

CERTIFICATE OF NEED
Department Staff Project Summary, Analysis & Recommendations
Transfer of Ownership

Name of Facility: The Memorial Hospital of Salem County
CN# FR 180503-17-01

Name of Applicant: Salem County Hospital Corp. (SCHC)

Total Project Cost: \$3 million

Location: Salem

Service Area: Salem County

Applicant's Project Description:

This application is for the transfer of ownership (TOO) of The Memorial Hospital of Salem County (Salem Hospital) from Salem Hospital Corporation (SHC), a subsidiary of Community Health Systems, Inc. (CHS) to the proposed licensee, Salem County Hospital Corp. (SCHC), a 501(c)3, not-for-profit corporation established 2018.

Salem Hospital is located at 310 Woodstown Road, Salem, NJ in Salem County. It is a General Acute Care Hospital, license ID 71702, and designated as a Primary Stroke Center. In addition to Salem Hospital's licensed twelve (12) Adult Intensive Care Unit/Critical Care Unit (ICU/CCU) Beds, and 114 Medical Surgical Beds, Salem Hospital is currently licensed for the following services: one (1) Acute Hemodialysis, one (1) Computerized Tomography (CT)- Fixed, one (1) Cystoscopy Room, one (1) Lithotripter-Mobile, five (5) Mixed OR, one (1) Magnetic Resonance Imaging (MRI) on site, one (1) Positron Emission Tomography (PET) – mobile, and one (1) sleep center. In addition, Salem Hospital is the licensee of one (1) hospital-based off-site imaging facility: Salem Medical Imaging, license ID 1284, located at 499 Beckett Road, Logan, NJ in Gloucester County which is licensed for Positron Emission Tomography (PET).

The applicant states, in the submitted Asset Purchase Agreement (APA), that four (4) licensed facilities are identified in this transaction: The Memorial Hospital of Salem (Salem Hospital), the hospital-based off-site facility Salem Medical Imaging, Memorial Hospice, and Memorial Home Health. The Hospice and Home Health are currently licensed to Salem Home Care Services, LLC, a subsidiary of SHC. It should be noted that a transfer of ownership for an imaging facility, hospice, and home health agency does not require a CN.

Upon completion of the hospital TOO transaction, the prospective licensee, SCHC, states they will maintain a Board of Directors and utilize the services of Salem Hospital Management, LLC (Salem Management) which will assist SCHC with the long-term development of services day-today operations of Salem Hospital. The SCHC Board of Directors is comprised of: Douglas Mazzuca, M.D.; Michael Gorman; M. Earl Ransome, PE; Ceil Smith; Paul Goldberg, Ellsworth

Havens; and William Colgan. The latter three (3) Board Members; Mr. Goldberg, Mr. Havens, and Mr. Colgan are also members of the Salem Hospital Management, LLC.

The applicant states, Mr. Colgan is one of the founding members and managing partner of Community Health Care Associates, LLC (CHA) which has successfully converted three (3) closed acute care hospitals into thriving medical communities; Mr. Goldberg's management career has spanned acute care hospitals and health systems, pediatric behavioral health and healthcare turnaround services; and Mr. Havens has engagements that included medical and health facility development and licensure. In addition, the applicant states, "The members of Salem Hospital Management have combined skills that include facility development, turn-around experience, operational experience, and strategic planning that will assist SCHC with the day-to-day operations and long term development of essential services."

SCHC states their intent to decrease medical-surgical beds from 114 to 75. A correction in medical surgical bed reduction, from 65 to 75, is noted in the applicant response to completeness questions. SCHC states their intent to implement and comply with all the conditions for the 26 open psychiatric beds which were awarded in 2017 to SHC, the current owner of the hospital. SCHC also states their intent to become the licensee for 30 long-term care beds for sub-acute care. It is noted that the applicant could have separately applied for these LTC beds as an expedited review in accordance with New Jersey Administrative Code (N.J.A.C.) 8:33-5.1 claiming minimal impact on the healthcare system as a whole. However, for transparency purposes these LTC beds were added to this CN to indicate to the community all planned uses of the proposed non-profit hospital.

The applicant states, "the purpose of this transaction is to ensure that the residents of Salem Hospital service area continue to have access to critically needed high quality health care. By aligning itself with a team of experienced providers who are poised to meet the challenges faced by Salem Hospital in the current health care environment, Salem Hospital will be better able to meet those challenges and continue its mission." The applicant states an affiliation with a strong New Jersey-based partner will provide the necessary infusion of capital that will enhance the functional and operation efficiencies at Salem Hospital.

