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January 15, 2019

VIA ELECTRONIC AND FIRST-CLASS MAIL

William J. Colgan, Chairman
Salem County Hospital Corporation
2 Broad Street, Suite 400
Bloomfield, NJ 07003
bcolgan@cha-properties.com

Re: The Memorial Hospital of Salem County
CN # FR 18-0503-17-01
Transfer of Ownership
Acquisition Cost: \$3,000,000
Expiration Date: January 15, 2024

Dear Mr. Colgan:

I am approving the certificate of need (CN) application submitted on May 1, 2018, pursuant to N.J.A.C. 8:33-3.1, for the transfer of The Memorial Hospital of Salem's (Salem Hospital) ownership from Salem Hospital Corporation, a subsidiary of CHS/Community Health Systems, Inc. to Salem County Hospital Corp. (SCHC), a not-for-profit corporation d/b/a Salem Medical Center. SCHC will operate Salem Hospital as a not-for-profit general hospital. A transfer of ownership of an entire general hospital is subject to the full CN review process, in accordance with N.J.A.C. 8:33-3.3(a)(1). The Department evaluated this application according to the standards set forth in statute (N.J.S.A. 26:2H-1 et seq.) and by administrative rule (N.J.A.C. 8:33). I am satisfied that the application submitted by SCHC is consistent with those requirements. The application is being approved at the acquisition cost noted above.

This CN approval is for the transfer of ownership of Salem Hospital, the transfer of an approved CN for 26 open adult psychiatric beds (psychiatric beds) to the proposed new licensee of Salem Hospital, and the CN for 30 long-term care (LTC) beds at Salem Hospital, a general acute care hospital located at 310 Woodstown Road in Salem, NJ.

The current license composition includes: 114 Medical-Surgical Beds and 12 Adult ICU/CCU Beds. Salem Hospital's service complement will continue to include Acute Hemodialysis, one Computerized Tomography (CT), one Cystoscopy Room, one Mobile Lithotripter, five Mixed OR, one Magnetic Resonance Imaging (MRI) on site, one mobile Positron Emission Tomography (PET), and one Sleep Center. SCHC is committed to continuing the designation as Primary Stroke Center.

In a previous CN, Prime applied for a transfer of ownership of Salem Hospital. The Department approved Prime's CN to purchase Salem Hospital in a 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, the applicant states, CHS has solicited and participated in numerous discussions with prospective buyers and/or health systems to provide continuity of services at the Salem 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 SCHC to be in a position to provide continuity of health care services to meet the needs of the residents of Salem County. The applicant has also documented that it and the current owner, CHS, believe that the transfer of ownership of Salem Hospital is the only alternative to closure of Salem Hospital. The applicant's assertion is supported by the review of Salem Hospital's Adequacy of Financial Resources performed by the New Jersey Health Care Facilities Finance Authority as part of the CN review process. The review indicates that Salem Hospital has: 1. Incurred significant operating losses; 2. An accumulated net asset deficiency; and 3. Declining occupancy. The review further states that factors raise doubt about the Hospital's financial ability to continue operating as a hospital and that significant operations improvement will be required to remove this uncertainty.

Upon completion of the Salem Hospital transfer of ownership transaction, the prospective licensee, SCHC, states it will reduce medical-surgical beds from 114 to 75, maintain 12 adult ICU/CCU beds, implement the psychiatric beds no later than November 17, 2019 as identified in the November 17, 2017 CN approval letter (CN FR #17-0509-17-01) and accept the conditions of this approval letter, and apply to the Department to license the LTC beds. SCHC also states it will maintain a Board of Directors and utilize the services of Salem Hospital Management, LLC which will assist SCHC with the long-term development of services and day-to-day operations of Salem Hospital.

The CN approval letter for psychiatric beds, referenced above, determined that there was an essential need for psychiatric beds in Salem Hospital's service area. Therefore, I find that it is not only appropriate but necessary to transfer the unimplemented CN to the proposed owner to ensure that the need for these beds is met. I also find that the addition of these psychiatric beds will strengthen Salem Hospital.

