



State of New Jersey  
DEPARTMENT OF HEALTH  
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Commissioner

January 25, 2019

**VIA ELECTRONIC & FIRST-CLASS MAIL**

Warren E. Moore, FACHE  
President & CEO  
Children's Specialized Hospital  
200 Somerset Street  
New Brunswick, New Jersey 08901

Re: Children's Specialized Hospital-  
Mountainside  
CN# ER 180419-12-02  
Addition of fourteen (14) Specialized  
Long-Term Care Beds for Pediatric Care  
Total Project Cost: \$6,128,080  
Expiration Date: January 25, 2024

Dear Mr. Moore:

In the January 2, 2018 New Jersey Register, the Department of Health (Department) published a Certificate of Need (CN) Call to establish new specialized long-term care beds for pediatric care. The Call was issued following a collection of data for calendar years 2014, 2015, and 2016 from general acute care hospitals and long-term acute care hospitals through a survey that requested data regarding the placement delays that resulted in extended hospital stays after patients were clinically cleared for discharge, due to the unavailability of specialized long-term care beds for pediatric care. In addition, the Department surveyed providers of specialized long-term care beds for pediatric care asking for facility utilization and capacity data for calendar years 2014, 2015, and 2016. Based on the analysis of data received, the Department determined that there is a limited need for additional new specialized long-term care beds for pediatric care (e.g., fourteen (14) beds for Region 2 – North Jersey, which encompasses Bergen, Essex, Hudson, Hunterdon, Mercer, Middlesex, Monmouth, Morris, Passaic, Somerset, Sussex, Union and Warren Counties). Considering that the need for specialized long-term care beds for pediatric care is limited, the Department determined that any additional beds approved would have a minimal impact on the healthcare system as a whole and, therefore, would be subject to the expedited CN review process, rather than the full CN review process, in accordance with N.J.A.C. 8:33-5.1(b)(2).

Please be advised that the Department is approving Children's Specialized Hospital's expedited review CN application, submitted on April 2, 2018, pursuant to the CN Call and N.J.A.C. 8:33-5.1(b)(2), for the addition of fourteen (14) pediatric long-term care beds allocated to Region 2 – North Jersey. Children's Specialized Hospital is a licensed hospital-based long-term care facility located at 150 New Providence Road in Mountainside, Union County. Children's Specialized Hospital's Mountainside facility currently has forty-six (46) licensed pediatric long-term care beds. As a result of this CN approval, and following licensing application approval, the total number of licensed specialized long-term care beds for pediatric care at Children's Specialized Hospital's Mountainside facility shall increase from forty-six (46) to sixty (60) beds. This application is being approved at the total project cost as noted above.

The application cites several research studies which theorizes that the number of children with multiple chronic conditions and medical complexities is steadily increasing due to several reasons (i.e., increased survival rates of infants either born prematurely or those born with various congenital abnormalities/chronic conditions, and improved treatment for acute illnesses within the fields of intensive care and oncology, etc.). The application further annotates, from the research data, that these medical successes in survivorship have also resulted in the rising rates of complications and childhood disabilities with subsequent increases in intensive medical technology use, medical and nursing care, and coordination of needs. Altogether, these reasons have reportedly attributed to hospitals experiencing a consistent increase over the last several decades in the number of children hospitalized with chronic conditions; particularly with the greatest increase ascribed to children with significant chronic conditions affecting two or more body systems, whereby resulting in a growing number of this population being served by pediatric long-term care facilities.

When analyzing its own utilization data, the applicant reports that admissions to the Mountainside facility have doubled (100% increase) from 2015 to 2017; confirming that the average daily census has been running virtually at capacity (98.75% occupancy rate). Over the last three years, the applicant describes that there have been forty (40) patients that needed to wait for a bed at the Mountainside long term care center, with half of them being transferred to other facilities due to a lack of bed availability at the center.

The applicant believes that the addition of fourteen (14) pediatric long-term care beds will be utilized to meet the needs of children and families of New Jersey and have a positive impact on access to critical services since Children's Specialized Hospital's Mountainside facility serves children from all counties. Many of these children are from the underserved community and, consequently, the population to be served with the additional beds will have the benefit of Mountainside's central location within Planning Region 2, easy access to the highway system and public transportation, and will become an extension of the current long-term care services in Mountainside creating a seamless access to existing comprehensive administrative, operational and clinical facilities, and services. The applicant further believes that the services of many New Jersey acute care hospitals and Children's Specialized Hospital's inpatient rehabilitation

unit, will also be strengthened by allowing its long-term care center to admit children when they are clinically ready for discharge; thus, permitting children to receive the necessary specialized services at the right place without undue delay. Furthermore, the applicant affirms that the hospital will continue to offer transportation assistance for those in need of support and confirms that the additional beds will enable the facility to advance programs based on shared community needs, serve more children through a Palliative Care continuum, advance a Respite Program, and ensure that all patients will have timely access to specialized long-term pediatric care without delay. Furthermore, based on the above described positive impact on access to service, the applicant concludes that the addition of these fourteen (14) specialized long-term care beds for pediatric care will have minimal impact on the health care system as a whole, and thus meets the criteria for N.J.A.C. 8:33-5.1(b)(2).

The applicant purports renovations to the Mountainside facility to accommodate the additional beds by proposing an expansion project that shall encompass a horizontal expansion of the Long-Term Care Unit by renovating adjacent space to provide an additional seven (7) double-bedded patient rooms and support spaces, which reportedly is anticipated to be finalized within 18 to 24 months timeframe.