Applicant's Justification of Need:

Previously, Prime Healthcare Foundation (Prime) submitted a CN application seeking to acquire ownership of Salem Hospital. The Department approved Prime's CN to purchase the hospital in letter dated May 2017. However, subsequent to the Department's approval letter, Prime terminated the asset purchase agreement and the transfer of ownership was not completed. In the current CN application, the applicant states that CHS has solicited and participated in numerous discussions with prospective buyers and/or health systems to provide continuity of services at the Hospital location. After significant consideration of its alternatives, CHS has determined that a transfer of its assets to SCHC will strengthen Salem Hospital and will allow it to be in a position to provide health care service need of the residents of Salem County.

The applicant states, "the only available option to the TOO of Salem Hospital is the closure of the hospital, which was considered and determined to be an unacceptable option in view of

the absence of available acute care services in the area and the offer from SCHC to acquire the hospital and continue Salem Hospital's mission to the community."

The applicant states the project will improve Salem Hospital's ability to attract additional talented medical staff and will provide the strategic leadership and assets needed in order for Salem Hospital to provide high quality, low cost care. Applicant also states "SCHC will, in conjunction with community leaders and SCHC medical staff, identify those specialties, if any, that are needed at SCHC and surrounding hospitals, and work with SCHC medical staff to identify and recruit specialists." SCHC also states they will continue to follow the existing Charity Care Policies currently in place at the Hospital and there will be no impact on the indigent care policies subsequent to the TOO.

In addition to enhancing the functional and operational efficiencies at the hospital, the applicant states that SCHC will strive to provide efficient care through the use of physician-driven management, patient care protocols developed in concert with medical staff at the hospital, and the strategic deployment of state-of-the-art equipment and information technology systems. Applicant states, SCHC will rely on (1) effective medical management to improve the quality of care and decrease unnecessary lengths of stay, which will decrease costs (2) operational efficiencies to improve care and reduce costs and (3) prudent capital investments to decrease maintenance and repair costs and bring in state-of-the-art equipment which will make care more efficient. The applicant further states that this TOO will also improve Salem Hospital's ability to attract additional talented medical staff and will provide the strategic leadership and assets needed in order for Salem Hospital to provide high quality, low cost care.

SCHC is proposing the addition of long term and psychiatric services as well as the reduction of licensed medical-surgical beds from 114 to 75. Based on historical occupancy, the anticipated medical-surgical capacity will continue to meet the current and projected demand for inpatient acute care services. SCHC states, additional medical-surgical capacity will be added if appropriate. SCHC states that, "There will be no elimination of services as a result of this project. Upon transfer of ownership, SCHC's Board and the Local Governing Board, consisting of community, physician and management members, will assess the needs of the community and may add services or reduce, depending on the identified needs."

This application also involves the transfer of 26 adult open psychiatric beds that were approved by the Department in a CN in November 2017. SCHC states they intend to complete the implementation of these beds and will comply with all of the conditions of approval that were imposed by the Department in the required approval letter.

SCHC also applied to add 30 long term care beds to meet the demand for post-acute services and enhance the continuity of services at the current location. The long-term care beds will enable SCHC to provide care to patients in need of higher acuity services during their post-acute recovery period and will be available to Medicaid and Medicare patients. The anticipated length of stay in the 30-bed unit is expected to be less than 20 days and will enhance the availability of continued observation and care by the patients' physicians.

The applicant states there is minimal availability for long term care services in the immediate area of the Hospital. The applicant also states the addition of 30 long term care beds

at Salem Hospital represent an addition of 5.8% of the capacity in the Salem County service area and will have a minimal impact on existing providers.

Applicant’s Statement of Compliance with Statutory & Regulatory Requirements:

The applicant states 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:

The applicant identifies other area hospitals in the region as follows: Inspira Medical Center-Elmer; Kennedy Washington Township; Inspira Medical Center-Vineland; Inspira Medical Center-Woodbury, Cooper Hospital University Medical Center, and Christiana Care Health in Delaware. The applicant provided distance and travel times for each of these hospitals from Salem Hospital. The applicant recognizes the need for Salem Hospital to continue operating as a general hospital and has committed to operating it with no current plan to reduce services or reduce availability to service currently provided at the hospital. Both SCHC and Salem Hospital believe the successful completion of this TOO will preserve the current level of health care services in the area.

