



State of New Jersey
DEPARTMENT OF HEALTH AND SENIOR SERVICES
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TRENTON, N.J. 08625-0360

JON S. CORZINE
Governor

www.nj.gov/health

HEATHER HOWARD, J.D.
Commissioner

January 30, 2009

VIA UNITED PARCEL SERVICE

Ronald J. O'Malley
Chairman
Bergen County Improvement Authority
One Bergen County Plaza
Room 333
Hackensack, NJ 07601-7076

Re: CN# FR 080-120-02-01

Thomas A. Biga
Executive Director
Clara Maass Medical Center
One Clara Maass Drive
Belleville, NJ 07109

Re: CN# FR 080-114-07-01
Expiration Date: January 30, 2014

Eileen Cardile
President and CEO
Underwood Memorial Hospital
509 North Broad Street
Woodbury, NJ 08096

Re: CN# FR 080-113-08-01
Expiration Date: January 30, 2014

Darlene L. Cox
Chief Executive Officer
University of Medicine and Dentistry
of New Jersey
150 Bergen Street
Newark, NJ 07103

Re: CN# FR 080-119-07-01

Michael R. D'Agnes
President and Chief Executive Officer
Raritan Bay Medical Center—
Perth Amboy Division
530 New Brunswick Avenue
Perth Amboy, NJ 08861

Re: CN# FR 080-110-12-01
Expiration Date: January 30, 2014

Alexander J. Hatala
President and Chief Executive Officer
Lourdes Medical Center of Burlington County
218A Sunset Road
Willingboro, NJ 08046

Re: CN# FR 080-102-03-01
Expiration Date: January 30, 2014

Joseph Hicks
Executive Director
Kimball Medical Center
600 River Avenue
Lakewood, NJ 08701

Re: CN# FR 080-117-05-01
Expiration Date: January 30, 2014

Les Hirsch
Chief Executive Officer
St. Clare's Hospital—Dover
400 West Blackwell Street
Dover, NJ 07801

Re: CN# FR 080-1121-14-01
Expiration Date: January 30, 2014

Gary Horan, FACHE
President and Chief Executive Officer
Trinitas Hospital
655 East Jersey Street
Elizabeth, NJ 07206

Re: CN# FR 080-104-20-01
Expiration Date: January 30, 2014

Gerard Jablonowski
President and Chief Executive Officer
St. Francis Medical Center
601 Hamilton Avenue
Trenton, NJ 08629

Re: CN# FR 080-108-11-01
Expiration Date: January 30, 2014

Chester B. Kaletkowski
President and Chief Executive Officer
South Jersey Hospital—
Regional Medical Center—Vineland
1505 West Sherman Avenue
Vineland, NJ 08360

Re: CN# FR 080-111-06-01
Expiration Date: January 30, 2014

Alireza Maghazehe, PhD, CHE
President and Chief Executive Officer
Capital Health System—Fuld
750 Brunswick Avenue
Trenton, NJ 08638

Re: CN# FR 080-103-11-01
Expiration Date: January 30, 2014

Richard E. Murray, FACHE
Chief Executive Officer
Kennedy Memorial Hospitals—
University Medical Center—Cherry Hill
2201 Chapel Avenue West
Cherry Hill, NJ 08002

Re: CN# FR 080-105-04-01
Expiration Date: January 30, 2014

Barry Rabner
President and Chief Executive Officer
University Medical Center at Princeton
253 Witherspoon Street
Princeton, NJ 08540

Re: CN# FR 080-115-11-01
Expiration Date: January 30, 2014

Joseph Scott
Chief Executive Officer
Jersey City Medical Center
355 Grand Street
Jersey City, NJ 07302

Re: CN# FR 080-118-09-01
Expiration Date: January 30, 2014

Thomas J. Senker
President and Chief Executive Officer
Newton Memorial Hospital
175 High Street
Newton, NJ 07860

Re: CN# FR 080-106-19-01
Expiration Date: January 30, 2014

Kevin J. Slavin
President and Chief Executive Officer
East Orange General Hospital
300 Central Avenue
East Orange, NJ 07018

Re: CN# FR 080-121-07-01
Expiration Date: January 30, 2014

David Tilton
President and Chief Executive Officer
AtlantiCare Regional Medical Center—
Mainland Campus
Jimmie Leeds Road
Pomona, NJ 08240

Re: CN# FR 080-107-01-01
Expiration Date: January 30, 2014

Frank J. Vozos, MD
Executive Director
Monmouth Medical Center
300 Second Avenue
Long Branch, NJ 07740

Re: CN# FR 080-116-13-01
Expiration Date: January 30, 2014

Dear Mr. O'Malley, Mr. Biga, Ms. Cardile, Ms. Cox, Mr. D'Agnes, Mr. Hatala, Mr. Hicks, Mr. Hirsch, Mr. Horan, Mr. Jablonowski, Mr. Kaletkowski, Dr. Maghazehe, Mr. Murray, Mr. Rabner, Mr. Scott, Mr. Senker, Mr. Slavin, Mr. Tilton, and Dr. Vozos:

