



NJ APPLESEED TALKING POINTS

(CN-Cathedral Health Services, Inc. application to transfer ownership of St. Michael's Medical Center to St. Michael's Medical Center, Inc., an affiliate of Catholic Health Care East, CHE)

Good Evening. My name is Renée Steinhagen, and I am the Executive Director of New Jersey Appleseed Public Interest Law Center. Prior to and since the enactment of the Community Health Care Assets Protection Act, New Jersey Appleseed has sought to ensure that New Jersey regulators act to protect the public interest upon the sale or merger of a nonprofit hospital by ensuring that charitable health care assets remain in the community to which they were dedicated, and requiring the Commissioner to determine that there will be no adverse impact on the affected communities' access to quality, affordable health care.

I appreciate that this is the first of three CN applications concerning the sale of St. Michael's Hospital, St. James' Hospital and Columbus Hospital to an affiliate of Catholic Health East, and that the CHAPA hearing regarding this sale will occur on March 14, 2008, but I feel it important to place my comments in the context of New Jersey Appleseed's goals when participating in these public hearings.

In the past, this State Health Planning Board has given serious consideration to the public comments and concerns that have been expressed during its CN hearings and has been very responsive. New Jersey Appleseed especially wants to express our appreciation for this Board's and former Commissioner Jacobs' actions (*i.e.*, conditions of approval) most recently with respect to the sale of Bayonne Hospital and sale of Mountainside. However, the Board's track record over the past two months with respect to Barnert Hospital, Passack Valley and now the sale and closure of St. James Hospital and Columbus Hospital gives us great pause. The State simply cannot be passive and permit acute care facilities to close their doors without ensuring a real, not merely apparent, public process that ensures proper discussion, coordination and planning among all providers in an area (not just other acute care facilities), consumers, legislators and other stakeholders to ensure that no person is denied access to adequate health care at any given time.

In this instance, permitting Cathedral Health System to start closing St. James Hospital the day it filed its CN application to close that institution is simply unacceptable. The State knew about this proposed transaction as early as July of 2007, and has been talking with the applicant since that time. Specifically, we understand upon review of the CN application before us that the State has not only already agreed to the closure of all acute care services at St. James Hospital and Columbus Hospital as part of this transaction, but also has made it a condition of its

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issuance of bonds in an amount of up to \$253 million dollars to finance the acquisition (and renovation of St. Michael's Hospital).

Notwithstanding the State's overall plan to reduce the number of acute beds in Newark and northern New Jersey, the specific conditions set forth in the financing memorandum do not contemplate closure of these facilities before a CN for closure has been secured (indeed specify closure of Columbus within 12 months of the issuance of the bonds, and closure of St. James prior to acquisition or six months after acquisition by CHE)¹, do not require closure of all other non-acute services, and surely do not sanction the chaos and fear that now exist. The State's intent to rationalize health care presupposes, and does not obviate its authority and obligation under the CN statute and regulations to determine, in consultation with providers, community residents, other hospitals and the applicant whether to close a hospital completely, require the continuation of certain services, impose certain conditions upon the closure and to ensure that the public is not adversely affected; this decision is not Cathedral's alone. There are public voices presenting alternative scenarios that must be heard prior to permitting closure, and it is those voices to which you must listen and give proper consideration. Accordingly, there is simply no justification for permitting Cathedral and CHE to circumvent and disrespect the CN and CHAPA processes in this case, and by doing so disrespecting and mistreating the residents of Newark. City Council meetings and task forces organized by local public officials, and occurring within the context of contemporaneous cessation of services, are not adequate substitutes for processes provided by the State, and direct regulation by the State.

If the justification for the State's passivity in this case is due to the inadequacy of the CN process to handle hospital closings, then it is the obligation of the Department of Health and Senior Services to change the process. New Jersey Appleseed is more than willing to work with the Department to develop a process that entails an early warning system, hospital distress technical assistance and most importantly, the implementation of a decommissioning plan template that requires coordination with all health care providers in an area, the holding of community forums to figure out special needs, transportation issues and other logistical matters, a financial viability assessment between and among providers, and minimum timeline in which such decommissioning must occur. Despite the absence of such a formal process now, the State must take action consistent with such a process.

In specific, we urge the Department to take immediate action to compel Cathedral to stop the closure of St. James Hospital and not commence the closure of Columbus Hospital until a coherent transition plan is developed with all providers and all health care institutions in Newark and a full understanding of residents' health needs, cultural and language needs, and transportation needs are well understood. We applaud the conditioning of the State's financing of this transaction on recognition of existing labor organizations as exclusive collective bargaining representatives, but the State's demand that CHE conduct a community needs

¹ Memorandum dated January 8, 2007 from Health Howard, and Mark E. Hopkins to Robert V. Stanek and Peter DeAngelis concerning Proposal on Structuring a Financing under the Hospital Asset Transformation Program for Catholic Health East's Acquisition and Transition of St. Michael's Medical Center and St. James Hospital and Columbus Hospital ("Financing Memo") at pg. 3.

assessment within two years of the transfer of ownership (Finance Memo at 6) is simply not sufficient. Such assessment must occur now, and must occur prior to permitting closure of St. James and Columbus Hospitals and agreeing to put \$130 million dollars into renovating St. Michaels, and approximately \$120 million dollars to assume the liabilities and debts of all three hospitals.

Thank you for your consideration of our comments. New Jersey Appleseed intends to submit further comments pursuant to the CHAPA process at which time we will have been given a copy of the Sales Asset Purchase Agreement (in contrast to a summary given to the Board of Cathedral in early January), and will have had the opportunity to hear from all the stakeholders in this process as to whether or not this acquisition plan, which does not specify which non-acute care services will remain at St. James and Columbus, will have an adverse health impact on Newark residents.