The applicant also states SCHC will implement several initiatives that are designed to stabilize and/or grow admissions at the Hospital and allow SCHC to meet the healthcare needs of the community for years to come.

2. The need for special equipment and services in the area:

According to the Applicant:

The applicant states that SCHC will make a substantial investment in new state-of-the-art equipment and information technology that will make SCHC more efficient and allow physicians, clinical staff, and support personnel to have access to state-of-the-art (and more efficient) equipment while delivering quality patient care to the community.

3. The adequacy of financial resources and sources of present and future revenues:

According to the Applicant:

The applicant states that its method of financing the \$3 million for the purchase is intended to be funded by a grant from Salem Health and Wellness Foundation (the Foundation). In the event a grant can’t be procured, the Management company is prepared to contribute the funds. The applicant also states that CHA has committed to fund any additional shortfalls that may occur and have provided a commitment to ensure the hospital’s financial viability.

4. The availability of sufficient manpower in the several professional disciplines:

According to the Applicant:

The applicant is committed to hiring substantially all individuals who are employed by Salem Hospital as of the closing date. According to the applicant, at the time the application was submitted to the Department, Salem Hospital had 304 full-time employees, 51 part-time employees, and 62 per diem employees. The applicant also states Salem Hospital has 108 RNs and 85 physicians with admitting privileges and 85 physicians with admitting privileges who admit Medicaid patients.

SCHC will actively recruit new physicians and encourage physicians who previously utilized the hospital to once again utilize the SCHC to meet the healthcare needs of their patients. SCHC will, in conjunction with community leaders and SCHC medical staff, identify those specialties, if any that are needed at SCHC and surrounding hospitals, and work with SCHC medical staff to identify and recruit specialists.

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:

SCHC seeks to continue operating Salem hospital as a general acute care hospital and to continue the level of services currently in place at the hospital. SCHC indicates that the transfer of ownership will not have any adverse economic or financial impact on the delivery of health care services in the region or statewide because of its commitment to continue operating Salem Hospital as a general hospital in its current location.

In the event the intended grant from Salem Health and Wellness Foundation cannot be procured, Salem Hospital Management, LLC is prepared to contribute the funds, therefore, the implementation of the psychiatric beds will not adversely affect the financial feasibility of the project. In addition, the proposed 30 long term care beds in Salem County represent an addition of only 5.3% of capacity in the Salem County service area and will have a minimal impact on the healthcare system as a whole.

Public Hearing:

A public hearing was held on Thursday, November 8, 2018 from 6:00 pm to 7:15 pm at Salem High School in Salem, New Jersey. Approximately 75 individuals were in attendance, with eleven speakers, including representatives of CHA, Salem Wellness Foundation, Salem County College and the nurses' union.

All speakers were in favor of the transfer, most noting that without new ownership it was likely the hospital would close. One speaker who represented existing nursing homes in the area did object to the hospital being granted approval for the 30 LTC beds proposed in the application as he contended these were “not needed.” The head of the nurses’ union was in favor of the transfer but expressed some concern that new ownership might not negotiate with the union. One physician was concerned that the new owners only agreed to keep the hospital open for five (5) years and expressed concern that another entity would own the land on which the hospital was located.

Department Staff Analysis:

Department staff has 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. For the purpose of this review, this application is considered a TOO of a licensed facility currently offering health care services and not a reduction, elimination, or relocation of health care services. This application also includes the initiation of 30 LTC beds for subacute services and the transfer of the unimplemented CN for 26 open adult psychiatric beds.

Department staff reviewed the applicant’s Certificate of Need application and determined that the applicant’s rationale to transfer the ownership of Salem Hospital is a realistic assessment of the Salem service area and the health care services environment for Salem County. The Department staff also determined that the CN for 26 open adult psychiatric beds meets an essential need for the service area thus requires the critical decision to transfer the unimplemented beds to the proposed owner, which will strengthen Salem Hospital. In addition, the Department staff determined that the addition of 30 long term care beds have a minimal impact on the health care system as a whole and will contribute to the financial viability of the hospital.

SCHC has acknowledged that there are other general hospitals providing services in Salem Hospital’s service area and has committed to the continued operation of Salem Hospital with no reduction in services, and to continue to serve all area residents including indigent patients, without any disruption in the delivery of health care services.

