



State of New Jersey
DEPARTMENT OF HEALTH
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Lt. Governor

JUDITH M. PERSICILLI, RN, BSN, MA
Commissioner

November 30, 2022

VIA U.S. FIRST CLASS & ELECTRONIC MAIL

Al Maghazehe, PhD, FACHE
President & CEO
Capital Health System, Inc.
750 Brunswick Avenue
Trenton, N.J. 08638

Re: St. Francis Medical Center
Relocation of acute care hospital services
CN # 2022-06284-11;01
Project Cost: \$64,804,666
Expiration Date: November 30, 2027

St. Francis Medical Center
Closure of acute care general hospital
CN # 2022-06286-11;01
Project Cost: \$0
Expiration Date: November 30, 2027

Dear Dr. Maghazehe:

I am approving the certificate of need (CN) applications listed above, submitted on June 1, 2022, pursuant to N.J.A.C. 8:33-3.1, for the relocation of services from St. Francis Medical Center (St. Francis) to Capital Health Regional Medical Center (RMC) and the closure of St. Francis. These applications are being approved at the total project costs noted above.

In describing the CN applications, Capital Health System, Inc. (Capital Health) identified the first application as a request to change the membership of St. Francis Medical Center, which is the nonprofit corporation that is the licensed operator of St. Francis, to Capital Health as the sole corporate member, along with the consolidation of services at Capital Health Regional Medical Center (RMC). The second CN application is for the closure of St. Francis facility located at 601 Hamilton Avenue, Trenton. For the purposes of the Department of Health's (Department) review, these applications were deemed to be (1) a relocation of acute care hospital services and (2) a closure of an acute care general hospital. This is because the sole member substitution sought by Capital Health is not subject to the CN process, but rather under the authority of the Community Health Care Assets Protection Act (CHAPA), found at N.J.S.A. 26:2H-7.10, et seq.

Capital Health has filed the CHAPA required documents and pleadings with the New Jersey Attorney General's Office and the Superior Court of New Jersey, Chancery Division as required by CHAPA, and that matter remains pending at this time.

I have evaluated these CN applications against standards set forth in the Act and by administrative rule (N.J.A.C. 8:33). I am satisfied that both applications submitted by Capital Health are consistent with those requirements. As noted, these CN approvals are limited to the relocation of certain services from St. Francis to RMC and the closure of St. Francis. Capital Health is hereby authorized to relocate the following hospital beds and services from St. Francis to RMC: medical-surgical beds, adult intensive/critical care beds, inpatient operating rooms, adult cardiac surgery operating room; adult cardiac catheterization labs; computerized tomography (CT) services; magnetic resonance imaging (MRI) services, transportable lithotripter, acute hemodialysis units, cardiac surgery services, and special state prison inmate services. Capital Health will also continue to operate the following services offered by St. Francis: St. Francis Assisted Living Program, LIFE St. Francis program of all-inclusive care for the elderly (PACE), CARES (Children Really Are Extra Special) pediatric behavioral health program, St. Francis School of Nursing, and St. Francis School of Radiologic Technology. Capital Health will not relocate any adult psychiatric beds from St. Francis to RMC.

As set forth in the CN applications, Capital Health plans to relocate these services and cease hospital operations at St. Francis on or before December 31, 2022. However, Capital Health will operate a satellite emergency department (SEO) at the St. Francis location at 601 Hamilton Avenue, Trenton. In addition, Capital Health intends to open two new outpatient clinics for family medicine and obstetrics/gynecology at or in the vicinity of the St. Francis site at 601 Hamilton Avenue, Trenton.

