



State of New Jersey
DEPARTMENT OF HEALTH

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Commissioner

March 20, 2023

VIA U.S. FIRST CLASS & ELECTRONIC MAIL

Farhan Malik
Managing Director
Pure Health Medical Supplies, LLC
c/o Hackensack Meridian Health
One Bay Avenue
Montclair, N.J. 07042

Re: Hackensack Meridian Health
Mountainside Medical Center
Change in corporate ownership interests
CN # 2022-09302-07;01
Project Cost: \$33,321,200
Expiration Date: March 20, 2028

Dear Mr. Malik:

I am approving your certificate of need (CN) application referenced above, submitted on September 1, 2022, pursuant to N.J.A.C. 8:33-3.1, for the acquisition of a minority ownership interest by Pure Health Medical Supplies, LLC (PHMS), a United Arab Emirates limited liability company (or one or more of its direct or indirect subsidiaries of which PHMS controls at least 98%), in Ardent Health Partners, LLC (AHP), a Delaware limited liability company, which is an indirect owner of Montclair Hospital, LLC, the licensed operator of Hackensack Meridian Health – Mountainside Medical Center (MMC). This approval is for PHMS (the applicant) to acquire 26.05% of AHP, with the remaining ownership of AHP retained by EGI-AM Investments, LLC (63.85%), AHP management partners (5.2%), and ALH Holdings, LLC (4.8%), a wholly owned subsidiary of Ventas, Inc., a publicly traded real estate investment trust. The remaining corporate ownership structure of MMC remains the same: AHP is the primary owner of AHP Health Partners, Inc. (94.8%), with the remaining 5.2% owned by ALH Holdings, LLC. AHP Health Partners, Inc. is the sole owner of Ardent Legacy Holdings, LLC, which is, in turn, the sole owner of LHP Hospital Group, Inc. LHP Hospital Group, Inc. is the sole owner of LHP Operations Co., LLC, which is the sole owner LHP Montclair, LLC, which, in turn, owns 80% of Montclair Health System, LLC (the other 20% is owned by HMH Hospitals Corporation). Finally, Montclair Health System, LLC is the sole owner of Montclair Hospital LLC, the licensed operator of MMC.

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 PHMS is consistent with those requirements. The application is being approved at the project cost noted above, which is for the partial transfer of ownership interests in an entity, AHP, that is eight tiers above the hospital in its ownership structure.

This CN approval is limited to the above-mentioned ownership change of MMC, located in Essex County at One Bay Avenue, Montclair, N.J. 07042. MMC is a general acute care hospital, License #10708, that will continue providing the same beds and services that are offered as of today. These include 263 medical/surgical beds, 35 adult ICU/CCU beds, 10 pediatric hospital beds, 15 OB/GYN beds, 30 adult psychiatric beds (26 open and 4 closed), and 4 neonatal intermediate care bassinets. These also include services for chronic and acute hemodialysis, chronic peritoneal home training, elective and emergency angioplasty, cardiac catheterization, inpatient operating rooms, cystoscopy rooms, hyperbaric chambers, linear accelerators, a transportable lithotripter,

a magnetic resonance imaging unit, a positron emission tomography/computed tomography unit, and a sleep center. MMC is currently designated as a Community Perinatal Center – Intermediate and a Primary Stroke Center.

For the reasons that follow, I am approving, with conditions, this CN application for the change in minority ownership interests in AHP. My decision to approve this application is consistent with the recommendation of the State Health Planning Board (SHPB), which unanimously recommended approval of CN # 2022-09302-07;01 at its February 2, 2023 meeting. In reaching this decision, I considered the submitted CN applications and addenda, completeness questions and responses, exhibits, public hearing transcripts, written comments, Department of Health (Department) staff recommendations, and SHPB recommendations. The referenced materials are incorporated and made a part of this final decision.

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 area 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 part of the review process, the SHPB is also 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. That public hearing took place at MMC in Montclair, N.J. on Wednesday, January 11, 2023 from 6:00 p.m. to 7:00 p.m. with approximately 13 people in attendance. There was one speaker at the public hearing; Tim O'Brien, Chief Executive Officer of HHM, who spoke in favor of the application. No one spoke in opposition and no written comments were submitted.

