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

Name of Facility:	St. Mary's Hospital	CN# FR 130101-14-01
Name of Applicant:	Prime Healthcare Services - St. Mary's Passaic, LLC	Acquisition Cost: $25 million
Location:	Passaic	Equity Contribution: 100% Cash
Service Area:	Passaic County	

Applicant's Project Description:

This application is for the transfer of ownership of St. Mary's Hospital (St. Mary's), a New Jersey non-profit corporation, to Prime Healthcare Services - St. Mary's Passaic, LLC (Prime St. Mary's), a Delaware Limited Liability Company formed on December 26, 2012. Prime Healthcare Services, Inc. (PHSI) is the sole member of Prime St. Mary's. PHSI has its own Board of Directors, of which Dr. Prem Reddy is the Chairman. Prime Healthcare Holdings, Inc. (PHHI) is the sole shareholder of PHSI. Dr. Prem Reddy is the sole director of PHHI. The sole shareholder of PHHI is the KASP Trust whose sole grantor is Dr. Prem Reddy. It should also be noted that Dr. Reddy is the sole director of Prime Healthcare Management, Inc. (PHMI), which is solely owned by Dr. Prem Reddy's Family Trust.

PHSI, by and through its subsidiaries, currently owns and/or operates 25 acute care hospitals in California, Kansas, Nevada, Pennsylvania, Rhode Island, and Texas. PHSI is also affiliated with the Prime Care Service Foundation, a 501 public charity, which owns and operates three acute care hospitals in California. The applicant has stated that upon the transfer of ownership, Prime St. Mary's would continue to function as a general acute care hospital at the same licensed bed complement and service levels previously provided at St. Mary's Hospital.

Upon execution of the transfer of ownership, the overall acute care bed capacity would remain at 264 beds. Categorically, the bed composition would continue to reflect 213 Medical/Surgical beds, 16 OB/GYN beds, 10 Pediatric beds, and 25 Adult ICU/CCU beds. The hospital's service complement would include the existing 8 Inpatient Operating rooms (ORs), 1 Cystoscopy room, a Cardiac Surgery Center (Conditional License status with 2 Cardiac Surgery ORs and 3 Cardiac Catheterization Laboratories), 1 MRI unit, Acute Hemodialysis services, 2 Fixed CT units, 2 Hyperbaric chambers,1 Linear Accelerator and a Sleep Center. In addition, the hospital is committed to continuing its designations as both Community Perinatal Center - Intermediate with 5 bassinets and Primary Stroke Center.

PHSI believes that the proposed transfer would not only ensure the hospital's survival and facilitate its revitalization, but also relieve the present ownership for St. Mary's of a burdensome debt, thereby strengthening the financial viability of St Mary's as a general acute care hospital. PHSI has committed to maintaining Prime St. Mary's as a general acute care hospital for at least five years. This infusion of capital and resources will enable Prime St. Mary's to continue providing the traditional services offered at St. Mary's to area residents and indigent patients without any disruption in the delivery of their health care services.

Applicant's Justification of Need:

After St. Mary's Hospital emerged from bankruptcy, its goal was to find a capital partner that would allow the hospital to continue operating its core services and preserve the current levels of health care for their established service area. St. Mary's initial efforts to accomplish this goal proved unsuccessful until PHSI expressed interest in acquiring ownership of the hospital. PHSI's platform to rescue St. Mary's addresses its operational weaknesses and builds higher quality services in a more structured and stable institutional environment. It also incorporates into their philosophy the Catholic principles upon which St. Mary's was founded in their delivery of care. Without the approval of this Certificate of Need (CN) application for a transfer of ownership, the traditional services now offered at St. Mary's could be drastically reduced or the hospital could close unexpectedly.

The applicant believes that there are many benefits to having the proposed transfer of ownership approved. First and foremost would be the benefit to the patient community since the transfer of ownership would occur without any disruption to the delivery of health care services. The applicant views this transfer as an opportunity to enhance the functional and operational efficiencies at St. Mary's.

PHSI is confident that their planned improvement initiatives will change the future outlook and culture of the hospital increasing both staffing and patient satisfaction. The applicant plans to demonstrate how the application of its national health care business strategy tailored for St. Mary's will stabilize their market share and produce more positive patient outcomes.

PHSI is financially sound with projected revenues of more than $1.6 billion in 2012 and shareholders' equity of more than $250 million. PHSI's hospitals generate positive income and it regularly has more than $100 million cash reserves. PHSI has already agreed to invest no less than $30 million in capital improvements at St. Mary's during the five-year period after licensure. In response to the Department's April 4, 2013 completeness question number 17, the applicant estimates that approximately $43.8 million would be allocated for this purpose, which generally has occurred with previous acquisitions. Prime St. Mary's has committed to allocating a substantial portion of this investment to infrastructure improvements and new or upgraded equipment. PHSI is

also committed to addressing St. Mary's long-term debt and controlling expenses to strengthen the financial integrity of the hospital.

The applicant plans to institute various measures focused on providing higher quality care at lower costs. The applicant's plan includes dedicating its efforts to physician alignment for new business models, the development of an Accountable Care Organization as a means of cost saving accomplished by reducing duplication of medical testing, streamlining technology and information delivery, and coordinating more efficient care delivery. The implementation of these measures is done to improve the accountability and transparency of the hospital. The applicant's objective is to restore the reliability of St. Mary's as the cornerstone of the community healthcare system and renew patient confidence in their services.

PHSI is committed to maintaining the same historic level of care that St. Mary's has provided in the past to uninsured and underinsured patients or adopt policies even more generous than those currently in place. Under the new ownership, Prime St. Mary's will continue its role as a provider of care to the medically indigent. PHSI hospitals during the past five years have provided more than $6.50 million in charity care. The proposed transfer of ownership ensures a seamless transition of services for the uninsured and underinsured, avoiding service and delivery gaps and incongruous care.

PHSI is convinced that its years of health care experience and institutional knowledge as well as capital resources would greatly benefit the community. Its proven experience in rebuilding and recovery of hospitals in financial distress in other states would strengthen the overall operation of St. Mary's so that it can attain its full potential as a premier health care provider. The applicant is confident that these efforts will reverse the historical outmigration trend and improve future patient volume. The applicant believes this transfer of ownership will be another successful endeavor producing a cost efficient and high quality care model hospital.

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

The applicant has stated the following to demonstrate its 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 acknowledges that there are five other hospitals within a ten-mile radius of St. Mary's. These hospitals are listed in order of their proximity to St.

Mary's as follows: St. Joseph's Regional Medical Center (3.91 miles), Hackensack University Medical Center-Mountainside (6.16 miles), Hackensack University Medical Center (6.67 miles), Meadowlands Hospital Medical Center (7.75 miles) and Clara Maass Medical Center (8.41miles). St .Mary's is located in the City of Passaic with a target population comprising the greater Passaic service area, which includes predominantly the City of Passaic as well as contiguous census tracts in Clifton, Wallington, East Rutherford and Rutherford.

PHSI is committed to maintaining the current level of care and services for the area. This would preserve the same alignment of service accessibility and availability for their patients. The continuation of these services at St. Mary's is the least disruptive of all the plausible options for the community.

St. Mary's has played and will continue under the new ownership to play a prominent role in providing health care to the uninsured and underinsured in the community. Prime St. Mary's will continue to function as a "safety net" for these population segments.

Emergency Departments have become the first resort for medical care in cities across the State. St. Mary's treated 33,700 patients in 2012 and projects this trend will increase to 34,000 in 2013 before any signs of leveling off. The closure of the full scale emergency room at St. Mary's would have a devastating effect on the surrounding hospitals' emergency rooms. Redirecting these patients to surrounding hospitals would likely result in overcrowding of Emergency Departments and compromise the care provided for emergency patients. In addition, the applicant also highlights that St. Mary's emergency room is essential in mitigating the crisis management of treating psychiatric patients in the community, which is becoming a growing problem for inner cities.

2. The need for special equipment and services in the area:

<u>According to the Applicant:</u>

The applicant intends to continue to operate St. Mary's as a general acute care hospital, providing a diversified set of comprehensive inpatient and outpatient services in the city of Passaic. There will be no downsizing or reducing of services at St. Mary's. Prime St. Mary's would only make future adjustments in the provision of their general or specialized services based on health need assessments of the region which demonstrate identified gaps in service or the expansion of existing service gaps and to eliminate duplicated services. In particular, PHSI intends to bring its national experience to Prime St. Mary's in order to rebuild the existing cardiac program operated by previous owners of St. Mary's.