This letter sets forth the basis, rationale, and final decision in the matter regarding the allocation of additional adult closed acute care inpatient psychiatric beds (closed beds) in New Jersey. The Department of Health and Senior Services (Department) invited New Jersey hospitals to apply for certificates of need (CN) to add closed beds to their licensed bed complement. I approve, in whole or in part, those requests submitted by the following applicants: Clara Maass Medical Center (Clara Maass), East Orange General Hospital (East Orange), Jersey City Medical Center (Jersey City), Newton Memorial Hospital (Newton), St. Clare's Hospital—Dover (St. Clare's), Capital Health System—Fuld (Capital), Monmouth Medical Center (Monmouth), Raritan Bay Medical Center—Perth Amboy Division (Raritan Bay), St. Francis Medical Center (St. Francis), Trinitas Hospital (Trinitas), University Medical Center at Princeton (Princeton), AtlantiCare Regional Medical Center—Mainland Campus (AtlantiCare), Kennedy Memorial Hospitals—University Medical Center—Cherry Hill (Kennedy), Kimball Medical Center (Kimball), Lourdes Medical Center of Burlington County (Lourdes), South Jersey Hospital—Regional Medical Center—Vineland (South Jersey), and Underwood Memorial Hospital (Underwood). I do not approve requests from the following applicants: Bergen Regional Medical Center (BRMC) and University of Medicine and Dentistry of New Jersey (UMDNJ).

FACTUAL BACKGROUND

The Department developed this CN call (Call) collaboratively with the Department of Human Services' Division of Mental Health Services (Division). The Department has the central responsibility for hospital and health care services including, but not limited to closed beds, pursuant to the Health Care Facilities Planning Act (Act), N.J.S.A. 26:2H-1 et seq. This Call aims to facilitate short stay involuntary admissions in general acute care hospitals, thereby reducing the number of direct admissions to State psychiatric hospitals. In advance of the Call, the Department worked closely with the Division, which developed the need methodology for closed beds considering the most recent utilization of existing closed beds in general acute care hospitals and the geographic origin of direct admissions to State psychiatric hospitals from designated screening centers.

The Division identified a need for 83 additional closed beds in the State based on the referenced methodology and will maintain its \$60,000 per bed per year mental health subsidy for current short-term care facility beds and expand funding in the mental health subsidy fund to provide the same level of support for the 83 additional beds offered through this Call. The Department published a Notice in the New Jersey Register on November 5, 2007, which outlined for providers the specific requirements of this Call. (39 N.J.R. 4868(b), and as amended at 40 N.J.R. 217(b).)

Applications were invited from hospitals seeking to meet the additional bed need identified in their county of origin and/or adjacent counties. By the Call's closing date on January 2, 2008, the Department had received applications for closed bed services from 20 facilities. Applicants proposed to expand their closed bed complement either by increasing the total number of inpatient psychiatric beds or by converting adult open acute care inpatient psychiatric beds (open beds) to closed beds. The total number of beds requested exceeded the parameters of the Call.

The Department amended the Call on April 25, 2008, after Solaris Health Systems filed a Certificate of Need for the discontinuance of Muhlenberg Regional Medical Center (Muhlenberg) as a general hospital, which included eight licensed closed beds. The closure of Muhlenberg eliminated eight closed beds in Union County. The Department by correspondence invited licensed general acute care hospitals in Union and contiguous counties to apply for the eight beds that were licensed to Muhlenberg. Trinitas and Clara Maass each amended its application submitted in response to the Call to request additional beds in response to the Department's written notice. St. Mary's Hospital-Passaic (St. Mary's), withdrew its CN application on August 20, 2008, resulting in a total of 19 applicants in this Call. Because of Muhlenberg's closure, the need for closed beds in this Call increased to 91, as distributed below.

BED NEED AND REQUESTS				
County	Calculated County Bed Need	Number of Beds Requested in County	Number of Beds Recommended	Applicant
Atlantic	4	3	2	AtlantiCare
		2	2	Lourdes
Bergen	0	40	0	BRMC
Burlington	3	3	3	Lourdes
Camden	6	6	6	Kennedy
Cape May	2	1	2	AtlantiCare
Cumberland	4	4	4	South Jersey
Essex	1	No specific #	0	BRMC
		2	0	Clara Maass
		1	1	East Orange
		6	0	UMDNJ
Gloucester	5	5	5	Underwood
Hudson	1	No specific #	0	BRMC
		1	0	Clara Maass
		1	1	Jersey City
Hunterdon	3	3	3	Princeton
Mercer	7	3	3	Capital
		3	3	St. Francis
		No specific #	0	Lourdes
		2	1	Princeton
Middlesex	11	5	6	Princeton
		10	5	Raritan Bay
Monmouth	3	3	3	Monmouth

Morris	4	4	4	St. Clare's
Ocean	11	20	11	Kimball
		No specific #	0	Lourdes
Passaic	5	No specific #	0	BRMC
		2	5	Clara Maass
Salem	3	3	3	South Jersey
Somerset	5	5	5	Princeton
Sussex	2	2	2	Newton
Union	11	3	0	Clara Maass
		--	5	Raritan Bay
		6	6	Trinitas

The Department obtained public comment regarding the review process by accepting written statements prior to, and hearing oral testimony at, the State Health Planning Board (Board) meeting held on October 2, 2008. In advance of the Board's deliberations on the 19 applications, Board members received complete copies of each applicant's reported documents, including CN application, completeness questions, and answers; written material submitted by members of the public; review materials prepared by Department staff; and recommendations on each application from Department staff (staff recommendations).

