

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

Name of Facility: Meadowlands Hospital Medical Center (MHMC) CN# FR 100201-09-01

Name of Applicant: MHA LLC Total Project Cost: \$15,000,000

Location: Jersey City Equity Contribution: 0

Service Area: Hudson County

Applicant's Project Description :

This application is for the transfer of the ownership of Meadowlands Hospital Medical Center (MHMC) from Liberty Healthcare System, Inc (Liberty), a non-profit corporation to MHA LLC, a New Jersey limited liability company. MHA LLC would continue to operate and maintain the facility as an acute care general hospital at the same licensed bed complement and service levels previously provided at MHMC.

When the transfer of ownership is completed the overall acute care bed capacity would remain at 200 beds. Categorically, the bed composition would continue to reflect 138 medical/surgical beds, 22 Obstetric & OB/GYN beds, 26 Pediatric beds, 14 adult ICU/CCU beds and 4 Intermediate bassinets. The service complement would include the same five mixed operating rooms, one cystoscopy room, sleep center services and acute hemodialysis services. In addition, MHMC's 30 licensed comprehensive rehabilitation beds, which are excluded from this transfer of ownership, will be either transferred to Jersey City Medical Center or retained by Liberty, the existing corporate entity.

The transfer of ownership of MHMC would lessen the financial burden on Liberty and provide an opportunity for MHA LLC to revitalize MHMC services and financial status. The prospective owners have committed to operating MHMC as a general acute care hospital without limitation of duration. MHA LLC envisions, with the application of their business model, a more viable hospital with greater patient access and more refined health care services.

Applicant's Justification of Need:

Presently Liberty owns and operates two general acute care hospitals, Jersey City Medical Center and MHMC, which was acquired in 1994. MHMC began suffering significant losses of approximately \$4.7 million for 2008 and \$5.8 million for 2009. Moreover, the pace of such losses at MHMC has accelerated. Another alternative to the proposed transfer of ownership was to close the facility.

MHMC's financial difficulties are driven predominately by a reduction in patient admissions and patient use of other services.

Both the Liberty and MHMC boards of trustees were confronted with the continuing losses at MHMC; severe and perhaps irretrievable erosion of Liberty's system as a whole; vendor/credit issues in the near term due to a significant increase in days in accounts payable; the impending maturity of approximately \$7.0 million of MHMC's long term debt and "less than expected state support for Liberty's other hospital, Jersey City Medical Center." Initially, Liberty's management wanted to see if the losses at MHMC could be reversed. Permanent cost cutting and revenue enhancement measures were undertaken and a 30-60-90 day improvement plan was implemented. Jersey City Medical Center's physician recruiter was transferred to MHMC and other steps were taken to increase patient volume. Concurrently with the implementation of the improvement plan, Liberty engaged its strategic planner to determine what was needed for MHMC to break even once the full impact of the 30-60-90 day improvement plan had been realized. The strategic planning consultant's work illustrated that even with the full realization of the plan, MHMC would have to achieve record patient volumes every month in order to break even.

The applicant's rationale for this transfer of ownership is based on Liberty's struggle to maintain MHMC as a viable general hospital and continue to provide services in the community. The applicant contends that under their new ownership and application of a new marketing and patient management strategy at MHMC, patient access and quality would improve increasing patient census. MHA LLC views the transfer of ownership of MHMC as the most viable alternative for Liberty to undertake given the rate of financial decline at MHMC. The purchase price of MHMC would enable the hospital to pay off its long term debt and its other liabilities, enabling Jersey City Medical Center to remain unscathed. With service capacity remaining the same under MHA LLC, except for the continuation of inpatient comprehensive rehabilitation care, consumer access and availability to health care at MHMC would virtually be unchanged.

MHA LLC is committed to the same standard set by Liberty for providing access to all patients regardless of their ability to pay or their payer source. The applicant's business strategy to revitalize this hospital does not call for establishing any new inpatient services or duplicating existing neighboring hospital services so the existing hospitals should not be adversely affected. MHA LLC intends for MHMC to now participate in managed care networks and aggressively pursue the senior care market to rebuild the hospital's patient volume. MHA LLC believes that its referral base is substantial and would provide MHMC with a significant number of hospital referrals to strengthen its future fiscal outlook. "MHA LLC plans on expanding this referral base by attracting new physicians to MHMC's medical staff and reinvigorate the existing MHMC staff by enhancing the quality and efficiency of patient care services at MHMC going forward."