3. **The adequacy of financial resources and sources of present and future revenues:**

   According to the Applicant:

   PHSI is financially sound with projected revenues of more than $1.6 billion in 2012 and shareholders' equity of more than $250 million. PHSI's hospitals generate positive income and it regularly has more than $100 million cash reserves. PHSI has already agreed to invest no less than $30 million in capital improvements at St. Mary's during the five-year period after licensure.

   PHSI intends to purchase St. Mary's with cash. Later Prime St. Mary's will either be financed by a REIT (Medical Properties Trust) using the real property as collateral with a long-term sale lease back arrangement, or with traditional financing using the proceeds from a JP Morgan Chase term loan.

4. **The availability of sufficient manpower in the several professional disciplines:**

   According to the Applicant:

   The current number of employees at St. Mary's is approximately 1200. Prime St. Mary's will retain substantially all of the 1200 employees. PHSI does not anticipate any changes in the current contracts with professional staff subsequent to this transfer of ownership. Prime St. Mary's plans to implement a number of measures to enhance the hospital's ability to recruit and sustain the appropriate complement of physicians, clinical staff, and support personnel to ensure the long-term viability of St. Mary's. This includes the development of an Accountable Care Organization, upgrading medical equipment and information technology, maintaining an open medical staff and honoring the medical staff privileges of all physicians on staff as of the closing as well as incorporating medical staff members on the hospital's governing board.

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 since Prime St. Mary's is committed to providing the same inpatient and outpatient services currently offered at the existing St. Mary's. The continuation of these same services would not have any effect on the delivery of health care services in the region or statewide. Prime St. Mary's would also continue to serve the same payer mix, thereby maintaining all of the established

bridges to access and care. The applicant is convinced non-approval of the CN transfer of ownership would adversely affect the medically indigent and underinsured since the hospital is a major provider of emergent and urgent care health care services for these populations. The discontinuance of this role would force the remaining hospitals in the county to absorb an unfavorable payer mix and threaten their financial stability. In essence, it would place the residents of the greater Passaic service area, which includes predominantly the City of Passaic as well as contiguous census tracts in Clifton, Wallington, East Rutherford and Rutherford at greater risk when health care emergencies arise and immediate care is essential. Any unplanned reduction or closure of services would produce serious consequences in accessing healthcare services for community residents.

Public Hearing:

The first public hearing was held on January 15, 2014, at Passaic High School from 6:00 pm until 8:00 pm. Approximately 300 were in attendance at the hearing; 37 of the 90 speakers who had signed up provided comments in the time allotted. Speakers included representatives from St. Mary's Hospital administration, Board of Trustees and programs, elected officials, physicians, residents of the community, union representatives, and an advocacy organization.

Sister Barbara Conroy described the decision by the board of trustees at St. Mary's Hospital and the sponsors of the Sisters of Charity to support the PHSI acquisition after months of research, review, and intense discussion. Sister Conroy stated she and the board of trustees were confident that PHSI would ensure that St. Mary's could uphold its mission by providing quality healthcare. President and Chief Executive Officer Edward J. Condit detailed the search for a capital partner, which began more than three years ago and PHSI's commitment to "make sure St. Mary's continues to provide a broad range of services to the community."

Elected officials spoke of the importance of the hospital in the community as a provider of health care, a major employer, and critical to redevelopment. They noted that Passaic is one of the lowest car ownership cities in the state and that many of the residents do not have the ability to drive to other hospitals. An emphasis was placed on St. Mary's, its importance as a healthcare institution, and the adverse impact on the community if the hospital closed.

The majority of speakers supported the applicant's acquisition of the hospital. The reasons for this support included: the benefit to the community of a potential buyer which has made a commitment to invest resources and deliver quality care; continued access to a fully functioning 24-hour emergency room; the role of PHSI in taking over urban hospitals and stabilizing them; maintaining the hospital's present level of charity care; the fact that, if the proposed buyer is not approved, the hospital would close; need

in the area for an inpatient acute care hospital and its emergency department, especially for the large number of poor and medically indigent in the area; strength of the applicant; and the loss of expertise currently provided by the staff of St. Mary's.

A commenter from Jersey Nurses Economic Security Organization (JNESO) discussed the thorough and lengthy review process completed by the Department and the board of trustees. JNESO has a contract with PHSI for which they bargained as soon as PHSI made a commitment to purchase the facility.

At least four speakers were unsure whether or not to support the application. Speakers described concerns with: PHSI's decision to renegotiate insurance contracts so they can make it a little more profitable and the need to watch the patterns and the validity of the reported quality rankings; the fact that Prime St. Mary's is a for-profit applicant; whether Prime St. Mary's would continue St. Mary's mission and continue as a healthcare facility for at least ten years, suggesting that a healthcare monitor be appointed to ensure Prime St. Mary's performance. Another noted that it would be preferable to wait until it could be seen whether or not the Affordable Care Act would improve access to hospital services, and expressed concern about PHSI's character. Additional concerns related to PHSI being required to maintain in-network status with insurance programs; maintaining levels of charity care; adherence to fair and aboveboard billing and coding practices; and whether PHSI was the right organization to operate the hospital.

Three commentators were Service Employees International Union (SEIU) workers from California who urged denial of the application and stated PHSI had violated various work and wage standards in that state; they stated that they believed the State of New Jersey has good cause to exclude PHSI from participating in Medicaid, that the applicant had failed to negotiate with the union in California, had closed units in their hospital, and had decreased staff-to-patient ratios.

A second public hearing was held on January 30, 2014 at St. Clare's Elementary School in Clifton to accommodate additional speakers. Speakers included current and former employees of St. Mary's, employees of other PHSI hospitals, physicians, residents, nurses, and community members. Approximately 100 people attended this hearing, with 21 speaking. The speakers overwhelmingly supported Prime St. Mary's application based on its merits and value to the community; the value of the emergency department for the community and for overflow of patients at other facilities; opportunity for access to information and support from PHSI; the role of St. Mary's as a safety net hospital and the ability to provide the highest level of care offered by PHSI; the commitment of St. Mary's staff to make St. Mary's survive; and the expertise of PHSI in turning around hospitals.

Two speakers spoke of PHSI acquisitions of hospitals. The first spoke about a hospital in urban Philadelphia, PHSI's role in major infrastructure work, purchases of clinical equipment, and changes in staffing, adding nurses and other support staff. The second

speaker discussed the purchase of a facility in bankruptcy and, upon acquisition, having access to expertise of over 20 different hospitals throughout the United States.

Some speakers raised concerns that the for-profit company will neglect the mission of a full service community hospital and that assurances need to be in place so that community's needs be fulfilled; that additional, measurable oversight needs to be in place; and that the Department consider imposing oversight measures. One speaker recommended a monitor.

It is also noted that in Completeness Questions (May 1, 2013), Response No. 10, the applicant stated that it fully expects a significant number of letters of support from elected and public officials. The Department has not received any of these letters other than copies of four letters of support filed with the Office of the Attorney General and shared with the Department: one from the Mayor of the City of Clifton, two from City of Garfield (one authored by the Mayor and the other signed by the City Manager), and one from the President of Passaic County Community College. The applicant in its Completeness Questions (March 7, 2013) Response indicated that it has made a significant effort to meet with elected officials from federal, state, county and local governments as well as labor and community leaders. The applicant has provided each of them with information on this acquisition and updates, as well as the opportunity to ask questions or express concerns.

Track Record:

The Department analyzed PHSI's track record in various states in accordance with factors set forth at N.J.A.C. 8:33-4.10. Hospital regulators in California, Nevada, Pennsylvania and Texas provided track record information for each PHSI-owned hospital in these states. Department staff also consulted with Rhode Island as to its investigation of PHSI's track record. Department staff identified no track record violations sufficiently serious to warrant denial of the application.

Department Staff Analysis:

Department staff has concluded that the applicant has adequately documented proposed compliance with the applicable CN rules (N.J.A.C. 8:33-1.1 et seq.) and general statutory standards at N.J.S.A. 26:2H-1 et seq. For the purposes of this review, this application is considered a transfer of ownership of a licensed facility currently offering healthcare services and not a reduction, elimination, or relocation of health care services.

