has stated that HMH PV, in accordance with N.J.A.C. 8:43G-5.2(c), will not deny admission to any patients on the basis of their inability to pay or source of payment.

Conditions:

Based on Applicant's documentation of proposed compliance with regulatory and statutory criteria, Department staff recommends approving the proposed transfer of ownership, with the following conditions:

1. Applicant shall advise the Department's Division of Certificate of Need and Licensing (Division) in writing of the date on which the transfer of ownership became effective so the Division can update HMH PV's licensure record.
2. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that Pascack Valley LLC shall operate HMH PV for at least a five (5) year time period as a general acute care hospital from the date of the effective date of licensure. This condition shall be imposed as a contractual condition of any subsequent sale or transfer of ownership in HMH PV, subject to appropriate regulatory or legal review, within the five-year period.
3. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that Pascack Valley LLC shall continue all clinical services currently offered at HMH PV. Any changes in this commitment involving either a reduction, relocation out of HMH PV's current service area, or elimination of clinical services offered at HMH PV, shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.
4. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that Pascack Valley LLC shall continue compliance with N.J.A.C. 4:43G-5.21(a), which requires that "all hospitals . . . provide on a regular basis, out-patient and preventive services, including services for medically indigent patients, for those services provided on an in-patient basis." Documentation of compliance shall be submitted within 30 days of the issuance of the approval letter, and quarterly thereafter for a period of five years.
5. The value of indigent care provided by HMH PV shall be determined by the dollar value of documented charity care, calculated at the prevailing Medicaid rate, and shall not be limited to the amount of charity care provided historically by HMH PV.
6. In accordance with N.J.A.C. 8:33-3.3(h), Ardent LHP and LHP Inc. shall provide prior notification, in writing, to the Division of any change in their respective ownership interests in Pascack Valley JV.
7. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that Pascack Valley LLC shall continue to 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 reports shall continue for five years from the date of this approval letter, 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.

8. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that HMH PV's annual audited financial statements shall be posted on the Hospital's website within 180 days of the close of the Hospital's fiscal year and shall ensure that the Hospital's quarterly unaudited financial statements are posted on the website within 60 days of the close of the hospital's fiscal quarter. All annual and quarterly statements shall be prepared in accordance with Generally Accepted Accounting Principles. With respect to the posting of quarterly unaudited financial statements, HMH PV may include disclaimer language regarding the unaudited nature of the Quarterly Financial Statements on its website where such statements are posted.
9. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that, within 60 days of submitting its Audited Annual Financial Statements to the Department, HMH PV shall hold an Annual Public Meeting in New Jersey, pursuant to N.J.S.A. 26:2H-12.50, and shall make copies of those audited annual financial statements available at the Annual Public Meeting. HMH PV shall develop mechanisms for the meeting that address the following:
 - a. An explanation, in layperson's terms, of the audited annual financial statement;
 - b. An opportunity for members of the local community to present their concerns to HMH PV regarding local health care needs and Hospital operations;
 - c. A method for HMH PV to publicly respond, in layperson's terms, to the concerns expressed by community members at the Annual Public Meeting; and
 - d. HMH PV shall develop these methods (a through c above) within 90 days of the date of the CN approval letter and provide them to the Division.
10. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that HMH PV maintains compliance with the United States Department of Health and Human Services Standards for Culturally and Linguistically Appropriate Services in Health and Healthcare. Compliance shall be documented and filed with the Division with annual licensing renewal.

11. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that HMH PV complies with federal Emergency Medical Treatment and Active Labor Act requirements and provides care for all patients who present at the facilities without regard to their ability to pay or payment source, in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c) and provides unimpaired access to all services offered by the hospital.
12. After the transfer is implemented, Ardent LHP and LHP Inc. shall comply with all requirements of N.J.S.A. 26:2SS-1 et seq., the Out-of-Network Consumer Protection, Transparency, Cost Containment and Accountability Act (Act), including the requirements pertinent to the Department of Banking and Insurance (DOBI). As part of compliance, Ardent LHP and LHP Inc. must note that:
 - a. If a covered person (i.e., a person on whose behalf a carrier is obligated to pay health care expense benefits or provide health care services) receives medically necessary services at the Hospital on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L. 1992, c.160 (C.26:2H-18.64), Ardent LHP and LHP Inc. shall not bill the covered person in excess of any deductible, copayment, or coinsurance amount applicable to in-network services pursuant to the covered person's health benefits plan.
 - b. If a covered person receives medically necessary services at the Hospital as an out-of-network health care facility on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L. 1992, c.160 (C.26:2H-18.64), and the carrier and Ardent LHP and LHP Inc. cannot agree on the final offer as a reimbursement rate for these services pursuant to N.J.S.A. 26:2SS-9, the carrier, hospital owners, or covered person, as applicable, may initiate binding arbitration pursuant N.J.S.A. 26:2SS-10 or 11.
 - c. If the Hospital is in-network with respect to any health benefits plan, Ardent LHP and LHP Inc. shall ensure that all health-care providers providing services at the Hospital on an emergency or inadvertent basis are provided notification of the provisions of the Act and information as to each health benefits plan with which the Hospital has a contract to be in-network.
 - d. When Ardent LHP or LHP Inc. contracts with a carrier to be in-network with respect to any health benefits plan, they shall annually report to the Department, the health benefits plan with which Ardent LHP or LHP Inc. have an agreement to be in-network.

13. Ardent LHP and LHP Inc. shall, within 48 hours of the status of notices to terminate any HMO or commercial insurance contract that will expand out-of-network service coverage, meet with representatives from the Department and DOBI to discuss the intent to terminate such contract, willingness to enter into mediation, and shall document how it will provide notice to patients and providers, as well as the impact that such action is reasonably expected to have on access to health care.
14. Ardent LHP and LHP Inc. shall take whatever steps are necessary to ensure that HMH PV posts on its website the status of all insurance contracts related to patient care between the hospital and insurance plans. HMH PV shall provide notices to patients concerning pricing and charges related to coverage during termination of plans.
15. LHP Inc. shall remain obligated to comply with all conditions contained in the Department's February 27, 2012 CN Approval Letter.
16. Applicant shall identify a single point of contact to report to the Division of Certificate of Need and Licensing concerning the status of all of the conditions referenced within the time frames noted in the conditions.
17. All of these conditions shall apply to any successor organization that acquires an ownership interest in HMH PV within five years from the date of the CN approval.