At the Board meeting, the Deputy Director of the Division of Mental Health, Department of Human Services, as part of the staff presentation, offered a summary of program initiatives to provide access to community-based treatment, particularly for persons seeking treatment through acute care settings; preserving access to critical services in regions in which a hospital closes; provision of transitional funding to ensure that changes in outpatient and partial hospitalization rates did not negatively affect critical ongoing contracted hospital mental health services; creation of temporary emergent short-term capacity in the Ancora Hospital catchment area; and program expansions, during the last 36 months, investing \$71 million of additional new resources in community-based treatment, support, housing, and acute mental health services so consumers and family can receive both inpatient and supportive outpatient treatment in their own communities.

Department staff recommended approval of 17 applications to the Board. The Board approved its recommendations and submit to the Commissioner for final decision. The documents referenced above constitute the record of the Board meeting. Department staff forwarded to me the meeting transcript and the record on this Call for my independent review and rendering of the agency decision.

STANDARD OF REVIEW

With respect to the statutory CN review criteria, N.J.S.A. 26:2H-8 provides 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.

The statute also requires that I consider the following factors when making such determinations: availability of facilities or services that may serve as alternatives or substitutes; need for special equipment and services in the area; possible economies and improvement in services to be anticipated from the operation of joint central services; adequacy of financial resources and sources of present and future revenues; availability of sufficient workforce in the several professional disciplines; and, such other factors as may be established by regulation.

FINDINGS

In reaching my decision on each application, I have considered the review criteria articulated in the Call; the Act; the CN administrative rules, at N.J.A.C. 8:33-1.1 et seq.; the Hospital Licensing Standards, as set forth at N.J.A.C. 8:43G-1.1 et seq.; Department staff recommendations, which include the Division's recommendations and endorsements from local county mental health boards; and population/demographic data for New Jersey. Additionally, I reviewed the information reported by each applicant and the transcript of the October 2, 2008 Board meeting, which included the Board's recommendations.

I have reviewed this Call for the allocation of additional closed beds in the context outlined by the Deputy Director of the Division of Mental Health at the Board meeting. He described the overall development of a recovery oriented system of mental health care to provide appropriate access to a range of community-based acute care and on-going mental health treatment and supports, which can provide alternatives to in-patient care or shorten the length of a clinically appropriate hospitalization. I find it reasonable to incorporate into my decision-making the activities of the Department, the Department of Human Services and the Division of Mental Health Services, and the principal public health policy issues affecting the State. I further find that the Department's Notice and the Call itself are within statutory authority. The findings are consistent with my review of the record and my understanding of the public interest in the availability and accessibility of closed bed services in the State.

General Findings

Necessary to provide required health care in the area to be served

With respect to whether the actions proposed in the applications are necessary to provide required health care in the area to be served, I have accepted the county-based bed need estimates contained in the Call as a reliable determination of whether these psychiatric services are necessary. With regard to a determination of need under N.J.S.A. 26:2H-8, as I indicated earlier, the Department issued a Call for 83 additional

beds, which was amended for a total of 91 beds, in accordance with N.J.A.C. 8:33-1.1 et seq. These factors indicate to me that meeting the bed need as expressed in the Call is necessary to provide required health care in the area to be served. As noted above, the role and function of short-term closed beds is one component of overall development of a recovery oriented system of mental health care to provide appropriate access to a range of community-based acute care and on-going mental health treatment and supports.

Adverse economic or financial impact on delivery of health care services in the region and Statewide

I have contemplated whether the action proposed would have an adverse economic or financial impact on the delivery of health services in the region. I am of the opinion that expanding closed bed services would alleviate rather than create additional economic burdens in light of the Division's subsidy for closed bed providers.

Contribute to orderly development of adequate and effective health care services

I find that the orderly development of adequate and effective inpatient psychiatric services can be achieved in community hospital settings. Historically, the Department has placed a high priority on ensuring access to services for minority and medically underserved populations. In addition, it has been critical to distinguish a hospital's capacity for services from actual accessibility for individuals without health insurance or ability to pay.

Availability of closed beds

The existing number of closed beds in each county is insufficient to meet the need of the population served as evidenced by the need to decrease direct admissions to State psychiatric hospitals. During the CN process, hospitals, mental health organizations, consumers, and health care professionals testified orally at hearing and submitted written testimonials to the overcrowding of hospital emergency rooms that hold individuals waiting for the availability of closed bed services. Based on this information, I find that there is currently a need for additional closed bed services.

Substitutes or alternatives

As to the specifics of this application, N.J.S.A. 26:2H-8(a) requires that I consider the availability or services, which may serve as alternatives or substitutes. Only hospitals may provide closed bed services. With the exception of State psychiatric hospitals, there are no other local area alternatives for those individuals who meet the standard for commitment in New Jersey. Individuals requiring this level of care must be hospitalized.

Need for Special equipment and services in the area

Closed inpatient psychiatric treatment is a special service. Since all of the applicants already provide psychiatric services, there is no need for additional special equipment and services.

Availability of sufficient workforce in the several professional disciplines

While additional staff will be necessary to accommodate the proposed bed increases, I am confident that there is sufficient professional staff available in the area to meet the modest additional staffing requirements for the additional beds.

Financial resources

I also reviewed the adequacy of financial resources and sources of present and future revenues, in accordance with N.J.S.A. 26:2H-8(d). The Department's financial analyses of applicants revealed all are financially sound and possess the resources to undertake and sustain their respective proposals.

