VIA EMAIL, FACSIMILE AND REGULAR MAIL
FAX: (609) 292-5333
Jaime.Hernandez@doh.state.nj.us

July 29, 2011

New Jersey Department of Health and Senior Services
State Health Planning Board
Office of Legal and Regulatory Compliance
Market & Warren Streets
PO Box 360
Trenton, NJ 08625-0360

RE: CN Approval for Hoboken University Medical Center
CN# FR 110503-09-01

Dear Members of the State Health Planning Board:

I am writing on behalf of the New Jersey Association of Health Plans ("NJ AHP"), a non-profit association representing the leading health care plans in the state which cover nearly seven million New Jersey residents. On July 26, 2011, we submitted a letter to express our strong concerns with the purchase and transfer of ownership of Hoboken University Medical Center ("HUMC") to HUMC Holdco LLC ("Holdco") and the Certificate of Need (CN) Application that has been submitted to the Department of Health and Senior Services pursuant to N.J.A.C. 8:33-3.1. This letter is to supplement that initial letter.

First, we wanted to address the assertion by HUMC Holdco in its responses to the Completeness Review Questions that, "The current insurance contracts on average now reimburse HUMC at or below NJ Medicaid rates."1 HUMC Holdco clarified its response providing an "effective per day" payment rate for Medicaid and "current insurance contracts."2 First, to be absolutely clear, commercial rates for actual services provided are not "at or below NJ Medicaid rates." The statement is simply false. Without access to the calculations developed by Holdco and described in the response to the completeness review questions, we are not in a position to remark with precision on what their comparison means. But based on the brief description, it

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1 Hoboken University Medical Center, CN#110503-09-01, Completeness Review Questions, question 15a.
2 Hoboken University Medical Center, CN#110503-09-01, Completeness Review Questions 2nd Set., question 10.

To learn more about the New Jersey Association of Health Plans, visit our website at njahp.org.
appears that the acuity of the conditions is not accounted for in the calculation. Remember, the small percentage of Medicaid/NJ FamilyCare beneficiaries covered today under fee-for-service Medicaid tend to be people with significant health conditions (e.g., Aged, Blind, and Disabled population). Thus, it is not measuring commercial rates v. FFS Medicaid rates, rather it appears to be describing comparative population costs without controlling for the services actually provided.

Second, upon a brief review of the Navigant report, “Hudson County Hospital Services: Consolidation/Regionalization Assessment,” published on July 27, 2011, we were not surprised by some of the key findings of the report: that there is a significant excess inpatient capacity; there is an unnecessary duplication of services; that efforts to “rights size” have not succeeded in improving the financial performance of the studied hospitals; and the common ownership of HUMC and Bayonne Medical Center is, in effect, a continuation of the unsustainable status quo. Nor were we surprised by the recommendations, including those to reduce excess capacity and to explore consolidation options. We were, however, surprised and concerned that the report did not address the business model of Bayonne Medical Center and its impact on consumers, the insurance-buying public, and payers. The announcement this week that Christ Hospital may be purchased by a for-profit entity that also has a track-record of going out-of-network with most payers and driving utilization through the emergency room further puts in doubt the sustainability of our health care system with this hospital model spreading.

The vast majority of the health care premium dollar is spent on claims to providers. And nearly half of all claims are paid to hospitals. If hospitals go out of network and double or triple the rates, it should not be overlooked that it will have a devastating impact on premiums in this state.

Thank you for consideration of our comments.

Sincerely,

Wardell Sanders
President

Cc:

Thomas Considine, DOBI Commissioner
Jeffrey Chiesa, Chief Counsel
Kevin O’Dowd, Deputy Chief Counsel
Brett Tanzman, Assistant Counsel
Bob Sewhaneberg, Policy Advisor
James Leonard, Governor’s Office
David Smith, PPAG

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3 See attached article, available here: http://californiawatch.org/health-and-welfare/hospital-chain-profits-admitting-high-number-of-patients/
July 29, 2011

Honorable Mary E. O'Dowd
Department of Health and Senior Services
State of New Jersey
P.O. Box 360
Trenton, NJ 08625-0360

Dear Commissioner O'Dowd:

I am writing regarding the Certificate of Need application to transfer ownership of Hoboken University Medical Center to HUMC Holdco, LLC.

First and foremost, I must express my outrage for your Department’s decision to release recommendations with regard to this Certificate of Need application prior to the close of the public comment period. I strongly urge you to immediately rescind those recommendations in order to afford consideration of all public comments received by the Department before 5:00 PM today, July 29, 2011, including those that I offer herein.

As a sponsor of the Community Healthcare Assets Protection Act (N.J.S.A. 26:2H-7.10 et seq), I am deeply concerned by the Attorney General’s decision not to exercise the oversight power entrusted with her office by this important law. I respectfully request that you exercise the authority provided to you through CHAPA (N.J.S.A. 26H-7.11.2.i.) by requiring the proposed purchaser of Hoboken University Medical Center to provide your Department with the funding necessary to appoint a Health Care Monitor to monitor and report quarterly to the Department on community health care access by the entity.

