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March 7, 2017

VIA ELECTRONIC & FIRST CLASS MAILING

John DiAngelo
Chief Executive Officer
Inspira Health Network
Inspira Medical Center-Woodbury
509 North Broad Street
Woodbury, New Jersey 08096

Re: Inspira Medical Center-Woodbury Replacement/Relocation Hospital
CN# FR 16 0401-08-01
Total Project Cost: \$326,356,144
Expiration Date: March 7, 2022

Dear Mr. DiAngelo:

I am approving the certificate of need (CN) application submitted on April 1, 2016, pursuant to N.J.A.C. 8:33-3.1, by Inspira Health Network (Inspira) for the replacement/relocation of Inspira Medical Center-Woodbury (Inspira-Woodbury) from its existing location of 509 North Broad Street, Woodbury, NJ 08096 in Gloucester County, to a new location in Harrison Township, Mullica Hill, New Jersey, also in Gloucester County. The replacement hospital (Inspira-Mullica Hill) will be constructed off Route 55 and Route 322 adjacent to property owned by Rowan University, which is ten miles from the hospital's current Woodbury site. The application is being approved at the total project cost noted above.

This CN approval is for the replacement/relocation of Inspira-Woodbury, a general hospital, which holds the designation as a Community Perinatal Center-Intermediate and a Primary Stroke Center. The hospital's licensed bed complement includes: 243 Medical/Surgical (med/surg) beds; 14 Adult Intensive Care/Cardiac Care (ICU/CCU beds); 11 Adult Acute Closed Psychiatric beds (closed beds); 9 Adult Acute Open Psychiatric beds (open beds); 18 Obstetric/Gynecology (OB/GYN) beds; 10 Pediatric beds; and 6 Neonatal Intermediate Care Bassinets. The hospital's licensed services include Acute Hemodialysis; 1 Adult Cardiac Catheterization Lab; 2 fixed Computerized Axial Tomography (CTs); 1 Cystoscopy Room, 1 Emergency PCI; and 7 Inpatient Operating Rooms (ORs). A leaner complement of some licensed beds is proposed for Inspira-Mullica Hill: a reduction from the currently licensed 243 med/surg beds to 170 med/surg beds is planned, of which 10 are proposed for Medical Detox Services; and a reduction of Pediatric beds to 6, coupled with the establishment of a "hybrid" pediatric unit that includes a pediatric emergency department (ED) service and pediatric observation beds is proposed for Inspira-Mullica Hill. The hospital also proposes to expand its Adult ICU/CCU beds from 14 to 20. No changes are proposed for the hospital's other licensed

services or designations. Inspira has requested that the 20 psychiatric beds and the proposed 10 med/surg beds for medical detoxification services remain at the Woodbury site along with outpatient behavioral health services, inclusive of Adult Partial Care, Children's Partial Care; Women's Health Clinic and a 24-hour Satellite Emergency Department (SED). This proposed arrangement is the same as currently utilized for psychiatric beds located at the Inspira-Bridgeton campus.

I note that in accordance with N.J.S.A. 26:2H-5.8, the State Health Planning Board (SHPB) shall hold at least one public hearing in the service area of the hospital, no later than 30 days after an application is deemed complete. The submitted CN application was deemed complete on November 23, 2016. The public hearing took place in Woodbury on December 14, 2016, during the evening hours to maximize public participation in the review process. Eighteen persons were in attendance, with ten persons speaking including three representatives from Inspira. Six speakers, including the newly-elected Mayor of Woodbury, Jessica Floyd, voiced opposition to the application, citing concerns regarding access to the new site, the loss of healthcare services to the large population in Woodbury and surrounding towns, the potential loss of physician practices, and the possible negative economic implications for the town of Woodbury. The Administrator for the City of Woodbury, Michael Theokas, spoke regarding the concern of the greater Woodbury community. Mr. Theokas voiced appreciation for the very clear and open dialogue with the hospital throughout the process. However, he stated that the economic growth discussed regarding the relocation of the hospital could happen in Woodbury at the hospital's current location. He also voiced concerns regarding the distance of the relocation site from Woodbury. One Woodbury resident voiced concern about the relocation but understood Inspira's reasons for moving in the direction to replace and relocate the hospital. The three speakers from Inspira explained the project and tried to allay the concerns of community members. Subsequent to the public hearing at its January 12, 2017 meeting, the SHPB unanimously recommended approval of Inspira's CN with conditions.