This CN also includes 30 LTC beds for post-acute services which will provide continuity of services at the current location. The LTC 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. I have determined that the addition of 30 LTC beds will have a minimal impact on the health care system as a whole and will contribute to the financial viability of Salem Hospital, as indicated by the revenue projections submitted by the applicant as part of their application. The applicant stated at the State Health Planning Board (SHPB) meeting that if this approval does not contain the transfer of ownership, the psychiatric beds and the LTC beds, then the continued operation of Salem Hospital would be in question, and the closure of the hospital would have a greater negative impact on the area's healthcare system as a whole than the addition of the 30 LTC beds would.

For the reasons that follow, I am approving, with conditions, the application submitted for the transfer of ownership of Salem Hospital to SCHC as well as the 30 LTC beds, and the transfer of the CN for psychiatric beds. My decision to approve this CN application is consistent with the recommendation of the SHPB from the Board's December 6, 2018 meeting. Three of the four voting members present recommended approval of the CN application at the meeting. In reaching this decision, I have considered the CN application, responses to completeness questions, the public hearing transcript, written comments and exhibits, Department staff recommendations, and the SHPB recommendations. The referenced materials are incorporated herein and made a part of this final decision.

Public Hearing:

As part of the review process, the SHPB is required to hold at least one public hearing in the service area of the health care facility within 30 days of the application being declared complete by the Department. A public hearing was held on Thursday, November 8, 2018 from 6:00 pm to 7:15 pm at Salem High School in Salem, NJ. Approximately 75 individuals were in attendance, with eleven speakers, including representatives of CHA, Salem Wellness Foundation, Salem County College and the Health Professionals and Allied Employees (HPAE).

All speakers were in favor of the transfer, most noting that without new ownership it was likely Salem Hospital would close. One speaker who represented existing nursing homes in the area did object to Salem Hospital being granted approval for the 30 LTC beds proposed in the application as he contended these were "not needed." The head of the HPAE 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 Salem Hospital open for 5 years and expressed concern that another entity would own the land on which Salem Hospital was located.

State Health Planning Board (SHPB) Meeting:

The SHPB meeting was held on Thursday, December 6, 2018 at the Public Health and Environmental Laboratories, located at 1040 River Road in Ewing. Prior to the SHPB meeting, the Department received correspondence from counsel from the Salem Health and Wellness Foundation (Foundation), relating to the transfer of the Foundation's assets to SCHC. At the beginning of the meeting, the Department responded to the aforementioned correspondence, and made a statement which removed a condition related to the Foundation funding from the recommendations. The Department acknowledged the commenter's statement that pursuant to N.J.S.A. 26:2H-7.11(h)(4) the mechanism for determining the disposition of the funds held by the Foundation is through an application to the Superior Court upon recommendation of the Attorney General's Office, not via a CN condition. Upon review, it was decided that it is not within the Department's purview to determine the disposition of these funds.

Nine individuals addressed the Board during the meeting. Eight speakers were in favor of the transfer with two speakers opposed only to the approval of the LTC beds. The representative for neighboring LTC facilities stated that the addition of the LTC beds would have a negative impact on long-term care facilities within the region. In response, a speaker representing the purchaser stated the LTC beds were essential to the financial viability of Salem Hospital. The representative further stated that the only alternative to the approval was the closure of the hospital. He further stated that closure of the hospital would have a larger negative impact on the long-term care facilities in the region. The Board discussed both points, and asked additional questions related to the impact of LTC beds on all parties. Upon motion for a vote, three of the four voting members approved the staff recommendations as presented.

Analysis:

N.J.S.A. 26:2H-8, as well as N.J.A.C. 8:33-4.9(a), provide for the issuance of a CN only where the action proposed in the application for such certificate is necessary to provide required health care in the areas to be served, can be economically accomplished and maintained, will not have an adverse economic or financial impact on the delivery of health services in the region or statewide, and will contribute to the orderly development of adequate and effective health care services. In making such determinations, I must take into consideration: (a) the availability of facilities or services which may serve as alternatives or substitutes; (b) the need for special equipment and services in the area; (c) the possible economies and improvement in services to be anticipated from the operation of joint central services; (d) the adequacy of financial resources and sources of present and future revenues; (e) the availability of sufficient manpower in the several professional disciplines; and (f) such other factors as may be established by regulation.