Such monitoring should continue for a period no less than three years and include, but not be limited to: levels of uncompensated care for indigent persons, health insurance contracts, employee contracts, excessive fees, health care quality, patient safety, community health care access to services, and satisfaction of unmet and future employee pension obligations.
State taxpayers have made and are about to make additional considerable investments in Hoboken University Medical Center:

<table>
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<tr>
<th>SFY</th>
<th>Amount</th>
<th>Fund or Authority</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$7,000,000</td>
<td>Health Care Stabilization Fund</td>
</tr>
<tr>
<td>2011</td>
<td>$4,100,000</td>
<td>Health Care Stabilization Fund</td>
</tr>
<tr>
<td>2012</td>
<td>$11,000,000</td>
<td>Budget language</td>
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<tr>
<td>2012</td>
<td>$2,000,000</td>
<td>Health Care Facilities Financing Authority</td>
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The Health Care Stabilization Fund Act, which I was also the sponsor, was intended to address the epidemic of hospital closures in New Jersey. The Fund was established to provide emergency grants to general hospitals and other licensed health care facilities to ensure continuation of access and availability of necessary health care services to residents in a community served by a hospital facing closure or significantly reducing services due to financial distress. A hospital with four viable bidders committed to maintaining the property and facility as a hospital, in my opinion, does not meet the criteria as set forth in N.J.S.A 26:2H-18.77.

It concerns me that your predecessor, Commissioner Poonam Alaigh, granted Hoboken University Medical Center $4.1 Million through the Health Care Stabilization Fund during SFY 2011. As you know, the award was announced in March 2011, two months after Hoboken University Medical Center announced it entered into exclusive negotiations with one of the eight bidders that responded to a Request for Proposals issued in July 2010. I would understand the logic of providing funding to assist a distressed hospital while its purchase was finalized if it was that the hospital was being purchased by a non-profit operator, but in this case it is not. In January 2011, the Hoboken Municipal Hospital Authority voted to enter into exclusive negotiations with Holdco, LLC, which is the for-profit entity that currently operates Bayonne Medical Center.

I am further concerned with the $11 million line item included in the SFY 2012 budget and the Health Care Facilities Financing Authority loan of $2 million to Hoboken University Medical Center. Eight offers were submitted to the Hoboken Municipal Hospital Authority in response to their RFP. Four were identified to be viable. One was selected in January 2011 and negotiations have ensued ever since. All of this happened without the SFY 2011 Hospital Stabilization Fund grant award, without the $11 million SFY 2012 budget line item and without a $2 million loan from the Health Care Facilities Financing Authority. Why are taxpayer dollars continuing to be invested in a facility that is being sold to a for-profit entity? The prospective purchaser should be required by the terms of the sale to assume all of the unmet liabilities of Hoboken University Medical Center, the Hoboken Municipal Hospitals Authority and Hudson Healthcare, Inc., the non-profit entity hired by the Authority to manage the hospital’s operations.

It is my opinion that this sale is subject to a full CHAPA review. I wholeheartedly disagree with Attorney General Paula Dow’s decision to accept the opinion of an interested party without conducting an independent review of the facts presented by that party:
Attorney General Dow's April 13, 2011, letter to former Attorney General Zulima Farber:

"The facts as stated here are as set forth in your March 4, 2011 Memorandum and the submissions attached thereto (the "Memorandum"). We have made no independent review of such facts and, thus, the conclusions reached by us herein are limited solely to the facts as presented in the Memorandum."

I believe that as a result of the Attorney General’s decision to acquiesce her authority in this matter, it is imperative that you exercise your authority under CHAPA by appointing a Health Care Monitor. How else will New Jersey taxpayers be able to ensure that the public’s interest is served by this sale and that their continued investment in Hoboken University Medical Center is used to provide the City of Hoboken the care it was intended to finance?

However, in the interest of the City of Hoboken, I understand that time is of the essence and I certainly do not intend to prolong this sale. That is why I am not insisting on a full CHAPA review and only recommending that you appoint a Health Care Monitor to ensure that the State taxpayer’s investment in Hoboken University Medical Center is used properly: to improve care.

The Health Care Monitor should be given broad authority and empowered to enforce the conditions recommended by the Department of Health and Senior Services. In addition, they should have the authority to assess appropriate penalties should the prospective purchaser fail to meet any conditions of any corrective action plan established by the Monitor.

Again, while I do not wish to prolong a sale authorized by the Hoboken Municipal Hospital Authority and deemed by the Authority Commissioners and Hoboken City Council to be in the best interest of the City of Hoboken, I strongly believe that the recent investments made by the state of New Jersey in this facility warrant the appointment of an ongoing Monitor.

Thank you very much for your time and consideration.