Department staff notes that there are seven (7) hospitals in the Salem Hospital service area identified in the following table which reflects drive times and driving miles for each from Salem Hospital.

Hospital Name	Distance from Salem Hospital	Travel Time
Inspira Medical Center–Elmer	16.2 miles	22 mins
Kennedy Washington Township	25.6 miles	38 mins
Inspira Medical Center - Vineland	27 miles	38 mins
Inspira Medical Center-Woodbury	29.4 miles	32 mins
Cooper Hospital University Medical Center	37.8 miles	37 mins
Christiana Wilmington, Delaware	17.7 miles	24 mins
Christiana Newark, Delaware	18.6 miles	26 mins

After carefully reviewing the data, Department staff believes that the TOO of Salem Hospital to SCHC will not result in any negative impact on the community or patients that the hospital has historically serviced or other area hospitals. Department staff is satisfied that the new owners will continue to operate Salem Hospital in full compliance with all licensing and CN requirements.

The need for special equipment and services in the area will not be negatively impacted because the applicant intends to make a substantial investment in new state-of-the-art equipment and technology that will make SCHC more efficient. The applicant will not reduce services, but rather intends to add LTC beds for subacute services and open psychiatric services. Department staff relies on the applicant’s commitment to maintain inpatient services and acknowledgment that the applicant’s business does not include the reduction of any existing inpatient services or staff. Department staff determine the transfer of the CN for 26 adult open psychiatric beds would be in the best interest of the population to be served.

Although the applicant identified four (4) LTC facilities in the service area with a total of 513 LTC beds, the Department records show five (5) LTC facilities in Salem County with a total of 573 LTC beds. Thus, the increase of 30 LTC beds to Salem County would be an increase of 5.3% not the 5.8% as stated by the applicant. It is also noted that three of the facilities are located within 10 miles of the hospital.

Long Term Care Facilities in Salem County	Distance from Hospital	Number of Licensed Long Term Care Beds
Carney's Point Rehabilitation and Nursing Center 201 Fifth Ave Carney’s Point, NJ	12 miles	161
Eagleview Health and Rehabilitation 849 Big Oak Road Pittsgrove, NJ	21 miles	84
Friends Village at Woodstown 1 Friends Drive Woodstown, NJ	8.2 miles	60
Golden Rehabilitation and Nursing Center 438 Salem-Woodstown Rd Salem, NJ	0.7 miles	116

Southgate Health Care Center 449 S. Pennsville-Auburn Rd Carney's Point, NJ	7.7 miles	152
Total Long Term Care Beds in Salem County		573

Considering that once transferred, SCHC is committed to operate Salem Hospital with the same or additional services, while maintaining a substantial number of the hospital's employees and the same contract agreements that are currently in place, the proposed TOO appears to be a feasible option for ensuring that Salem Hospital continues to provide quality health care services to the community and to maintain its financial viability. According to the application, CHS, the current owner, has determined that a transfer of assets to SCHC will strengthen Salem Hospital and will allow it to be in a position to provide the health care service needs of the residents of Salem County in the most optimal manner. As previously stated, the current owners believe that the hospital's affiliation with a strong partner will provide the necessary infusion of capital that will enhance the functional and operational efficiencies at Salem Hospital.

Adequacy of Financial Resources and Sources of Present and Future Revenues:

Department staff notes that the applicant states that its method of financing the \$3 million dollars for the purchase of Salem Hospital will be from available funds.

This assertion was confirmed by review and report of the New Jersey Health Care Finance Authority (NJHCFFA) with the statement, "information provided with the application and in response to completeness questions suggest the applicant has sufficient financial resources to acquire and operate the hospital. Note, however, the Hospital has incurred significant operating losses, has an accumulated net asset deficiency and has seen declining occupancy. These factors raise doubt about the Hospital's ability to continue as a going concern. Significant operations improvement will be required to remove this uncertainty."

Staff Recommendations:

Based on the documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the TOO of Salem Hospital from CHS to SCHC for the following reasons and with the conditions noted below:

Reasons:

1. The applicant states that both SCHC and CHS agree that the only available option to the transfer of ownership is the closure of the hospital, which was considered and determined to be an unacceptable option in view of the absence of available acute care services in the area and the offer from SCHC to acquire and continue Salem Hospital's services to the community. In addition, the staff agrees that approval to transfer the 26 open psychiatric beds is a project that has been substantially completed and that completion of the project is in the public interest. In addition, the staff agrees that the approval of 30 LTC beds would enhance the financial viability of the hospital and have a minimum impact on the health care system as a whole.

