



State of New Jersey
DEPARTMENT OF HEALTH
PO BOX 360
TRENTON, N.J. 08625-0360
www.nj.gov/health

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Governor

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Lt. Governor

DR. RAYNARD E. WASHINGTON
Commissioner

August 10, 2026

VIA ELECTRONIC & FIRST-CLASS MAIL

Patricia O'Keefe, PhD, RN
President
Morristown Medical Center
100 Madison Avenue
Morristown, NJ 07960

Re: Morristown Medical Center
CN #ER 2025-07386-14;01
Relocation of Adult Psychiatric Beds
Addition of Adult Psychiatric Beds
Total Project Cost: \$0.00

Dear Dr. O'Keefe:

The Department of Health ("Department") is in receipt of an expedited review Certificate of Need ("CN") application (CN #ER 2025-07386-14;01), submitted on July 1, 2025, by Morristown Medical Center (License No. 11403), a general acute care hospital located at 100 Madison Avenue, Morristown, New Jersey. The applicant is a member of the Atlantic Health System ("AHS"). The Certificate of Need application was submitted pursuant to N.J.A.C. 8:33-5.1(a)(11) and has been reviewed in accordance with the requirements governing expedited review for the relocation of licensed beds set forth at N.J.A.C. 8:33-3.4.

Morristown Medical Center is currently licensed to operate 24 adult acute open (voluntary) psychiatric beds. The CN application seeks approval for the following actions:

1. The relocation of 24 licensed adult open psychiatric beds from Overlook Medical Center and 10 licensed adult open psychiatric beds and 6 licensed adult closed psychiatric beds from Newton Medical Center to Morristown Medical Center; and
2. The expansion of Licensed Psychiatric Bed Capacity by establishing 27 adult closed psychiatric beds and adding 7 adult open psychiatric beds to Morristown Medical Center's licensed psychiatric bed complement.

If approved, the proposal would establish a 98-bed adult psychiatric unit consisting of 65 adult open psychiatric beds and 33 adult closed psychiatric beds. The applicant asserts that the proposed would consolidate psychiatric services within the Atlantic Health System, improve access to inpatient and outpatient behavioral health services, enhance quality of care and patient outcomes, address a purported shortage of psychiatric beds within the region, and permit the development of a comprehensive behavioral health network.

Analysis

The Department has evaluated the Certificate of Need application as submitted by the applicant. The application requests approval for two distinct regulatory actions: (1) the relocation of licensed adult psychiatric beds and (2) the establishment of additional adult psychiatric beds. Each requested action must independently satisfy the applicable regulatory requirements governing Certificate of Need review.

Pursuant to N.J.A.C. 8:33-5.1(a)(11), CN applications submitted for expedited review must satisfy the requirements applicable to the proposed project type, including the regulatory requirements governing the relocation of licensed beds set forth at N.J.A.C. 8:33-3.4.

Relocation of Licensed Adult Psychiatric Beds

The application proposes the relocation of existing licensed adult psychiatric beds from Overlook Medical Center and Newton Medical Center to Morristown Medical Center, including both adult open (voluntary) psychiatric beds and adult closed (involuntary) psychiatric beds.

The Department has reviewed the application in accordance with N.J.A.C. 8:33-3.4(a)3, which governs the relocation of licensed beds between facilities. The regulation authorizes the relocation of a portion of a facility's licensed beds or an entire bed-based service from one licensed facility (the sending facility) to another licensed facility (the receiving facility) within the same planning region, subject to the criteria set forth in the rule.

Among those criteria, N.J.A.C. 8:33-3.4(a)3ii expressly requires that "[t]he receiving facility shall already hold a license for the category of beds proposed for relocation." This requirement establishes that a bed relocation is permitted only when the receiving facility is already licensed for the same bed category as the one being transferred. The regulation does not authorize the transfer of beds to establish a new licensed bed category at a receiving facility that does not already possess licensure for that category.

The Department recognizes that Morristown Medical Center is currently licensed to operate adult open psychiatric beds. Therefore, a proposal limited to the relocation of licensed adult open psychiatric beds may be eligible for consideration through the expedited review process, provided all applicable statutory and regulatory requirements are satisfied. However, the application also proposes the relocation of six adult closed psychiatric beds from Newton Medical Center to Morristown Medical Center. The Department finds that Morristown Medical Center is not currently licensed to operate adult closed psychiatric beds. Accordingly, because the receiving facility does not possess the licensed bed category proposed for relocation, the application does not satisfy the regulatory requirements governing expedited bed relocations set forth in N.J.A.C. 8:33-3.4(a)(3).

In response to the Department's inquiry as to whether Atlantic Health System ("AHS") would pursue the relocation of only the open voluntary psychiatric beds if Morristown Medical Center were determined to be ineligible to receive the requested closed psychiatric beds or additional open psychiatric beds, AHS did not amend its application or request that the Department consider separate projects. Although AHS acknowledged that it would reassess whether to pursue a project involving only the open voluntary psychiatric beds if the Department did not approve the application as requested, AHS did not submit such an alternative proposal for the Department's review and expressly stated that it would reevaluate whether to proceed under that scenario.

Accordingly, the Department reviewed the application only as filed. Because the application sought approval of a single, integrated project involving both the relocation of open psychiatric beds and the consolidation of closed psychiatric beds, the Department could not sever the requested approvals or approve only a portion of the proposal. In the absence of an application requesting approval solely for the relocation of the open voluntary psychiatric beds, the Department's review was limited to the project as presented.