As to the specifics of these applications, 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 states that there are two other acute care hospitals operating within MMC's primary and secondary service areas. The Department has identified five hospitals that operate within 10 miles of MMC. These hospitals are listed in order of their proximity to MMC as follows: RWJBarnabas Health Clara Maass Medical Center (3.0 miles), CareWell Health Medical Center (4.6 miles), St. Mary's General Hospital (5.8 miles), Cooperman Barnabas Medical Center (9.2 miles), and St. Joseph's University Medical Center (9.1 miles). MMC is located on the border of the Township of Montclair and the Borough of Glen Ridge, with a combined population of approximately 47,880 residents (approximately 40,083 from Montclair, and approximately 7,802 from Glen Ridge). I find that the proposed ownership change is in the best interest of preserving appropriate access to health care services for this community.

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, will be met in this case. There are no plans to change the current beds and services offered at MMC. All necessary equipment to operate the MMC as a general hospital is currently in use and will continue to be in use once the ownership change has been completed.

With respect to N.J.S.A. 26:2H-8(c), regarding the possible economies and improvement in services to be anticipated from the operation of joint central services, I find that applicant provides adequate justification for meeting this requirement through PHMS providing access to capital resources necessary to support continued hospital operations, fund capital improvements, generate revenue, and increase access and quality of care at MMC.

N.J.S.A. 26:2H-8(d) requires me to examine the adequacy of financial resources and sources of present and future revenues. Financial review of the CN application indicates that the membership interest purchase by PHMS will allow MMC to access sufficient capital and financial resources to generate revenue sufficient to fund the hospital's operating, maintenance, and expansion needs.

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 qualified personnel because MMC is retaining current hospital employees and does not anticipate changes to current contracts with hospital staff.

N.J.S.A. 26:2H-8(f) requires consideration of such other factors as may be established by regulation. 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.). MMC's ownership 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. 8:33-4.10(a). Specifically, MMC plans no changes to the care or services it provides following the ownership change and will continue to promote access to all persons in the community and preserve their access to health care, including the medically indigent and medically underserved population.

N.J.A.C. 8:33-4.9(a) requires a demonstration by the applicant that this proposed transfer of ownership shall not have an adverse impact on the population being served in regard to access and quality of care. The applicant projects the continued delivery of quality health care services and a commitment to providing the same inpatient and outpatient services currently offered at MMC.

Moreover, I find that the applicant has provided an appropriate project description, which includes information as to financial impacts, 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. 8:33-4.10(a)), and assurance that it will meet appropriate licensing, track record, and construction standards (N.J.A.C. 8:43G-1.1 et seq. and N.J.A.C. 8:33-410(d)).

Based on the foregoing, I am approving the application for the change in ownership interests that will result in a PHMS ownership share of 26.05% in AHP. The decision to approve this ownership change is based on my belief that this arrangement will be beneficial to the population of MMC's service area and will preserve access to health care services for the community, including the medically indigent and medically underserved population.

For the reasons set forth in this letter and noting the approval of the SHPB, I am approving this application to change the ownership of AHP to include PHMS, subject to the following conditions, which were reviewed and approved by the SHPB:

1. The applicant shall advise the Department's Division of Certificate of Need and Licensing (Division) in writing of the date on which the transfer of ownership became effective so the Division can update MMC's licensure record.
2. AHP and its subsidiaries shall take whatever steps are necessary to ensure that Montclair Hospital, LLC shall operate MMC for at least a five (5) year time period as a general acute care hospital from the date of the effective date of licensure. This condition shall be imposed as a contractual condition of any subsequent sale or transfer of ownership in MMC, subject to appropriate regulatory or legal review, within the five-year period.

