



State of New Jersey
DEPARTMENT OF HEALTH
PO BOX 360
TRENTON, N.J. 08625-0360
www.nj.gov/health

PHILIP D. MURPHY
Governor

SHEILA Y. OLIVER
Lt. Governor

JUDITH M. PERSICILLI, RN, BSN, MA
Commissioner

March 20, 2023

VIA ELECTRONIC AND FIRST-CLASS MAIL

Achintya Moulick, MD, MBA, MCh
President & Chief Executive Officer
CarePoint Health- Bayonne Medical Center
29 East 29th Street
Bayonne New Jersey, 07002

Re: Transfer of Ownership – CarePoint Health-
Bayonne Medical Center from an Entirely For-
Profit Ownership Structure to a For-Profit and
Non-Profit Ownership Structure
CN FR # 2022-08299-09;01
Acquisition Cost: \$0
Expiration Date: March 20, 2028

Dear Dr. Moulick:

I am approving the Certificate of Need (CN) application submitted on August 29, 2022, pursuant to N.J.A.C. 8:33-3.1, for the transfer of ownership of CarePoint Health-Bayonne Medical Center (BMC or the Hospital) which involves converting from an entirely for-profit ownership structure to an ownership structure that includes for-profit and non-profit entities. A newly created non-profit entity, CarePoint Health Systems, Inc., (the Non-Profit) a New Jersey Non-profit Corporation, will be the indirect controlling legal entity of the Hospital upon completion of a series of preliminary transactions. The Non-Profit's Board of Trustees is comprised of William Pelino, the Hospital's former Chief Financial Officer; Dr. Achintya Moulick, the Hospital's current Chief Executive Officer and Ryan Meeuf, former Chief Information Officer of the Hospital. IJKG Opco, LLC, (IJKG Opco, the Operator or the Applicant), a New Jersey Limited Liability Company, is the licensed operator of BMC.

The preliminary transactions involved the creation of new holding companies which were inserted into the ownership structure between the entities that directly hold Vivek Garipalli's and James Lawler's indirect ownership interests in the Hospital and the Non-

Profit, which resulted in no change to Mr. Garipalli or Mr. Lawler's ownership interests in the Hospital. Mr. Garipalli's new Holding Company, Benego CarePoint, LLC was inserted into the ownership structure on April 1, 2022, and 12.38% of Garipalli's ownership interests from Benego Ventures, LLC was donated to the Non-Profit which resulted in less than 10% of the hospital ownership being transferred to the Non-Profit. On May 4, 2022, Mr. Lawler's new Holding Company, Evergreen Community Assets, LLC was inserted into the ownership structure of the Hospital.

On May 5, 2022, 100% of Mr. Garipalli's remaining indirect ownership interests in BMC held through the new Holding Company, Benego CarePoint, LLC, were contributed to the Non-Profit. Then on September 12, 2022, Mr. Lawler's indirect ownership interests in BMC held through JPL Healthcare Consulting, LLC, contributed its entire interests in the new Holding Company, Evergreen Community Assets, LLC, to the Non-Profit.

The Department of Health (Department) notes that although the creation and insertion of the Holding Companies into the ownership structure of the Hospital only required advance notice to the Department in accordance with N.J.A.C. 8:33-3.3(h)(6), as they involved a change in the controlling legal entity but not in individuals with ownership interests, the donation of Garipalli's and Lawler's ownership interests into the Non-Profit required Certificate of Need (CN) approval prior to completing the transactions. A full review certificate of need application was filed to seek Department approval for the donation of Garipalli's and Lawler's interests in BMC. However, the donation of these interests occurred without Department approval. Therefore, the Department will consider further action under separate review. The Department determined that it is in the best interest of the affected communities to continue to process this application while reserving the right to assess penalties at a later date.

A transfer of ownership of an entire general hospital is subject to the full CN review process, in accordance with N.J.A.C. 8:33-3.3(a)(1). The Department evaluated this application according to the standards set forth in statute (N.J.S.A. 26:2H-1 et seq.) and by administrative rule (N.J.A.C. 8:33). I am satisfied that the application submitted by IJKG Opco is consistent with those requirements. The application is being approved at the acquisition cost noted above (i.e. no cost), for the conversion of IJKG Opco from an entirely for-profit ownership structure to an ownership structure that includes for-profit and non-profit entities with CarePoint Health Systems, Inc. holding the majority ownership in the Hospital.

