



State of New Jersey  
DEPARTMENT OF HEALTH AND SENIOR SERVICES  
PO BOX 360  
TRENTON, N.J. 08625-0360

CHRIS CHRISTIE  
*Governor*

[www.nj.gov/health](http://www.nj.gov/health)

KIM GUADAGNO  
*Lt. Governor*

POONAM ALAIGH, MD, MSHCPM, FACP  
*Commissioner*

November 1, 2010

**VIA UNITED PARCEL SERVICE**

Richard Lipsky, M.D.  
Owner  
59 Mill Road Extension  
Woodcliff Lake, NJ 07677

Re: Meadowlands Hospital Medical Center  
CN# FR 100201-09-01  
Project Cost: \$15,000,000.00  
Expiration Date: November 1, 2015

Dear Dr. Lipsky:

I am approving your certificate of need (CN) application, submitted pursuant to N.J.A.C. 8:33-3.1, for the transfer of the ownership of Meadowlands Hospital Medical Center (MHMC) from Liberty Healthcare System, Inc (Liberty), a non-profit corporation to MHA LLC, a New Jersey limited liability company. This application is being approved at the total project cost noted above.

This CN approval is limited to the transfer of ownership of MHMC, a licensed acute care hospital with a 200-bed capacity of which 138 are medical/surgical beds, 22 Obstetric & OB/GYN beds, 26 Pediatric beds, and 14 adult ICU/CCU beds. It is designated as a Community Perinatal Center-Intermediate and is presently licensed to operate four Intermediate bassinets. The service complement would include the same five mixed operating rooms, one cystoscopy room, sleep center services and acute hemodialysis services. As set forth in the certificate of need application, MHA LLC agrees to operate MHMC as a general acute care hospital for a period of at least seven years following the sale of the hospital, continue all existing medical services offered by MHMC, maintain the existing licensed bed capacity, service complement and programs at the MHMC location and in their surrounding service areas. MHA LLC also agrees to hire substantially all hospital employees who are employed at the time of sale.

The standards that I am compelled to use in evaluating this application are set forth in statute (N.J.S.A. 26:2H-1 et seq.) and by administrative rule (N.J.A.C. 8:33). I must be satisfied that the application submitted by MHA LLC is consistent with those requirements. A transfer of ownership of an entire general hospital and a transfer that will result in a new Medicare provider number for the hospitals involved in the transfer was subject to the full review certificate of need process. N.J.A.C. 8:33-3.3(a)1. For the purposes of the review, the application was considered a transfer of ownership of a licensed facility currently offering health care services and not a reduction, elimination, or relocation of a health care service. Therefore, for the reasons that follow, I am approving with conditions the application submitted for the transfer of ownership of MHMC to MHA LLC. I note for the record that my decision to approve this CN application is consistent with the recommendation of the State Health Planning Board (SHPB), which recommended approval of CN# FR 100201-09-01 with conditions, at its September 30, 2010, meeting. In issuing this decision I reviewed the CN application for the transfer of ownership of MHMC, completeness questions, the transcripts of the public hearings, written comments, exhibits, petitions, the Department of Health and Senior Services' recommendations, and transcripts of SHPB and Community Health Asset Protection Act (CHAPA) meetings, and the SHPB recommendations. The referenced materials are incorporated and made a part of this final decision.

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), 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 contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: (a) the availability of facilities or services which may serve as alternatives or substitutes, (b) the need for special equipment and services in the area, (c) the possible economies and improvement in services to be anticipated from the operation of joint central services, (d) the adequacy of financial resources and sources of present and future revenues, (e) the availability of sufficient manpower in the several professional disciplines, and (f) such other factors as may be established by regulation.

As part of the review process, the SHPB is also required to hold at least one public hearing in the service area of the health care facility within 30 days of the application being declared complete by the Department. A public hearing took place at Secaucus High School on August 26, 2010 with approximately 150 people attending, of which 13 provided verbal testimony. Most of the speakers expressed concerns about the applicant's lack of experience in operating a hospital; the for-profit status of the applicant; the applicant's lack of a long-range written commitment to keeping the facility open as a hospital; the lack of a written commitment to retaining most of the current staff; the possible transfer of funds away from the community and hospital to investors; and the retention of contracts with insurers. The Department and the SHPB reviewed

these concerns and adequately addressed the issues in the analysis and recommendations approved by the SHPB.

