



State of New Jersey
DEPARTMENT OF HEALTH
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Governor

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Lt. Governor

December 29, 2017

CHRISTOPHER R. RINN
Acting Commissioner

VIA ELECTRONIC & FIRST-CLASS MAILING

Audrey Meyers
President & Chief Executive Officer
The Valley Hospital
223 N. Van Dien Avenue
Ridgewood, New Jersey 07450
ameyers@valleyhealth.com

Re: The Valley Hospital
Replacement/Relocation of Hospital
CN# FR 17 0201-02-01
Total Project Cost: \$752,608,000
Expiration Date: December 29, 2022

Dear Ms. Meyers:

I am approving the certificate of need (CN) application submitted on February 1, 2017, pursuant to N.J.A.C. 8:33-3.1, by The Valley Hospital (Valley or Applicant), a general hospital, for the replacement/relocation of Valley Hospital (the Hospital) from its existing location at 223 N. Van Dien Avenue, Ridgewood, New Jersey in Bergen County, to a new location on Winters Avenue, Paramus, New Jersey, also in Bergen County. The replacement hospital (Valley-Paramus) will be constructed directly across the street from Valley Health's Robert and Audrey Luckow Pavilion (Luckow Pavilion), a hospital-based off-site facility, which is two-and-one-half miles from the Hospital's current Ridgewood site. I 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 the Applicant is consistent with those requirements. The application is being approved at the total project cost noted above.

The Hospital is currently designated as a Community Perinatal Center-Intensive and a Comprehensive Stroke Center, and is currently licensed to operate 331 medical/surgical (med/surg) beds, 48 adult intensive care/cardiac care (ICU/CCU) beds, 38 obstetrics/gynecology (Ob/GYN) beds, 14 pediatric hospital beds, six neonatal intensive care bassinets, nine neonatal intermediate care bassinets, an acute hemodialysis service, five adult cardiac catheterization labs, three adult cardiac surgery

operating rooms, one cystoscopy room, one transportable lithotripter, 14 mixed operating rooms, one magnetic resonance imaging (MRI) unit, and one pediatric sleep center. In addition, the Hospital has six hospital-based off-site licensed facilities: three separately licensed ambulatory care facilities for the provision of primary care services; one adult sleep center; one mobile MRI; and the Luckow Pavillion, licensed to provide ambulatory surgery services with six ORs, one computerized tomography (CT) – fixed, one extracorporeal shock wave lithotripsy – transportable, gamma knife services, in vitro fertilization services, three linear accelerators, and one magnetic resonance imaging (MRI) – closed. Although Valley-Paramus proposes to consist of approximately 910,000 square feet on approximately 27.9 acres on Winters Avenue in Paramus, directly adjacent to the Luckow Pavilion, the designation, scope of beds and services at the existing Hospital would be similar at the new location, with a minor decrease in the number of med/surg beds and increases in the number of clinical decision units and critical care beds.

For the reasons that follow, I am approving, with conditions, the application submitted for the replacement/relocation of the Hospital from Ridgewood to Paramus, both in Bergen County. 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 17 0201-02-01 at its December 7, 2017 meeting. In reaching this decision, I considered the CN application for the replacement/relocation of the Hospital, completeness questions and responses, the public hearing transcript, written comments and exhibits, the Department staff recommendations, the PowerPoint presentation given by the Applicant at the SHPB meeting, and the SHPB recommendations. The referenced materials are incorporated 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. The CN application was deemed complete on October 27, 2017, and a public hearing took place on November 13, 2017, at Ridgewood High School, 627 East Ridgewood Avenue, Ridgewood, NJ in Bergen County, during the evening hours to maximize public participation in the review process. Over 70 persons were in attendance, with 29 speaking, including several representatives from Valley. All speakers spoke in favor of the application.

Subsequent to the public hearing, at its December 7, 2017 meeting, the SHPB unanimously recommended approval of Valley's CN application with conditions. During the meeting, the SHPB heard from the Department and the Applicant; no one from the public spoke.

Analysis

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provides for the issuance of a certificate of need only where the action proposed in the application for such certificate is necessary to provide required health care in the area to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of health care services in the region or statewide, and will continue the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration a) the availability of services that may serve as alternatives or substitutes; b) the need for special equipment and services in the area; c) the possible economies and improvements in services to be anticipated from the operation of joint central services; d) the adequacy of financial resources and sources of present and future revenue; e) the availability of sufficient manpower in the several professional disciplines; and f) such other factors as may be established by regulation. A review of the aforementioned criteria must be undertaken to demonstrate a need for the replacement/relocation requested by Valley in its application. As previously mentioned, I have also taken into consideration the recommendations made by the SHPB to approve this application.

