

CERTIFICATE OF NEED
Department Staff Project Summary, Analysis & Recommendations
Closure of Inpatient Psychiatric Hospital at
Catholic Community Services-Mount Carmel Guild

Name of Facility:	Catholic Community Services- Mount Carmel Guild	CN#:	FR 080404-07-01
Name of Applicant:	Catholic Community Services- Mount Carmel Guild	Total Project Cost:	\$0
Location:	Newark	Equity Contribution:	\$0
Service Area:	Essex		

Project Description (by Applicant):

Catholic Community Services- Mount Carmel Guild (MCG) proposes to close its 20-bed psychiatric inpatient facility. MCG, which is located on the fifth floor of an office building at 1160 Raymond Boulevard in Newark, New Jersey, is licensed as a special hospital with 20 adult open acute psychiatric beds. MCG's licensed complement also consists of four licensed hospital-based outpatient facilities, located at 58 Freeman Street, Newark in Essex County, at 108 Alden Street, Cranford in Union County and at 285 Magnolia Avenue, Jersey City and 2201 Bergenline Avenue, Union City in Hudson County. MCG indicates that after the proposed closure of MCG, it would continue to provide behavioral health services at the four outpatient facilities, which would be operated as free-standing outpatient facilities.

The Applicant states that its inpatient psychiatric unit is underutilized, with a reported average daily census (ADC) of 2.7 at the time of the submission of the CN application. The Applicant also indicates that this action to close the inpatient psychiatric unit is necessary due to ongoing operating deficits.

The Applicant indicates that sufficient inpatient psychiatric beds are available at the other neighboring hospitals within Essex County and surrounding counties to ensure that the existing level of inpatient psychiatric care is maintained for Essex County residents.

Justification of Need by the Applicant:

The project proposed by the Applicant would be the closure of the inpatient psychiatric unit at MCG. The Applicant states that to continue the operation of the inpatient psychiatric unit with minimal patient utilization, an unsuitable location and an annual cost exceeding \$1.4 million is both financially unreasonable and clinically inappropriate. According to the Applicant, there are a

number of issues that have impacted their decision to close the hospital as indicated below:

- Inability to continue to operate from a financial standpoint beyond December 31, 2009.
 - MCG's proposed budget indicates a \$50,000 budget deficit for the entire MCG system for 2009-2010.
 - Submitted cash flow projections indicate that positive returns for the MCG health systems (inclusive of the community-based facilities) are possible with the closure of the inpatient psychiatric unit.
 - MCG's cash flow is limited by the "free services" it must render to the Department of Human Services (DHS) in exchange for settling Medicaid reimbursement issues under the Settlement Agreement, dated April 4, 2004 (the Settlement Agreement) and the Implementation Agreement, dated July 31, 2005 (the Implementation Agreement).
- Low average daily census leading to underutilization of inpatient psychiatric care since 2003.
- Sale of the building in which inpatient unit is located (1160 Raymond Boulevard, Newark, NJ) and mounting pressure to vacate building. The Applicant indicates that it has received "numerous and harassing" phone calls, emails and letters "begging" for the Applicant's departure from its current location.
- Precarious state of heating the patient rooms, based on heating problems of the previous year. In 2008, there was no heat in the patient rooms during the winter months until a temporary resolution was found well into the winter season.
- Loss of free access to adjacent parking lot due to a change in parking vendor and new debt associated with parking expenses for employees.
- Availability of Clara Maass Medical Center, East Orange General Hospital, Mountainside Hospital, Newark Beth Israel Medical Center (NBI), St. Michael's Medical Center (SMMC), University of Medicine and Dentistry of New Jersey-University Hospital (UMDNJ), to absorb the inpatient psychiatric patients from MCG. Please refer to Appendix A.
- Provision of outpatient behavioral health care in four community-based facilities in Essex, Hudson and Union Counties.

According to the Applicant, MCG has received a letter, dated May 27, 2008, from Cathedral Health System stating that SMMC has the capacity and ability to accommodate the inpatients who receive services at MCG. The Applicant has also submitted a letter from Catholic Health East, the successor owner of SMMC, dated December 21, 2009, stating that it continues to have the capacity and ability to accommodate MCG's inpatients. The Applicant has provided a map showing a clustering of alternative inpatient services in MCG's service area. According to the map, Clara Maass Medical Center, East Orange General Hospital, Mountainside Hospital, NBI, SMMC and UMDNJ are available to absorb MCG's inpatients. In addition, the Applicant states that SMMC provides a 40-bed behavioral health unit, which, according to the Applicant, is within walking distance of 1160 Raymond Boulevard.

The Applicant states that continued access to behavioral healthcare for its few patients is assured at neighboring programs and the closure will have a minimal impact on the healthcare system.