Based upon the foregoing, the proposed relocation of adult closed psychiatric beds does not qualify for approval through the expedited Certificate of Need review process. The application seeks approval for the relocation of both adult open psychiatric beds and adult closed psychiatric beds as part of the single proposed relocation request. Accordingly, the relocation component of the application cannot be approved as submitted. The Department acknowledges the applicant's representation that it would reassess consolidating only the adult open (voluntary) psychiatric beds in order to achieve the anticipated access, quality, and patient experience benefits associated with consolidating 58 voluntary psychiatric beds. Should Atlantic Health System elect to pursue only the relocation of licensed adult open psychiatric beds, it may submit a new expedited Certificate of Need application limited to that proposal. Any such application will be evaluated independently under the applicable statutory and regulatory requirements.

Establishment of Additional Adult Psychiatric Beds

The application also seeks approval to establish 27 adult closed psychiatric beds and 7 adult open psychiatric beds that are not proposed for relocation from another licensed facility.

The establishment of these additional beds constitutes an expansion of Morristown Medical Center's licensed psychiatric bed complement rather than the relocation of existing licensed beds. Pursuant to N.J.A.C. 8:33-3.4(a)(1) and N.J.A.C. 8:33-4.1, the establishment of additional psychiatric beds is subject to a Certificate of Need Call and full Certificate of Need review. The Department has not issued a Certificate of Need Call authorizing applications for the establishment of additional adult psychiatric beds. Therefore, at this time, the Department is unable to accept CN applications for the expansion of psychiatric services.

Moreover, the Department is currently conducting a statewide survey to evaluate the need for additional adult psychiatric inpatient beds as part of its determination of whether to issue a Certificate of Need Call for psychiatric bed capacity. The survey is intended to provide a comprehensive and accurate assessment of existing psychiatric bed capacity, utilization, and unmet need throughout the State. Until the survey has been completed and the Department has analyzed the resulting data, the Department will not approve requests for additional psychiatric beds outside of a Certificate of Need Call. Granting additional beds on an individual basis before

completion of the statewide needs assessment could alter existing bed capacity and utilization data, thereby skewing the survey results and compromising the integrity of the Department's determination regarding statewide need.

To preserve the integrity of the Certificate of Need planning process and ensure that the need for additional adult psychiatric beds is evaluated through a consistent and comprehensive review, the proposed expansion of licensed psychiatric bed capacity cannot be considered through the expedited Certificate of Need review process.

Determination

After review of Certificate of Need Application No. CN #ER 2025-07386-14;01, the applicant's responses to the Department's completeness questions, and the applicable regulatory requirements, the Department determines that the application does not satisfy the requirements for approval under the expedited Certificate of Need review process. Specifically, the Department determines that:

1. Relocation of Adult Closed Psychiatric Beds: The proposed relocation of 6 adult closed psychiatric beds does not satisfy the regulatory requirements governing expedited review CN bed relocations set forth in N.J.A.C. 8:33-3.4(a)(3), as the receiving facility is not licensed to operate adult closed psychiatric beds.
2. Establishment of Additional Adult Psychiatric Beds: The proposed addition of 27 adult closed psychiatric beds and 7 adult open psychiatric beds constitutes an expansion of licensed psychiatric bed capacity. Pursuant to N.J.A.C. 8:33-3.4(a)(1) and N.J.A.C. 8:33-4.1, the establishment of additional psychiatric beds requires a Certificate of Need Call and full Certificate of Need review and is not eligible for approval through the expedited review process.
3. Application as Submitted: Although the receiving facility is licensed to operate adult open psychiatric beds, the Department has reviewed the Certificate of Need application as submitted. The application includes the proposed relocation of adult closed psychiatric beds and the establishment of additional adult psychiatric beds, neither of which qualifies for approval through the expedited Certificate of Need review process. Accordingly, the application, as a whole, cannot be approved as submitted.

For the reasons set forth above, the Department is hereby denying the Expedited Review Certificate of Need Application No. CN #ER 2025-07386-14;01.

The Department's determination is based upon the information contained in the Certificate of Need application, the applicant's responses to the Department's completeness questions, and the applicable statutes and regulations governing Certificate of Need review. If any material fact has been omitted or misrepresented, the Department reserves the right to take any administrative, regulatory, or other action authorized by law.

Right to Administrative Hearing

Pursuant to N.J.S.A. 26:2H-9, if the Commissioner denies a Certificate of Need application, the applicant may request a hearing pursuant to the Administrative Procedure Act, P.L. 1968, c.410 (N.J.S.A. 52:14B-1 et seq.) and the Uniform Administrative Procedure Rules, N.J.A.C. 1:1.

A request for a hearing shall be made to the Department within 30 days of receipt of notification of a decision for denial. The hearing shall be conducted according to the Administrative Procedure Act, N.J.S.A. 52:14F-1 et seq., and the Uniform Administrative Procedure Rules, N.J.A.C. 1.1 et seq., and the record shall be limited to the documentary evidence presented to the reviewing agency. The Department shall arrange for the hearing within 60 days of such a request, and after such hearing the Commissioner or his designee shall furnish the applicant in writing the hearing examiner's recommendations and reasons. Within 30 days of receiving all appropriate hearing records, the Commissioner shall make a determination, which shall be a final agency decision.

If you have any questions regarding this matter, please contact Michael J. Kennedy, Esq., Executive Director, at Michael.Kennedy@doh.nj.gov.

Sincerely,



Neil Eicher
Deputy Commissioner
Health Systems
New Jersey Department of Health

c: Rebecca Nazario-Straffi, DOH
Michael J. Kennedy, DOH
Kim Hanson, DOH
Luisa Alexopoulos, DOH
Jeff Kasko, DOH
Paula James, DOH
Ramon Santiago, DOH
Valerie Mielke, DHS
Carol Vargas, AHS
Stephanie Schwartz, AHS
Bob Adams, AHS
Natanya Anty, AHS