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

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

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

According to the Applicant:

The applicant conducted a careful and thorough evaluation of its available options before deciding to proceed with the acquisition of MHMC and forecasted the effects of this transaction on the neighboring hospitals on a reasonable basis. Although there are other hospitals and medical facilities in the primary and secondary service areas of MHMC, several local areas, in particular the municipalities of Secaucus, North Bergen, Union City, West New York, Rutherford, and Lyndhurst, would experience a substantial reduction in the availability of healthcare services if MHMC were to be closed or substantially downsized. The proposed transfer of ownership, as opposed to the closure of the hospital, will preserve access to health care services for the community, including the medically indigent and medically underserved population in the service area.

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

According to the Applicant:

The applicant states the need for special services or equipment within the area would be met since, following the transfer of ownership, the prospective owners have agreed to offer the same services that are currently licensed at the present facility, and have committed to provide the resources to assure the community continues to have access to state-of-the-art medical technology.

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

According to the Applicant:

The applicant has documented through their commitment to provide the necessary operating capital that it has the financial resources to operate the hospital in full compliance with all regulatory criteria.

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

According to the Applicant:

The applicant is confident that it will be able to recruit from the open market as well as from existing hospital staff sufficient qualified personnel to staff the hospital and continue to operate all existing beds and services.

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:

The application involves a transfer of ownership of an existing, licensed acute care hospital, as opposed to the closure of the hospital. This transfer of ownership is for a hospital that has been serving the community for nearly forty years and is being requested to preserve and enhance the financial viability of the hospital. According to the applicant, a transfer of ownership, as opposed to closure, would allow MHMC to remain with its current mission as a general acute care hospital providing health care services in the community. In addition, the applicant has made a commitment to maintain MHMC as a general acute care hospital after the transfer of ownership and will continue to offer at MHMC similar levels and types of services to the market areas that were offered prior to the acquisition. The impact of continuing the operation of an existing hospital on other providers will be minimal. The applicant does not anticipate any problems resulting from this transfer of ownership since the health services in the region would remain the same.

Public Hearing:

A public hearing was held at Secaucus High School on August 26, 2010 with approximately 150 people attending, of which 13 provided verbal testimony. Most of the speakers expressed concerns about the applicant's lack of experience in operating a hospital; the for-profit status of the applicant; the applicant's lack of a long-range written commitment to keeping the facility open as a hospital; the lack of a written commitment to retaining most of the current staff; the possible transfer of funds away from the community and hospital to investors; and the retention of contracts with insurers. The Department's response to the community issues is contained in the analysis below.

It is also noted that in Completeness Questions (April 14, 2010), Response 21 Liberty stated it communicated information concerning this application and the proposed sale transaction to State and local government officials, including without limitation: Mayors Healy, Gonnelli, Zimmer, and Taylor (also District Director to Congressman Sires); Senators Cunningham and Weinberg; Assemblypersons Prieto, Quigley, Ramos, and Conaway; and, Chief of Staff Albiez (Senator Stack). Additionally, MHA LLC reached out to community groups and through consultants contacted Senator Weinberg's office, Senator Sarlo, Hudson County Executive McNerney; Assemblymen Prieto and Giblin; Assemblywoman Quigley; and Secaucus Mayor Gonnelli.

Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10, et seq.

The Office of the Attorney General, Department of Law & Public Safety, Division of Law (the Attorney General) received Meadowlands Hospital Medical Center's initial CHAPA application on March 22, 2010. The Attorney General reviewed thousands of pages of documents submitted by the Hospital in response to questions and follow-up questions designed to elicit the information required to review the proposed transaction against the CHAPA criteria. In accordance with CHAPA, the Attorney General engaged Navigant Consulting to assist in the review. Navigant was tasked with: (a) appraising the fair market value of the Hospital; (b) reviewing MHA LLC's proposed financing for the transaction; (c) assessing the validity of intercorporate transfers between Liberty Health System and the Hospital; and, (d) assessing the legitimacy of using the transaction proceeds to pay off a portion of said transfers.

The Attorney General received Navigant's final report on August 13, 2010 and on that date; the Attorney General deemed the Hospital's application complete. The Attorney General has ninety days from the day the application was deemed complete, i.e., until November 11th, to complete the Attorney General's recommendation to the Superior Court whether to approve the application, with or without conditions. On September 21st, the Attorney General held a joint public hearing with a representative from the Department of Health and Senior Services in Secaucus to hear public comments on the CHAPA application.

The Hospital's application continues to be closely scrutinized by representatives of Health Professional Allied Employees and NJ Appleseed and the review process is being followed by the print media.

Department Staff Analysis:

Department staff concluded that the applicant has adequately documented proposed 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. A transfer of ownership of an entire general hospital and a transfer that will result in

a new Medicare provider number for the hospitals involved in the transfer is subject to the full review certificate of need process. N.J.A.C. 8:33-3.3(a)1. For the purposes of this review, this application is considered a transfer of ownership of a licensed facility currently offering health care services and not a reduction, elimination, or relocation of a health care service.

