



State of New Jersey
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Commissioner

September 12, 2022

VIA ELECTRONIC AND FIRST CLASS MAIL

Audrey Meyers
President & CEO
The Valley Hospital
223 North Van Dien Avenue
Ridgewood, New Jersey 07450

Re: The Valley Hospital
CN# ER 2020-6191-02
Change in Cost and Scope
CN# ER 2022-06289-02;01
Extension of Time
Total Project Cost: \$830,891,121
Expiration Date: June 30, 2024

Dear Ms. Meyers:

Please be advised that the Department of Health ("Department") is approving The Valley Hospital's ("Valley") change in cost and scope as well as the extension of time Certificate of Need ("CN") application, submitted on June 1, 2022, in accordance with N.J.A.C. 8:33-5.1(a)(2). The original CN # FR 17 0201-02-01 for the replacement/relocation of Valley Hospital (the Hospital) from its existing location at 223 N. Van Dien Avenue, Ridgewood, New Jersey in Bergen County, to a new location on Winters Avenue, Paramus, New Jersey, also in Bergen County, was approved on December 29, 2017, for a period of five years and is due to expire on December 29, 2022. The total project cost, originally identified as \$752,608,000, has been revised to \$830,891,121. This project cost will be financed by available cash, loans, and fundraising; therefore, these applications are being approved at the total project cost as noted above.

The CN application for change in scope reflects modifying the numbers of the various categories of licensed beds, as follows:

<u>Bed Category</u>	<u>CN approved capacity</u>	<u>Revised Capacity</u>	<u>Change in scope</u>
Medical Surgical	242	228	-14
Critical Care	56	72	16
OB	40	44	4
Pediatrics	14	10	-4
RDU	20	10	-10
Total	372	364	-8

Valley has indicated that the recent surge in its critical care capacity during the COVID-19 pandemic, as well as updated need analysis, lead to its present request to change the scope of the original CN application to increase critical care capacity, and in balance, to reduce medical-surgical beds. As noted, modest changes in bed capacity in OB/Gyn and Pediatrics are also sought, resulting in a reduction in the total licensed beds from the planned 372 to 364. Costs associated with the additional critical care capacity were included in the initial budget, so there are no appreciable expenses associated with these changes.

The Department is approving the change in cost and scope CN application based on the applicant's statements of need demonstrated during the COVID-19 pandemic, wherein Valley needed to flex its critical care capacity from its current complement of 48 beds to 80 beds. While Valley envisioned 48 critical care beds housed on two units (located on the fourth and fifth floors of the north tower – 24 beds on each floor), each of those units was designed for 36 beds. The 12 beds remaining on each unit were planned to be built out to accommodate critical care patients during a surge but were initially planned to be licensed as medical-surgical beds. The Department of Consumer Affairs, however, did not support the colocation of critical care and medical/surgical beds on the same floor without substantial physical barriers. Since the rooms in question were already designed as critical care, and recent events have demonstrated the importance of excess critical care capacity during a public health crisis, Valley is seeking to secure critical care status for all 72 beds planned for the fourth and fifth floors. Commensurate with increasing the critical care beds by beds originally intended to be licensed as medical/surgical beds, a decrease in medical/surgical beds was also requested, reducing by 14 the total licensed medical/surgical beds to 228. Also, with a historically low average daily census on the pediatric unit and the geometry of the building, Valley proposes to operate ten, rather than 14, pediatric beds.

The Department has also carefully reviewed Valley's current application which requests an extension of time to June 30, 2024. In accordance with this request, the certificate of need is now extended for one additional 18-month time period from the last expiration date of December 29, 2022. It is expected that this project will be fully implemented by the time this 18-month period has elapsed. The decision to approve Valley's extension application is based on a review of the documents submitted. The reasons stated for the need for an extension of time were due to the scale of the project, which required an extensive scope of planning, designing, and constructing of a brand new technologically advanced inpatient medical facility, which requires additional time to complete beyond the originally granted five years. In addition, further significant delays in construction were due to the onset and continuing impact of the COVID pandemic, and related governmental states of emergency, on all aspects of operations and on staffing, which has been

beyond Valley's control. Completion of the facility construction is now projected to be by the fourth quarter of 2023. However, completion is contingent upon any future construction delays and potential delays in local certificate of occupancy or other approvals, so the Applicant requested an extension to June 30, 2024, to provide a buffer for any unforeseen challenges. The current submission also confirmed that financing, both through available cash, loans, and fundraising, remains in place for this project and will be sufficient to cover any increases in project costs.

In response to your current submission, including documentation that the project can be completed by the new expiration date, the Department is granting this extension of time to June 30, 2024.

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 and 8:33H-1.16). The Department finds that Valley has provided an appropriate project description. The project description includes information as to the original total project cost of \$752,608,000, revised to \$830,891,121 to include \$78,283,121 in new construction costs. The operating costs and revenues were provided, which reflected that by the second year of operation, the total revenue would be \$1,008,888,071 and \$931,011,711 for expenses, which projected a profit of \$77,876,360 by the second year. In terms of services affected, Valley noted that additional critical care capacity will benefit all residents of northern New Jersey if demand surges in another unforeseen crisis. Furthermore, Valley does not foresee any negative implications associated with this change in project scope or extension of time. In terms of services affected, the alternatives were discussed in detail in the Department's December 29, 2017, approval letter, and the conclusion reached then, that Valley had thoroughly examined all available options and the relocation to Ridgewood was the most feasible choice, remains so. The effects on neighboring hospitals were reasonably examined then, and the Department's conclusion that this relocation would not cause significant harm to any other area hospitals is still applicable to the current change in

scope and extension of time. With regard to the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special services or equipment within the area, the Department's original conclusion that this requirement would be met because the proposed new facility would be a replacement hospital, offering essentially the same services currently licensed at the present hospital, still applies. The source of funds was listed as available cash, loans and fundraising.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) was fully discussed in the Department's December 29, 2017, approval letter for this project. Valley assured that all residents, particularly the medically underserved, will have access to services in the relocated hospital (N.J.A.C. 8:33-5.3(a)(2)). In addition, Valley indicated that the facility's design will accommodate those with disabilities and its location would be accessible to public transportation. Documentation that Valley will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)) is evidenced in the submissions and review of architectural plans, which are ongoing during the construction phases assuring physical plant compliance with Hospital regulations. In addition, Valley has demonstrated a track record of substantial compliance with the Department's licensing standards (N.J.A.C. 8:33-5.3(a)(3)(ii)) as there were no significant regulatory compliance events reported with regard to the Valley Hospital.

Please be advised that this approval is limited to the application as presented and reviewed. The application, related correspondence, 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 in N.J.A.C. 8:33-3.9. However, a change in the cost of an approved certificate of need is exempt from certificate of need 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 certificate of need 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 certificate of need 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. The Department has not undertaken an independent investigation of such information. If material facts have not been disclosed or have been misrepresented as part of this application, the Department may take appropriate administrative regulatory action to rescind the approval or refer the matter to the Office of the New Jersey 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 the authority to regulate land use within its borders and shall not be used by the applicant 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 a license has been issued by Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff will be required prior to commencing services.

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The Department looks forward to working with the applicant to provide high quality of care to your patients. If you have any questions concerning this Certificate of Need approval, please do not hesitate to contact Michael J. Kennedy, J.D., Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,

Robin C. Ford

Robin C. Ford, MS
Deputy Commissioner
Health Systems

cc: Stephanie J. Mozgai, DOH (Electronic mail)
Michael J. Kennedy, J.D., DOH (Electronic mail)
Luisa Alexopoulos, DOH (Electronic mail)
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