Staff has reviewed media reports of accusations, investigations and/or legal proceedings involving PHSI, its subsidiaries and its healthcare facilities in the state of California and other states. There is an ongoing investigation by the U.S. Department

of Justice of PHSI's Medicare billings. The Department is also aware of a settlement payment by PHSI involving alleged violations of federal patient confidentiality laws. PHSI took corrective action to ensure patient protections going forward.

Several legal advocacy, government "watchdog" and organized labor organizations maintain that PHSI's record in California and other states is suspect in a number of areas and should be taken into consideration by the Department and the SHPB during its review. The Department acknowledges these concerns, which are addressed in some of the recommended conditions found later in this summary. The Department also consulted with the Office of Attorney General as to its investigation of PHSI under the Community Health Care Assets Protection Act. The Department is unaware of any finding that a Prime entity or any of its principals are guilty of any criminal action related to the operation of hospitals in any state.[1]

Department staff reviewed the applicant's CN application and determined that the applicant's rationale to transfer the ownership of St. Mary's is a realistic assessment of the St. Mary's service area and the healthcare services environment for greater Passaic service area, which includes predominantly the City of Passaic as well as contiguous census tracts in Clifton, Wallington, East Rutherford and Rutherford. Prior to 2003, there were three facilities serving this community: St. Mary's Hospital, Passaic Beth Israel Hospital, and The General Hospital of Passaic. In 2003, Passaic Beth Israel acquired the General Hospital of Passaic. And, in March 2007, St. Mary's acquired Passaic Beth Israel. St. Mary's struggled with lower admissions, high length of stay and unexpected costs associated with campus facilities. In March 2009, St. Mary's entered bankruptcy and emerged from that bankruptcy in 2010 with a reorganization plan. Despite a brief period of improved admissions and break even finances in the first six months, between 2010 and 2011, St. Mary's admissions began falling and the facility continued to struggle financially. St. Mary's has been financially distressed for a

[1] Allegations of wrongdoing by PHSI gave rise to requests for appointment of a monitor. Staff supports requiring facilities to use consultants for particular purposes but the use of a general monitor is not recommended. In past instances where the Department has appointed an independent health care monitor, the cost of the monitor substantially outweighed the benefits derived from the monitor. A general monitor is typically not as effective as state oversight. The Department is able to oversee compliance and monitor care through the following mechanisms: ongoing evaluation of compliance with Certificate of Need (CN) Conditions; regulatory enforcement such as plans of correction, on-site revisits and civil monetary penalties, as necessary; on-site monitoring visits, which are unannounced; review of facility reporting, including financial performance; complaint investigations; and consultation with Centers for Medicare and Medicaid Services, as necessary. In addition, the Department has authority to place an appointee on the board of a financially stressed hospital to have direct input into fiscal and management decisions. The Department also may place conditions on CNs that are tailored to for-profit purchases.

number of years and has received significant financial support from the State of New Jersey. Since 2009, St. Mary's has received $34.3 million in stabilization grants from the Department and $5.6 million from the Treasury Department to cover debt service payments. As a condition to stabilization funding, St. Mary's was required to search for a strategic partner or association with another health care system. PHSI has committed to operating Prime St. Mary's at the same licensed bed capacity and scope of services currently available at St. Mary's for at least five years. The proposed transfer appears to be a feasible option for ensuring that Prime St. Mary's continues to provide health care services to the community. Overall operating costs and reduced patient volume at St. Mary's account for their decision to transfer ownership to PHSI. For St. Mary's to continue to operate as a small scale independent community hospital would exert significant financial pressure on its limited resources increasing its operating losses, possibly leading to either a significant unplanned reduction of community health services or hospital closure. The objective of this transfer of ownership is to reshape the healthcare delivery system at the existing St. Mary's, and provide more efficient and effective services, without causing any disruption in the continuity of care for its patients.

In reviewing the availability of facilities or services which may serve as alternatives or substitutes, Department staff notes that there are five hospitals (St. Joseph's Regional Medical Center, Hackensack University Medical Center-Mountainside, Hackensack University Medical Center, Meadowlands Hospital Medical Center and Clara Maass Medical Center within a ten-mile radius of St. Mary's. If the radius were extended to 17 miles, four additional hospitals would be available for care (Holy Name Medical Center, Bergen Regional Medical Center, Valley Hospital, and Englewood Hospital and Medical Center). Please refer to Table 1.

Table 1
Distance from St. Mary's Hospital, Passaic - 11606
350 Boulevard, Passaic, NJ 07055
to Area Hospitals

Provider/Location	Distance from St. Mary's Hospital (miles)	Travel times from St. Mary's Hospital
St Joseph's Regional Medical Center - 11605 703 Main St Paterson, NJ 07503	3.91 mi	10 min
HackensackUMC Mountainside - 10708 Bay And Highland Ave Montclair, NJ 07042	6.16 mi	17 min
Hackensack University Medical Center - 10204 30 Prospect Ave Hackensack, NJ 07601	6.67 mi	19 min
Meadowlands Hospital Medical Center - 10906 55 Meadowlands Pkwy Secaucus, NJ 07094	7.75 mi	13 min

Clara Maass Medical Center - 10701 One Clara Maass Drive Belleville, NJ 07109	8.41 mi	15 min
Holy Name Medical Center - 10205 718 Teaneck Rd Teaneck, NJ 07666	10.32 mi	24 min
Bergen Regional Medical Center - 10201 230 East Ridgewood Ave Paramus, NJ 07652	11.78 mi	19 min
Valley Hospital - 10211 223 N Van Dien Avenue Ridgewood, NJ 07450	13.68 mi	24 min
Englewood Hospital and Medical Center - 10202 350 Engle St Englewood, NJ 07631	16.57 mi	29 min

Source: Map Quest

After reviewing the data pertaining to licensed and maintained beds (see appendices), Department Staff believes that the decision to transfer the ownership of St. Mary's is in the best interest of the hospital's patient base in the greater Passaic service area. This transfer, the only option presented to the Department, would be the least disruptive to the area's health care delivery system of all the possible options, at this time. Staff does not believe this transfer would significantly affect any of the existing providers or create access problems, since the new ownership is committed to serving the same population as its predecessor and working towards increasing the utilization of existing resources. On balance, the stability to the community by this provider outweighs the alternative of an unplanned reduction of services or significant disruption resulting from closure. Department staff is satisfied that the health status of the patients in Passaic County would not be compromised based on the completion of this transfer with CN conditions.

The need for special equipment and services in the area will not be impacted as the applicant is to maintain the facility as an acute care general hospital at the same licensed bed complement and service levels. Department staff accepts applicant's statement to maintain inpatient services and acknowledgement that the applicant's business plan does not establish any new inpatient services, although low utilization in terms of maintained bed occupancy and cardiac surgical services is noted.

Adequacy of financial resources and sources of present and future revenues

According to unaudited financial statements for the period ending 9/30/13 provided by the applicant, PHSI reported an excess of revenues over expenses of $114,320,822, which translates to a profit margin of 7.6%. Unrestricted cash as of 9/30/13 was

$84,808,630, which translates to about 17 days cash on hand. For the same period, St. Mary's Hospital reported expenses in excess of revenues of $*2,471,000, which translates to a profit margin of 2.36%.* Note that absent *a* stabilization grant of $5.0 million, the margin would have been negative 2.54%. Unrestricted cash as of 9/30/13 was $4,536,000, which translates to about 17 days cash on hand.

St. Mary's has been financially distressed for a number of years and has received significant financial support from the State of New Jersey. Since 2009, St. Mary's has received $34.3 million in stabilization grants from the Department and $5.6 million from the Treasury Department to cover debt service payments.

St. Mary's Hospital currently has about $39 million in long-term debt outstanding and $5.1 million in a working capital line of credit.

According to projections provided by the applicant, St. Mary's is forecast to generate positive profit margins of between .69% and 1.35% in the years 2014-2016. Unrestricted cash on hand is projected to be about $1 million during the forecast period but PHSI has access to working capital loans to provide liquidity to the hospital.

The Department notes that in response to Completeness Question 1 (July 11, 2013) the applicant discloses that at the present time, Prime St. Mary's has no ownership rights to negotiate, extend or terminate any insurance contracts between St. Mary's Hospital and insurance companies. The Asset Purchase Agreement contemplates that Prime St. Mary's would assume the existing health plan agreements and, once the transfer of ownership has been approved and the transaction is complete, Prime St. Mary's will evaluate the contracts and send its notices to renegotiate as necessary. The applicant has expressed its commitment to negotiate in good faith to obtain reasonable terms and rates. The applicant notes that if St. Mary's is deemed "Out-of-Network," the health plan will be billed the usual and customary charges for the services provided.