Department staff reviewed the applicant's certificate of need and determined that the applicant's rationale to transfer the ownership at MHMC is a realistic assessment of MHMC's service area and the health care services environment for both Hudson County and the region. Considering that once transferred MHA LLC is committing to operate MHMC not only at the same bed capacity levels but also with the same outpatient service levels, this transfer proposed by Liberty's governing authority and management appears to be a feasible option for the struggling MHMC to continue providing health care services to the community. Operating cost and the low patient volume account for Liberty's decision to transfer the ownership of MHMC. For MHMC to continue operating under Liberty would exert significant financial pressure on Jersey City Medical Center possibly leading to an unplanned reduction or elimination of community health services.

In 2006, the overall occupancy rate for the 200 licensed beds at MHMC, which included the service complements of medical/surgical, OB/GYN, Pediatrics and ICU/CCU was 46.1% with an average daily census (ADC) of 92. This same occupancy rate declined to 37.5% with an ADC of 75 in 2009. Categorically, the two licensed bed services that showed a significant decrease in their annual occupancy rates and ADC were medical/surgical and ICU/CCU beds. The annual occupancy rate for the 138 medical/surgical beds in 2006 was at 49.7% with an ADC of 68. In 2009, the medical/surgical bed occupancy fell to 39.3% with an ADC of 54. The occupancy rate for the 14 ICU/CCU beds in 2006 was at 79.5% with an ADC of 11, which fell to 65.6% in 2009 with an ADC of 9. The remaining inventory of licensed beds consisted of 22 OB/GYN beds, whose occupancy was at 27% in 2006, and 26 pediatric beds whose occupancy was at 25%. Both of these bed categories showed very slight changes in patient use over the next four year period. The trend at MHMC, however, demonstrates a consistent decline in the utilization of licensed beds for both medical/surgical and ICU/CCU beds. Please refer to Table 1.

Table 1 - Licensed Beds

2006						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	49.68%	27.14%	25.44%	79.53%	46.14%
	ADC	68.55	5.97	6.61	11.13	92.27
JCMC	Beds	153	26	26	40	245
	OccRt	90.80%	92.67%	64.28%	72.43%	85.18%
	ADC	138.92	24.09	16.71	28.97	208.70

2007						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	40.15%	29.78%	32.48%	67.65%	39.94%
	ADC	55.41	6.55	8.44	9.47	79.87
JCMC	Beds	153	26	26	40	245
	OccRt	75.95%	68.23%	28.17%	52.89%	66.29%
	ADC	116.20	17.74	7.32	21.16	162.42

2008						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	39.56%	32.49%	23.15%	67.88%	38.63%
	ADC	54.60	7.15	6.02	9.50	77.27
JCMC	Beds	153	26	26	40	245
	OccRt	79.01%	58.38%	6.31%	62.83%	66.46%
	ADC	120.88	15.18	1.64	25.13	162.83

2009						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	39.32%	27.77%	21.09%	65.64%	37.52%
	ADC	54.26	6.11	5.48	9.19	75.04
JCMC	Beds	153	26	26	40	245
	OccRt	91.60%	57.96%	16.90%	63.16%	75.46%
	ADC	140.14	15.07	4.39	25.27	184.87

2010 - 1st Quarter						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	39.91%	23.59%	16.71%	55.32%	36.18%
	ADC	55.08	5.19	4.34	7.74	72.36
JCMC	Beds	153	26	26	40	245
	OccRt	85.27%	55.21%	14.40%	64.72%	71.20%
	ADC	130.46	14.36	3.74	25.89	174.44

Annualized 3 Quarters 2009, 1 Quarter 2010						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	138	22	26	14	200
	OccRt	40.53%	26.18%	18.84%	62.50%	37.67%
	ADC	55.93	5.76	4.90	8.75	75.34
JCMC	Beds	153	26	26	40	245
	OccRt	90.84%	58.11%	16.29%	62.97%	74.91%
	ADC	138.99	15.11	4.24	25.19	183.52

Source: Department's Health Care Financing Systems Summary of Inpatient Utilization (B-2)