Best wishes,

Joseph F. Vitale
Senator, District 19

C: State Health Planning Board
Dear Mr. Calabria:

Mayor Zimmer has said, "If the sale of the HUMC to HUMC Holdco does not go through, the hospital will close. We will lose our hospital and the vital services it provides our community, and the taxpayers will be obligated for a $52 million bond guarantee. Nobody wants that."

For the record, and as we stated in our press release on June 30th, 2011, this statement is inaccurate. As such, we request that the DOH to reject the CON application for the transfer of Hoboken University Medical Center to the operators of Bayonne Medical Center.

Paradigm Physician Partners' (P3) offer to buy the Hoboken University Medical Center (HUMC) is still on the table, and we are prepared to move that offer to a binding agreement, and complete that agreement, at any time.

The P3 offer and solution for the community is to buy, rehabilitate and return HUMC as a vibrant and self-sustaining non-profit community hospital.

**Acquisition:**

**$62.6 Million** - P3 will purchase HUMC for $62.6 million ($51.6 million + $11 million guaranteed interest) and relieve the taxpayers and the city of Hoboken of its bond obligation.

**$25 Million** - Upon acquisition P3 will invest an additional $25 million in ongoing operations, new equipment, facility and technology upgrades and patient experience.
P3’s proposal is qualified and superior from four key perspectives that should be considered:

1) Financing – sufficient and in place
2) Management – qualified and capable and with an outstanding track record
3) Model – the business model is relevant, inclusive and workable
4) Methodology – the plan maintains non-profit status, controls costs, improves quality and expands access to high quality care in Hudson County

P3’s proposal is commonsense and workable and addresses all the stakeholder concerns we’ve heard.

- No Layoffs!
- Adds new jobs.
- HUMC remains a non-profit community hospital for the long term, not just the next 7 years.
- No service interruptions.
- Acceptance of all major insurance carriers.
- Regionalization strategy for Hudson County’s un/under insured population.
- Formulates strategic partnerships with other Hudson County hospitals to lower cost, improve quality and increase access to all citizens regardless of insurance status.
- Attracts commercial development.

We offer the best financial and clinical plan for the City of Hoboken, HUMC, and the community and patients HUMC serves. We appeal to the DOH to intervene and reopen the bidding process to allow all qualified proposals to be considered in this very important decision.

**Financing:**

P3 has engaged a specialty financing firm with expertise in tax credit financing who have devised a financing structure that, in addition to sufficient private equity, accesses federal tax credit and state tax credit programs and also other innovative capital sources to finance this transaction.

The mechanics of the P3 transaction are as follows:

- **Sale-Leaseback to a REIT** - includes a buy back provision
- **Private equity** – individual investor specializing in the private placement of investment capital into distressed asset acquisitions

2
- **New Markets Tax Credit Program** - federal program used to attract private sector capital to underserved communities

- **NJ’s Urban Transit Hub Tax Credit Program** - provides tax breaks to developments within proximity of New Jersey Transit, PATH, PATCO, or light rail stations in cities which include Newark, East Orange, Elizabeth, Hoboken, Jersey City, New Brunswick, Paterson, Trenton and Camden

- **EB-5 Visa Program** - allows qualified immigrant investors to receive citizenship for their immediate family (investor, spouse and minor children) for a $1 million investment ($500,000 in rural areas), after thorough background and financial investigation by U.S. Citizenship and Immigration Services.

**Management:**

P3 has a deep bench of highly experienced top tier executive leaders with significant experience in transforming distressed hospitals into high performance operations.

Paradigm brings in our interim or replacement executives to guide qualified in-place leadership through transformation and if necessary provide retraining or even replacement.

**Example: William Bithoney, MD, FAAP, FAANP – Implementation CEO**

Dr. Bithoney is expert and speaks nationally on developing Accountable Care Organizations and Patient Centered Medical Homes. He has led multiple non-profit system turnarounds, most recently at a 200-bed community hospital located in a very challenging demographic in the Boston area. Under his leadership his hospital was recognized as a Cleverly and Associates Top 100 hospitals in US for quality and value and the Leapfrog Group’s top decile for efficiency. He was a leading architect designing and developing the teaching manual for managing the needs of vulnerable populations.

Dr. Bithoney was a founding Medical Director, Trustee and Board Member of Medical Missions for Children, the largest private telemedicine program in the world. This organization has treated over 30,000 critically ill children in 36 countries.

"P3 has a mission to transform health care, and it is the simplicity in their public-private partnership that is a compelling concept that attracts me and convinces me that their plan is so achievable. P3’s business model benefits and restructures urban hospitals in financial distress by making strategic investments in people, processes, and technology... applying evidence-based practice and business principles WHILE retaining a hospital’s non-profit status and preserving jobs. From my experience, this makes perfect economic sense, and the
deeply rooted social values embedded in their business philosophy really impress me. I am proud and eager to lead this vision for P3.”

Model:

In a typical transaction P3 acquires the hospital and forms a public/private partnership – think sale-leaseback financing agreement with a buy-back provision. Hospital operations remain non-profit and enter into a master lease agreement. P3 enters into a management agreement with our real estate partner to operate the hospital.