As to the specifics of this application, N.J.S.A. 26:2H-8(a) requires that I consider the availability of facilities or services which may serve as alternatives or substitutes. The applicant has documented that it and the current owner, CHS, believe that the transfer of ownership of Salem Hospital, along with the transfer of the CN for the psychiatric beds to the proposed owner, as well as the approval of the 30 LTC beds, is the only alternative to closure of Salem Hospital. The transfer of ownership and licensing of the psychiatric and LTC beds is the least disruptive alternative to maintaining the current level of care and services in the area. The addition of 30 LTC beds represent an addition of 5.3% of the capacity in the Salem County service area and will have a minimum impact on the health care system as a whole. The applicant's plan to bring the hospital into good financial health includes the addition of the 30 LTC beds and without the beds the hospital's financial forecast would not be sustainable thereby placing the continuing operation of the hospital in jeopardy. Thus, the minimal impact coupled with the need for this hospital to have these beds in order to maintain the operations of the hospital necessitates the granting of these LTC beds to Salem.

The approval of this application will preserve access to health care services for the Salem community, including the medically indigent and medically underserved populations. The Department has taken into consideration that only one other general hospital, Inspira Medical Center-Elmer (Inspira-Elmer), is located in Salem County. Inspira-Elmer is located 16 miles from Salem Hospital, and all other New Jersey hospitals in the area are located greater than 16 miles from Salem Hospital. I find that the proposal—as opposed to closure of Salem Hospital—will preserve appropriate access to health care services for the community, including the medically indigent and medically underserved population.

I also find that the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special equipment and services in the area would be met in this case. SCHC has documented its intention to continue the same services that are currently licensed at the facility and maintain all equipment and services necessary to operate Salem Hospital, as well as implement the CN for the psychiatric beds and license the LTC beds. The applicant states that any future adjustments to services offered at Salem Hospital will be based on an assessment of the health care needs of the region, determined in conjunction with the Salem community, with the result being the expansion of identified gaps in services and elimination of duplicated services. SCHC intends to bring its health care experience to Salem Hospital to improve the quality and delivery of existing health services and program previously operated by CHS.

With respect to N.J.S.A. 26:2H-8(c) regarding the possible economies and improvement in services to be anticipated, SCHC will, in conjunction with community leaders and Salem Hospital medical staff, identify those specialties, if any, that are needed at Salem Hospital and will work with Salem Hospital's medical staff to identify and recruit specialists. SCHC further notes that it will bring operational efficiencies to Salem Hospital's Emergency Department (ED), which will increase access to care for the community and decrease time paramedics and EMTs are required to wait in the ED,

thus allowing for efficient patient care. SCHC also will implement a community outreach program designed to meet the primary care need of the community so that members of the community may receive primary care in the community rather than in the ED.

N.J.S.A. 26:2H-8(d) requires consideration of the adequacy of financial resources and sources of present and future revenues. A financial analysis of SCHC's application undertaken by the Department indicates that the applicant will have sufficient resources to implement and sustain the project, part of which being the addition of the 30 LTC beds and the psychiatric beds. The application notes that its method of financing the \$3 million purchase of Salem Hospital will be from readily available funds. According to completeness responses, Salem Hospital may procure a grant from the Foundation to finance the purchase. In the event the grant from the Foundation is not procured, Salem Hospital Management, LLC, has a \$3 million commitment from Community Healthcare Associates, LLC to fund the transaction. Based on the applicant's representation I find that continuation of the operating losses at Salem Hospital could put the future of Salem Hospital at risk and lead to Salem Hospital's closure. As such, I find that Salem Hospital's transfer to SCHC will afford it an opportunity to maintain current services and grow additional needed services.

With respect to N.J.S.A. 26:2H-8(e), regarding the availability of sufficient manpower in the several professional disciplines, I am satisfied that there will be sufficient personnel because SCHC has committed to retain substantially all Salem Hospital's current employees when the transfer of ownership is completed. In addition, SCHC has committed to actively recruit new physicians and encourage those physicians who previously utilized Salem Hospital to once again return to provide care. Part of SCHC's plan is 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 gaps.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by administrative rule. Therefore, I have taken into consideration the applicable administrative rules governing the services subject to full review (i.e. N.J.A.C. 8:33-1.1 et seq.). SCHC is in compliance with the access requirements set forth in N.J.A.C. 8:33-1.1 et seq. and N.J.A.C. 8:33 Certificate of Need: Application and Review Process-4.10(a). Specifically, the applicant will continue to maintain its commitment to the community to preserve access to health care for the residents, including the medically indigent and medically underserved populations. SCHC states that it will provide care in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.29(c) regarding the provision of health care services regardless of the patient's ability to pay or payment source.