2. SCHC states its commitment to continuing to operate Salem Hospital as a general hospital with no disruption or reduction of services. Staff agrees that the maintenance of Salem Hospital with its current and additional services will positively impact the Salem service area community with no negative impact on other area hospitals. The Department staff determined that the transfer of ownership, addition of 30 long term care beds, and the transfer of the 26 open psychiatric beds will not have an adverse impact on the delivery of or access to health care services in the region or Statewide and will contribute to the orderly development of adequate and effective health care services.
3. The applicant has committed to hire substantially all the individuals who are employed by Salem Hospital at the time of the closing of the TOO.
4. SCHC has stated that it will maintain all the existing charity care policies currently in place at Salem Hospital and that it will continue to ensure access to quality health care services to Salem community without regard to patients' ability to pay.
5. The applicant complies with the Department's general TOO criteria: there is a willing buyer and seller and the buyer has presented a financially feasible project.

Conditions:

Based on the documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the TOO of Salem Hospital from CHS to SCHC for the following reasons and with the conditions:

1. The applicant shall file a licensing application (CN-7) with the Certificate of Need and Licensing Program (CN&L) to execute the TOO of assets of Salem Hospital to SCHC.
2. Within 60 days of licensure, the applicant shall notify CN&L, in writing, of the individual who is responsible for the safekeeping and accessibility of all Salem Hospital's 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 Hospital Licensing Standards.
3. As noted by the applicant, "SCHC has committed to retain substantially all the Hospital's current employees when the transfer of ownership is completed." Six (6) months after licensure, SCHC shall document to the CN&L the number of full-time, part-time and per diem employees retained and provide the rationale for any workforce reductions.
4. As noted by the applicant, "SCHC has made a commitment to maintain Salem Hospital as an acute care hospital for a minimum period of five (5) years following the transfer of ownership." SCHC shall operate Salem Hospital for at least a five (5) year period as a general acute care hospital following the effective date of SCHC's licensure as the licensed operator of the Hospital. This condition shall be imposed as a contractual condition of any subsequent sale or transfer, subject to appropriate regulatory or legal review, by SCHC

within the five-year period.

5. As noted in the CN application, SCHC shall continue all clinical services currently offered at Salem Hospital and for Salem Hospital patients. Any changes in this commitment involving either a reduction, relocation out of Salem Hospital's current service area, or elimination of clinical services offered by Salem Hospital, shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.
6. SCHC shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "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 five (5) years.
7. In accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), Salem Hospital shall not only comply with federal Emergency Medical Treatment and Labor Act (EMTALA) requirements, but also provide care for all patients who present themselves at Salem Hospital without regard to their ability to pay or payment source and shall provide unimpaired access to all services offered by the hospital.
8. The value of indigent care provided by Salem Hospital 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 Salem Hospital.
9. Within sixty (60) days of licensing, SCHC shall establish a Local Governing Board as described by the applicant in the application. The applicant states, "Subject to any additional regulatory requirements, SCHC will form a Local Governing Board consisting of no less than five and no more than eleven members that will provide recommendations and guidance to SCHC's corporate board as it relates to the operation of Salem Hospital and serve other important functions. At the present time, SCHC anticipates that no less than three (3) community members and three (3) medical staff members will serve on the Local Governing Board. In addition, Salem Hospital Chief of Staff, Medical Director, Chief Executive Officer, and Chief Nursing Officer will also serve as ex-officio members and some, but not all, of them may also be appointed as regular/voting members. Although the Local Governing Board will be subject to the authority of the corporate board, the Local Governing Board will play a primary role with respect to medical staff issues, strategic planning, and changes to service areas, and provide oversight as to the quality of care being provided at Salem Hospital."
10. SCHC shall follow the process established in N.J.S.A. 26:2H-7.11(h)(4) to affect a full return of the assets remaining from the original transaction, presently held by two foundations, the Salem County-based Salem Health and Wellness Foundation and the Morris County-based Community Foundation of New Jersey, totaling approximately \$50 million. Within

90 days of licensure, and quarterly thereafter until resolved, SCHC shall provide the Division with a written report detailing its efforts and progress in following the process established in N.J.S.A 26:2H-7.11(h)(4) to affect a full return of the assets.