This CN approval is limited to the transfer of ownership of BMC, located in Hudson County at 29 East 29th Street in Bayonne, New Jersey, 07002. It is a General Acute Care Hospital, License # 10901, with 244 acute care beds. The Hospital bed types are as follows: 205 Medical/Surgical Beds; 14 Adult ICU/CCU Beds; 15 Adult Acute Psychiatric Beds (Open); and 10 OB/GYN Beds. Other services provided are as follows: 6 Inpatient Operating Rooms; 2 Cystoscopy Rooms; 14 Chronic/Acute Hemodialysis Stations; 2 Cardiac Catheterization Labs; 1 MRI; 2 Hyperbaric Chambers; 2 Computerized

Tomography (CT); 1 Linear Accelerator; 1 PET/CT Combined Unit and 1 Cardiac Elective Angioplasty with Off-site Cardiac Surgery Backup. In addition, BMC is also licensed as a Primary Stroke Center and a Community Perinatal Center- Basic. The other related licensed facilities/services, which are included in this transfer of ownership are:

- CarePoint Health- Bayonne Hospital Center Transitional Care Unit (License #406100) providing Hospital Based Subacute Beds located within the Hospital. This unit is temporarily closed due to low volume.

IJKG Opco has stated that it is committed to continuing all services offered at BMC and stated that there will be no change in the existing management at BMC as a result of this transfer. Patients, including indigent and medically underserved residents, will continue to have access to all existing services at BMC.

The Applicant presents that there is a great public interest in favor of the indirect ownership change and the transaction will allow the Hospital to better serve the community through much needed partnerships, grants, and other opportunities which are not available to the Hospital under the current for-profit ownership structure. The Applicant expressed that the indirect ownership change will greatly assist with philanthropy, restructuring of hospital debt, less income taxes, and more favorable contract terms.

IJKG Opco's application asserts that it is committed to the continuity of services in Hudson County in the future and that the transfer of ownership would preserve access to health care services for the community, including the indigent and medically underserved populations. IJKG Opco has stated that the Hospital intends to retain all of the current employees after the completion of the change of ownership. BMC does not anticipate any changes in the current contracts with professional staff subsequent to this change of ownership.

For the reasons that follow, I am approving, with conditions, the application submitted for the indirect transfer of ownership of BMC from an entirely for-profit ownership structure to a mixed for profit and non-profit ownership structure with CarePoint Health Systems, Inc. holding the majority ownership in the Hospital. My decision to approve this CN application is consistent with the recommendation of the State Health Planning Board (SHPB) which unanimously recommended approval of CN FR# 2022-08299-09;01 at its February 2, 2023, meeting. In reaching this decision, I considered the CN application for the transfer of ownership of BMC, completeness questions and responses, the public hearing transcript, the Department staff recommendations, and the SHPB recommendations. The referenced materials are incorporated herein and made a part of this final decision.

Public Hearing

As part of the review process, the 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. A public hearing was held on January 3, 2023, from 7:00 pm to 8:00 pm, at CarePoint Health- Christ Hospital, 176 Palisade Avenue, Staff Rooms A&B, Jersey City, NJ 07306. For those who wished to attend virtually, remote access was provided.

Representatives from the State Health Planning Board and the Department along with approximately 26 individuals were in attendance. There were 18 speakers, comprised of the City Mayor, Councilmen, medical staff, and Bayonne residents who supported the transaction, asserting the need for this transaction to be approved so that the Hospital may continue to serve the people of Bayonne.

On January 10, 2023, the State Health Planning Board received correspondence from Thomas A. Abbate of DeCotiis, Fitzpatrick, Cole & Giblin, LLP, on behalf of HRH, which was forwarded to the Department. HRH objects to the approval of the application in their capacity as the owner of the real property where Bayonne Medical Center sits and as a concerned Hudson County hospital operator that would be affected by the transactions.

At its February 2, 2023, meeting, the SHPB unanimously recommended approval of this application with the conditions noted below.