Regarding the transfer of the 26 psychiatric beds to Salem Hospital, the November 17, 2017 CN approval letter (CN FR #17-0509-17-01) awarding these beds to Salem Hospital addressed the requirements of N.J.S.A. 26:2H-8(a)-(f) in regard to the psychiatric beds and that analysis is incorporated herein by reference.

N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this transfer of ownership shall not have an adverse impact on the population being served in regard to both access and quality of care. The applicant indicates that the transfer of ownership of Salem Hospital will preserve and enhance the financial viability of Salem Hospital and allow it to continue as a general acute care hospital providing the same level of health care services in the community. I find that denial of the CN transfer of ownership application would adversely affect the patients in the Salem community, who have historically received care and services at Salem Hospital, including the medically indigent and underinsured, because Salem Hospital is a major provider of emergency and urgent care for those populations. As discussed above, the transfer of ownership of Salem Hospital, along with the transfer of the psychiatric beds as well as the award of the 30 LTC beds appear to be the only manner in which Salem Hospital may remain in operation. This approval is the only manner in which the current level of care and services may be maintained in the area. This approval will preserve access to health care services for the Salem community, including the medically indigent and medically underserved populations. Therefore, in order to ensure that these services are maintained I have revised Condition 5 of the staff recommendations, to require SCHC to operate Salem Hospital as a general acute care hospital for a minimum of ten years, instead of the recommended five years. In addition, I have added Condition 32, which requires that for five years from the date of licensure SCHC shall submit quarterly reports to the Department detailing its efforts to sustain the financial viability of the acute care hospital.

I find that SCHC has provided an appropriate project description, information as to the financial impact of the transfer of ownership, including operating costs and revenues, services affected, equipment involved, source of funds, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-4.10(b)), assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33 Certificate of Need: Application and Review Process-4.10(a)), and assurance that it will meet appropriate licensing and construction standards (N.J.A.C. 8:43G -1.1 et seq. and N.J.A.C. 8:33-4.10(d)).

Approval With Conditions:

Based on the foregoing, I am approving the application for the transfer of ownership of Salem Hospital to SCHC with conditions. The decision to approve the transfer of ownership, the 30 LTC beds, and the transfer of the CN for 26 open adult psychiatric beds is based on my finding that the operation of Salem Hospital under the proposed new ownership would be beneficial to the population in its service area and will preserve access to health care services for the community, including the medically indigent and medically underserved population. In addition, this CN is also approved based on Salem Hospital's significant operating losses, accumulated net asset deficiency and declining occupancy. The alternative would be to close the hospital, which would have a significant negative impact on the local healthcare system as a whole.

This transfer of ownership, the transfer of psychiatric beds, and the approval of LTC beds will strengthen the financial viability of Salem Hospital and I believe that this approval will not have an adverse impact on the other existing hospital in Salem County, hospitals in the surrounding counties, or other healthcare providers. I concur with the seller, CHS, and the proposed buyer, SCHC, that the closure of Salem Hospital would disrupt and decrease access to healthcare services for the Salem Community. My decision to approve this application also factors in the Applicant's plan to stabilize and/or grow admissions at Salem Hospital and allow Salem Hospital to meet the health care needs of the community by: (1) negotiating with health insurers on new contracts that will lead to increased access to patients at Salem Hospital; (2) planning to recruit new physicians to Salem Hospital and encouraging physicians who previously utilized Salem Hospital to once again utilize Salem Hospital to meet the health care needs of their patients; (3) committing that, in conjunction with community leaders and Salem Hospital medical staff, SCHC will identify specialties, if any, that are needed at Salem Hospital and surrounding hospitals; (4) proposing to increase operational efficiencies in Salem Hospital's ED and increasing access to care for the community; and (5) committing to implement a community outreach program designed to meet the primary care need of the community so that they may receive primary care in the community as opposed to using Salem Hospital's ED to receive primary care services.