11. Within thirty (30) days of licensing, SCHC shall provide CN&L with an organizational chart of the hospital and each service that shows lines of authority, responsibility, and communication between SCHC and hospital management and the Local Governing Board. SCHC, as licensee operating the hospital shall be responsible for compliance.
12. For the initial five (5) years following the transfer of ownership, SCHC shall submit annual reports to CN&L detailing:
 - a. The investments it has made during the previous years at the hospital. Such reports shall also include a detailed annual accounting of any long- or short-term debt or other liabilities incurred on the hospital's behalf and reflect on the SCHC balance sheet.
 - b. The transfer of funds from the hospital to any subsidiary or affiliate. Such reports shall also detail the amount of funds transferred, in order to document that assets and profits reasonably necessary to accomplish the healthcare purposes remain with the hospital. Transfer of funds shall include, but not be limited to, assessment 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.
 - c. All financial data and measures required pursuant to N.J.A.C. 8:31B and from the financial indicators monthly reporting; and
 - d. A list of completed capital projects itemized to reflect both the project and its expenditure.
13. Within 15 business days of approval of this application, SCHC shall provide a report to CN&L detailing its plans for communications to Salem Hospital's staff, the community, including but not limited to elected officials, clinical practitioners, and EMS providers, concerning the approval of the transfer of the license and the availability of fully-integrated and comprehensive health services.
14. Prior to licensure, SCHC shall identify a single point of contact to report to CN&L concerning the status of all of the conditions referenced within the time frames noted in the conditions.
15. SCHC shall operate Salem Hospital as a general hospital, in compliance with all regulatory requirements. Any changes involving either a reduction, relocation out of Salem Hospital's current service area, or elimination of clinical services or community health

programs offered by Salem Hospital's former ownership shall require prior written approval from the Department and shall be subject to all statutory and regulatory requirements.

16. In accordance with the provisions of N.J.S.A. 26:2H-18.59h, SCHC 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." This condition does not prohibit good faith contract negotiations in the future.
17. SCHC shall maintain compliance with the United States Department of Health and Human Services Standards for Culturally and Linguistically Appropriate Services in Health and Healthcare. Compliance shall be documented and filed with the Division with annual licensing renewal.
18. All of the conditions shall also apply to any successor organization to SCHC who acquired Salem Hospital within five (5) years from the date of CN approval.
19. Within twelve (12) months of licensure, and annually thereafter for five (5) years, SCHC shall provide CN&L with a written report detailing:
 - a. Its plan to reduce unnecessary and duplicative services and excess inpatient beds, if any;
 - b. Its plan for addressing the need to expand or add ambulatory care services; and
 - c. Capital improvement plans, including physical plant improvements, equipment upgrades, additions (including IT), and other capital projects.
20. Within 60 days of posting its Audited Annual Financial Statements to its website, SCHC shall hold an Annual Public Meeting in New Jersey, pursuant to N.J.S.A. 26:2H-12.50, and shall make copies of those audited annual financial statements available at the Annual Public Meeting. The Local Governing Board shall be invited to attend the Annual Public Meeting and to hear concerns expressed by community members. SCHC shall develop mechanisms for the meeting that address the following:
 - a. An explanation, in layperson's terms of the audited annual financial statement;
 - b. An opportunity for members of the local community to present their concerns to SCHC and the Advisory Board regarding local health care needs and hospital operations;
 - c. A method for SCHC to publicly respond, in layperson's terms, to the concerns expressed by community members at the Annual Public Meeting; and