Investor benefits from improved real estate performance and all operating profits get reinvested into the hospital. Reinvesting operating profits has significant benefits well beyond tax advantages; it builds trust, fosters good will, encourages collaboration and facilitates innovation, cooperation and knowledge-sharing among the front-line clinical caregivers.

Methodology:

P3’s model addresses the stakeholders’ concerns, is supported by science, research, experience, data and it’s grounded in a solid, socially responsible business model that lowers cost, improves quality and increases access to health services Hudson County.

About P3:

Paradigm Physician Partners (P3) manages hospitals under public-private partnership agreements with nonprofit organizations and local governments. P3 delivers capital, operational expertise, accountability, and a new strategic direction for each hospital it partners with. P3 allows non-profit and public hospitals to remain an asset of the community while bridging the gap between public needs and private capital without compromising mission or margin.

P3 works with each partner hospital to create sustainable organizations and implement a new leadership model with 21st century governing principles informed and guided by the six “Aims of Improvement” described in the Institute of Medicine’s 2001 report; Crossing The Quality Chasm - Health care should be: Safe, Effective, Timely, Patient-centered, Efficient, and Equitable.

Respectfully submitted,

Geoffrey A. Teed
President, Paradigm Physician Partners, LLC
Position Statement on transfer of ownership of Hoboken University Medical Center
Doug Placa
to:
jamie.hernandez
07/29/2011 04:20 PM
Cc:
"Virginia Treacy"
Show Details

Jamie

Attached please find the position statement for JNESO, District Council 1 with respect to the transfer of ownership of Hoboken University Medical Center. We have already faxed it.

We will be forwarding copies by mail as well.

Douglas A. Placa
Director of Legislative and Political Affairs
JNESO, District Council 1-IUOE, AFL-CIO
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North Brunswick, NJ 08902
work 732-745-2776 ext. 125
email: dplaca@jneso.org
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Via- Email, Facsimile and Regular Mail
Fax – (609) 292-5333
Jaime.Hernandez@doh.state.nj.us

New Jersey Department of Health and Senior Services  
State Health Planning Board  
Office of Legal and Regulatory Compliance  
Market and Warren Streets  
PO Box 360  
Trenton, New Jersey 08625-0360

Re: CN Approval for Hoboken University Medical Center  
CN #FR 110503-09-01  
JNESO DISTRICT COUNCIL 1, IUOE- AFL-CIO POSITION STATEMENT ON SALE OF HOBOoken UNIVERSITY MEDICAL CENTER TO HUMC Holdco, LLC

Before starting our statement we wish to go on record expressing our extreme disappointment and frustration that the Staff Recommendations in this matter were published on the morning of July 29, 2011 prior to the closing of the Public Comment period, close of business that same day. Considering our following statements regarding the perceived politically predetermined nature of this entire transaction we strongly protest the publication of these documents.

JNESO District Council 1 is a professional healthcare union representing over 5,000 healthcare professionals in New Jersey and Pennsylvania, including the 325 professional registered nurses employed by Hoboken University Medical Center.
JNESO has reviewed the Asset Purchase Agreement, to allow HUMC Holdco, LLC to purchase Hoboken University Medical Center (HUMC). It is our understanding that HUMC Holdco, LLC is of the same ownership as IJKG Opco, LLC; the current owners of Bayonne Medical Center (BMC). IJKG Opco, LLC purchased Bayonne Medical Center two years ago following BMC's bankruptcy filing. We have also reviewed the Certificate of Need application and the two sets of Completeness Questions that DHSS requested in response to the application.

JNESO has multiple concerns regarding this proposed transaction, ranging from patient safety and access to unfair treatment of employees. First, we want to make it clear that we are not opposed to the sale of this institution. We do believe, however, that the motivation for this sale is of a political nature. The creation of the "Hospital Authority" was, in theory, to eliminate political influence from the operation of the facility. It did not work. This institution, while having lost an estimated $3 million dollars year to date is viable and essential. A larger purported deficit would not occur if Disproportionate Share Hospital (DSH) and Essential Hospital Assistance dollars were requested and continued appropriately. Mayor Zimmer and Hospital Authority Chairperson Tamarozzo's repeated assertions that they will close the hospital if the deal with the principals of HUMC Holdco is not completed does not serve the community's needs. It also undermines the state's certificate of need process. These threats have jeopardized the financial stability of this hospital and have undermined the community's faith in the continued provision of safe, quality care. HUMC had 50,000 uninsured visits in the last reported year (2009). This deficit is a minuscule price to pay for those in need of care.

LACK OF TRANSPARENCY

The Hoboken Municipal Hospital Authority has held monthly meetings on the sale of HUMC. The majority of this meeting time was spent in closed-door Executive Session. Reasons for why HUMC Holdco bid proposal outweighed the others have never been discussed with the community or with HUMC employees. Other bidders have publicly stated they were willing to discuss their bids with the public.