The Applicant had initially stated that the MCG inpatient unit planned to close new admissions as of May 31, 2008 and later stated that it would suspend inpatient services on June 30, 2008. However, MCG has not suspended inpatient services since it has not received regulatory approval for the closure.

Applicant's Statement of Compliance with Statutory and Regulatory Requirements:

The Applicant has stated the following to demonstrate its compliance with the statutory criteria contained in the Health Care Facilities Planning Act, as amended at, N.J.S.A 26:2H-1 et seq. and N.J.A.C 8:33-1.1 et seq. as follows:

1) the availability of facilities or services which may serve as alternatives or substitutes:

According to the Applicant:

Access to inpatient psychiatric care for the population currently served by MCG would be adequate after closure of MCG. The Applicant believes that SMMC has sufficient inpatient capacity to easily absorb MCG's inpatient census without placing undue stress on its current system. The Applicant has submitted a letter of support from Cathedral Health System, dated May 27, 2008, demonstrates SMMC's willingness to accept psychiatric inpatients from MCG. The Applicant has also submitted a letter from Catholic Health East, the successor owner of SMMC, dated December 21, 2009, stating that it continues to have the capacity and

ability to accommodate MCG's inpatients. The Applicant also points out that Clara Maass Medical Center, East Orange General Hospital, Mountainside Hospital, NBI and UMDNJ provide inpatient psychiatric beds located within MCG's service area. The Department issued a Final Decision letter in February 2009, approving Clara Maass Medical Center's certificate of need application to relocate 23 adult open psychiatric beds from St. Mary's Medical Center to Clara Maass Medical Center.

2) the need for special equipment and services in the area:

According to the Applicant:

All inpatients will be accommodated at SMMC without need for additional special equipment or special services.

3) the adequacy of financial resources and sources of present and future revenues:

According to the Applicant:

MCG faces \$1.4 annual losses, while the 20-bed inpatient unit remains virtually empty and underutilized at an ADC of 2.7 in 2007. The Applicant asserts that the inpatient unit must be closed in order to allow the community-based outpatient facilities to thrive financially. Under the Settlement Agreement, and the Implementation Agreement, MCG has agreed to provide "free" services to Medicaid and Department of Human Services patients in exchange for settling reimbursement issues. MCG continues to provide inpatient behavioral health services. Additionally, MCG points out that it is an institution for mental diseases (IMD), and therefore does not receive charity care reimbursement.

4) the availability of sufficient manpower in the several professional disciplines:

According to the Applicant:

There is sufficient manpower in the MCG to accomplish this closure. MCG has a mix of full-time, part-time and per diem staff to effectuate the closure. MCG expects its small staff, consisting of seven full-time and 24 part-time/per diem persons, to be easily placed after the closure.

5) will not have an adverse economic or financial impact on the delivery of health care services in the region or statewide and will contribute to the orderly development of adequate and effective health care services:

According to the Applicant:

MCG's inpatient psychiatric unit is underutilized, evidenced by an ADC of 2.7 in 2007. The Applicant states that the ADC has not exceeded 4.0 since 2003 and in 2005 it fell to 1.2. MCG has submitted a letter from SMMC stating that it is willing and able to accommodate the few inpatients who currently receive treatment at MCG. The Applicant has submitted the names of 12 general hospitals with inpatient psychiatric units within Essex, Hudson and Union counties that have the ability to absorb MCG's inpatients. They are as follows: SMMC, East Orange General Hospital, St. Barnabas Medical Center, UMDNJ, NBI, Bayonne Hospital, Hoboken University Medical Center, Christ Hospital, Jersey City Medical Center, Trinitas Hospital, Muhlenberg Regional Medical Center and Overlook Hospital.

The Applicant currently operates four outpatient facilities in the Counties of Essex, Union and Hudson. These outpatient facilities will continue to provide outpatient psychiatric services to patients within these counties.

Public Hearing:

One public hearing on this application was held at New Jersey Institute of Technology located in Newark, Essex County, on December 15, 2009. No members of the public attended, only a written statement by the Applicant was presented.

Department Staff Analysis:

Department staff, in consultation with the Department of Human Services Division of Mental Health Services, concluded that the Applicant has adequately documented compliance with the applicable certificate of need rules (N.J.A.C. 8:33-1.1 et seq.) and general statutory standards at N.J.S.A. 26:2H-1 et seq.

Department staff reviewed and concluded that the Applicant's rationale to discontinue inpatient services at MCG is a result of underutilization, large operational losses, and ongoing cash flow issues. Staff recognizes that MCG Administration documented that the facility does not have sufficient resources or utilization to continue to operate its inpatient unit in a cost-effective manner or continue to maintain quality of care standard.

