

April 10, 2007

Commissioner Fred Jacobs, M.D. J.D.
Department of Health and Senior Services
P.O. Box 360
Trenton, New Jersey 08625-0360

Re: Sale of Mountainside Hospital to Merit Health Systems, LLC

Dear Commissioner Jacobs:

I am writing to you on behalf of New Jersey Citizen Action, AARP-NJ and New Jersey Appleseed to urge the appointment of a health care monitor in the aforementioned transaction pursuant to your authority under the Community Assets Healthcare Protection Act (CHAPA), N.J.S.A. 26:2H-7.10 et. seq.

We were very pleased to see your staff's recommendation to the State Health Planning Board to appoint a health care monitor for a period of five years as a condition to approve transfer of the license from Atlantic Health System to Merit Health Systems, LLC ("Merit"); unfortunately, the Board amended that condition to include a "may" rather than a "shall." We believe that decision was based on a misunderstanding of the efficacy and value of a health care monitor.

Since the meeting of the State Health Planning Board on April 5, 2007, I have spoken with Joel Cantor, Executive Director of the State Health care Policy Center at Rutgers, who was appointed by your Department and served as the health care monitor at Memorial Hospital of Salem upon the sale of that hospital to Community Health Systems, an out of state for-profit. Mr. Cantor was very clear that pursuant to his authority he performed population based analyses of patient utilization services at Memorial that provided the Department with valuable information about the operation of the hospital—an evaluation that the Department could not have made simply by reviewing data that it regularly collects from all hospitals in the State.

Mr. Cantor's services cost \$445,000 over three years; and he anticipates that since the methodology has been developed and an annual report (in contrast to quarterly

reports) would be sufficient, a health care monitor would cost Merit no more than \$100,000/year. This expenditure is reasonable and certainly needed to assure the public that the transfer of Mountainside to Merit will not adversely impact health services in the

community. Accordingly, Merit's contention that it has not planned for the expense of a health care monitor should not drive the Department's policy.

Furthermore, it is our understanding that John Reiss, Esq., who was the attorney representing Memorial Hospital of Salem several years ago, is currently representing Merit in this transaction. It is therefore very likely that Merit was informed of the likelihood that a health care monitor would be mandated by the State of New Jersey.

Thank you for your consideration.

Sincerely,

Renée Steinhagen

Cc: Marilyn Askin, AARP-NJ
Michael Oleander, NJ Citizen Action
Mark Siman, Esq.