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 proceed with the acquisition of MHMC. The applicant believes that this transfer of ownership is the only viable option to preserving the current level of health care services for its service area residents. The applicant does not intend to downsize services or reduce availability to any service previously provided at MHMC. I have taken into consideration that there are five other hospitals in the county within a thirteen mile radius that offer comparable or expanded capabilities to MHMC, which have co-existed with MHMC and find this alternative to be the least disruptive to maintaining the current level of care and services. I agree that the proposed transfer of ownership, as opposed to the closure of the hospital, will preserve access to health care services for the community including the medically indigent and medical underserved population. Although the Department realizes that in the future, MHA LLC may approach the Community Advisory Group and the Department, with requests to modify services to strengthen the viability of the hospital, on balance, the stability to the community by this provider outweighs the alternative of reduction of services or significant disruption. Thus, I am satisfied that this criterion is met.

I also find that the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special equipment and services in the area would be met in this case since following the transfer of ownership, MHA LLC has agreed to offer the same services that are currently licensed at the present facility.

With respect to N.J.S.A. 26:2H-8(c) regarding the possible economies and improvement in services to be anticipated from the operation of joint central services, I find that this is not applicable since the applicant will independently operate this hospital. Moreover, I note that the applicant is committed to enhancing revenues, effecting operational efficiencies, and improving resource utilization to reverse the current operating losses at MHMC through the recruitment/development of medical staff and through application of management expertise following this transfer. The applicant has also stated this would be accomplished without reducing any of the existing licensed bed complement or services provided at MHMC prior to the transfer.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. Financial analysis of the MHA LLC application undertaken by the Department indicates that MHA LLC possesses adequate financial resources to accomplish the proposed project. I also recognize that Liberty could no longer afford the multi-million dollar annual operating losses at MHMC, which began to accelerate in 2008, when the operating deficit reached \$4.7 million. Projected losses into 2010 are expected to exceed 6 million. 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 since MHA LLC has agreed to operate all of the existing beds and services presently at MHMC and hire substantially all of MHMC employees at the time of the sale.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by regulation; therefore, I have taken into consideration the applicable administrative rules governing the services subject to full review (i.e., N.J.A.C. 8:33-1.1 et seq.). MHA LLC 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, MHA LLC states that it will make no change to the care or services currently provided at MHMC following this transfer of ownership and that outreach efforts will continue to low income, racial and ethnic minorities, women, disabled, elderly and all other patients in need of prevention, diagnostic and treatment services. MHA LLC notes that under their leadership, MHMC will continue to maintain its commitment to the community to preserve access to health care for the residents, including the medically indigent and medically underserved population. The applicant states that their policies are consistent with those previously at MHMC regarding the provision of indigent care and its acceptance of all patients regardless of their ability to pay. In approving this application with conditions, there will then also be a Community Advisory Group to monitor the availability and accessibility of health care services.

In addition, N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this transfer of ownership shall not have an adverse impact on the population being served in regards to access and quality of care. The applicant indicates that the transfer of ownership of MHMC, as opposed to the closure of the hospital, will preserve and enhance the financial viability of the hospital, and allow it to continue as a general acute care hospital providing the same level of licensed beds and healthcare services in the community. In addition, MHA LLC has made a commitment to maintain MHMC as a general acute hospital for no less than seven years after the transfer of ownership.

Moreover, I find that MHA LLC 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. 8:33-410(d)).

Based on the foregoing, I am approving the application for the transfer of ownership of MHMC. My decision to allow this transfer of ownership to MHA LLC is based on the fact that the operation of MHMC under the proposed new ownership would be beneficial to the population in its service area since the transfer of ownership, as opposed to the closure of the hospital, will preserve access to health care services for the community, including the medically indigent and medically underserved population. I believe that this approval will not have an adverse impact on any hospital

in Hudson County or the surrounding counties. I also believe that without this action, the financial conditions at MHMC under the ownership of Liberty would place the continued operation of both Jersey City Medical Center and MHMC at risk and could eventually lead to the closure of MHMC, closure or reduction of services, or bankruptcy. There is no existing data to suggest that this transfer of ownership would change MHMC relationship with the other Hudson County hospitals or adversely impact the health status of the community.