Analysis

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 areas 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 this application, 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. I have taken into consideration that, as listed in the application, there are 5 other hospitals located within 30 minutes of BMC, with Jersey City Medical Center, CarePoint Health-

Christ Hospital and CarePoint Health Hoboken University Medical Center being within close proximity. IJKG Opco has asserted its belief that their role as a safety net hospital is still important in the provision of services, especially to the medically underserved and indigent for whom it would be more difficult to travel to other locations. I find that the proposed transfer of ownership is the best alternative to preserve appropriate access to health care services for this community, including the indigent and medically underserved populations.

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 would be met in this case. IJKG Opco has documented its intention to continue the same services that are currently licensed at the facility and maintain all equipment and services necessary to operate the Hospital. The Applicant stated that no additional equipment or services will be required as a result of approval of this ownership change.

With respect to 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, BMC has emphasized that the indirect ownership change will likely result in numerous benefits that will improve the Hospitals' ability to serve their communities and that the transaction is not expected to have an impact on non-CarePoint institutions.

N.J.S.A. 26:2H-8(d) requires consideration of the adequacy of financial resources and sources of present and future revenues. The application notes that this is not applicable as there are no costs associated with this project.

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 because IJKG Opco has committed to retaining all the Hospital's current employees when the transfer of ownership is completed. The application states that BMC does not anticipate any changes in the current contracts with professional staff subsequent to this change of ownership.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by administrative rule. 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.) IJKG Opco 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, the Applicant will continue to maintain its commitment to the community to preserve access to health care for the residents, including the indigent and medically underserved populations. BMC will provide care in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.29(c) regarding the provision of health care services regardless of the patient's ability to pay or payment source.

N.J.A.C. 8:33-4.9(a) requires a demonstration by the Applicant that this transfer of ownership shall not have an adverse impact on the population being served in regard to access and quality of care. The Applicant indicates that the transfer of ownership of BMC will preserve and enhance the financial viability of the Hospital and allow it to continue as a general acute care hospital providing the same level of health care services in the community. BMC also intends to continue to serve the same payer mix, thereby maintaining all the established bridges to access and care. I find that denial of the CN transfer of ownership application could adversely affect the patients in the Hudson County community, who have historically received care and services at BMC, including the indigent and uninsured.

I find that BMC has provided an appropriate project description, information as to the financial impact of the transfer of ownership, including 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. 8:33-4.10(d)). A track record of substantial compliance with the Department's licensing standards as required by N.J.A.C. 8:33-4.10(d) is not applicable as CarePoint Health Systems Inc. is a newly formed non-profit entity and has no owners. All officers and board members with respect to this entity are comprised of current and former Hospital owners and or officers.

Approval with Conditions

Based on the foregoing, I am approving the application for the transfer of ownership of BMC from an entirely for-profit ownership structure to a mixed for-profit and non-profit ownership structure with conditions. The decision to approve the transfer of ownership is based on my belief that the operation of BMC under the proposed new ownership could be beneficial to the population in its service area and will preserve access to health care services for the community, including the indigent and medically underserved populations.

I believe that this approval will not have an adverse impact on the other existing hospitals in Hudson County, or those in the surrounding counties. I concur with the IJKG Opco that this transfer is the best option to maintain the financial viability of the Hospital, so as not to disrupt and decrease access to healthcare services for the Hudson County community. My decision to approve this application also factors in the Applicant's intent to stabilize and/or grow admissions at the Hospital and allow BMC to meet the health care needs of the community.

For the reasons set forth in this letter and noting the recommendations of the SHPB, I am approving IJKG Opco's application for the transfer of ownership of BMC

which involves converting from an entirely for-profit ownership structure to a substantially non-profit ownership structure subject to the following conditions:

1. IJKG Opco shall submit a licensing application (CN-7) to the Department to execute the transfer of ownership of BMC to the Non-Profit.
2. In accordance with N.J.A.C. 8:33-3.3(h), IJKG Opco shall submit a notification, in writing, to the Department of any future changes in their respective ownership interests in the Hospital. As applicable, IJKG Opco will submit a Certificate of Need application and await approval by the Commissioner of Health for transactions that require a Full Review Certificate of Need.
3. Within ninety (90) days of licensing, CarePoint Health Systems, Inc., shall add a minimum of 3 community members to its Board of Trustees (the Board), one representing CarePoint Health-Christ Hospital, one representing CarePoint Health-Bayonne Medical Center and one representing CarePoint Health-Hoboken University Medical Center, to provide ongoing community input to the Board's activities and oversight.
4. Within ninety (90) days of licensing, CarePoint Health- Bayonne Medical Center, shall add a minimum of 3 community members to its Board of Trustees.
5. For the initial five years following the transfer of ownership, the following reports shall be submitted:
 - a. IJKG Opco shall submit annual reports to the Department detailing:
 - i. An annual accounting of any long or short-term debt or other liabilities incurred on the Hospital's behalf and reflected on IJKG Opco's balance sheet; and
 - ii. A list of completed capital projects itemized to reflect both the project and its expenditure.
 - b. The members of IJKG Opco shall submit reports to the extent such member has made an investment in BMC during the previous year.
6. IJKG Opco shall post on the Hospital's website annual audited financial statements within 180 days of the close of the Hospital's fiscal year and shall post quarterly unaudited financial statements within 45 days of the close of the Hospital's fiscal quarter, in accordance with N.J.A.C. 8:96-2.2. All annual and quarterly statements shall be prepared in accordance with Generally Accepted Accounting Principles. With respect to the posting of quarterly unaudited financial statements, IJKG Opco

- may include disclaimer language regarding the unaudited nature of the quarterly financial statements on its website where such statements are posted.
7. Within 60 days of posting its Audited Annual Financial Statements to the BMC website as required by N.J.A.C. 8:96-3.1, IJKG Opco shall hold an Annual Public Meeting in New Jersey, pursuant to N.J.S.A. 26:2H-12.50, and shall make copies of those audited annual financial statements available at the Annual Public Meeting. IJKG Opco shall develop mechanisms for the meeting that addresses the following:
 - a. An explanation, in layperson's terms, of the audited annual financial statement;
 - b. An opportunity for members of the local community to present their concerns to IJKG Opco regarding local health care needs and hospital operations;
 - c. A method for IJKG Opco to publicly respond, in layperson's terms, to the concerns expressed by community members at the Annual Public Meeting.
 8. As noted by the Applicant, no reductions in services or staff are expected as a result of this transfer of ownership. Six months after licensure, IJKG Opco shall submit documentation to the Department on any reduction of staff and provide the rationale for any reductions that may have occurred.
 9. IJKG Opco shall remain obligated to comply with all conditions contained in the Department's January 9, 2008, CN Approval Letter and shall apply to any successor organization to IJKG Opco which acquires BMC within five years from the date of the anticipated CN approval.
 10. As noted in the CN application, IJKG Opco shall continue all clinical services currently offered at BMC for BMC patients. Any changes in this commitment involving either a reduction, relocation out of BMC's current service area, or elimination of clinical services offered by BMC, shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.
 11. BMC shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "all hospitals shall provide on a regular and continuing basis, out-patient and preventive services, including clinical services for medically indigent patients, in those services provided on an in-patient basis." Documentation of compliance shall be submitted within 30 days of the issuance of the approval letter and quarterly thereafter, for a period of five years.
 12. Related to its Behavioral Health services, BMC shall comply with all program requirements in accordance with N.J.A.C. 8:121 and shall report progress in

resolving any identified compliance issues to the Behavioral Health staff at the Department.