Based on 2007 to 2009 inpatient utilization data (B-2) for area hospitals, Department staff found the number of licensed adult open psychiatric beds removed from service as a result of the closure of MCG's inpatient psychiatric unit will have a minimal impact on delivery of mental health care for the region's patient population. The staff's findings are derived from the fact that there are a sufficient number of unoccupied licensed adult open acute psychiatric beds in Essex County to absorb the few displaced inpatients from MCG.

When MCG's ADC was reviewed and compared to the total number of unoccupied licensed adult open acute psychiatric beds provided in the six neighboring general acute care hospitals, the data reveals that the total number of unoccupied licensed adult open acute psychiatric beds far exceeds the ADC for the adult open acute psychiatric beds at MCG. At MCG, the 2008 annual ADC was 1.2 (approximately two patients). In 2008, the total number of unoccupied licensed adult open acute psychiatric beds between the six neighboring hospitals was 32. If MCG's two patients had used a neighboring hospital for treatment, the number of adult open acute psychiatric beds available would still have been 30.

The ADC for first six months of 2009 at MCG showed an ADC of 4.7 (or approximately five). The total number of unoccupied licensed adult open acute psychiatric beds between the six neighboring hospitals was 27. If MCG's five patients had used a neighboring hospital for treatment, the number of adult open acute psychiatric beds available would still have been 22. Staff notes that the 2007-2009 utilization trend at MCG shows that these beds never reached 30% occupancy while fully operational. Please refer to Appendix B.

When considering the six hospitals with inpatient adult open acute psychiatric beds in Essex County as a whole, not including MCG, there are 131 licensed inpatient adult open acute psychiatric beds within a six-mile radius with an occupancy rate of 79.7%.¹ These figures indicate sufficient bed capacity exists in the region to serve the psychiatric patients in need of inpatient services who originate in Essex County without existing providers having to exceed their operating capacities.

Staff believes that the Applicant's decision to close MCG's inpatient psychiatric unit is sound and in the best interests of the area's health care delivery system. The closure of the inpatient psychiatric unit would not adversely affect access to inpatient psychiatric care in the region. Even with the closure of services at MCG, an adequate number of inpatient psychiatric providers remain in close proximity to easily absorb the inpatient psychiatric patients that were once

¹ Based on 2009 B-2 Utilization Data

treated at MCG. Staff is convinced that the health status of inpatient psychiatric patients in Essex County would not be compromised based on the availability of the other providers within the region.

It is evident from the data that continuing the inpatient psychiatric unit at MCG at such low volumes would only further detract from the financial viability of MCG and its ability to operate its outpatient facilities. The approval of this application would continue to direct more patients to existing inpatient psychiatric units strengthening their overall services. Department staff is confident that the closure of the inpatient psychiatric unit will not negatively impact on delivery of health care for this region. Also, the fact that no members of the public attended the public hearing indicates that there are no significant access issues affecting Essex County residents and confirms the availability of inpatient psychiatric services in the region.

Staff Recommendations:

Based on this documentation of compliance with regulatory and statutory criteria, Department staff, in consultation with the Department of Human Services Division of Mental Health Services, recommends approving the closure of the MCG for the following reasons and with the conditions noted below:

Reasons:

1. Financial conditions preclude the continued operation of the inpatient psychiatric unit, and also place the future viability of MCG's outpatient facilities at risk.
2. MCG's inpatient services have been underutilized, evidenced by the low ADC and occupancy rates in its inpatient psychiatric unit.
3. Surrounding hospitals have sufficient inpatient psychiatric capacity to accommodate the patient census from the closure of the inpatient psychiatric unit at MCG.

Conditions:

Based on this documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the closure of MCG's inpatient psychiatric unit with the following conditions:

1. The Applicant shall return its hospital license to the Department's Certificate of Need and Healthcare Facility Licensure Program within ten days of certificate of need approval.

2. a. Regarding the 2004 Settlement Agreement:

The obligations of Mount Carmel Guild (MCG) under the Settlement Agreement, dated as of April 8, 2004, between MCG, the Department of Human Services (DHS), the Division of Medical Assistance and Health Services (DMAHS), and Catholic Charities (formerly known Catholic Community Services) (the 2004 Settlement Agreement) including the obligation to pay the amount of \$16.8 million, with a current remaining balance of \$14,184,448 which is payable over the remaining 24 year term, will be transferred from the MCG provider number to the new clinic provider number(s). The conditions specified in the 2004 Settlement Agreement, including the payment schedule, will remain unchanged. MCG must notify DMAHS within 30 days after MCG's actual closure date of the new clinic provider number(s) to be used by DMAHS for the repayment of the outstanding balance under this provision.

b. Regarding the Cost Report Settlements:

The 2004 final settlement balance amount of \$435,720.27 will be transferred from MCG's provider number to the new clinic provider number(s) and collected on a weekly basis at \$4,189.62. The full amount shall be repaid within 24 months. This amount may be collected over a period of less than 24 months based on the financial condition of MCG and upon mutual agreement between MCG and DMAHS.