Possible improvement in services

In each case, the applicants are psychiatric service providers either within or in affiliation with a general acute care hospital, and can be expected to benefit from economies on a larger scale. Furthermore, I am convinced that the approval of additional closed beds identified by the Call will result in appropriate use of the closed beds designated for residents of these counties. In turn, this should provide efficient and cost-effective closed bed service delivery without negatively impacting other providers.

Access to services

With respect to applicants' compliance with access to services, as set forth at N.J.A.C. 8:33-4.10, each applicant identified the percent of the population below the poverty level residing in each county served by the facility along with the percent of psychiatric care each facility provided that was reimbursed through Medicaid and Charity Care funds. Each applicant specifically stated that its facility does not deny access to anyone based on inability to pay for services. However, I do note that the applicants' records and the transcript of the Board meeting indicate that some existing facilities currently fail to provide outpatient psychiatric clinic services, in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a).

All applicants were able to demonstrate compliance with most of the review criteria, and many applications were of very high quality. I understand and concur with the Department staff's recommendation to approve only the Call's expressed number of beds. The limitation on the number of beds represents an attempt to balance an

incentive for providers and the need for the Call. I am convinced that the number of beds identified by the Division's methodology will provide the best incentive for increasing services.

Based on the foregoing, I find it both reasonable and appropriate to approve 17 of the 19 remaining applications submitted for participation in the Call. I find the rationale and conclusions reached by the Department staff, the Division, local county mental health boards, and the Board in recommending these bed allocations as stated to be persuasive and have given great consideration to each party's contribution.

Findings and Decisions on Bed Allocation by County

The Board, in accordance with N.J.S.A. 26:2H-5.8(b) and 26:2H-5.9(b), reviewed the applications at the aforementioned public meeting and recommended approval of 17 applications. Concurring with the Department staff, the Board recommended the following nine applicants for approval with conditions: Atlantic, Capital, Clara Maass, Kimball, Lourdes, Princeton, Raritan Bay, South Jersey, and Underwood.

Below are my findings and decisions on individual applications. Conditions, where applied, indicate the action that must be implemented for licensure of the beds awarded by CN.

Atlantic County

The identified closed bed need for Atlantic County is four beds. AtlantiCare Regional Medical Center (AtlantiCare) applied to convert three open beds to closed beds to serve Atlantic County. Lourdes Medical Center (Lourdes) requested two beds for Atlantic County.

The two applicants' total number of requested beds surpassed the need for Atlantic County. After careful review of the potential impact upon granting beds in excess of the calculated need, I have determined that the outcome would result in reduced per bed subsidies that would diminish the intended economic incentive for providers. Therefore, approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals.

I am compelled to consider the Call in its totality, balancing the applicants' requests with their impact on the State as a whole. This is central to maintaining access for closed bed psychiatric services on the community level, or as near to the community as possible, and to preventing direct admissions to State psychiatric hospitals. AtlantiCare has the capacity to accommodate only four additional closed beds. For these reasons, allocating two beds for Atlantic County to AtlantiCare rather than three will permit AtlantiCare to satisfy the bed need for Cape May County, as discussed below.

In addition, the Division endorsed Lourdes and AtlantiCare for three and two beds, respectively. The Board at its October 2, 2008 meeting, accepted AtlantiCare's application for 2 of the 3 requested closed psych beds in Atlantic County and approved the award of 2 beds with conditions. Consistent with the Board's recommendations and for the reasons stated above, I am modifying AtlantiCare's request by approving its application for two, rather than three, closed beds for Atlantic County and two beds, as opposed to one bed, for Cape May County, at a total project cost of \$616,400. (See below for discussion in greater detail.) I am also approving Lourdes for two closed beds for Atlantic County, at no additional project cost, with the following condition placed on each CN award to AtlantiCare and to Lourdes:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Bergen County

There was no bed need identified for Bergen County. BRMC's request for 40 beds greatly surpassed the need identified for Bergen and its surrounding counties combined. It is important to note that, for what was by far the largest request for beds the Department received, this application failed to articulate a specific bed allocation by county that the applicant could accommodate. However, this Call was organized around a finite number of closed beds by county and is being fulfilled in light of that criterion. I find it difficult to respond to the calculated need in a non-specific manner and provide for the number of beds identified in the Call. The reasons for the denial in contiguous counties are discussed in further detail below.

Additionally, after careful review of the potential impact upon granting beds in excess of the calculated need, I have determined that the outcome would result in reduced per bed subsidies that would greatly diminish the intended economic incentive for providers. I find that approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals. Therefore, consistent with the recommendations of the Division and the Board at its October 2, 2008 meeting, and for the reason cited above, I am denying BRMC's request for 40 closed beds to serve Bergen and its contiguous counties.

Burlington County

The identified closed bed need for Burlington County is three beds. The sole provider of closed bed services in Burlington County, Lourdes, requested three beds to serve Burlington County. The proposal included conversion of open beds to closed beds to implement additional beds.

This will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals. Additionally, Lourdes' application received the endorsement of the Division. The Board at its October 2, 2008 meeting, cited the recommendation and rationale set forth by the Department and the Division, in addition to the testimony and the application, and recommended the award of 3 beds with conditions. In consideration of these recommendations and for the reasons stated above, I am approving Lourdes' request for three closed beds, at no additional project cost, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Camden County

The identified closed bed need in Camden County is six additional closed beds. Kennedy Memorial Medical Center (Kennedy) requested a total of six closed beds. Its application was the only request for Camden County, offering to convert four of its open beds to closed beds and to add two new closed beds. This proposal will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals.