Finally, I acknowledge that MHMC has had a long standing commitment to the residents in its service areas and believe that this approval will better enable MHMC under their new ownership to maintain and enhance their commitment to the community into the foreseeable future. I also note that the applicant's business model and marketing strategy could stimulate an increase in patient volume and, in turn, return the hospital to financial stability. For the reasons set forth in this letter and noting the approval of the SHPB, I am approving MHA LLC's' application for the transfer of ownership for MHMC subject to the following conditions, which I note were accepted by a representative of the applicant while addressing the SHPB:

1. The applicant completes the Office of Attorney General Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10 et seq., review for the proposed sale of the assets of Meadowlands Hospital Medical Center by Liberty Healthcare System, Inc. to MHA LLC.
2. The applicant shall file a licensing application with the Department's Certificate of Need and Healthcare Facility Licensure Program to execute the transfer of the ownership of MHMC license from Liberty to MHA LLC.
3. The applicant shall notify the Department's Office of Certificate of Need and Healthcare Facility Licensure (CNHCFL) in writing, specifically who is responsible for the safekeeping and accessibility of all MHMC patients' medical records (both active and stored) in accordance with N.J.S.A. 8:26-8.5 et. Seq. and N.J.A.C. 8:43G-15.2.
4. MHA LLC shall operate MHMC as a general hospital, in compliance with all regulatory requirements, for at least seven years. This condition shall be imposed as a contractual condition of any subsequent sale or transfer, subject to appropriate regulatory or legal review, by MHA LLC, within the seven year period.
5. As noted by the applicant, MHA LLC shall hire substantially all MHMC employees who are employed at the time of the sale.
6. MHA LLC shall continue all clinical services and community health programs currently offered at MHMC by the previous ownership. Any changes in this commitment involving either a reduction or elimination of clinical services or

community health programs offered by MHMC's former ownership shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements. Any request for reduction or elimination of clinical services or community health programs shall include the Community Advisory Group (see paragraph 12 below) written analysis and response to the request.

7. MHA LLC shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "[a] all hospitals . . . provide on a regular and continuing basis, out-patient and preventive services, including clinical services for medically indigent patients, for those services provided on an in-patient basis." Documentation of compliance shall be submitted within 30 days of the issuance of the license and quarterly thereafter for a period of seven years.
8. In accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), MHA LLC shall not only comply with federal EMTALA requirements but also provide care for all patients who present themselves at MHMC without regard to their ability to pay or payment source.
9. The value of indigent care provided by MHA LLC shall be determined by the dollar value of documented charity care, calculated at the prevailing Medicaid rate, and shall not be limited to the amount of charity care provided historically by MHMC.
10. MHA LLC shall establish a functioning Board of Directors for the hospital responsible for implementing hospital-wide policy, adopting bylaws, maintaining quality of care, and providing institutional management and planning. The Board shall consist of hospital management as well as local community members representing the residing population of MHMC's service area and not less than three physicians, the latter two groups to be comprised of individuals who are not themselves owners or employees of, nor related to employees of, any parent, subsidiary corporation or corporate affiliate. These physicians may be actively engaged in the clinical practice of medicine and may have clinical privileges at MHMC. Thereafter, the board shall continually maintain suitable representation of the residing population of the hospital's service area. Annual notice shall be made to the Department of this Board's roster, along with any policies governing Board composition, governance authority and Board appointments.
  - a. Provide, with specificity, which best practices in the New Jersey Commission on Rationalizing Health Care Resources Report that MHA LLC will adopt as management policies including, but not limited to, Conflict of Interest Policy for principals and Board.