The applicant believes that cost savings would be achieved for this hospital and the county with the implementation of their business model via the application of a higher level of coordinated care and technology including upgrading outdated equipment in order to more effectively manage the delivery and quality of their health care services.

Staff Recommendations:

Based on this documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the transfer of ownership of St. Mary's to Prime St. Mary's for the following reasons and with the conditions noted below.

Reasons:

1. The Board of Trustees at St. Mary's Hospital exercised its fiduciary duty in researching, reviewing and discussing applications to transfer ownership of St. Mary's Hospital. Department Staff note the recommendation of the Board is that the proposed transaction best meets the needs of the community.

2. Financial conditions at St. Mary's under the present ownership would place the continued operation of St. Mary's at risk and could eventually lead to unplanned closure, significant reduction of services or bankruptcy. The applicant is focusing its efforts on rebuilding the healthcare delivery system at St. Mary's by enhancing their medical and non-medical supportive technology, as well as creating a more structured physician and patient environment for better care. This transfer has the potential of promoting the sharing of services and administrative efficiencies in the near future since the applicant currently has certificates of need filed to acquire St. Michael's Medical Center in Essex County and St. Clare's Hospital Denville and Dover in Morris County, although there may be risks associated with the potential acquisition of multiple hospitals by the Prime system in the event the pending criminal investigation were to result in criminal indictments against one or more of Prime's principals.

3. Since 2008, the overall annual occupancy rate and Average Daily Census (ADC) for the maintained medical/surgical, OB/GYN and ICU/CCU beds at St. Mary's have been gradually declining. The pediatrics beds on the license are not currently being maintained. Without additional funding to strengthen their delivery system, it is doubtful that the present ownership would be able to continue providing services at their present levels. The applicant's business model and marketing strategies for St. Mary's could either stabilize or stimulate an increase in patient volume. The applicant plans to implement the same principles used successfully at its other acquired hospitals to return St. Mary's to financial stability, such as effective medical management, application of operational efficiencies and prudent capital investments.

4. St. Mary's has operated in the region serving the City of Passaic and the nearby communities and no data exists to suggest that this transfer of ownership would change St. Mary's relationship with the other Passaic County/regional hospitals or adversely impact the healthcare status of the community.

5. The applicant complies 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 buyer does not have any identifiable track record violations sufficiently serious to warrant denial of the application.

6. The application and its attachments shall be incorporated and accepted as commitments and conditions of licensure by PHSI, PHHI, PHMI and Prime St. Mary's.

7. The applicant agrees to provide the same historic levels of care that St. Mary's has provided in the past to uninsured and underinsured patients and adopt policies even more generous than those currently in place.

Conditions:

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

1. The applicant shall file a licensing application with the Department's Certificate of Need and Healthcare Facility Licensure Program (CNHCFL) to execute the transfer of the ownership of St. Mary's license to Prime St. Mary's.

2. The applicant shall notify the Department's CNHCFL, in writing, of specifically who is responsible for the safekeeping and accessibility of all St. Mary's patients' medical records (both active and stored) in accordance with N.J.S.A. 8:26-8.5 et seq. and N.J.A.C. 8:43G-15.2.

3. The applicant, Prime St. Mary's, agrees to retain substantially all of the current 1,200 employees at St. Mary's. Prime St. Mary's shall document to CNHCFL six months after licensure the number of these employees retained and provide the rationale for any workforce reductions.

4. Prime St. Mary's shall operate St. Mary's as a general hospital, in compliance with all regulatory requirements, for at least five years. This condition shall be imposed as a contractual condition of any subsequent sale or transfer, subject to appropriate regulatory or legal review, by Prime Mary's within the five-year period.

5. Prime St. Mary's shall continue all clinical services and community health programs currently offered at St. Mary's, for at least five years. Any changes in this commitment involving either a reduction, relocation out of St. Mary's current service area, or elimination of clinical services or community health programs offered by St. Mary's former ownership shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.

6. Prime St. Mary's shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "[a]ll hospitals . . . provide on a regular and continuing basis, out-

patient and preventive services, including clinical 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 license and every six months thereafter for a period of five years.

7. Prime St. Mary's shall comply with federal EMTALA requirements, and provide care for all patients who present themselves at St. Mary's 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).

8. Prime St. Mary's shall provide care in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), which shall not be limited to, nor substantially less than, the amount of charity care provided historically by St. Mary's.

9. Within 60 days of licensing, Prime St. Mary's shall establish an effective Local Governing Board for the hospital responsible for (a) representing the Acute Care Hospital in the community and representing the views of the community to the local governing board in its deliberations, (b) participating in Prime St. Mary's community outreach programs; (c) supervising the Hospital's charity care policies and practices; (d) monitoring financial indicators and benchmarks; (d), and monitoring quality of care indicators and benchmarks. The Local Governing Board shall adopt bylaws and maintain minutes of monthly meetings. Prime St. Mary's shall submit to the Department a current working description of the Local Governing Board's authorities, roles and responsibilities and clearly define those in comparison to its working relationship with the national PHSI Board as well as advise the Department of any significant changes to these working relationships made during each year that the hospital is in operation. The Local Governing Board shall maintain suitable representation of the residing population of Prime St. Mary's service area who are neither themselves employees of, nor related to employees or owners of, any parent, subsidiary corporation or corporate affiliate. A member of the Advisory Board established pursuant to Condition 27 shall be an ex-officio member. Annual notice shall be made to the Department of this Board's roster, along with any policies governing Board composition, governance authority and Board appointments.

10. Within 30 days of licensing, PHSI shall provide the Department with an organizational chart of the hospital and each service that shows lines of authority, responsibility, and communication between PHSI and hospital management and the Board. PHSI, as licensee operating Prime St. Mary's, shall be responsible for compliance.

11. Prime St. Mary's shall report the progress on the implementation and measured outcomes of the following initiatives noted in the application to improve the operational efficiency and quality of care at Prime St. Mary's every six months for the next five years, starting on the date a license is issued to Prime St. Mary's:

a. Institute a physician recruitment effort, primary care and specialty, to support Prime St. Mary's;

b. Institute a measure to decrease "wall time" (time paramedics and EMT's are required to wait in the Emergency Department); and

c. Institute a community outreach program to meet the primary care needs of the community reducing unnecessary Emergency Department visits.

12. Within three months of licensure approval, Prime St. Mary's shall develop and participate in a Community Advisory Group (CAG) to provide ongoing community input to the hospital's CEO and the hospital's Board on ways that Prime St. Mary's can meet the needs of the residents in its service area.

a. Subject to the provisions below, Prime St. Mary's shall determine the membership, structure, governance, rules, goals, timeframes, and the role of the CAG in accordance with the primary objectives set forth above, and shall provide a written report setting forth same to the hospital's Board, with a copy to the Department and subject to the Department's approval, within 60 days from the date of formation of the CAG.

b. Prime St. Mary's shall minimally seek participation from each town in its service area by offering a seat on the CAG to each town's mayor or his/her designee. Membership on the CAG shall include patient advocates, local public health officials, clinical practitioners whose mission is to ensure that New Jersey residents are provided fully-integrated and comprehensive health services, labor union officials and community advocates. Prime St. Mary's shall designate co-chairs of the CAG, one of whom shall be a member of the hospital's Board and one of whom shall be a community member who is neither an employee of, nor related to employees or owners of, any parent, subsidiary corporation or corporate affiliate.

c. A CAG representative shall be given a seat, ex-officio, on the hospital's Board.

d. The co-chairs of the CAG shall jointly submit to the hospital's Board, with a copy to the Department, a semi-annual report of the progress toward the goals of the CAG.

e. The co-chairs of the CAG shall jointly transmit to the hospital's Board, with a copy to the Department, quarterly and any special reports relative to the implementation of these conditions.

f. Each member of the CAG shall be required to publicly disclose any and all conflicts of interest to the CAG members and the hospital's Board.

g. Prime St. Mary's may petition the Department to disband the CAG not earlier than three years from the date of licensure and on a showing that all of the above conditions have been satisfied for at least one year.