3. AHP and its subsidiaries shall take whatever steps are necessary to ensure that Montclair Hospital, LLC shall continue all clinical services currently offered at MMC. Any changes in this commitment involving either a reduction, relocation out of MMC's current service area, or elimination of clinical services offered at MMC, shall require prior written approval from the Department and shall be subject to all applicable statutory and regulatory requirements.
4. AHP and its subsidiaries shall take whatever steps are necessary to ensure that Montclair LLC shall continue compliance with N.J.A.C. 4:43G-5.21(a), which requires that "all hospitals . . . provide on a regular basis, out-patient and preventive services, including 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 approval letter, and quarterly thereafter for a period of five years.
5. The value of indigent care provided by MMC 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 MMC.
6. In accordance with N.J.A.C. 8:33-3.3(h), AHP and its subsidiaries shall provide prior notification, in writing, to the Division of any change in their respective ownership interests in Montclair Health System, LLC or Montclair Hospital, LLC.
7. AHP and its subsidiaries shall take whatever steps are necessary to ensure that MMC's annual audited financial statements shall be posted on the hospital's website within 180 days of the close of the hospital's fiscal year and shall ensure that the hospital's quarterly unaudited financial statements are posted on the website 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, MMC may include disclaimer language regarding the unaudited nature of the Quarterly Financial Statements on its website where such statements are posted.
8. AHP and its subsidiaries shall take whatever steps are necessary to ensure that, within 60 days of submitting its Audited Annual Financial Statements to the Department, MMC 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. MMC 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 MMC regarding local health care needs and hospital operations;
 - c. A method for MMC to publicly respond, in layperson's terms, to the concerns expressed by community members at the Annual Public Meeting; and
 - d. MMC shall develop these methods (a through c above) within 90 days of the date of the CN approval letter and provide them to the Division.
9. AHP and its subsidiaries shall take whatever steps are necessary to ensure that MMC maintains 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.
10. AHP and its subsidiaries shall take whatever steps are necessary to ensure that MMC complies with federal Emergency Medical Treatment and Active Labor Act requirements and provides care for all patients who present at the facilities without regard to their ability to pay or payment source, in accordance with N.J.S.A. 26:2H-18.64 and N.J.A.C. 8:43G-5.2(c) and provides unimpaired access to all services offered by the hospital.
11. After the transfer is implemented, AHP and its subsidiaries shall comply with all requirements of N.J.S.A. 26:2SS-1 et seq., the Out-of-Network Consumer Protection, Transparency, Cost Containment and Accountability Act (Act), including the requirements pertinent to the Department of Banking and Insurance (DOBI). As part of compliance, AHP and its subsidiaries must note that:
 - a. If a covered person (i.e., a person on whose behalf a carrier is obligated to pay health care expense benefits or provide health care services) receives medically necessary services at the hospital on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L. 1992, c.160 (C.26:2H-18.64), MMC shall not bill the covered person in excess of any deductible, copayment, or coinsurance amount applicable to in-network services pursuant to the covered person's health benefits plan.
 - b. If a covered person receives medically necessary services at the hospital as an out-of-network health care facility on an emergency or urgent basis as defined by the Emergency Medical Treatment and Active Labor Act, 42 U.S.C. s.1395dd et seq. and section 14 of P.L.

1992, c.160 (C.26:2H-18.64), and the carrier MMC cannot agree on the final offer as a reimbursement rate for these services pursuant to N.J.S.A. 26:2SS-9, the carrier, hospital owners, or covered person, as applicable, may initiate binding arbitration pursuant N.J.S.A. 26:2SS-10 or 11.

- c. If the hospital is in-network with respect to any health benefits plan, AHP and its subsidiaries shall ensure that all health-care providers providing services at MMC on an emergency or inadvertent basis are provided notification of the provisions of the Act and information as to each health benefits plan with which the hospital has a contract to be in-network.
 - d. When AHP or its subsidiaries contract with a carrier to be in-network with respect to any health benefits plan, they shall annually report to the Department, the health benefits plan with which MMC has an agreement to be in-network.
12. AHP or its subsidiaries shall, within 48 hours of the status of notices to terminate any MMC commercial insurance or HMO contract that will expand out-of-network service coverage, 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.
 13. AHP and its subsidiaries shall ensure that MMC posts on its website the status of all insurance contracts related to patient care between the hospital and insurance plans. The hospital shall provide notices to patients concerning pricing and charges related to coverage during termination of plans.
 14. AHP and its subsidiaries, including MMC, shall remain obligated to comply with all conditions contained in the Department's June 14, 2012 CN Approval Letter.
 15. AHP and its subsidiaries, including MMC, shall comply with the directives contained in the January 4, 2023 guidance memorandum sent to all licensed general acute care hospitals by Erica Holmes, Executive Director of the Office of Health Care Financing, regarding financial reporting and posting requirements pursuant to N.J.S.A. 26:3H-5.1b.
 16. MMC shall identify a single point of contact to report to the Division concerning the status of all of the above conditions referenced within the time frames noted in the conditions.

17. All of the above conditions shall apply to any successor organization that acquires an ownership interest in MMC within five years from the date of the CN approval.

Failure to satisfy 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 the objections.

We look forward to working with you and helping you to provide a high quality of care to MMC patients. If you have any questions concerning this CN approval, please do not hesitate to contact Mr. Michael Kennedy, Executive Director of the Department's Certificate of Need and Licensing Program, at Michael.Kennedy@doh.nj.gov.

Sincerely,



Judith M. Persichilli, RN, BSN, MA
Commissioner
New Jersey Department of Health

cc: M. Kennedy