The B-2 data pertaining to maintained beds at MHMC during the 2006-2009 period shows the total number of operating beds for each of these years was 128, which is 72 beds below its licensed capacity of 200. Of the four bed categories, OB/GYN increased from 22 to 24, ICU/CCU remained the same and the number of medical/surgical beds fell by 60 beds to 78 with pediatric beds decreasing from 26 to 12. The annual occupancy rate for the 78 maintained medical/surgical beds in 2006 was at 87.9% but the annual occupancy rate gradually moved downward in 2009 to a low of 69.6%. The ADC showed 54 medical/surgical beds were utilized annually. The pediatric occupancy rate for these 12 maintained beds followed suit, declining from 55.1% in 2006 to 45.7% in 2009. The ADC for 2009 as stated was 5. Although the number of ICU/CCU beds remained the same for these four years, these 14 beds decreased from a 79.5% annual occupancy rate in 2006 to 65.6% in 2009. The B-2 data also showed an increase for OB/GYN beds from 22 licensed to 24 maintained. In 2006, the occupancy rate for these beds was 24.9% with an ADC of 6. This occupancy rate rose to 25.5% with an ADC of 6 in 2009. Please refer to Table 2.

The first quarter for maintained beds at MHMC in 2010 showed categorically the number of beds remained the same. For the 78 medical/surgical beds, the occupancy rate edged up to 70.6% with an ADC of 55. Of the existing service categories, this was the only bed category that improved. The occupancy rate for the 14 ICU/CCU beds dropped to 55.3% with an ADC of 8; the occupancy rate for the 12 pediatric beds moved lower to 36.2% with an ADC of 4; and the occupancy rate for OB/GYN beds declined to 21.6% with an ADC of 5. To examine the most recent annual rate, the first quarter of 2010 and last three of 2009 were used, which showed only a slight change for medical/surgical beds when compared to the full year for 2009. The annual occupancy for medical/surgical beds rose to 71.7% from 69.6% in calendar year 2009 with the ADC remaining virtually the same. Using this same 2009-2010 comparison for the remaining three bed categories, there was decline in ICC/CCU from 65.6% to 62.5%, Pediatrics 45.68% to 40.8% and OB/GYN from 25.5% to 24%. Please refer to Table 2.

Table 2 – Maintained Beds

2006						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	87.89%	24.87%	55.11%	79.53%	72.09%
	ADC	68.55	5.97	6.61	11.13	92.27
JCMC	Beds	152	26	26	34	238
	OccRt	91.40%	92.67%	64.28%	85.21%	87.69%
	ADC	138.92	24.09	16.71	28.97	208.70

2007						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	71.03%	27.29%	70.37%	67.65%	62.40%
	ADC	55.41	6.55	8.44	9.47	79.87
JCMC	Beds	152	26	26	34	238
	OccRt	76.45%	68.23%	28.17%	62.22%	68.24%
	ADC	116.20	17.74	7.32	21.16	162.42

2008						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	70.00%	29.78%	50.16%	67.88%	60.37%
	ADC	54.60	7.15	6.02	9.50	77.27
JCMC	Beds	152	26	22	37	237
	OccRt	79.01%	58.38%	7.45%	67.93%	68.70%
	ADC	120.88	15.18	1.64	25.13	162.83

2009						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	69.57%	25.46%	45.68%	65.64%	58.63%
	ADC	54.26	6.11	5.48	9.19	75.04
JCMC	Beds	153	26	10	44	233
	OccRt	91.60%	57.96%	43.95%	57.42%	79.34%
	ADC	140.14	15.07	4.39	25.27	184.87

2010 – 1st Quarter						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	70.61%	21.62%	36.20%	55.32%	56.53%
	ADC	55.08	5.20	4.34	7.74	72.36
JCMC	Beds	152	26	10	44	232
	OccRt	85.83%	55.21%	37.44%	58.84%	75.19%
	ADC	130.46	14.36	3.74	25.89	174.44

Annualized 3 Quarters 2009, 1 Quarter 2010						
		Med/Surg	OB/GYN	PEDs	ICU/CCU	Combined
MHMC	Beds	78	24	12	14	128
	OccRt	71.71%	24.0%	40.82%	62.50%	58.86%
	ADC	55.93	5.76	4.90	8.75	75.34
JCMC	Beds	153	26	10	44	233
	OccRt	91.00%	58.11%	42.36%	57.24%	78.85%
	ADC	138.99	15.11	4.24	25.19	183.52

Source: Department Health Care Financing Systems Summary of Inpatient Utilization (B-2)

In reviewing the availability of facilities or services which may serve as alternatives or substitutes, Department staff notes there are five hospitals (Christ Hospital, Bayonne Medical Center, Jersey City Medical Center, Palisades Medical Center and Hoboken University Medical Center) within a thirteen mile radius of MHMC. Please refer to Table 3.