The standards I am compelled to use in evaluating this application are set forth in statutory criteria (N.J.S.A. 26:2H-1 et seq.) and in regulations (N.J.A.C. 8:33 et seq.). I must be satisfied that the project submitted by Inspira is consistent with those requirements. Therefore, for the reasons that follow, I am approving with conditions the application submitted by Inspira for the replacement/relocation of the existing Inspira-Woodbury facility. My decision to approve the Inspira application is consistent with the recommendation of the SHPB.

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 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 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 regulations. A review of the aforementioned criteria must be undertaken to demonstrate a need for the replacement/relocation requested by Inspira 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. I believe the applicant carefully and thoroughly examined its available options before deciding to relocate Inspira-Woodbury to Mullica Hill and forecasted the effects on the neighboring hospitals on a reasonable basis. The applicant clearly documented that the existing hospital building is old and functionally inefficient, landlocked because of its location within an urban setting, and that it would not be cost effective to renovate on-site or possible for Inspira-Woodbury to continue to meet technological advances at the current site. In addition, the applicant documented declining inpatient use rates from 2011 and the trend of movement to outpatient services requiring a different approach to acute care services and bed configuration. The applicant notes, that "right sizing" of a new hospital facility is key to creating the right future model of inpatient care, thus the request for downsizing of its beds. Market share data provided by the applicant indicates residents from the municipalities surrounding the new Mullica Hill site already use both Inspira-Woodbury as well as Kennedy University Hospital, also located in Gloucester County, as well as multiple hospitals in Camden County and Philadelphia, Pennsylvania. 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.

Also, I 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 since the proposed new facility would be a replacement hospital, offering many of the same services that are currently licensed at the present facility, with no change in the need for special equipment, although the replacement/relocation will provide the opportunity to upgrade all services, physical plant and equipment to incorporate the most up-to-date technology.

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, the new replacement hospital will be able to reduce the size and scope of its hospital inpatient facilities and will improve infection control, patient safety, and quality of care. In addition, co-locating on a campus with Rowan University facilities will allow sharing of institutional support, utilities, and campus maintenance services.

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 Inspira application undertaken by Department staff reveals that Inspira is financially sound and possesses adequate financial resources to fund \$50 million of the \$326,356,144 total cost of this project. Inspira plans to finance the remainder of the cost through the Health Care Facilities Financing Authority. Inspira reported an excess of revenues over expenses of \$65,147,000, which translates to a profit margin of approximately 10.2%. Unrestricted cash, including board-designated funds as of December 31, 2015, was \$524,207,000, which translates to 357 days cash on hand. 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 since Inspira-Mullica Hill is a replacement hospital, which will be located within 10 miles of Inspira-Woodbury, 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.).

- Inspira-Woodbury is in compliance with the access requirements set forth in N.J.A.C. 8:33-1.1 et seq. Inspira is committed to ensuring the continued accessibility to the medically underserved through clinic services and Community Benefit Programs offered both at Inspira-Woodbury and the new hospital campus. Inspira will continue to provide care to all patients regardless of their ability to pay.
- N.J.A.C. 8:33-4.10(a) requires accessibility of services to low income persons, racial and ethnic minorities, women, disabled persons, the elderly, and persons with HIV infection and other persons who are unable to obtain care. Inspira has shown that the project will enhance its ability to continue its long-standing mission of delivering services to the medically-underserved. Services will remain located in Inspira-Woodbury at its current site, such as a SED, clinic services offered directly through Inspira at the current premises or through an FQHC, behavioral health inpatient and outpatient services, and women's health clinics. Furthermore, Inspira states that patients who require services offered at the new Mullica Hill location will be offered transportation assistance to get to that location. Inspira is committed to providing services to these patients. It will continue to make health care services accessible for this patient population. Specifically, Inspira accepts all patients regardless of their ability to pay, provides a longstanding commitment to providing services to medically underserved populations, and complies with all State and Federal laws that preclude any health care provider from discriminating against low income persons, minorities, and disabled individuals.
- N.J.A.C. 8:33-4.9(a) requires a demonstration that the relocation shall not have an adverse impact on the population being served in regards to access and quality of care. The relocation of Inspira-Woodbury from its existing location to a new location ten miles away will not significantly adversely affect the patients historically served by Inspira-Woodbury. Access will be further maintained and enhanced through the implementation of Condition #5 regarding Inspira's transportation system plan that will be submitted to the Department for review and approval. Thus, inpatient and outpatient services at the new location will continue to be available to all patients in need of those services regardless of their ability to pay for transportation services. Inspira also has committed to maintaining certain services at the Woodbury site to further ensure continued access to care to the residents of Woodbury.
- Inspira 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 in accordance with N.J.A.C. 8:33-4.10(b).