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. Based on Valley's strategic planning and assessments of current operational status and future development options, the current Hospital building was determined to be in need of a full upgrade to maintain quality and to function as a competitive acute care hospital in today's health care system. Over a ten-year period, Valley sought to obtain the approvals needed to renovate and expand at its current site, but found obstacles in surmounting Planning Board, Village Council, and citizen group opposition leading to a stalemate and leaving no viable option for meeting the Hospital's needs to update aging buildings at the current location. Ultimately, Valley determined that the only viable option was to relocate the Hospital, and its in-patient services, to a new location two-and-one-half miles away, adjacent to its off-site facility in Paramus. Thus, I am convinced that the relocation of the Hospital from its existing site is the most feasible choice. I believe the Applicant carefully and thoroughly examined its available options before deciding to relocate the Hospital to Paramus, and forecasted the effects on the neighboring hospitals on a reasonable basis. Therefore, I do not believe that the relocation of this hospital would cause significant harm to any of the other area hospitals. 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 services or equipment within the area would be met because the proposed new facility would be a replacement hospital, offering the same services that are currently licensed at the present facility, with no change in the need for special equipment.

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 services, Valley-Paramus will be able to yield significant operational and staff efficiencies and will be able to incorporate the latest concepts for ensuring patient safety and improving clinical outcomes.

N.J.S.A. 26-2H-8(d) requires consideration of the adequacy of financial resources and sources of present and future revenues. Financial analysis of the Valley application undertaken by Department staff reveals that Valley is financially sound and possesses adequate financial resources to fund the \$752,608,000 total cost of this project. Valley has indicated that the project will be funded through the issuance of \$400,000,000 in tax exempt bonds, \$202,608,000 in hospital equity and \$150,000,000 in philanthropic contributions. Audited financial statements for the year ending December 31, 2016 show Valley had an operating income of approximately \$11.7 million. The Hospital's operating margin was 10.1%, and days cash on hand were 328 as of the balance sheet date. Valley does not have any long-term debt.

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 to staff the relocated hospital because Valley-Paramus is a replacement hospital that will be located within two-and-one-half miles of the current Hospital, with the same basic services as the current facility, and the Applicant has confirmed that it intends to retain substantially all of its current personnel.

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 regulations for the services subject to full review (i.e., N.J.A.C. 8:33-1.1 et seq.). Valley 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 agrees to provide that same level of care that Valley provided in the past to uninsured and underinsured patients in the region and Valley is committed to ensuring the continued accessibility to the medically underserved through clinic services and Community Benefit Programs offered both at the current Hospital and at Valley-Paramus. Valley has shown that the project will enhance its ability to continue its long-standing mission of delivering services to the medically-underserved. In addition, the Applicant has committed to providing care in accordance with N.J.S.A. 26-2H-18.64 and N.J.A.C. 8:43G-5.2(c) regarding the provision of healthcare services regardless of the patient's ability to pay or payment source.

N.J.A.C. 8:33-4.9(a) requires a demonstration that the relocation will not have an adverse impact on the population being served in regards to access and quality of care. The relocation of the Hospital from its existing location to a new location two-and-one-half miles away will not adversely affect the patients historically served by Valley in Ridgewood. In fact, I believe that access to Valley's comprehensive services will be

enhanced by a modern facility that will ensure an efficient facility to help improve the community's access to care because of its capacity to handle demand for services, help lower the cost of care, and improve the overall health of the community. Access to its new location will also be easier and more convenient, enabling more people to get care, including prevention and wellness service, because the new site will be located on one of the area's main highways. Access will be further maintained and enhanced through the implementation of Condition No. 5 noted below regarding the development of a transportation plan that will be submitted to the Department for review and approval. Thus, inpatient services at the new location will continue to be available for those patients who are indigent or who do not have the means for transportation services. Valley also has committed to maintaining certain services at the Ridgewood site to further ensure continued access to care to the residents of Ridgewood.

I find that Valley has provided an appropriate project description, which includes information as to the total project cost, operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-4.10(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(b)(8)). Valley has also demonstrated a track record of substantial compliance with the Department's licensing standards as required by N.J.A.C. 8:33-4.10(d).

