



State of New Jersey
DEPARTMENT OF HEALTH

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Acting Commissioner

February 14, 2024

VIA ELECTRONIC AND FIRST CLASS MAIL

Ms. Audrey Meyers
President & Chief Executive Officer
Valley Health System
223 North Van Dien Avenue
Ridgewood, New Jersey 07450

Re: The Valley Hospital
CN# ER 2017-0201-02
Change in Cost and Scope
Total Project Cost: \$868,743,683
Expiration Date: **June 30, 2024 (This is the expiration date set forth in the change of scope/cost and extension of time approval letter issued by the Department of Health on September 12, 2022)**

Dear Ms. Meyers:

Please be advised that the Department of Health ("Department") is approving The Valley Hospital's ("Valley") latest change in cost and scope Certificate of Need ("CN") application, received on March 8, 2023, in accordance with N.J.A.C. 8:33-5.1(a)(2). The original CN # FR 17 0201-02-01 for the replacement/ relocation of The Valley Hospital (License 10211) from its existing location at 223 North Van Dien Avenue, Ridgewood, New Jersey in Bergen County, to a new location on 650 Winters Avenue, Paramus, New Jersey, also in Bergen County, was approved on December 29, 2017 for a period of five years and was due to expire on December 29, 2022.

The Department subsequently approved a change in cost and scope, and extension of time Certificate of Need application CN# ER 2022-06289-02-01 in a September 12, 2022 letter which listed the new project cost as \$830,891,121, originally identified as \$752,608,000, and provided a new expiration date of June 30, 2024. With this latest CN# ER 2017-0201-02 application, the Department is approving a new project

cost of \$868,743,683 with the changes in the scope or bed services as represented in the chart set forth below. There is no extension of time requested for the prior end date of June 30, 2024, by which time Valley is expected to open at the Paramus site. This revised total project cost will be financed by available cash, loans, grants, and fundraising; therefore, this application is being approved at the total project cost as noted above. Any later increase in total project cost will be reported by the Hospital when construction is completed.

The CN application for change in scope modifies the numbers of the categories of licensed beds as follows:

<u>Bed Category</u>	<u>CN-approved capacity</u>	<u>Capacity from Last Change in Scope Application – Sept. 2022</u>	<u>Current Revised Capacity</u>	<u>Change in scope</u>
Medical Surgical	242	228	268	+40
Critical Care	56	72	48	-24
OB	40	44	44	0
Pediatrics	14	10	6	-4
RDU	20	10	0	10 RDU now in ED
Total	372	364	366	+2

The above chart is based on the one included in the last change in scope approval letter, to show a consistent listing for the Hospital's bed count since the prior September 2022 ERCN application letter. The chart shows a reduction in Critical Care beds. Upon re-evaluation of its need for critical care capacity since the past surge of COVID-19 cases, Valley has indicated that a reduction in critical care capacity and a commensurate increase in medical-surgical capacity is appropriate to address current patient needs. As noted above, there is no proposed change in Obstetric (OB) bed capacity. The reduction in general pediatric beds is requested to realign the bed count, given the current decreased volume as demonstrated in recent admission statistics. Although not reflected in the above chart, Valley Health currently has 4 Pediatric Intensive Care Unit (PICU) beds on its license and will continue to have 4 PICU beds at the new site.

In addition, although the chart shows that the designated Rapid Decision Unit (RDU) capacity is now zero, this results from the recent Emergency Department expansion, so ten of the original Emergency Department bays will serve as a rapid decision area. The latest change in scope reflected in the above chart results in an overall slight increase in the total licensed beds from 364 to 366 for the categories listed above. It is further noted that accounting for PICU beds increases the total bed count to 370. Although not listed in the above chart, the hospital at the Paramus location will also continue to have 6 Neonatal Intensive Care Unit (NICU) beds and 9 Neonatal Intermediate Care beds. Although Valley has built additional NICU capacity at the Paramus campus, the Department has approved only the NICU capacity noted here, and

Valley has confirmed their planned compliance with that approved occupancy. Since the September 2022 CN application, the Department has granted a waiver for a ratio of 21 Well Baby Bassinets for the 44 OB beds.