While HUMC Holdco's sister corporation, IJKG Opco, LLC, went through all appropriate channels when purchasing BMC two years ago, disclosure regarding this transaction has not been as forthcoming. Since the details of this transaction have not been made public, the community has not had the opportunity to scrutinize the particulars surrounding the hospital sale to Holdco HUMC. The 1st set of completeness questions say that meetings were held and support was elicited from the community stakeholders. Although the Chairperson of the Community Advisory Group was specifically identified, OPRA request for the groups' chair and membership states that no such body exists. The 2nd set of completeness questions identifies only five (5)
supporters: the mayor, two (2) council persons, a retired fire chief and an unnamed individual. According to the standards applied in a traditional CHAPA review, this would not constitute a community advisory group, nor does it indicate strong or non-conflicted support of the community.

Under normal circumstances questions about transparency or conflicts of interest can and are addressed in a CHAPA review. This review requires the Attorney General and the Superior Court to support and/or oppose conditions of the acquisition and enforce steps to safeguard the value of charitable assets and proceeds from a sale are irrevocably dedicated for appropriate charitable healthcare purposes. A CHAPA review did not occur with this transaction because the “Municipal” hospital is exempt. We are therefore concerned with how and by what authority the conditions of this CON will be enforced.

FAILURE TO MEET CON REQUIREMENTS AT BMC

Two years after receiving Certificate of Need (CON) approval, IJKG Opco has still not met certain DHSS certificate of need requirements at BMC.

Prior to IJKG Opco’s purchase of BMC, the hospital had “temporarily” closed down its labor and delivery department. At present, BMC has not reinstated labor and delivery services, (L&D) nor has it relinquished its license to provide such services. This change in licensure was to be completed within one (1) year of the CON approval. Only now, two (2) years after the original date, is Bayonne saying (in the HUMC CON) that it will relinquish the license altogether and attempt to refer L&D patients to HUMC following the closing of the sale. While JNESO is glad that definitive action is finally being taken – in accordance with CON requirements – the permanent elimination of essential services may be a good business decision, but, HUMC is not a realistic option for pregnant women seeking prenatal and post natal care in the Bayonne area. It is not easily accessible by public transportation. Traffic patterns between Bayonne and Hoboken do not allow for patients to arrive at the hospital in a reasonable amount of time. The times listed in the Completeness Questions do not reflect our driving experiences.

Another condition of CON approval required that IJKG Opco submit timely records that include, but are not limited, to a progress report on the re-instatement of OB/GYN or removal of services application, quarterly unaudited financial statements, policy on the Board of Trustees composition, governance authority and bylaws, and a transportation plan. According to public record, IJKG Opco has been repeatedly “reminded” to submit these documents in a timely manner.
REDUCING PATIENT ACCESS TO SERVICES

HUMC Holdco clearly states in the CON that they have “no intention of assuming any of the existing managed care agreements” in which the hospital currently participates. Although the corporation is in negotiations with managed care companies, this statement is worrisome. Discontinuing the hospital’s relationships with managed care companies and going out of network will decrease the health care resources to the service area, as well as decreasing resources for its employees.

BMC has demonstrated that the affect of having no managed care contracts has driven the cost of healthcare up to astronomical numbers. For example, according to the NJ Hospital Association the average daily cost for a chest pain admission is $12,522. In Hudson County it is $14,721. However, at BMC, an admission for chest pain will cost a patient $29,593 per day according to the NJ Hospital Association. If HUMC Holdco is not able to come to an agreement with managed care, the service area for HUMC is looking at an over 100% increase in cost for services. **Note: Since the recommendations and conditions of approval have already been released prior to the announced deadline for comment we will note the condition of maintaining these contracts for twelve (12) calendar months. A very short period of time with no alternative remedy or condition should a new contract not be negotiated.**

DECLINING PATIENT CENSUS

IJKG Opco projected that medical surgical admissions would steadily increase from 6,248 in 2007 to 7,045 for the year 2009 at BMC. However, according to the Completeness Questions, the admission rate trended down and ended with medical surgical admissions at 5,451 in 2009. This was a “13% decrease in patient census and a 1,600 patient admission error in projection”. BMC has stated the reason for this occurrence is the corporation’s decision to discontinue its managed care contracts. This is concerning because HUMC Holdco is making similar projections in its CON for HUMC, as well as stating they will not assume their existing managed care agreements. We are unsure how they plan to successfully meet these projections when they are planning to follow the same model that failed at BMC.

LACK OF CONCERN FOR PATIENT SAFETY

During a recent labor dispute, the management of Bayonne Medical Center locked out the registered nurses it employed, preventing them from working for the duration of the dispute. During this time, the hospital received not one, but two citations from the state for “failing to maintain quality of care to all patients during the lockout of employees”.
One citation stated the hospital failed to ensure a safe and effective medication dispensing system. There was only one pharmaceutical technician assigned during the lockout, whereas normal staffing would include 5 pharmaceutical technicians. Therefore, medications were not stocked in an efficient manner, leading to delays in treatment for all patients in the facility during that time. Considering what we now know from the contractual proposals for our represented workforce, it is not out of the realm of possibility that similar labor disputes will occur at HUMC.