Table 3
Distance from MHMC to Area Hospitals

Provider/Location	Distance from MHMC (miles)	Travel times from MHMC
Jersey City Medical Center - 10904 355 Grand Street Jersey City, NJ 07302	8.36	17 minutes
Bayonne – 10901 29 East 29th St Bayonne, NJ 07002	12.78	22 minutes
Christ Hospital - 10902 176 Palisade Ave. Jersey City, NJ 07036	6.01	14 minutes
Palisades Medical Center - 10905 7600 River Road North Bergen, NJ 07047	6.59	13 minutes
Hoboken University Medical Center - 10908 308 Willow Ave. Hoboken, NJ 07030	5.86	13 minutes

Source: Map Quest

Department staff has looked at the applicant's proposal to increase admissions by 800 patients on the basis of using the most recent annual rate, the first quarter of 2010 and last three quarters of 2009 for maintained medical/surgical beds at

MHMC and all four bed categories collectively. The applicant’s proposal is based on “the primary owners’ past experience in operating three ambulatory centers, medical practices and MRI facilities.” The applicant believes a strong marketing campaign and its referral network of outpatient out-of-network cases will generate 800 inpatient procedures. Relying on the most recent annual rate, in 2010, the occupancy rate for medical/surgical is projected to climb from 71.7% to 74.5% and overall combined rate from 58.86% to 61.7%. Provided that the number of documented inpatient admissions moved upward through 2011 and 2012, it is not inconceivable to project at least a marginal recovery in the patient volume. Please refer to Table 4.

**Table 4
Projected Rates**

Projected redirection of 800 cases from ambulatory surgery center (ASC) settings to MHMC. Assuming the 2009 numbers and that the 800 cases would provide 800 admissions and 800 patient days (same day surgery – if outpatient surgery, these would not be counted toward admissions at all), the following changes in the numbers for Med/Surg and Combined bed utilization could be realized for MHMC:

2009 base numbers					
		Med/Surg Licensed	Med/Surg Maintained	Combined Licensed	Combined Maintained
MHMC Actual	Beds	138	78	200	128
	OccRt	39.32%	69.57%	37.52%	58.63%
	ADC	54.26	54.26	75.04	75.04
MHMC Projected	Beds	138	78	200	128
	OccRt	40.91%	72.38%	38.62%	60.34%
	ADC	56.45	56.45	77.24	77.24

3Q2009-1Q2010 base numbers					
		Med/Surg Licensed	Med/Surg Maintained	Combined Licensed	Combined Maintained
MHMC Actual	Beds	138	78	200	128
	OccRt	40.53%	71.71%	37.67%	58.86%
	ADC	55.93	55.93	75.34	75.34
MHMC Projected	Beds	138	78	200	128
	OccRt	42.12%	74.52%	39.45%	61.65%
	ADC	58.13	58.13	78.91	78.91

After carefully reviewing the data, Department Staff believes that the decision to transfer the ownership of MHMC is in the best interest of the residents in Hudson County as well as the hospital’s patient base in the municipalities of Rutherford and Lyndhurst. This transfer, the only option presented to the Department, would be the least disruptive to the area’s health care delivery system of all the possible options, at this time. Staff does not believe this transfer would significantly affect any of the existing providers or create access problems, since the new ownership

is committed to serving the same population as its predecessor and working towards increasing the utilization of existing resources. Although the Department realizes that in the future, MHA LLC may approach the Community Advisory Group and the Department with additional requests to modify services to strengthen the viability of the hospital. On balance, the stability to the community by this provider outweighs the alternative of reduction of services or significant disruption, at this time. Please refer to Table 5. Department Staff is satisfied that the health status of the patients in Hudson County would not be compromised based on the completion of this transfer.

Table 5
Meadowlands Hospital Medical Center
Summary of Utilization Statistics for 2006, 2007, 2008, 2009 and 2010

		Annual 2006	Annual 2007	Annual 2008	Annual 2009	2010Q1
Med/ Surg	Lic. Beds	138	138	138	138	138
	Adms.	3127	2851	2914	2830	627
	Pat. Days	25022	20223	19983	19806	4957
	Occup.Rate	49.68	40.15	39.56	39.32	39.91
Obstetrics & OB/GYN	Lic. Beds	22	22	22	22	22
	Adms.	789	886	930	848	182
	Pat. Days	2179	2391	2616	2230	467
	Occup.Rate	27.14	29.78	32.49	27.77	23.59
Pediatrics	Lic. Beds	26	26	26	26	26
	Adms.	954	1167	954	823	158
	Pat. Days	2414	3082	2203	2001	391
	Occup.Rate	25.44	32.48	23.15	21.09	16.71
ICU / CCU	Lic. Beds	14	14	14	14	14
	Adms.	430	456	449	417	83
	Pat. Days	4064	3457	3478	3354	697
	Occup.Rate	79.53	67.65	67.88	65.64	55.32
ER	Visits	19322	19412	19568	20886	4588
	Adms.	2797	2786	2927	2890	632
Normal Newborn	Births in Hosp	717	784	810	729	150
	Pt Days	1003	946	802	749	145
Clinic	Visits	535	4652	5575	5923	1347