Furthermore, Kennedy's application received the endorsement of the Camden County Mental Health Board and the Division. The Board at its October 2, 2008 meeting accepted Kennedy's application for 6 closed psych beds in Camden County and cited the rationale set forth by the Department and the Division, in addition to the application, and approved the award of 6 beds with conditions. Consistent with the Board's recommendations and for the reasons stated above, I am approving Kennedy for six closed beds as proposed in its application, at a total project cost of \$99,060.

Cape May County

The identified closed bed need for Cape May County is two beds. AtlantiCare applied to convert one open bed to a closed bed to serve Cape May County. AtlantiCare is the sole provider of services in Cape May County and the only facility capable under the CN rules eligible to apply for beds in this county.

I am compelled to consider the Call in its totality, balancing the applicants' requests with their impact on the State as a whole. This is central to maintaining access for closed bed psychiatric services on the community level, or as near to the community as possible, and to preventing direct admissions to State psychiatric hospitals. AtlantiCare has the capacity to accommodate only four additional closed beds.

After careful consideration of the impact of not meeting the closed bed need in Cape May County, I have determined that this loss would work counter to the objective of this Call, which is to expand acute closed bed services and decrease the burdens on State psychiatric hospitals. Fulfilling Cape May County's closed bed need would create access to closed bed services and aid in decreasing direct admissions to State psychiatric hospitals. The Division and the Cape May County Mental Health Board endorse an award of two beds for Cape May County to AtlantiCare.

The Board at its October 2, 2008 meeting accepted AtlantiCare's application for 2 closed psych beds in Cape May. Specifically, the Board acknowledged the recommendation was a reallocation of AtlantiCare's specified need but within the total number of beds AtlantiCare requested. Citing the rationale set forth by the Department and the Division, in addition to the testimony and the application, the Board recommended the approval of 2 beds with conditions. Consistent with the Board's recommendations and for the reasons stated above, to satisfy the bed need in Cape May County, I am modifying AtlantiCare's request for one bed and approving it for an allocation of two closed beds for Cape May County, with no change in the total number of beds requested by this applicant, at a total project cost of \$616,400, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Cumberland County

The identified closed bed need for Cumberland County is four beds. The sole existing Cumberland County psychiatric provider and uncontested applicant, South Jersey Medical Center (South Jersey), applied to convert four of its 13 open beds to four closed beds. The proposed conversion of open beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals.

Furthermore, South Jersey's application was endorsed by the Cumberland County Mental Health Board and the Division. The Board at its October 2, 2008 meeting accepted South Jersey's application for 4 closed psych beds in Cumberland County and cited the rationale set forth by the Department and the Division, in addition to the application and testimony, and approved the award of 4 beds with conditions. Consistent with the Board's recommendations and for the reasons stated above, to satisfy the bed need in Cumberland County, I am approving South Jersey for four closed beds for Cumberland County, as proposed in its application, at a total project cost of \$2,242,013, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Essex County

The identified closed bed need in Essex County is one additional bed. The competing applicants, Bergen Regional Medical Center (BRMC), Clara Maass, East Orange, and UMDNJ, requested beds in excess of that one bed, as follows:

- As part of its 40 bed request, BRMC offered to serve residents of Essex County.
- Clara Maass requested two beds for Essex County.
- East Orange requested one bed for Essex County.
- UMDNJ requested six beds to serve Essex County.

After careful review of the potential impact upon granting beds in excess of the calculated need, I determined that the outcome would result in reduced per bed subsidy levels that would greatly diminish the intended economic incentive for providers. Therefore, approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals.

All competing Essex County applicants are existing licensed providers of inpatient psychiatric bed services that can implement beds without any cost or with minimal expense. However, East Orange's proposal is distinguished as an in-county provider that also will increase the total number of available beds for Essex County by adding a bed to its existing complement. Its competitors proposed to convert open to closed beds or were out of county.

I note that the Essex County Mental Health Board endorsed the Clara Maass application, but did not comment on either the UMDNJ or East Orange applications. The Division recommended that the Essex County bed be granted to East Orange. The Board, at its October 2, 2008 meeting, concurred. I agree with the recommendations of the Division and the Board.

For the foregoing reasons, I am approving East Orange for the one closed bed in Essex County, at a total project cost of \$7,750. As approval of this applicant already meets the bed need for Essex County, I am denying Clara Maass' application for two Essex County beds it requested. For the same reason, I am denying UMDNJ's request for six beds and Bergen's request for an unspecified complement in Essex County.

Gloucester County

The identified closed bed need for Gloucester County is five beds. The sole existing Gloucester County psychiatric provider and uncontested applicant, Underwood, applied to convert five of its 14 open beds to closed beds with minor renovations.

The proposed conversion of open beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals. Furthermore, Underwood's application received the endorsement of the Gloucester County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore I am approving Underwood for five closed beds for Gloucester County, as proposed in its application, at a total project cost of \$250,000, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Hudson County

The identified closed bed need for Hudson County is one additional closed bed. I find that the applicants exceeded the identified need for one bed, as follows:

- The sole closed bed provider in Hudson County, Jersey City, applied to convert one of its 16 open beds to one closed bed.
- As part of its 40 bed request, BRMC offered to serve residents of Hudson County.
- Clara Maass requested one bed for Hudson County.