- d. SCHC shall develop these methods within 90 days of the date of this approval letter and provide them to CN&L.
21. SCHC shall convene periodic meetings with the Department and the Department of Banking and Insurance (DOBI) to review and evaluate all issues arising in contract negotiations with the first year of licensure and provide written documentation to the Department on a monthly basis during that first year which shall include, but not be limited to, a description of the number and subject of telephone calls, correspondence and meetings with existing HMO and commercial insurance carriers, as well as follow-up telephone calls, correspondence and meetings. At a minimum, SCHC shall have monthly contact with the existing HMO and commercial insurers. If the existing HMO and commercial insurers fail to respond to requests for negotiations, then SCHC shall notify the Department and DOBI to request assistance.
 22. SCHC shall post on the hospital's website annual audited financial statements within 180 days of the close of the hospital's fiscal year and shall post quarterly unaudited financial statements within 60 days of the close of the hospital's fiscal quarter. All annual and quarterly statements shall be prepared in accordance with Generally Accepted Accounting Principles. With respect to the posting of quarterly unaudited financial statements, SCHC may include disclaimer language regarding the unaudited nature of the Quarterly Financial Statements on its website where such statements are posted.
 23. After the transfer is implemented:
 - a. SCHC shall use its commercially reasonable best efforts to negotiate in good faith for in-network HMO and commercial insurance contracts, with commercially reasonable rates base on the rates that HMOs and commercial insurance companies pay to similarly situated in-network hospitals in southern New Jersey region.
 - b. Within 10 days of licensure, SCHC shall post on the hospital's website the status of all insurance contracts related to patient care between the hospital and insurance plans, including all insurance plans with which SCHC contracted at the time of submission of this CN application. SCHC shall also provide notices to patients concerning pricing and charges related to coverage during termination of plans.
 - c. Within the first year of licensure, SCHC shall notify the Department of the status of notices to terminate any HMO or commercial insurance contract that will expand out-of-network service coverage. SHC shall meet with representatives from the Department and DOBI to discuss the intent to terminate such contract, willingness to enter into mediation, and shall document how it will provide notice to patients and providers, as well as the impact that such action is reasonably expected to have on access to health care.

- d. During the first year from the date of licensure, SCHC shall report to the Department, for each six-month period, the hospital's payer mix and the number and percent of total hospital admissions that came through the emergency department. For four years thereafter, SCHC shall report the aforesaid information to the Department on an annual basis.
24. SCHC shall invest in programs designed to improve public health, community health services, and health and wellness and, within twelve (12) months of licensure, shall provide CN&L with a written sustainability plan detailing how it intends to ensure the financial viability of such programs.
 25. Every twelve (12) months for the next five (5) years, starting on the date a license is issued to SCHC, SCHC shall report to CN&L the progress on the implementation and measured outcomes of the following initiatives noted in the application to improve the operational efficiency and quality of care at Salem Hospital, and shall present the most current report to the public at the hospital's Annual Public Meeting:
 - a. Negotiations with health insurers on new contracts to increase better access for patients at Salem Hospital;
 - b. Efforts to fill service gaps to actively recruit new physicians and encourage those physicians who previously utilized the hospital to once again return to provide care;
 - c. The plan to work in conjunction with community leaders and their own medical staff as well as surrounding hospitals to identify health care needs for more specialized services and recruit appropriate medical staff to fill any service gap;
 - d. Plans to increase the operational efficiencies of the ED by decreasing "wall time" (the time paramedics and EMTs are required to wait in the ED) to increase overall community access;
 - e. Plans to implement a community outreach program to provide more accessible primary care in an effort to change the community culture of using the ED as a primary care provider thereby allowing the ED to function as intended for the delivery of emergency care;
 - f. Plans to expand outpatient services and reduce or eliminate duplicative services and excess inpatient beds.
 26. Within 90 days of licensure, SCHC shall develop and participate in a Community Advisory Group (CAG) to provide ongoing community input to the hospital's CEO and the hospital's Local Governing Board on ways that SCHC can meet the needs of residents in its service area.

- a. SCHC 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 within 60 days from the date of formation of the CAG; shall provide a written report setting forth that information to the hospital's Local Governing Board, with a copy to CN&L and subject to the Department's approval.
 - b. SCHC may petition the Department to disband the CAG not earlier than three (3) years from the date of licensure and on a showing that all of the requirements in this condition have been satisfied for a least one year.
27. SCHC shall agree to take steps to ensure transparency, provide quality care to patients, and provide assurances to the Department of its continued financial viability. SCHC shall designate an Advisory Board, which shall be comprised of at least three (3) individuals. Three (3) individuals shall be selected by Salem hospital and two (2) individuals may be selected by the Commissioner of Health.

The Advisory Board shall meet quarterly to:

- (a) review and assess SCHC compliance with the Capital Commitments;
- (b) evaluate SCHC compliance with the Charity Care policies;
- (c) evaluate SCHC compliance with the ethical and religious directives;
- (d) evaluate SCHC compliance with maintenance with State and Federal laws, statutes, regulations, administrative rules, and directives and the impact on community health care access and quality, and all conditions in any approval letter, and report such findings to the Department. Department staff may attend meetings of the Advisory Board.