Staff believes that the applicant's assumptions for greater future volumes are not unreasonable. Hudson is a densely populated county with residential and commercial real estate development which could conceivably contribute to more demand for health care services. Staff does not dismiss the applicant's claim that their ambulatory care centers have an extensive referral network that could generate 800 inpatient procedures, an amount equal to 1/20 of its 15,000 outpatient out of network volume for MHMC. These additional admissions, along with their proposed aggressive campaign to capture a greater piece of the senior care market share, could strengthen the patient volume at MHMC and improve their future fiscal outlook. Thus, Department staff finds the MHA LLC documentation of their strategy to revitalize the hospital a workable alternative to closure, at this time.

The need for special equipment and services in the area will not be impacted as the applicant is to maintain the facility as an acute care general hospital at the same licensed bed complement and service levels. Department staff relies on the applicant's statement to maintain inpatient services and acknowledgement that the applicant's business plan does not establish any new inpatient services or duplication of existing services provided in neighboring hospitals.

Adequacy of financial resources and sources of present and future revenues

According to unaudited financial statements provided by New Jersey Health Care Facilities Financing Authority (NJHCFFA) the year-end 2009 statements showed a deficiency of revenue over expenses of \$5,845,000, which translates to a negative 9.3% profit margin. NJHCFFA's most recent data for the first three months of 2010, showed the deficiency of revenue was already at \$2,581,000, with a profit margin of negative 18.2% nearly doubling the loss for the year 2009. The cash at year-end for 2009 was \$82,000 and as of March 31, 2010, it spiraled downward to \$65,000. Both these numbers translate to less than one day of cash on hand. The NJHCFFA findings also indicated that as of March 31, 2010, MHMC owed affiliated entities \$15,152,000.

The applicant, in response to questions concerning retention of current employees stated "MHA anticipates roughly the same level of FTEs as historically provided by MHMC subject to increases or decreases based on (i) improved patient care and/or higher efficiencies, or (ii) fluctuations in patient volumes." As noted above, the applicant is to maintain the facility as an acute care general hospital at the same licensed bed complement and service levels. Therefore, it is anticipated sufficient manpower in the several professional disciplines is available based on the commitment to existing services and the extensive physician referral network that the principals maintain. A tentative collective bargaining agreement has been reached between MHA, LLC, the buyer of Meadowlands Hospital Medical Center and the Health Professional and Allied Employees, the hospital's union for its 400 members on September 22. Details of the agreement are being withheld until the ratification vote.

The economic or financial impact on the delivery of health care services in the region or statewide will be maintained based on applicant's statement to maintain inpatient and outpatient services at existing levels.

The Department notes that the applicant has identified commercial insurance payors for MHMC as Oxford, United Healthcare, Horizon Blue Cross Blue Shield, Aetna, Active Care Plus, Americare, Americhoice, Amerigroup, Amerihealth HMO, Anthem Health & Life, Beech Street Corp., CHN Solutions, Cigna, Community Care Network, Consumer Health Network, Devon Health Services, Affordable Health Care Concepts, First MCO, FOCUS Healthcare Management, Managed Care/Libra Services, GHI, Great-West/One Health Plan, HCO Network, HNA Triveris, Healthfirst Health Plan, Health Net, Health Network America, Health Payors Organization, Intergroup Services, Magellan Behavioral Health, Magnet, Inc./Magna Care Administrative Services, Healthcare Alliance/Medichoice, MPA, PHCS Savility, National Provider Network, New Jersey Manufacturers Insurance Company, NJSEA, ppoNext, Preferred Health Strategies, Private Healthcare Systems, Inc., QualCare, University Health Plans, The MetraHealth Insurance Company, HealthTrak, Inc. USA Managed Care Organizations, Empire Health Care and Empire-Wellchoice. All the contracts are either between commercial insurers and existing MHMC or between LHS, with MHMC as beneficiary. MHA LLC states it is committed to negotiate in good faith to obtain reasonable terms and rates. Prior to the actual transfer, Department Staff is not able to determine the willingness of MHA LLC to negotiate managed care contracts. The Department notes concerns that if MHA LLC pursues an out-of-network solution that there may be a significant impact on the delivery of health care services. The following chart identifies Meadowlands' payer mix in 2008 and 2009.