As part of the review process, the State Health Planning Board (SHPB) is required to hold at least one public hearing in the service area of the health care facility within 30 days of the application being declared complete by the Department. That public hearing took place at Trenton Central High School at 400 Chambers Street in Trenton on October 26, 2022, with approximately 65 people attending (in person and remotely by teleconference) and 33 speakers providing comments. Seventeen speakers were in favor of the applications. Most of them mentioned the poor physical plant conditions at St. Francis, the lack of investment, Capital Health's ability to continue providing needed programs and services (especially cardiac surgery), Capital Health's leadership and commitment to the residents of Trenton, the ability to preserve hospital jobs, and the lack of alternatives to keep St. Francis open. Fourteen speakers were in opposition to the applications. They mentioned the benefits of neighborhood proximity, level of care and commitment from St. Francis, travel hardship or travel distance to RMC, lack of planning and/or community input, need for more than one hospital in Trenton, preference for saving the St. Francis building, lack of attention from state officials, or effect on local businesses. Two speakers were neutral in their opinions.

In addition, both CN applications included 15 letters of support from federal, state, and local officials, as well as from area healthcare providers and healthcare interest groups. Two individuals submitted written letters that, in part, support the applications, but emphasize the importance of local and regional planning and taking into consideration the N.J. State Development and Redevelopment Plan and the City of Trenton Community Health and Wellness Plan in determining what is developed on the St. Francis site in the future.

For the reasons that follow, I am approving, with conditions, these CN applications to relocate hospital services and close St. Francis. My decision to approve these applications is consistent with the recommendation of the SHPB, which unanimously recommended approval of CN # 2022-06284-11;01 and CN # 2022-06286-11;01 at its November 17, 2022 meeting. In reaching this decision, I considered the submitted CN applications and addenda, completeness questions and responses, exhibits, public hearing transcripts, written comments, Department staff recommendations, and SHPB recommendations. The referenced materials are incorporated and made a part of this final decision.

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provide for the issuance of a CN only where the action proposed in the application for such certificate is necessary to provide required health care in the area to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of health services in the region or statewide, and will contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: (a) the availability of facilities or services which may serve as alternatives or substitutes, (b) the need for special equipment and services in the area, (c) the possible economies and improvement in services to be anticipated from the operation of joint central services, (d) the adequacy of financial resources and sources of present and future revenues, (e) the availability of sufficient manpower in the several professional disciplines, and (f) such other factors as may be established by regulation.

As to the specifics of these applications, N.J.S.A. 26:2H-8(a) requires that I consider the availability of facilities or services which may serve as alternatives or substitutes. The applicant has demonstrated that while there are alternative hospitals with a market share within the primary service area of St. Francis, Trenton residents would likely experience substantial reductions in health care services without the relocation of certain services from St. Francis to RMC, especially cardiac surgery.

I agree that the relocation of certain services to RMC, and the operation of a SEO and clinics at or near the St. Francis site on Hamilton Avenue, will preserve appropriate access to health care services for the community, including the medically indigent and medically underserved population. Thus, I am satisfied that this criterion is met.

I also find that the requirement at N.J.S.A. 26:2H-8(b), to consider the need for special equipment and services in the area, will be met in this case. Capital Health agrees to continue offering virtually all of the same services at RMC that are currently licensed at St. Francis, including cardiac surgery. This arrangement will address the acute need to continue offering cardiac surgery and other hospital services within the City of Trenton.

I find that N.J.S.A. 26:2H-8(c), regarding the possible economies and improvement in services to be anticipated from the operation of joint central services, is not relevant to these applications, as no such arrangement is proposed.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. Financial review of the CN applications indicate that St. Francis has not been able to adequately invest in the hospital's physical plant and the facility needs extensive rehabilitation or, perhaps more appropriately, replacement. Either prospect is cost prohibitive for St. Francis given its financial instability. Conversely, I find that Capital Health possesses adequate financial resources to expand the RMC campus and address the patient demand from a closed St. Francis. In 2021, Capital Health reported an operating gain of \$15

million, with cash and investments exceeding \$225 million. Recent annual capital budgets total approximately \$50 million. In 2022, gains of \$51.8 million are expected, along with stable cash and investments. Three-year financial projections report steady operating margins in excess of \$50 million annually and revenues of between \$123 million and \$131 million annually.