LOW PATIENT SATISFACTION SCORES

Low patient satisfaction scores have been chronic at BMC, as evidenced by their falling below state average on 9 out of 10 measures on the federally-sponsored Hospital Consumer Assessment of Healthcare Provider and Systems (HCAHPS) patient satisfaction survey. Conversely, HUMC has been above state average on the majority of their HCAHPS scores. One of the most important questions on this survey is “would you definitely recommend this hospital”, and only 38% of respondents who had received care at BMC said yes. At HUMC respondents said yes to this same question 66% of the time. This is above the state average. We fear any reduction in staff at HUMC will certainly have a negative effect on service and HUMC’s HCAHPS scores. With Value Based Purchasing coming, these negative scores will then negatively affect Medicare and Medicaid reimbursement rates for the hospital.

UNFAIR TREATMENT OF EMPLOYEES

HUMC Holdco recently provided HUMC’s current registered nurse work force with employment applications and the initial terms and conditions of employment. These terms make drastic cuts to current benefits including but not limited to; paid time (sick time and vacation time), pension, differentials, call pay and staffing incentives. While hourly rates of pay are offered at the Union granted concession rates of 2010 (7%) below scale, Holdco’s asserted broad cancellation rights make the wage offer almost meaningless. Language changes proposed in the provision of orientation and floating guidelines will have a direct negative effect on patient safety and outcomes. HUMC Holdco has not committed to fully staffing the facility as evidenced by their lack of commitment to hire 100% of the current workforce.

Furthermore, it is our understanding that HUMC Holdco has already approached department leaders and asked that they rate their employees on a scale of 1-5. This subjective rubric is cause for concern, especially when objective comprehensive evaluations and performance records are readily available. This type of employee rating system can easily allows for favoritism and in no way aides in the formation of successful healthcare team. Additionally, the probationary period (of 90 days)
demanded is arbitrary and capricious for employees without any provision for just cause as a standard for discipline. Long term employees can be terminated without cause or recourse so that the offer of employment may be a short lived attempt to comply with an APA condition of hiring (75%). The terms of employment offered are less attractive than those at BMC which were arrived at after a filed bankruptcy and a lock out of the workforce. When the Hoboken Municipal Hospital Authority gave Holdco carpe Blanche regarding employment conditions they ignored the service of all the employees of HUMC and the mutually cooperative labor relations and progress enjoyed at this facility for more than thirty (30) years. Our Union has already demanded to bargain with Holdco but they are relying on their agreement in the APA to recognize the Union only after they have hired 51% of our existing membership. Since federal labor law mandates union recognition at the 51% level we can only hope that the Hospital Authority did better in other areas of the APA.

We do not expect the DHSS or the State Health Planning Board to negotiate on our behalf. We only raise employment issues in these comments because we understand that having a sufficient, qualified, competent professional staff is purported to be a condition of granting a CON. We see these issues as a threat to that qualifier initially and in the near future.

JNESO does not oppose the sale of HUMC. We do believe it would be beneficial for the city, the community and the employees to have a financially and ethically sound minded employer purchase HUMC. The concern with this transaction lies in our stated concerns and the evidence of past performance of the proposed purchaser above. We believe that strong, enforceable conditions must accompany any granted CON. The lack of transparency and the exemption of CHAPA review lead us to be suspicious and speculate as to what is or could not stand the light of such oversight. We are also concerned that the appearance of political expediency has denied the public and the employees of their rightful voice and protection.

Sincerely,

Virginia C. Treacy, RN
Executive Director
FW: NJAHP on Hoboken Hospital CN application
Ward Sanders

to:
jaime.hernandez@doh.state.nj.us
07/29/2011 05:11 PM
Cc:
David Smith, Sarah Mcallen
Show Details

State Health Planning Board,

Attached please find a second letter, to address some additional concerns, from the New Jersey Association of Health regarding the CN application for Hoboken Hospital. NJAHP opposes the sale to Holdco. I have also included another copy of our original letter.

Please let me know if you have any questions. Thank you.

Wardell Sanders
President
NJ Association of Health Plans
50 West State Street, #1012
Trenton, NJ 08608
609.581.8237
FAX: 609.278.4496
July 29, 2011

New Jersey Department of Health and Senior Services
State Health Planning Board
Office of Legal and Regulatory Compliance
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PO Box 360
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RE: CN Approval for Hoboken University Medical Center
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The vast majority of the health care premium dollar is spent on claims to providers. And nearly half of all claims are paid to hospitals. If hospitals go out of network and double or triple the rates, it should not be overlooked that it will have a devastating impact on premiums in this state.

Thank you for consideration of our comments.