- b. All Policies and Procedures related to best practices shall be shared with the Community Advisory Group and made available to the Department, upon request.
11. MHA LLC shall submit a report to the Department, on an annual basis for the initial seven years following the transfer of ownership, or upon request, detailing:
  - a. the investments it has made during the previous year at the hospital. Such report shall also include a detailed annual accounting of any long or short term debt or other liabilities incurred on the hospital's behalf and reflected on the MHMC's balance sheet; and,
  - b. the transfer of funds from the hospital to any parent, subsidiary corporation, or corporate affiliate and shall indicate the amount of funds transferred. Transfer of funds shall include, but not be limited to, assessments for corporate services, transfers of cash and investment balances to centrally controlled accounts, management fees, capital assessments, and/or special one-time assessments for any purpose; and
  - c. submit all required financial measures pursuant to N.J.A.C. 8:31B and monthly reporting of financial indicators.
12. Within three months of approval of this application, MHA LLC shall develop and participate in a Community Advisory Group (CAG) to provide ongoing community input to the hospital's CEO and the hospital's Board on ways that MHMC can meet the needs of the residents in its service area.
  - a. Subject to the provisions below, MHA LLC shall determine the membership, structure, governance, rules, goals, timeframes, and the role of the CAG in accordance with the primary objectives set forth above, and shall provide a written report setting forth same to the hospital's Board of Trustees, with a copy to the Department and subject to the Department's approval, within 60 days from the date of formation of the CAG.
  - b. MHA LLC shall minimally seek participation from each town in the service area of MHMC by offering a seat on the CAG to each town's mayor or his/her designee. Membership on the CAG shall include patient advocates, local public health officials, clinical practitioners whose mission is to ensure that New Jersey residents are provided fully-integrated and comprehensive health services; labor unions and community advocates.
  - c. MHA LLC shall designate co-chairs of the CAG, one of whom shall be a member of the hospital's Board and one of whom shall be a community

- member who is neither employed by nor related to anyone employed by any parent, corporate subsidiaries or corporate affiliates.
- d. A CAG representative shall be given a seat, ex-officio, on the hospital's Board of Trustees.
  - e. The co-chairs of the CAG shall jointly submit to the hospital's Board of Trustees, with a copy to the Department, a semi-annual report of the progress toward the goals of the CAG.
  - f. The co-chairs of the CAG shall jointly transmit to the hospital's Board, with a copy to the Department, a quarterly and any special reports relative to the implementation of these conditions.
  - g. Each member of the CAG shall be required to publicly disclose any and all conflicts of interest to the CAG members and the hospital's Board of Trustees.
  - h. MHA LLC may petition the Department to disband the CAG not earlier than three years from the date of CN approval and on showing that all of the above conditions have been satisfied for at least one year.
13. MHA LLC shall report in a timely manner all quality measures required by administrative rule to the Department and report to the Community Advisory Group on scores and recommendations for improvement.
  14. For seven years after initial licensure of MHMC under MHA LLC ownership, the hospital's Board Chairman, President/CEO and other senior hospital management shall meet with the Commissioner of the Department of Health and Senior Services (Commissioner) at regular intervals on a schedule to be determined by the Commissioner to discuss the hospital's condition and compliance with the terms of this certificate of need.
  15. An outreach effort shall be placed into effect to ensure that all residents of the hospital service area, especially the medically indigent, have access to the available services at the location. A self-evaluation of this effort shall be conducted on a yearly basis for seven years after licensure to measure its effectiveness including any payments accounted for activities, including but not limited to, outreach, community programs, health professional education, and shall be submitted to the Department for review and comment and presented to the public at the hospital's annual public meeting.
  16. MHA LLC must make a reasonable attempt to continue the current commercial insurance contracts of MHMC that are in effect for at least 1 year after licensure and report annually on payor mix. If MHA LLC provides notice to terminate



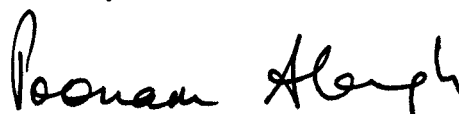
such contracts at any time, MHA LLC shall meet with the Department to discuss public notice and access.

- a. MHA LLC shall endeavor to maintain existing HMO insurance coverage at Meadowlands Hospital for the first year following acquisition, including, but not limited to good faith negotiations. If MHA LLC provides notice to terminate any HMO contracts at any time, MHA LLC shall in advance meet with representatives from the Departments of Banking and Insurance and Health and Senior Services to discuss the intent to terminate such contract and documenting how it will provide notice to patients and providers.
17. In accordance with the provisions of N.J.S.A. 26:2H-18.59h, MHA LLC shall "offer to its employees who were affected by the transfer, health insurance coverage at substantially equivalent levels, terms and conditions to those that were offered to the employees prior to the transfer."
  18. All the above conditions shall also apply to any successor organization to MHA LLC who acquires MHMC within seven years from the date of the CN approval.

Failure to satisfy 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 to provide a high quality of care to the patients of MHMC's service areas. If you have any questions concerning this certificate of need, please do not hesitate to contact John Calabria, Director, Office of Certificate of Need and Healthcare Facility Licensure, at (609) 292-8773.

Sincerely,



Poonam Alagh, MD, MSHCPM, FACP  
Commissioner

c: John A. Calabria