13. Prime St. Mary's shall submit annual reports to the Department for the initial five years following the transfer of ownership, or upon request, detailing:

a. The investments it has made during the previous year at the hospital. Such reports shall also include a detailed annual accounting of any long- or short-term debt or other liabilities incurred on the hospital's behalf and reflected on the Prime St. Mary's balance sheet;

b. The transfer of funds from the hospital to any parent, subsidiary corporation, or corporate affiliate and indicating the amount of funds transferred to document that assets and profits reasonably necessary to accomplish the healthcare purposes remain with the hospital. Transfer of funds shall include, but not be limited to, assessments for corporate services, transfers of cash and investment balances to centrally controlled accounts, management fees, capital assessments, and/or special one-time assessments for any purpose;

c. All financial data and measures required pursuant to N.J.A.C. 8:31B and from the financial indicators monthly reporting; and,

d. A list of completed capital projects itemized to reflect both the project and its expenditure.

14. Within 15 business days of approval of this application, Prime St. Mary's shall provide a report to the CNHCFL detailing the communication plan to St. Mary's staff, the community, including but not limited to elected officials, clinical practitioners, EMS provider, concerning the approval of the transfer of license and the availability of fully-integrated and comprehensive health services. This shall include reference to the outreach plan referenced in Condition 16 below.

15. Prime St. Mary's shall hold an annual public meeting in New Jersey pursuant to N.J.S.A. 26:2H-12.50 and develop mechanisms for the meeting that address the following:

a. An opportunity for members of the local community to present their concerns to Prime St. Mary's regarding local health care needs and hospital operations, and a procedure on how those concerns will be addressed by the hospital; and

b. A method for Prime St. Mary's to publicly respond to the concerns expressed by community members at the annual public meeting. Prime St. Mary's shall develop these methods within 90 days of approval of this application and share them with the Department's CNHCFL Program.

16. An outreach plan shall be established to ensure that all residents of the hospital service area, especially the medically indigent, have access to the available services at the location. A self-evaluation of this effort shall be conducted on an annual basis for five years after licensure to measure its effectiveness. The evaluation shall be submitted to the Department within 20 business days after each year of licensure concludes and presented to the public at the hospital's annual public meeting.

17. After the transfer is implemented:

a. Prime St. Mary's shall use its commercially reasonable best efforts to negotiate in good faith for in-network HMO and commercial insurance contracts, with commercially reasonable rates based on the rates that HMOs and commercial insurance companies pay to similarly situated in-network hospitals in the northern New Jersey region.

b. Prime St. Mary's shall convene periodic meetings with the Department and the Department of Banking and Insurance (DOBI) to review and evaluate all issues arising in contract negotiations within the first year of licensure and provide written documentation to the Department on a monthly basis during that first year. This documentation shall include, but not be limited to, numbers and results of all telephone calls, correspondence and meetings with existing HMO and commercial insurance carriers, including all such follow-up telephone calls, correspondence and meetings. At a minimum, Prime St. Mary's shall have monthly contact with the existing HMO and commercial insurers. If the existing HMO and commercial insurers fail to respond to requests for negotiations, then Prime St. Mary's shall notify the Department and DOBI to request assistance.

c. Within 10 days of licensure, Prime St. Mary's shall post on the hospital's website the status of all insurance contracts related to patient care between the hospital and insurance plans, including all insurance plans with which St. Mary's contracted at the time of submission of this CN application. Prime St. Mary's shall also provide notices to patients concerning pricing and charges related to coverage during termination of plans.

d. Within the first year of licensure, Prime St. Mary's shall notify the Department of the status of notices to terminate any HMO or commercial insurance contract that will expand out-of-network service coverage. Prime

St. Mary's shall 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 why such action will not restrict access to health care.

e. For at least five years after licensure, Prime St. Mary's shall report annually to the Department on the hospital's payer mix and the number and percent of total hospital admissions that came through the emergency department.

18. In accordance with the provisions of N.J.S.A. 26:2H-18.59h, Prime St. Mary's shall "offer to its employees who were affected by the transfer, health insurance coverage at substantially equivalent levels, terms and conditions to those that were offered to the employees prior to the transfer." This condition does not prohibit good faith contract negotiations in the future.

19. Prime St. Mary's shall adopt a transitions-of-care program to prevent unnecessary hospital admissions and re-admissions. A yearly self-evaluation to measure the effectiveness of the program shall be completed by the applicant and filed with the Department for the first five years after licensure.

20. Prime St. Mary's shall maintain 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 Department with annual licensing renewal.

21. For at least five years Prime St. Mary's shall not enter into any contract or other service or purchasing arrangements, or provide any corporate allocation, or equivalent charge except for contracts or arrangements or allocation to provide services or products that are reasonably necessary to accomplish the healthcare purposes of the hospital and for compensation that is consistent with fair market value for the services actually rendered, or the products actually provided.

22. Prime St. Mary's shall preserve the hospital's "hard-stop" initiative for the use of elective Caesarian Sections before 39 weeks and all elective deliveries under 39 weeks. "Hard stop" as defined by the March of Dimes means that a Labor and Delivery Unit that receives a request to schedule or admit a patient for delivery by either labor induction or C-section before 39 weeks without documented medical necessity would be denied based on the medical risks associated with such early deliveries.

23. Prime St. Mary's shall participate in the regional Maternal and Child Health Consortium that serves the hospital's primary service area.

24. Prime St. Mary's shall submit any proposed plan including documented compliance with law and regulations as it relates to out-of-network cost sharing

with patients to DOBI prior to the implementation. Prime St. Mary's shall not implement any out-of-network cost sharing plans if DOBI objects thereto.

25. Prime St. Mary's shall work with the Federally Qualified Health Centers (FQHCs) within its service area to strengthen the primary care network by directing and encouraging patients seen in all of its ambulatory clinics, physician-owned practices, the emergency department and upon admission or discharge, to utilize the primary care services provided at the FQHCs for initial and follow-up care as appropriate.

26. Prime St. Mary's shall comply with requirements of the New Jersey Department of Labor and Workforce Development's (DOLWD) Division of Wage and Hour Compliance that address conditions of employment and the method and manner of payment of wages.

27. Prime St. Mary's shall agree to take steps to ensure transparency, provide quality care to patients, and provide assurances to the Department of its continued financial viability. Seller shall designate an Advisory Board, which shall be comprised of at least three individuals but no more than five. Three individuals shall be selected by Seller and two individuals may be selected by the Commissioner of Health. The Advisory Board shall (a) review and supervise Purchaser's compliance with the Capital Commitments, (b) review and supervise Purchaser's compliance with the charity care policies, (c) supervise the Purchaser's compliance with the ethical and religious directives, (d) supervise the Purchaser's compliance with maintenance of all pastoral services, and (e) Prime St. Mary's compliance with State and Federal laws, statutes, regulations, administrative rules, and directives and the impact on community health care access and quality, and all conditions in any approval letter, and report such findings to the Department.

    The Advisory Board shall: (i) be independent of any Prime entity, having no current or previous familial or personal relationship to any Prime entity, its principals, board members and/or managers, or be owned by any Prime entity in whole or in part and (ii)) shall be acceptable to the Department. A member of the Advisory Board shall serve as an ex-officio member of the Local Governing Board referenced above in Condition 9.

    The Advisory Board shall also monitor the following, and these findings shall be reported semi-annually, in writing, to both the hospital and the Department:

    - Levels of uncompensated care for the medically indigent;
    - Emergency department admissions;
    - Provision of clinic services;
    - Compliance with standard practices related to coding of diagnoses;

- Rationale for termination of insurance contracts;
- Insurance participation and policies related to out-of-network;
- Compliance with the Department licensing requirements related to staffing ratios and overtime, and DOLWD Wage and Hour requirements;
- Compliance with all other CN conditions within the required timeframes required by each condition.

The Advisory Board shall be active for a minimum period of at least two years and shall provide all reports, findings, projections, and operational or strategic plans to the Department and Prime St. Mary's Board for assessment.

In the event Prime St. Mary's does not fulfill the commitments set forth in this approval, the failure may be considered a licensing violation subject to maximum penalty and/or license revocation.

28. Prime St. Mary's shall identify a single point of contact to report to the Department's CNHCFL Program concerning the status of all of the conditions referenced within the timeframes noted in the conditions.