Sincerely,

Wardell Sanders
President

Cc:

Thomas Considine, DOBI Commissioner
Jeffrey Chiesa, Chief Counsel
Kevin O’Dowd, Deputy Chief Counsel
Brett Tanzman, Assistant Counsel
Bob Scwaneberg, Policy Advisor
James Leonard, Governor’s Office
David Smith, PPAG

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VIA EMAIL, FACSIMILE AND REGULAR MAIL  
FAX: (609) 292-5333  
Jaime.Hernandez@doh.state.nj.us

July 26, 2011

New Jersey Department of Health and Senior Services  
State Health Planning Board  
Office of Legal and Regulatory Compliance  
Market & Warren Streets  
PO Box 360  
Trenton, NJ 08625-0360

RE: CN Approval for Hoboken University Medical Center  
CN# FR 110503-09-01

Dear Members of the State Health Planning Board:

I am writing on behalf of the New Jersey Association of Health Plans ("NJAHP"), a non-profit association representing the leading health care plans in the state which cover nearly seven million New Jersey residents. Our member plans include Aetna, AmeriGroup, AmeriHealth, CIGNA, Horizon Blue Cross Blue Shield of New Jersey, and UnitedHealthcare. Our customers include individuals, small employers, large employers, non-profits, public entities and labor organizations, both as insureds under our members' insurance plans and as self-insureds through our members' administrative plans. The purpose of this letter is to express our strong concerns with the purchase and transfer of ownership of Hoboken University Medical Center ("HUMC") to HUMC Holdco LLC ("Holdco") and the Certificate of Need (CN) Application that has been submitted to the Department of Health and Senior Services pursuant to N.J.A.C. 8:33-3.1. For reasons expressed below, we respectfully request that you deny the CN application. In the alternative, we request that you condition approval on the requirements set forth in our letter below, which are designed to ensure fair pricing and contracting.

Historically, the NJAHP and its member plans rarely involve themselves in CN applications. However, given the severe adverse consequences that would inevitably follow the approval of Holdco's CN application to so many healthcare constituents, including most importantly patients, NJAHP is compelled to formally oppose this application. We do not oppose the sale of

To learn more about the New Jersey Association of Health Plans, visit our website at njahp.org.
the hospital to a qualified buyer and are generally neutral as to whom that buyer ultimately will be. We do, however, object to the sale of the hospital to Holdco, which is composed of the current owners and operators of the Bayonne Medical Center (BMC).

Since these owners purchased BMC out of bankruptcy in 2008 and operated BMC as a for-profit entity, it is believed BMC has engaged in certain conduct which has not served the citizens of Hudson County or the State well. These actions include:

1. BMC’s refusal to participate in nearly any insurance carrier’s network.

2. BMC’s practice of charging excessive fees for services provided. One carrier alleged in a complaint filed in litigation against BMC and its owners that in 2008 BMC “inflated its stated charges for common procedures such as endoscopies and colonoscopies by more than 80% and nearly doubled its daily fees for inpatient stays to more than $26,000 per day. In 2009, BMC inflated its stated charges for computed tomography (“CT scans”) by as much as 267% and charged as much as $159,969.66 for a single inpatient day.”

3. BMC’s routine waiver of cost-sharing, which according to a Fraud Alert issued by the Department of Health and Human Services, Office of Inspector General, is considered “unlawful [under Medicare] because it results in (1) false claims, (2) violations of the anti-kickback statute, and (3) excessive utilization of items and services paid for by Medicare.” Many states also consider routine waiver of cost-sharing to be fraud.

4. BMC’s business model which attempts to drive utilization solely through its emergency room. In fact, as noted in a Wall Street Journal article, BMC now has billboards advertising the waiting times for its emergency room. New Jersey law insulates certain consumers from additional cost-sharing for services at an emergency room, but does not provide any protection for payers including self-insureds in the form of reasonable pricing requirements by non-contracted facilities or providers. For example, N.J.A.C. 11:24-5.3(b)) requires that certain HMO members not pay more than the co-payment, deductible and/or coinsurance with regard to emergency care rendered at non-participating hospitals. Similarly, N.J.A.C. 11:22-5.6 provides for certain consumers that their liability for services at a network hospital shall be limited to copayment, deductible and/or coinsurance applicable to network services, even if certain services are provided by a non-network provider. While well-intentioned and designed to protect consumers, some take the position that these rules have essentially forced payers to cover charges regardless of their reasonableness or relationship to the value provided. Some outlier hospitals, including BMC, have taken advantage of these consumer protections to charge unconscionable rates and collected unconscionable payments from carriers and self-insureds.

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1 Aetna Health Inc., and Aetna Life Insurance Company v DKG OP/CO, LLC; IJKG, LLC; IJKG PROPCO, LLC d/b/a Bayonne Medical Center; Jon Does 1-10 and ABC Corporations 1-10, Docket No. 94-11, Essex County/Chancery Division, filed April 15, 2011.
5. Holdco has already announced its intention to refuse to honor all of HUMC’s current contracts with major insurers. This will have immediate and serious financial consequences for those receiving care at HUMC.