Valley had proposed earlier that 30 medical-surgical beds in a designated unit remain at the Ridgewood site post-relocation to be used only for acute medical detoxification. The Department is confirming that these medical-surgical beds will be licensed under N.J.A.C. 8:43G and will be listed on the amended license for the new Paramus hospital site. These 30 beds must be used exclusively for acute medical detoxification.

The increase in total project cost from the amount listed in the Department's September 12, 2022 letter of \$830,891,121 to the current amount of \$868,743,683 is based on added costs for converting an administrative area in the new hospital to use for 16 patient rooms; adding treatment rooms in the Emergency Department; and foundation work in the parking garage. The current submission also confirmed that, with financing through the approval of an additional \$35,000,000 capital investment and a grant from the New Jersey Board of Utilities Clean Energy Program which would help to fund the Co-Generation project, there will be sufficient funds to cover this increase in project costs.

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 Valley has provided an appropriate project description. The project description includes information as to the 2022 total project cost of \$830,891,121, revised to \$868,743,683 to account for the new construction costs referenced prior. The projected operating costs and revenues were provided for 2024, which is the year when the relocation will be completed, which show the total revenue would be \$1,055,076,656 and \$967,293,344 for expenses, with a profit of \$87,783,312.

Valley stated that they do not foresee any negative implications associated with this change in project scope or cost. In terms of services affected, Valley noted that the above-proposed change in scope will be beneficial given the need for health care in northern New Jersey. Valley also has proposed that the current hospital building in Ridgewood be re-purposed as an ambulatory care facility to include certain support services currently under discussion, and the 30 acute medical detoxification inpatient beds which, with the Paramus hospital services proposed, will provide needed services to the community. The Department has not approved any other proposed use for the Ridgewood building post-relocation to date, and any other proposal would be subject to prior review and approval.

As discussed in detail in the Department's December 29, 2017 approval letter, the option for relocation as compared to other options was thoroughly examined and confirmed as the most feasible choice. The effects on neighboring hospitals were examined then, and the Department's conclusion that this relocation would not cause significant harm to any other area hospitals is still applicable to this current change in scope. Concerning the requirement at N.J.S.A. 26:2H-8(b) to consider the need for special services or equipment within the area, the Department's original conclusion that

this requirement would be met because the proposed new facility would be a replacement hospital, offering essentially the same services currently licensed at the present hospital, still applies.

The justification for the proposed project (N.J.A.C. 8:33-5.3(a)(1)) was fully discussed in the Department's December 29, 2017 approval letter for this project. Valley has assured that all residents, particularly the medically underserved, will have access to services in the relocated hospital (N.J.A.C. 8:33-5.3(a)(2)). In addition, Valley indicated that the facility's design will accommodate those with disabilities and its location would be accessible to public transportation. Valley stated that it will operate its non-emergent transport van, which provides free transportation to and from the Hospital's campuses to residents within a 30-minute drive, for patients who do not have a means of transportation. Documentation that Valley will meet appropriate licensing and construction standards (N.J.A.C. 8:33-5.3(a)(3)(i)) is evidenced in the submission and review of architectural plans, with the most recent Department letter on the revised plans sent on August 25, 2023, confirming that the most recent plans, including those related to the project revision located in the Emergency Department, comply with relevant standards. In addition, Valley 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)) as there are no significant regulatory compliance events reported concerning the Hospital.

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

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 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 Valley's patients. If you have any questions concerning this Certificate of Need approval, please do not hesitate to contact Michael J. Kennedy, J.D., Executive Director, Division of Certificate of Need and Licensing at Michael.Kennedy@doh.nj.gov.

Sincerely,

Robin C. Ford

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

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- Jennifer Olsen, Valley Health System (Electronic Mail)
- Stephanie Mozgai, DOH (Electronic mail)
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