Meadowlands Hospital Medical Center		
Payer Mix*		
Years: 2008 and 2009**		
Year	2008	2009
Horizon Blue Cross (Indemnity)	1.56%	1.61%
Other Blue Cross (Indemnity)	3.44%	2.82%
Medicare	39.33%	41.21%
Medicaid	5.26%	3.69%
Champus	0.00%	0.00%
HMO	12.43%	10.57%
Medicare HMO	3.08%	3.78%
Medicaid HMO	10.19%	11.03%
Commercial	17.40%	16.94%
Charity Care	4.61%	3.09%
Self Pay	2.10%	4.17%
Others	0.60%	1.10%

Staff Recommendations:

Based on this documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the transfer of ownership of MHMC for the following reasons and with the conditions noted below:

Reasons:

1. Financial conditions at MHMC under the ownership of Liberty would place the continued operation of both Jersey City Medical Center and MHMC at risk and could eventually lead to a closure of MHMC, closure or reduction of services, or bankruptcy.
2. Since 2006, the annual occupancy rate and ADC at MHMC has been declining for their four bed categories, especially for medical/surgical beds. The applicant's business model and marketing strategies for MHMC could stimulate an increase in patient volume and in turn return the hospital to financial stability.
3. MHMC has operated in the region serving the greater Secaucus community with limited overlap or affect to the surrounding hospitals. No data exists to suggest that this transfer of ownership would change MHMC's relationship with the other Hudson County hospitals or adversely impact the health status of the community.

Conditions:

Based on this documentation of compliance with regulatory and statutory criteria, Department staff recommends approving the transfer of ownership for MHMC with the following conditions:

1. The applicant completes the Office of Attorney General Community Health Care Assets Protection Act, N.J.S.A. 26:2H-7.10 et seq., review for the proposed sale of the assets of Meadowlands Hospital Medical Center by Liberty Healthcare System, Inc. to MHA LLC.
2. The applicant shall file a licensing application with the Department's Certificate of Need and Healthcare Facility Licensure Program to execute the transfer of the ownership of MHMC license from Liberty to MHA LLC.
3. The applicant shall notify the Department's Office of Certificate of Need and Healthcare Facility Licensure (CNHCFL) in writing, specifically who is responsible for the safekeeping and accessibility of all MHMC patients'

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

4. MHA LLC shall operate MHMC as a general hospital, in compliance with all regulatory requirements, for at least seven years. This condition shall be imposed as a contractual condition of any subsequent sale or transfer, subject to appropriate regulatory or legal review by MHA LLC, within the seven year period.
5. As noted by the applicant, MHA LLC shall hire substantially all MHMC employees who are employed at the time of the sale.
6. MHA LLC shall continue all clinical services and community health programs currently offered at MHMC by the previous ownership. Any changes in this commitment involving either a reduction or elimination of clinical services or community health programs offered by MHMC's former ownership shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements. Any request for reduction or elimination of clinical services or community health programs shall include the Community Advisory Board's (see paragraph 11 below) written analysis and response to the request.
7. MHA LLC shall continue compliance with N.J.A.C. 8:43G-5.21(a), which requires that "[a]ll hospitals . . . provide on a regular and continuing basis, out-patient and preventive services, including clinical services for medically indigent patients, for those services provided on an in-patient basis." Documentation of compliance shall be submitted within 30 days of the issuance of the license and quarterly thereafter for a period of seven years.
8. In accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c), MHA LLC shall not only comply with federal EMTALA requirements but also provide care for all patients who present themselves at MHMC without regard to their ability to pay or payment source.
9. The value of indigent care provided by MHA LLC shall be determined by the dollar value of documented charity care, calculated at the prevailing Medicaid rate, and shall not be limited to the amount of charity care provided historically by MHMC.
10. MHA LLC shall establish a functioning Board of Directors for the hospital responsible for implementing hospital-wide policy, adopting bylaws, maintaining quality of care, and providing institutional management and planning. The Board shall consist of local community members, hospital management, and not less than three physicians who are not employees

of any parent, subsidiary corporation or corporate affiliate. This Board shall maintain suitable representation of the residing population of MHMC's service area who are neither themselves employees of, nor related to employees of, any parent, subsidiary corporation or corporate affiliate. Annual notice shall be made to the Department of this Board's roster, along with any policies governing Board composition, governance authority and Board appointments.