With respect to N.J.S.A. 26:2H-8(e) regarding the availability of sufficient manpower in the several professional disciplines, I am satisfied that there will be sufficient qualified personnel for the consolidation since Capital Health projects making employment offers to approximately 450 full-time St. Francis employees as a result of open vacancies and the relocation to RMC. Capital Health intends to give priority consideration for these positions to St. Francis employees based on need and qualifications.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by regulation. Therefore, I have taken into consideration the applicable administrative rules governing the services subject to full review (i.e., N.J.A.C. 8:33-1.1 et seq.). Capital Health is in compliance with the access requirements set forth in N.J.A.C. 8:33-1.1 et seq. and N.J.A.C. 8:33-4.10(a). Specifically, Capital Health plans no changes to the care or services currently provided at St. Francis following the relocation of services to RMC and will promote access to low income persons, racial and ethnic minorities, women, disabled persons, the elderly, persons with HIV infections, and other persons who are unable to obtain care. Furthermore, Capital Health will continue to maintain its commitment to the community to preserve access to health care for the residents, including the medically indigent and medically underserved population.

N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this proposed relocation and closure shall not have an adverse impact on the population being served in regard to access and quality of care. The applicant does not foresee an adverse economic or financial impact on the delivery of patient services as a result of this transaction. It projects a more efficient delivery of services through the operation of one general hospital within the City of Trenton and ending the financial and operational decline of St. Francis. Capital Health has made a commitment to maintain the same services at RMC that are offered at St. Francis, in addition to operating the SEO and outpatient clinics.

Moreover, I find that Capital Health has provided appropriate project descriptions, which include information as to financial impacts, operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-4.10(b)), assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-4.10(a)), and assurance that it will meet appropriate licensing and construction standards (N.J.A.C. 8:43G-1.1 et seq. and N.J.A.C. 8:33-410(d)).

Based on the foregoing, I am approving the applications for relocation of hospital services from St. Francis to RMC and the closure of St. Francis, with conditions. My decision to allow both the relocation and closure is based on the fact that this arrangement avoids a complete closure and loss of essential services, including cardiac surgery, to Trenton residents and will preserve access to health care services for the community, including the medically indigent and medically underserved population.

Finally, I acknowledge that Capital Health has had a long-standing commitment to the residents of Trenton and believe that these approvals will enable RMC to maintain and enhance its commitment to the community into the foreseeable future. For the reasons set forth in this

letter and noting the approval of the SHPB, I am approving both applications from Capital Health subject to the following conditions, which were reviewed and approved by the SHPB;

1. The applicant shall file a licensing application with the Department's Division of Certificate of Need and Licensing to execute the ownership change of each licensed facility to be acquired by Capital Health.
2. The applicant shall notify the Division, in writing, of specifically who is responsible for the safekeeping and accessibility of all St. Francis patient 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, Capital Health, agrees to prioritize the hiring of employees of St. Francis for current and new positions that are needed at RMC.
4. Capital Health shall operate, for a minimum of five years, an RMC satellite emergency department (SEO) either on the grounds of, or in the immediate neighborhood adjacent to, the St. Francis property at 601 Hamilton Avenue.
5. Capital Health shall operate, for a minimum of five years, a primary care family health clinic and a women's OB/GYN clinic, either on the grounds of, or in the immediate neighborhood adjacent to, the St. Francis property at 601 Hamilton Avenue.
6. Capital Health must provide no-charge transportation for patients who present at the St. Francis property at 601 Hamilton Avenue location for as long as the SEO and clinics operate at or near that site, in order to transport such patients to RMC. This transportation shall include a shuttle bus service that operates from 6:00 a.m. until 9:00 p.m. Capital Health shall report on the use of these services to the Department on an annual basis and may petition for changes based on volume and hours of usage while operating the SEO and clinics.
7. Capital Health shall operate a prisoner/forensics unit at RMC for inpatient hospital treatment of New Jersey prisoners, subject to agreement with the New Jersey Department of Corrections, unless the Department of Corrections notifies Capital Health that such a unit is no longer necessary or desired to be located at RMC.
8. Capital Health shall continue to operate 28 adult psychiatric beds (12 open and 16 closed) at RMC without any change in the designation of bed types (open vs. closed). In addition, the designation of short-term care facility (STCF) beds for Somerset County (5 at St. Francis) and Hunterdon County (1 at RMC) shall be preserved at RMC. Capital Health shall also meet all required staffing standards for open, closed, and STCF beds. Any change in the designation of psychiatric beds (open/closed or geographic designation of STCF beds) shall require review and approval by the Department, with the advice of the N.J. Department of Human Services, Division of Mental Health and Addiction Services.