29. All the above conditions shall also apply to any successor organization to Prime St. Mary's who acquires St. Mary's within five years from the date of CN approval.

Appendix A - Licensed Beds

2008							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	122
	OccRt	61.34%	63.71%	0%	73.87%	60.35%	
	ADC	130.66	10.19	0	19.29	159.32	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	320
	OccRt	64.73%	79.85%	47.59%	60.24%	64.02%	
	ADC	247.92	43.12	25.70	38.55	355.29	
HackensackUMC Mountainside – 10708	Beds	263	15	10	35	323	N/A
	OccRt	38.35%	47.25%	0%	48.63%	38.69%	
	ADC	100.85	7.09	0	17.02	124.96	
Hackensack University Medical Center – 10204	Beds	555	65	34	63	717	649
	OccRt	83.38	90.61	100.47%	46.07%	81.57%	
	ADC	462.74	58.90	34.16	22.02	584.83	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	39.56%	32.49%	23.15%	67.88%	38.63%	
	ADC	54.60	7.15	6.02	9.50	77.27	
Clara Maass Medical Center – 10701	Beds	347	27	20	29	423	N/A
	OccRt	45.97%	57.87%	32.27%	90.13%	49.11%	
	ADC	159.51	15.63	6.45	26.14	207.73	
Holy Name Medical Center – 10205	Beds	278	25	16	19	338	N/A
	OccRt	65.99%	47.06%	19.93%	76.92%	63.03%	
	ADC	183.46	11.77	3.19	14.61	213.02	
Bergen Regional Medical Center – 10201	Beds	164	0	0	9	173	N/A
	OccRt	39.55%	0%	0%	51.76%	40.19%	
	ADC	64.87	0	0	4.66	69.52	
Valley Hospital – 10211	Beds	331	38	14	48	431	476
	OccRt	97.24%	64.33%	55.44%	80.20%	91.09%	
	ADC	321.88	24.45	7.76	38.49	392.58	
Englewood Hospital and Medical Center – 10202	Beds	397	30	28	42	497	298
	OccRt	44.82%	54.84%	11.09%	40.33%	43.14%	
	ADC	177.92	16.45	3.11	16.94	214.42	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Appendix A - Licensed Beds - continued

2009							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	113
	OccRt	56.96%	51.06%	0%	71.42%	58.81%	
	ADC	121.33	8.17	0	17.85	147.35	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	344
	OccRt	66.68%	78.50%	55.23%	57.27%	65.63%	
	ADC	255.37	42.39	29.82	36.65%	364.24	
HackensackUMC Mountainside - 10708	Beds	263	15	10	35	323	N/A
	OccRt	36.02%	61.95%	0%	46.69%	37.26%	
	ADC	94.72	9.29	0	16.34	120.36	
Hackensack University Medical Center - 10204	Beds	555	65	34	63	717	663
	OccRt	79.56%	86.34	116.13%	65.98%	80.94%	
	ADC	443.20	56.12	39.48	41.56	580.37	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	39.32%	27.77%	21.09%	65.64%	37.52%	
	ADC	54.26	6.11	5.48	9.19	75.04	
Clara Maass Medical Center - 10701	Beds	340	27	20	29	416	N/A
	OccRt	48.67%	65.47%	39.88%	86.40%	51.97%	
	ADC	165.49	17.68	7.98	25.05	216.19	
Holy Name Medical Center - 10205	Beds	278	25	16	19	338	N/A
	OccRt	66.17%	49.01%	25.51%	65.28%	62.74%	
	ADC	183.95	12.25	3.44	12.40	212.05	
Bergen Regional Medical Center - 10201	Beds	164	0	0	9	173	N/A
	OccRt	39.71%	0%	0%	55.59%	40.53%	
	ADC	65.12	0	0	5.00	70.12	
Valley Hospital - 10211	Beds	331	38	14	48	431	474
	OccRt	93.74%	78.63%	62.99%	80.09%	89.89%	
	ADC	310.27	29.88	8.82	38.44	387.41	
Englewood Hospital and Medical Center - 10202	Beds	397	30	28	42	497	285
	OccRt	42.20%	55.83%	8.91%	42.43%	41.17%	
	ADC	167.54	16.75	2.50	17.82	204.61	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Appendix A - Licensed Beds – continued

2010							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	128
	OccRt	53.69%	52.12%	0%	72.00%	53.30%	
	ADC	114.36	8.34	0	18	140.70	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	306
	OccRt	67.07%	71.55%	47.19%	58.18%	64.55%	
	ADC	256.88	38.64	25.48	37.23	358.23	
HackensackUMC Mountainside - 10708	Beds	263	15	10	35	323	N/A
	OccRt	36.13%	65.53%	0%	41.30%	36.94%	
	ADC	95.03	9.83	0	14.45	119.32	
Hackensack University Medical Center - 10204	Beds	555	65	34	63	717	712
	OccRt	81.17%	91.86%	102.01%	59.80%	81.25%	
	ADC	450.52	59.71	34.68	37.67	582.58	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	33.00%	23.55%	13.44%	50.00%	30.61%	
	ADC	45.54	5.18	3.49	7.00	61.21	
Clara Maass Medical Center - 10701	Beds	340	27	20	29	416	N/A
	OccRt	48.61%	55.94%	34.70%	89.67%	51.28%	
	ADC	165.26	15.10	6.94	26.01	213.31	
Holy Name Medical Center - 10205	Beds	278	25	16	19	338	N/A
	OccRt	64.07%	46.22%	19.09%	69.98%	60.95%	
	ADC	178.10	11.56	3.05	13.30	206.01	
Bergen Regional Medical Center - 10201	Beds	164	0	0	9	173	N/A
	OccRt	40.54%	0%	0%	54.43%	41.27%	
	ADC	66.49	0	0	4.90	71.39	
Valley Hospital - 10211	Beds	331	38	14	48	431	503
	OccRt	93.69%	76.33%	57.08%	78.77%	89.31%	
	ADC	310.11	29.01	7.99	37.81	384.92	
Englewood Hospital and Medical Center - 10202	Beds	397	30	28	42	497	263
	OccRt	42.25%	49.63%	8.72%	41.08%	40.71%	
	ADC	167.73	14.89	2.44	17.25	202.31	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Appendix A - Licensed Beds – continued

2011							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	88
	OccRt	48.75%	54.16%	0%	99.00%	51.99%	
	ADC	103.84	8.67	0	24.75	137.25	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	354
	OccRt	62.59%	70.19%	45.39%	58.39%	61.17%	
	ADC	239.71	37.90	24.51	37.37	339.50	
HackensackUMC Mountainside - 10708	Beds	263	15	10	35	323	N/A
	OccRt	33.65%	51.63%	0%	39.58%	34.09%	
	ADC	88.51	7.75	0	13.85	110.11	
Hackensack University Medical Center - 10204	Beds	555	65	34	63	717	591
	OccRt	78.60%	92.71%	113.09%	36.02%	77.77%	
	ADC	436.21	60.26	38.45	22.69	557.61	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	28.03%	23.33%	18.28%	43.87%	27.36%	
	ADC	38.68	5.13	4.75	6.14	54.71	
Clara Maass Medical Center - 10701	Beds	340	27	20	29	416	N/A
	OccRt	49.26%	48.72%	35.74%	92.22%	51.57%	
	ADC	167.47	13.15	7.15	26.74	214.52	
Holy Name Medical Center - 10205	Beds	278	25	16	19	338	N/A
	OccRt	62.82%	43.86%	17.28%	66.36%	59.46%	
	ADC	174.65	10.96	2.76	12.61	200.98	
Bergen Regional Medical Center - 10201	Beds	164	0	0	9	173	N/A
	OccRt	42.67%	0%	0%	48.40%	42.97%	
	ADC	69.98	0	0	4.36	74.34	
Valley Hospital - 10211	Beds	331	38	14	48	431	428
	OccRt	93.38%	75.67%	57.26%	77.17%	88.84%	
	ADC	309.10	28.75	8.02	37.04	382.91	
Englewood Hospital and Medical Center - 10202	Beds	397	30	28	42	497	238
	OccRt	44.01%	53.37%	10.25%	40.01%	42.33%	
	ADC	174.71	16.01	2.87	16.81	210.39	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Appendix A - Licensed Beds – continued