SCHC shall agree to release, discharge, and hold harmless members of the Advisory Board from any and all claims, liability demands, causes of action or suits that may be made by or on behalf of SCHC, direct and indirect subsidiary companies, companies under common control with any of the foregoing, affiliates and assigns, and all persons acting by, through, under or in concert with them that arise out of or are incidental to acts, omissions or reports issued in good faith by the Advisory Board, in accordance with the Condition. This release shall not apply to any loss, damage, liability or expense incurred as a result of any unlawful or malicious acts or omissions by any member of the Advisory Board.

The Advisory Board shall: (i) be independent of any SCHC entity, having no current or previous familiar or personal relationship to any SCHC entity, its principals, board members and/or managers, or entities owned by an SCHC entity in whole or in part and (ii) shall be acceptable to the Department. A member of the Advisory Board shall serve as ex-officio, non-voting member of the Local Governing Board.

The Advisory Board shall also monitor the following, and these findings shall be reported semi-annually, in writing, to both the hospital's Local Governing Board and the Department:

- Levels of uncompensated care for the medically indigent;
- Emergency department admissions;
- Provision of clinic services;
- Compliance with standard practices related to coding of diagnoses;
- Rationale for termination of insurance contracts;
- Insurance participation and policies related to out-of-network charges;
- Compliance with Department licensing requirements related to staffing ratios and overtime, and Department of Labor and Workforce Development (DOLWD) Wage and Hour requirements;
- Compliance with all other CN conditions within the required timeframes required by each condition.

SCHC shall provide information to the Advisory Board upon request, and in the form requested. The Advisory Board shall be active for a minimum period of at least two (2) years and shall provide all reports, findings, projections, and operational or strategic plans to the Department and SCHC Local Governing board for assessment. In the event SCHC does not fulfill the commitments set forth in this Condition, the failure may be considered a licensing violation subject to maximum penalty and/or revocation.

28. SCHC shall submit any proposed plan including documented compliance with law and regulations as it related to out-of-network cost sharing with patients to DOBI prior to the implementation. SCHC shall not implement any out-of-network cost sharing plans if DOBI objects thereto.
29. The 30 LTC beds SCHC shall comply with all state and federal requirements for long term care beds, including but not limited to physical plant compliance and FGI guidelines 2018 edition.
30. For five years after initial licensure, the hospital's Board Chairman, President/CEO and other senior hospital management shall have *periodic conference calls* with the Commissioner/Representative of Department of Health 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 CN. SCHC will invite a Department of Health representative to the Board Meetings.
31. SCHC shall comply with requirements of the Department of Labor and Workforce Development's Division of Wage and Hour compliance that address conditions of employment and the method and manner of payment of wages.
32. The applicant shall comply with their statement from the application, "SCHC will implement a community outreach program designed to meet the primary care needs of the community so that members of the community may receive primary care in the community rather than the emergency department." Applicant further states, "SCHC will develop a community outreach program designed to provide preventive and primary

care to the medically indigent in the communities surrounding Salem Hospital. At a minimum, this program will provide the medically indigent access to the services of a nurse practitioner and/or physician assistant to address their preventive and primary care needs on a regular basis.”

33. The applicant shall comply with their statement from the application, “SCHC will comply with all Federal and State administrative requirements and rules related to reporting of quality measures and patient safety. SCHC will report such quality measures to the Department in timeframes set by applicable requirements. SCHC will provide summary reports on the quality and safety issues to the Community Advisory Board.”
34. For a least five (5) years, SCHC shall not enter into any contract or other service or purchasing arrangements, or provide any corporate allocation, or equivalent charge to affiliated organizations within SCHC except for contracts or arrangements to provide services or products that are reasonably necessary to accomplish the healthcare purposes of the hospital and for compensation that is consistent with fair market value for the services actually rendered, or the projects actually provided.

Failure to satisfy any of the aforementioned conditions of approval may result in sanctions, including license suspension, monetary penalties and other sanctions in accordance with N.J.S.A. 26:2H-1 et seq. and all other applicable requirements. Acceptance of these conditions will be presumed unless written objections are submitted to the Department within 30 days of receipt of this letter. Upon receipt of such objections, this approval will be deemed suspended and the project shall be re-examined in light of objections. We look forward to working with you and helping you to provide a high quality of care to the patients of Salem hospital. If you have any questions concerning this Certificate of Need, please do not hesitate to contact Alison Gibson, Assistant Commissioner, at 609-292-5380.