9. Capital Health shall comply with federal EMTALA requirements and provide care for all patients who present themselves at RMC 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).
10. Within three months of CN approval, Capital Health shall create a Community Advisory Group (CAG) to provide ongoing community input to the hospital's CEO and the hospital's Board of Trustees on ways that Capital Health can meet the needs of the residents in the St. Francis and RMC service area. This would include participating in the development and updating of the Community Health Needs Assessment (CHNA).
 - a. Subject to the provisions below, Capital Health 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. Capital Health 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 also 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. Capital Health 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 corporation, subsidiary corporation or corporate affiliate.
 - c. 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.
 - d. 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.
 - e. Capital Health may petition the Department to disband the CAG not earlier than three years from the date of CN approval and on a showing that all of the above conditions have been satisfied for at least one year.
11. Capital Health shall submit annual reports to the Department for the initial five years following CN approval, or upon request, detailing:
 - a. The investments it has made during the previous year at RMC and the St. Francis property at 601 Hamilton Avenue site, including SEO and clinics.

- b. A list of completed capital projects itemized to reflect each project and its expenditure.
12. Within 15 business days of approval of this CN application, Capital Health shall provide a report to the Department detailing the communication plan to St. Francis staff, the community, including but not limited to elected officials, clinical practitioners, EMS providers, concerning the relocation of services to RMC and the closure of St. Francis.
13. An outreach/communications plan shall be established to ensure that all residents of the hospital service area, especially the medically indigent, are aware of the closing of St. Francis, the relocation of services to RMC, and the availability of a no-charge shuttle to RMC. A copy of this outreach plan shall be sent to the Department for review within 30 days of CN approval.
14. In accordance with the provisions of N.J.S.A. 26:2H-18.59h, Capital Health 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.
15. If at any time in the future, Capital Health offers inpatient obstetric and pediatric beds/services at RMC, it shall participate as a member in good standing in the regional Maternal and Child Health Consortium that serves the hospital's primary service area.
16. Capital Health shall document its 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 its ambulatory clinics, physician-owned practices, the emergency department, and upon hospital admission or discharge, to utilize the primary care services provided at the FQHCs for initial and follow-up care as appropriate.
17. Capital Health shall identify a single point of contact to the Department concerning the status of all of the conditions referenced within the timeframes noted in the conditions.
18. All the above conditions shall also apply to any successor organization to Capital Health which acquires RMC within five years from the date of CN approval.

Failure to satisfy the conditions of approval may result in sanctions, including license suspension, monetary penalties and other sanctions in accordance with N.J.S.A. 26:2H-1 et seq. and all other applicable requirements. Acceptance of these conditions will be presumed unless written objections are submitted to the Department within 30 days of receipt of this letter. Upon receipt of such objections, this approval will be deemed suspended and the project shall be re-examined in light of the objections.

We look forward to working with you and helping you to provide a high quality of care to the patients the residents of Trenton and patients of RMC. If you have any questions concerning

St. Francis Medical Center
CN # 2022-06284-11;01
CN # 2022-06286-11;01
Page8

these CN approvals, please do not hesitate to contact Mr. Michael Kennedy, Executive Director of the Department's Certificate of Need and Licensing program.

Sincerely,

A handwritten signature in black ink that reads "Judith M. Persichilli". The signature is written in a cursive style with a large initial "J" and a distinct "P".

Judith M. Persichilli, RN, BSN, MA
Commissioner

cc: Robin Ford, Deputy Commissioner
Stefanie Mozgai, Assistant Commissioner
Michael J. Kennedy, Certificate of Need & Licensing
Joy Lindo, Director, Legal and Regulatory Compliance
Jeff Kasko, CN & Licensing
Michael T.G. Long, Director, Division of Law
Daniel P. Moen, St. Francis Medical Center