Based on the foregoing, I am approving the application for the replacement/relocation of the Hospital. The proposed replacement facility design would allow Valley to reduce its overall number of beds and categorically reconfigure its bed capacity to address demographic changes and growth in its service area. I believe that the structural changes planned for Valley are crucial for developing the medical technology and clinical skills necessary to remain competitive with other area healthcare providers as well as enhancing quality of care. This replacement/relocation will promote greater access to its services and increase the level and sophistication of these services throughout its service area. This approval will not cause significant harm to any hospital in Bergen County or the surrounding counties. Moreover, the replacement/relocation would allow for flexibility to adjust to changing needs in the healthcare sector.

Finally, I acknowledge Valley's long-standing commitment to the residents of Bergen County as a whole, and concur that this approval will better enable Valley to maintain and enhance this commitment into the foreseeable future. Based on the foregoing, and noting the recommendation by the SHPB, I am approving the Valley application to replace/relocate the Hospital to Paramus subject to the following conditions:

1. At least six months prior to completion of construction of Valley-Paramus, the Applicant shall submit to the Department's Division of Certificate of Need and

- Licensing (Division) for review and approval, a communication plan for informing all residents of Bergen County and surrounding communities, as well as local governments and emergency services providers, of the dates of the cessation of inpatient services at the current site and the implementation of services at the new site. The plan shall include a mechanism for responding to questions from the public regarding project implementation and transportation/access concerns. This plan must also contain provisions on maintaining access to emergency services for all residents of the service area.
2. At least 60 days prior to the completion of construction of Valley-Paramus, Applicant shall develop a written plan for the transition of all in-patient services from the existing Hospital at Ridgewood to its new location in Paramus. A plan outlining all out-patient services, and the locations at which they will be provided, shall be included as well. A copy of such plan shall be submitted to the Division.
 3. At least 90 days prior to the relocation of any services, Applicant shall file a licensing application with the Division. Applicant shall not commence operations at the new location in Paramus prior to Department approval and licensure. Applicant shall, at the same time, file licensing applications for any ambulatory care facilities to be established at the old location in Bergen County, at 223 N Van Dien Avenue in Ridgewood, including outpatient diagnostic imaging services, an urgent care center, and any other functions for which a license would be required.
 4. Applicant shall work with the Department's Office of Emergency Medical Services (OEMS) and with local emergency service providers to develop a plan addressing the personnel and equipment needed for appropriate and timely continuity and delivery of care to inpatients of the facility during the transition and relocation of services to Valley-Paramus.
 5. The Transportation Plan, for those patients who are indigent or who do not have the means for transportation services, shall be in place and operational at the time of licensure of Valley-Paramus. The Plan for the development of a transportation system shall be approved by the Division at least six months prior to licensure of Valley-Paramus. The Plan shall remain in effect for five years after licensure. Any proposed changes in this Plan shall be submitted to the Division at least 120 days in advance of the proposed change, and be approved in writing by the Division before implementation.
 6. An outreach effort shall be placed in effect to ensure that all residents of the Hospital's service area, especially the medically indigent, have access to the available services at the new location. A self-evaluation of this effort shall be conducted by Applicant on a yearly basis for five years after licensure to measure its effectiveness, and shall be submitted to the Division for review and comment.

7. Applicant shall comply with federal Emergency Medical Treatment and Active Labor Act requirements, and provide care for all patients who present at the facilities without regard to their ability to pay or payment source, in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), and shall provide unimpaired access to all services offered by Valley-Paramus.
8. Applicant shall file a signed certification with the Division, as to the final total project cost expended for the project at the time of the application for licensure of Valley-Paramus.
9. Applicant shall identify a single point of contact to report to the Division concerning the status of all conditions referenced within the time frames noted in the conditions.
10. Applicant shall surrender its license for the existing location to the Division within 10 days of operations commencing at Valley-Paramus.
11. In all of its facilities, Applicant shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that all hospitals provide on a regular and continuing basis, out-patient and preventative services, including clinical services for medically indigent patients, for those services provided on an in-patient basis.

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 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 provide quality care to the patients of the Hospital. If you have any questions concerning this Certificate of Need, please do not hesitate to contact John Calabria, Director, at (609) 292-8773.

Sincerely,



Christopher R. Rinn
Acting Commissioner

cc: John A. Calabria, (By Electronic Mail)