



CHAPA Talking Points

My remarks will be very brief, and I will provide more detailed comments to the AG within the next seven days. And, I would request that Appleseed's CN comments, dated December 23, 2015 be incorporated in the official CHAPA record.

Sad time for the Greater Newark Area: the demise of the Cathedral Healthcare System that in the early 2000 consisted of at least four major hospitals (Hospital Center at Orange, St. James, Columbus and St. Mike's); all but one has closed, and now the system's alleged starship is posed to be converted to a for-profit hospital.

Simply put, based on NJ Appleseed's observation of the demise of these four hospitals as vibrant, charitable organizations serving the communities in which they were located, I feel that the Board of Directors of the system have done a grave disservice to the community in the way they closed Orange, St. James, and Columbus hospitals and failed to transform those facilities into vibrant healthcare facilities tailored to meet the actual health needs of the community, and now, in the way they are selling SMMC for the second time; the first being the sale to Catholic Healthcare east in 2008.

One would have thought that the Board would have learned lessons about transparency, engaging the community, and responding to the very Community Health Needs Assessments that such closures produced as part of the respective CN processes approving closure. There is no FQHC at St. Columbus, and the FCHC located at St. James is very limited and in a precarious situation because the facilities were sold to a for-profit; and Hospital Center at Orange is left vacant and deteriorating, although community members wanted to renovate the old nursing school as doctor's offices and clinics but were denied ostensibly because the buildings had to be sold to cover a \$40million pension liability.

Instead, the Board of Directors buckled down this time, and made the process even less transparent than the previous sale/closure processes: their Board minutes were silent as to the sale process generally, the selection process used, their efforts, if any, to get a new owner to assume or pay off the \$230million public debt on the facility, and most importantly, whether they even considered transforming this facility into an acute care hospital with more emphasis on out-patient clinics, and services targeted at the actual needs of Newark residents, rather than continuing to focus on emergency room care, heart surgery and cancer care. SMMC exists in a city with New Jersey's only public hospital, and three other hospitals (the Beth, Clara Maas and East Orange); and to serve Newark's residents best, the Board had a fiduciary obligation to ensure that the hospital coordinates care with those hospitals to ensure that all better serve the

New Jersey Appleseed
Public Interest Law Center of New Jersey
744 Broad Street, Suite 1525
Newark, New Jersey 07102

Phone: 973.735.0523 Fax: 973-710-4653
Email: steinhagen_pilc@yahoo.com
Website: www.njappleseed.org

community and are all financially sustainable. That was the Commissioner's message when she made the creation of the CEO Working Group a condition of the closure of St. James and Columbus, and the sale of SMMC to CHE. And that is the message of the Navigant Report for the Greater Newark Area that was released in March 2015.

Instead, it appears that the Board of Directors closed its eyes to this report, and pushed right ahead with its own agenda finally filing for bankruptcy with the explicit purpose to call the "State's hand."

Well, this is not only an abuse of the bankruptcy process, but NJ Appleseed asserts it also reveals the Board's disregard for the CHAPA process, their common law fiduciary duties that are codified in that law, and the public interest involved. If the Attorney General let's SMMC get away with its disregard for the law, its disregard for the health of Newark residents (by selecting a for-profit entity that is committed to a business model that ultimately harms the public—as we have detailed in our CN comments—and has a federal fraud investigation and several civil complaints pending against it that remain unresolved), its disregard of the Navigant Report, and its disregard for the New Jersey taxpayers who are left with paying off approximately \$180million in debt while handing over a charitable health care asset, debt-free- to a for-profit entity, then we can declare the regulatory process overseeing hospital change of control decisions dead, a walking zombie at best.

NJ Appleseed therefore urges the AG and the Commissioner to find that the proposed transaction is against the public interest, and that the matter has to return to bankruptcy court for another auction. This time, HCFAA must credit bid, take ownership of this hospital and transform it into the healthcare facility Newark residents need at the same time as it maintains jobs, and generates the revenue to pay-off the bonds.

Thank-you.