2012							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	87
	OccRt	48.52%	45.53%	0%	74.69%	48.98%	
	ADC	103.35	7.28	0	18.67	129.31	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	436
	OccRt	63.87%	69.34%	41.60%	76.48%	63.69%	
	ADC	244.63	37.45	22.46	48.95	353.49	
HackensackUMC Mountainside - 10708	Beds	263	15	10	35	323	N/A
	OccRt	35.40%	57.69%	0%	40.79%	35.92%	
	ADC	93.10	8.65	0	14.28	116.03	
Hackensack University Medical Center - 10204	Beds	555	65	34	63	717	572
	OccRt	77.41%	89.84%	108.23%	36.07%	76.37%	
	ADC	429.63	58.40	36.80	22.72	547.54	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	20.16%	32.58%	15.21%	38.47%	22.17%	
	ADC	27.83	7.17	3.95	5.39	44.33	
Clara Maass Medical Center - 10701	Beds	340	27	20	29	418	N/A
	OccRt	46.43%	47.17%	26.27%	90.40%	48.46%	
	ADC	157.85	12.73	5.78	26.22	202.58	
Holy Name Medical Center - 10205	Beds	278	25	16	19	338	N/A
	OccRt	61.51%	46.96%	16.91%	64.22%	58.48%	
	ADC	171.00	11.74	2.70	12.20	197.65	
Bergen Regional Medical Center - 10201	Beds	164	0	0	9	173	N/A
	OccRt	42.73%	0%	0%	32.48%	42.20%	
	ADC	70.08	0	0	2.92	73.014	
Valley Hospital - 10211	Beds	331	38	14	48	431	393
	OccRt	91.34%	76.87%	49.36%	77.87%	87.20%	
	ADC	302.33	29.21	6.91	37.38	375.83	
Englewood Hospital and Medical Center - 10202	Beds	397	30	28	42	497	276
	OccRt	45.22%	51.86%	11.62%	38.25%	43.14%	
	ADC	179.53	15.56	3.25	16.07	214.40	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Appendix A - Licensed Beds – continued

Annualized – last Q 2012, 1st 3 QS 2013							
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined	Cardiac Volume *
St. Mary's - Passaic 11606	Beds	213	16	10	25	264	85
	OccRt	44.87%	43.18%	0%	62.09%	44.70%	
	ADC	95.57	6.91	0	15.52	118.01	
St Joseph's Regional Medical Center - 11605	Beds	383	54	54	64	555	443
	OccRt	63.03%	71.05%	42.82%	77.78%	63.54%	
	ADC	241.40	38.37	23.12	49.78	352.67	
HackensackUMC Mountainside - 10708	Beds	263	15	10	35	323	N/A
	OccRt	36.62%	61.04%	0%	35.77%	36.53%	
	ADC	96.31	9.16	0	12.52	117.99	
Hackensack University Medical Center - 10204	Beds	555	65	34	63	717	611
	OccRt	76.47%	92.42%	101.12%	39.84%	75.87%	
	ADC	424.41	60.07	34.38	25.10	543.96	
Meadowlands Hospital Medical Center - 10906	Beds	138	22	26	14	200	N/A
	OccRt	19.74%	27.66%	14.03%	21.94%	20.02%	
	ADC	27.24	6.08	3.65	3.07	40.04	
Clara Maass Medical Center - 10701	Beds	340	27	22	29	418	N/A
	OccRt	46.50%	46.27%	25.77%	89.83%	48.40%	
	ADC	158.11	12.49	5.67	26.05	202.32	
Holy Name Medical Center - 10205	Beds	278	25	16	19	338	N/A
	OccRt	61.96%	46.26%	19.04%	73.48%	59.41%	
	ADC	172.24	11.56	3.05	13.96	200.81	
Bergen Regional Medical Center - 10201	Beds	164	0	0	9	173	N/A
	OccRt	44.73%	0%	0%	39.39%	44.46%	
	ADC	73.36	0	0	3.55	76.91	
Valley Hospital - 10211	Beds	331	38	14	48	431	399
	OccRt	89.98%	75.81%	50.45%	74.94%	85.77%	
	ADC	297.84	28.81	7.06	35.97	369.68	
Englewood Hospital and Medical Center - 10202	Beds	397	30	28	42	497	318
	OccRt	46.73%	51.33%	9.37%	33.80%	43.81%	
	ADC	185.53	15.40	2.62	14.19	217.75	

* The regulatory requirement at N.J.A.C. 8:33E-2.3(a) stipulates an adult cardiovascular surgical unit achieve an annual volume of 350 open heart surgical cases by the end of the third year of operation and annually thereafter.

Sources:

Department's Health Care Financing Systems Summary of Inpatient Utilization (B-2)

Department's Office of Health Care Quality Assessment - Cardiac Data Registries

Appendix B – Maintained Beds

2008						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	173	16	7	25	221
	OccRt	75.53%	63.71%	0%	73.87%	72.09%
	ADC	130.66	10.19	0	19.29	159.32
St Joseph's Regional Medical Center - 11605	Beds	323	54	54	60	491
	OccRt	76.76%	79.85%	47.59%	64.25%	72.36%
	ADC	247.92	43.12	25.70	38.55	355.29
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	63.43%	47.25%	0%	85.11%	64.41%
	ADC	100.85	7.09	0	17.02	124.96
Hackensack University Medical Center - 10204	Beds	463	65	49	48	625
	OccRt	99.94%	90.61%	69.72%	60.47%	93.57%
	ADC	462.74	58.90	34.16	22.02	584.83
Meadowlands Hospital Medical Center - 10906	Beds	78	24	12	14	128
	OccRt	70.00%	29.78%	70.37%	67.88%	60.37%
	ADC	54.60	7.15	6.02	9.50	77.27
Clara Maass Medical Center - 10701	Beds	226	6	20	29	281
	OccRt	70.58%	260.43%	32.27%	90.13%	73.92%
	ADC	159.51	15.63	6.45	26.14	207.73
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	83.39%	40.57%	19.93%	76.92%	75.01%
	ADC	183.46	11.77	3.19	14.61	213.02
Bergen Regional Medical Center - 10201	Beds	96	0	0	9	105
	OccRt	67.57%	0%	0%	51.76%	66.21%
	ADC	64.87	0	0	4.66	69.52
Valley Hospital - 10211	Beds	327	37	14	48	426
	OccRt	98.43%	66.07%	55.44%	80.20%	92.15%
	ADC	321.88	24.45	7.76	38.49	392.58
Englewood Hospital and Medical Center - 10202	Beds	225	30	11	24	290
	OccRt	79.08%	54.84%	28.24%	70.57%	73.94%
	ADC	177.92	16.45	3.11	16.94	214.42

Appendix B – Maintained Beds - continued

2009						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	177	16	3	25	221
	OccRt	65.55%	51.06%	0%	71.42%	66.67%
	ADC	121.33	8.17	0	17.85	147.35
St Joseph's Regional Medical Center - 11605	Beds	312	54	42	53	461
	OccRt	81.85%	78.50%	71.00%	69.16%	79.01%
	ADC	255.37	42.39	29.82	36.65	364.24
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	59.57%	61.95%	0%	81.71%	62.04%
	ADC	94.72	9.29	0	16.34	120.36
Hackensack University Medical Center - 10204	Beds	474	65	49	48	636
	OccRt	93.50%	86.34%	80.58%	86.59%	91.25%
	ADC	443.20	56.12	39.48	41.56	580.37
Meadowlands Hospital Medical Center - 10906	Beds	78	24	12	14	128
	OccRt	69.57%	25.46%	45.68%	65.64%	58.63%
	ADC	54.26	6.11	5.48	9.19	75.04
Clara Maass Medical Center - 10701	Beds	229	13	20	29	291
	OccRt	72.27%	135.97%	39.88%	86.40%	74.29%
	ADC	165.49	17.68	7.98	25.05	216.19
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	8.362%	42.25%	25.51%	65.28%	74.67%
	ADC	183.95	12.25	3.44	12.40	212.05
Bergen Regional Medical Center - 10201	Beds	96	0	0	9	105
	OccRt	67.83%	0%	0%	55.59%	66.78%
	ADC	65.12	0	0	5.00	70.12
Valley Hospital - 10211	Beds	331	38	14	48	431
	OccRt	93.74%	78.63%	62.99%	80.09%	89.89%
	ADC	310.27	29.88	8.82	38.44	387.41
Englewood Hospital and Medical Center - 10202	Beds	219	30	11	25	285
	OccRt	76.50%	55.83%	22.69%	71.29%	71.79%
	ADC	167.54	16.75	2.50	17.82	204.61