- a. Provide, with specificity, which best practices in the New Jersey Commission on Rationalizing Health Care Resources Report that MHA LLC will adopt as management policies including, but not limited to, Conflict of Interest Policy for principals and Board.
 - b. All Policies and Procedures related to best practices shall be shared with the Community Advisory Group and made available to the Department, upon request.
11. MHA LLC shall submit a report to the Department, on an annual basis for the initial seven years following the transfer of ownership, or upon request, detailing:
- a. the investments it has made during the previous year at the hospital. Such report shall also include a detailed annual accounting of any long or short term debt or other liabilities incurred on the hospital's behalf and reflected on the MHMC's balance sheet; and,
 - b. the transfer of funds from the hospital to any parent, subsidiary corporation, or corporate affiliate and shall indicate the amount of funds transferred. Transfer of funds shall include, but not be limited to, assessments for corporate services, transfers of cash and investment balances to centrally controlled accounts, management fees, capital assessments, and/or special one-time assessments for any purpose; and
 - c. submit all required financial measures required pursuant to N.J.A.C. 8:31B and monthly reporting of financial indicators.
12. Within three months of approval of this application, MHA LLC shall develop and participate in a Community Advisory Group (CAG) to provide ongoing community input to the hospital's CEO and the hospital's Board on ways that MHMC can meet the needs of the residents in its service area.
- a. Subject to the provisions below, MHA LLC shall determine the membership, structure, governance, rules, goals, timeframes, and the role of the CAG in accordance with the primary objectives set

forth above, and shall provide a written report setting forth same to the hospital's Board of Trustees, with a copy to the Department and subject to the Department's approval, within 60 days from the date of formation of the CAG.

- b. MHA LLC shall minimally seek participation from each town in the service area of MHMC by offering a seat on the CAG to each town's mayor or his/her designee. Membership on the CAG shall include patient advocates, local public health officials, clinical practitioners whose mission is to ensure that New Jersey residents are provided fully-integrated and comprehensive health services; labor unions and community advocates.
 - c. MHA LLC shall designate co-chairs of the CAG, one of whom shall be a member of the hospital's Board and one of whom shall be a community member who is neither employed nor related to anyone employed by any parent, corporate subsidiaries or corporate affiliates.
 - d. A CAG representative shall be given a seat, ex-officio, on the hospital's Board of Trustees.
 - e. The co-chairs of the CAG shall jointly submit to the hospital's Board of Trustees, with a copy to the Department, a semi-annual report of the progress toward the goals of the CAG.
 - f. The co-chairs of the CAG shall jointly transmit to the hospital's Board, with a copy to the Department, a quarterly and any special reports relative to the implementation of these conditions.
 - g. Each member of the CAG shall be required to publicly disclose any and all conflicts of interest to the CAG members and the hospital's Board of Trustees.
 - h. MHA LLC may petition the Department to disband the CAG not earlier than three years from the date of CN approval and on showing that all of the above conditions have been satisfied for at least one year.
13. MHA LLC shall report in a timely manner all quality measures required by administrative rule to the Department and report to the Community Advisory Group on scores and recommendations for improvement.
 14. For seven years after initial licensure of MHMC under MHA LLC ownership, the hospital's Board Chairman, President/CEO and other senior hospital management shall meet with the Commissioner of the

Department of Health and Senior Services (Commissioner) at regular intervals on a schedule to be determined by the Commissioner to discuss the hospital's condition and compliance with the terms of this certificate of need.

15. An outreach effort shall be placed into effect to ensure that all residents of the hospital service area, especially the medically indigent, have access to the available services at the location. A self-evaluation of this effort shall be conducted on a yearly basis for seven years after licensure to measure its effectiveness including any payments accounted for activities, including but not limited to, outreach, community programs, health professional education, and shall be submitted to the Department for review and comment and presented to the public at the hospital's annual public meeting.
16. MHA LLC must make a reasonable attempt to continue the current commercial insurance contracts of MHMC that are in effect for at least 1 year after licensure and report annually on payor mix. If MHA LLC provides notice to terminate such contracts at any time, MHA LLC shall meet with the Department to discuss public notice and access.
 - a. MHA LLC shall endeavor to maintain existing HMO insurance coverage at Meadowlands Hospital for the first year following acquisition, including, but not limited to good faith negotiations. If MHA LLC provides notice to terminate any HMO contracts at any time, MHA LLC shall in advance meet with representatives from the Departments of Banking and Insurance and Health and Senior Services to discuss the intent to terminate such contract and documenting how it will provide notice to patients and providers.
17. In accordance with the provisions of N.J.S.A.26:2H-18.59h, MHA LLC shall "offer to its employees who were affected by the transfer, health insurance coverage at substantially equivalent levels, terms and conditions to those that were offered to the employees prior to the transfer."
18. All the above conditions shall also apply to any successor organization to MHA LLC who acquires MHMC within seven years from the date of the CN approval.