For the reasons set forth in this letter and noting the recommendations of the SHPB, I am approving the SCHC application for the transfer of ownership of The Memorial Hospital of Salem subject to the following conditions:

1. The applicant shall file a licensing application (CN-7) with the Certificate of Need and Licensing Program (CN&L) to execute the transfer of ownership of assets of Salem Hospital to SCHC, a separate licensing application (LCS-9) for the 30 LTC beds, and a licensing application (CN-7) to implement the psychiatric beds.
2. The applicant shall comply with all conditions related to the 26 psychiatric beds as stated in the CN approval letter dated November 17, 2017 (CN FR #17-0509-17-01).
3. 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.
4. As noted by the applicant, "SCHC has committed to retain substantially all Salem Hospital's current employees when the transfer of ownership is completed." Six 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.

5. In order to ensure the continuity and sustainability of care and services, SCHC shall operate Salem Hospital for at least a ten-year period as a general acute care hospital following the effective date of SCHC's licensure as the 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 the SCHC within the ten-year period.
6. 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.
7. 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 years.
8. 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 Salem Hospital.
9. 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.
10. Within 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 community members and three medical staff members will serve on the Local Governing Board. In addition, Salem Hospital's 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.”

11. Within 30 days of licensing, SCHC shall provide CN&L with an organizational chart of Salem Hospital and each service that shows lines of authority, responsibility, and communication between SCHC and Salem Hospital management and the Local Governing Board. SCHC, as licensee operating Salem Hospital, shall be responsible for compliance.
12. For the initial five years following licensure, SCHC shall submit annual reports to CN&L detailing:
 - a. The investments it has made during the previous years at Salem Hospital. Such reports shall also include a detailed annual accounting of any long- or short-term debt or other liabilities incurred on Salem Hospital’s behalf and reflect on the SCHC balance sheet.
 - b. The transfer of funds from Salem 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 Salem 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 timeframes noted in the conditions.

15. 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.
16. 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.
17. Within 12 months of licensure, and annually thereafter for five 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.
18. SCHC shall convene periodic meetings with the Department and the Department of Banking and Insurance (DOBI) within the first year following the licensure of the hospital to SCHC to review and evaluate all issues arising in contract negotiations. Written documentation shall be provided 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.
19. 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 based 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 Salem Hospital's website the status of all insurance contracts related to patient care between Salem 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. SCHC 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, Salem Hospital's payer mix and the number and percent of total Salem 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.
20. SCHC shall comply with the requirements of N.J.A.C. 8:96, Hospital Financial Transparency;
21. SCHC shall comply with the requirements of N.J.S.A. 26:2SS-1 et seq., the "Out-of-network Consumer Protection, Transparency, Cost Containment and Accountability Act," which shall include all Departmental Guidance and regulations promulgated pursuant to the Act;
22. SCHC shall invest in programs designed to improve public health, community health services, and health and wellness and, within 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.
23. Every 12 months for the next five 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 Salem 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 Salem 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; and
 - f. Plans to expand outpatient services and reduce or eliminate duplicative services and excess inpatient beds.
24. Within 90 days of licensure, SCHC shall develop and participate in a Community Advisory Group (CAG) to provide ongoing community input to Salem Hospital's CEO and Salem 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 Salem 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 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.
25. 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 individuals. Three individuals shall be selected by Salem Hospital and two individuals may be selected by the Commissioner of Health.

The Advisory Board shall hold its first meeting within six months of licensure and quarterly thereafter in order 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; and
- 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 members shall 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. A list of the membership shall be provided to the Department, and updated as necessary. 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, starting within one year of the licensure, in writing, to both the Salem 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; and
- 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 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.

26. SCHC shall comply with all state and federal requirements for LTC beds, including but not limited to physical plant compliance and the 2018 Edition of the Facility Guidelines Institute Guidelines and license and implement the beds within two years of this CN approval.
27. For five years after initial licensure, the Salem Hospital's Board Chairman, President/CEO and other senior Salem 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 Salem Hospital's condition and compliance with the terms of this CN. SCHC will invite a Department of Health representative to the Board Meetings.
28. 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.
29. 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."

30. 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."
31. For a least five 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 Salem Hospital and for compensation that is consistent with fair market value for the services actually rendered, or the projects actually provided.
32. For five years from the date of licensure, SCHC shall submit quarterly reports to the Department detailing its efforts to sustain the financial viability of the acute care hospital, including but not limited to strategic partnerships, affiliations or system opportunities to gain capabilities and efficiencies.

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.

I look forward to working with the applicant 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 approval, please do not hesitate to contact Alison Gibson, Assistant Commissioner, at 609-292-5380.

Sincerely,



Shereef Elnahal, MD, MBA
Commissioner