The 2006 and 2007 tentative settlement amounts will be transferred from MCG's provider number to the new clinic provider number(s), and these settlement amounts will continue to be collected separately in weekly payments of 3% of processed claims. However, subject to the future financial condition of MCG, DMAHS reserves the right to renegotiate the terms of the repayment over a shorter time period. Upon final settlement of these audit years, full repayment shall be processed within 60 days of notification from DMAHS.

Any remaining undetermined cost report settlements relating to MCG will be processed against the new clinic provider number(s) and will be subject to repayment within 60 days of notification from DMAHS. If any remaining undetermined settlement is an amount due to MCG by DMAHS, this amount will be applied to the outstanding balances due to DMAHS as described above.

3. The Applicant shall notify the Department's CNHCFL in writing, specifically who is responsible for the safekeeping and accessibility of all MCG inpatient

medical records (both active and stored) in accordance with N.J.S.A. 26-8.5 and N.J.A.C. 8:43G-15.2.

4. The Applicant shall provide a detailed description, in writing of the process to obtain a copy of a complete medical record, inclusive of electronic and hard copy components and the projected timeframe from request to receipt of the same.
5. The Applicant shall provide a detailed plan for public notification regarding the process to obtain a copy of a complete medical record. Public notification must occur on a weekly basis over the course of a three month period, commencing on the date of the approval of the closure of MCG by the Commissioner of Health and Senior Services.
6. The Applicant shall document efforts to offer job placement or opportunities for employment to existing MCG staff.

APPENDIX A
Distance from MCG to Essex County
General Hospitals with Psychiatric Units
Within Six Driving Miles of MCG

Provider/Location	Distance from MCG (miles)	Travel times from MCG (minutes)
Clara Maass Medical Center	3.9	11
East Orange General Hospital	3.0	8
Mountainside Hospital	6.4	17
Newark Beth Israel Medical Center	3.6	9
Saint Michael's Medical Center, Inc.	0.7	2
University of Medicine and Dentistry of New Jersey-University Hospital	2.0	5

Source: Mapquest

Appendix B

2007 Occupancy Rate and Average Daily Census for Adult Open Acute Psychiatric Beds for Licensed General Acute Care Hospitals in Essex County								
	MCG	Clara Maass	East Orange	Mountainside	NBI	SMMC	UMDNJ	Total Excluding MCG
Driving Miles		3.9	3.0	6.4	3.6	0.7	2.0	
Licensed Beds	20	20	18	16	15	21	22	112
Occupancy Rate	15.6%	62.2%	65.5%	92.6%	82.2%	55.4%	95.0%	74.9%
ADC	3.1	12.4	11.8	14.8	12.3	11.6	20.9	83.9
Unoccupied	17	8	6	1	3	9	1	28

Source: New Jersey Department of Health and Senior Services Financing Systems: Summary of Inpatient Utilization 2007 (B-2)

2008 Occupancy Rate and Average Daily Census for Adult Open Acute Psychiatric Beds for Licensed General Acute Care Hospitals in Essex County								
	MCG	Clara Maass	East Orange	Mountainside	NBI	SMMC	UMDNJ	Total Excluding MCG
Driving Miles		3.9	3.0	6.4	3.6	0.7	2.0	
Licensed Beds	20	20	18	16	15	37	11	117
Occupancy Rate	9.2%	60.4%	64.4%	73.0%	74.0%	72.4%	95.7%	71.6%
ADC	1.8	12.1	11.6	11.7	11.1	26.8	10.5	83.8
Unoccupied	18	8	6	4	4	10	0	32

Source: New Jersey Department of Health and Senior Services Financing Systems: Summary of Inpatient Utilization 2008(B-2) UMDNJ only reported for Q1 and Q2 for 2008.

First Six Months of 2009 Occupancy Rate and Average Daily Census for Adult Open Acute Psychiatric Beds for Licensed General Acute Care Hospitals in Essex County								
	MCG	Clara Maass	East Orange	Mountainside	NBI	SMMC	UMDNJ	Total Excluding MCG
Driving Miles		3.9	3.0	6.4	3.6	0.7	2.0	
Licensed Beds	20	20	18	16	15	40	22	131
Occupancy Rate	23.6%	85.1%	68.4%	94.6%	67.8%	74.1%	91.5%	79.7%
ADC	4.7	17.0	12.3	15.1	10.2	29.6	20.1	104.4
Unoccupied	15	3	6	1	5	10	2	27

Source: New Jersey Department of Health and Senior Services Financing Systems: Summary of Inpatient Utilization Q1 and Q2 2009 (B-2). Data is based on 181 Patient Days.

DHSS approved Clara Maass' CN application to relocate 23 adult open acute psychiatric beds to its facility in February 2009.