After careful review of the potential impact upon granting beds in excess of the calculated need, I determined that the outcome would result in reduced per bed subsidy levels that would greatly diminish the intended economic incentive for providers.

Therefore, approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals.

Jersey City's application received the endorsement of the Hudson County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore, I am denying BRMC's and Clara Maass' requests to serve Hudson County because the competing, in-county applicant, Jersey City, can better facilitate access to psychiatric services for local residents. For the aforementioned reasons, I am approving Jersey City for one closed inpatient psychiatric bed as proposed in its application, at no additional project cost.

Hunterdon County

The identified closed bed need for Hunterdon County is three additional closed beds. Princeton's application proposed to add three closed beds for Hunterdon County. The applicant is the only facility that applied for the three closed beds identified in the Call for Hunterdon County. During the October 2, 2008 meeting, the applicant's representative made an in-person appeal to the Board to change its request for only two beds for Hunterdon County to permit the facility to acquire an additional bed for Mercer County and stay within the number of closed beds in its application. The Board recommended approval of two of the three beds Princeton requested for Hunterdon County and two beds for Mercer County. However, this recommendation leaves Hunterdon County short one bed and Mercer County with an additional bed, as determined by the need methodology.

After careful consideration of the impact of not meeting the closed bed need in Hunterdon County, I have determined that this loss would work counter to the objective of this Call, which is to expand acute closed bed services and decrease the burdens on State psychiatric hospitals. Fulfilling Hunterdon County's closed bed need would create access to closed bed services and aid in decreasing direct admissions to State psychiatric hospitals. The Division and the Hunterdon County Mental Health Board endorse an award of three beds for Hunterdon County to Princeton.

Therefore, in consideration of the Board's recommendations and for the reasons cited above, which are consistent with the endorsements of the Hunterdon County Mental Health Board and the Division, I am granting approval to Princeton for three closed beds to serve Hunterdon County with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Mercer County

The identified closed bed need for Mercer County is seven additional closed beds. The competing applicants' requests for Mercer County exceed the seven bed need identified in the Call, as follows:

- Capital proposed to convert three existing open beds to three closed beds for Mercer County.
- Lourdes offered to provide services for this county as part of its overall request for beds, but did not specify the number to serve Mercer County.
- Princeton requested two of its 15 beds to establish services for residents of Mercer County, which is the county in which the applicant is situated.
- St. Francis intends to convert three existing open beds to three closed beds for Mercer County.

I note that Capital and St. Francis have no construction costs associated with their respective projects and can open the needed beds expeditiously. Princeton is able to implement the Mercer County beds in the non-construction phase of its proposal, which will originate from open bed conversion.

I am compelled to consider the Call in its totality, balancing the applicants' requests with their impact on the State as a whole. This is central to maintaining access for closed bed psychiatric services on the community level, or as near to the community as possible, and to preventing direct admissions to State psychiatric hospitals. The overriding importance of this aim necessitates allocating the award below. Otherwise, the bed need in the other counties would have gone unmet, while the total number of beds for Mercer County would have surpassed the identified need.

Additionally, after careful review of the potential impact of granting beds in excess of the calculated need, I have determined the outcome would result in reduced per bed subsidies, diminishing the intended economic incentive for providers. Therefore, approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals.

The Division recommended allocating three closed beds each to Capital and St. Francis and one bed to Princeton. The Board recommended approving two beds for Princeton at its October 2, 2008 meeting. The Mercer County Mental Health Board did not comment on the applications.

Therefore, consistent with the recommendations of the Division, in consideration of the Board's recommendations, and for the reasons cited above, I am granting

approval of three closed beds each to Capital and St. Francis, at no additional project cost. Although I note that the total number of beds I am approving is consistent with Princeton's application, I am modifying its request by approving one bed for Mercer County and six, rather than five, beds for Middlesex County, at a total project cost of \$223,000. (See below under Middlesex County for full discussion.) Because the need in Mercer County can be met by existing in-county closed bed providers, and because Lourdes is an out of county provider and lacks an established community presence, I am denying Lourdes' request to serve Mercer County. The following condition applies to Capital and Princeton:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Middlesex County

The identified closed bed need for Middlesex County is 11 additional closed beds. Raritan Bay's application proposes to establish a closed bed psychiatric unit by converting 10 of its 35 open beds to closed beds for Middlesex County, with no capital costs associated with this project. Princeton's application proposes to add five closed beds for Middlesex County, which will incur project costs totaling \$223,000.

With respect to Middlesex County, I find that the two competing applicants are in substantial compliance with both the scope and intent of N.J.S.A. 26:2H-1.1 et seq. and N.J.A.C. 8:33-1.1 et seq. The Call identified that 11 beds are needed to meet the need for closed beds in Middlesex County. Raritan Bay's proposal to convert 10 open beds to closed beds will establish closed bed services in the county.

Because I must consider this call in context with the needs of the State as a whole, Raritan Bay's geographic proximity to Union County enables it to meet the need for five closed beds that cannot be met by Union County's in-county applicant. Awarding Raritan Bay five closed beds for Middlesex County and five additional closed beds for Union County fulfills Raritan Bay's request for a total of 10 closed beds.