6. Holdco’s negotiations with insurers to date have already demonstrated its lack of interest in truly negotiating prospective network contracts. Holdco’s initial proposals with carriers in some cases have requested payments 300 percent higher than the existing contracted rates. These are clearly outlier demands, as other hospitals in the region have not requested or received rate increases anywhere near this order of magnitude.

Based on these actions outlined above and other actions, we request that you deny the CN application before you from Holdco. It is our understanding that the Department of Health and Senior Services’ criteria for review of CN applications like the one before the State Health Planning Board in this matter are set forth at N.J.A.C. 8:33-4.9. In accordance with the applicable law and regulations, the proposed application should be denied because the transfer of ownership would:

- “have an adverse impact on access to health care services in the region or Statewide.”
- not be “necessary to provide required health care in the area to be served…”
- not “contribute to the orderly development of adequate and effective health care services…”
- likely result in a situation in which the facility would not “provide services to medically underserved populations residing or working in its service area as adjusted for indications of need.”

In the alternative, we ask that any approval of the CN application before you include the following conditions:

1. Holdco shall assume and continue each of the current commercial insurance contracts of HUMC that were in effect on April 20, 2011 for at least 18 months after licensure and report annually on its payer mix to the Department.

2. In advance of the conclusion of the 18-month mandatory contracting period, Holdco shall use its commercially reasonable best efforts to negotiate in good faith for in-network commercial insurance contracts with commercially reasonable rates, where such commercially reasonable rates are based upon the rates commercial insurance companies pay to similarly situated in-network hospitals in the northern New Jersey region.

3. If Holdco provides notice to terminate any insurance contracts at any time, Holdco shall in advance meet with representatives from the Department and the Department of Banking and Insurance to discuss the intent to terminate such contract and document how it will provide notice to patients and providers.

4. Upon transfer of HUMC to Holdco and for one year thereafter, Holdco shall not modify the charge master for HUMC to increase any rate more than 10 percent of the charge in effect on April 20, 2011.
5. Holdco shall not engage in the routine waiver of cost-sharing for insured or self-funded patients. Waiver of patient cost-sharing shall be limited to cases of demonstrated financial hardship of a particular patient under standards analogous to those required by the federal government under Medicare.

6. Holdco shall pay for a special master, selected by the Department, to monitor and report the conduct at HUMC relative to: emergency room admissions, charity care utilization, overall utilization, waiver of cost sharing, average daily charges and the status of negotiations with insurers. The special master’s initial report shall be provided to the Department within two years of the transition of ownership at the hospital, and every two years thereafter.

We recognize that some of these requests are extraordinary, but they are warranted given the track record of the owners and managers of Holdco with respect to their other hospital, BMC. Further, the plans’ experience has been that the conditions of approval set forth in the Department’s letter dated November 1, 2010 for the Meadowlands Hospital Medical Center have proven to be inadequate for ensuring fair contracting and would not serve as an appropriate model for the instant transaction. Our goal is to ensure state oversight into the contracting and business practices of the owners and managers of HUMC. We believe this will better protect the residents of Hoboken and the surrounding area, as well as the entire state.

Thank you for consideration of our comments.

Sincerely,

Wardell Sanders
President

Cc:

Thomas Considine, DOBI Commissioner
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Please call 609-581-8237 if there are any problems with the transmission of this fax.
VIA EMAIL, FACSIMILE AND REGULAR MAIL
FAX: (609) 292-5333
Jaime.Hernandez@doh.state.nj.us

July 29, 2011

New Jersey Department of Health and Senior Services
State Health Planning Board
Office of Legal and Regulatory Compliance
Market & Warren Streets
PO Box 360
Trenton, NJ 08625-0360

RE: CN Approval for Hoboken University Medical Center
CN# FR 110503-09-01

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I am writing on behalf of the New Jersey Association of Health Plans ("NJ AHP"), a non-profit association representing the leading health care plans in the state which cover nearly seven million New Jersey residents. On July 26, 2011, we submitted a letter to express our strong concerns with the purchase and transfer of ownership of Hoboken University Medical Center ("HUMC") to HUMC Holdco LLC ("Holdco") and the Certificate of Need (CN) Application that has been submitted to the Department of Health and Senior Services pursuant to N.J.A.C. 8:33-3.1. This letter is to supplement that initial letter.

First, we wanted to address the assertion by HUMC Holdco in its responses to the Completeness Review Questions that, "The current insurance contracts on average now reimburse HUMC at or below NJ Medicaid rates." HUMC Holdco clarified its response providing an "effective per day" payment rate for Medicaid and "current insurance contracts." First, to be absolutely clear, commercial rates for actual services provided are not "at or below NJ Medicaid rates." The statement is simply false. Without access to the calculations developed by Holdco and described in the response to the completeness review questions, we are not in a position to remark with precision on what their comparison means. But based on the brief description, it

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3 See attached article, available here: http://californiawatch.org/health-and-welfare/hospital-chain-profits-admitting-high-number-of-patients-11561