Appendix B – Maintained Beds - continued

2010						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	180	16	0	25	221
	OccRt	63.54%	52.12%	0%	72%	63.67%
	ADC	114.36	8.34	0	18	140.70
St Joseph's Regional Medical Center - 11605	Beds	316	54	42	53	465
	OccRt	81.29%	71.55%	60.68%	70.25%	77.04%
	ADC	256.88	38.64	25.48	37.23	358.23
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	59.77%	65.53%	0%	72.27%	61.50%
	ADC	95.03	9.83	0	14.45	119.32
Hackensack University Medical Center - 10204	Beds	489	65	49	48	651
	OccRt	92.13%	91.86%	70.79%	78.49%	89.49%
	ADC	450.52	59.71	34.68	37.67	582.58
Meadowlands Hospital Medical Center - 10906	Beds	78	24	12	14	128
	OccRt	58.38%	21.59%	29.11%	50.00%	47.82%
	ADC	45.54	5.18	3.49	7.00	61.21
Clara Maass Medical Center - 10701	Beds	229	13	20	29	291
	OccRt	72.17%	116.19%	34.70%	89.67%	73.30%
	ADC	165.26	15.10	6.94	26.01	213.31
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	80.96%	39.85%	19.09%	69.98%	72.54%
	ADC	178.10	11.56	3.05	13.30	206.01
Bergen Regional Medical Center - 10201	Beds	96	0	0	9	105
	OccRt	69.26%	0%	0%	54.43%	67.99%
	ADC	66.49	0	0	4.90	71.39
Valley Hospital - 10211	Beds	331	38	14	48	431
	OccRt	93.69%	76.33%	57.08%	78.77%	89.31%
	ADC	310.11	29.01	7.99	37.81	384.92
Englewood Hospital and Medical Center - 10202	Beds	220	30	11	23	284
	OccRt	76.24%	49.63%	22.19%	75.01%	71.24%
	ADC	167.73	14.89	2.44	17.25	202.31

Appendix B – Maintained Beds - continued

2011						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	177	16	0	25	218
	OccRt	58.66%	54.16%	0%	99.00%	62.96%
	ADC	103.84	8.67	0	24.75	137.25
St Joseph's Regional Medical Center - 11605	Beds	324	54	45	55	478
	OccRt	73.98%	70.19%	54.47%	67.95%	71.02%
	ADC	239.71	37.90	24.51	37.37	339.50
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	55.67%	51.63%	0%	69.26%	56.76%
	ADC	88.51	7.75	0	13.85	110.11
Hackensack University Medical Center - 10204	Beds	445	77	65	48	635
	OccRt	98.03%	78.26%	59.15%	47.27%	87.81%
	ADC	436.21	60.26	38.45	22.69	557.61
Meadowlands Hospital Medical Center - 10906	Beds	57	26	16	14	113
	OccRt	67.87%	19.74%	29.71%	43.87%	48.42%
	ADC	38.68	5.13	4.75	6.14	54.71
Clara Maass Medical Center - 10701	Beds	229	13	20	29	291
	OccRt	73.13%	101.18%	35.74%	92.22%	73.72%
	ADC	167.47	13.15	7.15	26.74	214.52
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	79.38%	37.81%	17.28%	66.36%	70.77%
	ADC	174.65	10.96	2.76	12.61	200.98
Bergen Regional Medical Center - 10201	Beds	96	0	0	9	105
	OccRt	72.90%	0%	0%	48.40%	70.80%
	ADC	69.98	0	0	4.36	74.34
Valley Hospital - 10211	Beds	331	38	14	48	431
	OccRt	93.38%	75.67%	57.26%	77.17%	88.84%
	ADC	309.10	28.75	8.02	37.04	382.91
Englewood Hospital and Medical Center - 10202	Beds	224	30	12	27	293
	OccRt	77.99%	53.37%	23.93%	62.24%	71.81%
	ADC	174.71	16.01	2.87	16.81	210.39

Appendix B – Maintained Beds - continued

2012						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	169	16	0	25	210
	OccRt	61.15%	45.53%	0%	74.69%	61.57%
	ADC	103.35	7.28	0	18.67	129.31
St Joseph's Regional Medical Center - 11605	Beds	346	54	52	62	514
	OccRt	70.70%	69.34%	43.20%	78.95%	68.77%
	ADC	244.63	37.45	22.46	48.95	353.49
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	58.55%	57.69%	0%	71.38%	59.81%
	ADC	93.10	8.65	0	14.28	116.03
Hackensack University Medical Center - 10204	Beds	446	77	59	48	630
	OccRt	96.33%	75.84%	62.37%	47.34%	86.91%
	ADC	429.63	58.40	36.80	22.72	547.54
Meadowlands Hospital Medical Center - 10906	Beds	36	18	21	14	89
	OccRt	77.29%	39.81%	18.83%	38.47%	49.81%
	ADC	27.83	7.17	3.95	5.39	44.33
Clara Maass Medical Center - 10701	Beds	229	13	20	29	292
	OccRt	68.93%	97.96%	26.27%	90.40%	69.38%
	ADC	157.85	12.73	5.78	26.22	202.58
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	77.73%	40.48%	16.91%	64.22%	69.59%
	ADC	171.00	11.74	2.70	12.20	197.65
Bergen Regional Medical Center - 10201	Beds	98	0	0	9	107
	OccRt	71.51%	0%	0%	32.48%	68.23%
	ADC	70.08	0	0	2.92	73.014
Valley Hospital - 10211	Beds	331	38	14	48	431
	OccRt	91.34%	76.87%	49.36%	77.87%	87.20%
	ADC	302.33	29.21	6.91	37.38	375.83
Englewood Hospital and Medical Center - 10202	Beds	197	30	10	22	259
	OccRt	91.13%	51.86%	32.54%	73.03%	82.78%
	ADC	179.53	15.56	3.25	16.07	214.40

Appendix B – Maintained Beds - continued

Annualized – last Q 2012, 1st 3 QS 2013						
		Med/Surg	**OB/GYN**	**PEDs**	**ICU/CCU**	**Combined**
St. Mary's - Passaic 11606	Beds	169	16	0	25	210
	OccRt	56.55%	43.18%	0%	62.09%	56.19%
	ADC	95.57	6.91	0	15.53	118.01
St Joseph's Regional Medical Center - 11605	Beds	351	54	52	62	521
	OccRt	68.43%	71.05%	44.47%	80.29%	67.72%
	ADC	241.40	38.37	23.12	49.78	352.67
HackensackUMC Mountainside - 10708	Beds	159	15	0	20	194
	OccRt	60.57%	61.04%	0%	62.60%	60.82%
	ADC	96.31	9.16	0	12.52	117.99
Hackensack University Medical Center - 10204	Beds	446	77	56	48	627
	OccRt	95.16%	78.01%	61.39%	52.29%	86.76%
	ADC	424.41	60.07	34.38	25.10	543.96
Meadowlands Hospital Medical Center - 10906	Beds	47	19	21	14	101
	OccRt	57.95%	32.03%	17.36%	21.94%	39.64%
	ADC	27.24	6.08	3.65	3.07	40.04
Clara Maass Medical Center - 10701	Beds	229	13	22	29	293
	OccRt	69.04%	96.10%	25.77%	89.83%	69.05%
	ADC	158.11	12.49	5.67	26.05	202.32
Holy Name Medical Center - 10205	Beds	220	29	16	19	284
	OccRt	78.29%	39.88%	19.04%	73.48%	70.71%
	ADC	172.24	11.56	3.05	13.96	200.82
Bergen Regional Medical Center - 10201	Beds	98	0	0	9	107
	OccRt	74.86%	0%	0%	39.39%	71.88%
	ADC	73.36	0	0	3.55	76.91
Valley Hospital - 10211	Beds	331	38	14	48	431
	OccRt	89.98%	75.81%	50.45%	74.94%	85.77%
	ADC	297.84	28.81	7.06	35.97	369.68
Englewood Hospital and Medical Center - 10202	Beds	195	30	8	19	252
	OccRt	95.15%	51.76%	31.81%	76.73%	86.58%
	ADC	185.53	15.40	2.62	14.19	217.75

Source:

Department's Health Care Financing Systems Summary of Inpatient Utilization (B-2)