Awarding the remaining six closed beds for Middlesex County to Princeton would meet the county's need for 11 closed beds and fulfill this applicant's request for a total of 15 closed beds. Princeton has an established nexus to Middlesex County residents, having been the sole provider of closed bed services in that county for many years. The Division supported allocating five beds to Raritan Bay and six to Princeton. The Middlesex County Mental Health Board endorsed the award of 10 beds to Raritan Bay and the remaining closed bed to Princeton. At its October 2, 2008 meeting, the Board recommended allocation of five beds to Raritan Bay and six beds to Princeton.

Therefore, consistent with the recommendations made by the Division and the Board, in consideration of the recommendations of the local mental health board, and for the reasons cited above, I am modifying Raritan Bay's request for 10 closed beds by approving it for five closed beds for Middlesex County and five for Union County. (See below under Union County for full discussion.) I also am modifying Princeton's request for Middlesex County beds and awarding it six closed beds to serve Middlesex County, at a total project cost of \$223,000. The following condition applies to Raritan Bay and Princeton:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Monmouth County

The identified closed bed need for this county is three beds. The only application for these beds was submitted by Monmouth, which proposed to convert three open beds to closed beds.

This will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals. Furthermore, Monmouth's application received the endorsement of the Monmouth County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore, I am approving the applicant for three closed beds in Monmouth County, as proposed, at no additional project cost.

Morris County

The identified closed bed need for Morris County is four beds. The sole existing Morris County psychiatric provider and uncontested applicant, St. Clare's, applied to convert four of its 24 open beds to four closed beds. The proposed conversion of open beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals.

Furthermore, St. Clare's application received the endorsement of the Morris County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore, I am approving St. Clare's for four closed beds as proposed in its application, at no additional project cost.

Ocean County

The identified closed bed need for Ocean County is 11 beds. Currently, one applicant, Kimball, is the sole provider of closed bed services in Ocean County. Lourdes also offered to provide services for this county as part of its overall request for beds, but did not specify the number of beds available for Ocean County. Lourdes is an out of county provider with no established presence in Ocean County.

Kimball proposed to add 20 closed beds to its inpatient psychiatric unit. This request exceeds the calculated bed need by nine. After careful review of the potential impact of granting beds in excess of the calculated need, I have determined the outcome would result in reduced per bed subsidy levels, diminishing the intended economic incentive for providers. Therefore, approving additional beds beyond the parameters set by the Call could have an adverse effect on reducing direct admissions to State psychiatric hospitals.

Establishing beds at Kimball to meet Ocean County's need will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals. Furthermore, the Ocean County Mental Health Board endorsed awarding beds to Kimball. The Division and the Board at its October 2, 2008 meeting recommended Kimball for 11 closed beds.

For the reasons cited above, I am denying Lourdes request to establish an unspecified number of closed beds in Ocean County and approving Kimball's application for 11 closed beds in Ocean County, at no additional project cost, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Passaic County

The identified closed bed need for Passaic County is five beds. The sole applicant for Passaic County beds, St. Mary's, withdrew its application after filing a CN to close its inpatient psychiatric services. Because this occurred after the applications in this batch were declared complete, the Call could not be amended to include other applicants for Passaic County. Therefore, only existing applications could fill this need. The Department then looked to competing applicants in adjacent counties to meet Passaic County's bed need. As part of its 40 bed request, BRMC offered to serve Passaic County. Clara Maass, located in contiguous Essex County, applied to convert eight of its 20 open beds to eight closed beds for use in the counties surrounding Essex.

The Department determined that converting five of Clara Maass' open beds would meet Passaic County's need for five closed beds. In a matter ancillary to this Call at the time of this decision, the Department and the Division approved Clara Maass to temporarily provide emergency closed bed services for Passaic County while St. Mary's reduced its inpatient census. Since, as noted above, the award of these five beds, by necessity, must be to an out of county provider, I have determined there would be less fragmentation of care if the award was granted to Clara Maass, a provider with an existing and ongoing nexus to residents of Passaic County.

Clara Maass' application was endorsed by the Passaic County Mental Health Board. The Division recommended Clara Maass' award of five beds for Passaic County and the Board concurred at its October 2, 2008 meeting. Therefore, for the reasons cited above, I am denying BRMC's request for an unspecified number of beds for Passaic County, and am granting approval to Clara Maass for five closed psychiatric beds to serve Passaic County, at no additional project cost, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Salem County

The identified closed bed need for Salem County is three beds. The sole existing Salem County psychiatric provider and uncontested applicant, South Jersey, applied to convert three of its 13 open beds to three closed beds. The proposed conversion of open beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals.

Furthermore, South Jersey's application received the endorsement of the Salem County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore, I am approving South Jersey for three closed beds for Cumberland County, as proposed in its application, at no additional project cost, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Somerset County

The identified closed bed need for Somerset County is five additional closed beds. Princeton is the only applicant for the five closed beds identified in the Call for Somerset County. The proposed beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals. The Division and the Somerset County Mental Health Board endorsed allocation of the beds to Princeton as requested in its application. The Board at its October 2, 2008 meeting recommended allocation of the five closed beds for Somerset County to Princeton.

Therefore, consistent with the recommendations of the Division, the Somerset County Mental Health Board, and the Board and for the reasons cited above, I am granting approval of five closed beds to Princeton to serve Somerset County, at a total project cost of \$223,000, with the following condition:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

Sussex County

The identified closed bed need for Sussex County is two beds. The sole existing Sussex County psychiatric provider and uncontested applicant, Newton, applied to convert two of its 12 open beds to two closed beds. The proposed conversion of open beds will increase access to closed bed services and aid in reducing the number of direct admissions to State psychiatric hospitals.