13. BMC shall continue to comply with the Federal Emergency Medical Treatment and Active Labor Act (EMTALA) requirements, and provide care for all patients who present themselves at BMC, without regard to their ability to pay or payment source, in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c) and shall provide unimpaired access to all services offered by the Hospital.
14. The value of indigent care provided by BMC shall be determined by the dollar value of documented charity care, calculated at the prevailing Medicaid rate, and shall not be limited to the amount of charity care provided historically by BMC.
15. Within 60 days of licensure, the Applicant shall notify the Department, in writing, of the individual who is responsible for the safekeeping and accessibility of all BMC's patients' medical records (both active and stored) in accordance with N.J.S.A. 26:8-5 and N.J.A.C. 8:43G-15.2.
16. BMC shall develop and implement a Community Health Needs Assessment (CHNA) in substantial compliance with Section 501(r)(3)(A) of the Internal Revenue Code as amended that aligns itself with the "Healthy New Jersey 2020", the State's health improvement plan and health promotion and disease prevention agenda.
17. Prior to licensure, BMC shall identify a single point of contact as it relates to the status of all of the Conditions and reports submitted to the Department.
18. Within 12 months of licensure, and annually thereafter for five years, IJKG Opco shall provide the Department with a written report detailing:
 - a. Its plan to reduce unnecessary and duplicative services and excess inpatient beds, if any;
 - b. Its plan for addressing the need to expand or add ambulatory care services; and;
 - c. Capital improvement plans, including physical plant improvements, equipment upgrades, additions (including IT), and other capital projects.
19. After the transfer is implemented, IJKG Opco shall comply with all requirements of N.J.S.A. 26:2SS-1 et seq., the Out-of-Network Consumer Protection, Transparency, Cost Containment and Accountability Act (Act), including the requirements pertinent to the Department of Banking and Insurance (DOBI). As part of compliance, IJKG Opco must note that:

- a. If a covered person (i.e., a person on whose behalf a carrier is obligated to pay health care expense benefits or provide health care services) receives medically necessary services at BMC on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L. 1992, c.160 (C.26:2H-18.64), IJKG Opco shall not bill the covered person in excess of any deductible, copayment, or coinsurance amount applicable to in-network services pursuant to the covered person's health benefits plan.
 - b. If a covered person receives medically necessary services at BMC as an out-of-network health care facility on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L. 1992, c.160 (C.26:2H-18.64), and the carrier and IJKG Opco cannot agree on the final offer as a reimbursement rate for these services pursuant to N.J.S.A. 26:2SS-9, the carrier, IJKG Opco, or covered person, as applicable, may initiate binding arbitration pursuant N.J.S.A. 26:2SS-10 or 11.
 - c. If BMC is in-network with respect to any health benefits plan, IJKG Opco shall ensure that all health-care providers providing services in BMC on an emergency or inadvertent basis are provided notification of the provisions of the Act and information as to each health benefits plan with which BMC has a contract to be in-network.
 - d. When IJKG Opco contracts with a carrier to be in-network with respect to any health benefits plan, IJKG Opco shall annually report to the Department, the health benefits plans with which IJKG Opco has an agreement to be in-network.
20. IJKG Opco shall ensure that it posts on its website the status of all insurance contracts related to patient care between the Hospital and insurance plans. The Hospital shall provide notices to patients concerning pricing and charges related to coverage during termination of plans.
21. IJKG Opco shall comply with N.J.S.A. 26:2H-5.1b.a.(3) which states that no less than 90 days prior to signing an agreement for the sale or the lease of the land or property on which the Hospital is located, the entity shall provide notice to the Department of the Hospital's intent to sign an agreement to sell or lease the land or property on which the Hospital is located. Notification to the Department shall include a copy of the agreement, the names of all parties included, and the intended use of proceeds from the sale or lease of the land or property. IJKG Opco shall ensure that, when entering into a lease, its rent obligation does not exceed Fair Market Rent.

22. The operator shall provide the Department with monthly updates on the pending litigation between it and Hudson Regional Hospital. The Operator shall immediately notify the Department when the litigation concludes.
23. IJKG Opco shall comply with the directives contained in the January 4, 2023, guidance memorandum sent to all licensed general acute care hospitals by Erica Holmes, Executive Director of the Office of Health Care Financing, regarding financial reporting and posting requirements pursuant to N.J.S.A. 26:3H-5.1b.

Failure to satisfy any of the aforementioned 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 by the Applicant 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 objections.

I look forward to working with the Applicant to provide a high quality of care to the patients of BMC. If there are any questions concerning this certificate of need approval, please do not hesitate to contact Stefanie Mozgai, Assistant Commissioner at Stefaniej.Mozgai@doh.nj.gov.

Sincerely,



Judith M. Persichilli, RN, BSN, MA
Commissioner
New Jersey Department of Health

cc: Stefanie Mozgai, NJ Department of Health
Luisa Alexopoulos, NJ Department of Health
Antonella Ventura, NJ Department of Health
Alfredo Rabines, CarePoint Health
Nicole DiMaria, Chiesa Shahinian & Giantomasi PC