- Inspira has provided assurance that all residents of the area, particularly the medically underserved, will have access to services in accordance with N.J.A.C. 8:33-4.10(a).
- Inspira has provided documentation that it will meet appropriate licensing and construction standards of N.J.A.C. 8:43G-1.1 et seq. and N.J.A.C. 8:33-4.10(b)(8).
- Inspira has 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 Inspira-Woodbury. The replacement facility design would allow Inspira-Woodbury 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 Inspira-Woodbury 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.

Department utilization data suggest that patient use rates at the replacement/relocated hospital would increase based on forecasts showing a continuous rise in the population surrounding the new hospital site and that the planned 170 med/surg beds, 6 pediatric beds in a "hybrid" pediatric unit to 6, and 20 adult ICU/CCU beds are appropriate to meet the needs of the community. I believe that the approach proposed by Inspira for Inspira-Woodbury is one that will help to ensure comprehensive, quality care into the future.

My decision to allow the replacement/relocation of Inspira-Woodbury to Mullica Hill in Gloucester County is based on the fact that the proposed new location is within ten miles of the existing hospital and that the replacement/relocation would be beneficial to all of its patients. This approval will not cause significant harm to any hospital in Gloucester 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 Inspira's long-standing commitment to the residents of Woodbury and Gloucester County as a whole, and concur with them that this approval will better enable Inspira to maintain and enhance this commitment into the foreseeable future. Based on the foregoing, and noting the approval of the SHPB, I am approving the Inspira application to replace/relocate Inspira-Woodbury to Mullica Hill subject to the following conditions:

1. At least 90 days prior to the completion of construction of Inspira-Mullica Hill, the Applicant shall file a licensing application with the Department's Division of Certificate of Need and Licensing (Division). Applicant shall not commence operations at Inspira-Mullica Hill prior to licensure.
2. At least 90 days prior to the relocation of any services from Inspira-Woodbury to Inspira-Mullica Hill, the Applicant shall file a licensing application with the Division for services that will operate at the current Woodbury site.

3. At least 60 days prior to the completion of construction of Inspira-Mullica Hill, the Applicant shall develop a written plan for the transition of all services from the existing hospital to Inspira-Mullica Hill and shall provide a copy to the Department.
4. Inspira Health Network 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 Inspira-Mullica Hill.
5. At least six (6) months prior to licensure of Inspira-Mullica Hill, Inspira Health Network shall provide to the Division for approval, a copy of the transportation plan and/or agreement with the town of Woodbury and the Gloucester County Improvement Authority for those patients who are indigent or those who do not have the means for transportation services from the Inspira-Woodbury site to the replacement location in Mullica Hill and back to the Inspira-Woodbury site.
6. Within 90 days of the date of this approval letter, Inspira Health Network shall provide the Division with a copy of the referenced, fully executed agreement with Rowan University School of Osteopathic Medicine.
7. At least six (6) months prior to the licensing of Inspira-Mullica Hill, the Division shall be provided a copy of Inspira's written plan of how the community will be informed regarding the location of all clinical services remaining at the Inspira-Woodbury site; those services to be provided at the Mullica Hill site; and at any other location(s).
8. Inspira Health Network 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 the hospital.
9. Inspira has committed to the establishment of a SED at the current Inspira-Woodbury site at the time Inspira-Mullica Hill is licensed to operate. Once the SED is licensed to operate, Inspira shall operate the SED in compliance with the requirements of N.J.A.C. 8:43G-36, which includes but is not exclusive to the requirement that a SED shall provide services 24 hours per day, seven days per week during the first full year of licensing. After one year, if the facility can document a low utilization of patients during any 8-hour period in accordance with N.J.A.C. 8:43G-36.2, it may cease operation during that time period, following Department approval. In no case shall a SED operate less than 16 hours per day, seven days a week after the first year of licensing.
10. The 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 licensing for the replacement hospital.

11. Inspira-Woodbury shall surrender its current license to operate as a general hospital in Woodbury to the Division within ten days of its relocation and licensure of the replacement hospital. The services at the Woodbury site will be issued a license to operate as a hospital-based off-site facility of Inspira-Mullica Hill.
12. Inspira shall identify a single point of contact to report to the Division concerning the status of all the conditions referenced within the time frames noted in the conditions.

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 Inspira-Woodbury. If you have any questions concerning this Certificate of Need, please do not hesitate to contact John Calabria, Director, at (609) 292-8773.

Sincerely,



Cathleen D. Bennett
Commissioner

c: John A. Calabria, DOH