Furthermore, Newton's application received the endorsement of the Sussex County Mental Health Board, the Division, and the Board at its October 2, 2008 meeting. Therefore, I am approving Newton for two closed beds as proposed in its application, at no additional project cost.

Union County

The identified closed bed need for Union County is 11 additional closed beds. Trinitas requested six of the closed beds identified in the Call for Union County, leaving the remainder of beds to be fulfilled out of county applicants. Clara Maass requested three beds for Union County, which will only meet part of the need left unmet by the in-county applicant.

The Department was forced to look at alternatives within the pool of eligible applicants for fulfilling Union County's bed needs. Although Raritan Bay requested beds only for Middlesex County, its proximity as a contiguous county and its closed bed capacity enables this applicant to fulfill Union County's unmet bed need and avoids further fragmentation of care for Union residents.

I am compelled to consider the Call in its totality, balancing the applicants' requests with their impact on the State as a whole. This is central to maintaining access for closed bed psychiatric services on the community level, or as near to the community as possible, and to preventing direct admissions to State psychiatric hospitals. The Division and the Board recommended allocating six closed beds to Trinitas and five closed beds to Raritan Bay for Union County. The Union County Mental Health Board endorsed allocation of closed beds to Trinitas.

Therefore, consistent with the recommendations of the Division and the Board, in consideration of the Union County Mental Health Board's recommendations, and for the reasons cited above, I am denying Clara Maass' request for three beds and approving six closed beds for Trinitas and five closed beds for Raritan Bay to serve Union County, at no additional project costs. The following condition applies to Raritan Bay:

Prior to licensure of the closed beds, the applicant shall establish outpatient clinic services sufficient to service its inpatient population in accordance with N.J.A.C. 8:43G-2.12(a) and 5.21(a). In the alternative, the applicant may enter into formal written agreements with third party providers to perform this service on its behalf. Ultimately, the facility is responsible for ensuring that outpatient clinic services are available for its inpatients.

LICENSURE INFORMATION AND FAIR HEARING NOTICE

Successful applicants that require construction may now submit architectural plans to Farivar Kiani, Supervisor of Construction Approval, Health Care Plans Review, Division of Codes and Enforcement, Department of Community Affairs (DCA) (609-633-8151). No construction or renovation may commence until the facility has received final construction plan approval from DCA. Please enclose a copy of this letter with your plans.

These approvals are limited to the proposals as presented and reviewed. An additional review by the Department may be necessary if there is any change in project scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved CN is exempt from CN review, subject to the following:

- At the time of application for licensure for the beds/service with the Office of Certificate of Need and Healthcare Facility Licensure, the applicant shall provide a signed certification as to the final total cost expended for the project.

- Where the total project cost exceeds the CN-approved total project cost and is greater than \$1,000,000, the applicant shall remit the additional certificate of need application fee due to the Office of Certificate of Need and Healthcare Facility Licensure. The required additional fee shall be 0.15 percent of the total project cost in excess of the certificate of need approved total project cost.
- The Department will not issue a license for the beds/services until the additional fee is remitted in full.

The preceding conditions of approval for Atlantic, Capital, Clara Maass, Kimball, Lourdes, Princeton, Raritan Bay, South Jersey, and Underwood must be satisfied prior to licensure or may result in sanctions, including license suspension and monetary penalties, in accordance with N.J.S.A. 26:2H-1 et seq. and all applicable administrative rules. These conditions shall be presumed to have been accepted by each facility, unless the facility's representative submits written objections to the conditions within 30 calendar days of receipt of this letter. All objections are to be addressed to:

John Calabria, Director
Department of Health and Senior Services
Office of Certificate of Need and
Healthcare Facility Licensure
P.O. Box 358
Trenton, New Jersey 08625-0358

Upon receipt of a notice filed above, the Department shall deem suspended the challenging facility's CN approval and reevaluate the award in light of the specific objections raised by the applicant.

Pursuant to N.J.S.A. 26:2H-9, applicants that were denied their requests may contest the decision concerning their respective applications. Requests for a hearing at the Office of Administrative Law must be made in writing within 30 calendar days of receipt of this letter, addressed to:

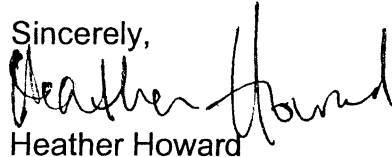
Ruth Charbonneau, Director
Department of Health and Senior Services
Office of Legal and Regulatory Affairs
P.O. Box 360, Room 805
Trenton, New Jersey 08625-0360

Failure to submit timely notice will negate the opportunity for filing an objection or requesting a hearing.

Prior to implementing the closed beds approved herein, each provider shall submit a license application to the Office of Certificate of Need and Healthcare Facility Licensure at the above address. The Department will issue a revised license that will indicate the facility's total number of closed beds as a result of this decision and the effective date of licensure.

For questions, please contact John A. Calabria, Director, Office of Certificate of Need and Healthcare Facility Licensure, at (609) 292-8773. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "Heather Howard". The signature is written in a cursive style with a large, prominent initial "H".

Heather Howard
Commissioner

c: State Health Planning Board
Mr. Calabria