



State of New Jersey
DEPARTMENT OF HEALTH
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Commissioner

November 30, 2022

VIA ELECTRONIC & FIRST-CLASS MAIL

Joseph F. McElwee, Vice President
CSH Scotch Plains Lessee, LLC
1275 Pennsylvania Avenue, NW, Second Floor
Washington, DC 20004

Re: CSH Scotch Plains Lessee, LLC
Scotch Plains Assisted Living
ERCN#: 2022-02270-20;01
Proposed Assisted Living Facility
Total Project Cost: \$29,000,000
Expiration Date: November 30, 2027
Amended Letter

Dear Mr. McElwee:

Please be advised that the Department of Health (Department) is approving the Expedited Review Certificate of Need application for CSH Scotch Plains Lessee, LLC, received on February 1, 2022, pursuant to N.J.A.C. 8:33-5.1(a)(4), to establish a 93-bed Assisted Living Residence, Scotch Plains Assisted Living, located in Union County at 1814, 1820, & 1830 Raritan Road, Scotch Plains, New Jersey 07076. This application is being approved at the total project cost as noted above.

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 CSH Scotch Plains Lessee, LLC, the proposed licensed operator, has provided an appropriate project description. The project description includes information as to the total project cost of \$29,000,000 for the construction of this new Assisted Living facility. The operating costs and revenues were provided, which reflected by the second year of operation, the total revenue would be \$7,937,041 and the expenses would be \$5,709,902; thus, the Applicant would show a profit of \$2,227,139 by the second year of operation. In terms of services affected, the Applicant stated

there are six (6) other similar communities within a three (3) to five (5) mile radius of the site and five (5) of the six (6) communities are more than twenty (20) years old. The Applicant has determined that the six (6) opened competitive communities have current occupancies in excess of eighty-five percent (85%) of their licensed beds. The pre-COVID occupancies exceeded ninety-three percent (93%). As the demand for senior housing is growing in this county and market area, and the current supply of assisted living beds available is limited in the same area, the Applicant does not believe that the addition of its proposed facility will have any negative effect on the service area. On the other hand, the positive effects of the addition of the Applicant's proposed facility include, but are not limited to, the residents of Applicant's facility having a new, state-of-the-art assisted living facility in their hometown. This new facility would provide much needed services to the community in the form of additional assisted living beds and a memory care wing. There is no specialized equipment involved as this is an assisted living facility providing supportive services to include a memory care unit, double occupancy units, and single occupancy units for a largely independent population. The funding sources for the project were listed as bank loans (the lending institution has yet to be determined) and investor equity. Utilization statistics project a 61.5% occupancy rate will be achieved after one year of operation and a 93% occupancy rate after two years of operation.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) referenced the rising population outpacing the current supply of care setting providers, particularly in low-income areas which are unable to bear the expense of market rate providers. Also, the need for better care at lower costs and the ability to fill the need in this market by addressing both availability and accessibility to health and housing resources. The Applicant will provide affordable care to the underserved Medicaid-eligible population where such health services in a non-institutional setting are unavailable to them, promoting both physical and social health. The low cost of care will cater to the surrounding area's residents. The Applicant assured that all residents of the area, particularly the medically underserved, will have access to services (N.J.A.C. 8:33-5.3(a)(2)), and stated this residence would be operated in compliance with the regulatory requirement for admission of Medicaid residents and also will provide services to the memory impaired. In addition, the Applicant stated that the facility design will accommodate those with disabilities, and the facility is accessible to public transportation. Documentation that the Applicant will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)) is shown by the project narrative information on the facility services, and the review of the proposed facility architectural plans by Department staff, which confirmed physical plant compliance with Assisted Living regulations in the Department's October 21, 2022, letter for this project. In addition, CSH Scotch Plains Lessee, LLC 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)). There are no significant regulatory compliance events reported in either the New Jersey or out-of-state facilities which are owned, managed, or operated by the Applicant.

As a condition of this approval, a semi-private room can only be occupied by married couples or civil union partners, relatives, individuals related by blood or adoption, or friends who have consented in writing as part of the admission agreement to the living arrangement. The admission agreement should note that the resident is aware he or she will share a single toilet/bath in the unit and acknowledges there are higher health risks associated with shared occupancy and cohabitation. Under no circumstances shall any resident be coerced or compelled to agree to a semi-private room.

Please be advised that this approval is limited to the application as presented and reviewed. The application, related correspondences, 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.

Pursuant to N.J.S.A. 26:2H-12.16 and N.J.A.C. 8:33H-1.7(f), an existing assisted living residence that adds additional assisted living beds shall be required, as a condition of licensure approval, to maintain 10 percent of the additional licensed beds for Medicaid-eligible persons through Medicaid conversion of persons who enter the assisted living residence as private-paying persons and subsequently become eligible for Medicaid, or through direct admission of Medicaid-eligible persons. An assisted living residence shall achieve this 10 percent Medicaid utilization in the additional beds within three years of licensure to operate these beds and shall maintain this level of Medicaid utilization thereafter.

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 of any municipality 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 the Certificate of Need and Healthcare Facility Licensure Program to operate this facility. A survey by Department staff will be required prior to commencing services.

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

Sincerely,

Robin C. Ford

Robin C. Ford, M.S.
Deputy Commissioner
Health Systems
New Jersey Department of Health

cc: S. Mozgai, (DOH email)
M. Kennedy (DOH email)
L. Clelland (DOH email)
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