N.J.S.A. 26:2H-8 provides for the issuance of a CN only where the action proposed in the application 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, the Department must take into consideration: a) the availability of facilities or services that 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 several professional disciplines; and f) such other factors as may be established by regulation.

The Department believes that the criterion regarding the availability of facilities or services which may serve as alternatives or substitutes is not applicable inasmuch as the services in this application will have a minimal impact on the health care system as a whole, as the Department's statistical bed need methodology determined only a limited need for additional new specialized long-term care beds for pediatric care. Likewise, the need for sufficient special equipment and services in the area does not apply as Children's Specialized Hospital is an existing provider with an established pediatric rehabilitation hospital system, delivering specialized children's long-term care services since 1988, and has acquired specialized equipment and services.

As to the specifics of this application, the Department believes this project can be economically accomplished and maintained. In addition, a financial analysis undertaken by staff at this Department indicates that Children's Specialized Hospital possesses adequate financial resources to complete the project. According to the applicant, the

current Children's Specialized Hospital's Mountainside facility financial position is strong with adequate margins and positive cash flow, and shall have the support of the Children's Specialized Hospital Foundation; and as such, this combination will provide adequate financial resources and future revenues. With the addition of the fourteen (14) specialized long-term care pediatric care beds and expected occupancy, the applicant foresees no unfavorable economic or financial impact to occur as a result of this project.

The Department notes that while the addition of professional staff will be required to accommodate the implementation of the fourteen (14) new specialized long-term care beds for pediatric care, the Department is confident that there are sufficient available personnel in the area to meet those staffing needs. The applicant also confirms that Children's Specialized Hospital will utilize economies that exist with the current pediatric long-term care services available at the facility.

Finally, the Department has taken into consideration the applicable regulations for the services subject to expedited review (i.e., N.J.A.C. 8:33-5.3). The Department finds that Children's Specialized Hospital's Mountainside facility has provided an appropriate project description, which includes information as to the total project cost, utilization statistics, and justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)); assurance that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-5.3(a)(2)). In addition, Children's Specialized Hospital's Mountainside facility demonstrated a track record of substantial compliance with the Department's licensing standards (8:33-5.3(a)(3)(ii)).

Please be advised that this approval is limited to the proposal as presented and reviewed. The application, related correspondences and any completeness questions and responses are incorporated and made a part of this approval. An additional review by the Department may be necessary if there is any change in scope, as defined at N.J.A.C. 8:33-3.9. However, a change in cost of an approved CN is exempt from CN review subject to the following:

- 1) The applicant shall file a signed certification as to the final total project cost expended for the project at the time of the application for licensure for the beds/services with the Certificate of Need and Healthcare Facility Licensure Program.
- 2) Where the actual total project cost exceeds the CN approved total project cost and is greater than \$1,000,000, the applicant shall remit the additional certificate of need application fee due to the Certificate of Need and Healthcare Facility Licensure Program. The required additional fee shall be 0.25 percent of the total project cost in excess of the CN approved total project cost.
- 3) The Department will not issue a license for beds/services until the additional fee is remitted in full.

The Department, in approving this application, has relied solely on the facts and information presented to us. The Department offers no opinion as to whether the proposed ownership or business organization is in compliance with the Codey Act, Board of Medical Examiners administrative rules, the federal anti-referral (Stark) and federal anti-kickback laws. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the Attorney General.

Any approval granted by this Department relates to Certificate of Need and/or Licensing requirements only and does not imply acceptance by a reimbursing entity. This letter is not intended as an approval of any arrangement affecting reimbursement or any remuneration involving claims for health care services.

This approval is not intended to preempt in any way any municipality's authority to regulate land use within its borders and shall not be used by you to represent that the Department has made any findings or determination relative to the use of any specific property. Please be advised that services may not commence until such time as a license has been issued by the Certificate of Need and Healthcare Facility Licensing Program to operate the additional specialized long-term care beds for pediatric care. A survey by Department staff will be required prior to commencing services.

Furthermore, please be advised that, regardless of any management agreement between the licensee and another entity, the licensee is responsible for all financial, operational, and management control. Oversight of the facility is the licensee's non-delegable duty. All health services provided by the facility and the revenue generated by a facility from providing these health services are the responsibility of the licensee.

This approval is subject to the following condition:

- 1) Pursuant to N.J.A.C. 8:33H-1.15(a)(4), applicants receiving certificate of need approval to add specialized long-term care beds to an existing facility shall reserve a minimum of 45 percent of the total specialized long-term care bed complement to be occupied by Medicaid-eligible residents who either have spent down to the level of Medicaid eligibility during their nursing home stay or who are directly admitted to the facility as Medicaid-eligible residents, as defined in N.J.A.C. 8:33H-1.2. The facility shall meet this 45 percent overall occupancy by Medicaid-eligible patients in its specialized long-term care beds by the end of the first year of licensure and continue meeting this percentage thereafter.

Failure to satisfy the aforementioned condition 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 applicable regulations. Therefore, acceptance of this condition shall 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 examined in light of the objections.

The Department looks forward to working with you and helping you to provide a high quality of care. If you have any questions concerning either this Certificate of Need or the licensure of the specialized long-term care beds for pediatric care, please do not hesitate to telephone Ms. Felicia Harris, Chief, Certificate of Need and Healthcare Facility Licensure Program, at (609) 292-6552.

Sincerely,



Marcela Ospina Maziarz, MPA  
Deputy Commissioner  
Health Systems

cc: Alison Gibson, DOH (Electronic mail)  
Sue Kelly, DOH (Electronic mail)  
Judy Brown, DOH (Electronic mail)  
Felicia Harris, DOH (Electronic copy)